2000-2005 IRS Strategic Plan

DATE: March 5, 2001

ABSTRACT: This letter to the Commissioner of the IRS commends the release of the Service's 5-year plan.

RECIPIENTS:
TO: Hon. Charles O. Rossotti, Commissioner, Internal Revenue Service
CC: Hon. Paul H. O’Neill, Secretary of the Treasury
  Hon. Mark A. Weinburger, Assistant Secretary of the Treasury
  Hon. Pamela F. Olson, Deputy Assistant Secretary of the Treasury
  Larry R. Levitan, Chairman, IRS Oversight Board
  Richard Skillman, Acting Chief Counsel
  Sen. Grassley, Chairman, Senate Committee on Finance
  Sen. Baucus, Ranking Member, Senate Committee on Finance
  Sen. Stevens, Chairman, Senate Committee on Appropriations
  Sen. Byrd, Ranking Member, Senate Committee on Appropriations
  Sen. Thompson, Chairman, Senate Committee on Government Affairs
  Sen. Lieberman, Ranking Member, Committee on Government Affairs
  Rep. Thomas, Chairman, House Committee on Ways and Means
  Rep. Rangel, Ranking Member, House Committee on Ways and Means
  Rep. Young, Chairman, House Committee on Appropriations
  Rep. Obey, Ranking Member, House Committee on Appropriations
  Rep. Burton, Chairman, House Committee on Government Reform
  Rep. Waxman, Ranking Member, House Committee on Government Reform
Dear Commissioner Rossotti:

The American Bar Association Section of Taxation is writing to commend you on the recent release of the Fiscal Year 2000-2005 Strategic Plan (the "Strategic Plan"). The release of the Strategic Plan represents yet another milestone on the road to transforming the Internal Revenue Service (the "Service") into an efficient, modern and responsive agency. The goals of the Internal Revenue Service Restructuring and Reform Act of 1998 (the "1998 Act") truly will be served when the Service lessens the burdens on taxpayers to meet their tax responsibilities and, at the same time, increases taxpayers’ confidence that all taxes are being collected fairly and efficiently.

We agree that the two key external factors identified in the Strategic Plan will have a significant impact on the ability of the Service to achieve the goals set forth in that plan. First, we agree that the need to respond to frequent changes in the tax law can hinder efforts to address restructuring within the agency, particularly when those changes add complexity to the Internal Revenue Code. We urge you to continue your efforts through the tax legislative process to raise awareness of the need for tax simplification. In recent years, we have become ever more convinced that American taxpayers have lost not only the ability to understand and comply with the law without expending considerable resources, but also respect for an overly-complicated tax system. This cannot help but reduce compliance, increase the cost and complexity of administering the tax system, and undermine the public’s general confidence in government.

Second, we understand that your efforts to transform the Service remain contingent on the receipt of sufficient funding from the Congress each year. 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. We intend to advocate sufficient funding for the Service in the current budget process.

Finally, although we believe that all of the strategies identified in the Strategic Plan are important to the long-term success of the Service, we encourage you to focus attention on three in particular. First, we believe that it is critical for the Service to develop reliable, up-to-date measures of overall compliance. In an era of limited resources, we are concerned that the lack of such measures (and the likely resulting decline in overall compliance) will remain a significant impediment to restoring taxpayers’ faith in the tax system. Second, we believe that it is also imperative for the Service to recruit, develop and retain a quality workforce. While cognizant of the Service’s limited resources, we urge you to make maximum use of the performance and pay flexibilities established by the 1998 Act. These flexibilities could be used, for example, to improve the ability to recruit and retain experienced attorneys for the Office of Chief Counsel. Third, we commend your efforts to focus information technology investments in a manner that will enable the Service to accomplish its mission more efficiently. As you know, we believe that there are areas in which audit activity should be increased, and we will support efforts to provide sufficient funding to ensure that additional audit coverage can be provided where necessary so
that taxpayers will know that the tax laws are fully and fairly administered. We also understand
that improvements in compliance often can be realized through technological improvements that
reduce the need for traditional audit resources. In this regard, we strongly support your efforts to
more efficiently ensure taxpayer compliance through information return matching and similar
means. Although such efforts do not often draw media attention, they are an integral part of our
voluntary tax compliance system.

We look forward to helping you as you strive to implement the Strategic Plan.

Sincerely,

Richard M. Lipton

Chair, Section of Taxation