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IRS SMALL BUSINESS/SELF EMPLOYED OPERATING DIVISION TELLS BOARD IT CONTINUES TO SHARPEN ITS FOCUS AND RESOURCES ON ENFORCEMENT

(Washington, DC) At its March 10-11, 2004 meeting, the IRS Oversight Board discussed the status of the IRS Small Business/Self Employed (SB/SE) Operating Division. SB/SE Commissioner Dale Hart told the Board that the division continues to align its resources with its strategic priorities: identifying and pursuing promoters of abusive tax avoidance schemes, high-income/high risk taxpayers, high-income non-filers, and taxpayers who fail to report income. The division also continues to focus on the National Research Program, which began in the fall of 2002 and will measure reporting compliance and identify compliance issues. NRP will enable the IRS to improve the examination selection process.

However, the positive news that SB/SE is improving its selection criteria and developing new strategic initiatives was offset by news of a pending Treasury Inspector General report that showed that tax evaders are ignoring criminal penalties, back payments and interest.

“Obviously, SB/SE has a great deal on its platter and must do a better job in all areas of its mission to succeed. However, the question still remains whether the organization has enough resources to bring enforcement up to acceptable levels. The Board is skeptical that merely shifting resources will accomplish this critical task,” commented Board Chair Nancy Killefer.

IRS Reports on Business Systems Modernization

IRS Chief Information Officer Todd Grams reported to the IRS Oversight Board that businesses and tax-exempt organizations are now able to file tax forms 1120 and 990 electronically. Last month, the IRS launched its first release of Modernized e-File, which contains 53 forms and schedules used by 1120 filers. Release 2, scheduled later this year, will contain the remaining 43 forms.

The IRS also reported that it has launched the first release of e-Services that will allow tax practitioners and financial institutions to work electronically on accounts. Five of the nine e-Services projects have been completed; the remaining four are on schedule to be released this month.

“The job is far from over and the real heavy lifting still lies ahead. While these are promising first results that will benefit taxpayers and practitioners and reduce filing burden, the IRS must deliver a number of critical projects later this year, including the first release of the Customer Account Data Engine,” said Larry R. Levitan, Chairman of the Board’s Business Transformation Committee.

Work Continues on IRS 2004-2009 Strategic Plan

The Board considers its responsibility to approve the IRS Strategic Plan to be one of the most, if not the most, important role that it plays in its relationship with the IRS, and continues to work closely with the IRS as it develops its next 5-year plan (FY 2005-FY 2009). The IRS plan will provide guidance and direction for IRS managers and employees and provide information, direction and rationale regarding the IRS' interaction with taxpayers. The plan will be released for public comment later this spring.

Taxpayer Advocate Briefs Board on Annual Report

The Board welcomed back National Taxpayer Advocate Nina Olson to discuss her annual report to Congress. One area of particular interest focused on small business and self-employed taxpayers. Ms. Olson said she is meeting with stakeholder groups to discuss a proposal whereby self-employed individuals would have a percentage of their income withheld at the source. The National Taxpayer Advocate also briefed the Board on her Professional Development Program, a four-year training program for eight Taxpayer Advocate Service occupations.

Deputy Treasury Secretary Plans Active Board Participation

Samuel W. Bodman met with the Board on March 10 and 11. Dr. Bodman was confirmed as Deputy Secretary of the Treasury last month and plans to participate actively in the Board as Treasury Secretary John Snow's designee. Previously, Dr. Bodman served as Deputy Secretary of Commerce. For the past three decades he has been a financier and executive in the private sector.

"We welcome Dr. Bodman and look forward to working closely with him," said Board Chair Nancy Killefer. "His experience as a leader, particularly in the financial services industry, will benefit the IRS and the Board enormously."