



Highlights

Highlights of [GAO-06-51](#), a report to the Chairman, Subcommittee on Oversight, Committee on Ways and Means, House of Representatives

Why GAO Did This Study

During the filing season, the Internal Revenue Service (IRS) processes about 130 million individual tax returns, issues refunds, and responds to millions of inquiries. Budget cuts combined with IRS's strategy of shifting resources from taxpayer service to enforcement make providing quality service a challenge. GAO was asked to assess IRS's 2005 filing season performance compared to past years and 2005 goals in the processing of paper and electronic tax returns, telephone service, face-to-face assistance, and Web site service. GAO also examined whether IRS has long-term goals to help assess progress and guide in making decisions. Finally, GAO summarized IRS's response to Hurricanes Katrina and Rita, and their possible effects on IRS's performance.

What GAO Recommends

GAO recommends that IRS develop better information about the costs of mandatory electronic filing of tax returns for certain categories of tax practitioners and establish a schedule for developing its long-term goals.

In comments, IRS agreed with the recommendations.

www.gao.gov/cgi-bin/getrpt?GAO-06-51.

To view the full product, including the scope and methodology, click on the link above. For more information, contact James R. White at (202) 512-9110 or whitej@gao.gov.

TAX ADMINISTRATION

IRS Improved Some Filing Season Services, but Long-term Goals Would Help Manage Strategic Trade-offs

What GAO Found

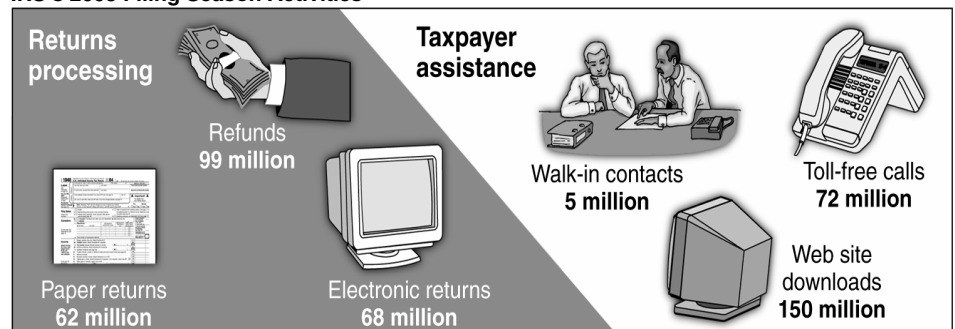
IRS improved some filing season services. According to officials, IRS made a strategic decision to reduce others to accommodate budget cuts. IRS's processing of returns and refunds went smoothly. Accuracy of responses to telephone inquiries about tax law and about taxpayers' accounts significantly improved. And, IRS's Web site performed well. On the other hand, in response to budget cuts, IRS reduced access to telephone assistants, resulting in longer wait-times and more callers hanging up. IRS officials viewed telephone access as a more flexible area for absorbing budget cuts than, for example, processing. The number of taxpayers visiting IRS walk-in sites continued to decline, while the number of tax returns prepared at volunteer sites increased. This is consistent with IRS's strategy of reducing the number of its employees providing expensive face-to-face assistance. IRS continues to lack reliable data on the accuracy of walk-in and volunteer site assistance but has plans in place to improve quality measurement.

For the first time, more than half of individual tax returns were filed electronically, which is important because electronic filing has allowed IRS to reduce resources devoted to processing paper returns. However, despite IRS's actions to promote electronic filing, it is not on track to achieve its long-term goal of having 80 percent of such returns filed electronically by 2007. State mandated electronic filing has proven effective at encouraging electronic filing at the federal level and one IRS advisory group has recommended a federal mandate. However, little is known about the costs and burdens of such mandates.

IRS has been developing long-term goals to help assess agency progress and understand the impact of budget decisions. Because of the difficulty in developing goals, IRS has experienced delays and lacks a schedule for finalizing those goals.

IRS is taking numerous actions to assist taxpayers affected by Hurricanes Katrina and Rita. Most of the impact on IRS, such as more questions from taxpayers, will be felt during the 2006 filing season and beyond.

IRS's 2005 Filing Season Activities



Source: GAO analysis of IRS data and Art Explosion (images).