

IRS Oversight Board

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IRS Oversight Board FY2006 IRS Budget Report Released

BOARD VOICES CONCERN OVER SERVICE TO TAXPAYERS, COMPUTER MODERNIZATION EFFORTS IN FY2006 IRS BUDGET

The IRS Oversight Board today released a special report on the IRS FY2006 budget and found much to praise; progress has been made in all parts of the IRS' mission. "The Oversight Board applauds the IRS for staying focused and raising both service and enforcement performance levels last year," said Board Chairman Raymond T. Wagner, Jr.

The Board believes that the IRS must continue to improve through increased efficiencies. 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 Board recognized that the President's budget 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. It was particularly pleased that the Administration acknowledged that investments in IRS enforcement result in increased tax revenue.

"One of the Board's roles is to provide a private sector perspective. And from this vantage point, 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," Board Chair Wagner observed.

However, balance between enforcement and customer service is the key, the Board believes. It calls for a budget that supports a balanced system, and points out that the IRS Restructuring and Reform Act of 1998 called upon the agency to provide both quality customer service and enforcement.

To meet this challenge, the Board proposed a budget that it believes will allow the IRS to achieve its strategic goals and objectives. It calls for \$11.6 billion in funding for FY 2006, a nine percent increase over the Administration's recommendation. The Board recommends an additional \$435 million for the IRS to boost its enforcement efforts. Using the estimated rate of return of four-to-one, the additional \$435 million would result in \$1.74 billion in additional tax revenue. The Board also calls for additional funding towards maintaining and improving customer service and supporting the Business Systems Modernization program, which is replacing the agency's antiquated computers.

In its report, the Board stated that its recommendations are backed by taxpayers. Those surveyed in its annual tax compliance survey called for *additional* funding for the IRS – 62 percent favor more funding for enforcement and 64 percent favor more taxpayer assistance.

"The IRS is now solidly on the right track and is making progress but the IRS must be given the resources to achieve its strategic objectives. That's exactly what this budget does and is exactly what Congress called for in passing the IRS Restructuring and Reform Act of 1998," Board Chair Wagner concluded.

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