Re: Sufficient Funding for the Internal Revenue Service

November 9, 2011

Dear Chairmen and Ranking Members:

On behalf of the American Bar Association, which has nearly 400,000 members, I urge you to support sufficient funding for the Internal Revenue Service in FY 2012. The Service relies on adequate government funding to perform its mission of administering and enforcing the tax laws and providing support to taxpayers who are attempting to meet their tax obligations. The ABA, which includes over 22,500 members who belong to the Section of Taxation, has consistently supported funding the Service at a level that will allow it to effectively carry out this mission.

The ABA recognizes and appreciates the challenges that Congress faces in its efforts to reduce federal spending on government programs in order to balance the federal budget. In light of those challenges, however, we believe that it is even more important that the Service have the resources it needs to administer the tax laws and collect the taxes due under those laws.

As Commissioner Shulman explained in his October 17, 2011 letter to your Committees, the cuts to IRS funding contemplated by the current House and Senate appropriations bills—$650 million and $525 million, respectively—would result in a substantial decline in IRS examinations of individuals and business, including collection actions. Commissioner Shulman further advised that these proposed cuts would lead to a decrease of $4 billion in the annual revenue that the Service would otherwise collect, or roughly seven times the proposed reductions in the IRS budget. While resulting in temporary savings, the budget cuts would ultimately lead to a direct increase in the deficit due to lost revenues.
In addition to this negative budgetary impact, the proposed cuts will also prevent the Service from providing services and support to taxpayers who are working to comply with their tax obligations. As Commissioner Shulman noted, basic correspondence services with taxpayers would be significantly delayed or disrupted. Our members are already observing adverse impacts on important programs as the Service adjusts to expected future funding reductions. These include restrictions on travel and training for IRS audit, Appeals, and litigation functions. We expect that additional reductions in Service programs will soon be felt by American taxpayers of all types.

The proposed reduction in IRS funding will exacerbate the budgetary challenges that Congress is facing and impair the ability of the Service to achieve its mission of administration, enforcement, and taxpayer support. We ask that you and your Committees support funding the Service at a level no lower than the amount requested by the Administration.

We would be pleased to provide any assistance that you or your staff would find helpful in this matter. Thank you for considering our views.

Sincerely,

William M. Paul
Chair, ABA Section of Taxation

cc: The Honorable Jeb Hensarling, Co-Chair, Joint Select Committee on Deficit Reduction, United States Congress
The Honorable Patty Murray, Co-Chair, Joint Select Committee on Deficit Reduction, United States Congress
The Honorable Max Baucus, Chairman, Committee on Finance, United States Senate
The Honorable Orrin G. Hatch, Ranking Member, Committee on Finance, United States Senate
The Honorable Dave Camp, Chairman, Committee on Ways and Means, United States House of Representatives
The Honorable Sander M. Levin, Ranking Member, Committee on Ways and Means, United States House of Representatives
The Honorable Charles Boustany, Jr., Chairman, Oversight Subcommittee, Committee on Ways and Means, United States House of Representatives
The Honorable John Lewis, Ranking Member, Oversight Subcommittee, Committee on Ways and Means, United States House of Representatives
The Honorable Douglas H. Shulman, Commissioner, Internal Revenue Service