IRS Oversight Board

FY2006 IRS Budget
Special Report

March 2005

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Introduction

The Internal Revenue Service (IRS) Oversight Board is required by 26 U.S.C. § 7802(d) to review and approve the budget request prepared by the IRS, submit such request to Treasury, and ensure that the approved budget supports the annual and long-range strategic plans of the IRS. The President is required to submit the Board's request, without revision, to Congress along with his own request.

In this special report, the Board presents its recommended FY2006 IRS budget and explains why the Board believes its recommended budget is needed to support the annual and long-range needs of the IRS.

Executive Summary

The IRS continues to change for the better and has made strong gains in important areas. Telephone service has greatly improved, helping taxpayers navigate an extremely complex tax code. In 2005, the IRS estimates that more than half of individual taxpayers will file their returns electronically and millions are using the IRS web site to download forms, get information on their tax law questions and track the status of their refunds. The IRS' computer modernization program met its cost and schedule milestones in 2004 and the first taxpayers have been moved off the old tape-based system to a modern reliable database. Although the agency's enforcement effort has been suffering from a declining resource base, in FY2004 the IRS was able to increase its enforcement resources and showed an impressive gain in enforcement revenue.

Progress has been made in *both* the service and enforcement functions of the IRS' mission.

The Oversight Board is heartened that the President's budget request continues this trend by requesting additional enforcement funding in FY2006, and is pleased that the Administration acknowledges that investments in IRS enforcement result in increased tax revenue.

What is important about this performance is that progress has been made in *both* the service and enforcement functions of the IRS' mission. The Oversight Board has advocated since its inception that service and enforcement are needed; results achieved in FY2004 showed that it is possible to do both simultaneously. The Board is concerned taxpayers may be impacted by the planned reduction of IRS service resources in FY2005 and FY2006. The IRS expects that increased use of automated services and greater efficiencies will compensate for this reduction. The Board remains concerned, however, that taxpayers could experience a reduction in performance for delivery of services that depend on IRS representatives.

The Board is concerned that proposed reductions in customer service and modernization resources in the FY2006 budget will have an impact on IRS performance.

The Oversight Board applauds the IRS for staying focused and raising both service and enforcement performance levels last year. The Board also recognizes that President Bush's budget request for the IRS calls for a greater increase than other non-defense and non-homeland security agencies at a time when most budgets are being tightened. However, the Board is concerned that proposed reductions in customer service and modernization resources in the FY2006 budget will have an impact on IRS performance.

The President's focus on tax reform is welcome. Simplification of the code will reduce the burden on taxpayers and IRS customer service. Until meaningful and substantive tax simplification is enacted into law, taxpayers will need all the help they can get to understand the tax code. Business systems modernization is also key to improvements in customer service and enforcement and should be accelerated, not only to cut costs and delivery time, but to avoid a catastrophic collapse of the archaic legacy systems.

It makes perfect sense to make the additional investments in enforcement that will pay for themselves many times over.

One of the Board's roles is to provide a private sector perspective. A fundamental "best practice" in business is to encourage and fund investments that improve business performance. However, the funding trend of the past few years for the IRS has slowed down modernization even as the IRS has shown that it can overcome past problems and deliver real benefits to taxpayers.

The Oversight Board also raises an issue that it brought to the forefront in its special budget report issued last March. The IRS needs a realistic budget that recognizes and provides for the anticipated expenses it will incur, such as congressionally-mandated pay raises, inflation and rent increases. By not fully funding these costs, the IRS will be challenged yet again to make other cuts to pay for them.

Lastly, the Board urges Congress and the Administration to invest in the IRS. From its private sector perspective, the Board believes it makes perfect sense to make the additional investments in enforcement that will pay for themselves many times over. IRS and Administration estimates show that every dollar invested in enforcement generates four dollars in increased revenues.[1] However, existing budget evaluation methodology considers enforcement initiatives simply as an expense, failing to recognize the amount of revenue that will be raised.

For that reason, the Board is pleased to see the Administration's recommendation to adjust 302(a) allocations to increase enforcement funding for the IRS.[2] However, the Board is greatly concerned that the recommendation as presented will result in additional reductions in taxpayer services or modernization initiatives if budgets are cut or unanticipated costs arise. Rather, the Board recommends considering a full range of alternatives that recognize the value of investing in IRS enforcement, such as revisiting the Office of Management and Budget's own budget methodology regarding enforcement revenue, authorizing enforcement increases under non-discretionary funding, or allowing the IRS to retain a small percentage of enforcement revenue.

By a large majority, those surveyed called for *additional* funding for the IRS.

In this report, the Oversight Board proposes a budget that it believes will allow the IRS to achieve its strategic goals and objectives. It calls for $11.6 billion funding for FY2006, a nine percent increase over the Administration's recommendation. This budget provides additional funding above the Administration's recommendation of $265 million to enhance tax law enforcement, $111 million to maintain and improve customer service, and $140 million to support the Business Systems Modernization program. It also covers anticipated pay raises and inflation.

We cannot shift resources to pursue those who knowingly avoid taxes while neglecting the needs of taxpayers attempting to comply with a complex code.

Further, the Board's recommendations are backed by taxpayers. Those surveyed in the Board's annual tax compliance survey called for *additional* funding for the IRS — 62 percent favor more funding for enforcement and 64 percent favor more for taxpayer assistance.

The Board strongly believes that our nation can ill afford to return to the days when the IRS fluctuated between customer service and enforcement. We cannot shift resources to pursue those who knowingly avoid taxes while neglecting the needs of honest taxpayers attempting to comply with a complex tax code. The IRS is now solidly on the right track and is making progress but we must give it the resources to do its job. That is exactly what this budget does and is exactly what Congress called for in passing the IRS Restructuring and Reform Act of 1998.

I. The IRS Oversight Board Recommendation

The IRS Oversight Board recommends an $11.6 billion IRS budget for FY2006. This amount is nine percent over the Administration's recommendation and a 13 percent increase over the amount appropriated by Congress last year. The Board's recommendation calls for additional funding to enhance tax law enforcement and customer service, as well as supporting the Business Systems Modernization (BSM) program to replace the IRS' archaic computer systems. *See Appendix 1.*

Just as importantly, this budget would fully fund expected civilian pay raise increases, inflation and anticipated rent increases that have been consistently under-funded.

The IRS Oversight Board's budget helps ensure that the IRS is able to maintain balance between enforcement and customer service while modernizing the agency's business systems.

Comparison of Administration's Request, IRS Oversight Board's Recommendation, and Enacted Appropriations

(in $ millions)

FY2005			FY2006	
Admin.	Oversight Board	Enacted	Admin.	Oversight Board
10,674	11,204	10,233	10,679	11,629

The IRS Oversight Board's budget helps ensure that the IRS is able to maintain balance between enforcement and customer service while modernizing the agency's business systems. The Board's recommended budget:

- Provides an additional $435 million for enforcement initiatives. With a four-to-one return on enforcement funds invested, as acknowledged by the Administration's request, the Board believes we must invest more heavily in enforcement to close the tax gap. Using the Administration's estimated rate of return of four-to-one, the $435 million increase will result in additional tax revenue of $1.74 billion.

- Provides for $111 million in additional service, compared to the Administration's reduction of $134 million. The Board's request will keep all Taxpayer Assistance Centers open and improve their performance, invest in additional service infrastructure, and provide expanded services for taxpayers eligible for a health coverage tax credit.

- Provides for an additional $140 million for the BSM program, compared to the Administration's reduction of $4 million. It also provides for other modernization programs, including transition. This will allow the IRS to continue to build upon its modernization initiatives, providing taxpayers with faster, more efficient service.

- Fully funds $364 million in inflation costs compared with the Administration request of $277 million in inflation expenses.

A System That Works for All Taxpayers

The Board praises the IRS for the progress it has achieved in meeting all parts of its strategic plan – customer service, enforcement and business systems modernization.

Since the issuance of the IRS Restructuring Commission Report and the passage the following year of the IRS Restructuring and Reform Act of 1998 (RRA 98), the agency has achieved tangible gains in customer service.

Taxpayers can now get through on the IRS toll-free telephone lines while the accuracy and quality of the responses to their tax law and account questions have remained steady at reasonable levels. Taxpayers are also afforded a number of self-serve options over the telephone and the IRS' web site that help reduce the burden of filing and paying their taxes. However, the Board notes that in spite of these gains, IRS customer service is still not on a par with the best private sector financial services organizations; the job is still far from complete. Walk-in assistance has proven to be particularly helpful for lower-income taxpayers and those with limited or no English language proficiency. According to TIGTA, service levels at these sites show room for improvement.[3]

The IRS' once deeply troubled BSM program has recently experienced an important turnaround. Due to improved management focus, BSM in 2004 delivered on schedule important technology products that will generate greater efficiencies throughout the agency and create tangible benefits for taxpayers. The first taxpayers have been moved to a modernized reliable data base (Customer Account Data Engine) and corporate taxpayers are now able to conduct many of their transactions with the IRS electronically (Modernized e-File).

IRS enforcement efforts brought in $5.5 billion more in FY2004 than it did in FY2003, a 15 percent increase. Commissioner Mark W. Everson also reported in November 2004 that some other key indicators, such as enforcement revenue and audits of high income taxpayers – those earning $100,000 or more – were on an upward trend.[3] Finally, taxpayer attitudes toward cheating have improved to 2002 levels: 12 percent believe it is acceptable to cheat on their taxes, a five percent decrease from the previous year. [5]

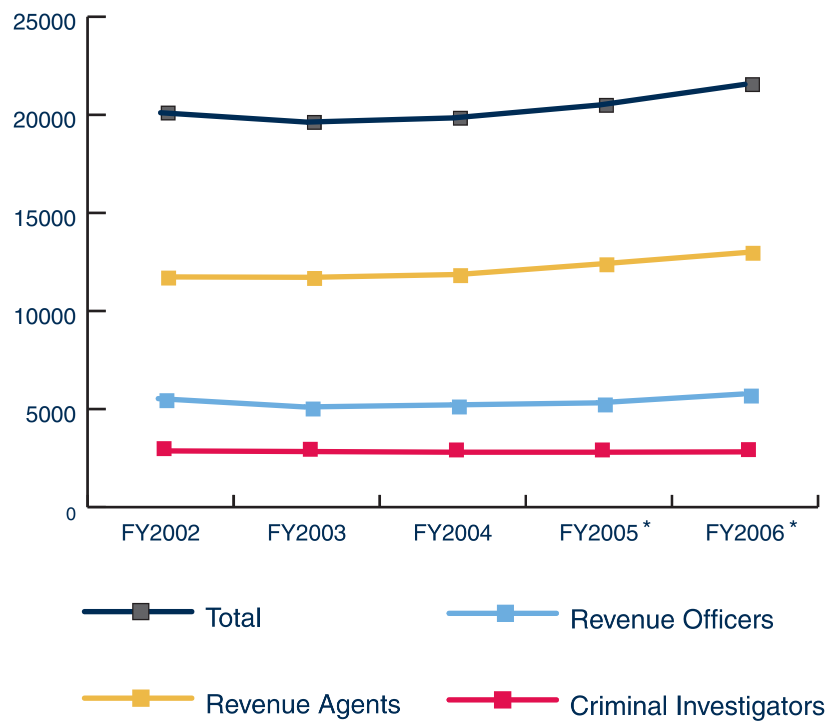
These improvements demonstrate that a balanced tax system works and must be maintained.

These improvements demonstrate that a balanced tax system works and must be maintained. Customer service levels still must be better, modernization efforts must continue, and enforcement resources must grow.

While the Administration's recommendations to boost enforcement are welcome, proposed funding reductions for customer service and modernization could adversely impact the IRS' performance and ability to close the tax gap.

Closing the tax gap is imperative. However, we cannot shift resources to pursue those who knowingly avoid taxes while neglecting the needs of honest taxpayers attempting to comply with a complex tax code. Our tax system must work for all taxpayers now and a decade into the future, regardless of the outcome of tax reform. The Board's budget recommendation is based upon that principle.

Flatline: IRS Enforcement Resources, FY2002-2006



estimated

Note: The National Taxpayer Advocate, in her 2003 Report to Congress, estimated the annual tax gap at $311 billion. This estimate is based on 1988 research and the IRS plans to update this estimate with new research in 2005.

As Board Chairman Wagner testified before the Senate Finance Committee last July:

> *Enforcement activities are still at an unacceptable level simply because the IRS does not have the resources needed to accomplish its mission. The agency continues to be outmanned and outgunned. In FY2003, the IRS was able to pursue only 18 percent of known cases of abusive devices designed to hide income, leaving an estimated $447 million uncollected. Meanwhile, TIGTA notes that the combined Collection and Examination function enforcement staffing declined from 25,000 at the beginning of FY1996 to 16,000 at the end of FY2003, a 36 percent decline.*[6]

II. Why This Budget is Needed: The Basis of the Board's Recommendation

A Realistic Budget

The Board has repeatedly argued for a pragmatic budget that reflects the complex world in which the IRS must operate. By any test, the IRS needs a budget that will cover costs for additional enforcement, ongoing taxpayer services and computer modernization.

Fully funding "cost of living" expenses will boost enforcement initiatives, customer service, and modernization efforts.

On face value, these resources have been provided in past budget submissions and what Congress appropriated for the IRS. However, some of the increases have been eroded by what the average taxpayer would see as cost-of-living increases.

For the past five years, the proposed IRS budgets and appropriations have not adequately taken into account a number of anticipated expenses such as congressionally-mandated pay raises, inflation and rent boosts.

Fully Funding Real Costs:
Comparison of IRS Oversight Board and Adminstration's Proposed Inflationary Adjustments FY2006
(in $ thousands)

	Oversight Board	Administration	Difference
Proposed Pay Raise	286,366 3.5%	220,973 2.3%	65,393
Non-pay Inflation	78,048	56,141	21,907
Total	364,414	277,114	87,300

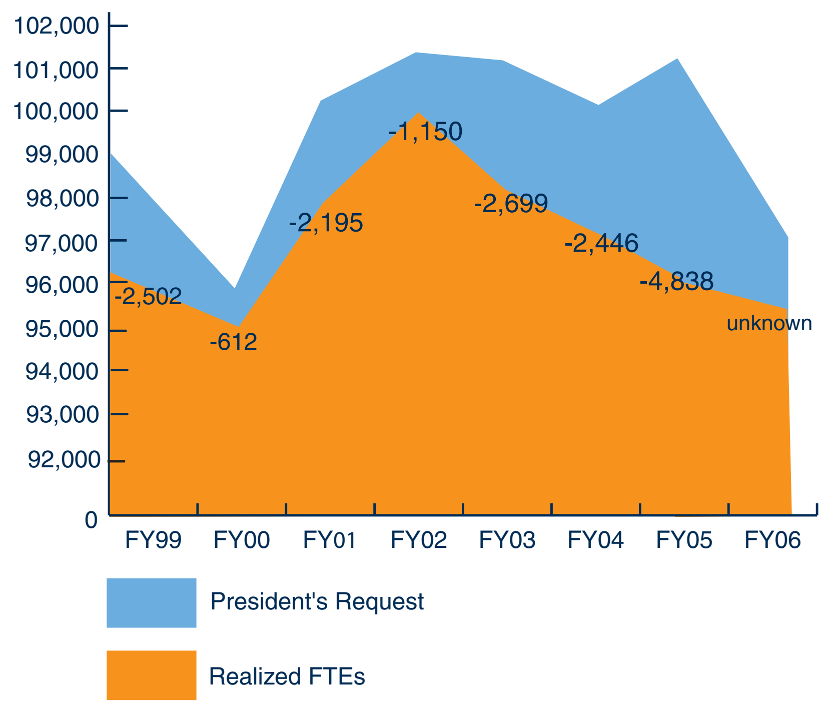
Note: The Oversight Board budget is based on a civilian pay raise of 3.5 percent, compared to the 2.3 percent contained in the Administration request. If parity between civilian and military pay increases is enacted – which is likely, based on history – the pay raise will be 3.1 percent.

The IRS absorbs these expenses, but there is no money appropriated to pay for them fully. Each year, the Administration requests additional IRS personnel, and each year, the IRS is unable to hire them, as the chart below demonstrates. To make up for lost ground, the IRS shifts resources from one critical program to another. Providing full funding for these expenses will boost enforcement initiatives, customer service gains, and modernization efforts.

A realistic budget for the IRS must fully recognize and deal with these unfunded costs. The Board's proposed budget for the IRS takes into account these anticipated expenses.

Each year, the Administration requests additional IRS personnel, and each year, the IRS is unable to hire them.

Requested and Realized Full-Time Equivalents FY1999-2005



Returns on Investment Make Good Business Sense

IRS Commissioner Everson stated: Our enforcement revenues yield a 4-1 direct return on every dollar invested in tax administration.

In the past, the Board has made the case for investing in the IRS and it does so again this year. A positive return on investment makes good business sense and the Board is not alone in that view. In prepared remarks delivered on November 18, 2004, IRS Commissioner Everson stated:

> *The IRS brought a record $43.1 billion in enforcement revenue in fiscal 2004. That's an increase of $5.5 billion from the year before, or 15 percent…These results demonstrate funding the IRS is a sound investment. Compared against our overall budget of just over $10 billion, which includes all taxpayer service and education, our enforcement revenues yield a 4-1 direct return on every dollar invested in tax administration.*[7]

In an April 14, 2004 column, *Washington Post* financial columnist Al Crenshaw was also puzzled why the Administration and Congress "aren't falling over themselves to give the IRS more money. Tax enforcement pays for itself many times over, and it would be a good way to cut the deficit."[8]

The Board brings a private sector perspective to the IRS and agrees that investing in enforcement does pay for itself many times over, not only in increased revenues but by reinforcing the belief that all taxpayers are paying their fair share. To the Board, paying a little more for enforcement to get a lot more in return during such strained budgetary times makes perfect sense. As the Board Chairman wrote to Treasury Secretary Snow in December 2004, "a four-to-one return on investment is a solid business decision."[9]

Americans Want a Balanced Tax System

Achieving a balance between customer service and enforcement has historically been the IRS' greatest challenge. Only with the passage of RRA 98 has there been much recognition that both service and enforcement are needed. Indeed, the problems that led to the enactment of RRA 98 were due in part to a zealous over-reliance on enforcement dollars to the detriment of taxpayer service.

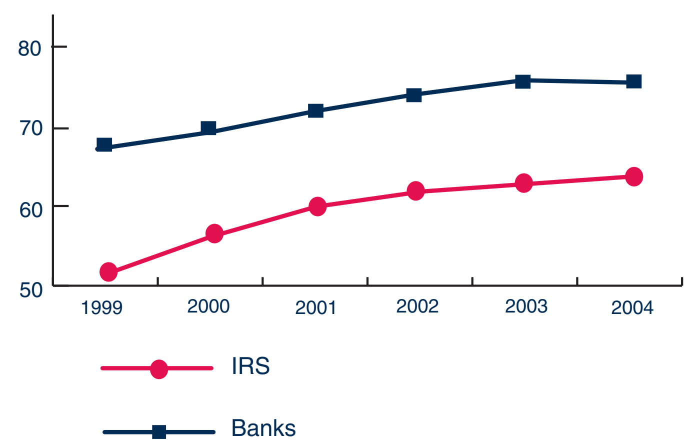
This is not to say the IRS is totally at fault: Congress and Administrations of both political parties must shoulder part of the responsibility by directing the IRS at times to focus more on one part of its mission than the other.

However, RRA 98 called upon the agency to provide *both* quality customer service and fair enforcement. Former Commissioner Charles O. Rossotti resolved that to be truly successful, and compatible with the spirit of RRA 98, the IRS had to succeed in all parts of its mission. This insistence on balance is also at the core of the IRS strategic plan and Commissioner Everson's formula, "customer service plus enforcement equals compliance." At the Board's 2005 annual public meeting, the American Institute of Certified Public Accountants observed:

> *Commissioner Everson recognizes that any increase in enforcement funding must be balanced with positive responses to the taxpaying public as customers. We encourage this type of balanced approach and stand ready to work with the Service to ensure the needs of America's taxpayers are fulfilled.* [10]

This balanced approach has produced positive results. The IRS has made considerable strides in improving customer service during the past five years and these improvements are reflected in taxpayer satisfaction surveys such as the American Customer Satisfaction Index (ASCI). In 2004, the overall customer satisfaction score of individual tax filers increased by almost two percent, showing a steady increase since 1999.[11] For comparable purposes, the ACSI scores for banks during this time period is shown.

ACSI's IRS Individual Tax Filers Customer Satisfaction Scores 1999-2004



Source: American Customer Satisfaction Index, December 2004.

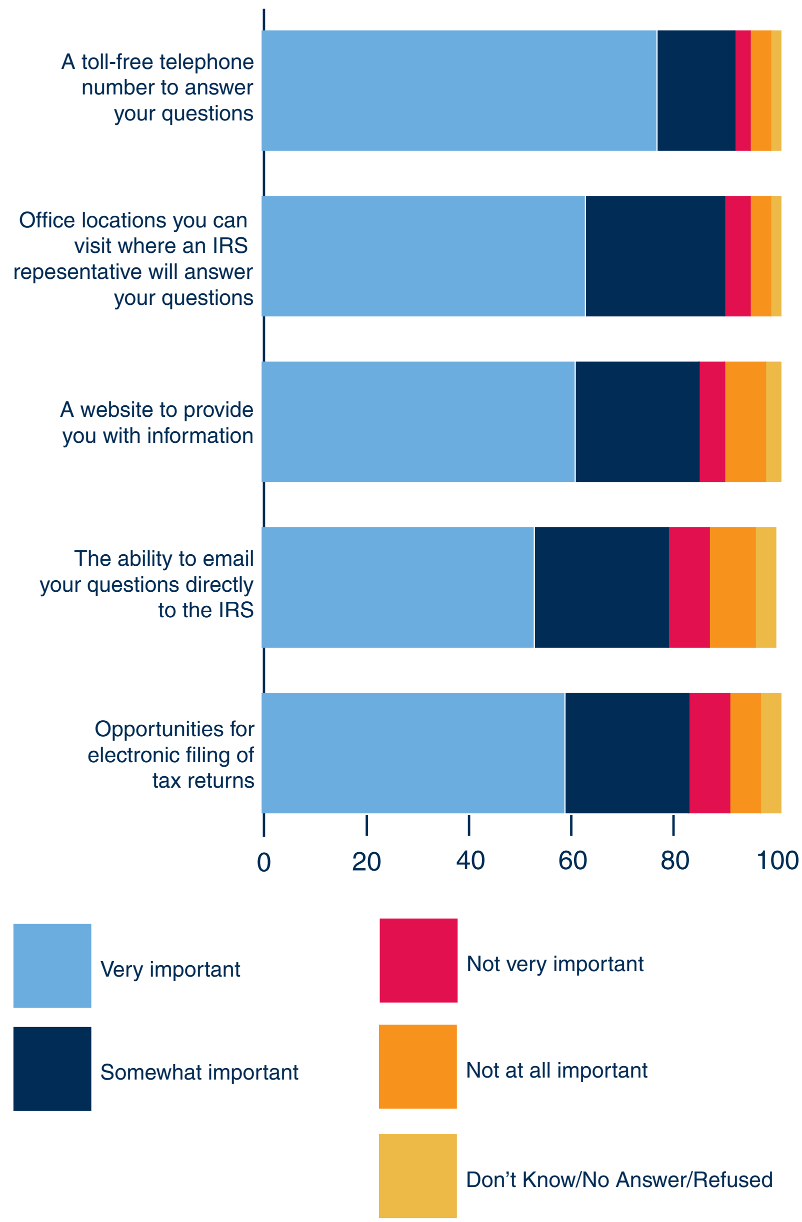
Indeed, taxpayers value the services the IRS provides to help them understand and comply with an incredibly complex and ever changing tax code. The 2004 IRS Oversight Board Tax Compliance Study found that "the most heavily relied upon source of tax information and advice are IRS representatives (82 percent see them as very/ somewhat valuable), and IRS printed publications such as brochures (82 percent) and the IRS web site (77 percent). The only non-IRS-provided information source that is nearly as highly rated is a paid tax professional (81 percent.). [12]

More than 90% of those surveyed said that IRS customer service is either very or somewhat important to them.

Further, more than 90% of those surveyed said that IRS customer service is either very or somewhat important to them.[13]

Finally, almost two out of three participating in the Board's 2004 taxpayer attitude survey support additional IRS funding for enforcement (62 percent) and taxpayer assistance (64 percent).[14]

Customer Service Important to Most Taxpayers



Source: IRS Oversight Board Tax Compliance Study, NOP World, July 2004.

However, during this time when the tax gap has taken center stage in Congress and before the media, there is the temptation to fall back on bad habits, declare victory on customer service and direct all resources to enforce the tax laws. In the opinion of the Board, this would represent a major setback.

This sentiment is shared by both taxpayers and practitioners. At the Board's 2005 public meeting, the National Association of Enrolled Agents stated:

> *NAEA supported the creation of the [IRS Oversight Board] as a defense against the tendency of policymakers to swing wildly between two extremes: funding taxpayer service to the exclusion of funding compliance programs on the one hand, and funding compliance programs to the exclusion of funding taxpayer service on the other. At the end of the day, both of these objectives must be adequately funded for the system to work correctly.* [15]

The Board also applauds President Bush's recent efforts creating a federal advisory panel to simplify the tax code, which is so complex that it confounds even tax professionals and contributes greatly to errors and non-compliance. However, regardless of what the panel recommends and is eventually enacted into law, tax reform will continue to place demands on IRS customer service as taxpayers try to adjust to and understand the changes.

The long-term health of our tax administration system is at the heart of the Board's proposed budget for the IRS.

At the end of the day, the long-term health of our tax administration system is at the heart of the Board's proposed budget for the IRS. It is consistent with the Board's previous recommendations and meets the Board's statutory responsibility to recommend a budget that allows the IRS to meet the needs of all parts of its strategic plan and critical mission on behalf of America's taxpayers.

III. Staying the Course: Approaches to Close the Tax Gap

For years, the IRS Oversight Board has urged the Administration and Congress to work to close the tax gap – now estimated at $311 billion annually. The Board's recommended budget will attack that problem head on by providing additional funding for the IRS to provide more enforcement while ensuring that taxpayer service levels do not suffer.

The Board's approach is based upon a strong business case that shows investment in enforcement pays for itself many times over. However, the Board does not simply recommend additional money: it concurs with the Administration's recommendation to revisit the existing budget methodology used to determine IRS enforcement funding, as long as resources that allow taxpayer services to remain steady and business systems modernization initiatives to continue are not redirected.

Specifically, the Board calls for:

1. A Budget Methodology that Reflects Returns on Investment in Enforcement

As previously noted, current budget methodology and scorekeeping fail to take into consideration the revenue collected by the IRS, and in a very real sense discriminates against the agency that collects 95 percent of all revenue. As a result, the cost estimate of government initiatives fails to reflect the amount of revenue that may be raised. For example, IRS enforcement programs are viewed by OMB examiners strictly as costs, while they clearly pay for themselves. Yet the IRS gets no credit for this. In its published reports and congressional testimony, the Board has often called for the creation of a budget methodology that reflects returns on investment in enforcement.

The Board is pleased to see the Administration's recommendation... However, the Board recommends considering other alternatives.

For that reason, the Board is pleased to see the Administration's recommendation to adjust funding allocations that will allow the IRS to bolster its enforcement efforts and fully supports the Administration's intended outcome – a significant boost in enforcement funding. However, the Board is concerned that the way this recommendation is structured, other IRS programs that support taxpayer service and business systems modernization could lose resources if budget cuts occur or unanticipated costs arise. Rather, the Board recommends considering a full range of alternatives that recognize the value of investing in IRS enforcement, such as revisiting the budget methodology of the Office of Management and Budget, authorizing enforcement increases under non-discretionary funding, or allowing the IRS to retain a small percentage of enforcement revenue.

The Board recommends an additional $435 million for the IRS to boost its enforcement efforts. Using the Administration's estimated rate of return of four-to-one, the additional $435 million will result in additional tax revenue of $1.74 billion. *See Appendix 2.*

2. Commitment to Balance Between Enforcement and Customer Service

Improving customer service is imperative.

The Board is concerned about shifting resources away from customer service towards enforcement and imposing a one-size-fits-all approach to customer service. In the Board's view, improving customer service is imperative. Yet FY2005 appropriations and the Administration's request for FY2006 funding are forcing the IRS to consider ways to reduce customer service. The IRS has already anounced that it will end its TeleFile service, used by almost four million taxpayers. Other possible cuts may include:

FY2005 appropriations are forcing the IRS to reduce customer services.

- Closing some Taxpayer Assistance Centers, which in total serve 7.5 million taxpayers each year;
- Reducing hours on the IRS' toll-free hotlines;
- Providing fewer paper versions of forms and publications, further burdening lower-income taxpayers who do not have ready access to the Internet.

A review of the changes in the IRS budget from FY2004 to FY2005 shows the basis of the Board's concerns for balance between customer service and enforcement. Inflation from FY2004 to FY2005 was driven

Services actually declined by 1.7 percent when considering the inflation rate. BSM experienced a decline of almost 50 percent.

Budget Growth from FY2004 to FY2005
(in $ millions)

Appropriation Title	FY2004 Enacted	FY2005 Approp.	Budget Growth	Percent Growth
Processing, Administration and Management	4,009	4,056	47	1.2%
Tax Law Enforcement	4,171	4,362	191	4.6%
Information Systems	1,582	1,577	-5	-0.3%
Business Systems Modernization	388	203	-184	-47.6%
Health Insurance Tax Credit Administration	35	35	0	0
Total Appropriation	**10,185**	**10,233**	**49**	**0.5%**

Some numbers result from rounding.

by pay inflation of 3.5 percent and non-pay inflation of 1.5 percent. Because 70 percent of the IRS budget is allocated to labor, a weighted inflation rate is approximately 2.9 percent.*

The table on the previous page shows the growth of the IRS budget from FY2004 to FY2005. Although the budget grew by $49 million overall, or .5 percent, this growth rate is 2.4 percent below the inflation rate. When examining specific functions within the overall IRS budget, enforcement grew by 4.6 percent but services only grew by 1.2 percent and did not keep up with inflation. Services actually declined by 1.7 percent when considering with the inflation rate. BSM experienced a decline of almost 50 percent.

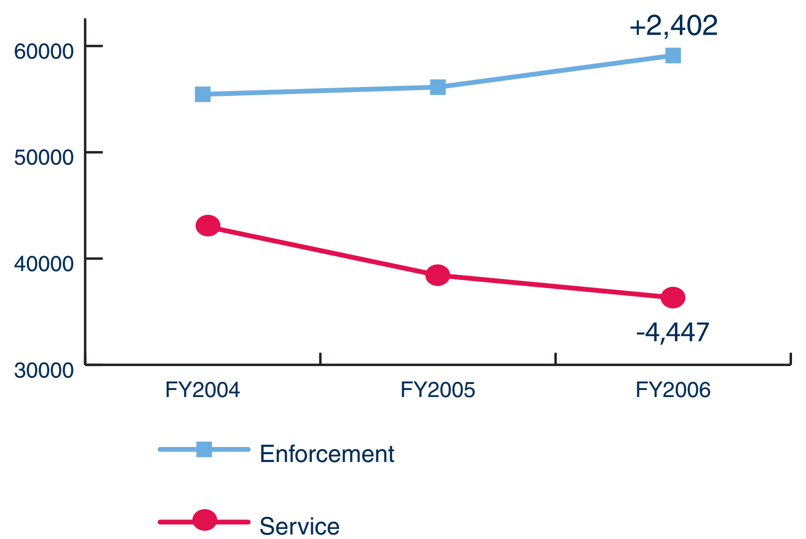
In its FY2005 Budget Report, the Board stated:

> *The Board believes the Administration's FY2005 budget cannot achieve its stated goal to add almost 2,000 personnel to bolster the IRS enforcement efforts, and will threaten hard-earned improvements in customer service.* [16]

Indeed, in FY2005, the IRS plans to add only 441 enforcement personnel, and eliminate 3,062 service personnel, 56 percent of whom work in back-office processing. In FY2006, according to the President's budget, the IRS proposes to eliminate another 1,385 service personnel, 87 percent of whom directly assist taxpayers and tax professionals.[17] The IRS expects that increased use of automated services and greater efficiencies will compensate for this reduction. The Board remains concerned, however, that taxpayers could experience a reduction in performance for delivery of services that depend on IRS representatives.

Increasing enforcement resources at the expense of service resources is a trend that can lead to a system that fails to meet the needs of all honest taxpayers.

Two Opposing Trends: Full-Time Equivalents by Function FY2004-2006



* The weighted inflation rate is expressed as .7(3.5) + .3(1.5) or 2.9 percent.

Those affected disproportionally are lower-income taxpayers and those with limited or no English language proficiency. At the Board's 2005 public meeting, Janet Spragens, Professor of Law and Director of the Federal Tax Clinic at American University's Washington College of Law stated:

> *[Low income taxpayers] are not Internet connected, do not have ready access to Web sites, fax machines, email messaging – or even bank accounts. They tend to be helped better through local walk-in offices and opportunities for face-to-face meetings than with an organizational structure based on specialization of function, remote offices, mailed documents, telephone phone trees with automated selections and electronic transfers.* [18]

Under a highly effective tax administration system, taxpayers would find compliance easy to achieve but difficult to avoid.

Increasing enforcement resources at the expense of service resources is a trend that can lead to a system that fails to meet the needs of all honest taxpayers. In his letter to Secretary Snow *(see Appendix 1)*, the Board Chairman further observed:

> *Many taxpayers find the tax code complex and difficult to understand but far fewer are willfully non-compliant. Under a highly effective tax administration system, taxpayers would find compliance easy to achieve but difficult to avoid. To achieve that condition, the Oversight Board has also proposed customer service improvements that will make tax administration easier for millions of taxpayers who want to be compliant, but need more help to understand and meet their tax obligations.* [19]

Investments in modernization should be based on the IRS' ability to perform and the business results to be achieved. In the private sector, investments in improved business performance are encouraged. Indeed, customer service continues to improve, primarily driven by business systems improvements. The IRS enjoyed the highest level of phone service in recent history and wait times were reduced by 20 percent. Last year, the number of individual returns e-filed increased 16 percent to 61.5 million and initiatives such as Free File have provided tax preparation advice and electronic filing services to many taxpayers at no cost. In 2005, the IRS expects that over 50 percent of all individual taxpayers will file electronically. Web usage of irs.gov is up 33 percent to 142 million visits.[20] And as previously noted, a recent Board survey showed that two out of three participants believe in additional funding for both enforcement and customer service.

IRS customer service is very much a work in progress and complacency is the worst enemy.

As the Board has consistently stated, IRS customer service is very much a work in progress and complacency is the worst enemy. One of the reasons that IRS customer service declined in the first place was a failure to keep pace with the new and innovative services that the private sector was providing. Like the best financial services institutions, the IRS must constantly work to improve customer service by measuring its progress, recognizing emerging trends and taking advantage of new technology. As choices are made on the FY2006 IRS budget, the Board cautions against an unbalanced focus on enforcement at the expense of service, a previous approach that led the passage of RRA 98 and the establishment of the IRS Oversight Board to guard against such situations.

The Board recommends an additional $111 million to support the IRS' customer service initiatives, which include maintaining all Taxpayer Assistance Centers and improving this service. *See Appendix 3r.*

3. Continued Support for Modernized Infrastructure

The IRS has turned an important corner and is making real progress in managing BSM. Given such progress, it would seem most desirable and logical to fully fund BSM. However, Congress took the opposite tack in FY2005 when it cut funding for BSM, severely penalizing the program – at the expense of taxpayer and agency needs. BSM funding levels have been severely reduced in the last several years. BSM funding was $388 million in FY2004, $203 million in FY2005, and is now requested at $199 million in FY2006. With the progress experienced by IRS last year, it is time to start restoring funding to this critical program.

Cutting back on modernization will force the program to take longer and cost more than necessary.

The Board strongly believes that cutting back on modernization will force the program to take longer and cost more than necessary. Of greatest concern is the age of IRS' existing computer systems which will eventually become impossible to maintain. As time passes, a catastrophic disruption in our nation's tax system becomes more likely.

Congress is severely penalizing the BSM program – at the expense of taxpayer and agency needs.

Therefore, the Board recommends that the BSM program move forward at an accelerated pace. Not only will this allow the IRS to operate more efficiently and effectively, it will strengthen the agency's efforts to enforce the tax law and improve customer service.

As the ACSI scores illustrate, there is still a gap between customer satisfaction levels for banks and the IRS. What banks offer that the IRS cannot yet achieve are daily updating of accounts, electronic access by customers to account records, and a full range of electronic transactions. The IRS must close this gap with modern technology and services if it is to be perceived by taxpayers as having services on a par with financial institutions.

The Board recommends an additional $140 million to support modernization initiatives for FY2006. The Board also recommends $78 million for other initiatives that will strengthen the IRS modernization program. *See Appendix 4.*

IV. Conclusion

The Board's recommendations are backed up by taxpayers.

The IRS Oversight Board has presented what it believes is a balanced and responsible budget for the IRS. It provides the necessary resources so that the IRS can work to close the tax gap while allowing the agency to continue to make progress in customer service and business systems modernization. It recognizes the real world in which the IRS must operate and fully funds anticipated expenses.

Further, the Board's recommendations are backed up by taxpayers. By a large majority, those surveyed in the Board's annual tax compliance survey called for *additional* funding for the IRS — 62 percent of taxpayers favor more IRS funding for enforcement and 64 percent favor more money for taxpayer assistance.

The Board's budget invests in the IRS for the long-term and refuses to shortchange America's taxpayers. Anything less would be a disservice to those taxpayers, the health of our tax administration system, and our nation.

Endnotes

[1]Department of the Treasury, “The Budget in Brief FY 2006”, February 2005, p. 2.
[2] Internal Revenue Service, The Budget in Brief FY 2006, February 2005, p. 2.
[3] Treasury Inspector General for Tax Administration (TIGTA), Audit Report 2004-40-033, “Customer Service at the Taxpayer Assistance Centers is Improving but is Still Not Meeting Expectations”, December 28, 2004.
[4] IRS Oversight Board Chairman Raymond T. Wagner, Jr., Testimony before the Senate Finance Committee, July 21, 2004.
[5] IRS Oversight Board Tax Compliance Study, NOP World, July 2004.
[6] IRS Oversight Board Chairman Raymond T. Wagner, Jr., Testimony before the Senate Finance Committee, July 21, 2004.
[7] IRS Commissioner Mark W. Everson, “Enforcement Revenue Reaches Record in 2004: Prepared Remarks of IRS Commissioner Mark W. Everson”, November 18, 2004.
[8] Al Crenshaw, “Letting Cheaters Prosper”, *Washington Post*, April 18. 2004.
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[19] IRS Oversight Board Chairman Raymond T. Wagner, Jr., Letter to Treasury Secretary John Snow, December 23, 2004.
[20] IRS Commissioner Mark W. Everson, “Enforcement Revenue Reaches Record in 2004: Prepared Remarks of IRS Commissioner Mark W. Everson”.

Appendices

1: Budget Transmittal Letter of IRS Oversight Board to U.S. Treasury
and IRS Oversight Board FY2006 IRS Budget
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Appendix 1:
Budget Transmittal Letter of IRS Oversight Board to U.S. Treasury

December 23, 2004

The Honorable John W. Snow
Secretary of the Treasury
1500 Pennsylvania Ave, NW
Washington, DC 20220

Dear Mr. Secretary:

On behalf of the Internal Revenue Service (IRS) Oversight Board, I forward the proposed budget for the IRS for Fiscal Year 2006 (FY2006). This budget was prepared by the IRS and reviewed and approved by the IRS Oversight Board. In conducting its review, the Board sought to ensure that the budget request supports the annual and long-range plans of the IRS as required by 26 U.S.C. § 7802(d).

The responsibility to approve the IRS budget is one of the Oversight Board's most important responsibilities. In exercising this charge, the Oversight Board recognizes that the IRS' budget reflects critical choices that are made on behalf of our country and its citizens.

The Oversight Board must weigh competing factors when considering the budget it recommends. The Board is cognizant that the world situation and projected deficits for the next several years increase the need to ensure that all federal spending be thoroughly justified, deliver value to the taxpayers, and meet priority needs. However, in our roles as members of the Oversight Board, we must be mindful of our statutory responsibilities to taxpayers. If the public loses confidence in our system of tax administration, we run the risk of decreased taxpayer compliance and falling tax revenue. Moreover, a strong IRS will contribute to improved taxpayer compliance and increased revenue at a time when there is a critical need for additional revenue.

The opportunity for additional revenue was of paramount importance to the Oversight Board in developing its recommended FY2006 IRS budget. The Board has reviewed historical data covering an eleven-year period that has been analyzed by the Treasury Department and the IRS. The data indicate that additional funding to the IRS for enforcement activity will yield a strong return on investment over several years. To the members of the Oversight Board, who were selected based upon our private sector expertise, a four-to-one return on investment is a solid business decision.

The Board is aware that an increase of over 13 percent over FY2005 funding is bold. However, the Board chose to be bold because it believes this investment is both necessary and achievable. We have confidence that the IRS is steadily improving its operations under Commissioner Everson and can accommodate this growth while achieving high levels of efficiency. The Board would not recommend this budget if it believed otherwise.

The recommended budget also meets three other objectives, all of which are important if the IRS is to continue to evolve into a 21st century institution that meets taxpayers' needs. The budget:

- re-builds IRS infrastructure, especially the critically important Business Systems Modernization program, to provide a solid foundation for future performance,
- employs realistic estimates of known inflation factors, and
- maintains a balance of customer service and enforcement resources.

In evaluating the performance of the tax administration system, the Board is aware that an effective system must balance service and enforcement. Many taxpayers find the tax code complex and difficult to understand, but far fewer are willfully non-compliant. Under a highly effective tax administration system, taxpayers would find compliance easy to achieve but difficult to avoid. To achieve that condition, the Oversight Board had also proposed customer service improvements that will make tax administration easier for millions of taxpayers who want to be compliant, but need more help to understand and meet their tax obligations.

I request that you forward the budget to the OMB for inclusion in the President's annual budget request in accordance with Internal Revenue Code section 76802(d)(4). If I can answer any questions, please do not hesitate to call.

Sincerely,

Raymond T. Wagner, Jr., Chairman
IRS Oversight Board

Enclosure

Enclosure:

FY2006 IRS Budget Recommended by IRS Oversight Board
(in $ thousands)

FY2005 Appropriation	**10,236,087**
Maintaining Current Levels (MCLs) Adjustments	
Pay Raise Annualization	69,451
Proposed Pay Raise (3.5%)	216,915
Non-Pay Inflation	78,048
Total MCLs	**364,414**
Total Reductions & Savings	**-116,135**
Total Reinvestments	**116,135**
Total, FY2006 Base Changes	**10,600,501**
Program Initiatives	
Taxpayer Service	110,609
Enforcement	699,933
Modernization	217,712
Total, Program Increases Above FY2006 Base	**1,028,254**
Total, FY2006 Recommendation	**11,628,755**
Growth over FY2005 Base	**1,392,668**
Percent Growth	**13.6%**

Appendix 2:
Recommended FY2006 Initiatives: Enforcement
(in $ thousands)

Enforcement Initiatives	IRS Oversight Board	Administration	Difference
Attack Corrosive Non-Compliance Activity Driving the Tax Gap	349,792	149,700	200,092
Attacking Abusive Tax and Financial Criminal Activity	82,967	0	82,967
Detect and Deter Corrosive Corporate Non-Compliance	61,090	51,800	9,290
Increase Individual Taxpayer Compliance	57,754	37,900	19,854
Stopping Refund Crimes	40,934	10,772	30,162
Improve Tax Gap Estimates, Measurement and Detection of Non-Compliance	34,572	0	34,572
Combat Abusive Transactions by Entities with Special Tax Status	30,233	14,460	15,773
Consolidate Insolvency Activities to Maximize Resources Devoted to Front-Line Operations	15	0	15
Improving Compliance Through Data Driven Workload Selection	21,956	0	21,956
Reduce Erroneous EITC Claims and Increase Participation of Eligible Taxpayers	19,347	0	19,347
Office of Professional Responsibility	1,273	0	1,273
Total Enforcement Initiatives	**699,933**	**264,632**	**435,301**

Initiative: Attack Corrosive Non-Compliance Activity Driving the Tax Gap

This initiative adds 4,039 new FTEs, half in FY2006 and half in FY2007 to increase the coverage of high-risk compliance problems and the continuing concern over the proliferation of abusive trust and shelters. When these resources are in place and fully trained, the additional personnel will close:

- 124,000 additional ACS cases
- over 187,000 additional field collection cases
- over 200,000 additional AUR cases
- over 41,000 additional non-EITC cases
- over 64,000 additional exams of taxpayers with AGI under $100,000
- over 21,500 additional exams of taxpayers with AGI over $100,000

The IRS estimates this initiative will generate $9.7 billion in direct enforcement revenue through FY2010.

Initiative: Attacking Abusive Tax and Financial Criminal Activity

Abusive tax and financial schemes are growing in scope and complexity and eroding confidence in our tax system, and the IRS needs to proactively identify, investigate and support efforts to attack abusive tax and financial schemes. Additional resources will expand partnerships within different units of IRS (CI, SBSE, LMSB, TEGE) to combat these schemes. These resources will increase counterterrorism compliance efforts related to examination of money services businesses and provide forensic accounting assistance to Criminal Investigation (CI) in High Intensity Financial Crimes Areas through the application of the Bank Secrecy Act.

This initiative adds 280 new IRS FTEs in FY2006, which, when in place and fully trained, will be able to initiate 665 additional cases and complete an additional 622 cases annually.

Initiative: Detect and Deter Corrosive Corporate Non-Compliance

This initiative provides the Large & Midsize Business (LMSB) operating division with additional resources to address complex, high-risk issues in abusive tax avoidance transactions, promoter activities, corporate fraud, and aggressive domestic and offshore transaction. It provides needed resources to combat corrosive non-compliance of corporations, and high-income taxpayers, and ensure promoters, tax professionals, and attorneys comply with professional standards and Circular 230. It also provides additional outside experts to support critical post-filing activities to increase the resolution of issues at the Field examination level.

This initiative adds 273 new FTEs in FY2006, which, when in place and fully trained, will be able to close almost 3,700 additional cases annually and increase the audit coverage of corporations with income between $10 million and $250 million from approximately 13 to 16 percent.

Initiative: Increase Individual Taxpayer Compliance

This initiative is designed to strengthen compliance resources in mainstay programs in order to bolster enforcement presence among individual taxpayers. It is comprised of four components aimed at closing the tax gap: identifying and implementing actions to address non-compliance with filing requirements; increasing Automated Underreporter resources to address the reporting compliance tax gap; increasing audit coverage; and expanding collection work in Taxpayer Assistance Centers (TAC).

This initiative adds 474 new FTEs in FY2006 and 188 in FY2007 to increase compliance programs aimed at individual taxpayers. When these resources are in place and fully trained, the additional personnel will close:

- 8,000 additional ACS non-filer cases
- 61,000 ACS tax delinquent account cases
- over 242,000 additional AUR cases
- over 37,000 non-EITC cases

Initiative: Stopping Refund Crimes

Fraudulent refund schemes are one of the most serious threats to voluntary compliance because they erode confidence in the tax system by directly draining the Treasury of funds paid by honest taxpayers. This initiative requests resources for two purposes: to support IRS' Questionable Refund Program and Return Preparer Program, and to obtain access to the Department of Health and Human Services' National Directory of New Hires. The National Directory of New Hires will be used to validate W-2 information on Earned Income Tax Credit claims significantly reducing calls to employers for validation. In addition, taxpayer burden will be reduced by releasing legitimate refunds promptly.

This initiative adds 111 new FTEs in FY2006 and 111 in FY2007 to increase enforcement associated with refund crimes. When these resources are in place and fully trained, the additional personnel will initiate and close over 600 investigations. The IRS estimates that these cases will save approximately $141 million in fraudulent EITC refunds.

Initiative: Improve Tax Gap Estimates, Measurement and Detection of Non-Compliance

The IRS has been without adequate research for over a decade, which hampers its ability to identify areas of noncompliance, providing the critical information necessary to focus examinations. The Financial Management Controls Executive Steering Committee has identified the lack of quality compliance measures as a key material weakness of the IRS. This initiative allows the IRS to create a group of IRS examination and support personnel to conduct National Research Program (NRP) examinations each year to update reporting compliance estimates for different groups of taxpayers.

This initiative adds 150 new FTEs in FY2006 and 150 in FY2007 and will allow the IRS to conduct compliance research on an on-going basis. The current situation, in which tax gap estimates depend on research conducted in 1988, must be avoided if the IRS is to allocate its enforcement resources effectively.

Initiative: Combat Abusive Transactions by Entities with Special Tax Status

This initiative provides Tax Exempt & Government Entities (TEGE) with the data and systems to quickly and effectively detect and address rising abusive transactions designed to avoid tax in areas such as: Section 412(i) insurance contract plans; credit counseling organizations; misuse of tax-exempt bond financing, such as Sale-In, Lease-Out or SILO transactions; tribal joint ventures and government contractor tax compliance.

This initiative adds 155 new FTEs in FY2006 and 144 new FTEs in FY2007. When these resources are in place and fully trained, the additional personnel will increase TEGE compliance contacts by 7,300 annually.

Initiative: Improving Compliance through Data Driven Workload Selection

This initiative will allow the Service to capture additional electronically-formatted data for use in the development and testing of new and improved workload selection decision analytical tools and models for identifying high-risk filers. It will also ensure that the amount of data the Service can effectively use for paper returns is the same as the data available for e-filed returns. This initiative adds 291 new FTEs in FY2006 and 291 new FTEs in FY2007. When these resources are in place and fully trained, the additional personnel will lead to better data matching and systemic handling of issued, improved taxpayer service, and enhanced enforcement through uniform application of the law.

Initiative: Reduce Erroneous Earned Income Tax Credit (EITC) Claims and Increase Participation of Eligible Taxpayers

The EITC initiative is consistent with IRS' effort to provide a balanced EITC program that encourages eligible taxpayers to apply while simultaneously reducing erroneous claims. Focused outreach activities for certification will increase participation while also reducing erroneous EITC claims. This initiative adds 176 new FTEs in FY2006 and 61 new FTEs in FY2007 in support of EITC taxpayer certification.

Initiative: Office of Professional Responsibility

Increasing public intolerance of practitioner misconduct and the strong support for additional intervention into this misconduct are expected to increase the volume and complexity of misconduct cases referred to the IRS' Office of Professional Responsibility (OPR). Additional resources are required to ensure that the IRS has adequate skills and capacity to work these cases in a timely manner. The Department of the Treasury, the IRS, and Congress have become increasingly vocal about the need to effectively address seemingly widespread instances of practitioner misconduct. OPR, within the IRS, has the authority and responsibility to address instances of practitioner misconduct.

This initiative adds 7.5 new FTEs in FY2006 and 2.5 new FTEs in FY2007. Although this increase is modest when considered in light of the entire IRS budget, increased enforcement of practitioner misconduct can exert significant leverage in taxpayer compliance. This increase is being requested in conjunction with modifications to Treasury Circular No. 230, which places new requirements on tax practitioners and increases the authority of the OPR. These additional requirements and increased authority require additional OPR resources if they are to be meaningfully applied.

Appendix 3:
Recommended FY2006 Initiatives: Customer Service

(in $ thousands)

Service Initiatives	IRS Oversight Board	Administration	Difference
Improve Health Coverage Tax Credit (HCTC) Outreach and Service Options	52,449	-15,352	67,841
Joint Operations Center (JOC) Infrastructure Costs	20,689	0	20,689
Implement Taxpayer Assistance Center (TAC) Model Redesign	15,188	0	15,188
Toll-Free Site Realignment	13,808	0	13,808
Increase Returns Processing Efficiencies	4,681	0	4,681
Improve Toll-Free Services for Tax-Exempt & Government Entities	3,794	0	3,794
Taxpayer Assistance Re-engineering	0	-134,103	134,103
Total Service Initiatives	**110,609**	**-149,495**	**260,104**

Initiative: Improve Health Coverage Tax Credit (HCTC) Outreach and Service Options

The addition of the proposed Refundable Tax Credit for the Purchase of Health Insurance to the existing Health Coverage Tax Credit Program would expand coverage to include those individuals who are identified as "low income". The current legislation only covers individuals who become involuntarily unemployed due to outsourcing, and those whose pensions were taken over by the Pension Benefit Guaranty Corporation. This initiative for FY2006 costs is contingent on a program expansion as individuals become familiar with the tax credit and the legislatively-mandated advance payment provision as of July 1, 2006. Should such a program expansion not take place, this initiative is not recommended.

This initiative adds 166 new FTEs in FY2006 and 15 in FY2007 to cover possible program expansion. The costs also reflect a projected increase in telephone call volume to existing HCTC sites, a Compliance test case, an increase in Taxpayer Assistance Center (TAC) contacts, production and distribution of new tax publications, and other Outreach programs.

Initiative: Joint Operations Center (JOC) Infrastructure Costs

This initiative provides improved toll-free support of both enforcement activities and customer service. It will meet the needs of taxpayers by allowing multiple access channels which will optimize the taxpayer's level of attaining necessary information. The internal return on infrastructure enhancements will optimize routing and workflow as new issues and legislation occur. Universal queuing capability will reduce the complexity of the current process Indirect Channel Management (ICM) routing, and reduce the number of ICM requests during peak hours by 64 percent.

No additional FTEs are proposed for this initiative because the funding is for non-labor support costs.

Initiative: Implement Taxpayer Assistance Center (TAC) Model Redesign

The implementation of the Taxpayer Assistance Center (TAC) Model redesign supports the strategy "Reduce W&I taxpayer burden by improving quality, efficiency, and service delivery". This is critical to the achievement of Field Assistance's (FA) target state. The Service has made a commitment that security concerns regarding the inability to limit access to TAC, both by the public and unauthorized IRS personnel, will be addressed through space redesign. Reconfiguration of the TACs is also vital to implementation of Embedded Quality Business Integration (EQBI), so that the IRS can better measure its performance at these sites.

Only four additional FTEs are proposed for this initiative because the funding is primarily for non-labor support costs.

Initiative: Toll-Free Site Realignment

Wage and Investment has developed business rules that define the optimal size of contact center operations to be between 450 and 650 FTEs. This initiative will provide for: Improved efficiencies of toll-free delivery operations, realignment of resources to Tax Law site locations — from the Dallas Call Site to the Jacksonville, Pittsburgh and Puerto Rico Call Sites — increased staffing for Spanish toll-free call sites (Jacksonville and Puerto Rico) and the downsizing of the Dallas Call Site to a level consistent with the optimal size of contact center operations.

No additional FTEs are proposed for this initiative because the funding is for non-labor support costs.

Initiative: Increasing Returns Processing Efficiencies

The IRS initiative to increase electronic filing will continue to have a significant impact on Wage & Investment (W&I) Submission Processing Centers as IMF paper volumes decline.

This initiative adds 12 new FTEs in FY2006 and 10 new FTEs in FY2007, and will enable the IRS to continue to consolidate IMF returns processing into fewer Submission Processing sites. This initiative is a result of the large increase in E-filed returns, which reduces the need for paper return processing.

Initiative: Improve Toll-Free Service for Tax Exempt and Government Entities

Customer demand exceeds Tax Exempt and Government Entities (TEGE) toll-free capacity and continues to climb. Level of service on the TEGE telephone line has fallen from 85 percent in FY2002 to 48 percent in FY2005, even as the call center is answering more calls. The decrease in service level is driven by a 44 percent increase in calls.

This initiative adds 19 new FTEs in FY2006 and 19 new FTEs in FY2007 to improve TEGE's toll-free level of service, promote voluntary compliance by providing assistance to customers, and constrain demand growth by implementing automated, self-service options. When these resources are in place and fully trained, the additional personnel will:

- Answer 265,000 additional calls to the TE/GE toll-free telephone line
- Improve the level of service to 76 percent

Program Change: Taxpayer Assistance Re-engineering

The re-engineering of taxpayer assistance will result in a decrease of services offered to taxpayers. The majority of the savings the IRS will achieve through this re-engineering effort will result from the closing of Taxpayer Assistance Centers (also known as walk-in sites).

Appendix 4:
Recommended FY2006 Initiatives: Modernization
(in $ thousands)

Modernization Initiatives	IRS Oversight Board	Administration	Difference
BSM Increase	140,000	-4,360	144,360
Transition to Modernization	54,800	0	54,800
Human Resources (HR) Connect	15,500	0	15,500
Strengthening Enterprise Resilience	4,612	0	4,612
Paybanding for Front-line Managers	2,800	0	2,800
Total Modernization Initiatives	**217,712**	**-4,360**	**222,072**

Initiative: Business Systems Modernization
Increased funding will provide flexibility required to effectively manage Business Systems Modernization (BSM) projects. The IRS has met its performance and schedule milestones in FY2004 and as it continues to improve its ability to manage BSM projects it is imperative that funding be available.

Two projects that are especially critical to the IRS, in addition to the Customer Account Data Engine, which replaces the IRS antiquated Master Files, are the Filing and Payment Compliance (F&PC) project and additional electronic tax administration projects. The F&PC project will improve the efficiency of IRS collections and improve the IRS' ability to manage private collection agencies. Taxpayers and tax practitioners alike will experience a major reduction of burden if the IRS could accelerate the development of additional electronic tax administration projects.

Initiative: Transition to Modernization
This initiative provides for the successful transition of IRS' BSM projects to the Current Production Environment (CPE). New BSM releases must operate simultaneously with the legacy systems until the affected legacy systems can be shut down. The request will fund transition costs as well as operations and maintenance of these modernized systems in the CPE.

This initiative will support the transition to improve the customer service for the taxpaying public, e.g., alternative ways of filing; the improvement of enforcement activities; the modernization of business processes; and the alignment of infrastructure to maximize resources devoted to front-line operations. This will ensure adequate system support during transition for the users.

Initiative: Human Resources (HR) Connect
This initiative funds the IRS' portion of the Human Resources (HR) Connect program. HR Connect is a Department of Treasury program that replaces multiple HR systems with a modernized, integrated system based upon PeopleSoft Human Resources Management System. The HR Connect project will also reduce the time involved in the hiring process by automating the application process.

Initiative: Strengthening Enterprise Resilience (Critical Business Process Protection)

This initiative provides additional resources to focus on improving processes to address business resumption and disaster recovery. It will strengthen mission assurance activities essential for the IRS to ensure emergency preparedness is exercised and that business continuity plans are implemented servicewide. This will be achieved in compliance with the Homeland Security Presidential Directive for a National Incident Management System (NIMS).

This initiative adds 8 new FTEs in FY2006 and 8 new FTEs in FY2007 to ensure business continuity of staff operations, technology, and facilities that support tax administration. It will provide the planning, exercising, and subsequent after action tasks of a maturing Test, Training, and Exercise Program that will be in accordance with Federal Protection Circulars 65-67.

Initiative: Paybanding for Front Line Managers

This initiative provides for funds to implement paybanding for front line managers. It will provide the IRS with additional flexibility to reward high performing managers.

Contact Information

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