

Internal Revenue Service Annual Report 1989

*Looking to
the Future...
with Assistance
from the
Past*



Internal Revenue Service

Annual Report 1989

Statistics of Income Library

As the Internal Revenue Service moves into the last decade of this century, our nation's tax system stands at a crossroads. While continuing to function admirably, fundamental change is necessary if we are to preserve and maintain its health. In particular, we must make the system more workable for the American public. Taxpayers are willing to pay what they owe but in exchange, they deserve a tax system that minimizes complexity, uncertainty and administrative burdens.

I believe that we are addressing the need for change on a number of fronts.

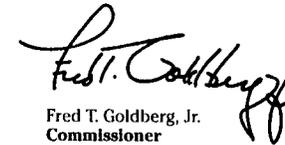
The most significant — and difficult — long-term challenge we face is to modernize our systems. With the technology we are using today, we cannot consistently provide the taxpaying public with the quality of service they are entitled to expect from their government. Instead, they are hassled by a system that was designed for a computer age, but definitely not an information technology age. The public is already benefitting from this effort in areas such as electronic filing. Nonetheless, we have a long, long way to go. In the process, we will change every facet of the way we administer the tax system.

The recently enacted Taxpayer Bill of Rights has enhanced the rights of taxpayers in dealing with their government. Of equal importance, it sends a message to the IRS. We must be more responsive in our dealings with taxpayers, and we must help assure that their rights are protected. Taxpayer expectations are much higher than 30 years ago.

For all too many taxpayers, and for the IRS, the tax law is far too complicated. In drafting our laws, regulations and administrative procedures, we must move away from theoretical purity. We must operate on the premise that our job is to make it easier for taxpayers to comply. We should emphasize the practical and workable. Everything we do must be aggressively analyzed and measured against this standard.

Likewise we must review a wide variety of IRS programs that need to change with the times. For example, we plan fundamental changes in how we examine major corporations in our large case program. We will revamp our approach to third-party information reporting and redirect our research efforts and enforcement strategies, focusing on specific components of the tax gap. Our efforts to control accounts receivable must focus on areas of vital importance, such as large dollar cases. Our criminal enforcement area must assess the dramatic changes that have taken place during the past ten years in the crimes we pursue and the techniques we use. Progress can and will be made in the months ahead. But fundamental improvements must await modernization of our systems.

Regardless of whether the topic is modernizing our computer systems, safeguarding taxpayer rights, or redirecting our focus in enforcement philosophy, the point is very much the same. The world around us has changed profoundly. We cannot and should not try to turn back the clock. The IRS must change — indeed, *is* changing — with the times.



Fred T. Goldberg, Jr.
Commissioner

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Collecting the Revenue

Gross internal revenue collections reached \$1.01 trillion in 1989. Of the record 199.6 million federal tax returns and supporting documents filed, over one million were filed electronically. The shift to using the simplified returns — the short Forms 1040A and 1040EZ — continued. More taxpayers used the standard deductions instead of itemizing, while fewer taxpayers requested automatic extensions of time to file their returns.

Returns and Receipts

Service centers processed 199.6 million Federal tax returns and supporting documents this year—a 2.9 percent increase over the 194 million processed last year. Over 90 million or 45 percent of all returns received were individual tax returns, Forms 1040 and 1040A. More than 19 million individual taxpayers—17.6 percent of all individual filers—used the simplified Form 1040EZ, compared with about 18 million last year, an increase of 6 percent. The number of individual taxpayers filing Form 1040 increased 1.4 percent from 70.8 million to 71.8 million (See Text Table, Number of Returns Filed, on page 5 and Statistical Table 6 for details.)

Gross revenue receipts, up 8.4 percent over last year, reached \$1.01 trillion, exceeding last year's receipts by \$78.2 billion. Individual and corporation income tax collections accounted for almost two-thirds of the total receipts. Individual tax receipts totaled \$515.7 billion, an increase of 8.9 percent over last year. Corporation tax receipts rose 6.7 percent to \$117.0 billion. (See Text Table, Gross Internal Revenue Collections, on page 6.)

Employment taxes (social security, self-employment, Federal unemployment and railroad retirement), which were 34 percent of the total revenue, hit \$345.6 billion, another record high.

Excise taxes totaled \$26.0 billion, an increase of 0.2 percent compared with last year. (See Statistical Tables 1 and 3 for details.)

Over 1.2 million taxpayers from 48 states filed their income tax return electronically last year. The information stored in the IRS computer system can be accessed, if needed, to provide a hardcopy of the return.



Electronic Filing

Electronic filing of individual income tax returns with refunds became an operational program for the 1987 processing year. During the 1987 filing season, about 77,000 returns were filed electronically by 66 return preparers in 7 metropolitan areas. The number of participants and returns has increased dramatically. During the 1989 filing season, the Electronic Filing System processed 1.2 million returns from 48 districts through 9,435 participants. The remaining 15 districts will be added in the 1990 filing season.

Electronic filing benefits to the taxpayer are numerous. The electronic filer is furnished with the date of acknowledgment that the IRS accepted the return as being filed. The quality of the tax return information as processed through the electronic system provides fewer processing errors which does not delay issuance of refunds.

Taxpayers also receive quicker issuance of refunds due to the automated processing of electronically filed returns. Refunds issued through direct deposit reached taxpayer savings and checking accounts approximately three weeks after the return was accepted during the 1989 filing season. That period will be reduced to two weeks during the 1990 filing season.

Savings for the IRS through electronic filing included reduced labor costs, reduced facilities for return storage and retrieval, a marked reduction in telephone calls from taxpayers, and a decrease in the volume of notices mailed to taxpayers. Error rates are approximately 3 percent with electronic filing, compared with 16 percent for paper returns.

IRS continued expansion of electronic filing of individual taxpayer returns by including Form 1040NR, Nonresident Alien Returns for 1989, and by processing electronically-filed remittance returns for the first time. Electronic filing of returns accelerates processing and results in a more accurate, higher quality product.

Refunds

IRS issued 82.6 million refunds totaling \$93.6 billion, compared with 83 million refunds amounting to \$94.5 billion last year. Over 79 million individual income taxpayers received \$72.8 billion in refunds, including \$452 million in interest. (Note: Individual income refund figures in Statistical Tables 4 and 5 include fiduciary and partnership returns. See footnotes in these tables for details.)

By statute, any refund due on individual income tax returns must be issued within 45 days of the date the return is required to be filed, or the government must pay interest on the refund amount.

By the end of the fiscal year, IRS had issued refunds with interest on 1.9 million current-year individual income tax returns that were timely filed, but not refunded during the statutory interest-free period, compared with 2 million last year. Individual refunds this year averaged \$921. (For details, see Statistical Tables 4 and 5.)

Years ago, the top speed for hand-sorting of tax returns was about 1,200 pieces of mail per hour. The Composite Mail Processing System at the service centers can now sort, count, and sand open 20,000 to 30,000 envelopes per hour with 98 percent accuracy.



Number of Returns by Principal Type of Return
(Figures in thousands. For details see Statistical Table 6.)

Type of return	1988	1989
Grand total	194,305	199,567
Income taxes, total	152,121	157,129
Individual	106,994	110,253
1040	70,770	71,787
1040A	17,657	18,720
1040EZ	18,337	19,488
1040 other ¹	230	257
Individual estimated tax	35,489	37,591
Fiduciary	2,783	2,625
Fiduciary estimated tax	1,055	663
Partnership	1,814	1,788
Corporation	3,986	4,209
Estate tax	52	55
Gift tax	103	121
Employment taxes	28,236	28,930
Exempt organizations	490	490
Employee plans	1,819	1,633
Excise taxes	957	949
Supplemental documents ²	10,527	10,260

Note: Detail may not add to totals due to rounding.

¹ Includes 1040SS/PR and 1040C

² Includes Forms 1040X, 1120X, 2688, 4868, 7004, 1041A and non-master file returns

Gross Internal Revenue Collections

(In thousands of dollars. For details see Statistical Table 1.)

Source	Percent of 1989 collections	1988	1989	Increase or decrease	
				Amount	Percent
Grand total	100.0%	935,106,594	1,013,322,133	78,215,539	8.4%
Income taxes, total	62.4%	583,349,120	632,746,069	49,396,949	8.5%
Corporation	11.5%	109,682,554	117,014,564	7,332,011	6.7%
Regular	11.5%	109,393,550	116,743,148	7,349,597	6.7%
Exempt organizations business income tax	*	289,004	271,417	(17,587)	-6.1%
Individual, total ¹	50.9%	473,666,566	515,731,504	42,064,938	8.9%
Withheld by employers ^{1 2}	35.7%	341,467,682	361,418,569	19,950,886	5.8%
Other ²	15.2%	132,198,884	154,312,936	22,114,052	16.7%
Employment taxes, total	34.1%	318,038,990	345,625,586	27,586,596	8.7%
Old-age, survivor's, disability and hospital insurance, total	33.2%	307,594,215	336,809,068	29,214,853	9.5%
Federal insurance contributions	31.4%	289,903,877	317,780,046	27,876,170	9.6%
Self-employment insurance contributions	1.9%	17,690,338	19,029,022	1,338,684	7.6%
Unemployment insurance	0.5%	6,178,000	4,692,520	(1,485,480)	-24.0%
Railroad retirement	0.4%	4,266,775	4,123,997	(142,777)	-3.3%
Estate and gift taxes, total	0.9%	7,784,445	8,973,146	1,188,702	15.3%
Estate	0.8%	7,348,679	8,143,689	795,010	10.8%
Gift	0.1%	435,766	829,457	393,691	90.3%
Excise taxes, total	2.6%	25,934,040	25,977,333	43,293	0.2%

NOTE: Detail may not add to totals due to rounding.

¹ Includes presidential election campaign fund contributions of \$33,421,709 in fiscal year 1988 and \$32,307,941 in fiscal year 1989.

² Collections of individual income tax are not reported separately from old-age, survivor's, disability and hospital insurance (OASDHI) taxes on wages, salaries and self-employment income. The amount of OASDHI tax collections shown is based on estimates made by the Secretary of the Treasury pursuant to the provisions of section 201(a) of the Social Security Act as amended and includes all OASDHI taxes. The amounts shown for the two categories of individual income taxes were derived by subtracting the OASDHI tax estimates from the combined totals collected.

* Less than 0.5%

Tax Refund Offset Program

If a taxpayer fails to make support payments to a child or spouse who receives public assistance, Congress requires the IRS to withhold all or part of the taxpayer's income tax refund to cover the delinquent payments. This legislation has been in effect since 1981. Since 1986, the IRS has also been required to apply individual income tax refunds to child support payments for individuals who are not on welfare and to nontax debts owed to some Federal agencies, such as student loans, military enlistment bonuses, and home mortgage loans, etc.

Through an agreement with the Department of Health and Human Services, IRS acts as a collection agent for the state welfare agencies in all child or spousal support cases. The refund amounts are used to reimburse the agencies for the support they furnish through Aid to Families with Depen-

dent Children (AFDC), or are turned over to the parents having custody of the child or children in nonwelfare cases. A total of \$449.8 million was collected from 780,630 refunds to cover delinquent payments. Since the program began, IRS has collected \$1.1 billion from 2 million refunds for child or spousal support.

Other agreements with the Departments of Housing and Urban Development, Agriculture, Energy, Interior, Education, Defense, Treasury, Justice, Health and Human Services, and the Veterans Affairs, Railroad Retirement Board and Small Business Administration require the IRS to act as a collection agent for delinquent nontax Federal debts. Refunds were offset for this purpose on 478,852 individual income tax returns in the amount of \$258.8 million. Since 1986, IRS has collected \$602.9 million from 1.2 million refunds for nontax debts owed to Federal agencies.

Net Internal Revenue Collections

(In thousands of dollars)

	Gross collections	Refunds ¹	Net collections	
			Amount	Percent of total
Grand total	1,013,322,133	91,810,620	921,511,513	100.0
Corporation income taxes	117,014,564	13,828,220	103,186,344	11.2
Individual income taxes	515,731,504	74,450,529 ²	441,280,975	47.9
Employment taxes, total	345,625,586	1,337,684	344,287,902	37.4
Old-age, survivor's, disability and hospital insurance	336,809,068	1,085,010	335,724,058	36.4
Railroad retirement	4,123,997	10,783	4,113,214	2.1
Unemployment insurance	4,692,520	241,890	4,450,630	0.5
Estate and gift taxes	8,973,146	228,487	8,744,659	0.9
Excise taxes	25,977,333	1,965,700	24,011,633	2.6

NOTE: Detail may not add to totals due to rounding.

¹ Does not include interest paid on refunds. In the narrative, the total refund figure of \$93.6 billion includes \$1.8 billion of interest.

² Refunds of Forms 1040, 1040A and 1040EZ including withheld taxes, minus FICA.

Other Programs

In a cooperative effort with the Pension and Welfare Benefits Administration (PWBA) of the Department of Labor, IRS established an enhanced system for the processing of Form 5500 (pension/welfare benefit plan) series returns. Both IRS and PWBA share responsibility for processing Form 5500 series returns under the Employee Retirement and Income Security Act (ERISA). The new system provides for the increased transcription and key verification of Form 5500 information, greatly expanded computerized edit checking, and implementation of an extensive correspondence program to secure missing or inaccurate data from filers.

The product of this new system will be a monthly transaction file used by PWBA to build and maintain the newly developed ERISA Information System. PWBA's computer system, designated a Presidential Priority Automation Initiative, will provide more timely information to the agency, allowing implementation of a more effective enforcement program.

Lockbox Program

One of the IRS cash management initiatives this year was to expand the Department of Treasury's Lockbox Program Network nationwide. Lockbox is a process whereby individual taxpayers send their estimated tax payments (Forms 1040ES) to a designated commercial bank. The bank is authorized by the Department of the Treasury to collect and deposit the remittances into Treasury's account. The vouchers are processed and forwarded to the respective service center.

On April 1, 1989, the remaining six service centers successfully implemented the program. Taxpayers who formerly filed their Form 1040ES at Austin, Memphis, Fresno, Ogden,

Philadelphia, and Cincinnati Service Centers now send their tax payments to addresses which belong to commercial banks.

Treasury reports that the Lockbox Program Network deposited \$56.0 billion resulting in a total \$46.7 million in interest avoidance savings. This savings is from accelerated funds and is used to reduce the amount of money the Government would have to borrow to meet its daily obligations.

Presidential Election Campaign Fund

Citizens and resident aliens who owe at least one dollar in Federal income tax may designate one dollar of the tax to the Presidential Election Campaign Fund. This year, 20.1 percent of the total individual income tax returns, or 22.1 million, showed designations to this fund of \$32.3 million. The cumulative amount credited to the fund since it began in 1972 is \$567.1 million.

Contribution to Reduce Public Debt

Last year was the seventh year taxpayers were invited to make voluntary contributions to reduce the public debt. Taxpayers could send separate checks payable to the Bureau of Public Debt with their Federal tax returns and take a deduction on the next year's tax return, subject to limitations on charitable deductions. This year there were 529 contributions, totaling \$204,000 bringing the number of contributions to 11,334 and the total contributed to \$1.9 million since the program started.

Earned Income Credit

Low income taxpayers who keep a home for themselves and at least one child may claim the Earned Income Credit (EIC).

Assisting the Taxpayer



In 1989, IRS received 199.6 million Federal tax returns and supporting documents. As the tax deadline draws near each year, the volume of returns at the 10 IRS tax-processing centers increases dramatically.

Quality

The Returns Processing and Accounting Division Quality Branch has contributed significantly to efforts to make quality a way of life. Several programs (listed below) are aimed at identifying areas for quality improvement and for maintaining the gains already achieved:

—Performance Indicators measure the performance of key processing areas within the ten service centers. This provides a standard measurement and control system for critical work areas. Since this is the first year of the system, it is primarily an educational and data gathering year. However, reduced rework is already evident in Error Resolution and Unpostables functions in the centers.

—Program Analysis System performs detailed analysis of both service center and taxpayer errors and suggests solutions. Special training will be provided for service center employees to prevent service center errors in the future. Tax preparer groups have been provided information about the most frequent taxpayer errors so that there can be a reduction in taxpayer-caused errors.

Penalties and Interest

The law requires that IRS charge penalties for failure to file returns, late payments, payments with bad checks, negligence, false withholding statements, fraud, and other violations. Penalties may be lowered or canceled when appropriate. IRS imposed 26.2 million net penalties totaling \$7.1 billion. (See Statistical Table 14 for details.)

The law also requires that interest be charged on late payments. Generally, the IRS may not reduce interest due on taxes owed, but in cases where interest is not justified, it may be lowered or canceled as appropriate. Interest charges totaled \$4.3 billion on individual returns with reductions of \$570 million. Interest charged to business returns totaled \$8.4 billion, reduced by \$2.8 billion.

The Penalty and Interest Notice Explanation (PINEX) notices are available upon request. These information notices show exactly how assessed penalties and interest have been computed on specific taxpayer accounts. The explanatory PINEX notices can be quickly computer-generated in response to taxpayer inquiries received by district offices and service centers. Taxpayer Service representatives are trained to answer taxpayer questions about these notices. Taxpayer responses to the notices show public reaction to be favorable.

The PINEX notices show computations of underpaid and overpaid interest, as well as the following penalties: failure to file, failure to pay, individual and corporate estimated tax, failure to report tip income, fraud, negligence, and dishonored check.

Many avenues of help are available from the IRS to taxpayers. More than 65.1 million people took advantage of free telephone services last year; the Volunteer Income Tax Assistance Program provided free tax help to 2.6 million people, and the Community Outreach Tax Assistance Program helped more than one million people, both in the United States and abroad. The One-Stop Service concept provided complete service the first time the taxpayer contacted the IRS. Hundreds of suggestions resulted from town meetings where taxpayers commented on forms, instructions, publications and IRS operations. Authority to issue Taxpayer Assistance Orders was granted last year to the Taxpayer Ombudsman.

Taxpayer Assistance

The 1989 filing season saw Taxpayer Service continuing the quality initiatives started last year. The "One-Stop Service" concept—providing complete service the first time a taxpayer contacts the IRS—was a primary effort to provide the most assistance to the largest group of taxpayers at a convenient time and location.

IRS provided convenient help for taxpayers through three forms of telephone assistance; the toll-free system with trained staff to help with technical tax law, procedural questions and account problems; Tele-Tax for either recorded technical tax law information or the status of the current year's refund; and a special toll-free service for taxpayers to order forms and publications.

An expanded authority program to resolve account problems while talking to the taxpayer has been well received by both taxpayers and their practitioners. Until recently, most account-related questions had to be referred to the IRS service centers. Under expanded authority to handle account problems, assistants can, in certain cases, resolve taxpayer problems at the district office level. Examples include address changes, tax adjustments, and abatements of penalty charges.

IRS continued to measure the quality of service delivered to the public through the Integrated Test Call Survey System (ITCSS). Specially-trained personnel from the IRS National Office placed calls to toll-free telephone sites around the

The automated Taxpayer Service Expert Assistant System leads the taxpayer service representative through a series of questions in the calling taxpayer's tax topic to provide accurate and complete answers.



country to assess the courtesy, completeness, and accuracy of the responses to taxpayer inquiries. The system allows Taxpayer Service to identify those areas of tax law that need to be emphasized in training, as well as those offices that need particular assistance.

In 1989, overall telephone accuracy on selected technical calls was below a satisfactory rate. The answer to increasing the accuracy lies in improving the training provided to assistants, working to build a stable and experienced workforce, and implementing new technology. The IRS is taking these steps. In addition, each of the seven regional offices has established a diagnostic center to improve the quality of telephone assistance offered in their respective toll-free telephone site.

The public's awareness of Tele-Tax has continued to grow since the beginning of the program in 1983. In 1989 the system answered more than 27.8 million calls, compared to 13.4 million calls last year, an increase of more than 100 percent in one year. In response to the increased demand, IRS plans to purchase and install 12 additional Tele-Tax systems for 1990.

Disaster Assistance

In 1989, people in 438 counties in 19 states suffered losses because of floods, hurricanes, tornadoes, and other emergencies and disasters. The IRS provided on-site help to the victims in preparing amended returns for casualty loss claims and expediting refunds to the affected taxpayers.

Taxpayers who qualify for the credit may choose to get it in their paychecks in the form of advance payments during the year, rather than wait and file for it on their tax returns after the year is over. About 10.9 million taxpayers claimed a total of \$5.8 billion earned income credit of which 7.4 million received refunds totaling \$4 billion. Employers reported they paid out \$93 million in advance payment of EIC.

IRS provided materials to print media such as news releases, question and answer columns, and fact sheets in both English and Spanish explaining EIC and advance payment of EIC. IRS also included articles on EIC in the 1989 Tax Supplement and 1989 Spanish Clipsheet. For electronic media, the IRS provided a video news release for television explaining EIC.

IRS also worked with private, state and local organizations to get the message on EIC availability directly to low-income taxpayers through a video conference, publicity materials, audio conference, and a staffer suitable for inclusion with welfare and unemployment checks.

Master File

The number of taxpayer accounts on the Individual Master File grew to 151.4 million by the end of September 1989, a 5 percent increase over last year. The Business Master File contained 41.8 million accounts, a one percent increase over the previous year. The Martinsburg Computing Center processed 193.2 million individual and business accounts, up by .7 million or nearly a .3 percent increase over 1988.

Assisting Taxpayers

Write, Call or Walk-In	1989
Toll-Free Telephone	37.0M
Account & Problem Resolution	6.9M
Technical	3.7M
Service for the Deaf	3,273
Non Toll-Free Telephone	.3M
Tele-Tax	27.8M
Automated Response	3.1M
Refund	24.7M
Correspondence	187,000
Walk-In	7.0M
Permanent Offices	495
Filing Season Only Offices	57
Foreign Language Assistance Offices	115
Libraries, Banks and Postal Service	64,000
Tax Forms and Instructions Distributed	300M
Disaster/Emergency Assistance	
States	19
Counties	438
Taxpayer Education	
Outreach Taxpayers Assisted	1.0M
Community Sites	9,000
VITA & TCE Taxpayers Assisted	2.6M
Volunteers	77,000
Students Receiving Understanding	
Taxes Material	4.2M
Workshops	
Small Business Attendees	63,000
Tax Practitioner Institute Attendees	62,000
Taxpayer Information	
Free Advertising Received	\$102.6M*
Broadcast (Radio and Television)	\$98.6*
Print and Outdoor	\$4.0M*
Television Clinics/Special Programs	42
Network Radio Programs	5
Newspapers Using Tax Supplement	5,600
Estimated Tax Supplement Circulation	53.2M

* Figures provided by the Advertising Council reflect Calendar Year 1988 public service campaigns

Taxpayer Information

Partnerships with the Advertising Council, Public Broadcasting Service television stations, Financial News Network, American Forces Press Service and the media worldwide made this a banner year for the delivery of taxpayer information to general and specialized audiences.

During the third year of its formal partnership, the IRS and the Advertising Council again used the campaign theme, "Make Your Taxes Less Taxing," and focused on early filing and volunteerism. Public service materials in English and Spanish were well received by television, radio stations, newspapers and magazines, and appeared on billboards and buses throughout the country. The free advertising obtained in print and broadcast media was worth more than \$102.6 million, and generated many additional opportunities to inform taxpayers of their rights and responsibilities.

To provide specialized tax information to targeted audiences, the IRS developed an alliance with various industry groups and Public Broadcasting Service stations to produce and market "Tax Tips on Tape," a series of 27 videos. The programs were shown on 240 public broadcasting stations and coordinated with special Outreach Program events across the country.

IRS also joined with Financial News Network to produce a weekly half-hour live show, "IRS Tax Beat." Topics ranged from tax-exempt organizations to estate taxes and featured IRS executives and specialists answering call-in questions.

Audiences averaged 150,000 per week. As part of the continuing efforts to use the most efficient means to distribute information, the IRS began a weekly satellite transmission of tax programs, which were made available to cable outlets and television stations free of charge.

Working with the print media, tax supplements for mass media circulation, and several clipsheets aimed at specialized audiences, were published in nearly 5,600 newspapers and in-house newsletters, reaching an estimated audience of approximately 53.2 million. *USA Today* published a special tax guide reaching millions of readers. The American Forces Press Service published a special "Income Tax Edition," which was distributed to over 1,000 publications worldwide having an estimated readership of more than 4 million military and civilian personnel.

Educating Taxpayers

Throughout the year, IRS offered a wide variety of educational and assistance programs designed to help people meet their Federal tax obligations.

The Technical and Miscellaneous Revenue Act of 1988 (TAMRA), the major new law this year, included the Taxpayer Bill of Rights. Efforts to educate people required Taxpayer Service to coordinate with other IRS functions to make this information available, as in the development of Publication 1, "Your Rights as a Taxpayer."

The Volunteer Income Tax Assistance (VITA) and Tax Counseling for the Elderly (TCE) programs trained volunteers to prepare tax returns at sites throughout the community for people with special needs and for whom professional help was often out of reach. Those assisted included the low-

income, handicapped, non-English speaking, and elderly. Over 77,000 VITA and TCE volunteers assisted 2.6 million people. In addition, nearly 64,000 banks, post offices and libraries volunteered their services to distribute tax forms and many also served as assistance sites.

To promote the use of volunteers in order to help more people, IRS worked with national and local community service organizations, as well as state and local governments, in cooperative efforts to recruit, train, and retain active volunteers. Through joint efforts with the Federation of Tax Administrators (FTA), the number of federal/state cooperative projects grew from 180 in 1988 to 253 in 1989, an increase of over 40 percent.

The Community Outreach Tax Assistance Program also provided tax assistance and information to more than 1.0 million people. This program offered tax assistance at convenient times and locations in the community for people who were unable to seek help at IRS offices during regular business hours. IRS representatives discussed pertinent tax law topics and prepared Federal tax returns for special interest groups such as small business owners, self-employed people, farmers, and retirees.

Educating the nation's young was another avenue IRS employed to further voluntary compliance. In 1989, 4.2 million high school students nationwide studied the Federal tax system through the Understanding Taxes Program. With the cooperation of the Joint Council on Economic Education and the Agency for Instructional Technology, course materials are being developed to extend this program to eighth-grade students.

Following a successful pilot in 1988, the IRS formally established the revised Small Business Tax Education Program designed to educate small business owners and other self-

employed individuals about their rights and responsibilities as business taxpayers. This program is based on partnerships between IRS and community educational facilities. Course materials containing instructor and student guides and a videotape were designed to be tailored to fit the needs of different audiences. Over 1,382 colleges, universities, and business associations began using these program materials.

IRS also maintained valuable liaisons with the professional tax practitioner community. Practitioner institutes provided a forum for IRS and preparers to discuss mutual concerns.

Forms and Publications

The IRS continued efforts to improve the quality of tax forms and instructions and taxpayer information publications by involving the users in the process. During the tax filing season, taxpayers and tax practitioners in 12 cities around the country participated in town meetings convened to raise issues and opinions on forms, instructions, and publications. The IRS released advance copies of major tax forms early in the summer to solicit comments from the users of those forms. Groups of taxpayers met in focus groups to study forms including a new version of Form 1040A that could be used by people with retirement income.

Hundreds of suggestions resulted from this customer contact regarding forms, instructions, publications, and IRS operations. Many of these have been adopted already; more will be in the next year or two. Two new publications, one targeted for military personnel and one for students, are the



A taxpayer in the early 1970's visits an IRS office for help on his tax return. Whether in years past or today, courteous and accurate service is a vital part of all the IRS programs.

direct result of suggestions made by taxpayers. And to help elderly taxpayers, a large print worksheet of the tax return form is now in Publication 554, "Tax Information for Older Americans."

The IRS conducted a survey to sample taxpayer opinions on Publication 2, "The ABC's of Income Tax," which was developed in response to taxpayers' requests for simpler tax information. This publication is easy to read, and will help taxpayers understand the basic tax rules that apply to most taxpayers. It provides examples of how the law applies in the most common situation.

The purpose of the survey was to identify whether Publication 2 could be substituted for Publication 17, "Your Federal Income Tax," which is a much larger publication. As a result of the survey, the quantities of Publication 17 will be reduced and quantities of Publication 2 will be printed.

Although most simplification efforts have concentrated on forms used by individuals, IRS is also concerned about reducing burden and complexity for businesses. To help these taxpayers, IRS developed a new Form 940EZ, Employer's Annual Federal Unemployment Tax (FUTA) Return. It is a short, simple form designed for use by employers who do business in only one state. Nearly four of the five million employers who are liable for FUTA can file this shorter form.

Employees at three Forms Distribution Centers filled about 15 million taxpayer orders for forms and publications, most of them within 48 hours of receipt. More than seven million orders came in over the toll-free order telephone systems during 1989. The 15 million filled orders represent a decrease from what was filled in fiscal year 1988. This decrease can be attributed to: (1) the impact of the Tax Reform Act of 1986; and (2) the special mailout of 11 million Publication 920s, "Explanation of the Tax Reform Act of 1986," to taxpayers during 1988.

IRS mailed about 119 million tax packages to individual income tax filers and business tax return filers. More than 425 million tax forms and instructions were distributed to taxpayers through the voluntary services of nearly 64,000 libraries, banks and post offices.

A new system for updating the Taxpayer Information Publications was implemented this year. State of the art software is now used to update files previously maintained and updated on magnetic tape. A publication file can be updated by a tax law specialist, sent to the typesetting contractor, and camera copy is received in two or three days. This new process reduces the turnaround time by as much as two weeks.

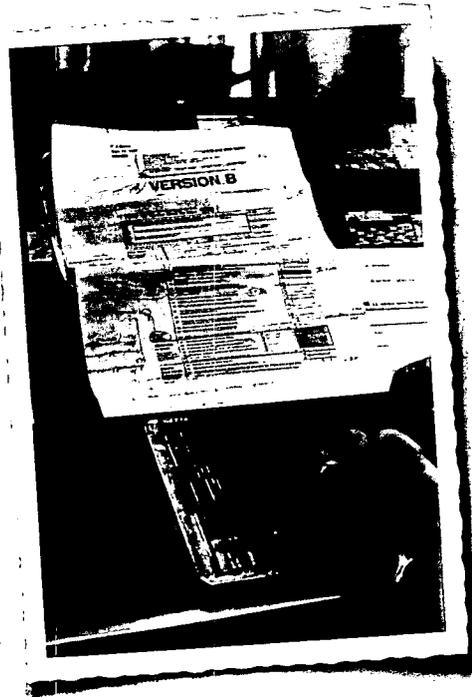
Problem Resolution Program

A major goal of the Problem Resolution Program (PRP) is to solve tax problems that have not been resolved through normal procedures. PRP represents the interests and concerns of taxpayers within the IRS and seeks to prevent future problems by identifying the root causes of such problems. During 1989, 407,000 taxpayers received PRP assistance in solving their tax problems.

The Taxpayer Ombudsman, an executive reporting to the IRS Commissioner, directs the program. Each IRS district, service center and regional office has a Problem Resolution Officer (PRO). In resolving problems and protecting taxpayer

rights, PROs have authority to intervene to assure IRS actions are correct and appropriate. PROs also publicize PRP through the media, and meet regularly with tax practitioner associations, congressional staffs, and outside groups to promote and explain the program.

The PRP staff also works with other IRS functions to improve existing systems and procedures and implement new laws. A major effort in this regard was implementation of the Omnibus Taxpayer Bill of Rights. Effective January 1, 1989, authority to issue Taxpayer Assistance Orders (TAOs) was granted to the Taxpayer Ombudsman. This authority was delegated to Problem Resolution Officers, as field representatives of the Ombudsman.



Layout and design of tax forms and instructions, as late as 1983, was a labor-intensive process involving hot metal page make-up procedures. A large publication could take 5-7 days to typeset and required 4-6 type compositors for page make-up.

TAOs may be issued when, in the judgement of the Ombudsman or PRO, a taxpayer is suffering, or is about to suffer a significant hardship as a result of an IRS action or inaction. A TAO can order the function that is handling the taxpayer's case to take appropriate steps to relieve the hardship. The order can also suggest alternative actions to resolve the case. Requests for such relief may be made by taxpayers, their representatives, or by IRS employees on behalf of taxpayers.

During the year, PRP processed 12,083 Applications for Taxpayer Assistance Orders (ATAOs).

Public Affairs

Public Affairs Officers (PAOs) in each field office and in the National Office use a variety of communication means to inform and educate IRS employees and outside audiences about changes in tax laws and tax return processing procedures.

PAOs provide information on changes in tax law and processing procedures, potential tax filing problems, taxpayer rights, tax assistance available, and many other subjects. This

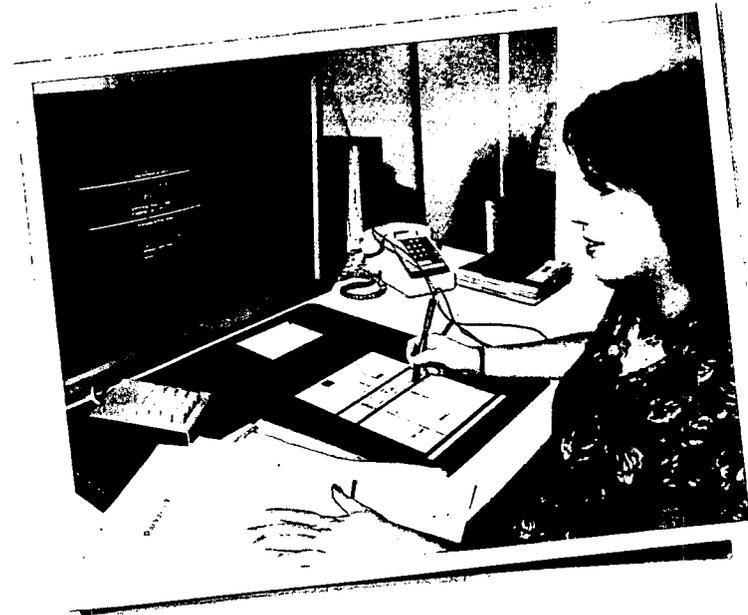
information is directed to specialized audiences such as tax-practitioners, state government officials, Congressional staff, businesses, media, civic organizations, and to the general public, and IRS employees. This is accomplished through the use of radio, television, printed materials, news releases, fact-sheets, tours, teleconferences, speakers, tax practitioner newsletters, the IRS Annual Report, and other media.

Publicity efforts last year emphasized areas such as the Problem Resolution Program as the advocate of the taxpayer, taxpayer rights, and informing taxpayers of the importance of good recordkeeping, starting early to file, being aware of common mistakes and knowing about available assistance services. Activities highlighted electronic filing, plans for redesigning the tax processing system, IRS renewed commitment to quality and customer service and efforts to recruit and train a top-quality workforce with emphasis on insuring integrity and security of employees.

PAOs worked closely with other IRS offices on programs such as cooperative efforts with state tax officials to provide taxpayers with joint news releases, radio and television interviews, speakers, tax forms, and assistance under the "One-Stop Service" concept.

Field PAOs had more than 52,000 media contacts; the staff in the National Office Public Affairs responded to over 3,200 inquiries. Field PAOs coordinated requests for nearly 4,200 speakers to address civic groups and professional tax groups.

Today, using computer-aided design of the Tax Forms Automated Composition System (TFACS), the layout and design of tax forms and instructions can be accomplished in about half the time previously required using a hot metal process.



Enforcing the Law

Voluntary compliance continues to be a prime objective for the IRS. While the majority of taxpayers voluntarily report their taxes without any enforcement action, two future automated systems — Under-reporter and Integrated Collection — will aid in identifying those people who do not report all their income. One of the most successful Organized Crime Drug Enforcement Task Force Program investigations last year was Operation Polar Cap, a multi-agency investigation of a worldwide drug trafficking/money laundering operation.

Examination

Examination administers a nationwide audit program involving the selection and examination of all types of Federal tax returns, except returns examined by the Exempt Organizations, to determine correct liabilities of taxpayers. Examinations are conducted either through interviews or correspondence.

The IRS examined 985 thousand individual income tax returns in 1989, of which 786 thousand were examined through office and field examination programs at district offices. District examinations are normally conducted at an IRS office or at a taxpayer's place of business. Of the total, 199 thousand returns were examined through the service center examination program.

District and service center examination of individual taxpayer returns resulted in \$4.2 billion additional tax and penalties, and refunds totaling \$318 million.

In addition, service center tax examiners correspond with taxpayers to resolve questions regarding filed tax returns. Through this program, service center tax examiners corrected 412 thousand individual tax returns resulting in recommended tax and penalties of \$555 million. (Corrections are not considered examinations and are not counted in the examinations figures above.)

Through efforts in districts and service centers, Examination verified or corrected 1.07 percent of all returns filed in 1988. Overall, .92 percent of all individual returns were examined.

The International organization administered 35 income tax, 16 estate tax and 7 gift tax treaties worldwide and held its first international tax conference with practitioners. A new program was launched to begin accepting employee plan returns filed on magnetic media, and Employee Plans and Exempt Organizations initiated a special emphasis program to increase compliance with the charitable solicitation rules. IRS established a telephone hotline to help charities determine the value of premiums offered to and answer questions from donors.

IRS examined 108,999 returns with tax shelter issues. Examination of these returns resulted in total recommended additional tax and penalties of \$1.2 billion.

The Tax Reform Act of 1986 significantly reduced the tax benefits for tax shelter investors, resulting in substantially fewer promotions and registrations of tax shelters. IRS is continuing to reduce existing inventories of old tax shelter investor returns by establishing joint agreements between taxpayers and the Government to settle tax disputes.

Through the Coordinated Examination Program, teams of the most experienced examiners and specialists in the IRS conducted examinations of 1,570 of the largest and most complex domestic and foreign-controlled corporations. In 1989, the examinations conducted through the Coordinated Examination Program resulted in recommended tax deficiencies and penalties totaling \$10.8 billion.

Through the Automated Examination System (AES), IRS continued its initiative to automate the examination process. In previous years, AES distributed 18,000 portable computers for use by revenue agents and group managers within Examination, International, Appeals, and Employee Plans and Exempt Organizations. Agents also received an additional 680 desktop computers for use in team or large case examinations.

During 1989, the accomplishments of this initiative included the distribution of hard disk laptop computers and computer software for examinations of employment, engineering, excise, and corporate taxpayers. Also, test sites were selected and both tax auditors and tax examiners were trained in the use of AES equipment and software.

Industry Specialization Program

The IRS established the Industry Specialization Program to ensure uniform and consistent treatment of issues nationwide and to provide better identification and development of issues. It involves continuing efforts to identify industry groups requiring centralized coordination and expertise. Industries are selected based upon the complexity and significance of tax issues. This information is obtained through a nationally coordinated industry study.

Currently, there are 19 designated industries and two industries under study. Once an industry is designated for the program, the Examination and Chief Counsel functions assemble a team of experts. This team becomes the focal point for providing legal and audit direction to examining agents.

The primary purpose of this program is to promptly identify and resolve issues having industrywide impact.

Research to Improve Compliance

Under the Taxpayer Compliance Measurement Program (TCMP), the IRS conducts a variety of large-scale compliance studies. For TCMP income tax studies, representative sam-

ples of filed tax returns are selected and thoroughly audited. The IRS uses the data from the TCMP audits to measure overall compliance levels and for tax gap research studies. TCMP audit data is also the primary source of information for IRS systems designed to select returns for examination.

A TCMP survey for corporations with assets under \$10 million is currently underway and will be completed by May 31, 1990. A TCMP survey of individual taxpayers will start January 1, 1990 and be completed by May 31, 1991. These surveys will provide the first comprehensive measurement of the compliance effects of the Tax Reform Act of 1986.

In addition to TCMP, IRS conducts special studies to determine pockets of noncompliance and conducts research to determine the reasons for noncompliance. For example, the IRS is conducting examinations to study taxpayer compliance with specific provisions of the Tax Reform Act of 1986. The IRS uses the information derived from these types of specific studies to determine future enforcement strategy.

This young man in 1935 may have been an employee in the Sales Tax Division which administered taxes on items such as oleomargarine (colored or uncolored), adulterated butter, filled cheese, mixed flour, mechanical refrigerators, and coconut oil.



Information Returns Program

The IRS document matching program, also referred to as the Information Returns Program (IRP), is a computerized compliance program used by the IRS to match third-party information on items such as wages, interest, dividends, and certain deductions with the amounts reported by taxpayers on their income tax returns. The IRS also uses the information to identify people who are reported to have received income, but did not file returns.

The IRS received 990 million information returns in its tax year 1987 Information Returns Program (IRP), including over 220 million Forms W-2, Wage and Tax Statement, and W-2P, Statement for Recipients of Annuities, Pensions, Retirement Pay, or IRS Payments, received and processed by the Social Security Administration.

More than 100 million of the total receipts were filed for deductions rather than income items. These consisted of information returns filed by trustees for contributions to individual retirement arrangements and mortgage interest deductions.

The IRS processes all magnetic media and paper filed information returns received. Over 920 million, or 93 percent, of the information returns were submitted on magnetic media.

An output of IRP is the Underreporter Program, the primary method used by IRS to resolve apparent discrepancies between data reported by taxpayers on their tax returns and data reported by payers on information returns filed with the IRS. For tax year 1986, during the July 1988 through August 1989 period, approximately 3.7 million taxpayers received CP-2000 notices that reflected apparent discrepancies. Some 40 percent of taxpayers contacted agreed fully with the proposed assessments shown on this notice. In addition to the Underreporter Program, some 3.8 million taxpayers were contacted through Collection's Nonfiler Program for apparent failure to file tax returns based on payer information returns filed with the IRS. (See Statistical Table 10A for details.)

The Automated Underreporter (AUR) System was conceived to move the Underreporter Program toward a paperless environment using a network of personal computer terminals at each tax examiner's workstation and linking them to a central computer. The AUR System will provide both IRP and taxpayer account data on-line, making it easy for tax examiners to analyze and complete the IRP matching process. The primary purpose of the matching process in the Underreporter Program is to determine if a discrepancy notice to the taxpayer is applicable.

The AUR model will be tested to measure the effectiveness of the screen displays and usefulness for job performance. The system will provide case control, on-line data for case analysis, calculations, and Service Center Replacement System (SCRS) interface for functions such as notice generation. The AUR System will promote the IRS "One-Stop Service" concept by providing access to district offices. Expanded notice information to Taxpayer Service in the district office will enhance IRS customer service capabilities and further this concept.

IRS completed the AUR System analysis and design in 1989, enabling testing to begin and implementation to take place at a designated pilot site in fiscal year 1990.

Payer Compliance

To aid payer compliance, IRS sent a mailout to all filers of information returns giving them requirements and guidelines, including detailed information covering changes in forms, backup withholding, magnetic media reporting, paper document reporting, and specific form preparation. Also included in the mailout were transmittal documents and mail labels for subsequent use.

IRS sponsored a nationwide series of seminars to educate and update payers on magnetic media reporting. In addition, IRS provided speakers to a variety of organizations. These speeches covered all areas relating to information return reporting. The most requested topics were backup withholding and filing requirements.

As part of the joint IRS/payer effort to avoid unnecessary cases of backup withholding under the Interest and Dividend Tax Compliance Act, payers were furnished a list of payees designated as having incorrect Taxpayer Identification Numbers (TINs) on existing financial accounts for tax year 1987. IRS also furnished payers a suggested message to be sent to the payees advising them of the potential backup withholding from their accounts in subsequent years if the TINs are not properly certified. Backup withholding is currently required for those accounts with missing TINs.

The IRS continued to assess appropriate penalties for failure to file on magnetic media and for delinquent filing of information returns. Generally, payers are required to utilize magnetic media when they file 250 or more of a specific type of information return.

The requirements are applied separately to original and corrected submissions. For Forms 1099-INT, 1099-DIV, 1099-OID and 1099-PATR, the magnetic media threshold starts when an aggregate of 50 or more information returns are filed. For Form 1099-B, all information returns must be filed utilizing magnetic media. The due date for filing of information returns is generally the last day of February, following the close of the tax year.

Collection

Collection is responsible for securing delinquent Federal tax returns and for collecting taxes where the amount owed is not in dispute, but remains unpaid. Collection officials in the National Office set policy and write procedural guidelines for all field offices. The field offices are divided into three major components: Service Center Collection Branch (SCCB), Automated Collection Branch (ACB) and Collection Field Functions (CFF).

The SCCB is Collection's first point of contact with taxpayers who are delinquent in filing returns and paying taxes. The SCCB sends notices to taxpayers and acts on the replies to the notices. The SCCB also addresses taxpayers' noncom-

pliance through the use of automated Internal Revenue Code 6020(b) and Substitute for Return Programs for businesses and individuals, respectively. These programs automate the preparation and assessment of returns for taxpayers who have been notified of the delinquency and have not filed their returns. Approximately 949,000 returns with assessments exceeding \$2.1 billion were processed under these programs this fiscal year.

The SCCB also reviews selected Forms W-4, Employee's Withholding Allowance Certificate, to determine whether employees have the correct amount of tax withheld from their wages and directs employers to increase the amount withheld when appropriate.

The ACB is the next point in the collection process for the tax accounts and delinquencies that are unresolved by the SCCB. The 21 ACB call sites attempt to contact the taxpayer and resolve the delinquency by telephone. Collection is piloting a prototype automation system at one of the call sites, which allows the ACB employees to view on one screen information from several computer data bases, such as the data base showing the current account payments and return filing. This innovation should improve Collection's capability to resolve taxpayers' accounts as well as enhance the quality of ACB performance.

The Collection field employees at the 63 district offices have the responsibility for the last step in the collection process. Accounts are assigned to revenue officers who can make personal visits to the taxpayers to secure information on which to resolve the account.

Collection Activity

This fiscal year, Collection secured \$23.5 billion, compared with \$23.3 billion last year. A total of \$9.7 billion was collected as a result of the first bill, and subsequent billings yielded \$5.6 billion. Additional action on taxpayer delinquent accounts generated \$6.7 billion, and various other programs yielded \$1.5 billion. (See Statistical Table 13, Delinquent Collection Activity.)

Collection is also responsible for examining certain employment tax returns. Approximately 95 percent of the cases examined resulted in proposed assessments. Proposed assessments reached \$93.8 million for approximately 16,604 returns examined under this program. In addition, 1,405 delinquent returns were secured for \$9.7 million in assessments. As a result of these examinations, Collection reclassified over 76,761 workers from independent contractors to employee status. Revenue officer examiners secured an additional 8,524 information returns resulting in recommended penalties of over \$4 million.

Collection has a comprehensive automation initiative called the Integrated Collection System (ICS), the goal of which is to improve Collection quality, productivity, timeliness of case processing, and customer service in over 650 Collection offices nationwide. Collection intends to accomplish this goal by streamlining its current labor-intensive paper system. A new common computer data base is planned which will allow the sharing and exchange of information by employees in the Collection functions and will

automate many manual tasks, reduce paperwork, and provide quicker access to more current taxpayer information. IRS is currently evaluating formal vendor proposals and plans to award a contract early in fiscal year 1991.

A major Collection initiative was the creation of an Office of Continuous Quality Improvement under the Assistant Commissioner (Collection). The Office has the responsibility for bringing together all existing quality initiatives and programs in the Collection organization and for providing a unified purpose and strategy.

Criminal Investigation

Criminal Investigation (CI) promotes voluntary compliance with the tax and currency laws through the effective enforcement of the tax code and related criminal statutes. Special agents of Criminal Investigation identify and investigate those individuals for tax and currency violations who organize, direct and finance high-level criminal enterprises, and those leaders who try to circumvent the voluntary tax system.

These individuals may be involved in narcotics-related crimes, organized crime, public corruption, or in other domestic or international violations. A balanced compliance program is maintained among different enforcement programs through the criminal investigation and prosecution of individuals in a variety of industries and occupations.

One way Criminal Investigation investigates drug leaders and financiers of the illicit drug trade is through participation in several multi-agency enforcement programs. CI is an integral part of the highly successful Organized Crime Drug Enforcement Task Force (OCDETF) Program—a multi-agency enforcement effort. CI provides nearly 50 percent of Treasury's effort to the OCDETF Program and participates in nearly 70 percent of all OCDETF investigations, second only to the Drug Enforcement Administration.

The OCDETF Program was established to identify, investigate and prosecute members of high-level drug trafficking enterprises and to destroy the operation of those organizations.

One of the most successful OCDETF investigations, in which Criminal Investigation was a leading participant, was Operation Polar Cap, a multi-agency investigation of an international drug trafficking/money laundering operation. This money laundering organization laundered over one billion dollars in drug proceeds, much of which was transferred to banking facilities in South America and Europe. The investigation resulted in dismantling the organization, indicting the major participants, seizing in excess of \$80 million, and freezing nearly \$500 million which was being funneled through several New York banks.

The enforcement of currency laws and money laundering statutes is closely related to the investigation of narcotics crimes. Narcotics traffickers generate huge amounts of currency from the sale and distribution of drugs and channel the money into legitimate investments and assets, often in contravention of existing currency laws.

Criminal Investigation enforces nearly all the provisions of the Currency and Foreign Transactions Reporting Act, commonly known as the Bank Secrecy Act. These regulations require financial institutions or individuals to report certain domestic and foreign currency transactions to the Federal government. Failure to comply with regulations is a criminal violation under Title 31 of the United States Code.

During 1989, Criminal Investigation made seizures of more than \$40 million through enforcement of the money laundering statutes under Title 18 of the United States Code. Under these provisions, money and assets obtained from or used in an illegal activity are forfeited. The statutes are effec-

tively used in narcotics-related violations and in any financial investigation where violations of currency laws exist.

IRS successfully used these forfeiture provisions last year in Operation Greenback, a coordinated Department of the Treasury effort. The operation investigated violations by individuals involved in laundering large sums of currency, generated primarily from narcotics trafficking, through financial institutions in Florida.

The IRS is one of the major participants in the Justice Department's Strike Force Program. Working on this program with other agencies, CI enforces statutes against criminal activity in organized crime and investigates and prosecutes organized crime subjects. IRS ranks second, only behind the Federal Bureau of Investigation, in participation on the Strike Force Program. CI also enforces the wagering tax laws and conducts investigations relative to the pornography industry.

Another important area of CI is the Questionable Refund Program, a proactive approach to detect and stop claims for multiple fictitious tax refunds. During this year, more than \$19 million in fictitious claims were detected prior to being refunded.

Each of the ten IRS service centers has a Questionable Refund Detection Team (QRDT). Tax examiners review a portion of the millions of refund returns to identify refund schemes. When a scheme is identified, the information concerning the characteristics of the scheme are provided to all other centers to assist in identifying possible multi-center schemes. All available information on the perpetrator is forwarded to the district offices for prompt investigation.

Although CI devotes considerable resources to special emphasis activities such as narcotics, organized crime or money laundering, equal attention is given to investigating violations involving income from legal sources.

Two CI cases during 1989 involving income tax violations from legal income sources, which received nationwide publicity, were against Leona Helmsley of New York and Lyndon H. LaRouche, Jr. of Virginia.

Mrs. Helmsley was convicted of evading approximately \$1 million in taxes by using corporate funds for personal expenditures. The hotel executive was sentenced to four years in prison, 750 hours of community service and fined \$7.1 million for tax evasion, mail fraud and conspiracy.

Mr. LaRouche was sentenced to 15 years in prison on charges of Federal conspiracy, tax fraud, and mail fraud violations stemming from a multi-agency grand jury investigation into his fund-raising activities.

CI is developing an Automated Criminal Investigation System to provide special agents with modern computer tools for the analyses of business records and other investigative applications. This new system will be integrated with other IRS automated systems.

Critical to the success of Criminal Investigation's enforcement efforts is the proper training of agents. Last year, 321 new agents received 19 weeks of training at the Federal Law Enforcement Training Center in Glynco, Georgia. The training program consists of criminal investigator training, tax law for criminal investigators, and special agent investigative courses.

The computer training lab at Glynco provides instruction in all types of industry standard software. Last year, 300 senior special agents were trained on electronic spreadsheet programs, data base management systems, and how to retrieve data from computers the IRS has seized.

Employee Plans

The Employee Plans function administers the tax laws governing pension plans by issuing letters determining whether a plan qualifies under the law, examining returns to ensure that plans are complying with the law, and publishing rulings to clarify the law. During 1989, IRS issued 79,872 of these letters and examined 36,681 returns.

Many complex qualified plan provisions of the Tax Reform Act of 1986 (TRA 86) were addressed by Employee Plans personnel to assist in the development of Treasury regulations on these provisions. Guidance was published in the form of revenue rulings, revenue procedures, notices and announcements; new programs were initiated for the approval of qualified plans. Speakers addressed various practitioner groups across the country to highlight new Employee Plans developments and receive insights first-hand from practitioners.

With Employee Plans assistance, regulations involving TRA 86 participation and coverage provisions were issued on the rules for determining the portion of an employer's workforce that must benefit under a qualified plan. Regulations were also issued on the rules for integrating benefits under a qualified plan with benefits provided under the Social Security System.

Other significant issuances included a revenue ruling on plans that had been terminated, but had not distributed assets to plan participants, and two notices that provided guidance in the form of model plan amendments that could be adopted by plans in order to comply with TRA 86 provisions that had become effective. A notice providing a simplified method that retirees can use for calculating the tax treatment of their retirement distributions was also issued.

Revenue Procedure 89-13 was issued to describe the process for requesting notification and determination letters on the qualification of new regional prototype defined contribution and defined benefit plans. This program will enable more entities, including law firms, accounting firms and actuarial consulting firms to provide pre-approved prototype plans to their clients. Burden and expense is lowered for taxpayers and the IRS realizes savings in review and processing time.

A new program was launched at the Andover Service Center to begin accepting Employee Plan returns filed on magnetic media. In 1989, a successful pilot test was conducted for processing these returns and supporting schedules. Due to increased interest in this program from many of the large accounting firms, up to 10,000 automated returns may be processed in 1990. The filing of returns on

magnetic media provides benefits to both taxpayers and the IRS. These benefits include a reduction in the lengthy processing cycle experienced with paper returns, a reduction in IRS processing errors, and ultimately a reduction in the costs associated with the handling, filing, and retrieval of paper returns. Taxpayers also benefit from reduced return preparation and postage costs.

Exempt Organizations

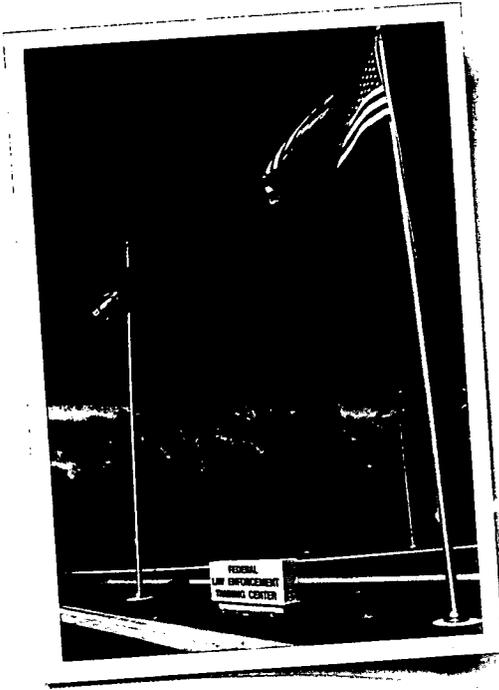
The Exempt Organizations function administers the tax laws governing exempt organizations and private foundations. In 1989, IRS disposed of 57,757 applications from organizations requesting qualification for exemption under the law and examined 15,034 returns to ensure that organizations are complying with the law. IRS also published numerous tax rulings to clarify the law. (See Statistical Table 17 for details.)

In response to a Congressional request that the IRS monitor whether sponsors of charitable fundraising events are providing accurate information on the extent to which contributions are deductible, the Assistant Commissioner (Employee Plans and Exempt Organizations) initiated a special emphasis program to increase compliance with the charitable solicitation rules. The two-part effort to prevent overstated deductions includes educating the soliciting organizations and conducting a special examination program to decrease the abusive and misleading fundraising practices of some charities.

Publication 1391, "Deductibility of Payments made to Charities Conducting Fundraising Events," was distributed to 400,000 charitable organizations as part of an on-going educational program that includes speeches, taxpayer assistance workshops, and revisions to forms and publications. IRS established a telephone hotline to help charities make a determination of the value of premiums offered in fundraising activities and to help charities answer questions from donors on the deductibility of contributions made.

Charitable organizations engaging in misleading or abusive practices are referred for examination. In examinations of charitable organizations, where there is evidence that donors received something in return for their donations, individual donors are referred for examination. The educational and renewed enforcement activities are to address the concerns of Congress and to improve voluntary compliance in this area.

Two significant court cases were decided in the Exempt Organizations area. In *Association of the Bar of the City of New York v. Commissioner*, the Second Circuit held that a bar association's practice of rating (and publishing the rating of) candidates for elective judicial office violated the Internal Revenue Code section 501(c)(3) prohibition against political campaign activity and thus disqualified it from reclassification as a tax-exempt charitable and educational organization. This decision upheld the IRS positions that this statutory prohibition is absolute and that its violation does not depend upon the motivation of the organization.



Proper training of agents is critical to the success of Criminal Investigation's enforcement efforts. New special agents receive 19-weeks of training at the Federal Law Enforcement Training Center in Glynco, Georgia. The program includes criminal investigator training, tax for criminal investigators, and special agent investigative courses.

In *Hernandez v. Commissioner*, the Supreme Court held that payments made to the branch churches of the Church of Scientology for auditing and training services were not deductible charitable contributions under Internal Revenue Code section 170. The Court applied the traditional *quid pro quo* analysis to conclude that the payments were not deductible charitable contributions despite the religious nature of the benefits.

Applications & Filing Forms

A major revision of the Employee Plans and Exempt Organizations determination letter applications was completed. The revised forms simplify the information required to be submitted and contain simplified instructions. The number of incomplete applications received (which significantly delay processing) will be monitored to evaluate the effectiveness of the new applications.

A new Form 990EZ, Short Form Return of Organization Exempt From Income Tax, was developed and is proposed for adoption for 1989 filing. This form will substantially reduce the record keeping and reporting burden for approximately one-fourth of the Internal Revenue Code section 501(c) organizations that are required to file an annual information return with the IRS.

IRS is redesigning the Annual Return/Report of Employee Benefit Plans to include pre-printed plan identifying information from the Employee Plans Master File. This action eliminates the need for plan sponsors or plan administrators to report certain plan information that does not change from year-to-year. It is also expected to expedite and increase the accuracy of the processing of these returns.

International

As an increasingly global economy continues to impact the world's tax authorities, International plays the lead role in devising strategies to assure that worldwide revenues due the United States are assessed and collected. With responsibility for all international tax matters, the Office of the Assistant Commissioner (International) develops, executes and evaluates assistance and compliance programs around the world.

International kept its commitment to quality customer service, maintaining a high number of taxpayer service visits to U.S. embassies and consulates to help U.S. taxpayers living abroad and in U.S. territories and possessions, including, for the first time, visiting the U.S. Naval Base in Guantanamo, Cuba, to help 4500 U.S. military and civilian citizens there.

Year-round taxpayer assistance by IRS staff at 14 overseas posts is supplemented by these visits and by taxpayer education efforts such as Volunteer Income Tax Assistance (VITA) and Outreach Programs. VITA classes dramatically increased, from 4,016 volunteers trained in 1988 to 5,047 in 1989. Outreach sessions increased from 145 in 1988 to 265 in 1989, reaching over 11,000 U.S. taxpayers worldwide. Correspondence and telephone assistance helped 139,996 and 11,386 taxpayers respectively.

Threading the maze of worldwide postal regulations, the



The IRS International Office is active in providing technical and administrative help to foreign governments wanting to improve their tax system.

International Tax Forms Program distributed tax forms and publications to over 250 U.S. embassies and consulates, as well as to IRS offices worldwide. International publicized worldwide undelivered refunds, attempting to reach 800 taxpayers owed over \$1 million in refunds returned as undeliverable by the world's postal authorities.

On the compliance side, the Examination Division examined 3,637 individual tax returns and 401 corporate and other returns for a total of 4,038, resulting in total recommended additional revenue of \$41.4 million. Collection Division resolved 23,476 tax delinquency accounts and investigations, collecting \$48.2 million. An investigation by International's Criminal Investigation Division was instrumental in the con-

viction of a Puerto Rico bank of failing to file reports of currency transactions over \$10,000. For its role in a money-laundering scheme, the bank was fined \$2.5 million, the largest criminal fine ever imposed on a U.S. financial institution.

International Enforcement Division provided program direction to approximately 500 specially-trained examiners based in 24 district offices within the United States. The Division recommended (1) net reductions in allowable foreign tax credits of \$3.2 billion; (2) adjustments increasing taxable income by \$6.8 billion; (3) penalties of \$70 million; and (4) increases in other foreign taxes of \$4.5 million.

In addition to these accomplishments, International Compliance undertook a number of special projects. Prominent among these projects is one for an automated objective audit potential ranking system similar to that used for domestic returns. Collection Division established the Automated Collection System (ACS) for accounts in foreign countries. These accounts are now being processed through International's ACS site in Puerto Rico. ACS replaces formerly paper and labor-intensive manual processing and improves responsiveness to taxpayers.

International's Office of International Programs administers 35 income tax treaties, 16 estate tax treaties and 7 gift tax treaties worldwide and works in a technical advisory capacity with the International Tax Counsel, Department of the Treasury, in negotiating new treaties. These treaties provide for relief from double taxation, exchanges of information, routine sharing of information, and simultaneous examinations. During the past year, this office successfully completed negotiations in 122 cases for U.S. taxpayers who requested relief from double taxation. International Exchanges and Activities Division honored 307 specific requests for information from treaty partners. Routine exchanges of information were enhanced with the first exchange of data on magnetic media, in both directions, with a major treaty partner.

Technical and Administrative Help

International's Office of Tax Administrative Advisory Services (TAAS) is active in providing technical and administrative help to foreign governments wanting to improve their tax systems. Project teams began long-term assistance projects in the Virgin Islands and Puerto Rico. TAAS also performed preliminary surveys to identify tax administration needs for the governments of Jamaica, Mali, Nigeria, the Philippines, Poland, Senegal, Taiwan and Thailand. Tax officials from Barbados, Columbia, Jordan, Pakistan, Paraguay, Saudi Arabia, Singapore and Taiwan attended a TAAS middle management seminar. The International/State Visitors Program arranged visits to the IRS for some 350 international and state tax officials.

Another important TAAS activity is forging agreements for coordinated exchanges of information and cooperative assistance with state governments within the United States. Cooperation between the states and the IRS fosters growing public respect for the tax system and increases voluntary compliance. State tax administrators and IRS collaborated on sharing of resources and one-stop shopping locations for state and Federal tax forms and assistance. An important new development is states' participation in electronic filing

programs and working with IRS in developing standards for electronic data exchange.

International reached out to tax practitioners with its first international tax newsletter, now being sent regularly to over 2,000 practitioners, and its first international tax conference with practitioners. The response to this first conference led to the planning of a second one in Washington in December 1989 and its first such conference overseas in London in January 1990.

Plans for the '90s include working to help negotiate new tax treaties, putting an objective electronic selection system in place for better use of examination resources, and maintaining a high level of taxpayer service.

Disclosure

Nationwide, IRS responded to 19,507 requests made in calendar year 1988 under the Freedom of Information and Privacy Acts, and provided telephone and walk-in services to 17,705 people in the National Office Freedom of Information Reading Room.

Under the Federal/State Exchange Program, 56 state tax agencies requested extracts from the IRS files, and 40 state tax agencies received copies of adjustments resulting from information returns reporting discrepancies. The IRS and the states also exchanged results of their enforcement efforts. New legislation was implemented making cities with populations of 250,000 or more and an income tax eligible to participate in the program. Exchange agreements with all interested affected cities were completed or are in process.

New programs were instituted to accommodate disclosures required by the Technical and Miscellaneous Revenue Act and the Anti-Drug Abuse Act. The Acts allow the release of addresses to Health and Human Services to help locate blood donors who are potential AIDS victims and the release of certain information returns to Federal agencies for the administration of nontax Federal criminal statutes. Approximately 45 Federal agencies and 106 state tax agencies received Federal tax information subject to confidentiality safeguarding. More than 50 state and local welfare agencies received information to verify eligibility for benefit programs. Educational institutions received tax information for collection of defaulted student loans, and several Federal agencies received information on Federal tax refunds offset against Federal debts.

Because of statutory changes, there has been a proliferation of agencies receiving tax information. IRS National Office and field disclosure personnel conduct on-site reviews of procedures used by organizations receiving Federal tax information to prevent unauthorized disclosures of returns and return information.

The IRS may agree to forward letters from both private and government agencies to individuals at the latest address available in IRS records. Specific humane circumstances must exist for private requesters to participate in this program. The IRS National Office processed approximately 55 requests (involving 360,911 potential recipients) for forwarding services of 50 or more letters each.

Employee Programs

New recruitment strategies and techniques, preparing to meet future human resources needs, expanding or enhancing employee programs, and making Equal Employment Opportunities a reality in the organization are some of the IRS achievements during the past year. A Leave Bank Program, a new Eldercare Counseling Program and a revised Incentive Awards Program are three of the many employee programs which help to make IRS a competitive employer through programs that assist with the retention of a high-quality workforce.

Human Resources Management

As part of the plan to make the IRS the best employer in the Federal sector, Human Resources developed new and innovative approaches to human resources management to recruit and retain a quality workforce and to prepare for workforce changes anticipated in the 1990's and beyond. IRS started new programs, revitalized existing programs, and increased management development.

New recruitment products and programs reinforced the college recruitment program. Award-winning advertisements and targeted recruitment videos for the revenue agent and revenue officer occupations were developed. The Campus Executive Program was revitalized to ensure the involvement of top-level IRS executives in the recruitment process. A new quarterly newsletter shares innovative recruitment techniques with all field offices. A new self-instructional recruiter training course teaches qualifications of major occupations and provides practical information for IRS recruiters. The IRS Corporate Recruitment Plan, developed from interviews with private sector corporations and government agencies, lays out recommendations for recruitment strategies and techniques.

The Competitive Recruiting and Examining Systems (CRES), implemented last year, is being expanded to include optical scanning technology so that test results of job applicants are available within a few hours of administration. CRES has already significantly streamlined IRS' ability to

The equipment and style of clothes have changed since this picture was taken, but IRS employees continue their dedication to doing a quality job.



recruit, examine and hire seasonal workers, and it is an important part of the filing season recruitment program. The enhancement will result in substantially more dollar and staff savings in seasonal recruitment efforts.

To more effectively reward employee performance, IRS revitalized and simplified the Incentive Awards Program with new and more efficient processing methods and redesigned award certificates. Managers are encouraged to reward top-level performance and to continually motivate employees to do their best. From a comprehensive analysis of the IRS Employee Suggestion Program, a more effective and streamlined program will result to improve agency operations. A revised Performance Management and Recognition System will support strategic initiatives by focusing on equal employment opportunity, quality, and customer service objectives in managers' annual appraisals.

Program Enhancements

A new Eldercare Counseling Program provides IRS employees with information on how to find and evaluate quality eldercare services for elderly parents or other dependents. The IRS on-site child care and AIDS education programs are models for many Federal agencies and for state and foreign governments. A total of 11 on-site health improvement centers are operational and another 20 health improvement programs are operating in IRS offices.

The Traumatic Incident Counseling Program, designed to provide personal, professional counseling services to employ-

ees involved in a threat or assault, was expanded to provide program training to field offices. A customized computer-based career development system, developed for use by career advisors, is planned for implementation next year.

As a result of Executive Order 12564, which was signed by President Reagan on September 15, 1986 and established the goal of a Drug-Free Federal Workplace, the IRS implemented its program on January 5, 1990. Notification was sent to all employees on November 1, 1989. The IRS plan contains a number of components: drug testing, manager training, drug awareness education, and rehabilitation opportunities through the Employee Assistance Program.

For the IRS to be prepared to meet all future human resources management challenges, it must have a sound strategic planning process. As a step to improve the quality of strategic plans, the IRS intensified its efforts to identify significant demographic, societal, and technological trends through "environmental scanning" in order to plan for the workforce-of-the-future.

IRS enhanced the Workforce Research Analysis Program (WRAP), an automated personnel management information system. Now offered to WRAP users are standardized workforce reports, programs for producing special reports, and faster access to archival workforce data. WRAP allows all managers and their staff analysts to conduct immediate and interactive research into the personnel management characteristics of the entire IRS workforce. WRAP is now the principal personnel management research tool with the IRS.

A new management development system incorporates management selection, core training curriculum, and continuing management education programs into an integrated management selection and development process. Leadership Excellence and Development is the new entry-level development program. The Management Achievement Program is a selection and development process for existing managers and supervisors to enhance their career self-development activities.

Training 2000

The IRS conducted a study to look at the strategies and direction needed for the massive and continuous training needs that will be created as a result of the impact of technology and the changing workforce. The report that resulted from the study, Training 2000, outlines the ideal training system for the IRS, based on in-depth analysis of progressive institutions in the public and private sectors and the most promising technologies that can deliver quality training and contain costs. The report includes an implementation plan that details how the IRS intends to meet the needs and incorporate those technologies in the years to come.

The report focuses on ways to optimize limited resources expanding in areas such as: (1) Distance Learning, which uses a live classroom broadcast with two-way audio and video; (2) Expertise Systems, representing a broad category of artificial intelligence software that organizes and applies the knowledge of human experts to specific problems; and (3) Embedded Training in on-line computer applications, which allows for training in the use of a particular computer application to be delivered by the computer as the person works.

The IRS is the first agency to conduct a study of this magnitude. The report was also presented at the 1989 Annual

Conference of the American Society for Training and Development.

Leave Bank Program

The IRS will participate in a five-year leave bank experiment as authorized by Public Law 100-566, the "Federal Employees Leave Sharing Act of 1988." The Leave Bank Program permits employees to contribute unused accrued annual leave to a leave bank for withdrawal and use by leave bank members who need such leave because of a medical emergency.

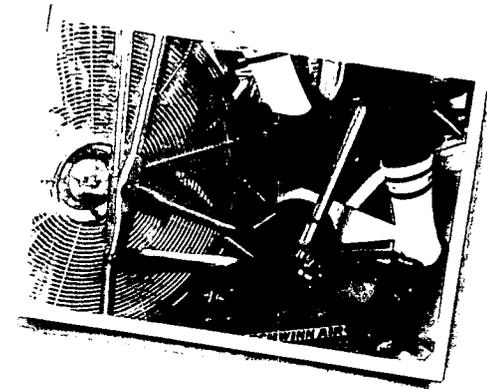
The IRS Leave Bank Program will consist of eight independent leave banks (one for each region and the National Office). Each leave bank will be administered by a three-member Leave Bank Board consisting of two management officials and a representative from the National Treasury Employees Union (NTEU).

The new Leave Bank Program became effective July 31, 1989. An interim procedure will serve IRS employees in this area until the leave bank process is fully automated and negotiations with the NTEU are completed.

Leave-sharing in the IRS is one of many initiatives designed to make the IRS a competitive, empathetic, personal, and humane employer with programs that assist with the retention of a high-quality workforce. With participation in the new Leave Bank experiment, the IRS continues its leadership role for expansion of the leave-sharing concept in the Federal sector.

Collective Bargaining

IRS completed negotiations with NTEU over its principal bargaining agreements. Negotiations began in November 1988 and ended in February 1989. The new agreements, one covering service center bargaining unit employees and the other the remainder of IRS bargaining unit employees, went into effect on July 2, 1989.



A primary goal of the IRS is to improve the overall health of its entire workforce. Many employees can participate in a health improvement program offered at on-site fitness centers.

These agreements will remain in place until June 1994. The five-year duration of the agreements (compared with the typical three-to-four-year Federal sector agreements) represents a first in the Federal sector.

Though these contracts are primarily an evolution of prior agreements, several major changes were made that are consistent with recent IRS initiatives in enhanced recruitment and retention. Foremost among these are relaxed work rules that bring greater flexibility to the process of outside recruiting for entry-level positions. The new provisions are designed to allow the IRS to recruit and hire aggressively, but in a manner that does not adversely impact the ability of existing employees to progress within the organization.

The other major change, aimed at retention, is a provision that gives some senior employees an opportunity to relocate within an appointing office. The new relocation system balances mission requirements with employees' personal needs. Taken together, the new hiring and relocation provisions enhance the ability of the IRS to hire the best available candidates, while simultaneously ensuring that the needs of current employees are adequately addressed.

The IRS and NTEU also negotiated the Total Evaluation Performance System (TEPS), which evaluates the quality and production of service center employees, based on a fixed-performance standard concept. The hallmarks of this system are faster, more accurate performance appraisals, reduced administrative overhead for managers, and a fairer, more easily understood system for affected employees. The TEPS software has been installed on an upgraded computer system so the system will be operational in 1990.

Equal Employment Opportunity

IRS continues to make advances in its overall accomplishments within Equal Employment Opportunity (EEO). Strategic Business Plans were developed to ensure that EEO is evaluated and monitored with the same degree of emphasis as all other functional programs. Programs are being expanded beyond the traditional EEO perimeters. The organization is positioning itself to be prepared to face a dramatically different labor market than the one to which IRS has been accustomed.

A major accomplishment for this year was the publication of Document 6491, "Equal Employment Opportunity Handbook for Managers." Approximately 18,000 copies were published and distributed to IRS supervisors, managers and executives. This new publication is the first comprehensive, yet precise and easy to read, EEO document published and distributed for IRS management. Information about EEO and affirmative employment is disseminated at various times during an IRS employee's career. Nevertheless, the geographic dispersion of IRS district and post-of-duty offices often hinders informal response to questions as they arise. This handbook will fill this void and provide an easy reference for management.

In response to the national need to revitalize mathematics and science education, the IRS participated with the Federal Interagency Committee of Education and the Mathematical Sciences Education Board Research Council to address the problem. A review of "A Report to the Nation on

the Future of Mathematics" reveals that minorities, women, and disabled persons are underrepresented in fields that require advanced mathematics. IRS developed a strategy to address the need to be sure the quality of the workforce remains high, and that education will prepare candidates, especially minorities, women, and disabled persons, to carry out the important responsibilities of Federal service.

Georgetown University Law Center and the IRS agreed to establish a Cooperative Employment-Scholarship Program. This program will provide an opportunity for IRS and Georgetown University to enhance the representation of women and minorities in Georgetown's Master of Laws in Taxation curriculum. It will also benefit IRS and the tax bar community by increasing the potential application pool of highly trained professional women and minorities. From the pool of applicants, the IRS will select annually one or two nominees, based on its usual criteria for hiring full-time entry level Tax Law Specialists.

The IRS implemented a partnership agreement with the Hispanic Association of Colleges and Universities, a national organization dedicated to bringing together the member colleges and universities (a minimum Hispanic enrollment of 25 percent of total enrollment).

The IRS received recognition at the National Conference of the National Urban League's Black Executive Exchange Program (BEEP). BEEP is a voluntary effort on the part of industry and government agencies which agree to loan designated key Black executives and professionals to participating colleges, where they give lectures in appropriate credit-bearing courses. Each person is scheduled for a two-day assignment during the course of the semester. Black men and women carrying considerable responsibility within industry and government agencies are identified as candidates for BEEP participation. These professionals serve as an example to students that the chance for success depends more on competence than color.



On-site child care centers is one program to help make IRS the best employer in the Federal sector. IRS is involved in 15 centers nationwide, such as this one at the National Office.

Managing the System

IRS reinforced its initiatives on integrity, ethics and conduct awareness during 1989, and installed an IRS hotline in Washington to provide employees with another avenue to report fraud, waste or abuse. Other achievements included continued modernization of its computer-based tax administration system and research efforts on voluntary compliance, optical scanning of tax returns, and a system to replace the current paper-depending return processing at the service centers. Clarifying and personalizing notices will improve correspondence with taxpayers, and a pilot test in 1990 of an expert system will help taxpayer service representatives provide accurate and complete answers to taxpayers' questions.

The IRS hired its first professional historian; established hotlines for practitioner use and expanded practitioner newsletter items; developed its first legislative liaison training course; completed a test using a commercial credit card for procurement of small purchases; and continued its pursuit of improved quality and productivity through the Joint Quality Improvement Process.



Technology in the IRS has come a long way from the early keypunch tabulation machines of the 1950's to the sophisticated computer systems of today.

Planning, Finance & Research

IRS initiated a major organizational change in the Commissioner's Office. The Deputy Commissioner (Planning and Resources) was also designated Chief Financial Officer with responsibility for establishing standards and controls for the IRS financial systems. Also, a Chief Information Officer position, with responsibility for information resources and technology management, was established.

The Assistant Commissioner (Information Systems Development) and (Computer Services) positions, which had reported to the Deputy Commissioner (Planning and Resources), were retitled Assistant Chief Information Officer (Information Systems Development) and Assistant Chief Information Officer (Information Systems Management), re-

spectively. The two positions now report to the Chief Information Officer. These changes became effective on October 12, 1989.

IRS made significant strides in implementing the recommendations resulting from the Joint IRS/GAO General Management Review. The development of the budget is now directly linked to strategies and actions contained in the Strategic Business Plan. Coupled with the strategic business planning process, a new business review process was developed and successfully tested. Business reviews evaluate how well an office or activity accomplished the strategies and actions contained in the Strategic Business Plan based upon measurable critical success factors. Chief Financial Officer and Chief Information Officer positions, described above, were established. IRS consolidated telecommunications functions Service-wide into the Computer Services organization.

Also, an Automated Financial System Project Office, with a project manager, was established reporting to the Assistant Commissioner (Planning, Finance and Research).

Personalization of Notices

IRS is committed to improving correspondence with the public by clarifying and personalizing notices. Several studies resulted in decisions to add the name of a responsible IRS official to all notices and to establish a centralized point for notice review. Based on feedback from the public, IRS has developed standards for all notices. These standards will be used by a central notice unit housed in the Taxpayer Ombudsman's office and notices will be revised based on how they measure up to the standards. While the notices are being reviewed, a new staffer will be added that will include a brief message signed by the appropriate IRS official.

Research Projects

IRS research efforts continue to emphasize voluntary compliance, trend identification, and analysis. An annual conference of researchers, tax professionals, and IRS personnel discussed the impact of a complex system of tax administration on taxpayer compliance.

Improved dealings with the practitioner community was the focus of an executive-level task force which reviewed the results of a 1987 Survey of Tax Practitioners and Advisers. IRS is implementing their recommendations on how to improve dealings with practitioners, including a hotline for practitioners for resolving account-related problems of their clients and providing professional organizations with curriculum materials for the continuing education of their staff.



In the late 1950's, this card sorter could sort 800 cards per minute. Both the equipment and the style of dress were much different than those of today.

One of the IRS primary objectives is to provide high quality service to its customers, the taxpayers. This year, IRS focus group moderators conducted several in a series of taxpayer opinion surveys for IRS functions having direct contact with taxpayers. By periodically measuring taxpayer perceptions about the level of quality they receive, and soliciting their suggestions for improving IRS service, IRS stays abreast of changes in taxpayer opinions and areas where it needs to improve the quality of service. A related study was started to determine the services that taxpayers expect from the IRS and the best way for the IRS to deliver those services.

IRS continued researching the use of expert systems to increase productivity, quality, and consistency in programs affecting taxpayers and general IRS operations. One example is the Taxpayer Service Expert Assistant System feasibility prototype, which was successfully tested in the Boston District this year. The system leads frontline taxpayer service representatives through a series of probing questions in the caller's tax topic in order to discover a caller's real problem and lead the assister to substantially more correct and complete answers. Based on the success of the 1989 test, the system has been expanded significantly and will be tested again in Boston in 1990.

The impact of IRS taxpayer assistance on taxpayer compliance was the subject of a controlled experiment in which groups of taxpayers were given mock tax returns to prepare and varying levels of taxpayer assistance to help them. The test demonstrated that taxpayer service has a significant effect on taxpayer compliance by lowering the number of return errors and thereby generating increased revenue.

IRS completed a second major study of the effects of refund offsets for nontax debts on subsequent taxpayer behavior. In findings similar to the initial study, IRS learned from a sample of 1987 taxpayers offset in 1986 that they are more likely to file balance-due returns or not to file in the subsequent year. These findings support the IRS concern that refund offset programs should not be made permanent until further research is completed on long-term compliance effects.

IRS continued researching optical scanning of tax returns in an effort to reduce paper handling and improve processing capabilities. A successful test was conducted for scanning a specialized Form 1040 prepared by practitioners using commercial tax-preparation software. Scannable returns provide small practitioners with a low-cost interface to the electronic filing system.

IRS developed an improved method for estimating the amounts of additional revenue which can be raised by expanded compliance activities. Using the new model, IRS now knows that the delay between hiring additional revenue agents and the realization of net additional revenue is two to three years, substantially longer than previously thought.

This analysis has resulted in several other initiatives including development of a centralized Enforcement Management Information System (EMIS), planning and revenue projection models for all enforcement functions, and review of enforcement operations for opportunities to accelerate revenue collections arising from enforcement. The EMIS project will link several existing data bases into a centralized system that will provide on-line information about the progress of Servicewide enforcement cases from start through collection.

Automated Financial System

IRS is currently developing an Automated Financial System (AFS) which will ultimately provide a Servicewide integration of financial management functions. Accounting and budget data for all regions is entered into an Integrated Data Management System (IDMS) on a large mainframe computer at the Detroit Computing Center. In December 1988, the Budget Plan Execution module of AFS became operational in the Central Region, and it was extended to all regions in the second quarter of this fiscal year. This module allows regional managers to enter, access, and process information for project authorization, grade structure data, obligation data, and financial reviews.

In addition to the advantages that regional managers realize from the use of this data base, National Office is able to generate Servicewide information and reports. The AFS Budget Plan Execution module offers numerous enhancements over the old system, such as menu-driven applications and readily available financial reports that reflect current information. In addition to executive requirements for use of budget data, other modules such as accounting, budget formulation, and plan formulation are future enhancements to AFS.

Strategic Management Process

The Strategic Management Process sets Servicewide long-term directions and priorities. The Strategic Business Plan (SBP), the centerpiece of the IRS strategic management process, contains a comprehensive set of long-range objectives and strategies based on planning trends and critical issues. It provides a Servicewide blueprint showing how IRS plans to continue to serve the public through quality tax administration in the future.

The SBP also integrates two additional components into the IRS strategic management process. First, budget decisions are guided by priorities which are established in the SBP. Second, through the use of Critical Success Factors (CSF), which define in measurable terms the most important events which must occur if real progress is to be achieved, Annual Business Plans translate the long-range objectives and strategies from the SBP into day-to-day operational activities in the functional areas.

In February, the first IRS executive conference devoted entirely to strategic planning was held. At that conference, executives developed the fiscal years 1991-1995 SBP objectives and strategies.

Another important component in the Strategic Management Process is the Business Review used to periodically assess progress in achieving objectives. As a step in this development, a trial Business Review was conducted of one of the seven IRS regions. A critique of the trial review identified refinements that will be used in future Business Reviews.

The review process uses the CSF developed in the SBP to establish specific performance measures against which progress is measured. The process is carried out by the Business Review Executive (the Deputy Assistant Commissioner for Planning, Finance and Research), who oversees preparation of a comprehensive report for the Executive Committee and assures follow-up on corrective actions to be taken.

The role of the Strategic Issues Plan is to focus on long-range issue areas where significant change or challenge to the IRS is envisioned. Initiatives begun last year to establish

an ongoing organizational planning process and reinforce ethics, integrity and conduct awareness. Much work has been accomplished on the initiative to enhance the role of minorities and women in IRS. Several interim recommendations were made and adopted by the Board of Directors, and a final report is nearing completion. A new area of concern will focus attention on new and developing issues affecting work, employees and environment as the IRS information systems are modernized.

Information Systems Development

IRS recognizes the need to modernize its computer-based tax administration system; it remains one of the most vital issues facing the agency today. In view of new services that are routinely provided by most financial institutions, the Agency must make itself capable of providing these same services, in both a timely and efficient manner.

The Office of the Assistant Commissioner (Information Systems Development) (ISD) was established to plan, oversee, integrate, and coordinate the steps needed to accomplish this Servicewide modernization effort. It includes developing a large-scale, agencywide perspective to incorporate all the facets of the tax processing system into one compatible and cohesive unit—including those projects already underway to automate specific parts of the system. This effort will increase responsiveness to IRS employees and vastly improve all aspects of customer service.

One means of ensuring flexibility and ease of modification and expansion in the future system is through the development of, and adherence to, standards. Servicewide standards are being developed giving the modernized system specifications for computers, computer systems, and all forms of automation that are the same nationwide. Compliance with these standards will simplify repairs, replacement of machinery, and the ordering of supplies.

The setting of standards is not taking place in the realm of hardware alone, however. A task force has been established to generate standard names and definitions for all IRS data used in programming environments—names and definitions that will hold true irrespective of the hardware systems in which the data will be used. These standards represent a major change in the way the IRS identifies data and will increase its ability to manage data effectively and efficiently.

Because of the wide scope of the modernization effort, IRS has adopted a project management framework composed of quality planning, project planning, and project management methods, along with the IRS Systems Development Methodology. During 1989, an Information Systems Policy Board (ISPB) oversight process for major modernization projects was defined and implemented. This process includes specific milestones in the project life cycle at which the ISPB determines whether project products are acceptable and whether the project should proceed. A variety of techniques are being used to ensure efficient design and development of the modernization initiatives, including prototyping, analytical modeling, and simulation.

As the first step toward the definition of an overall target architecture for the modernized tax administration systems, ISD has prepared a Global Baseline User Requirements document. It provides an official, comprehensive statement of the

requirements for the modernized system in user's terms—a statement of obligations IRS must meet in its processing. It also provides a benchmark by which work done to support various stages of tax systems modernization can be measured.

Significant Projects

A number of significant projects are now underway: The Document Processing System (DPS) has as its goal the replacement of the current paper-dependent, labor-intensive operations referred to as the "service center pipeline" (the route a tax return takes as it is processed in the service center). This replacement will include both automation of manual activities and the incorporation of new technologies. A prototype was recently completed that demonstrated the feasibility of using images instead of paper for data entry—a key concept of the system.

The On-Line Entity (OLE) Project will improve quality by providing early validation of document information at point of entry and provide on-line research capability to employees. OLE will enable identification and correction of inconsistent or inaccurate entity data before transactions leave the service center systems for posting to the master files. In addition to assisting the IRS internal processing, OLE will also assist taxpayers by decreasing the time involved in resolving problems with their returns.

The Service Center Support System (SCSS) will support and/or interface with almost all major IRS systems and will serve as the base for a modernized and flexible service center tax processing environment. The SCSS will support a major portion of the newly designed or redesigned service center processing as well as the conversion of some existing applications.

ISD has developed a model Overall Acquisition Strategy for large systems design, which provides the means to acquire technical and management support, as well as com-

puter hardware and software. This strategy details plans for interim systems and allows for an orderly transition to the target system. A key element is the award of fewer, but larger, multi-user contracts, which simplifies and shortens the acquisition/contracting process so that products can be acquired when they are needed.

The modernization effort must proceed gradually, addressing certain items immediately and phasing others in through intermediate and long-range plans. Some of the project systems will be permanent improvements; others will provide transitional service as IRS changes from one system to another.

Successful transition is difficult for an effort of the scope of the tax systems modernization. Recognizing this, ISD is working closely with the other IRS organizations, particularly Computer Services and Human Resources Management and Support, under the guidance and authority of the Information Systems Policy Board, to see this effort through to fruition. Equally important, ISD is soliciting participation by public groups—the Commissioner's Advisory Group, tax practitioners, and state tax administrators—to ensure that the tax systems modernization meets the customers' needs, as well as the needs of the IRS.

Computer Services

The Assistant Commissioner (Computer Services) directs the operating arm of the information systems area and provides a comprehensive data processing and telecommunications support program for the IRS. Computer Services develops and tests automated data processing (ADP) and telecommunications equipment and software; implements and evaluates



Thousands of computer tapes are used throughout IRS offices to store data ranging from employee personnel records to the master file of all taxpayers' accounts.



Storage of tax return data on optical laser disc is one of several possible technologies the IRS is exploring to reach its goal of a paper-free system by the year 2000. Each side of a laser disc can hold the tax data from about one million returns.

computer programs and systems; participates in all policy decisions concerning potential or existing utilization of telecommunications or data processing systems and equipment. Computer Services also ensures the effective control of all tax administration and other computer systems and related equipment within IRS, and is responsible for all IRS tax systems, computer programming activities, and design, development and operation of nontax ADP systems.

Due to careful, quality planning, the 1989 filing season progressed smoothly resulting in an extremely successful year. Computer Services' components provided timely and accurate responses to inquiries regarding the details of filing season preparations. Improvements in procedures and close coordination resulted in no major processing problems.

In preparation for the 1990 filing season, Readiness Review Teams, comprised of personnel from Computer Services and Information Systems Development, have been formed. The review teams visit each service center to isolate irregularities and determine any problems which can be corrected prior to the start of the 1990 filing season. The visits also include software briefings and reviews of computer operations and hardware readiness. Each review is concluded with an executive level close-out, conducted by a Computer Services director or assistant director with both service center and regional office management participation. Computer Services has already met with Information Systems Development to improve the reviews and briefings, integrate the operational and hardware reviews, and encourage executive coordination and close-outs.

Command Center

In order to more effectively oversee and control the reporting and resolution of problems occurring in service centers and Automated Collection System (ACS) call sites, the National Office Command Center (NOCC) was established in January 1986. The Center provides for a centralized problem-reporting process and monitors and follows-up on the resolution of reported problems. This function is also a primary source for management information that keeps Computer Services executives and line-managers apprised of the overall status of automated tax processing. This permits a more proactive involvement in field operations by identifying potential problem areas through the use of daily monitoring data.

The NOCC operation operates 24-hours a day, 7-days a week, 365-days a year. It is the primary point of contact for any ADP problem occurring in field processing sites that requires the involvement of National Office programmers or hardware analysts. It is the dissemination point for information that needs to be conveyed to all service centers, ACS call sites, and the Detroit or Martinsburg Computing Centers. Through use of an automated data base system called PERCS (Problem Evaluation and Reporting Control System), the NOCC controls, tracks and follows-up on all field ADP problems until they are resolved. The NOCC also includes the Problem Control and Contact (PCC) Unit. The PCC Unit controls and monitors less critical field ADP problems that are related to procedures and other documentation.

Mirror Imaging

Mirror imaging means having the ability to run either the Martinsburg Computing Center or the Detroit Computing Center workload on the other site's equipment (i.e., processing capability). This implies that the installed hardware is the same or completely compatible. It also implies that there is sufficient processing power, peripherals, and internal communications available to enable each site to run any portion of the other site's workload. Mirror imaging requires that the operating environment and the processing support environment be the same. It further implies that people can move relatively easily from site to site. Both the Martinsburg and Detroit Computing Centers are moving towards mirror imaging through major development efforts from 1989 through 1991.

Disaster Recovery

Computer Services began testing plans for handling critical operations in the event that any of the processing centers become incapacitated for an extended period. These plans will go into effect if fire, flood, tornado, sabotage, or some other major catastrophe results in substantial damage or long-term disruption of services.

Other Programs

Computer Services and Information Systems Development jointly developed a telecommunications strategy (Telestrat) to support the modernization effort. Telestrat is designed to provide a standardized design for local networks and nationwide communications for the interim and target architecture. The strategy provides for a migration from products that are available today in the market place to emerging technologies

in the 1990s. Standard telephone wire will provide connections for voice, data, and image communications at the employees' desks to common building local networks. There will be gateway access to wide-area networks that include packet-switched as well as high-speed communications. This strategy, if enforced as agency policy, will permit shared access to IRS systems and will eliminate the islands of communications that now exist within the Service.

The Communications Replacement System (CRS) replaced the existing IRS data communication processing system and aging computer terminals. The installation and operation of the CRS occurred at the Martinsburg Computing Center and all service centers in 1989. The CRS installations were officially complete with the installation at the Andover Service Center in the first quarter of fiscal year 1989. The CRS relieves the IRS of the throughput and connectivity restrictions imposed by its predecessor system and provides for the anticipated communications needs of the Integrated Data Retrieval System through the CRS system life which ends June 30, 1994.

The Consolidated Data Network (CDN) provides a nationwide data communications network for the Department of the Treasury, including all IRS sites. All data communications needs are to be satisfied by the CDN unless a specific exemption is granted by Treasury. The CDN is a secure packet-switched data network and is designed to support all known IRS data communications needs by providing a variety of transmission speeds and supporting many standard protocols and a multitude of equipment types. Over 600 sites are currently served by the CDN, including the regional and district offices, computing centers, service centers, and post-offices.

For the past five years, Computer Services has sponsored the Management Development Program (MDP). The MDP is designed to preidentify, select, train, and develop promising employees for entry-level managerial positions within Computer Services. Those selected for the program continue to perform many of their current duties, but are made available to receive training and developmental assignments. To date, Computer Services has selected, developed and placed over 111 technicians identified as having good management potential. The MDP also meets many objectives outlined in Strategic Initiative, ERR-6, Treatment of Managers and Executives.

Quality Improvement

In concert with the IRS commitment to improving the quality of its products and services, Computer Services established a Quality Assurance Division. This division serves as a Servicewide resource for the implementation of quality principles in ADP-related products. In addition, the division conducts systems acceptability tests of all the Service's computer software used in both tax and nontax processing at the various centers nationwide.

The IRS prints millions of pieces of correspondence for the taxpaying public on its high speed laser printers in the 10 service centers. Computer Services' first completed Quality Improvement Project (QIP) dealt with user-concerns associated with the laser print system in the service centers. The Quality Council voted to implement, in principle, the QIP Team's 32 recommendations. The implementation effort has included the creation of a Print Oversight Office to ensure

that print operations in the service centers meet the needs of their customers. Implementation of all 32 recommendations is expected to be completed by the end of 1990.

Resources Management

Contracts and Acquisitions Division serves as an advocate to actively encourage and facilitate contract awards to small and minority businesses. An Automated Solicitation Mailing List of Small Businesses is under development to encourage greater awareness in the small business community and to promote increased competition for these contracts. As a result of these efforts, IRS awarded over \$11 million in contracts to small and minority businesses during 1989.

This year, the IRS successfully completed a pilot of the use of a commercial credit card as an alternative to more costly traditional procurement of small purchases. As part of the Commerce Department's demonstration project for a U.S. Government Bankcard, contracting personnel in the Southwest Regional Office and the National Office used the bankcard for certain purchases up to \$25,000. Additionally, specially designated non contracting personnel, including field revenue officers in the Denver District, used the card for purchases up to \$1,000.

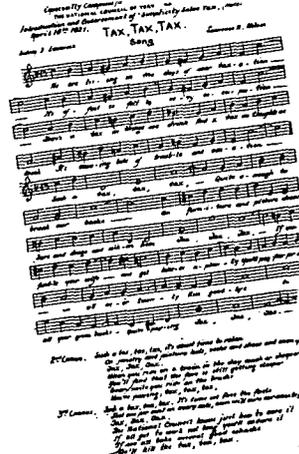
Vendor acceptance of this program has been excellent as they receive reimbursement through the contract credit card service within 24-48 hours, a very attractive alternative to small businesses over the typical 30-day payment cycle. This program, which reduces administrative costs at the same time as greatly reducing the payment period, will be expanded during 1990 as part of the new General Services Administration governmentwide contract with VISA.

Capitalizing on the Service's technical and contracting expertise, the Treasury Department has selected IRS to serve as the Executive Agent for several major, multi-year automated data processing and telecommunications acquisitions. In the complex telecommunications environment resulting from the divestiture of AT&T, the IRS has the lead on two acquisitions, the Department of Treasury Telephone System and the Digital Telecommunications System. These projects involve acquisition of automatic telephone switching equipment and related services, both nationally and in the metropolitan Washington area.

In automated data processing, the Treasury Multi-User Acquisition Contract is a contract for all Treasury bureaus to provide mini-computers, workstations, local area networks and software, and integration support services. These three contracts will have a life of seven years, including renewal options, and have an estimated value in excess of \$2 billion.

IRS Historian

In the midst of Servicewide efforts to establish future-oriented strategic and organizational planning functions, the IRS took a step back towards the past by hiring its first professional Historian. The IRS decision to create this position follows a growing trend in both the government and corporate worlds to establish history offices, archives, and historic preservation efforts. This new function will help the IRS move into the future with an understanding and appreciation of its past.



The IRS hired its first professional Historian to develop several programs, one of which is an archival collection of pictures and documents reflecting the history of IRS.

Throughout this first year, the Historian evaluated the needs of the IRS and developed a five-point program to capture and use the past in preparing for the future. The program will involve development of an archival collection of the most important historical documents created by the IRS, research and writing of policy and management-related historical reports, preparation of a full-length history of taxation in the United States, establishment of a collection of oral history interviews, and assistance to IRS staff members in answering historical research questions.

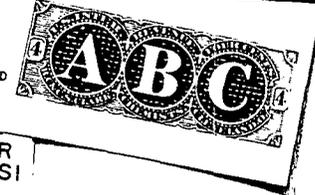
The Historian's efforts during the past year focused on locating and identifying collections of important historical documents and conducting initial research for a study of the evolution of automated data processing systems in the IRS over the past 25 years.

Director of Practice

The Director of Practice administers and enforces regulations governing individuals who represent taxpayers before the IRS. Also within the jurisdiction of the Director of Practice is the administration and enforcement of the regulations governing individuals enrolled to perform actuarial services under the Employee Retirement Income Security Act of 1974. In addition, the interpretation and administration of the Commissioner's Conference and Practice Requirements (powers of attorney) are the responsibility of the Director of Practice. During the year, the Director of Practice assumed the task of making decisions on appeals from denials of applications to engage in the IRS electronic filing program.

This year, the Director of Practice served as the official

OF THIS CRIMINAL SYNDICATE
DE FRAUDED YOUR GOVERNMENT
BY EVADING ALCOHOL TAXES OF
\$3,750,000
ENOUGH TO FEED THE CREWS OF
10 BATTLESHIPS
OF THE UNITED STATES NAVY
AT SEA FOR
ONE FULL YEAR
YOU
WILL PAY FOR THIS FOOD
AID DEFENSE!
REAL AMERICANS
WILL KEEP SUGAR
FROM BOOTLEGGERS!



IRS practitioner liaison, a position recommended as the result of a survey of tax advisors and return preparers. The primary objective of the liaison is to augment and coordinate the flow of information between the IRS and practitioner organizations. Among the efforts undertaken were continuing education modules prepared for practitioner use in the areas of the examination and collection processes; working with district offices in establishing heterogeneous practitioner liaison groups; establishing "hotlines" for practitioner use; and helping expand practitioner newsletter items.

The Director of Practice was designated as the IRS contact point for part of the Zero Tolerance Program. Under the program, which has as its objective the prosecution of individuals moving illegal drugs across U.S. borders, the U.S. Customs Service notifies the issuing agency of a matter when a violator is the holder of a professional license. The Director of Practice receives such information for appropriate action with respect to attorneys, certified public accountants, enrolled agents, enrolled actuaries, appraisers, and persons approved to engage in the electronic filing program.

In the enforcement area, disciplinary actions and related decisions involved 120 practitioners. Of these, 47 constituted suspensions, disbarments, or resignations from eligibility to practice before the IRS. Sixteen actions resulted from formal proceedings before an administrative law judge.

Statistics of Income

Statistics of Income (SOI) continued to provide data to the Department of the Treasury, Office of Tax Analysis for use in evaluating the Tax Reform Act of 1986. Some of the data came from a weekly sampling of 1988 individual income tax returns as they were received at the 10 service centers from January through April 1989. However, most of the data came from the returns for 1987, the first transitional year under the new law. In addition, a data file on 1985 sales of capital assets was produced for Treasury use.

IRS completed SOI data studies covering not only individual income tax returns for 1987, but corporate income tax returns for 1986 as well, including a source book giving detailed financial data by industry and size. As part of its statistical program, the IRS also released the quarterly "SOI Bulletin," which presents key data in advance of the two more comprehensive SOI reports or in place of SOI reports formerly published. Special topics included were tax-exempt

organizations, marginal and average tax rates, unincorporated businesses, private activity bonds, foreign recipients of U.S. income, and foreign corporate investment and activity in the United States.

Plans were made to issue an individual income tax public use file for 1987 on magnetic tape, which will contain selected income, deduction and tax items taken from a random sampling of individual income tax returns. This file will consist of about 100,000 unidentifiable records representing the 107 million returns filed and will be primarily used for special tabulations or to simulate administrative and revenue effects of tax law changes. Another file has been developed to meet public requests and requests by state tax officials for detailed data by state. Special compilations are now also available which show migration patterns by state and county based on changes in the taxpayer address. Each of these files or compilations is offered on a reimbursable basis.

Legislative Affairs

The Legislative Affairs Division has primary responsibility for Congressional and legislative activities in the National Office. It is responsible for developing legislative proposals; tracking selected pending legislation; and reviewing, analyzing, and implementing enacted legislation affecting IRS. The Division also works with the Commissioner and other top officials to prepare them to testify before Congressional committees, prepares replies to General Accounting Office reports, provides information to Congress on IRS operations and responds to their questions, and communicates legislative information throughout the IRS.

The Legislative Affairs Division handled a busy schedule of activities in the legislative, oversight and liaison areas in the First Session of the 101st Congress. Final implementation plans were issued for the Technical and Miscellaneous Revenue Act (TAMRA) of 1988, the Anti-Drug Abuse Act of 1988, the Medicare Catastrophic Coverage Act of 1988, the Family Support Act of 1988, the Computer Matching and Privacy Protection Act of 1988, and the Procurement Integrity Act of 1988. The TAMRA plan alone contained over 300 pages and listed almost 1,000 actions to be taken by IRS.

Implementation plans were also being developed for the Omnibus Budget Reconciliation Act of 1989, the repeal of the Medicare Catastrophic Coverage Act of 1988, and other legislation which was enacted at the end of the First Session.

The Division also prepared analyses of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989; the Disaster Assistance Act of 1989, and the Act for Better Child Care, and how they affect IRS, and closely monitored other significant tax issues, including changes to current laws on capital gains, repeal of Section 89, and the Earned Income Tax Credit.

During Congressional consideration of these bills, the Division worked closely with the Department of the Treasury and Congressional staffs, including the Joint Committee on Taxation, to insure that the changes being considered could be effectively administered by IRS. Division staff attended committee hearings, markups, and drafting sessions, and provided Servicewide comments on draft statutory language and committee reports.

The Division prepared a package of legislative proposals for review by the Treasury and Office of Management and Budget and possible submission to the Second Session of the 101st Congress. These proposals were chosen from suggestions made by various regions and National Office functions. Division representatives attended several Industry Specialization Program meetings to encourage field recommendations for legislative initiatives.

Legislative Affairs also provided leadership and staff support on three issues of significant legislative interest to the IRS:

—Study of civil penalties in the Internal Revenue Code: The Division was heavily involved in the activities of the Commissioner's Penalty Study Task Force and the Task Force's report, which was issued in conjunction with hearings on this topic held by the Oversight Subcommittee of Ways and Means. The Subcommittee's Improved Penalty Administration Compliance Tax Act was introduced shortly thereafter. This legislation was enacted as part of the Omnibus Budget Reconciliation Act of 1989 and represents a major step toward penalty reform.

—Analysis of legislative burden: The Division chairs the multi-functional task force studying ways to reduce the burden on taxpayers and on the IRS of proposed legislation.

—Quality improvement projects: The Commissioner's Quality Council approved projects suggested by the Division on the legislative implementation plan process and on responses to General Accounting Office reports.

Oversight and Liaison Activities

Congressional oversight and liaison activities expanded during the year. The Division developed the IRS' first legislative liaison training course, the Congressional Affairs Program (CAP). Designed to provide guidelines for field executives in establishing ongoing, positive relationships with the members and staffs of the delegations they serve, CAP was endorsed by the Commissioner and the Senior Deputy Commissioner and provided to all regional commissioners for their use at regional executive conferences. The training was also given to the IRS Executive Selection and Development Program participants and discussed at regional Public Affairs Officers seminars. Ultimately, CAP can change the way IRS communicates with Members of Congress and their staffs at the local level.

Division staff attended five district office orientation seminars held for local Congressional staffers and issued five Legislative Affairs Updates to IRS executives on topics of interest.

The Division coordinated preparations (including testimony and briefing materials) and follow-up activities for 14 Congressional hearings on a wide variety of topics, including filing season performance, the budget, penalty reform, and money laundering and anti-drug abuse legislation. The Division handled a total of 44 General Accounting Office issuances, including preparing replies for the Commissioner when necessary, and handled a total of 14,200 Congressional contacts (some 6,700 telephone calls and about 7,500 letters).

To keep Congress aware of IRS activities, the Division produced 16 mailings, including a Legislative fact sheet, on a wide variety of subjects. The fifth edition of Publication 1273, Guide to the IRS for Congressional Staff, was sent to some

2,000 Congressional offices nationwide, as was the sixth annual TAXBOX of tax forms and publications. Legislative Affairs staff led the IRS delegation at the Constituent Resource Exposition, held on Capitol Hill by the White House Office of Consumer Affairs.

The Division staff also made 15 visits to selected Congressional offices to explain IRS activities and the division's programs and services, and frequently arranged and conducted briefings for Congressional staffs on various tax administrative issues. Division staff also assisted other National Office functions with Congressional activities by providing expert liaison advice and assistance.

Quality

The IRS continued its pursuit of improved quality and productivity by making advances in quality planning, quality control, and quality improvement. The position of Assistant to the Commissioner (Quality) was established this year and filled with an experienced line executive, a former assistant commissioner. The Assistant to the Commissioner (Quality) is responsible for overall development and coordination of quality efforts Servicewide.

The number of Quality Improvement Projects nationwide has increased to over 900. Two IRS offices, the Ogden and Fresno Service Centers, were honored this year as being Quality Improvement Prototypes and presented awards by the Office of Management and Budget. Tangible savings reported by these two centers are over \$12 million from Quality Improvement Projects and other quality management initiatives.

The five Commitment to Quality Service Strategic Initiative Teams are completing their work and submitting recommendations designed to greatly advance the IRS in the areas of quality measurement, customer service, commitment to quality, and removing barriers to quality. The five teams' recommendations will be consolidated into one document, culminating two years of work by the teams.

To enhance the Joint Quality Improvement Process (JQIP), IRS management and National Treasury Employees Union representatives on the Joint National Quality Council established specific goals concerning the following issues: communications, training, recognition, JQIP support and assistance, the Quality Improvement Information System, assessment, strategic planning for the JQIP Joint National Quality Council development and growth, and integration of quality concept tools and techniques.

Employee involvement continues to be high, as joint Internal Revenue Service/National Treasury Employees Union councils manage the Quality Improvement Process at all organizational levels.

The IRS has formally embarked on developing and testing a model for Quality Planning (QP) following the principles of Dr. Joseph M. Juran, one of the world's leading experts in quality. A steering group under the leadership of a field executive is developing a model and handbook for the QP process. This model will be tested on projects at the national and local levels.

Other area achievements in quality are included in other sections of this Annual Report.



The Inspection Service

"When people are dishonorable in private business, they injure only those with whom they deal. . . but when there is a lack of honor in government, the morals of the whole people are poisoned." (President Herbert Hoover.)

The Internal Revenue Service is a high visibility agency because of its direct contact with nearly every family in America. This makes IRS employees the guardian of an institution that is always on-the-line. People tend to expect more of IRS employees because they are IRS. So does IRS!

The Inspection Service, composed of Internal Audit and Internal Security, is an independent office consisting of 498 criminal investigators and 508 internal auditors. The organization is headed by the Assistant Commissioner (Inspection) who reports directly to the IRS Commissioner. Each regional office is located in the same cities as other IRS regional offices and is headed by a Regional Inspector who reports directly to the Assistant Commissioner (Inspection). The Directors for Internal Audit and Internal Security are located in the headquarters office where their staffs, in addition to conducting audits and investigations, plan, develop and implement the organizational programs and procedures.

The 1300 employees of the Inspection Service are responsible for safeguarding the rules and regulations established for the IRS employees and operational programs. The Inspection Service accomplishes its mission by auditing the nearly 700 assessable units, by investigating allegations of wrongdoing by any of over 113,000 IRS employees, and by protecting these programs and employees from outside threats or attempts to corrupt.

Inspection's Internal Audit Division's activities resulted in 77 internal audit reports: 21 national audits; 13 regional audits, and 43 single office audits (9 of this total were financial review reports).

Internal Security investigations resulted in the arrest or indictment of 182 taxpayers and tax practitioners and 136 current or former IRS employees. In fiscal year 1989, 281 cases were adjudicated in the criminal justice system, which



People tend to expect more of IRS employees because they are IRS. So does IRS! The Inspection Service is responsible for safeguarding the rules and regulations established for the IRS employees and operational programs to maintain the highest integrity and ethical conduct.

—Some Inspection personnel are board members on a Federal Computer Investigation Committee which meets periodically to discuss special problems posed by the growth of high technology crimes.

—All regional inspectors and National Office division directors established Quality Councils which are responsible for implementing the IRS principles of quality. Inspection has been involved in 28 Quality Improvement Projects.

Internal Audit

Internal Audit directs its highest priorities to those activities that most directly relate to collection of tax revenues, enforcement of tax laws and processing of returns and other information, and those areas most susceptible to breaches of integrity.

Internal Audit's activities are divided into four main reviews: (1) the design and development of new information systems and significant modifications of existing systems; (2) the extent to which desired results or benefits are being achieved for major IRS programs and whether management has considered alternatives that might yield results at a lower cost; (3) conformity of all IRS operations; and, (4) whether IRS financial reports fairly present the results of financial operations, results of operations and cash flow or changes in financial position.

In a National Audit Report entitled *Resolution and Collection of Business Master File Accounts Receivable*, Internal Audit reported that the IRS had not effectively applied overpayments and credits to unpaid tax liabilities of Business Master File (BMF) taxpayers. Limitations placed on the BMF Offset Program in 1985 increased the Service's accounts receivable balance and jeopardized collection of tax liabilities before expiration of the collection statute. Management

planned to implement a revision to the BMF Offset Program for fiscal year 1989. Internal Audit's review of the proposed revision showed that overpayments totaling \$21 million would be erroneously refunded to 28,000 BMF taxpayers.

Internal Audit recommended several program enhancements which would assist the IRS in its efforts to control the growth of accounts receivable and maximize the collection of revenue with minimum adverse customer relations. One such recommendation, involving the reinstatement of a computer program to offset available credits to taxpayer's existing tax liabilities, would limit the release of erroneous refunds.

Internal Audit Integrity Program

The three major sub-programs of the Internal Audit Integrity Program are: (1) integrity tests which are incorporated into regularly scheduled audits to identify material fraud and to evaluate the effectiveness of controls in deterring and detecting material fraud by IRS employees; (2) integrity projects which are special probes of areas with a high risk of integrity breakdown to assess the extent of integrity breaches that have occurred due to control weaknesses or circumvention of controls; and, (3) technical assistance to Internal Security on integrity investigations.

During the year, Internal Auditors spent 13 percent of direct staff time conducting integrity projects, performed integrity related reviews in 52 locations, evaluated key controls designed to deter and detect material fraud in 30 auditable areas, conducted 17 analyses of transactions with the greatest potential for erroneous or fraudulent actions, and made 15 awareness presentations to operating managers and employees.

Internal Audit referred information to Internal Security on 161 employees and five nonemployees. From these referrals, Internal Security initiated investigations on 51 employees and one nonemployee.

Management acted to strengthen 17 control weaknesses reported in 24 audits of high risk areas.

During an audit of travel ticket usage in one region, internal auditors identified potential fraud on the part of several travel agencies. The IRS was not credited with employee travel tickets which had not been used and were returned to the agencies. The audit disclosed that the IRS did not receive over \$50,000 in credits from four agencies over an 18-month period.

As a result of this audit the Director, Finance Division, issued an alert to all regions requiring them to respond indicating what controls are in place to prevent this condition from occurring in their regions.

During another review, Internal Audit found controls over the receipt and processing of remittances in Taxpayer Service walk-in areas were not adequate to prevent or identify occurrences of employee fraud. A nationwide alert was issued to all regional commissioners and district directors informing them of this situation and encouraging them to have their managers review their operations to ensure controls are in place to prevent the possibility of employee fraud.

Professional Affiliations

The Internal Audit staff has a strong interest in professional certification and continuing education. Many hold at least one professional certification and many serve on the boards of professional organizations.

Internal Security

The activities of the Internal Security Division are operated through the Employee Misconduct, Nonemployee Violations, Integrity, and Background Programs.

Employee Misconduct Program

The Employee Misconduct Program involves investigations of allegations of misconduct or criminality against IRS employees. The results of conduct investigations are reported to the appropriate IRS managers so they can then determine if the employee is suitable for retention in the IRS or if other disciplinary action is necessary. Violations of criminal statutes are referred to the U.S. Attorney's offices for prosecutive determination.

Nonemployee Violations

The Nonemployee Violations Program assures the integrity of IRS by investigations of attempts by nonemployees to corrupt or interfere with the administration of the Federal tax system. These attempts usually involve bribery, assaults, impersonation of IRS employees and fraudulent claims.

In June 1989, a taxpayer was sentenced to 15 months in jail and a fine of \$20,000 for bribery and conspiracy. This sentence was the culmination of a three-year investigation which began when a taxpayer offered an IRS revenue officer pornographic material and \$5,000 in order that he would have no tax liabilities.

Integrity Program

The Internal Security Integrity Program is designed to emphasize prevention and early detection of internal fraud and corruptive practices within the IRS.

An Integrity Project was initiated to identify IRS employees who improperly requested emergency salary payments in order to receive more than one salary payment for a pay period. A number of cases resulted in successful prosecutions. One such case revealed that an employee requested 13 emergency salary payments. She claimed she had not received her original salary check in home mail delivery. Investigation revealed that she had cashed all 13 of her original salary checks in addition to the replacement checks.

Background Program

The Background Program consists of personnel security investigations which are conducted in accordance with Executive Order 10450 for the purpose of furnishing to proper authorities sufficient information concerning a person's character, reputation and loyalty to the United States. Internal Security personnel conduct several types of background investigations.

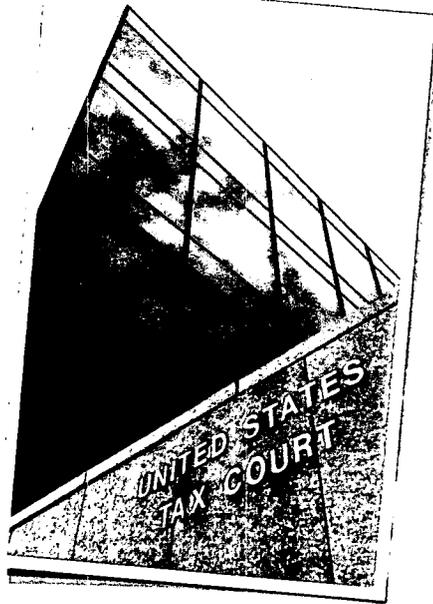
During one routine background investigation it was revealed that a revenue agent failed to pay U.S. income taxes and had falsified job application forms. The revenue agent, who no longer works for IRS, was indicted by a Federal Grand Jury and arrested.

This year, Internal Security closed 7,469 background investigations.

Although the responsibilities of Internal Audit and Internal Security are significantly different; these two Inspection functions complement one another and provide the Commissioner with an independent source of information regarding significant conditions throughout the IRS.

Chief Counsel

The Office of Chief Counsel provides legal advice and technical support to the Commissioner and his staff on all matters relating to the IRS' administration of the tax laws. Chief Counsel's lawyers are assigned to 60 local offices around the country as well as the National Office. Attorneys in the district and regional Counsel offices represent the Commissioner in all tax court litigation and assist with collection and other enforcement-related legal proceedings. National Office attorneys provide a technical support and coordination function by providing litigation guidelines, technical advice, and other assistance. In addition, National Office attorneys provide guidance to the IRS and the public through the publication of regulations, revenue rulings, and other materials.



Through the United States Tax Court in Washington, D.C., attorneys from the Office of Chief Counsel tried 1,871 cases for the IRS in fiscal year 1989.

Technical

A principal challenge facing the Office of Chief Counsel (Technical) was to provide timely guidance on recent legislation, including the Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA), the Tax Reform Act of 1986 (TRA), the Omnibus Reconciliation Act of 1987 (OBRA), and the Technical and Miscellaneous Revenue Act of 1988 (TAMRA). Each of these acts made extensive revisions in a multitude of Internal Revenue Code sections. This guidance was primarily provided by the Associate Chief Counsel (Technical) and the Associate Chief Counsel (International).

To implement the TRA, the Office used a variety of vehicles to provide prompt guidance on which taxpayers could rely, including announcements, short regulations, revenue rulings, revenue procedures, press releases, forms and instructions to forms, other publications, and designation of areas as appropriate subjects of private letter rulings. This practice has been continued with respect to OBRA and TAMRA. The overall intent has been to provide necessary basic guidance on a broad range of important issues, rather than detailed comprehensive guidance in a limited number of areas.

Statistical Tables 27 through 39 give details on Counsel workload and receipt and disposal of cases.

Legislation

Although providing guidance on already enacted legislation was Chief Counsel's primary focus, continued legislative activity in the tax area required the Office's extensive participation in the development of bills pending this year. Along with staff from the Department of the Treasury and Legislative Affairs Division, attorneys in the Office of the Associate Chief Counsel (Technical) attended committee markups and participated in drafting statutory language and committee reports. This involvement in the legislative process helps identify potential technical and administrative problems that can be corrected before enactment. It also enables the IRS to identify legislative provisions which need early guidance.

Simplification

An additional challenge facing the Office of Chief Counsel is the simplification of the legislative and regulations process. It is becoming clear that legislation and the regulations implementing that legislation is exceeding the comprehension of many tax practitioners and is beyond the reach of many ordinary citizens. The Offices of the Associate Chief Counsel (Technical) and (International) have participated in task forces to confront the problems of increasing complexity.

International Activities

Chief Counsel's International staff focused on three major tasks. First, the International office continued its program of public guidance relating to the major international provisions of the Tax Reform Act of 1986 and subsequent legislation. The office substantially completed its publication of regulations, notices and rulings providing detailed guidance on the implementation of tax reform in the international area. Second, as the tax reform guidance process wound down, the office turned to assisting other IRS functions now required to enforce the new law. The office thus designed and conducted a major training course for international examiners and provided significant support to other IRS implementation and training efforts. Finally, the International office launched a major new effort to expand its support of the IRS international enforcement and litigation activities. The centerpiece of this effort was the formation of a field liaison staff of experienced international tax attorneys, assigned to coordinate the office's assistance to IRS field offices worldwide.

Litigation Programs

The Litigation functions furnish legal advice and representation to the IRS on all matters relating to administration and enforcement of the Internal Revenue laws in order to resolve tax controversies, without litigation when possible, on a basis that is fair and consistent with the law.

The Litigation functions in the District Counsel and the National Office are responsible for litigating cases in the United States Tax Court, presenting the views of IRS to the Department of Justice in litigation in the Federal district courts, the United States Claims Court and all Federal appellate courts.

The IRS Tax Shelter Program has made progress in resolving the tax shelter inventory. Although tax shelter cases continue to represent a large percent of the United States Tax Court inventory, the number of docketed tax shelter cases has declined by 27 percent in the last two years and many of the remaining cases are "piggybacked" to the outcome of test cases which have been tried and submitted. The Tax Shelter Program employs a project approach to resolve tax shelter litigation more effectively. Under this program, a

single attorney or team of attorneys is responsible for developing the litigation position for all investors in the project. Currently, 87 percent of all docketed shelter cases are handled as part of litigation projects. This approach enhances consistent treatment for all investors and more efficient settlement of cases.

Under a 1987 shelter settlement initiative jointly implemented by the Commissioner and the Chief Counsel, project settlement offers may also be made to investors who have yet to file suit. The resolution of tax shelter examinations prior to the initiation of litigation saves time and resources for taxpayers, the IRS and the courts. (See Statistical Table 36, Tax Litigation Refund Suits.)

Special trial attorneys were active in prosecuting the largest and most significant cases in the Tax Court, particularly large tax shelter litigation projects involving hundreds of individual dockets and key issues of first impression with nationwide impact. In addition, special trial attorneys have become more involved in providing assistance to Examination in major cases to improve the quality of case development. (See Statistical Table 33, Appellate Court Case Record and Statistical Table 37, Trial Court Case Record.)

Chief Counsel's Industry Specialization Program (ISP) was established in 1985 to support and assist the ISP program in Examination in its efforts to identify, develop, and resolve significant industry wide issues. Designated field and National Office attorneys advise Examination on technical positions for significant tax issues which are widespread in major industries and also provide advice on individual industry cases to ensure appropriate case development on identified issues. Key issues are also developed for litigation. Leveraged buy-outs was added as a coordinated industry area.

The Large Case Program started in Chief Counsel's office in 1988 to provide more direct Counsel assistance to Examination in the development of large cases, primarily corporate cases in the Coordinated Examination Program. Attorneys assist in the examination planning process, aid in the early identification and resolution of audit problems, expedite technical advice requests, and facilitate better case and issue coordination.



In 1895, the Supreme Court of the United States declared the Federal income tax unconstitutional. Pictured are members of that court.



Chief of the Chief Counsel library in Washington D.C. researches a question in one of the more than 100,000 resource documents available to Counsel and IRS counsel.

The Tax Litigation Division works closely with components of the Office of the Commissioner to develop key issues for litigation in the Employee Plans area, and is involved in providing training for Counsel attorneys and Examination specialists on procedures and significant issues.

General litigation attorneys in the National Office and the field provide advice and legal services to the Collection function. Field attorneys are involved early in providing advice in large dollar collection cases, and increasingly are directly handling litigation in bankruptcy courts. Counsel's Office was substantially involved in the bankruptcy cases of several major corporations and successfully developed procedures to handle the significant administrative and coordination problems presented by such cases.

General litigation attorneys in the National Office also prepared legislation and regulations on collection matters. With the enactment of the Taxpayer Bill of Rights, which applies primarily to the IRS collection activities, General Litigation attorneys prepared regulations on the Taxpayer Ombudsman's authority to issue Taxpayer Assistance Orders and on procedures for the administrative appeal of liens. (See Statistical Table 31, Receipt and Disposal of General Litigation Cases.)

A Criminal Tax Policy Committee was created by the Chief Counsel, the Assistant Commissioner for Criminal Investigation and the Assistant Attorney General, Tax Division, Department of Justice. The committee is comprised of senior personnel from each of the three offices and meets monthly. It was created to address, on a continuing basis, issues involving the investigation, review, referral, and prosecution of criminal cases, with a view to improving tax administration. Its projects have included policies on pleas, referral processes, and the interplay between the criminal and civil aspects of tax cases.

Disclosure litigation attorneys helped with the Government's defense in civil litigation using the disclosure statutes as a basis to challenge several key IRS programs. Taxpayers

continue to challenge the Service's issuance of press releases used to publicize successful IRS enforcement actions despite the holding of the Ninth Circuit that press releases based on tax return information contained in public court records of judicial tax proceedings are not unauthorized disclosures.

Four suits have challenged the IRS use of circular letters during criminal investigations. Circular letters are identical letters the IRS typically uses when a large number of potential witnesses need to be interviewed or where potential witnesses are geographically scattered. The IRS position is that disclosures of tax return information in such letters are authorized by the Internal Revenue Code section 6103(k)(6), which permits disclosure of tax return information to obtain investigative information not otherwise reasonably available. To date, there is a split of judicial authority as to the propriety of circular letter disclosures.

Another suit, brought under the Right to Financial Privacy Act, claimed that a bank's informal disclosure of its bank records to the IRS without a subpoena or the taxpayer's consent violated the Act. The district court held, however, that since the Internal Revenue Code section 7602(a)(1) authorizes the Service's informal access to documents, the disclosure met the Act's exception which permits the disclosure of financial records authorized by the Internal Revenue Code.

Administrative Appeals

The Appeals organization is responsible for resolving tax controversies without litigation, on a basis that is fair to both the Government and the taxpayer, and in a way that enhances voluntary compliance and public confidence in the tax system. Appeals officers, located in major cities, met with taxpayers and their representatives and were usually successful in resolving the disputed issues. Appeals closed approximately 87,000 cases, of which 88 percent were agreed. (See Statistical Tables 15 and 16 for breakdown of Appeals' cases.) Appeals also has responsibility for providing specialized valuation help throughout IRS and to other government agencies on tax-related fair market value determinations for financial assets, real estate, art objects, and intangible property. The Art Advisory Panel of outside experts considered 1,600 items with claimed values of \$177 million. The panel recommended \$53 million of changes to the value of these items.

The Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA) established new unified procedures for examining certain partnerships and S corporations. As a result, many established procedures used to process pre-TEFRA cases cannot be used. Therefore, Appeals developed new procedures to facilitate the implementation of the TEFRA provisions.

Automated Systems Environment

Counsel continued to implement the Counsel Automated Systems Environment (CASE), a system of local area networks providing access at each attorney workstation to legal research, automated case tracking, an electronic mail system, and wordprocessing and spreadsheet software.

One of the key management information systems accessible via CASE is the Counsel Automated Tracking System (CATS), implemented by Computer Services and Chief Counsel. This automated system allows on-line access to workload data to provide for increased case control, better allocation of resources, the ability to predict workload based on actual performance data, and the assurance that uniform positions will be taken in cases with similar issues.

Statistical Tables

Note: Statistical data used in the text and tables of this volume are on a fiscal year basis, unless otherwise noted. For example, data headed "1989" pertain to the fiscal year ended September 30, 1989.

Graphs, charts and text figures have been rounded and may not compute precisely compared to the statistical tables, which are based on unrounded figures.

Table 1. Internal Revenue Collections

Table 2. Table deleted in 1988

Table 3. Internal Revenue Collections by Principal Sources

Table 4. Amount of Internal Revenue Refunds Including Interest

Table 5. Number of Internal Revenue Refunds Issued

Table 6. Number of Returns Filed

Table 7. Returns Filed, Examination Coverage (1989)

Table 8. Returns Filed, Examination Coverage (1988)

Table 9. Additional Tax and Penalties Recommended After Examination

Table 10. Number of Returns Examined

Table 10A. Information Returns and Other Correction Programs

Table 11. Returns Examined by Examination Divisions

Table 12. Examinations Resulting in Refunds

Table 13. Delinquent Collection Activity

Table 14. Civil Penalties Assessed and Abated

Table 15. Appeals Workload (Nondocketed)

Table 16. Appeals Workload (Docketed)

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Table 1—Internal Revenue Collections
(In thousands of dollars)

Internal Revenue regions and districts, states and other areas. States represented by single districts indicated in parentheses; totals for other states shown at bottom of table.	Total internal revenue collections (1)	Corporation income tax 2, 3	Individual income and employment taxes							Excise taxes (10)
			Total (3)	Income tax not withheld and SECA 4, 5, 6	Income tax withheld and FICA 4, 7	Railroad retirement 8	Unemployment insurance 9	Estate tax 10	Gift tax 10	
United States, total	1,013,322,133	117,014,564	861,357,090	173,341,958	679,198,615	4,123,997	4,692,520	8,143,689	829,457	25,977,333
North Atlantic Region	178,983,072	21,162,039	154,242,415	29,083,100	123,992,086	349,703	817,525	1,652,779	128,691	1,797,151
Albany (See (d) below)	10,978,985	1,355,947	9,543,179	1,185,930	8,312,370	596	44,283	38,932	2,440	38,487
Augusta (Maine)	3,074,541	212,902	2,794,250	682,913	2,085,486	4,555	19,814	1,795	1,795	151,581
Boston (Massachusetts)	30,013,491	2,304,929	27,125,662	5,359,273	21,576,833	18,856	170,899	241,577	18,600	322,523
Brooklyn (See (d) below)	19,674,331	1,161,250	18,164,454	5,185,127	12,782,094	91,042	106,190	156,706	9,830	162,092
Buffalo (See (d) below)	13,920,604	1,239,732	12,407,246	1,993,000	10,316,739	13,086	84,421	108,401	2,927	162,296
Hartford (Vermont)	1,614,258	128,545	1,451,638	393,779	1,041,868	5,862	10,139	17,539	72	16,464
Manhattan (Connecticut)	29,383,526	4,004,107	24,772,563	4,103,936	20,485,250	88,858	94,517	223,670	22,163	361,023
Providence (See (d) below)	62,067,629	9,962,783	50,665,111	8,502,730	41,801,314	124,898	236,169	777,632	69,532	592,717
Puerto Rico (New Hampshire)	4,147,203	286,550	3,794,263	965,868	2,802,163	41	26,151	37,891	729	27,769
Rhode Island	4,108,504	505,293	3,523,849	710,522	2,787,948	1,920	23,459	30,615	602	48,144
Mid-Atlantic Region	153,958,074	18,569,411	130,996,390	24,354,180	104,594,678	1,254,360	703,192	1,051,325	113,582	3,317,967
Baltimore (Maryland & D.C.)	30,493,151	2,167,698	27,845,207	4,185,217	23,068,137	296,670	93,184	209,363	21,834	449,049
Newark (New Jersey)	49,219,421	6,588,927	40,873,186	7,651,787	32,955,237	51,097	215,065	302,534	17,256	1,437,519
Philadelphia (See (f) below)	33,435,210	3,252,802	29,066,718	6,008,539	22,456,954	412,361	188,864	273,174	39,450	803,086
Pittsburgh (See (f) below)	16,938,820	2,916,906	13,663,534	2,280,722	11,274,145	38,705	69,963	108,963	12,045	235,372
Richmond (Virginia)	18,198,902	1,731,386	15,940,368	3,754,328	11,619,995	455,473	110,573	121,982	20,077	325,110
Wilmington (Delaware)	5,734,570	1,911,692	3,717,377	473,567	3,220,211	55	23,544	35,331	2,920	67,250
Southeast Region	139,895,070	13,361,307	122,185,687	27,743,306	93,047,411	544,916	850,051	1,264,902	138,986	2,844,188
Atlanta (Georgia)	22,764,077	3,594,824	18,088,527	3,411,263	14,535,366	3,234	138,648	153,160	21,826	905,740
Birmingham (Alabama)	7,838,228	931,335	6,736,867	1,554,506	5,125,313	2,626	53,422	42,870	2,352	123,004
Columbia (South Carolina)	7,767,973	650,183	6,942,885	1,286,467	5,595,342	842	60,234	47,774	8,027	121,802
Greensboro (See (b) below)	20,522,565	1,001,124	18,793,129	3,576,659	13,347,724	81	115,000	403,089	36,849	288,373
Jackson (North Carolina)	19,198,221	1,790,585	16,877,972	3,391,774	13,347,724	1,241	137,233	158,169	5,284	366,611
Jacksonville (Mississippi)	3,430,890	252,073	3,074,403	807,155	2,232,627	7,539	27,082	24,695	490	79,229
Little Rock (See (b) below)	21,914,824	1,568,850	19,890,905	4,262,995	15,061,643	465,070	111,197	206,458	29,302	219,309
Nashville (Arkansas)	5,754,076	866,856	4,708,911	968,797	3,699,929	3,612	46,573	38,176	3,103	137,030
New Orleans (Tennessee)	23,040,930	2,264,824	20,194,778	2,842,819	17,174,312	68,470	109,376	134,936	25,396	420,936
Shreveport (Louisiana)	7,662,886	440,652	6,878,311	1,641,077	5,183,747	2,201	51,286	55,575	8,355	279,393
Central Region	118,646,500	14,074,641	101,078,842	15,089,683	85,256,655	98,477	634,027	647,000	74,672	2,771,344
Cincinnati (See (e) below)	17,676,165	2,661,408	14,745,932	2,455,063	12,197,907	1,076	91,887	143,966	11,651	113,208
Cleveland (See (e) below)	27,575,802	2,773,095	23,210,593	3,191,443	19,860,737	20,796	137,617	121,780	15,630	1,454,704
Detroit (Michigan)	45,191,540	6,268,853	38,304,561	4,630,943	33,369,138	60,962	243,519	182,907	29,976	405,243
Indianapolis (Indiana)	16,097,906	1,092,801	14,674,756	2,819,034	11,959,178	10,859	85,685	73,193	3,223	263,934
Louisville (Kentucky)	8,850,865	1,107,267	7,191,944	1,341,077	5,551,056	4,446	55,792	102,790	9,985	498,819
New Orleans (West Virginia)	3,254,222	1,171,218	2,951,006	512,499	2,318,640	340	19,527	22,365	4,197	105,436
Midwest Region	139,879,781	18,989,791	116,346,823	21,105,548	93,291,636	1,242,410	707,232	872,738	76,351	3,594,138
Aberdeen (South Dakota)	1,420,288	87,353	1,298,495	416,204	871,375	2,358	8,558	3,781	258	30,402
Chicago (See (c) below)	52,262,616	8,191,382	41,818,495	7,615,407	33,700,084	263,199	229,805	383,303	38,586	1,830,989
Des Moines (Iowa)	7,530,579	911,006	6,452,405	1,800,548	4,796,446	10,044	43,368	52,226	2,705	112,237
Fargo (North Dakota)	1,367,981	67,292	1,266,864	362,432	896,193	404	7,830	7,267	465	26,070
Helena (Montana)	1,615,343	96,309	1,475,122	449,915	1,005,181	10,440	9,586	11,091	649	32,172
Milwaukee (Wisconsin)	16,887,236	1,864,696	14,677,529	2,725,348	11,840,125	8,554	103,501	112,445	9,380	223,185
Omaha (Nebraska)	6,163,335	503,870	5,400,274	1,001,370	3,903,502	464,810	30,593	25,864	2,679	130,647
St. Louis (Missouri)	23,775,205	3,725,280	19,190,369	2,946,065	16,084,778	34,645	124,881	138,101	10,785	110,670
St. Paul (Minnesota)	20,666,604	2,439,945	17,739,678	2,474,585	14,730,498	438,081	96,514	78,814	10,276	397,891
Springfield (See (c) below)	8,190,933	1,002,677	7,027,591	1,513,671	5,461,449	9,875	42,597	59,765	566	99,994
Southwest Region	113,997,029	12,130,297	92,889,936	19,828,654	72,160,622	300,791	599,869	811,077	115,788	8,049,951
Albuquerque (New Mexico)	2,781,363	104,422	2,577,549	529,539	1,959,793	199	18,017	30,614	623	68,155
Austin (See (g) below)	14,196,816	634,089	13,008,776	2,742,172	10,200,304	6,127	60,174	151,658	14,920	387,373
Cheyenne (Wyoming)	1,108,440	36,558	928,401	302,354	620,013	40	5,994	6,432	204	136,844
Dallas (See (g) below)	28,791,772	3,329,271	23,200,733	5,051,071	17,959,374	6,180	173,908	172,546	58,303	2,030,918
Denver (Colorado)	13,928,262	809,171	12,787,887	2,081,039	10,610,935	36,010	85,830	4,428	240,946	1,306,874
Houston (See (g) below)	23,063,721	4,711,646	14,846,395	5,228,039	11,509,279	7,658	101,419	133,902	23,475	3,348,303
Oklahoma City (Oklahoma)	9,723,426	876,898	7,457,623	1,516,867	5,892,374	1,179	46,604	69,754	3,765	1,315,386
Phoenix (Arizona)	8,292,657	427,946	7,640,110	1,516,867	5,572,665	782	58,904	85,963	6,321	132,328
Salt Lake City (Utah)	3,885,491	459,452	3,290,744	2,609,121	2,223	2,223	26,037	24,624	2,331	110,439
Wichita (Kansas)	8,225,081	740,845	7,151,718	1,646,451	5,216,865	240,394	48,009	49,763	3,495	279,260
Western Region	158,014,738	17,110,379	135,944,055	33,571,748	101,192,839	326,039	853,428	1,444,993	178,877	3,336,434
Anchorage (Alaska)	1,781,136	104,330	1,645,996	386,079	1,249,695	760	9,462	2,273	335	28,203
Boise (Idaho)	2,815,451	407,893	2,358,111	461,070	1,867,004	10,922	19,116	9,350	98	39,999
Honolulu (Hawaii)	3,731,845	412,151	3,240,686	804,997	2,416,559	0	20,130	22,184	4,837	51,986
Laguna Niguel (See (a) below)	25,940,110	1,903,458	23,615,430	6,969,131	16,472,455	749	173,094	262,772	17,239	141,211
Las Vegas (Nevada)	4,168,993	370,918	3,732,748	1,230,100	2,474,800	10	27,757	25,420	1,275	38,631
Los Angeles (See (a) below)	40,251,200	5,275,120	33,261,216	7,471,397	25,363,804	83	225,932	472,755	53,424	1,188,684
Portland (Oregon)	8,621,825	864,406	7,591,977	1,687,713	5,874,010	1,829	28,425	44,900	5,437	115,105
Sacramento (See (a) below)	12,632,782	541,930	11,854,822	3,776,286	8,004,067	1,664	72,785	122,223	12,312	101,494
San Francisco (See (a) below)	21,708,473	3,490,538	16,886,738	3,945,232	13,179,063	307,474	54,970	223,583	21,251	1,086,362
San Jose (See (a) below)	18,321,160	1,493,300	16,322,209	4,190,379	12,019,140	1,110	111,581	167,443	56,242	281,965
Seattle (See (a) below)	18,041,764	2,246,334	15,434,120	3,249,363	12,073,142	1,439	110,175	92,089	6,427	262,794
Washington	4,818,751	1,071,675	3,580,513	924,802	2,606,777	5,714	43,120	77,272	2,531	86,761
Puerto Rico	1,732,194	137,941	1,567,839	93,090	1,437,735	0	37,013	364	330	25,722
Other	3,086,557	933,734	2,012,675	831,812	1,169,041	5,715	6,107	76,908	2,201	61,039
Undistributed:										
Federal tax deposits ¹¹	2,812,277	418,439	2,312,738	—	2,180,581	1,586	130,571	—	—	80,100
Gasoline, lubricating oil and excess FICA credits ¹² </										

Footnotes for Table 1

* Less than \$500

NOTE: Detail may not add to totals due to rounding. Amounts reflect adjustments made to data reported in prior years. Negative figures are displayed when prior year adjustments exceed current year receipts.

1. Receipts in the various states do not indicate the Federal tax burden of each since, in many instances, taxes are collected in one state from residents of another state. For example, withholding taxes reported by employers located near state lines may include substantial amounts withheld from salaries of employees who reside in neighboring states. Also, taxes of some corporations are paid from a principal office, although their operations may be located in another state, or throughout several states.

2. Corporate tax rates generally ranged from 15 to 34 percent of taxable income.

3. Includes taxes of \$115.6 million on unrelated business income of exempt organizations (Forms 990T).

4. Collections of individual income tax (withheld and not withheld) include old-age, survivor's, disability, and hospital insurance taxes on salaries and wages (FICA) and self-employment income (SECA). Estimated national totals for individual income and

employment taxes are shown in the Text Table, Gross Internal Revenue Collections, on page 8 and are used to obtain national totals for Statistical Table 3, Internal Revenue Collections by Principal Sources.

5. Individual income tax rates were 15, 28 and 33 percent of taxable income. Includes SECA taxes with an effective tax rate of 13.02 percent (15.02 percent less 2.0 percent credit) imposed on taxable self-employment income of \$48,000.

6. Includes fiduciary income tax collections of \$6.0 billion.

7. Income tax withholding rates were 15, 28 and 33 percent. A combined FICA rate of 15.02 percent was imposed on a taxable wage base of \$48,000.

8. Railroad retirement tax is divided into two tiers. Tier I tax rate was 7.51 percent for both employers and employees on the first \$48,000 of annual compensation. Tier II tax rate was 16.1 percent for employers and 4.90 percent for employees on the first \$37,500 of annual compensation.

9. A tax rate of 6.2 percent was imposed on employers with one or more covered employee in each of 20 days in a year, each day being in a different week, or with a quarterly payroll for covered employment of at least \$1,500 in the current or preceding calendar year. The tax was applied to the first \$7,000 of taxable wages paid to each covered employee. The

tax was reduced by credits of up to 5.4 percent for unemployment contributions paid to states.

10. Estate and gift tax rates ranged from 18 to 55 percent.

11. Tax payments made to banks, under the Federal Tax Deposit (FTD) System, are included in the Internal Revenue collections for the period in which the FTD was purchased. However, such payments are not classified by Internal Revenue districts until the IRS applies them to taxpayer accounts.

12. Represents credits allowable on income tax returns for certain gasoline, diesel, and special motor fuels tax payments and for excess payments under the Federal Insurance Contributions Act.

13. Designations by taxpayers of a portion of their taxes to the Presidential Election Campaign Fund are not collections, as such, because they do not affect taxpayer liability. Transfer of amounts to this fund was made on a national basis only and had no effect on district and regional collection data.

14. Excess earned income credits applied to outstanding taxpayer liabilities.

15. Amounts not classified by state or district as of the end of the fiscal year. Includes amount transferred to a special account for the Northern Mariana Islands and Treasury's adjustment for FUTA reclassification.

Table 1—Columns 11 through 29 were deleted in 1988. Information on manufactures' excise taxes, retailers' and special fuel taxes, and miscellaneous excise taxes is now available in the fourth quarter Internal Revenue Report of Excise taxes.

Table 2—Table was deleted in 1988. Information on Internal Revenue collections by sources is now available in the fourth quarter Internal Revenue Report of Excise Taxes.

Table 3—Internal Revenue Collections by Principal Sources
(In thousands of dollars)

Fiscal year	Total Internal Revenue collections (1)	Income and profits taxes					Excise taxes (7)
		Total (2)	Corporation income and profits taxes (3)	Individual income taxes (4)	Employment taxes (5)	Estate and gift taxes (6)	
1961	94,401,086	67,917,941	21,764,940	46,153,001	12,502,451	1,916,392	12,064,302
1962	99,440,839	71,945,305	21,295,711	50,649,594	12,708,171	2,035,187	12,752,176
1963	106,925,395	75,323,714	22,336,134	52,987,581	15,004,486	2,167,457	13,409,737
1964	112,260,257	78,891,218	24,300,863	54,590,354	17,002,504	2,416,303	13,950,232
1965	114,434,634	79,792,016	26,131,334	53,660,683	17,104,306	2,745,532	14,792,779
1966	126,879,961	92,131,794	30,834,243	61,297,552	20,256,133	3,093,922	13,398,112
1967	148,374,815	104,268,420	34,917,825	69,370,595	26,958,241	3,014,406	14,113,748
1968	153,636,838	108,148,565	29,896,520	78,252,045	28,085,898	3,081,979	14,320,396
1969	187,919,560	135,778,052	38,337,646	97,440,406	33,068,657	3,530,065	15,542,787
1970	195,722,096	138,688,568	35,036,983	103,651,585	37,449,188	3,680,076	15,904,264
1971	191,647,198	131,072,374	30,319,953	100,752,421	39,918,690	3,784,283	16,871,851
1972	209,855,737	143,804,732	34,925,546	108,879,186	43,714,001	5,489,969	16,847,036
1973	237,787,204	164,157,315	39,045,309	125,112,006	52,081,709	4,975,862	16,572,318
1974	268,952,254	184,648,094	41,744,444	142,903,650	62,093,632	5,100,675	17,109,853
1975	293,822,726	202,146,097	45,746,660	156,399,437	70,140,809	4,688,079	16,847,741
1976	302,519,792	205,751,753	46,782,956	158,968,797	74,202,853	5,307,466	17,399,118
1976 (TQ)*	75,462,780	49,567,484	9,808,905	39,758,579	19,892,041	1,485,247	4,518,008
1977	358,139,417	246,805,067	60,049,804	186,755,263	86,076,316	7,425,325	17,832,707
1978	399,776,389	276,438,289	65,380,145	211,058,144	97,291,653	5,381,499	18,664,949
1979	460,412,185	322,993,733	71,447,876	251,545,857	112,849,874	5,519,074	19,049,504
1980	519,375,273	359,927,392	72,379,610	287,547,782	128,330,480	6,498,381	21,019,021
1981	606,799,103	406,583,302	73,733,156	332,850,146	152,885,816	6,910,386	40,419,598
1982	632,240,506	418,599,768	65,990,832	352,608,936	168,717,936	8,143,373	36,779,428
1983	627,248,793	411,407,523	61,779,556	349,627,967	173,847,854	6,225,877	35,765,538
1984	680,475,229	437,071,049	74,179,370	362,891,679	199,210,028	6,176,667	38,017,486
1985	742,871,541	474,072,327	77,412,769	396,659,558	225,214,568	6,579,703	37,004,944
1986	782,251,812	497,406,391	80,441,620	416,964,771	243,978,380	7,194,956	33,672,086
1987	886,290,590	568,311,471	102,858,985	465,452,486	277,000,469	7,667,670	33,310,980
1988	935,106,594	583,349,120	109,682,554	473,666,566	318,038,990	7,784,445	25,934,040
1989	1,013,322,133	632,746,069	117,014,564	515,731,504	345,625,586	8,973,146	25,977,333

* Transition quarter.
r Revised

Table 4—Amount of Internal Revenue Refunds Including Interest
(In thousands of dollars)

Internal Revenue regions and districts, states and other areas. States represented by single districts indicated in parentheses; totals for other states shown at bottom of table.	Total (1)	Corporation income (2)	Individual income ¹ (3)	Employment taxes ² (4)	Estate tax (5)	Gift tax (6)	Excise taxes ³ (7)
United States, total	93,612,654	14,921,373	73,596,684	2,770,967	250,639	18,662	2,054,308
North Atlantic Region	14,480,837	3,476,429	10,619,557	262,199	37,959	3,491	81,203
Albany (See (d) below)	855,227	241,353	603,072	8,686	942	30	1,143
Augusta (Maine)	401,819	32,337	363,331	4,584	378	—	1,189
Boston (Massachusetts)	2,853,271	567,989	2,226,446	44,359	6,381	455	7,642
Brooklyn (See (d) below)	2,458,331	151,970	2,249,192	45,186	6,480	342	5,161
Buffalo (See (d) below)	1,388,560	186,369	1,184,193	11,938	2,212	943	2,905
Burlington (Vermont)	175,121	25,966	145,744	2,714	154	1	541
Hartford (Connecticut)	1,390,954	353,987	1,425,328	38,428	4,806	247	8,156
Manhattan (See (d) below)	3,639,093	1,813,737	1,660,958	95,681	15,163	1,400	52,155
Portsmouth (New Hampshire)	497,579	50,107	439,271	6,476	562	30	1,131
Providence (Rhode Island)	380,883	52,614	322,022	4,147	880	42	1,179
Mid-Atlantic Region	12,969,078	1,911,065	10,504,774	404,373	32,881	5,791	110,195
Baltimore (Maryland & D.C.)	2,412,697	299,098	1,937,754	157,569	5,788	583	11,905
Newark (New Jersey)	3,085,329	544,164	3,185,363	86,415	14,743	1,199	53,445
Philadelphia (See (f) below)	2,710,303	301,453	2,280,952	90,166	9,291	2,684	26,356
Pittsburgh (See (f) below)	1,414,093	228,090	1,133,416	40,822	696	537	10,731
Richmond (Virginia)	2,167,886	366,539	1,767,413	24,666	2,083	716	6,469
Wilmington (Delaware)	378,170	171,720	199,876	4,935	279	71	1,288
Southeast Region	15,440,087	2,134,684	12,988,399	231,406	39,132	3,378	43,089
Atlanta (Georgia)	2,274,437	327,858	1,895,314	42,624	3,450	160	5,031
Birmingham (Alabama)	1,119,598	80,005	1,024,830	10,731	805	13	3,214
Columbia (South Carolina)	1,045,182	134,894	895,351	11,934	1,048	32	1,922
Ft. Lauderdale (See (b) below)	1,940,491	154,123	1,734,470	38,668	8,100	913	4,216
Greensboro (North Carolina)	2,083,929	319,682	1,731,697	25,398	2,608	(142)	4,686
Jackson (Mississippi)	623,573	39,006	579,667	3,963	249	—	688
Jacksonville (See (b) below)	2,403,634	300,162	2,030,100	41,528	15,351	1,662	6,832
Little Rock (Arkansas)	602,584	52,357	541,884	6,780	246	107	1,209
Nashville (Tennessee)	2,131,062	569,405	1,508,192	36,437	5,163	598	11,268
New Orleans (Louisiana)	1,215,597	157,191	1,038,895	13,341	2,112	34	4,023
Central Region	11,066,449	1,683,007	9,163,786	132,415	14,672	1,309	71,260
Cincinnati (See (e) below)	1,953,123	480,226	1,444,608	24,403	1,717	79	2,090
Cleveland (See (e) below)	2,254,437	419,672	1,774,295	30,953	4,473	805	24,238
Detroit (Michigan)	3,339,004	496,487	2,769,738	45,442	3,389	(350)	24,298
Indianapolis (Indiana)	1,822,756	155,171	1,642,122	16,444	1,954	590	6,473
Louisville (Kentucky)	1,024,473	89,465	913,042	10,143	1,883	184	9,757
Parkersburg (West Virginia)	672,657	41,986	619,981	5,030	1,257	1	4,403
Midwest Region	10,695,481	1,937,608	8,527,582	138,697	31,737	1,925	57,931
Aberdeen (South Dakota)	159,357	15,084	141,723	1,584	89	5	1,102
Chicago (See (c) below)	3,811,713	835,765	2,872,991	61,081	9,860	823	31,192
Des Moines (Iowa)	701,273	80,035	611,686	6,475	579	32	2,466
Fargo (North Dakota)	178,324	22,616	152,728	1,821	426	19	715
Helena (Montana)	186,858	14,066	169,192	2,307	578	41	675
Milwaukee (Wisconsin)	1,451,072	242,998	1,178,922	14,872	8,132	105	6,042
Omaha (Nebraska)	438,645	69,976	356,551	5,325	3,880	390	2,524
St. Louis (Missouri)	1,691,809	292,118	1,366,141	23,396	3,112	401	6,642
St. Paul (Minnesota)	1,194,410	231,424	944,299	13,707	2,320	72	2,583
Springfield (See (c) below)	881,821	133,527	733,351	8,129	2,792	37	3,990
Southwest Region	11,566,648	2,312,909	8,960,502	173,746	40,701	1,465	137,325
Albuquerque (New Mexico)	433,218	58,903	366,212	5,149	1,428	11	1,516
Austin (See (g) below)	2,127,626	444,256	1,608,020	23,490	6,217	134	45,508
Cheyenne (Wyoming)	171,123	9,818	157,060	1,858	974	210	1,203
Dallas (See (g) below)	2,839,758	706,784	2,055,149	39,247	12,606	728	25,244
Denver (Colorado)	1,087,394	202,007	861,825	14,997	3,612	27	4,926
Houston (See (g) below)	1,680,386	385,701	1,221,119	28,469	2,962	199	41,937
Oklahoma City (Oklahoma)	922,030	152,816	747,704	8,782	2,466	13	10,249
Phoenix (Arizona)	1,190,096	208,806	956,852	17,975	3,937	69	2,457
Salt Lake City (Utah)	379,769	41,425	324,694	6,900	5,657	12	1,082
Wichita (Kansas)	735,248	102,393	601,867	26,882	841	63	3,202
Western Region	14,532,673	2,098,243	12,034,288	304,420	50,953	1,638	43,730
Anchorage (Alaska)	206,138	29,553	172,042	3,148	536	4	855
Boise (Idaho)	295,053	105,085	185,634	2,736	210	1	1,387
Honolulu (Hawaii)	345,435	38,616	297,895	5,102	1,801	173	1,848
Laguna Niguel (See (a) below)	2,948,412	310,363	2,569,763	53,662	8,503	69	6,052
Las Vegas (Nevada)	388,949	47,722	331,453	6,116	2,115	22	1,520
Los Angeles (See (a) below)	3,125,278	484,275	2,542,191	79,255	11,687	479	7,391
Portland (Oregon)	948,627	137,106	789,629	12,791	4,114	8	4,980
Sacramento (See (a) below)	1,316,821	86,599	1,209,863	20,418	2,536	99	3,306
San Francisco (See (a) below)	1,763,418	499,266	1,183,442	60,046	12,071	93	8,500
San Jose (See (a) below)	1,744,850	179,551	1,522,846	33,622	5,074	115	3,443
Seattle (Washington)	1,449,891	180,108	1,235,531	27,524	2,307	(26)	4,448
International	710,138	230,092	434,769	38,722	2,605	262	3,687
Puerto Rico	65,571	4,338	50,864	10,271	15	—	84
Other	644,566	225,754	383,905	28,451	2,590	262	3,604
Other miscellaneous refunds	2,151,261	(862,663)	423,027	1,085,010	—	—	1,505,888
Highway and Airport Trust Fund ⁴	421,125	(862,663)	(12,895)	—	—	—	1,296,683
Excess FICA credits ⁵	1,085,010	—	—	1,085,010	—	—	—
U.S. Customs Service ⁶	209,205	—	—	—	—	—	209,205
Earned income credit offsets	195,554	—	195,554	—	—	—	—
Refund reversal unclassified ⁷	240,367	—	240,367	—	—	—	—
Totals for states not shown above							
(a) California	10,898,579	1,560,054	9,022,105	247,003	39,870	856	28,692
(b) Florida	4,344,125	454,285	3,772,570	80,196	23,450	2,575	11,048
(c) Illinois	4,693,534	969,293	3,606,342	69,210	12,652	856	35,182
(d) New York	8,341,211	2,393,429	5,697,415	161,491	24,797	2,715	61,363
(e) Ohio	4,207,560	899,898	3,218,903	55,357	6,189	885	26,328
(f) Pennsylvania	4,124,996	529,543	3,414,369	130,788	9,987	3,222	37,087
(g) Texas	6,647,770	1,536,741	4,884,288	91,205	21,786	1,061	112,669

¹ Includes earned income credits refunded, amounting to \$4 billion and refunds amounting to \$810 million paid on partnership and fiduciary income tax returns.

² Includes withheld income tax, FICA, Railroad Retirement and FUTA refunds and credits.

³ Includes credits and claims for gasoline and lubricating oil tax payments.

⁴ Includes Highway and Airport Trust Fund reclassification.

⁵ Includes credits for excess payments under the Federal Old Age and Survivors Federal Disability and Federal Hospital Funds, amounting to \$1.1 billion.

⁶ The source of this information is the U.S. Customs Service. Customs does not provide the count of the number of refunds issued for this item.

⁷ Includes refunds issued in September 1989 minus refund reversals received in September 1989, that were not classified by September 30, 1989 (the end of the fiscal year.) For accounting and comparative purposes, the data included in this table agree with the actual transactions affecting the refund and interest appropriation account for the fiscal year.

Table 5—Number of Internal Revenue Refunds Issued

Internal Revenue regions and districts, states and other areas. States represented by single districts indicated in parentheses; totals for other states shown at bottom of table.	Total (1)	Corporation income (2)	Individual income (3)	Employment taxes (4)	Estate tax (5)	Gift tax (6)	Excise taxes (7)
United States, total	82,620,194	774,501	79,361,657	2,369,676¹	10,599	1,084	102,677
North Atlantic Region	10,865,848	103,074	10,413,868	332,898	1,968	198	13,842
Albany (See (d) below)	739,132	5,533	713,854	18,926	56	8	755
Augusta (Maine)	454,942	4,469	437,250	12,463	27	3	712
Boston (Massachusetts)	2,209,737	24,548	2,122,606	60,271	342	48	1,922
Brooklyn (See (d) below)	2,224,285	13,060	2,144,584	64,204	350	16	2,051
Buffalo (See (d) below)	1,519,566	11,165	1,478,509	28,487	148	13	1,244
Burlington (Vermont)	194,798	2,349	184,626	7,461	22	2	338
Hartford (Connecticut)	1,341,666	15,869	1,274,874	47,571	325	31	2,996
Manhattan (See (d) below)	1,378,599	17,730	1,286,686	70,758	610	63	2,752
Portsmouth (New Hampshire)	436,519	4,453	417,606	13,699	48	9	704
Providence (Rhode Island)	366,642	3,898	353,273	9,058	40	5	368
Mid-Atlantic Region	11,665,302	84,616	11,202,672	361,539	1,416	141	14,918
Baltimore (Maryland & D.C.)	2,099,374	18,736	2,014,992	62,669	323	30	2,624
Newark (New Jersey)	3,140,590	27,920	3,009,141	97,251	611	24	5,643
Philadelphia (See (f) below)	2,685,442	15,808	2,564,255	102,353	225	46	2,755
Pittsburgh (See (f) below)	1,473,334	7,698	1,411,414	53,866	94	14	2,248
Richmond (Virginia)	2,023,728	11,790	1,970,640	39,781	136	24	1,357
Wilmington (Delaware)	242,834	2,664	232,230	7,619	27	3	291
Southeast Region	15,702,666	138,754	15,097,278	446,961	1,717	193	17,703
Atlanta (Georgia)	2,159,620	20,330	2,076,247	60,462	143	16	2,422
Birmingham (Alabama)	1,245,859	6,133	1,216,230	22,574	48	7	867
Columbia (South Carolina)	1,164,755	8,336	1,129,212	26,003	48	8	1,148
Fl. Lauderdale (See (b) below)	1,897,221	19,499	1,734,713	80,689	349	61	1,910
Greensboro (North Carolina)	2,244,243	18,580	2,174,548	49,132	164	9	1,810
Jackson (Mississippi)	746,050	4,462	726,476	14,367	35	2	708
Jacksonville (See (b) below)	2,513,937	25,073	2,398,672	85,782	531	47	3,832
Little Rock (Arkansas)	705,391	5,899	681,319	17,241	37	12	883
Nashville (Tennessee)	1,858,238	22,070	1,772,457	60,438	270	21	2,982
New Orleans (Louisiana)	1,227,292	8,372	1,187,404	30,273	92	10	1,141
Central Region	10,737,463	63,868	10,416,039	226,321	617	88	10,330
Cincinnati (See (e) below)	1,769,321	13,860	1,715,884	37,939	161	14	1,463
Cleveland (See (e) below)	2,129,232	18,173	2,060,858	48,187	203	30	1,781
Detroit (Michigan)	3,158,499	31,344	3,051,919	72,418	213	22	2,583
Indianapolis (Indiana)	1,871,609	9,494	1,828,265	31,581	131	12	2,126
Louisville (Kentucky)	1,123,710	7,363	1,091,221	23,484	78	5	1,559
Parkersburg (West Virginia)	685,092	3,634	667,892	12,712	31	5	818
Midwest Region	10,463,001	107,836	10,092,069	246,642	1,210	135	15,109
Aberdeen (South Dakota)	210,290	2,551	201,683	5,447	19	1	589
Chicago (See (c) below)	3,012,323	27,284	2,901,239	80,158	383	52	3,207
Des Moines (Iowa)	836,976	11,412	805,887	17,956	93	4	1,624
Fargo (North Dakota)	210,159	2,537	201,678	5,320	33	2	589
Helena (Montana)	238,339	4,567	225,875	7,264	31	2	600
Milwaukee (Wisconsin)	1,564,491	15,679	1,512,165	34,313	160	15	2,159
Omaha (Nebraska)	493,197	7,518	472,000	12,428	74	5	1,172
St. Louis (Missouri)	1,662,140	17,294	1,604,410	38,187	202	25	2,022
St. Paul (Minnesota)	1,302,327	10,592	1,264,472	25,326	86	16	1,835
Springfield (See (c) below)	932,759	8,402	902,660	20,243	129	13	1,312
Southwest Region	10,358,759	108,672	9,935,290	298,321	1,119	148	15,009
Albuquerque (New Mexico)	476,468	3,953	459,719	12,181	35	8	572
Austin (See (g) below)	1,867,197	19,625	1,788,752	54,635	222	26	3,937
Cheyenne (Wyoming)	146,166	2,108	139,012	4,695	22	4	325
Dallas (See (g) below)	2,238,009	24,804	2,139,740	69,636	258	29	3,542
Denver (Colorado)	1,063,169	12,384	1,018,103	31,409	117	15	1,141
Houston (See (g) below)	1,312,665	12,583	1,258,343	40,089	126	23	1,501
Oklahoma City (Oklahoma)	921,547	8,920	887,555	23,461	122	8	1,481
Phoenix (Arizona)	1,116,447	10,887	1,075,089	29,598	112	21	740
Salt Lake City (Utah)	463,824	4,089	446,044	13,158	32	4	497
Wichita (Kansas)	753,267	9,519	722,933	19,459	73	10	1,273
Western Region	13,331,876	143,167	12,736,607	434,532	2,223	177	15,170
Anchorage (Alaska)	160,083	2,059	159,756	5,900	11	1	356
Boise (Idaho)	273,829	3,388	261,429	8,358	21	3	630
Honolulu (Hawaii)	384,316	4,799	369,722	9,684	55	13	243
Laguna Niguel (See (a) below)	2,742,513	26,218	2,627,737	85,960	341	24	2,233
Las Vegas (Nevada)	389,202	9,427	373,711	11,543	53	8	460
Los Angeles (See (a) below)	2,492,545	27,842	2,374,109	87,723	462	41	2,368
Portland (Oregon)	1,056,443	12,081	1,016,502	25,878	215	7	1,760
Sacramento (See (a) below)	1,364,877	13,601	1,307,260	42,616	162	23	1,215
San Francisco (See (a) below)	1,196,804	14,458	1,127,164	52,528	488	23	2,142
San Jose (See (a) below)	1,718,636	17,644	1,642,641	56,054	286	24	1,987
Seattle (Washington)	1,544,428	17,650	1,476,576	48,288	128	10	1,776
International	324,207	4,314	296,762	22,462	129	4	596
Puerto Rico	66,739	134	46,391	20,183	3	—	28
Other	257,468	4,180	250,371	2,279	126	4	568
Other miscellaneous refunds	(828,868)	—	(628,868)	—	—	—	—
Highway and Airport Trust Fund	—	—	—	—	—	—	—
Gasoline and excess FICA credits	—	—	—	—	—	—	—
U.S. Customs Service	—	—	—	—	—	—	—
Earned income credit offsets ²	—	—	—	—	—	—	—
Refund reversals unclassified ³	(828,868)	—	(628,868)	—	—	—	—
Totals for states not shown above	—	—	—	—	—	—	—
(a) California	9,515,375	99,763	9,078,911	324,881	1,740	135	9,945
(b) Florida	4,351,158	44,572	4,133,385	186,471	880	108	5,742
(c) Illinois	3,945,082	35,886	3,803,899	100,401	572	65	4,519
(d) New York	5,861,562	47,488	5,623,633	182,375	1,164	100	6,802
(e) Ohio	3,898,353	32,033	3,776,742	86,126	364	44	3,244
(f) Pennsylvania	4,158,776	29,506	3,975,669	154,219	319	60	5,003
(g) Texas	5,417,371	57,912	5,186,835	164,360	606	78	8,980

¹ Includes 325,464 refunds issued to fiduciaries and partnerships.

² In Table 4, Amount of Internal Revenue Refunds Including Interest, refund amounts are given for these credits.

³ Includes refunds issued in September 1989 minus refund reversals received in September 1989 that were not classified by district before September 30, 1989 (the end of the fiscal year). For accounting and comparative purposes, the data included in this table must agree with the actual transactions affecting the refund and interest appropriation accounts for the fiscal year.

Table 6—Number of Returns Filed

Internal Revenue regions and districts, states and other areas. States represented by single districts indicated in parentheses; totals for other states shown at bottom of table.	Total tax returns (1)	Individual income tax (2)	Estimated (3)	Fiduciary (4)	Partnership (5)	Corporation income tax (7)
United States, total	199,587,366	110,232,723	37,601,818	2,825,405	683,496	4,202,880
North Atlantic Region	27,389,859	14,529,474	4,448,028	128,754	17,282	72,845
Alabama (See (c) below)	1,833,077	1,031,790	337,245	14,296	2,473	20,985
Augusta (Maine)	1,029,984	563,944	170,443	15,470	6,770	30,285
Boston (Massachusetts)	4,479,569	2,925,073	1,080,688	119,811	37,827	126,530
Brooklyn (See (f) below)	5,611,423	3,387,416	1,099,325	159,516	40,255	135,827
Buffalo (See (f) below)	2,044,637	1,264,476	444,176	50,040	8,178	58,986
Burlington (Vermont)	262,586	194,405	67,429	5,463	15,000	13,527
Hartford (Connecticut)	3,219,754	1,875,829	674,291	54,643	15,000	32,349
Manhattan (New York)	4,249,718	2,891,454	1,028,302	118,569	44,051	173,450
Portland (Maine)	1,020,448	551,305	182,432	12,171	2,621	22,554
Portsmouth (New Hampshire)	982,391	472,563	154,819	14,309	6,260	24,272
Providence (Rhode Island)	17,845,322	10,129,488	3,286,743	453,175	87,871	575,181
Mid-Atlantic Region	4,642,999	2,603,833	825,738	113,759	17,646	82,788
Baltimore (Maryland & D.C.)	7,076,949	4,134,028	1,434,028	69,273	209,193	105,857
Newark (New Jersey)	3,321,943	1,907,589	658,655	143,933	54,498	111,054
Philadelphia (See (f) below)	3,332,536	1,907,589	658,655	143,933	54,498	111,054
Pittsburgh (See (f) below)	4,230,431	2,463,431	866,715	14,164	39,328	93,667
Richmond (Virginia)	315,522	182,432	65,829	3,472	13,335	11,711
Washington (See (f) below)	35,754,843	20,138,920	6,816,928	829,319	87,171	519,089
South Atlantic Region	4,572,746	2,371,175	800,368	115,573	19,113	80,446
Atlanta (Georgia)	2,684,718	1,622,529	404,203	63,388	18,363	46,167
Birmingham (Alabama)	2,382,182	1,252,964	429,821	51,334	15,590	48,257
Columbia (South Carolina)	5,632,964	2,934,041	1,029,821	67,948	18,638	205,770
Ft. Lauderdale (Florida)	1,629,580	859,439	306,955	66,051	10,440	33,384
Jackson (Mississippi)	5,795,724	3,187,439	1,154,809	65,688	35,859	143,764
Jacksonville (See (b) below)	1,674,104	854,833	306,955	14,604	5,568	30,676
Little Rock (Arkansas)	2,911,450	1,622,529	438,245	20,455	9,771	42,744
Nashville (Tennessee)	2,211,450	1,252,964	429,821	20,455	9,771	42,744
New Orleans (Louisiana)	2,211,450	1,252,964	429,821	20,455	9,771	42,744
Central Region	23,217,871	13,984,585	4,218,538	363,153	94,482	485,877
Chicago (See (e) below)	4,792,724	2,778,639	899,698	64,024	13,590	87,467
Cleveland (See (e) below)	6,940,291	4,068,210	1,204,290	77,109	13,572	114,265
Detroit (Michigan)	4,949,776	2,847,176	899,744	89,744	17,169	114,265
Indianapolis (Indiana)	2,524,784	1,482,443	442,443	29,741	6,106	46,123
Louisville (Kentucky)	1,166,400	678,771	211,893	44,416	2,465	21,113
Parkersburg (West Virginia)	28,194,713	14,281,718	5,286,713	402,488	103,829	503,382
Midwest Region	577,230	298,655	114,480	1,161	5,840	9,562
Aberdeen (South Dakota)	6,926,022	3,898,381	1,327,121	117,969	41,766	61,899
Chicago (See (c) below)	2,328,745	1,224,055	429,821	43,394	8,405	20,346
Des Moines (Iowa)	527,531	279,068	111,109	7,543	1,382	9,563
Helena (Montana)	587,106	341,055	128,980	7,021	1,857	15,262
Minneapolis (Minnesota)	3,884,745	2,186,507	768,955	65,277	15,658	67,434
Omaha (Nebraska)	1,338,542	706,928	267,990	26,954	13,306	28,685
St. Louis (Missouri)	4,045,695	2,221,611	837,329	58,882	13,613	75,656
St. Paul (Minnesota)	3,552,129	1,956,183	669,074	43,756	9,488	33,041
Springfield (See (c) below)	2,295,107	1,289,325	500,302	31,940	7,565	30,077
Southwest Region	25,837,674	13,787,832	4,278,835	316,728	160,822	818,747
Albuquerque (New Mexico)	1,078,430	621,793	179,684	3,410	1,379	9,047
Anchorage (See (g) below)	3,852,948	2,231,394	749,640	44,921	10,767	62,943
Austin (Texas)	5,805,182	3,003,337	899,684	74,978	30,642	110,670
Cheyenne (Wyoming)	587,041	306,504	106,504	6,563	37,190	72,178
Dallas (See (g) below)	5,805,182	3,003,337	899,684	74,978	30,642	110,670
Denver (Colorado)	2,777,748	1,491,001	467,593	33,567	8,632	57,270
Houston (See (g) below)	3,125,720	1,757,096	475,517	41,764	15,361	71,278
Phoenix City (Arizona)	2,359,027	1,289,527	445,470	30,063	9,292	29,906
Phoenix (See (g) below)	2,790,315	1,515,441	506,336	33,184	6,392	59,273
San Jose (California)	1,086,737	632,925	150,229	18,887	2,399	24,797
San Jose (See (c) below)	1,076,812	617,912	208,213	27,579	3,846	38,146
Wichita (Kansas)	33,883,488	18,129,880	6,747,943	345,324	85,896	374,347
Western Region	516,256	254,734	84,292	1,735	6,326	10,652
Anchorage (Alaska)	724,795	390,478	130,382	7,268	1,187	14,652
Boise (Idaho)	834,307	459,674	166,282	9,863	7,961	22,123
Honolulu (Hawaii)	6,910,601	3,806,823	1,343,227	53,047	74,795	121,711
Laguna Niguel (See (d) below)	918,139	535,673	184,139	7,823	2,437	21,069
Las Vegas (Nevada)	6,081,157	3,259,884	1,091,329	72,557	23,711	135,456
Los Angeles (See (a) below)	2,394,078	1,241,992	453,211	35,810	5,502	44,861
Portland (Oregon)	4,059,198	2,087,551	853,743	31,773	8,578	53,918
Sacramento (See (a) below)	2,782,890	1,406,168	500,582	46,566	31,799	45,144
San Francisco (See (a) below)	4,431,653	2,422,486	803,637	38,027	12,594	66,413
San Jose (See (a) below)	3,960,356	2,123,359	779,943	40,835	11,468	71,500
Seattle (Washington)	1,226,085	683,086	245,718	1,827	1,888	21,951
Seattle (See (a) below)	393,861	208,807	80,819	64	201	919
Other	856,234	494,289	180,630	714	124	21,032

Totals for states not shown above

(a) California	24,245,557	12,982,670	4,991,484	242,160	71,527	279,607
(b) Florida	11,452,588	5,753,369	1,963,630	133,536	33,462	122,640
(c) Illinois	9,223,129	5,187,706	1,827,423	149,908	49,331	182,520
(d) New York	15,229,315	8,550,464	2,865,464	220,783	65,022	447,257
(e) Ohio	3,385,920	1,948,205	660,205	120,304	21,678	84,456
(f) Pennsylvania	9,654,479	5,415,439	2,034,530	189,334	30,801	125,596
(g) Texas	12,487,850	6,991,829	2,382,474	161,663	62,169	244,591

Column Comments:

- (1) Forms 1040 series
- (2) Forms 1040ES
- (3) Forms 1041 series
- (4) Forms 1041ES
- (5) Forms 1065
- (6) Forms 1120 series and 1066
- (7) Forms 706 and 706NA
- (8) Forms 709
- (9) Forms 941 series, CT-1, and 1042
- (10) Forms 990 series, 4720 and 5227
- (11) Forms 5500 series
- (12) Forms 720, 730, 2290 and 11C
- (13) Forms 1040X, 1120X, 2688, 4566, 7004 and 1041A

Internal Revenue regions and districts, states and other areas. States represented by single districts indicated in parentheses; totals for other states shown at bottom of table.	Estate tax (8)	GIT (9)	Employment taxes (10)	Exempt organizations (11)	Employee plans (12)	Excise taxes (13)	Supplemental documents (14)
United States, total	54,700	121,294	25,330,432	480,129	1,832,875	948,726	10,293,804
North Atlantic Region	9,834	21,811	4,186,680	7,822	108,483	108,483	1,373,291
Albany (See (d) below)	438	1,481	14,029	4	15,141	9,174	77,632
Augusta (Maine)	630	630	167,928	3,125	6,600	8,434	45,910
Boston (Massachusetts)	2,040	4,557	750,463	16,841	50,828	20,483	253,686
Brooklyn (See (f) below)	1,654	2,942	784,008	6,935	27,864	15,933	273,536
Buffalo (See (f) below)	808	3,269	453,887	9,120	34,439	15,052	117,695
Burlington (Vermont)	112	333	99,192	1,877	3,659	2,577	10,532
Hartford (Connecticut)	4,451	3,083	453,937	9,183	12,569	17,032	116,952
Manhattan (See (f) below)	2,472	4,141	837,669	21,131	101,436	12,021	303,636
Portland (See (f) below)	2,678	2,678	2,704	2,704	6,886	7,014	54,784
Providence (Rhode Island)	2,472	2,472	134,740	2,171	3,870	3,870	35,995
Mid-Atlantic Region	7,478	13,773	3,749,809	67,481	233,838	109,230	1,158,863
Baltimore (Maryland & D.C.)	4,401	7,478	15,030	14,222	115,141	115,141	1,222,370
Newark (New Jersey)	3,836	3,836	1,048,885	13,087	26,938	378,094	576,594
Philadelphia (See (f) below)	3,113	3,113	811,583	16,252	64,020	29,076	219,143
Pittsburgh (See (f) below)	4,601	4,601	9,522	10,544	101,368	101,368	1,101,368
Richmond (Virginia)	1,256	2,499	704,170	11,529	25,585	21,043	21,043
Washington (See (f) below)	198	702	35,890	2,199	4,971	2,821	25,840
Southwest Region	8,921	19,364	5,450,482	66,723	154,842	174,842	1,842,414
Atlanta (Georgia)	9,205	2,325	734,164	8,703	21,879	26,114	26,114
Birmingham (Alabama)	526	1,401	416,680	5,716	9,714	10,454	119,518
Columbia (South Carolina)	541	1,476	373,879	8,011	10,737	97,427	97,427
Ft. Lauderdale (See (b) below)	2,411	5,625	854,846	7,991	28,402	14,575	307,612
Gensenville (New York)	389	2,662	763,032	10,640	20,943	25,390	226,113
Jackson (Mississippi)	1,453	2,668	269,100	3,123	8,044	10,567	10,567
Jacksonville (See (b) below)	389	2,668	814,055	10,158	24,062	20,391	344,544
Little Rock (Arkansas)	284	888	257,498	5,567	14,022	85,995	85,995
Nashville (Tennessee)	748	1,463	528,167	7,294	14,536	15,246	15,246
New Orleans (Louisiana)	475	1,029	435,371	5,380	13,535	15,091	160,372
Central Region	4,812	11,812	3,812,424	81,424	314,888	114,888	888,877
Cincinnati (See (e) below)	860	1,792					

Table 7—Returns Filed, Examination Coverage (1989)

	Returns examined				Total	Percent coverage
	Returns filed Cy 1988	Revenue agents	Tax auditors	Service centers		
Individual, total	107,029,000	242,868	542,706	198,971	984,543	0.92
1040A, TPI under \$25,000	32,887,000	20,336	150,585	37,801	208,722	0.63
Non 1040A, TPI under \$25,000	29,112,000	23,340	53,700	39,697	156,737	0.54
TPI \$25,000 under \$50,000	25,767,000	46,357	174,070	36,584	257,011	1.00
TPI \$50,000 under \$100,000	10,030,000	28,984	44,195	28,544	101,723	1.01
TPI \$100,000 and over	2,193,000	42,148	32,661	44,987	119,794	5.46
Schedule C-TGR2 under \$25,000	2,135,000	13,092	14,053	910	28,055	1.31
Schedule C-TGR \$25,000 under \$100,000	2,996,000	29,423	20,213	3,317	49,953	1.32
Schedule C-TGR \$100,000 and over	1,381,000	37,517	8,501	6,286	52,304	3.79
Schedule F-TGR under \$100,000	655,000	1,875	3,616	323	5,814	0.87
Schedule F-TGR \$100,000 and over	263,000	2,897	1,112	522	4,531	1.72
Fiduciary	2,669,000	3,183			3,183	0.12
Partnership	1,704,000	12,285			12,285	0.72
Corporation, total	2,774,940	56,165			56,165	2.02
Assets not reported	231,000	2,486			2,486	1.08
Under \$50,000	817,000	8,192			8,192	1.00
\$50,000 under \$100,000	381,000	6,989			6,989	1.83
\$100,000 under \$250,000	525,000	8,899			8,899	1.70
\$250,000 under \$500,000	317,000	5,296			5,296	1.67
\$500,000 under \$1 mil	211,000	3,654			3,654	1.73
\$1 mil under \$5 mil	203,000	5,639			5,639	2.78
\$5 mil under \$10 mil	29,000	2,627			2,627	9.38
\$10 mil under \$50 mil	31,000	5,335			5,335	17.21
\$50 mil under \$100 mil	6,000	1,819			1,819	30.32
\$100 mil under \$250 mil	4,457	1,862			1,862	41.78
\$250 mil and over	4,483	2,880			2,880	64.24
Form 1120F	16,000	487			487	3.04
Small business corporation	1,170,000	7,775			7,775	0.66
Form 1120 DISC	1,100	850			850	77.27
Estate, total	82,000	12,463			12,463	23.97
Gross estate under \$1 mil	29,000	5,201			5,201	17.93
Gross estate \$1 mil under \$5 mil	21,000	6,236			6,236	29.70
Gross estate \$5 mil and over	2,000	1,026			1,026	51.30
Gift	104,000	1,276			1,276	1.23
Income, estate and gift, total	115,504,040	336,963	542,706	198,971	1,078,640	0.93
Excise	980,000	34,567			34,567	3.53
Employment ⁴	28,335,000	33,515	1,355		34,870	0.12
Windfall profit	2,500	1,122			1,122	44.88
Miscellaneous		62			62	
Service center corrections				411,517		

¹Total positive income.
²Total gross receipts.
³Balance sheet assets.
⁴Does not include employment tax returns examined by Collection Division.

Table 7—Continued

Revenue agents	Recommended additional tax and penalties (in millions)			Average tax and penalty per return			No-change percent ⁵		Individuals, total
	Tax auditors	Service centers	Total	Revenue agents	Tax auditors	Service centers	Revenue agents	Tax auditors	
2,755	993	476	4,224	11,347	1,827	2,393	11	14	Individuals, total
261	207	26	516	13,815	1,374	729	8	12	1040A, TPI under \$25,000
89	94	27	229	4,240	1,000	678	11	13	Non 1040A, TPI under \$25,000
193	257	37	487	4,170	1,473	1,018	10	13	TPI \$25,000 under \$50,000
263	57	96	456	9,099	2,203	3,432	9	17	TPI \$50,000 under \$100,000
914	169	243	1,326	21,665	5,180	5,393	13	23	TPI \$100,000 and over
62	32	1	95	4,699	2,243	804	9	10	Schedule C-TGR under \$25,000
190	73	9	272	7,195	3,591	2,793	9	14	Schedule C-TGR \$25,000 under \$100,000
690	58	32	780	16,430	6,778	5,142	11	20	Schedule C-TGR \$100,000 and over
10	3		13	5,345	957	420	14	28	Schedule F-TGR under \$100,000
53	3	1	57	18,144	2,252	2,486	14	28	Schedule F-TGR \$100,000 and over
184			184	32,827			15		Fiduciary
							21		Partnership
12,917			12,917	229,845			22		Corporation, total
402			402	161,450			26		Assets not reported
54			54	6,598			31		Under \$50,000
25			25	3,594			27		\$50,000 under \$100,000
44			44	5,480			27		\$100,000 under \$250,000
58			58	11,053			27		\$250,000 under \$500,000
45			45	14,681			27		\$500,000 under \$1 mil
195			195	35,362			19		\$1 mil under \$5 mil
132			132	50,247			17		\$5 mil under \$10 mil
348			348	64,720			12		\$10 mil under \$50 mil
257			257	191,832			9		\$50 mil under \$100 mil
606			606	423,319			6		\$100 mil under \$250 mil
10,329			10,329	3,536,986			2		\$250 mil and over
422			422	866,431			32		Form 1120F
14			14	1,779			33		Small business corporation
							27		Form 1120 DISC
746			746	60,346			9		Estate, total
111			111	21,833			10		Gross estate under \$1 mil
326			326	52,168			9		Gross estate \$1 mil under \$5 mil
309			309	300,292			8		Gross estate \$5 mil and over
409			409	321,288			18		Gift
16,963	993	476	18,414	50,341	1,826	2,393	13	14	Income, estate and gift, total
258			258	7,449			6		Excise
278	1		279	8,337	678		6	4	Employment
2,288			2,288	2,070,588			13		Windfall profit
				6,948			19		Miscellaneous
			555	555		1,349			Service center corrections

⁵Service center no-change rate by class is not available. Service center examinations resulted in 18 percent no-change.

Table 8—Returns Filed, Examination Coverage (1988)

	Returns filed CY 1987	Returns examined				Total	Percent coverage
		Revenue agents	Tax auditors	Service centers	Total		
Individual, total	103,291,000	352,801	532,324	175,682	1,060,807	1.03	
1040A, TPI ¹ under \$10,000	20,198,000	10,224	42,183	38,943	91,350	0.45	
Non 1040A, TPI under \$10,000	10,050,000	8,269	21,272	6,091	35,632	0.35	
TPI \$10,000 under \$25,000, simple	21,509,000	24,487	86,405	20,725	131,628	0.61	
TPI \$10,000 under \$25,000, complex ²	10,044,000	32,243	69,875	23,311	125,429	1.25	
TPI \$25,000 under \$50,000	24,951,000	80,198	186,144	36,328	302,670	1.21	
TPI \$50,000 and over	10,177,000	106,256	86,125	44,089	236,480	2.32	
Schedule C-TGR ³ under \$25,000	1,931,000	14,943	12,361	772	28,076	1.45	
Schedule C-TGR \$25,000 under \$100,000	2,156,000	28,135	19,869	1,926	49,930	2.32	
Schedule C-TGR \$100,000 and over	1,216,000	39,288	8,801	2,970	51,059	4.20	
Schedule F-TGR under \$25,000	244,000	901	920	83	1,904	0.78	
Schedule F-TGR \$25,000 under \$100,000	443,000	2,570	1,487	157	4,214	0.95	
Schedule F-TGR \$100,000 and over	247,000	5,257	1,071	285	6,623	2.74	
Fiduciary	2,336,000	4,201			4,201	0.18	
Partnership	1,702,786	15,789			15,789	0.93	
Corporation, total	2,868,500	38,078			38,078	1.33	
Assets not reported	249,000	1,706			1,706	0.69	
Under \$50,000 ⁴	865,000	4,088			4,088	0.47	
\$50,000 under \$100,000	409,000	3,398			3,398	0.83	
\$100,000 under \$250,000	564,000	4,920			4,920	0.87	
\$250,000 under \$500,000	295,000	2,396			2,396	0.81	
\$500,000 under \$1 mil	200,000	2,229			2,229	1.11	
\$1 mil under \$5 mil	196,000	5,049			5,049	2.58	
\$5 mil under \$10 mil	28,000	2,124			2,124	7.59	
\$10 mil under \$50 mil	38,000	4,841			4,841	16.14	
\$50 mil under \$100 mil	6,300	1,959			1,959	31.25	
\$100 mil under \$250 mil	4,700	2,058			2,058	43.79	
\$250 mil and over	4,500	2,868			2,868	63.73	
Form 1120F	17,000	432			432	2.54	
Small business corporation	892,000	8,848			8,848	0.99	
Form 1120 DISC	3,000	1,116			1,116	37.20	
Estate, total	55,500	12,525			12,525	22.57	
Gross estate under \$1 mil	37,000	6,325			6,325	17.09	
Gross estate \$1 mil under \$5 mil	17,000	5,195			5,195	30.56	
Gross estate \$5 mil and over	1,500	1,005			1,005	67.00	
Gift	194,000	1,510			1,510	1.45	
Income, estate and gift, total	111,212,786	434,868	532,324	175,682	1,142,874	1.03	
Excess	952,204	36,960			36,960	3.88	
Employment⁴	28,165,080	23,311	1,241		24,552	0.09	
Windfall profit	4,266	790			790	18.52	
Miscellaneous		50			50		
Service center corrections			564,767		564,767		

Note: Totals may not add due to rounding.
¹ Total positive income.
² Total gross receipts.
³ Balance sheet assets.
⁴ Does not include employment tax returns examined by Collection Divisions.

Table 8—Continued

Revenue agents	Recommended additional tax and penalties (in millions)			Average tax and penalty per return			No-change percent ¹	
	Tax auditors	Service centers	Total	Revenue agents	Tax auditors	Service centers	Revenue agents	Tax auditors
3,440	1,166	737	5,343	9,750	2,190	4,195 ²	14	14
163	54	156	375	15,934	1,277	4,052	13	14
48	22	4	74	5,778	1,025	702	19	20
46	87	11	146	1,958	1,007	524	15	12
85	68	15	147	2,006	97	622	16	12
207	272	58	537	2,885	1,459	1,609	16	13
1,782	455	436	2,673	16,770	5,277	9,890	12	18
35	26	1	83	3,693	2,135	1,676	11	11
156	63	9	228	5,553	3,989	4,753	10	12
844	112	41	996	21,479	12,664	13,724	12	15
2	1		3	2,725	689	763	22	26
7	1		9	2,826	926	1,829	16	22
62	6	3	72	11,810	5,649	12,173	14	21
198			198	47,099			15	
							18	
11,676			11,676	306,62			17	
150			150	88,173			14	
71			71	17,466			27	
27			27	7,981			27	
43			43	8,750			26	
32			32	13,328			21	
59			59	26,307			20	
320			320	63,293			144	
217			217	102,027			11	
461			461	95,276			10	
203			203	103,080			9	
601			601	292,123			6	
9,302			9,302	3,243,546			2	
189			189	437,277			13	
156			156	17,561			26	
							28	
891			891	71,126			9	
144			144	22,780			10	
290			290	55,886			9	
456			456	454,171			7	
241			241	159,475			17	
16,601	1,166	737	18,504	38,176	2,190	4,195		
190			190	5,151			7	
203	1		204	8,718	952		9	6
1,060			1,060	1,341,933			11	
19			19	383,670			12	
			750	750		1,329		

¹ Service center no-change rate by class is not available. Service center examinations resulted in 19 percent no-change.

Table 9—Additional Tax and Penalties Recommended After Examination
 (By class of tax and by Internal Revenue regions, districts and other areas)
 (In thousands of dollars)

	Total	Individual	Fiduciary	Corporation	Subchapter S corporation	Estate	Gift	Excise	Employment	Exempt organization	Windfall profit	Miscellaneous
United States	21,277,079	4,224,347	104,525	12,917,130	13,635	746,701	409,437	279,035	258,341	35,580	2,287,718	431
North Atlantic	3,173,366	521,827	41,862	2,376,824	186	153,641	14,476	33,864	15,491	3,016	12,180	
Mid-Atlantic	2,174,687	388,860	2,523	1,631,419	1,036	69,255	8,678	28,953	43,480	383		
Southeast	2,177,944	638,858	5,064	964,001	913	116,951	321,135	75,162	40,126	2,551	13,283	
Central	2,159,375	302,100	6,268	1,720,638	517	51,972	10,283	12,326	45,851	6,326	3,076	6
Midwest	3,462,359	548,145	6,476	2,763,377	8,649	71,448	19,326	21,242	22,337	1,359		1
Southwest	4,496,551	616,043	19,477	2,205,304	2,150	159,791	26,995	42,751	19,183	18,465	1,186,043	348
Western	3,577,776	991,306	22,755	1,225,996	383	116,973	8,468	63,332	71,873	3,480	1,073,135	74
International	55,020	17,288		29,571		6,769	67	1,405				
North Atlantic Region:												
Albany	66,045	14,728	182	34,238		7,801	104	8,140	852			
Augusta	47,613	6,776		39,205				942	689			
Boston	315,580	70,379	5,084	198,868	122	28,079	5,566	7,413	69			
Brooklyn	268,012	87,359	3	172,801				1,349	3,485	3,016		
Buffalo	230,330	39,652	270	179,306		5,005	32	592	5,472			
Butlington	3,611	2,882	5	310				152	263			
Hartford	532,752	43,585	1,249	467,521		18,573	258	772	794			
Manhattan	1,493,955	135,711	35,032	1,191,935	64	94,096	8,515	13,016	3,407		12,180	
Portsmouth	97,601	17,011	37	78,778				1,439	336			
Providence	26,417	12,293		13,862		89		49	124			
Andover Service Center	29,836	29,836										
Brookhaven Service Center	61,614	61,614										
Mid-Atlantic Region:												
Baltimore	277,366	99,367	114	123,429	476	23,880	7,161	20,731	1,826	383		
Newark	806,840	111,195	1,771	640,898	550	12,637	614	4,324	34,852			
Philadelphia	475,893	56,714	3	394,912		21,124	862	1,291	987			
Pittsburgh	301,021	34,526	69	263,960	11			1,148	1,307			
Richmond	160,004	58,187	667	83,565		11,614	41	1,439	4,491			
Wilmington	135,491	10,800		124,655				20	17			
Philadelphia Service Center	18,071	18,071										
Southeast Region:												
Atlanta	428,996	81,205	1,064	291,314	290	29,177	297	10,054	13,044	2,551		
Birmingham	80,214	37,238	79	31,248		876		2,738	8,035			
Columbia	39,946	21,092	2	15,411	42			624	2,774			
Ft. Lauderdale	559,100	162,641	3,077	38,311		30,919	317,784	4,283	2,085			
Greensboro	119,688	47,740	210	48,931	150	15,505	106	5,409	1,638			
Jackson	37,620	24,722		12,211				421	266			
Jacksonville	253,484	95,093	21	131,050	360	11,260	1,320	12,613	1,767			
Little Rock	107,939	15,576	270	85,715	39			1,458	3,121		1,760	
Nashville	266,160	52,806		161,976	33	10,681	1,555	35,098	4,011			
New Orleans	235,487	51,434	340	147,834		18,433	73	2,464	3,385		11,524	
Atlanta Service Center	35,354	35,354										
Memphis Service Center	13,955	13,955										
Central Region:												
Cincinnati	254,602	37,571	394	165,556	478	18,068	1,805	466	23,939	6,326		
Cleveland	759,636	45,936	1,476	685,388	0	11,298	506	3,879	8,537		2,616	
Detroit	834,287	75,417	38	733,038	12	10,201	7,707	4,754	3,071		39	
Indianapolis	133,474	81,288	3,127	53,363	27	9,027	102	796	5,323		421	
Louisville	108,566	22,508	1,233	80,954				1,611	2,280			
Parkersburg	23,301	13,871		2,339		3,378	173	818	2,722			
Cincinnati Service Center	45,509	45,509										
Midwest Region:												
Aberdeen	8,991	6,517		1,052		625	388	97	301			
Chicago	1,585,298	196,967	1,752	1,345,656		22,973	607	8,237	7,747	1,359		
Des Moines	78,908	45,342	528	24,071		3,422	82	1,945	3,519			
Fargo	9,910	7,545		721		1,181	20	291	150			
Helena	15,714	8,430	283	3,266	22	2,828	348	399	139			
Milwaukee	477,684	34,533	177	432,387		2,660	528	1,705	5,694			
Omaha	95,030	14,280	134	73,875	21	3,670	348	938	1,762			
St. Louis	362,215	114,911	2,487	186,696	8,346	23,692	12,125	2,859	1,098			
St. Paul	558,901	53,201	419	489,299	59	6,127	4,843	3,198	1,754			
Springfield	244,187	30,896	685	206,354	201	4,269	36	1,573	171			
Kansas City Service Center	35,521	35,521										
Southwest Region:												
Albuquerque	29,036	13,899	42	7,776		6,395	29	388	500		7	
Austin	158,788	94,339	334	40,411	1,607	10,249	1,042	2,690	7,943		172	
Cheyenne	20,100	15,601		3,387		918		41	183			
Dallas	1,557,456	190,917	1,240	774,609	41	26,976	3,746	3,805	1,329	18,465	536,028	300
Denver	271,349	89,336	10	157,142		9,514	11,606	1,553	1,801		887	
Houston	1,364,568	30,652	15,648	648,492	502	10,559	163	27,271	4,549		566,733	
Oklahoma City	456,823	45,764	57	259,986		62,738	2,616	1,211	1,732		82,671	
Phoenix	218,156	58,059	1,014	136,150		12,914	7,222	2,694	103			
Salt Lake City	140,402	22,941	15	116,887				404	155			
Wichita	117,057	31,719	1,117	60,464		19,529	571	2,694	917		45	
Austin Service Center	69,822	69,822										
Ogden Service Center	92,993	92,993										
Western Region:												
Anchorage	69,536	31,730	11	34,278		421		2,445	651			
Boise	39,921	18,245	170	17,745	10	1,300	107	1,860	486			
Honolulu	22,912	13,713	7	5,852		2,647	157	446	89			
Laguna Niguel	430,257	224,639	763	141,976	20	26,273	516	34,128	1,912		30	
Las Vegas	69,581	59,654	312	7,171		545		1,582	316			
Los Angeles	1,654,562	208,196	21,307	690,841	45	19,843	719	13,901	3,032	3,480	693,197	
Portland	132,262	30,893	56	91,137		7,583	309	1,049	1,235			
Sacramento	129,839	97,239	106	16,247	98	11,079	1,992	2,232	847			
San Francisco	581,204	76,908	0	127,370		14,663	1,058	2,063	59,611		299,456	74
San Jose	268,801	110,227	0	45,641	171	27,309	645	1,310	3,046		80,452	
Seattle	105,881	46,842	21	47,738	40	5,312	2,965	2,316	648			
Fresno Service Center	73,020	73,020										

Table 10—Number of Returns Examined (By class of tax and Internal Revenue regions, districts and other areas.)

	Total	Individual	Partnership	Fiduciary	Corporation	Subchapter S organization	Domestic international sales corporation	Estate	Gifts	Employment	Exempt organization	Employee plans	Excise	Windfall profit	Miscellaneous
United States	1,200,949	984,643	12,285	3,183	56,165	7,775	850	12,483	1,276	34,870	15,007	36,681	34,567	1,122	62
North Atlantic	137,016	111,559	1,493	740	7,682	962	161	2,454	257	1,796	1,811	4,850	3,164	7	—
Mid-Atlantic	116,832	96,413	1,801	197	6,906	860	189	1,623	134	2,081	1,056	3,594	3,056	3	—
Southeast	193,614	163,107	1,394	123	8,245	1,374	180	1,689	131	7,684	1,476	2,796	3,451	44	—
Central	126,816	99,600	976	468	6,160	850	109	1,567	120	3,866	3,350	5,920	3,634	44	11
Midwest	146,369	108,737	1,514	830	9,052	1,118	176	1,732	181	5,472	3,182	5,976	6,357	12	—
Southwest	202,156	168,261	2,262	321	9,014	1,258	44	1,321	189	7,282	2,219	4,217	4,933	786	48
Western	272,563	231,920	2,845	500	9,778	1,362	151	2,133	251	6,399	1,914	9,328	5,771	209	2
International	5,584	4,846	—	6	208	1	—	124	3	377	—	—	1	17	1
North Atlantic Region:															
Albany	6,415	5,184	9	43	373	22	4	169	6	121	—	—	484	—	—
Augusta	3,184	2,439	8	—	162	32	—	—	—	187	—	—	356	—	—
Boston	16,956	14,414	124	232	1,072	87	15	468	47	426	—	—	60	—	—
Brooklyn	24,029	15,753	77	35	908	184	—	—	—	185	1,811	4,850	255	—	—
Buffalo	13,771	11,686	54	72	916	95	5	217	12	291	—	—	423	—	—
Burlington	2,025	1,644	16	18	93	13	—	—	—	68	—	—	173	—	—
Hartford	12,547	10,096	179	203	1,105	140	22	362	29	120	—	—	291	—	—
Manhattan	28,984	22,879	940	150	2,501	271	88	1,236	163	224	—	—	526	6	—
Portsmouth	4,783	3,689	60	2	330	91	9	—	—	111	—	—	491	—	—
Providence	4,330	3,782	26	5	342	37	7	2	—	23	—	—	105	—	—
Andover Service Center	10,419	10,419	—	—	—	—	—	—	—	—	—	—	—	24	—
Brookhaven Service Center	9,574	9,574	—	—	—	—	—	—	—	—	—	—	—	—	—
Mid-Atlantic Region:															
Baltimore	25,260	17,616	240	36	1,051	178	4	387	43	589	1,055	3,594	487	—	—
Newark	23,089	19,576	326	123	1,646	219	48	420	27	286	—	—	418	—	—
Philadelphia	20,111	17,028	317	13	1,117	176	30	552	32	252	—	—	591	3	—
Pittsburgh	13,791	11,639	123	9	873	96	20	263	32	494	—	—	557	—	—
Richmond	19,660	15,927	734	16	1,049	157	3	—	—	19	—	—	985	—	—
Wilmington	3,337	3,043	61	—	170	22	4	—	—	—	—	—	18	—	—
Philadelphia Service Center	11,584	11,584	—	—	—	—	—	—	—	—	—	—	—	—	—
Southeast Region:															
Atlanta	33,399	23,798	179	35	1,337	205	25	347	17	1,928	1,476	2,796	1,256	—	—
Birmingham	12,043	9,936	97	22	689	78	4	3	1	689	—	—	524	—	—
Columbia	9,341	7,865	74	2	390	46	10	—	—	624	—	—	330	—	—
Fl. Lauderdale	25,729	22,730	405	9	1,061	395	27	299	12	364	—	—	427	—	—
Greensboro	17,582	14,178	138	4	987	99	3	283	29	1,211	—	—	645	—	—
Jackson	8,485	7,801	50	3	367	17	—	—	—	169	—	—	72	—	—
Jacksonville	22,007	18,886	150	6	1,027	214	9	221	20	1,012	—	—	462	6	—
Little Rock	7,293	6,289	42	15	491	69	—	—	—	464	—	—	402	—	—
Nashville	17,744	14,793	176	12	952	118	14	223	14	631	—	—	811	24	—
New Orleans	18,722	16,056	89	15	944	133	3	313	38	595	—	—	522	14	—
Atlanta Service Center	13,804	13,804	—	—	—	—	—	—	—	—	—	—	—	—	—
Memphis Service Center	6,971	6,971	—	—	—	—	—	—	—	—	—	—	—	—	—
Central Region:															
Cincinnati	21,951	10,663	74	111	764	72	21	345	37	224	3,350	5,920	356	4	10
Cleveland	23,033	18,899	332	96	1,249	121	25	389	36	1,041	—	—	828	17	—
Detroit	28,211	23,132	188	22	2,386	234	44	365	24	1,012	—	—	802	—	—
Indianapolis	20,731	17,869	295	224	831	324	12	220	18	445	—	—	471	22	—
Louisville	12,669	10,175	61	12	546	70	7	—	2	761	—	—	1,036	—	—
Parkersburg	5,153	3,994	26	1	385	29	—	48	3	326	—	—	341	—	—
Cincinnati Service Center	15,088	15,088	—	—	—	—	—	—	—	—	—	—	—	—	—
Midwest Region:															
Aberdeen	2,868	2,203	20	70	150	29	—	61	13	153	—	—	168	1	—
Chicago	42,502	27,883	199	208	1,998	237	65	452	39	989	3,182	5,976	1,274	—	—
Des Moines	9,578	7,368	46	59	715	85	3	167	13	477	—	—	645	—	—
Fargo	3,259	2,694	20	5	167	42	—	—	—	150	—	—	113	—	—
Helena	4,496	3,736	53	8	284	36	—	37	6	141	—	—	135	—	—
Milwaukee	12,488	9,512	114	66	1,088	133	43	205	7	815	—	—	506	—	—
Omaha	7,206	4,729	27	27	568	65	8	111	20	406	—	—	1,236	9	—
St. Louis	17,508	13,163	762	179	1,316	230	15	332	30	842	—	—	638	—	—
St. Paul	19,965	13,339	184	166	1,505	176	38	164	47	958	—	—	3,388	—	—
Springfield	10,568	8,159	89	43	1,261	85	4	161	10	541	—	—	194	—	—
Kansas City Service Center	15,951	15,951	—	—	—	—	—	—	—	—	—	—	—	—	—
Southwest Region:															
Albuquerque	6,046	5,026	47	8	266	40	—	40	6	232	—	—	378	3	—
Austin	29,789	19,805	156	140	1,329	129	—	132	11	1,161	2,219	4,217	477	11	2
Cheyenne	2,656	2,203	28	5	96	29	—	32	3	130	—	—	130	—	—
Dallas	30,253	24,253	652	90	2,176	291	8	386	62	1,435	—	—	642	4	—
Denver	16,178	13,566	346	36	1,065	233	11	125	34	546	—	—	236	16	—
Houston	23,041	19,042	477	23	1,233	132	13	157	14	966	—	—	666	298	—
Oklahoma City	14,908	10,646	266	27	1,084	170	6	193	25	321	—	—	1,369	158	41
Phoenix	13,469	11,682	107	10	695	138	2	136	26	377	—	—	36	—	—
Salt Lake City	5,888	4,834	98	19	282	35	—	4	—	476	—	—	144	—	—
Wichita	9,400	6,687	85	23	798	61	—	140	8	614	—	—	775	4	—
Austin Service Center	24,518	24,518	—	—	—	—	—	—	—	—	—	—	—	—	—
Ogden Service Center	26,009	26,009	—	—	—	—	—	—	—	—	—	—	—	—	—
Western Region:															
Anchorage	5,083	3,782	80	6	242	63	—	16	2	761	—	—	132	—	—
Boise	4,765	3,466	45	266	261	41	2	39	4	218	—	—	433	—	—
Honolulu	2,797	2,323	54	5	236	20	—	22	5	96	—	—	—	—	—
Laguna Niguel	44,269	40,220	439	27	1,690	257	14	263	39	782	—	—	469	69	—
Los Angeles	48,785	31,539	820	36	1,561	289	42	496	39	1,279	1,914	9,328	1,395	47	—
Portland	8,831	6,605	105	25	741	119	11	145	27	596	—	—	457	—	—
Las Vegas	10,117	8,910	66	52	434	83	3	50	—	212	—	—	307	—	—
Sacramento	22,366	19,814	365	26	790	106	8	298	36	545	—	—	378	—	—
San Francisco	18,084	14,873	352	12	1,344	87	41	357	28						

Table 10A—Information Returns and Other Correction Programs

	Service center contacts	Additional tax and penalties recommended (in millions)
1989		
Underreporter program	3,650,000	1,945 ¹
Other correction programs	112,000	10
1988		
Underreporter program	3,800,000	1,817 ²
Other correction programs	105,000	15

¹ \$355 million of this total is included on Table 7 in service center correction results.

² \$474 million of this total is included on Table 8 in service center correction results.

Table 11—Returns Examined by Examination Divisions

	1988	1989
Additional tax proposed	861,545	837,423
Refunds proposed	89,460	81,168
No adjustments proposed	254,221	225,600
Total	1,205,226	1,144,191
Disposition of examined returns		
Not appealed	1,091,436	1,056,931
Appealed administratively	83,295	61,748
Petitioned to the U. S. Tax Court	30,495	25,513
Total	1,205,226	1,144,191

Table 12—Examinations Resulting in Refunds

(Excluding Claims for Refunds)	Number of returns		Amount recommended (in thousand of dollars)	
	1988	1989	1988	1989
Individuals	47,336	39,339	152,032	131,263
Fiduciary	674	88	12,070	995
Corporations	3,150	4,063	325,224	460,195
Estate	1,866	1,943	55,383	59,506
Gift	36	35	529	599
Excise	2,105	1,719	82,569	65,992
Employment	540	485	8,232	1,140
Total	55,707	47,672	636,039	719,690

Table 13—Delinquent Collection Activity (In thousands)

	1988	1989
Taxpayer delinquent accounts		
Total yield	\$23,390,000	\$23,500,000
First bill	\$10,000,000	\$ 9,700,000
Subsequent bills	\$ 5,400,000	\$ 5,600,000
Additional action on taxpayer delinquent accounts	\$ 6,400,000	\$ 6,700,000
Other programs	\$ 1,500,000	\$ 1,500,000
Opening inventory	2,322	2,776
Issuances¹	3,071	3,241
Dispositions	2,617	2,847
Closing inventory		
(a) Number of accounts (including queue)	2,776	3,170
(b) Number of queue accounts	404	624
(c) Balance of assessed tax, penalty and interest	\$17,473,574	\$18,739,949
Delinquent return investigations		
Opening inventory	1,394	1,843
Issuances¹	1,720	1,370
Dispositions	1,271	1,146
Closing inventory (including queue)	1,843	2,067
Number of queue accounts	298	461
Returns compliance investigations closed	14	7
Miscellaneous investigations closed	43	38
Offers in compromise received	7	8
Enforcement activity		
Notice of federal tax lien filed	838	904
Notice of levy served upon third party	2,153	2,283
Seizures of property made	14	13

¹ Adjusted to balance in accounting method.



A warehouse on the then Army Defense Depot Ogden, Utah, was the first home of the Ogden Service Center.

Table 14—Civil Penalties Assessed and Abated
(Dollars in thousands)

	Assessments		Abatements		Net penalties	
	Number	Amount	Number	Amount	Number	Amount
Total, all civil penalties	29,907,698	11,799,294	3,686,525	4,692,075	26,221,173	7,107,219
Individual Total	16,634,630	3,045,872	1,137,124	494,717	15,497,506	2,551,155
Delinquency	1,790,258	806,218	199,439	200,886	1,590,819	605,332
Estimated tax	4,191,647	737,698	151,142	69,756	4,040,505	667,942
Failure to pay	8,388,842	600,838	695,748	59,547	7,693,094	541,291
Bad check	238,514	6,878	11,806	1,385	226,708	5,493
Fraud	10,257	174,909	733	39,089	9,524	135,820
Negligence	1,902,542	505,064	59,993	72,137	1,842,549	432,927
Other	112,570	214,267	18,263	51,917	94,307	162,350
Corporation Total²	837,410	998,636	202,149	665,218	635,261	333,418
Delinquency	162,273	289,264	39,004	245,860	123,269	43,404
Estimated tax	283,727	348,178	44,604	205,311	239,123	142,867
Failure to pay	380,474	246,766	117,968	203,019	262,506	43,747
Bad check	3,078	159	223	82	2,855	77
Fraud	468	45,887	22	723	446	45,164
Negligence	6,087	34,218	248	7,225	5,839	26,993
Other	1,303	34,184	80	2,998	1,223	31,166
Employment Total³	11,360,696	4,269,718	1,985,643	1,711,267	9,375,053	2,558,451
Delinquency	2,615,324	994,460	394,549	324,691	2,220,775	669,769
Failure to pay	4,961,630	420,267	869,664	134,924	4,091,966	285,343
Federal tax deposits	3,667,162	2,844,729	717,995	1,280,114	2,949,167	1,594,615
Bad check	113,078	4,871	2,599	191	110,479	4,680
Fraud	661	2,351	52	172	609	2,179
Other	2,941	3,040	784	1,175	2,157	1,865
Excise Total⁴	466,657	183,644	126,205	132,751	340,452	50,893
Delinquency	147,123	52,948	24,384	33,698	122,739	19,250
Daily delinquency	40,107	50,571	29,420	43,715	10,687	6,856
Failure to pay	234,173	23,577	61,540	14,038	172,633	9,539
Federal tax deposits	39,004	47,004	10,327	34,541	28,677	12,463
Bad check	4,069	96	207	8	3,862	88
Fraud	770	5,824	196	6,638	574	(814)
Other	1,411	3,624	131	113	1,280	3,511
Estate and Gift Total	15,410	90,802	7,553	72,449	7,857	18,353
Delinquency	6,332	56,012	2,541	46,296	3,791	9,716
Failure to pay	8,564	30,364	4,856	24,436	3,708	5,928
Bad check	251	334	53	267	198	67
Fraud	3	596	2	562	1	34
Negligence	47	497	9	208	38	289
Other	213	2,999	92	680	121	2,319
All Other Total⁵	414,763	541,845	159,109	320,244	255,654	221,601
Delinquency	217,910	482,580	96,727	264,376	121,183	218,204
Failure to pay	132,289	12,430	44,534	7,315	87,755	5,115
Bad check	2,433	83	179	18	2,254	65
Negligence	258	350	37	233	221	117
Missing information	13,159	22,865	10,180	33,432	2,979	(10,567)
Other	48,714	23,537	7,452	14,870	41,262	8,667
Non-return⁶	178,132	2,668,777	68,742	1,295,429	109,390	1,373,348

Note: With the exception of estimated tax, assessments and abatements can apply to any tax year. Detail may not add to totals due to rounding.

¹ Includes taxpayer identification number, failure to report tips, miscellaneous and false withholding.

² Includes Forms 1120, 990C and 990T.

³ Includes Forms 940, 941, 942, 943 and CT-1.

⁴ Includes Forms 1041A, 5227, 990PF, 990, 4720, 4638, 2290, 11C, 720 and 730.

⁵ Includes Forms 1041, 1065 and individual retirement accounts.

⁶ Includes penalties assessable under the Tax Equity and Fiscal Responsibility Act of 1982 and Tax Reform Acts of 1984 and 1986.

Table 15—Appeals Workload (Nondocketed)

	Number of cases ¹	
	1988	1989
Received	57,364	41,842
Regular work (excluding TEFRA)	36,942	36,487
Tax shelters (excluding TEFRA)	20,422	3,993
TEFRA regular work		455
TEFRA tax shelters		907
Disposed of by agreement	49,129	47,446
Regular work (excluding TEFRA)	34,649	33,058
Tax shelters (excluding TEFRA)	14,480	13,863
TEFRA regular work		205
TEFRA tax shelters		320
Disposed of as unagreed²	3,037	3,313
Regular work (excluding TEFRA)	2,397	3,227
Tax shelters (excluding TEFRA)	140	81
TEFRA regular work		2
TEFRA tax shelters		3

¹ A case represents taxpayers grouped together by tax periods with common or related issues that may be considered and disposed of together.

² Cases docketed in the Tax Court in response to a notice of deficiency issued by Appeals are not included because they remain in inventory, merely shifting from nondocketed to docketed status. However, such cases are considered unagreed for purposes of computing the nondocketed agreement rate of 87.1 percent.

Table 16—Appeals Workload (Docketed)

	Number of cases ¹	
	1988	1989
Received	31,298	23,590
Regular work (excluding TEFRA)	21,754	18,346
Tax shelters (excluding TEFRA)	9,544	4,419
TEFRA regular work		175
TEFRA tax shelters		650
Disposed of by agreement	36,005	30,604
Regular work (excluding TEFRA)	21,662	19,274
Tax shelters (excluding TEFRA)	14,343	11,188
TEFRA regular work		47
TEFRA tax shelters		95
Disposed of as unagreed²	5,145	5,432
Regular work (excluding TEFRA)	3,798	4,013
Tax shelters (excluding TEFRA)	1,347	1,413
TEFRA regular work		4
TEFRA tax shelters		2

¹ A case represents taxpayers grouped together by tax periods with common or related issues that may be considered and disposed of together.

² Cases docketed in the Tax Court in response to a notice of deficiency issued by Appeals that are subsequently tried or settled by Counsel are included. However, they are excluded in computing the 88.7 percent docketed agreement rate because they were already considered as unagreed for purposes of computing the nondocketed agreement rate.

Table 17—Employee Plans and Exempt Organizations Tax Rulings and Technical Advice (Closings)

Subject	Total	Taxpayers' requests for tax rulings		Field requests for technical advice
		Total	Field requests for technical advice	
Total	6449	5319	130	
Actuarial matters	484	470	14	
Exempt organizations	4224	4148	76	
Employee plans	741	701	40	

Table 18—Determination Letters Issued on Employee Benefit Plans

Letters issued	Stock bonus	Money purchase	Target benefit	Profit sharing	ESOP	Total defined contribution	Defined benefit	Total
Initial qualifications:								
Qualified	365	4,663	456	17,288	125	22,897	5,461	28,358
Participating employees*	(113,268)	(350,738)	(6,286)	(2,581,597)	(52,730)	(3,104,619)	(902,917)	(4,007,536)
Not qualified	1	3	1	13	0	18	4	22
Amendments:								
Qualified	295	3,849	181	11,447	66	15,838	6,503	22,341
Not qualified	0	18	0	13	0	31	4	35
Terminations:								
Qualified	8	4,498	2	8,723	**	13,231	15,848	29,079
Not qualified	0	6	0	23	0	29	8	37
Total								
Qualified	668	13,010	639	37,458	191	51,966	27,812	79,778
Not qualified	1	27	1	49	0	78	16	84

* These figures may include employees that are counted as participants in more than one plan.
 ** The termination reporting system does not distinguish between stock bonus and ESOP plans.

Table 19—Exempt Organizations Examinations (Number of Returns Examined by Type)

501(c)(3) Private foundations	1,398
501(c)(3) All others	3,065
501(c)(4) Civic leagues, social welfare	578
501(c)(5) Labor, agricultural, horticulture	697
501(c)(6) Business leagues	1,176
501(c)(7) Social and recreational clubs	1,272
501(c) All others	1,201
Form 1120-POL	161
Farmers cooperatives	198
Employment tax	589
Form 990-T	4,699
Total	15,034

Table 21—Exempt Organizations Applications (Disposals)

	Approved	Denied	Other*	Total
Section 501(c):				
(1) Corporations organized under act of Congress	2	0	0	2
(2) Titleholding corps	197	3	126	326
(3) Religious, charitable, etc.	30,802	460	11,286	42,548
(4) Social welfare	2,205	47	850	3,102
(5) Labor, agriculture organizations	2,596	6	138	2,740
(6) Business leagues	2,395	59	599	3,053
(7) Social and recreation clubs	1,304	60	693	2,057
(8) Fraternal beneficiary societies	21	3	23	47
(9) Voluntary employees' beneficiary societies	1,023	11	684	1,718
(10) Domestic fraternal beneficiary societies	30	0	44	74
(11) Teachers' retirement funds	0	0	0	0
(12) Benevolent life insurance associations	146	2	97	245
(13) Cemetery companies	297	0	45	342
(14) Credit unions	10	0	4	14
(15) Mutual insurance companies	57	0	91	148
(16) Corps. to finance crop operation	0	0	1	1
(17) Supplemental unemployment benefit trusts	13	0	8	21
(18) Employee funded pension trusts	0	0	0	0
(19) War veterans' organizations	193	1	70	264
(20) Legal service organizations	5	0	6	11
(21) Black lung trusts	0	0	0	0
(22) Multi-employer pension plans	0	0	0	0
(23) Veterans associations founded prior to 1880	0	0	0	0
(24) Trusts described in section 4049 of ERISA	0	0	33	33
(25) Holding companies for pensions, etc.	29	0	20	49
501(d) Religious and apostolic organizations	3	0	1	4
501(e) Cooperative hospitals	0	0	0	0
501(f) Coop. service orgs. of operating educational or	0	0	0	0
521 Farmers' cooperatives	0	0	0	0
Nonexempt charitable trusts	17	1	4	22
National Office rulings and determination letters	2,224	128	584	2,936
Total	41,569	781	15,407	57,757

* Application withdrawn by taxpayer and failure to furnish required information.

Table 20—Exempt Organizations (Number of Active Entities on Master File)

	1988	1989
Section 501(c):		
(1) Corporations organized under act of Congress	24	9
(2) Titleholding corps	6,026	6,090
(3) Religious, charitable, etc.	447,525	464,138
(4) Social welfare	138,430	141,238
(5) Labor, agriculture organizations	73,200	72,689
(6) Business leagues	61,275	63,951
(7) Social and recreation clubs	60,877	61,455
(8) Fraternal beneficiary societies	99,568	99,621
(9) Voluntary employees' beneficiary societies	12,360	13,228
(10) Domestic fraternal beneficiary societies	18,574	18,432
(11) Teachers' retirement funds	11	11
(12) Benevolent life insurance associations	5,682	5,793
(13) Cemetery companies	8,148	8,341
(14) Credit unions	6,786	6,438
(15) Mutual insurance companies	1,079	1,118
(16) Corps. to finance crop operation	17	17
(17) Supplemental unemployment benefit trusts	704	674
(18) Employee funded pension trusts	9	8
(19) War veterans' organizations	26,122	26,495
(20) Legal service organizations	207	200
(21) Black lung trusts	22	22
(22) Multi-employer pension plans	0	0
(23) Veterans associations founded prior to 1880	0	0
(24) Trusts described in section 4049 of ERISA	0	0
(25) Holding companies for pensions, etc.	9	43
501(d) Religious and apostolic organizations	93	94
501(e) Cooperative hospitals	79	79
501(f) Coop. service orgs. of operating educational orgs.	1	1
501(k) Treatment of certain organizations providing child care	2	7
521 Farmers' cooperatives	2,347	2,279
Taxable farmers' cooperatives	3,300	3,295
Nonexempt charitable trusts	39,888	42,314
Total	1,012,365	1,038,070

* All section 501(c)(3) organizations are not included because certain organizations, such as churches, integrated auxiliaries, subordinate units and conventions or associations of churches, need not apply for recognition of exemption unless they desire a ruling.

Table 22—Internal Revenue Collections, Costs, Employees and U.S. Population

Fiscal year	Operating cost (1)	Collections (2)	Cost of collecting \$100 (3)	Population (thousands) (4)	Tax per capita (5)	Average positions realized		
						Total (6)	National Office (7)	Field (8)
1960	363,735,359	91,774,802,823	0.40	180,671	507.96	51,047	2,910	48,137
1961	413,295,238	94,401,086,398	0.44	183,691	513.91	53,206	3,042	50,164
1962	450,080,420	99,440,839,245	0.45	186,538	533.09	56,481	3,401	53,080
1963	500,804,314	105,925,395,281	0.47	189,242	559.74	59,711	3,657	56,054
1964	549,692,131	112,260,257,115	0.49	191,889	585.03	61,059	3,839	57,220
1965	597,367,471	114,434,633,721	0.52	194,303	588.95	62,098	3,881	58,217
1966	624,861,929	128,879,961,342	0.48	196,560	655.68	63,508	3,982	59,526
1967	667,080,295	148,374,814,552	0.45	198,712	746.68	65,948	3,894	62,052
1968	699,190,304	153,363,837,665	0.46	200,706	765.48	67,574	3,967	63,607
1969	758,785,475	187,919,559,668	0.40	202,677	927.19	66,064	3,862	62,202
1970	866,169,162	195,722,096,497	0.45	204,878	955.31	68,683	4,103	64,580
1971	967,065,297	191,647,198,138	0.51	207,053	925.63	68,972	4,368	64,614
1972	1,127,390,411	209,855,736,878	0.54	208,846	1,004.83	68,549	4,134	64,415
1973	1,162,009,945	237,787,204,068	0.49	210,410	1,130.11	74,170	4,505	69,665
1974	1,312,894,661	266,952,253,663	0.49	211,901	1,269.24	78,921	4,310	74,611
1975	1,584,711,486 ¹	293,822,725,772	0.54	213,559	1,375.84	82,339	4,531	77,808
1976	1,667,311,689 ¹	302,519,791,922	0.56	215,142	1,406.14	84,264	4,732	79,532
1977	1,790,588,738 ¹	358,139,416,730	0.50	217,329	1,647.91	83,743	4,994	78,749
1978	1,962,129,287 ¹	399,776,389,362	0.49	219,033	1,826.61	85,329	4,919	80,410
1979	2,116,166,276 ¹	460,412,185,013	0.46	220,999	2,083.32	86,168	4,978	81,190
1980	2,280,838,622 ¹	519,375,273,361	0.44	228,231 ²	2,275.66 ²	87,464	5,114	82,350
1981	2,465,468,704 ¹	606,799,120,630	0.41	230,613 ²	2,631.24 ²	86,156	5,110	81,046
1982	2,626,338,036 ¹	632,240,505,595	0.42	232,962 ²	2,713.92 ²	82,657	5,095	77,559
1983	2,968,525,840 ¹	627,246,792,681	0.47	235,225 ²	2,666.58 ²	83,605 ³	4,367 ³	79,248
1984	3,279,067,495 ¹	650,475,229,453	0.48	237,454 ²	2,865.71 ²	87,635 ³	5,327 ³	82,308
1985	3,600,952,523 ¹	742,871,541,283	0.48	239,714 ²	3,098.99 ²	92,254	5,454	86,800
1986	3,841,983,050 ¹	782,251,812,225	0.49	241,995 ²	3,232.51 ²	95,880	5,361	90,519
1987	4,365,816,254 ¹	886,290,589,996	0.49	244,344 ²	3,627.22 ²	102,188	6,253	95,935
1988	5,069,376,692 ¹	935,106,594,000	0.54	246,329 ²	3,792.17 ²	114,873	6,934	107,939
1989	5,198,546,063 ¹	1,013,322,133,000	0.51	248,777	4,073.22	114,758	7,895	106,863

¹ This figure represents actual IRS operating costs from fiscal year 1975 exclusive of reimbursements received from other agencies for services performed. While the operating cost figures for fiscal years prior to 1975 may in some cases include reimbursements, those amounts are small and do not alter the cost figures in column 3.

² Economic stabilization program average positions included in 1972, 1973 and 1974.

³ Federal energy program average positions included in 1974.

⁴ 1972 adjusted by 3,990 average positions to reflect the AT&F transfer in July 1972. AT&F included in years 1956-1971.

⁵ Eleven average positions transferred to Office of the Secretary of the Treasury in 1965. Twenty average positions transferred to Office of the Secretary in 1963.

⁶ Population and tax per capita figures have been revised to agree with the Census Bureau's adjusted data on population.

⁷ Methodology to count average positions realized was adjusted in 1984 to conform to Office of Personnel Management instructions. 1983 average positions realized also are adjusted for comparability.

Table 23—Internal Revenue Service Costs by Activity
(In thousands of dollars)

Appropriation by activity	Total		Pers. comp. and benefits		Other	
	1988	1989	1988	1989	1988	1989
Total obligations, appropriations and reimbursements	6,094,348	5,230,522	3,539,210	3,794,054	1,555,138	1,436,459
Obligations against appropriated funds	5,069,377	5,198,545	3,523,509	3,777,761	1,545,888	1,420,784
Salaries and expenses						
Total	88,151	86,454	55,701	60,886	32,450	25,768
Executive direction	8,044	8,175	6,495	6,458	1,549	1,717
Management services	80,107	78,279	49,206	54,228	30,901	24,051
Processing tax returns						
Total	1,721,665	1,678,825	979,793	995,916	741,872	682,909
Returns processing and revenue accounting	1,247,032	1,184,110	797,440	757,066	449,592	427,044
Computer services	474,633	494,715	182,353	238,850	292,280	255,865
Examination and appeals						
Total	1,796,055	1,903,329	1,427,143	1,580,089	368,912	323,240
Examination	1,399,341	1,488,945	1,107,070	1,226,795	292,271	262,150
Appeals and tax litigation	241,890	248,601	193,170	216,362	42,720	32,239
Employee plans and exempt organizations	120,368	125,872	96,296	104,683	24,692	21,189
International	33,636	39,911	24,607	32,249	9,229	7,662
Investigation, collection and taxpayer service						
Total	1,463,508	1,529,937	1,060,872	1,141,070	402,634	388,967
Tax fraud investigations	261,585	270,677	198,044	211,020	63,541	59,657
Collection	799,813	833,076	585,838	640,495	213,976	192,581
Taxpayer service	329,597	358,019	214,375	229,267	115,222	128,752
Enforcement litigation and technical	72,510	68,165	62,615	60,288	9,895	7,877
Reimbursable obligations, Total	24,971	31,977	15,701	16,303	9,270	15,674

Table 24—Internal Revenue Service Costs by Office
(In thousands of dollars)

Internal revenue office, district or region	Total	Personnel compensation ¹	Travel	Equip-ment ²	Other ³
(1)	(2)	(3)	(4)	(5)	
A. Total Internal Revenue Service	5,239,522	3,794,064¹	127,037	73,776²	1,235,645³
National Office	977,473	384,388	25,605	29,614	537,666
North Atlantic	609,429	477,001	11,819	5,650	105,959
Mid-Atlantic	448,963	359,938	8,466	6,343	74,216
Southeast	622,418	493,893	15,691	4,217	106,617
Central	385,739	319,071	10,144	3,023	63,561
Midwest	438,989	352,465	10,992	3,826	69,706
Southwest	704,826	564,062	17,340	7,829	115,995
Western	663,770	530,345	16,349	3,063	114,013
Regional Appeals	126,782	118,962	3,073	2,013	4,734
Regional Counsel	95,195	84,133	3,070	3,060	4,942
Regional Inspection	50,594	42,249	3,542	1,588	3,215
Marlinsburg Computing Center	33,697	20,848	170	1,134	11,545
Detroit Computing Center	71,587	46,709	776	2,226	21,670
B. Regional commissioners' offices (including district directors offices and service centers)	395,335	93,640	15,474	9,010	277,211
North Atlantic	25,589	12,898	1,541	1,867	9,283
Mid-Atlantic	50,635	13,338	1,506	1,046	34,745
Southeast	60,835	13,053	2,339	832	44,611
Central	43,599	11,764	1,683	1,401	28,751
Midwest	46,589	11,497	1,389	712	32,991
Southwest	77,886	16,168	3,484	2,231	56,003
Western	90,202	14,922	3,532	921	70,827
C. District directors offices and service centers	3,477,859	3,003,135	75,327	24,941	374,456
North Atlantic	574,840	464,193	10,278	3,783	96,675
Albany	19,211	15,738	712	167	2,594
Augusta	8,754	7,270	414	42	1,028
Boston	67,157	49,902	1,583	170	15,502
Brooklyn	69,828	56,605	1,324	721	11,178
Buffalo	39,170	30,920	1,318	255	6,677
Burlington	4,451	3,508	231	19	693
Hartford	33,607	27,746	1,088	181	4,592
Manhattan	104,616	87,368	1,534	741	14,973
Portsmouth	9,708	7,884	482	17	1,325
Providence	9,665	7,915	297	90	1,363
North Atlantic Region centralized training	554		530		24
Andover Service Center	96,994	79,122	448	883	17,541
Brookhaven Service Center	111,125	91,125	317	497	19,186
Mid-Atlantic	396,328	346,600	6,960	5,297	39,471
Baltimore	64,159	57,569	1,288	493	4,809
Newark	66,073	59,255	1,606	648	4,564
Philadelphia	57,153	51,394	976	680	4,103
Pittsburgh	32,053	27,242	703	566	3,542
Richmond	43,355	36,432	1,299	964	4,660
Wilmington	6,710	6,052	187	110	361
Forms Distribution Center	8,816	6,356	28	238	2,194
Mid-Atlantic Region centralized training	402		369		33
Philadelphia Service Center	119,607	102,300	504	1,598	15,205
Southeast	561,583	480,840	13,352	3,385	64,006
Atlanta	80,815	65,842	2,468	1,074	11,431
Birmingham	19,678	17,936	787	38	917
Columbia	15,291	13,787	545	64	895
Ft. Lauderdale District	56,211	49,174	1,573	985	5,079
Greensboro	34,054	30,743	1,441	133	1,737
Jackson	13,526	12,115	562	34	815
Jacksonville	59,988	51,170	1,448	305	7,065
Little Rock	14,146	12,565	701	169	711
Nashville	44,692	36,603	1,462	202	6,425
New Orleans	33,154	29,502	1,197	91	2,364
Southeast Region centralized training	735		567		168
Atlanta Service Center	104,542	88,407	350	590	15,195
Memphis Service Center	84,292	72,540	248	300	11,204
Charlotte Regional Development Center	459		456		3

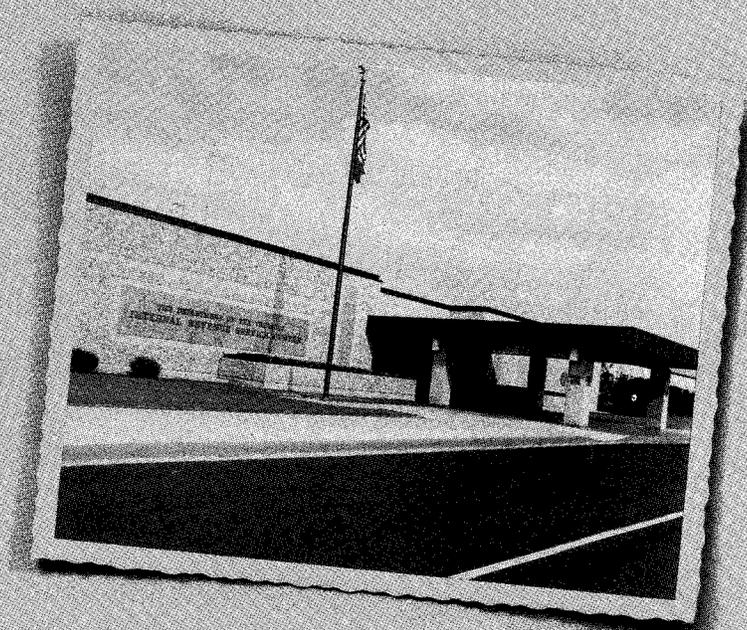
Internal revenue office, district or region	Total	Personnel compensation ¹	Travel	Equip-ment ²	Other ³
(1)	(2)	(3)	(4)	(5)	
Central	352,200	307,307	8,461	1,622	34,810
Cincinnati	48,301	42,922	1,383	139	3,857
Cleveland	48,936	42,399	1,394	86	4,557
Detroit	70,503	62,976	2,078	148	5,301
Indianapolis	43,127	36,731	1,221	27	5,148
Louisville	20,232	17,860	867	25	1,480
Parkersburg	11,428	10,154	623	8	643
Treasury Complaints Processing Center	769	663	89	14	3
Central Region centralized training	531		459		72
Cincinnati Service Center	108,373	93,102	347	1,175	13,749
Midwest	390,400	340,968	9,603	3,114	36,715
Aberdeen	4,994	4,368	338	13	275
Chicago	101,664	91,838	2,236	434	7,156
Des Moines	17,573	15,279	629	147	1,518
Fargo	5,754	4,954	404	67	329
Helena	6,917	6,148	445	28	296
Milwaukee	29,106	25,646	805	106	2,549
Omaha	13,512	11,718	424	103	1,267
St. Louis	47,043	40,326	1,291	816	4,610
St. Paul	36,787	32,623	1,101	141	2,922
Springfield	18,766	14,472	706	134	1,454
Forms Distribution Center	7,918	6,302	53	9	1,554
Midwest Region centralized training	628		541		87
Kansas City Service Center	99,255	85,576	430	664	12,385
Treasury Complaints Processing Center	647	537	76	4	30
National Forensic Laboratory	1,836	1,181	124	248	283
Southwest	626,940	547,894	13,856	5,598	59,592
Albuquerque	10,164	8,934	504	18	708
Austin	43,457	38,937	1,658	87	2,775
Cheyenne	6,154	5,137	502	57	458
Dallas	105,420	93,591	2,811	393	8,625
Denver	47,984	42,368	1,453	226	3,937
Houston	72,745	63,542	1,655	758	6,790
Oklahoma City	34,373	30,087	1,337	550	2,399
Phoenix	29,161	25,301	730	191	2,938
Salt Lake City	11,854	10,781	428	70	575
Wichita	18,254	16,360	673	352	869
Treasury Complaints Processing Center	782	662	119		1
Southwest Region centralized training	904		759		145
Austin Service Center	85,990	71,977	356	1,054	12,803
Ogden Service Center	122,824	105,984	676	1,704	15,060
Austin Compliance Center	36,800	34,833	195	123	1,649
Automated Examination System Project	74			15	59
Western	573,568	515,423	12,817	2,142	43,188
Anchorage	13,755	12,103	739	33	880
Boise	8,183	7,445	324	18	396
Honolulu	10,976	9,967	359	45	605
Laguna Niguel	81,521	73,614	2,197	663	5,047
Los Angeles	111,127	100,670	2,427	429	7,601
Portland	21,553	18,944	691	88	1,835
Las Vegas	17,092	15,674	491	48	879
Sacramento	34,163	31,448	924	74	1,717
San Francisco	58,247	52,002	875	74	5,296
San Jose	45,182	41,156	1,542	85	2,399
Seattle	38,418	34,306	973	89	3,050
Western Region centralized training	690		597		93
Fresno Service Center	127,883	114,151	579	466	12,887
Treasury Complaints Processing Center	664	558	80	12	14
Forms Distribution Center	4,109	3,385	19	18	687

Note: Reimbursements are included in the above figures.
¹ Personnel compensation includes costs for employee salaries, terminal payments, overtime, cash awards, expert witness fees, employer's share of benefits, cost of living allowance, moving expense allowance, severance pay and unemployment compensation payments.
² Equipment includes cost for automobiles, ADP equipment, investigative equipment, software, office equipment, furniture and fixtures and telecommunications equipment.
³ Other costs are for transportation of things, rental payments, communications, utilities, printing and reproduction, supplies and materials, cooperative agreements, indemnity payments, small claims act payments, and judgments and settlements.

Table 25—Internal Revenue Service Personnel Summary

Location and type	Average positions realized		Number of employees at close of year	
	1988	1989	1988	1989
Service total	115,494	115,360	123,198	113,622
Permanent	111,837	113,378	119,284	111,980
Temporary ¹	3,657	1,982	3,914	1,642
National Office	7,879	7,795	7,964	7,762
Regional offices²	108,415	107,565	115,234	105,860
Data processing operations	35,244	35,914	38,225	37,037
Collection	18,546	18,470	19,481	17,838
Revenue officers	8,238	8,105	8,412	7,960
Other	10,308	10,365	11,069	9,878
Taxpayer service	7,853	7,495	8,041	7,677
Taxpayer service specialists	1,737	1,267	1,187	1,381
Taxpayer service representatives	2,194	2,622	2,570	2,580
Other	3,922	3,606	4,284	3,716
Examination	31,895	31,315	32,863	29,898
Revenue agents	16,559	16,488	17,323	16,323
Tax auditors	3,242	3,327	3,569	3,255
Other	12,094	11,502	11,971	10,320
Employee plans and exempt organizations	2,562	2,573	2,753	2,502
EP/EO technicals	1,487	1,529	1,547	1,491
Other	1,075	1,044	1,206	1,011
Appeals	2,865	2,844	2,984	2,817
Appeals officers	1,291	1,154	1,332	1,279
Appeals auditors	211	194	227	221
Other	1,363	1,496	1,425	1,317
Tax fraud	4,460	4,485	4,634	4,390
Special agents	2,881	2,996	3,018	2,943
Other	1,579	1,489	1,616	1,447
Executive direction	131	125	140	147
Management services	1,772	1,696	2,850	1,143
Resource management	5,480	5,650	6,298	5,397
Counsel	2,939	2,950	3,059	2,871
Inspection	1,097	1,181	1,158	1,249
International	650	662	712	656

Note: Reimbursements are included in the above figures.
¹ Method of identifying temporary and permanent changed in fiscal year 1989. Fiscal year 1988 numbers have been adjusted for consistency.
² Includes the Martinsburg and Detroit Computing Centers.



Home of the last IRS Service Center built is in Fresno, California.

Table 26—Criminal Investigation Activity

	Fraudulent tax shelter	Illegal tax protester	Questionable refund program	Narcotics related	Title 31 money laundering	All others	Totals
Investigations initiated	36	179	194	1577	1132	2299	5417
Investigations completed	98	229	231	1519	892	2184	5253
Prosecution recommendations	72	152	164	1176	613	865	3242
Information/indictments	71	193	129	938	598	740	2669
Convictions	87	171	135	741	397	751	2282
Sentencings	115	220	152	741	342	837	2407
Number receiving prison sentence	74	143	96	610	273	378	1574

Table 27—Chief Counsel Cases Received¹

	Tax court cases			Refund litigation
	Small tax cases	Other than small cases	Total	
1984	12,263	27,670	39,933	984
1985	14,884	34,258	49,142	1,023
1986	14,587	34,200	48,787	1,454
1987	14,230	29,266	43,496	1,085
1988	12,249	19,451	31,700	1,141
1989	12,256	19,594	31,850	1,154

¹ Received statistics are net numbers, i.e., actual number of cases received plus or minus transfers and adjustments to prior years' receipts.

Table 28—Chief Counsel Receipt and Disposal of Cases

Assistant Chief Counsel	Types of cases	Pending Oct. 1, 1988	Received ¹	Disposed	Pending Sept. 30, 1989	
	Requests for Grand Jury	5,761	1,296	1,782	5,295	
	Complex Cases	2,271	751	1,008	2,014	
	Noncomplex Cases	364	85	144	305	
	Total, all regions²	8,396	2,132	2,914	7,614	
Criminal Tax³	National Office (Post Review)					
	Criminal Reference Letters	0	635	635	0	
	Declinations	0	87	87	0	
	Conference Memoranda	0	224	224	0	
	Search Warrants	0	40	40	0	
	Supplemental Memoranda	0	25	25	0	
	Preferal Advice	0	32	32	0	
	Other	0	335	335	0	
		Total, National Office (Post Review)	0	1,378	1,378	0
	National Office (Case Work)					
	Appeals	12	14	26	0	
	Technical Advice	0	1,328	1,328	0	
Undercover	0	170	170	0		
Compulsion Orders	4	8	12	0		
Search Warrants	5	21	26	0		
Congressional Inquiries	0	9	9	0		
Legislative	0	12	12	0		
Freedom of Information Act (FOIA)	0	12	12	0		
Department of Justice Declinations	0	32	32	0		
Protests	0	5	5	0		
Manual	0	23	23	0		
Criminal Tax Bulletin	0	242	242	0		
Other	50	98	139	0		
	Total, National Office (Case Work)	71	1,974	2,036	0	
	Total, National Office	71	3,352	3,414	0	
	Total, all regions² & National Office	8,467	5,484	6,328	7,623	
Disclosure Litigation	Disclosure opinions	202	414	355	261	
	FOIA opinions	11	40	36	16	
	Privacy Act opinions ⁴	9	412	28	393	
	FOIA litigation	36	29	13	46	
	Privacy Act litigation	15	7	6	16	
	Section 7217 litigation	2	0	0	2	
	Section 7431 litigation	26	33	14	45	
	Litigation/Coordinations	8	37	34	11	
	Appellate litigation	28	13	15	26	
	FOIA requests	181	70	65	186	
	FOIA appeals	448	647	355	740	
	Privacy Act requests	1	1	1	1	
Privacy Act appeals	0	5	4	1		
	Total	967	1,708	932	1,743	
General Legal Services	Adverse Actions	34	129	111	52	
	Unacceptable Performance	9	10	8	11	
	Grievance Arbitration	145	201	162	184	
	Discrimination	248	279	306	221	
	Unemployment Compensation	15	20	28	7	
	Unfair Labor Practice	49	152	144	57	
	Negotiations	2	11	10	3	
	Impasse	5	15	9	11	
	Contracts	35	328	315	48	
	Director of Practice	42	13	29	26	
	Miscellaneous	100	329	318	111	
	Child Support/Nontax Debt	1	14	12	3	
	Enforce	68	461	369	180	
	Federal Tort Claims Act	5	9	11	3	
	BIVENS	142	119	136	125	
	Claims Collection	263	410	364	309	
	Ethics	0	7	7	0	
	Rules of Conduct	5	31	29	7	
	Conflict of Interest	0	8	4	7	
	Labor or Personnel	66	212	224	54	
	Equal Employment Opportunity	17	104	105	16	
	Fiscal, Budget or Appropriation	21	91	96	16	
	Federal Advisory Committee Act	0	1	1	0	
	Tort Claims	7	29	33	3	
	Garnishment	8	127	123	12	
	Bankruptcy	1	1	1	1	
	Expert Witness	129	302	316	115	

Assistant Chief Counsel	Types of cases	Pending Oct. 1, 1988	Received ¹	Disposed	Pending Sept. 30, 1989	
	Review/Comment on Legislation/Regulations	0	3	3	0	
	Delegation Orders	4	7	11	0	
	Total, all regions	1,421	3,443	3,285	1,579	
General Legal Services (continued)	Adverse Actions	2	6	7	1	
	Unacceptable Performance	1	1	1	1	
	Grievance Arbitration	6	35	33	6	
	Discrimination	28	36	37	27	
	Unemployment Compensation	0	7	5	2	
	Unfair Labor Practice	7	9	15	1	
	Negotiations	6	10	12	4	
	Impasse	1	1	2	0	
	Contracts	28	463	471	20	
	Director of Practice	0	1	1	0	
	Miscellaneous	19	267	269	17	
	Child Support/Nontax Debt	1	23	33	4	
Forfeiture	10	84	80	4		
Federal Tort Claims Act	4	53	57	0		
BIVENS	0	38	36	2		
Claims Collection	12	45	50	7		
Ethics	1	59	59	1		
Rules of Conduct	2	55	56	1		
Conflict of Interest	3	82	82	3		
Labor or Personnel	20	137	133	24		
Equal Employment Opportunity	3	42	38	7		
Fiscal, Budget or Appropriation	2	70	70	2		
Federal Advisory Committee Act	0	7	6	1		
Financial Disclosure Statements	2	294	294	2		
Tort Claims	34	251	256	29		
Garnishment	12	557	562	7		
Bankruptcy	3	360	360	3		
Expert Witness	0	1	1	0		
Review/Comment on Legislation/Regulations	9	15	23	1		
Delegation Orders	1	50	49	2		
	Total, National Office	217	3,069	3,108	178	
	Total, all regions & National Office	1,638	6,512	6,393	1,757	
General Litigation	Chapter 7 Bankruptcies	2,026	2,893	2,766	2,153	
	Chapter 9 Bankruptcies	6	4	6	4	
	Chapter 11 Bankruptcies	6,727	6,797	7,264	6,260	
	Chapter 12 Bankruptcies	108	154	168	94	
	Chapter 13 Bankruptcies	3,953	7,196	6,827	4,324	
	Bankruptcy Act	74	0	34	46	
	Nonbankruptcy insolvencies	123	55	91	87	
	Debtor's incompetents	333	237	260	310	
	Collection suits (U.S. Plaintiff)	1,946	3,805	3,536	2,015	
	Suits against U.S.	2,009	2,078	1,771	2,316	
	Foreign documents requests	5	3	3	5	
	Tax return preparers	40	91	104	27	
	Summons enforcement	4,869	7,756	7,810	4,755	
	Disclosure, FOIA & privacy acts	160	535	507	188	
	Advisory opinions	1,522	6,933	6,801	1,654	
		Total, all regions²	23,041	38,339	37,948	24,232
	National Office:					
	Appeals cases - adverse	108	120	123	105	
	Appeals cases - favorable	186	138	160	164	
	Advisory cases	154	532	505	181	
Other centralized cases ⁵	20	5	14	11		
District Counsel cases ⁶	11	128	133	6		
	Total, National Office	479	923	935	467	
	Total, all regions² & National Office	24,320	39,262	38,883	24,699	

¹ Received statistics are net numbers, i.e., actual number of cases received plus or minus transfers and adjustments to prior years' receipts.
² Includes international data.
³ Includes cases not previously reflected in the Annual Report.
⁴ Includes review of tax forms for Privacy Act compliance.
⁵ Includes actions for injunctions and/or declaratory relief.

**Table 29—Regional Offices Caseload Report—
All Cases**

Region	Pending Oct. 1, 1988	Received ¹	Disposed	Pending Sept. 30, 1989
North Atlantic	16,006	8,152	10,372	13,786
Mid-Atlantic	12,686	7,685	9,011	11,360
Southeast	9,562	9,610	10,370	8,802
Central	10,561	6,624	8,133	9,052
Midwest	10,753	7,344	8,270	9,827
Southwest	15,543	13,139	14,759	13,923
Western ²	34,360	18,066	23,515	28,911
Total regions ²	109,471	70,620	84,430	95,661
National Office ²	4,428	7,536	7,901	4,063
International ²	1,580	1,695	1,718	1,557
Grand Total²	115,479	79,851	94,049	101,281

¹Received statistics are net numbers, i.e., actual number of cases received plus or minus transfers and adjustments to prior years' receipts.

²Includes cases not previously reflected in the Annual Report.

**Table 31—Receipt and Disposal of General
Litigation Cases**

	Court	Noncourt	Total
Pending Oct. 1, 1988	22,479 ¹	1,841	24,320
Received during year	31,254	8,003	39,257
Disposed of	31,062	7,816	38,878
Pending Sept. 30, 1989	22,671	2,028	24,699

¹Includes District Counsel cases not previously reflected in the Annual Report.

Table 33—Appellate Court Case Record¹

Action		Courts of appeals		Supreme Court	
		1988	1989	1988	1989
Decided in favor of the government	Number	222	308	2	2
	Percent	75.8	88.5	66.7	66.7
Decided in favor of the taxpayer	Number	51	33	1	1
	Percent	17.4	9.5	33.3	33.3
Decided partially for taxpayer and partially for the government	Number	20	7	—	—
	Percent	6.8	2.0	—	—
Total opinions		293	348	3	3

¹Refund suits and tax court cases.

**Table 30—Receipt and Disposal of Criminal
Tax Matters**

Prosecution cases received from Criminal Investigation	
Total opened ¹	3,242
Total closed ¹	3,344
Counsel declined	55
Department of Justice declined ²	144
U.S. Attorney declined ²	398
Prosecutions completed	2,747

¹Includes both administrative and grand jury cases.

²Includes declinations based solely on "prosecutorial discretion."

**Table 32—Tax Litigation Workload
(Tax Court Cases and Cases
on Appeal)**

Year	Receipts ¹	Closings	Pending
1984	40,514	34,451	63,932
1985	49,735	35,167	78,500
1986	49,711	38,673	89,538
1987	44,975	45,761	88,752
1988	31,684	48,709	71,727
1989	31,510	40,233	63,004

¹Received statistics are net numbers, i.e., actual number of cases received plus or minus transfers and adjustments to prior years' receipts.

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in Washington.*



Table 34—United States Tax Court Opinions

Prevailing party (by decision line)		Summary & small tax case bench opinions		Published, memorandum & regular bench opinions		Total	
		1988	1989	1988	1989	1988	1989
		Number	Percent	Number	Percent	Number	Percent
Decided in favor of the government	Number	182	179	324	276	506	455
	Percent	45.6	46.4	36.7	31.3	39.5	35.9
Decided in favor of the taxpayer	Number	20	15	40	32	60	47
	Percent	5.0	3.9	4.5	3.6	4.7	3.7
Decided—Rule 155	Number	186	186	384	418	570	604
	Percent	46.9	48.2	43.4	47.4	44.5	47.6
Miscellaneous	Number	9	6	136	156	145	162
	Percent	2.3	1.6	15.4	17.7	11.3	12.8
Total opinions		397	386	884	882	1,281	1,268

Table 35—United States Tax Court Cases
(In thousands of dollars)

	All tax court cases			Small tax cases		
	Number of cases	Taxes and penalties		Number of cases	Taxes and penalties	
		In dispute	Determined		In dispute	Determined
Pending Oct. 1, 1988	70,815	\$22,131,722	—	11,306	\$38,753	—
Received	31,850 ¹	5,745,943 ¹	—	12,256 ¹	39,328 ¹	—
Disposed	40,238	4,642,378	\$1,494,496	13,113	41,045	\$18,126
Pending Sept. 30, 1989	62,432	\$23,235,287	—	10,449	\$37,036	—

¹Received statistics are net numbers, i.e., actual number of cases received plus or minus transfers and adjustments to prior years' receipts.

Table 36—Tax Litigation Refund Suits¹
(In thousands of dollars)

Status	District courts		Claims court		Total	
	Number of cases	Amount in suits ²	Number of cases	Amount in suits ²	Number of cases	Amount in suits ²
Pending Oct. 1, 1988	2,679	\$525,598	829	\$ 884,763	3,508	\$1,410,361
Received ³	988	271,174	166	276,382	1,154	547,556
Disposed ⁴	1,087	182,688	267	133,513	1,354	316,201
Amount not refunded ⁵	—	138,955	—	103,096	—	242,051
Percent not refunded	—	76.1	—	77.2	—	76.5
Pending Sept. 30, 1989	2,580	\$614,084	728	\$1,027,632	3,308	\$1,641,716

¹Cases in courts of appeals and the Supreme Court are included under the columns representing the court of origin.

²Amount of taxes, penalties and assessed interest sought as a refund but does not include counterclaims.

³Received statistics are net numbers, i.e., actual number of cases received, plus or minus transfers and adjustments to prior years' receipts.

⁴Disposals include cases tried, settled, and dismissed.

⁵That portion of the amount sought as a refund, which was not refunded to the taxpayer.

Table 37—Trial Court Case Record (Opinions Rendered—Refund Litigation)

Action		Claims court		District court		Total	
		1988	1989	1988	1989	1988	1989
Decided in favor of the government	Number	156	65	318	382	474	447
	Percent	93.4	89.1	81.5	78.8	85.1	80.1
Decided in favor of the taxpayer	Number	4	6	59	86	63	92
	Percent	2.4	8.2	15.1	17.7	11.3	16.5
Decided partially for taxpayer and partially for the government	Number	7	2	13	17	20	19
	Percent	4.2	2.7	3.4	3.5	3.6	3.4
Total opinions		167	73	390	485	557	558

Table 38—Receipt and Disposal of Cases—Associate Chief Counsel (International)

Types of cases	Pending Oct. 1, 1988	Received	Disposed	Pending Sept. 30, 1989
Competent authority	5	19	12	12
Congressional correspondence	7	17	21	3
Forms and publications	0	2	2	0
General correspondence	24	46	61	9
General Counsel memoranda	3	0	2	1
Internal memoranda	46	29	48	27
Industry specialization program projects	1	1	2	0
Legislation	12	6	9	9
Miscellaneous	41	36	45	32
Private letter rulings	108	210	204	114
Regulations	86	39	20	115
Revenue rulings	101	87	86	102
Technical advice memoranda	10	28	21	17
Technical assistance—non-ISP	40	295	218	117
Technical coordination report	6	10	11	5
Litigating tax	72	125	82	105
Treaties	43	10	9	44
Criminal tax function	6	2	4	4
General litigation function	611	665	717	559
Tax litigation function	348	68	134	282
Total	1,580	1,695	1,718	1,557

Table 39—Receipt and Disposal of Cases—Associate Chief Counsel (Technical)

Types of Cases	Pending Oct. 1, 1988	Received	Disposed	Pending Sept. 30, 1989
Requests for rulings	1,976	4,433	4,656	1,853
Technical advice	102	229	203	128
Revenue rulings and revenue procedures	650	394	408	636
News releases	9	56	51	14
Changes in accounting methods	5,069	4,686	4,100	5,655
Changes in accounting periods	2,160	4,547	6,080	827
Earnings and profits determinations	2,626	2,608	1,857	3,377
Congressional correspondence	129	1,422	1,469	82
Technical and general correspondence	108	1,144	1,101	151
Reviews of field determinations	0	4	1	3
Technical study projects	24	37	20	41
Regulations projects	362	165	97	430
Legislative projects	3	32	11	24
Assistance outside technical	250	1,488	1,306	432
Technical coordination reports	31	59	59	31
Technical field conferences	0	6	6	0
Rulings disclosure	139	1,111	1,101	149
Reviews of actions on decisions	0	14	11	3
Special projects	0	17	15	2
General Counsel memoranda	45	47	43	49
Office memoranda	29	40	42	27
Total	13,712	22,539	22,537	13,714

Officials

COMMISSIONERS OF INTERNAL REVENUE

The Office of Commissioner of Internal Revenue was created by Act of Congress, July 1, 1862.

GEORGE S. BOUTWELL
Massachusetts
July 17, 1862/March 4, 1863

JOSEPH J. LEWIS
Pennsylvania
March 18, 1863/June 30, 1865

WILLIAM ORTON
New York
April 1, 1865/Oct. 31, 1865

EDWARD A. ROLLINS
New Hampshire
Nov. 1, 1865/March 10, 1869

COLUMBUS DELANO
Ohio
March 11, 1869/Oct. 31, 1870

ALFRED PLEASANTON
New York
Jan. 3, 1871/Aug. 8, 1871

JOHN W. DOUGLASS
Pennsylvania
Aug. 9, 1871/May 14, 1875

DANIEL D. PRATT
Indiana
May 15, 1875/July 31, 1876

GREEN B. RAUM
Illinois
Aug. 2, 1876/April 30, 1883

WALTER EVANS
Kentucky
May 21, 1883/March 19, 1885

JOSEPH S. MILLER
West Virginia
March 20, 1885/March 20, 1889

JOHN W. MASON
West Virginia
March 21, 1889/April 18, 1893

JOSEPH S. MILLER
West Virginia
April 19, 1893/Nov. 26, 1896

W. ST. JOHN FORMAN
Illinois
Nov. 27, 1896/Dec. 31, 1897

NATHAN B. SCOTT
West Virginia
Jan. 1, 1898/Feb. 28, 1899

GEORGE W. WILSON
Ohio
March 1, 1899/Nov. 27, 1900

JOHN W. YERKES
Kentucky
Dec. 20, 1900/April 30, 1907

JOHN G. CAPERS
South Carolina
June 5, 1907/Aug. 31, 1909

ROYAL E. CABELL
Virginia
Sept. 1, 1909/April 27, 1913

WILLIAM H. OSBORN
North Carolina
April 28, 1913/Sept. 25, 1917

DANIEL C. ROPER
South Carolina
Sept. 26, 1917/March 31, 1920

WILLIAM M. WILLIAMS
Alabama
April 1, 1920/April 11, 1921

DAVID H. BLAIR
North Carolina
May 27, 1921/May 31, 1929

ROBERT H. LUCAS
Kentucky
June 1, 1929/Aug. 15, 1930

DAVID BURNET
Ohio
Aug. 20, 1930/May 15, 1933

GUY T. HELVERING
Kansas
June 6, 1933/Oct. 8, 1943

ROBERT E. HANNEGAN
Missouri
Oct. 9, 1943/Jan. 22, 1944

JOSEPH D. NUNAN, JR.
New York
March 1, 1944/June 30, 1947

GEORGE J. SCHOENEMAN
Rhode Island
July 1, 1947/July 31, 1951

JOHN B. DUNLAP
Texas
Aug. 1, 1951/Nov. 18, 1952

T. COLEMAN ANDREWS
Virginia
Feb. 4, 1953/Oct. 31, 1955

RUSSELL C. HARRINGTON
Rhode Island
Dec. 5, 1955/Sept. 30, 1958

DANA LATHAM
California
Nov. 5, 1958/Jan. 20, 1961

MORTIMER M. CAPLIN
Virginia
Feb. 7, 1961/July 10, 1964

SHELDON S. COHEN
Maryland
Jan. 25, 1965/Jan. 20, 1969

RANDOLPH W. THROWER
Georgia
April 1, 1969/June 22, 1971

JOHNNIE M. WALTERS
South Carolina
Aug. 6, 1971/April 30, 1973

DONALD C. ALEXANDER
Ohio
May 25, 1973/Feb. 26, 1977

JEROME KURTZ
Pennsylvania
May 5, 1977/Oct. 31, 1980

ROSCOE L. EGGER, JR.
Indiana
March 14, 1981/April 30, 1986

LAWRENCE B. GIBBS
Texas
Aug. 4, 1986/March 4, 1989

FRED T. GOLDBERG, JR.
Missouri
July 5, 1989 to present

The following served as Acting Commissioner during the periods when there was no Commissioner holding the office.

JOSEPH J. LEWIS
Pennsylvania
from March 5 to March 17, 1863

JOHN W. DOUGLASS
Pennsylvania
from Nov. 1, 1870 to Jan. 2, 1871

HENRY C. ROGERS
Pennsylvania
from May 1 to May 10, 1883, and from May 1 to June 4, 1907

JOHN J. KNOX
Minnesota
from May 11 to May 20, 1883

ROBERT WILLIAMS, JR.
Ohio
from Nov. 18 to Dec. 19, 1900

MILLARD F. WEST
Kentucky
from April 12 to May 26, 1921

H.F. MIRES
Washington
from Aug. 16 to Aug. 19, 1930

PRESSLY R. BALDRIDGE
Iowa
from May 16 to June 5, 1933

HAROLD N. GRAVES
Illinois
from Jan. 23 to Feb. 29, 1944

JOHN S. GRAHAM
North Carolina
from Nov. 19, 1952 to Jan. 19, 1953

JUSTIN F. WINKLE
New York
from Jan. 20 to Feb. 3, 1953

O. GORDON DELK
Virginia
from Nov. 1 to Dec. 4, 1955, and from Oct. 1 to Nov. 4, 1958

CHARLES I. FOX
Utah
from Jan. 21 to Feb. 6, 1961

BERTRAND M. HARDING
Texas
from July 11, 1964 to Jan. 24, 1965

WILLIAM H. SMITH
Virginia
from Jan. 21 to Aug. 5, 1971

HAROLD T. SWARTZ
Indiana
from June 23 to Aug. 5, 1971

RAYMOND F. HARLESS
California
from May 1 to May 25, 1973

WILLIAM E. WILLIAMS
Illinois
from Feb. 27 to May 4, 1977, and from Nov. 1, 1980 to March 13, 1981

JAMES I. OWENS
Alabama
from May 1 to Aug. 3, 1986

MICHAEL J. MURPHY
Wisconsin
from March 5 1989 to July 4, 1989

PRINCIPAL OFFICERS OF THE INTERNAL REVENUE SERVICE

as of September 30, 1989

NATIONAL OFFICE

Commissioner
FRED T. GOLDBERG, JR.

Senior Deputy
Commissioner
MICHAEL J. MURPHY

Deputy Commissioner
(Operations)
CHARLES H. BRENNAN

Deputy Commissioner
(Planning and Resources)
JOHN L. WEDICK, JR.

Assistant to the Commissioner
GARY J. GASPER

Assistant to the Commissioner
THOMAS R. HOOD

Assistant to the Commissioner
HUGH S. HATCHER

Assistant to the Senior
Deputy Commissioner
ROBERT F. HILGEN

Executive Secretariat
DAVID W. JUNKINS

Assistant to the Commissioner
(Equal Employment
Opportunity)
HARDI L. JONES

Assistant to the Commissioner
(Legislative Liaison)
GAYLE G. MORIN (Acting)

Assistant to the Commissioner
(Public Affairs)
ELLEN MURPHY

Assistant to the Commissioner
(Quality)
ALVIN H. KOLAK

Assistant to the Commissioner
(Taxpayer Ombudsman)
DAMON O. HOLMES

Director, Legislative
Affairs Division
RICHARD HINKEMEYER
(Acting)

COLLECTION

Assistant Commissioner
RAYMOND P. KEENAN

Deputy
Assistant Commissioner
PAUL M. HARRINGTON

Directors:
Continuous Quality
Improvement
WILLIAM STIFF

Evaluation and Research
WILLIAM ROONEY

Field Operations
GRANT A. NEWMAN

Planning & Management
LEWIS I. BAURER

Project Managers:
Connectivity Project
MICHAEL L. SOLLITTO

Integrated Collection
System Project
ANDREW MERANDA

CRIMINAL INVESTIGATION
Assistant Commissioner
BRUCE V. MILBURN

Deputy
Assistant Commissioner
BRIAN M. BRUH

Directors:
Enforcement
GREGORY ZAMPOGNA

Planning & Development
WARREN E. HARRISON

EMPLOYEE PLANS AND
EXEMPT ORGANIZATIONS
Assistant Commissioner
ROBERT I. BRAUER

Deputy
Assistant Commissioner
ROBERT E. WITHERS
(Withers also directs the
EP/EO Operations Division)

Directors:
Employee Plans & Exempt
Organizations Operations
ROBERT E. WITHERS

Employee Plans
Technical and Actuarial
MARTIN I. SLATE

Exempt Organizations
Technical
EDWARD D. COLEMAN

EXAMINATION
Assistant Commissioner
DAVID G. BLATTNER

Deputy
Assistant Commissioner
MARSHALL W. WASHBURN

Chief of Staff
WILLIAM C. ROTH

Directors:
Disclosure
CARMAN L. GANNOTTI

Examination Planning
and Research
RICHARD W. HAYS

Examination Programs
MANNY RUSCHEINSKI

Examination Quality
and Customer Advocacy
JAMES J. FEEHAN, JR.

Examination Automation
LARRY E. BURKEY

Matrix Projects
DIANNE GRANT

INTERNATIONAL
Assistant Commissioner
DONALD E. BERGHERM

Deputy
Assistant Commissioner
DONALD L. HOUCK

Directors:
International Programs
STANLEY NOVACK

Resources Management
NANCY D'AMATO

Tax Administration
Advisory Services
SOCORRO VELAZQUEZ

Taxpayer Service
and Compliance
THOMAS ANDRETTA

RETURNS PROCESSING
Assistant Commissioner
CHARLES J. PEOPLES

Deputy
Assistant Commissioner
JOHN T. ADER

Directors:
Returns Processing
and Accounting
CHARLES O. GUY

Statistics of Income
FREDERICK J. SCHEUREN

Office Directors:
Information Systems
and Resources
CHARLES V. WARZECHA

Integrated Management
Systems
GARY L. BRANDT

Legislative and
Management Support
EDWARD J. MARTIN

Program Manager:
Electronic Filing
Systems Office
RICHARD MORAN

TAXPAYER SERVICES
Assistant Commissioner
ROBERT A. LEBAUPE

Directors:
Taxpayer Service
JOHN J. DUNNE

Tax Forms and
Publications
ARTHUR ALTMAN

Project Manager:
Automated Taxpayer
Service System
RONALD I. PICKERING

COMPUTER SERVICES
Assistant Commissioner
HENRY H. PHILCOX (Acting)

Deputy
Assistant Commissioner
WALTER A. HUTTON, JR.

Directors:
Compliance Systems
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Detroit Computing Center
Detroit, Michigan
JACK L. SCHROEDER

Martinsburg Computing Center
Martinsburg, West Virginia
GERALD A. RABE

Planning, Budgeting
and Review Staff
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Quality Assurance
LUDWIG G. KUTTNER

Systems Management
JOHN F. DEVLIN

Tax Systems
CHRISTOPHER J. EGGER

Telecommunications
JOHN T. BLANK

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MANAGEMENT & SUPPORT
Assistant Commissioner
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Deputy
Assistant Commissioner
ORION L. BIRDSALL, JR.

Directors:
Contracts and
Acquisitions
EDWARD J. CURVEY

Facilities & Information
Management Support
MICHAEL L. KILLFOIL

Human Resources
HELEN L. WHITE
National Office
Resources Management
ROBERT L. BUONO
Practice
LESLIE S. SHAPIRO

INFORMATION SYSTEMS DEVELOPMENT

Assistant Commissioner
MARK D. COX (Acting)

Deputy
Assistant Commissioner
CHRISTOPHER J. EGGER
(Acting)

Directors:

Corporate Systems
MARGARET M. O'ROURKE

Departmental Systems
DAVID BOOSE

Input Processing
THOMAS H. DEGA

Planning and
Project Management
CLARENCE C. CRAWFORD

Standards and Data
Administration
MARCIA L. BEEZY (Acting)

Systems Acquisition
RENEE O. SHAW

Systems Engineering
and Integration
THEODORE F. GONTER

PLANNING, FINANCE AND RESEARCH

Assistant Commissioner
JOHN D. JOHNSON

Deputy
Assistant Commissioner
REGINA M. DEANEHAN

Directors:

Finance
STEPHEN E. TAYLOR

Planning
Vacant

Research
ROGER L. PLATE

REGIONAL AND DISTRICT OFFICERS

CENTRAL REGION

Regional Commissioner
LEON MOORE

Assistant Regional Commissioners:

Collection
ROBERT G. PHILLIPS

Criminal Investigation
INAR MORICS

Data Processing
BRUCE L. PITT

Examination
PAUL C. LALLY

Resources Management
JON R. SWAN

District Directors:

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HAROLD M. BROWNING

Cleveland, OH
JACK CHIVATERO

Detroit, MI
JOHN O. HUMMEL

Indianapolis, IN
WILLIAM M. JACOBS

Louisville, KY
WILLIAM E. PALZKILL

Parkersburg, WV
RONALD W. KIRBY

Director, Cincinnati
Service Center
FREDERIC P. WILLIAMS

MID-ATLANTIC REGION

Regional Commissioner
J. ROBERT STARKEY

Assistant Regional Commissioners:

Collection
LEROY C. GAY

Criminal Investigation
THOMAS A. WISE

Data Processing
DEBORAH S. DECKER

Examination
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Resources Management
PAM BIGELOW

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PHIL BRAND

Newark, NJ
JOHN J. JENNINGS

Philadelphia, PA
GARY H. MATTHEWS

Pittsburgh, PA
GEORGE A. O'HANLON

Richmond, VA
JACK G. PETRIE

Wilmington, DE
JOSEPH F. KUMP

Director, Philadelphia
Service Center
JOSEPH H. CLOONAN

MIDWEST REGION

Regional Commissioner
ELMER W. KLETKE

Assistant Regional Commissioners:

Collection
ALLEN G. WOODHOUSE

Criminal Investigation
DONALD K. VOGEL

Data Processing
JAMES A. GRANT

Examination
ALVIN J. FREEMAN, JR.

Resources Management
JACK E. SHANK

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Springfield, IL
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Director, Kansas City
Service Center
EVERETT LOURY

NORTH ATLANTIC REGION

Regional Commissioner
CORNELIUS J. COLEMAN

Assistant Regional Commissioners:

Collection
EUGENE P. PFEIFFER

Criminal Investigation
MICHAEL D. ORTH

Data Processing
FRANCINE CROWLEY

Examination
LOUIS E. CARLOW

Resources Management
ARLENE G. KAY

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Albany, NY
EDWIN A. KELLEHER

Augusta, ME
RICHARD E. SIMKO

Boston, MA
GERALD R. ESPOSITO

Brooklyn, NY
EUGENE D. ALEXANDER

Buffalo, NY
DONALD MITGANG

Burlington, VT
STEPHEN L. DAIGE

Hartford, CT
JAMES E. QUINN

Manhattan, NY
ROBERT E. MIRSBERGER

Portsmouth, NH
(Vacant)

Providence, RI
MALCOLM A. LIEBERMANN

Director, Andover
Service Center
THOMAS M. QUINN

Director, Brookhaven
Service Center
BOBBY G. HUGHES

SOUTHEAST REGION

Regional Commissioner
MICHAEL P. DOLAN

Assistant Regional Commissioners:

Collection
CHARLES G. HOYLE

Criminal Investigation
DAVID B. PALMER

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HENRY E. LEECH, JR.

Examination
GUERRY G. NOTTE

Resources Management
NELSON AL. BROOKE

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PAUL D. WILLIAMS

Birmingham, AL
PHILIP J. SULLIVAN

Columbia, SC
DONALD L. BREIHAN

Ft. Lauderdale, FL
MERLIN W. HEYE

Greensboro, NC
JOHN E. BURKE

Jackson, MS
TULLY MILLER

Jacksonville, FL
JAMES J. RYAN

Little Rock, AK
LEE R. MONKS

Nashville, TN
GLENN CAGLE

New Orleans, LA
JOHN C. WENDORFF

Director, Atlanta
Service Center
MICHAEL R. ALLEN

Director, Memphis
Service Center
RICHARD W. MARSH

SOUTHWEST REGION

Regional Commissioner
RICHARD C. VOSKUIL

Assistant Regional Commissioners:

Collection
JACK L. MILLER

Criminal Investigation
RONALD J. EATINGER

Data Processing
STEPHEN J. STALCUP

Examination
JAMES R. KOPIDLANSKY

Resources Management
JAMES A. LINDSEY

District Directors:

Albuquerque, NM
WILLIAM M. WAUBEN

Austin, TX
RICHARD R. OROSCO

Cheyenne, WY
CONRAD L. CLAPPER

Dallas, TX
GARY O. BOOTH

Denver, CO
GERALD F. SWANSON

Houston, TX
ARTURO A. JACOBS

Oklahoma City, OK
KENNETH J. SAWYER

Phoenix, AZ
PRESCOTT A. BERRY

Salt Lake City, UT
CAROL M. FAY

Wichita, KS
BRUCE R. THOMAS

Director, Austin
Compliance Center
ROBERT D. AH NEE

Director, Austin
Service Center
LARRY G. WESTFALL

Director, Ogden
Service Center
ROBERT E. WENZEL

WESTERN REGION

Regional Commissioner
THOMAS P. COLEMAN

Assistant Regional Commissioners:

Collection
JAMES D. HELM, JR.

Criminal Investigation
PAUL M. MIYAHARA

Data Processing
JUDY K. VAN ALFEN

Examination
WAYNE R. THOMAS

Resources Management
ANN BROWN

District Directors:

Anchorage, AK
ROBERT W. BROCK

Boise, ID
DOUGLAS A. HOLM

Honolulu, HI
BILLY J. BROWN

Laguna Niguel, CA
MICHAEL J. QUINN

Los Angeles, CA
(Vacant)

Portland, OR
CAROLYN K. LEONARD

Las Vegas, NV
JESSE A. COTA

Sacramento, CA
RAYMOND A. SPILLMAN

San Francisco, CA
FRANCIS S. MICELI

San Jose, CA
CALVIN E. ESSELSTROM

Seattle, WA
WOODROW D. MALONE

Director, Fresno
Service Center
THERON C. POLIVKA

CHIEF COUNSEL FOR THE INTERNAL REVENUE SERVICE

WALTER H. SMITH/1866
WILLIAM MCMICHAEL/1871
CHARLES CHESLEY/1871
THOMAS J. SMITH/1888
ALPHONSO HART/1890
ROBERT T. HOUGH/1893
GEORGE M. THOMAS/1897
ALBERT W. WISHARD/1901
A.B. HAYES/1903
FLETCHER MADDOX/1908
ELLIS C. JOHNSON/1913
A.A. BALLANTINE/1918
D.M. KELLEHER/1919
ROBERT N. MILLER/1919
WAYNE JOHNSON/1920
CARL A. MAPES/1920
NELSON T. HARTSON/1923
ALEXANDER W. GREGG/1925
CLARENCE M. CHAREST/1927
E. BARRETT PRETTYMAN/1933
ROBERT H. JACKSON/1934
MORRISON SHAFORTH/1936
JOHN P. WENCHEL/1937
CHARLES OLIPHANT/1947
CHARLES W. DAVIS/1952
DANIEL A. TAYLOR/1953
JOHN POTTS BARNES/1955
NELSON P. ROSE/1957
ARCH M. CANTRALL/1958
HART H. SPIEGEL/1959
CRANE C. HAUSER/1961
SHELDON S. COHEN/1964
MITCHELL ROGOVIN/1965
LESTER R. URETZ/1966
K. MARTIN WORTHY/1969
LEE H. HENKEL, JR./1972
MEADE WHITAKER/1973
STUART E. SEJGEL/1977
N. JEROLD COHEN/1979
KENNETH W. GIDEON/1981
FRED T. GOLDBERG, JR./1984
WILLIAM F. NELSON/1986

The following were Acting
Chief Counsel during periods
when there was no Chief
Counsel holding the office:
JOHN W. BURRUS
from March 2 to Nov. 30, 1936
MASON B. LEMING
from Dec. 6, 1951 to May 15,
1952
KENNETH W. GEMMILL
from June 11 to Nov. 8, 1953
RUDY P. HERTZOG
from Dec. 1, 1954 to MAY 8,
1955, and from Jan. 20 to Aug.
16, 1961, and from Sept. 1, 1963
to Jan. 5, 1964

HERMAN T. REILING
from Jan. 19 to March 13, 1957
and from Aug. 31 to Sept. 20,
1959

RICHARD M. HAHN
from Jan. 20 to Oct. 29, 1969

LEE H. HENKEL, JR.
From Jan. 16 to June 11, 1972

LAWRENCE B. GIBBS
from April 17 to Oct. 19, 1973

CHARLES L. SAUNDERS, JR.
from Jan. 20 to April 15, 1977

LEON G. WIGRIZER
from April 16 to June 23, 1977

LESTER STEIN
from June 1 to Nov. 16, 1979

JEROME D. SEBASTIAN
from Jan. 21 to Feb. 2, 1981
and from March 30 to Aug. 14,
1981

EMORY L. LANGDON
from Feb. 3 to March 29, 1981

JOEL GERBER
from May 28, 1983 to March 17,
1984

V. JEAN OWENS
from March 14 to July 27, 1986

NOTE:
From 1866 to 1926, the chief
legal officer for the Internal
Revenue Service was known as
the Solicitor. For the next eight
years, 1926 to 1934, he had the
title of General Counsel for the
Bureau of Internal Revenue.

Since 1934, he has operated
under the title of Chief
Counsel.

PRINCIPAL OFFICERS
OF THE IRS OFFICE
OF CHIEF COUNSEL

as of September 30, 1989

NATIONAL OFFICE

Chief Counsel
PETER K. SCOTT (Acting)

Deputy Chief Counsel
PETER K. SCOTT

Special Assistant to the
Deputy Chief Counsel
KENNETH KEMPSON

Associate Chief Counsel
(Technical)
KENNETH KLEIN

Deputy Associate Chief
Counsel (Technical)
Vacant

Associate Chief Counsel
(International)
STEVEN R. LAINOFF

Deputy Associate Chief
Counsel (International)
CHARLES S. TRIPLETT

Associate Chief Counsel
(Litigation)
JAMES J. KEIGHTLEY

Deputy Associate Chief
Counsel (Litigation)
PATRICK J. DOWLING

Associate Chief Counsel
(Finance and Management)
RICHARD J. MIHELICIC

Deputy Assoc. Chief Counsel
(Finance and Management)
KENNETH LITTLE

National Director of Appeals
JAMES J. CASIMAR

Special Litigation Counsel
STEPHEN M. MILLER

Special Appellate Counsel
DANIEL F. FOLZENLOGEN

Assistant Chief Counsels:
Corporate
MARIO E. LOMBARDO

Criminal Tax
BARRY J. FINKELSTEIN
Disclosure Litigation
PETER V. FILPI

Employee Benefits and
Exempt Organizations
MARY OPPENHEIMER (Acting)

Financial Institutions
and Products
JAMES F. MALLOY

General Legal Services
WILLIAM F. LONG, JR.

General Litigation
ARNOLD E. KAUFMAN

Income Tax and Accounting
JAMES J. MCGOVERN (Acting)

Assistants Chief Counsel:
(International)
ROBERT E. CULBERTSON
JOHN T. LYONS

Passthroughs and
Special Industries
PAUL F. KUGLER

Tax Litigation
MARLENE GROSS

**Regional and District
Officers:**

CENTRAL REGION

Regional Counsel
CLARENCE E. BARNES, JR.

Regional Director of Appeals
THOMAS J. YATES

Deputy Regional Counsel
(Criminal Tax)
CHARLES M. LAYTON

Deputy Regional Counsel
(General Litigation)
ROBERT M. VENABLE

Deputy Regional Counsel
(Tax Litigation)
MARY HELEN WEBER

Assistant Regional Counsel
(General Legal Services)
Vacant

**District Counsels and
Chiefs, Appeals Office:**

Cincinnati, OH
Counsel-RICHARD E.
TROGOLO
Appeals-BENNY R.
MCCANDLESS

Cleveland, OH
Counsel-BUCKLEY D.
SOWARDS
Appeals-RAYMOND H.
FEHRIBACH

Detroit, MI
Counsel-OKSANA O. XENOS
Appeals-ZORA S. HARGRAVE

Indianapolis, IN
Counsel-ROSS E. SPRINGER
Appeals-GERALD W. WENDEL

Louisville, KY, Counsel
FERDINAND J. LOTZ III
Appeals-DOUGLAS A. WEAVER

MID-ATLANTIC REGION

Regional Counsel
DAVID E. GASTON

Regional Director of Appeals
JAMES A. DOUGHERTY

Deputy Regional Counsel
(Criminal Tax)
RICHARD A. FRANCIS, JR.

Deputy Regional Counsel
(General Litigation)
J. DARREL KNUDTSON

Deputy Regional Counsel
(Tax Litigation)
CHARLES F.T. CARROLL

Assistant Regional Counsel
(General Legal Services)
DAVID J. MARKMAN

**District Counsels and
Chiefs, Appeals Office:**

Baltimore, MD
Counsel-HERBERT A. SEIDMAN
Appeals-SUSAN H. HALE

Newark, NJ
Counsel-MATTHEW MAGNONE
Appeals-PARTICK J. GLYNN

Philadelphia, PA
Counsel-H. STEPHEN
KESSELIAMAN
Appeals-THOMAS G.
SPACCARELLI

Pittsburgh, PA
Counsel-EDWARD F.
PEDUZZI, JR.
Appeals-MALVERN P. POWELL

Richmond, VA
Counsel-MARION B. MORTON
Appeals-JOHN D. PIPER

Washington, DC
Counsel-MELVIN E.
LEFKOWITZ
Appeals-THOMAS L. KRUSE

Washington, DC
Counsel-MELVIN E.
LEFKOWITZ
Appeals-THOMAS L. KRUSE

MIDWEST REGION

Regional Counsel
DENIS J. CONLON

Regional Director of Appeals
PAUL H. THORNTON

Deputy Regional Counsel
(Criminal Tax)
VIRGINIA C. SCHMID

Deputy Regional Counsel
(General Litigation)
WILLIAM J. YORK

Deputy Regional Counsel
(Tax Litigation)
HARMON B. DOW

Assistant Regional Counsel
(General Legal Services)
JEFFREY J. SIEBURG

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Chiefs, Appeals Office:**

Chicago, IL
Counsel-JAMES F. KIDD
Appeals-JOHN F. ECKERT

Des Moines, IA
Counsel-MARK E. O'LEARY

Helena, MT
Counsel-THOMAS C.
MORRISON

Kansas City, MO
Counsel-JAMES R. WELLS

Milwaukee, WI
Counsel-ROBERT J. COLLINS

Omaha, NE
Counsel-RONALD M.
FRYKBERG
Appeals-EDWIN L. BROOKE

Springfield, IL
Counsel-JEFF P. EHRlich

St. Louis, MO
Counsel-RICHARD A.
WITKOWSKI
Appeals-DOUGLAS KELLEY

St. Paul, MN
Counsel-ROBERT F.
CUNNINGHAM
Appeals-H. LARRY STEWART

NORTH ATLANTIC REGION

Regional Counsel
AGATHA L. VORSANGER

Regional Director of Appeals
KEVIN P. MORGAN

Deputy Regional Counsel
(Criminal Tax)
MARGARET C. TINAGERO

Deputy Regional Counsel
(General Litigation)
MYRON LEVINE

Deputy Regional Counsel
(Tax Litigation)
JAY S. HAMELBERG

Assistant Regional Counsel
(General Legal Services)
ELLIOT M. CARLIN

**District Counsels and
Chiefs, Appeals Office:**

Albany, NY
Counsel-GERALD A. THORPE

Boston, MA
Counsel-LINDA M. GARRARD

Brooklyn, NY
Counsel-MARTHA SULLIVAN

Buffalo, NY
Counsel-JOSEPH H. WALZ

Hartford, CT, Counsel
POWELL W. HOLLY, JR.
Appeals-JOSEPH F.
SCHERZINGER

Long Island, NY
Appeals-JOHN P. CHAMBERS

Manhattan, NY
Counsel-JOSEPH F. MASELLI

New York City, NY
Appeals-EDWARD M.
SCHAEFFER

Assistant-JOHN G. IMBESI

SOUTHEAST REGION

Regional Counsel
WILLIAM A. GOSS

Regional Director of Appeals
RICHARD E. FOLEY

Deputy Regional Counsel
(Criminal Tax)
STEPHEN J. WALLER

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(General Litigation)
RONALD P. CAMPBELL

Deputy Regional Counsel
(Tax Litigation)
ROY L. ALLISON

Assistant Regional Counsel
(General Legal Services)
HARRY G. MASON

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Atlanta, GA
Counsel-DEAN R. MORLEY III
Appeals-CHARLES R. BARNES

Birmingham, AL
Counsel-JOHN B. HARPER
Appeals-ROBERT D. HOLT

Greensboro, NC
Counsel-ALAN I. WEINBERG
Appeals-LARRY L. DAVIS

Jacksonville, FL
Counsel-ROY S. FISCHBECK
Appeals-Vacant

Miami, FL
Counsel-DAVID R. SMITH
Appeals-STEVEN D.
HERSCOVITZ

Nashville, TN
Counsel-RICHARD J.
NEUBAUER

Appeals-LOUIE C. MAYS

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Counsel-JAMES E. KEETON, JR.
Appeals-SANDRA T. FREELAND

Tampa, FL
Appeals-WILLIAM E.
OPPENHEIM, JR.

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GARY A. ANDERSON

**District Counsels and
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Albuquerque, NM
Counsel-HARRY BECKHOFF

Austin, TX
Counsel-LEWIS J. HUBBARD
Appeals-FREDERICK R. BOX

Dallas, TX
Counsel-WILLIAM F.
HAMMACK, JR.
Appeals-RONALD J. BLAIR

Denver, CO
Counsel-MARTIN B. KAYE
Appeals-DWIGHT M. SUMNER

Houston, TX
Counsel-HAROLD FRIEDMAN
Appeals-AUBRY O. MYRICK

Oklahoma City, OK
Counsel-MICHAEL J. O'BRIEN
Appeals-WILLIAM C. REITAN

Phoenix, AZ
Counsel-ROGER RHODES
Appeals-DARRELL P.
LADMIRAULT

Salt Lake City, UT
Counsel-MARION K.
MORTENSEN
Appeals-ROBERT B. STIPEK

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Regional Director of Appeals
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(General Litigation)
FERRY T. FOSTER

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(Tax Litigation)
CONSTANCE L. COUTS

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(General Legal Services)
ALBERT LARSON III

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Boise, ID
Counsel-RANDALL G. DURFEE

Honolulu, HI
Counsel-WILLIAM A. SIMS

Laguna Niguel, CA
Counsel-HARRY M. ASCH
Appeals-RAYMOND E. GUMP

Las Vegas, NV
Counsel-RICHARD A. JONES

Los Angeles, CA
Counsel-JOSEPH O. GREAVES
Appeals-Vacant
Assistant-BRUCE J. CONYNE

Portland, OR
Counsel-WAYNE R. APPLEMAN
Appeals-GEORGE F. KAUFER

Sacramento, CA
Counsel-STEVEN J. MOPSICK
Appeals-ORIS MCMILLIAN

San Diego, CA
Counsel-DONALD W. WOLF
Appeals-CHARLES E. MASON

San Francisco, CA, Counsel
J. RICHARD MURPHY, JR.
Appeals-JAMES ELLIOTT

San Jose, CA
Counsel-LAWRENCE G. LILLY
Appeals-JACKSON S.
KOHAGURA

Seattle, WA
Counsel-RICHARD J. SHIPLEY
Appeals-JERALD M.PETERSON

Thousand Oaks, CA
Counsel-JAMES A. NELSON

**PRINCIPAL OFFICERS
OF INSPECTION**

NATIONAL OFFICE

Assistant Commissioner
TEDDY R. KERN

Deputy Assistant
Commissioner
KENNETH A. THOMPSON

Director,
Internal Audit
GARY D. BELL

Director,
Internal Security
C. ARNOLD DECKER

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Assistant Regional
Inspector
Internal Security
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Assistant Regional
Inspector
Internal Audit
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Assistant Regional
Inspector
Internal Security
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Inspector
Internal Security
PHILIP NEWSOME

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Inspector
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KERRY R. KILPATRICK

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Internal Security
JOSEPH LAMONICA

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Assistant Regional
Inspector
Internal Audit
LAWRENCE A. GRANT

Assistant Regional
Inspector
Internal Security
MICHAEL J. BIK

SOUTHWEST REGION

Regional Inspector
E. DERLE RUDD

Assistant Regional
Inspector
Internal Audit
EMMETTE WALKER

Assistant Regional
Inspector
Internal Security
JOHN DIETZ

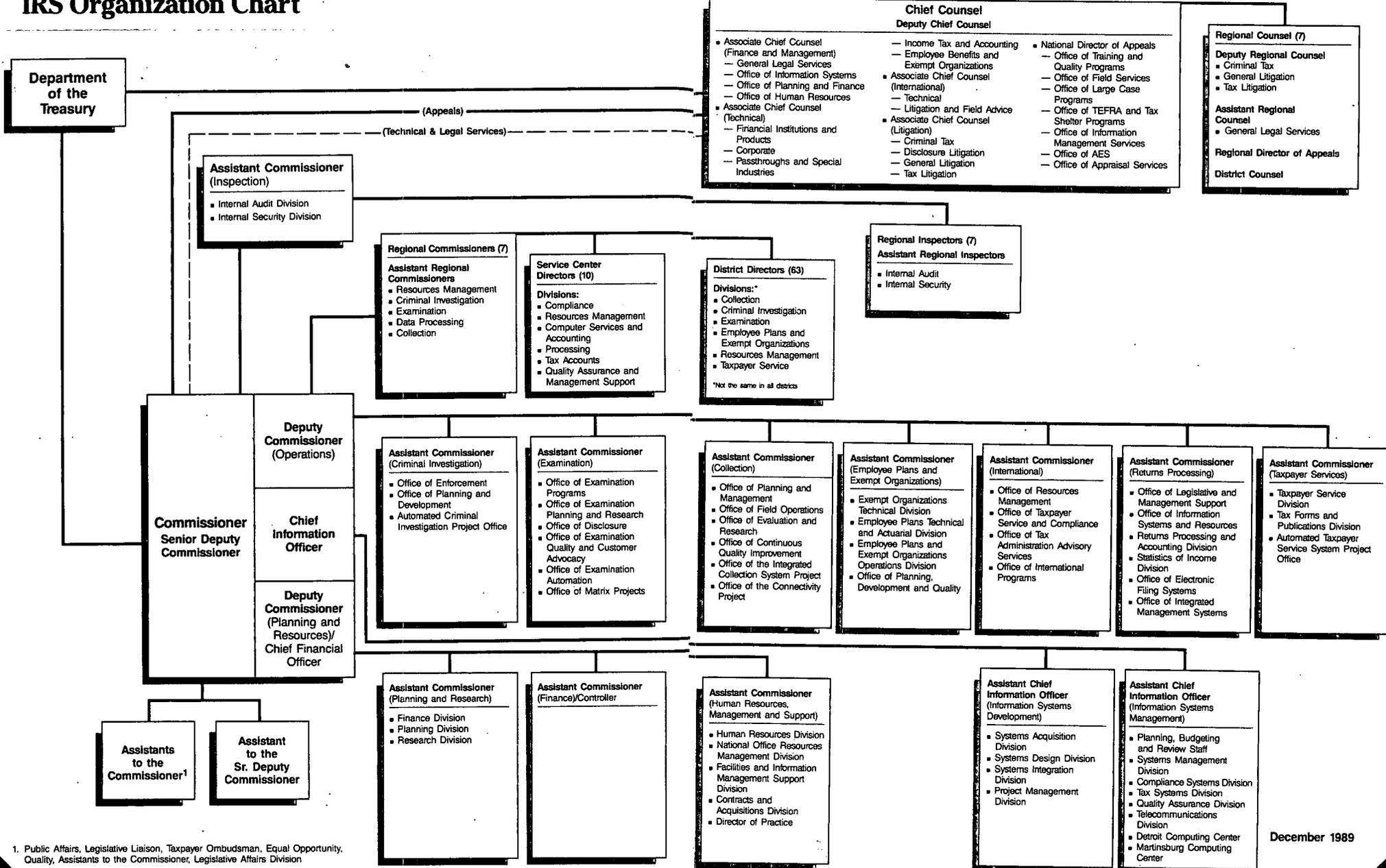
WESTERN REGION

Regional Inspector
ALDWYN K. HYATT

Assistant Regional
Inspector
Internal Audit
WALTER ARRISSON

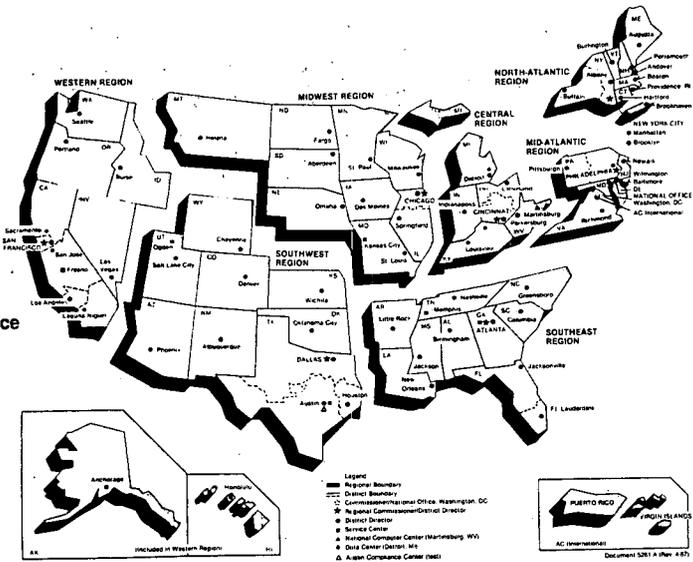
Assistant Regional
Inspector
Internal Security
KENNETH DAVIDSON

IRS Organization Chart

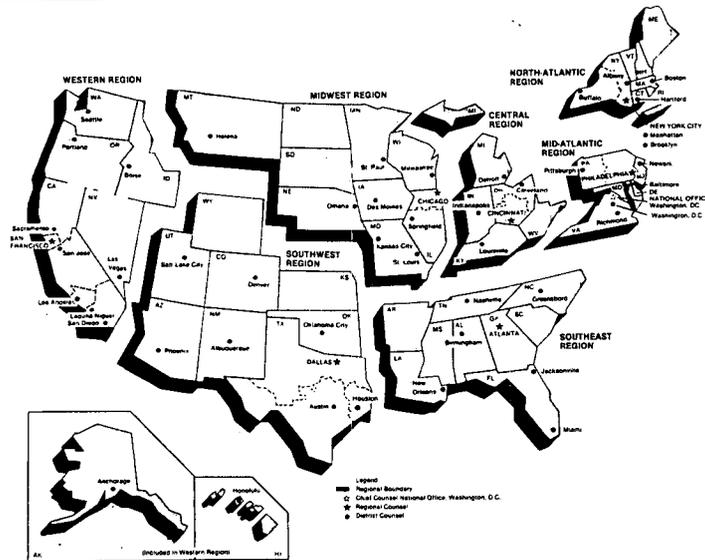


1. Public Affairs, Legislative Liaison, Taxpayer Ombudsman, Equal Opportunity, Quality, Assistants to the Commissioner, Legislative Affairs Division

Internal Revenue Service Regions, Districts and Service Centers



Chief Counsel Regional and District Offices



A	Administrative Appeals, Chief Counsel	38	F	Forms 5500	7	Presidential Election Campaign Fund	7
	Assisting the Taxpayer	9		Forms and Publications	11	Problem Resolution Program	12
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	Automated Examination System	14		Human Resources Management	22	Q	Quality
	Automated Financial System	27		I		Questionable Refund Program	18
	Automated Systems Environment, Chief Counsel	38		Industry Specialization Program	15	R	Research Projects
	Automated Underreporter	16		Industry Specialization Program, Chief Counsel	37	Resources Management	30
B	Bankcard, U.S. Government	30		Information Systems Development	27	Recruitment	22
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C	Charitable Contributions	19		Inspection Service	33	Refunds	5
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	Criminal Investigation	17		Litigation Programs, Chief Counsel	37	Taxpayer Assistance	9
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	Disaster Assistance	9	M			Taxpayer Information	10
	Disclosure	21		Managing the System	25	Tax Refund Offset Program	6
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	Eldercare Counseling	22		National Office Command Center	29	Tele-Tax	9
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