



## Treasury Inspector General for Tax Administration Office of Audit

### TRENDS IN COMPLIANCE ACTIVITIES THROUGH FISCAL YEAR 2012

Issued on August 23, 2013

## Highlights

Highlights of Report Number: 2013-30-078 to the Internal Revenue Service, Office of the Deputy Commissioner for Services and Enforcement.

### IMPACT ON TAXPAYERS

This report is a compilation of statistical information reported by the IRS. The data presented in this report provide taxpayers and stakeholders with information about how the IRS focuses its compliance resources and the impact of those resources on revenue and compliance over time.

### WHY TIGTA DID THE AUDIT

TIGTA conducted this review in response to continuing stakeholder interest in the analysis and trending of Collection and Examination function activities. The objective was to provide various statistical information regarding Collection and Examination function activities.

### WHAT TIGTA FOUND

During Fiscal Years 2011 and 2012, the IRS encountered challenges that included administering recent legislative changes within an environment of decreasing resources. For example, approximately 50 of the 500 Affordable Care Act provisions add to or amend the Internal Revenue Code. At the same time, the IRS operated under a continuing resolution for Fiscal Year 2012 that funded it at a little more than \$11.8 billion, which is a 2.7 percent reduction since Fiscal Year 2010.

Since Fiscal Year 2010, approximately 8,000 full-time IRS positions have been lost—about 5,000 from front-line enforcement personnel. In addition to offering early retirements and buyouts, IRS records indicate that more than one-third of executives and nearly 20 percent of nonexecutive managers are currently eligible for retirement.

Enforcement revenue collected declined by 9 percent in Fiscal Year 2012, from \$55.2 billion to \$50.2 billion. This has decreased in two straight years and is 13 percent less than the \$57.6 billion collected in Fiscal Year 2010. The 13 percent reduction in enforcement revenue

correlates to the 14 percent reduction in the number of enforcement personnel.

IRS Collection function activities showed mixed results for Fiscal Year 2012. For the third straight year, revenue collected on Taxpayer Delinquent Accounts by the IRS Collection Field function increased. However, collections by the Automated Collection System declined for the first time in four years. The IRS continues to receive more new Taxpayer Delinquent Accounts than it closes. The amount owed in the Queue increased 22 percent in Fiscal Year 2011 (\$56.2 billion) and 12 percent in Fiscal Year 2012 (\$63.1 billion) and has grown 46 percent over the past five years.

The Examination function's recent decrease in revenue agents and tax compliance officers contributed to an overall decrease in examinations. This reduction is attributable to decreased examinations of individual tax returns. The number of corporate, partnership, and S corporation examinations increased during Fiscal Years 2011 and 2012. The no-change rates for examinations of individual income tax returns by revenue agents in Fiscal Year 2012 was 11 percent but remained lower than the no-change rates reported in Fiscal Year 2008.

### WHAT TIGTA RECOMMENDED

TIGTA made no recommendations in this report. IRS officials were provided an opportunity to review the draft report and did not provide any comments.

### READ THE FULL REPORT

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

<http://www.treas.gov/tigta/auditreports/2013reports/201330078fr.pdf>.