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Remarks on Internal Revenue Service Reform

October 10, 1997

Thank you. Thank you, Mr. Vice President, for your work. Mr. Secretary, thank you. Mr. Summers, Mr. Sperling, Commissioner, Mr. Tobias, members of the task force, employees of the IRS who are here today, and others who are concerned about this. And especially I thank the Members of Congress who are here who are supporting this endeavor and the others in Congress, including Senator Kerrey and Congressman Portman, who have shown such interest.

Let me say, as someone who had not worked in Washington until I became President, I have spent most of my life talking to people who were on the receiving end of the IRS for good or ill. And I took particular interest in the recent congressional hearings into the problems of IRS policy and some specific examples of taxpayer abuse. Like most Americans, I was genuinely angered by the stories of our citizens harassed and humiliated by what seemed to them to be an all-powerful, unaccountable, and often downright tone-deaf agency.

And since I took office, as has already been said, our administration has worked hard to give the American people an IRS that is fairer, more efficient, easier for the public to understand and to deal with, with the electronic filing and filing by telephone, with the second Taxpayer Bill of Rights, with our efforts to reduce the conflict between the IRS and people's religious expression, just to name three examples.

It is clear that we have more to do. The IRS should be above reproach. Americans who work hard and pay their taxes deserve to be treated fairly, and no one should ever have a home, a car, a livelihood threatened by unaccountable actions of Government. Abuse or bullying or callousness by officials of our Government are unacceptable whenever and wherever they occur. If they occur once, it's once too many. But especially in connection with the IRS, it is important that they be rooted out.

Let me say that it's important, too, for the American people to know that the IRS is made up overwhelmingly of hard-working and dedicated people who put in long hours in public service. The vast majority of them do their jobs well, and the vast majority of them were just as outraged by the case studies profiled in the congressional hearings as other Americans were.

It is clear that in spite of our best efforts in the past, there remain significant problems and challenges at the IRS. That's why last May the Vice President and the Secretary of the Treasury initiated their effort to deal with problems, many of which have been a long time in the making but which have to be addressed, and addressed now.

Their initiatives will take significant steps toward ending abuses, protecting taxpayers, and making the IRS more customer-friendly. Their recommendations are strong and sound and I believe represent the right way to reform the IRS. I'm instructing that they be put into effect just as soon as possible, and I'm asking Congress to pass legislation where necessary to make them the law of the land. And again, I thank the Members here who have agreed to support that endeavor.

Let me say, I can't go over all 200 recommendations, although I hope that most of them will be widely reported to the American people. But let me give you just a few. The package of reforms says to every taxpayer, first, you will have a tax collection agency that is reinvented so that it serves its customers and taxpayers every bit as well as the best private companies serve their customers. As the Vice President said, reinvention begins with a ban on the use of dollar goals to evaluate IRS employee performance, goals that can give some IRS agents the wrong incentives, just as parking ticket quotas can give police officers the wrong incentives. And the IRS will trim paperwork, increase hours, make sure that phones are answered, expand electronic filing, and move toward a systematic review of all taxpayer penalties.

Second, you have rights as a taxpayer that will be protected. I'm calling on Congress to pass a new—the third—taxpayer bill of rights, to build on the law I signed last year. This will extend the refund period for taxpayers with health problems that keep them from seeking refunds in a timely fashion, it will protect innocent spouses from paying for

the dishonesty of a spouse or former spouse, and it will take other steps to expand taxpayer rights.

Third, as a taxpayer you will have recourse when you believe you've been treated unfairly. We're greatly strengthening the taxpayer advocates, who already fight effectively for taxpayers in individual cases, by expanding their resources and giving them greater power to award taxpayers immediate relief. And we are creating new, independent, locally based citizen advocacy panels throughout the country. These independent watchdogs will be able to monitor how local IRS offices treat taxpayers, publicize problems, and help taxpayers to get relief. A taxpayer who has been treated unfairly should have somewhere to go, someone to fight on his or her side, someone to make the agency listen. With a stronger taxpayer advocate and these new citizen panels, they will have just that.

Fourth, we will strengthen the governance and oversight of the IRS. The steps I have taken today are building on the reforms already put in place and described by Secretary Rubin. In order to strengthen public accountability, I am seeking legislation to establish a new IRS board of trustees with the majority of members from the private sector. This board will review IRS performance on customer service, strategic plans, performance measures, and citizen advisory panel recommendations to ensure that taxpayers do, in fact, receive the treatment we say they deserve. The board would report independently, and at least annually, to the Secretary, the President, and the Congress. It will provide the private sector input we need. All of this should help to assure that leaders of the executive branch fulfill their responsibility to the American people to effectively oversee and govern the IRS. It is the right way to reform the agency.

In conclusion, let me say that I believe the attention given to this issue and the information made public by Congress has served the public and the public interest well. We have an opportunity to build on the reforms already put in place and to use this moment to extend them further, so that the IRS achieves its purposes and serves the public in the spirit of the best institutions, both public and private.

I don't suppose anyone will ever enjoy paying their taxes, and the agency that collects taxes will undoubtedly never be the most popular part of our Government. But it's important work, and all the more important that it be done properly. If we act now, we can make sure that the IRS genuinely earns and deserves the trust of the American people, and we are determined to achieve that goal.

Thank you very much.

NOTE: The President spoke at 10:57 a.m. in Room 450 of the Old Executive Office Building. In his remarks, he referred to Deputy Secretary of the Treasury Lawrence H. Summers; National Economic Adviser Gene Sperling; Acting Commissioner of Internal Revenue Michael P. Dolan; and Robert M. Tobias, president, National Treasury Employees Union.

Statement on Signing the Treasury and General Government Appropriations Act, 1998

October 10, 1997

I have today signed into law H.R. 2378, the "Treasury and General Government Appropriations Act, 1998," which provides $12.8 billion in discretionary budget authority for various programs in the Department of the Treasury, the United States Postal Service, the General Services Administration, the Office of Personnel Management, the Executive Office of the President and several smaller agencies.

The Act provides funding for the Department of the Treasury of $11.4 billion, including $131 million for violent crime reduction programs. The Internal Revenue Service (IRS) is funded at $7.8 billion, including $325 million for Information Technology Investments. While this funding level is $175 million below my request, I believe that the funds will strengthen the IRS's ability to provide timely and accurate data for American taxpayers. The bill also includes $138 million for the Earned Income Tax Credit compliance initiative and $377 million for Year 2000 conversion requirements for IRS computer systems. Law Enforcement bureaus within