



INTERNAL REVENUE SERVICE

Assessment of Fiscal Year 2005 Budget Request and 2004 Filing Season Performance

Highlights of [GAO-04-560T](#), a testimony before the Subcommittee on Oversight, Committee on Ways and Means, House of Representatives

Why GAO Did This Study

Effective tax administration requires a combination of quality customer service to help those who want to comply, and effective enforcement measures against those who do not. For the last few years, we have been reporting on improvements in taxpayer service and declines in enforcement.

With respect to IRS's fiscal year 2005 budget request, the Subcommittee asked GAO to assess whether (1) IRS will be able to allocate more resources to enforcement, and (2) Business Systems Modernization (BSM) and other technology efforts will deliver cost savings and efficiencies in the immediate future. For the 2004 filing season performance, GAO was asked to assess IRS's performance in processing returns and providing assistance to taxpayers.

What GAO Recommends

GAO is not making any recommendations. However, GAO has recommendations that are still outstanding related to (1) BSM management controls, which have contributed, at least in part, to cost overruns and schedule shortfalls, and (2) IRS's budget justification for its information systems operations and maintenance support.

www.gao.gov/cgi-bin/getrpt?GAO-04-560T.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Jim White (202) 512-9110 or whitej@gao.gov.

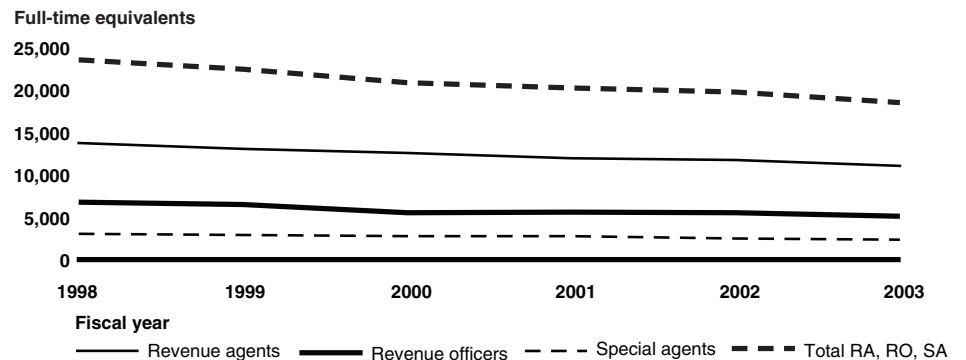
What GAO Found

IRS is requesting \$10.7 billion in fiscal year 2005, 4.8 percent over 2004. This includes \$377.3 million, primarily for additional enforcement staff, and \$373 million for increased costs of maintaining current operations—funded from three sources—the budget increase, program reductions and internal savings. The request for more enforcement staff follows similar requests in IRS's past five budgets. Despite budget requests that were almost fully funded and despite realizing some savings in prior years, the number of most skilled enforcement staff declined by over 21 percent between 1998 and 2003 because of other priorities, including unbudgeted expenses. This history, and the expectation of unbudgeted costs in 2005, raise questions about whether IRS will be able to increase enforcement staff as planned.

IRS's request also includes about \$1.93 billion in information technology—\$285 million for BSM contractor costs and about \$1.64 billion for information systems. Most BSM projects have experienced cost overruns and schedule delays postponing benefits expected under BSM. IRS reduced its BSM budget request to focus on fewer projects and is implementing plans to respond to known deficiencies. IRS has made progress in implementing investment management best practices for developing and supporting its information systems budget request. However, until IRS fully implements the improvements, its ability to develop supportable budget requests for information systems operations and maintenance will be limited.

IRS's reported 2004 filing season performance in key areas improved, with the exception of the accuracy of tax law responses provided over the telephones to taxpayers, which declined. Also, the number of taxpayers seeking assistance at IRS's walk-in assistance sites declined as did the number of tax returns prepared at those sites.

Skilled enforcement staff: revenue agents, revenue officers, and special agents, fiscal years 1998–2003



Source: IRS.