



Treasury Inspector General for Tax Administration Office of Audit

TRENDS IN COMPLIANCE ACTIVITIES THROUGH FISCAL YEAR 2013

Issued on September 12, 2014

Highlights

Highlights of Report Number: 2014-30-062 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 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 conducts this review annually in response to continuing stakeholder interest in the analysis and trending of Collection and Examination function activities. The overall objective was to provide various statistical information regarding Collection and Examination function activities.

WHAT TIGTA FOUND

Between Fiscal Years (FY) 2010 and 2013, the IRS's appropriated budget decreased 7.4 percent, from \$12.1 billion to \$11.2 billion after sequestration. Sequestration had a significant impact on the IRS's FY 2013 budget.

These budget reductions resulted in decreases in the number of employees available to provide services to taxpayers and enforce the tax laws. Specifically, the number of full-time equivalents decreased by nearly 9 percent, from 94,618 at the end of FY 2010 to 86,310 at the end of FY 2013, including a 4 percent reduction between FYs 2012 and 2013. The number of enforcement personnel decreased by more than 1,000 employees during FY 2013.

As resources decreased, the IRS's responsibilities have expanded. For example, in FY 2013, the IRS continued implementing tax-related portions of the Affordable Care Act and the Foreign Account Tax Compliance Act.

Despite these challenges, total dollars received and collected (gross collections) increased for the third straight year to \$2.9 trillion (a 13 percent increase) in

FY 2013. Enforcement revenue collected also increased from \$50.2 billion in FY 2012 to \$53.3 billion in FY 2013 due, in part, to several large Appeals case settlements. Tax return filings continued to increase as did gross accounts receivable, which increased to \$400 billion.

The FY 2013 Collection function activities showed mixed results. The amount collected on delinquent accounts by both the Automated Collection System and Field Collection decreased. The Collection function continued to receive more delinquent accounts than it closed, although the number of delinquent accounts in the Collection queue decreased due, in part, to the removal of millions of accounts that were not resolved. Fewer Notices of Federal Tax Lien were filed, fewer levies were issued, and fewer seizures were made. Meanwhile, taxpayers' use of payment options such as offers in compromise increased.

The Examination function conducted 6 percent fewer examinations in FY 2013 than in FY 2012. The decline in examinations occurred across all tax return types, including individual, corporation, S corporation, and partnership. Seventy percent of return examinations were conducted via correspondence. While the number of tax return examinations declined, productivity indicators were mixed. The dollar yield per hour for most return types increased. However, the no-change rates increased for some types of examinations (corporations and partnerships), while it decreased for others (individuals and S corporations).

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/2014reports/201430062fr.pdf>.