



Treasury Inspector General for Tax Administration Office of Audit

AFFORDABLE CARE ACT: PLANNING EFFORTS FOR THE TAX PROVISIONS OF THE PATIENT PROTECTION AND AFFORDABLE CARE ACT APPEAR ADEQUATE; HOWEVER, THE RESOURCE ESTIMATION PROCESS NEEDS IMPROVEMENT

Issued on June 14, 2012

Highlights

Highlights of Report Number: 2012-43-064 to the Internal Revenue Service Deputy Commissioner for Services and Enforcement.

IMPACT ON TAXPAYERS

The Patient Protection and Affordable Care Act of 2010 (ACA) includes the largest set of tax law changes in more than 20 years. The primary goal of the law was health care reform, and the Internal Revenue Code plays several key functions in achieving that goal. Tax-related provisions in the law affect millions of taxpayers, and it is imperative that the IRS has adequate plans to revise or develop new forms, publications, and instructions; train IRS employees; and provide outreach to taxpayers and tax professionals.

WHY TIGTA DID THE AUDIT

This audit was initiated because the IRS is responsible for overseeing a significant part of the legislation that includes, but is not limited to, administration of additional taxes, penalties, and fees on individuals and employers; determinations of various exemptions from those taxes; and oversight of new information reporting requirements. The new taxes, fees, and penalties account for approximately \$438 billion. TIGTA's overall objective was to assess the IRS's overall planning to implement the tax provisions of the new law.

WHAT TIGTA FOUND

The ACA contains many provisions that are to be implemented over the course of several years, including some that required implementation during the year the legislation was signed into law. TIGTA found that the appropriate plans had been developed to implement tax-related provisions of the ACA using well-established methods for implementing tax legislation. The IRS's plans addressed tax forms, instructions, and most of the affected publications, as well as employee training, outreach and guidance to taxpayers and preparers, computer programming, and data needs.

The IRS projected its Fiscal Years 2012 and 2013 ACA staffing needs to be 1,278 Full-Time Equivalents and 859 Full-Time Equivalents, respectively. The IRS has not projected staffing needs beyond Fiscal Year 2013. The lack of documentation to support the staffing requirements needed to implement the ACA precluded TIGTA from providing an opinion on the adequacy of staffing requests to support implementation. The IRS did not analyze each provision to determine the amount of staffing necessary to implement the provision.

WHAT TIGTA RECOMMENDED

TIGTA recommended that the IRS perform an analysis to evaluate the resources necessary to efficiently implement the provisions and ensure that this process is documented.

In their response to the report, IRS management agreed with the recommendation. The IRS plans to complete by the end of Fiscal Year 2012 an evaluation of the major ACA provisions for which implementation has not been completed and evaluate the resources needed for implementation, especially any with specialized skills.

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/201243064fr.pdf>.