March 16, 2011

Dear Chairman Durbin, Chairwoman Emerson, and Ranking Members Collins and Serrano:

On behalf of the American Bar Association, I respectfully request your assistance in ensuring that the Internal Revenue Service (the “Service”) receives adequate funding both for the Fiscal Years 2011 and 2012. The American Bar Association has consistently supported adequate funding for the Service to carry out its missions of taxpayer service and enforcement of federal tax laws. The American Bar Association has nearly 400,000 members and over 23,000 of such members belong to the Section of Taxation.

The Administration’s 2011 Budget included a substantial increase in funding for the Service, and the Administration’s 2012 proposed Budget also included an increase for the Service. Since Congress established the Internal Revenue Service Oversight Board in 1998, the Board consistently has recommended that any increased amounts appropriated for the Service be allocated in a balanced manner to support the three strategic goals of the Service: improving taxpayer service, enhancing enforcement of the tax laws and modernization. We urge you and your Committee to provide the Service with increased appropriations at least equal to the amount requested by the Administration. We are mindful of the fact that the House recently approved a decrease in funding for the Service for the balance of the 2011 Fiscal Year. The American Bar Association does not believe that this provides an adequate level of funding for the Service to perform the increased responsibilities assigned to it.

We respectfully submit that the increase in funding recommended by the Administration is essential for the Service to be able to accomplish its mission, and to continue its efforts to address the “tax gap.” Given the complexity of our tax laws, taxpayer services provided by the Service 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 Service assists taxpayers in a variety of ways, including outreach and educational programs, tax forms and publications, rulings and regulations, toll-free call centers, the Service’s website, www.irs.gov and taxpayer assistance centers. To ensure that the Service can continue to deliver prompt and effective taxpayer service, the Service requires adequate funding.
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 a level playing field with respect to taxpayers who fully comply with their tax obligations. The Service’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 Service’s recent success in bringing large numbers of taxpayers with previously unreported funds in overseas bank accounts back into compliance highlights the importance of these activities. Adequate funding, provided on a predictable basis, is the key to sustaining these efforts.

Much concern has been expressed in recent years about the tax gap. The Service 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 Service’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 Service’s effort 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 personnel leave the Service. We encourage you and your Committee to ensure that the Service 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 Service in improving its effectiveness to ensure taxpayer compliance. However, 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 Service with sufficient funding so that it can take appropriate steps to safeguard that information.

Under the current legislative budgeting process, the Service must compete for funding with other parts of the federal government. As the Taxpayer Advocate noted in a past Annual Report to Congress, however, determining the appropriate level of funding for the Service presents different considerations than for other agencies. The Service’s budget can have an impact on the overall federal budget because appropriate and absorbable increases in the Service’s budget can result in increased overall revenue. Thus, we believe consideration should be given to adopting a budgeting process for the Service that takes its unique role into account.

We believe that adequate funding of the Service is vital. Accordingly, we urge you and your Committee to fund the Service 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,

Charles H. Egerton
Chair, ABA Section of Taxation

cc: The Honorable Daniel K. Inouye, Chairman, Senate Appropriations Committee
The Honorable Thad Cochran, Ranking Member, Senate Appropriations Committee
The Honorable Harold D. Rogers, Chair, House Appropriations Committee
The Honorable Norman D. Dicks, Ranking Member, House Appropriations Committee
The Honorable Timothy F. Geithner, Secretary, Department of the Treasury
The Honorable Douglas H. Shulman, Commissioner, Internal Revenue Service
The Honorable Michael F. Mundaca, Assistant Secretary (Tax Policy), Department of the Treasury
The Honorable William J. Wilkins, Chief Counsel, Internal Revenue Service
Ms. Nina Olson, National Taxpayer Advocate, Internal Revenue Service
Mr. Paul Cherecwich, Jr., Chair, Internal Revenue Service Oversight Board
Mr. Russell Sullivan, Majority Staff Director, Senate Finance Committee
Mr. Christopher Campbell, Minority Staff Director, Senate Finance Committee
Mr. Jon Traub, Majority Chief of Staff, House Ways and Means Committee
Ms. Janice Mays, Minority Chief Counsel, House Ways and Means Committee
Mr. Thomas A. Barthold, Chief of Staff, Joint Committee on Taxation