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Data on the Effects of the Economic Stimulus Program on the Internal Revenue Service's Telephone Service and Costs

Statement for the Record by James R. White
Director, Strategic Issues



Mr. Chairman and Members of the Subcommittee:

We appreciate this opportunity to provide information on the effects of the Economic Stimulus Act of 2008 on the Internal Revenue Service's (IRS) telephone service and costs.¹

As you know, the recent passage of this legislation created additional, unanticipated workload for IRS and required IRS to act quickly to deal with the public's questions and begin issuing payments. The public's questions cover a variety of issues. Millions of Americans who otherwise were not required to file a tax return are eligible for stimulus payments and must file a return to claim their payment. The amount of payment varies from household to household. The schedule for receiving payments depends on individual Social Security numbers, and how and when people filed. As part of our ongoing assessment of IRS's tax filing season performance, requested by this subcommittee and others, we have been monitoring IRS's implementation of the economic stimulus legislation. Because of its importance, you requested that we provide information on the effects of the economic stimulus legislation on the public's ability to get questions answered by IRS and IRS's estimates of the costs of implementing the legislation.

To meet these objectives, we drew upon and updated recently issued products.² We conducted the current performance audit from April 2008 through June 2008 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. We did not assess the quality of IRS's cost estimate for foregone revenue, but in our April 16, 2008, testimony we described how IRS developed the estimate. For a more detailed discussion of our scope and methodology, see the appropriate sections in the cited products.

¹Pub. L. No. 110-185 (2008).

²GAO, *Internal Revenue Service: Assessment of the Fiscal Year 2009 Budget Request*, [GAO-08-620T](#) (Washington, D.C.: Apr. 16, 2008), and GAO, *Internal Revenue Service: Fiscal Year 2009 Budget Request and Interim Performance Results of IRS's 2008 Tax Filing Season*, [GAO-08-567](#) (Washington, D.C.: Mar. 13, 2008).

In summary, we make the following two points:

- Demand for telephone assistance related to the economic stimulus legislation has been unprecedented, according to IRS. For the week ending May 24, volume was almost six times greater than the same week last year. Despite reallocating staff from collections work to answering stimulus-related calls, the percent of callers waiting to speak with an assistor who got through has declined markedly to 39 percent for the week ending May 24 compared to 80 percent for the same week last year.
- The costs for implementing the economic stimulus legislation may be up to \$862 million. IRS received a supplemental appropriation of \$202 million for implementing the economic stimulus legislation. The Social Security Administration received a supplemental of \$31 million and the Financial Management Service received a supplemental of \$64 million. The reallocation of hundreds of IRS collections staff to answering taxpayer telephone calls will also result in up to \$565 million in foregone enforcement revenue, according to IRS estimates. These costs are in addition to the significant reduction in IRS's telephone service.

Please refer to appendix I for information that provides details on IRS's telephone service and costs of implementation.

Agency Comments

IRS officials provided technical comments for this statement and we made changes where appropriate.

Contacts and Acknowledgments

For further information regarding this testimony, please contact James R. White, Director, Strategic Issues, on (202) 512-9110 or whitej@gao.gov. Contact points for our offices of Congressional Relations and Public Affairs may be found on the last page of this statement. Individuals making key contributions to this testimony include Joanna Stamatiades, Assistant Director; Shea Bader; Julia Jebo; Cheryl M. Peterson; and Neil A. Pinney.

Appendix I: Data on the Effects of the Economic Stimulus Program

Table 1: IRS Call Volume and Telephone Performance

		Cumulative totals (Jan. 1-May 24)		Weekly totals (May 18-24)	
		2008	2007	2008	2007
Call volume (millions)	Assistor calls answered	21.91	18.33	1.13	0.69
	Automated calls completed	21.40	10.26	2.28	0.18
	IRS disconnects or busy	8.67	1.02	1.61	0.04
	Caller abandons	23.14	11.22	2.47	0.39
Telephone performance	Percent of callers waiting for an assistor who got through	63.03	82.37	38.82	80.12
	Average wait time (minutes)	7.1	4.2	12.3	4.9

Source: GAO analysis of IRS data. Notes: IRS set up a dedicated stimulus hotline and gets stimulus calls on other lines too. As of May 28, 2008, IRS had processed 65 million payments for \$56 billion.

Figure 1: IRS Toll-free Calls and Percent of Callers Waiting for an Assistor Who Got Through (January through May 2008)

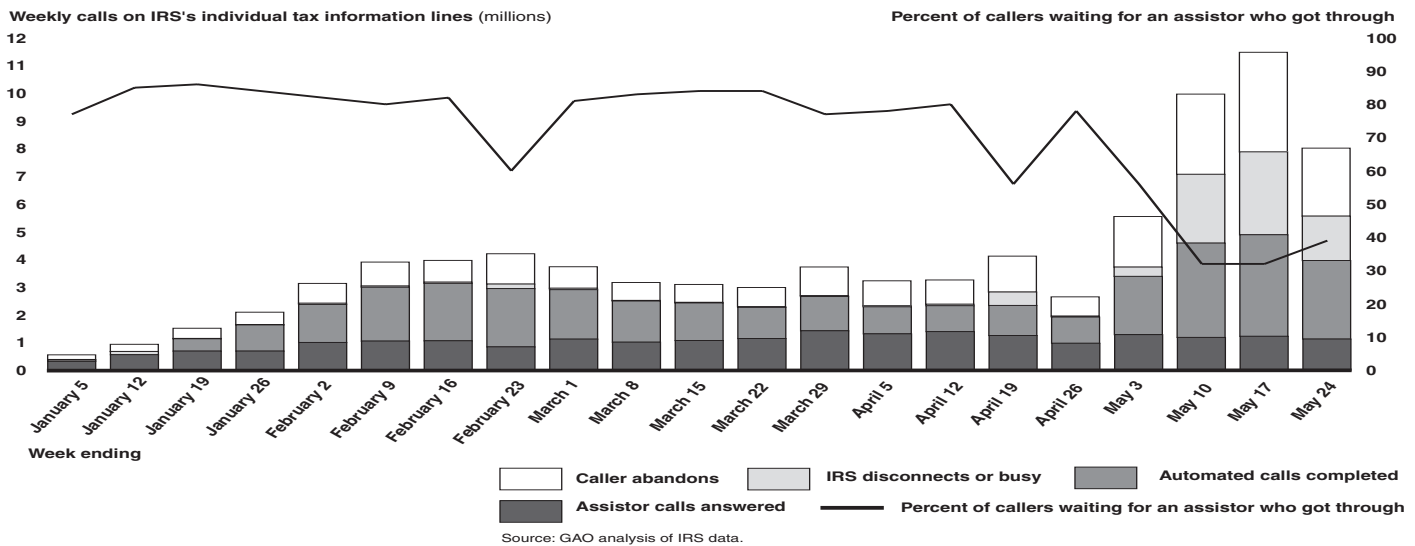


Table 2: Costs of Implementing the Economic Stimulus Program

	Dollars in millions
Supplemental appropriations	
IRS (e.g., postage, technology support, and printing)	\$202
Social Security Administration and Financial Management Service	95
IRS estimates of foregone revenue from reallocating collections staff	Up to \$565
Total	Up to \$862
Taxpayers' Costs	Reduced access to IRS's telephone assistors (see above)

Source: GAO analysis of IRS data.

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