



Treasury Inspector General for Tax Administration Office of Audit

ELIMINATING THE AUTOMATIC MAILING OF TAX PACKAGES ACHIEVED SIGNIFICANT SAVINGS, ALTHOUGH SOME TAXPAYERS WERE BURDENED

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Highlights

Highlights of Report Number: 2012-40-008 to the Internal Revenue Service Commissioner for the Wage and Investment Division.

IMPACT ON TAXPAYERS

Part of the IRS's mission is to help taxpayers meet their tax responsibilities. To assist taxpayers, the IRS mailed forms with instructions and publications to individual and business taxpayers. However, in response to the continued increase in electronic filing and to save postage and publishing costs, the IRS discontinued the mailing of tax packages in Fiscal Year 2011.

WHY TIGTA DID THE AUDIT

This audit was initiated to assess the implementation of the IRS's strategy to eliminate or reduce the mailing of tax products, beginning with the Tax Year 2010 Filing Season. This included the IRS's efforts to monitor cost savings and the impact on tax compliance and taxpayer burden. This is a follow-up review to a prior TIGTA report.

WHAT TIGTA FOUND

As of August 2011, TIGTA determined the IRS saved approximately \$14.19 million by not mailing Tax Year 2010 tax packages. The IRS estimated that as of July 27, 2011, it had saved about \$8.25 million. However, TIGTA determined the IRS overestimated its postage and printing savings by \$2.08 million and did not include \$8.02 million realized by processing more tax returns electronically. In addition, the data the IRS used to identify taxpayers who would have received a Tax Year 2010 tax package and notify them they would not be receiving one were inaccurate.

The IRS captured costs and savings associated with the elimination of tax package mailings. However, it did not document all calculations and sources or validate and consider all costs and savings.

Eliminating individual tax package mailings increased the burden for a number of taxpayers, including those who complained they could not locate the forms they needed

or did not know which forms to use. It also caused about 6 million taxpayers to spend an additional 1.5 million hours to obtain tax forms. The IRS did not capture all the comments and complaints received by the various sources as part of a long-term strategy to monitor taxpayer burden.

WHAT TIGTA RECOMMENDED

TIGTA recommended that the IRS develop a process to ensure savings and cost data related to the future elimination or reduction of mailing tax products are current and reliable. In addition, a formal strategy should be developed and documented to ensure that publishing and postage costs are continually evaluated and cost and savings calculations are documented and validated.

In its response to the report, the IRS stated it agreed with the recommendations and developed a process to ensure information leading to the elimination and reduction in the mailing of the remaining two tax packages is complete, current, and reliable. In addition, it developed strategies to ensure it continually evaluates costs, implements efficiencies, and evaluates taxpayer burden.

The IRS did not agree with TIGTA's outcome measure related to the first recommendation. It agreed with TIGTA's methodology for calculating the average cost per tax package, but believes TIGTA should have multiplied the average costs by a 10-year trending estimate in volume decreases to calculate the average percentage decrease for individual tax packages. TIGTA used the formula first provided by the IRS to calculate total savings, but used updated bid prices for the average cost per tax package. The IRS did not provide its own estimate of the cost savings using the 10-year trending estimate in volume decreases.

READ THE FULL REPORT

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

<http://www.treas.gov/tigta/auditreports/2012reports/201240008fr.pdf>

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