



Treasury Inspector General for Tax Administration Office of Audit

TRENDS IN COMPLIANCE ACTIVITIES THROUGH FISCAL YEAR 2010

Issued on July 18, 2011

Highlights

Highlights of Report Number: 2011-30-071 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 2011 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

During Fiscal Year 2010, the IRS encountered many challenges, including a variety of tax provisions that were created, extended, or expanded. The IRS has the challenging task of maintaining a quality workforce and enforcing tax laws in an environment of changing tax legislation. For example, the American Recovery and Reinvestment Act of 2009 included 56 tax provisions. At least 42 of the 514 Affordable Care Act provisions add to or amend the Internal Revenue Code, and at least eight require the IRS to establish new operations. Collectively, these provisions represent the largest set of tax law changes in 20 years.

Recent staffing increases have resulted in an increase of Collection and Examination function enforcement personnel by 19 percent since Fiscal Year 2006. This compares with a 4 percent increase in the total number of IRS employees during this same period, from 103,811 employees in Fiscal Year 2006 to 107,622 employees at the end of Fiscal Year 2010.

The Fiscal Year 2010 Collection function activities showed mixed results compared to Fiscal Year 2009. The IRS continued to increase the use of collection enforcement tools. The number of delinquent accounts closed by full payment increased, as did the amount collected on delinquent accounts. However, the Collection function received more delinquent accounts than it closed, gross accounts receivable increased, and the number of tax delinquency investigation tax periods closed with the receipt of a delinquent tax return decreased. In addition, while the number of taxpayers with delinquent accounts and delinquent returns in the Queue decreased, it was offset by an increase in the number of these cases that were shelved or surveyed.

The Examination function's recent increase in revenue agents and tax compliance officers resulted in the most tax returns examined over the past five years, although the majority of these examinations were conducted via correspondence. The number of tax returns examined increased for individual, corporate, and S Corporation tax returns in Fiscal Year 2010, while the number of partnership examinations decreased and examinations of other types of tax returns remained the same. The no-change rates for examinations of individual income tax returns by revenue agents and tax compliance officers increased in Fiscal Year 2010, but remained lower than the no-change rates reported in Fiscal Year 2006.

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 to the draft report.

READ THE FULL REPORT

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

<http://www.treas.gov/tigta/auditreports/2011reports/201130071fr.pdf>.