

Wait Times Are Down, But IRS Still Faces Serious Challenges

Decline in audits, identity theft and cybercrime are among issues; agency says it needs more money to do its job



The Internal Revenue Service is trying to crack down on tax fraud but with fewer workers. The agency had 17,208 employees doing tax enforcement in 2015, down 24% from 2010. PHOTO: JONATHAN ERNST/REUTERS

By RICHARD RUBIN
March 25, 2016 5:30 a.m. ET

Christine Giovetti, an accountant in Catonsville, Md., has heard more than her share of “One to One,” the IRS’s saccharine hold music.

“You get tired of it, no matter how nice it is,” she said.

The good news for taxpayers during this year’s tax-filing season is that she and others are hearing fewer repeats from the royalty-free song collection called “Fresh Optimism.”

In the first week of March, the Internal Revenue Service answered 73% of calls on its toll-free telephone lines, more than double what it did in 2015, according to agency data that show consistent improvement this year. The average wait time is now about nine minutes, down from 21 minutes.

That means tax professionals trying to respond to document requests and specific questions from the IRS don’t have to plan their work around the wait.

The reduced wait times during tax-filing season, which ends April 18, were possible because of a cash infusion from Congress, but they only temporarily obscure continued problems at the U.S. tax agency. Audits are down. Identity theft is persistent. Tax lawyers gripe about the lack of published rules. The National Society of Accountants complains about slow responses from the government. Mini-controversies pop up routinely.

The IRS and its allies say the agency desperately needs more money.

“I can certainly understand the displeasure that Congress has,” said Fred Goldberg, who ran the IRS under President George H.W. Bush. “You can shoot at the IRS, but the issue is collateral damage, and the collateral damage on taxpayers is huge.”

IRS Commissioner **John Koskinen**, more than halfway through his tenure, is trying to position the agency for the future. He’s having a tough time.

Mr. Koskinen wants more IRS services online, both to save money and to let taxpayers access their personal tax information like bank statements. But the agency gets hit with repeated online attacks, and it struggles with a core problem—making sure it’s dealing with the real taxpayers. The agency had to take down some online services in 2015 and 2016 after **identity thieves** used previously stolen information to masquerade as legitimate taxpayers.

The IRS is trying to crack down on tax fraud, but with **fewer workers**. The agency had 17,208 employees doing tax enforcement in 2015, down 24% from 2010. Its workforce is aging and only about 200 of its 85,000 workers are age 25 and under. IRS time spent auditing the largest companies declined 47% from 2010 to 2015, according to the **Transactional Records Access Clearinghouse** at Syracuse University.

In fiscal 2017, the IRS wants \$12.3 billion to get back above the 2010 peak funding level. Congressional Republicans have already declared that a non-starter, which means reduced audits and longer wait times will continue.

“The people who care most about taxpayer service turn out to be the IRS employees, who view it as their mission to help taxpayers,” Mr. Koskinen said in a C-Span **interview** last month. “When you have to stay on line for a lengthy period of time before you get in, they’re troubled by that.”

The agency got its first significant budget increase in six years in December, a \$290 million boost that was a bipartisan agreement to target money at cybersecurity, customer service and identity theft. But it’s hard to overstate Republican distaste for the IRS, and presidential candidates win applause when they promise to abolish it. That distrust seems hard to break, nearly three years since the controversy over Tea Party groups erupted.

“The IRS doesn’t have a lot of natural defenders,” said Leandra Lederman, a tax law professor at Indiana University. “There’s not that many people who are going to stand up and say, ‘Yeah, tax collection!’ And you can score pretty easy political points by saying the IRS is too large, bashing the IRS, saying the IRS is incompetent.”

The agency’s ability to maintain its twin missions—help compliant taxpayers and pursue cheaters—has suffered during the Obama administration.

When Democrats controlled Congress in 2009 and 2010, they gave the IRS more responsibility and power. The U.S. created a new disclosure system for foreign bank accounts and gave the IRS a central role in the Affordable Care Act. Just as the agency began implementing these mandates, Republicans took over the House of Representatives and demanded budget cuts.

Then in 2013, the IRS disclosed it had given extra scrutiny to Tea Party groups seeking tax-exempt status. That revelation started a purge at the top levels of the agency and years of investigations.

A Senate report in 2015 found that IRS officials were “delinquent” in their treatment of Tea Party and other groups, resulting in heightened and inappropriate scrutiny, but Republicans and Democrats disagreed on whether IRS officials were motivated by their own political views.

House Republicans remain unsatisfied. They have turned their ire toward Mr. Koskinen because of the agency’s travails and contradictory statements as it tried to retrieve records for the investigations, such as the emails of Lois Lerner, former director of tax-exempt organizations at the IRS.

Rep. Jason Chaffetz (R., Utah), who **sponsored an impeachment resolution** against Mr. Koskinen that has more than 60 co-sponsors, said the IRS has bloated management and has failed to update aging technology.

“John Koskinen was hired to come clean up the mess and he made it worse, not better,” said Mr. Chaffetz, who is chairman of the House Oversight and Government Reform Committee. “And he’s earned no friends up here on Capitol Hill, because they haven’t solved the problems of targeting conservatives based on their political beliefs.”

Mr. Koskinen on Thursday said the agency has implemented recommendations from its inspector general and the Senate Finance Committee, and that he has tried to build an ethos in the IRS that encourages employees to report problems and get them addressed quickly.

“I would challenge anybody to find any targeting of conservatives going on at this point,” he said, without saying “targeting” had happened before he started. “There have been significant changes and improvements, and I’m confident that that kind of situation isn’t going to happen again.”

So far, the impeachment effort hasn’t advanced and Republicans and Mr. Koskinen seem stuck with each other. His term expires in November 2017, and the next president will choose his successor.

Meanwhile, tax preparers and the public are stuck with diminished service.

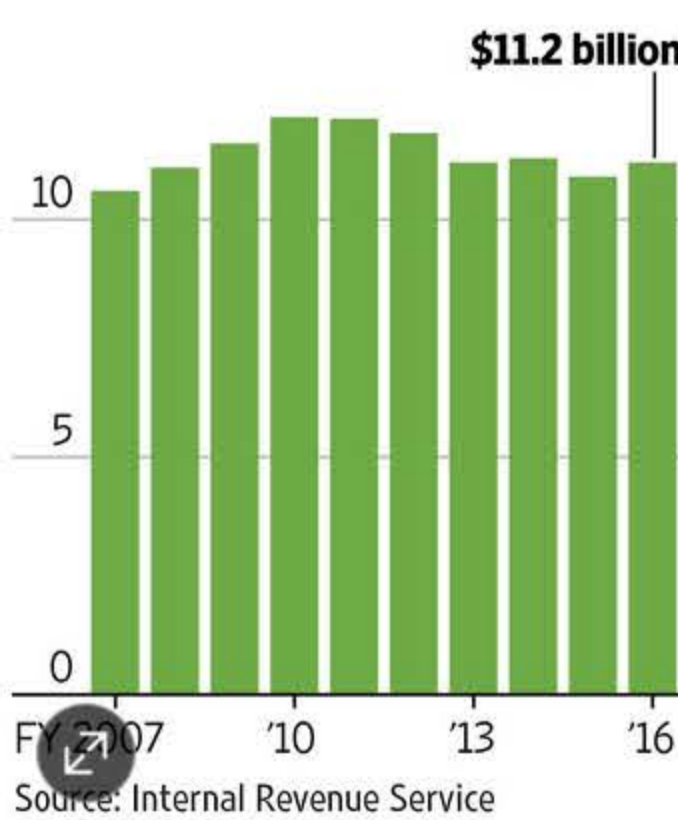
“They’re doing far less audits than they ever did,” said Randy Ames, owner of ABC Tax Service in San Diego, whose clients include people who fail to file tax returns for several years and then have to get back on the IRS’s good side. “So there are people that are getting away with horrible things on their tax returns year after year.”

Write to Richard Rubin at richard.rubin@wsj.com

Mounting Challenge

The IRS is trying to crack down on tax fraud, but it faces obstacles, such as declines in its budget and workforce.

IRS funding
\$15 billion



Key enforcement personnel
25,000

