



Treasury Inspector General for Tax Administration Office of Audit

TRENDS IN COMPLIANCE ACTIVITIES THROUGH FISCAL YEAR 2009

Issued on June 10, 2010

Highlights

Highlights of Report Number: 2010-30-066 to the Internal Revenue Service Deputy Commissioner for Services and Enforcement.

IMPACT ON TAXPAYERS

This report is a compilation of statistical information reported by the Internal Revenue Service (IRS). TIGTA did not verify or validate the authenticity or reliability of the data and, therefore, did not identify any specific impact on the taxpayer. However, continued effort to improve compliance is important to reducing the tax gap and maintaining the integrity of the voluntary tax compliance system.

WHY TIGTA DID THE AUDIT

TIGTA conducts this review each year, and it is included as part of our Fiscal Year (FY) 2010 Annual Audit Plan and addresses the major management challenge of Tax Compliance Initiatives. The overall objective was to provide various statistical information regarding Collection and Examination function activities.

WHAT TIGTA FOUND

The IRS faced many challenges during FY 2009, some of which were due to implementing provisions of new tax legislation, replacing experienced employees who are eligible for retirement and the continuing impact of the economic downturn. The economic condition was especially apparent in decreased collection of revenue. However, many other indicators showed mixed or positive results.

The IRS is also facing an increasing number of taxpayers with complex financial holdings, increasing complexity of examinations, growing impact of international tax law issues and expanding technology skill sets.

The FY 2009 Collection function activities showed mixed results compared to FY 2008. Some declines may be attributed, at least in part, to the declining economy. The Collection function experienced declines in dollars collected on delinquent accounts, an increase in taxpayers with delinquent accounts assigned to the Queue, including amounts owed on these accounts, as

well as an increase in gross accounts receivable. However, FY 2009 showed continued increases in the use of collection enforcement tools and Taxpayer Delinquency Investigations closed due to receipt of delinquent tax returns.

The Examination function hired approximately 2,000 revenue agents and tax compliance officers during the last fiscal year, which was the most hiring performed in the last five years. The IRS will not receive an immediate benefit from this hiring and the Examination function compliance activities showed mixed results in FY 2009. Compared to a slight decrease in FY 2008, the percentage of tax returns examined increased slightly during Fiscal Year 2009, returning to approximately FY 2007 levels. At the same time, the dollar yield per hour increased for individual tax return examinations performed by tax compliance officers as well as for individual, corporate, and other types of tax return examinations performed by revenue agents.

The IRS is continuing its efforts to improve business processes and workload selection methods because the processes/methods appear to be having a positive impact on compliance efforts. In addition, the hiring and training of new enforcement personnel continues to be a top priority because much of the benefit of recent hiring has yet to be realized.

WHAT TIGTA RECOMMENDED

Although TIGTA made no recommendations in this report, IRS officials were provided an opportunity to review the draft report. IRS management did not provide any comments on the draft report.

READ THE FULL REPORT

To view the report, including the scope and methodology, go to:

<http://www.treas.gov/tigta/auditreports/2010reports/201030066fr.pdf>

Email Address: inquiries@tigta.treas.gov
Web Site: <http://www.tigta.gov>

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