



September 4, 2013

The Honorable Tom Udall
Chairman
Senate Appropriations Subcommittee on
Financial Services and General Government
131 Dirksen Senate Office Building
Washington, DC 20510

The Honorable Ander Crenshaw
Chairman
House Appropriations Subcommittee on
Financial Services and General Government
2358 Rayburn House Office Building
Washington, DC 20515

The Honorable Mike Johanns
Ranking Member
Senate Appropriations Subcommittee on
Financial Services and General Government
131 Dirksen Senate Office Building
Washington, DC 20510

The Honorable Jose Serrano
Ranking Member
House Appropriations Subcommittee on
Financial Services and General Government
2358 Rayburn House Office Building
Washington, DC 20515

RE: IRS Fiscal Year 2014 Budget

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

The American Institute of Certified Public Accountants (AICPA) understands that Congress has several important issues to address in regard to the Administration's Fiscal Year (FY) 2014 Budget, including funding for the Internal Revenue Service (IRS or "Service"). Because our members and our members' clients have extensive interaction with the agency and are recipients of many of the IRS's services, we respectfully offer our thoughts on the budgetary funding matter.

We recognize that the IRS budget is oftentimes the subject of debate, and may be even more so now given recent allegations regarding expenses incurred by the IRS and the handling of certain taxpayer matters. Congressional oversight of the IRS is a critical function and one that contributes to the success of the system and elevates the American taxpayer's perception of the IRS's objectivity and its ability to effectively manage the tax administration process. Likewise, we believe that proper funding of the IRS's budget is essential to the IRS's ability to carry out its mission. The collection of tax revenues and the administration of tax laws, as well as the need to provide assistance to taxpayers and tax practitioners, are important responsibilities. Therefore, we urge Congress to provide the IRS with sufficient financial resources to perform such duties.

The IRS's budget has been severely challenged in recent years. The IRS received an overall budget allocation of approximately \$11.8 billion in FY 2012, down from approximately \$12.1 billion in FY 2011. The challenge for the Service is even more dramatic as the approximately \$5.3 billion enforcement budget the Service received for FY 2012, was reduced by approximately \$200 million from the year before.¹ These statistics are further highlighted by the reduction in IRS employment levels from 104,000 in FY 2011 to 98,000 in FY 2012.

¹ [Department of the Treasury, FY 2013 Budget in Brief.](#)

The Honorable Tom Udall
The Honorable Ander Crenshaw
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The Honorable Jose Serrano
September 4, 2013
Page 2 of 3

We are concerned that a reduction in taxpayer service resources would negatively impact both taxpayers and our members alike. Specifically, we believe another decrease in the IRS's budget would likely:

- increase wait times for incoming telephone calls from taxpayers and tax practitioners;
- create excessive delays in responding to taxpayers' written inquiries and responses to IRS notices;
- lead to the inability of Service staff to meet and assist with the needs of taxpayers who visit walk-in taxpayer assistance centers;
- result in the failure to keep taxpayers informed of tax law changes (via customer outreach, printed and online materials, webcasts, etc.);
- exacerbate the problem of excessive delays in the issuance of administrative guidance; and
- slow down the release and update of tax forms.

The IRS has stated in its most recent strategic plan that one of its primary objectives is to "provide taxpayers with targeted, timely guidance and outreach."² However, the growing burden being placed on the agency significantly reduces its efficiency and impedes its effective interactions with taxpayers and their advisers. For example, the onslaught of new issues, including administration of the Affordable Care Act and extensive new foreign reporting requirements, and the alarming increase in taxpayer identity theft cases are substantially encumbering the IRS's already limited resources. Additional details on the specific effects of a reduced IRS budget are found in our previous testimony on tax fraud³ and the 2013 tax return filing season.⁴

We are also concerned about any decrease in the amount or quality of IRS employee training and development. It is important that IRS employees are kept up-to-date on the ever-changing tax laws to properly administer those laws, as well as provide adequate guidance to taxpayers and tax practitioners. Unfortunately, the IRS is not excluded from our country's aging workforce and may continue to lose its most experienced staff to retirement. A new, less experienced staff will likely require substantial training to maintain the same quality of service that taxpayers expect.

Finally, we believe it is also important to consider the IRS's need for more advanced and reliable technology. While the IRS has made strides to update online services and internal computer processing, its systems are still outdated. It is not uncommon for taxpayers or practitioners to call and wait for assistance only to hear that files are not accessible due to computer outages. In fact, the modernized e-file system was unavailable intermittently throughout last tax season due to

² [IRS Strategic Plan 2009-2013 \(Goal 1, Objective 3, pg. 15\)](#).

³ [AICPA Testimony: April 16, 2013 Public Hearing on Tax Fraud, Tax ID Theft and Tax reform: Moving Forward with Solutions](#).

⁴ [AICPA Testimony: April 25, 2013 Hearing on Internal Revenue Service Operations and the 2013 Tax Return Filing Season](#).

The Honorable Tom Udall
The Honorable Ander Crenshaw
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The Honorable Jose Serrano
September 4, 2013
Page 3 of 3

technological problems, which caused a significant burden on tax practitioners needing to submit returns on behalf of their clients.

In summary, while we acknowledge the importance of the IRS efficiently utilizing its resources and appropriately administering the law, the AICPA is deeply concerned about the adverse impact to taxpayers and tax practitioners from a decrease in the IRS's budget. The IRS needs sufficient operating funds to properly administer and enforce our complex tax laws, as well as provide assistance to taxpayers and their advisers.

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The AICPA is the world's largest member association representing the accounting profession, with over 394,000 members in 128 countries and a 125-year heritage of serving the public interest. Our members advise clients on federal, state and international tax matters and prepare income and other tax returns for millions of Americans. Our members provide services to individuals, not-for-profit organizations, small and medium-sized businesses, as well as America's largest businesses.

If you would like to discuss any of our comments in more depth or have any questions, please contact me at (304) 522-2553, or jporter@portercpa.com; or Melissa Labant, AICPA Director – Taxation, at (202) 434-9234, or mlabant@aicpa.org.

Sincerely,



Jeffrey A. Porter, CPA
Chair, AICPA Tax Executive Committee

cc: The Honorable Barbara Mikulski, Chairwoman, Senate Committee on Appropriations
The Honorable Harold Rogers, Chairman, House Committee on Appropriations
The Honorable Richard Shelby, Ranking Member, Senate Committee on Appropriations
The Honorable Nita Lowey, Ranking Member, House Committee on Appropriations
The Honorable Max Baucus, Chairman, Senate Committee on Finance
The Honorable Dave Camp, Chairman, House Committee on Ways and Means
The Honorable Orrin G. Hatch, Ranking Member, Senate Committee on Finance
The Honorable Sander M. Levin, Ranking Member, House Committee on Ways and Means
The Honorable Mark Mazur, Assistant Secretary for Tax Policy, Treasury Department
Mr. Thomas A. Barthold, Chief of Staff, Joint Committee on Taxation
Ms. Nina Olson, National Taxpayer Advocate