

In other words, the budget takes note of recent issues that have reflected poorly on the IRS, including the Service's enhanced scrutiny of politically conservative groups that were seeking tax-exempt status as 501(c)(4) social welfare organizations, and the disclosure of certain training videos that spoofed several old television shows and were deemed wasteful. John Koskinen, the new IRS Commissioner, has many challenges ahead of him, including restoring public confidence in the agency and boosting employee morale.

### **National Taxpayer Advocate**

Nina Olson has been the National Taxpayer Advocate since 2001. She heads up the Taxpayer Advocate Service (TAS), which was created in 2000, and is an independent organization within the IRS. Ms. Olson and the TAS are the taxpayer's "voice at the IRS." The TAS is designed to help taxpayers navigate issues with the IRS when the usual channels have failed; in addition, Ms. Olson regularly focuses on larger issues within the IRS and the tax system itself, and recommends solutions. Her year-end Annual Reports to Congress are thorough and thoughtful, and in part, detail what she views as the most serious issues facing taxpayers.

Ms. Olson's 2013 Annual Report was released on January 9, 2014, and, as always, is interesting reading. One of the critical issues Ms. Olson focuses on in this report is that the IRS "desperately" needs more funding to serve taxpayers and increase voluntary compliance. Ms. Olson presents some compelling statistics to support this statement. In fiscal year 2013, for example:

- The IRS received about 109 million phone calls; only 61% of the callers seeking a customer service representative got through, and those who did had to wait an average of 18 minutes before speaking with someone.
- The IRS received about 8.4 million letters from taxpayers responding to proposed adjustments to their tax accounts; it was unable to respond to 53% of this correspondence within its target timeframes.
- The IRS continues to reduce (and sometimes eliminate) services at its nearly 400 walk-in sites; the Service will only answer "basic" tax law questions during this current filing season (January through April), and will not answer any of those questions beyond April.

Ms. Olson also notes that since fiscal year 2010, the IRS workforce has declined about 8%, and that its training budget has been "slashed" from about \$172 million to about \$22 million, a "staggering" 87% reduction. "Thus," she says, "the IRS not only has fewer employees than four years ago, but those who remain are less equipped to perform their jobs."

Ms. Olson calls the recent IRS budget cuts "shortsighted and counterproductive" for several reasons: 1) our system relies on voluntary compliance, and the harder it is for taxpayers to get answers, the less likely they are to comply; 2) the IRS is a money-maker: in fiscal year 2013, it collected roughly 90% of federal revenue – or about \$2.86 trillion on an appropriated budget of about \$11.2 billion (an average return on investment of 255:1); of those revenues collected, some 98% were paid timely and voluntarily, with only 2% coming from enforcement actions. "In fiscal terms, to be blunt, the mission of the IRS trumps the missions of all other federal agencies."

At his confirmation hearing last December, IRS Commissioner John Koskinen voiced similar sentiments:

I don't know any organization in my 20 years of experience in the private sector that has said "I think I'll take my revenue operation and starve it for funds to see how it does." The IRS will have 11,000 fewer people working during this upcoming filing season while processing the largest number of returns in its history. I don't care how efficient you become, that is not a recipe for success or improved compliance and taxpayer service.