



INTERNAL REVENUE SERVICE

Assessment of the Fiscal Year 2009 Budget Request

Highlights of [GAO-08-620T](#), a testimony before the Subcommittee on Financial Services and General Government, Committee on Appropriations, U.S. Senate

Why GAO Did This Study

The fiscal year 2009 budget request for the Internal Revenue Service (IRS) is a road map for how IRS plans to allocate resources and achieve ambitious goals for improving enforcement, improving taxpayer service, increasing research, and continuing to invest in modernized information systems. One complicating factor in implementing IRS's plans in the immediate future is the recent passage of the Economic Stimulus Act of 2008, which creates additional, unanticipated workload for IRS.

GAO was asked to (1) assess how the President's budget request for IRS allocates resources and justifies proposed initiatives; (2) determine the status of IRS's efforts to develop and implement its Business Systems Modernization (BSM) program; and (3) determine the total costs of administering the economic stimulus legislation. To meet these objectives, GAO drew upon and updated recently issued reports.

What GAO Recommends

GAO is not making new recommendations, but the statement highlights outstanding recommendations to extend the use of return on investment (ROI) analysis to cover major enforcement programs and improve BSM management controls and capabilities.

To view the full product, including the scope and methodology, click on [GAO-08-620T](#). For more information, contact James R. White at (202) 512-9110 or whitej@gao.gov.

What GAO Found

The President's fiscal year 2009 budget request for IRS is \$11.4 billion, 4.3 percent more than last year's enacted amount. The request proposes to maintain taxpayer service at recent levels, in part by realizing efficiency gains from electronic filing, despite a decrease in staffing. It also proposes a 7 percent increase in enforcement spending, including spending for 21 legislative and nonlegislative initiatives. The legislative proposals are projected to cost \$23 million in fiscal year 2009, funding that IRS would not need if the proposals are not enacted. Similarly, if IRS were to fall behind in its proposed enforcement hiring efforts, it would not need all \$226 million of the associated funding. IRS justified its nonlegislative enforcement initiatives with ROI analyses, which are useful, despite limitations, for making resource allocation decisions. The budget request does not provide ROI information for activities that constitute a large part of the budget request—activities other than the proposed initiatives.

The request for BSM is over \$44 million lower than the fiscal year 2008 enacted amount. IRS said this funding level will allow it to continue its primary modernization projects, but it did not describe how specific projects or benefits to taxpayers would be affected. IRS has continued to make progress in implementing BSM projects and improving modernization management controls and capabilities. However, further improvements are needed. For example, the agency has yet to develop long-term plans for completing BSM and consolidating and retiring legacy systems.

IRS estimated that the costs of implementing the economic stimulus legislation may be up to a total of \$767 million—including a \$202 million supplemental appropriation. In addition to the supplemental appropriation, IRS is reallocating hundreds of collections staff to answering taxpayer telephone calls, resulting in up to \$565 million in foregone enforcement revenue. In addition, IRS expects some deterioration in telephone service because of the increased call volume. For example, IRS is expecting its assistor level of service to drop to as low as 74 percent compared to its goal of 82 percent.

The President's Fiscal Year 2009 Request for IRS Full-time Equivalents (FTEs) Compared to Fiscal Year 2008 Enacted Budget FTEs

Appropriation	FY 2008 enacted	FY 2009 requested	Percentage change
Enforcement	47,349	49,792	5.2
Taxpayer Service	31,218	30,792	-1.4
Operations Support	12,181	11,989	-1.6
BSM	358	333	-7.0
Health Insurance Tax Credit	17	16	-5.9
Total	91,123	92,922	2.0

Source: GAO analysis of IRS data.