

## IRS Oversight Board

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### **Tax Filing Season Preparations Underway IRS Reports Tax Law Changes and Challenges to Board**

(Washington, DC) At its November 29-30, 2006, the IRS briefed the IRS Oversight Board on the upcoming tax filing season. A number of important tax changes will affect taxpayers when the filing season begins next month. The IRS told the Board that because of these changes, the agency is anticipating more telephone calls on its toll-free lines and visits to its web site and walk-in taxpayer assistance centers as taxpayers seek assistance in meeting their tax obligations. The major changes for the upcoming filing season are:

- **The Telephone Excise Tax Refund:** This one-time refund affects every taxpayer who paid long-distance tax on phone service from February 28, 2003 to August 1, 2006. Details of the refund program can be found at the IRS web site, [www.irs.gov](http://www.irs.gov)
- **Split Refunds:** Taxpayers will now have the opportunity to deposit their tax refunds directly to more than one bank account. Taxpayers who use direct deposit can choose how much of their refund can be directed to up to three separate accounts, such as checking, savings, or an individual retirement account (IRA).
- **Extender Legislation:** Several major tax provisions have expired in 2005, and legislation to extend these provisions is currently pending in Congress. These provisions include deductions for sales tax, tuition and fees, and educator expenses.

The IRS reviewed with the Board its approach for assisting taxpayers with these three changes. In anticipation of the call increase on its toll-free telephone lines, the IRS is designing procedures to better route taxpayers to receive the information they need. Other efforts include information to be posted on the IRS web site at [www.IRS.gov](http://www.IRS.gov) and updates to its annual Publication 553, which highlights the tax changes for the year.

Board Chairman Paul Jones observed, "The IRS Oversight Board compliments the IRS for anticipating the needs of taxpayers that could arise from these changes and devising a plan to help taxpayers file their tax returns successfully. These tax changes clearly underscore the continued importance of a high-quality IRS customer service program that can meet the needs of all taxpayers."

#### **Planning for Future IRS Leadership**

Preparing for future leadership at the IRS was another key agenda topic at the Board meeting. Because retirement and attrition at the IRS is greater in 2006 than prior years, the IRS told the Board it is taking steps to increase the number of executives in the pipeline for leadership positions. This includes the appropriate use of the streamlined critical pay provision created by the IRS Restructuring and Reform Act of 1998, which allows the IRS to hire expeditiously up to 40 technical experts and professionals with critical skills and pay them at higher salary levels. A number of senior executives in leadership positions currently at the IRS were hired under this

provision, and its expiration in 2008 could have a “significant effect on leadership at the IRS,” according to IRS Commissioner Mark Everson

“Developing future leadership is an important aspect of long-term planning for any company,” said Chairman Paul Jones. “The IRS is no different. Whether it’s extending the critical pay provision or exploring other options, the Board intends to work closely with the IRS to strengthen its ability to attract, retain, and prepare tomorrow’s leaders in tax administration.”

### **Board Discusses Progress of Taxpayer Assistance Blueprint**

The Taxpayer Assistance Blueprint (TAB) is a congressionally-mandated project designed to examine future IRS customer service plans. It is being developed by the IRS in consultation with the Board and the National Taxpayer Advocate. The Board discussed the progress of the project with IRS Commissioner for Wage and Investment Division Richard Morgante. Work is underway to complete a final TAB report that will be delivered to Congress early next year. The report will discuss taxpayers’ service needs and expectations and describe the “portfolio of services” the IRS will offer to meet those needs.

On November 28, the Board released a report based upon its own independent study of taxpayer preferences. The Board’s preliminary research was presented to the TAB last summer. The final report, *IRS Oversight Board Taxpayer Service and Channel Preference Survey*, can be found at [www.irsoversightboard.treas.gov](http://www.irsoversightboard.treas.gov).

### **BSM Projects Being Tested for Upcoming Filing Season**

IRS Chief Information Officer Richard Spires told the Board that the Business Systems Modernization program is preparing for the filing season. He reported that the split refund capability and Telephone Excise Tax Refund have imposed additional requirements on CADE that are putting some schedule pressures on the project. CADE processed 7.3 million returns in 2006, and it is estimated that it will process more than 30 million returns in 2007.

### **IRS FY2006 and FY2007 Performance**

The IRS briefed the Board on its FY2006 performance and discussed factors that could affect its performance in FY2007. The IRS and Oversight Board discussed the challenges associated with evolving tax administration measures from the current practice of evaluating enforcement effectiveness using output measures such as audit rate, towards more sophisticated approaches that measure whether desired results, such as taxpayer compliance, are being achieved.

### **Treasury Award Presented to Board Member Charles Chuck Kolbe**

Board member Charles “Chuck” Kolbe was presented with the Treasury Secretary Honor Award at the meeting. Mr. Kolbe was appointed by President Clinton in September of 2000 for a three-year term, and reappointed by President Bush to complete an additional term. Mr. Kolbe is one of the original members of the IRS Oversight Board

The award honored Mr. Kolbe for providing an “invaluable common-sense perspective to Board deliberations.” It went on to praise him for being “the pragmatic voice of the taxpayer in Board discussions, seeking wherever possible to ease the burden of tax compliance, while ensuring that the IRS performed its mission in the most effective way possible”

### **IRS Management Changes**

The Board also noted that the IRS’ two Deputy Commissioners, Mark Matthews and John Dalrymple, are both leaving the IRS this month, and have served the IRS and country well during their time at the IRS.

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