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Fact Sheet for the Chairman, Subcommittee on Regulation and Government Information, Committee on Governmental Affairs, U.S. Senate

May 1993

TAX ADMINISTRATION

Trends for Certain IRS Programs

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GAO

United States
General Accounting Office
Washington, D.C. 20548

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May 26, 1993

The Honorable Joseph Lieberman, Chairman
Subcommittee on Regulation
and Government Information
Committee on Governmental Affairs
United States Senate

Dear Mr. Chairman:

This fact sheet responds to your predecessor's request that we report the results of our work to develop trend data for various Internal Revenue Service (IRS) programs. As agreed with your predecessor, this fact sheet provides trends for (1) some mission-related indicators that IRS has traditionally used, (2) some of IRS' key enforcement programs, and (3) IRS' taxpayer service and tax return processing activities. For these same programs and activities, we are also including information on (1) recent developments within IRS relating to performance measures and (2) gaps in IRS' management information that were identified in some of our previous work.

The indicators we include in this fact sheet should not be considered the best indicators for measuring IRS' overall performance. However, they should be useful for tracking shifts in program priorities over time as well as changes in workload, resources, and outputs. IRS has agreed to provide future updates of some of the information in this fact sheet. As IRS develops more comprehensive measures and changes to a more cross-functional organization, some of the data in this fact sheet may no longer be available or appropriate.

Other than the work we did to identify and attempt to resolve inconsistencies across the various data sources for these indicators, we did not assess the reliability of the data in these various sources. Appendix I includes additional information on the scope and methodology of our work.

BACKGROUND

Federal agencies are becoming aware of the importance of developing performance measures to assess how well they achieve their missions. Program performance measures should flow from a strategic planning process that clearly articulates an agency's goals and objectives.

The types of performance measures that an agency uses vary by organizational level. Top management needs performance measures that track the extent to which the agency is achieving its mission, whereas program managers need more detailed measures to ensure that specific customer needs for particular programs are met.

IRS' mission is to collect the proper amount of tax revenue at the least cost; serve the public by continually improving the quality of its products and services; and perform in a manner warranting the highest degree of public confidence in its integrity, efficiency, and fairness. In 1984, IRS initiated a strategic management process to help the Commissioner of Internal Revenue more effectively communicate that mission to the various functions of IRS. A cornerstone of that process is IRS' strategic business plan, which documents IRS' business objectives and identifies several long-term strategies and short-term actions directed at achieving these objectives. IRS' objectives are to (1) increase voluntary compliance with tax laws, (2) reduce taxpayer burden, and (3) improve quality-driven productivity and customer satisfaction.

In 1990, IRS began evaluating its progress in meeting the strategic objectives through annual business reviews. As part of these reviews, IRS initially focused on developing performance measures related to its major functional areas (such as Examination, Collection, and Returns Processing). In an August 1992 report, we recommended that IRS incorporate appropriate measures into its business reviews to ensure that they generate results-oriented information.[1]

RESULTS

Most of the indicators included in this fact sheet relate to resources (such as staffing), workload (such as the number of tax returns filed), and output indicators (such as the number of audits completed) as opposed to program results or program impact. The types of indicators we are reporting, in part, reflect the level of development of performance measurement at IRS as well as most other government agencies.

Although indicators of resources, workload, and outputs are important, they do not provide the type of bottom-line data needed to assess an agency's effectiveness. In recognition of that fact, IRS has started to develop performance measures for its three strategic objectives--increasing voluntary compliance, reducing taxpayer burden, and improving quality-driven productivity and customer satisfaction.

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[1]Tax Administration: Opportunities to Further Improve IRS' Business Review Process (GAO/GGD-92-125, Aug. 13, 1992).

IRS also plans to measure how its component parts contribute to accomplishing its mission. Rather than developing performance measures in each of IRS' functional areas (e.g., Examination or Collection), IRS is developing performance measures for its five core business systems. These core business systems encompass what IRS believes are its major business processes and cut across functional lines. For example, the core business system called "ensuring compliance" incorporates the work that is currently being done by the Examination, Collection, and Appeals functions.[2]

In addition to developing impact measures, IRS needs to address various concerns we have raised in some of our previous work about the need for certain information for some enforcement programs. For example, we said IRS should determine the reasons so many of the taxpayers that it initially identifies through computer matches as potentially underreporting income ultimately do not owe additional taxes after further IRS review.[3] By determining the reasons, IRS could eliminate the inefficiencies associated with using staff to investigate cases in which the taxpayer does not owe additional taxes.

IRS is taking actions to address other concerns we have raised about certain enforcement program information.[4] For example, to improve the reliability of the accounts receivable inventory--the assessed taxes, penalties, and interest taxpayers owe the government--as an indicator of potential revenue for the government, IRS is trying to prevent erroneous receivables from being added to the inventory. Until IRS eliminates erroneous receivables, the inventory will overstate the amount of delinquent taxes IRS can reasonably expect to collect from

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[2]The other core business systems are managing accounts; resourcing; informing, educating, and assisting; and value tracking.

[3]Tax Administration: IRS Can Improve Its Program to Find Taxpayers Who Underreport Their Income (GAO/GGD-91-49, Mar. 13, 1991).

[4]IRS' Accounts Receivable Inventory (GAO/T-GGD-90-60, Aug. 1, 1990).

Tax Administration: IRS Needs More Reliable Information on Enforcement Revenues (GAO/GGD-90-85, June 20, 1990).

Further Research Into Noncompliance Is Needed to Reduce Growing Tax Losses (GAO/GGD-82-34, July 23, 1982).

taxpayers. IRS is also developing data on the actual revenues generated from and the costs of its various enforcement programs. These programs are aimed at identifying those taxpayers that do not voluntarily comply with tax laws. By having actual revenue and cost data, IRS will be better able to measure the success of its enforcement programs and make more informed decisions on allocating staff among them.

In the taxpayer assistance area, we have identified the need for performance measures that are more customer focused. For example, we recently recommended that IRS develop a more reliable indicator for measuring the ability of taxpayers to reach IRS by telephone to get answers to tax law and account questions.[5]

IRS IS FOCUSING MORE ATTENTION ON MISSION-RELATED INDICATORS

IRS recognizes the importance of developing indicators that will enable it to assess its progress in achieving the three strategic objectives. For the first of those objectives, increasing voluntary compliance, IRS has traditionally relied on two indicators--the voluntary compliance rate and the tax gap--to measure its progress. The voluntary compliance rate is the total amount of tax voluntarily paid as a percentage of the total tax owed.

The tax gap is measured in two ways--gross and net. The gross tax gap is defined as the difference between the dollar amount of taxes owed and taxes voluntarily paid. The net tax gap is the gross gap minus the tax revenues realized from IRS' enforcement activities. Voluntary compliance rates and the tax gap are estimates derived from several different IRS studies, the most important of which are those done under the Taxpayer Compliance Measurement Program--IRS' primary program for gathering such information. To date, IRS has estimated these indicators for income tax only. According to IRS officials, IRS is currently developing new indicators to assess progress in improving voluntary compliance. Trends for existing voluntary compliance indicators are shown in appendix II. Appendix II also shows IRS-wide resource indicators, such as staffing and funding.

IRS is working to develop indicators to assess its progress in meeting the other two strategic objectives--reducing taxpayer burden and improving quality-driven productivity and customer satisfaction. IRS has broadened its definition of burden from the amount of time its takes to file a return to the time, expense, and dissatisfaction experienced by taxpayers,

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[5] Tax Administration: IRS' 1992 Filing Season Was Successful but Not Without Problems (GAO/GGD-92-132, Sept. 15, 1992).

practitioners, and others in filing returns and paying taxes. IRS anticipates having new burden reduction measures that address this broader definition by May 1993.

To develop baseline data on customer satisfaction, IRS is doing customer surveys, the first two of which were completed in May and November 1992. Because these surveys are targeted to the general population rather than to taxpayers who have specific dealings with IRS, they differ from other customer surveys that were done in the past. Also, before these surveys, most customer satisfaction surveys were done at the functional level.

IRS also plans to assess its progress in achieving the strategic objectives by developing compliance, burden, and productivity measures for its core business systems. These business systems represent the major business processes that IRS uses to accomplish its mission and cut across IRS functional lines. The ensuring compliance business system, for example, encompasses the Examination, Collection, and Appeals functions. Each core business system has been assigned to a senior executive who will be responsible for developing measures and establishing baseline levels of performance.

OUR EARLIER WORK IDENTIFIED ENFORCEMENT INFORMATION NEEDS THAT IRS HAS NOT FULLY ADDRESSED

Some of our earlier work identified certain types of information that could be useful in evaluating the effectiveness of various IRS enforcement programs. IRS has started to develop some information to address some of the issues we raised. For example, IRS is developing a management information system that will report the actual dollars collected from various enforcement programs and the true costs of these programs. In addition, IRS is attempting to improve the data in the accounts receivable inventory by preventing erroneous accounts from being added to it.

IRS has not yet started to develop other enforcement information that we said was needed. For example, we recommended that IRS identify the specific reasons its potential underreporter cases (identified by computer matching income reported on information returns such as the Form W-2 with income on the taxpayer's return) were unproductive so it could eliminate the inefficiencies associated with staff investigating these cases.[6] Also, we have said that IRS needed to develop information to show

[6]GAO/GGD-91-49, March 13, 1991.

the effectiveness of its collection tools, such as levies, and its delinquency prevention programs.[7]

Appendixes III, IV, and V provide more information on three of IRS' enforcement programs (Information Returns, Examination, and Collection), the trends for selected indicators for these programs, and new developments, if any, in performance measurement for these programs.[8] Appendix VI provides trend information on the gross accounts receivable inventory which, before 1992, IRS reported as the assessed taxes, penalties, and interest owed but not paid to the government.

IRS Is Developing a System to Identify Actual Revenues From and the Costs of Enforcement Programs

In various reports, we have discussed the need for information on the (1) revenues that actually result from enforcement programs and (2) costs of those enforcement programs.[9] In response to these concerns, in 1989 IRS started developing an Enforcement Management Information System (EMIS).

EMIS was designed to measure the revenue generated from each of IRS' major enforcement functions. For example, when fully operational, EMIS should be able to report the amount that is ultimately collected from a particular audit. According to IRS officials, information from the Examination, Collection, and Appeals functions is now included in EMIS. IRS is currently adding data from the underreporter program.

EMIS is currently generating various management information reports. However, IRS officials said that EMIS-generated data are currently not being used for management decisionmaking. IRS officials said that EMIS data may be available for budget purposes beginning in fiscal year 1998. This delay results, in part, from the lag between when IRS takes various enforcement actions and when it eventually receives payments from taxpayers. In addition, some data reliability problems have occurred during the early stages of developing EMIS. Developing consistent definitions across the different functional areas that provide

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[7]High Risk Series: Internal Revenue Service Receivables (GAO/HR-93-13, Dec. 1992).

[8]In addition to these three areas, IRS' enforcement programs include Appeals and Criminal Investigation. As we discuss in appendix I, these areas were not included in the scope of our work.

[9]GAO/GGD-90-85, June 20, 1990 and GAO/GGD-82-34, July 23, 1982.

data for EMIS is one of the many challenges IRS faced in implementing EMIS.

IRS is currently identifying the requirements for the development of the cost component for EMIS. IRS officials said this component will not be operational until 1995 or 1996.

More Information Is Needed on the Accounts Receivable Inventory

At the end of September 1991, IRS reported that the gross accounts receivable inventory totaled approximately $111 billion. Yet IRS estimates that about 75 percent of the assessments will never be collected because (1) the inventory includes erroneous or duplicative tax assessments or assessments based on limited data, (2) IRS cannot locate the taxpayers who owe money, and/or (3) the taxpayers cannot pay.

IRS is trying to prevent erroneous receivables from being added to the accounts receivable inventory. However, the inventory may still include a large number of erroneous receivables. IRS does not know how many of the existing accounts are valid. We are now reviewing IRS' accounts receivable inventory as a part of an ongoing financial audit required by the Chief Financial Officers Act. As a result of this audit, IRS agreed to revise its methodology for determining the portion of the accounts receivable inventory that is collectible. This methodology should provide a more reliable estimate of IRS' collectible receivables.

Information Is Needed on the Impact of Certain Collection Programs

IRS needs to develop impact measures for some of its collection activities. We have said that IRS does not collect the information it needs to evaluate the relative effectiveness of certain collection methods or delinquency prevention programs.[10] For example, IRS lacks information on the effectiveness of levying wages and bank accounts--something it does more than 2 million times a year.

In terms of the effectiveness of delinquency prevention programs, we expect IRS to focus more attention on the effectiveness of prevention efforts as it implements its initiative to improve voluntary compliance, which is called Compliance 2000. The goal of Compliance 2000 is to identify the root causes of tax noncompliance and then apply appropriate tools to improve voluntary compliance. If IRS is able to identify the root cause

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[10]GAO/HR-93-13, December 1992.

of noncompliance for different taxpayers, it may develop more meaningful prevention programs. For example, some taxpayers unintentionally fail to comply because they do not understand complex tax laws, while others intentionally circumvent the law. Tax delinquencies that stem from misunderstandings about tax law could be prevented through improved taxpayer education or a simplification of the tax code.

More Information Is Needed on Unproductive Underreporter Cases

In March 1991, we reported that the percentage of underreporter cases that were unproductive--closed without any recommendation of additional taxes owed--increased from 54 percent for tax year 1982 to 66 percent for tax year 1988.[11] As a result, IRS was spending more of its resources on contacting taxpayers that did not owe additional taxes.

To improve its underreporter program, we recommended, in our March 1991 report, that IRS modify its management information system to provide specific reasons why cases are unproductive. We said this information could be used to monitor results and further improve the matching process. According to IRS officials, IRS will determine what options exist for addressing our recommendation under the Automated Underreporter System. This system will automate the current manual analysis of underreporter cases and provide on-line access to information needed to process an underreporter case and improve responses to taxpayers. However, this system is not scheduled to be fully operational until sometime in 1994.

IRS NEEDS MORE INFORMATION TO ASSESS HOW WELL IT SERVES TAXPAYERS

More taxpayers are likely to have contact with IRS in the course of seeking help in understanding and meeting their tax obligations than they would as a result of an IRS enforcement action. Several different areas within IRS handle taxpayer assistance activities. Appendix VII provides additional information on the different types of assistance available to taxpayers, recent developments in performance measurement for taxpayer service activities, and trends for taxpayer service indicators.

Some of the measures in appendix VII are useful for assessing IRS' performance in assisting taxpayers. However, our annual reviews of IRS' performance during the filing season identified two areas of taxpayer service that need performance measures that

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[11]GAO/GGD-91-49, March 13, 1991.

better reflect how IRS meets customer needs--the accessibility of the toll-free telephone system through which taxpayers can get answers to questions about their account status or the tax laws and IRS' distribution of forms and publications.

As we noted in our report on the 1992 filing season, IRS has improved in accurately answering taxpayers' questions since the 1991 filing season, but taxpayers appeared to be having more trouble getting through to IRS over the telephone.[12] We concluded in that report that IRS' measure of the toll-free telephone system's accessibility--percentage of scheduled calls answered--did not adequately reflect how well IRS is serving the taxpayers. Specifically, IRS' measure does not reflect the percentage of taxpayers actually helped out of those who called for assistance because IRS does not know how many taxpayers are represented by unanswered calls--calls in which a taxpayer hangs up or receives a busy signal. In our report, we recommended that IRS develop a reliable measure of toll-free telephone accessibility. The measure on which we have traditionally reported and that is included in appendix VII (fig. VII.5 and tab. VII.5) is the answer rate. The answer rate is computed by dividing the total number of calls answered by the total number of calls received. IRS is currently exploring alternative approaches to measuring telephone system service, including a better measure of accessibility.

To help taxpayers understand tax laws and meet their filing requirements, IRS publishes numerous forms, publications, and instructions. To obtain these materials, taxpayers can contact one of three distribution centers by mail or toll-free telephone or visit one of IRS' walk-in sites. During the 1992 filing season, IRS experienced problems in measuring its performance in distributing forms and publications because it did not clearly specify to a contractor what information was to be collected. As a result, we recommended that IRS develop a reliable measure of its distribution center performance in filling mail and phone orders.[13]

IRS also helps taxpayers through its Problem Resolution Program. This program is for taxpayers that have exhausted normal assistance channels. In a 1987 report on this program, we recommended that IRS obtain more complete and accurate information on recurring taxpayer problems.[14] We said that IRS'

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[12]GAO/GGD-92-132, September 15, 1992.

[13]GAO/GGD-92-132, September 15, 1992.

[14]Tax Administration: IRS Can Improve on the Success of Its Problem Resolution Program (GAO/GGD-88-12, Dec. 22, 1987).

system to identify and correct recurring taxpayer problems could be more effective if it used a cadre of trained employees to code a sample of cases rather than using all employees to code all problem cases.

IRS IS ADDRESSING CONCERNS ABOUT THE NEED FOR CERTAIN RETURNS PROCESSING PERFORMANCE MEASURES

Through a network of 10 service centers and a computing center in Martinsburg, West Virginia, IRS processes federal tax returns and supporting documents, accounts for tax revenues, and maintains taxpayer accounts. IRS recently identified three primary products of this work--notices, correspondence, and refunds. Some of our past work identified the need for better performance measures for two of these products--notices and correspondence--and IRS is taking action to address those needs.

Notices

IRS sends out numerous computer-generated notices as a result of its processing of returns. Among other things, those returns processing notices might tell taxpayers that (1) they made a mathematical error on their returns resulting in larger or smaller refunds than they anticipated or (2) they still owe money. Notices might also (1) remind taxpayers of the need to provide Social Security numbers for dependents claimed as exemptions or (2) advise them that all or part of their refund was offset to satisfy another debt, such as child support. In a March 1991 report, we noted that IRS had no way to measure the overall quality of returns processing notices, and we recommended that one be developed.[15] IRS has taken steps in that regard and expects eventually to have measures of notice accuracy, timeliness, productivity, and customer satisfaction.

During fiscal year 1993, IRS will be measuring accuracy by reviewing a sample of all returns processing notices and checking such things as (1) the accuracy of entity-type data, such as the taxpayer's name and address; (2) the correctness of mathematical computations; and (3) the validity of the issue(s) raised in the notice. IRS was not as far along in developing notice-related measures dealing with timeliness, productivity, and customer satisfaction. With respect to timeliness, however, IRS officials said that IRS will attempt to measure the elapsed time from when a notice is generated until it reaches the taxpayer and will develop a baseline for that measure in fiscal year 1993.

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[15] Tax Administration: IRS Needs to Improve Certain Measures of Service Center Quality (GAO/GGD-91-66, Mar. 20, 1991).

Correspondence

Through each of the service centers, IRS corresponds with taxpayers to explain adjustments that have been made to taxpayers' accounts and to respond to correspondence received from taxpayers or their representatives. After we raised questions about the quality of that correspondence in 1988, IRS took action to improve quality and revised its procedures for measuring quality.[16] In January 1990, IRS convened a task force to respond to concerns about the quality of correspondence throughout IRS. The task force recommended, among other things, that IRS develop (1) correspondence processing time frames and quality standards, (2) a system for measuring the quality and timeliness of responses to taxpayer correspondence in district offices and service centers, and (3) a consolidated management information system showing the volumes of taxpayer correspondence, timeliness, and quality of responses. According to a returns processing official, the service centers have implemented most of the task force's recommendations. District offices have not yet implemented these recommendations. However, IRS has completed an implementation test in three district offices.

Refunds

IRS' third primary returns processing product is refunds. It is probably fair to say that most taxpayers judge IRS' effectiveness in processing returns by how quickly they receive their tax refunds. In 1992, IRS began reviewing a sample of refunds to measure their timeliness and accuracy. IRS' goals were to (1) issue refunds within an average of 40 days, measured from the signature date on the return to the date the refund would have been received by the taxpayer, allowing 2 days for the refund to reach the taxpayer after it was issued and (2) achieve a refund accuracy rate of 98 percent.

Appendix VIII includes additional information on the Returns Processing function, trends for indicators, and new performance measures IRS has developed for adjustments.

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Copies of this fact sheet are being sent to the Secretary of the Treasury; the Commissioner of Internal Revenue; and the Director, Office of Management and Budget. We will also make copies available to others upon request.

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[16]Tax Administration: IRS' Service Centers Need to Improve Handling of Taxpayer Correspondence (GAO/GGD-88-101, July 13, 1988).

Major contributors to this fact sheet are listed in appendix IX. Please contact me on (202) 512-5407 if you or your staff have any questions concerning the information in this fact sheet.

Sincerely yours,

Jennie S. Stathis

Jennie S. Stathis
Director, Tax Policy and
Administration Issues

C O N T E N T S

TABLES

ABBREVIATIONS

ACS	Automated Collection System
AIMS	Audit Information Management System
CEP	Coordinated Examination Program
CNC	currently not collectible
EMIS	Enforcement Management Information System
IRS	Internal Revenue Service
PRP	Problem Resolution Program
TDA	taxpayer delinquent account
TDI	taxpayer delinquency investigation

SCOPE AND METHODOLOGY

The scope of our work included the Examination, Collection, Taxpayer Service, and Returns Processing functions and the Information Returns Program. We selected these areas because they account for a large portion of IRS' budget--about 66 percent--and are the focus of much of our audit work. We initially developed a list of potential indicators based on internal discussions about the types of information we routinely need in doing our audit work. We shared that list with key congressional committees and IRS officials in the different functional areas that were the subject of this fact sheet. We then revised the list in response to their input to better ensure that we had captured indicators of interest to these stakeholders. The indicators we eventually selected are not necessarily the best indicators for assessing IRS' performance. However, they were the best indicators that were available at the time we did our work.

To the extent that data were available, we compiled them for fiscal years 1986 through 1991. For certain returns processing indicators that focus on IRS' performance during the return filing season, we also included data for the 1992 filing season. We selected 1986 as the base year because it was the year after the serious computer problems that plagued IRS in 1985. For several of the more important indicators that may not have been affected by computer problems, such as staffing, obligations, and overall workload, we compiled trend data starting with fiscal year 1981.

We obtained data from several sources, including IRS' Annual Report, annual budget submissions to Congress, and various internal management information reports. When more than one source had the data, we checked for inconsistencies and attempted to resolve them. If there were unresolved differences, we asked IRS to select the most reliable data source. Other than the work we did to identify and resolve inconsistencies, we did not assess the reliability of the data in these various sources.

We reported examination indicators by type of return--individual, corporation and other returns.[1] To develop this information we consolidated some line items from various Audit Information Management System (AIMS) reports. Specifically, we combined data for revenue agents, tax auditors, and service center examination activities. Examination indicators also include those audits done by IRS' International Division. Also, we included audits

[1]The "other" category includes fiduciary, estate, gift, windfall profit, foreign corporation, small business corporation-type returns, and returns of domestic corporations involved in export sales.

done under IRS' Coordinated Examination Program (CEP), a special program to audit the nation's largest corporations. Although CEP is a special program for auditing corporations, it includes audits of individual and other types of returns. Therefore, some CEP audits are included in the indicators for individual and other types of returns.

For the accounts receivable dollars that were more than 1 year old, we assumed that dollars on the nonmaster file had the same age distribution as dollars on the individual and business master files. With the exception of the dollars in the accounts receivable inventory, the indicators reported in dollars are shown in current and 1991 dollars. We converted current dollars to 1991 dollars by using the gross domestic product indexes that were included in the Economic Report of the President for February 1992.

To collect information on recent developments related to the performance measures, we interviewed officials in the Examination, Collection, Taxpayer Service, and Returns Processing functions as well as the Information Returns Program. To identify the types of management information that IRS needs for the areas we examined, we reviewed the findings and recommendations in some of our earlier reports.

IRS officials who were responsible for the functional areas discussed in this fact sheet provided us with comments on a draft. These comments were generally technical and editorial in nature and are incorporated where appropriate. Examination officials suggested that we show separate indicators for (1) revenue agents by CEP and non-CEP work and (2) tax auditors. They said combining these categories distorts the data. We believe that the consolidation provides a sufficient overview of Examination indicators. Also, IRS officials expressed concern about the data we are using to report indicators for the gross accounts receivable inventory in appendix VI. In that appendix, we discuss their concerns and how we address them. We did our work from December 1990 through September 1992 in accordance with generally accepted government auditing standards.

IRS-WIDE INDICATORS

This appendix includes indicators for total IRS staffing and obligations, the tax gap, voluntary compliance rates, and net revenue collections--gross collections minus refunds.

Figure II.1: Total Obligations, Appropriations, and Reimbursements for IRS in 1991 Dollars

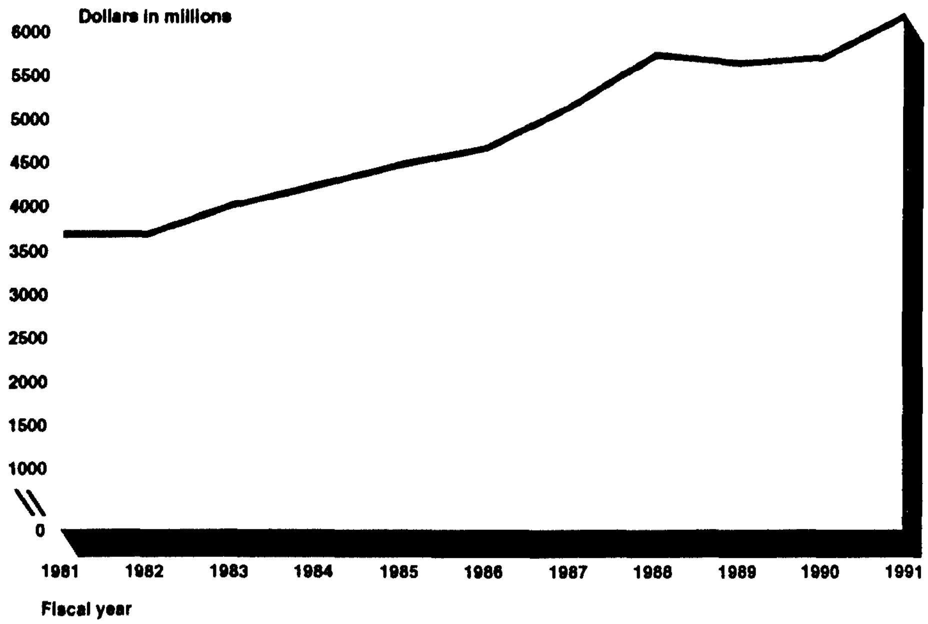

Table II.1 : Total Obligations, Appropriations, and Reimbursements for IRS

Dollars in thousands

Fiscal year	Current dollars	1991 dollars
1981	$2,480,576	$3,678,421
1982	2,637,629	3,682,609
1983	2,988,105	4,009,269
1984	3,295,538	4,237,120
1985	3,617,376	4,483,400
1986	3,866,906	4,669,020
1987	4,405,115	5,153,985
1988	5,094,348	5,736,658
1989	5,230,522	5,645,490
1990	5,502,151	5,701,963
1991	6,180,910	6,180,910

Note: The source note applies to both figure II.1 and table II.1.

Source: Current dollars from IRS Annual Reports. 1991 dollars from GAO computations using IRS Annual Report data and gross domestic product indexes.

Figure II.2: Total IRS Full-Time Equivalents by Data Source

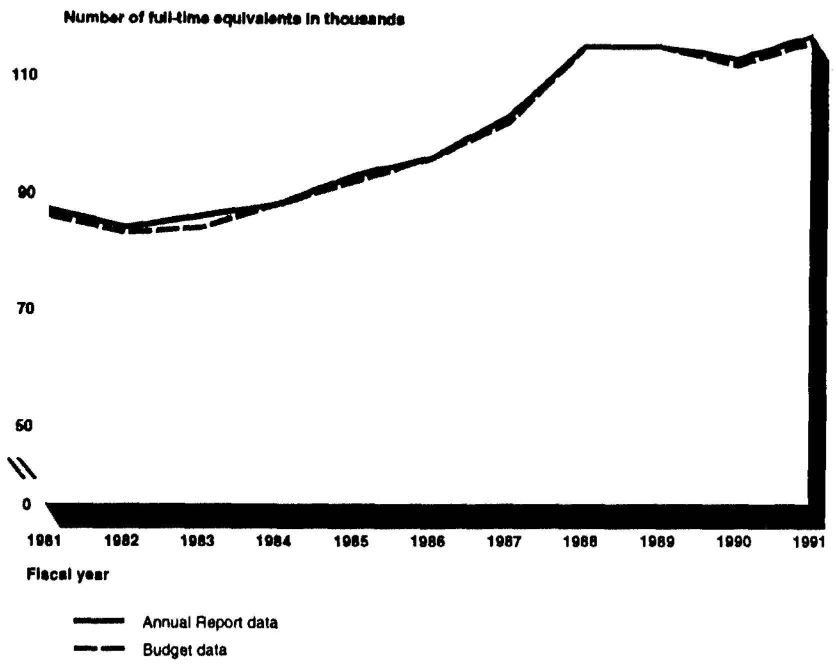

Table II.2: Total IRS Full-Time Equivalents by Data Source

Fiscal year	IRS Annual Report data	Budget data
1981	86,860	86,156
1982	83,756	82,857
1983	85,970	83,603
1984	88,208	87,635
1985	92,792	92,259
1986	96,395	95,880
1987	102,774	102,189
1988	115,494	114,875
1989	115,360	114,758
1990	112,987	111,962
1991	117,017	115,628

Note 1: Note 2 applies to both figure II.2 and table II.2.

Note 2: The Annual Report data show higher staffing levels because that source includes staffing that is funded through reimbursements from other agencies. The budget data include staffing that is funded soley from IRS' appropriation.

Figure II.3: Estimates in 1991 Dollars for the Gross Income Tax Gap by Source Using Recommended Taxes

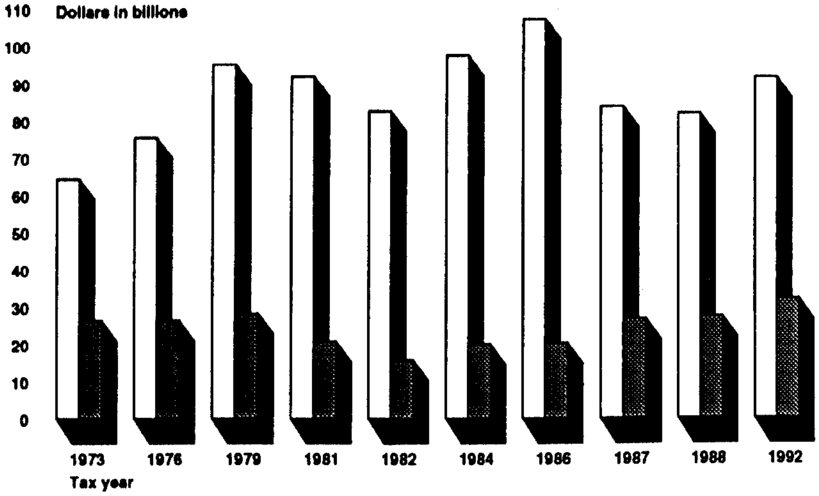

Table II.3: Estimates for the Gross Income Tax Gap by Source Using Recommended Taxes

Dollars in billions

Tax year	Individual current dollars	Corporate current dollars	Individual 1991 dollars	Corporate 1991 dollars
1973	$22.7	$9.3	$64.4	$26.4
1976	33.7	11.8	75.5	26.4
1979	53.2	15.9	95.1	28.4
1981	61.9	14.1	91.9	20.9
1982	59.1	11.4	82.6	15.9
1984	75.7	15.6	97.4	20.1
1986	88.8	16.8	107.3	20.3
1987	71.4	22.8	83.6	26.7
1988	72.6	24.3	81.8	27.4
1992	94.0	33.1	91.4	32.2

Note 1: Note 2 and the source note apply to both figure II.3 and table II.3.

Note 2: IRS derived these estimates using data primarily from the late 1970s and early 1980s. These estimates are based on the amount of additional taxes that were recommended by IRS examiners.

Source: Current dollars are from Income Tax Compliance Research, Net Tax Gap and Remittance Gap Estimates , IRS Research Division, Publication 1415 (4-90). 1991 dollars are GAO computations using current dollars and gross domestic product indexes.

Figure II.4: Estimates in 1991 Dollars for the Gross Income Tax Gap by Source Using Assessed Taxes After All Appeals

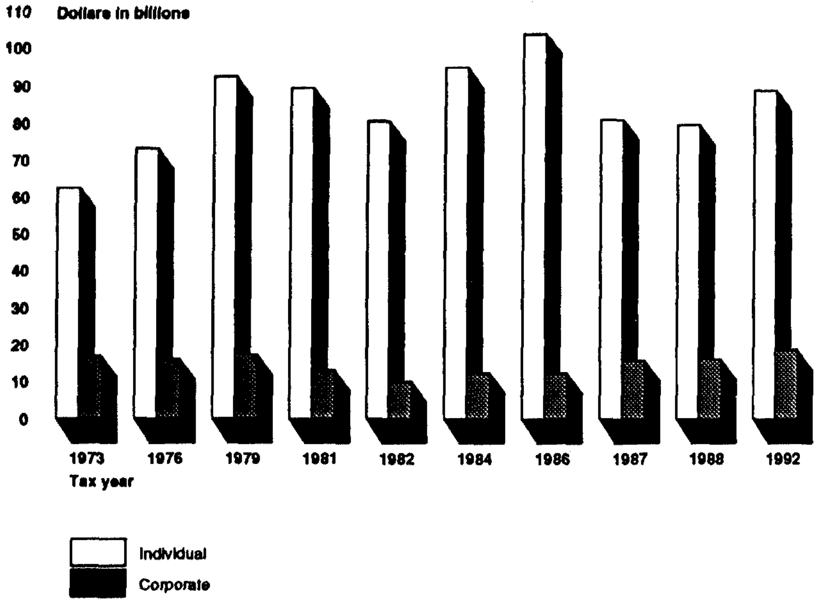

Table II.4: Estimates for the Gross Income Tax Gap by Source Using Assessed Taxes After All Appeals

Dollars in billions

Tax year	Individual current dollars	Corporate current dollars	Individual 1991 dollars	Corporate 1991 dollars
1973	$22.0	$5.9	$62.4	$16.7
1976	32.6	7.1	73.0	15.9
1979	51.5	9.6	92.1	17.2
1981	60.1	8.7	89.2	12.9
1982	57.5	7.1	80.4	9.9
1984	73.5	9.6	94.6	12.4
1986	86.0	10.1	103.9	12.2
1987	69.1	13.4	80.9	15.7
1988	70.3	14.2	79.2	16.0
1992	91.0	19.1	88.4	18.6

Note 1: Note 2 and the source note apply to both figure II.4 and table II.4.

Note 2: IRS derived these estimates using data from the late 1970s and early 1980s. These estimates are based on amounts that are assessed after all taxpayer appeals and litigation.

Source: Current dollars are from Income Tax Compliance Research, Net Tax Gap and Remittance Gap Estimates, IRS Research Division, Publication 1415 (4-90). 1991 dollars are GAO computations using current dollars and gross domestic product indexes.

Figure II.5: Estimates In 1991 Dollars for the Net Income Tax Gap by Source Using Recommended Taxes

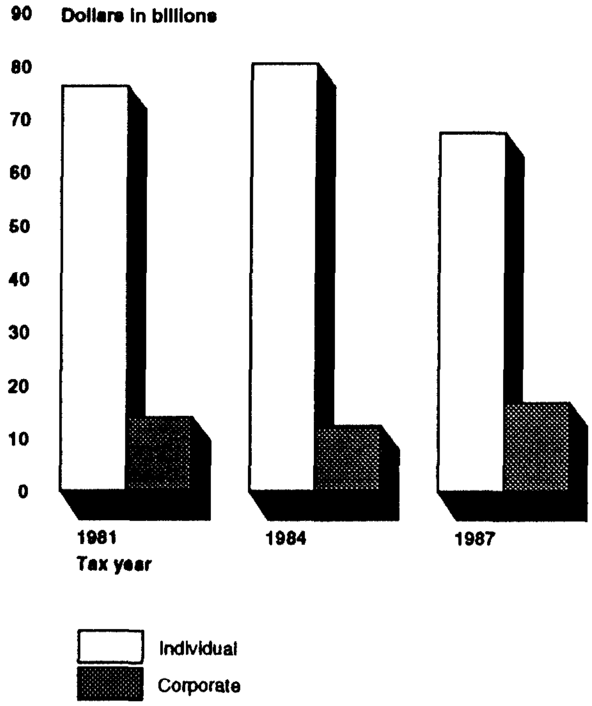

Table II.5 : Estimates for the Net Income Tax Gap by Source Using Recommended Taxes

Dollars in billions

Tax year	Individual current dollars	Corporate current dollars	Individual 1991 dollars	Corporate 1991 dollars
1981	$51.3	$9.5	$76.1	$14.1
1984	62.7	9.7	80.6	12.5
1987	57.8	14.5	67.6	17.0

Note: The source note applies to both figure II.5 and table II.5.

Source: Current year data are from Income Tax Compliance Research, Net Tax Gap and Remittance Gap Estimates, IRS Research Division, Publication 1415, (4-90). 1991 dollars are GAO computations based on IRS' data and gross domestic product indexes.

Figure II.6: Estimates in 1991 Dollars for the Net Income Tax Gap by Source Using Assessed Taxes After All Appeals

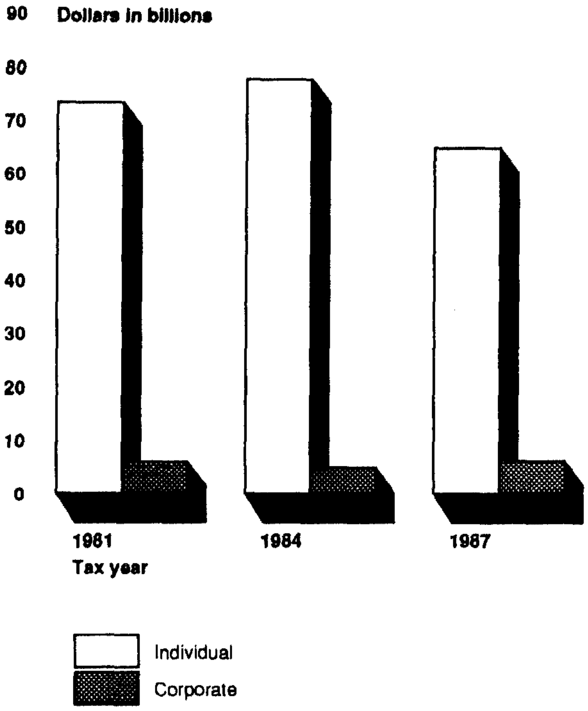

Table II.6: Estimates for the Net Income Tax Gap by Source Using Assessed Taxes After All Appeals

Dollars in billions

Tax year	Individual current dollars	Corporate current dollars	Individual 1991 dollars	Corporate 1991 dollars
1981	$49.4	$4.0	$73.3	$5.9
1984	60.5	3.7	77.8	4.8
1987	55.5	5.2	64.9	6.1

Note: The source note applies to both figure II.6 and table II.6.

Source: Current dollars are from Income Tax Compliance Research, Net Tax Gap and Remittance Gap Estimates, IRS Research Division, Publication 1415 (4-90). 1991 dollars are GAO computations based on IRS' data and gross domestic product indexes.

Figure II.7: Estimates of Voluntary Compliance Rates for Individuals and Corporations for Selected Tax Years Based on Recommended Taxes

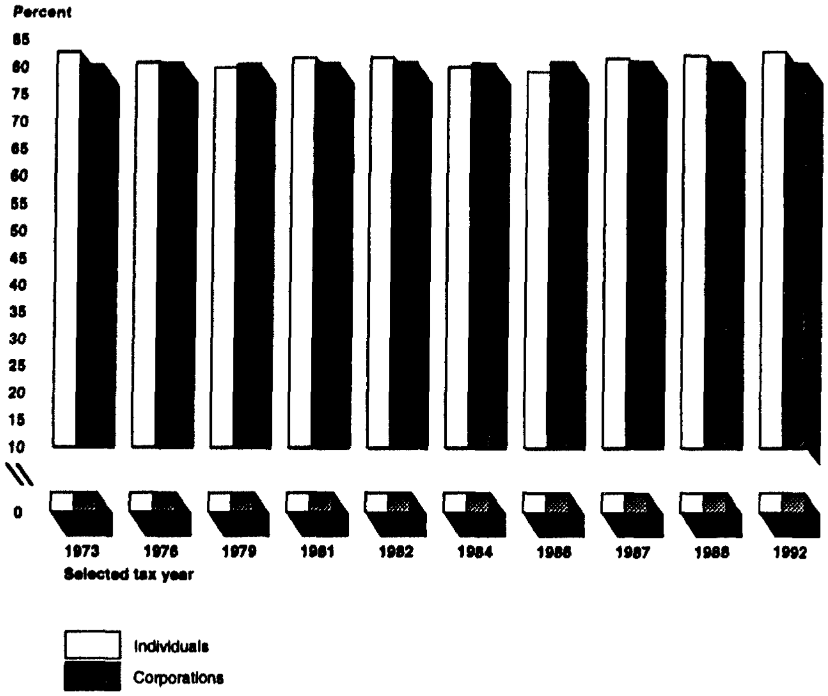

Table II.7: Estimates of Voluntary Compliance Rates for Individuals and Corporations for Selected Tax Years Based on Recommended Taxes

Tax year	Compliance rate for individuals	Compliance rate for corporations
1973	82.6%	80.3%
1976	80.7	80.6
1979	79.8	80.4
1981	81.6	80.6
1982	81.8	80.8
1984	80.0	80.6
1986	79.2	81.1
1987	81.8	81.3
1988	82.3	81.2
1992	83.1	81.1

Note: The source note applies to both figure II.7 and table II.7.

Source: Income Tax Compliance Research, Net Tax Gap and Remittance Gap Estimates, IRS Research Division, Publication 1415 (4-90).

Figure II.8: Net Revenue Collections in 1991 Dollars

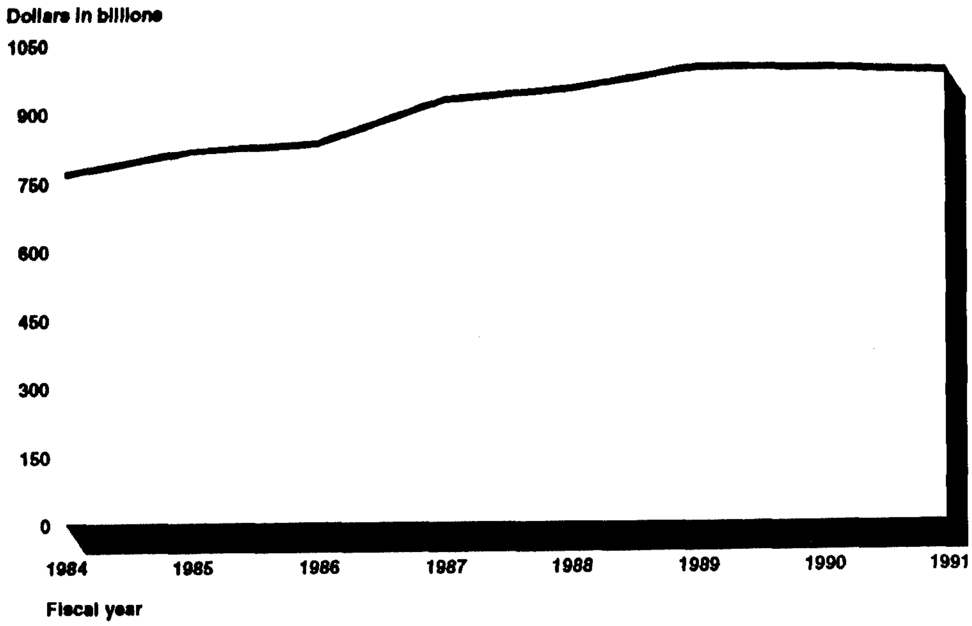

Table II.8: Net Revenue Collections in Current and 1991 Dollars

Dollars in millions

Fiscal year	In current dollars	In 1991 dollars
1984	595,914	766,175
1985	685,311	815,915
1986	689,650	832,705
1987	791,298	925,819
1988	842,346	948,551
1989	921,511	994,620
1990	959,115	993,945
1991	985,315	985,315

Note 1: Note 2 and the source note apply to both figure II.8 and table II.8.

Note 2: Net revenue collections are gross collections minus refunds, excluding interest.

Source: Current year data are from IRS Annual Reports. 1991 dollars are GAO computations using IRS Annual Report data and gross domestic product indexes.

INDICATORS FOR THE INFORMATION RETURNS PROGRAM

OVERVIEW OF THE INFORMATION RETURNS PROGRAM

A taxpayer's most likely enforcement contact with IRS involves receipt of a notice from a computer match of income reported on his or her return with information provided to IRS by third parties, such as employers and payors of interest and dividends on an information return. This matching is done under IRS' Information Returns Program. Discrepancies between the amounts reported on the tax return and the information return are identified as potential underreporter cases.[1]

IRS determines which underreporter cases to refer to a service center tax examiner on the basis of such factors as the projected taxes and related costs from pursuing cases and available resources. When a case is referred to the service center, the tax examiner reviews the individual's tax return and supporting documents to determine whether (1) the income in question is reported elsewhere on the tax return or (2) the information return incorrectly reported the income. If the income was correctly reported on the information return and cannot be found on the tax return, the tax examiner attempts to contact the taxpayer to obtain an explanation. This contact is usually done by mailing the taxpayer a computer-generated notice (CP 2000) that indicates IRS has identified an apparent reporting discrepancy. If the taxpayer provides a reasonable explanation, IRS closes the case without assessing additional taxes. Some taxpayers agree that they underreported the income and pay the additional taxes, plus any interest and penalties. Other taxpayers who are unable to provide a reasonable explanation are assessed additional taxes, penalties, and interest. The entire process--from the time a return is filed to the time additional taxes are assessed--takes about 3 years.

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[1]When a tax return is not filed for income that is reported on information returns, IRS establishes a nonfiler case. We discuss nonfiler cases in appendix V under the Collection function.

Figure: III.1: Funds Obligated for the Information Returns Program in 1991 Dollars

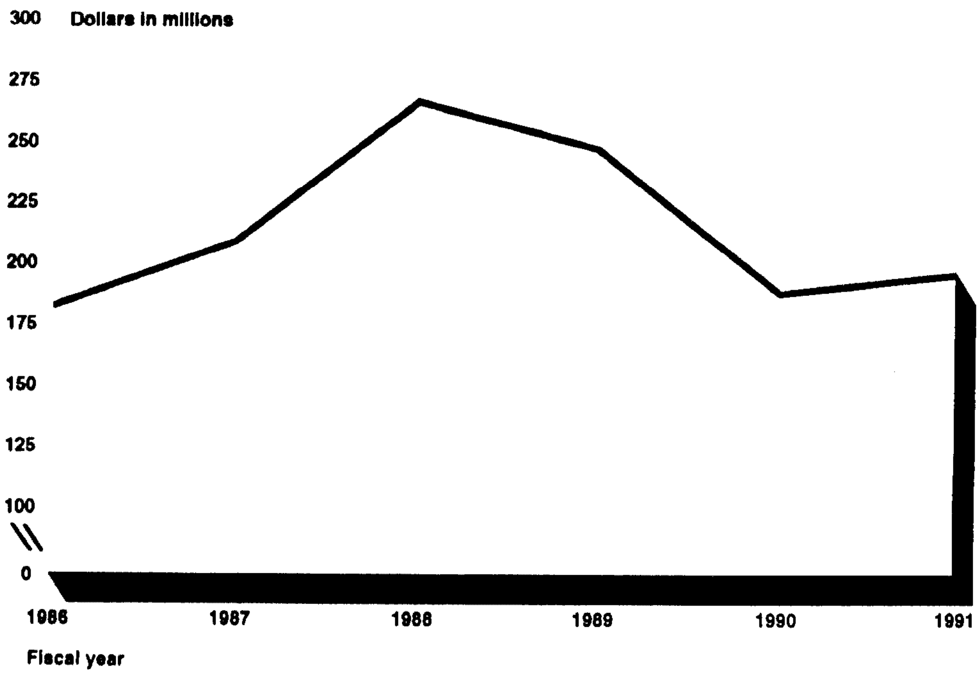

Table: III.1: Funds Obligated for the Information Returns Program

Dollars in thousands

Fiscal year	In current dollars	In 1991 dollars
1986	$150,400	$181,598
1987	178,241	208,542
1988	236,170	265,947
1989	228,448	246,572
1990[a]	180,778	187,343
1991	194,850	194,850

Note: The source note applies to both figure III.1 and table III.1.

[a]Estimated.

Source: Current year dollars are from IRS annual budget submissions to Congress. 1991 dollars are GAO computations using that budget data and gross domestic product indexes.

Figure III.2: Number of Full-Time Equivalents for the Information Returns Program

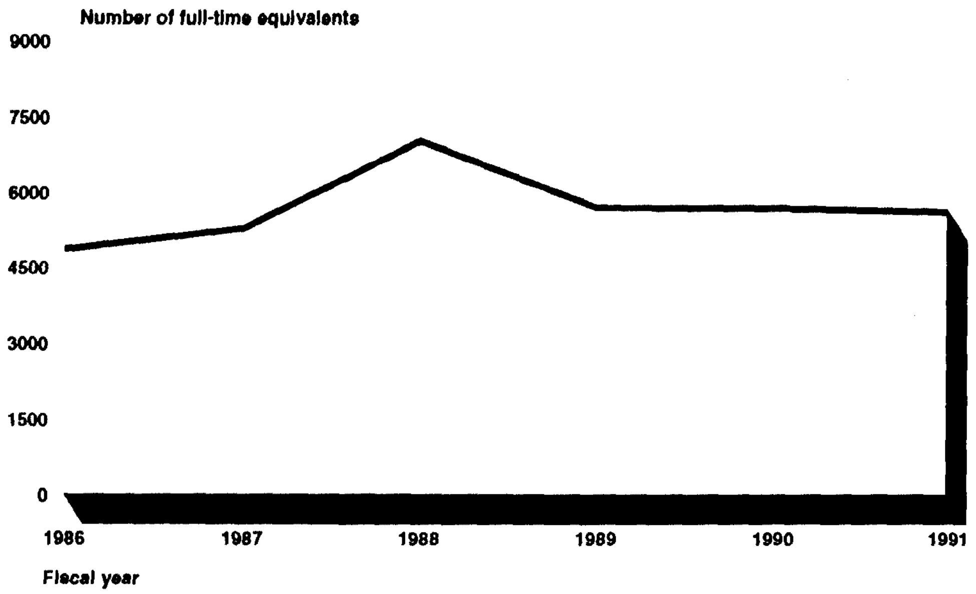

Table III.2: Number of Full-Time Equivalents for the Information Returns Program

Fiscal year	Full-time equivalents
1986	4,844
1987	5,259
1988	7,029
1989	5,691
1990	5,683
1991	5,609

Note 1: Note 2 and the source note apply to both figure III.2 and table III.2.

Note 2: Includes staffing for document matching, identifying underreporters and nonfilers, and other Information Returns Program activities.

Source: IRS' Office of Information Reporting Program.

Figure III.3: Information Returns Received

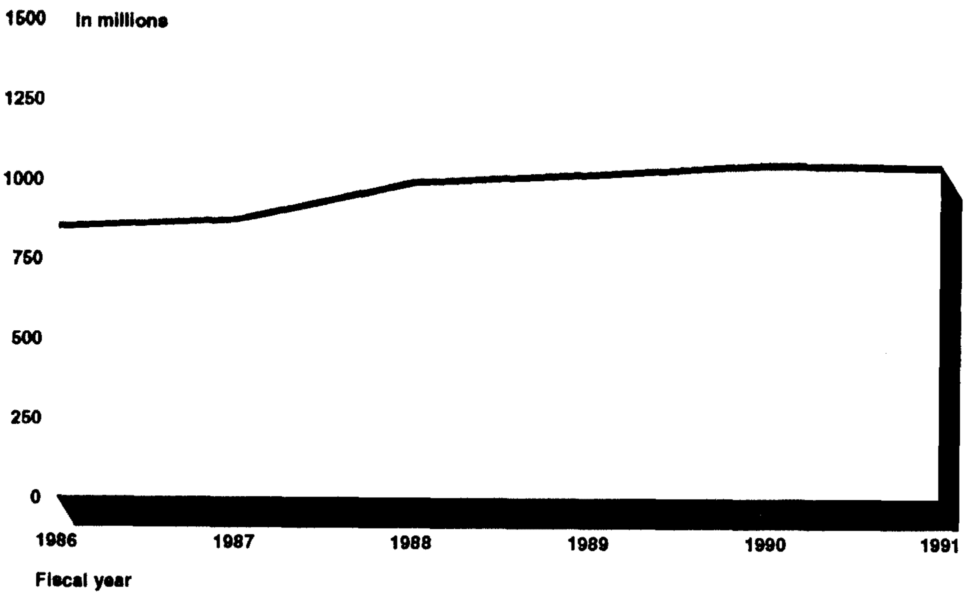

Table III.3: Information Returns Received

Fiscal year	Information returns in millions
1986	848
1987	873
1988	992
1989	1,017
1990	1,048
1991	1,041

Note 1: Note 2 and the source note apply to both figure III.3 and table III.3.

Note 2: The increase in the number of information returns received from 1986-88 in part may have resulted from provisions of the Tax Reform Act of 1986 that increased information reporting requirements.

Source: IRS' Office of Information Reporting Program.

Figure III.4: Number of Unmatchable Information Documents

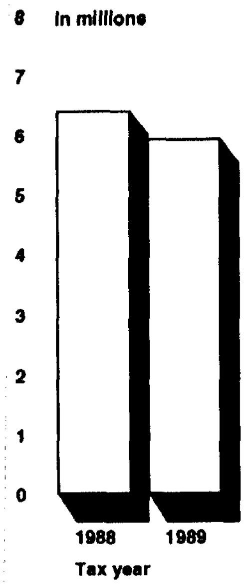

Table III.4: Number of Unmatchable Information Documents

Tax year	Unmatchable information documents
1988	6,393,771
1989	5,910,660

Note 1: Note 2 and the source note apply to both figure III.4 and table III.4.

Note 2: Unmatchable documents are those that are received without a taxpayer identification number and, therefore, cannot be matched with the corresponding tax return. IRS began capturing these data for tax year 1988 returns.

Source: Commissioner's Overview Report (Sept. 1992).

Figure III.5: Number of Potential Underreporter Cases for Service Center Screening

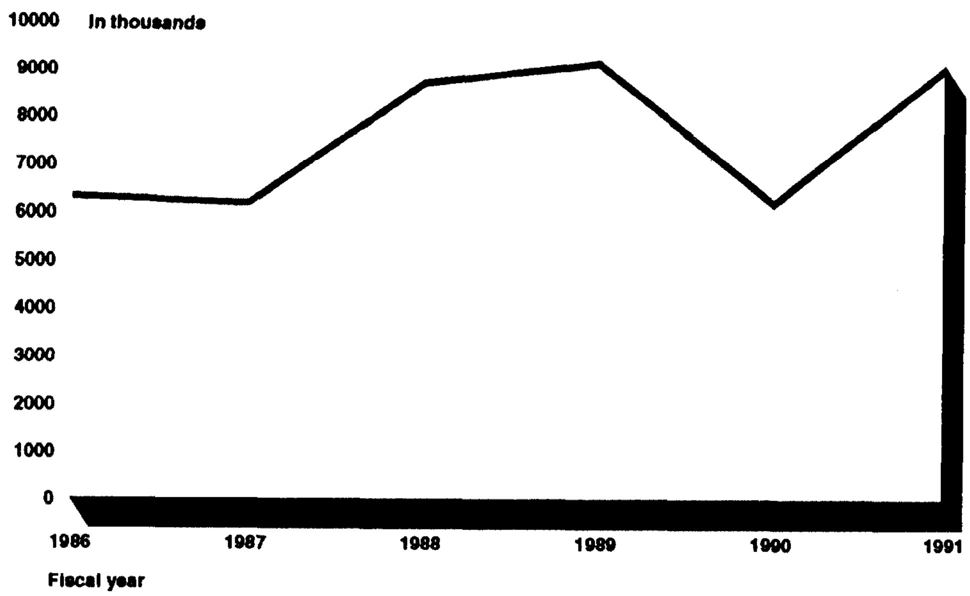

Table III.5: Number of Potential Underreporter Cases for Service Center Screening

Fiscal year	Cases for service center screening in thousands
1986	6,316
1987	6,176
1988	8,702
1989	9,119
1990	6,186
1991	9,044

Note: The source note applies to both figure III.5 and table III.5.

Source: IRS' Office of Information Reporting Program.

Figure III.6: Screen-Out Rate

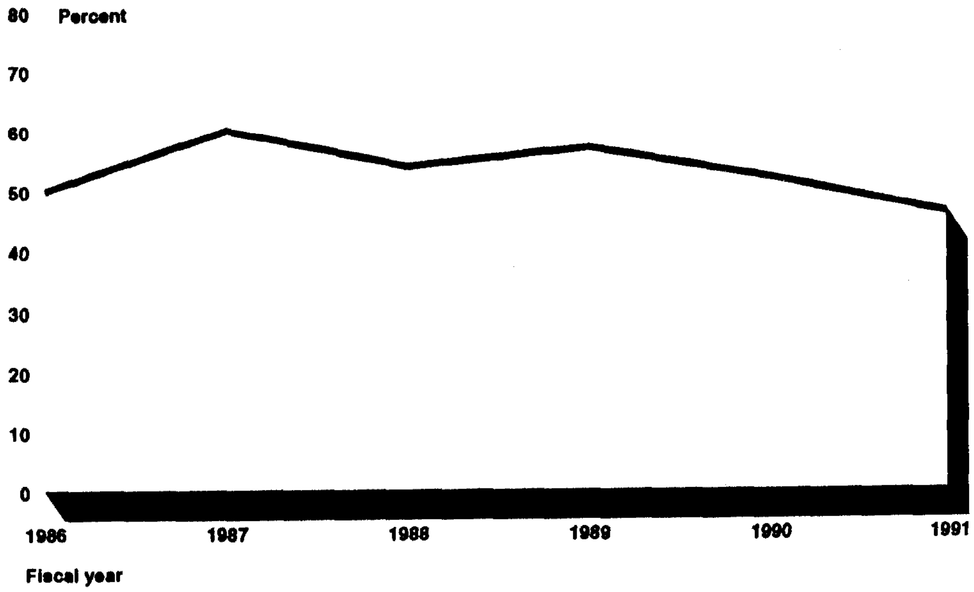

Table III.6: Screen-Out Rate

Fiscal year	Percent
1986	50%
1987	60
1988	54
1989	57
1990	52
1991	46

Note 1: Note 2 and the source note apply to both figure III.6 and table III.6.

Note 2: The screen-out rate is the percentage of returns with discrepancies identified from computer matching that are resolved (screened-out) after tax examiner review and without direct taxpayer contact.

Source: IRS' Office of Information Reporting Program.

Figure III.7: Taxpayer Contacts (CP 2000)

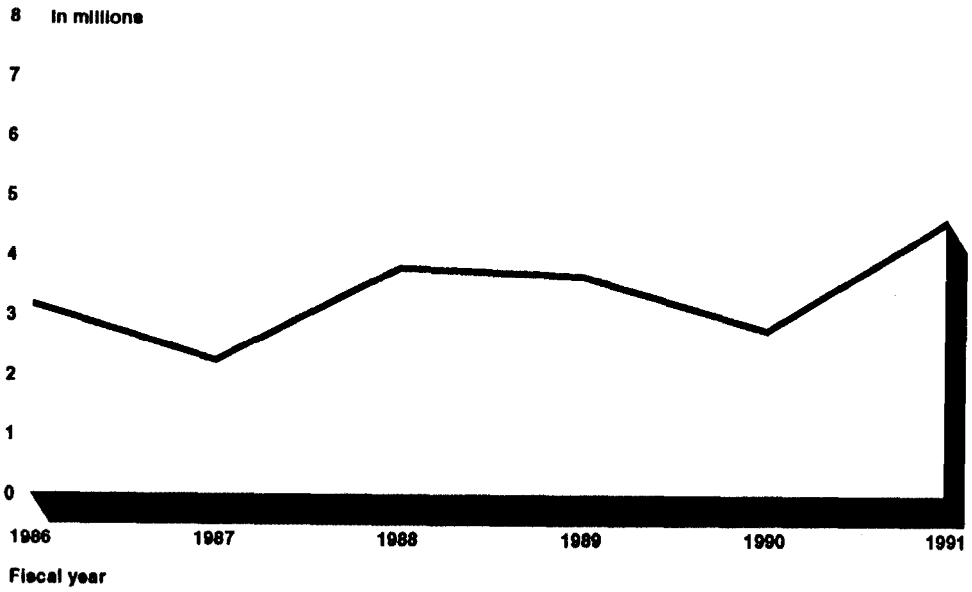

Table III.7: Taxpayer Contacts (CP 2000)

Fiscal year	Taxpayer contacts in millions
1986	3.16
1987	2.24
1988	3.79
1989	3.65
1990	2.76
1991	4.60

Note: The source note applies to both figure III.7 and table III.7.

Source: IRS' Office of Information Reporting Program.

Figure III.8: No-Change Rate

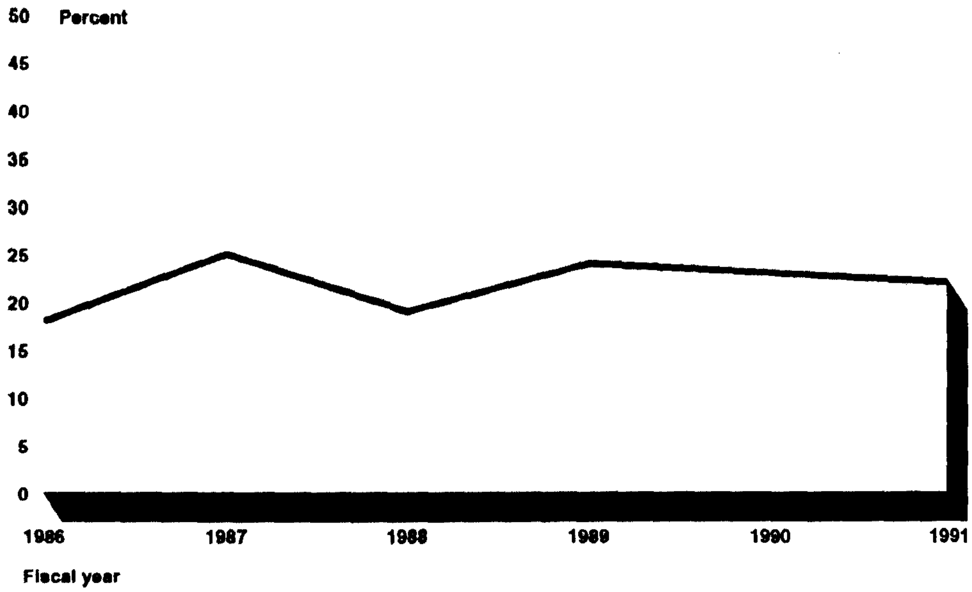

Table III.8: No-Change Rate

Fiscal year	Percent
1986	18%
1987	25
1988	19
1989	24
1990	23
1991	22

Note 1: Note 2 and the source note apply to both figure III.8 and table III.8.

Note 2: The no-change rate is the percentage of underreporter contacts in which no additional taxes are assessed because the taxpayer has provided a reasonable explanation for the reporting discrepancy.

Source: IRS' Office of Information Reporting Program.

Figure III.9: Underreporter Assessments in 1991 Dollars

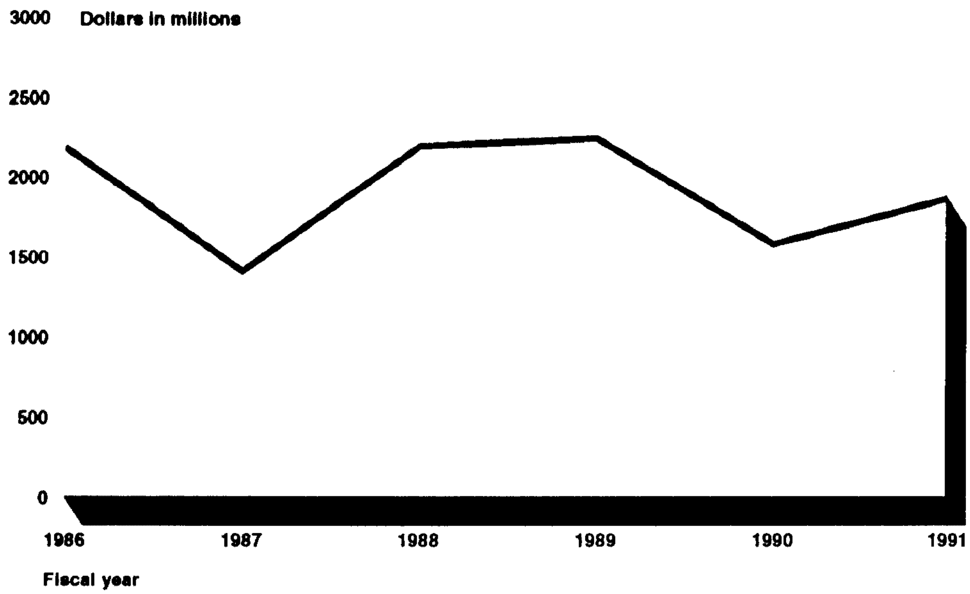

Table III.9: Underreporter Assessments

Dollars in millions

Fiscal year	In current dollars	In 1991 dollars
1986	$1,808	$2,183
1987	1,201	1,405
1988	1,944	2,189
1989	2,075	2,240
1990	1,520	1,575
1991	1,860	1,860

Note 1: Notes 2 and 3 and the source note apply to both figure III.9 and table III.9.

Note 2: There is generally a 3-year lag between the fiscal year and the actual tax year assessments. For example, assessments made in fiscal year 1986 were mostly for 1983 returns.

Note 3: Assessments include assessed taxes, interest, and penalties.

Source: Current year dollars are from data provided by IRS' Office of Information Reporting. 1991 dollars are GAO computations using those data and gross domestic product indexes.

Figure III.10: Average Assessment per Underreporter Case in 1991 Dollars

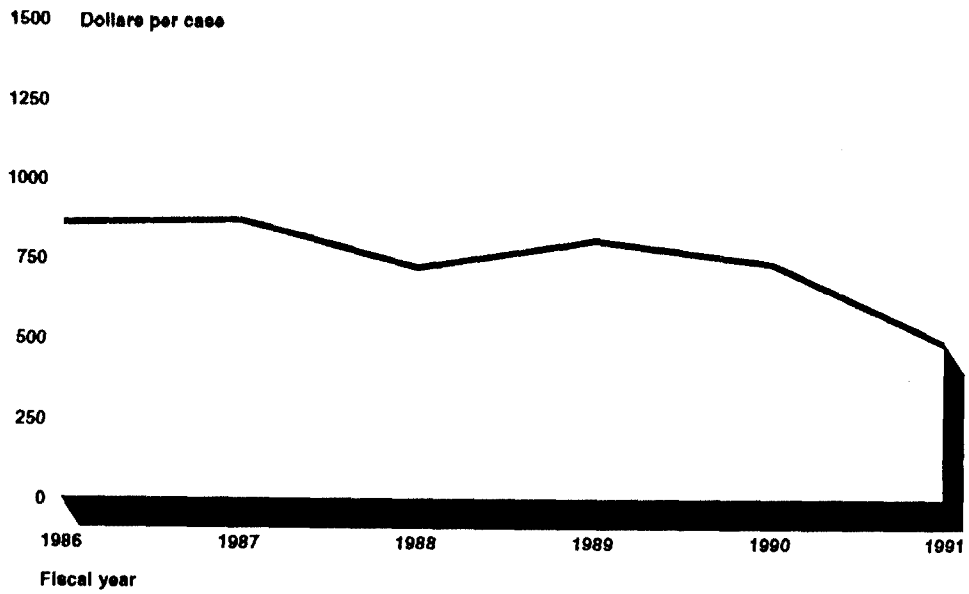

Table III.10: Average Assessment per Underreporter Case

Fiscal year	In current dollars	In 1991 dollars
1986	$712	$860
1987	743	869
1988	640	721
1989	747	806
1990	709	735
1991	485	485

Note 1: Note 2 and the source note apply to both figure III.10 and table III.10.

Note 2: Average assessment is total assessments (minus refunds) divided by the total number of taxpayer-contacted underreporter cases minus the total number of no-change cases.

Source: Current year dollars are from data provided by IRS' Office of Information Reporting Program. 1991 dollars are GAO computations using that data and gross domestic product indexes.

INDICATORS FOR THE EXAMINATION FUNCTION

EXAMINATION ACTIVITIES

The Examination function administers a nationwide audit program. This program examines income, estate, gift, employment, and certain excise tax returns to determine whether taxpayers correctly determined their tax liabilities. Most of the examinations are done through face-to-face contacts with taxpayers and/or their representatives by tax auditors and revenue agents located in IRS' 63 district offices. Some audits of noncomplex individual income tax returns are handled through the mail by tax examiners in IRS' 10 service centers.

IRS generally selects returns to audit using a system that scores each return's audit potential--the higher the score the greater the likelihood that an audit of the return will result in a change to the taxpayer's tax liability. As a result, most audits result in IRS determining that the taxpayer owes additional tax. After learning the results of an audit, taxpayers may (1) agree with findings and pay the additional tax liability; (2) agree but not pay immediately, which would result in the case being sent to the Collection function for resolution; or (3) appeal the auditor's findings through the Appeals function. As a result of an appeal, IRS may assess a lower amount of tax than was initially recommended or may decide that the taxpayer owes nothing.

Figure IV.1: Obligations for the Examination Function in 1991 Dollars

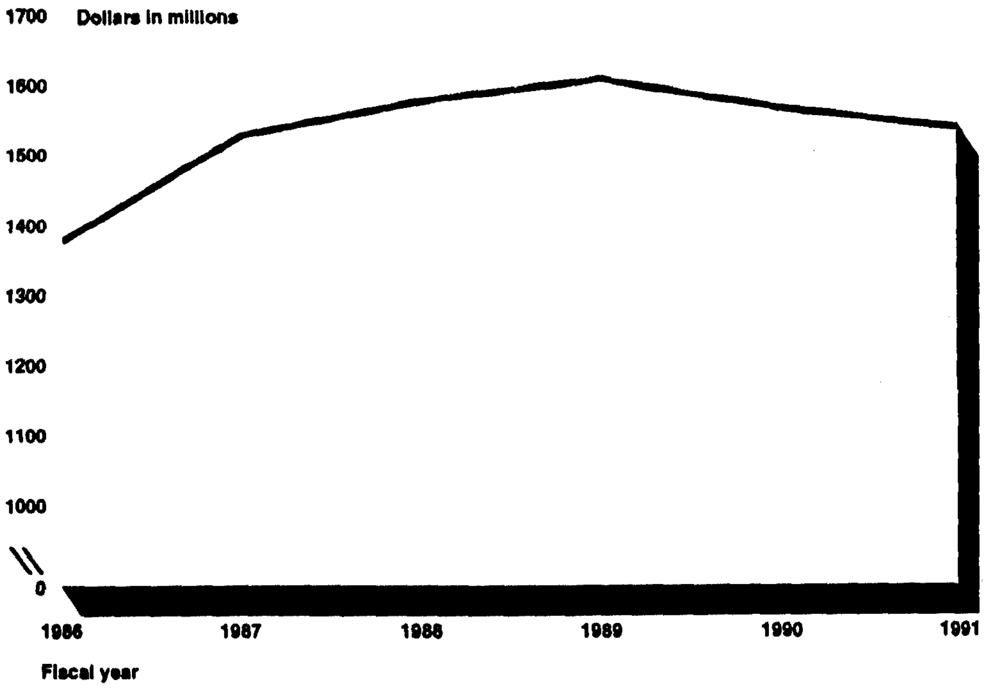

Table IV.1: Obligations for the Examination Function

Dollars in millions

Fiscal year	Current dollars	1991 dollars
1986	$1,140	$1,376
1987	1,304	1,526
1988	1,399	1,575
1989	1,489	1,607
1990	1,509	1,564
1991	1,532	1,532

Note: The source note applies to both figure IV.1 and table IV.1.

Source: Current dollars are from IRS Annual Reports. 1991 dollars are from GAO computations based on IRS Annual Report data and gross domestic product indexes.

Figure IV.2: Number of Full-Time Equivalents for the Examination Function

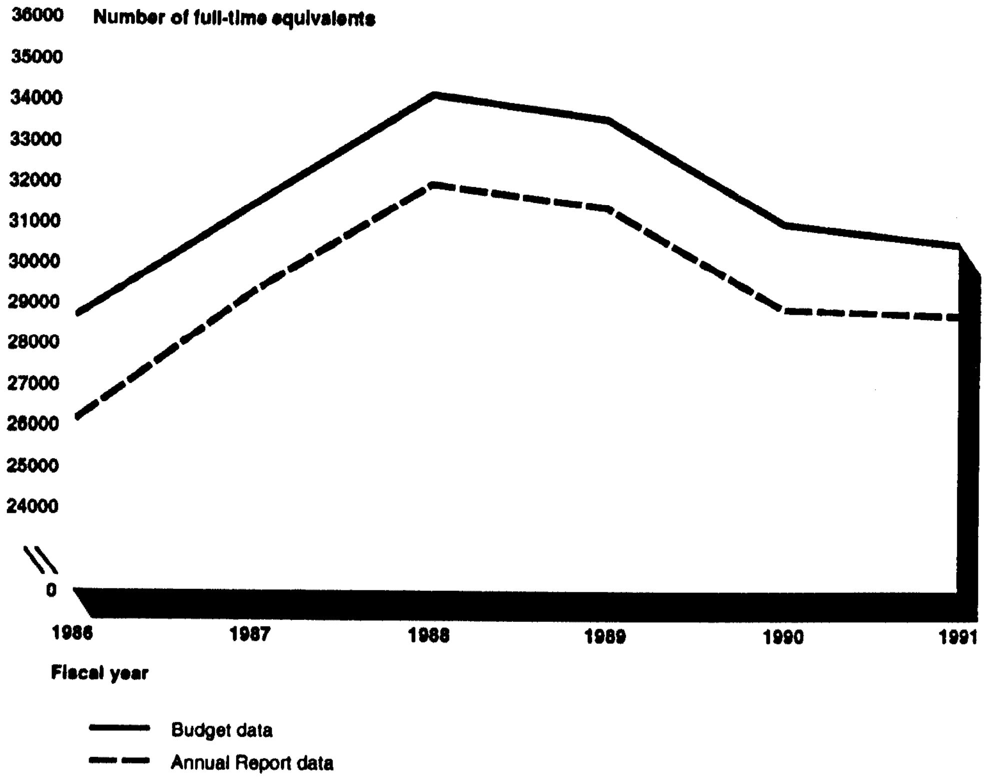

Table IV.2: Number of Full-Time Equivalents for the Examination Function

Fiscal year	Budget data	Annual Report data
1986	28,656	26,120
1987	31,399	29,243
1988	34,097	31,895
1989	33,484	31,315
1990	30,882	28,788
1991	30,334	28,592

Note 1: Note 2 applies to both figure IV.2 and table IV.2

Note 2: Budget data include resources management staff. Annual Report data exclude this staff but include staff that is funded through reimbursements IRS receives from other agencies.

Figure IV.3: Revenue Agent Full-Time Equivalents

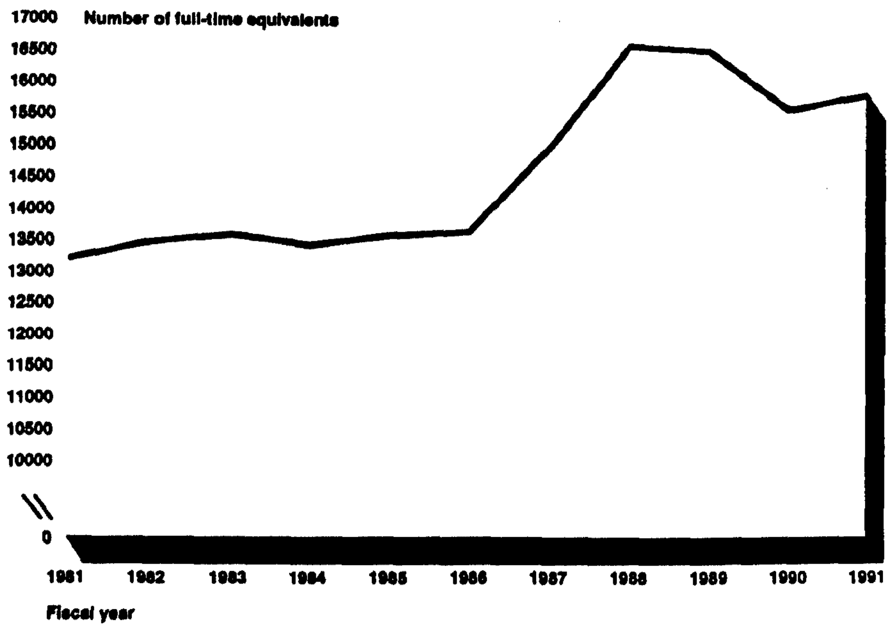

Table IV.3: Revenue Agent Full-Time Equivalents

Fiscal year	Full-time equivalents
1981	13,184
1982	13,450
1983	13,563
1984	13,405
1985	13,557
1986	13,619
1987	14,944
1988	16,559
1989	16,486
1990	15,526
1991	15,738

Note: The source note applies to both figure IV.3 and table IV.3.

Source: IRS Annual Reports.

Figure IV.4: Tax Auditor Full-Time Equivalents

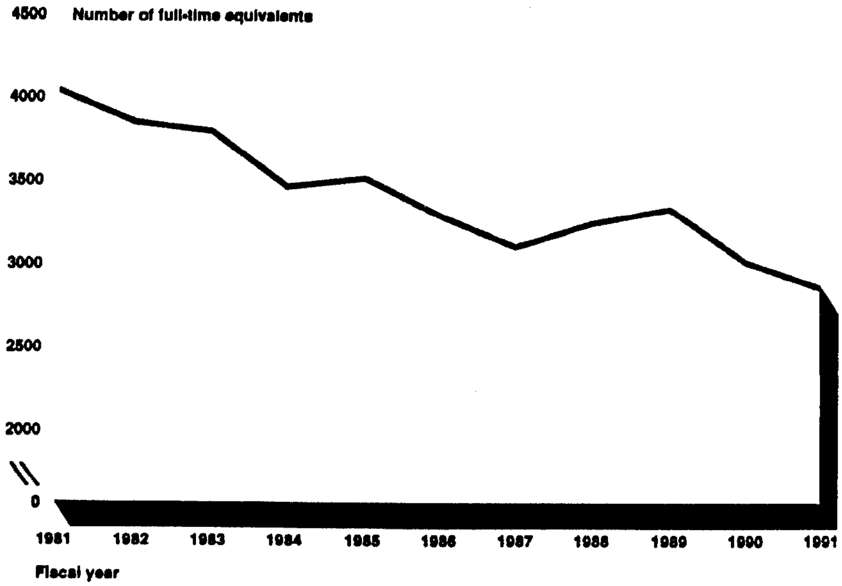

Table IV.4: Tax Auditor Full-Time Equivalents

Fiscal year	Full-time equivalents
1981	4,032
1982	3,844
1983	3,791
1984	3,459
1985	3,513
1986	3,292
1987	3,105
1988	3,242
1989	3,327
1990	3,003
1991	2,842

Note: The source note applies to both figure IV.4 and table IV.4.

Source: IRS Annual Reports.

Figure IV.5: Revenue Agent Direct Examination Time as a Percentage of Total Revenue Agent Staff Years

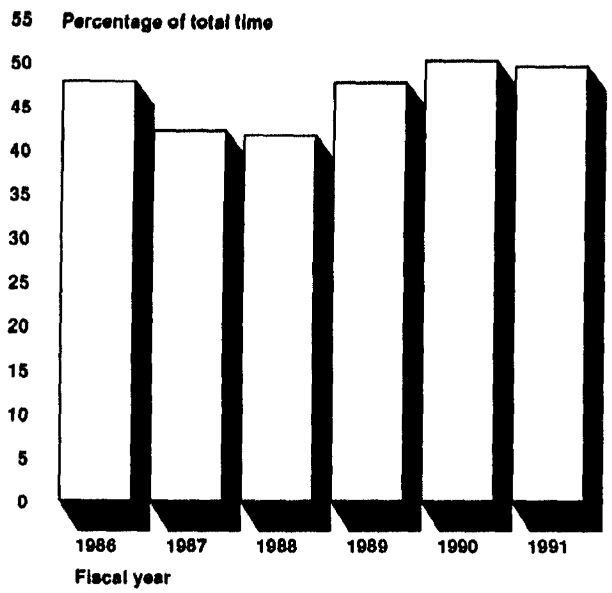

Table IV.5: Revenue Agent Direct Examination Time as a Percentage of Total Revenue Agent Staff Years

Fiscal year	Direct examination time
1986	47.82%
1987	42.26
1988	41.71
1989	47.86
1990	50.32
1991	49.75

Note 1: Note 2 and the source note apply to both figure IV.5 and table IV.5.

Note 2: Direct examination time refers to time applied directly to the examination of tax returns and does not include time for training, leave, or managers.

Source: GAO computations using data from IRS' Audit Information Management System reports.

Figure IV.6: Number of Returns in Examination Inventory at the End of the Fiscal Year

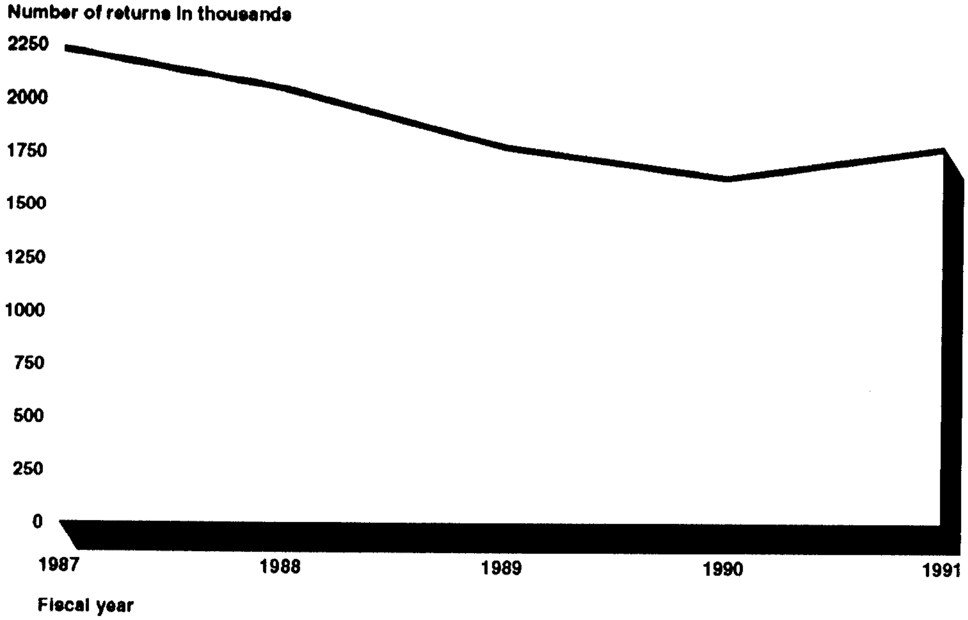

Table IV.6: Number of Returns in Examination Inventory at the End of the Fiscal Year by Type of Return

In thousands

Fiscal year	Individual	Corporation	Employment	Other[a]	Nontaxable[b]	Total
1987	1747.5	194.4	34.1	129.8	120.3	2226.1
1988	1518.3	227.4	29.0	145.5	122.2	2042.4
1989	1261.8	221.5	38.0	127.3	123.7	1772.3
1990	1168.7	218.1	38.0	110.4	94.9	1630.1
1991	1271.1	259.4	47.4	113.6	79.6	1771.1

Note 1: Notes 2 and 3 and the source note apply to both figure IV.6 and table IV.6.

Note 2: Data were not available before fiscal year 1987.

Note 3: Returns in inventory include those that have not yet been selected for audit, and all active and suspended cases.

[a]The "other" category includes fiduciary, estate, gift, excise, windfall profit, foreign corporation, small business corporation-type returns, and returns of domestic corporations involved in export sales.

[b]The "nontaxable" category includes returns, such as partnership returns, where no tax is required by law because the tax is distributed to other type of returns.

Source: IRS' Audit Information Management System reports.

Figure IV.7: Number of Audits Completed

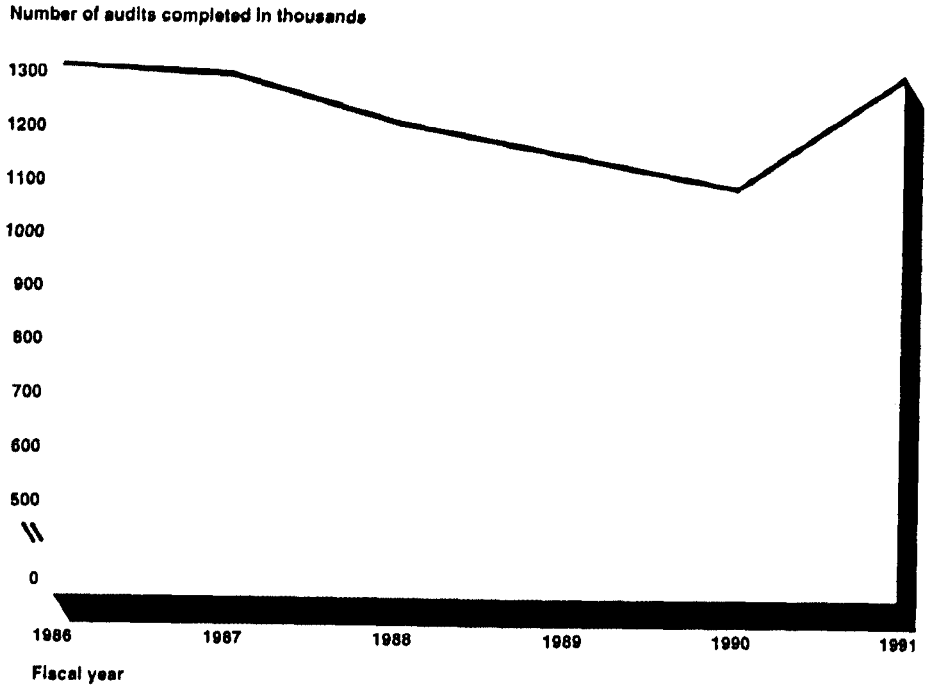

Table IV.7: Number of Audits Completed by Type of Return

Fiscal year	Individual	Corporation	Employment	Other[a]	Nontaxable[b]	Total
1986	1,110,941	59,330	36,087	81,121	24,920	1,312,399
1987	1,109,212	44,268	45,987	65,887	29,555	1,294,909
1988	1,058,544	37,649	26,487	60,248	23,300	1,206,228
1989	982,456	55,242	34,365	56,244	20,733	1,149,040
1990	883,293	71,267	50,226	62,179	23,617	1,090,582
1991	1,099,505	62,804	57,399	59,837	23,613	1,303,158

Note 1: Note 2 and the source note apply to both figure IV.7 and table IV.7.

Note 2: IRS includes the returns that are prepared under the Substitute for Return Program in determining the number of examinations. Under the Substitute for Return Program, for those taxpayers that do not file a return, IRS estimates the taxes owed, prepares a "substitute" return for the delinquent one, and recommends a tax assessment.

[a]The "other" category includes fiduciary, estate, gift, excise, windfall profit, foreign corporation, small business corporation-type returns, and returns of domestic corporations involved in export sales.

[b]The "nontaxable" category includes returns, such as partnership returns, where no tax is required by law because the tax is distributed to other type of returns.

Source: GAO computations using data from IRS' Audit Information Management System reports.

Figure IV.8: Audit Coverage for Individual and Corporation Returns

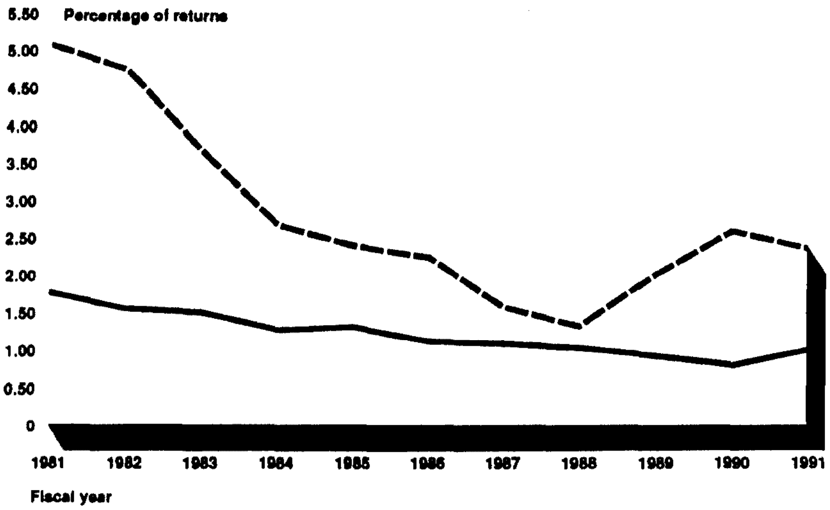

Table IV.8: Audit Coverage by Type of Return

Fiscal year	Individual	Corporation	Employment	Partnership	Other[a]
1981	1.77%	5.07%	0.12%	1.62%	3.44%
1982	1.55	4.74	0.14	1.63	2.89
1983	1.50	3.66	0.10	2.41	2.82
1984	1.27	2.67	0.08	1.57	2.34
1985	1.31	2.40	0.10	1.42	2.50
1986	1.12	2.25	0.13	1.00	2.09
1987	1.09	1.58	0.17	1.15	1.75
1988	1.03	1.32	0.09	0.93	1.52
1989	0.92	2.02	0.18	0.72	1.24
1990	0.80	2.59	0.24	0.80	1.41
1991	1.00	2.36	0.27	0.63	1.36

Note 1: Note 2 and the source note apply to both figure IV.8 and table IV.8.

Note 2: Audit coverage is the number of returns examined divided by the number of returns filed in the previous calendar year.

[a]The "other" category includes fiduciary, estate, gift, excise, windfall profit, foreign corporation, small business corporation-type returns, and returns of domestic corporations involved in export sales.

Source: GAO computations using data from IRS Annual Reports.

Figure IV.9: Audit Coverage for Individual Returns by Type of Return

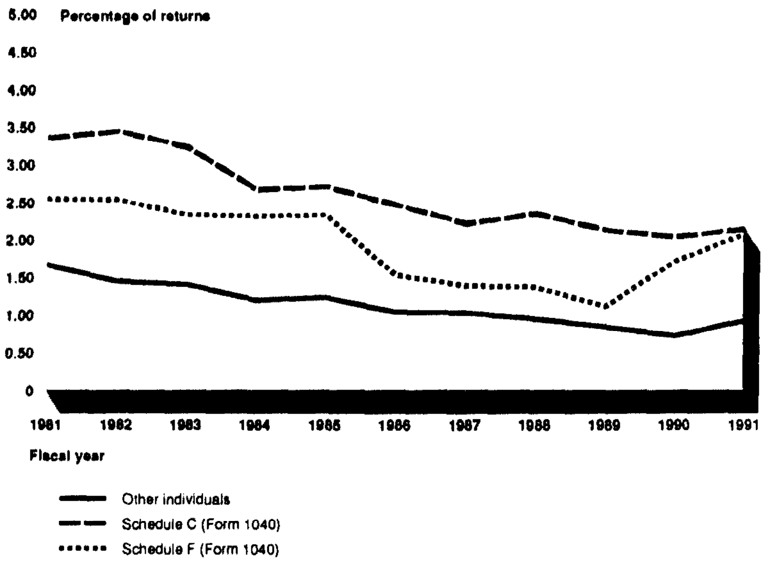

Table IV.9: Audit Coverage for Individual Returns by Type of Return

Fiscal year	Schedule C	Schedule F	Other individuals
1981	3.35%	2.54%	1.66%
1982	3.44	2.53	1.44
1983	3.23	2.33	1.40
1984	2.67	2.31	1.19
1985	2.71	2.33	1.23
1986	2.47	1.53	1.04
1987	2.22	1.39	1.03
1988	2.35	1.37	0.95
1989	2.13	1.11	0.84
1990	2.04	1.71	0.72
1991	2.14	2.08	0.92

Note 1: Notes 2, 3, and 4 and the source note apply to both figure IV.9 and table IV.9.

Note 2: Audit coverage is the number of returns examined divided by the number of returns filed in the previous calendar year.

Note 3: Schedule C (Form 1040) is filed by self-employed individuals.

Note 4: Schedule F (Form 1040) is filed by individuals reporting profit or loss from farming.

Source: GAO computations using data from IRS Annual Reports.

Figure IV.10: Audit Coverage for Corporation Returns by Asset Level

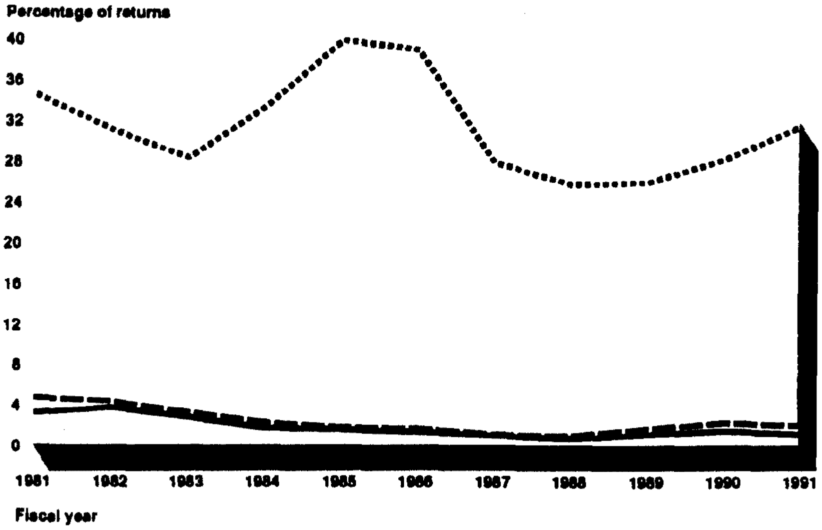

Table IV.10: Audit Coverage for Corporation Returns by Asset Level

Fiscal year	Assets not reported	Assets under $10 million	Assets $10 million and more
1981	3.19%	4.71%	34.46%
1982	3.72	4.36	31.01
1983	2.78	3.28	28.27
1984	1.70	2.24	33.28
1985	1.56	1.76	39.94
1986	1.28	1.65	39.03
1987	0.95	1.07	27.98
1988	0.69	0.95	25.79
1989	1.08	1.66	25.89
1990	1.42	2.20	28.15
1991	1.07	1.91	31.49

Note 1: Note 2 and the source note apply to both figure IV.10 and table IV.10.

Note 2: Audit coverage is the number of returns examined divided by the number of returns filed in the previous calendar year.

Source: GAO computations using data from IRS Annual Reports.

Figure IV.11: Total Recommended Additional Tax and Penalties in 1991 Dollars

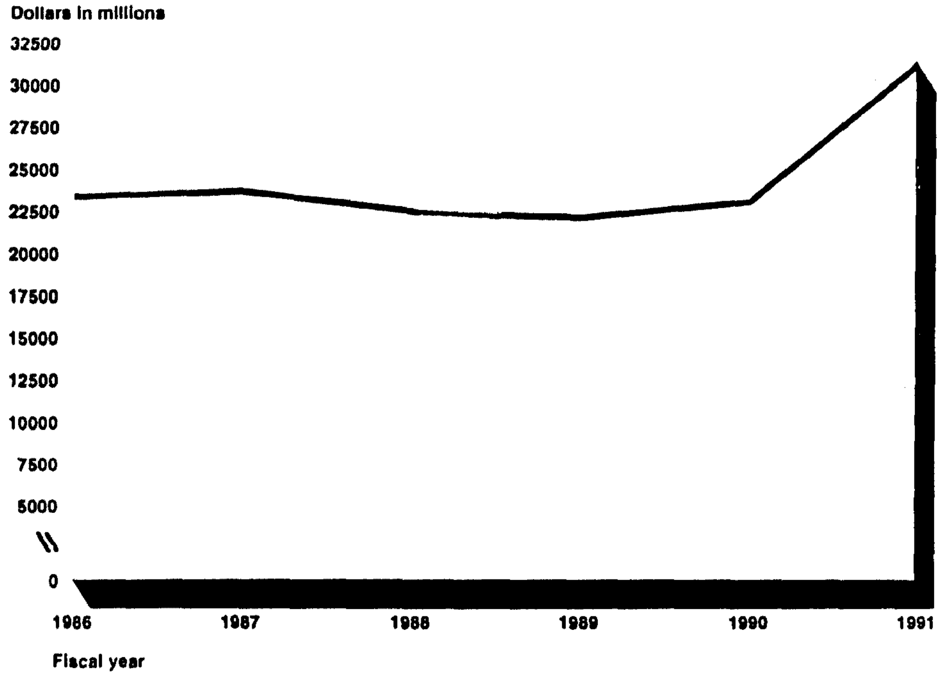

Table IV.11: Recommended Additional Tax and Penalties By Type of Return in 1991 Dollars

Dollars in millions

Fiscal year	Individual	Corporation	Employment	Other	Total
1986	$7,061	$12,980	$374	$2,900	$23,315
1987	6,914	12,203	411	4,089	23,617
1988	6,016	12,934	230	3,315	22,495
1989	4,560	12,723	271	4,556	22,110
1990	5,112	14,234	469	3,188	23,003
1991	6,665	20,579[a]	1,164	2,762	31,170

Note: The source note applies to figure IV.11 and table IV.11.

[a]One audit resulted in IRS recommending $7 billion in additional taxes. This audit may explain the significant increase in dollars recommended from 1990.

[b]The "other" category includes fiduciary, estate, gift, excise, windfall profit, foreign corporations, small business corporation-type returns, and returns of domestic corporations involved in export sales.

Source: GAO computations using data from IRS Annual Reports and gross domestic product indexes.

Table IV.12: Recommended Additional Tax and Penalties By Type of Return in Current Dollars

Dollars in millions

Fiscal year	Individual	Corporation	Employment	Other[a]	Total
1986	$5,848	$10,750	$310	$2,402	$19,310
1987	5,909	10,430	351	2,676	19,366
1988	5,342	11,486	204	2,944	19,976
1989	4,225	11,788	251	4,221	20,485
1990	4,933	13,735	453	3,076	22,197
1991	6,665	20,579[b]	1,164	2,762	31,170

[a]The "other" category includes fiduciary, estate, gift, excise, windfall profit, foreign corporations, small business corporation-type returns, and returns of domestic corporations involved in export sales.

[b]One audit resulted in IRS recommending $7 billion in additional taxes. This audit may explain the significant increase in dollars recommended from 1990.

Source: GAO computations using data from IRS Annual Reports.

Figure IV.12: Recommended Additional Tax and Penalties From Audits of Individual Returns in 1991 Dollars

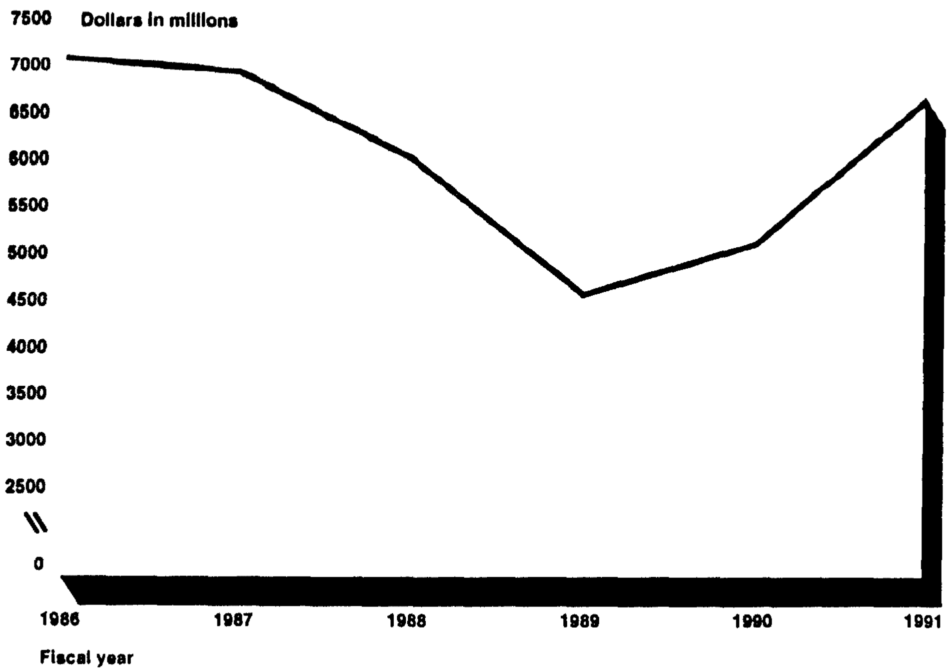

Table IV.13: Recommended Additional Tax and Penalties From Audits of Individual Returns in 1991 Dollars

Dollars in millions

Fiscal year	Schedule C[a]	Schedule F[b]	Other individuals	Total
1986	$1,605	$158	$5,298	$7,061
1987	1,663	309	4,947	6,919
1988	1,472	92	4,451	6,015
1989	1,239	76	3,246	4,561
1990	1,480	116	3,516	5,112
1991	1,745	127	4,793	6,665

Note: The source note applies to both figure IV.12 and table IV.13.

[a]Schedule C (Form 1040) is filed by self-employed individuals.

[b]Schedule F (Form 1040) is filed by individuals reporting profit or loss from farming.

Source: GAO computations using data from IRS Annual Reports and gross domestic product indexes.

Table IV.14: Recommended Additional Tax and Penalties From Audits of Individual Returns in Current Dollars

Dollars in millions

Fiscal year	Schedule C[a]	Schedule F[b]	Other individuals	Total
1986	$1,329	$131	$4,388	$5,848
1987	1,421	264	4,228	5,913
1988	1,307	82	3,953	5,342
1989	1,148	70	3,007	4,225
1990	1,428	112	3,393	4,933
1991	1,745	127	4,793	6,665

[a]Schedule C (Form 1040) is filed by self-employed individuals.

[b]Schedule F (Form 1040) is filed by individuals reporting profit or loss from farming.

Source: GAO computations using data from IRS Annual Reports.

Figure IV.13: Recommended Additional Tax and Penalties From Audits of Corporation Returns In 1991 Dollars

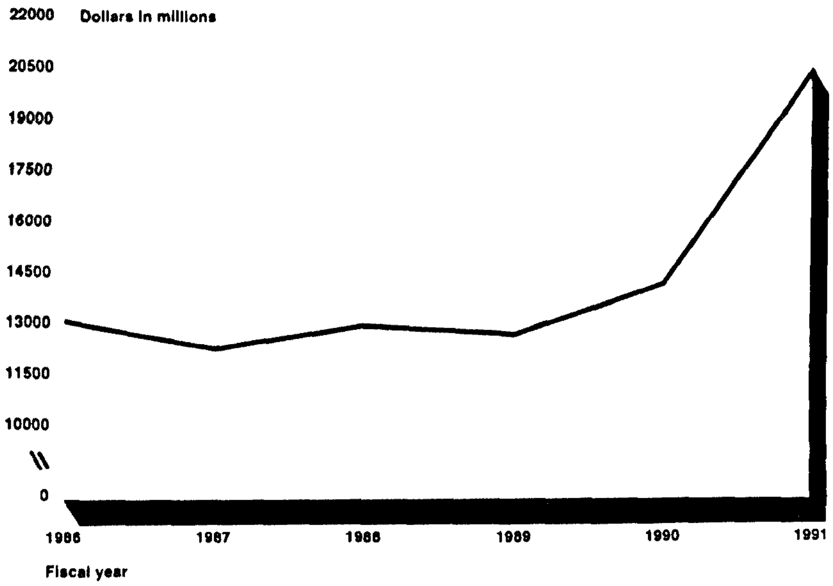

Table IV.15: Recommended Additional Tax and Penalties From Audits of Corporation Returns In 1991 Dollars

Dollars in millions

Fiscal year	Assets not reported	Under $10 million in assets	$10 million and more in assets	Total
1986	$193	$1,185	$11,602	$12,980
1987	243	805	11,155	12,203
1988	169	866	11,899	12,934
1989	431	586	11,706	12,723
1990	166	832	13,236	14,234
1991	164	1,037	19,378[a]	20,579

Note: The source note applies to both figure IV.13 and table IV.15.

[a]One audit resulted in IRS recommending $7 billion in additional taxes. This audit may explain the significant increase in dollars recommended from 1990.

Source: GAO computations using data from IRS Annual Reports and gross domestic product indexes.

Table IV.16: Recommended Additional Tax and Penalties From Audits of Corporation Returns in Current Dollars

Dollars in millions

Fiscal year	Assets not reported	Under $10 million in assets	$10 million and more in assets	Total
1986	$160	$981	$9,609	$10,750
1987	208	688	9,534	10,430
1988	150	769	10,567	11,486
1989	399	543	10,846	11,788
1990	160	803	12,772	13,735
1991	164	1,037	19,378[a]	20,579

[a]One audit resulted in IRS recommending $7 billion in additional taxes. This audit may explain the significant increase in dollars recommended from 1990.

Source: IRS Annual Reports.

Figure IV.14: No-Change Rate by Type of Return

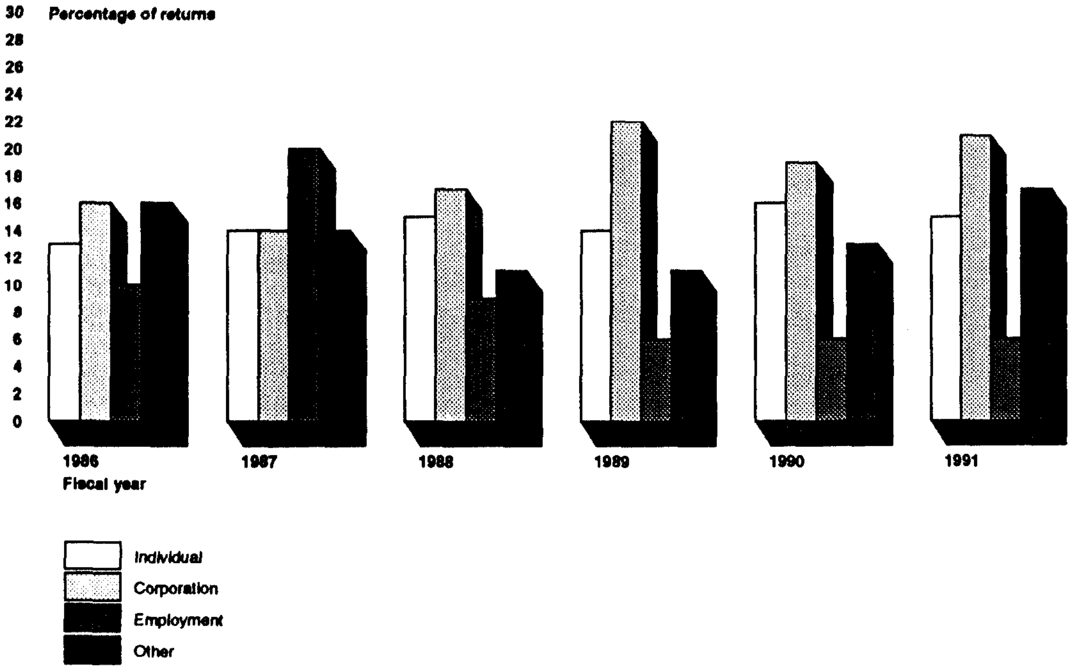

Table IV.17: No-Change Rate by Type of Return

Fiscal year	Individual	Corporation	Employment	Other[a]
1986	13%	16%	10%	16%
1987	14	14	20	14
1988	15	17	9	11
1989	14	22	6	11
1990	16	19	6	13
1991	15	21	6	17

Note 1: Note 2 and the source note apply to both figure IV.14 and table IV.17.

Note 2: The no-change rate is the percentage of total returns examined for which IRS does not recommend any additional tax.

[a]The "other" category includes fiduciary, estate, gift, excise, windfall profit, foreign corporation, small business corporation-type returns, and returns of domestic corporations involved in export sales.

Source: GAO computations using data from IRS Annual Reports.

Figure IV.15: Percentage of Returns Transferred to the Appeals Function

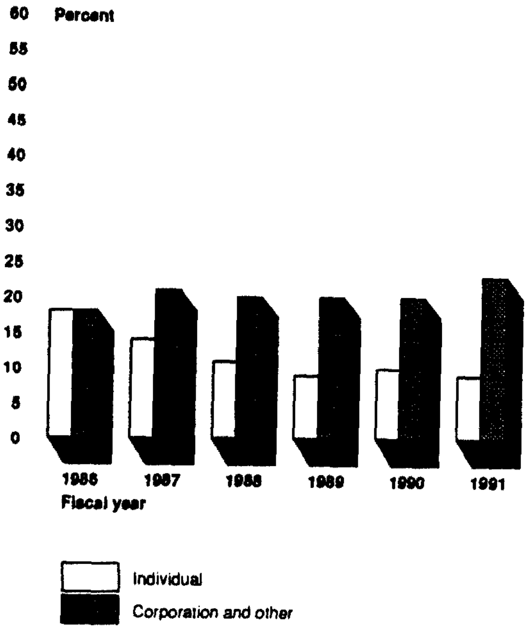

Table IV.18: Percentage of Returns Transferred to the Appeals Function

Fiscal year	Individual	Corporation and other[a]
1986	18%	18%
1987	14	21
1988	11	20
1989	9	20
1990	10	20
1991	9	23

Note 1: Notes 2 and 3 and the source note apply to both figure IV.15 and table IV.18.

Note 2: The denominator for this indicator is the number of returns examined that resulted in IRS recommending additional taxes.

Note 3: IRS' data did not provide sufficient detail to identify corporate and other returns separately.

[a]The "other" category includes fiduciary, estate, gift, excise, windfall profit, foreign corporation, small business corporation-type returns, and returns of domestic corporations involved in export sales.

Source: GAO computations using data from IRS' Audit Information Management System reports.

Figure IV.16: Number of Months It Takes to Complete an Examination of an Individual Return

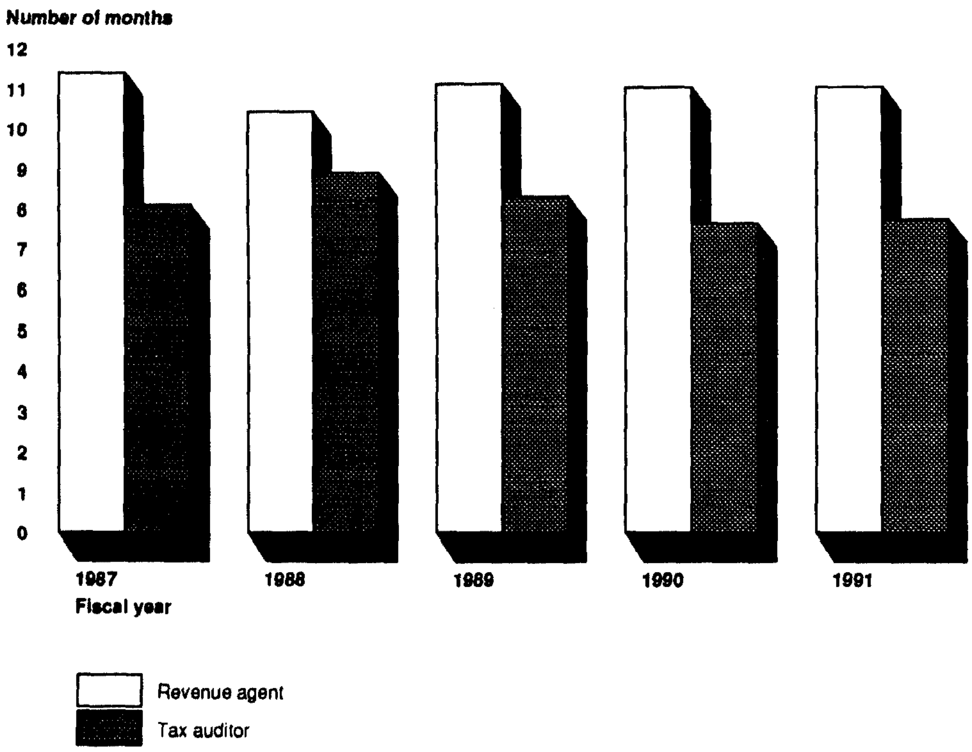

Table IV.19: Number of Months It Takes to Complete an Examination of an Individual Return

Fiscal year	Revenue agents	Tax auditors
1987	11.4	8.1
1988	10.4	8.9
1989	11.1	8.3
1990	11.0	7.6
1991	11.0	7.6

Note: The source note applies to both figure IV.16 and table IV.19.

Source: The Commissioner's Overview Report (Nov. 1991).

Figure IV.17: Number of Months It Takes to Complete an Examination of Corporation and Other Types of Returns

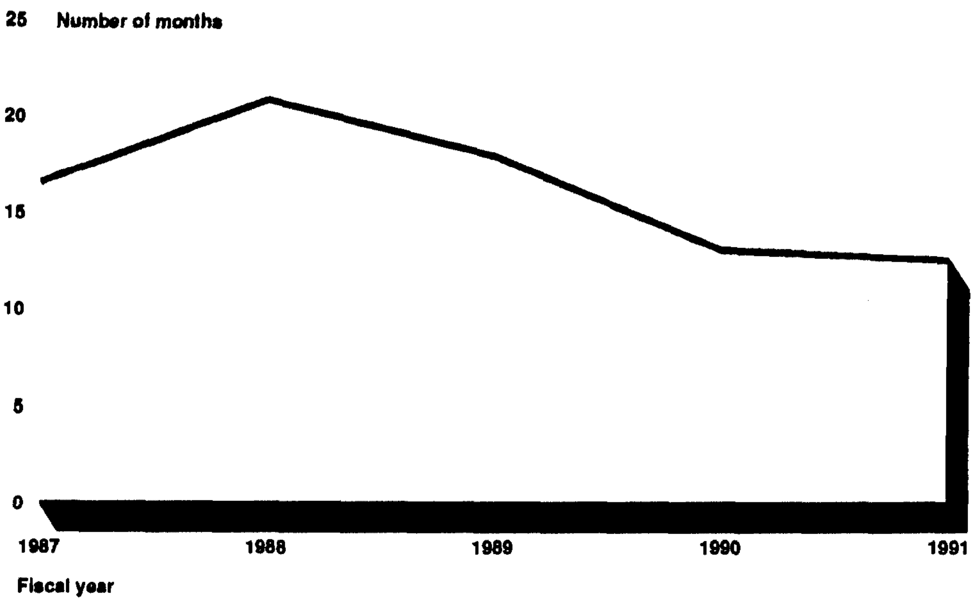

Table IV.20: Number of Months It Takes to Complete an Examination of Corporation and Other Types of Returns

Fiscal year	Number of months
1987	16.5
1988	20.8
1989	17.9
1990	13.0
1991	12.5

Note 1: Note 2 and the source note apply to both figure IV.17 and table IV.20.

Note 2: Excludes audits under a special program that covers 1,700 corporations with assets usually exceeding $250 million.

Source: The Commissioner's Overview Report (Nov. 1991).

Figure IV.18: Number of Examination Hours Spent per Return by Type of Return

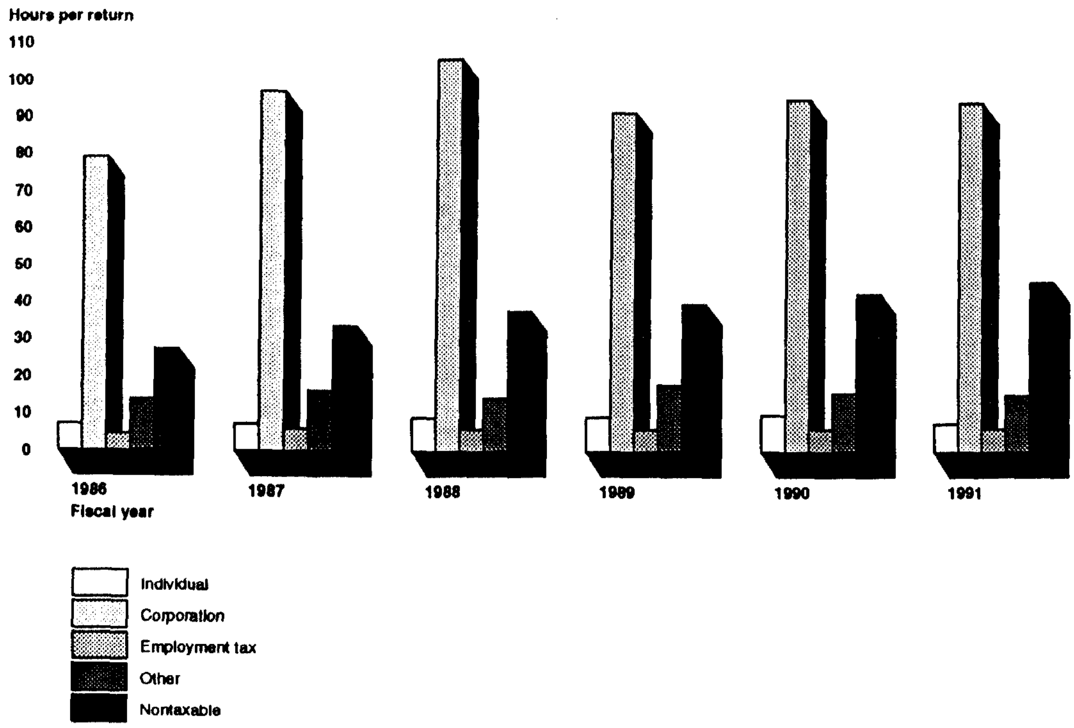

Table IV.21: Number of Examination Hours Spent per Return by Type of Return

Fiscal year	Individual	Corporation	Employment tax	Other[a]	Nontaxable[b]
1986	7.0	79.1	4.4	13.6	27.1
1987	7.1	96.9	5.9	15.9	33.4
1988	8.8	105.9	5.9	14.0	37.5
1989	9.0	91.4	5.8	17.7	39.5
1990	9.7	94.9	6.0	15.5	42.4
1991	7.5	94.1	6.1	15.1	45.6

Note: The source note applies to both figure IV.18 and table IV.21.

[a]The "other" category includes fiduciary, estate, gift, excise, windfall profit, foreign corporation, small business corporation-type returns, and returns of domestic corporations involved in export sales.

[b]The "nontaxable" category includes returns, such as partnership returns, where no tax is required by law because the tax is distributed to other type of returns.

Source: GAO computations using data from IRS Audit Information Management System reports.

Figure IV.19: Dollars per Hour for Individual and Corporation Returns in 1991 Dollars

Table IV.22: Dollars per Hour by Type of Return in 1991 Dollars

Fiscal year	Individual	Corporation	Employment	Other[a]
1986	$906.5	$2,764.2	$1,499.6	$2,604.3
1987	883.1	2,844.5	819.0	3,159.8
1988	643.0	3,262.7	942.5	3,948.8
1989	510.7	2,520.7	847.4	4,719.5
1990	597.4	2,106.2	778.4	3,425.3
1991	866.0	3,549.5[b]	1,062.4	3,213.9

Note: The source note applies to both figure IV.19 and table IV.22.

[a]The "other" category includes fiduciary, estate, gift, excise, windfall profit, foreign corporation, small business corporation-type returns, and returns of domestic corporations involved in export sales.

[b]One audit resulted in IRS recommending $7 billion in additional taxes. This audit may explain the significant increase in dollars recommended from 1990.

Source: GAO computations using data from IRS Audit Information Management System reports and gross domestic product indexes.

Table IV.23: Dollars per Hour by Type of Return in Current Dollars

Fiscal year	Individual	Corporation	Employment	Other[a]
1986	$750.8	$2,289.3	$1,242.0	$2,156.9
1987	754.8	2,431.2	700.0	2,700.7
1988	571.0	2,897.4	837.0	3,506.7
1989	473.2	2,335.4	785.1	4,372.6
1990	576.5	2,032.4	751.1	3,305.3
1991	866.0	3,549.5[b]	1,062.4	3,213.9

[a]The "other" category includes fiduciary, estate, gift, excise, windfall profit, foreign corporation, small business corporation-type returns, and returns of domestic corporations involved in export sales.

[b]One audit resulted in IRS recommending $7 billion in additional taxes. This audit may explain the significant increase in dollars recommended from 1990.

Source: GAO computations using data from IRS Audit Information Management System reports.

Figure IV.20: Dollars Recommended per Individual Return in 1991 Dollars

Table IV.24: Dollars Recommended per Individual Return in 1991 Dollars

Fiscal year	Dollars per return
1986	$6,356
1987	6,235
1988	5,669
1989	4,613
1990	5,782
1991	6,460

Note: The source note applies to both figure IV.20 and table IV.24.

Source: GAO computations using data from IRS Audit Information Management System reports and gross domestic product indexes.

Table IV.25: Dollars Recommended per Individual Return in Current Dollars

Fiscal year	Dollars per return
1986	$5,264
1987	5,329
1988	5,034
1989	4,274
1990	5,579
1991	6,460

Source: GAO computations using data from IRS Audit Information Management System reports.

Figure IV.21: Dollars Recommended per Corporation Return in 1991 Dollars

Table IV.26: Dollars Recommended per Corporation, Employment Tax, and Other Types of Returns in 1991 Dollars

Fiscal year	Corporation	Employment	Other[a]
1986	$218,736	$6,632	$35,451
1987	275,546	4,830	50,243
1988	345,564	5,529	55,425
1989	230,334	4,925	83,728
1990	199,964	4,680	53,017
1991	334,101[b]	6,448	48,392

Note: The source note applies to both figure IV.21 and table IV.26.

[a]The "other" category includes fiduciary, estate, gift, excise, windfall profit, foreign corporation, small business corporation-type returns, and returns of domestic corporations involved in export sales.

[b]One audit resulted in IRS recommending $7 billion in additional taxes. This audit may explain the significant increase in dollars recommended from 1990.

Source: GAO computations using data from IRS' Audit Information Management System reports and gross domestic product indexes.

Table IV.27: Dollars Recommended per Corporation, Employment Tax, and Other Types of Returns in Current Dollars

Fiscal year	Corporation	Employment	Other[a]
1986	$181,158	$5,493	$29,361
1987	235,509	4128	42,943
1988	306,873	4910	49,219
1989	213,403	4563	77,574
1990	192,957	4516	51,159
1991	334,101[b]	6448	48,392

[a]The "other" category includes fiduciary, estate, gift, excise, windfall profit, foreign corporation, small business corporation-type returns, and returns of domestic corporations involved in export sales.

[b]One audit resulted in IRS recommending $7 billion in additional taxes. This audit may explain the significant increase in dollars recommended from 1990.

Source: GAO computations using data from IRS Audit Information Management System reports.

Figure IV.22: Number of Audits Completed per Revenue Agent/Tax Auditor Staff Year

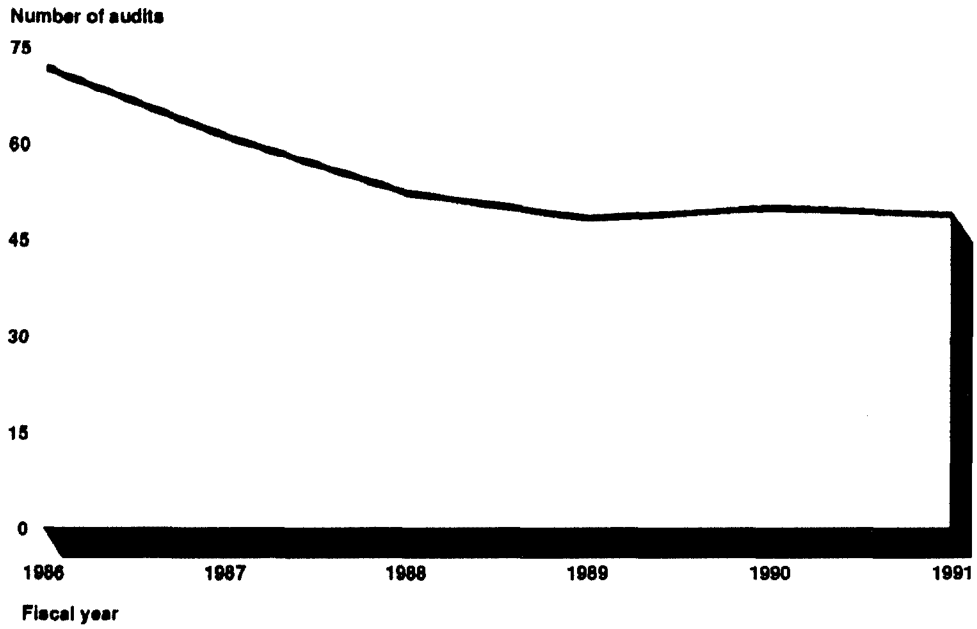

Table IV.28: Number of Audits Completed per Revenue Agent/Tax Auditor Staff Year

Fiscal year	Number of audits completed
1986	71.66
1987	61.04
1988	52.34
1989	48.43
1990	50.07
1991	49.08

Note 1: Note 2 and the source note apply to both figure IV.22 and table IV.28.

Note 2: Audits completed at service centers are excluded.

Source: GAO computations using data from IRS' Audit Information Management System reports.

INDICATORS FOR THE COLLECTION FUNCTION

OVERVIEW OF THE COLLECTION FUNCTION

The Collection function is responsible for collecting taxes from taxpayers who did not file required returns or who filed returns but did not pay the required tax. The collection of delinquent taxes and securing of delinquent returns is a three-stage process, with a different organizational unit responsible for each stage.

The collection process begins after IRS assesses taxes owed. Taxes can be assessed as a result of (1) a return filed by a taxpayer that has some or all of the tax liability unpaid, (2) an adjustment made by the service center that increases tax liability, (3) an audit of the return, or (4) a return prepared by IRS, in the event the taxpayer does not file a return.

At the first step of the collection process, the service center generates notices to taxpayers requesting that either outstanding taxes be paid or unfiled returns be filed. This process continues until (1) the taxpayer provides IRS with a payment and/or tax return or (2) a specified number of notices have been sent.[1] Final notices are sent by certified mail. For balance due accounts, the final notice alerts the taxpayer that if his/her payment is not received within 30 days, IRS can levy the taxpayer's assets without further notice. For delinquent returns, the final notice alerts the taxpayer that if he/she does not contact IRS within 30 days to resolve the account, he/she can be summoned to produce tax records.

If the taxpayer does not respond at the notice stage, the information is generally transferred to IRS' Automated Collection System (ACS). ACS consists of computers and terminals at IRS' 10 service centers and 23 collection call sites. At this point, balance due accounts are referred to as taxpayer delinquent accounts (TDA) and nonfiler cases are referred to as taxpayer delinquency investigations (TDI). Call sites attempt to resolve TDAs by telephone contact with the taxpayer and third parties. The objectives of the contact are to obtain full payment, to determine the appropriate enforcement tool if the taxpayer does not comply, and to advise the taxpayer of the enforcement action for failure to comply. For TDIs, the objectives of the contact are to (1) verify the taxpayer's address and financial information, (2) request that the return be filed with full payment, (3) establish a specific date for filing, and (4) if the

[1]Depending on the amount of taxes owed, taxpayers receive from two to five notices for balance due accounts and one to four notices for delinquent returns.

taxpayer refuses to file, advise the taxpayer of the consequences of failure to file.

If a case is not resolved by ACS, it is usually transferred to an automated management system in one of the district offices. If the case has a low estimated net yield, it will be held in a queue until workload priorities or staffing levels change or the 10-year statute of limitations expires. For those cases that are put in active status, a revenue officer will visit the taxpayer and take other steps to collect the taxes owed or secure a tax return.

Revenue officers have a wide variety of collection tools available to resolve a TDA. It can be resolved by the taxpayer voluntarily making a full payment; an enforcement action, such as a lien, levy, or seizure; an installment agreement that establishes payment schedules based on the financial situation of the taxpayer; or a determination that the account is currently not collectible because the taxpayer cannot be located or the taxpayer is unable to pay. For TDIs, revenue officers attempt to secure a tax return with a payment. A collection tool that revenue officers have for TDIs is the issuance and service of a summons for the taxpayer to produce tax records so that a return can be prepared.

<u>New Indicators for the Collection Function</u>

As part of its strategic planning process, the Collection function identified several new performance measures for each of its organizational components. Headquarter and field executives agreed that for the 1992 annual business review process, field performance would be tracked against the following indicators:

-- the percentage of assessed tax liability that is collected as of the date the case is disposed by the field office,

-- the percentage of calls answered by ACS,

-- the number of days it takes to close correspondence at the service center, and

-- dollar turnover at calls sites and field offices.[2]

In addition to these new measures, in fiscal year 1992, the Collection function continued to track measures it used in 1991. These measures included dollars collected per staff year, dollars assessed per staff year, the percentage of TDAs and TDIs that

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[2]The dollar turnover rate is the number of weeks it would to take to work the current dollar inventory, assuming no new workload is received.

were in field offices for over 15 months, the inventory turnover rates, and correspondence cycle times for the Service Center Correspondence Branch.

Figure V.1: Obligations for the Collection Function in 1991 Dollars

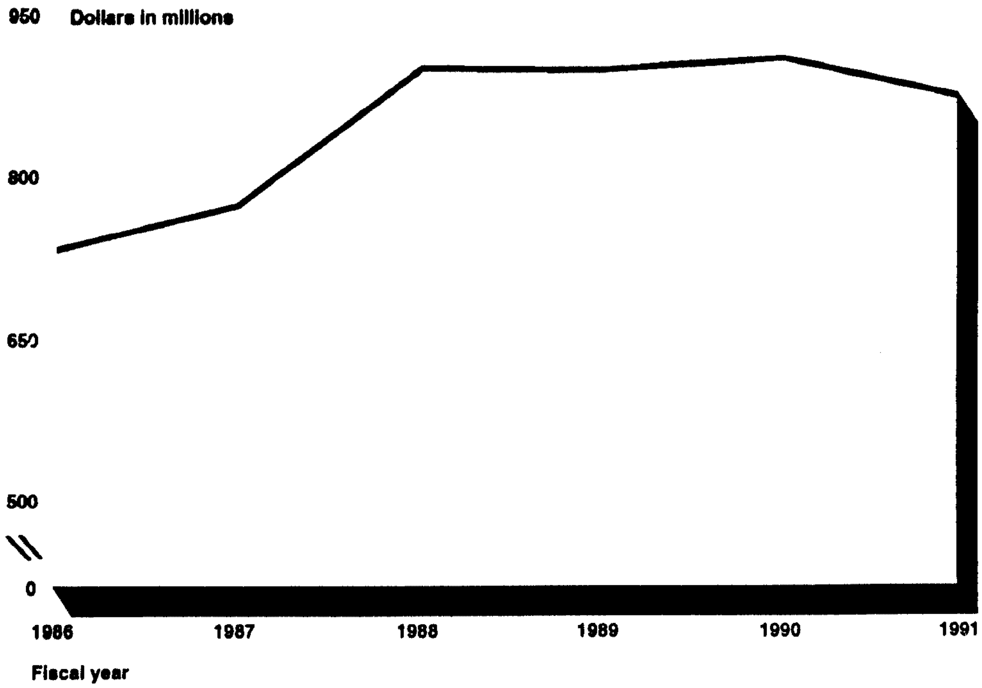

Table V.1: Obligations for the Collection Function

Dollars in thousands

Fiscal year	Current dollars	1991 dollars
1986	$606,498	$732,304
1987	660,659	772,971
1988	799,814	900,657
1989	833,076	899,169
1990	878,467	910,369
1991	874,491	874,491

Note: The source note applies to both figure V.1 and table V.1.

Source: Current dollars are from IRS Annual Reports. 1991 dollars are GAO computations using data from IRS Annual Reports and gross domestic product indexes.

Figure V.2: Number of Full-Time Equivalents for the Collection Function by Data Source

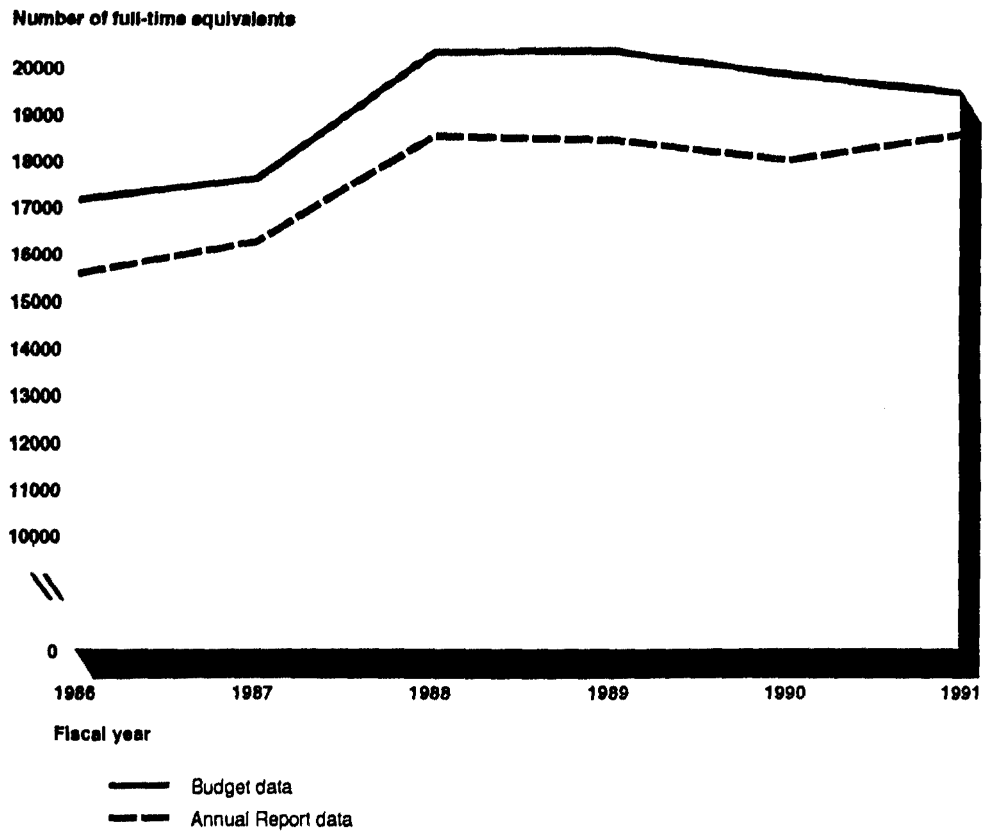

Table V.2: Number of Full-Time Equivalents for the Collection Function by Data Source

Fiscal year	Budget data	Annual Report data
1986	17,147	15,571
1987	17,615	16,265
1988	20,353	18,546
1989	20,368	18,470
1990	19,870	18,034
1991	19,482	18,605

Note 1: Note 2 applies to both figure V.2 and table V.2.

Note 2: Budget data include resources management staff. The Annual Report data do not include this staff but include other staff that is funded through reimbursements IRS receives from other agencies.

Figure V.3: Revenue Officer Full-Time Equivalents

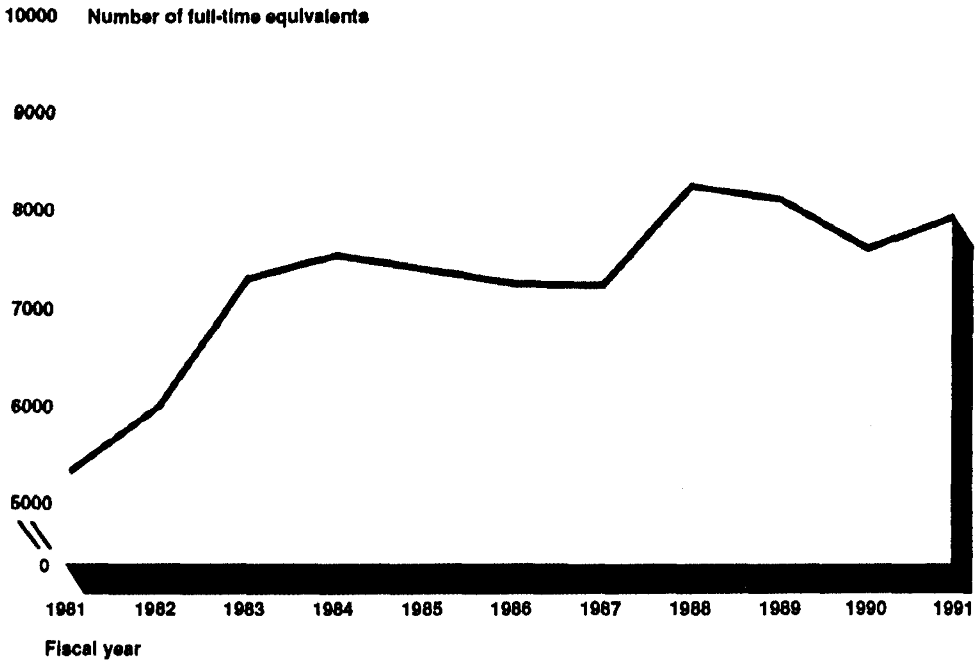

Table V.3: Revenue Officer Full-Time Equivalents

Fiscal year	Full-time equivalents
1981	5,312
1982	5,989
1983	7,296
1984	7,527
1985	7,386
1986	7,247
1987	7,229
1988	8,238
1989	8,105
1990	7,601
1991	7,929

Note: The source note applies to both figure V.3 and table V.3.

Source: IRS Annual Reports.

Figure V.4: Staff Years Spent on TDAs and TDIs

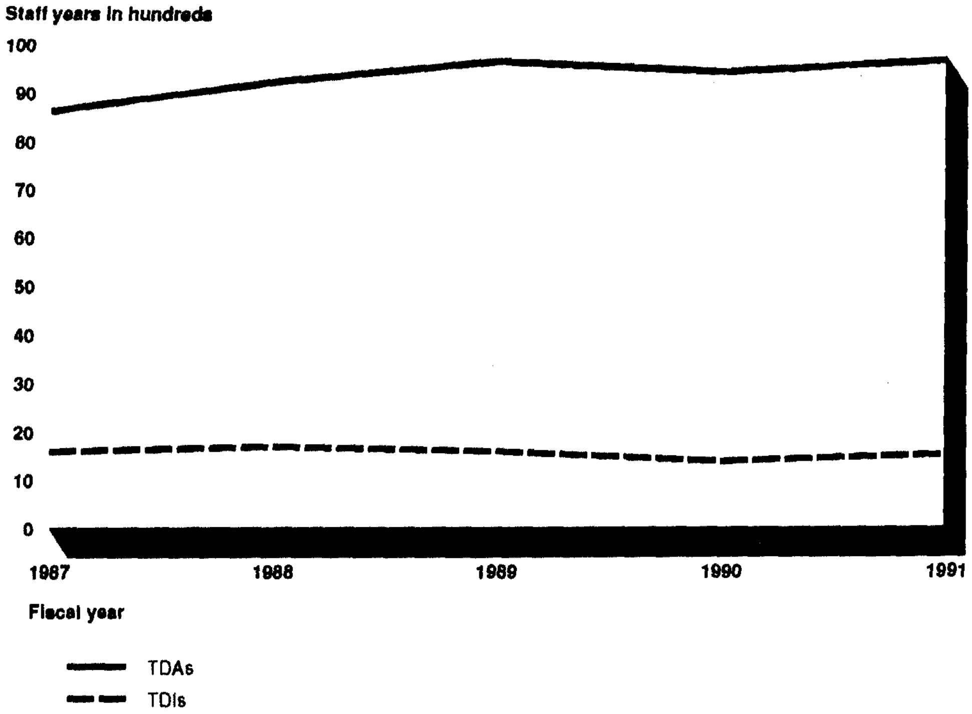

Table V.4: Staff Years Spent on TDAs and TDIs

Fiscal year	Staff years spent on TDAs	Staff years spent on TDIs
1987	8,616	1,593
1988	9,228	1,692
1989	9,657	1,591
1990	9,438	1,377
1991	9,686	1,520

Note: The source note applies to both figure V.4 and table V.4.

Source: GAO computations using data from IRS' Collection Activity Analytical reports.

Figure V.5: Direct Time for ACS and Field Offices as a Percentage of Total Time

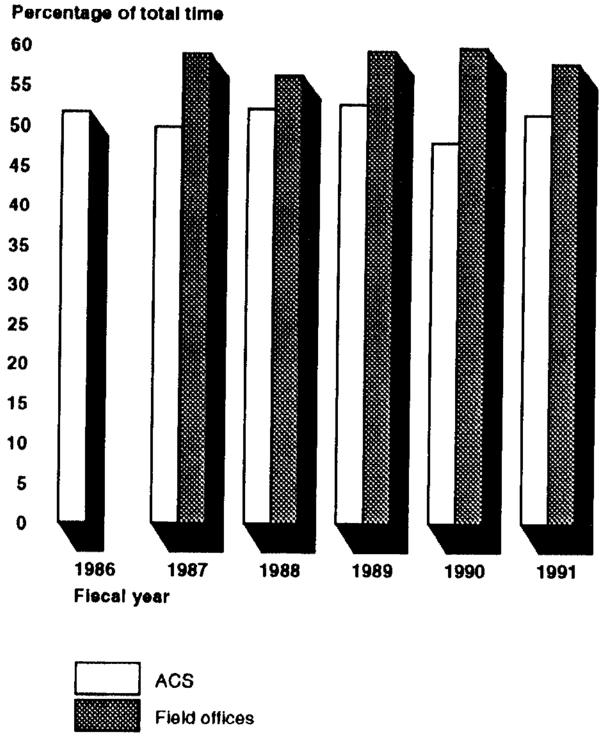

Table V.5: Direct Time for ACS and Field Offices as a Percentage of Total Time

Fiscal year	Direct time for ACS	Direct time for field offices
1986	51.6%	Not available
1987	49.8	58.8%
1988	52.0	56.1
1989	52.6	59.2
1990	47.9	59.6
1991	51.3	57.6

Note: The source note applies to both figure V.5 and table V.5.

Source: GAO computations using data from IRS' Automated Collection Branch and Collection Field Activity Monthly reports.

Figure V.6: TDA Workload

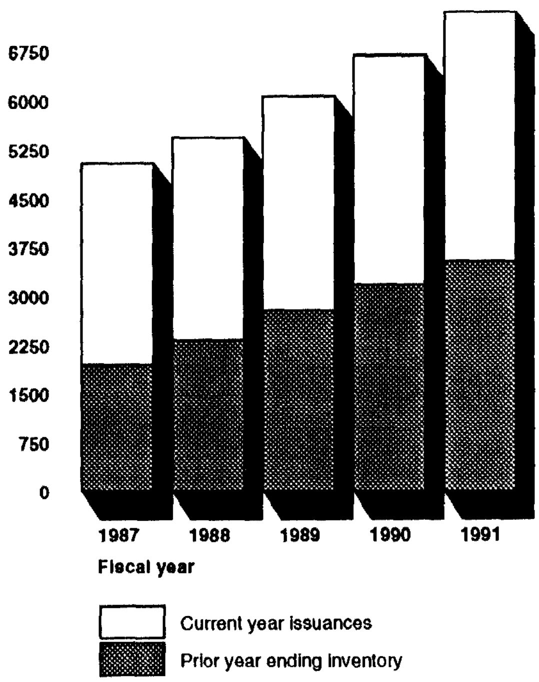

Table V.6: TDA Workload

Fiscal year	Prior year ending inventory	Current year issuances	Total workload
1987	1,937,727	3,109,435	5,047,162
1988	2,322,021	3,104,997	5,427,018
1989	2,776,444	3,290,203	6,066,647
1990	3,170,184	3,513,696	6,683,880
1991	3,530,799	3,815,065	7,345,864

Note: The source note applies to both figure V.6 and table V.6.

Source: Ending inventory and current year issuances are from IRS' TDA Cumulative reports. Total workload is a GAO computation.

Figure V.7: Percentage of TDA Active Inventory by Age

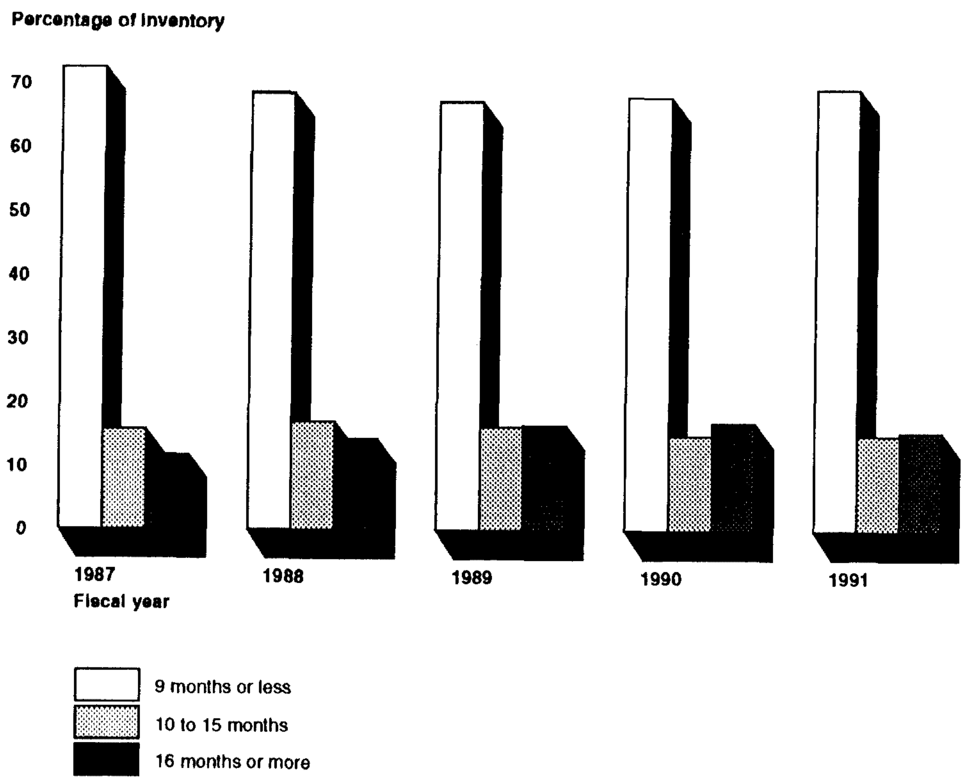

Table V.7: Percentage of TDA Active Inventory by Age

Fiscal year	9 months or less	10 to 15 months	16 months or more
1987	72.5%	15.8%	11.8%
1988	68.6	17.1	14.3
1989	67.2	16.3	16.6
1990	68.0	15.0	17.0
1991	69.3	15.1	15.6

Note 1: Note 2 and the source note apply to both figure V.7 and table V.7.

Note 2: Inventory aging is based on the length of time a case is in a particular function (ACS or field office). Because cases move back and forth between functions and the queue, this indicator does not reflect the true age of the inventory.

Source: GAO computations using data from IRS' TDA Cumulative reports.

Figure V.8: TDA Dispositions

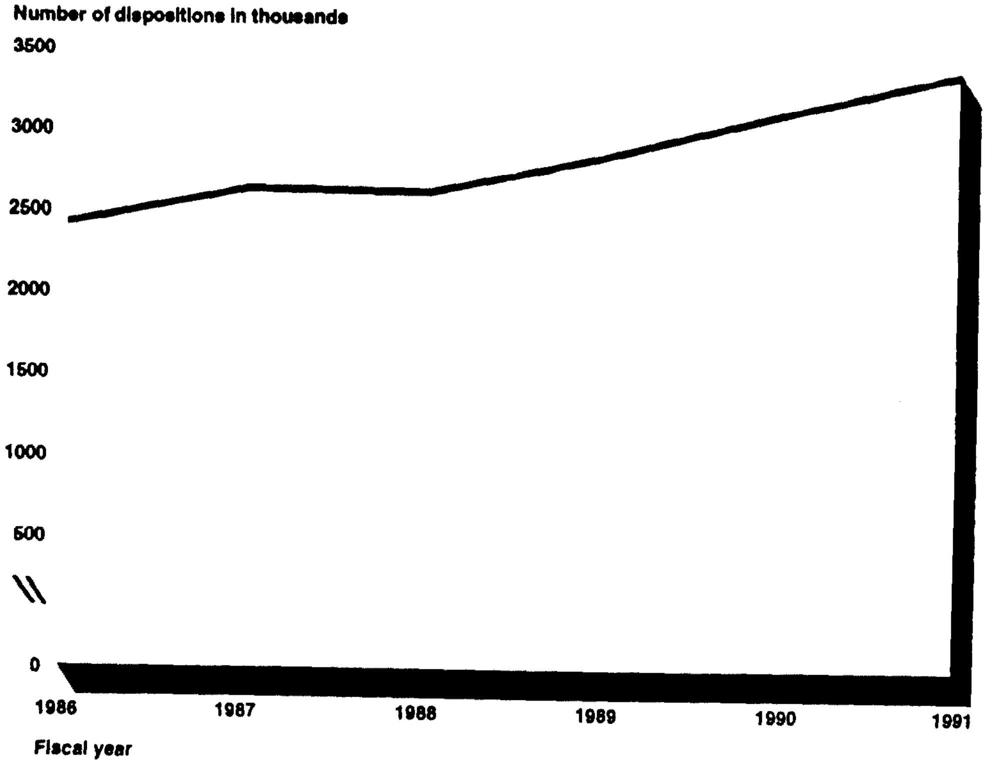

Table V.8: TDA Dispositions

Fiscal year	TDA dispositions
1986	2,418,807
1987	2,631,407
1988	2,616,754
1989	2,847,226
1990	3,115,736
1991	3,366,292

Note 1: Note 2 and the source note apply to both figure V.8 and table V.8.

Note 2: Dispositions are reported for each individual tax delinquency and therefore do not correspond to the number of delinquent taxpayers because a taxpayer may have more than one delinquency.

Source: IRS' TDA Cumulative reports.

Figure V.9: TDAs Disposed by Installment Agreements

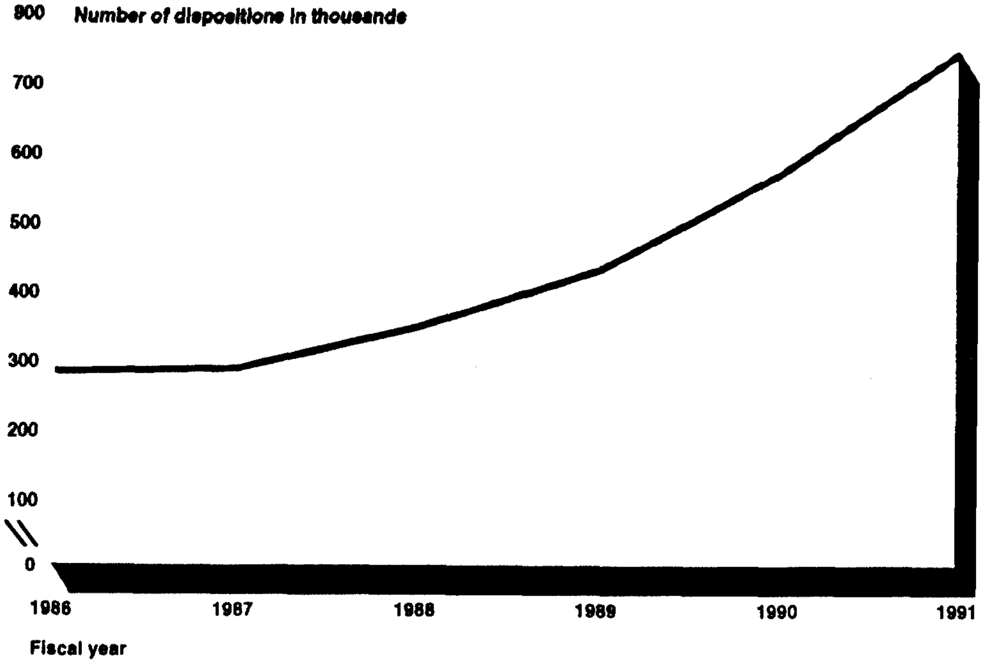

Table V.9: TDAs Disposed by Installment Agreements

Fiscal year	TDAs to installment agreements
1986	284,369
1987	289,406
1988	348,672
1989	431,000
1990	571,216
1991	745,233

Note 1: Note 2 and the source note apply to both figure V.9 and table V.9.

Note 2: Installment agreements establish payment schedules to pay for tax delinquencies based on the financial condition of the taxpayer.

Source: IRS' Installment Agreement Cumulative reports.

Figure V.10: Number of Accounts Posted to Currently Not Collectible Status

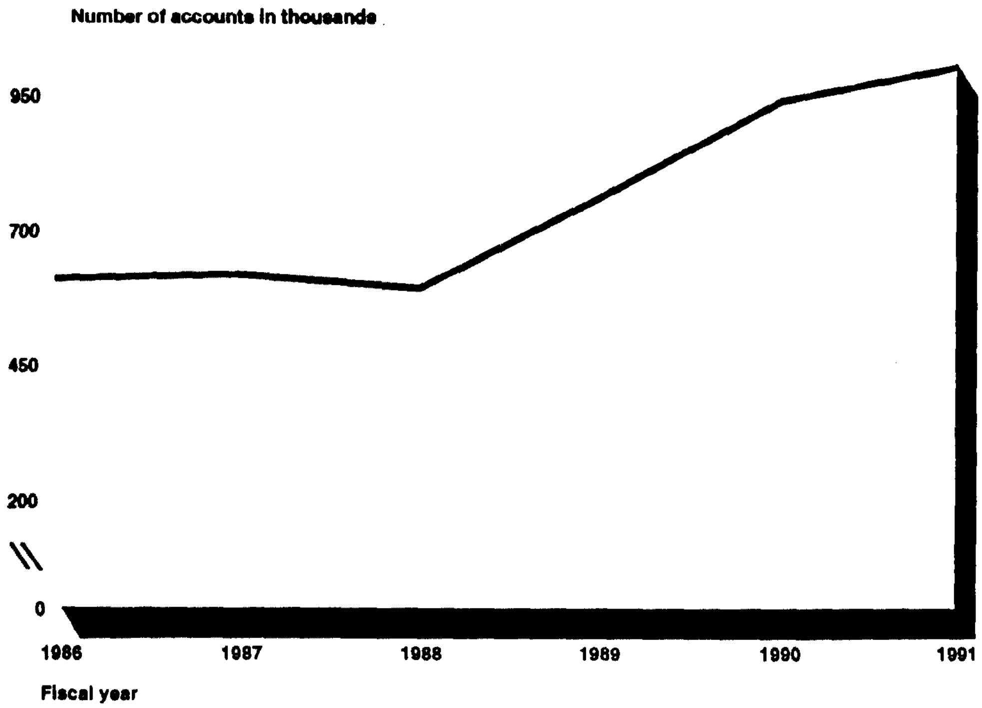

Table V.10: Number of Accounts Posted to Currently Not Collectible Status

Fiscal year	Number of accounts
1986	610,115
1987	617,729
1988	591,558
1989	759,283
1990	939,187
1991	1,002,053

Note: The source note applies to both figure V.10 and table V.10.

Source: IRS' Recap of Accounts Currently Not Collectible reports.

Figure V.11: Dollars Posted to Currently Not Collectible Status in 1991 Dollars

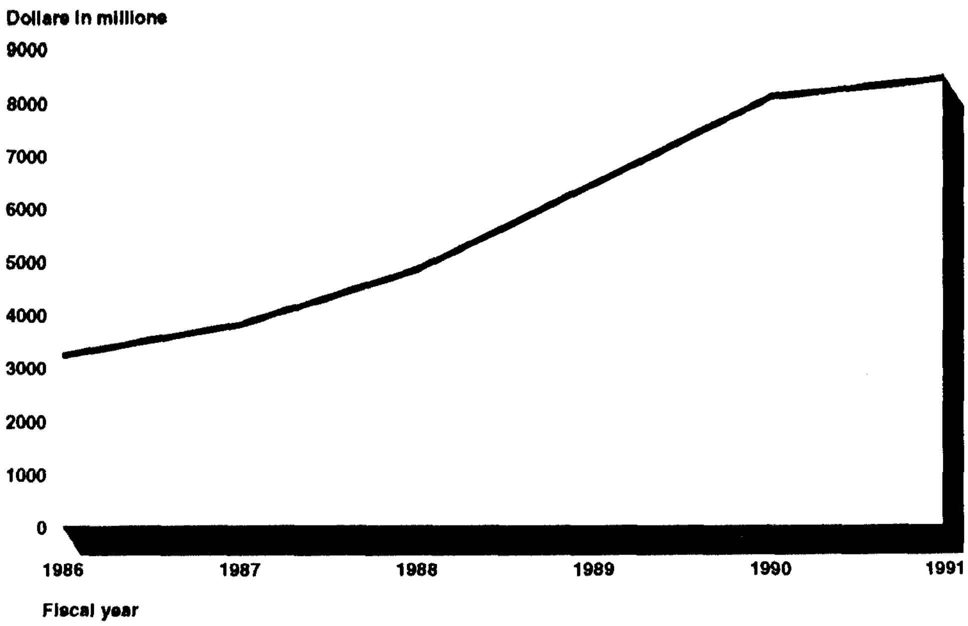

Table V.11: Dollars Posted to Currently Not Collectible Status

Fiscal year	Current dollars	1991 dollars
1986	$2,666,332,012	$3,219,410,169
1987	3,248,155,217	3,800,341,604
1988	4,285,413,877	4,825,730,737
1989	5,961,567,407	6,434,533,087
1990	7,789,536,768	8,072,416,314
1991	8,412,292,640	8,412,292,640

Note: The source note applies to both figure V.11 and table V.11.

Source: Current dollars are from IRS' Recap Of Accounts Currently Not Collectible reports. 1991 dollars are GAO computations using data in IRS' report and gross domestic product indexes.

Figure V.12: Dollars Collected per Field Function and ACS Staff Year in 1991 Dollars

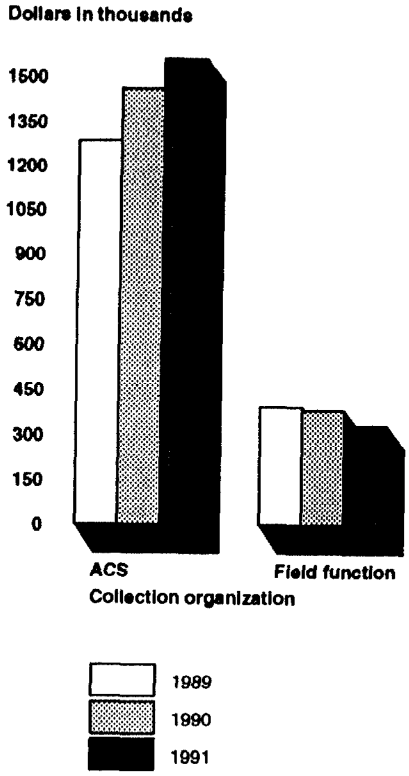

Table V.12: Dollars Collected per Field Function and ACS Staff Year in Current and 1991 Dollars

Dollars in thousands

Fiscal year	Dollars collected by field function	Dollars collected by field function in 1991 dollars	Dollars collected by ACS	Dollars collected by ACS in 1991 dollars
1989	$365	$394	$1,189	$1,283
1990	369	382	1,409	1,460
1991	332	332	1,561	1,561

Note: The source note applies to both figure V.12 and table V.12.

Source: Current dollars are from IRS' Annual Business Plan Tracking reports. 1991 dollars are GAO computations using IRS' data and gross domestic product indexes.

Figure V.13: Number of Potential Individual Nonfiler Cases Referred to Collection

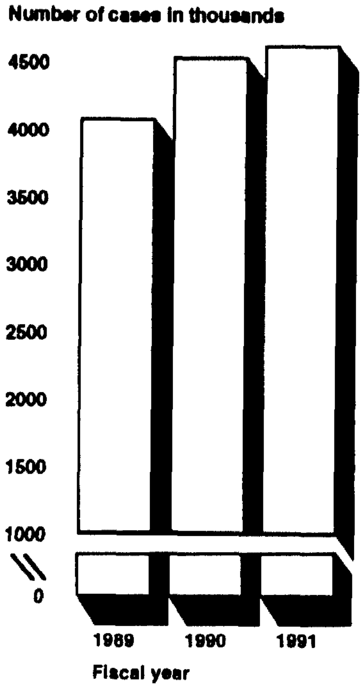

Table V.13: Number of Potential Individual Nonfiler Cases Referred to Collection

Fiscal year	Nonfiler cases referred to collection
1989	4,073,987
1990	4,528,245
1991	4,613,676

Note 1: Note 2 and the source note apply to both figure V.13 and table V.13.

Note 2: Data were not available prior to fiscal year 1989.

Source: IRS' National Inventory of Nonfiler Cases reports.

Figure V.14: Nonfiler First Notices Issued to Individuals and Businesses

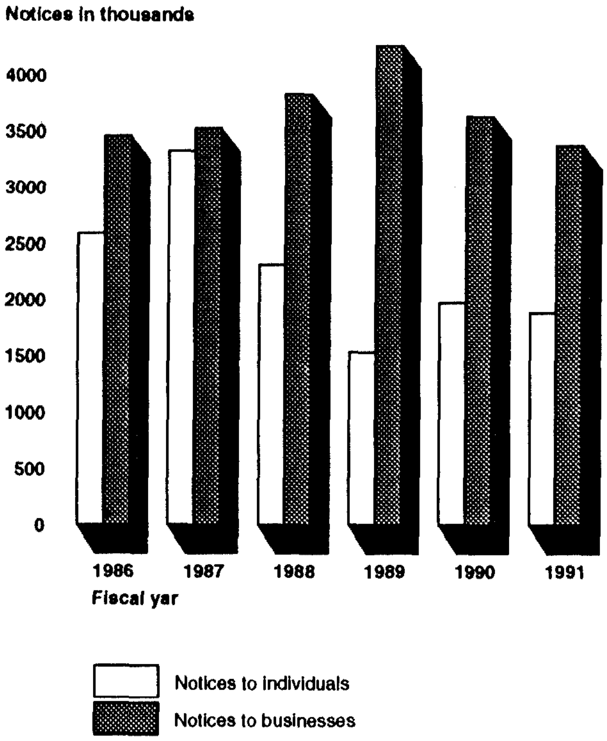

Table V.14: Nonfiler First Notices Issued to Individuals and Businesses

Fiscal year	Notices to individuals	Notices to businesses
1986	2,590,239	3,447,611
1987	3,315,469	3,513,822
1988	2,305,707	3,828,941
1989	1,528,821	4,257,685
1990	1,971,069	3,629,539
1991	1,881,001	3,371,215

Note 1: Notes 2 and 3 and the source note apply to both figure V.14 and table V.14.

Note 2: IRS generates nonfiler notices to individuals from its Information Returns Program. IRS issues a notice to a business when IRS does not receive a tax return for a business that requested an employee identification number.

Note 3: In 1987, according to an IRS official, IRS stopped its stop-filer notice program for individuals, which may account for the decline in the number of individual notices from fiscal years 1987-88. Instead of a notice, stop filers receive a reminder pamphlet.

Source: IRS' TDI Cumulative reports.

Figure V.15: TDI Workload

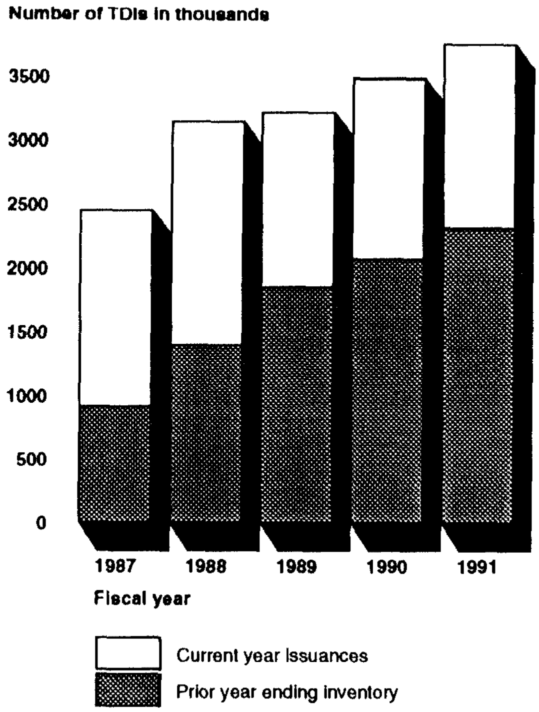

Table V.15: TDI Workload

Fiscal year	Prior year ending inventory	Current year issuances	Total workload
1987	909,364	1,532,727	2,442,091
1988	1,393,699	1,742,550	3,136,249
1989	1,842,717	1,368,007	3,210,724
1990	2,067,453	1,412,695	3,480,148
1991	2,304,661	1,432,041	3,736,702

Note: The source note applies to both figure V.15 and table V.15.

Source: Ending inventory and current year issuances are from IRS' TDI Cumulative reports. Total workload is a GAO computation.

Figure V.16: Delinquent Returns Secured

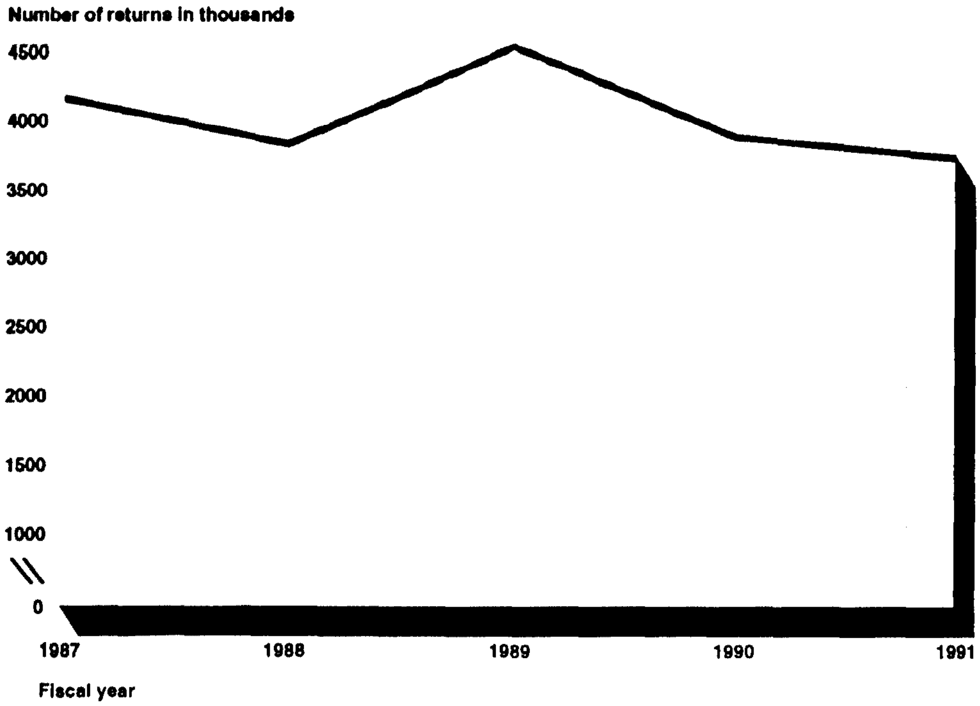

Table V.16: Delinquent Returns Secured

Fiscal year	Number of returns
1987	4,154,430
1988	3,824,951
1989	4,535,996
1990	3,877,624
1991	3,720,963

Note: The source note applies to both figure V.16 and table V.16.

Source: IRS' Delinquent Return Activity reports.

Figure V.17: Net Assessments for Delinquent Returns and Associated Collections Made With Delinquent Returns In 1991 Dollars

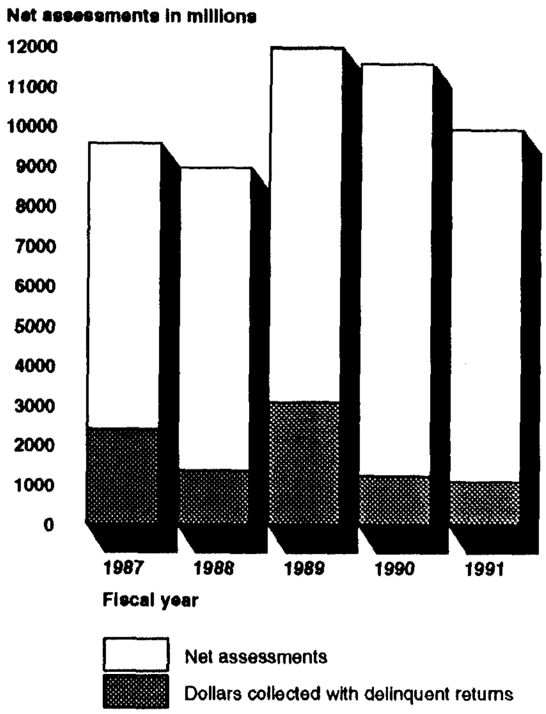

Table V.17: Net Assessments for Delinquent Returns and Associated Collections Made With Delinquent Returns In Current and 1991 Dollars

Dollars In thousands

Fiscal year	Net assessments in current dollars	Collections in current dollars	Net assessments in 1991 dollars	Collections in 1991 dollars
1987	$8,162,454	$2,035,975	$9,550,071	$2,382,091
1988	7,936,599	1,202,698	8,937,267	1,354,337
1989	11,083,281	2,851,959	11,962,582	3,078,221
1990	11,158,750	1,172,365	11,563,984	1,214,940
1991	9,893,234	1,069,974	9,893,234	1,069,974

Note 1: Notes 2 and 3 and the source note apply to both figure V.17 and table V.17.

Note 2: Net assessments are computed after accounting for taxes that have been prepaid or withheld.

Note 3: If the tax delinquency is not paid with the return, a TDA will be established.

Source: Current dollars are from IRS' Delinquent Return Activity reports. 1991 dollars are GAO computations from the Delinquent Return Activity report and gross domestic product indexes.

Figure V.18: Dollars Assessed per Field Function and ACS Staff Year in 1991 Dollars

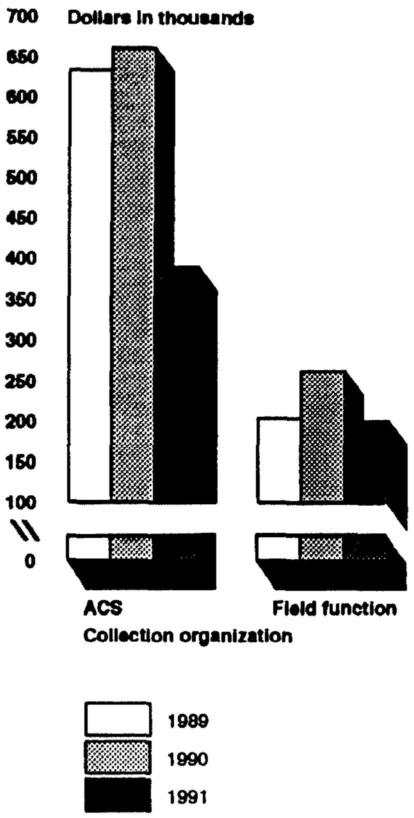

Table V.18: Dollars Assessed per Field Function and ACS Staff Year in Current and 1991 Dollars

Dollars in thousands

Fiscal year	Dollars assessed field function	Dollars assessed by field function in 1991 dollars	Dollars assessed by ACS	Dollars assessed by ACS in 1991 dollars
1989	$188	$203	$586	$632
1990	253	262	636	659
1991	200	200	388	388

Note: The source note applies to both figure V.18 and table V.18.

Source: Current year data are from IRS' Annual Business Plan Tracking reports. 1991 dollars are GAO computations using Annual Business Plan Tracking report data and gross domestic product indexes.

Figure V.19: Delinquent Tax Collections in 1991 Dollars

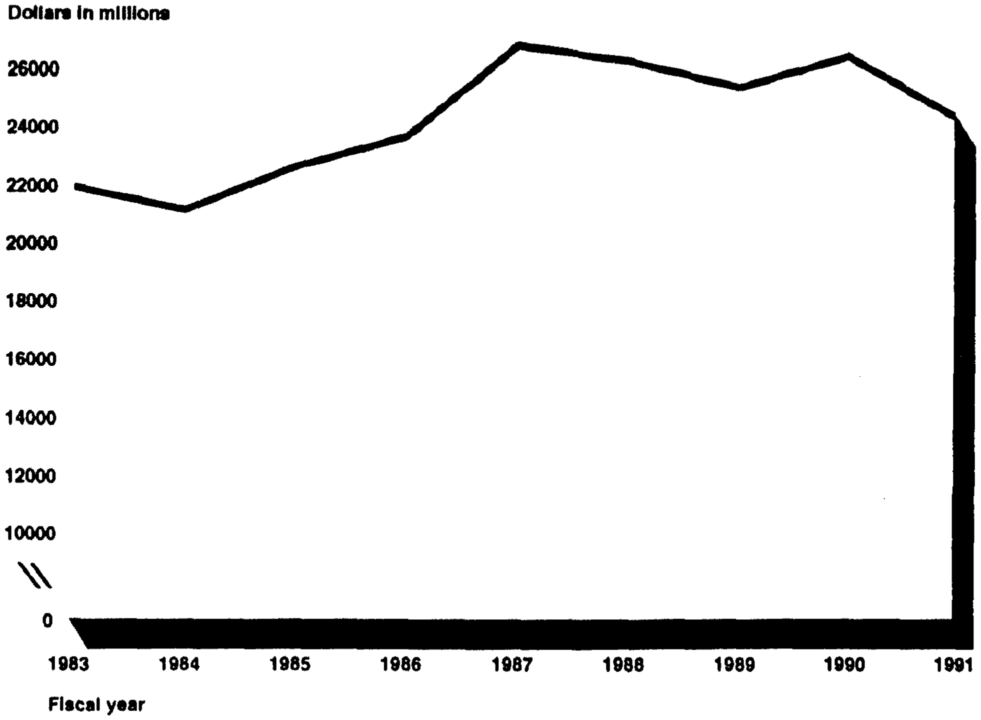

Table V.19: Delinquent Tax Collections

Fiscal year	Current dollars	1991 dollars
1983	$16,331,230,293	$21,912,315,875
1984	16,440,956,347	21,138,372,446
1985	18,252,647,397	22,622,454,931
1986	19,593,281,680	23,657,522,772
1987	22,885,077,243	26,775,540,374
1988	23,307,849,126	26,246,567,351
1989	23,491,363,482	25,355,069,441
1990	25,463,943,715	26,388,675,063
1991	24,280,628,812	24,280,628,812

Note: The source note applies to both figure V.19 and table V.19.

Source: Current dollars are GAO computations using data from IRS' Delinquent Accounts Receivable Yield reports. 1991 dollars are GAO computations using data from IRS' yield reports and gross domestic product indexes.

ACCOUNTS RECEIVABLE INVENTORY INDICATORS

ACCOUNTS RECEIVABLE INVENTORY

In the past, IRS' gross accounts receivable inventory has served two functions--to identify the potential workload for the collection staff and for financial reporting. Before 1992, IRS reported all unpaid assessments for taxes, penalties, and interest as the gross accounts receivable. However, some of the amounts in the inventory do not represent valid receivables; they may be duplicative of other delinquencies, erroneous, or based on limited data. In addition, as we discussed earlier, IRS may not be able to collect some of the valid amounts because the taxpayer cannot be located or the taxpayer cannot pay. IRS estimated that 75 percent of its reported 1991 fiscal year-end gross accounts receivable inventory was not collectible.

In September 1992, for purposes of financial reporting, IRS deducted currently not collectible (CNC) amounts as well as amounts for the Trust Fund Recovery Penalty that were included on the individual master file. IRS removed the penalty cases because they duplicated the business tax liability that was shown on the business master file. The duplication existed because IRS assesses corporate officers (on the individual master file) for not withholding or not paying employment taxes that were withheld from taxpayers.

The efforts we discussed earlier to eliminate duplicative and erroneous assessments may improve the reliability of the inventory as an indicator of potential revenue for the government. However, these efforts are not intended to provide IRS the capability to readily identify the assessments that should be included as receivables in its financial reports. As a result of preliminary findings from our financial audit, which questioned the method IRS used to report its fiscal year 1992 receivables, IRS has agreed to revise its method for financial reporting. It is conducting a statistical study of its accounts receivable to determine a reliable estimate for valid and collectible receivables. We plan to assess this study as part of our ongoing financial audit of IRS.

In commenting on a draft of this fact sheet, IRS officials expressed concern that we were using the gross accounts receivable inventory to report accounts receivable indicators. Because IRS is unable to adjust the gross accounts receivable inventory it reported in past years using its new methodology, they provided us with data showing the accounts receivable inventory for fiscal years 1988 through 1991 that excluded CNC and penalty accounts. We have included these data in this appendix. However, as we discussed earlier, we believe these numbers do not accurately reflect the dollar amount of valid and collectible receivables that may have been in the inventory.

Figure VI.1: Number of Accounts in the Accounts Receivable Inventory

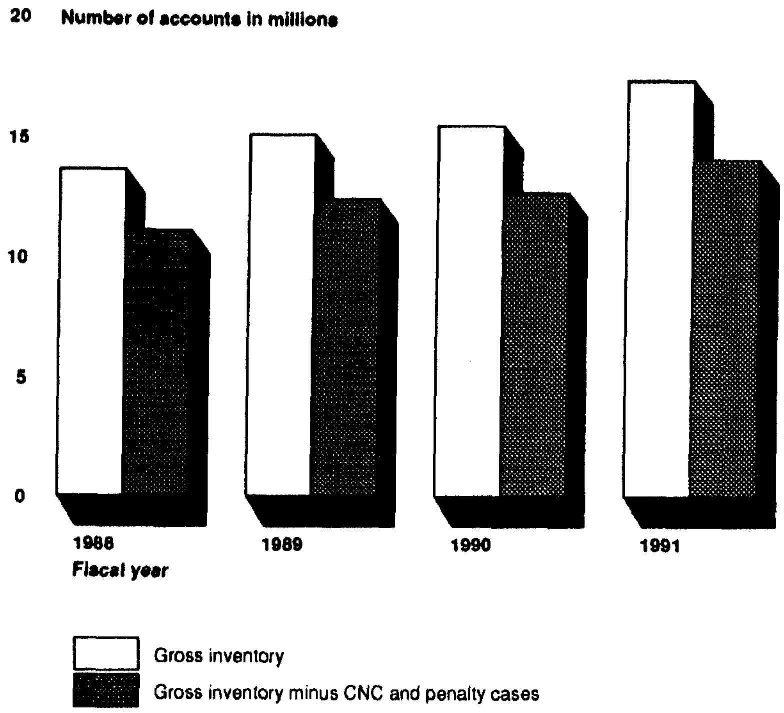

Table VI.1: Number of Accounts in the Accounts Receivable Inventory

Fiscal year	Number of accounts in gross inventory	Number of accounts minus CNC and penalty cases
1988	13,586,088	11,130,631
1989	15,082,973	12,420,791
1990	15,471,405	12,666,909
1991	17,356,347	14,123,946

Note: The source note applies to both figure VI.1 and table VI.1.

Source: Accounts in gross inventory are from GAO computations from IRS' Returns Processing Category reports. Accounts minus CNC and penalty cases are IRS computations.

Figure VI.2: Dollars in the Accounts Receivable Inventory

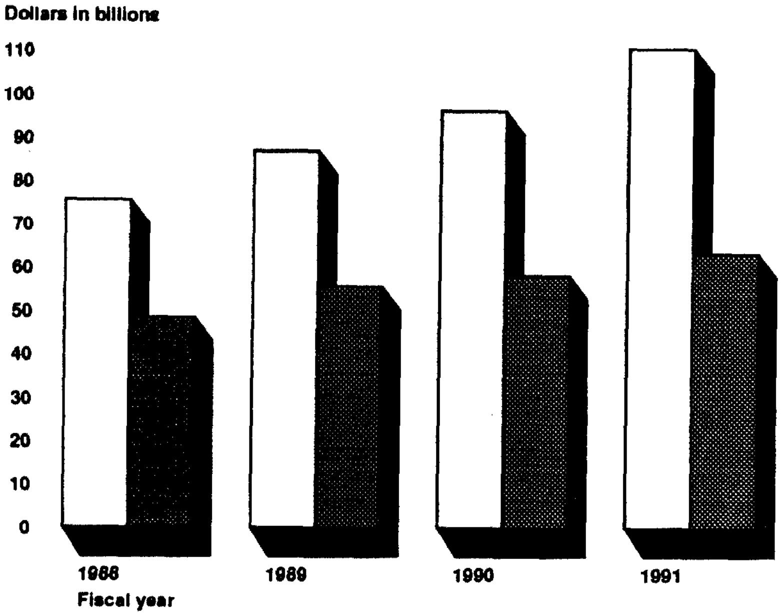

Table VI.2: Dollars in the Accounts Receivable Inventory

Dollars in thousands

Fiscal year	Dollars in gross inventory	Dollars in inventory minus CNC and penalty cases
1988	$75,626,854	$48,480,120
1989	86,999,601	55,574,627
1990	96,271,793	58,177,796
1991	110,664,253[a]	63,357,048

Note 1: Notes 2 and 3 and the source note apply to both figure VI.2 and table V1.2.

Note 2: Dollars include nonmaster file accounts.

[a]$6.1 billion of the increase from 1990 to 1991 for the gross inventory is due to the extension of the statutory collection period from 6 to 10 years.

Source: Dollars for gross inventory are GAO computations from IRS' Returns Processing Category reports and nonmaster file account data. Dollars minus CNC and penalty cases are IRS calculations.

Figure VI.3: Number of Accounts That Were More Than 1 Year Old

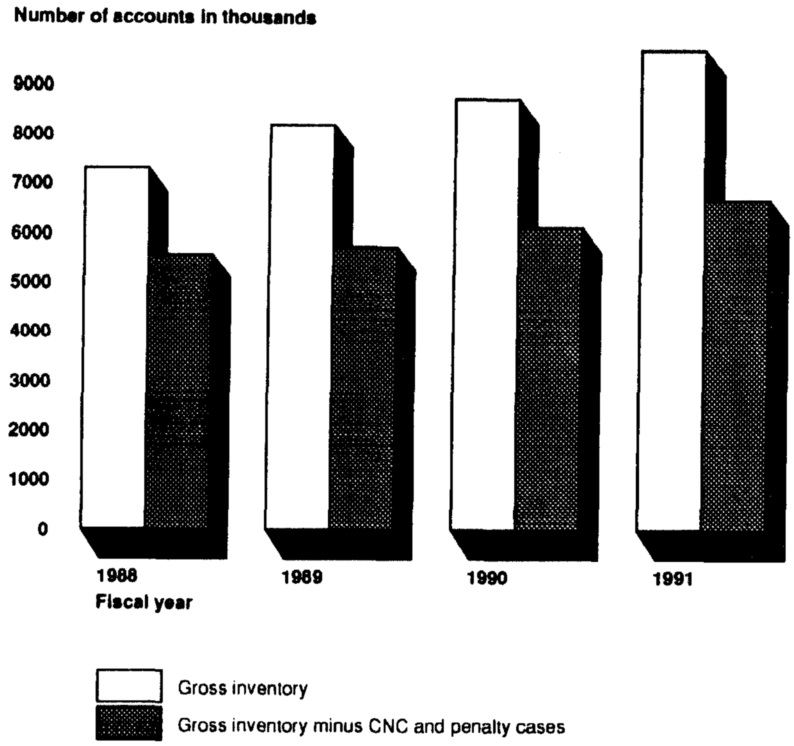

Table VI.3: Number of Accounts That Were More Than 1 Year Old

Fiscal year	Number of accounts in gross inventory	Number of accounts minus CNC and penalty cases
1988	7,287,699	5,556,827
1989	8,187,689	5,725,247
1990	8,714,720	6,125,031
1991	9,723,015	6,675,220

Note 1: Note 2 and the source note apply to both figure VI.3 and table VI.3.

Note 2: Excludes nonmaster file account data.

Source: The number of accounts in the gross inventory are GAO computations using data from IRS' Returns Processing Category reports for accounts that were more than 360 days old. The number of accounts minus CNC and penalty cases are IRS computations.

Figure VI.4: Accounts Receivable Dollars That Were More Than 1 Year Old

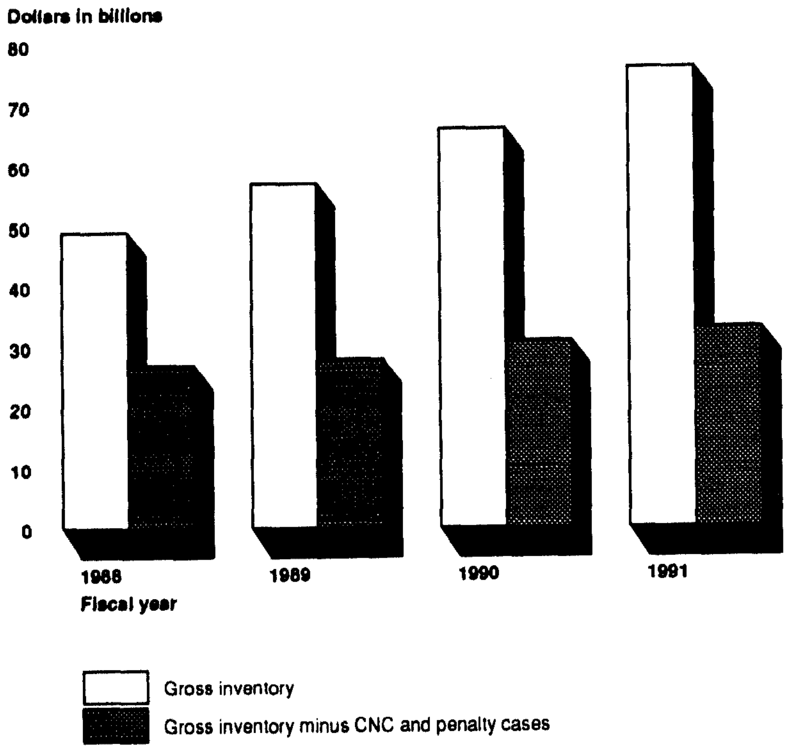

Table VI.4: Accounts Receivable Dollars That Were More Than 1 Year Old

Dollars in thousands

Fiscal year	Gross accounts receivable inventory	Gross inventory minus CNC and penalty cases
1988	$49,085,879	$26,959,703
1989	56,897,428	28,423,249
1990	65,638,164	31,148,038
1991	76,299,562	32,898,555

Note: The source note applies to both figure VI.4 and table V1.4.

Source: Gross accounts receivable dollars in inventory are GAO computations using data from IRS' Returns Processing Category reports for accounts that were more than 360 days old and nonmaster file account data. Gross inventory minus CNC and penalty cases are IRS computations.

INDICATORS FOR TAXPAYER SERVICE ACTIVITIES

TAXPAYER SERVICE ACTIVITIES

IRS does various things to help taxpayers comply with tax laws. It provides help, for example, through three forms of telephone assistance. IRS' toll-free system provides personnel to help answer tax law, procedural, and account questions. Tax law matters include technical tax information related to specific laws and regulations. Procedural matters involve routine issues, questions, such as where to file a tax return or how to get a particular form or publication. Account matters concern tax bills and notices. Tele-tax is another form of telephone assistance through which taxpayers can get recorded tax information on numerous tax law issues and on the status of their refunds. IRS also has a special toll-free service for taxpayers to order forms and publications.

In addition, IRS provides walk-in assistance at various locations. At these locations, taxpayers may receive help in preparing their returns or obtain copies of forms and publications. Also, throughout the year, IRS offers a wide variety of educational and assistance programs. For example, both the Volunteer Income Tax Assistance and the Tax Counseling for the Elderly programs use trained volunteers to prepare tax returns at sites throughout the community for people with special needs and for whom professional help is often unavailable.

IRS' Taxpayer Ombudsman, who reports directly to the Commissioner of Internal Revenue, oversees the Problem Resolution Program (PRP), which is another program that provides assistance to taxpayers. PRP aims to solve tax problems that have not been resolved through normal channels. PRP officers in each district, service center, and regional office are authorized to intervene to ensure that IRS' dealings with taxpayers are correct and appropriate. These PRP staff also work with other functional areas to implement the Omnibus Taxpayer Bill of Rights. Among other things, this law authorized the Ombudsman to issue Taxpayer Assistance Orders that would rescind or change an IRS action if IRS' administration of tax laws causes or is about to cause a significant hardship for a taxpayer. Requests for relief can be made by taxpayers or their representatives or by IRS employees.

The Taxpayer Service function, which is responsible for most of IRS' taxpayer assistance efforts, has developed a new performance measure called the total program productivity index. This index is a measure of all correct units completed (telephone calls answered, taxpayers assisted at walk-in sites, correspondence cases, and Tele-tax inquiries) divided by the total number of staff hours spent doing these activities.

Not all programs that are designed to help taxpayers fall under the Taxpayer Service function. For example, in addition to the Ombudsman who is part of the staff of the Commissioner of Internal Revenue, the ACS staff within the Collection function also have extensive interactions with taxpayers to resolve account-related matters. To address its organizational fragmentation in dealing with taxpayers, IRS developed an initiative called One Stop Service that is designed to coordinate its assistance to taxpayers through a combination of technology and expanded authority.

One Stop Service has short- and long-term goals. In the short term, IRS is focusing on improving its telephone service by expanding the authority of its employees so that they can resolve taxpayer account problems. IRS' long-term goal is to resolve 95 percent of all customer service inquiries through a single taxpayer contact with the agency. In April 1992, we said that the success of One Stop Service will depend on the ability of assistors to secure and retrieve comprehensive account data.[1] This ability in turn requires the completion of several major Tax Systems Modernization projects.

[1] One Stop Service: A New Concept of Assistance for Taxpayers (GAO/T-GGD-92-33, Apr. 28, 1992).

Figure VII.1: Funds Obligated for the Taxpayer Service Function in 1991 Dollars

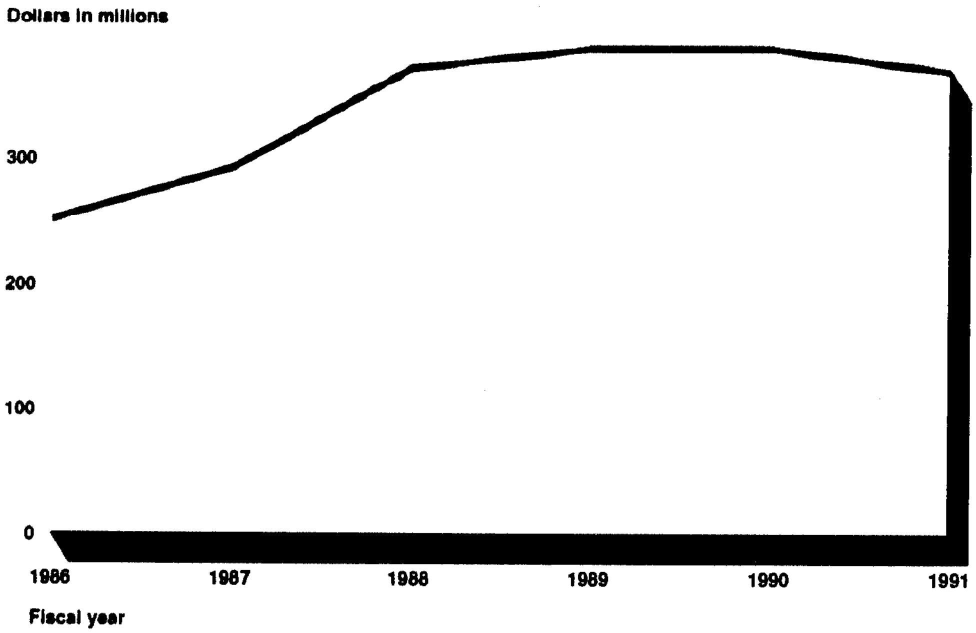

Table VII.1: Funds Obligated for the Taxpayer Service Function

Dollars in thousands

Fiscal year	In current dollars	In 1991 dollars
1986	$208,212	$251,401
1987	249,606	292,039
1988	329,597	371,153
1989	358,019	386,423
1990	372,087	385,599
1991	368,050	368,050

Note: The source note applies to both figure VII.1 and table VII.1.

Source: Current year dollars are from IRS Annual Reports. 1991 dollars are GAO computations using Annual Report data and gross domestic product indexes.

Figure VII.2: Number of Full-Time Equivalents for the Taxpayer Service Function by Data Source

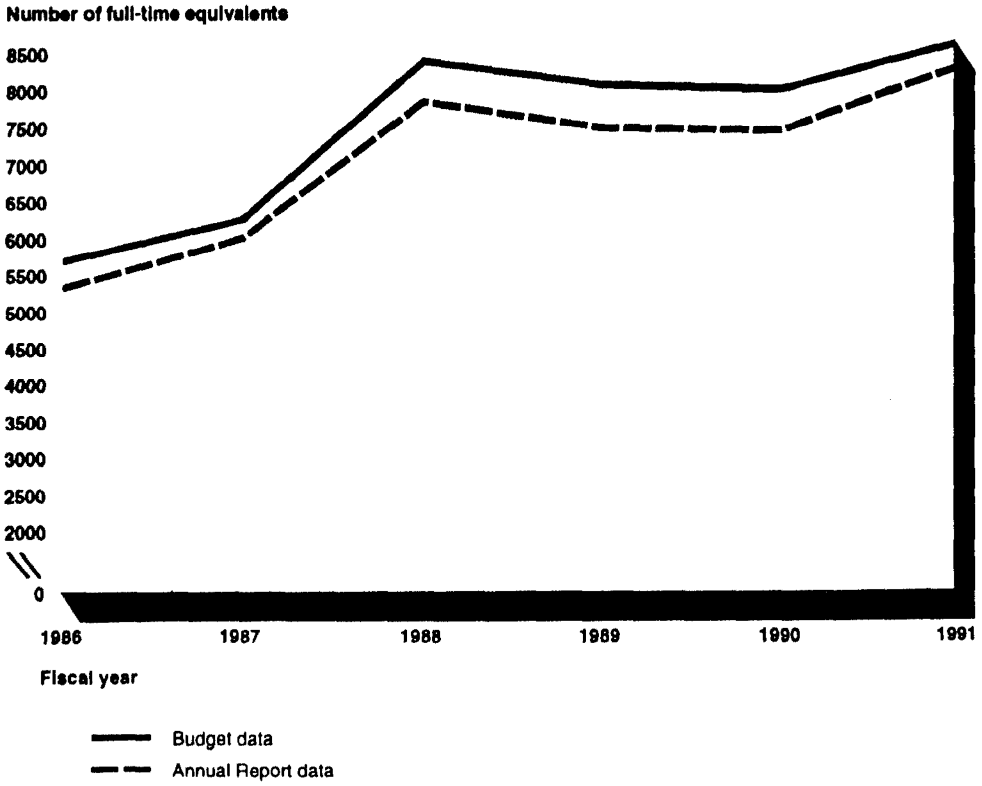

Table VII.2: Number of Full-Time Equivalents for the Taxpayer Service Function by Data Source

Fiscal year	Budget data	Annual Report data
1986	5,696	5,326
1987	6,257	6,005
1988	8,398	7,853
1989	8,073	7,495
1990	7,998	7,449
1991	8,631	8,297

Note 1: Note 2 and the source note apply to both figure VII.2 and table VII.2.

Note 2: Budget data include resources management staff. The Annual Report data do not include this staff but include other staff that is funded through reimbursements IRS receives from other agencies.

Figure VII.3: Number of Permanent and Nonpermanent Taxpayer Service Staff

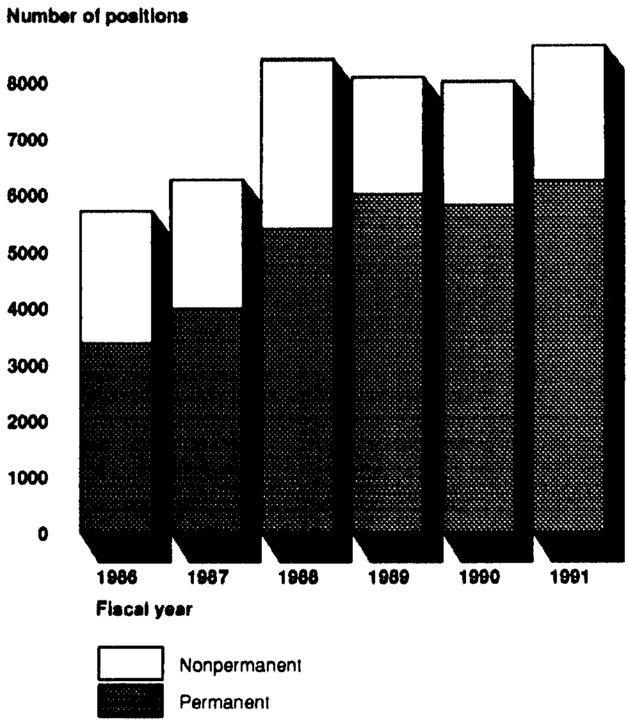

Table VII.3: Number of Permanent and Nonpermanent Taxpayer Service Staff

Fiscal year	Permanent	Nonpermanent
1986	3,356	2,340
1987	3,976	2,281
1988	5,384	3,014
1989	5,985	2,088
1990	5,795	2,203
1991	6,226	2,405

Note 1: Note 2 and the source note apply to both figure VII.3 and table VII.3.

Note 2: The number of permanent staff includes resources management staff that may be involved in training, budget, or other staff functions. According to IRS budget staff, for those years for which data were available, resources management staff may have accounted for anywhere from 3 to 7 percent of permanent staff.

Source: IRS budget submissions.

Figure VII.4: Percentage of Total Telephone Calls Answered by Type of Call

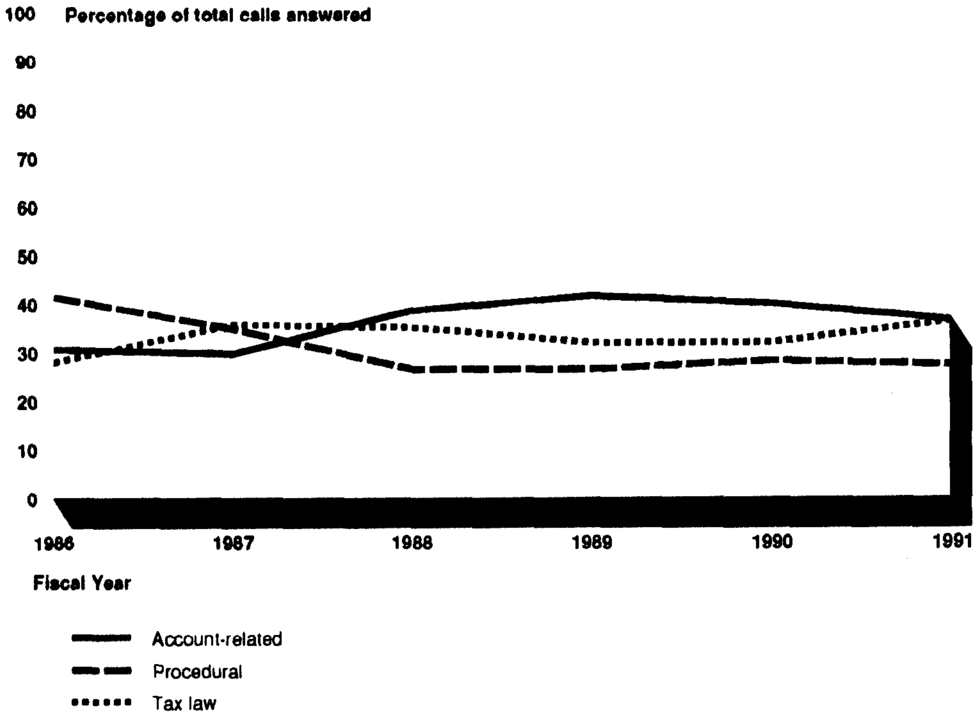

Table VII.4: Percentage of Total Telephone Calls Answered by Type of Call

Fiscal year	Account-related calls	Procedural calls	Tax law calls
1986	30.6%	41.4%	28.0%
1987	29.7	34.7	35.6
1988	38.5	26.5	35.0
1989	41.6	26.5	31.9
1990	39.9	28.2	31.9
1991	36.4	27.3	36.3

Note: The source note applies to both figure VII.4 and table VII.4.

Source: IRS' Quality Management Information System for the Taxpayer Service function.

Figure VII.5: Toll-Free Telephone Answer Rate for Tax Law, Account, and Procedural Questions

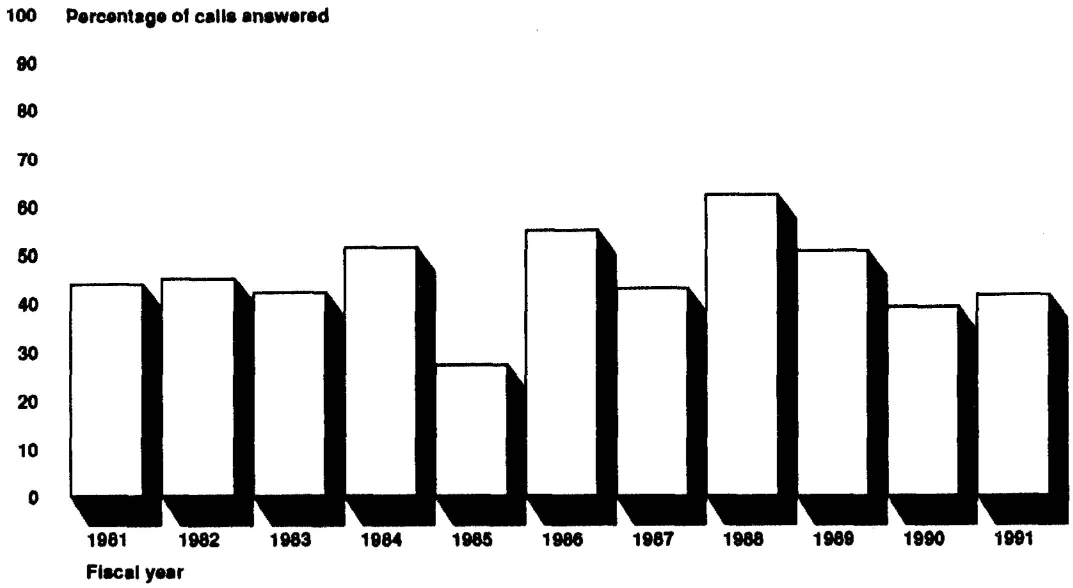

Table VII.5: Total Toll-Free Telephone Calls Received, Calls Answered, and Answer Rate for Tax Law, Account, and Procedural Questions

Fiscal year	Total calls received in millions	Calls answered in millions	Percentage of total calls answered
1981	80.6	35.2	43.7%
1982	85.3	38.3	44.9
1983	92.3	38.8	42.0
1984	80.9	41.4	51.2
1985	151.3[a]	41.1	27.2
1986	69.4	37.9	54.6
1987	81.3	34.7	42.7
1988	62.2	38.5	61.9
1989	73.5	37.0	50.3
1990	87.3	33.9	38.8
1991	84.9	35.1	41.3

Note: The source note applies to both figure VII.5 and table VII.5.

[a]IRS' computer problems in 1985 caused delays in issuing refunds. These delays probably account for the large number of calls received.

Source: Total calls answered and answer rate are from GAO computations using IRS' Toll-Free Telephone data. Calls answered are from IRS' Telephone Data reports.

Figure VII.6: Total Number of Taxpayers Assisted

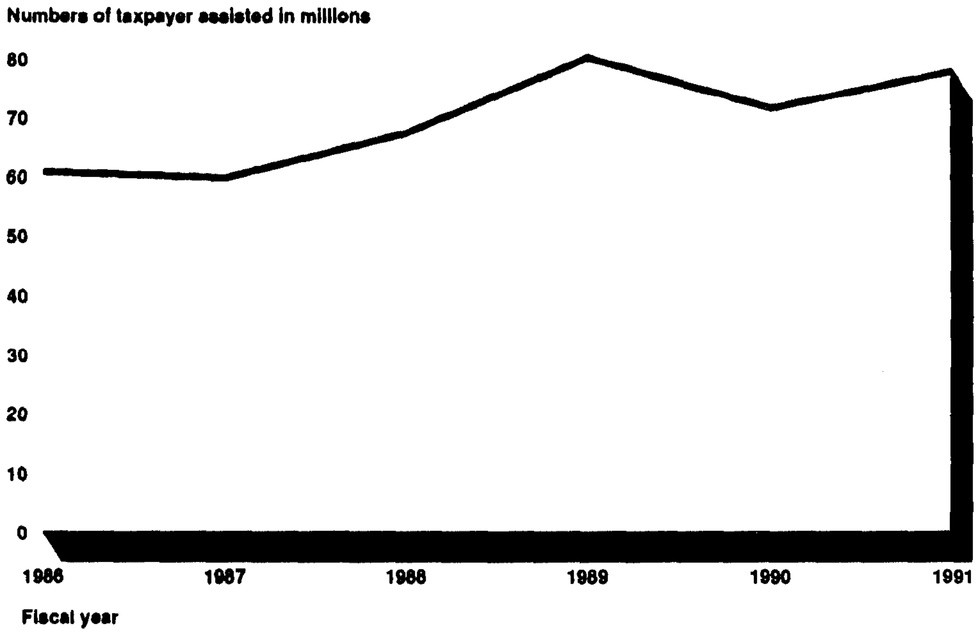

Table VII.6: Taxpayers Assisted by Type of Assistance

In millions

Fiscal year	Toll-free telephone	Tele-tax	Walk-in	Written contacts	Taxpayer education programs	Problem Resolution Program	Total assisted
1986	37.9	7.9	8.1	0.2	6.2	0.4	60.7
1987	34.7	10.9	7.1	0.2	6.4	0.3	59.6
1988	38.5	13.4	7.4	0.2	7.5	0.2	67.2
1989	37.0	27.8	7.0	0.2	7.9	0.2	80.1
1990	33.9	22.1	7.1	0.2	7.9	0.2	71.4
1991	35.1	28.9	7.2	0.2	6.1	0.2	77.7

Note: The source note applies to both figure VII.6 and table VII.6.

Source: Toll-free telephone data are from Telephone Data reports; Tele-tax and taxpayer education program data are from IRS' annual budget submissions; Walk-in, Written Correspondence, and Problem Resolution Program data are from IRS Resources Management Information System.

Figure VII.7: Number of Calls Answered per Taxpayer Assistor Staff Year

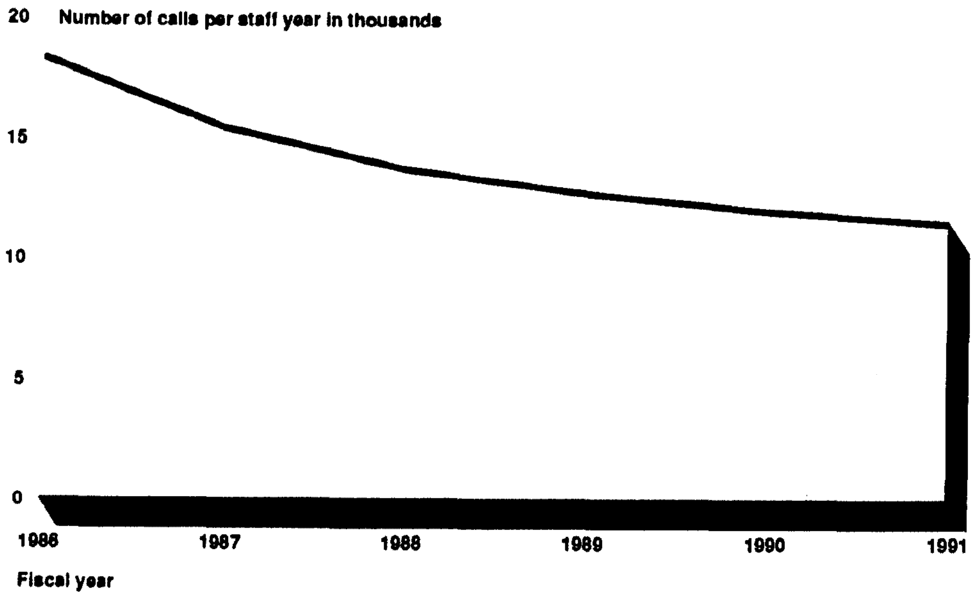

Table VII.7: Number of Calls Answered per Taxpayer Assistor Staff Year

Fiscal year	Staff years	Calls answered	Calls answered per staff year
1986	2,064	37,863,154	18,345
1987	2,246	34,655,448	15,430
1988	2,809	38,525,695	13,715
1989	2,912	36,981,910	12,700
1990	2,836	33,905,813	11,956
1991	3,040	35,099,779	11,546

Note 1: Note 2 and the source note apply to both figure VII.7 and table VII.7.

Note 2: IRS attributes part of the decline in calls answered per staff year to its increased efforts to ensure quality and customer satisfaction in every taxpayer contact.

Source: Staff years and calls answered per staff year are GAO computations using data from IRS' Resources Management Information System for Taxpayer Service and Telephone Data reports. Calls answered are from Telephone Data reports.

Figure VII.8: Telephone Accuracy Rate for Tax Law Questions

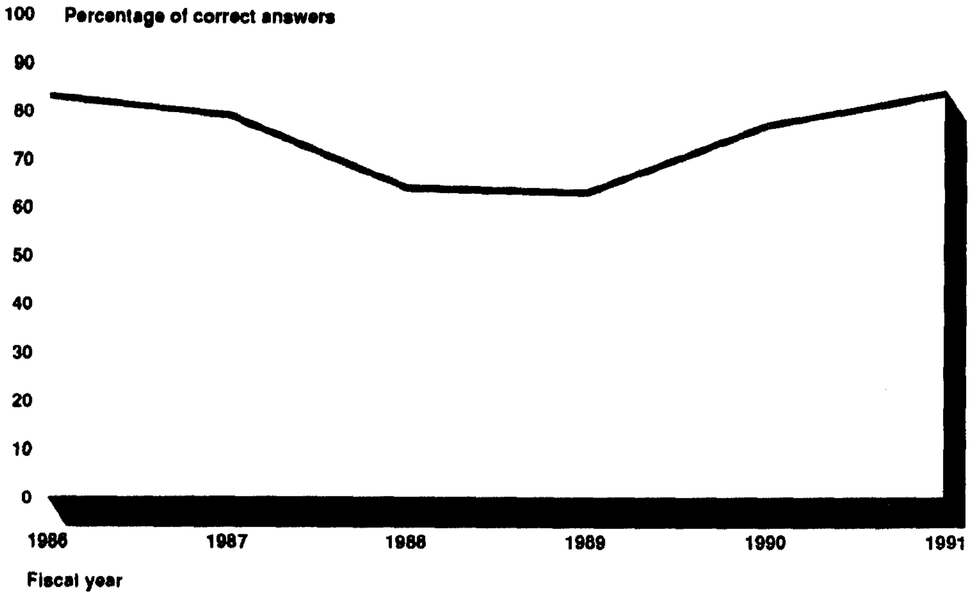

Table VII.8: Telephone Accuracy Rate for Tax Law Questions

Fiscal year	Percentage of total calls answered correctly
1986	83%
1987	79
1988	64
1989	63
1990	77
1991	84

Note 1: Note 2 and the source note apply to both figure VII.8 and table VII.8.

Note 2: Rates for fiscal years 1986-88 may not be comparable because GAO changed the methodology for determining accuracy rates.

Source: Data from fiscal years 1986-1988 are from GAO tests. Data from fiscal years 1989-91 are from IRS' Integrated Test Call Survey System.

Figure VII.9: Toll-Free Telephone Answer Rate for Forms and Publications

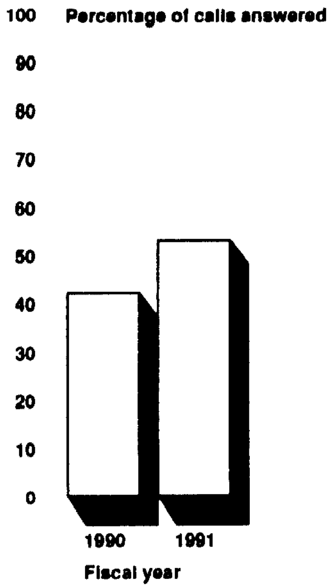

Table VII.9: Toll-Free Telephone Answer Rate for Forms and Publications

Fiscal year	Percentage of total calls answered
1990	42%
1991	53

Note: The source note applies to both figure VII.9 and table VII.9.

Source: GAO computations based on reports from IRS' Publishing Services Branch, Human Resources and Support function.

Figure VII.10: Dispositions of Applications for Taxpayer Assistance Orders

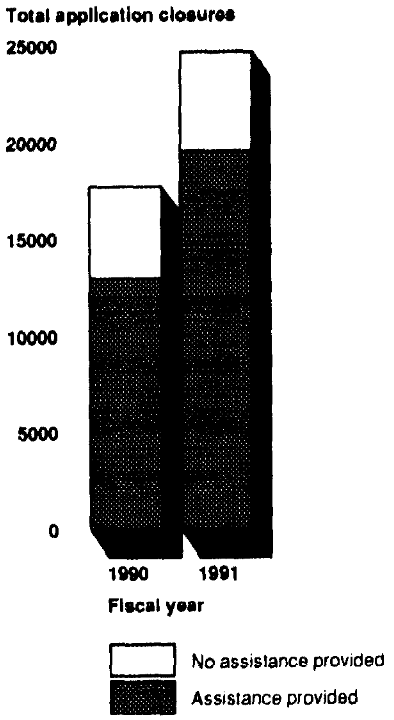

Table VII.10: Dispositions of Applications for Taxpayer Assistance Orders

Fiscal year	Assistance provided	No assistance
1990	12,953	4,720
1991	19,543	5,089

Note 1: Note 2 and the source note apply to both figure VII.10 and table VII.10.

Note 2: Applications for taxpayer assistance orders were authorized in January 1989. Therefore, fiscal year 1990 was the first full year for the program.

Source: Data are from IRS' Problem Resolution Office Management Information Report 7.

INDICATORS FOR THE RETURNS PROCESSING FUNCTION

OVERVIEW OF THE RETURNS PROCESSING FUNCTION

Returns processing includes (1) receiving, sorting, and establishing controls over tax returns, related documents, remittances, and correspondence from taxpayers; (2) editing, perfecting, and coding tax returns and related documents to prepare them for transcription onto computer tape; (3) transcribing, verifying, and correcting pertinent information from the tax documents; (4) maintaining accounting records for assessments, collections, receivables, refunds, and other transactions affecting taxpayer accounts; and (5) preparing correspondence to respond to inquiries from taxpayers, advise taxpayers of adjustments to their accounts, and obtain missing or clarifying information needed to process taxpayers' returns.

IRS' returns processing workload is primarily affected by the number of returns filed and the work needed to prepare those returns for posting to taxpayer accounts maintained in Martinsburg, West Virginia. Although more and more tax returns are being filed electronically and processed by computer, thus minimizing the human effort needed to prepare them for posting, the vast majority of returns are still filed on paper and processed manually at the service centers. Because paper-filed and manually processed returns are more prone to errors by taxpayers in preparing the returns and by IRS staff in processing them, a significant part of IRS' returns processing effort involves error correction. Two of the important indicators of that workload are unpostable receipts and error resolution receipts.

An unpostable condition occurs if there is a discrepancy between information on the taxpayer's account and data on the return that prevents IRS from posting the return to the taxpayer's account. For example, many unpostables occur when taxpayers put Social Security numbers on their tax returns that differ from the Social Security numbers on IRS' accounts. Unpostable conditions require research by service center staff to resolve the discrepancies. Other types of errors are resolved by the Error Resolution Unit in the service center. Returns sent to that unit involve such things as computational errors made by taxpayers in filling out the returns and errors made by IRS staff in transcribing numbers from the returns during processing. Not all returns sent to Error Resolution involve errors, however. Some returns are sent to the unit because they meet certain predetermined criteria. Upon review, these returns may prove to be error-free.

As we discussed earlier, IRS has identified three primary returns processing products--notices, correspondence, and refunds--for which it is developing indicators. This appendix includes a fourth product--adjustments. One of IRS' responsibilities in processing returns is to adjust taxpayers' accounts either as a result of some IRS-initiated action or in response to correspondence from taxpayers. For example, a taxpayer, after receiving a balance due notice from IRS, might write to say that the amount in question had already been paid. Upon researching it, IRS might find that the amount was paid but was credited to the wrong account. The correction of the error would constitute an adjustment. In 1989, IRS began measuring the accuracy of its adjustments in terms of the percentage containing "critical" errors. IRS defined an error as critical if it resulted in an unsatisfactory product to the taxpayer, such as an incorrect refund or notice and included instances in which the error affected IRS processes as well. In 1992, however, IRS changed its definition of critical. As a result of this change, the accuracy rates of future years will not be comparable with the accuracy rates reported in this appendix. IRS' new definition considers an adjustment error to be critical only if it results in an unsatisfactory product to the taxpayer.

Figure VIII.1: Obligations for Returns Processing and Revenue Accounting in 1991 Dollars

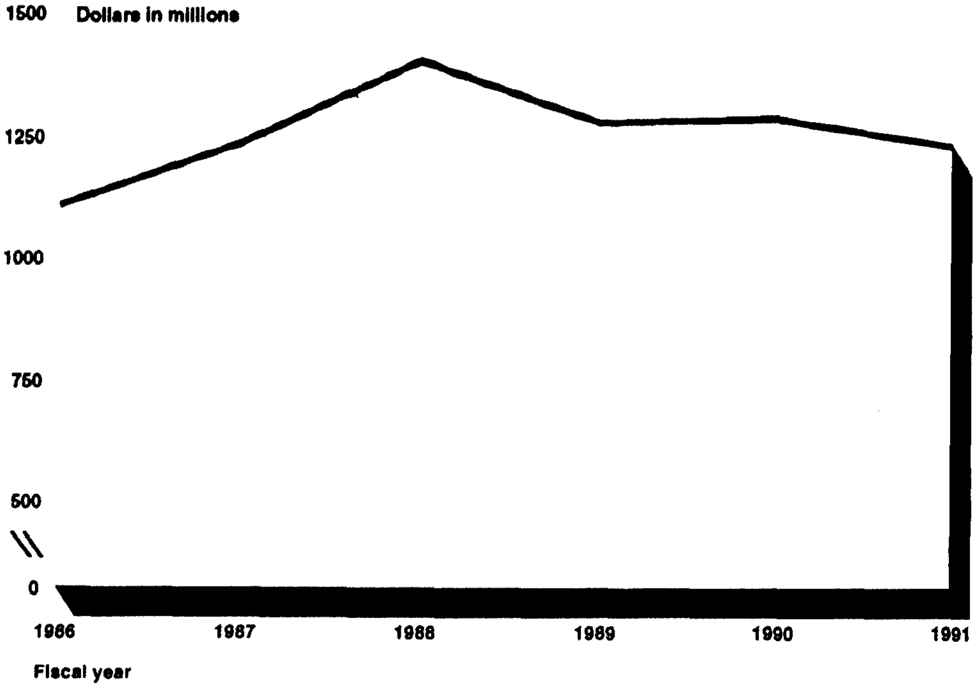

Table VIII.1: Obligations for Returns Processing and Revenue Accounting

Dollars in thousands

Fiscal year	Current dollars	1991 dollars
1986	$917,985	$1,108,403
1987	1,056,202	1,235,756
1988	1,247,032	1,404,261
1989	1,184,110	1,278,052
1990	1,240,184	1,285,222
1991	1,227,660	1,227,660

Note: The source note applies to both VIII.1 and table VIII.1.

Source: Current dollars are from IRS' Annual Reports. 1991 dollars are GAO computations using IRS' Annual Report data and gross domestic product indexes.

Figure VIII.2: Number of Full-Time Equivalents for Returns Processing and Revenue Accounting by Data Source

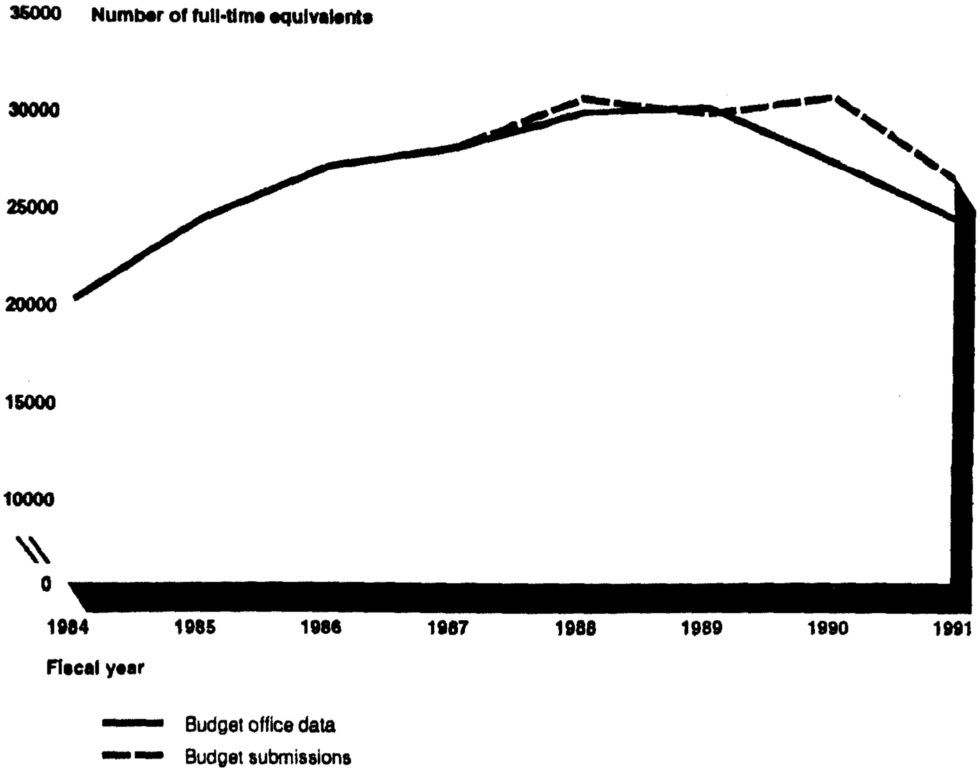

Table VIII.2: Number of Full-Time Equivalents for Returns Processing and Revenue Accounting by Data Source

Fiscal year	IRS budget office data	IRS budget submissions
1984	20,279	20,279
1985	24,449	24,449
1986	27,155	27,155
1987	28,166	28,166
1988	29,978	30,707
1989	30,265	29,915
1990	27,492	30,833
1991	24,550	26,548

Note 1: Note 2 and the source note apply to both figure VIII.2 and table VIII.2.

Note 2: According to IRS, comparable data were not available for fiscal years before 1984.

Source: IRS' Office of Budget Execution and IRS' congressional budget submissions for fiscal years 1986 through 1993.

Figure VIII.3: Number of Returns Filed

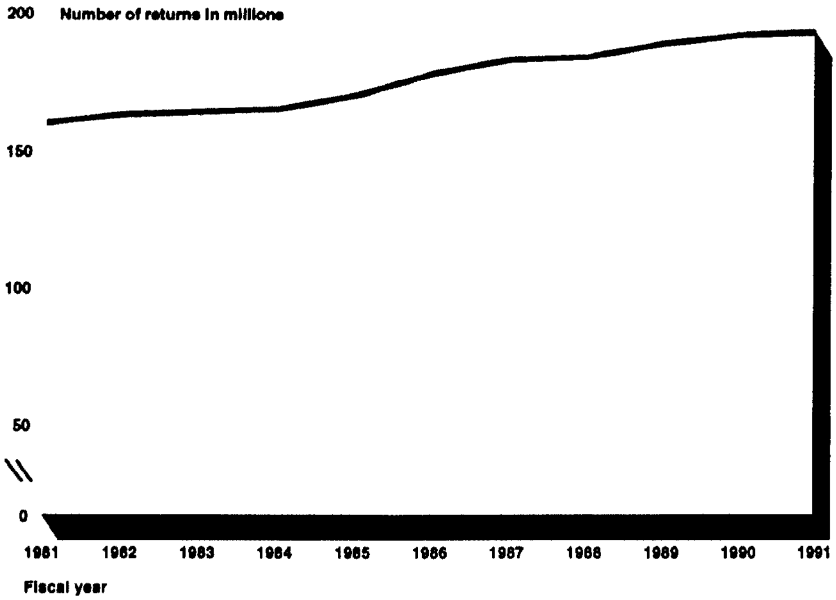

Table VIII.3: Number of Returns Filed by Type, Fiscal Years 1981-1985

In thousands

	Fiscal year				
Type of return	1981	1982	1983	1984	1985
Individual income	94,018	95,482	95,284	96,288	99,426
Corporate income	2,806	2,950	3,078	3,129	3,303
Other income[a]	33,731	35,388	36,660	36,273	37,995
Employment	26,063	25,835	25,537	26,133	26,824
Other[b]	3,037	3,105	2,983	2,771	2,440
Subtotal	159,655	162,760	163,542	164,594	169,988
Supplemental documents[c]	6,873	7,611	7,632	7,919	8,231
Total	166,528	170,360	171,174	172,512	178,219

Note 1: Totals may not add due to rounding.

Note 2: The source note applies to both figure VIII.3 and table VIII.3.

[a]"Other income" includes partnership, fiduciary, and estimated income tax returns.

[b]"Other" includes estate, gift, excise, exempt organization, and employee plan returns.

[c]These documents include amended returns (Forms 1040X and 1120X) and applications for extensions to file (Forms 2688, 4868, and 7004).

Source: IRS Annual Reports.

Table VIII.4: Number of Returns Filed by Type, Fiscal Years 1986-1991

In thousands

	Fiscal year					
Type of return	1986	1987	1988	1989	1990	1991
Individual income	102,393	103,460	106,994	110,253	112,492	114,058
Corporate income	3,667	3,873	3,986	4,209	4,311	4,354
Other income[a]	39,635	42,976	41,141	42,667	43,282	43,434
Employment	27,921	28,233	28,236	28,930	28,914	28,516
Other[b]	4,589	4,306	3,421	3,248	2,545	2,658
Subtotal	178,205	182,848	183,778	189,307	191,544	193,020
Supplemental documents[c]	9,812	10,309	10,527	10,260	10,170	10,594
Total	188,017	193,156	194,305	199,567	201,715	203,613

Note: Totals may not add due to rounding.

[a]"Other income" includes partnership, fiduciary, and estimated income tax returns.

[b]"Other" includes estate, gift, excise, exempt organization, and employee plan returns.

[c]These documents include amended returns (Forms 1040X and 1120X) and applications for extensions to file (Forms 2688, 4868, and 7004).

Source: IRS Annual Reports.

Figure VIII.4: Number of Individual Income Tax Returns Filed Electronically

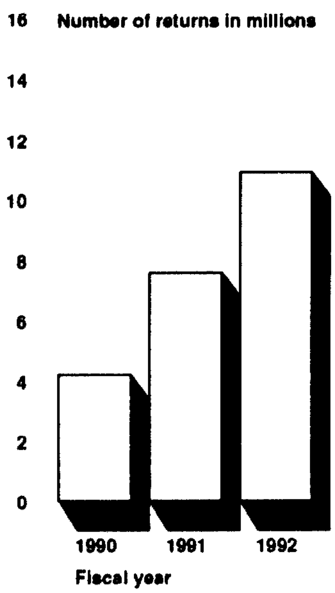

Table VIII.5: Number of Individual Income Tax Returns Filed Electronically

In millions

Fiscal year	Number of returns
1990	4.2
1991	7.6
1992	10.9

Note 1: Note 2 and the source note apply to both figure VIII.4 and table VIII.5

Note 2: 1990 was the first year electronic filing was available for individual returns nationwide.

Source: The Commissioner's Overview (Sept. 1991) and IRS' Management Information System for Top Level Executives.

Figure VIII.5: Adjustments/Correspondence Receipts

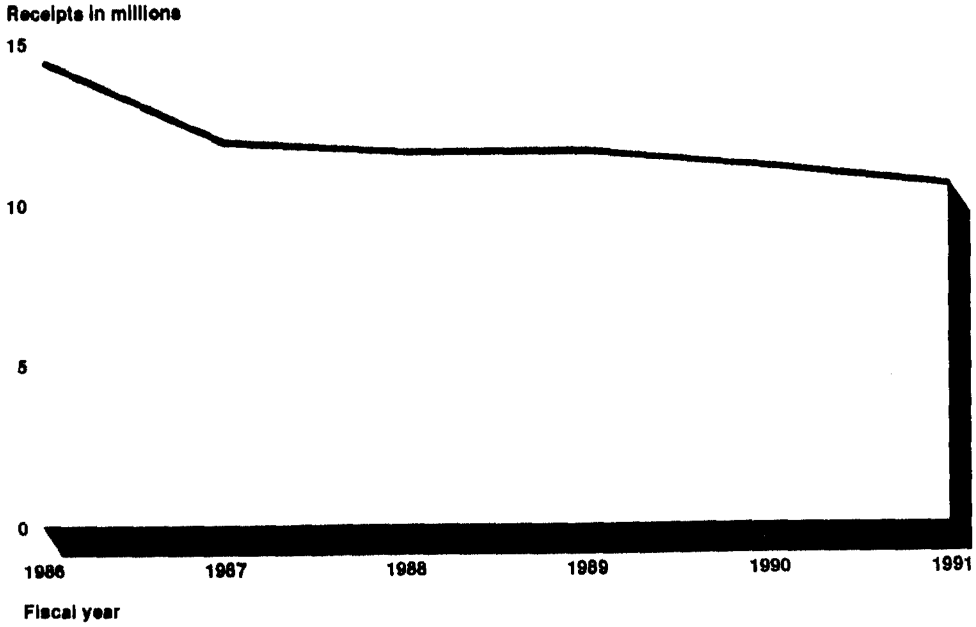

Table VIII.6: Adjustments/Correspondence Receipts

Calendar year	Number received in millions
1986	14.4
1987	11.9
1988	11.6
1989	11.6
1990	11.1
1991	10.5

Note 1: Note 2 and the source note apply to both figure VIII.5 and table VIII.6.

Note 2: IRS had computer problems in 1985 that caused problems in processing returns and refunds. The large number of adjustments/correspondence receipts in 1986 compared with the following years reflects, at least in part, one of the consequences of those problems.

Source: IRS' Management Information System for Top Level Executives.

Figure VIII.6: Unpostable Receipts for Individual Tax Returns

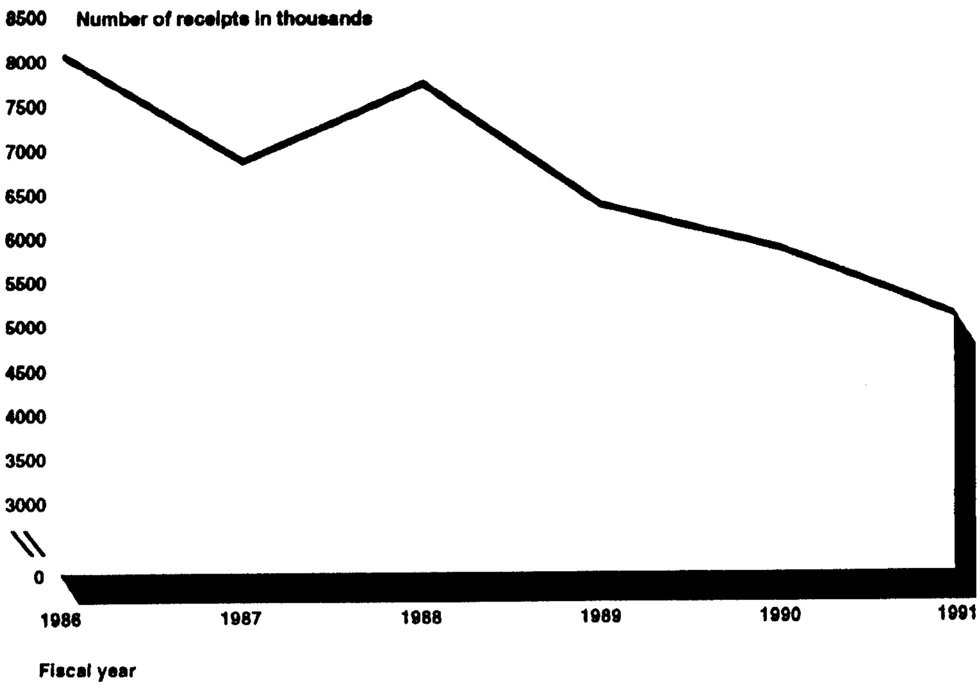

Table VIII.7: Unpostable Receipts for Individual Tax Returns

Calendar year	Number received in thousands
1986	8,049.7
1987	6,858.9
1988	7,722.3
1989	6,354.5
1990	5,854.1
1991	5,082.4

Note 1: Note 2 and the source note apply to both figure VIII.6 and table VIII.7.

Note 2: The number of unpostables in any 1 year is affected, to some degree, by IRS' decisions as to what kinds of situations it wants to treat as unpostables in that particular year. Thus, increases or decreases in the number of unpostables should not be interpreted as an indication of decreased or increased quality.

Source: IRS' Individual Master File Filing Season report.

Figure VIII.7: Error Resolution Receipts for Individual Tax Returns

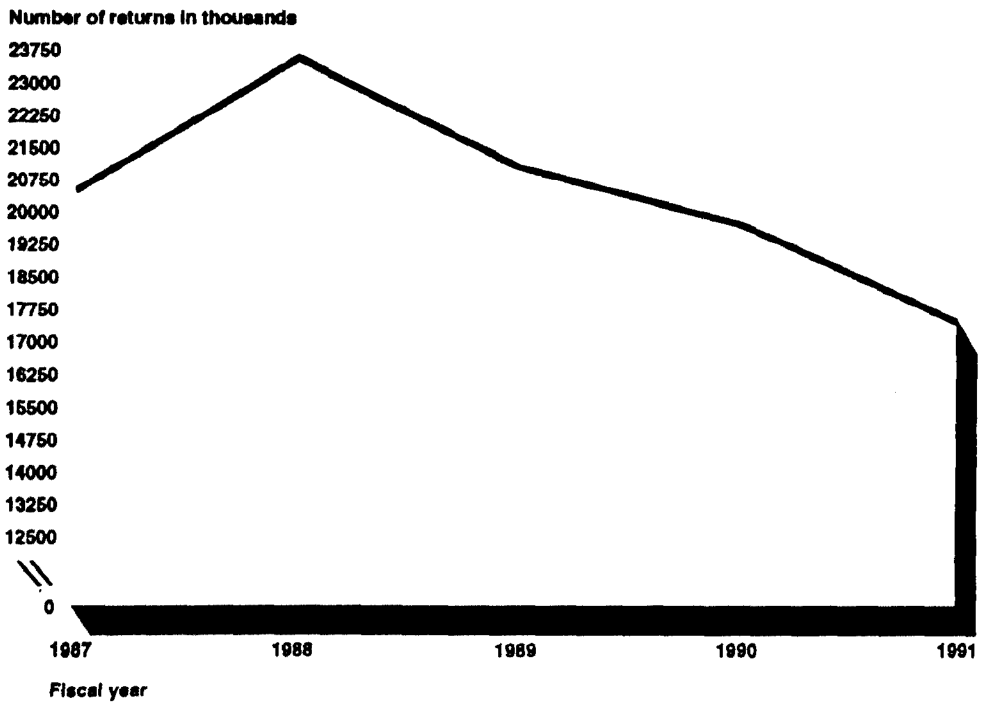

Table VIII.8: Error Resolution Receipts for Individual Tax Returns

Fiscal year	Number of returns sent to Error Resolution
1987	20,487,374
1988	23,550,306
1989	21,031,750
1990	19,684,399
1991	17,387,852

Note 1: Note 2 and 3 and source note apply to both figure VIII.7 and table VIII.8.

Note 2: The data are as of 8/19/87, 8/17/88, 8/16/89, 8/8/90, and 8/7/91. Those are the dates IRS stopped tracking this information. Data were not available for 1986.

Note 3: Because not all returns sent to Error Resolution contain errors, the information on this chart should not be viewed as an indicator of trends in error rates or quality.

Source: IRS' Program Analysis System.

Figure VIII.8: Accuracy of IRS Processing

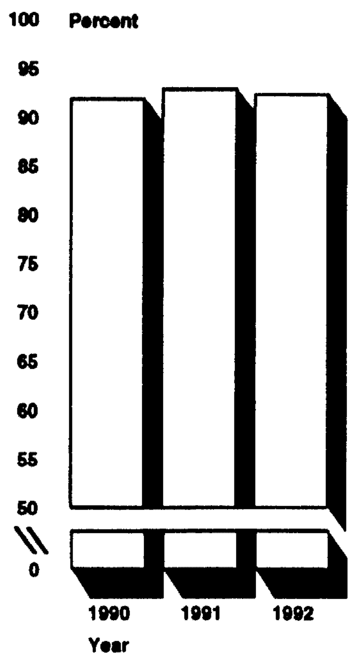

Table VIII.9: Accuracy of IRS Processing

Year	Accuracy rate
1990	91.8%
1991	92.8
1992	92.3

Note 1: Note 2 and the source note apply to both figure VIII.8 and table VIII.9.

Note 2: These data show, through May of each year, the extent to which IRS staff accurately processed nonelectronically filed individual income tax returns involving refunds or having a balance due. Comparable data were not available for years before 1990.

Source: The Commissioner's Overview (July 1992).

Figure VIII.9: Accuracy of IRS Adjustments

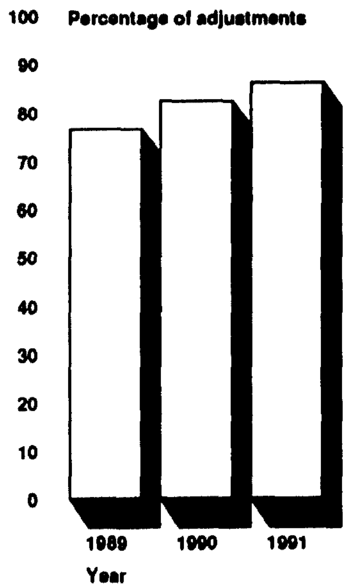

Table VIII.10: Accuracy of IRS Adjustments

Year	Accuracy rate
1989	76.4%
1990	82.3
1991	86.2

Note 1: Note 2 and the source note apply to both figure VIII.9 and table VIII.10.

Note 2: 1989 was the first year IRS measured the accuracy of its adjustments. Data for 1989 and 1990 are for the calendar year. In 1991, IRS began tracking this information by fiscal year.

Source: IRS' Program Analysis System.

Figure VIII.10: Adjustments/Correspondence Overage Rate

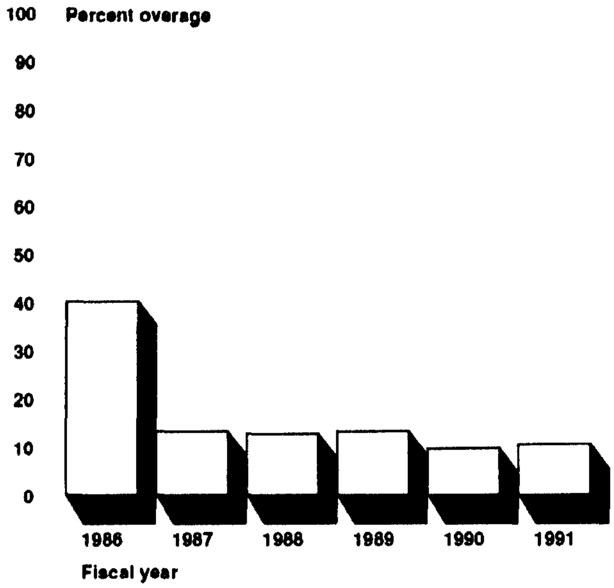

Table VIII.11 : Adjustments/Correspondence Overage Rate

Year	Percent overage
1986	40.2%
1987	13.2
1988	12.7
1989	13.2
1990	9.6
1991	10.5

Note 1: Note 2 and 3 and the source note apply to both figure VIII.10 and table VIII.11.

Note 2: Data are as of the last week of the given fiscal year.

Note 3: The high overage rate in 1986 compared to the following years reflects, at least in part, one of the consequences of the computer problems IRS experienced in 1985.

Source: IRS' *Management Information System for Top Level Executives*.

Figure VIII.11: Number of Refunds Issued

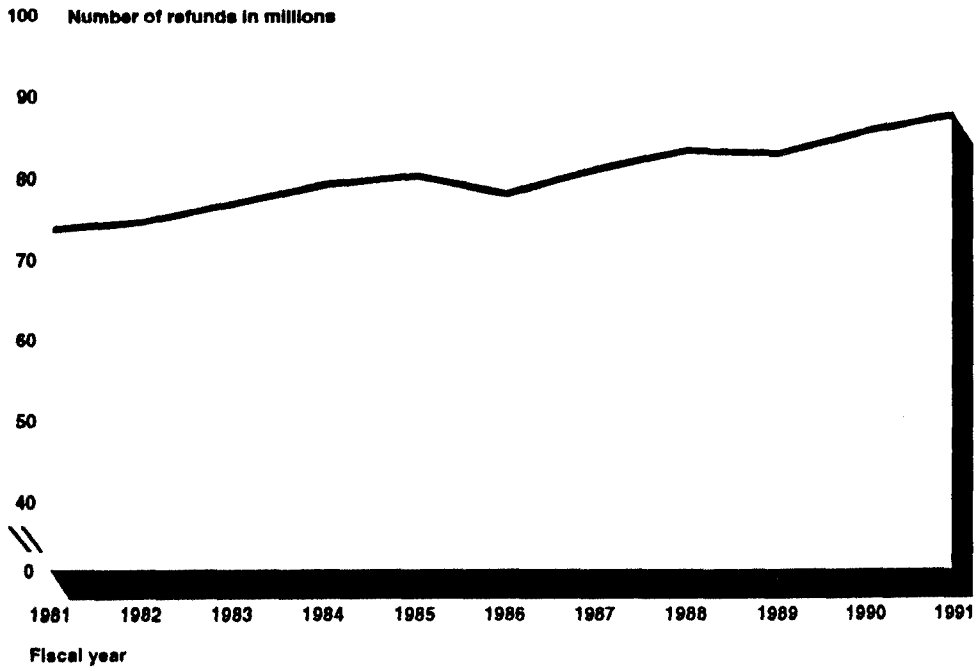

Table VIII.12: Number of Refunds Issued

Fiscal year	Number of refunds in millions
1981	73.6
1982	74.5
1983	76.8
1984	79.1
1985	80.1
1986	77.9
1987	80.8
1988	83.0
1989	82.6
1990	85.3
1991	87.2

Note: The source note applies to both figure VIII.11 and table VIII.12.

Source: IRS Annual Reports.

Figure VIII.12: Amount of Refunds in 1991 Dollars

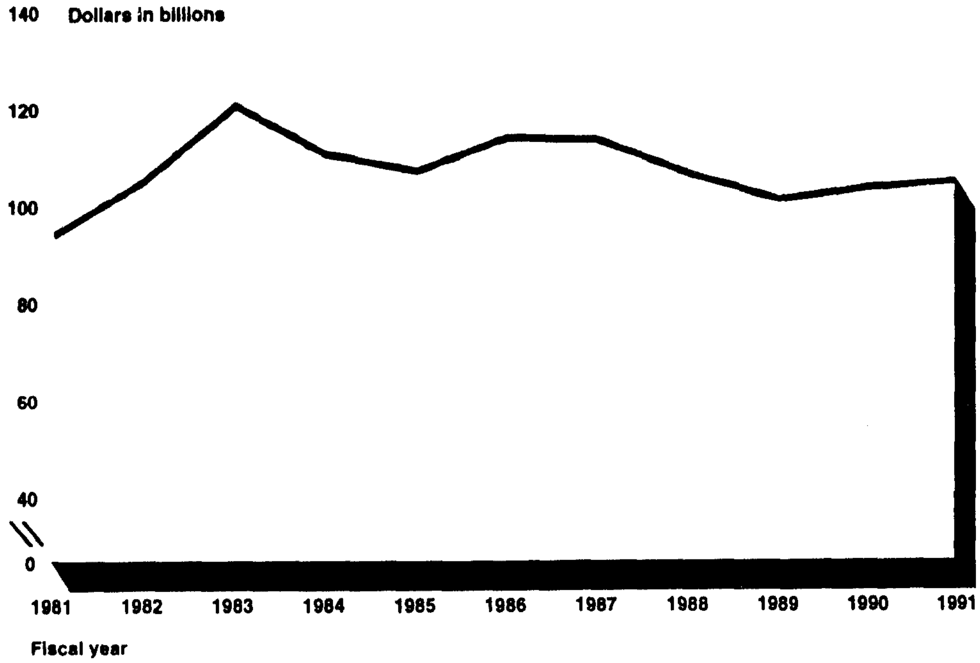

Table VIII.13: Amount of Refunds

Dollars in billions

Fiscal year	Current dollars	1991 dollars
1981	$63.3	$93.9
1982	75.2	105.0
1983	89.8	120.4
1984	85.9	110.4
1985	86.3	107.0
1986	94.4	114.0
1987	97.0	113.5
1988	94.5	106.4
1989	93.6	101.0
1990	99.7	103.3
1991	104.6	104.6

Note 1: Note 2 and the source note apply to both figure VIII.12 and table VIII.13.

Note 2: Refund amounts include interest.

Source: Current dollars from IRS' Annual Reports. 1991 dollars from GAO computations using IRS' Annual Report data and gross domestic product indexes.

Figure VIII.13: Returns Processed per Staff Year

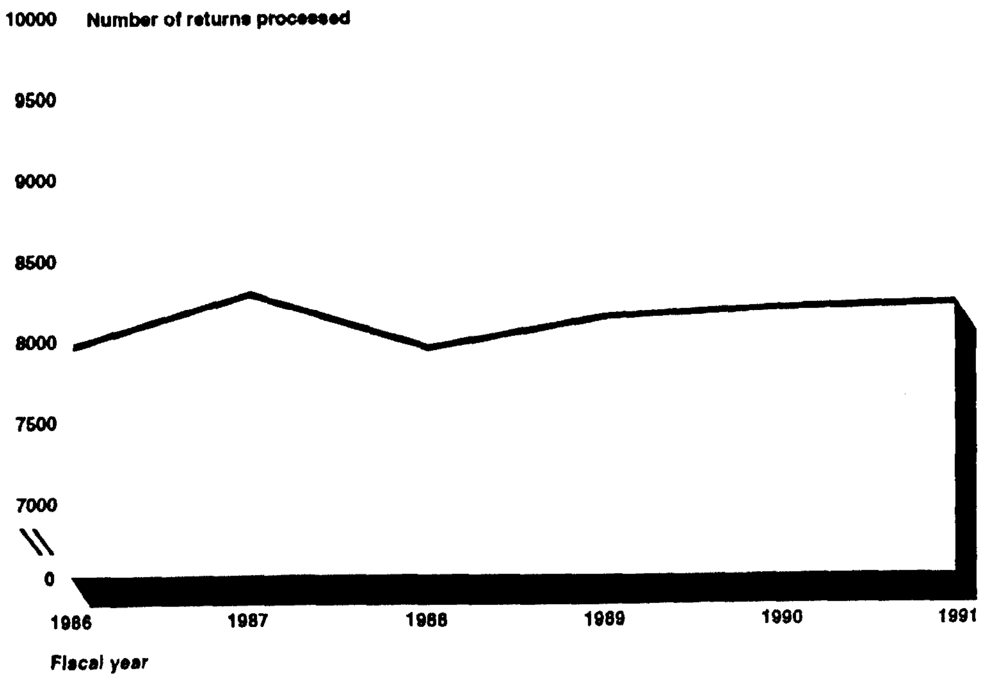

Table VIII.14: Returns Processed per Staff Year

Fiscal year	Number of returns in millions	Staff years	Returns per staff year
1986	178.2	22,398	7,958
1987	182.9	22,087	8,279
1988	183.8	23,134	7,944
1989	189.3	23,291	8,128
1990	191.5	23,422	8,178
1991	193.0	23,525	8,204

Note: The source note applies to both figure VIII.13 and table VIII.14.

Source: Returns Processing Productivity Analysis.

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