

## The IRS Is in Big Trouble

By Christopher Bergin



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Bergin discusses the catastrophic ramifications of the IRS's recent apology for mishandling the applications of conservative exempt organizations and how things might be worse for the

agency now than they were after the 1998 restructuring act.

In 2000 the IRS began doing business in a whole new way. That came after several years of outrageous IRS-bashing from politicians — mostly Republicans — about how the IRS enforced the tax laws. This prompted Congress to pass — and President Clinton to sign — legislation in 1998 mandating that the IRS restructure itself to better serve the taxpayer. And that's exactly what the IRS tried to do. Congress then mostly walked away from IRS oversight and went off to cause trouble elsewhere.

In January 2000 I wrote about how the IRS presented its newly reorganized self:

It was quite a show. Last week the IRS rolled out its new, sleek, modern business structure for the public and IRS employees to see at a two-day conference on the new IRS. There were TV cameras broadcasting to remote locations and a stage flanked by two Jumbotrons projecting the images of the speakers and the audience — made up mostly of practitioners, reporters, and former IRS executives.

The festivities kicked off with a speech from CEO/Commissioner Charles O. Rossotti. The CEO talked about how far the organization has come and how far it needs to go. Then he proudly introduced the members of his new management team.

After Rossotti spoke, his top executives, including the "commissioners" of the new operating divisions, assembled as a panel to provide an

overview of the new conglomerate. They used terms like "stand up" (management-speak for implementation of the new structure), paradigm, processes, and cross-functioning. Acronyms were tossed around with abandon, and the audience was told of the fantastic efficiencies technology will bring to the tax collection business. And everywhere were the references to "our customers." Taxpayers are not just taxpayers anymore, they are customers.

It was like a stockholders' meeting. I kept waiting for the balloons and confetti to fall from the ceiling. And then came one of those telling moments that seems to happen every once in a while to remind us of where we really are.

In the question-and-answer period toward the end of the first session, a lonely taxpayer — a customer — stood to ask a question, but never got to do so. He was interrupted several times by the panel moderator, former IRS Commissioner Fred T. Goldberg, and then told the discussion needed to move on. . . .

The executives [on stage] watched in silence as the "customer" took his seat. If the IRS was selling McDonald's hamburgers instead of selling whatever it thinks it's selling, this "stand up" would have to be marked by a sign stating, "Less Than 1 Served."

Clearly, the IRS had some more work to do in customer service. But it always struggles with that challenge. The agency lives on a pendulum, swinging from enforcer to supporter, from the police car in your rearview mirror to the store clerk who asks, "May I help you?" When politicians want the IRS to find more revenue, they pressure the agency to swing toward enforcement. When lawmakers want the IRS to serve its customers, they pressure it to swing toward support. In reality, the agency must play both roles, and occasionally the pendulum rests in the right place.

When I criticized the IRS in print, someone would invariably ask, "Don't you worry about getting audited?" My answer was always swift: "The IRS doesn't do things like that," I'd say with great confidence. That's because, I would explain, the IRS is an agency of mostly fine people who do their jobs with integrity.

Well, my confidence was shaken when an IRS official admitted at the American Bar Association Section of Taxation spring meeting that the agency had handled exemption applications of many Tea Party and conservative organizations inappropriately. Then came the official statement from the IRS — one of the most mealy-mouthed *mea culpas* that you'll ever hear. To me, the news was shocking. And it confirms a fear that I've had for some time: The pendulum is swinging wildly out of control.

Immediately after the IRS's announcement, Republicans saw a chance to return to the 1990s and kick the you-know-what out of a government agency they mostly loathe. President Obama, who for months hasn't even thought about naming a new IRS commissioner, waited for the public outrage to build before declaring he had no patience for this kind of conduct. Many Democrats quickly noted that this was a mistake by "low-level" employees.

I'm open to learning otherwise, but at the moment I'm not buying any of it.

Call me an alarmist, but the IRS is in trouble — big trouble. And considering our nation's irresponsible fiscal path, an IRS rocked by scandal would be nothing less than catastrophic.

This is an agency under siege. The IRS is the accounts receivable center of the United States. Yet, since 2010 we've cut its budget by about 8 percent, which means that we've drastically cut training for those "low-level" employees who apparently don't like tea parties. At the same time, we dumped a large chunk of the new healthcare system on the nation's tax collector to administer — an idea that's insane on its face. The IRS gets no support from Congress, and if it gets any attention from the White House, it may turn out to be the kind of inappropriate attention it got from the Nixon administration.

I'm not alone in my growing fear that the IRS is headed down a wrong and dangerous road. The day before the IRS's announcement about its mishandling of exemption applications from conservative groups, I attended the Lawrence Neal Woodworth Memorial Lecture, delivered this year by National Taxpayer Advocate Nina Olson. It was a tremendous speech and a chilling one as well. Here's just a little of what Olson had to say:

I believe that the IRS is at a turning point, and for a number of reasons, we are beginning the slide to a radically different IRS from that which many of us in the room today practiced before or worked in just a decade or two ago. I believe that unless we act to change that trend, the IRS of tomorrow will have little *personal* interaction with taxpayers. . . . It will relentlessly drive forward on a path of more automation mostly to make its *own* work more convenient and rarely more helpful or tailored to the *taxpayer*. . . . It enables the IRS to ignore the humanity of taxpayers. [Emphasis in original.]

Clearly, Dorothy, we're not in 2000 anymore.

Now the endless hearings will begin. They will be called by those who control the pendulum. And the IRS will take a beating whether it deserves one or not.

For me, the revelation at the ABA Tax Section spring meeting is the canary in the coal mine. It is a calling for the tax community to demand that the government support the IRS so that it can adequately do its job, which is supposed to be about both enforcement and service, and avoid corruption.

No other government agency touches as many citizens as the IRS. If it implodes, we all pay.