

 Fact Sheet

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IRS FY 2013 Budget Proposal Summary

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The Administration's Fiscal Year [\(FY\) 2013 Budget](#) request for the Internal Revenue Service is approximately \$12.8 billion, a \$944.5 million increase (8%) over the FY 2012 enacted level but only a \$639.3 million increase (5.3%) from the level enacted for FY 2011. A significant portion of the increase from FY 2012 represents the Administration's request to restore lost revenue resulting from reductions in IRS funding made over the past two years. This request is designed to provide the resources necessary to administer and enforce the current tax code, implement recent changes to the law to update the Code and serve the American taxpayer in a timely manner.

In FY 2011, the IRS collected \$2.415 trillion in taxes, representing 92 percent of federal government receipts. The IRS processed more than 144.7 million individual returns during the 2011 filing season and issued almost 110 million refunds totaling \$345 billion.

To collect the revenues required to fund the policies passed by Congress and meet long-term obligations to the American people, the IRS FY 2013 funding request reflects a continued commitment to improving tax compliance through the balance of quality taxpayer service with fair enforcement of the tax laws. It also supports the Administration's strategic goal of managing the government's finances in a fiscally responsible manner.

The IRS consistently achieves a high return on investment for its activities while running a fiscally disciplined operation. In FY 2013, the IRS expects to identify nearly \$71 million in cost savings from increased use of electronic return filing, reductions in non-case related travel and streamlining operations.

Enforcement Program

The FY 2013 budget includes \$403 million in new IRS enforcement activities, which are expected to raise \$1.48 billion in revenue annually at full performance, once new hires are fully trained and develop broader experience by FY 2015. This is a 4.3-to-1 return on investment. The return on investment is even greater when factoring in the deterrence value of these investments and other IRS enforcement programs, which is conservatively estimated to be at least three times the direct revenue impact.

The enforcement budget also includes \$200 million in additional examination and collection programs that will generate more than \$1.1 billion in additional annual enforcement revenue by FY

2015. Investments such as these in IRS enforcement programs are especially important to further the IRS' mission of improving tax compliance.

Specific areas where the proposed FY 2013 funding will enable the IRS to continue to strengthen enforcement efforts and reduce the tax gap include:

- Improving international compliance by individual and business taxpayers. In FY 2013, the IRS will continue to address offshore tax evasion by individuals through such efforts as increased examinations and the special offshore voluntary disclosure program. To ensure business entity compliance, the IRS will provide additional international technical specialists to increase coverage of complex international transactions;
- Protecting revenue by expanding efforts to identify fraud and prevent issuance of questionable refunds, including tax-related identity theft. The increase in funding will help support efforts to reduce erroneous refund payments, including non-compliant and fraudulent claims by prisoners and claims for the Earned Income Tax Credit (EITC) by ineligible taxpayers;
- Implementing tax law changes that make available the use of new information reporting requirements to help address the underreporting tax gap; and
- Enhancing IRS oversight of complex financial situations, including transfer pricing and uncertain tax positions.

Return Preparer Initiative

The FY 2013 budget request includes \$35 million to strengthen return preparer compliance. One of the most important initiatives that the IRS has undertaken in recent years is the Return Preparer Initiative, the foundation of which is mandatory registration for all paid tax return preparers. In addition, the IRS is developing requirements to establish mandatory competency testing and continuing education for preparers to ensure that taxpayers are hiring preparers who have a minimum level of competency and adhere to professional standards. This initiative is core to the IRS' tax gap strategy and will increase government revenue, and support high-priority, preparer-related enforcement activities.

Implementation of Tax Law Changes

The request provides \$128 million to support IRS efforts to implement programs that are designed to ensure compliance with a number of recent changes to the tax laws, and to help taxpayers understand them. Recent tax law changes include the reporting provisions related to merchant payment cards and third party reimbursements (included in the Housing and Economic Recovery Act of 2008), basis reporting on securities sales (included in the Emergency Economic Stabilization Act of 2008), and the non-exchange related tax law changes included in the Affordable Care Act (ACA).

Infrastructure Requirements

The FY 2013 budget also requests funding for the IRS to continue the development of new information technology systems, and substantial modification and enhancement of existing systems necessary to implement the new premium assistance tax credit and other tax law provisions related to the insurance exchanges created in the Affordable Care Act.

Taxpayer Service Program

The FY 2013 request provides funding for the IRS to continue delivering services using a variety of in-person, telephone and web-based methods to help taxpayers understand their tax obligations, correctly file their returns and pay taxes due in a timely manner.

The IRS is committed to expanding the use of electronic transactions, including increasing the e-File rate and expanding taxpayer service options available through the Internet. In 2011, there were more than 319 million visits to IRS.gov, and more than 77.9 million taxpayers checked their refund status by accessing Where's My Refund? in English or in Spanish on the IRS website.

Business Systems Modernization

In FY 2013 the IRS will continue the modernization of its IT systems. It will strategically invest in state-of-the-art capabilities, such as online taxpayer services, and focus on the second phase of the core taxpayer account database, known as Customer Account Data Engine 2 (CADE 2), to ensure the long-term viability of IRS tax processing systems.

In 2012, the IRS delivered the most significant update to its core tax processing system in decades. Through the deployment of the first phase of CADE 2, the IRS transitioned to a daily processing cycle from a weekly batch cycle. Also for the first time, IRS processing systems began accepting all 1040 forms electronically through a modernized e-filing capability.