



TAX ADMINISTRATION

IRS Should Continue to Expand Reporting on Its Enforcement Efforts

Highlights of [GAO-03-378](#), a report to the Subcommittee on Oversight, Committee on Ways and Means, U.S. House of Representatives

Why GAO Did This Study

Reported declines in the rate at which the Internal Revenue Service (IRS) audits (also referred to as “examines”) individual income tax returns have raised concerns that taxpayers may have a false perception of the true level of IRS’s tax enforcement efforts. In addition, many observers are concerned these reported declines may reduce taxpayers’ motivation to voluntarily pay their taxes.

Because of these concerns, GAO was asked to review a number of issues surrounding IRS’s enforcement efforts. GAO determined the trends in the percent of returns filed that are audited (contact rate) compared with similar data on taxpayer contacts through other enforcement programs for fiscal years 1993 through 2002. In addition, GAO reviewed whether IRS’s reporting on its enforcement programs should be expanded.

What GAO Recommends

GAO recommends that IRS determine whether future reporting on its other enforcement programs can be more complete and comparable to reporting on audits. GAO also recommends that IRS correct underreporting of math error contacts.

In commenting on a draft of this report, IRS agreed with our recommendations. It has already begun to identify additional data to report on its enforcement programs.

www.gao.gov/cgi-bin/getrpt?GAO-03-378.

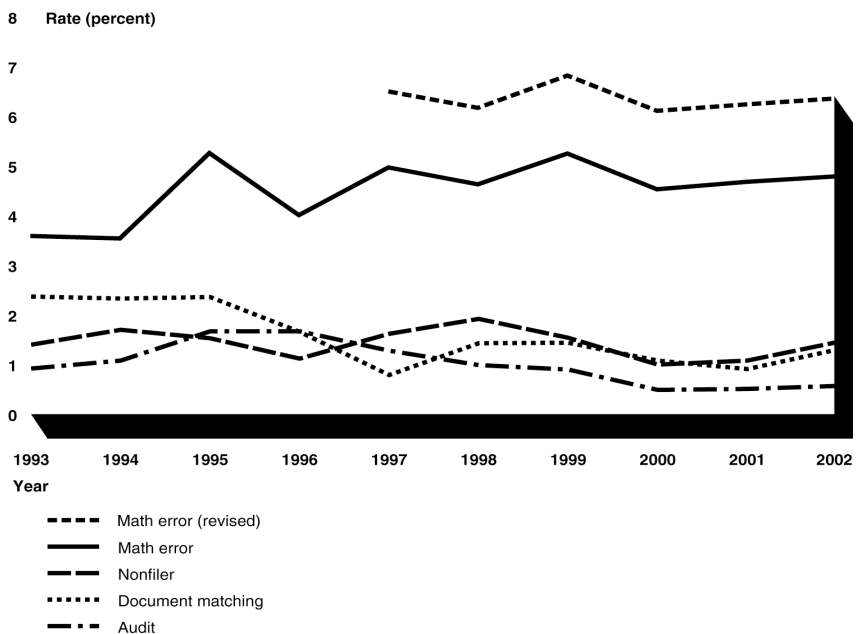
To view the full report, including the scope and methodology, click on the link above. For more information, contact Michael Brostek at (202) 512-9110 or BrostekM@gao.gov.

What GAO Found

IRS’s often-cited audit rate has been declining for several years, as shown below. However, the audit rate portrays only a portion of IRS’s efforts to enforce tax laws and not all of those efforts have been declining. For IRS’s three nonaudit enforcement programs, the contact rates in 2002 compared to 1993, after year to year variations, declined for one, essentially remained the same for one, and significantly increased for one—math error. A complete math error contact trend is unavailable because IRS did not capture one type of data on a substantial number of contacts prior to 1997. For years where complete data are available, IRS has not included all math errors in external reports. IRS officials agreed that all types of errors are identified under the same math error authority and should be similarly counted and reported.

IRS annually reports extensive data on audits but only limited, or no, data on its other enforcement programs. This limited reporting does not provide policymakers or taxpayers information on the full extent of IRS’s enforcement efforts. To the extent that taxpayers do, as is widely believed, take the level of enforcement into account when self-reporting their tax obligations, the audit rate alone may mislead them. IRS officials believe that more reporting is desirable and intend to report readily available, but incomplete, information on nonaudit programs in future reports.

IRS Enforcement Program Contact Rates, Fiscal Years 1993 through 2002.



Source: GAO analysis of IRS data.

Note: Data for revised math error contacts is not available for fiscal years 1993 to 1996. The revised math error line above includes all math error contacts by IRS for the relevant years.