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MODERNIZATION, HUMAN CAPITAL ISSUES RAISED AT TAX FORUMS

(Washington, DC) According to tax practitioners who participated in the IRS National Tax Forums, the nation's tax administration system is better than it was five years ago. Nonetheless, the agency must make progress with its business systems modernization program and overcome pressing human capital issues, stressed the IRS Oversight Board, which reviewed its findings at its September 29-30 meeting.

Thousands of tax practitioners attended the IRS-sponsored forums, which were held at six cities. The forums ended last month. The Board led discussion groups at each event to probe the views of those who deal regularly with the IRS and IRS employees.

"Board members spoke with dozens of accountants and tax preparers throughout the nation, as well as IRS employees, at this year's forums," said Board Chair Nancy Killefer. "And there is no question that the IRS is making progress in improving service."

IRS' e-filing and the agency's web site were often cited as efficient time-savers, and the National Taxpayer Advocate Service was praised for its hands-on approach to solve specific problems.

However, practitioners voiced impatience at the IRS' slow progress in modernizing its computer systems. All are now accustomed to modern business systems used by major financial service companies, and say their work is slowed by the IRS' aged legacy systems.

Forum participants also raised concerns with human capital issues. Although IRS employees continue to adjust to the agency's major reorganization, their workload continues to grow, and many voiced concern that employees are retiring and often are not replaced.

Turnaround in Appeals

At its meeting, the Board discussed improvements in the IRS' Appeals division, which seeks to resolve tax problems without litigation. According to Dave Robison, Director of Appeals, one of the division's greatest challenges is keeping up with its growing workload. Last fiscal year, Appeals handled about 100,000 cases, up from about 68,000 in FY2001. The division is finding ways to shorten the Appeals process. Emphasizing early intervention, including "fast-track" settlements, and following successful models in

areas such as Innocent Spouse, is helping. Robison says that the division is becoming more effective, resolving 90 percent of cases it receives.

The division also reported a dramatic increase in employee satisfaction. In FY2002, Appeals ranked lowest among all IRS divisions in the agency's annual Gallup workforce survey. This year, Appeals' employee satisfaction jumped dramatically.

"Appeals' turnaround is a remarkable achievement," said Chair Killefer. "In only a few years, this division has made a real difference for taxpayers who want to resolve their cases without resorting to litigation."

Board Calls for Long-Term Tax Administration Initiative

The Board called on the IRS to undertake a major initiative to develop a long-term performance measure.

According to Bob Tobias, Chair of the Board's Performance Measurement Committee, "Although the IRS made significant strides in measuring its performance, it has struggled with the development of long-term performance measures and more importantly, outcome measures that can be used to track the 'health' of the nation's tax administration system."

What's needed, Mr. Tobias said, is to create national goals that define a "Healthy Tax Administration for 2015." Such an effort, he said, would "assess the health of the tax system, assess how well the tax system is working, and identify outcome measures that are indicators of health, much like taking the temperature of individuals to determine if they are sick." He outlined a recommended approach to undertake the concept, which would culminate in a report.

IRS Commissioner Mark Everson agreed with the concept, and pledged the IRS would implement the initiative.

Business Systems Modernization

The Board also discussed the status of the IRS Business Systems Modernization program. Six independent analyses of the program are underway. The Board's Business Transformation Committee will review the findings once they are completed later this month.

Farewell to Board Member Karen Hastie Williams

The Board and the Department of Treasury lauded Karen Hastie Williams for her service as a Board member. One of the original seven "private life" members, Ms. Williams' term ended September 30.

At its meeting, Ms. Williams received the Secretary's Honor Award from the Department of Treasury for her work as an active member of the Board's Performance Management and Business Transformation Committees and for her "insightful, strategic thinking [that]

helped guide the modernization of IRS business processes and information technology, and establish measures to effectively assess IRS performance.”

“Karen has brought an enormous wealth of knowledge and a unique perspective to the Board,” said Chair Killefer. “We will miss her greatly.”

The Board’s next meeting will be held December 3 and 4 in Washington, DC.

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