July 21, 2014

The Honorable Tom Udall
Chairman
United States Senate
Committee on Appropriations
Subcommittee on Financial Services and General Government
110 Hart Senate Office Bldg.
Washington, DC 20510

The Honorable Ander Crenshaw
Chairman
United States House of Representatives
Committee on Appropriations
Subcommittee on Financial Services and General Government
440 Cannon House Office Bldg.
Washington, DC 20515

The Honorable Mike Johanns
Ranking Member
United States Senate
Committee on Appropriations
Subcommittee on Financial Services and General Government
404 Russell Senate Office Bldg.
Washington, DC 20510

The Honorable José E. Serrano
Ranking Member
United States House of Representatives
Committee on Appropriations
Subcommittee on Financial Services and General Government
2227 Rayburn House Office Bldg.
Washington, DC 20515

Re: Funding for the Internal Revenue Service in H.R. 5016

Dear Chairmen Udall and Crenshaw, and Ranking Members Johanns and Serrano:

In light of the U.S. House of Representatives' passage of H.R. 5016, The Financial Services and General Government Appropriations Act, which would fund the Internal Revenue Service (the “Service”) at significantly reduced levels compared to the government's fiscal year 2014, I respectfully reiterate, on behalf of the American Bar Association, our support for ensuring that the Service receives adequate funding for fiscal year 2015. As indicated in our letter to you on February 10 of this year, 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.

We recognize the intense challenges that the Congress faces regarding the federal budget. While we appreciate the difficult task at hand, we would like to reiterate the importance of providing the Service with sufficient resources to perform its critical functions of providing taxpayer service and collecting taxes properly due. The proposed funding reduction in H.R. 5016 would reduce the Service’s funding to its lowest level in ten years. While the Service has made great strides in reducing costs, such as increasingly automating systems, we believe that reduced funding will negatively impact the Service’s ability to serve taxpayers and enforce the tax laws that Congress enacts.
We worry that by not adequately funding the Service, we are at risk that the following consequences might occur:

- A decrease in federal revenue. Every dollar devoted to tax enforcement yields a substantial increase in tax collections, and reducing funding in the Service’s tax enforcement efforts results in significantly lower tax collections.\(^1\) Moreover, failure to collect taxes properly due undermines confidence in our voluntary compliance system, especially when honest and diligent taxpayers believe that other taxpayers are not paying their proper share.

- A lack of necessary Service personnel. In order to perform the Service’s critical functions, in the face of complex and constantly changing tax laws, a sufficient staff must be recruited and properly trained. With many senior Service personnel opting for retirement, and funding limits preventing many vacancies from being filled, we are concerned that the Service will not have sufficient personnel to adequately address taxpayer needs. Additionally, the Service’s training budget has already been reduced by 85% since fiscal year 2009,\(^2\) and we are concerned about the adverse effects this reduction may have on tax administration.

- A negative effect on the Service’s ability to administer the laws Congress enacts. The Service is required by law to implement the Foreign Account Tax Compliance Act (“FATCA”) and the Affordable Care Act (“ACA”). While the Service faithfully tries to carry out its responsibilities, and assist taxpayers in complying with their legal obligations under FATCA and ACA, the reductions may compromise the Service’s ability to carry out these duties.

- A decrease in the quality of taxpayer service. Last year, the Service was able to answer only 61% of the calls it received from taxpayers. Additionally, the Service had approximately 690,000 cases of identity theft open.\(^3\) The ability of taxpayers to meet with the Office of Appeals to resolve cases administratively has also been negatively affected by decreased funding. We fear that because most of the Service’s budget is devoted to personnel costs, the reductions necessarily reduce the staff available to deal with these issues.

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Elimination of volunteer service programs that aid elderly and low income taxpayers. Last year, nearly 92,000 volunteers assisted with 3.3 million returns through volunteer programs administered by the Service. If the Service does not have the resources to support these programs, many elderly and low income taxpayers will be unable to access important tax services.

While we appreciate the difficult challenge that the Congress faces, we nonetheless urge Congress to provide the Service the necessary funding so that it can fulfill its core functions of providing taxpayer service and collecting taxes properly due. We believe that adequate funding to the Service is vital because taxpayers will inevitably suffer without a fully functioning Service. We do not believe that the Service can appropriately fulfill its obligations without adequate funding.

Thank you for your consideration.

Sincerely,

Michael Hirschfeld
Chair, Section of Taxation

cc: Hon. Barbara A. Mikulski, Chair, Senate Appropriations Committee
    Hon. Richard C. Shelby, Vice Chair, Senate Appropriations Committee
    Hon. Harold Rogers, Chair, House Appropriations Committee
    Hon. Nita M. Lowey, Ranking Member, House Appropriations Committee
    Hon. Ron Wyden, Chairman, Senate Finance Committee
    Hon. Orrin G. Hatch, Ranking Member, Senate Finance Committee
    Hon. Dave Camp, Chairman, House Ways and Means Committee
    Hon. Sander M. Levin, Ranking Member, House Ways and Means Committee
    Hon. Jacob J. Lew, Secretary, Department of the Treasury
    Hon. John Koskinen, Commissioner of Internal Revenue
    Hon. Mark J. Mazur, Assistant Secretary (Tax Policy), Department of the Treasury
    Hon. William J. Wilkins, Chief Counsel, Internal Revenue Service
    Ms. Nina E. Olson, National Taxpayer Advocate, Internal Revenue Service
    Mr. Paul Cherecwich, Jr., Chair, Internal Revenue Service Oversight Board

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