



COMMISSIONER

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

May 1, 2006

The Honorable Max Baucus
Ranking Member
Committee on Finance
United States Senate
Washington, DC 20510

Dear Senator Baucus:

This letter responds to your inquiry of February 14, 2006, about the effect of the one percent, across-the-board budget rescission on the IRS's programs for Fiscal Year (FY) 2006. As directed by P.L. 109-148, we applied the rescission proportionately to each account and all programs specifically earmarked in the appropriations bill.

The rescission results in a total reduction of 605 Full-Time Equivalents (FTE); 40 in Taxpayer Service and 565 in Enforcement programs.¹ If funded, we would have invested this funding and FTE to further improve performance in Taxpayer Service and front-line Enforcement work, such as:


- Improved average speed of answer on our toll-free telephone service and decreased customer wait time
- Produced approximately 34,000 more closures (TDA & TDI) in field collection, 54,000 more case closures in campus collection programs, and 25,000 additional audits by correspondence examiners
- Replaced outdated infrastructure including computers used by front-line employees

Despite this resource reduction, and the impact to the IRS of absorbing the increased cost of the FY 2006 pay raise, we have made a concerted effort to ensure that we have not adversely impacted the level of service to taxpayers. Generally, we are maintaining the level of service provided to taxpayers in FY 2005. We are offsetting the effect of the rescission and the pay raise on our program delivery by implementing process and productivity improvements.

¹ This FTE allocation between Taxpayer Service and Enforcement is corrected from the numbers presented in the FY 2007 President's Budget request for the IRS, which showed a reduction of 215 FTE for Taxpayer Service and 390 FTE for Enforcement.

I hope this information is helpful. If you have any questions, please contact me or call Pam LaRue, Associate Chief Financial Officer for Corporate Performance and Budgeting, at (202) 622-4663.

Sincerely,

A handwritten signature in black ink, appearing to read "Mark W. Everson". The signature is fluid and cursive, with a large, stylized "E" at the end.

Mark W. Everson