

Section of Taxation

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January 16, 2018

The Honorable Shelley Moore Capito
Chairman
Subcommittee on Financial Services
and General Government
Committee on Appropriations
United States Senate
Washington, DC 20510

The Honorable Tom Graves
Chairman
Subcommittee on Financial Services
and General Government
Committee on Appropriations
United States House of Representatives
Washington, DC 20515

The Honorable Christopher A. Coons
Ranking Member
Subcommittee on Financial Services
and General Government
Committee on Appropriations
United States Senate
Washington, DC 20510

The Honorable Mike Quigley
Ranking Member
Subcommittee on Financial Services
and General Government
Committee on Appropriations
United States House of Representatives
Washington, DC 20515

Re: Fiscal Year 2018 Funding for the Internal Revenue Service

Dear Chairmen Capito and Graves, and Ranking Members Coons and Quigley:

I am writing on behalf of the American Bar Association to express strong support once again for providing the Internal Revenue Service (the "Service") with appropriate and adequate funding for fiscal year 2018 and subsequent years. Adequate funding is vital for the Service to properly carry out its critical missions of taxpayer service and enforcement of federal tax laws. In light of the enactment of some of the most sweeping tax legislation in recent times, adequately funding the agency responsible for working with the Department of the Treasury to develop and issue a range of urgently needed guidance and for administering the myriad and complex changes is more critical than ever. As evidenced by the communications we have sent to Congress in recent years, we continue to be concerned that the Service's widely acknowledged and continuing budgetary and resource constraints have eroded its capacity to accomplish its core responsibilities as the nation's tax administrator and collector. The consequence of this capacity erosion has been a gradual loss of faith by the American taxpaying public in the Service specifically and in our voluntary tax compliance system generally, which endangers our federal government's ability to properly fund itself.

There is a second concern which we wish to raise at this time: the Service is faced with implementing the most sweeping tax law changes in recent memory without the leadership the law requires. Both presidentially appointed positions in the Service (Commissioner and Chief Counsel) are currently filled by acting personnel. While the credentials and competence of the individuals in these acting positions are unquestioned, an agency of the size, and with the important responsibilities, of the Service requires stability of leadership and clear, long-term

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direction to achieve its purposes. We urge Congress to work with the administration to identify, nominate, and promptly confirm qualified individuals for these two very important positions.

We recognize the intense budgetary pressures that our federal government faces. Nonetheless, providing appropriate funding to the Service is one of the few governmental expenditures that provides both an immediate return on investment – each dollar spent on enforcement by IRS personnel produces multiple dollars of additional money in tax collections – and a long-term benefit to the effectiveness and credibility of our tax system. Perhaps more importantly, failure to collect taxes properly due undermines public confidence in our voluntary compliance system by causing honest and diligent taxpayers to believe that other taxpayers are not paying their proper share. This erosion in confidence is reaching a point where it could become irreversible. In light of the daunting tasks of providing sufficient guidance and ensuring compliance with the new and complex tax legislation, we believe that the case for providing increased and adequate funding to enable the Service to meet these challenges is compelling.

In addition to the negative effect on the Service's ability to administer the new tax law, we are concerned that a failure to provide increased funding to the Service will result in the following adverse consequences:

- Reduced quality of taxpayer service. During the last few years, there has been a demonstrable reduction in the quality of taxpayer service. The ability of taxpayers to interact with Service personnel to resolve disputes administratively also has been negatively affected. While other factors may contribute to some of these problems, the common element is an ever expanding shortage of trained Service personnel directly, or indirectly, resulting from inadequate funding.
- A lack of experienced and seasoned Service personnel. In response to the recently enacted tax law, the Service must recruit, train and maintain staff sufficient to respond to the guidance required by the new law, to communicate and educate the taxpaying public on the many changes to existing tax rules, and, ultimately, to administer the law in a way which is not perceived as arbitrary and which ensures the stability of the Service. With many senior Service personnel opting for retirement, with funding pressures preventing many vacancies from being filled, and with limited training resources, we are concerned that the Service will not have sufficient personnel to provide the appropriate levels of taxpayer service or to properly administer the tax system.
- Insufficient modernization of systems and technology. The Service has made some headway in modernizing its systems and technology, but much remains to be done. We believe that there is general agreement that there should be an evolution in service delivery over time towards internet and web based products. In addition, it is indisputable that improved cybersecurity and fraud detection are vital to the Service's mission and that increased systems efficiency is important to reduce costs

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over time. All of these developments and objectives will require continuing investments in new and improved technology. Failure to provide adequate funding for these initiatives will have a long-term adverse impact on the Service and the tax system.

We are very aware of the budgetary challenges facing Congress, and we appreciate that what could be perceived as increased spending on the Service may not be popular. The fair administration of our tax laws, however, is fundamental to maintaining and strengthening our voluntary compliance tax system – and to our government’s ability to function. The Service has been required to operate for too long without adequate funding; its mission will be irreparably compromised if this is allowed to continue.

Thank you for your consideration.

Sincerely,



Karen Hawkins
Chair, Section of Taxation

cc: Hon. Thad Cochran, Chairman, Senate Appropriations Committee
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Hon. Rodney P. Frelinghuysen, Chairman, House Appropriations Committee
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