114TH CONGRESS
2d Session

HOUSE OF REPRESENTATIVES

REPORT
114–501

TO IMPOSE A BAN ON THE PAYMENT OF BONUSES TO EMPLOYEES OF THE INTERNAL REVENUE SERVICE UNTIL THE SECRETARY OF THE TREASURY DEVELOPS AND IMPLEMENTS A COMPREHENSIVE CUSTOMER SERVICE STRATEGY

APRIL 18, 2016.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. BRADY of Texas, from the Committee on Ways and Means, submitted the following

R E P O R T

together with

DISSENTING VIEWS

[To accompany H.R. 4890]

[Including cost estimate of the Congressional Budget Office]

The Committee on Ways and Means, to whom was referred the bill (H.R. 4890) to impose a ban on the payment of bonuses to employees of the Internal Revenue Service until the Secretary of the Treasury develops and implements a comprehensive customer service strategy, having considered the same, report favorably thereon with an amendment and recommend that the bill as amended do pass.

CONTENTS

59–006

The amendment is as follows:

Strike all after the enacting clause and insert the following:

SECTION 1. BAN ON IRS BONUSES UNTIL IRS DEVELOPS COMPREHENSIVE CUSTOMER SERVICE STRATEGY.

(a) IN GENERAL.—The Secretary of the Treasury, and the Secretary's delegate, may not pay a bonus, award, or similar cash payment to any employee of the Internal Revenue Service until the Secretary, or the Secretary's delegate, develops and submits to Congress a comprehensive customer service strategy that has been reviewed and approved by the Treasury Inspector General for Tax Administration. Such strategy shall include—

(1) appropriate telephone and correspondence levels of service, which shall be based on service provided by the best in business and customer expectations;

(2) a thorough assessment of which services the Internal Revenue Service can shift to self-service options; and

(3) proposals to improve customer service in the short term (the current and following fiscal year), medium term (approximately three to five fiscal years), and long term (approximately ten fiscal years).

(b) PROGRESS REPORTS.—The Secretary of the Treasury, or the Secretary's delegate, shall submit reports to the Congress on the status of its customer service strategy and actions taken to improve customer service. Such reports shall be submitted on a semiannual basis until the comprehensive customer service strategy under subsection (a) is fully implemented.

SEC. 2. NO ADDITIONAL FUNDS AUTHORIZED.

No additional funds are authorized to be appropriated or otherwise made available to carry out the requirements of this Act. Such requirements shall be carried out using amounts otherwise authorized to be appropriated or made available.

I. SUMMARY AND BACKGROUND

A. PURPOSE AND SUMMARY

H.R. 4890, reported by the Committee on Ways and Means, prohibits the Internal Revenue Service (IRS) from paying bonuses to any employee until the agency creates and submits to Congress a comprehensive strategy to improve customer service. The bill also requires the IRS to submit semiannual reports to Congress on its progress in implementing the strategy.

B. BACKGROUND AND NEED FOR LEGISLATION

The IRS has a responsibility to provide assistance to taxpayers who endeavor to meet their tax filing obligations. The U.S. Government Accountability Office (GAO), however, has reported that the IRS does not have a comprehensive customer-service strategy to ensure that the agency is providing effective and efficient service to American taxpayers.[1] The IRS' mission statement is to "provide America's taxpayers top quality service by helping them understand and meet their tax responsibilities." Since Federal tax administration relies on voluntary compliance, it is extremely impor-

[1] 2015 Tax Filing Season: Deteriorating Taxpayer Service Underscores Need for a Comprehensive Strategy and Process Efficiencies. GAO–16–151, available at: http://www.gao.gov/assets/680/674248.pdf.

tant that all Americans have access to competent assistance from the IRS. However, the IRS' level of service for fiscal year 2015 was unacceptably low. In a review conducted by the U.S. Government Accountability Office (GAO), the IRS' level of telephone service in fiscal year 2015 was the lowest in years, with only 38 percent of callers wanting to speak to an IRS representative able to reach one.[2] Additionally, the GAO found that wait times were more than 30 minutes, more than ten minutes longer than in fiscal year 2014.[3] H.R. 4890 requires the IRS to develop and submit to Congress the comprehensive customer-service strategy to determine appropriate levels of service as recommended by the GAO.

C. Legislative History

Background

H.R. 4890 was introduced on April 11, 2016, and was referred to the Committee on Ways and Means.

Committee action

The Committee on Ways and Means marked up H.R. 4890, To impose a ban on the payment of bonuses to employees of the Internal Revenue Service until the Secretary of the Treasury develops and implements a comprehensive customer service strategy, on April 13, 2016, and ordered the bill, as amended, favorably reported (with a quorum being present).

Committee hearings

The need for improved taxpayer service by the IRS was discussed at an Oversight Subcommittee hearing on the 2015 Tax Filing Season (April 22, 2015).

II. EXPLANATION OF THE BILL

A. Ban on Payment of Bonuses to Employees of the Internal Revenue Service Until the Secretary of the Treasury Develops and Implements a Comprehensive Customer Service Strategy

PRESENT LAW

The Code[4] provides that the Commissioner of the Internal Revenue Service ("the Commissioner") has such duties and powers as prescribed by the Secretary. Unless otherwise specified by the Secretary, such duties and powers include the power to administer, manage, conduct, direct, and supervise the execution and application of the internal revenue laws or related statutes. In executing these duties, the Commissioner depends upon strategic plans that prioritize goals and manage its resources. In the current strategic plan, the delivery of high quality and timely service to reduce taxpayer burden and encourage compliance is identified as Goal I.[5]

The Commissioner is also authorized to employ such persons as the Commissioner deems proper for the administration and en-

[2] *Ibid.*
[3] *Ibid.*
[4] Sec. 7803(a).
[5] See Internal Revenue Service Strategic Plan FY2014–2017, Publication 3744 (Rev. 6–2014), available at https://www.irs.gov/pub/irs-pdf/p3744.pdf.

forcement of the internal revenue laws and is required to issue all necessary directions, instructions, orders, and rules applicable to such persons,[6] including determination and designation of posts of duty. Compensation to employees of the Internal Revenue Service is generally paid in accordance with the rules governing Federal employment generally.[7]

REASONS FOR CHANGE

During recent tax filing seasons, the level of IRS customer service has resulted in few taxpayers able to obtain telephone assistance when needed, often waiting over one-half hour to speak with a customer service representative. During the same years, the IRS devoted substantial amounts of its budget to employee awards and bonuses. The Committee believes that the IRS must develop a long-term strategic plan for identifying the types of service the public needs and for implementing such plan before additional spending on bonuses and employee awards is permitted.

EXPLANATION OF PROVISION

The provision bars payment of any bonus, award or other similar cash payment to any employee of the Internal Revenue Service until the Secretary or his delegate develops a comprehensive strategy for customer service and submits such plan to Congress. The plan must determine appropriate levels of telephone and correspondence service, based on best practices of businesses and customer expectations. In addition, the provision requires that all services be assessed to determine those which may be provided by offering self-service operations to taxpayers. The plan must include proposals for long-term improvements over the next ten fiscal years, with appropriate short-term and mid-term goals.

The ban on employee bonuses remains in effect until a plan is developed, reviewed and approved by the Treasury Inspector General for Tax Administration, and submitted to Congress. Until such plan for a comprehensive strategy for customer service has been submitted to Congress and fully implemented, the Secretary or his delegate is required to submit semiannual reports on the status of efforts to develop and implement such a plan.

No additional funds are authorized to be appropriated or otherwise made available for development and implementation of the plan.

EFFECTIVE DATE

The provision is effective on the date of enactment.

III. VOTES OF THE COMMITTEE

In compliance with clause 3(b) of rule XIII of the Rules of the House of Representatives, the following statement is made concerning the vote of the Committee on Ways and Means in its consideration of H.R. 4890, a bill to impose a ban on the payment of bonuses to employees of the IRS until the Secretary of the Treas-

[6] Sec. 7804.
[7] Part III of Title 5 of the United States Code prescribes rules for Federal employment, including employment, retention, and management and employee issues.

ury develops and implements a comprehensive customer service strategy.

The Chairman's amendment in the nature of a substitute was adopted by a voice vote (with a quorum being present).

The bill, H.R. 4890, as amended, was ordered favorably reported to the House of Representatives by a roll call vote of 24 yeas to 15 nays (with a quorum being present).

Representative	Yea	Nay	Present	Representative	Yea	Nay	Present
Mr. Brady	X			Mr. Levin		X	
Mr. Johnson	X			Mr. Rangel		X	
Mr. Nunes	X			Mr. McDermott		X	
Mr. Tiberi	X			Mr. Lewis		X	
Mr. Reichert	X			Mr. Neal		X	
Mr. Boustany	X			Mr. Becerra		X	
Mr. Roskam	X			Mr. Doggett		X	
Mr. Price	X			Mr. Thompson		X	
Mr. Buchanan	X			Mr. Larson		X	
Mr. Smith (NE)	X			Mr. Blumenauer		X	
Ms. Jenkins	X			Mr. Kind		X	
Mr. Paulsen	X			Mr. Pascrell		X	
Mr. Marchant	X			Mr. Crowley		X	
Mrs. Black	X			Mr. Davis		X	
Mr. Reed	X			Ms. Sanchez		X	
Mr. Young	X						
Mr. Kelly	X						
Mr. Renacci	X						
Mr. Meehan	X						
Mrs. Noem	X						
Mr. Holding	X						
Mr. Smith (MO)	X						
Mr. Dold	X						
Mr. Rice	X						

IV. BUDGET EFFECTS OF THE BILL

A. Committee Estimate of Budgetary Effects

In compliance with clause 3(d) of rule XIII of the Rules of the House of Representatives, the following statement is made concerning the effects on the budget of the bill, H.R. 4890, as reported: The bill, as reported, is estimated to have no effect on Federal fiscal year budget receipts for the period 2016–2026.

Pursuant to clause 8 of rule XIII of the Rules of the House of Representatives, the following statement is made by the Joint Committee on Taxation with respect to the provisions of the bill amending the Internal Revenue Code of 1986: The gross budgetary effect (before incorporating macroeconomic effects) in any fiscal year is less than 0.25 percent of the current projected gross domestic product of the United States for that fiscal year; therefore, the bill is not "major legislation" for purposes of requiring that the estimate include the budgetary effects of changes in economic output, employment, capital stock and other macroeconomic variables.

B. Statement Regarding New Budget Authority and Tax Expenditures Budget Authority

In compliance with clause 3(c)(2) of rule XIII of the Rules of the House of Representatives, the Committee states that the bill involves no new or increased budget authority. The Committee further states that there are no new or increased tax expenditures.

C. Cost Estimate Prepared by the Congressional Budget Office

In compliance with clause 3(c)(3) of rule XIII of the Rules of the House of Representatives, requiring a cost estimate prepared by the CBO, the following statement by CBO is provided.

U.S. Congress,
Congressional Budget Office,
Washington, DC, April 18, 2016.

Hon. Kevin Brady,
Chairman, Committee on Ways and Means,
House of Representatives, Washington, DC.

Dear Mr. Chairman: The Congressional Budget Office has prepared the enclosed cost estimate for H.R. 4890, a bill to impose a ban on the payment of bonuses to employees of the Internal Revenue Service until the Secretary of the Treasury develops and implements a comprehensive customer service strategy.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contact is Matthew Pickford.

Sincerely,

Keith Hall.

Enclosure.

H.R. 4890—A bill to impose a ban on the payment of bonuses to employees of the Internal Revenue Service until the Secretary of the Treasury develops and implements a comprehensive customer service strategy

H.R. 4890 would prohibit the Internal Revenue Service (IRS) from paying a bonus or cash award to any employee until the agency develops and submits a comprehensive customer service strategy to the Congress that has been reviewed and approved by the Treasury Inspector General for Tax Administration (TIGTA). The bill also would require the IRS to submit semiannual reports to the Congress on its progress to complete the strategy.

The current strategic plan for the IRS identifies as a priority the delivery of quality and timely service to reduce taxpayer burden and encourage tax compliance. However, CBO is unaware of a comprehensive customer service strategy for the IRS. Based on the cost of similar efforts, CBO estimates that implementing H.R. 4890 would cost about $2 million in 2017 for additional administrative and personnel costs to prepare the required strategy; such spending would be subject to the availability of appropriated funds.

CBO expects that TIGTA and the IRS would come to an agreement about the comprehensive strategy that would allow the IRS to continue to pay bonuses and cash awards. However, given the independent relationship between TIGTA and the IRS the timing of such an agreement is unclear. If the two agencies did not come to an agreement personnel costs, which are subject to appropriation, could be reduced by tens of millions of dollars in 2017—less than 1 percent of projected spending for the IRS. (The longer a prohibition on paying cash awards exists, the more likely it becomes that decreased spending for such awards would be offset by additional IRS spending for other activities.)

Because enacting the bill would not affect direct spending or revenues, pay-as-you-go procedures do not apply. CBO and the staff of the Joint Committee on Taxation (JCT) estimate that enacting H.R. 4890 would not increase net direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2027.

CBO and JCT have determined that the bill contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act.

The CBO staff contact for this estimate is Matthew Pickford. The estimate was approved by H. Samuel Papenfuss, Deputy Assistant Director for Budget Analysis.

V. OTHER MATTERS TO BE DISCUSSED UNDER THE RULES OF THE HOUSE

A. Committee Oversight Findings and Recommendations

With respect to clause 3(c)(1) of rule XIII of the Rules of the House of Representatives (relating to oversight findings), the Committee advises that it was as a result of the Committee's review of the provisions of H.R. 4890 that the Committee concluded that it is appropriate to report the bill, as amended, favorably to the House of Representatives with the recommendation that the bill do pass.

B. Statement of General Performance Goals and Objectives

With respect to clause 3(c)(4) of rule XIII of the Rules of the House of Representatives, the Committee advises that the bill contains no measure that authorizes funding, so no statement of general performance goals and objectives for which any measure authorizes funding is required.

C. Information Relating to Unfunded Mandates

This information is provided in accordance with section 423 of the Unfunded Mandates Reform Act of 1995 (Pub. L. No. 104–4).

The Committee has determined that the bill contains no unfunded mandate on the private sector, nor does it impose a Federal intergovernmental mandate on State, local, or tribal governments.

D. Applicability of House Rule XXI 5(b)

Rule XXI 5(b) of the Rules of the House of Representatives provides, in part, that "A bill or joint resolution, amendment, or conference report carrying a Federal income tax rate increase may not be considered as passed or agreed to unless so determined by a vote of not less than three-fifths of the Members voting, a quorum being present." The Committee has carefully reviewed the bill and states that the bill does not involve any Federal income tax rate increases within the meaning of the rule.

E. Tax Complexity Analysis

Section 4022(b) of the Internal Revenue Service Restructuring and Reform Act of 1998 ("IRS Reform Act") requires the staff of the Joint Committee on Taxation (in consultation with the Internal Revenue Service and the Treasury Department) to provide a tax complexity analysis. The complexity analysis is required for all legislation reported by the Senate Committee on Finance, the House Committee on Ways and Means, or any committee of conference if the legislation includes a provision that directly or indirectly amends the Internal Revenue Code of 1986 and has widespread applicability to individuals or small businesses.

Pursuant to clause 3(h)(1) of rule XIII of the Rules of the House of Representatives, the staff of the Joint Committee on Taxation has determined that a complexity analysis is not required under section 4022(b) of the IRS Reform Act because the bill contains no provisions that amend the Internal Revenue Code of 1986 and that have "widespread applicability" to individuals or small businesses, within the meaning of the rule.

F. Congressional Earmarks, Limited Tax Benefits, and Limited Tariff Benefits

With respect to clause 9 of rule XXI of the Rules of the House of Representatives, the Committee has carefully reviewed the provisions of the bill and states that the provisions of the bill do not contain any congressional earmarks, limited tax benefits, or limited tariff benefits within the meaning of the rule.

G. Duplication of Federal Programs

In compliance with Sec. 3(g)(2) of H. Res. 5 (114th Congress), the Committee states that no provision of the bill establishes or reauthorizes: (1) a program of the Federal Government known to be duplicative of another Federal program, (2) a program included in any report from the Government Accountability Office to Congress pursuant to section 21 of Public Law 111–139, or (3) a program related to a program identified in the most recent Catalog of Federal Domestic Assistance, published pursuant to the Federal Program Information Act (Public Law 95–220, as amended by Public Law 98–169).

H. Disclosure of Directed Rule Makings

In compliance with Sec. 3(i) of H. Res. 5 (114th Congress), the following statement is made concerning directed rule makings: The Committee estimates that the bill requires no directed rule makings within the meaning of such section.

VI. CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

With respect to clause 3(e) of rule XIII of the Rules of the House of Representatives, the bill, as reported, includes no provisions proposing to repeal or amend an existing statute or part thereof. Therefore, no additional materials otherwise required to be included in this report or an accompanying document under that clause are required to be included with respect to this bill.

VII. DISSENTING VIEWS

We oppose H.R. 4890, which would impose a ban on the payment of bonuses to IRS employees until the Secretary of the Treasury develops and implements a comprehensive customer service strategy.

It is true that IRS customer service levels have been poor for the last several years. For example, only 38% of taxpayers who tried to call the agency during FY15 were actually able to reach a live IRS employee—and those who were able to get through faced average wait times of over 30 minutes.

However, this abysmal customer service is a direct consequence of the Majority's efforts to defund the IRS. IRS funding has declined by approximately $1 billion since 2010. As a result, the agency has been forced to cut 12,000 full-time jobs, has reduced employee training, and has delayed critical upgrades to information technology. Furthermore, the agency is auditing fewer and fewer taxpayers, with less than 1% of taxpayers being audited—the lowest level in a decade.

This is a dangerous level of underfunding for a critical government agency that ensures our government has enough revenue to function. We all benefit from the services and revenue provided by a well-funded tax collection agency.

If the Majority would like improved customer service from the IRS, then they should fully fund the agency. It is no surprise that providing the IRS with an additional $290 million for FY 2016 for customer service has led, thus far, to reduced telephone wait times during this year's tax filing season. The percentage of callers seeking and receiving live assistance during this year's filing season has increased by 33 percentage points to 76 percent—compared to 43 percent during the same period last year.

H.R. 4890 is not the solution to the Majority's self-created IRS customer service problem.

SANDER M. LEVIN.

○