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United States Senate

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July 16, 2008

The Honorable Gene L. Dodaro
Acting Comptroller General
U.S. Government Accountability Office
441 G Street, N.W.
Washington, D.C. 20548

Dear Mr. Dodaro:

In response to our November 27, 2006 request, the Government Accountability Office (GAO) issued the report, "IRS Has a Complex Process to Attempt to Collect Billions of Dollars in Unpaid Tax Debts." (GAO-08-728) The report demonstrates that the IRS lacks agency-wide cost benefit data and related performance measures to determine the best use of its collection resources. The report documents the complexity of the IRS processes for collecting unpaid tax debts but does not provide any recommendations to improve the collections process.

The IRS estimates the tax gap, the difference between the taxes legally owed and the taxes paid on time, is \$345 billion each year. Paying taxes that are legally owed in a timely manner is a hallmark of responsible tax administration as well as fairness and equity for all taxpayers. We are concerned about the effects on voluntary tax compliance as increasing amounts of tax debts go uncollected by the IRS each year.

Therefore, we are asking the GAO to conduct a follow-up study of the IRS collection program to provide legislative and administrative recommendations on how the IRS can collect more of the tax dollars owed in a cost-efficient and prompt manner without unnecessarily burdening taxpayers. In developing these recommendations, we ask you to consider the following:

- To what extent can the IRS make better use of its existing collection tools and processes?
- To what extent can the IRS improve the collection notice process to collect more tax debts and expedite enforcement actions on individual taxpayers that who do not respond to the notices or who repeatedly do not pay their tax debts?

- What are the IRS's strategies and priorities for funding improvements to its information systems so that it can more quickly identify delinquent taxpayers and more efficiently collect delinquent taxes while minimizing unnecessary contacts with taxpayers?
- What factors tend to be associated with the collection cases that close with payments compared to those that are written off, and to what extent can the IRS improve its methods for selecting and working tax debt inventory on the basis of those factors?

With respect to this review, the Chairman is authorizing the GAO, under section 6103(f)(4) of the Internal Revenue Code, to conduct necessary work and report to the Committee. He expects that your representatives will have access to all relevant IRS files, records, and tax returns for these purposes and comply with all of the restrictions that protect taxpayer information.

We expect GAO staff to work with Committee staff to set the priorities of this work and to provide status updates. As information is gained, we also expect to be informed about topics that are not identified in this letter and to have discussions about whether those topics may be appropriate for further study. Please contact [staff] with all matters concerning this request. Thank you for your assistance.

Sincerely,

Max Baucus
Chairman

Charles E. Grassley
Ranking Member