

GAO Highlights

Highlights of [GAO-16-695](#), a report to the Subcommittee on Financial Services and General Government, Committee on Appropriations, U.S. Senate.

Why GAO Did This Study

Funding the federal government depends largely upon IRS's ability to collect taxes, including providing taxpayer services that make voluntary compliance easier and enforcing tax laws to ensure compliance with tax responsibilities. For fiscal year 2017, the President requested \$12.3 billion in appropriations for IRS; the request is almost \$1 billion (9 percent) more than IRS's fiscal year 2016 appropriation.

Because of the size of IRS's budget and the importance of its service and compliance programs for all taxpayers, GAO was asked to review the fiscal year 2017 budget request for IRS. In March 2016, GAO reported interim information on IRS's budget. This report assesses (1) the extent to which IRS's fiscal year 2017 CJ presents data on requested funding levels by appropriation accounts and in alignment with agency priorities, (2) IRS's management and allocation of user fees, and (3) the costs and reporting of IRS's IT investments. GAO reviewed the fiscal year 2017 CJ, documentation on IRS's vision for the future state, IRS budget plans, IT investment reports, and IRS budget data for fiscal years 2011 to 2017, interviewed IRS officials, and met with congressional appropriations staff to discuss the information they want included in the CJ.

What GAO Recommends

GAO recommends that IRS ensure the CJ includes data on the amount of funding requested to maintain current services for each future state theme, and that Treasury ensure the accuracy of Treasury-generated IRS IT investment reports. IRS and Treasury agreed with the recommendations.

View [GAO-16-695](#). For more information, contact James R. McTigue, Jr. at (202) 512-9110 or mctiguej@gao.gov.

July 2016

IRS 2017 BUDGET

IRS Could Improve Presentation of Budget Data in Its Congressional Justification

What GAO Found

Congressional justification data. The Internal Revenue Service (IRS) has taken steps to manage its budget more strategically but did not make linkages between priorities and appropriations accounts. IRS prioritized a subset of its 19 strategic objectives for action and established six themes that represent its "future state" vision for tax administration. In the fiscal year 2017 congressional justification (CJ), IRS linked requests for increased funding to themes and included details on how much would be funded by each appropriation account. However, IRS did not provide data on how much it spends in support of each theme or the amount of funding needed to maintain current levels by theme. IRS is working to develop such data, but officials cited challenges with data availability and tracking spending by themes. Such information would provide transparency on the current funding levels which assist Congress in making informed budget decisions.

User fee spending. IRS has permanent, indefinite authority to obligate and spend user fee collections, which it obligates as part of its budget execution process. IRS's user fee spend plan must be approved by both the Department of the Treasury (Treasury) and the Office of Management and Budget. IRS was directed to wait 30 days following the submission of the user fee spend plan to Congress before obligating funds. As seen in the table, planned user fee spending increased more than \$220 million (79 percent) between fiscal years 2011 and 2016. Of the \$509 million planned user fee obligations in fiscal year 2016, the largest amounts are for the Patient Protection and Affordable Care Act (\$204 million) and the Foreign Account Tax Compliance Act (\$62 million).

User Fee Funding Obligated by IRS Appropriation Account, Fiscal Year 2011 through 2015 Actuals, and 2016 Planned (Dollars in Millions)

Appropriation account	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016 (planned)
Taxpayer Services	\$129	\$175	\$191	\$183	\$45	\$103
Operations Support	54	132	184	222	393	396
Business Systems Modernization	89	-	-	-	-	-
Enforcement	13	19	20	15	21	10
Total obligated	\$285	\$326	\$395	\$420	\$459	\$509

Source: GAO analysis of IRS data. | [GAO-16-695](#)

Notes: FY=fiscal year.

Information technology data. The President's budget requested \$2.8 billion for IRS's information technology (IT) investments which accounted for 21 percent of IRS's budget request for fiscal year 2017. Instead of presenting its IT investment data in its CJ, IRS moved them to a Treasury website. This is consistent with other Treasury bureaus and was intended to provide time for an enhanced data review process. However, despite the review process, Treasury did not detect an error which resulted in IRS underreporting its total IT investments by about \$4 million. According to federal internal control standards, ongoing monitoring should occur in the course of normal operations. Data errors could negatively affect Congress's ability to make budget decisions and provide oversight.