



Highlights of [GAO-08-567](#), a report to the Subcommittee on Oversight, Committee on Ways and Means, House of Representatives

Why GAO Did This Study

The Internal Revenue Service (IRS) has ambitious goals to improve enforcement, improve taxpayer service, increase research, and continue investing in systems modernization. The President's 2009 proposed budget is a roadmap for how IRS intends to achieve these goals. IRS's 2008 filing season performance, along with the performance of paid preparers who help taxpayers, is a key indicator of the tax system's impact on taxpayers.

GAO was asked to (1) assess how the budget request allocates resources compared to prior years, (2) determine the status of systems modernization efforts, (3) assess filing season performance, and (4) assess IRS's ability to identify paid preparers. GAO compared the budget request to prior years, updated our previous reporting, compared IRS's filing season performance to prior years and goals, and interviewed IRS officials.

What GAO Recommends

GAO recommends that IRS extend return on investment (ROI) analyses to major enforcement programs for future budget requests and develop a plan to require a single identification number for paid preparers, including the feasibility of options, their benefits and costs, and usefulness for enforcement and research on paid preparer behavior. Due to the short time frame for GAO's report, IRS officials said they were unable to respond to our recommendations.

To view the full product, including the scope and methodology, click on [GAO-08-567](#). For more information, contact James R. White at (202) 512-9110 or whitej@gao.gov.

INTERNAL REVENUE SERVICE

Fiscal Year 2009 Budget Request and Interim Performance Results of IRS's 2008 Tax Filing Season

What GAO Found

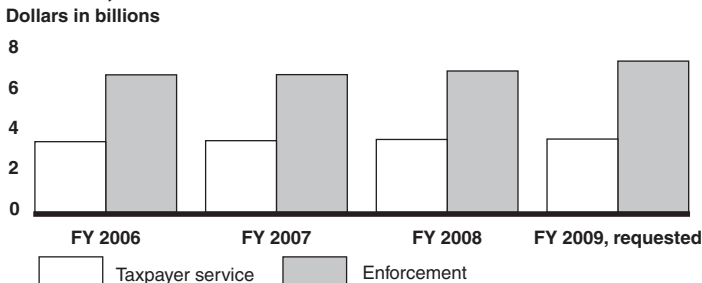
The President's fiscal year 2009 budget request of \$11.4 billion for IRS is 4.3 percent more than its 2008 enacted budget and includes increases of 7 percent for enforcement and less than 1 percent for taxpayer service. IRS is proposing a number of new enforcement initiatives, and deserves to be commended for providing ROI analyses to support them. Although the budget request for IRS provides performance measure data, it does not provide ROI for programs or activities other than the new initiatives. IRS included 16 legislative proposals and if none is enacted, IRS would not need the associated \$23 million in 2009. Similarly, if IRS were to fall behind in its hiring efforts related to its nonlegislative initiatives, not all the associated funding would be needed for 2009.

The request for IRS systems modernization is more than \$40 million less than the fiscal year 2008 enacted amount. IRS said that the proposed funding level will allow it to continue developing and delivering its primary modernization projects, but it did not provide details on how specific projects or benefits to taxpayers would be affected. Although IRS has experienced significant management and technical weaknesses, it has made progress and addressed some, but not all, of GAO's numerous recommendations.

So far this filing season, IRS has processed 51.2 million income tax returns and issued 46.5 million refunds worth \$122.7 billion. Because of increased call volume that IRS expects due to the recently passed Economic Stimulus legislation, IRS is planning to shift hundreds of collections staff to telephones with an estimated revenue loss of up to \$681 million.

Because of the lack of a single identification number, IRS has limited ability to identify paid preparers. This complicates tax law enforcement and limits IRS's ability to conduct research on how paid tax preparers affect taxpayer compliance. According to IRS officials, requiring a single identification number could improve the situation but IRS has not analyzed the usefulness or cost of options to do so.

Funding for IRS Enforcement and Taxpayer Service Programs and Related Support Functions, Fiscal Years 2006-2009



Source: GAO analysis of IRS data.