



## Treasury Inspector General for Tax Administration Office of Audit

### TRENDS IN COMPLIANCE ACTIVITIES THROUGH FISCAL YEAR 2014

Issued on November 10, 2015

## Highlights

Highlights of Report Number: 2016-30-004 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

The IRS has faced declining funding levels in three of the last four fiscal years. These budget reductions resulted in decreases in the number of employees available to provide services to taxpayers and enforce the tax laws. Overall, IRS employment (all employees who are on permanent, temporary, and term appointments) has declined 15 percent from 107,622 in Fiscal Year (FY) 2010 to 91,018 in FY 2014. The number of enforcement personnel decreased by nearly 1,000 employees during FY 2014.

As resources decreased, the IRS's responsibilities have expanded. For example, in FY 2014, 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 fourth straight year to \$3.1 trillion (a 6.8 percent increase) in FY 2014. Enforcement revenue collected also increased from \$53.3 billion in FY 2013 to \$57.1 billion in FY 2014 due, in part, to a relatively small number of large dollar examination cases. Tax return filings remained steady

while gross accounts receivable increased to \$412 billion.

FY 2014 Collection function activities showed mixed results. The amount collected on delinquent accounts by both the Automated Collection System and the Compliance Services Collection Operations increased while the amount collected by 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. While the use of levies increased, fewer Notices of Federal Tax Lien were filed and fewer seizures were made. Meanwhile, taxpayers' use of the offer in compromise payment option decreased for the first time in the past five years.

The Examination function conducted 11 percent fewer examinations in FY 2014 than in FY 2013. The decline in examinations occurred across almost all tax return types, including individual, corporation, and S corporation. Seventy-one percent of return examinations were conducted via correspondence. In addition to the decline in the number of tax return examinations, productivity indicators also declined. The dollar yield per hour for most return types decreased. Also, the no-change rates increased for most types of examinations (individuals, corporations, and partnerships).

### 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 and methodology, go to:

<http://www.treas.gov/tigta/auditreports/2016reports/201630004fr.pdf>