



**For Immediate Release
January 4, 2007**

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NTEU President Kelley Calls for Additional IRS Staffing As Key to Cutting Multi-Billion-Dollar Tax Gap

Washington, D.C.—The leader of the union representing Internal Revenue Service (IRS) employees today called on the White House to include in its upcoming budget proposal for fiscal 2008 sufficient resources to allow the IRS to generate a meaningful reduction in the multi-billion-dollar gap between taxes owed and those paid. The ‘tax gap’ is estimated at \$345 billion annually, and growing.

NTEU is also calling on the administration to request funding for the IRS over and above what will be provided in the year-long Continuing Resolution to bring in additional revenues.

“Unless the administration asks Congress for more resources for front-line IRS staffing, it cannot realistically expect to reduce the tax gap by a significant amount,” said President Colleen M. Kelley of the National Treasury Employees Union (NTEU).

The IRS’s own annual reports and other data show that while the number of tax returns has continued to climb, IRS staffing has continued to decline—from some 114,000 in 1995 to only 94,000 today. NTEU is supporting a two percent annual net increase in staffing (roughly 1,885 positions per year) over a five-year period to gradually rebuild the depleted IRS workforce to pre-1998 levels.

“If the administration is serious about closing the tax gap,” Kelley added, “it needs to ask Congress for more people to bring IRS staffing back up to pre-1998 levels, along with providing the agency with a dedicated funding stream, if necessary,” she added. The White House budget proposal is due Feb. 5.

“Drastic reductions in IRS personnel, particularly in the areas of enforcement, hamper the agency’s ability to seriously address the gap between what is owed and what is collected,” Kelley said. “Evidence abounds that over the past 10 years, the IRS workload had increased while its workforce has shrunk—a problem exacerbated by an increasingly complex tax code.”

The loss of IRS personnel has been particularly severe in two groups that are key to closing the tax gap, Kelley said. The number of Revenue Officers has declined by some 40 percent, from more

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More IRS Staffing Key to Cutting Tax Gap—Add One

than 8,100 to only 5,000—while the ranks Revenue Agents has fallen by about 30 percent, from more than 16,000 to about 11,500. “In order for the IRS to fulfill its enforcement mission,” she said, “it must be returned to its pre-1998 staffing level.”

In support of such a boost, President Kelley pointed to a report provided to the public-private IRS Oversight Board by a former IRS commissioner that an investment of only \$296 million in field and phone accounts receivable positions within the agency would return some \$9.47 billion to the Treasury in delinquent taxpayer account payments—a return of \$30 for every \$1 spent on staffing.

Kelley noted that one viable option to fund new staffing is to allow the IRS to retain a small portion of the revenue it collects to invest in hiring, training and paying new staff.

“Current law allowing private companies to collect federal taxes permits 25 percent of collected revenue to be paid to the companies, circumventing the appropriations process,” she said. “If revenues can be dedicated to contract payments, there is no reason they cannot be dedicated to funding additional IRS staff positions to strengthen enforcement.”

Another option would be for increased revenues generated by increased enforcement efforts to be “scored” under Congress’ arcane budget rules to reflect the reality that a dollar spent in this effort is more than offset by dollars returned to the Treasury.

“In order to meet the fiscal challenges in the years ahead, it is imperative to reverse the severe cuts in IRS staffing levels and begin providing adequate resources to meet these challenges,” President Kelley said.

NTEU is the largest independent federal union, representing some 150,000 employees in 30 agencies and departments.