
Report: Tax Noncompliance on the Rise Among IRS Workers

Washington (Oct. 15, 2004) - New data suggesting that income tax noncompliance is on the rise among the Internal Revenue Service's own employees is causing some hand-wringing among members of an IRS task force formed to address the problem.



A report from that task force outlining plans to "more effectively educate [IRS] employees about their responsibilities to comply with the federal tax law" is expected next month.

Behind the agency's planned civics lesson for tax service personnel: a disturbing increase in the number of IRS employees who either don't pay their taxes, don't file returns, or commit other tax law violations.

Although Section 1203 of the IRS Restructuring and Reform Act of 1998 requires that IRS personnel be fired for failing to file a tax return, the number of tax service employees accused of "noncompliance with tax filing and reporting laws steadily increased almost every year since" that law was enacted, investigators from the Government Accountability Office said in a recent report to Congress.

Since July 1998, nearly 3,000 investigations into alleged tax noncompliance by IRS employees have been completed, and charges were substantiated against 667 individuals, the GAO said. Despite the Section 1203 penalties, only 115 of these tax service employees were fired because of their violations, 256 were allowed to remain on the job due to "penalty mitigation," and the rest either resigned, retired or left the agency for other reasons.

Top tax service officials may be reluctant to discharge employees for non-filing and other tax related violations for fear of discouraging field personnel from taking aggressive enforcement actions against taxpayers.

Despite evidence that noncompliance among their own employees is becoming a more serious problem, IRS officials have stated "that they still believe that Section 1203 can have a chilling effect on enforcement," the GAO said.

Over the next few weeks, the IRS plans to conduct a new survey of agency enforcement employees to determine whether the threat of Section 1203 sanctions has affected their willingness to undertake tax enforcement actions. That survey, which will focus on IRS personnel who contact small business and self-employed taxpayers about their tax compliance, is expected to be completed before the end of this year, the GAO told Congress.

— Ken Rankin

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