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ON THE IRS BUDGET
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INTRODUCTION

Chairman Crenshaw, Ranking Member Serrano, and Members of the Subcommittee, thank you for the opportunity to appear before you today to discuss the IRS' budget and current operations.

After 15 months as IRS Commissioner, it remains an honor for me to lead this great institution. My respect for the agency's role and admiration for its workforce continue to grow. I'm pleased to report the 2015 tax filing season opened on schedule on January 20th, and is going well so far.

Opening the current filing season on schedule was a major accomplishment, given the challenges we faced. I attribute this achievement to the dedication, commitment and expertise of the IRS workforce. Along with normal filing season preparations, there was a significant amount of extra work to get ready for tax changes relating to the Affordable Care Act (ACA) and the Foreign Account Tax Compliance Act (FATCA). We also had to update our systems to reflect the passage of the tax extender legislation in December.

Even with the demonstrated capacity of our workforce to meet these challenges to successfully open filing season on time, I remain deeply concerned that the significant reductions in the IRS budget will degrade the agency's ability to continue to deliver on its mission during filing season and beyond. In fact, one of my highest priorities since becoming Commissioner has been to advise Congress about the ramifications of continued substantial cuts to our funding, and that is what I will focus on in my testimony today.

IRS funding has been reduced $1.2 billion over the last five years, dropping to $10.9 billion in Fiscal Year (FY) 2015. That level is $346 million below the enacted level for FY 2014. But the total reduction from FY 2014 is actually closer to $600 million when accounting for nearly $250 million in mandatory costs and inflation.

The IRS is now at its lowest level of funding since FY 2008. When inflation is taken into account, the current funding level is comparable to that of 1998. Since then, however, the number of individual and business tax filers has increased by more than 30 million, or 23 percent, along with an increase in the number of legislative mandates the IRS is required to implement.

IMPACT OF BUDGET CUTS ON FY 2015 OPERATIONS

There is simply no way around the severity of the budget cuts without taking some difficult steps. Essentially, we are at the point of having to make very critical performance tradeoffs. I recently worked with IRS senior leadership to determine how to allocate our limited resources based on our final FY 2015 budget numbers. We reviewed our operations to determine where we could make cuts that would have the smallest possible effect on taxpayers and tax administration. In making these decisions, we strove to maintain a balanced and fair approach, keeping in mind the needs of both service and enforcement, to avoid overly harming one part of our mission in the attempt to maintain another.

Let me now describe for this Subcommittee the difficult decisions we made to absorb the latest round of budget cuts, and the ramifications of those decisions.

- ***Delays to critical information technology (IT) investments of more than $200 million.*** We anticipate these delays will reduce taxpayer service and cost-efficiency efforts, as well as reduce outside contractor support for critical IT projects. For example, we are being forced to delay replacement of aging IT systems. While we have made some progress in modernizing these systems, more than 50 applications are still in need of replacement. Delays to our IT investment harm our ability to protect taxpayer data; combat tax fraud and schemes; address non-compliance that contributes to the tax gap; and fight against cyber-attacks. In addition, we will not be able to invest upfront money to develop future capabilities, such as improved web services that would enable taxpayers to more easily obtain information and improve their interaction with the IRS.

- ***Enforcement cuts of more than $160 million*****.** We estimate the agency will lose through attrition about 1,800 key enforcement personnel during FY 2015 we will not be able to replace. We anticipate the outcome will be fewer audits and fewer resources focused on collection. We estimate that as a result of these enforcement cuts the government will lose at least $2 billion in revenue. In addition to this loss, the curtailment of enforcement programs is extremely troublesome because these programs help create a deterrent effect that is the key to preserving high levels of voluntary compliance and maintaining the integrity of the nation’s tax system.

- ***Reductions in staffing during filing season totaling more than $180 million.*** Normally, the IRS uses employee overtime and temporary staff to provide the extra resources needed during the busy filing season. However, the IRS will be reducing overtime and seasonal staff hours during FY 2015. We anticipate these cuts will result in delays in refunds for some taxpayers. People who file paper tax returns could wait an extra week — or possibly longer — to see their refund. Taxpayers with errors or questions on their returns that require additional manual review will also face delays in getting their refunds. It is also expected taxpayers will have to wait longer to get answers to their questions from the IRS. Responses to written correspondence will take longer, and taxpayers will have more difficulty getting through to the IRS on the phone and in person. Our phone level of service (LOS) was at 54 percent at the start of the current filing season. As we have gotten further into the filing season, LOS has continued to deteriorate, dropping below 50 percent. This measure means fewer than half of the people who try to reach the IRS by phone will end up getting through. That level is significantly below the FY 2014 average of 64 percent, which was itself below desired levels. Those who do reach the IRS are facing extended wait times that are unacceptable to all of us.

- ***Continuing the agency hiring freeze*.** The IRS is extending the exception-only hiring freeze that began in FY 2011 through FY 2015. As a result, and assuming normal attrition rates, the IRS expects to lose approximately 3,000 additional full-time employees in FY 2015. That level would bring the total reduction in full-time staffing since FY 2010 to over 16,000. This reduction in staffing will have continued negative effects on taxpayer service and enforcement as noted above.

Even with all of these reductions, the IRS still faces a significant budget shortfall for FY 2015. We have taken and continue to take steps to try to close this gap. As stated in the past, one of our concerns has been the possibility of a shutdown of IRS operations later this fiscal year. We have been monitoring the situation on a regular basis, and at this point we are hopeful we can avoid a shutdown of the agency this fiscal year.

In discussing the agency's budget, it is important to point out the IRS has been working and continues to work to find savings and efficiencies wherever possible, so as to absorb the reductions to our funding that have occurred since FY 2010. This effort has not been easy, because labor costs are by far the largest portion of the IRS budget. In fact, approximately 75 percent of our budget represents staffing, which is critical to providing adequate levels of taxpayer service and maintaining robust compliance programs. Moreover, it is not possible to shift enforcement personnel into service jobs, or vice versa, without providing them with substantial training, which, of course, is resource-intensive.

Nonetheless, the IRS has for several years made considerable effort to find efficiencies in our operations. For example, the IRS has implemented significant reductions in its non-labor spending.

The agency reduced annual travel and training expenditures by $248 million, or 74 percent, between FY 2010 and 2014. Any such expenses of $50,000 or more must be reviewed and approved personally by me and then by the Treasury Department. Therefore, at this point, I am satisfied there are no excesses in these areas, and there have been none for quite some time.

Additionally, in an effort to promote more efficient use of the Federal Government's real estate assets and to generate savings, in 2012 the agency began a sweeping office space and rent reduction initiative. We estimate these measures have reduced rent costs by more than $47 million each year and reduced total IRS office space by more than 1.8 million square feet.

We will continue our efforts to find savings and efficiencies wherever we can. For example, we continue to evaluate our space needs, and under the processes we now have in place, each time a lease comes up for renewal we carefully consider whether to renew it. In fact, a few weeks ago the agency cancelled a lease in New York City, which will save us about $4.5 million in FY 2015, and $15 million over the life of that lease. We will continue to review all upcoming real estate transactions to make sure we are as cost effective as possible.

But there is a limit to how much we can do in the area of finding cost efficiencies. And as I said in my testimony to the Appropriations Committees almost one year ago, the cuts to the IRS are so significant that efficiencies alone cannot make up the difference.

THE ADMINISTRATION'S FY 2016 BUDGET REQUEST

The President's FY 2016 Budget provides $12.93 billion for the IRS. This amount includes $12.3 billion in base discretionary resources, an increase of $1.3 billion from FY 2015, allowing us to make strategic investments to continue modernizing our systems and improving service to taxpayers, and reduce the deficit through more effective enforcement and administration of tax laws. The Budget also proposes a $667 million program integrity cap adjustment to support program integrity efforts aimed at restoring enforcement of current tax laws to acceptable levels and to help reduce the tax gap. This multi-year effort is expected to generate $60 billion in additional revenue over the next ten years at a cost of $19 billion over that 10 year period, thereby reducing the deficit by $41 billion.

It is fair to ask what value the American taxpayer would receive for this increase in funding requested by the President. Let me detail for you several notable examples of how the IRS intends to spend these additional funds:

Improve taxpayer service: $301.5 million. This additional funding will allow the IRS to meet the expected increase in demand for taxpayer services in FY 2016, through the hiring of approximately 3,000 additional staff to increase the telephone level of service to an acceptable level of 80 percent. Resources are also needed to meet the increased demand for taxpayer face-to-face assistance resulting from ACA implementation; expand staffing to assist with managing the ACA submission processing workload; and provide advanced technology to electronically receive amended returns.

Leverage new technologies to advance the IRS mission and enhance service options for taxpayers: $107.8 million. This additional funding combines two programs that leverage new technologies, one of which ($91.6 million) will assist the IRS in advancing its mission generally and another ($16.2 million) that will enhance service options. Together the programs will provide the foundation for the IRS to develop, over several years, an IT-based strategy that will help improve the online filing experience for taxpayers. The strategy will focus on enhancing the filing experience by understanding taxpayers' service channel preferences. By creating new digital capabilities and reducing the burden on taxpayers, the strategy will allow for earlier and more efficient engagement between the IRS and taxpayers. This initiative will improve the speed and convenience of interacting with the IRS. The funding will be used to implement a new Enterprise Case Management (ECM) solution for performing standard case management functions across the IRS, which will allow us to operate more efficiently; expand the capabilities of the existing Customer Account Data Engine (CADE 2) database; provide secure digital communications between taxpayers and the IRS; and continue development of the fraud detection, resolution, and prevention Return Review Program (RRP).

Improve upfront identification and resolution of identity theft returns: $18.9 million. This additional funding will strengthen the integrity of the tax system by improving the IRS' ability to detect and prevent improper refunds. Resources will allow the IRS to expand programs to prevent identity theft-related refund fraud, protect taxpayer identities and assist victims of identity theft.

Implement ACA: $490.4 million. This additional funding, the majority of which is for required information technology upgrades, will allow the IRS to increase efforts to ensure compliance with a number of tax-related provisions of the ACA, including the premium tax credit and individual shared responsibility provision. The funding will provide enhanced technology infrastructure and applications support, and allow necessary, major modifications to existing IRS tax administration systems. A portion of the funding also addresses new audit requirements related to the employer shared responsibility provision.

Implement FATCA: $71.0 million. With this additional funding, the IRS will invest in advanced technology to allow the agency to continue implementing FATCA, which in turn will provide more information to us on offshore accounts of U.S. citizens. FATCA includes new reporting and withholding requirements for foreign financial institutions. In order to properly process and analyze the data we receive as a result of these new requirements, the IRS will need to build new technology systems and modify existing systems. This initiative provides funding for enforcement staff to implement FATCA's new reporting and disclosure requirements, and thus will allow the IRS to address foreign withholding compliance and expand coverage of international tax return filings. As a result of these activities, we project additional annual enforcement revenue of $155.1 million once new hires reach full potential in FY 2018, an ROI of $2.3 to $1.

Sustain critical IT infrastructure: $188.5 million. This initiative will restore resources for mainframes, servers, laptops, network devices, and communication equipment to keep IT infrastructure (hardware and software) current for existing and newly developed IRS IT systems. The IRS' IT division provides technology services and solutions that drive effective tax administration, improve service, modernize systems, and ensure the security and resiliency of IRS information systems and data. With this funding, the IRS will be able to enhance systems security to help anticipate and protect against evolving threats; increase reliability of enterprise infrastructures to support increased electronic filing; increase the use of cloud and virtual environments; and expand the use of the next generation of advanced telecommunication technologies.

Program integrity enforcement and compliance increases. Enactment of the program integrity cap adjustment proposal would facilitate funding for high return on investment (ROI) revenue-producing enforcement and compliance initiatives, including the following:

- ***Prevent refund fraud and identity theft: $82.2 million.*** This additional funding will provide for additional staffing and investments in advanced technologies needed to handle the increased workload associated with identity theft and refund fraud. Specifically, the funding will help the agency improve upfront identification and resolution of identity theft; address the backlog of identity theft cases associated with pre-refund and post-refund compliance activities; recover erroneous refunds due to fraud; prevent prisoner tax refund fraud; stop refund fraud by limiting the number of refunds that can be sent to a single bank account; continue the expansion of the specialized Criminal Investigation (CI) Identity Theft Clearinghouse that processes identity theft leads; and invest in information technology projects to reduce identity theft and stop fraudulent tax refunds before they are paid. We project that investment in these activities will protect nearly $1 billion in revenue once the new hires carrying out these activities reach full potential in FY 2018, a return on investment (ROI) of $13.2 to $1.

- ***Address offshore tax evasion: $40.7 million.*** This additional funding will allow us to expand our efforts to identify and pursue U.S. taxpayers with undisclosed offshore accounts. Funding will allow the IRS to: promote voluntary compliance with U.S. laws through strategic enforcement actions directed at identifying U.S. taxpayers involved in abusive offshore tax schemes through banks, other financial institutions and third party structures; expand information gathering and data analysis to identify promoters or facilitators of abusive offshore schemes; and expand the pursuit of international tax and financial crimes as well as grow the IRS attaché presence. We estimate these activities will produce additional, direct annual enforcement revenue of approximately $159.6 million once the new hires carrying out these activities reach full potential in FY 2018. That is an ROI of $3.7 to $1.

- ***Increase audit coverage: $161.8 million.*** This additional funding will allow the IRS to hire additional personnel to improve our examination efforts in regard to individuals. Tight budget constraints have eroded the examination staff available to conduct audits, causing the individual audit coverage rate to decline below 0.9 percent. Reduced coverage causes increased risk to the integrity of the voluntary compliance system. The funding will help the agency begin the multiyear process of reversing that trend, by providing additional field employees. The funding will also allow the agency to increase individual and business document matching programs to identify and reduce income misreporting. These activities are expected annually to produce additional enforcement revenue of approximately $1.3 billion once the new hires reach full potential in FY 2018, an ROI of $8 to $1.

- ***Improve audit coverage of large partnerships: $16.2 million.*** This additional funding will allow the IRS to increase the number of agents with specialized knowledge in partnership law, strengthen enforcement activities relating to flow-through entities, and improve compliance by enhancing IRS processes and procedures with respect to Tax Equity and Fiscal Responsibility Act (TEFRA) partnerships. As a result, we expect to produce additional annual enforcement revenue of approximately $129.1 million once the new hires reach full potential in FY 2018, an ROI of $7.6 to $1.

- ***Enhance collection coverage: $122.8 million.*** This additional funding will help the IRS work its collection inventory and bring taxpayers who fail to pay their tax debts into compliance. IRS will address growing collection case inventories and call volumes that have resulted from reduced staffing levels in recent years; increase coverage of the growing number of employment tax collection cases with respect to business taxpayers; provide resources to reach out to taxpayers earlier in the collection process; help taxpayers experiencing economic hardship resolve their liabilities through the Offer in Compromise (OIC) program; and improve the capability to identify nonfilers of business returns. As a result of these activities, we project additional annual, direct enforcement revenue of approximately $1.2 billion once new hires reach full potential in FY 2018, an ROI of $9.0 to $1.

- ***Improve efforts in the tax-exempt sector: $23.5 million.*** This additional funding will help the IRS to build and maintain public trust by: anticipating and addressing the tax-exempt sector's needs; encouraging voluntary compliance; and effectively enforcing the law to ensure compliance. The IRS will be able to accomplish the following: enhance the streamlined application process for exempt organizations seeking tax-exempt status; protect participants in retirement plans and their assets, which total more than $23 trillion; provide voluntary correction opportunities related to employment taxes and retirement plans; improve service and compliance by integrating three separate determination application systems into one end-to-end system; and focus resources on areas with the greatest risk, so resources in the Tax Exempt and Government Entities arena are developed and deployed appropriately.

- ***Pursue employment tax and abusive tax schemes: $17.2 million.*** This additional funding will improve our efforts in the core enforcement areas of corporate fraud, employment tax, and abusive tax schemes, which will increase the number of convictions and assessments of unpaid tax. A portion of the funding will be used to acquire computer software that will enable the IRS to detect corporate fraud and abuse. With this software tool, the IRS will be able to identify schemes by linking together multiple potentially fraudulent returns or information items. These resources will improve the sharing of information among the agency's operating divisions, and expand the IRS' capability to identify significant tax cases.

- ***Consolidate and modernize IRS facilities: $85.5 million.*** This initiative will provide space renovation resources needed to alter and reduce office space throughout the IRS inventory and realize an estimated annual rent savings of $23 million. The IRS plans to reinvest the rent savings from this initiative to fund rent increases for the remaining buildings and for other new space reduction projects. Space reductions and consolidation strategies include reducing workstation size in accordance with revised National Workplace Standards; workspace sharing for frequent teleworkers and employees who work outside of their assigned post of duty more than 80 hours per month; realignment of occupied workspace; and consolidation of vacant workspace.

- ***Improve IRS financial accounting systems: $12.2 million.*** This additional funding will help the IRS with more timely and accurate reporting of data on the revenue we collect. The funding will also be used to make necessary system and programming changes to comply with various federal mandates, and to stay current with internal changes made to IRS's tax processing systems for tax administration that also affect financial reporting.

Along with the funding request, we are also asking for Congress's help legislatively. In that regard, let me highlight several important legislative proposals in the President's FY 2016 Budget that would help to narrow the tax gap and reduce erroneous and fraudulent refunds, including fraud resulting from identity theft. Overall, the legislative proposals to strengthen tax administration, improve compliance by business, and expand information reporting would increase revenue by $84 billion over the next 10 years, of which $60 billion would come from enacting program integrity cap adjustments.

- ***Acceleration of information return filing due dates.*** Under current law, most information returns, including Forms 1099 and 1098, must be filed with the IRS by February 28 of the year following the year for which the information is being reported, while Form W-2 must be filed with the Social Security Administration (SSA) by the last day of February. The due date for filing information returns with the IRS or SSA is generally extended until March 31 if the returns are filed electronically. The Budget proposal would require these information returns to be filed earlier, which would assist the IRS in identifying fraudulent returns and reduce refund fraud, including fraud related to identity theft.

- ***Correctible error authority****.* The IRS has authority in limited circumstances to identify certain computation errors or other irregularities on returns and automatically adjust the return for a taxpayer, commonly known as "math error authority." At various times, Congress has expanded this limited authority on a case-by-case basis to cover specific, newly enacted tax code amendments. The IRS would be able to significantly improve tax administration – including reducing improper payments and cutting down on the need for costly audits – if Congress were to enact the Budget proposal to replace the existing specific grants of this authority with more general authority covering computation errors and incorrect use of IRS tables. Congress could also help in this regard by creating a new category of "correctible errors," allowing the IRS to fix errors in several specific situations, such as when a taxpayer's information does not match the data in certain government databases.

- ***Authority to regulate tax return preparers.*** The Budget proposal would provide the agency with explicit authority to regulate all paid tax return preparers. The regulation of all paid tax return preparers, in conjunction with diligent enforcement, would help promote high quality services from tax return preparers, improve voluntary compliance, and foster taxpayer confidence in the fairness of the tax system.

- ***Preparer penalty.*** Under current law, the penalty imposed on preparers for understatement of tax on a federal return due to an unreasonable position taken on the return is the greater of $1,000 or 50 percent of the income derived by the preparer from preparation of the return. A separate penalty can be imposed if the understatement is due to the preparer's willful or reckless conduct. That penalty is the greater of $5,000 or 50 percent of the income derived by the preparer from preparation of the return. The Administration's proposal would increase the penalty in cases of willful or reckless misconduct to the greater of $5,000 or 75 percent of the income derived by the preparer (instead of 50 percent). This proposal is necessary because in many cases, 50 percent of income derived by the preparer is far greater than the fixed dollar penalties imposed, so that, under the present penalty regime, preparers who engaged in reckless or willful conduct would end up paying the same dollar penalty as preparers whose conduct did not rise to that level.

- ***Due diligence.*** Return preparers who prepare tax returns on which the Earned Income Tax Credit (EITC) is claimed must meet certain due diligence requirements. In addition to asking questions designed to determine eligibility, the preparer must complete a due diligence checklist (Form 8867) for each taxpayer, which is filed with the taxpayer's return. The Administration's proposal would extend the due diligence requirements to all federal income tax returns claiming the Child Tax Credit (CTC) and the Additional Child Tax Credit. The existing checklist would be modified to take into account differences between the EITC and CTC.

There are a number of other legislative proposals in the Administration's FY 2016 Budget request that would specifically assist the IRS in its efforts to combat identity theft. They include the following:

- Providing Treasury and the IRS with authority to require or permit employers to mask a portion of an employee's Social Security Number (SSN) on W-2s, an additional tool that would make it more difficult for identity thieves to steal SSNs;

- Adding tax-related offenses to the list of crimes in the Aggravated Identity Theft Statute, which would subject criminals convicted of tax-related identity theft crimes to longer sentences than those that apply under current law; and

- Adding a $5,000 civil penalty to the Internal Revenue Code for tax-related identity theft cases, to provide an additional enforcement tool that could be used in conjunction with criminal prosecutions.

In discussing legislative proposals in the President's FY 2016 Budget, it is also important to mention streamlined critical pay authority. Though this authority rests with the committees of jurisdiction over Title 5 of the United States Code, in the past the vehicle for changes and updates of the authority has been appropriations bills. The IRS Restructuring and Reform Act of 1998 increased the

IRS' ability to recruit and retain a handful of key executive-level staff by providing the agency with streamlined critical pay authority. This authority allowed the IRS, with approval from Treasury, to hire well-qualified individuals to fill positions deemed critical to the agency's success, and that required expertise of an extremely high level in an administrative, technical or professional field. This authority expired at the end of FY 2013, and the President's FY 2016 Budget proposes reinstating it.

The agency has already lost or will soon lose several senior experts in areas such as international tax, IT cyber security, online services and analytics support. Streamlined critical pay authority is an invaluable tool in our effort to replace them with people of the same high caliber expertise. It is my hope this critical program, which ran effectively for 14 years before it expired, will be reinstated.

CRITICAL NEED TO FURTHER MODERNIZE IT SYSTEMS

In looking to the future, we believe it is not an option to stay at our current level of funding, given the extent to which both taxpayer service and enforcement will suffer as a result. It is especially troubling to me these cuts prevent us from fully improving and modernizing our IT infrastructure and operations support. This situation hurts taxpayers and the entire tax community.

Earlier in this testimony I described some examples of IT projects that must be deferred as a result of budget reductions in FY 2015. But the problem is much broader. We are operating with antiquated systems that are increasingly at risk, as we continue to fall behind in upgrading both hardware infrastructure and software. Despite more than a decade of upgrades to the agency's core business systems, we still have very old technology running alongside our more modern systems. This compromises the stability and reliability of our information systems, and leaves us open to more system failures and potential security breaches.

In regard to software, we still have applications that were running when John F. Kennedy was President. Also, we continue to use a decades-old programming language that was already considered outdated back when I served as chairman of the President's Council on Year 2000 Conversion, and it is extremely difficult to find IT experts who are versed in this language. I give our IT employees a tremendous amount of credit, as keeping things going in the face of these challenges is really a major accomplishment.

It is important to point out the IRS is the world's largest financial accounting institution, and that is a tremendously risky operation to run with outdated equipment and applications. Our situation is analogous to driving a Model T automobile that has satellite radio and the latest GPS system. Even with all the bells and whistles, it is still a Model T. Our core IT systems are not sustainable without significant further investment over the next few years, and I look forward to working with you on this matter in the future.

The concerns I have about the IRS' IT funding level relate not only to the negative effect these cuts have on the present operations of the agency, but also the effect on our ability to advance the agency into the future and provide a more up-to-date and efficient tax filing process for the taxpaying public.

The experience taxpayers have with the IRS should give them confidence in knowing they can take care of their tax obligations in a fast, secure, transparent, and consistent manner. This goal is not unrealistic. We're not trying to go to the moon. We're simply saying people should expect the same level of service when dealing with the IRS as they have now from their financial institution, whether it's a bank, brokerage, or mortgage company.

To the extent possible within our budget constraints, the IRS has already made some significant improvements in its technology to better serve taxpayers. For example, one of the most popular features on IRS.gov is the "Where's My Refund?" electronic tracking tool, which reduces phone traffic the IRS receives regarding questions about refunds. Taxpayers have already used this tool more than 154 million times so far this year.

Another good example is IRS Direct Pay, which provides taxpayers with a secure, free, quick, and easy online option for making tax payments, thereby reducing the need for the IRS to process payments by check. Still another example is Get Transcript, a secure online system that allows taxpayers to view and print a record of their IRS account in a matter of minutes, which saves taxpayers time and reduces IRS resources needed to process paper requests for transcripts.

While these are important steps forward, more needs to be done. We have begun to ask ourselves what the online filing experience ought to look like three to five years down the road, and what it would take to make that a reality. In the future, most things taxpayers do to fulfill their tax obligations could be done virtually, and there would be much less need for in-person help or for calling the IRS. The idea is that taxpayers would have an account at the IRS where they could log in securely, get all of the information about their account, and interact with the IRS as needed.

Improving service to taxpayers in this way can also help us on the compliance side of the equation. In this future state, the IRS could identify problems in tax returns shortly after a return is filed, and interact with taxpayers as soon as possible. That way, those issues could be corrected while tax records are available without costly follow-up contact or labor-intensive audits.

While the President’s FY 2016 Budget makes important investments in IT to help build this approach, it is not an approach we will be ready to fully implement within the next year. We want to make it a reality in the future, some years from now. Of course, how quickly we can deliver on this vision will depend on future levels of agency funding.

CONCLUSION

Chairman Crenshaw, Ranking Member Serrano, and Members of the Subcommittee, thank you again for the opportunity to discuss the IRS budget and current operations. Given the negative effects we are already seeing on our ability to deliver on our mission, I believe it is vital for us to find a solution to our budget problem, so that the IRS can be put on a path to a more stable and predictable level of funding. I look forward to working with Congress to do just that. This concludes my statement, and I would be happy to take your questions.