

 Fact Sheet

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## IRS Achieves \$1 Billion in Cost Savings and Efficiencies

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Since Fiscal Year 2010, the IRS has made a concerted effort to identify and put in place ways of saving taxpayer dollars and working more efficiently. This effort intensified in FY 2011 when the agency's budget outlook became more challenging. As a result, the IRS estimates it will have achieved \$1 billion in budget savings and efficiencies between FY 2010 and the end of FY 2013. These savings and efficiencies have been achieved across the IRS in numerous areas, including personnel, travel, training, office space and contracts.

At the same time, the IRS continues to invest in strategic priorities that allow it to fulfill its dual mission of tax law enforcement and taxpayer service. As the budget environment has become more difficult and the IRS has stepped up its cost-saving activities, it has also maintained strong taxpayer service performance results and continued a balanced and effective enforcement program. In particular, the IRS has increased its efforts against refund fraud, especially fraud caused by identity theft.

The IRS consistently achieves a high return on investment for its activities while running a fiscally disciplined operation. Going forward, the IRS remains committed to being as efficient as possible and spending taxpayer dollars wisely.

However, the continued reductions in the IRS budget will begin to have an adverse impact on service and enforcement efforts in the near future. This will affect the service we provide to taxpayers and the amount of money we collect through enforcement activities.

### Budget Challenges

Since FY 2010, the IRS has received reductions to appropriated funding totaling almost \$1 billion. This includes a reduction of almost \$600 million as a result of sequestration in the current FY 2013. As the IRS has been absorbing these reductions, the agency has taken on new legislatively mandated responsibilities, including Merchant Card Reporting, the Foreign Account Tax Compliance Act (FATCA) and tax-related provisions of the Affordable Care Act (ACA).

The IRS has responded to budget reductions and the increased workload by putting in place new guidance and controls beginning more than two years ago to create additional efficiencies in routine operations in order to ensure minimal impact to the delivery of our core mission.

As a result, IRS actions taken in the last two years have led to almost \$1 billion in savings. Net savings of more than \$350 million have been used to offset the reductions to IRS appropriations without any adverse actions on employees. The remaining savings have been reinvested into

other operational priorities to ensure that the IRS continues to deliver our core mission while handling emerging priorities, such as the increase in refund fraud related to identity theft.

## **IRS Cost-Saving Actions**

Specific actions that the IRS has taken to achieve greater cost savings and efficiencies fall into several major areas. Some examples of the ways that the IRS is achieving cost savings include the following:

### ***Personnel***

- In FY 2011, a hiring policy started that allowed only exception hiring by the Deputy Commissioners.
- Buyouts were offered in FY 2012 to 7,000 employees, with 1,244 employees accepting the offers.

### ***Travel and training***

- The IRS limited employee travel and training to mission-critical projects beginning in FY 2011. Training travel alone has been reduced by \$83 million in the last two fiscal years.
- The IRS has expanded the use of alternative delivery methods for in-person meetings, training, conferences and operational travel. A key component of these cost-saving efforts has been the use of video for training purposes. It has helped the IRS reduce training costs over the past two fiscal years by about 83 percent and training travel costs by 87 percent.

### ***Video savings***

- Using video for training purposes helps the IRS save millions of dollars and is an important part of successful IRS cost-efficiency efforts.
- Employee training through video covers a wide set of key issues, ranging from educating compliance personnel about tax law changes to ensuring that employees respect taxpayer rights.

### ***Space optimization***

- In May 2012, the IRS announced a sweeping office space and rent reduction initiative that over two years is projected to close 43 smaller offices and reduce space in many larger facilities. When complete, the initiative will slash IRS office space by more than 1 million square feet.
- The IRS continues to find innovative ways to do more with existing space, such as developing new workspace standards to decrease individual office size.
- The IRS has offered its employees increased telework opportunities, including the development of a plan for Home as Post of Duty.

### ***Printing and postage***

- In FY 2011, the IRS eliminated the practice of mailing tax form packages to taxpayers at the beginning of the filing season. Taxpayers are directed to IRS.gov for the tax forms they need.
- All non-campus employees were converted to paperless Earnings and Leave statements.

## **Maintaining Taxpayer Service and Enforcement Efforts**

Despite the reductions in staffing and operating expenses that have resulted from increased efficiencies, the IRS through FY 2012 continued to meet or exceed almost all FY 2010 performance results.

For example, in FY 2012, the percentage of individual tax returns processed electronically rose to 80.5 percent in FY 2012, from 69.3 percent in 2010.

The IRS has also maintained a balanced and effective enforcement program despite many challenges, collecting more than \$50 billion in enforcement revenue in FY 2012, the third year in a row.

The FY 2012 enforcement results reflect changes in agency staffing and budget resources. After a nearly flat budget in FY 2011, the IRS budget was reduced by \$305 million in FY 2012. As a result:

- Overall full-time staffing at the IRS has declined by more than 8% over the last two years – about 8,000 positions.
- Staffing for key enforcement occupations fell by 5,000 during the last two years. In the past year, enforcement positions declined by more than 1,300 jobs -- nearly 6%.

### **Identity Theft Efforts**

The IRS continues to confront the challenge of refund fraud caused by identity theft. The IRS more than doubled the number of staff dedicated to preventing refund fraud and assisting taxpayers victimized by identity theft, with more than 3,000 employees working in this area. In Calendar Year 2013 alone, the IRS has resolved more than 200,000 taxpayer identity theft cases. Despite budget limitations, the IRS has dedicated \$328 million annually on identity theft efforts. During 2012, the IRS protected \$20 billion of fraudulent refunds, including those related to identity theft, compared with \$14 billion in 2011. The IRS stopped 5 million suspicious returns in 2012 – up from 3 million suspicious returns stopped in 2011.