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STATEMENT OF  
WILLIAM J. ANDERSON, DIRECTOR  
GENERAL GOVERNMENT DIVISION  
BEFORE THE  
SUBCOMMITTEE ON COMMERCE, CONSUMER  
AND MONETARY AFFAIRS OF THE  
HOUSE COMMITTEE ON GOVERNMENT OPERATIONS  
ON THE ADEQUACY OF IRS' RESOURCES



Mr. Chairman and Members of the Subcommittee:

We are pleased to be here today to assist your Subcommittee in considering the adequacy of IRS' resources, particularly its resources for fiscal year 1983. Our testimony is based primarily on our overall experience gained from conducting audits of tax administration operations and activities. Over the past several years, we have reviewed and reported on most of IRS' major programs and activities. We will soon issue a comprehensive report on how IRS allocates resources among its various compliance programs.

The thrust of our testimony today, Mr. Chairman, is that IRS needs additional resources to effectively administer our Nation's tax system and collect the revenues required to defend and operate

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our country. Of course, we continue to believe that administrative and legislative actions can be taken which would allow IRS to make more efficient and effective use of its existing resources. However, these actions alone will not be sufficient. IRS' workload continues to grow because of (1) the decline of voluntary compliance with the tax laws, (2) the increase in the scope and complexity of the laws IRS is charged with enforcing, and (3) the increase in the number of returns filed. IRS' resources have not kept pace with these trends. It is imperative that IRS have sufficient resources to maintain the integrity of our tax system and collect the revenues necessary for financing essential Government activities.

IMPORTANCE OF  
TAX COLLECTION ACTIVITIES

The Federal Government's financial well-being depends, in large measure, on whether people are willing and able to support our Nation's tax system. The system, which is based on voluntary compliance, is generally regarded as the most efficient, effective, and fair approach for carrying out the unpopular function of collecting the revenue necessary for national defense and other essential Government activities. As shown in attachment I to my statement, our tax system provides over 90 percent of the revenues for financing the Government's programs and activities. In 1981, the system provided about \$600 billion in revenue from all sources, and IRS' budget was \$2.5 billion. Thus, the average cost to collect \$100 was just 41 cents.

To assure that the tax system provides maximum revenue at least cost, IRS must strive to achieve the highest possible degree of voluntary compliance with the tax laws. But, growing numbers of people in this country are unwilling to comply voluntarily, and even a slight decrease in compliance levels translates into billions of dollars of foregone tax revenue annually. This is very significant in view of the huge deficits the Federal Government incurs to meet its obligations.

TAXPAYER COMPLIANCE  
HAS DECLINED

Despite the importance of our Nation's tax system, it is not in as good health as it should be. There is a trend toward contempt and abuse of the system which seriously undermines the basic concept of voluntary compliance on which the system depends. Extensive evidence is available to show that noncompliance among both corporate and individual taxpayers is a serious problem and is getting worse.

One source of evidence is IRS' September 1979 report on income not reported by individuals for tax purposes. This study, coupled with other IRS data, shows that for tax year 1976 individual taxpayers failed to pay taxes totaling up to \$27.6 billion. This shortfall resulted from four types of noncompliance:

- Failing to report all income on which tax is due (\$20.0 billion).
- Nonfiling of returns by persons with tax liability (\$2.5 billion).

--Failing to pay tax reported on returns filed (\$1.5 billion).

--Overclaiming of deductions, exemptions, and credits (\$3.6 billion).

Had individual taxpayers alone fully complied with the tax laws in 1976, the additional taxes generated would have reduced the fiscal year 1977 Federal budget deficit by 58 percent.

IRS is updating and expanding its 1976 figures and will release new estimates soon. However, some preliminary estimates, not yet finalized and publicized by IRS, indicate that the total tax revenue losses may have tripled since 1976.

Another source of evidence is IRS' Taxpayer Compliance Measurement Program (TCMP), which periodically estimates voluntary compliance levels among individual taxpayers and some corporations who file returns. These studies provide the best available measure of noncompliance involving the overstating of offsets to income (exemptions, deductions, and credits). However, IRS has made other studies which indicate that TCMP detects less than one-half of the estimated unreported income. As shown in attachment II to my statement, unreported income, which is commonly associated with the subterranean or underground economy, is the largest form of noncompliance--accounting for almost three-fourths of the estimated foregone tax revenue in 1976.

Even though TCMP surveys do not measure total taxpayer non-compliance, the results of those surveys can provide some insight into voluntary compliance trends since 1965. These studies show that in the 11 years from 1965 to 1976, compliance rates, in terms

of dollars of tax liabilities accurately reported, dropped by 2 percent, from 94.3 percent to 92.3 percent. Had the compliance rate remained at the 1965 level of 94.3 percent, tax assessments in 1976 would have been \$9 billion higher.

Compliance among certain taxpayer classes has seriously deteriorated since 1965. Compliance among four of the seven classes IRS measures was below 90 percent in 1976; whereas just one class was below 90 percent in 1965. For example, compliance among individual taxpayers who own small businesses with under \$10,000 income dropped from 79.2 percent in 1965 to 43.2 percent in 1976. That means that these taxpayers as a class paid only 43 percent of the taxes they owed in 1976.

The noncompliance problem is not restricted to individual taxpayers. For example, according to TCMP results, compliance among small corporations, those with assets of up to \$1 million, dropped about 10 percentage points, from 83.1 to 73.3, between 1969 and 1978. Tax revenue losses for the three corporate classes IRS measured through TCMP in both 1969 and 1978 more than doubled, from \$600 million to \$1.3 billion between those years. Compliance among those three classes of corporate taxpayers was 88.0, 90.7, and 63.0 percent in 1978. For all the corporate taxpayers measured through TCMP in 1978, including some not measured in 1969, the estimated tax loss was \$2.3 billion for 1978. As with individual taxpayers, the major form of the corporate noncompliance was unreported income, comprising about two-thirds of the noncompliance among corporate taxpayers.

Along with the general decline in voluntary compliance among both individual and corporate taxpayers, several special compliance problems and issues have emerged in recent years which further jeopardize the tax system. These include: (1) abusive tax shelters; (2) tax protesters; and (3) use of overseas tax havens. While each of these problems is complex enough to merit its own testimony, I will just highlight them.

--IRS considers the proliferation of abusive tax shelters to be a major tax compliance problem. IRS reports that some 248,000 tax returns involving abusive tax shelters were under examination at the end of fiscal year 1981, at least 50,000 more than 1 year earlier. IRS estimates that abusive tax shelters cost the Government approximately \$3.6 billion annually in lost revenue.

--Illegal tax protesters are those who advocate and/or participate in certain schemes that result in tax evasion. IRS estimates that the number of protester returns filed in 1981 totaled about 27,300--a 283 percent increase from 7,100 in 1978.

--Use of overseas tax havens has grown rapidly in the past several years. Because of inherent limitations on U.S. information gathering and enforcement activities in foreign countries, tax havens are an exceedingly difficult compliance problem.

INCREASING SCOPE AND  
COMPLEXITY OF TAX LAWS

Interrelated with the noncompliance problem is the scope and complexity of the tax laws which has added to IRS' administrative burden. The tax laws often complicate IRS' audits of tax returns and produce numerous controversies between IRS and taxpayers. Resolving these controversies has become a troublesome and expensive matter for both the Government and the taxpayer.

Recently enacted legislation has created even greater difficulties in interpreting and enforcing the tax laws. For example, while the Economic Recovery Tax Act of 1981 may have simplified tax administration in some areas, it complicated the tax system in others. Those areas, to mention a few, relate to indexing tax rates for inflation, various savings incentives such as IRAs, and the marriage tax penalty. The Economic Recovery Tax Act alone amended, added, or repealed over 200 sections of the Internal Revenue Code.

Changes due to the Economic Recovery Tax Act and other legislation in recent years created the need for new regulations. Available figures show regulations awaiting promulgation increased from 140 in January 1967 to 378 in January 1982, a 170 percent increase. Major tax legislation has caused sizable increases in the backlog; for example, the Economic Recovery Tax Act alone is responsible for 90 new regulations which are scheduled for completion by 1984. The priority assigned to these new projects impacts on the existing backlog by causing further delays in already pending projects.

Legislative changes have also created the need for new and revised tax forms, schedules and instructions. Between 1977 and 1981 such changes resulted in 46 new tax forms and 1,093 revisions to existing forms, 429 of which related to the Economic Recovery Tax Act.

In addition, because of the increasing complexity of the laws, taxpayers are more frequently objecting to IRS' audit determinations and taking advantage of their rights to appeal faster than IRS and the courts can hear the cases. As a result, the IRS Appeals Division backlog increased 2 percent from September 30, 1980, to September 30, 1981, when more than 27,000 cases were awaiting appeals actions. The rate of backlog growth in the courts is much greater, especially in the U.S. Tax Court where the number of cases pending trial increased from 34,000 to 45,400, or 33 percent, between September 1980 and September 1981.

Furthermore, Mr. Chairman, we note as perhaps another indicator of the increasing scope and complexity of the tax laws that, for the first time ever, the Commerce Clearing House published the tax code in two volumes this year rather than one.

IRS' COMPLIANCE RESOURCES HAVE  
NOT KEPT PACE WITH GROWING  
WORKLOAD DEMANDS

As the Federal agency responsible for administering the Nation's tax system, IRS must cope with an increasing workload created by the year-to-year growth in the taxpaying population as evidenced by the increasing number of tax returns filed.



Of course, IRS must also respond to additional workload created by deteriorating compliance and by new tax legislation. IRS has one of the largest workforces of all Federal nondefense agencies and is requesting \$2.9 billion to support 88,700 staff years for fiscal year 1983. In the past several years, however, its resources have not kept pace with the growth in its workload.

IRS expects 144 million tax returns to be filed in 1983, including 98 million Form 1040s and Form 1040As. In contrast, only 123 million were filed in 1976, including 83 million Form 1040s and Form 1040As. This is an overall growth of 17 percent. While increases in return filings do not necessarily require proportionate increases in IRS resources, it is still noteworthy that, between 1976 and 1983, the number of returns filed will increase by 17 percent. IRS' resources, however, will increase by only 5 percent, from 84,300 to 88,700 staff years--about a third the rate of the workload increase.

Attachment III to my statement shows the resources and workload trends for major IRS components for fiscal years 1976 through 1983. To illustrate the increasing demands being placed on IRS resources, I would now like to discuss several specific IRS programs and activities.

IRS' examination resources have failed to keep pace with the increase in tax return filings, and the tax revenue shortfall is increasing. As mentioned earlier, filings will increase 17 percent from 1976 to 1983. However, examination resources received from 1976 to date and requested for 1983 will have increased by only 2 percent. This 17 percent increase in filings,

combined with the increasing complexity of the returns filed, will reduce coverage from 2.6 percent in 1976 to an expected 1.67 percent in 1983.

Based on TCMP data, IRS projected that a total of \$19.8 billion in additional taxes were not assessed in 1980. However, at the 1980 coverage level of 2.12 percent of 1979 filings, IRS' examinations resulted in a recommended \$2.8 billion in additional taxes for individual tax returns--a shortfall of \$17 billion. IRS recently made preliminary estimates that this tax shortfall is growing at an annual compound rate of 13.5 percent. At this rate, the cumulative shortfall could be as much as \$135 billion for the 5 years 1981-85.

IRS' collections resources have also failed to keep pace with growing delinquent account inventories. According to IRS, tax revenue tied up in delinquent accounts will almost triple between 1976 and 1982--increasing from \$1.7 billion involving 614,000 accounts in 1976 to an estimated \$4.8 billion involving 1.5 million accounts. However, these figures understate the total collection problem because they refer only to the year-end inventories of active accounts receivable. On this basis, IRS would have reported \$4.7 billion not collected at the end of fiscal year 1981--but the actual amount outstanding was \$20.5 billion. In addition to the \$4.7 billion, the \$20.5 billion included:

- Accounts which were in notice process (\$8.8 billion).
- Accounts classified as currently not collectible (\$3.9 billion).

--Installment and deferred accounts (\$.8 billion).

--Accounts set aside for further investigation or adjustment (\$2.3 billion).

Despite large increases in delinquent accounts, IRS resources devoted to the collection of such accounts was about the same in 1980--about 9,400 staff years--as it was in 1976. However, IRS is requesting an increase to about 10,800 staff years for 1982 and to about 13,700 staff years for 1983. With those higher staffing levels, IRS expects the ratio of active accounts to staff years to be improved.

The fact that IRS is required to administer new and often extremely complex tax laws has also impacted on its resources. The Crude Oil Windfall Profit Tax Act of 1980 is one example. This act is expected to raise more than \$227 billion in net additional revenue by 1990. As I stated before this Subcommittee on April 13, 1981, the act is very complex and present compliance levels are unknown. IRS had to undertake this major new responsibility with no increase in resources to date. One result will be an estimated \$150 million in foregone revenue that would have been generated annually by the examiners who were diverted from regular examinations to Windfall Profit Tax examinations.

ADMINISTRATIVE AND LEGISLATIVE IMPROVEMENTS  
COULD HELP CLOSE THE GAP BUT ADDITIONAL  
RESOURCES ARE ALSO NEEDED

Various administrative and legislative actions would permit IRS to make more efficient and effective use of its existing resources. However, such actions alone would not be sufficient

to counter the growth in workload brought on by decreasing compliance, the increasing scope and complexity of the tax laws, and the increasing number of returns filed. Therefore, additional resources are needed if IRS is to maintain the integrity of the tax system and achieve maximum collection of Federal revenues.

Available Resources Can  
Be Used More Efficiently

Our work has shown that IRS can improve the management of its compliance programs and other activities to permit more efficient use of existing resources. We have noted, for example, that IRS is at a serious disadvantage in deciding how to best structure its compliance activities to better cause people to comply with the tax laws. IRS lacks sufficient data to understand how its compliance programs, individually and collectively, affect compliance. Even so, IRS has allocated more than half (about 54 percent in 1980) of its compliance-related resources to the examination program on the assumption that this program can achieve a 90-percent compliance level for all taxpayer groups.

Our work has shown that the examination coverage IRS has been able to provide has been inadequate to establish and maintain compliance levels at 90 percent or higher for some taxpayer groups. In fact, the compliance levels for all taxpayer groups that IRS measures have steadily declined since 1965. Furthermore, in allocating compliance resources to and within the examination program, IRS has purposefully foregone optimizing tax revenue. IRS has also favored the examination program over some other programs

that are designed specifically to detect unreported income--the major compliance problem.

In a report soon to be released to the Congress, we are recommending several steps that IRS should take to better understand the compliance problem and to improve its resource allocations. Over the long run, IRS must do further research to obtain data on how and why its compliance programs influence the willingness of people to properly assess and pay their income taxes. Such data are essential to optimally allocate available resources in a way that best stimulates voluntary compliance.

In the short run, IRS should give greater emphasis to reducing foregone tax revenue in allocating resources among and within its compliance programs. To do that, IRS needs accurate data on the cost and revenue yield of its compliance programs. Generally, it has data showing only "average" dollar yields. IRS' management information systems do allow measurements of yield "at the margin" for the examination program, but they do not provide marginal yield data for other compliance programs.

Although IRS' cost/yield data must be used with caution, we can state with some confidence that additional resources in various programs would provide average revenue yields that significantly exceed average cost. This is particularly true for accounts receivable, where additional resources would have a sizable immediate impact on revenue collections. Unfortunately, however, the shortfall in IRS' management information is such that neither IRS nor we can estimate accurately how much revenue will be secured through an increase in resources or which

programs provide the best dollar return for each additional investment. No one knows where diminishing returns will make further resource investment uneconomic at the margin.

In addition to administrative changes, legislative actions are needed in selected areas. Attachment IV to my statement lists legislative and administration recommendations still open which would contribute to improved compliance and/or IRS efficiency.

MORE RESOURCES ARE NEEDED

Even though IRS can use its resources more efficiently and effectively, the magnitude of the compliance problem and the increase in both the number and complexity of return filings pose demands for IRS so great that program efficiencies, including optimal resource allocations among programs, will go only so far in protecting the tax system. In our view, an increase in IRS' resources is warranted. Such an increase, within reason, would not increase the Federal budget deficit. This is because IRS' compliance programs, on the average, generate tax revenue in amounts that far exceed the programs' cost. For example, the average-yield-to-cost ratio was 8:1 for examination of returns and 21:1 for working delinquent accounts in 1981, according to data compiled by IRS. Additional information on program cost/yield ratios is given in attachment V to my statement.

In the fiscal year 1982 budget request, the Administration originally proposed a staff level of 88,000 for IRS. Concerned that this resource level might not be adequate, the House Ways and Means Oversight Subcommittee held hearings in May 1981.

During those hearings, we stated that IRS resources were insufficient to meet the demands of a growing workload and the problem of deteriorating compliance.

As we suggested during those hearings, IRS provided, at the Subcommittee's request, estimates showing that substantial tax revenue gains could be achieved through relatively small increases in IRS' budget. After analyzing the data provided by IRS, the Oversight Subcommittee wrote the House Appropriations Subcommittee requesting that IRS' appropriation be increased by 1,500 additional staff years and \$38 million. IRS estimated that with those additional resources, it could generate additional revenue totaling \$275 million, a 7:1 yield ratio, and could answer 1 million additional taxpayer inquiries. The House Appropriations Subcommittee approved the suggested increase. The Senate Appropriations Subcommittee reduced the amount but still approved a resource level higher than the Administration had requested. However, because of subsequent Administration activities and the Congress' decision to let IRS operate under a continuing resolution, the actual resources made available to IRS totalled less than 85,000 positions.

If the Administration's request for supplemental appropriations is approved without change, IRS will realize about 85,400 average positions and about \$2.6 billion in fiscal 1982. According to IRS estimates, these reduced resource levels will result in the lowest examination coverage ever, 1.58 percent; a huge accounts receivable inventory of 1.5 million accounts

totalling \$4.8 billion; and, the greatest Tax Court backlog ever, over 45,000 unresolved cases.

I would now like to specifically discuss the adequacy of IRS' fiscal year 1983 budget request. The request shows a staff level of 88,700 and \$2.9 billion in planned expenditures. This represents an increase of about 3,300 average positions and \$328 million above the estimated fiscal year 1982 levels--a 4 percent increase in staff years. However, it is also 50 staff years less than the lowest level initially approved by the House and Senate Appropriation Subcommittees for fiscal year 1982.

The fiscal year 1983 budget does reflect a shift in resources to a seriously underfunded program. IRS proposes to increase resources for delinquent accounts by 3,000 average positions over the fiscal year 1982 level. However, increases scheduled for examination are less than 1,000 positions, raising expected examination coverage by only .09 percent to 1.67 percent. And, with only modest increases in resources for some other programs, IRS will still be unable to keep pace.

The Administration proposes to substantially cut back on IRS' taxpayer assistance activities. Already, IRS has eliminated direct return preparation assistance at walk-in offices and, in total, it expects to provide assistance to 41.4 million taxpayers in fiscal year 1982, 3.4 million fewer than the 44.8 million served in fiscal year 1981. In fiscal year 1983, IRS expects to be able to provide assistance to only 19.4 million taxpayers as its taxpayer assistance staff year allocation declines from about 4,100 to 2,400.



Neither we nor IRS know who will be affected by the cutbacks or how the affected persons will react. We have initiated a major review of IRS' taxpayer assistance activities to obtain information on, among other things, the population groups IRS serves. Until we have completed our work, it is unlikely that the Congress will know which specific taxpayer groups will be most affected by proposed cutbacks. Once these groups have been identified, it may well be possible to better predict the actual effects of the proposed cutbacks.

Also, varying resource levels create a highly disruptive effect on the Service's operations. IRS was authorized about 87,500 staff years in fiscal 1980; 86,200 in 1981; and, 85,400 in 1982. The request for 1983 is 88,700. This ratcheting of staffing levels makes it extremely difficult to develop well-founded plans for acquiring, training, and focusing human resources on the multifaceted task of administering the tax system. A larger and more consistent level of resources to keep pace with growing demands on the tax system appears in order.

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While we know that the compliance problems with the Nation's tax system require attention, we cannot state precisely to which programs additional resources could be allocated to optimize use of all available resources. We do know, however, that additional resources in some programs will result in a large and immediate flow of tax revenue to the Treasury. These resources are not only justified by the potential revenue gains, but--of equal or

more importance--by the need to cope with IRS' increasing workload due to decreasing voluntary compliance, increasing tax law complexity, and increasing taxpaying population.

There are fundamental questions of fairness and of taxpayers' perception which, we think, should also be kept in mind when considering IRS' budget request. Is it fair that the vast majority of taxpayers, despite these difficult economic times, manage to pay their proper share, while

- the returns of many taxpayers with high potential for tax change go unaudited,
- tax evasion goes uninvestigated, and
- unpaid taxes are written off?

Taxpayers' perceptions that others can get away with not complying jeopardizes the entire system. For example, one reason for the growth of the tax protester movement seems to be the apparent success of some protesters who manage to delay or completely avoid paying taxes.

In closing, let me set forth some considerations that the Congress should keep in mind in deliberating on the desirability of providing IRS with more resources.

First, IRS' unique role should be recognized, and the agency should be treated separately on any initiatives aimed at paring the size of the Federal work force. The rest of Government can essentially be lumped together and characterized as the "expenditure side." With some minor exceptions, IRS stands alone on the "revenue side." Actions to cut the cost of Government and scale

back the pervasive Federal presence should not be indiscriminately applied to this agency and its special mission.

Second, it is important to keep in mind that IRS' various compliance activities do no more than require citizens to pay those taxes that were properly due in the first place, and that in fact were so paid by most of their number. Effective compliance should not be viewed as representing a special burden to the public at large; rather it is aimed at ensuring that all share their fair burden.

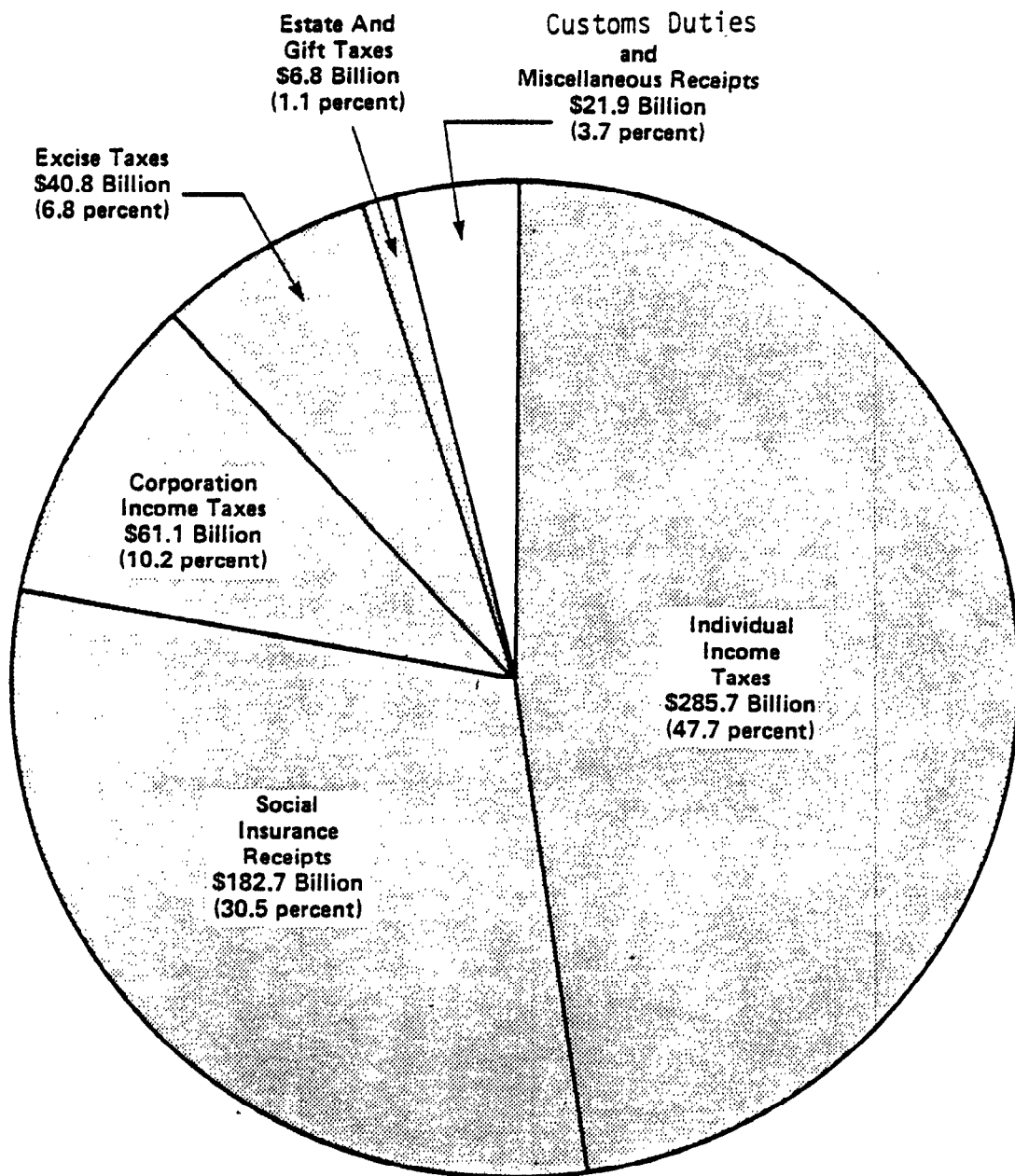
Finally, with respect to the question at hand, namely how many additional resources should IRS be provided with, let me offer the following. There is no doubt that IRS can return in added revenue some multiple of the additional funds it is provided. The problem, however, is trying to identify the optimum application of any finite amount of such resources. Given the lack of available data for making optimum allocations, the best approach might be to ask IRS to come forward again with its informed judgment on how various incremental funding increases would be applied. For example, as before, Congress could task IRS with calculating the operational, revenue, and cost impacts of personnel gains of some staff-year increment, 500 for example, ranging up to perhaps a total increase of 5,000 people.

Let me caution, however, that the resources provided must be adequate for the agency to meet its basic management information needs, such as (1) the need for research to better understand how its activities affect voluntary compliance and

(2) the need to develop a management information system that will provide the marginal cost/yield data necessary for developing a more scientific approach to making resource determinations and allocations.

That concludes my prepared statement. I would be pleased to answer any questions.

Fiscal Year 1981 Actual

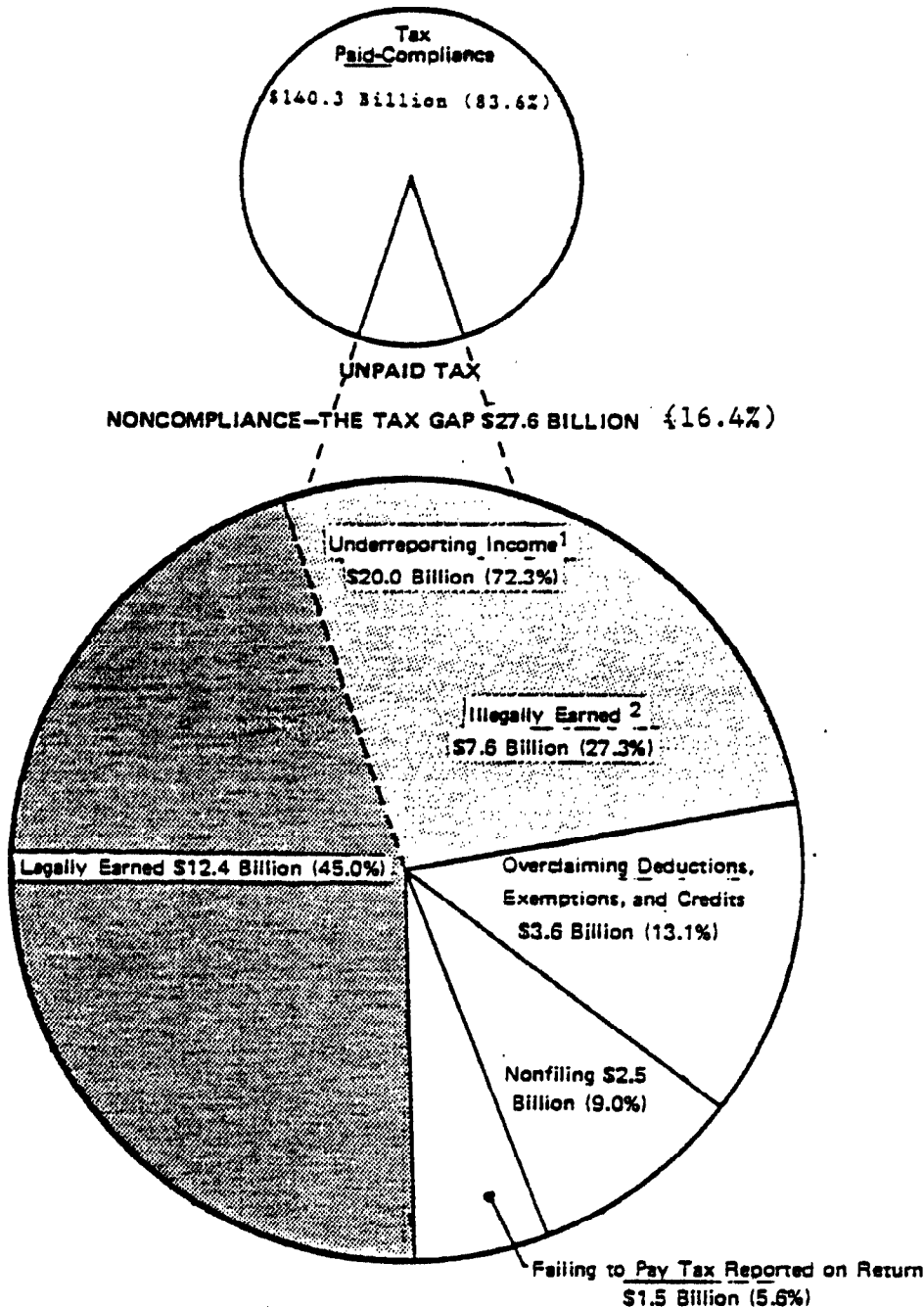


Shaded portion indicates collections made by IRS.

Note: This chart shows receipts only. It does not show that portion of the budget financed through borrowing. Also, a small portion of the excise tax collections is the responsibility of the Bureau of Alcohol, Tobacco and Firearms, Department of the Treasury

ESTIMATED INDIVIDUAL INCOME TAX OWED U.S. IN 1976

TOTAL \$167.9 BILLION



1 Excludes underreported income from nonfilers.

2 Estimate includes only major criminal activity.

IRS RESOURCES AND WORKLOAD BY PROGRAM  
FISCAL YEARS 1976, 1982, 1983

Program	1976		1982		1983		Change 1976-83
	Staff years (note a)	Workload (000)	Staff years	Workload (000)	Staff years (estimates)	Workload (percent)	
Examination (note c)	28,164	123,361	27,882	130,422	28,764	+ 5.7	+ 2.1
Collection ac- counts re- ceivable	9,415	614	10,774	705	13,730	+ 14.8	+ 45.8
Delinquent returns	1,849	281	3,711	815	4,091	+190.0	+121.3
Returns com- pliance	442	248	71	129	373	- 48.0	- 15.6
Criminal in- vestigation	4,090	8.1	4,361	5.7	4,361	- 29.6	+ 6.6
Information returns (note b)	1,700	462,000	2,968	614,000	3,378	+ 32.9	+ 98.7
Total IRS staff years	84,264		85,363		88,673		+ 5.2
Total IRS appropriations \$1,691,520 (000)			\$2,589,034 (000)		\$2,917,159 (000)		+72.5

a/1976 staff years are not adjusted to reflect organizational shifts.

b/Information Returns is a multifunctional program and some of the staff years shown for that program are also included in the staff years for the other programs listed above.

c/Examination workload is prior calendar year filings.

d/Includes pending supplemental positions of 1,005 average positions and \$123,483,000.

OPEN GAO RECOMMENDATIONS TO THE CONGRESS AND IRS  
TO IMPROVE COMPLIANCE AND/OR IRS EFFICIENCY

<u>Congressional Recommendations</u>	<u>Source</u>
1. Impose mandatory withholding on agricultural employees.	B-137762 3-26-75
2. Repeal occupational taxes on the alcohol industry.	B-137762 1-16-76
3. Adopt standards for determining whether an individual is an employee or self-employed.	GGD-77-88 11-21-77
4. Revise educational expense deduction to clarify tax status of educational grants.	GGD-78-72 10-31-78
5. Consider ways of imposing a late filing charge on taxpayers due refunds who file late.	GGD-79-69 7-11-79
6. Revise the personal casualty and theft loss deduction.	GGD-80-10 12-5-79
7. Modify disclosure provisions of 1976 Tax Reform Act.	GGD-80-76 6-17-80
8. Modify summons provisions of 1976 Tax Reform Act.	GGD-80-76 6-17-80
9. Streamline legal review of criminal tax cases.	GGD-81-25 4-29-81
10. Amend the Bank Secrecy Act of 1970 to require reauthorization of reporting requirements.	GGD-81-80 7-23-81
11. Provide that IRS can require certain information from U.S. subsidiaries of foreign parent corporations.	GGD-81-81 9-30-81
12. Make pension plan determinations by IRS mandatory for tax qualification.	HRD-81-117 9-30-81



Recommendations to the Commissioner  
of Internal Revenue (note a)

	<u>Source</u>
1. Improve programs to collect taxes withheld by employers.	GGD-78-14 2-21-78
2. Improve utilization of currency transaction reports.	GGD-79-24 4-6-79
3. Develop and use an ADP Cost Accounting System in IRS.	GGD-79-48 6-18-79
4. Develop more selective system for detecting and investigating nonfilers.	GGD-79-69 7-11-79
5. Establish a system to check delinquent returns for unreported income.	GGD-79-69 7-11-79
6. Improve the corporate audit selection system.	GGD-79-43 8-3-79
7. Increase use of computer audit techniques in all compliance programs.	GGD-80-33 1-24-80
8. Strengthen efforts to detect and pursue corporate nonfilers.	GGD-80-34 2-11-80
9. Simplify estimated tax forms and instructions.	GGD-80-89 7-16-80
10. Improve the selection system for traditional partnership returns.	GGD-80-98 9-5-80
11. Expand and improve the computer processing of information returns.	FGMSD-81-4 10-20-80
12. Monitor districts' efforts to get newspapers to publish lists of individuals entitled to undelivered refund checks.	GGD-81-71 4-10-81
13. Streamline legal review of criminal tax cases.	GGD-81-25 4-29-81
14. Establish working group in each district to handle protester and other special compliance cases.	GGD-81-83 7-8-81

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a/As of March 1982, IRS had many of these recommendations at various stages of implementation.

	<u>Source</u>
15. Prepare substitute tax returns with information from other sources.	GGD-81-83 7-8-81
16. Establish criteria on time allowed protesters before issuing a summons.	GGD-81-83 7-8-81
17. Develop a more comprehensive management information system pertaining to illegal tax protester efforts.	GGD-81-83 7-8-81
18. Develop and coordinate with Justice a plan for dealing with illegal tax protesters.	GGD-81-83 7-8-81
19. Seek approval of the Joint Committee on Taxation to disclose taxpayer return information for certain tax protester cases.	GGD-81-83 7-8-81
20. Consider ways to get a better measure of noncompliance with the requirements of section 482.	GGD-81-81 9-30-81
21. Reassess IRS' criteria for requesting economists' participation in section 482 adjustments.	GGD-81-81 9-30-81
22. Establish a procedure for communicating information among audit teams doing similar work	GGD-81-81 9-30-81
23. Clarify the description of information that corporations should report concerning the sale/purchase of stock.	GGD-81-81 9-30-81
24. Develop procedures to determine taxpayer filing compliance on pension payouts.	HRD-81-117 9-30-81
25. Discontinue program of granting installment-agreements-by-mail without determining ability to pay.	GGD-82-4 11-5-81
26. Develop a system for evaluating the effectiveness of the installment agreement program	GGD-82-4 11-5-81

YIELD/AVERAGE COST ESTIMATESFOR SELECTED IRS PROGRAMSFISCAL YEARS 1976 THROUGH 1983 (note a)

	Fiscal year							
	1976	1977	1978	1979	1980	1981	1982	1983
<b>Examination</b>								
Yield	\$4,447	\$4,084	\$4,994	\$4,863	\$6,317	\$6,688	\$8,475	\$9,576
Cost	\$ 601	\$ 632	\$ 675	\$ 720	\$ 780	\$ 836	\$ 852	\$ 925
Yield/cost ratio	7.4	6.5	7.4	6.8	8.1	8.0	8.4	10.2
<b>Criminal investigations</b>								
Yield	8,797	8,361	8,733	8,700	7,114	6,608	6,543	5,659
Cost	\$ 100	\$ 105	\$ 121	\$ 130	\$ 154	\$ 151	\$ 141	\$ 171
Cost per invest.	\$11,367	\$12,558	\$13,855	\$14,942	\$21,647	\$22,851	\$21,550	\$30,217
<b>Accounts receivable</b>								
Yield	\$3,492	\$3,069	\$3,315	\$4,900	\$6,000	\$5,584	\$6,379	\$7,792
Cost	\$ 179	\$ 188	\$ 201	\$ 213	\$ 219	\$ 255	\$ 295	\$ 399
Yield/cost ratio	19.5	16.3	16.5	23.0	27.4	21.0	21.6	19.5
<b>Delinquency investigations</b>								
Yield	\$407	\$363	\$435	\$839	\$1,309	\$1,403	\$1,568	\$1,856
Cost	\$ 35	\$ 36	(b)	\$ 62	\$ 73	\$ 91	\$ 102	\$ 119
Yield/cost ratio	11.6	10.1	(b)	13.5	17.9	15.4	15.4	15.6
<b>Returns compliance</b>								
Yield	\$133	\$138	\$125	\$21	\$18	\$14	\$6	\$54
Cost	\$ 8	\$ 10	(b)	\$ 6	\$ 6	\$ 4	\$2	\$11
Yield/cost ratio	16.6	13.8	(b)	3.5	3.0	3.5	3.0	4.9
<b>Document matching</b>								
Yield	\$130	(b)	\$219	\$227	\$311	\$459	\$511	\$725
Cost	\$ 24	\$39	\$ 52	\$ 57	\$ 63	\$ 87	\$ 74	\$ 87
Yield/cost ratio	5.4	(b)	4.2	4.0	4.9	5.3	6.9	8.3
<b>Math error</b>								
Yield	\$662	\$716	\$1,068	\$1,270	\$1,242	\$1,687	(b)	(b)
Cost	(b)	(b)	(b)	(b)	(b)	(b)	(b)	(b)
Yield/Cost ratio	(b)	(b)	(b)	(b)	(b)	(b)	(b)	(b)

a/Yield is measured in millions of dollars of net assessments except for the Criminal Investigations and the Accounts Receivable Programs. The Criminal Investigations Program is measured in total investigations; the Accounts Receivable Program in millions of dollars collected.

b/Data not readily available.