

Another view of the IRS scandal

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Speaking about the Internal Revenue Service's alleged targeting of conservative political groups, House Speaker John Boehner said, "My question isn't about who's going to resign. My question is, who is going to jail?" Wall Street Journal columnist Peggy Noonan wrote "The targeting of conservative groups and individuals by the

IRS was a political operation that had political effects."

My feelings about this were succinctly expressed by an astute political observer named William Shakespeare 407 years ago, whom I paraphrase: The people in Congress and political observers attacking the IRS are poor players, strutting and fretting their hour upon the stage, and then (I hope) they will be heard no more. They are telling a tale (and it is being told by idiots), full of sound and fury signifying nothing.

Number of staff. In 2004 the IRS had 116,673 employees; by 2010, given budget cuts, it had only 94,711. How does Congress expect the IRS to handle all of its activities, one of which includes collect \$2.5 trillion in revenue, with 20 percent less people?

Budget. In 2010 the IRS budget was \$12.35 billion. Based on increases in the cost of living, the 2012 budget should have been \$13.0 billion. Instead, Congress starved it with a \$12.0 billion budget. The IRS is incredibly efficient, collecting \$100 of revenue at a cost of less than 50 cents. Were Congress serious about closing the estimated \$350 billion tax gap, it would provide the IRS with enough funds and people to do the job. Instead, it is starving the IRS.

Customer service. Now resigned IRS Commissioner Steve Miller accurately labeled the so-called "scandal" involving applications by social welfare groups as poor "customer service." Unfortunately, there are other areas, currently getting no publicity, where the IRS's lack of resources are causing poor customer service. The most glaring example is identity fraud, a problem affecting tens of thousands of citizens each year. The IRS is engaged in a gallant effort to beat back the fraud artists, but it is fighting with 1.5 hands tied behind its back since it has precious few people to throw at this massive problem (which should not be its job in the first place).

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Experienced staff. One terrible result of Congress's underfunding of the IRS gets little attention: It is difficult for the IRS to retain its experienced employees. Far too many of them flee, as soon as possible, to the private sector. Who can blame them for wanting to make a good living for their families?

Professionalism. You will often hear it said that there are no more bad people in the IRS than is the case in the general population. That is wrong. In 37 years as a tax attorney I have met perhaps 300 IRS employees. Every one of them was courteous and professional. Were that true of the population as a whole, we would have no need for a police force. Were Congress as nice and professional as the IRS, then the approval rating of Congress would be four times as high as it is now, which is how much higher the IRS's approval rating is than that of Congress.

Triage. The 200 lower-level employees in the exempt organizations division of the IRS were trying to handle 61,000 applications for exempt status. In one year the number applying for one type - 501(c)(4) "social welfare" status - spiked 50 percent. How was the IRS exempt organizations division to handle the deluge? They decided that there was a rational relationship between the name of the applicant and the likelihood that the applicant would advocate for the election or defeat of candidates as its primary purpose. That analysis may have been wrong. However, from the advertisements nominally unaffiliated with any candidate in the most recent election cycle, that analysis was spot on. Had the exempt organizations division received the same number of - and dramatic increase - in 501(c)(4) applications from groups with ACORN in their name, the exempt organizations division would have almost certainly instituted the same type of triage.

The lesson for Congress comes from the Bible (King James, 2 Corinthians 9:6): "But this [I say], He which soweth sparingly shall reap also sparingly; and he which soweth bountifully shall reap also bountifully." Instead of piling on the IRS with silly scorn, Congress should be piling on the IRS with a serious budget.

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