

## IRS Oversight Board

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For Immediate Release  
April 6, 2006  
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### **IRS OVERSIGHT BOARD RELEASES FY2007 IRS BUDGET REPORT CALLS FOR INTEGRATED PLAN, ADDITIONAL FUNDING TO ADDRESS TAX GAP**

(Washington, DC) The IRS Oversight Board released a report making its recommendations for the IRS' FY2007 budget. The Board calls for \$11.3 billion to fund the IRS in FY2007; a 6.9 percent increase over the previous fiscal year. The report also calls for a "multi-faceted plan" supported with additional funding for the IRS to address the tax gap – the difference between what is owed and what is collected annually. The tax gap is estimated at \$345 billion of lost revenue annually.

The Oversight's Board's recommendations call for budget increases in four IRS program areas:

- \$43.637 million in taxpayer service, to maintain dramatically-improved toll-free phone service. The Board calls for additional funding that would help restore toll-free phone service to FY2003/2004 levels and invest in telephone infrastructure.
- \$367.768 million to boost support for virtually all IRS enforcement activities, with a significant increase in research to better understand enforcement and customer service needs and voluntary compliance.
- \$188.600 million in Business Systems Modernization to continue long-term investments in information technology that will improve IRS productivity and reduce taxpayer burden.
- \$104.715 million in infrastructure and management tools that will help the IRS cope with unfunded mandates, implement BSM projects, and restore leadership training to previous levels.

In addition to making funding recommendations for the next fiscal year, the Board calls for an integrated set of strategies to close the tax gap, including:

- Tax law simplification;
- Improved information reporting and enforcement tools related to the cash economy;
- Improved customer service to make taxpayers aware of their obligations, and modern; technology to ease tax administration burdens;
- Greater focus on research;
- More productive partnerships between the IRS and tax professionals; and
- More emphasis on personal integrity.

"We must address the tax gap in a way that's smart and realistic, while maintaining a critical balance between enforcement and customer service," said Board Chairman Raymond T. Wagner, Jr. "The IRS Oversight Board's budget recommendations set the stage to do just that. An integrated approach, from a simpler tax code to a better understanding of compliance, along with a modest increase in key areas, will help the IRS take on the tax gap at a fiscally-challenging time for our nation. However, planning is not enough. It is also critical to provide sufficient resources to address the problem."

An electronic version of the complete report, "IRS Oversight Board FY2007 IRS Budget Recommendations/Special Report", is available on the Board's web site at <http://www.irsoversightboard.treas.gov>.

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