



Section of Taxation

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April 14, 2009

The Honorable José E. Serrano
Chairman
House Appropriations Subcommittee on
Financial Services and General Government
Room B-300 Raybrun House Office Bldg.
Washington, DC 20515

The Honorable Jo Ann Emerson
Ranking Member
House Appropriations Subcommittee on
Financial Services and General Government
2440 Rayburn House Office Bldg.
Washington, DC 20515

The Honorable Richard J. Durbin
Chairman
Senate Appropriations Subcommittee on
Financial Services and General Government
309 Hart Senate Office Bldg.
Washington, DC 20510

The Honorable Susan M. Collins
Ranking Member
Senate Appropriations Subcommittee on
Financial Services and General Government
413 Dirksen Senate Office Bldg.
Washington, DC 20510

Re: IRS FUNDING

Dear Chairmen and Ranking Members:

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 2010. 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 400,000 members who provide legal services in every State of the Union. Over 19,000 members of the Association also are members of the Section on Taxation.

We understand that the Administration's 2010 Budget includes a substantial increase in funding for the IRS. Over the ten years since it was established, the IRS Oversight Board has recommended 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

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assistance centers. Over the past several months, the IRS has provided important guidance to taxpayers to address, among other things, critical tax issues associated with the recent financial downturn and the tax treatment of losses resulting from “Ponzi” schemes. The IRS moved quickly to provide updated wage withholding tables to ensure that working Americans quickly received the benefits of the Making Work Pay tax credit, and has been working steadily to provide guidance on the other economic incentives provided by Congress in the recent stimulus legislation. To ensure that the IRS can continue to deliver prompt and effective taxpayer service, the IRS requires adequate funding.

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, through our volunteer efforts, CLE programs, and our recently announced Public Service Fellowship program. We know from first-hand experience the vital role that these organizations 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.

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 recent years, resulting in increases in the number of examinations conducted and the amounts of enforcement revenue collected. The recently publicized efforts to address issues with offshore bank accounts is just one example of the fruits of these labors. Adequate funding, provided on a predictable basis, is key to sustaining these efforts.

Much concern has been expressed in recent years 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,



William J. Wilkins
Chair, ABA Section of Taxation

cc: Representative David R. Obey, Chair, House Appropriations Committee
Senator Daniel K. Inouye, Chair, Senate Appropriations Committee
Representative Jerry Lewis, Ranking Member, House Appropriations Committee
Senator Thad Cochran, Ranking Member, Senate Appropriations Committee
Honorable Timothy F. Geithner, Secretary, Department of the Treasury
Honorable Douglas H. Shulman, Commissioner, Internal Revenue Service
Mr. Paul Cherecwich, Jr., Chair, IRS Oversight Board, Internal Revenue Service
Ms. Nina Olson, National Taxpayer Advocate, Internal Revenue Service
Mr. John L. Buckley, Majority Chief Tax Counsel, House Ways and Means Committee
Mr. Russell Sullivan, Staff Director, Senate Finance Committee
Mr. Jon Traub, Republican Chief of Staff, House Ways and Means Committee
Mr. Kolan Davis, Republican Staff Director, Senate Finance Committee
Mr. Edward D. Kleinbard, Chief of Staff, Joint Committee on Taxation