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## IRS OVERSIGHT BOARD RELEASES FIRST REPORT CALLS ADMINISTRATION'S BUDGET INADEQUATE FOR IRS PLAN

The IRS Oversight Board released its first interim report today to Congress and the public. The Board finds that the President's Fiscal Year 2002 budget does not adequately support the IRS Strategic Plan and fails to provide enough funding for technology modernization.

Larry R. Levitan, Chairman, stated, "It is well known that the IRS is broken. It is not meeting any of the goals and objectives demanded by Congress and the American taxpayers. Service to taxpayers is inadequate, and enforcement activities have dropped to a dangerous level, giving the impression that it's easy to get away with cheating. The agency's computer systems are completely outdated, while the number of IRS employees continues to drop while the workload increases."

The newly created IRS Oversight Board studied this situation carefully for the past five months and is recommending a budget that supports the creation of a new IRS that is able to provide the kind of taxpayers' service that is demanded.

Major differences between the Board's budget and the President's budget include:

- The Board recommends full funding of the previously approved STABLE program that will end a decade long 17% reduction of IRS headcount and provide approximately 3,800 new employees to improve service and enforcement. The President's budget dramatically slows this program down in 2002, reducing the necessary headcount increase by 1,300 employees.
- The Board recommends an expenditure of \$54 million to start to replace out-of-date laptop and desktop computers that will not support new software that will improve security and make IRS employees more effective. The President's budget provides no funding for this program. It makes no sense to spend hundreds of millions of dollars to develop necessary new software and then not provide the hardware to operate the software.
- The Board recommends funding the Information Technology Investment Account with \$450 million during 2002 to continue the critically important technology modernization program. This amount is based on a carefully developed plan that the Board has reviewed and strongly supports. The President's budget recommends funding ITIA for \$397 million. The impact of this reduction will be to slow down a critical program that is already taking far too long.
- Further, the Board recommends providing the ITIA account with an additional year of expenditures, \$550 million for 2003, to insure that projects that cross fiscal years will not have to experience inefficient delays and slowdowns. This multi-year funding of ITIA was part of the original strategy for the fund and this will be the first year, since the fund was set

up, that it will have a zero balance. The President's budget does not recognize the importance of multi-year funding for ITIA.

The Board believes that this is a critical juncture for the IRS. It has started an aggressive program of modernization that should create a new and greatly improved organization that can finally serve the country's taxpayers the way they expect and as Congress has demanded. For this program to succeed, it will require the assistance and support of Congress, the Administration and the many other organizations that work with the IRS.

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