

United States Senate
Committee on Finance



Sen. Chuck Grassley · Iowa
Ranking Member

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MEMORANDUM

To: Reporters and Editors
Re: GAO request to review tax filing fiasco
Da: Wednesday, Dec. 12, 2007

Sen. Chuck Grassley, ranking member of the Committee on Finance, today asked the Government Accountability Office (GAO) to analyze the upcoming tax filing season impact of the Democratic-led Congress' failure to enact Alternative Minimum Tax (AMT) relief so far this year. The IRS has warned of serious problems for taxpayers, compounded as the delay worsens. Grassley made the following comment on his request.

“This ping-pong game is just making the filing season a bigger fiasco by the day. Every day's delay by House Democrats means hundreds of thousands more taxpayers will have hundreds of millions of dollars in refunds delayed. The House leaders needs to face the music and pass a clean AMT bill. I'm asking the GAO for an accounting of the impact of the delay on taxpayers so a few months from now, we'll all understand the consequences of fooling around with the filing season.”

The text of Grassley's request letter to the GAO follows here.

December 12, 2007

The Honorable David M. Walker
Comptroller General
United States Government Accountability Office
441 G Street N.W.
Washington, D.C. 20548

Dear Mr. Walker:

The failure of Congress to act in a timely manner in passing an AMT patch has raised great concerns in my mind about the extent taxpayers will be facing a filing fiasco early next year. I am writing to request that the Government Accountability Office (GAO) assess the Internal Revenue Service's (IRS) performance during the 2008 tax return filing season. During the 2007 filing season, IRS

processed over 135 million income tax returns; issued over \$233 billion in refunds to taxpayers; received nearly 70 million calls on its toll-free telephone lines; assisted about five million taxpayers at its walk-in and volunteer sites; and provided assistance to millions of taxpayers via IRS' Web site. Recognizing that the primary goal of service for individual taxpayers is to facilitate compliance with the federal tax obligations, I would like GAO to:

- (1) assess IRS' 2008 filing season performance in processing individual tax returns and providing taxpayer assistance via its telephone, walk-in, and Internet services compared to 2008 goals and prior years' actual performance and identify initiatives or factors that significantly enhanced or impeded IRS' performance;
- (2) assess IRS' efforts to implement GAO's recommendations regarding electronic filing, bar coding, and full transcription of paper returns to help reduce the amount of paper processed and increase information available for enforcement; and
- (3) identify additional opportunities for improving compliance by increasing/changing IRS' math error authority.

In conducting this review, I would ask that GAO separate issues into those that are due and not due to Congress failing to pass the AMT patch in a timely manner.

As part of GAO's review of the filing season, it is important to bear in mind that a majority of taxpayers receive assistance from paid tax preparers, making them a critical quality-control checkpoint for the tax system. However, little is known about the quality of preparer assistance and whether IRS has basic information about preparers that would allow for performance assessments. Recognizing this, I would like GAO to assess IRS' ability to identify and track preparers.

Further, I would ask GAO to assess whether preparer actions, in response to the failure of Congress to pass the AMT patch, adversely affected the 2008 IRS performance. For example, I am informed that some preparers are advising taxpayers to not file electronic returns due to the problems with the AMT.

Finally, as the Committee continues to monitor modernization, I would ask for GAO to review how modernization (or the lack of modernization) impacted the filing season and especially having to respond to Congress' failure to timely pass an AMT patch.

Sincerely,

Charles E. Grassley
Ranking Member