

IRS Oversight Board

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For immediate release

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IRS OVERSIGHT BOARD RELEASES 2005 ANNUAL REPORT; FINDS AGENCY IS MAKING PROGRESS BUT MUCH HARD WORK LIES AHEAD

(October 24, 2005, Washington, DC) The IRS Oversight Board today released its 2005 Annual Report which emphasized the progress the IRS is making in both its customer service and enforcement functions – something the Board has long advocated. “The results we have seen over the past year demonstrate that it is possible to achieve balance between customer service and enforcement, and be successful in both areas. That was the intent of the IRS Restructuring and Reform Act, but the journey is far from over. Much hard work and risk lie ahead,” said Board Chairman Raymond T. Wagner, Jr.

In its report, the Board took notice of improved customer service performance at the IRS. The quality of telephone service was markedly better, helping taxpayers to understand and comply with an extremely complex tax code. New ways of getting assistance over the Internet also made a dramatic difference. Of great significance, more than half of individual taxpayers filed their returns electronically in 2005.

The Board also saw some improvements in the IRS’ enforcement activities. “We witnessed the beginnings of what we hope will be a turnaround in this important function. The IRS showed an impressive gain in enforcement revenues and there was a 40 percent jump in audits of high income taxpayers. The agency must now sustain this momentum and broaden its efforts against tax cheating,” Mr. Wagner observed.

However, the Annual Report also pointed to present and future challenges confronting the IRS. The Board noted that the IRS’ business systems modernization program met costs and schedule milestones in fiscal years 2004 and 2005 but that the program must be accelerated in pace if even greater gains in performance and efficiency are to be achieved. Closing a tax gap over \$300 billion annually in a meaningful way remains a major challenge and will require a multi-pronged approach.

In addition, the Board’s Annual Report addressed the near- and long-term human capital issues affecting the IRS such as employee training and a potential increase in retirements. The Board also recommended that the agency could benefit from having long-term outcome measures against which it can quantitatively evaluate progress and assess future needs. Lastly, the Board acknowledged the rash of scandals involving professional members of the tax administration community. “While we certainly expect the IRS to pursue those who flout the law, it can only do so much. As taxpayers, we all have an obligation to understand and pay our fair share of taxes, and we must recognize that compliance starts with each of us,” Mr. Wagner concluded.

The Board’s 2005 Annual Report and other Board reports may be viewed on its web site at www.irsoversightboard.treas.gov and hard copies are available by calling the Oversight Board’s office at 202-622-2581.

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