LETTER FROM THE SECTION CHAIR

DATE: August 3, 1999

RE: Treasury and General Government Appropriation Bill – Need to Ensure Adequate Funding for Internal Revenue Service

RECIPIENTS:

TO:
Ted Stevens, Chairman, Senate Appropriations Committee
C.W. Bill Young, Chairman, House Committee on Appropriations
Robert C. Byrd, Ranking Member, Senate Appropriations Committee
David R. Obey, Ranking Member, House Committee on Appropriations
Ben Nighthorse Campbell, Chairman, Senate Appropriations Subcommittee on Treasury and General Government
Jim Kolbe, Chairman, House Appropriations Subcommittee on Treasury, Postal Service and General Government
Byron L. Dorgan, Ranking Member, Senate Appropriations Subcommittee on Treasury and General Government
Steny H. Hoyer, Ranking Member, House Appropriations Subcommittee on Treasury, Postal Service and General Government

CC:
Charles O. Rossotti, Commissioner, Internal Revenue Service
Steve Cortese, Majority Staff Director, Senate Appropriations Committee
Frank Polk, Majority Staff Director, Senate Finance Committee
Mark Prater, Chief Tax Counsel, Senate Finance Committee
James English, Minority Staff Director, Senate Appropriations Committee
Mark Patterson, Minority Staff Director, Senate Finance Committee
Russell W. Sullivan, Chief Minority Tax Counsel, Senate Finance Committee
James Dyer, Majority Staff Director, House Appropriations Committee
Pete Singleton, Chief of Staff, House Ways and Means Committee
Jim Clark, Chief Tax Counsel, House Ways and Means Committee
I am writing on behalf of the American Bar Association to respectfully request your assistance in ensuring that the Internal Revenue Service receives the funding it needs to carry out the objectives of the IRS Restructuring and Reform Act of 1998 ("RRA") and to modernize its computer systems. As you know, the House version of the Treasury and General Government Appropriation Bill for Fiscal Year 2000 reflects $135 million less funding than originally proposed for these initiatives. This reduction would severely jeopardize the Service’s ability to improve taxpayer service and to modernize its computer systems.

Of the more than 400,000 members of the American Bar Association nearly 20,000 are tax lawyers. We do not claim expertise in determining the proper allocation of scarce federal budget resources or in managing the budget of the IRS. However, we do see how the agency functions in the real world and that experience prompts us to call our concerns to your attention.

As you know, the Senate recently approved an IRS budget of approximately $8.2 billion for FY 2000, including funding increases for modernization and reorganization efforts and for implementing specific provisions of the RRA. We commend the Senate for recognizing the importance of funding these key initiatives for improving taxpayer service. The House Subcommittee on Treasury, Postal Service, and General Government similarly recognized the importance of funding these initiatives in approving an IRS funding level that closely mirrored the level approved by the Senate. Unfortunately, however, the House Appropriations Committee voted to cut $135 million in funding increases from the amounts budgeted by the Subcommittee. This reduction would affect many programs that were specifically designed to carry out the goals of the RRA. For example, programs that would be adversely affected by funding reductions include the following:
Customer Service and Taxpayer Rights. The RRA included many important provisions addressing customer service and taxpayer rights, such as providing Spanish-language assistance and better telephone service. Cuts in funding would force the Service to scale back its efforts in these key areas and would delay implementation of other important taxpayer rights initiatives. We also understand that the IRS may have to reduce staffing across the board in order to attempt to meet the Congressionally-mandated goals of the RRA. Such a reduction would degrade work force quality, as employees with the greatest skills take private sector opportunities, and the departing employees are not replaced with similarly skilled individuals. Also, reduced staffing inevitably would decrease the Service’s ability to provide services to taxpayers and would engender further taxpayer frustration with the tax system.

Electronic Filing. The RRA also included provisions directed towards improving taxpayers’ ability to file electronically. However, reduced funding would force the IRS to make cuts in its Electronic Tax Administration program, thereby failing to meet the Congressionally-mandated goal.

Reorganization. To carry out the goals of the RRA, the IRS is in the process of modernizing its organizational structure. The new organizational structure is designed to improve taxpayer service by assisting specialized groups of taxpayers, such as small businesses and ordinary wage earners. Reducing funding would impair the creation of these special taxpayer service units, again at the ultimate expense of the taxpayers.

In addition, the House cuts in IRS funding could threaten the Service's compliance efforts, eroding taxpayer confidence in the fairness of the tax system. Further, the cuts could jeopardize the Service’s efforts to modernize its computer systems. It is obvious that the current IRS computer systems are extremely old and primitive. Modernization, properly executed, is critical in order to avoid breakdowns and to permit enhanced processing, collections, and taxpayer service. Moreover, failure to modernize computer systems would cause substantial disruption to our tax administration system and undoubtedly would increase taxpayer frustration with the IRS, in particular, and with the Government as a whole.

Because of the significant adverse consequences that would result if the IRS is not given sufficient funding, we hope that the Conference Agreement for the Treasury and General Government Appropriation Bill will reflect the Senate funding levels. We would be delighted to provide any information or assistance that would be helpful to you in the Conference. Thank you for your help on this significant issue.

Sincerely,

Stefan F. Tucker

Chair, Section of Taxation