

**Section of Taxation**

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April 29, 2008

The Honorable José E. Serrano  
Chairman  
House Appropriations Subcommittee on  
Financial Services and General Government  
1040 A Longworth House Office Bldg.  
Washington, DC 20515

The Honorable Ralph Regula  
Ranking Member  
House Appropriations Subcommittee on  
Financial Services and General Government  
2306 Rayburn House Office Bldg.  
Washington, DC 20510

Re: Internal Revenue Service Funding

Dear Chairman Serrano and Congressman Regula:

On behalf of the American Bar Association, I respectfully request your assistance in ensuring that the Internal Revenue Service (the "IRS") receives adequate funding for Fiscal Year 2009. The American Bar Association has consistently supported adequate funding of the IRS to carry out its missions of taxpayer service and enforcement of federal tax laws. The American Bar Association has more than 413,000 members who provide legal services in every State of the Union. Over 21,000 members of the Association also are members of the Section on Taxation.

We understand that the Administration's 2009 Budget includes a substantial increase in funding for the IRS. The IRS Oversight Board has recommended slightly more funding than requested by the Administration. Importantly, the IRS Oversight Board also recommends that any increased amounts actually appropriated to the IRS be allocated in a balanced manner to support three IRS strategic goals of improving taxpayer service, enhancing enforcement of the tax laws, and modernization. We urge you and your Committee to provide the IRS with increased appropriations at least equal to the amount requested by the Administration.

We respectfully submit that the increase in funding is essential for the IRS to be able to accomplish its mission, and to continue its recent efforts to address the "tax gap." Given the complexity of our tax laws, taxpayer services provided by the IRS are critical to ensuring that taxpayers meet their obligations under the law, avoid unintentional mistakes, and obtain the benefits to which they are entitled. The IRS provides assistance to taxpayers in a variety of ways, including outreach and educational programs, tax forms and publications, rulings and regulations, toll-free call centers, the IRS's website, and taxpayer assistance centers. The IRS Oversight Board has found, and various taxpayer surveys confirm, that the IRS has been making improvements in the services it provides. Nevertheless, the IRS requires adequate funding to sustain its current achievements and to improve on those efforts.

In addition to the services provided directly by the IRS, we also encourage you and your Committee to continue to support funding for initiatives that provide important assistance to low-income taxpayers. These include the volunteer income tax assistance ("VITA") and low-income taxpayer clinic ("LITC") programs. The American Bar Association and its Section on Taxation have regularly supported these programs, and we know from first-hand experience the vital role that they play in ensuring that low-income taxpayers can meet their tax filing obligations and in resolving tax controversies that such taxpayers may encounter, often as a result of the complexities of the earned income tax credit and similar programs.

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Taxpayer service goes hand in hand with enforcement efforts. Those who violate the law must be held accountable both to deter others who might be similarly inclined and to maintain an even playing field in respect of taxpayers who fully comply with their tax obligations. The IRS's enforcement efforts have strengthened in the last few years resulting in increases in the number of examinations conducted and the amounts of enforcement revenue collected. Adequate funding, provided on a predictable basis, is key to sustaining these efforts.

Much concern has been expressed about the tax gap. The IRS is attempting to address the tax gap through increased taxpayer services, investments in information technology, enhanced and smarter enforcement activities, and more effective administration. Additional research on compliance issues also would increase the IRS's ability to narrow the tax gap without increasing taxpayer burden. All of these efforts, however, require funding.

Moreover, we believe a critical aspect of the IRS's efforts to combat the tax gap is its ability to attract and retain personnel with the skills and experience necessary to support those efforts. In recent years we have seen a significant number of seasoned IRS personnel depart the agency. We encourage you and your Committee to ensure that the IRS has the resources it needs to recruit and retain the best and the brightest that it can attract.

Regarding modernization, we understand that improvements in information technology can assist the IRS in improving its effectiveness in ensuring taxpayer compliance. However, as you know, given the significant amount of sensitive and personal information contained in tax returns, the disclosure of which can result in identity theft and similar concerns, we encourage you and your Committee to provide the IRS with sufficient funding so that it can take appropriate steps to safeguard that information.

Finally, we call your attention to the recommendations regarding Congress's process for funding the IRS made by the Taxpayer Advocate in her 2006 Annual Report to Congress. Under the current legislative budgeting process, the IRS must compete for funding with other parts of the federal government. As the Taxpayer Advocate noted, however, determining the appropriate level of funding for the IRS presents different considerations than for other agencies. The IRS budget can have the opposite impact on the overall federal budget than the budgets of other federal agencies because appropriate and absorbable increases in the budget of the IRS can result in increased overall revenue. Thus, consideration could be given to adopting a budgeting process for the IRS that takes its unique role into account.

We believe that adequate funding of the IRS is vital. Accordingly, we urge you and your Committee to fund the IRS at a level no lower than the level requested by the Administration. We would be pleased to provide any assistance that you or your staff would find helpful in considering this matter. Thank you for your consideration.

Sincerely,



Stanley L. Blend  
Chair, ABA Section of Taxation

cc: Representative David R. Obey, Chair, House Appropriations Committee  
Representative Jerry Lewis, Ranking Member, House Appropriations Committee  
Senator Robert C. Byrd, Chair, Senate Appropriations Committee  
Senator Thad Cochran - Ranking Member, Senate Appropriations Committee

Honorable Henry M. Paulson, Secretary, Department of the Treasury  
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Mr. Jon Traub, Republican Chief Tax Counsel, House Ways and Means Committee  
Mr. Edward D. Kleinbard, Chief of Staff, Joint Committee on Taxation