



Highlights of [GAO-03-614](#), a report to the Committee on Finance, U.S. Senate

Why GAO Did This Study

The Internal Revenue Service (IRS) needs up-to-date information on voluntary compliance in order to assess and improve its programs. IRS's last detailed study of voluntary compliance was done in the late 1980s, so the compliance information IRS is using today is not current. IRS is now carrying out the National Research Program (NRP), through which IRS auditors are reviewing about 47,000 randomly selected tax year 2001 individual tax returns. In June 2002, GAO reported that NRP was necessary, that its design was sound, and that it appeared to meet IRS's goals of acquiring useful compliance data while minimizing burden on taxpayers with returns in the sample.

GAO was asked to review IRS's implementation of NRP. GAO reviewed IRS's method of gathering internal and third-party data (casebuilding) and IRS's process of reviewing casebuilding materials to determine if audits are necessary (classification) and assessed IRS's plans to ensure consistent data collection while minimizing burden on taxpayers.

What GAO Recommends

GAO is not making recommendations in this report because IRS is following through with its sound research plans in the ongoing implementation of NRP. Furthermore, when GAO identified quality assurance steps that IRS could add to NRP during the course of this review, IRS agreed with the suggestions and included the steps.

www.gao.gov/cgi-bin/getrpt?GAO-03-614.

To view the full product, including the scope and methodology, click on the link above. For more information, contact James White at (202) 512-5594 or White.J@GAO.gov.

TAX ADMINISTRATION

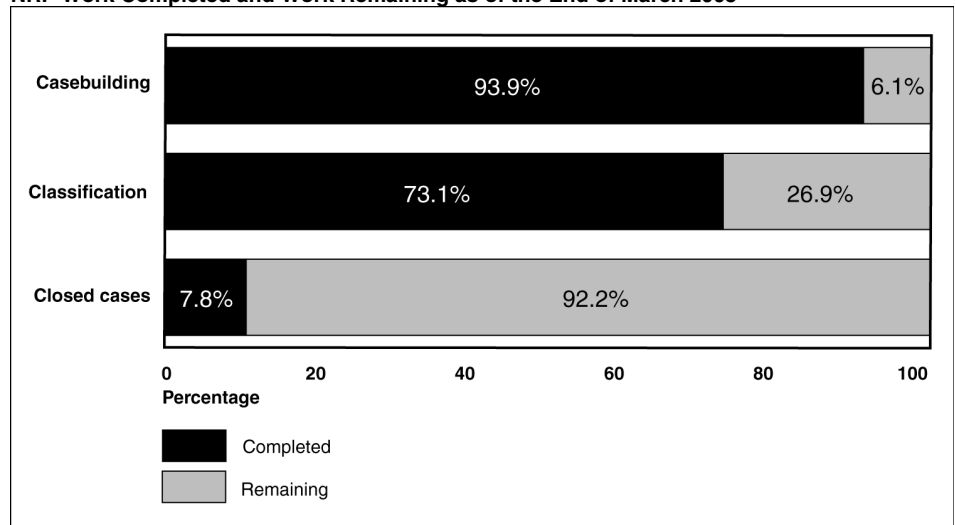
IRS Is Implementing the National Research Program as Planned

What GAO Found

IRS's NRP is being implemented as planned and consequently is on track to meet the agency's objectives of obtaining quality research results while minimizing the burden on the approximately 47,000 taxpayers with returns in the NRP sample. IRS officials have completed the development and testing of NRP processes and have selected and trained staff members to carry out the program. Additionally, as the graphic illustrates, IRS is currently nearing the completion of casebuilding and has made progress in classifying NRP returns. Audits, when required, began in November 2002. As of the end of March 2003, IRS had closed 3,651 NRP cases. In accordance with IRS's plans to minimize burden on taxpayers with returns in the NRP sample, some cases have been closed without any taxpayer contact or with only limited audits. The NRP plan recognized that the initial estimates for the overall NRP sample size and the number of returns to be audited were uncertain because they were based on aging data. The overall NRP sample size will be smaller and IRS officials expect to conduct more face-to-face audits than initially estimated.

As IRS completes NRP casebuilding, classification, and audits, it is implementing quality assurance steps, including efforts to ensure that key audit steps are completed on all NRP audits before they are formally closed with taxpayers. This is important since the data collected from each NRP audit represent information from thousands of similar taxpayers.

NRP Work Completed and Work Remaining as of the End of March 2003



Source: GAO representation of IRS data.