

2015 YEAR-END
Tax guide.



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Tax controversy.

DOWNSIZING AT THE IRS

Recent Congressional budget cuts lead to fewer IRS agents.

Earlier this year, the IRS trimmed its staff by 1,800 tax collectors, resulting in 46,000 fewer office audits conducted annually. Great news, right? Except that the IRS does much more than audit taxpayers. As a result of the cuts, its ability to process returns, answer questions, and solve issues like identity theft is impacted.

IRS Commissioner John Koskinen recently wrote to IRS employees that “this year we are looking at a situation where realistically we have no choice but to do less with less,” acknowledging that, even with greater efficiency, IRS services cannot remain constant with staffing down 10% since 2010.

Taxpayers will see the impact of “less with less” in several ways:

- **Technology improvement delays** — Budget cuts have prevented the IRS from updating computer systems and acquiring new equipment at a time when data breaches are on the rise and greater efficiency from workers is expected.
- **Slower phone services** — Along with IRS staff reductions, an across-the-board hiring freeze has prevented filling job vacancies. For taxpayers contacting the IRS for technical issues, hold times, which were never good, can extend to an hour or more. These delays also extend to popular services like obtaining employer identification numbers and more alarming ones like issues connected with increased identity theft. (See related article on page 16).

- **Increased correspondence audits** — While office audits have decreased, the number of correspondence audits continues to grow. These audits are completed almost exclusively through the mail. In many instances, no specific agent or IRS representative is assigned to the audit, making it difficult to work through a complicated issue. Given the delay in communication, these audits can extend for quite a long time.
- **Increased matching notices** — A matching notice is sent when a company sends a Form W-2 or 1099 to the IRS that’s been omitted from a Form 1040. The IRS’s automated matching system will trigger a notice identifying the discrepancy and the tax obligation. With less oversight, incorrect matching notices are being sent, resulting in more taxpayer and advisor time to resolve the issues.
- **Show me the money** — While the IRS performs many functions, its ultimate mission is to collect all taxes owed to the government as efficiently as possible. Ultimately, a smaller IRS impacts the ability of the agency to serve taxpayers through efficient customer service and to identify — and collect from — taxpayers that aren’t paying their fair share. A smaller IRS means that taxpayers will often spend more time to get necessary services and that less revenue will be collected for the government to fulfill its obligations.

A shrinking IRS means longer hold times, slower services, and increased vulnerability to data breaches and identity theft. While we wait for a return to the days of “more with less,” let’s try to enjoy the fewer IRS visits while tolerating the slower service.



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