



Highlights

Highlights of [GAO-07-27](#), a report to the Chairman, Subcommittee on Oversight, Committee on Ways and Means, House of Representatives

Why GAO Did This Study

In 2006, the Internal Revenue Service (IRS) spent about 38 percent of its \$10.8 billion budget on processing returns and providing taxpayer assistance. GAO was asked to (1) assess IRS's 2006 filing season performance processing paper and electronically filed tax returns and providing telephone, Web site, and face-to-face assistance relative to 2006 goals and prior years' performance; (2) identify potential cost savings or other improvements; and (3) report on the status of IRS's Taxpayer Assistance Blueprint (TAB). To address these issues, GAO collected relevant information from IRS and other sources, reviewed performance measures and past filing season assessments, and interviewed officials.

What GAO Recommends

GAO suggests the Congress should mandate electronic filing by paid tax preparers meeting criteria such as filing a certain number of tax returns. In comments, the IRS Commissioner said he appreciated our acknowledging the effect of the statutory limitation.

GAO recommends that IRS timely develop, validate, and implement a plan to consolidate call sites and report to the Congress refund timeliness for its modernized processing system compared to its legacy system. In comments, the Commissioner said he agreed with the recommendations and outlined actions IRS plans to take.

www.gao.gov/cgi-bin/getrpt?GAO-07-27.

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

Most Filing Season Services Continue to Improve, but Opportunities Exist for Additional Savings

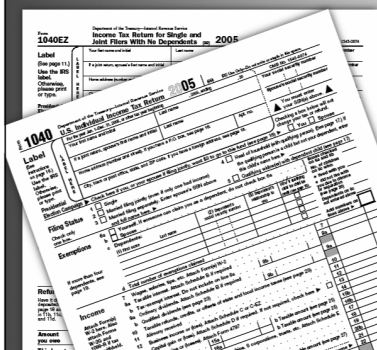
What GAO Found

IRS improved most filing season services in 2006, continuing improvements since 2001. IRS also generated efficiencies from increased electronic filing and benefits for taxpayers through systems modernization. IRS's processing of individual tax returns and refunds improved by most measures, but the growth rate of electronic filing continued to slow in part because of changes to the Free File Program, which reduced the number of taxpayers eligible to use it and the elimination of a program that allowed taxpayers to file via the telephone. Access to IRS's telephone assistants was comparable to last year. The accuracy of responses to telephone inquiries was 90 percent or over in 2006. Use of IRS's Web site increased substantially and IRS reconfigured the site to improve service. Continuing past trends, fewer taxpayers used IRS walk-in sites and more used less-costly volunteer sites. Also, IRS completed Phase I of the TAB, which identified strategic themes for improving taxpayer service; TAB Phase II is expected to be completed by early 2007.

With the slowing growth rate in electronic filing, IRS is missing an opportunity to generate additional savings. Federal and state mandates for electronic filing have demonstrated success in increasing electronic filing; however, IRS currently lacks the authority to mandate electronic filing for certain income tax returns such as individual returns filed by paid tax preparers. Using IRS estimates, savings from such a mandate could be on the order of \$60 million per year. IRS has another opportunity to generate savings because of excess space at its call sites. However, IRS lacks a strategy for eliminating that space by consolidating call sites.

To replace its aging legacy computer system, IRS continues to implement a modernized system for processing tax returns and refunds. However, IRS does not report information on the chief benefit realized to date, faster refund issuance. Such information could be useful for the Congress when making decisions about funding the completion of the individual tax return processing part of the system, estimated by IRS to require at least another \$500 million.

IRS's 2006 Filing Season Activities



Returns processing	Paper returns 59 million	@ 6 paper processing centers
	Electronic returns 72 million	@ 5 electronic processing centers
Taxpayer assistance	Toll-free calls 71 million	@ 25 call sites and automation
	Walk-in contacts 5 million	@ 400 walk-in and more than 12,000 volunteer sites
	Internet downloads 170 million	@ IRS Web site

Source: GAO analysis of IRS data, IRS (images).