

Some Questions for IRS Commissioner Daniel Werfel

To the Editor:

What follows are some questions developed last month for the tax committees of Congress as they considered Daniel Werfel to become commissioner of the IRS.

Q1: Mr. Werfel, please explain your plans for spending the monies appropriated this past August for IRS modernization in each of the functional areas listed below. Please note the last column of the table, which calculates the estimated annual percentage change in functional area of these new monies compared with those budgeted for 2022.

Q2: Is it your intention to retain the current IRS organizational structure that resulted from the late 1990s restructuring of the IRS into small, medium, and large businesses? How would you compare and contrast the previous organization

of “collection, audit, and taxpayer service” to what you see today?

Q3: Which parts of the IRS require your immediate attention? IT, human resources, training? In what priority? What are your expectations of staff retirements and departures and the ability of the Service to reshape the occupational structure and functional responsibilities of its workforce? What measurable goals are you expecting to utilize?

Q4: What is the status of the congressionally mandated plan to modernize the IRS? What are its major findings?

Q5: Does the IRS currently maintain any external IT advisory committees to evaluate IRS IT practices and report to the commissioner? What balance do you observe between internal IRS development of software and systems and acquisition of existing software, and do you seek to reconfigure that balance? If so, how?

IRS Appropriations Under the 2022 Inflation Reduction Act (P.L. 117-169) by Function

Appropriations Function	10-Year Amount (billions)	Appropriations End	Annual (billions)	Actual Budget 2022 (billions)	Annual Percentage Change
Taxpayer Services	\$3.1815	Sept. 30, 2031	\$0.31815	\$3.164	10.1%
Enforcement	\$45.6374	Sept. 30, 2031	\$4.56374	\$5.196	87.8%
Operations Support	\$25.3264	Sept. 30, 2031	\$2.53264	\$4.816	52.6%
Business Systems	\$4.7507	Sept. 30, 2031	\$0.47507	\$0.31	153.2%
E-File Plan	\$0.015	Sept. 30, 2023	N/A	N/A	N/A
Treasury IG	\$0.403	Sept. 30, 2031	\$0.0403	\$0.176	22.9%
Office of Tax Policy	\$0.104534	Sept. 30, 2031	\$0.0104534	\$0.081	12.9%
Tax Court	\$0.153	Sept. 30, 2031	\$0.0153	\$0.055	27.8%
Treasury Offices	\$0.05	Sept. 30, 2031	\$0.005		
Total	\$79.621534		\$7.9606534		

Source: Robert P. Strauss and Hanlu Zhang, “State and Local Tax Administration: A Long View With Some Suggestions,” Presentation to Federation of Taxpayers in Pittsburgh (Oct. 24, 2022).

Q6: Is it your opinion that the IRS requires statutory authority to conform business bank records with financial statements of corporations and businesses? Doesn't the IRS already possess the authority to require bank records in conjunction with any audit it performs?

Q7: How would you characterize the accuracy and general quality of the IRS Compliance Data Warehouse as of today? What development plans do you have in mind to improve the accuracy and quality of the Compliance Data Warehouse as well as privacy protections?

Q8: Does the IRS currently have in place contracts for cloud computing owned and managed by third parties for return processing, storage, and retrieval? What is your risk assessment of third-party data breaches of tax return information on the web?

Q9: Have you completed an internal review of likely retirement patterns in all functions of the IRS for the next five years and replacement and recruitment needs and recent results to date? How accurate are the publicly accessible Office of Personnel Management records describing IRS employment levels, hires, and resignations? What sort of changes to training and related activities do you anticipate implementing with IRS HR?

Q10: How many service centers do you anticipate the IRS running in the next five years? Please confirm the current and planned balance of remote to face-to-face workloads by IRS location and evaluations of the efficacy of face-to-face versus remote work.

Q11: Given the fact that attempts to modernize the individual master file information system have failed five times, what plans and strategies do you have in place to give the tax committees of Congress confidence that IRS modernization will be successful on this sixth attempt?

Q12: Please provide to the committee copies of consulting contracts the IRS has entered into with third parties to modernize its hardware, software, planning, and operational systems over the past 25 years. Can you explain why the recommendations regarding software management and IT management provided under contract to the IRS by the Software Engineering Institute at Carnegie Mellon were not fully implemented?

Q13: What fraction of individual and corporate income tax returns for calendar year 2021 have not yet been processed? By general income or gross receipts level?

Q14: How would you benchmark IRS HR and operations vis-a-vis other federal agencies? Does the IRS routinely engage in comparison of best management and IT management practices with other federal agencies? What has been found?

Q15: Were Congress to enact some form of federal consumption tax, how long would it take to implement it as an addition to current federal income, payroll, and excise taxes?

Q16: What audit rate of individuals and corporations do you believe to be appropriate today? Over the next five years?

Q17: Would you favor the revitalization of the IRS Oversight Commission so that you report to a board of directors for budgetary and oversight purposes?

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Mar. 7, 2023

