



# American Payroll Association

Government Relations • Washington, DC

August 21, 2015

The Honorable John Boozman  
Chairman  
United States Senate  
Committee on Appropriations  
Subcommittee on Financial Services  
and General Government  
141 Hart Senate Office Building  
Washington, DC 20510

The Honorable Ander Crenshaw  
Chairman  
United States House of Representatives  
Committee on Appropriations  
Subcommittee on Financial Services  
and General Government  
2161 Rayburn House Office Building  
Washington, DC 20515

The Honorable Christopher A. Coons  
Ranking Member  
United States Senate  
Committee on Appropriations  
Subcommittee on Financial Services  
and General Government  
127A Russell Senate Office Building  
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 Building  
Washington, DC 20515

## **Re: Appropriate Funding for the Internal Revenue Service**

Dear Chairmen Boozman and Crenshaw and Ranking Members Coons and Serrano:

The American Payroll Association (APA) appreciates the role the U.S. House of Representatives and U.S. Senate play regarding the federal budget and the challenges of ensuring adequate agency funding while properly managing Americans' tax dollars. This is the reason we urge you to consider increasing vital funding for the Internal Revenue Service (IRS). The IRS plays a critical role in enforcing federal tax law to secure financing for a myriad of federal programs, including national defense, highway building and maintenance, veterans' benefits, medical research, and disaster relief. Collected revenue also reduces the national deficit. The APA is concerned that further cuts to the IRS's budget will make tax administration even more difficult. To operate effectually, the IRS must be sufficiently funded.

There is broad consensus that the IRS lacks effective funding. The National Taxpayer Advocate, the Treasury Inspector General for Tax Administration, the IRS Oversight Board, and the Government Accountability Office along with many private associations have all stated that

funding is too low. With an 18 percent reduction adjusted for inflation in funding since 2010, APA's members are feeling the pinch.

### **Protecting Taxpayer Information and Preventing Identity Theft**

While improved information technology systems provide a clear advantage over manual intervention for processing returns, analyzing information, and responding to taxpayers, a poorly designed infrastructure along with recent increases in cyber attacks require funding for cybersecurity at the IRS. Funding is needed for the ongoing development of the Criminal Investigation Identity Theft Clearinghouse, a specialized program to process identity theft tips and other improvements to enable the IRS to resolve potential problems quickly.

### **Closing the Tax Gap**

According to U.S. Office of Management and Budget Director Shaun Donovan, for every \$1 spent by the IRS on enforcement, \$4 are returned in revenue.<sup>1</sup> Budget cuts are hampering the IRS's capability to take enforcement actions. Expected estimates show a \$7 to \$8 billion reduction from fiscal year 2010 numbers in enforcement revenue.<sup>2</sup> These are tax dollars already owed that go uncollected because the IRS lacks the resources to track down tax evaders. This also raises a fairness issue for taxpayers who pay their required taxes on time. For APA members, sufficient IRS funding for enforcement levels the playing field by ensuring competitors not only pay their taxes, but the same administrative costs for completing forms, working with employees, and reporting.

### **Increased IRS Responsibility**

The APA does not take a position on the Affordable Care Act (ACA). However, the IRS is charged with administering the premium tax credits and providing assistance with health insurance deductibles, co-payments for taxpayers with modest incomes, and responding to employers with questions. The APA's interest is in reducing the administrative burden on employers in implementing the ACA. As long as the ACA is operating, the IRS's responsibility under the law requires funding.

The IRS also has new responsibilities under the Foreign Account Tax Compliance Act (FATCA). As of February 2015, more than 150,000 financial institutions in 112 countries had registered under FATCA.<sup>3</sup> The IRS requires resources to properly analyze the information coming into the agency because of FATCA reporting requirements and to pursue problems and conduct enforcement actions, when needed.

### **Responding to Taxpayers**

The National Taxpayer Advocate estimated that the number of taxpayer returns increased by approximately 7 million, or 5 percent, since 2010.<sup>4</sup> In fiscal year 2015, the average telephone

---

<sup>1</sup> Shaun Donovan, "Letter to The Honorable Thad Cochran, Chairman, Committee on Appropriations, U.S. Senate," Aug. 5, 2015, p. 2, [www.whitehouse.gov/sites/default/files/omb/legislative/letters/senate-fsgg-letter-cochran.pdf](http://www.whitehouse.gov/sites/default/files/omb/legislative/letters/senate-fsgg-letter-cochran.pdf).

<sup>2</sup> Ibid.

<sup>3</sup> John Koskinen, "Koskinen Discusses Major Challenges Facing IRS," *Tax Notes*, Feb. 24, 2015.

<sup>4</sup> National Taxpayer Advocate, "2014 Annual Report to Congress," Volume 1, p. 9.



wait time for customers reached 28 minutes with only 60 percent of the calls answered.<sup>5</sup> At the local level, staffing at IRS centers is down significantly with more than 18,000 fewer employees and funding for employee training is down by 83 percent.<sup>6</sup> This does not bode well for taxpayers' rights and responsibilities. The IRS requires resources to manage the increase and respond to taxpayer questions, especially for people filing taxes for the first time. This funding includes improvements to the agency's information technology systems, but the agency also needs personnel resources to assist low income individuals and small businesses that do not have high-level, technological capabilities.

The \$90 million allocated in the FY 2016 Financial Services and Government Appropriations Bill (S. 1910) for telephone service, correspondence, and identity theft would at best prevent further deterioration of taxpayer services. APA members and other taxpayers deserve more than basic services. They should have the federal agency identified in the IRS's Taxpayer Bill of Rights that keeps them informed of tax laws and provides quality service, including prompt, courteous, and professional assistance.<sup>7</sup>

With the need for improved spending policies and tax reform, adequately funding the IRS is even more important. The APA urges the U.S. House of Representatives and U.S. Senate to ensure business taxpayers receive the information they need to file and pay their taxes on time and to obtain timely and quality service from the IRS. Thank you.

Sincerely,

Rebecca Harshberger, CPP  
American Payroll Association  
Co-Chair, IRS Issues Subcommittee, Government Relations Task Force

Karen Salemi, FLMI, CPP  
American Payroll Association  
Co-Chair, IRS Issues Subcommittee, Government Relations Task Force



Alice P. Jacobsohn, Esq.  
American Payroll Association  
Senior Manager, Government Relations

#### **About the American Payroll Association (APA)**

Established in 1982, the APA is a nonprofit professional association serving the interests of more than 20,000 payroll professionals and their employers in the United States. The APA's

---

<sup>5</sup> Nina E. Olson, "Written Statement of Nina E. Olson," National Taxpayer Advocate, February 25, 2015, [www.irs.gov/pub/tas/Nina\\_Olson\\_Testimony-2-25-2015.pdf](http://www.irs.gov/pub/tas/Nina_Olson_Testimony-2-25-2015.pdf).

<sup>6</sup> Koskinen, Feb. 24, 2015.

<sup>7</sup> "Taxpayer Bill of Rights," last updated march 25, 2015, [www.irs.gov/Taxpayer-Bill-of-Rights](http://www.irs.gov/Taxpayer-Bill-of-Rights).

primary mission is to educate members and the payroll industry about the best practices associated with paying America's workers while complying with all applicable federal, state, and local laws. The APA's Government Relations Task Force (GRTF) works with legislative and executive branches at the federal and state levels to assist employers with understanding their legal obligations with significant emphasis on minimizing the administrative burden on government, employers, and individual workers. The GRTF maintains a close relationship with the IRS to ensure that APA's members receive the latest information about federal tax law changes and that the IRS receives meaningful feedback on its programs, regulations, guidance, and tax forms.