November 22, 2004

Raymond T. Wagner, Jr.
Chairman
IRS Oversight Board
1500 Pennsylvania Avenue, N.W.
Washington, DC 20220

RE: IRS Strategic Plan

Dear Chairman Wagner:

We write to respond to your October 18, 2004 request for input on the strategic issues that the Board should address during the coming year, and on the channels used by the Board to gather information from stakeholders. As always, we appreciate the opportunity to comment on the important strategic issues facing the Service and to assist the Board in its important work.

We applaud the Service and this Board for their efforts to make the Service an efficient, modern and responsive agency, and commend you for your work on the Fiscal Year 2005-2009 Strategic Plan (the “Strategic Plan”). As we testified before the Board in January, balancing service and enforcement is a difficult task, and continued improvement in both areas must remain high priorities of the Service. Over the next year, we encourage the Board to consider whether these two prongs of the Service’s “guiding principle” remain in balance, or whether steps should be taken to make sure that the renewed emphasis on enforcement does not reverse the significant gains the Service has made since 1998 in providing service to taxpayers and protecting taxpayers’ rights.

The Strategic Plan outlines a number of strategies for achieving the goal of improving taxpayer service. We were pleased to see the Service acknowledge the importance of simplifying the tax process to that goal. As we testified before the Board in January, however, we believe that much more can and should be done in this regard. Although the Service and this Board are not charged with writing the tax laws or even with recommending particular ways to simplify them, the Service is well-equipped to understand the problems caused by complexity, and we urge the Service and this Board to step up your efforts to raise awareness of the need for tax simplification.

The discussion of taxpayer service in the Strategic Plan omits discussion of one of the most important tools available to deliver taxpayer service – the Taxpayer Advocate Service. The report of the National Commission on Restructuring the IRS highlighted the importance of taxpayer advocates throughout the tax system, and recommended that the IRS Oversight Board hear directly from the National Taxpayer Advocate regularly to ensure that this important service receives the funding and resources it requires to ensure that taxpayers’ problems can be resolved promptly and efficiently. We encourage the Board to follow through on this recommendation in the coming year, as we firmly believe that a strong taxpayer advocate service is fundamental to the delivery of improved taxpayer service.
As we indicated in our testimony, we understand that efforts to continue to transform the Service remain contingent on adequate resources. We have long advocated sufficient funding of the Service’s annual budget requirements because we know first-hand the detrimental impact that insufficient funding can have on the Service’s ability to fairly and efficiently administer the tax law. As noted above, we believe sufficient funding for the Taxpayer Advocate Service and its resolution programs is critically important, as such programs not only help taxpayers resolve problems within the Service but also provide systemic advocacy in recommending changes that will prevent future problems. We will continue our regular efforts to advocate appropriate and sufficient funding for the Service through the budget process, and encourage this Board to do the same.

Finally, we encourage you to continue reaching out to interested groups and holding hearings to gather information from stakeholders in order to facilitate the Board’s mission of providing long-term guidance and direction to the Service. With the Strategic Plan now in place for the next five years, we encourage you to consider holding issue-focused hearings, so that you can better assess the Service’s progress in achieving the goals set forth in the Strategic Plan. For example, the Board could invite panelists to critique the Service’s efforts to improve taxpayer service, re-engineer the examination process, and revise its regulation of practitioners. We believe that, with the invitation of appropriate stakeholders and observers, panels such as these will enhance the ability of the Board to measure the Service’s progress and provide the Board with the type of input it needs to be able to offer the Service appropriate guidance and direction on these key strategic issues.

We hope that the foregoing observations and suggestions are helpful to you and the Board in discharging your important responsibilities. We would be happy to meet with you to further discuss these views or any other matters.

Sincerely,

Kenneth W. Gideon
Chair, Section of Taxation