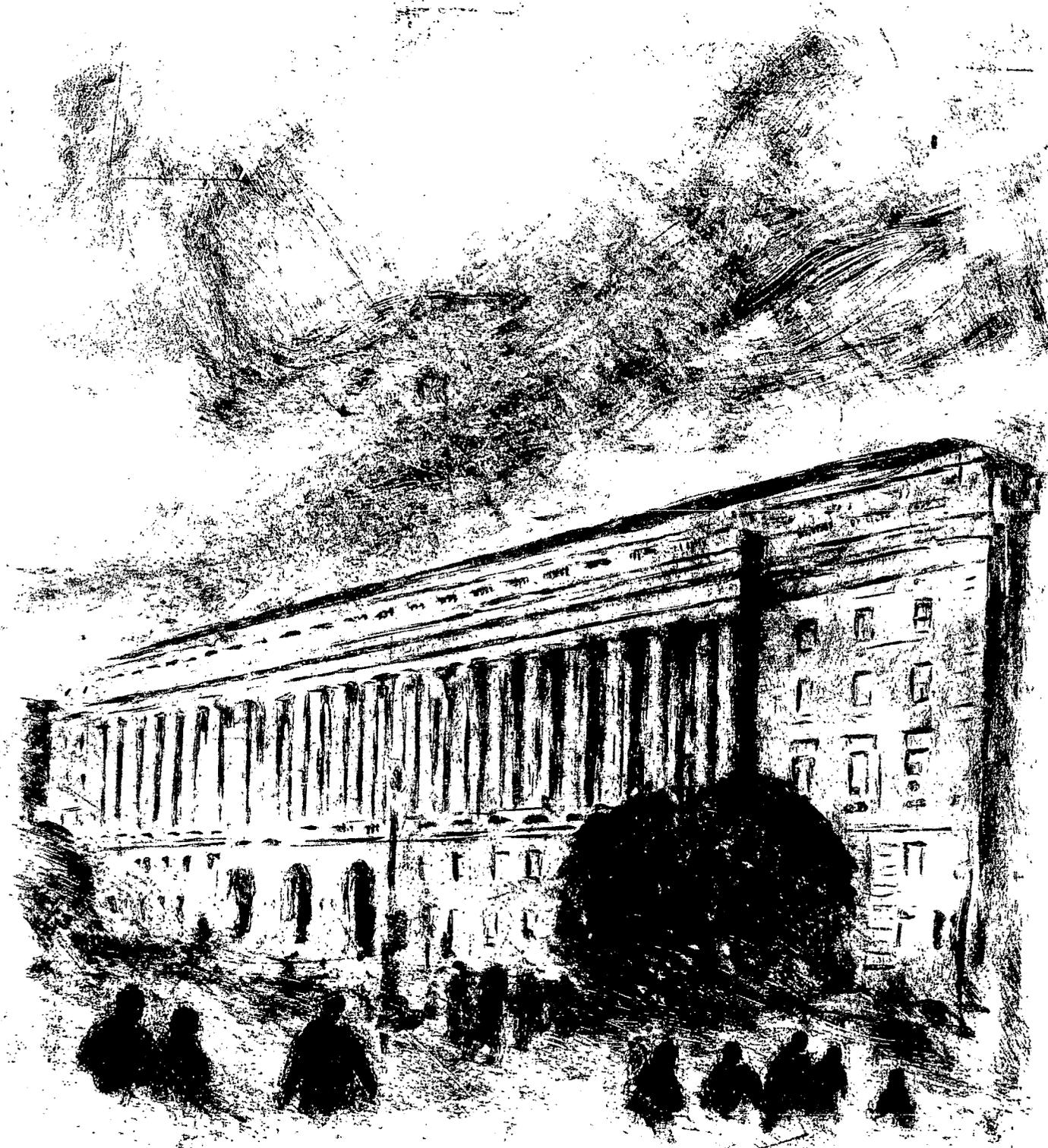


INTERNAL REVENUE SERVICE 1986 ANNUAL REPORT



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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 "1986" pertain to the fiscal year ended Sept. 30, 1986.

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

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INTRODUCTION

1986 was a watershed year for our federal tax system in the United States. The passage of a new tax law that will rename and restructure our tax code challenges all of us — taxpayers, practitioners, and tax administrators. More importantly, the new law holds out the promise of a fairer, more rational tax system.

The Internal Revenue Service spent the early part of 1986 advising Congress about the administrability of proposed sections of the law. Our tax reform agenda for the latter part of the year included: gearing up to implement the changes in the law that were effective before year's end, setting a course to handle the numerous changes to come, and launching a massive public education effort.

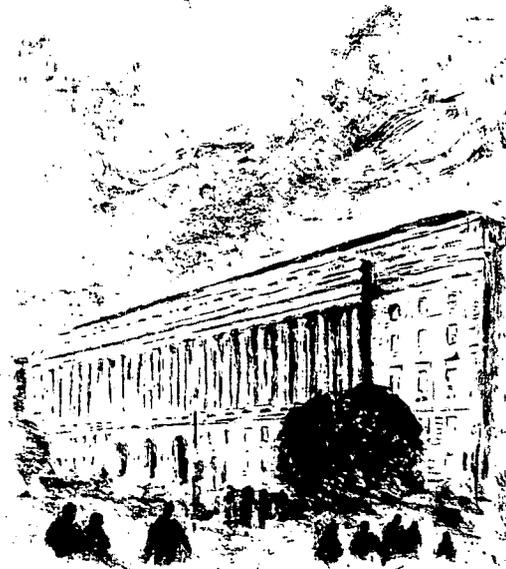
We are trying to anticipate all the changes that may be necessary to implement such a comprehensive new law. We are confident that during the transition most of the adjustments and disruptions will be temporary.

In terms of our administration of the tax system, 1986 had some stand-out achievements:

- A virtually flawless filing season and the successful introduction of an electronic filing pilot project;
- The delivery to revenue agents of portable computers that are revolutionizing the Service's auditing techniques; and
- The creation of a new office for international tax matters that greatly streamlines our operations and gives a new status to an increasingly important part of tax administration.

But beyond tax reform developments and breaking new ground with some exciting programs, 1986 was a year when we asked ourselves some basic questions about our on-the-job performance. We asked not if taxpayers are delivering to us but if we are delivering to *them*.

Those who pay their fair share want to be sure that we will collect the taxes owed by those who do not. Equally important, however, all taxpayers want to believe that in collecting taxes, we will treat them fairly and respectfully.



This annual report, therefore, marks the renewal of our organization's commitment to the delivery of quality service to taxpayers. In reading the narrative and checking the statistical charts, we suggest that you read between the lines. The real story about 1986 won't be found in the numerical results of programs but rather in our decision to take stock of ourselves as an organization and ask some tough questions.

Are taxpayers being adequately informed about their responsibilities under the law? Are we answering their questions quickly, correctly, and in non-technical language? When a mistake or problem occurs, do we address it courteously and solve it promptly?

Taxpayer support for our agency's mission is critical to the success of that mission. But taxpayers can't comply if they don't know what's expected of them. And taxpayers may be less willing to comply if they believe the system is unfair, unresponsive, or unenforced.

Our tax system is based on an unwritten contract between the Internal Revenue Service and taxpayers. In order to pay the costs of living in a civilized society, taxpayers agree to voluntarily compute and pay their taxes. But they expect something more personal in return. That personal "something" is the confidence that as they try to comply with their tax obligations, they will be treated professionally, with dignity and respect.

As we strive to improve our customer service, automation continues to break down the lines that separate our different functions. We can no longer afford to think of ourselves in narrow terms—as examination specialists, or collectors of overdue tax, or processors of tax returns. We are learning to put our jobs in perspective, to think about where we fit into the tax system as a whole and how we can better work together to serve the public.

This means learning to think in new ways about ourselves, about our organization, about taxpayers and their advisers. Making the transition isn't easy but we are learning some interesting lessons along the way.

The most important lesson is that today's taxpayers want the same thing taxpayers have always wanted—quality service. And delivering quality service means concentrating on some old-fashioned values—paying attention to details, doing things right the first time, speaking to people in language they can understand, being receptive to new and better ways of doing business.

No part of our organization is more important to delivering quality taxpayer service than our attorneys. Since the responsibility for writing the rules and regulations associated with tax reform rests primarily with our attorneys, the quality of their performance is crucial to the public's understanding of its obligations under the law.

In addition to a very full tax reform agenda, our attorneys have been working on some novel approaches to their traditional business of litigating cases. They have been exploring ways to focus their legal expertise on the more significant cases, those cases that raise major policy issues or involve large amounts of tax dollar assessments.

This year we began to review our counsel's role in our tax compliance process. Traditionally, an IRS agent or appeals officer has relied on counsel for legal advice on a very small percentage of their cases. Usually these cases either involved larger dollar issues with a legal question pending or a unique technical or legal issue. We are exploring whether there are new and additional areas or ways that our counsel could be helpful to us in developing our more specialized cases.

Our attorneys also are reviewing various ways to reduce their increasing inventory of tax shelter cases. We are not considering cancelling taxpayers' tax shelter debts. We are investigating ways to handle our casework more efficiently. Our refined methods of analyzing cases make it possible to predict the ultimate monetary settlement that we can expect from a case. We're exploring ways to obtain the same dollar results but settle cases earlier in the process.

Annual reports record important facts and figures about an organization. But long after we forget the facts and figures that distinguish one year from another, we remember the exceptional people. Our confidence in our ability to do our job—now and in the future—is built on confidence in our people. They are our most important and precious asset. Throughout this annual report are snapshots of some IRS people who make a positive difference in our business of tax administration.

We are featuring two executives—Dick Wassenaar, assistant commissioner, criminal investigation, and Tom Laycock, assistant commissioner, computer services—who dedicated their professional lives to the IRS and died at the height of their careers. They are remembered in a special way not because they were executives of our agency but because they exemplified all the best characteristics of an IRS professional.

They both knew what it meant to work their way up from the bottom. They related well to people—taxpayers, practitioners, and IRS employees at all levels of our organization. In refusing to settle for second best, they set a high standard of performance. Their competence, personal integrity, and leadership made a lasting impression on all of us. We shall miss them as friends and colleagues.

Lawrence B. Gibbs,
Commissioner

William F. Nelson,
Chief Counsel

RICHARD C. WASSENAAR

Dick Wassenaar's career with the Internal Revenue Service began as a criminal investigator in Chicago in 1963. He quickly rose to the supervisory level and participated in one of the most significant political corruption investigations ever undertaken by the Service—a cooperative venture with the U.S. attorney's office in which a number of local politicians and businessmen were prosecuted.

He rose through the ranks, accepting posts of growing responsibility, mostly on the West Coast. When the IRS created the office of assistant commissioner, criminal investigation, in 1982, he was the first person chosen for the job.

Throughout his career he stressed the professionalism required of a successful criminal investigator. He expanded the use of undercover investigations, search warrants and computers, earning for the IRS a government wide reputation for hard-nosed, professional financial investigating and fair, but aggressive, enforcement of the nation's tax statutes. His reputation extended into the legal profession, and he received a special award from the American Bar Association in 1986 for his outstanding contributions in strengthening relationships between the Bar Association and the IRS in criminal tax enforcement activities.



THOMAS J. LAYCOCK

Tom Laycock came to the Internal Revenue Service over thirty years ago as a tabulating-machine operator in his hometown of Lawrence, Massachusetts. He became a supervisor shortly afterwards, just as the IRS was taking its first steps towards automation. His career rise paralleled the development of the complex systems needed to keep pace with the growing size and complexity of the American tax structure. He made major contributions towards that process throughout his career.

After assuming the position of assistant commissioner, computer services, in 1983, Tom began a major revamping of the automated data processing system, aiming to improve the quality of data processing operations throughout the Service. Many of those improvements will remain in place past the end of the century.

Tom received the Presidential Rank Award of a Meritorious Executive in 1981, and the Commissioner's Award, the highest IRS honor, in 1986 for his accomplishments in tax administration.



COLLECTING THE REVENUE

Service to taxpayers means many things, among which the efficient and timely processing of tax returns and refunds ranks high. In 1986 the IRS processed record numbers of tax returns, and collected more than \$782 billion in taxes, another record. The service also tested electronic filing of individual tax returns for the first time. Based on the successful results of this initial experiment, plans for 1987 include expanded tests of electronic filing.

RETURNS RECEIVED

IRS service centers processed 188 million federal tax returns and supplemental documents in 1986 for a 5.5 percent increase over the 178.2 million processed in 1985.

Over 85.1 million, or 45.3 percent of all returns received, were individual tax returns forms 1040 and 1040A. More than 17 million individual taxpayers — 16.6 percent of all individual filers — used the simplified Form 1040EZ, compared to nearly 16.7 million in 1985, a rise of 1.8 percent. The number of individual taxpayers filing Form 1040 increased 4.5 percent from 63.8 million to 66.7 million this year. (See statistical table 6 for details.)

Stopping errors before they occurred was the emphasis in the returns processing program in 1986. "Quality improvement teams" of managers from several areas reviewed the operation as well as the end product. The Service also put in place a method for spotting more quickly any procedures, instructions or other problems with the system itself that might be causing errors. Giving managers the information they need to correct these systemic problems helps do away with these types of errors.

TAX RECEIPTS

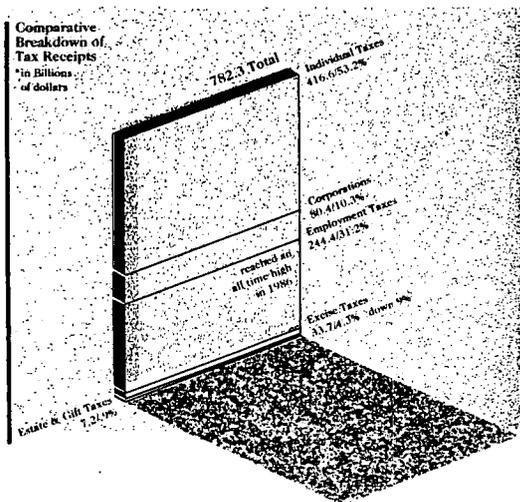
Gross revenue receipts, up 5.3 percent over 1985, rose to \$782.3 billion this year, an increase of \$39.4 billion. Individual and corporation income tax collections accounted for almost two-thirds of the total receipts. Individual tax receipts totaled \$416.6 billion, an increase of 5 percent over last year. Corporation tax receipts rose 3.9 percent to \$80.4 billion.

Employment taxes (social security, self-employment, federal unemployment and railroad retirement), which were 31.2 percent of the total revenue, hit \$244.4 billion, another record high for more than five years in a row.

Excise taxes totaled \$33.7 billion, a decrease of 9 percent compared to last year. (See statistical tables 1, 2 and 3 for details.)

REFUNDS

In 1986 IRS issued 77.9 million refunds totaling \$94.4 billion compared to 80.1 million refunds in the amount of \$86.3 billion in 1985. Over 74.2 million individuals received \$72.9 billion, including \$469 million in interest this year. As of the end of September 1986, IRS had issued refunds with interest on 3 million current-year individual income tax returns timely filed but not refunded during the statutory interest-free period compared to 2.1 million last year. Individual refunds this year averaged \$982 compared to an average of \$866 in 1985. (For details, see tables 4 and 5.)



Type of return	1985	1986
NUMBER OF RETURNS		
Grand total	178,219	188,017
FILED BY PRINCIPAL		
Income tax, total	140,724	145,696
TYPE OF RETURN		
Individual	99,426	102,393
Declaration of estimated tax	34,225	35,485
Fiduciary	2,053	2,305
Partnership	1,717	1,845
Corporation	3,303	3,667
Estate tax	77	72
Gift tax	95	103
Employment tax	26,824	27,921
Exempt organizations	431	487
Employee plans	644	2,142
Alcohol, tobacco and firearms	397	520
Excise tax	796	1,265
Supplemental documents ¹	8,198	9,795
Non-master file returns ²	33	17

¹ Includes Forms 1040X, 1120X, 2688, 4868, 7004, 7005 and 1041A.

² Includes Forms 941M, 941NMI, CT-2, 990BL, 6069, 1042, 1120 DISC, 1120 IC DISC, 1120FSC AND 8404.

ELECTRONIC FILING

The processing of paper documents is a highly manual, time consuming activity: opening envelopes, sorting forms, assigning codes and, finally, entering data on computer terminals — and all by hand.

In 1986 IRS tested a process that bypasses the costly paper operation by accepting returns from the computers of qualifying tax preparation firms directly into the system. With the number of tax returns prepared by computers estimated to be about 13 million and growing rapidly, electronic filing seems to promise faster, more accurate service to the taxpayer and dramatic savings to the government.

Five tax firms in the metropolitan areas of Cincinnati, Phoenix and three North Carolina cities showed interest and met the requirements for sending data over telephone wires to the Cincinnati Service Center, the center chosen for the test. They transmitted about 25,000 individual income tax forms in the 1986 pilot test. The

streamlined processing permitted IRS to issue refunds to 94 percent of electronic filers in a matter of 3½ weeks; had the same taxpayers filed paper documents, settlement would have been three to five weeks later. Only three percent of the computer-filed returns had processing errors, compared to 21 percent with the paper ones.

IRS is expanding electronic filing in 1987 to seven sites — one in each region — and has increased the number of tax forms and schedules filed electronically from nine to twenty. Taxpayers filing electronically in the three original test cities may choose to have their refunds posted with their financial institution by electronic transfer. A separate test in the Andover Service Center will focus on electronic filing of some business returns. Once the system is fully in place in the early 1990's, possibly more than 30 million taxpayers a year may choose to file returns electronically.

MASTER FILE

The master file is a collection of all IRS accounts for individual taxpayers and for businesses, and it is stored at the National Computer Center (NCC) in Martinsburg, West Virginia. Each of the ten service centers transfers account information to the center on a weekly basis. The number of taxpayer accounts on the individual master file grew to 139 million by the end of September 1986, an increase of 4.5 percent from last year's figure. For the same period the number of accounts on the business master file numbered 26.8 million, an increase of 3.5 percent. The National Computer Center processed 669.1 million changes to the master file during the year, a decrease of 1.1 million.

EARNED INCOME CREDIT

Low income taxpayers who keep a home for themselves and at least one dependent may claim the earned income credit. And 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. In 1986, 6.2 million taxpayers claimed a total of \$2 billion, of which \$1.7 billion had been claimed in advance payments.



Gross receipts rose to \$782.3 billion.

Net Collections

Source	Gross Collections	Refunds ¹	Amount	Percent of total	
NET INTERNAL REVENUE COLLECTIONS	Grand total	782,251,812	92,600,851	689,650,961	100.0
Corporation income taxes	80,441,620	17,298,313	63,143,307	9.2	
Individual income taxes ²	416,568,384	73,286,566 ³	343,281,817	49.8	
Employment taxes, total	244,374,767	990,361	243,384,407	35.3	
Old-age, survivor's, disability and hospital insurance	234,879,738	736,900	234,142,838	34.0	
Railroad retirement	3,833,640	6,243	3,827,397	0.6	
Unemployment insurance ³	5,661,389	247,218	5,414,171	0.8	
Estate and gift taxes	7,194,956	237,329	6,957,626	1.0	
Excise taxes	33,672,086	788,282	32,883,804	4.8	

¹ Does not include interest paid on refunds. In the narrative, the total refund figure of \$94.4 billion includes \$1.8 billion of interest.

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

³ Does not include an adjustment made by the Department of the Treasury after our books were closed to increase "Individual income taxes withheld by employers" and correspondingly decrease "Unemployment insurance" by \$396,387,000.

Increase or decrease

Source	Percent of 1986 collections	1985	1986	Amount	Percent	
GROSS INTERNAL REVENUE COLLECTIONS	Grand total	100.0	742,871,541	782,251,812	39,380,271	5.3
Income taxes, total	63.5	474,072,327	497,010,003	22,937,676	4.8	
Corporation	10.3	77,412,769	80,441,620	3,028,850	3.9	
Individual, total	53.3	396,659,558 ¹	416,568,384 ²	19,908,826	5.0	
Withheld by employers ³	40.2	298,975,371 ¹	314,441,953 ²	15,466,582	5.2	
Other ³	13.1	97,684,187	102,126,431	4,442,244	4.5	
Employment taxes, total	31.2	225,214,568	244,374,767	19,160,200	8.5	
Old-age, survivor's, disability and hospital insurance, total	30.0	215,590,990	234,879,738	19,288,748	8.9	
Federal insurance contributions	28.0	201,492,708	219,171,256	17,678,548	8.8	
Self-employment insurance contributions	2.0	14,098,282	15,708,482	1,610,200	11.4	
Unemployment insurance	0.7	5,671,797	5,661,389 ³	(10,407)	-0.2	
Railroad retirement	0.5	3,951,761	3,833,640	(118,141)	-3.0	
Estate and gift taxes	0.9	6,579,703	7,194,956	615,253	9.4	
Excise taxes, total	4.3	37,004,944	33,672,086	(3,332,858)	-9.0	
Alcohol	0.7	5,398,100	5,647,485	249,385	4.6	
Tobacco	0.6	4,483,193	4,607,845	124,652	2.8	
Other	3.0	27,123,651	23,416,756	(3,706,895)	-13.7	

¹ Includes presidential election campaign fund amounting to \$34,787,755.

² Includes presidential election campaign fund amounting to \$35,933,481.

³ Estimated collections of individual income tax withheld are not reported separately from old-age, survivor's, disability and hospital insurance (OASDHI) taxes on wages and salaries. Similarly, collections of individual income tax not withheld are combined with OASDHI taxes on 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 estimates shown for the two categories of individual income taxes were derived by subtracting the OASDHI tax estimates from the combined totals reported. ⁴ Does not include an adjustment made by the Department of the Treasury after our books were closed to increase "Individual income taxes withheld by employers" and correspondingly decrease "Unemployment insurance" by \$396,387,000.

PENALTIES AND INTEREST

By law IRS must charge penalties for certain infractions such as failure to file returns or make timely payments, payment with bad checks, negligence, false withholding statements and fraud, unless there are extenuating circumstances. The law also gives IRS the authority to charge interest on late payments and to cancel or lower an interest charge when it is not justified. In 1986 18.6 million penalties were imposed totaling \$3.5 billion. Of these, 10.3 million penalties were imposed on individuals, for a total of \$1.8 billion, and 8.3 million on business returns, totaling \$1.7 billion. Penalties may be abated when a taxpayer can show just cause that the penalty should not have been imposed in the first place. Interest charges totaled \$3.5 billion on individual returns, with reductions of \$435.6 million. Interest charged to business returns totaled \$7 billion, lowered by \$2.4 billion when necessary. 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.

PRESIDENTIAL ELECTION CAMPAIGN FUND

All citizens and resident aliens who owe at least one dollar in federal income tax may choose to designate a dollar from this tax to this fund, established in 1972. In 1986, 23 percent of the total individual income tax returns, or 23.9 million, showed designations to this fund of \$35.9 million. The cumulative amount credited to the fund since it began in 1972 is \$467.2 million.

CONTRIBUTIONS TO REDUCE THE PUBLIC DEBT

This was the fourth year federal tax forms carried a message inviting taxpayers to make voluntary contributions to reduce the public debt. Those who chose to do so could have sent 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. All funds received go to a special account for this purpose. In 1986 there were 1,341 contributions, totaling \$245,000 making the number of contributions 9,659 and the total contributed \$1.4 million.

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 requirement has been in effect since 1981. Starting in 1986, the requirement now includes applying individual income tax refunds to support payments for a child or spouse who is not on welfare and to debts owed to some federal agencies.

Through an agreement with the Department of Health and Human Services, IRS acts as collection agent for the state welfare agencies in all child or spouse support cases. The refund amounts reimburse the agencies for the support they furnish through aid to families with dependent children. The state agencies turn the funds over to the parents having custody of the children in nonwelfare cases. In 1986, 606,521 refunds were offset in the amount of \$320 million to cover delinquent payments.

Other agreements with the Departments of Housing and Urban Development, Agriculture, and Education, and the Veterans' and Small Business Administrations require the IRS to act as collection agent for delinquent federal debts. Refunds were offset for this purpose on 273,327 individual income tax returns in the amount of \$150 million.



The Service issued 77.9 million refunds, totaling \$94.4 billion.

ASSISTING THE TAXPAYER

Taxpayers have the right to expect that IRS will provide them with quality assistance in meeting their obligations and responsibilities under the tax laws, in filing their returns, in resolving problems and in getting accurate answers to questions. In 1986 IRS took steps to bolster the taxpayer assistance program with more training, staff and resources.



Taxpayer Service answered 54.8 million requests for assistance.



Some 59,000 IRS-trained volunteers helped with 1.8 million taxpayer returns.



IRS gave special help to disaster victims in 22 states.

ASSISTING TAXPAYERS	Write, Call or Walk-in	1986	1985
Total Requests for Assistance		54.8 Million	58.9 Million
Toll-Free Telephone		37.9 Million	41.1 Million
Account & Problem Resolution		6.2 Million	5.9 Million
Technical		2.6 Million	2.1 Million
Service for the Deaf		2,388	2,876
Non Toll-Free Telephone		.3 Million	.8 Million
Tele-Tax		7.9 Million	8.3 Million
Automated Response		1.5 Million	4.3 Million
Refund		6.4 Million	4.0 Million
Outreach		376,000	400,000
Community Sites		8,000	6,600
Correspondence		241,000	160,000
Walk-In		8.1 Million	8.1 Million
Permanent Offices		345	377
Filing Season Only		115	81
With Foreign Language Assist		114	119
Tax Forms & Instructions Distributed		298.0 Million	314.0 Million
Libraries, Banks & Postal Service		52,000	52,500
Disaster Assistance			
States		22	14
Counties		250	111
Cities		58	N/A
Taxpayer Education			
Taxpayer Returns Assisted		1.8 Million	1.5 Million
VITA & TGE Volunteers		59,000	50,000
Students Who Received Understanding Taxes Material		4.0 Million	4.0 Million
Workshops			
Small Business		39,000	39,800
Tax Practitioners		32,000	37,400
Institutes		230	235
Law & Graduate Accounting Schools		22	22
Taxpayer Information			
Free Advertising Received		835.0 Million	834.0 Million
Material Sent to Print and Electronic News Media		35,000	30,000
Television Clinics			
Radio Clinics		13	7
Estimated Viewers		4	4
		12.0 Million	10.1 Million
Newspapers Given Tax Supplements			
Circulation		900	900
		23.0 Million	23.0 Million
Magazines with Public Service Ads			
Circulation		4,573	1,900
		94.0 Million	94.0 Million
Ad Value		84.8 Million	84.8 Million
Billboards		1,900	1,900

WRITE, CALL OR WALK IN

In 1986 employees answering taxpayer inquiries received improved training to be able to fully respond to the taxpayers' questions. All personnel assigned to work on taxpayers' accounts received additional mandatory training on researching and resolving account-related problems. And all employees who deal with the public received, in addition to the annual refresher training, a special course on communication techniques which not only stressed courtesy in answering taxpayers' questions, but also included training in listening skills. More experienced employees served as coaches for new employees as they worked through on-the-job training. With passage of the Tax Reform Act at the end of the fiscal year, tax assistants received training about the provisions of the new law.

Taxpayers wrote, called or walked into IRS offices in 1986 with 54.8 million requests for assistance, compared to 58.9 million in 1985. There were more contacts in 1985 than in

1986 primarily because of the out-of-the-ordinary problems the Service experienced in 1985 in processing tax returns. More than 65 percent of the 1986 total assistance requests occurred between December 29, 1985, and April 26, 1986. Quality checks showed that IRS responses to these requests had an overall accuracy rate of 93 percent.

TELEPHONE ASSISTANCE

There are three ways to phone the IRS for assistance: the toll-free system with trained assistants to answer the phones for tax information or help with account problems; Tele-Tax for either recorded technical tax law information or the status of the current year's refund; or a special toll-free telephone service to order forms and publications only.

This year Tele-Tax doubled the number of telephone lines and the service became toll-free nationwide. In addition the system can now answer refund inquiries more specifically. For example, the equipment, a computer-

based answering system, can tell the caller what day the refund was mailed, whether the tax return in question is being processed, or that the return has been processed. If there is a processing problem, the Tele-Tax message advises the caller to contact the IRS for more information.

Deaf taxpayers throughout the United States, Puerto Rico and the Virgin Islands continued to receive toll-free tax assistance through equipment designed specifically for their use.

WALK-IN SERVICE

IRS offered walk-in taxpayer assistance in inner city, business district, suburban and rural locations, in permanent offices and at temporary sites set up only for the busy period of the year when taxpayers are filing returns. Many of the offices offered foreign language assistance. Some 52,000 libraries, banks and Postal Service locations helped IRS distribute more than 298 million tax forms, instructions and publications.

DISASTER ASSISTANCE

In 1986 taxpayers in 22 states suffered losses due to floods, hurricanes, tornadoes and other emergencies and disasters. The IRS offered on-site assistance to the victims by helping to prepare amended returns for casualty loss claims so that affected taxpayers could get refunds as quickly as possible.

TAXPAYER EDUCATION

As in the past years, IRS distributed instructional materials to high school and adult basic education students through the *Understanding Taxes* program. Recently expanded, the section on the economics of taxation now includes a video/film series of six 15-minute programs, entitled, *Tax Whys: Understanding Taxes*. Since 1985 over 11,000 teachers have been trained in teaching *Tax Whys*.

The Volunteer Income Tax Assistance (VITA) and Tax Counseling for the Elderly (TCE) programs trained volunteers to assist low-income, non-English speaking, handicapped and

elderly taxpayers with their federal, state and local tax returns. In addition, IRS employees not only traveled to local sites through the Community Outreach Tax Assistance Program and presented seminars on a variety of tax topics, but they also helped conduct workshops for small-business owners and participated in tax practitioner institutes.

TAXPAYER INFORMATION

The Service prepares a variety of materials on taxes for both electronic and print media. IRS participated in 13 television and four radio tax clinics and other special programs nationwide which not only gave viewers topical tax information but also allowed them to phone in their tax questions. The service produced instructional videocassettes and made them available to the public through libraries and video outlets. Newspapers and other print media across the country receive materials for their readers from the IRS, among which the tax supplement — a multi-page collection of tax information — is the most significant. In addition the Service publishes drop-in ads, billboards and bus cards advertising the various free tax help services the IRS offers to the public.

FORMS AND PUBLICATIONS

In an on-going IRS effort to improve the forms and instructions, employees who have this responsibility continue to meet with professional groups and encourage comments from the general public. This year IRS developed a number of prototype tax forms as the Tax Reform Act of 1986 progressed through Congress to enactment. Once signed into law, the Act required that some forms and instructions be designed and others be rewritten to reflect the many provisions of the law. IRS publishes booklets on more than 100 specific tax topics and makes them available to the public free of charge. In 1986 the Service distributed 4.3 million copies of *Your Federal Income Tax*, 1.9 million copies of the *Tax Guide for Small Business*, 690,000 copies of the *Farmer's Tax Guide* and 63,000 copies of the *Tax Guide for Commercial Fisher-*

men, and supplied other tax materials to 8.5 million taxpayers, 230,000 tax practitioners and 500,000 employers.

When taxpayers order printed materials from IRS by phone, the requests go to the newly-developed Centralized Inventory and Distribution System, which is in the process of automating and centralizing forms warehousing and distribution. IRS is currently consolidating its eight distribution centers across the nation into three strategically located sites. The first facility in Richmond, Virginia, has been operational since October 1985; the second in Bloomington, Illinois, began operation in October 1986; the third now in Fresno, California, will move to a new Sacramento site in July 1987. IRS' distribution centers filled approximately 8.5 million taxpayer orders in 1986, generally within 48 hours of receipt of the request.

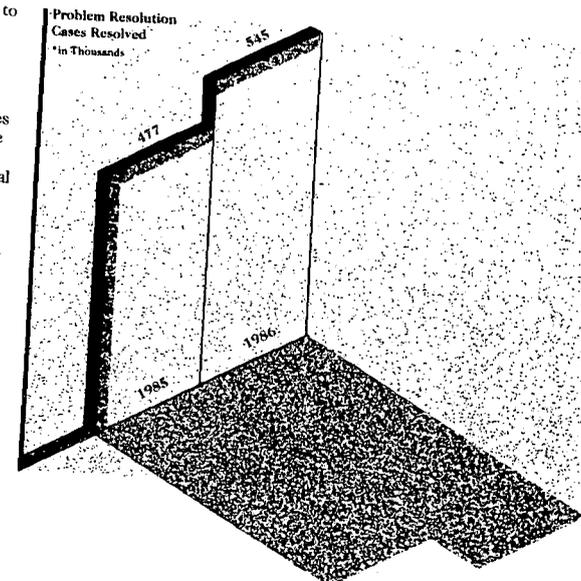
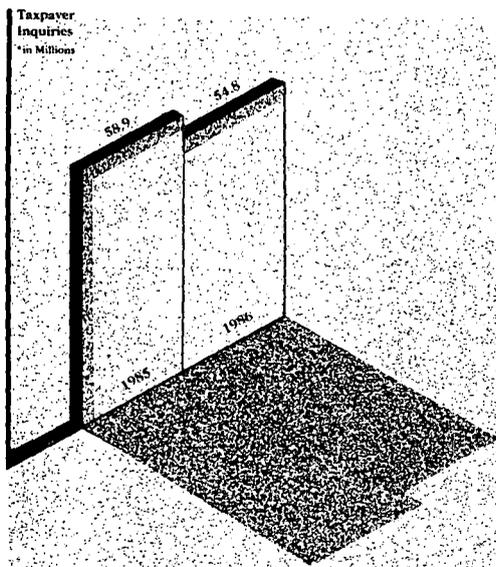
PROBLEM RESOLUTION PROGRAM

The Problem Resolution Program continues to provide taxpayers with a

place to turn when their previous efforts to resolve a tax problem have failed. IRS employees themselves identified and referred more than 80 percent of the 545,000 cases handled by this program this year. The balance of the requests came from taxpayers and tax practitioners who had become aware of this specialized service through various sources of publicity.

Besides handling individual problem cases, a large part of the program aims to prevent or correct systemic problems which arise in the tax system itself. Problem Resolution recommendations in 1986 led to a policy for reimbursing taxpayers for bank charges resulting from the IRS' incorrect levies on taxpayers' bank accounts.

Another recommendation introduced safeguards into procedures relating to levies on retirement income. Other important developments include a short form for fiduciary income tax filers and procedures to ensure those given power of attorney by estates received appropriate notices relating to the estate tax returns.



ENFORCING THE LAW

The taxpaying public deserves assurance that their tax administration is seeking out those who are not fulfilling their tax obligations, collecting the correct amount of taxes due, and when necessary, bringing criminal violators of the tax law to justice. IRS personnel assigned to these tasks are highly trained and skilled professionals. With the ever increasing help of modern technologies, they work to ensure that all taxpayers pay only their fair share of tax — no more, no less. Their goal: maximum results with minimum expense. The new automated examination system, for instance, will make it possible for revenue agents to figure tax, check inventories and write reports on site with portable computers loaded with state-of-the-art software. Service centers use computers to spot not only errors on tax returns but also discrepancies between figures on tax returns and the amounts on reports filed by payers of income. The automated collection system — just completing its second full year of operation — continues to show significant improvements over the collection office function it replaced. This

year the automated system collected nearly two-thirds of all delinquent accounts it received without resorting to additional field contacts or processing. Also in this year of increasing global activity IRS reorganized and consolidated the international tax operation and established the office of the assistant commissioner, international.



EXAMINATION RESULTS

IRS examined 1.3 million returns in 1986, recommending additional tax and penalties on .9 million, totaling \$19.1 billion — a 12 percent increase over 1985. Examinations resulted in overassessments on 68,310 returns, with refunds of \$737 million.

This year IRS adjusted 212,000 Forms W-4 when employees understated income or claimed too many itemized deductions and personal or dependency allowances. More than 45,000 taxpayers who filed false withholding information received the \$500 civil penalty which applies in these cases.

In addition, service centers verified or corrected 584,028 returns by mail. In total, the Service examined, verified or corrected 2.03 percent of all returns filed, compared to 2.13 percent in 1985. This program also resulted in \$796 million in recommended additional tax and penalties. While the Service actually examined fewer returns in 1986, the recommended additional tax was higher and the number of returns with no change was lower.

Continued emphasis on fraud detection during the examination process produced more than 8,000 fraud referrals submitted to criminal investigation in 1986. This penalty is equal to 50 percent of the entire additional tax due if any part of the underpayment is due to fraud, plus 50 percent of the interest due on the portion of the underpayment attributable to fraud.

AUTOMATED EXAMINATION SYSTEM

In 1986, IRS contracted for up to 18,000 portable computers that weigh fewer than 17 pounds and fold to the size of a briefcase. This new equipment literally puts more than 40 IRS-designed applications at the fingertips of revenue agents. Labor intensive tasks of the past can now be done in a fraction of the time. For example, agents can calculate an individual's net operating loss including carrybacks and carryforwards, determine the amount of unreported income based on bank account analysis and calculate the correct depreciation. The integrated software package includes word processing, spreadsheet capability, graphics, data base management and telecommunications. With the portable printers, agents can print standard and customized letters as well as examination reports. Over 6,000 revenue agents already have received hardware and software training on these "laptop" computers. Future phases of the new system will include the introduction of mini/

micro computers, a citator system to help agents find reference materials and mainframe computers with even more capabilities. When the system is fully in place by 1989, it will improve the quality of examinations and personnel productivity, while reducing overall examination costs.

INFORMATION RETURNS PROGRAM

Because of the computer capability to match documents, in 1986 IRS notified more than 3.2 million taxpayers of seeming discrepancies between income they reported on their tax returns and income reported by payers of income on information returns. In addition, the Service sent 3.3 million notices to taxpayers who apparently failed to file federal tax returns. Service centers received 850 million information documents, including over 210 million Forms W-2 from the Social Security Administration, and more than 29 million from trustees for contributions to individual retirement arrangements and simplified employee plans.

ENGINEERING PROGRAM

The engineering program is one of the oldest and most productive programs within the examination division. Initiated during the First World War, the program has grown to its current strength of roughly 360 mining, petroleum, industrial and general engineers, geologists, foresters and appraisers. With the major portion of their time devoted to the examination of large corporations and tax shelters, these specialists provide invaluable service to both Appeals and Counsel.



RETURN PREPARER PROGRAM

Return preparers, like other professionals, maintain a code of ethics and standards befitting their profession. Both the IRS and return preparers have a duty to safeguard the rights and responsibilities of all taxpayers, and when some unscrupulous preparers violate their trust, IRS by law must penalize them. As of September 30, 1986, based on certain preparer conduct, IRS asserted 12,065 return preparer penalties. Conduct penalties apply when the facts and circumstances establish that a preparer has negligently, intentionally, or willfully understated tax liability in the preparation of a return or a claim for refund.

COMPUTER ASSISTED AUDIT PROGRAM AND STATISTICAL SAMPLING

Computer specialists, who are trained in computer systems, hardware and program languages, assist examiners in cases involving computerized records.

The IRS trains computer audit specialists in advanced statistical inference techniques so they can apply them either in examinations or as expert assistants to other revenue agents and examination specialists.

Employee Plans
issued 341.077
determination letters.

	Fraudulent Tax Shelters		Illegal Tax Protesters		Narcotics Related		Bank Secrecy Act (Title 31)		All Other		Total	
	1986	1985	1986	1985	1986	1985	1986	1985	1986	1985	1986	1985
RESULTS OF												
CRIMINAL INVESTIGATION ACTIVITY—1986												
Investigations Initiated	312	326	338	447	1264	1188	354	338	3593	3766	5861	6065
Investigations Completed	335	334	464	608	1343	1277	369	250	3576	3442	6087	5911
Prosecution Recommendations	231	213	299	351	956	840	275	174	1763	1656	3524	3234
Indictments/Informations	124	92	338	345	817	673	204	144	1471	1198	2954	2452
Convictions	107	55	296	302	666	515	108	91	1283	1062	2460	2025
Sentencings	80	50	319	304	662	514	111	97	1246	1126	2418	2091
Percent Receiving Prison Sentences	59%	66%	60%	61%	73%	80%	60%	57%	56%	58%	61%	64%

COORDINATED EXAMINATION

This program includes 1,436 of the largest and most complex domestic and foreign-controlled corporations. Teams of the most experienced examiners control and perform examinations of these corporations. IRS continually monitors the program to ensure the highest degree of efficiency and effectiveness. An executive level task force is completing a study to evaluate the program and make recommendations for improvement. The coordinated examination program recommended tax deficiencies and penalties totaling \$8 billion in 1986. (See tables 7 through 12 for additional information on examination results.)

ABUSIVE TAX SHELTERS

Abusive tax shelters are schemes designed to create paper losses that have no business or economic basis. Because of the demoralizing effect they have on the tax-paying public, these shelters have long been a target of employees in examination, criminal investigation and other enforcement functions.

As of September 30, 1986, the Service had examined 184,249 returns with tax shelter issues — an increase of 42,826 returns over 1985. Examinations of 171,354 of these returns resulted in total recommended additional tax and penalties of \$3.7 billion.

Today criminal investigation detection teams in each service center screen returns for schemes that could be abusive shelters in order to block improper refunds. To date the teams have frozen more than \$19.5 million in refunds that were directly associated with abusive tax shelters. The cases they have referred to district offices have resulted in more than 1281 criminal investigations and civil examinations of promoters and investors.

As a result of rules requiring tax shelters to register with the examination division, organizations have sent 8,583 applications whose deductions and credits substantially exceed investments. Promoters who overvalue a shelter's assets by a large margin or

who make false claims about the shelter may be subject to a penalty of \$1,000 or 20 percent of gross revenues from the sale of the shelter. If the promoter is subject to this penalty, the Service will attempt to advise the shelter's investors before they file their returns that any deductions or credits taken in connection with the identified shelter will be denied and that they will be subject to certain penalties. In 1986 IRS issued 5,307 letters on 22 promoters during the year and obtained court orders barring 15 promoters from marketing shelters. This year in Ft. Lauderdale, Florida, a tax shelter promoter was sentenced to serve 62 years in prison for aiding and assisting in the preparation of false federal income tax returns and filing false personal federal income tax returns. This represents the longest prison sentence handed down so far for a shelter promoter. Further, the judge ordered the promoter to serve at least 20 years before being considered for parole. The scheme involved some \$50 million in tax writeoffs, with investor funds routed through Liechtenstein, the Cayman Islands and the Bahamas.

ILLEGAL TAX PROTESTERS

Illegal tax protesters are those who break the tax laws to protest government policy. Unfortunately, they sometimes attract a large following of people who fail to recognize the fallacy in their arguments.

The founder and former president of an illegal tax protest organization in Atlanta, Georgia, was sentenced to serve 84 years in prison for aiding and assisting in the preparation of false federal income tax returns.

A Cedar Rapids, Iowa, school-teacher, who also is a "bishop" in a California-based organization that sells church charters and ministerial certificates, was sentenced to serve eight years in prison after being convicted of conspiracy to interfere with or impede the lawful function of the IRS. Seven other individuals who had been charged with taking false deductions on their federal income tax returns negotiated plea agreements and testified against the principal offender.

CRIMINAL INVESTIGATION

Voluntary compliance with the tax laws in the United States self-assessment system of taxation relies heavily on the deterrent effect of successful criminal prosecutions. IRS criminal investigators long have been recognized as being among the top financial investigators. Today, organized crime, abusive tax shelters, illegal tax protesters, high-level drug dealers, Organized Crime Drug Enforcement Task Forces, Bank Secrecy Act and money laundering violations, and false claims against the government are among their priority enforcement targets. While the examples which follow are just a microcosm of the

total universe of successful tax prosecutions for criminal violations, they illustrate a key issue: these are expensive crimes. Not only do the courts hand down substantial prison sentences, but those convicted must also pay fines, civil taxes and penalties in addition to serving prison sentences.

BANK SECRECY ACT

The Bank Secrecy Act requires financial institutions to report currency deposits or withdrawals of more than \$10,000. The second largest bank in New England was fined \$1.2 million for violations of the act. The bank failed to report 31 separate withdrawals of more than \$10,000 each by an alleged bookmaker. A West Covina, California, man was sentenced to seven years in prison for violating the Bank Secrecy Act when he laundered drug-related money.

QUESTIONABLE REFUND PROGRAM

This program seeks to uncover those individuals who file false or fictitious tax returns for the purpose of getting refunds to which they are not entitled. Detection teams in each of the service centers intercepted more than \$10.8 million in fictitious claims for multiple refunds and referred more than 680 schemes to district offices for investigation.

An Oak Harbor, Washington, man was sentenced to serve three years in prison for filing false refund claims and for mail fraud. A former U.S. Navy officer, he used names and social security numbers obtained from Navy billet rosters. A false refund detection team blocked all of the more than \$350,000 in false refund claims before any checks could go out. A former revenue agent was sentenced to serve four years in prison after being convicted of filing false claims for refund in Lubbock, Texas. The scheme involved the use of false Form W-2 prepared with legitimate social security numbers and employer identification numbers obtained in the defendant's accounting practice.

ORGANIZED CRIME DRUG ENFORCEMENT TASK FORCES

The Service is a significant participant in the President's Organized Crime Drug Enforcement Task Forces. The investigation of narcotics traffickers involves in-depth financial analyses by special agents of the criminal investigation division. These investigations are in direct correlation with effective tax administration and the fostering of voluntary compliance among individuals receiving income from illegal sources.

A former assistant United States attorney in Jacksonville, Florida, was sentenced during the past year to serve five years in prison for conspiracy to aid and assist a drug smuggler hide illegal profits from the IRS. He also was convicted on charges related to money laundering activities. An ex-



Exempt Organizations
approved
43,007 applications.

accountant from Florida was sentenced to 35 years in prison and fined \$6 million for tax on money laundering and drug-related violations when evidence was introduced establishing that he had laundered over \$100 million in illegal drug profits. Other evidence established that between 1973 and 1983 he had laundered over \$1 billion.

A former assistant district attorney in Kalamazoo, Michigan, was sentenced to serve five years in prison for tax evasion and for interfering with and impeding the lawful functions of the IRS. The charges stemmed from his involvement in a multi-million dollar drug ring.

COLLECTION

Collection is responsible for collecting taxes where the amount owed is not in dispute but remains unpaid. Collection secured \$19.6 billion in 1986, compared with \$18.3 billion in 1985.

Of that sum, \$9 billion was collected as a result of the first bill. Subsequent billings yielded \$5.5 billion, and additional action on delinquent accounts generated \$5.1 billion.

AUTOMATED COLLECTION SYSTEM

The automated collection system (ACS) completed its second full year of operation and increased in efficiency to the point of fully collecting nearly two-thirds of all delinquent accounts it received without resorting to additional field processing.

WORKLOAD PRIORITY AND SELECTION SYSTEM

In July 1986 collection implemented a workload priority and selection system to more effectively manage its

growing inventory. Computer models predict the yield of cases in each of seventeen workload categories, based on historical data and the characteristics of related tax returns.

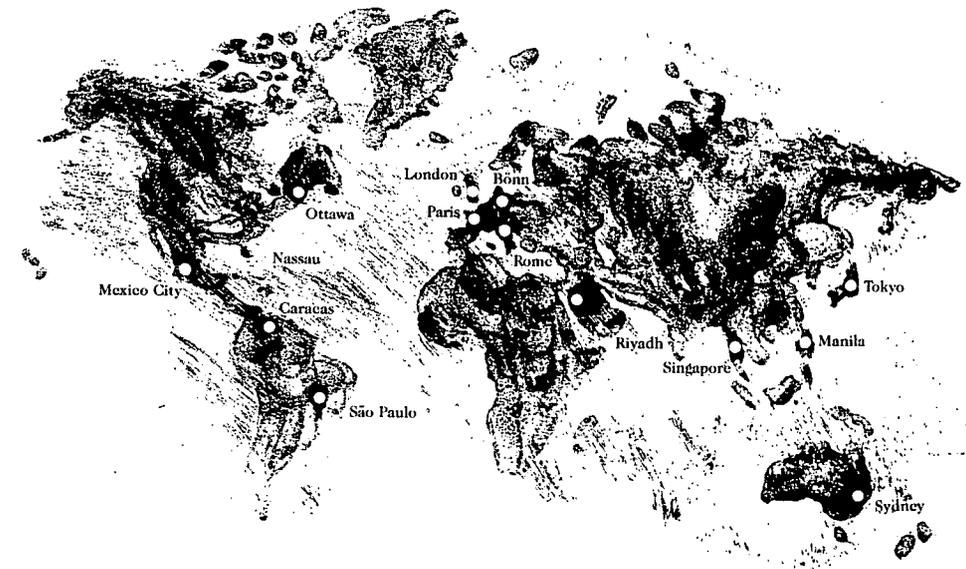
When taxpayers fail to resolve their accounts in ACS, this new system of inventory control either issues the accounts to the collection field function or holds them in a "queue." Accounts in the "queue" are then assigned to the field function based on their predicted yield and on the staffing available to work them.

SERVICE CENTER COLLECTION BRANCH

The service center collection branch (SCCB) is collection's first point of contact with taxpayers who may be delinquent in filing tax returns and paying taxes. In 1986 SCCB expanded its traditional role of sending notices and bills to taxpayers and responding to taxpayer correspondence. When IRS records show that a liability exists and the taxpayer fails to file an income or employment tax return, SCCB now takes additional action. SCCB will prepare and file the return, assess the tax, and initiate the collection process. (For details on collection data, see tables 13 and 14.)

INTERNATIONAL

IRS reorganized and consolidated all of its international tax administration functions — foreign operations district, examination's international programs section, and the tax administration advisory services division — into the office of the assistant commissioner, international, to strengthen and integrate the various activities of international tax administration. The new office has all responsibility for international tax program development and compliance. This responsibility includes assisting in the development of tax treaties and providing technical



assistance to modernize and strengthen the tax systems of foreign and state territorial governments.

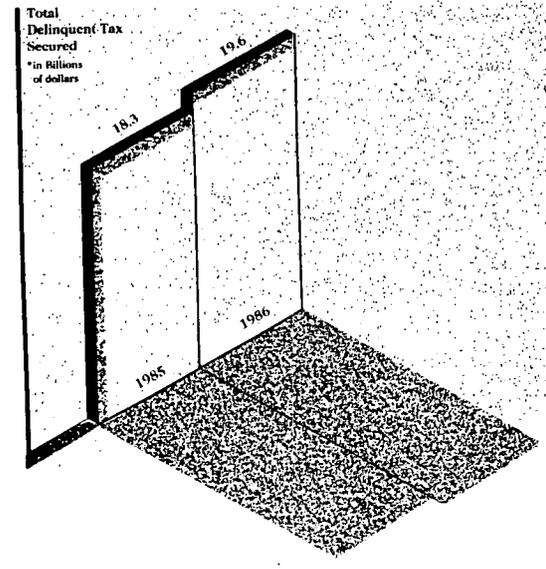
International coordinates information exchanges between IRS and state governments. The new organization also administers IRS laws and related statutes as they apply to U.S. taxpayers doing business or residing abroad, corporations and businesses whose books and records are maintained outside the United States, and non-resident aliens or foreign corporations who receive or earn income from sources within the United States. In the interest of quality improvement, international plans to change its scope and direction to achieve long-term effectiveness in such areas as treaty relationships, operational research, use of personnel overseas, automation

and federal/state exchanges. Working toward more effective compliance, this new office will conduct international research projects, study compliance and taxpayer assistance problems and the issues involving international tax consequences.

This office developed, implemented and evaluated programs for the effective examination of the international aspects of tax returns, the majority of which involved multinational corporations. Some 400 specially trained international examiners stationed in 21 key districts here in the states performed these functions. International further emphasized compliance in 1986 by giving special attention to U.S. taxpayers operating in tax haven countries, violations of reporting requirements of the Bank Secrecy Act, high-level drug traffickers, and the Presidential Drug Task Forces. In terms of taxpayer assistance, international, working at larger U.S. embassies, served over a half million U.S.

citizens living overseas. In addition, representatives made regularly scheduled, publicized tours to embassies and consulates in 72 cities and 35 countries. Revenue service representatives, stationed in 14 overseas countries, are responsible for developing and maintaining effective relationships with the foreign governments and expanding political and economic contacts in their respective countries.

Working with U.S. taxpayers in foreign countries is not the only foreign involvement. International administers the more than 35 tax treaties and agreements the U.S. has in force worldwide. These treaties and agreements provide for information exchanges and relief from double taxation contrary to treaty rules. There are simultaneous examination



programs with Canada, the Federal Republic of Germany, France, Italy, Japan, Norway and the United Kingdom, and cooperative efforts with Canada, Italy and France to conduct bilateral criminal investigations when there are alleged significant tax violations. The Service exchanges information spontaneously with U.S. treaty partners, Australia, Canada, Denmark, the Federal Republic of Germany, France, Italy, Japan, Norway, Sweden and the United Kingdom, particularly when information concerns the worldwide operations and practices of multinational industries. And IRS shares information returns routinely with its treaty partners on income paid from sources within one country to recipients who are residents in another.

IRS executives are active in the Caribbean Organization of Tax Administrators, the Group of Four, the Pacific Association of Tax Administrators, the Organization for Economic Cooperation and Development and the Inter-American Center of Tax Administrators (CIAT). The 1986 CIAT Assembly elected the United States to serve as the First Counselor on the CIAT Executive Council for 1986-87. The IRS hosted the CIAT Technical Conference on the Application of Automation for the Increase of Revenue in the Modern Tax Administration.

International is involved in almost every continent. The Service gives long-term tax administration advice to Costa Rica, Egypt, Indonesia, Jordan,

Liberia and Saudi Arabia, and works on short-term projects with Jamaica, Indonesia, Sri Lanka, as well as the Inter-American School of Public Administration in Brazil. In the U.S. Virgin Islands, Trinidad and Tobago the Service surveyed the tax departments. It has given help to the Government of American Samoa and has received foreign officials to observe IRS programs. IRS has furnished instructors for tax practitioner institutes at colleges and universities and has given two six-week seminars for foreign tax administrators. In addition it gave the first in a series of management seminars in Spanish for managers from the Government of Ecuador.

The assistant commissioner, international, is a member, with others from the National Association of Tax Administrators, of a federal-state coordinating committee to expand current cooperative relationships between the IRS and state tax agencies.

Recent successful accomplishments include joint state-IRS fuel tax examination programs, training activities and long-range tax compliance planning.

EMPLOYEE PLANS

The employee plans function enforces the tax laws governing pension plans by issuing letters determining whether or not a plan qualifies under the law, examining returns to ensure that plans are complying with the law and publishing rulings to clarify the law. In 1986 the Service issued 341,077 of these letters and examined 20,519 returns.

To improve and increase examinations of retirement plans and unions, the Service began discussions with two Department of Labor agencies, Pension and Welfare Benefits Administration and Office of Labor-Management Standards.

During the year IRS issued several revenue rulings providing guidance to taxpayers who engage in arrangements concerning adjustments to certain minimum funding requirements and the determination of benefits on a termination basis in defined benefit plans. The Service also issued

a revenue ruling providing guidelines for plan integration with social security benefits under the Social Security Amendments of 1983. Another revenue ruling required that if values under an individual retirement account (IRA) are guaranteed or can be projected, the trustee or issuer must in certain circumstances disclose to the person buying the IRA what amounts that person will be able to withdraw.

EXEMPT ORGANIZATIONS

Responsibility for many of the laws that exempt organizations from tax falls under the exempt organizations function.

During 1986, IRS issued 15 revenue rulings and procedures and 369 technical advice memoranda. The Service also acted on 62,739 applications and requests for rulings from organizations and examined 21,837 exempt organization returns.

IRS published a revenue procedure relieving some self-supported church-affiliated groups from filing annual information returns unless they both serve the general public and receive their support mainly from sales or services, contributions from public solicitations or government funding.

In addition the Service issued regulations dealing with inquiries and examinations of churches. These regulations limit the circumstances under which IRS agents may contact a church. They apply to any inquiry or examination of a church, convention or association of churches to determine whether or not the group qualifies for tax exempt status, owes tax on unrelated trade or business activities or is liable for tax for some other reason. (For additional data on employee plans and exempt organizations, see statistical tables 17 through 21.)

MANAGING THE TAX SYSTEM

A challenging part of the mission of the IRS is to manage the tax system at the lowest cost to the taxpayers, without compromising the high level of quality and service taxpayers should expect. These efforts include the recruitment and development of the most qualified people; the effective use of buildings, equipment and other facilities; and the continuing search for ways to work better and more efficiently. Proper management of any system requires proper people using the proper tools of management. In 1986 a new assistant commissioner area was established to oversee the redesign of the tax system. Research continued into the areas of low compliance with the tax laws. And the Service intensified its efforts to enhance the skills and efficiency of its people.



IRS employees at close of 1986: 102,206.

TAX SYSTEM REDESIGN

The redesign of the tax processing system is a massive effort to replace and modernize all the ADP equipment and application software for tax return and tax information processing. The size of such an effort requires an evolutionary process that will spawn a state-of-the-arts processing system in the 1990s. This system will feature an expanded and modernized master file, operating from a data base environment at a number of computer facilities.

IRS processing and compliance personnel will have immediate access to up-to-date and on-line tax return information. Telecommunication equipment and automated information processing will replace the shipping of magnetic tapes, much of the bulk processing, and help reduce the processing, storage and retrieval of mountains of paper.

In 1986 a Treasury order established the office of the assistant commissioner, tax system redesign, to effect the planning, acquisition and installation of information technology to satisfy the Service's processing needs. The electronic filing project described in chapter one is part of this process.

LASER TECHNOLOGY

Optical disks, which hold thousands of pages of information and require little space, may hold the key to solving the problems of storing and retrieving tax information. Present technology would permit storage of 16 cubic feet of documents on a disk the size of a long-playing record.

In August 1986 IRS began testing the equipment used to store and retrieve tax return documents using laser technology. The Files Archival and Image Storage Retrieval test, known as FAISR, should help solve the storage problem in the future and virtually do away with the misfiling of tax returns. Future plans include testing other laser possibilities, such as sending images to far-off sites, providing return images to other IRS systems and processing tax returns from images on computer screens.

AUTOMATED UNDERREPORTER

The underreporter program reviews cases where the computers identify a possible mismatch between an information return, which reports to IRS income paid to a taxpayer, and the amount shown on that taxpayer's return. This automated underreporter system will replace the present one, which relies highly on manual paperwork. The new system will enable IRS tax examiners to examine and close cases on computer terminals. It will also do away with many clerical tasks.

REVIEW OF ADMINISTRATIVE FUNCTIONS

In 1986 IRS reviewed all the administrative functions in the National Office with the idea of moving, combining, or even abolishing some offices to cut costs and improve operations. The Service realigned the functions in the office of the associate commissioner, policy and management, moved some operations to other areas and eliminated the position of assistant commissioner, support and services. Under the new organization, there are fewer levels of managers and overhead positions, and managers are responsible for larger numbers of employees. The results are lower overhead costs, quicker responses to problems and the ability to anticipate and deal with future issues more effectively.

SPACE MANAGEMENT

In the past and for the most part, the General Services Administration has managed the buildings the IRS uses both in Washington and in the districts and regions. During 1986 the Service took over the operation and maintenance of the Brookhaven Service Center in Holtsville, N.Y., and the headquarters building in Washington, D.C., and will assume responsibility for 11 additional buildings during the next year. The objective, under a 1985 executive order, is to give management flexibility in the use of property and to improve the quality of the workplace for employees.

PAYROLL IMPROVEMENTS

Working with Treasury, the IRS continued to develop the Federal Civilian Pay System, which will combine payroll operations of all Treasury Department bureaus under a single system. The Service also put in place a new automated personnel system, which updates employee accounts directly from a computer terminal and issues management information reports overnight.

TRAINING AND RECRUITMENT

The IRS workforce grew from 96,705 employees at the end of 1985 to 102,206 at the end of 1986. The Service increased staffing mainly in the service centers to bolster the processing of tax returns and in examination, collection and criminal investigation to boost compliance with the tax laws.

Because employee integrity, dedication and expertise are critical to a smoothly run tax system, in 1986 IRS undertook several efforts to remain competitive in recruiting and retaining high caliber employees. One project aims to improve not only relations with colleges but the IRS image with college students as well; another began efforts to better forecast staffing needs and streamline recruitment procedures. Four offices started testing programs to assist employees in career choices, financial matters, relocation and personal problems. Two sites began pilots of new health improvement programs to help employees keep physically fit, with 11 other sites scheduled to start in 1987.

There is special emphasis on helping managers and employees cope with the growing presence of the computer in the workplace. Focus 86, a program on managing in an automated environment, gave service center managers a better understanding of the functions in their various offices and how they affect one another. New in-depth technical training helped employees in service center computer divisions become more effective in their work.

IRS began implementing a new automated training system throughout the nation, and by the end of 1987, this system will be in place in 169 sites. Employees will then be able to take courses in their offices, rather than in regional training centers, resulting in large savings in travel and training time.

STRATEGIC MANAGEMENT SYSTEM

This system helps IRS keep pace with the environment in which it operates. Through this system the Service can identify trends or changes that affect its mission, formulate long-range goals and strategies to achieve them and monitor progress in achieving those goals. In 1986 IRS completed a number of initiatives designed to strengthen compliance with the tax laws, manage information technology, maintain program quality and effectiveness in the face of rapid change and recruit and retain quality employees. The three initiatives described below were completed in 1986:

- One important initiative compared methods used by IRS to quality control programs used in the private sector. The resulting report recommends a model system for the service centers and district offices which uses on-line reviews to lower the number of errors and correct more quickly those errors that do occur.
- Another report on joint efforts with state tax agencies has led to the establishment of a federal-state coordinating committee, made up of IRS and state agency officials. The committee has agreed to pursue joint efforts in training, taxpayer service and compliance matters, including training for field executives on ways to enhance joint cooperative efforts with the states.
- The third report deals with the need to educate self-employed taxpayers on their tax obligations. It calls for long-term relationships with institutions in the public and private sectors to meet the educational needs of the self-employed. Other recommendations include more tax information for the

self-employed and better ways of getting that information to them, as well as a Servicewide commitment to educating self-employed taxpayers and to increasing IRS awareness of the compliance problems in that area.

RESEARCH

IRS research efforts focused on strengthening voluntary compliance, cutting costs and improving the efficiency of operations, and identifying and analyzing trends reflected in the strategic plan. The electronic filing project described in chapter one resulted from these research efforts.

The rapidly advancing technology of artificial intelligence offers great potential for increasing both quality and productivity. IRS has set up an artificial intelligence laboratory, and to staff it, has trained a select group of IRS employees at universities considered to be at the forefront in this field.

Other important research projects during the year included:

- Development of a computerized model to give government officials ready estimates of the impact on revenue of budget increases in IRS' revenue-producing enforcement programs;
- A completed report on alternative filing methods, which showed that most taxpayers are either opposed to or indifferent to staggered filing dates, or an extension of the filing deadline to July 30 or September 30;
- The development of a model to determine the best locations for posts of duty in a district, with the pilot test scheduled to begin in the Jacksonville, Florida, District in 1987.

THE TAX GAP AND COMPLIANCE

One of IRS' greatest concerns is the tax gap, that is, the amount of taxes legally owed that is going uncollected. The Service is studying in great detail

the size, composition and growth of the tax gap. Studies now in progress focus on income that individuals receive from partnerships, small business (*Subchapter S*) corporations, sales of goods furnished by informal suppliers, tips and other sources. As required by Congress, IRS is updating tax gap estimates published in 1983 and projecting them through 1992. The new estimates will help plan methods of lowering the tax gap and focusing on specific compliance problems.

The Service is also studying ways of using computers to deal with these compliance problems. The aim is to isolate specific abuses, then resolve these cases through correspondence and avoid costly and time-consuming examinations. These studies include efforts to identify unreported income from real estate sales, payments-in-kind and taxable pensions and annuities, as well as ways to disallow improper deductions for contributions of property, such as works of art.

COMPUTER SERVICES

This year IRS created a user-assistance and computer-capacity management office, which combined in a single area the responsibilities for ensuring the equipment could handle the workload, integrating systems and helping employees when they met with problems. Newly-formed computer services divisions in the service centers, fully staffed with hardware and software experts, were on call 24 hours a day, seven days a week. In addition, a newly-established command center in the National Office, also working around the clock, kept an eye on the returns processing system throughout the IRS to alert the service centers of actual or potential problems.

The Service awarded a contract to replace some parts of the Integrated Data Retrieval System. This system allows service centers and district offices to research taxpayer accounts and to make changes to those accounts. The aging terminals experienced frequent and costly breakdowns, and the communication

processors installed in the late 1970s could no longer accommodate the volume of transactions.

The new system will help process the workload faster and provide the capacity to handle the expected growth in the workload.

INSPECTION

Inspection, headed by the assistant commissioner, inspection, reports directly to the deputy commissioner and commissioner of IRS, thereby assuring the complete independence of the inspection organization. Through its investigative activities, inspection assists in assuring the highest standards of honesty, integrity, loyalty and security among its employees. Inspection also provides a constructive service to management through its internal audit reviews and appraisals of IRS operations. The recommendations coming from these reviews enable those responsible officials to take actions to improve the efficiency and effectiveness of operations and to improve internal controls.



Research continued into areas of low compliance with the tax laws.

INTERNAL SECURITY

A commitment to quality and service must begin with reassurance to taxpayers that IRS employees live up to the highest standards of honesty and integrity, and that these employees will be protected from efforts to corrupt or threaten them while carrying out their duties. These tasks lie with the internal security division. The high level of integrity of IRS employees is evident in the cooperation internal security receives in detecting fraud and corruption.

One such example involved an employee who reported a co-worker's suspicious behavior showing potential criminal misconduct. The ensuing investigation disclosed a conspiracy involving an employee, a taxpayer and an accountant who were attempting to defraud the government of \$1.6 million by filing returns to get tax refunds for corporations that had gone out of business and by abating taxes, penalties and interest due from several taxpayers. The investigation led to prison terms for the three conspirators.

Another important investigation involved the leader of a tax protest group who had contracted for the murder of an IRS special agent. During the investigation, this individual also indicated that he would organize a team to kill those judges who he believed had deprived people of their rights. He too was arrested, convicted and sentenced to prison.

Internal security investigations led to the arrest or indictment of 158 non-IRS individuals and 77 current or former IRS employees. Of the 259 cases where judicial action was taken in 1986, 236 resulted in convictions or guilty pleas, while 23 resulted in dismissal or acquittal. Assaults and threats decreased moderately in 1986 with 947 investigations, compared to a record number of 955 a year earlier. A total of 28 persons were prosecuted in 1986 for assaulting or threatening IRS employees.

During 1986 the automated potentially-dangerous-taxpayer system, which allows ready identification of taxpayers who might present a danger to IRS employees, continued to play an important part in alerting employees to potentially dangerous situations.

In 1986 the Service investigated 593 cases of alleged employee misconduct. In the 398 cases where management took action, 134 resulted in employees being cleared, while 264 cases resulted in employees receiving such disciplinary actions as separations, suspensions and reprimands.

Internal security also completed 2,973 background investigations on employees during the year and conducted police record checks on persons considered for temporary appointments.

INTERNAL AUDIT

The internal audit division reviews operations throughout the IRS to find ways to improve the efficiency and economy of operations and ensure the effectiveness of Service programs and internal controls.

Audits range from on-line reviews of major systems acquisitions such as the automated collection system (ACS) and major Service programs such as returns processing and the Tax Reform Act of 1986 to managerial compliance with internal controls at the district and service center level.

In one review, internal audit studied the causes for major problems during the 1985 filing season. The 36 recommendations to management addressed the major problems, such as inexperienced employees at the service centers, ineffective controls for finding and correcting documents and improper processing of magnetic tapes with tax and payment information.

Another important internal audit report focused on federal tax deposits made by employers to cover their payroll and other taxes. Auditors found that more than 700,000 of these deposits totaling \$6.5 billion would result in incorrect bills, penalties, refunds or inquiries for delinquent returns because control systems

were slow to identify and resolve taxpayer and employee errors. The identification, and resolution of these kinds of errors can significantly add to service center, collection division and taxpayer service workloads.

The report recommended, among several changes, that IRS assign responsibility for federal tax deposit procedures to a single service center manager and create an information system to monitor the processing of these deposits and alert managers to potential problems. Other important recommendations include a method for checking the taxpayer's name and identification number before they are printed on the deposit coupon to ensure that deposits are applied to the right taxpayers, and a check on name and identification number before the deposit is entered in the master file to identify erroneous deposits sooner. Management agreed with these proposals and is taking steps to correct the problems.

Besides improving operations and giving managers the ability to fix problems more quickly, internal audit recommendations put in place by management in 1986 will yield \$605 million in added revenues and cost savings. The recommendations requiring long-range actions will yield another \$690 million.

Internal audit also reviewed its own operations extensively to find better ways to improve their quality and efficiency. One result of this review will be more local audit coverage without decreasing national coverage levels and more timely feedback to service management on its quality initiatives. This increased coverage will be accomplished through more efficient use of resources and improved techniques.

INTEGRITY PROGRAM

The combined efforts of internal audit and internal security focused on programs to prevent and detect fraud. Internal audit completed 26 audits of highly-vulnerable areas, such as identifying control weaknesses which allowed an impost fund cashier to embezzle \$8,000; and inadequate procedures for processing automated collection system (ACS) site mail which enabled a mail clerk to steal approximately 12,000 pieces of mail, including 850 remittances totaling \$800,000 and 533 unprocessed original tax returns. Internal security conducted 25 tests of high-risk activities where there is potential for corruption that could affect IRS integrity. During the year, the division conducted probes for the purpose of determining the extent of narcotics usage and attendant usage of embezzled funds to provide the narcotics. In one particular test, three individuals who conspired and embezzled \$75,000 in remittances for the purpose of financing the distribution of narcotics were detected, arrested and sentenced to prison terms: Internal security made presentations to more than 23,000 new and incumbent employees to enhance their awareness of the high standards expected of Service employees and to provide guidance in the recognition of potential hazards.



Cost of collecting \$100

in 1986: 49 cents.

PRODUCTIVITY IMPROVEMENT

In an effort to improve productivity, IRS works not only through its own programs but also through government-wide productivity initiatives which show promise of either more revenue or lower costs. During 1986 the Service funded 13 of this type project. Some examples include:

- A system to automate the updating of the Internal Revenue Manual: This manual includes internal procedures for all IRS functions. Change and review of the manual required combining pen-and-ink entries from several offices. The automation of this process should result in faster, error-free reviews so that the manual is in the hands of employees with up-to-date information. To taxpayers, this means uniformity, consistency and equity in the way their cases are handled.
 - A processor to read and collate cancelled checks: This equipment, now being tested by criminal investigation in the Pittsburgh District, reads the magnetic ink on the bottom of the checks, records the numbers and creates a checkspread. The process is critical for reconstructing a taxpayer's income for the year and will save considerable time and labor over the present manual system.
 - A system to store and research trial documents: This system electronically reads and stores typewritten material such as pleadings and motions, then searches for information based on key words given by the researcher. It is used primarily to prepare for trial.
- In 1986 IRS had \$600,000 for funding projects such as these. Beginning in 1987 there will be \$2 million available for central and regional funds and for awards, since many of these ideas come from employee suggestions.
- The Service is committed to review over 300 activities such as mail rooms, motor pools, engineers, and ADP services to determine if they can be carried out more cost-effectively by private sector contractors. In only two of 18 reviews finished so far has an outside bid been more economical than in-house performance: document disposal in the Cincinnati Service Center and over-the-counter forms distribution in Baltimore District. In 1986 there were 82 of these reviews

in progress, with another 252 to be finished by the end of 1989. To make the process itself more efficient, IRS plans to centralize the review of multi-site activities such as machine services (10 sites), returns files (10 sites) and records research (60 sites).

The Service, looking for productivity gains by improving management activities, is tracking 10 functions that directly affect the public, such as examining returns, collecting delinquent taxes and processing returns. The projects resulting from these reviews include the electronic filing project, the integrated collection system and the automated examination system, all discussed in earlier chapters.

CASH MANAGEMENT

IRS continued efforts to speed up the deposit of tax payments to save government interest costs. Use of the Treasury Department's lockbox network for the second year to receive estimated tax payments from Florida and Illinois taxpayers saved over \$10 million in 1986.

STATISTICS OF INCOME (SOI)

IRS contributed to the new tax reform legislation in many ways, but particularly by preparing tax return statistics for the Department of the Treasury's Office of Tax Analysis and the Congressional Joint Committee on Taxation. These statistics are critical for determining the impact on revenue of present and proposed legislation.

The Service issued statistics of income publications covering individual income tax returns for 1984 and corporate income tax returns for 1983, source books showing detailed financial data for corporations and partnerships for 1983 by industry and a comprehensive publication addressing international tax issues. In addition

IRS published the quarterly *SOI Bulletin*, which presents key data in advance of SOI reports or in place of SOI reports formerly published. Finally, IRS issued the individual income tax model for 1984, which is a microdata magnetic tape file consisting of selected income, deduction and tax items taken from a random sample of individual income tax returns. This file consists of approximately 94,000 unidentifiable records representing the 99 million returns filed. The primary use of the file is to simulate the administrative and revenue effects of tax law changes.

DIRECTOR OF PRACTICE

The director of practice administers and enforces regulations for individuals who represent taxpayers before the IRS.

In 1986 IRS published new regulations requiring continuing professional education for enrolled agents, individuals who, after passing an examination on tax law and administration, have the right to represent taxpayers before the IRS and the United States Tax Court. Enrolled agents must have completed 24 hours of tax-related courses by January 31, 1987, then 72 hours in each subsequent three-year period. There are over 36,000 enrolled agents, including 1,916 who passed the test in 1986.

The Service also began work on uniform standards of care for tax practitioners who advise their clients on positions taken in tax returns. The new standards will replace divergent and often conflicting criteria for the different professions which practice before the IRS. When in place, these standards will provide guidance to practitioners, taxpayers and IRS employees about the type of advice practitioners may give without concern that they will be subject to discipline by the IRS. In 1986, the Service took disciplinary action against 117 attorneys, enrolled agents, enrolled actuaries and others for violations of the regulations.

LEGISLATIVE AFFAIRS

The legislative affairs division monitors the progress of tax and any related legislation which is of interest to the service. The division develops legislative proposals and coordinates with other service activities in the drafting of legislation, prepares and monitors plans to implement newly-enacted tax legislation, and develops testimony for delivery by IRS officials before congressional committees. At the close of this year, the division was tracking nearly 130 bills, and had developed or reviewed a number of legislative proposals.

The division has been working with the tax reform process since 1984, and during 1986 continued working closely with the tax committees in the House and the Senate, as well as the Conference Committee, as the tax reform bill moved into its final form.

Tax reform was not the only concern of Legislative Affairs in 1986. The division also coordinated preparations and follow-up activities for 23 congressional hearings, handled 41 final and 18 draft General Accounting Office issuances, and answered nearly 11,000 congressional telephone inquiries and over 8,400 written congressional and other requests.

The division issued the second edition of the "Guide to the Internal Revenue Service for Congressional Staff" and delivered the third annual congressional "kit" of tax forms and publications to nearly 2,000 congressional offices nationwide. They issued legislative fact sheets as needed on such pertinent topics as the provisions of the Consolidated Omnibus Budget Reconciliation Act (COBRA), and published the first Legislative Affairs Update, a means of sharing information with field and National Office executives.

COMMITMENT TO QUALITY SERVICE

In keeping with a serious commitment to improving quality service-wide, the Commissioner established a Quality Council, composed of the associate commissioners, regional commissioners (North Atlantic and Western) and *ex officio*, the assistant commissioner, human resources and management support and the executive secretary. During 1986, IRS conducted extensive training of executives and managers in the principles of Dr. Joseph Juran, a noted quality expert, particularly the Juran Trilogy: quality planning, quality control and quality improvement, and his definition of quality as fitness for use and conformity to specifications.

Dr. Juran gave one day of a two-day seminar to senior executives, and Florida Power and Light personnel with IRS people from the Ogden Service Center led the second. Both Florida Power and Light and the Ogden Service Center have successfully applied Juran's theories. Selected facilitators from each region and assistant commissioner area then attended a two-week team leader and facilitator training course taught by Florida Power and Light. In addition all candidates in the Executive Development Program receive training in the practical applications of Dr. Juran's philosophy.

Training of employees is but one aspect of the commitment to quality service. IRS adopted five quality principles as a policy statement which, in summary, address a quality climate, product and service quality, responsiveness, the quality improvement process and evaluating systems consistent with and reflective of these principles.

EQUAL EMPLOYMENT OPPORTUNITY (EEO)

The Service's concern for its employees and applicants is evident in its EEO Program. Not only did the increase in the overall numbers of women, minority and handicapped employees in the Service continue during 1986, but EEO Program administration was itself advanced in three areas: training of EEO Program officials; automation of certain EEO reporting and monitoring process; and, establishment of four regional complaint processing centers.

The delivery of timely and relevant training for those IRS employees who serve in full-time, part-time, or collateral duty EEO positions is the subject of a special initiative. During 1986 the IRS published self-instructional materials for managers and EEO program officials and the newly designed classroom materials for EEO Counselor Training.

As part of its streamlining of the administrative complaint process, the Treasury Department established four regional complaint centers. The centers, located in Washington, D.C.; Chicago, Illinois; Dallas, Texas; and San Francisco, California, will provide complaint processing for all Treasury bureaus located within a defined geographical area. The goal of the centers is to reduce the time required to process a complaint of discrimination filed against the Treasury Department and, thereby, enhance the credibility and viability of the system for those employees and applicants who may have a concern about discrimination. A significant improvement in the quick processing of IRS complaints has already resulted from the delegation of certain complaint processing authorities to regional commissioners, regional counsels, and regional EEO officers.

In addition, the Service completed a study on providing reasonable accommodations for handicapped employees and members of the public under

Sections 503 and 504 of the Rehabilitation Act of 1973, as amended. The result was the approval for clearance of a new policy statement on reasonable accommodation.

In 1985, the IRS began a two-year pilot program with Historically Black Colleges and Universities (HBCUs) pursuant to Executive Order 12320. During the pilot, the IRS provided, at no cost to the host institutions, instructors in accounting and income tax, for seven institutions and over 1200 students. In 1986, the IRS decided to continue the program which relies on funding provisions of the Inter-Governmental Personnel Act and to expand the role of its instructors to include recruitment at the HBCUs.



Increase in overall numbers of women, minority and handicapped employees continued.

CHIEF COUNSEL

The Office of Chief Counsel functions as the legal counsel to the Commissioner of Internal Revenue, representing the Commissioner in cases filed with the U.S. Tax Court, providing legal advice to IRS personnel, preparing rulings, procedures and regulations to provide guidance to the IRS and the public and advising on the administrative aspects of proposed legislative changes.



TAX REFORM LEGISLATION

Chief Counsel played a large role in the development of the new tax reform act. Attorneys from the legislation and regulations division and the employee plans and exempt organizations division participated in drafting sessions, reviewed and commented on draft legislation and committee reports and attended mark-up sessions.

Special task forces analyzed all phases of the evolving legislation — the Administration's proposal, the House Ways and Means Committee spreadsheets, and the Senate bill. By identifying numerous technical problems in reform provisions and developing solutions to many of them, the task forces were able to correct potential administrative problems in the law. Both IRS and taxpayers will benefit by being spared from having to wrestle with rules that would not work as intended and could be impossible to administer.

Another benefit of the detailed analysis of the legislation as it evolved was that the task forces laid the groundwork for timely implementation of the most far-reaching tax changes in over 30 years. Even as congressional deliberations on the bill continued, Chief Counsel was making tentative judgments on the schedule for issuing the most urgently needed technical guidance. Attorneys began work on many of these projects even before the President signed the law.

Providing timely guidance on new tax legislation is an important part of the emphasis on quality. With assistance from taxpayers and practitioners, the Office of Chief Counsel is deciding which issues require early guidance, and is working diligently to address these issues as soon as possible.

In order to publish Service position on additional significant emerging tax issues, Chief Counsel continued to identify issues for publication from sources other than letter rulings and technical advice memorandums, such as submissions from various professional and industry associations for requested guidance and tax articles from a number of periodicals and journals. Some examples include: Rev. Rul. 86-124, 1986-44 IRB 4, which provides guidelines prescribing the manner in which the income limits applicable to mortgage revenue bonds and mortgage credit certification are to be applied to meet the requirements of Section 1201 of the Tax Reform Act of 1986; and Rev. Rul. 86-97, 1986-33 IRB 4, which provides guidelines for determining whether a pickup truck or van meets the definition of a "qualified nonpersonal use vehicle." In addition, the Service is increasingly using revenue rulings and revenue procedures to provide guidance in areas not yet covered by regulations.

INTERNATIONAL ISSUES

Chief Counsel established the new office of associate chief counsel, international, which parallels the new office of assistant commissioner, international, discussed in chapter three. This major reorganization combines in one area the many international operations and responsibilities that have previously been divided between the litigation and technical functions of Chief Counsel. The duties of the associate chief counsel, international, include advising the new office of the assistant commissioner, international, on tax aspects of international transactions.

Because of the importance of regulations projects in the international area, Chief Counsel is holding round-table conferences with tax practitioners on the status of regulations pro-

jects and the interpretation of proposed and temporary regulations, including those on outbound transfers of business property, possessions corporation tax credit and overall foreign losses. This office participated in ongoing tax treaty negotiations, including those with India, Turkey, the Netherlands Antilles and numerous Caribbean Basin countries.

REVENUE RULINGS AND REVENUE PROCEDURES

The IRS published 211 revenue rulings and revenue procedures in 1986.

After an evaluation of the publication program for revenue rulings and revenue procedures, several changes were made during 1986 aimed at increasing quality and timely service to the public. These changes included revising the way of drafting and clearing proposed revenue rulings and procedures, and developing a "fast track" system for publishing the Service's position on significant issues.

Chief Counsel also intensified its program for developing automatic change revenue procedures in the area of accounting methods and periods. Without the benefit of revenue procedures granting automatic approval of changes in accounting methods or periods, taxpayers, because of the Service's heavy workload, would have been required to wait several months before receiving a ruling on a requested change. By relying on a revenue procedure, taxpayers now can make routine accounting method and accounting period changes under the guidelines that would have been applied had they requested a ruling.

PRIVATE LETTER RULINGS AND TECHNICAL ADVICE REQUESTS

Chief Counsel acted on 22,500 requests during the year, including 15,000 involving accounting methods and periods.

The rulings divisions continued to rule and provide technical advice on a number of significant issues, such as:

- whether a limited partner has basis in a partnership interest because of a contribution of a letter of credit and assumption agreement to the partnership;
- whether employees participating in a nonqualified deferred compensation plan are currently taxed on contributions made by an employer on their behalf to a so-called "rabbi" trust;
- what is an acceptable method for phasing costs of nuclear facilities into the rate base without violating normalization rules;
- whether costs of package design should be capitalized;
- whether the costs of abandoned nuclear power plants are deductible by a public utility;
- and whether the conversion of a mutual life insurance company to a stock life insurance company qualifies as a tax-free reorganization.

ADMINISTRATIVE APPEALS

The appeals division 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, meet with taxpayers and their representatives and are usually successful in resolving the disputed issues.

During the year, appeals did a survey to measure the taxpayers' satisfaction with the appeals process. A large majority of the taxpayers surveyed said they are happy with the courtesy and competence of the appeals officers and the fairness and impartiality of their decisions.

In 1986 the valuation branch, formerly a part of the individual tax division, became part of the appeals division. This branch helps establish the fair market value of financial assets, real estate, art objects and intangible property. During the year the art advisory panel recommended adjustments of \$16.7 million, lowering the value of claims for property donated to charity by a net of 54 percent and increasing estate and gift appraisals by 75 percent net.

The appeals tracking system, a computerized information management system, was brought on line nationwide in 1986. This system provides the ability to determine the current status of any appeals case, including the appeals officer assigned, dollar amount involved, and statute of limitations deadline. Appeals also launched a long-range planning effort to ensure the division's effective and efficient operation well into the 1990's while maintaining its present high standards and quality.

During 1986 appeals offices reached agreement in 90 percent of the 29,967 cases closed that were docketed in the Tax Court and in 85 percent of the 37,043 nondocketed cases. Of these 67,010 closed cases, 19,874 or 30 percent were tax shelter cases. In addition, appeals closed 4,491 penalty appeal and employee plan/exempt organization cases.

MANAGEMENT INITIATIVES

In 1986 Chief Counsel completed the implementation of the counsel automated tracking system nationwide. The system now gives management and attorneys the ability to retrieve information such as litigation due dates, a cross reference of cases by related projects and issues, and various case and management reports. Counsel started a continuing management education program, providing a comprehensive management training program through in-house and vendor-sponsored seminars for its executives and managers.

Based on the successful use of paralegals in Los Angeles, Manhattan, and other district counsel offices over the past several years, the Chief Counsel approved a 150 percent increase in the number of paralegals in field offices. Paralegals will play a major role in all aspects of field activities, allowing field attorneys to work on the more complex and challenging cases.

Recruitment and hiring of attorneys was decentralized to the regional counsel and associates chief counsel. An automated recruitment process gives each region access to a computer data base containing names of applicants for attorney positions, their law school, class standing, preferred employment locations, and other information.

The rulings division also received direct-hire authority, putting them on an equal footing with the rest of the Chief Counsel in aggressively seeking to hire the best qualified applicants. The associate chief counsel, technical, and the five division directors began a program of visiting law schools to interview applicants and to speak at recruiting seminars.

CASE MANAGEMENT

During 1986 Chief Counsel studied the distribution of attorney staffing and Tax Court receipts and inventory among the seven regions. Based on the study, counsel began adjusting staffing levels, with increases going to the southwest and western regions, and transferring some Tax Court cases among the regions to increase efficiency and distribute the work more evenly.

In the criminal tax area, the mid-west region pilot program, which provides a mechanism for resolving the criminal aspects of a case on an expedited basis, was extended nationwide. Cases which qualify for this program are those in which a taxpayer is represented by counsel and expresses an early desire to enter into plea negotiations.

The general litigation division also began studying possible ways of reducing the number of bankruptcy cases being referred to Chief Counsel. Since the Bankruptcy Code became effective in 1980 the number of cases has increased dramatically. In 1980 district counsels received 3,811 cases; in 1986 that number rose to 10,941 cases, an increase of 187 percent. This now represents over 36 percent of the total time spent by field attorneys on general litigation cases.

	Region	Pending Oct. 1, 1985	Received ¹	Disposed	Pending Sept. 30, 1986
REGIONAL OFFICES	North Atlantic	15,376	13,179	12,619	15,936
CASELOAD REPORT—	Mid-Atlantic	13,499	10,410	9,469	14,440
ALL CASES	Southeast	10,837	11,058	10,136	11,759
	Central	6,905	9,535	6,515	9,925
	Midwest	9,885	9,561	8,238	11,208
	Southwest	14,528	11,684	10,074	16,138
	Western	36,287	26,481	16,778	45,990
	Total regions	107,317	91,908	73,829	125,396
	National office	2,029	599	306	2,322
	Grand total	109,346	92,507	74,135	127,718

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

Action		Claims Court		District Court		Total		
		1985	1986	1985	1986	1985	1986	
TRIAL COURT	Decided in favor of the government	Number	41	46	167	282	208	328
CASE RECORD		Percent	66.1	76.7	65.7	71.8	65.8	72.4
(Opinions rendered— refund litigation)	Decided in favor of the taxpayer	Number	18	11	64	90	82	101
		Percent	29.1	18.3	25.2	22.9	25.9	22.3
	Decided partially for taxpayer and partially for the government	Number	3	3	23	21	26	24
		Percent	4.8	5.0	9.1	5.3	8.2	5.3
	Total opinions		62	60	254	393	316	453

Prevailing party (by decision line)		Summary & Small Tax case bench opinions		Published, Memorandum & Regular bench opinions		Total		
		1985	1986	1985	1986	1985	1986	
UNITED STATES	Decided in favor of the government	Number	372	354	441	351	813	705
TAX COURT—		Percent	53.7	53.4	48.6	39.9	50.8	45.7
OPINIONS	Decided in favor of the taxpayer	Number	26	30	28	31	54	61
		Percent	3.8	4.5	3.1	3.5	3.4	4.0
	Decided - Rule 155	Number	275	268	339	396	614	664
		Percent	39.7	40.4	37.4	45.0	38.4	43.0
	Miscellaneous	Number	20	11	99	102	119	113
		Percent	2.9	1.7	10.9	11.6	7.4	7.3
	Total opinions		693	663	907	880	1,600	1,543



CONTINUING PROFESSIONAL EDUCATION

The New York University/IRS Continuing Education Program completed its sixth year in 1986. Ten graduate-level tax law courses and four advanced seminars were offered during 1986. Full-time tax law professors, selected from the country's leading law schools, teach the courses and seminars. During the first six years, 2,809 Chief Counsel professionals completed courses and seminars in this program.

All states requiring continuing legal education for attorneys who want to maintain bar certification have accepted these courses and seminars in fulfillment of their requirements.

Four outstanding Chief Counsel attorneys were appointed as visiting professors at leading law schools.

ACADEMIC INTERNSHIPS AND EXTERNSHIPS

The summer of 1986 began the fifth year of the professor-in-residence program in which two professors each spend a year in Chief Counsel's office. During their residency, the professors provide legal advice to the Office of Chief Counsel, familiarize themselves with the varied problems confronting senior tax administrators and research significant issues.

During 1986 four outstanding Chief Counsel attorneys were appointed as visiting professors at leading law schools. As visiting professors, these attorneys teach tax law subjects and undertake research assignments leading to law review publication.

REGULATIONS

Despite the demands of tax reform legislation during 1986, Chief Counsel had drafted in preliminary or final form 76 percent of the 426 projects at the end of the year; 137 were circulating for signature or comment. In addition, a number of significant proposed, final or temporary regulations were published. Among these were projects dealing with original issue discount, taxation of fringe benefits, the treatment of a partner's distributive share from a partnership, partnership and church audits, and the treatment of certain stock acquisitions as asset acquisitions.

Chief Counsel also published several major projects in the tax exempt bond area, a comprehensive set of temporary and proposed regulations on various technical issues under the employee benefit plan provisions of the Tax Reform Act of 1984, and final regulations on procedure and administration relating to the classification for federal tax purposes of investment trusts with multiple classes of ownership.

LITIGATION

The litigation function of Chief Counsel continued to seek ways of closing the existing tax shelter caseload, which now accounts for over 50 percent of the Tax Court's inventory. The goal is to dispose of these cases on a fair and reasonable basis as quickly as possible.

To ensure that cases having broad legal significance or large tax deficiencies are given the attention they demand, senior attorneys in the special trial attorney program, international special trial attorney program and industry specialization program handle them.

INDUSTRY SPECIALIZATION PROGRAM

Over 100 employees from several areas of Chief Counsel participate in the industry specialization program. Using their expertise in the practices and issues of 17 major industries, such as pharmaceuticals, banking and railroads, teams of attorneys render advice to the examination division and its industry specialists to assure that issues arising in specific industries get consistent treatment. Attorneys were reviewing 86 industry-wide issues at the end of the fiscal year.

		Court	Non-court	Total
RECEIPT AND DISPOSAL OF GENERAL	Pending Oct. 1, 1985	20,328	1,503	21,831
	Received during year	26,103	7,316	33,419
	Disposed of	25,746	7,263	33,009
LITIGATION CASES	Pending Sept. 30, 1986	20,685	1,556	22,241

SPECIAL TRIAL ATTORNEYS

The special trial attorney staff expanded from 22 to 29 with the creation of one additional position for each region to be devoted to international cases. Special trial attorneys handle the largest, most significant and most difficult cases in the country. The program won some important cases during the year, highlighted by the significant wins in *Gulf Oil Corp. v. Commissioner*.

EMPLOYEE PLANS

The tax litigation division is developing a specialized staff to expand its involvement in the employee plans area. Its objectives are to represent the assistant commissioner, employee plans and exempt organizations, by litigating Tax Court declaratory judgment cases and by coordinating district counsel and Department of Justice employee plan litigation. The special staff also provides litigation-related advice to the assistant commissioner's staff, district counsels and the regional commissioners' staffs.

		All Tax Court Cases		Small Tax Cases		
		Number of cases ¹	Taxes and penalties In dispute	Determined	Number of cases	Taxes and penalties In dispute
UNITED STATES	Pending Oct. 1, 1985 ²	72,836	\$13,777,406			
TAX COURT CASES	Received	48,787	5,892,338	11,255	837,613	
(In thousands of dollars)	Disposed	37,937	3,340,597	14,587	42,125	
	Pending Sept. 30, 1986	83,686	16,329,147	13,814	40,396	\$17,384
				12,028	39,342	

¹ Includes income, profits, estate and gift and declaratory judgment cases.

² Adjusted to reflect U.S. Tax Court figures.

ABUSIVE TAX SHELTERS

The tax litigation and criminal tax functions continue to assist the IRS in its effort to identify promoters of and investors in abusive tax shelters and to bring the activities of the promoters to a halt through the use of injunctions, prosecutions and penalties. Pre-filing notification letters were sent to investors with information concerning the tax ramifications of their transactions with specific tax shelters. Certain promoters challenged this procedure, but through the efforts of the disclosure litigation division, the government prevailed in both district and appellate court proceedings on this issue. An appeal, however, is pending for one adverse district court decision.

In 1986 the number of docketed tax shelter cases increased to over 50 percent of the Tax Court's inventory in response to efforts by examination to move older cases forward for resolution. However, the shelter litigation project approach adopted by Chief Counsel has maximized the most efficient use of attorney and clerical resources. Approximately two-thirds of the docketed tax shelter cases are worked as part of a litigation project. The number of litigation projects has more than doubled in the past year. Each project is managed by a single attorney or team of attorneys, who, together with a key appeals officer, establish a uniform settlement position. The project attorney is also responsible for developing the litigation position for all investors within the particular project. This approach enhances consistent treatment for investors and more efficient litigation and resolution of cases.



	Prosecution cases received from criminal investigation	
RECEIPT AND DISPOSAL OF CRIMINAL TAX MATTERS	Total opened	3,524
	Total closed	3,241
	Counsel declined	49
	Department of Justice declined	171
	U.S. attorney declined	295
	Prosecutions completed	2,726
	Opinions	
	Pending Oct. 1, 1985	19
	Total requested	58
	Total rendered	55
	Pending Sept. 30, 1986	22

Action		Courts of Appeals		Supreme Court		
		1985	1986	1985	1986	
APPELLATE COURT CASE RECORD ¹	Decided in favor of the government	Number	328	428	2	3
		Percent	84.8	87.5	100.0	75.0
	Decided in favor of the taxpayer	Number	45	47	—	1
		Percent	11.6	9.6	—	25.0
	Decided partially for taxpayer and partially for the government	Number	14	14	—	—
		Percent	3.6	2.9	—	—
Total opinions			387	489	2	4

¹ Refund suits and tax court cases.

LITIGATION INITIATIVES

Efforts have continued to enhance previously implemented litigation programs in the general litigation and criminal tax functions. In 37 of the district counsel offices, attorneys have been appointed special assistant U.S. attorneys. In addition, eight district counsel attorneys, designated by the Attorney General as special assistant U.S. attorneys in connection with the Criminal Trial Attorney Program, successfully prosecuted 37 criminal tax cases resulting in pleas or convictions in the United States District Courts.

GENERAL LEGAL SERVICES

The general legal services division provides legal advice on the federal tax refund offset program, which provides for collecting debts owed the federal government, such as federally insured student loans and child support obligations assigned to states for collection. The division also helps defend lawsuits challenging collections under this program. General legal services successfully defended IRS and its employees against actions filed by tax protestors and worked with the Department of Justice to

convince the courts to impose penalties, fines or sanctions against protestors for filing frivolous lawsuits. The division continued to advise on standards of conduct and ethics questions involving both IRS employees and tax practitioners. In addition, the division provided all legal advice and litigation support in the area of government contracts and acquisitions.

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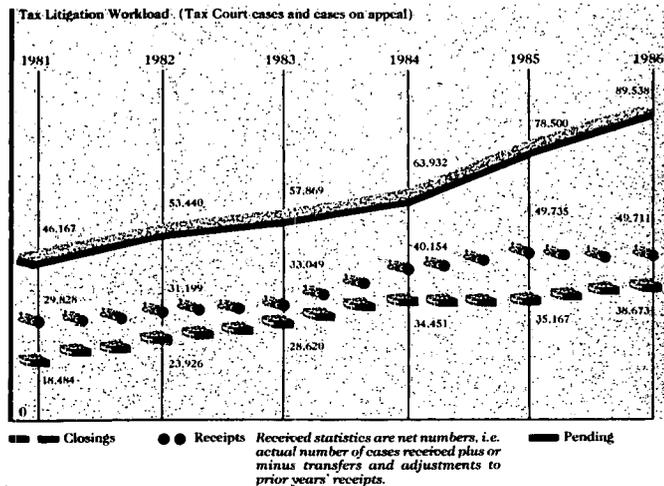


Table 1.—Internal revenue collections by sources and by internal revenue regions and districts, states and other areas
(in thousands of dollars)

Internal revenue regions and districts, states and other areas ¹ (States represented by single districts indicated in parentheses; totals for other states shown at bottom of table.)	Individual income and employment taxes						
	Total internal revenue collections	Corporation income tax ²	Total	Income tax not withheld and SECA ³	Income tax withheld and FICA ⁴	Railroad retirement	Unemployment insurance ⁵
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
United States, total	782,251,812	80,441,620	680,943,151	117,434,913	533,613,209	3,633,640	5,681,389
North Atlantic Region	138,288,071	17,185,411	117,558,995	16,912,991	97,504,884	201,355	938,064
Albany (See (c) below)	6,978,382	368,999	6,609,383	5,712,476	906,907	—	17,443
Albany (See (c) below)	2,186,391	193,914	1,992,477	1,760,344	232,133	—	9,631
Augusta (Maine)	24,949,503	2,992,177	20,957,326	3,478,557	16,991,440	20,318	107,323
Boston (Massachusetts)	14,862,496	1,015,964	13,846,532	3,233,367	9,913,063	68,661	17,323
Brooklyn (See (c) below)	10,034,422	768,702	9,265,720	1,808,548	7,457,172	3,041	79,126
Buffalo (See (c) below)	10,034,422	768,702	9,265,720	1,808,548	7,457,172	3,041	79,126
Buttfield (Vermont)	1,078,557	107,164	971,393	205,497	715,896	4,288	12,689
Burlington (See (c) below)	17,737,953	2,405,959	14,989,994	2,405,959	12,584,035	1,377	120,957
Hartford (Connecticut)	55,801,333	8,814,969	44,986,364	5,734,563	38,774,786	74,625	327,392
Manchester (New Hampshire)	2,765,549	221,730	2,543,819	569,298	1,988,277	—	22,764
Pomfret (Rhode Island)	1,985,963	1,200,671	785,292	2,989,711	2,465,496	1,301	48,153
Providence (Rhode Island)	2,765,549	221,730	2,543,819	569,298	1,988,277	—	22,764
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Providence (Rhode Island)	1,985,963	1,200,671	785,292	2,989,711	2,465,496	1,301	48,153
Providence (Rhode Island)	2,765,549	221,730	2,543,819	569,298	1,9		

Table 1.—Continued
(in thousands of dollars)

Internal revenue regions and districts, states and other areas. ¹ (States represented by single districts indicated in parentheses; totals for other states shown at bottom of table.)	Manufacturers' excise taxes				
	Total	Gasoline	Tires (wholly or in part of rubber) inner tubes and tread rubber	Black lung	Recreational excise taxes ²
	(16)	(17)	(18)	(19)	(20)
United States, total	9,927,742	6,905,978	285,728	561,158	174,898
North-Atlantic Region	556,859	432,575	19,334	18,088	48,862
Albany..... (See (c) below)	17,369	17,341	(10)	—	65
Albany..... (See (c) below)	36,184	36,111	—	556	12,722
Augusta..... (Maine)	114,226	100,714	236	—	425
Boston..... (Massachusetts)	89,650	88,294	11,112	19	1,923
Brooklyn..... (See (c) below)	92,599	79,261	—	—	860
Buffalo..... (See (c) below)	13,292	12,672	63	—	23,836
Burlington..... (Vermont)	87,136	37,303	8,956	17,037	8,624
Hartford..... (Connecticut)	80,556	43,913	27,847	477	249
Manchester..... (See (c) below)	6,794	6,537	9	—	219
Providence..... (New Hampshire)	10,649	10,429	26,872	169,007	38,337
Providence..... (Rhode Island)	886,380	652,165	13,664	758	905
Baltimore..... (Maryland & D.C.)	98,194	82,987	330	—	8
Foreign Operations.....	391	53	—	—	—
Other.....	301	53	330	74	9,088
Newark..... (New Jersey)	92,601	73,414	10,026	22,850	4,393
Newark..... (New Jersey)	319,316	269,505	2,159	98,176	1,277
Philadelphia..... (See (e) below)	211,511	112,810	520	97,709	3,287
Pittsburgh..... (See (e) below)	131,070	79,862	182	20,651	20,651
Richmond..... (See (e) below)	34,295	15,651	(9)	—	17,198
Wilmington..... (Delaware)	1,132,503	1,015,263	34,981	65,062	207
Southeast Region	184,485	183,658	660	19,313	2,147
Atlanta..... (Georgia)	77,841	77,841	89	—	1,277
Birmingham..... (Alabama)	99,369	51,422	24,262	1	214
Columbia..... (South Carolina)	76,961	182,548	426	—	293
Greensboro..... (North Carolina)	183,192	182,548	432	—	293
Jackson..... (Mississippi)	65,770	175,978	450	251	4,338
Jacksonville..... (Florida)	184,197	184,197	450	—	7,520
Jacksonville..... (Florida)	56,870	52,312	8,640	45,229	1,132
Little Rock..... (Arkansas)	200,469	145,486	60	47	70
Nashville..... (Tennessee)	90,166	79,992	70	145,313	8,032
New Orleans..... (Louisiana)	1,280,138	1,000,022	126,770	14,960	67
Central Region	53,464	38,418	20	18,098	927
Cincinnati..... (See (d) below)	737,723	593,527	125,171	1,163	116
Cleveland..... (See (d) below)	186,736	178,896	28	6,964	1,239
Detroit..... (Michigan)	18,169	19,927	28	1,163	116
Indianapolis..... (Indiana)	183,834	87,336	18	76,585	559
Louisville..... (Kentucky)	40,220	1,819,916	(12)	27,763	27,763
Louisville..... (West Virginia)	1,488,430	870	870	70,859	27,399
Midwest Region	17,949	16,732	630	1,123	9,359
Aberdeen..... (See (d) below)	548,971	527,130	53	1,123	5,522
Chicago..... (Illinois)	69,886	69,886	492	—	—
Des Moines..... (Iowa)	14,169	14,142	1	5,647	359
Fargo..... (North Dakota)	107,297	21,172	(75)	10,033	2,374
Fargo..... (Montana)	104,911	104,911	7	—	—
Helena..... (Montana)	40,393	29,704	8	37,663	1,018
Milwaukee..... (Wisconsin)	107,297	107,297	7	—	—
Omaha..... (Nebraska)	463,944	71,701	52	4,040	137
St. Louis..... (Missouri)	36,486	86,486	114	—	—
Springfield..... (See (b) below)	75,991	75,991	536	73,189	14,899
Southwest Region	2,934,491	2,845,666	5,205	104	586
Albuquerque..... (New Mexico)	50,650	50,650	8	—	—
Albuquerque..... (New Mexico)	223,373	222,674	2	6,809	534
Austin..... (See (f) below)	28,606	28,606	2	1,744	703
Cheyenne..... (Wyoming)	83,199	83,199	195	21,180	16
Dallas..... (See (f) below)	124,411	99,604	13	11,972	151
Denver..... (Colorado)	653,891	651,765	4	17,377	852
Houston..... (See (f) below)	479,981	461,732	20	—	1,244
Oklahoma City..... (Oklahoma)	34,006	32,487	275	8,043	826
Phoenix..... (Arizona)	100,173	85,305	(1)	755	389
Salt Lake City..... (Utah)	190,350	189,186	20	19,639	20,373
Wichita..... (Kansas)	1,667,142	1,590,766	36,384	889	1
Western Region	3,358	2,667	—	—	306
Anchorage..... (Alaska)	19,474	19,474	58	—	167
Bosco..... (Idaho)	5,439	5,215	—	—	3,572
Honolulu..... (Hawaii)	56,531	30,407	—	—	29
Laguna Niguel..... (See (a) below)	9,756	9,726	10,559	9,027	5,247
Las Vegas..... (Nevada)	608,187	783,354	41	2,099	6,559
Los Angeles..... (See (a) below)	68,186	59,486	—	—	1,134
Portland..... (Oregon)	319,409	318,253	2,688	5,476	801
Sacramento..... (See (a) below)	256,122	247,254	13	—	250
San Francisco..... (See (a) below)	68,924	68,661	529	2,345	2,306
Seattle..... (Washington)	51,448	48,267	—	—	—
Undistributed:	—	—	—	—	—
Federal Tax Deposits ³	—	—	—	—	—
Gasoline, lubricating oil and excess FICA credits ⁴	—	—	—	—	—
Withheld taxes of federal employees	—	—	—	—	—
Clearing account for excess taxes—aviation fuel and oil—Air Force and Navy	—	—	—	—	—
Presidential election campaign fund ⁵	—	—	—	—	—
Earned income credits ⁶	—	—	—	—	—
Other ⁷	—	—	—	—	—
Totals for states not shown above	293,400	213,993	6,976	14,506	11,005
(a) California.....	293,400	213,993	6,976	14,506	11,005
(b) Illinois.....	—	—	—	—	—
(c) New York.....	—	—	—	—	—
(d) Ohio.....	—	—	—	—	—
(e) Pennsylvania.....	—	—	—	—	—
(f) Texas.....	—	—	—	—	—

Table 1.—Continued
(in thousands of dollars)

Internal revenue regions and districts, states and other areas. ¹ (States represented by single districts indicated in parentheses; totals for other states shown at bottom of table.)	Retailers' and special fuel taxes			
	Total	Diesel fuel	Non-commercial aviation fuel	Motor vehicle chassis, bodies, parts and accessories
	(21)	(22)	(23)	(24)
United States, total	3,783,295	2,613,980	77,960	1,091,356
North-Atlantic Region	203,384	145,025	6,133	82,224
Albany..... (See (c) below)	16,006	11,067	166	4,773
Boston..... (Massachusetts)	17,776	12,217	280	5,306
Brooklyn..... (See (c) below)	37,014	26,382	442	10,182
Buffalo..... (See (c) below)	38,882	12,122	1,032	4,185
Burlington..... (See (c) below)	5,991	29,983	366	7,832
Hartford..... (Connecticut)	21,886	4,266	438	1,076
Manchester..... (See (c) below)	17,364	18,828	916	5,906
Providence..... (Rhode Island)	17,364	2,050	212	2,086
Providence..... (Rhode Island)	15,627	9,338	212	7,814
Mid-Atlantic Region	413,294	255,975	37	2,374
Baltimore..... (Maryland & D.C.)	48,063	30,676	11,112	146,117
Foreign Operations.....	916	307	52	55
Puerto Rico.....	815	—	—	—
Newark..... (New Jersey)	92,883	49,459	454	55
Pittsburgh..... (See (e) below)	124,315	60,944	6,235	37,289
Richmond..... (See (e) below)	55,902	43,016	673	62,698
Wilmington..... (Delaware)	72,533	57,085	527	12,298
Southeast Region	18,574	14,288	1,849	14,521
Atlanta..... (Georgia)	136,668	524,947	14,041	218,516
Birmingham..... (Alabama)	69,453	2,307	—	44,928
Columbia..... (South Carolina)	71,249	45,917	25,118	24,653
Greensboro..... (North Carolina)	33,182	63,314	992	1,700
Jackson..... (Mississippi)	114,169	32,954	608	49,155
Jacksonville..... (Florida)	42,938	134,272	4,464	7,515
Little Rock..... (Arkansas)	168,724	24,612	627	29,988
Nashville..... (Tennessee)	106,650	72,870	1,727	13,311
New Orleans..... (Louisiana)	45,315	96,259	936	3,253
Central Region	604,224	388,040	11,720	8,160
Cincinnati..... (See (d) below)	220	44,167	4,859	203,463
Cleveland..... (See (d) below)	63,338	182,048	2,215	14,271
Detroit..... (Michigan)	205,487	145,164	2,215	20,934
Indianapolis..... (Indiana)	142,772	34,960	1,502	85,428
Louisville..... (Kentucky)	33,217	73,938	288	4,031
Louisville..... (West Virginia)	12,499	8,150	312	1,459
Aberdeen..... (See (d) below)	629,822	370,014	8,390	251,419
Chicago..... (See (d) below)	15,771	17,176	170	3,122
Chicago..... (See (d) below)	178,981	84,155	1,612	80,214
Des Moines..... (Iowa)	67,789	44,652	644	22,493
Fargo..... (North Dakota)	15,905	11,224	180	4,501
Helena..... (Montana)	17,673	12,677	263	4,733
Milwaukee..... (Wisconsin)	113,000	51,100	904	60,996
Omaha..... (Nebraska)	30,568	22,179	810	7,879
St. Louis..... (Missouri)	108,799	77,224	2,382	29,213
Springfield..... (See (b) below)	48,222	28,286	1,066	16,870
Southwest Region	707,604	578,821	14,863	8,597
Albuquerque..... (New Mexico)	21,767	18,158	379	8,597
Austin..... (See (f) below)	159,989	85,905	3,571	115,920
Cheyenne..... (Wyoming)	16,908	16,103	434	3,175
Dallas..... (See (f) below)	168,719	167,032	3,571	20,513
Denver..... (Colorado)	59,634	147,043	3,702	37,974
Houston..... (See (f) below)	69,477	47,685	901	11,048
Oklahoma City..... (Oklahoma)	94,243	54,858	1,727	12,332
Phoenix..... (Arizona)	82,696	82,696	2,016	9,531
Salt Lake City..... (Utah)	31,770	31,770	949	4,033
Wichita..... (Kansas)	48,403	40,937	335	7,131
Western Region	467,553	352,187	952	9,194
Anchorage..... (Alaska)	3,474	3,474	11,699	103,697
Honolulu..... (Hawaii)	16,739	14,845	233	1,311
Las Vegas..... (See (a) below)	2,161	1,458	408	3,486
Laguna Niguel..... (See (a) below)	52,353	38,913	1,548	1,179
Los Angeles..... (See (a) below)	20,332	18,219	233	470
Portland..... (Oregon)	65,279	42,381	635	1,179
Sacramento..... (See (a) below)	78,329	50,078	1,217	20,680
San Francisco..... (See (a) below)	64,386	59,054	535	27,033
Seattle..... (See (a) below)	57,882	45,594	489	4,809
Seattle..... (Washington)	53,479	45,116	1,616	11,237
Seattle..... (Washington)	51,479	33,953	1,891	6,747
Undistributed:	—	—	—	—
Federal Tax Deposits ³	—	—	—	—
Gasoline, lubricating oil and excess FICA credits ⁴	—	—	—	—
Withheld taxes of federal employees	—	—	—	—
Clearing account for excess taxes—aviation fuel and oil—Air Force and Navy	—	—	—	—
Presidential election campaign fund ⁵	—	—	—	—
Earned income credits ⁶	—	—	—	—
Other ⁷	—	—	—	—
Totals for states not shown above	293,400	231,058	6,976	55,366
(a) California.....	293,400	231,058	6,976	55,366
(b) Illinois.....	—	—	—	—
(c) New York.....	—	—	—	—
(d) Ohio.....	—	—	—	—
(e) Pennsylvania.....	—			

Table 1.—Continued
(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.)	Miscellaneous excise tax										
	Total	Telephone and telegraph services	Airline travel and transportation	Wagering taxes	Use tax on highway motor vehicles	Private foundations net investment income	Windfall profit tax	Other	Unclassified excise tax ¹		
	(25)	(26)	(27)	(28)	(29)	(30)	(31)	(32)	(33)		
United States, total	15,131,146	2,339,153	2,707,534	8,818	568,675	217,191	8,868,987	425,007	(5,425,427)		
North-Atlantic Region	1,258,252	184,018	241,658	937	2,414	42,358	68,893	635,890	85,637	(330,182)	
Albany.....	4,314	540	751	—	2,859	—	4,971	102	3,604	19,590	
Albany (See (c) below).....	71,628	51,844	1,381	30	8,681	—	5,600	165	36,703	(64,292)	
Augusta.....	66,259	—	23,762	—	1,720	—	1,851	3,275	6,892	—	
Brooklyn.....	21,887	6,212	3,019	5	—	—	1,171	2	439	(763)	
Buffalo.....	3,999	—	1,720	—	1,183	—	3,475	967	7,388	4	
Burlington.....	57,007	35,913	2,487	(1)	6,856	—	56,789	634,332	33,503	(334,480)	
Hartford.....	1,021,992	88,877	207,408	(96)	4,578	—	458	3	164	522	
Manchester.....	2,781	310	63	—	1,777	—	229	—	—	—	
Portland.....	1,833	1	110	—	1,302	—	326,981	97,133	(364,311)	—	
Portland (Maine).....	1,814,564	1,146,195	245,736	227	72,752	25,840	3,981	7,581	2,907	—	
Portland (New Hampshire).....	242,947	75,142	141,821	26	11,037	—	91	480	1,459	(769)	
Portland (Maryland & D.C.).....	21,521	2,419	15,614	—	35	—	3	—	—	—	
Foreign Operations.....	1,492	2,419	15,614	—	35	—	88	480	3,733	10,637	
Puerto Rico.....	20,000	—	—	—	—	5,121	23,338	65,193	(172,314)	—	
Other.....	1,152,215	860,006	83,228	4	16,895	—	7,007	277,958	177,958	(136,594)	
Newark.....	345,056	28,157	3,413	4	11,068	—	5,004	7,276	9,084	(45,212)	
Philadelphia.....	35,112	1,304	3,601	—	16,240	—	943	10,348	1,815	(9,733)	
Pittsburgh.....	105,214	78,165	325	158	12,401	—	3,392	1	4,626	(13,283)	
Richmond.....	12,518	—	—	—	4,141	—	—	—	—	—	
Richmond (Delaware).....	1,821,873	272,363	736,242	1,925	126,183	12,004	148,876	24,007	6,426	53,951	
Wilmington.....	271,992	86,475	271,992	20	15,120	—	2,152	34	2,112	(12,122)	
Southeast Region	3,783,034	574,471	618,242	68	14,153	394	2,900	2,412	(12,122)		
Atlanta.....	95,960	76,471	—	59	7,263	348	40	2,600	671	—	
Birmingham.....	13,725	5,149	—	49	19,623	3,492	587	4,426	(92,338)	—	
Columbia.....	175,944	32,980	118,397	49	7,284	201	12,496	2,177	(7,283)	—	
Greensboro.....	24,484	1,585	265,227	234	30,055	3,222	587	6,613	2,314	—	
Jackson.....	386,754	184	146	146	10,027	3,400	15,888	503	4,226	(17,030)	
Jacksonville.....	29,644	2,101	678	755	10,579	1,095	7,373	5,104	(820)	—	
Little Rock.....	83,739	8,663	42,440	755	10,579	1,095	7,373	5,104	(820)	—	
Nashville.....	133,389	5,916	2,661	349	9,069	759	110,699	4,975	2,658	(845)	
New Orleans.....	671,812	134,957	40,771	1,363	10,809	1,277	103	320	49,653	—	
Central Region.....	27,378	39,965	1,364	320	19,294	2,849	279,753	5,267	(152,296)	—	
Cincinnati.....	347,822	40,067	13,706	110	19,493	5,576	1,447	74,840	47,406	(4,579)	
Cleveland.....	166,239	40,067	13,706	110	19,493	5,576	1,447	74,840	47,406	(4,579)	
Detroit.....	82,421	44,964	12,594	849	17,735	3,105	1,857	6,648	(4,579)	—	
Indianapolis.....	44,378	1,674	16,654	32	7,441	699	15,802	2,658	845	—	
Louisville.....	3,573	—	—	—	—	—	—	—	—	—	
Louisville (Kentucky).....	1,309,284	286,778	851,488	499	98,538	23,246	26,322	40,320	(167,777)	—	
Parkersburg.....	17,145	549	96	46	3,145	—	12,852	(3)	16,223	10,635	
Midwest Region	534,747	51,193	435,138	91	11,858	967	156	58	70	(2,441)	
Aberdeen.....	4,021	994	4	4	2,705	—	85	410	137	(245)	
Chicago.....	20,844	121	121	8	7,296	—	623	8,914	2,688	(6,809)	
Des Moines.....	4,551	—	5,283	30	13,718	1,277	1,777	151	1,571	3,383	
Fargo.....	41,947	20,073	5,483	30	13,718	1,277	1,777	151	1,571	3,383	
Helena.....	64,585	45,200	295	154	6,712	—	8,914	2,688	(2,405)	—	
Madison.....	389,811	121,491	223,201	51	15,561	2,756	13,344	13,406	(200,389)	—	
Omaha.....	213,983	5,306	183,539	10	14,807	4,300	2,959	3,014	21,021	—	
St. Louis.....	30,832	16,103	3,542	13	6,154	912	435	2,073	6,302	—	
Springfield.....	6,550,470	113,208	304,289	943	83,813	18,212	5,078,072	51,134	(4,042,630)	—	
Southwest Region	17,145	549	96	46	3,145	—	12,852	(3)	16,223	10,635	
Albuquerque.....	112,075	6,360	1,860	166	12,269	1,456	87,449	2,496	58,814	(12,990)	
Austin.....	11,545	248	131	1,716	125	9,250	76	1,032	(41,709)	—	
Cheyenne.....	1,078,451	28,776	146,071	455	22,015	8,587	863,945	12,201	(627,368)	—	
Dallas.....	587,376	37,754	5,136	(18)	6,687	1,292	535,797	725	(267,100)	—	
Denver.....	2,405,769	27,584	89,049	52	9,547	4,622	2,245,814	26,100	(1,375,254)	—	
Houston.....	2,159,393	2,025	35,220	225	10,442	2,436	2,105,341	3,694	(1,697,850)	—	
Oklahoma City.....	18,855	460	11,453	32	5,184	363	108	554	4,601	—	
Phoenix.....	14,486	1,056	3,400	—	4,427	431	4,797	398	(11,743)	—	
San Jose.....	147,282	8,305	3,018	2	8,778	855	124,952	1,637	(110,693)	—	
Victoria.....	2,104,992	219,637	297,182	3,852	88,778	55,815	4,339,833	30,815	(1,093,123)	—	
Western Region	23,330	4,903	20,191	4	874	9	6,406	253	(8,231)		
Anchorage.....	23,330	4,903	20,191	4	874	9	6,406	253	(8,231)	—	
Boston.....	11,545	7,511	—	—	3,951	117	1	86	717	(1,032)	
Honolulu.....	113,998	2,405	12,201	12	536	604	7	117	(41,709)	—	
Honolulu (Hawaii).....	21,509	1,501	70,342	73	9,305	1,202	26,815	2,957	1,473	(436,694)	
Laguna Niguel.....	12,007	5,998	—	2,890	1,359	205	31	714	3,542	—	
Las Vegas.....	643,896	2,201	—	—	12,593	471	12	462	16,991	—	
Los Angeles.....	58,203	4,999	40,196	11	12,953	—	366,576	4,263	(434,091)	—	
Portland.....	382,703	2,864	815	232	7,302	353	346,576	5,263	(177,291)	—	
Sacramento.....	672,621	94,569	54,569	119	5,546	6,862	508,737	1,173	(23,576)	—	
San Francisco.....	99,647	55,137	2,381	4	8,778	1,959	30,590	1,173	(23,576)	—	
San Jose.....	93,389	44,083	27,788	373	10,628	1,816	2,201	6,199	8,966	—	
Seattle.....	—	—	—	—	—	—	—	—	—	—	
Undistributed:											
Federal Tax Deposits ²	—	—	—	—	—	—	—	—	—	—	
Gasoline, lubricating oil and excess FICA credits ³	—	—	—	—	—	—	—	—	—	—	
Withheld taxes of federal employees.....	—	—	—	—	—	—	—	—	—	71	
Cleaning account for excise taxes—aviation fuel and oil—Air Force and Navy.....	—	—	—	—	—	—	—	—	—	—	
Presidential election campaign fund ⁴	—	—	—	—	—	—	—	—	—	—	
Earned income credits ⁵	—	—	—	—	—	—	—	—	—	—	
Other ⁶	—	—	—	—	—	—	—	—	—	—	
Totals for states not shown above	1,891,966	157,177	190,480	452	38,206	52,393	1,430,875	22,384	(1,113,360)		
(a) California.....	1,891,966	157,177	190,480	452	38,206	52,393	1,430,875	22,384	(1,113,360)		
(b) Illinois.....	565,379	67,296	436,881	104	27,207	13,164	432	18,496	17,137	—	
(c) New York.....	1,116,690	94,831	235,126	(29)	18,989	59,372	634,681	73,330	(358,515)	—	
(d) Ohio.....	375,200	20,444	3,063	—	28,103	4,127	279,856	11,577	(102,633)	—	
(e) Pennsylvania.....	380,188	29,481	4,774	20	29,633	12,011	285,234	1,173	(33,116)	—	
(f) Texas.....	3,594,295	62,720	236,990	693	43,831	12,665	3,183,609	43,797	(1,944,038)	—	

Table 2.—Internal revenue collection by sources
(in thousands of dollars)

Sources of revenue	1985	1986
Grand total, all sources	742,871,641	782,251,812
Corporation income tax total ¹	77,417,769	80,441,620
Regular.....	77,342,976	80,286,596
Exempt organizations business income tax.....	69,793	153,024
Individual income and employment taxes, total.....	621,874,125	660,943,151
Income tax net withheld and SECA ²	11,782,469	11,734,913
Income tax withheld and FICA ³	500,468,079	533,613,209
Railroad retirement total ⁴	3,951,781	3,833,640
Unemployment insurance ⁵	5,671,707	5,651,389

Table 2.—Continued
(in thousands of dollars)

Source of revenue	1985	1986
Excise taxes—continued		
Employer pension plans, total	14,192	17,137
Excess contributions, 6 percent of excess amount	2,085	2,788
Tax on underdistributions from IRA, 50 percent of underdistribution	376	461
Prohibited transactions, 5 percent of prohibited transaction	3,404	3,653
Failure to meet funding standards, 5 percent of funding deficiency	3,728	4,315
Tax on excess contributions to custodial accounts, 6 percent of excess amount	106	132
Failure to file registration statement, \$1 per day up to \$5,000	8	8
Failure to file notification of change, \$1 per day up to \$5,000	4,354	5,712
Failure to file statement required by section 6047, \$10 per day up to \$5,000	5	2
Failure to furnish individual statement, \$50 for each failure	2	2
Failure to furnish actual report, \$100 for each failure	2	7
Failure to provide IRA reports, \$10 for each failure	2	11
Grass roots expenditures over non-taxable amount	3	2
Taxes on lobbying expenditures, 25 percent of lobbying expenditures	2	2
Taxes on lobbying expenditures, excess contributions, 5 percent of excess amount	5,073,159	8,866,967
Black lung benefit trusts, excess contributions, 5 percent of excess amount	5,032,090	8,836,838
Clubs of windfall profits taxes, total, 22 1/2 percent to 70 percent of windfall profit	30,329	30,329
Quarterly return amounts	272,997	68,538
Annual return amounts	42,490	11,728
Environmental taxes, total ²⁰	222,579	1,938
Petroleum, 0.79 cent a barrel	180,364	330,229
Chemicals, 22 cents to \$4.87 per ton	73,494	1,938
Hazardous waste, \$2.13 per ton	330,229	180,364
Other	39,794	147,663
Fuel economy vehicles ²¹	39,287	43,340
Inland waterways fuel use tax, 10 cents per gallon ²²	27,799	6,171
Miscellaneous ²³	2,255,636	(5,425,427)
Unclassified excise taxes ¹⁹		

Table 3.—Internal revenue collections by principal sources
(in thousands of dollars)

Fiscal year	Total internal revenue collections	Income and profits taxes				Employment taxes ¹	Estate and gift taxes ¹	Alcohol taxes ¹⁵	Tobacco taxes	Manufacturers' excise taxes	All other taxes
		Total	Corporation	Individual income taxes ¹¹	Individual income taxes ¹²						
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	
1948	40,672,997	31,258,138	12,553,602	18,704,536	1,700,828	678,832	2,528,165	1,165,919	822,671	2,421,844	
1947	39,108,386	29,019,756	9,676,459	19,343,297	2,024,365	779,291	2,474,762	1,237,768	1,425,260	2,147,184	
1946	41,864,542	31,172,191	10,174,410	20,997,781	2,381,342	899,345	2,265,327	1,300,280	1,649,234	2,206,823	
1945	40,483,125	29,605,491	11,553,669	18,051,822	2,476,113	796,538	2,210,607	1,321,975	1,771,533	2,230,369	
1944	38,957,132	28,007,659	10,854,351	17,153,308	2,644,575	705,227	2,219,202	1,328,464	1,836,053	2,214,951	
1951	50,445,886	37,384,878	14,387,569	22,997,309	3,627,479	729,730	2,546,808	1,380,396	2,383,677	2,392,719	
1952	65,009,586	50,741,017	21,466,910	29,274,107	4,464,264	833,117	2,549,120	1,656,150	2,348,943	2,507,933	
1953	69,696,533	54,120,723	22,594,915	32,528,817	4,718,403	891,294	2,780,925	1,654,911	2,862,788	2,647,492	
1954	69,919,891	54,360,014	21,546,322	32,813,691	5,107,623	935,121	2,783,012	1,580,229	2,689,133	2,454,893	
1955	66,288,692	49,914,826	18,294,720	31,650,106	6,219,665	936,937	2,742,940	1,571,213	2,885,016	2,018,866	
1956	75,112,649	56,636,164	21,298,522	35,337,642	7,295,784	1,171,237	2,920,574	1,613,497	3,456,013	2,019,380	
1957	80,171,971	60,590,425	21,530,663	39,029,772	7,580,522	1,377,929	2,973,195	1,674,050	3,761,925	2,243,856	
1958	79,978,476	59,101,874	20,533,616	38,568,559	8,644,386	1,410,925	2,846,461	1,734,021	3,974,135	2,160,675	
1959	79,977,973	59,826,254	18,091,590	40,734,744	8,653,744	1,352,982	3,002,096	1,806,816	3,959,789	1,891,262	
1960	91,774,803	67,125,126	22,179,414	44,945,711	11,158,689	1,620,948	3,193,714	1,931,504	4,736,129	2,004,394	
1961	84,401,086	60,917,941	21,764,940	46,153,001	12,502,451	1,116,392	3,212,801	1,991,117	4,806,802	1,963,582	
1962	99,440,839	71,945,305	21,295,711	50,649,594	12,708,171	2,035,187	3,341,282	2,025,736	5,120,340	2,264,817	
1963	105,925,395	76,923,714	22,338,134	52,987,581	15,004,486	2,187,457	3,441,656	2,079,237	6,010,369	2,278,536	
1964	112,280,257	78,891,216	24,300,863	54,590,354	17,002,504	2,416,303	3,577,499	2,052,545	6,020,543	2,599,645	
1965	114,434,634	79,792,016	26,137,334	53,660,683	17,104,306	2,745,532	3,772,634	2,148,594	6,418,145	2,453,406	
1966	128,879,961	82,131,794	30,834,243	61,297,552	20,256,133	3,093,622	3,814,378	2,073,956	6,613,869	1,895,909	
1967	148,374,815	104,298,420	34,917,825	69,370,596	26,959,241	3,014,406	4,075,723	2,079,869	5,478,347	2,479,809	
1968	153,636,938	106,148,565	29,896,520	78,252,045	28,085,898	3,061,979	4,287,237	2,122,277	5,713,973	2,196,059	
1969	167,919,560	115,778,052	36,337,646	97,440,406	33,520,655	4,555,560	4,555,560	2,137,565	5,501,146	2,348,495	
1970	195,722,096	138,688,568	35,036,985	103,651,586	37,449,189	3,680,076	4,746,382	2,094,212	6,683,061	2,380,609	
1971	191,647,198	131,072,374	30,319,953	100,752,421	39,018,690	3,784,263	4,800,482	2,062,585	6,684,799	3,179,985	
1972	209,655,737	143,904,732	34,925,948	108,979,186	43,714,001	5,489,969	5,110,001	2,207,273	5,728,657	3,801,104	
1973	237,797,204	164,157,315	39,045,309	125,112,006	52,081,709	4,975,862	5,149,513	2,276,961	5,395,130	3,750,104	
1974	268,952,254	184,648,994	41,744,444	142,903,659	62,092,632	5,100,075	5,359,477	2,457,005	5,742,154	3,672,217	
1975	293,822,726	202,146,097	45,746,660	156,399,437	70,140,809	4,688,079	5,350,858	2,315,090	5,516,611	3,665,182	
1976	302,519,792	205,751,753	46,782,658	158,969,797	74,202,853	5,307,466	5,427,722	2,487,894	5,486,106	3,855,998	
1977 (Q)	356,139,417	246,805,067	60,049,804	186,755,263	89,824,641	1,485,247	1,305,841	622,821	5,543,339	1,048,007	
1977	399,776,389	278,438,289	65,390,145	213,058,144	97,291,653	5,391,499	5,512,715	2,450,913	6,555,681	4,045,839	
1978	437,071,049	322,893,733	71,447,976	251,445,857	112,849,874	5,519,074	5,647,824	2,495,517	7,057,612	4,948,450	
1979	495,375,273	359,927,392	72,379,010	287,547,782	128,330,480	6,498,381	5,704,768	2,446,416	6,487,421	8,980,416	
1980	606,799,103	460,583,302	73,733,156	332,850,146	152,865,816	6,910,386	5,688,413	2,583,587	6,088,156	12,053,173	
1981	632,240,506	418,599,768	65,890,832	352,608,936	168,717,936	5,459,610	2,539,495	8,143,373	5,382,900	22,387,223	
1982	627,246,793	411,407,523	61,779,556	349,627,967	174,847,654	6,225,917	5,634,853	4,139,810	6,776,023	19,214,865	
1983	637,475,228	437,071,049	74,179,570	362,891,679	199,210,028	6,176,687	5,402,467	4,663,610	10,107,930	17,843,479	
1984	742,871,541	474,072,327	77,412,789	396,659,558	225,214,568	6,579,703	5,998,100	4,483,193	10,020,374	17,103,077	
1985	782,251,812	497,010,003	80,441,620	416,568,384	244,374,762	7,194,956	5,647,485	4,607,845	9,927,742	13,489,014	

TO = Transition quarter.

Footnotes for Tables 1-3

¹ Less than \$500

² Revised

Note: Detail may not add to totals due to rounding. Negative amounts reflect adjustments made to prior reporting data.

- The receipts to the various states do not indicate the federal tax burden of each state, 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 are included in the total amounts withheld from salaries of employees who reside in neighboring states. Also, the taxes of some corporations are paid from a principal office, although their operations may be located in another state, or throughout several states.
- Includes taxes on unrelated business income of exempt organizations.
- Collections of individual income tax not withheld include old-age, survivor's, disability, and hospital insurance taxes on self-employment income (SECA). Similarly, the collections of individual income tax withheld are reported in combined amounts with old-age, survivor's, disability, and hospital insurance taxes (FICA) on salaries and wages. Estimated separate national totals for individual income tax and for employment taxes are shown in the text table. Gross internal revenue collections, on page 10 and are used in obtaining national totals for individual income taxes and for employment taxes in table 3.
- Self-employment tax and taxes imposed by the Federal Insurance Contributions Act are applicable with respect to Guam and American Samoa. Amounts of such taxes collected in Guam and American Samoa are combined with similar taxes reported for the "Foreign Operations District - Other."
- Includes fiduciary income tax collections of \$4.5 billion.
- The national total for fiscal year 1986 does not include an adjustment made by the Department of the Treasury after our books were closed to increase "Individual income tax withheld and FICA" and correspondingly decrease "Unemployment insurance" by \$396,387,000. The adjustment does not affect regional or district data.
- 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 (nor by tax subclasses to which excise tax payments relate) until the IRS applies them to taxpayer's liabilities.
- 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.
- 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. Transfers of amounts to this fund are made on a national basis only and therefore have no effect on district and regional collection data.
- Dealers holding taxable tires were assessed a one-time floor stock tax based on tire weight, effective January 1, 1984 (Public Law 97-424).
- Rates increased from \$1 and 4 percent on coal from underground mines and from \$1 and 4 percent on coal from surface mines, effective April 1, 1985 (Public Law 98-372).
- Includes amounts contained in the national totals but not included by state or district as of the end of the fiscal year. Also includes amount transferred to a special account for the Northern Mariana Islands.
- The Tax Reform Act of 1984 requires certain alcohol and tobacco excise tax filers to make tax payments by electronic fund transfer (EFT). These EFT payments are not reported by historic district office, therefore, data may not be comparable to district data published in prior years.
- Amounts of internal revenue taxes collected on Puerto Rican products transported to the United States or consumed on the island (less refunds, drawbacks, and expenses) are returned to the Treasury of Puerto Rico under provisions 7652(a)(3) and 5314(a)(4) of the Internal Revenue Code of 1954. The gross amounts are included in overall collection results (Tables 1 through 3).
- Includes manufacturers' recreational excise taxes on pistols and revolvers, fishing rods, bows and arrows, firearms, shells and cartridges, and electric trolling motors and fish landing sonar devices.
- Contains, among other items, amounts paid into depositories but not yet classified into excise detail from Forms 720, Quarterly Federal Excise Tax Returns filed Generally, Forms 720 are filed and type of excise tax identified and reported in the quarter following the quarter of payment into a depository. Negative figures result from the classification of amounts previously reported as unclassified.
- Corporate tax rates generally ranged from 15 to 46 percent of taxable income.
- Individual income tax rates ranged from 11 to 50 percent of taxable income. Included were SECA taxes with an effective tax rate of 11.6 percent (14.1 percent less 2.3 percent credit) imposed on self-employment income through \$38,600 for tax year 1985. In tax year 1986, the rate increased to an effective rate of 12.3 percent (14.3 percent less 2.0 percent) imposed on income through \$42,000.
- Income tax withholding rates ranged from 15 to 39 percent. In tax year 1985 the combined FICA rate of 14.1 percent was imposed on a wage base through \$39,600. The wage base increased to \$42,000 and the rate increased to 7.15 percent for both employers and employees in tax year 1986.
- Railroad retirement taxes are divided into two tiers for both employers and employees. The tier I tax rate was increased from 7.05 percent each on the first \$39,600 of compensation paid in 1985 to 7.15 percent of the first \$42,000 of compensation paid in 1986. Tier II taxes were increased from 13.75 percent to 14.75 percent for employers and from 3.5 percent to 4.25 percent for employees. The rates applied to the first \$29,700 of compensation paid for 1985 and to the first \$31,500 of compensation paid for 1986.
- Employers of one or more persons in each of 20 calendar weeks or who paid wages of \$1,500 or more in any calendar quarter were taxed 6.2 percent on taxable wages up to \$7,000 for 1986. This tax was reduced by credits of up to 5.4 percent for unemployment contributions paid to states.
- The Economic Recovery Tax Act of 1981 raised the estate and gift tax unified credit from \$47,000 to \$192,800 to be phased in over a five year period (\$121,800 credit for 1985 and \$155,800 credit for 1986). Also, the act raised the annual gift tax exclusion from \$3,000 to \$10,000, effective January 1, 1982, and provided for annual rather than quarterly returns and payments. The first annual return was due April 15, 1983.
- The tax rate increased from \$1.50 to \$12.50 per gallon, effective October 1, 1985 (Public Law 98-369).
- A one-time floor stock tax was imposed on distilled spirits held for sale on October 1, 1985 (Public Law 98-369).
- Repealed effective January 1, 1980 (Public Law 96-39).
- Repealed effective November 1, 1984 (Public Law 98-369).
- Eliminated by the Tax Reform Act of 1976.
- Previous detail no longer available due to a tax form revision, effective January 1, 1986.
- Dealers with gasoline held for sale on April 1, 1983 were assessed a one-time tax (Public Law 97-424).
- Highway-type tires taxed as follows: not more than 40 pounds, no tax; more than 40, but not more than 70 pounds, 15 cents per pound over 40 pounds; over 70, but not more than 90 pounds, \$4.50 plus 30 cents per pound over 70 pounds; and tires over 90 pounds, \$10.50 plus 50 cents per pound over 90 pounds. Taxes on tread rubber and inner tubes repealed effective January 1, 1984 (Public Law 97-424).
- Rates increased from \$1 and 4 percent on coal from underground mines and from \$1 and 4 percent on coal from surface mines, effective April 1, 1985 (Public Law 98-372).
- Expired September 30, 1980. Officially repealed by Public Law 97-248.
- Vehicles weighing over 55,000 pounds, taxed \$100 plus \$22 each 1,000 pounds over 55,000 pounds; over 75,000 pounds, \$350. Prior to July 1, 1984, vehicles weighing over 26,000 pounds were taxed \$3 per thousand pounds.
- Transfer of machine guns, short-barreled firearms, silencers, etc., \$200 each; certain guns with combination shotgun and rifle barrels, and other special types of firearms, \$5 each. Occupational taxes are levied on manufacturers, exporters or dealers in firearms at the rates of \$10, \$25, \$200 and \$500 per year.
- Crude oil windfall profit tax amounts shown in these tables are incomplete because they reflect only amounts from returns processed by the end of the reporting period. For comprehensive detail on crude oil windfall profit taxes, refer to the "SOI Bulletin" published quarterly by the IRS (Publication 1130).
- Expired September 30, 1985.
- Tax increased from a range of \$500 - \$2,650 for 1985-model-year automobiles to \$500 - \$3,650 for 1986-model-year automobiles based on various fuel economy levels (Public Law 95-502).
- Tax rate increased from 8 to 10 cents per gallon, effective October 1, 1985 (Public Law 95-502).
- Includes both amounts collected or adjusted for taxes that have been repealed or have expired, and taxes not classified separately in tables 1 and 2.
- Individual income tax rates ranged from 11 to 50 percent of taxable income. Included were SECA taxes with an effective tax rate of 11.6 percent (14.1 percent less 2.3 percent credit) imposed on self-employment income through \$38,600 for tax year 1985. In tax year 1986, the rate increased to an effective rate of 12.3 percent (14.3 percent less 2.0 percent) imposed on income through \$42,000.

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	Corporation income	Individual income	Employment taxes ¹	Estate	GIR	Excise
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
United States, total²	84,425,007	18,297,289	73,077,589³	1,799,844	246,299	41,571	982,445⁴
North-Atlantic Region	13,018,919	2,482,692	9,765,507	302,085	34,999	741	26,895
Alabama..... (See (c) below)	337,418	50,780	576,516	9,503	977	109	532
Augusta..... (Miami)	333,438	26,737	286,517	5,412	714	1	289
Boston..... (Massachusetts)	2,412,443	461,228	1,877,626	47,752	3,823	23	2,939
Brooklyn..... (See (c) below)	2,511,508	166,959	2,276,798	53,373	5,453	20	9,903
Buffalo..... (See (a) below)	1,536,241	128,640	1,226,642	18,333	1,173	18	3,173
Burlington..... (See (c) below)	156,909	24,280	129,721	1,950	558	1	398
Hartford..... (Connecticut)	1,615,896	330,773	1,231,052	47,065	3,806	135	2,865
Manhattan..... (See (c) below)	1,408,111	1,566,611	1,566,611	17,022	265	61	106,244
Portsmouth..... (New Hampshire)	372,818	51,664	313,952	6,151	749	13	289
Providence..... (Rhode Island)	324,256	47,290	271,148	6,023	(507)	1,151	299
Mid-Atlantic Region	13,281,584	2,349,581	10,346,584	317,735	37,732	77,167	1,187
Baltimore..... (Maryland & D.C.)	2,283,067	249,893	1,949,673	66,608	5,831	197	10,864
Foreign Operations	594,105	125,133	426,711	27,781	2,887	146	1,446
Puerto Rico	4,823	60,376	60,376	1,732	103	—	1,732
Other	508,282	122,757	365,955	2,784	146	612	1,462
Newark..... (New Jersey)	3,735,843	688,719	2,870,887	129,137	7,530	263	36,168
Philadelphia..... (See (e) below)	2,182,811	318,672	1,542,672	16,781	1,671	20	20,218
Pittsburgh..... (See (e) below)	1,625,186	357,098	1,130,342	32,047	3,247	3,721	7,028
Richmond..... (Virginia)	2,009,200	273,282	1,695,196	30,109	2,411	(199)	4,420
Wilmington..... (Delaware)	463,939	179,935	278,935	5,142	554	3	340
Southeast Region	13,784,589	1,801,917	11,816,824	247,539	43,824	5,822	48,884
Atlanta..... (Georgia)	2,087,951	284,376	1,756,875	34,699	1,617	121	26,391
Birmingham..... (Alabama)	1,093,964	133,338	941,475	15,465	337	1,914	23
Columbia..... (South Carolina)	891,377	99,070	779,023	12,401	3,257	994	2,633
Greensboro..... (North Carolina)	1,741,893	291,313	1,465,095	24,547	1,793	636	7,029
Jackson..... (Mississippi)	579,342	45,277	524,568	8,885	275	634	1,061
Jacksonville..... (Florida)	3,696,351	462,461	3,110,116	81,389	22,748	2,717	7,747
Lima Rock..... (Arkansas)	544,325	62,705	470,669	5,412	1,945	8	705
Nashville..... (Tennessee)	1,551,379	209,460	1,299,213	25,139	8,254	51	9,262
New Orleans..... (Louisiana)	1,572,007	258,898	1,178,307	38,011	3,807	1,045	6,665
Central Region	11,437,845	2,248,588	8,985,643	148,668	17,474	225	36,750
Cincinnati..... (See (d) below)	1,748,191	293,270	1,426,994	21,015	2,556	95	6,161
Cleveland..... (See (d) below)	2,251,512	327,512	1,836,662	37,045	4,232	23	4,935
Detroit..... (Michigan)	4,260,405	1,250,174	2,993,170	61,130	6,823	53	8,851
Indianapolis..... (Indiana)	1,762,331	202,115	1,534,057	19,790	2,428	45	3,898
Louisville..... (Kentucky)	945,342	92,288	850,199	11,708	1,049	10	1,432
Parkersburg..... (West Virginia)	471,384	36,717	429,928	6,359	388	8	986
Midwest Region	11,342,864	2,304,441	8,807,742	155,548	22,462	242	52,428
Aberdeen..... (See (a) below)	—	—	135,114	1,768	307	50	313
Chicago..... (See (b) below)	4,073,647	1,099,865	2,871,788	72,295	9,289	401	21,008
Des Moines..... (Iowa)	810,631	154,518	644,169	7,816	1,496	24	2,587
Fargo..... (North Dakota)	172,343	17,893	152,209	1,093	129	—	319
Helena..... (Montana)	217,832	22,002	192,271	323	(1)	—	646
Milwaukee..... (Wisconsin)	1,439,150	188,412	1,229,329	15,803	2,052	13	3,739
Omaha..... (Nebraska)	554,369	471,815	374,064	8,006	1,465	65	971
St. Louis..... (Missouri)	1,589,377	235,483	1,310,866	24,057	3,885	(320)	15,407
St. Paul..... (Minnesota)	1,425,914	269,421	1,137,529	16,532	844	1	1,587
Springfield..... (See (b) below)	901,509	125,433	752,649	7,182	2,672	—	3,993
Southeast Region	14,253,496	3,488,886	9,940,909	258,991	31,062	32,840	500,628
Albuquerque..... (New Mexico)	427,093	36,151	377,205	987	46	—	864
Austin..... (See (f) below)	2,043,500	441,271	1,559,047	38,066	6,208	165	5,743
Cheyenne..... (Wyoming)	22,411	156,109	2,904	319	—	—	542
Dallas..... (See (f) below)	3,523,876	1,043,736	2,321,516	60,019	8,773	2,461	67,371
Denver..... (Colorado)	1,305,981	212,055	1,066,935	22,633	1,633	206	1,621
Houston..... (See (f) below)	2,966,386	1,097,168	1,530,593	46,742	4,541	182	287,162
Oklahoma City..... (Oklahoma)	1,384,713	272,252	1,036,786	19,454	2,903	542	133,215
Phoenix..... (Arizona)	1,086,253	131,966	937,620	15,786	2,193	21	1,662
Salt Lake City..... (Utah)	442,309	44,745	388,316	9,021	329	—	550
Wichita..... (Kansas)	909,937	185,103	676,272	14,528	1,174	29,981	3,789
Western Region	16,428,496	3,184,406	12,824,221	344,383	58,793	752	16,097
Anchorage..... (Alaska)	322,479	27,266	297,245	302	92	—	372
Boise..... (Idaho)	244,777	28,240	209,288	3,693	321	—	2,930
Honolulu..... (Hawaii)	338,640	34,114	297,467	5,876	815	10	358
Laguna Niguel..... (See (a) below)	3,183,952	361,337	2,726,524	64,479	7,732	97	3,784
Las Vegas..... (Nevada)	396,400	67,238	318,891	5,832	917	300	232
Los Angeles..... (See (a) below)	3,994,185	1,206,812	2,647,605	77,283	18,225	46	44,214
Portland..... (Oregon)	893,145	161,102	803,712	16,063	3,848	231	8,190
Sacramento..... (See (a) below)	1,341,151	70,462	1,244,057	21,679	3,978	13	9,861
San Francisco..... (See (a) below)	2,186,753	753,187	1,277,301	23,958	15,253	39	48,034
San Jose..... (See (a) below)	1,948,938	298,139	1,697,495	41,730	5,026	78	(95,519)
Seattle..... (Washington)	1,520,229	178,509	1,321,646	26,988	2,686	(60)	2,561
Other miscellaneous refunds	677,787	—	774,357	—	—	—	203,430
Gasoline and excess FICA credits ⁵	939,351	—	737,264	—	—	—	202,087
U. S. Customs Service ⁶	1,343	—	—	—	—	—	1,343
Earned income credit offsets ⁷	56,058	—	56,058	—	—	—	—
Refund reversals unclassified ⁸	(18,956)	—	(18,956)	—	—	—	—

Totals for states not shown above

(a) California	12,612,979	9,502,972	278,129	50,214	273	1,474	—
(b) Illinois	4,975,156	1,224,298	3,632,171	79,457	11,991	410	26,857
(c) New York	7,790,048	1,916,630	5,643,791	167,112	25,765	412	19,736
(d) Ohio	3,999,703	667,315	2,963,326	49,680	788	118	12,476
(e) Pennsylvania	4,134,696	770,609	3,237,014	83,874	18,522	739	23,939
(f) Texas	6,533,762	2,582,173	5,402,156	164,827	21,522	2,608	360,270

¹ Includes withheld income tax, FICA, railroad retirement and FUTA refunds and credits.

² Includes earned income credit refunded, amounting to \$1.5 billion, and refunds amounting to \$223 million paid on partnership and fiduciary income tax returns.

³ Includes credits for gasoline and lubricating oil tax payments.

⁴ Includes credits for excess payments under the federal old age and survivors' federal disability and federal hospital funds, amounting to \$737 million.

⁵ 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.

⁶ Includes refunds issued in September 1986 minus refund reversals received in September 1986 that were not classified by district before Sept. 30, 1986 (the end of the fiscal year).

⁷ 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.

⁸ Refund reversals unclassified.

⁹ Totals may not add due to rounding.

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	Corporation income	Individual income	Employment taxes	Estate	GIR	Excise
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
United States, total	77,927,832	853,061	74,274,301¹	2,628,348	13,722	1,126	158,274
North-Atlantic Region	10,844,917	103,947	10,357,760	365,841	1,978	178	16,521
Alabama..... (See (c) below)	726,596	5,446	706,386	19,377	1,078	10	1,289
Augusta..... (Miami)	423,091	3,801	406,463	11,758	40	1	1,028
Boston..... (Massachusetts)	2,119,971	2,841	2,026,295	64,295	293	21	2,922
Brooklyn..... (See (c) below)	2,354,760	15,442	2,261,053	75,854	284	24	2,431
Buffalo..... (See (a) below)	1,521,964	11,932	1,474,576	32,673	284	16	2,431
Burlington..... (Vermont)	189,770	1,189	188,704	2,568	84	1	1,798
Hartford..... (Connecticut)	1,313,160	11,025	1,254,906	44,078	349	29	1,873
Manhattan..... (See (c) below)	1,453,737	22,513	1,340,752	67,684	645	73	2,070
Portsmouth..... (New Hampshire)	678,254	3,807	664,600	12,606	10	—	1,206
Providence..... (Rhode Island)	359,978	3,882	343,523	9,920	28	3	522
Mid-Atlantic Region	11,972,813	94,033	11,437,357	418,339	1,876	115	21,175
Baltimore..... (Maryland & D.C.)	2,109,879	17,824	2,033,613	67,813	31	3	3,865
Foreign Operations	315,544	2,760	288,333	25,885	142	7	229
Puerto Rico	4,192	192	4,147	22,346	2	—	17
Other	244,262	2,680	237,926	3,637	143	—	212
Newark..... (New Jersey)	3,177,833	26,475	3,006,416	138,034	605	20	5,283
Philadelphia..... (See (e) below)	2,532,154	2,532,101	80,216	352	23	—	3,496
Pittsburgh..... (See (e) below)	1,481,209	9,019	1,429,803	39,235	174	13	2,965
Richmond..... (Virginia)	2,022,924	16,077	1,949,422	52,263	201	15	4,946

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	Individual income tax	Estimated tax	Fiduciary Partnership	Corporation income tax	Estate tax	Gift tax	Employment taxes
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
United States, total	189,017,027	102,393,211	35,485,439	2,305,217	1,845,481	3,668,037	102,065	27,931,915
North-Atlantic Region	25,712,688	13,802,170	5,059,789	397,832	291,307	11,233	17,017	3,847,493
Albany (See (c) below)	1,656,550	936,646	319,410	15,954	11,617	29,892	583	1,029
Augusta (Maine)	914,541	471,150	153,680	1,527	497	15,883	508	148,546
Boston (Massachusetts)	5,081,362	2,763,874	1,043,552	102,569	29,772	100,699	2,300	3,372
Brooklyn (See (c) below)	5,398,098	2,961,803	1,061,650	31,254	38,441	143,162	2,048	2,253
Buffalo (New York)	3,129,323	1,641,385	541,385	28,661	35,816	149,162	2,670	456,661
Burlington (Vermont)	469,430	230,686	84,439	1,146	1,031	143	224	88,272
Hartford (Connecticut)	2,980,054	1,564,316	643,888	51,034	26,660	58,007	1,395	2,290
Mannhattan (New York)	4,928,425	2,594,553	916,944	15,928	14,523	63,960	3,960	847,658
Portsmouth (New Hampshire)	893,536	482,215	175,476	9,556	5,802	16,019	266	478
Providence (Rhode Island)	793,090	437,818	158,215	12,333	5,078	18,260	262	332
Mid-Atlantic Region	26,481,658	14,612,179	5,081,687	361,538	275,179	8,804	12,873	3,770,819
Baltimore (Maryland & D.C.)	1,447,660	740,492	262,122	68,126	51,078	1,694	2,387	626,772
Foreign Operations (Maryland & D.C.)	1,144,360	562,166	201,185	1,185	1,683	22,848	659	187
Puerto Rico	340,383	183,406	65,336	189	163	2,248	187	214,806
Other	797,960	455,763	142,849	959	599	22,206	166	26,554
New Jersey	3,778,391	1,974,455	655,500	60,610	173,949	2,576	2,840	980,755
Philadelphia (See (e) below)	5,853,129	3,290,738	1,276,742	122,439	51,451	82,093	2,106	2,825
Pittsburgh (See (e) below)	3,263,847	1,848,486	687,242	48,550	28,239	38,943	867	1,336
Richmond (Virginia)	4,368,323	2,504,650	785,250	43,652	34,442	75,991	1,455	2,519
Wilmington (Delaware)	528,469	287,593	95,862	12,096	4,146	14,222	247	375
Southeast Region	31,100,495	18,426,973	5,919,388	296,048	253,389	682,485	11,100	16,796
Atlanta (Georgia)	4,157,545	2,470,559	855,613	31,622	30,846	79,755	1,114	1,995
Birmingham (Alabama)	2,486,690	1,505,190	356,631	22,267	17,827	37,521	614	1,293
Columbia (South Carolina)	2,188,743	1,216,294	319,625	15,472	17,030	39,019	687	1,199
Creensboro (North Carolina)	4,532,261	2,634,656	729,282	43,266	38,399	78,537	1,317	2,701
Jackson (Mississippi)	1,556,027	914,289	225,683	9,321	12,322	23,965	494	710
Jacksonville (Florida)	10,365,945	5,129,905	2,461,615	114,654	70,036	275,283	4,684	6,984
Little Rock (Arkansas)	1,610,312	874,181	293,603	17,817	14,265	28,853	807	1,243
Nashville (Tennessee)	3,241,593	1,918,385	510,616	28,157	31,808	45,547	958	1,578
New Orleans (Louisiana)	2,265,163	1,248,178	423,963	23,946	17,742	72,782	771	1,443
Central Region	21,855,490	12,639,017	3,916,649	270,906	178,415	371,471	5,994	3,066,847
Cincinnati (See (d) below)	3,316,620	1,933,516	593,340	45,349	28,665	49,234	1,604	447,050
Cleveland (See (d) below)	4,562,137	2,590,210	854,898	57,821	55,644	1,269	624,372	1,110
Detroit (Michigan)	6,476,835	3,611,089	1,070,844	69,846	56,643	118,977	1,510	1,071
Indianapolis (Indiana)	3,978,707	2,271,800	776,108	57,147	25,777	69,143	1,199	1,965
Louisville (Kentucky)	2,289,343	1,418,618	473,361	23,531	39,265	1,250	374,540	1,250
Richmond (Virginia)	1,157,577	664,575	208,841	12,282	10,155	18,181	299	410
Midwest Region	25,551,190	13,536,327	5,241,961	385,844	239,101	470,884	10,131	16,639
Albany (New York)	562,650	303,878	116,713	6,407	6,035	9,993	250	97,299
Chicago (See (b) below)	6,602,393	3,659,603	1,300,568	119,093	64,165	138,205	2,571	3,399
Des Moines (Iowa)	2,328,139	1,157,028	549,231	41,890	22,454	42,220	1,157	1,433
Fargo (North Dakota)	569,545	277,971	119,904	7,151	5,178	9,120	363	585
Helena (Montana)	697,854	336,748	131,151	13,151	9,236	14,545	339	720
Milwaukee (Wisconsin)	3,750,413	2,017,612	760,577	61,421	32,269	65,919	992	3,176
Omaha (Nebraska)	1,321,894	672,489	270,539	17,608	14,250	27,464	711	1,189
St. Louis (Missouri)	3,012,306	2,091,845	840,287	53,185	31,505	71,121	1,291	1,876
St. Paul (Minnesota)	3,325,382	1,807,777	630,304	39,825	35,422	64,581	1,197	2,491
Springfield (See (b) below)	2,280,750	1,231,216	511,667	32,471	17,587	29,700	1,154	324,971
Southeast Region	24,569,815	13,217,214	4,128,685	344,381	496,857	9,496	15,244	3,794,558
Albuquerque (New Mexico)	1,048,854	597,057	184,695	8,029	11,974	17,475	316	540
Austin (See (f) below)	3,927,378	2,142,364	598,619	37,197	47,193	1,568	2,967	863,904
Cheyenne (Wyoming)	406,079	206,695	69,334	3,822	6,004	9,241	189	480
Dallas (See (f) below)	5,492,082	2,911,325	894,886	64,897	60,766	108,467	2,153	3,164
Denver (Colorado)	2,702,990	1,430,747	443,229	31,373	43,589	65,193	1,663	434,010
Houston (See (f) below)	3,045,902	1,674,785	424,030	33,215	44,193	70,885	1,084	1,562
Oklahoma City (Oklahoma)	2,444,358	1,281,997	442,553	21,511	21,511	51,654	1,578	376,483
Phoenix (Arizona)	2,514,981	1,342,416	506,757	29,038	29,309	51,671	895	1,210
Salt Lake City (Utah)	1,034,689	593,402	138,521	15,469	19,610	23,878	252	539
Wichita (Kansas)	2,054,802	1,039,426	447,381	27,021	20,192	36,900	999	1,586
Western Region	30,845,483	16,278,999	6,125,282	316,341	403,829	549,341	13,960	4,514,882
Anchorage (Alaska)	425,026	238,307	37,990	1,464	7,795	9,072	88	137
Boise (Idaho)	702,808	387,484	125,601	6,397	9,978	13,978	217	305
Honolulu (Hawaii)	859,789	472,022	150,860	8,930	8,656	20,555	351	933
Laguna Niguel (See (a) below)	6,138,620	3,319,698	1,260,747	48,742	79,522	105,487	2,403	1,905
Las Vegas (Nevada)	2,776,899	1,454,793	512,989	8,697	8,697	17,988	232	427
Los Angeles (See (a) below)	5,712,707	3,007,832	1,030,088	80,802	82,675	124,791	3,081	1,974
Portland (Oregon)	2,230,919	1,125,984	460,373	24,601	24,258	40,777	844	1,950
Sacramento (See (a) below)	3,652,098	1,851,324	609,863	38,038	49,336	1,595	5,290	531,307
San Francisco (See (a) below)	2,689,137	1,359,953	586,605	39,662	33,084	41,167	2,038	374,773
San Jose (See (a) below)	4,128,501	2,187,626	829,706	38,048	57,346	61,842	1,964	1,667
Seattle (Washington)	3,628,988	1,903,976	709,440	35,970	43,950	64,468	1,147	1,461

Totals for states not shown above

(a) California	22,322,263	11,726,433	4,519,029	232,282	299,933	382,623	11,081	8,129
(b) Illinois	8,893,143	4,890,819	1,814,235	151,564	161,752	166,905	3,831	1,192,933
(c) New York	14,881,205	7,626,124	2,781,339	204,967	124,969	377,022	8,611	9,812
(d) Ohio	7,878,757	4,523,726	1,448,238	103,170	84,309	125,885	2,343	3,713
(e) Pennsylvania	9,216,976	5,139,225	1,963,384	170,989	79,690	131,036	2,973	3,660
(f) Texas	12,865,962	6,728,474	1,918,235	135,309	162,172	240,585	4,066	7,931

Column Contents:

- Includes Forms 1040, 1040A, 1040EZ, 1040NR, 1040SS-PR and 1040UC.
- Includes Forms 1120, 1120A, 1120L, 1120M, 1120S, 1120POL, 1120F and 1120D.
- Includes Forms 706 and 706NA.
- Form 1041.
- Form 1065.
- Includes Forms 1120, 1120A, 1120L, 1120M, 1120S, 1120POL, 1120F and 1120D.
- Includes Forms 706 and 706NA.
- Form 709.
- Includes Forms 940, 940PR, 941, 941PR & SS, 941E, 942, 942PR, 943, 943PR & SS, CT-1, and 1042.

Table 6.—Continued

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.)	Exempt organizations	Employee plans	ATF returns	Excise taxes	Supplemental documents	Non-master file returns
(10)	(11)	(12)	(13)	(14)	(15)	(16)
United States, total	487,183	2,141,782	519,947	1,264,625	9,783,769	17,038
North-Atlantic Region	62,203	383,669	75,852	113,299	1,310,143	3,124
Albany (See (c) below)	4,765	15,294	10,164	10,164	39,056	47
Augusta (Maine)	3,386	7,007	3,776	3,776	223,178	587
Boston (Massachusetts)	17,578	67,008	13,708	14,477	14,477	243
Brooklyn (See (c) below)	7,429	84,842	11,249	11,249	131,535	284
Buffalo (New York)	9,284	38,358	13,745	13,745	225,407	597
Burlington (Vermont)	1,668	4,224	1,668	1,668	13,535	34
Hartford (Connecticut)	9,882	43,586	9,637	11,761	146,996	438
Mannhattan (New York)	22,293	114,664	8,301	8,769	308,810	845
Portsmouth (New Hampshire)	2,912	7,490	2,912	2,912	17,450	71
Providence (Rhode Island)	2,316	9,048	2,598	3,622	31,060	145
Mid-Atlantic Region	67,830	308,542	67,598	139,019	1,197,315	8,677
Baltimore (Maryland & D.C.)	11,509	55,589	14,520	15,700	117,170	3,120
Foreign Operations (Maryland & D.C.)	750	1,809	388	1,469	128,129	7,087
Puerto Rico	136	907	254	75	3,399	9
Other	614	2,114	114	1,393	124,730	7,078
Newark (New Jersey)	13,669	98,496	17,381	27,762	374,681	930
Philadelphia (See (e) below)	16,117	74,539	16,660	34,8		

Table 7.—Returns filed, examination coverage and results (1986)

	Returns filed CY 1985	Returns examined				Total	Percent coverage
		Revenue agents	Tax auditors	Service center	Total		
Individuals, total	99,529,000	298,943	732,456	59,550	1,090,949	1.10	
1040A, TPI ¹ under \$10,000	20,353,200	9,278	47,807	3,013	60,098	0.30	
Non 1040A, TPI under \$10,000	9,905,400	6,311	26,465	4,219	36,995	0.37	
TPI \$10,000 under \$25,000, simple	20,903,400	12,295	85,317	3,589	101,201	0.48	
TPI \$10,000 under \$25,000, complex	10,089,700	22,958	91,617	12,817	126,792	1.26	
TPI \$25,000 under \$50,000	23,610,500	56,725	308,077	23,194	389,996	1.64	
TPI \$50,000 and over	6,507,100	117,368	112,826	8,551	238,765	2.81	
Schedule C-TGR ² under \$25,000	1,868,300	9,021	15,255	653	24,929	1.33	
Schedule C-TGR \$25,000 under \$100,000	2,023,600	20,072	23,063	1,450	45,385	2.24	
Schedule C-TGR \$100,000 and over	1,117,000	36,415	14,768	1,120	52,303	4.68	
Schedule F-TGR under \$25,000	281,500	657	1,667	144	2,468	0.94	
Schedule F-TGR \$25,000 under \$100,000	453,500	1,727	3,116	308	5,151	1.14	
Schedule F-TGR \$100,000 and over	235,800	3,896	2,478	482	6,856	2.91	
Fiduciary	2,125,000	7,478			7,478	0.35	
Partnerships	1,727,500	17,218			17,218	1.00	
Corporations, total	2,847,700	59,688			59,688	2.25	
Assets not reported	182,700	2,407			2,407	1.32	
Under \$50,000 ³	803,200	5,988			5,988	0.75	
\$50,000 under \$100,000	368,500	5,481			5,481	1.49	
\$100,000 under \$250,000	496,900	7,252			7,252	1.46	
\$250,000 under \$500,000	301,800	4,054			4,054	1.34	
\$500,000 under \$1 mil	205,300	3,868			3,868	1.88	
\$1 mil under \$5 mil	198,700	9,349			9,349	4.71	
\$5 mil under \$10 mil	28,400	3,639			3,639	12.81	
\$10 mil under \$50 mil	31,000	7,400			7,400	23.87	
\$50 mil under \$100 mil	6,700	3,186			3,186	47.55	
\$100 mil under \$250 mil	4,600	3,272			3,272	71.13	
\$250 mil and over	4,400	3,434			3,434	78.05	
Form 1120F	15,500	358			358	2.31	
Small business corporations	736,900	7,931			7,931	1.08	
Form 1120 DISC	13,300	1,379			1,379	10.37	
Estate, total	80,700	16,784			16,784	20.80	
Gross estate under \$1 mil	68,500	10,896			10,896	15.91	
Gross estate \$1 mil under \$5 mil	11,300	5,200			5,200	46.02	
Gross estate \$5 mil and over	900	688			688	76.44	
Gift	67,700	1,860			1,860	1.90	
Income, estate and gift, total	106,957,800	411,279	732,456	59,550	1,203,285	1.13	
Exclude	1,149,994	46,589			46,589	4.05	
Employment	27,409,300	35,327	1,104		36,431	0.13	
Windfall profit	10,506	2,432		3,626	6,058	57.66	
Miscellaneous		45			45		
Service center corrections				584,028	584,028		

Note: Totals may not add due to rounding.

¹ Total positive income.² Total gross receipts.³ Balance sheet assets.

Table 7.—Continued

Revenue agent	Recommended additional tax and penalties (in millions of dollars)			Total	Average tax and penalty per return			No-change percent ⁴		Tax auditors
	Tax auditor	Service centers	Total		Revenue agent	Tax auditor	Service centers	Revenue agent	Tax auditors	
4,201	1,425	51	5,677	14,052	1,945	882	9	14	14	Individuals, total
129	57	5	191	13,933	1,195	1,519	9	11	11	1040A, TPI under \$10,000
35	26	6	67	5,523	999	1,358	14	16	16	Non 1040A, TPI under \$10,000
44	78	2	125	3,611	916	561	10	12	12	TPI \$10,000 under \$25,000, simple
90	78	6	174	4,032	853	452	11	12	12	TPI \$10,000 under \$25,000, complex
273	338	16	627	4,643	1,097	697	9	14	14	TPI \$25,000 under \$50,000
2,385	650	13	3,047	20,316	5,760	1,476	8	18	18	TPI \$50,000 and over
45	22	0	67	4,946	1,460	640	11	14	14	Schedule C-TGR under \$25,000
181	59	2	242	8,693	2,554	1,087	8	14	14	Schedule C-TGR \$25,000 under \$100,000
900	104	2	1,006	24,708	7,043	1,747	10	17	17	Schedule C-TGR \$100,000 and over
4	1		5	6,158	613	254	11	25	25	Schedule F-TGR under \$25,000
11	3		14	6,226	1,017	270	11	22	22	Schedule F-TGR \$25,000 under \$100,000
104	8		112	26,719	3,180	704	12	23	23	Schedule F-TGR \$100,000 and over
113	0		113	15,116			16			Fiduciary
							19			Partnerships
10,857			10,857	181,901			16			Corporations, total
160			160	66,518			15			Assets not reported
45			45	7,455			24			Under \$50,000
55			55	9,973			25			\$50,000 under \$100,000
293			293	40,383			23			\$100,000 under \$250,000
51			51	12,515			20			\$250,000 under \$500,000
47			47	12,249			18			\$500,000 under \$1 mil
337			337	36,037			15			\$1 mil under \$5 mil
153			153	41,968			12			\$5 mil under \$10 mil
475			475	64,183			10			\$10 mil under \$50 mil
472			472	148,071			7			\$50 mil under \$100 mil
908			908	277,386			5			\$100 mil under \$250 mil
7,754			7,754	2,257,935			2			\$250 mil and over
109			109	305,051			35			Form 1120F
140			140	17,634			54			Small business corporations
							29			Form 1120 DISC
701			701	41,738			9			Estate, total
211			211	19,336			10			Gross estate under \$1 mil
282			282	54,229			9			Gross estate \$1 mil under \$5 mil
206			206	299,978			10			Gross estate \$5 mil and over
202			202	108,821			13			Gift
18,214	1,425	51	17,690	39,422	1,945	882	11	14	14	Income, estate and gift, total
150			150	3,210			11			Exclude
309	1		311	8,759	888		10	13	13	Employment
977		9	985	401,566		2,407	25			Windfall profit
1			1	18,182			13			Miscellaneous
			796	796		1,362				Service center corrections

⁴ Service center no-change rate by class is not available. Service center examinations resulted in 17 percent no-change.

Table 8.—Returns filed, examination coverage and results (1985)

	Returns filed CY 1984	Returns examined			Total	Percent coverage
		Revenue agents	Tax auditors	Service center		
Individuals, total	96,498,900	332,574	810,943	122,075	1,265,592	1.31
1040A, TPI under \$10,000	20,806,000	8,029	50,175	15,510	73,814	0.35
Non 1040A, TPI under \$10,000	9,980,000	7,182	28,455	7,894	43,531	0.44
TPI \$10,000 under \$25,000, simple	20,622,000	15,573	99,395	17,769	132,737	0.64
TPI \$10,000 under \$25,000, complex	10,025,000	35,074	109,768	22,966	167,808	1.67
TPI \$25,000 under \$50,000	22,406,900	66,718	345,357	39,807	451,882	2.02
TPI \$50,000 and over	6,874,000	114,803	116,221	11,733	242,757	3.53
Schedule C-TGR ² under \$25,000	1,873,000	11,011	15,032	1,054	27,097	1.45
Schedule C-TGR \$25,000 under \$100,000	1,809,000	23,467	22,683	2,277	48,427	2.55
Schedule C-TGR \$100,000 and over	1,004,000	37,245	15,265	1,669	54,179	5.40
Schedule F-TGR under \$25,000	286,000	1,882	2,249	235	4,366	1.53
Schedule F-TGR \$25,000 under \$100,000	467,000	4,370	3,384	542	8,296	1.78
Schedule F-TGR \$100,000 and over	241,000	7,220	2,770	519	10,518	4.36
Fiduciary	2,013,000	7,478	367		7,846	0.39
Partnerships	1,541,500	21,855	385		21,940	1.42
Corporations, total	2,485,800³	58,847			58,847	2.39
Assets not reported	181,300	2,820			2,820	1.56
Under \$100,000*	1,156,100	10,720			10,720	0.93
\$100,000 under \$1 ml	881,600	15,313			15,313	1.74
\$1 ml under \$10 ml	192,100	13,241			13,241	6.89
\$10 ml under \$100 ml	34,600	10,297			10,297	29.76
\$100 ml and over	7,600	6,556			6,556	86.26
Small business corporations	653,600	6,317			6,317	0.97
Form 1120 DISC	12,500	1,286			1,286	10.29
Estate, total	81,300	17,344			17,344	21.33
Gross estate under \$1 ml	73,900	11,758			11,758	15.91
Gross estate \$1 ml under \$5 ml	6,900	5,043			5,043	73.09
Gross estate \$5 ml and over	500	543			543	106.60
Gift	89,000	1,880			1,880	2.11
Income, estate and gift, total	103,253,600	447,382	811,695	122,075	1,381,152	1.34
Exclse	546,800	45,058	162		45,218	8.27
Employment	26,103,900	24,823	2,356		27,179	0.10
Windfall profit	11,200	1,913		3,166	5,079	45.35
Miscellaneous		119			119	
Service center corrections				558,876	558,876	

Note: Totals may not add due to rounding.

¹ Total positive income.² Total gross receipts.³ Includes 12,500 Forms 1120F not allocated to corporation classes.⁴ Balance sheet assets.

Table 8.—Continued

Revenue agent	Recommended additional tax and penalties (in millions of dollars)			Average tax and penalty per return			No-change percent ¹	
	Tax auditor	Service centers	Total	Revenue agent	Tax auditor	Service centers	Revenue agent	Tax auditors
3,610	1,248	61	4,918	10,854	1,539	496	13	17
71	47	9	127	8,850	940	567	11	15
40	22	3	65	5,612	785	328	14	22
49	81	7	136	3,119	815	376	17	16
80	81	8	170	2,291	742	354	19	13
265	331	19	615	3,977	959	465	15	16
2,045	511	11	2,566	17,809	4,393	934	11	21
45	20	1	66	4,083	1,346	488	13	14
197	53	2	242	7,953	2,323	909	12	16
678	91	2	771	18,205	5,946	1,055	12	18
12	1		13	6,343	613	187	17	22
12	0		16	2,855	906	222	12	22
125	6		132	17,381	2,154	604	12	25
45	1		46	6,003	2,971		22	25
							19	23
10,561			10,561	179,159			16	
162			162	57,520			16	
64			64	5,932			24	
183			183	10,659			20	
340			340	25,704			15	
695			695	67,530			10	
9,136			9,136	1,393,556			5	
123			123	19,509			33	
							22	
737			737	42,506			10	
163			163	13,888			10	
305			305	60,548			10	
269			269	494,636			7	
143			143	75,889			17	
15,219	1,249	61	16,528	34,017	1,539	496	14	17
128			128	2,845	156		13	1
189	1		171	6,827	498		11	10
242		7	249	126,736		2,204	23	7
8			8	66,729			7	
			628	628		1,124		

¹ Service center no-change rate by class is not available. Service center examinations resulted in 24 percent no-change.

Table 9.—Additional tax and penalties recommended after examination by class of tax and by internal revenue region and districts and other areas (in thousands of dollars)

	Total	Individual	Fiduciary	Corporation	Sub-chapter S and 1120 DISC	Estate	Gift	Excise	Employment	Exempt organizations	Windfall profit	Miscellaneous
Total	19,278,563	5,676,962	113,039	10,857,290	139,857	700,538	202,035	149,548	310,525	142,620	985,333	817
North-Atlantic	3,719,345	531,116	10,688	2,947,549	17,736	83,572	2,577	11,454	94,256	16,238	228	228
Mid-Atlantic	1,860,328	522,344	2,260	1,270,164	24,972	104,503	3,898	17,422	30,660	2,609	2,296	—
Southeast	1,763,786	840,585	3,233	729,225	6,100	129,063	17,806	20,551	11,975	818	2,391	—
Central	1,298,865	374,329	5,086	884,727	4,871	86,151	5,854	35,747	15,576	4,211	2,414	—
Midwest	2,623,062	551,414	4,709	1,871,384	14,935	81,784	29,795	17,083	15,755	23,440	393	—
Southeast	4,331,482	1,034,486	21,369	1,820,203	15,380	124,952	132,786	28,496	124,711	2,735	976,264	118
Western	1,259,339	423,339	63	735,339	54,905	100,511	9,436	16,795	16,324	92,971	909	699
North-Atlantic Region:												
Albany.....	34,519	16,398	604	12,454	61	4,046	38	166	750	—	—	—
Augusta.....	39,002	9,237	—	30,680	—	1,752	—	462	431	—	—	—
Boston.....	496,176	59,154	972	411,924	640	15,132	216	2,729	5,378	—	—	—
Brooklyn.....	132,038	25,296	—	106,742	515	1,986	—	1,096	16,236	—	—	—
Buffalo.....	228,568	44,377	—	172,709	—	5,949	1,528	2,877	462	—	—	—
Buttington.....	28,927	5,610	20	22,640	—	427	—	67	163	—	—	—
Hartford.....	480,049	52,491	675	427,229	5,007	17,777	747	406	6,975	—	—	—
Manhattan.....	2,058,908	199,803	7,427	1,717,705	9,937	41,234	701	2,442	79,651	—	—	—
Pottsmouth.....	64,642	7,336	228	55,632	71	1,242	30	94	9	—	—	—
Providence.....	29,096	5,784	56	16,500	1,560	1,868	17	195	112	—	—	—
Providence Service Center.....	2,906	—	—	—	—	—	—	—	—	—	—	—
Brookhaven Service Center.....	3,342	3,342	—	—	—	—	—	—	—	—	—	—
Mid-Atlantic Region:												
Baltimore.....	380,287	103,866	257	235,699	462	20,571	1,321	3,219	12,477	2,415	—	—
Foreign Operations.....	82,185	22,429	—	42,367	—	14,591	90	—	2,710	—	—	—
Newark.....	585,645	159,167	780	394,069	5,146	11,497	102	4,686	10,004	194	—	—
Philadelphia.....	1,033,865	374,329	5,086	684,727	4,871	86,151	5,854	35,747	15,576	4,211	2,414	—
Pittsburgh.....	277,889	37,921	406	222,678	31	9,152	39	4,554	919	—	—	—
Richmond.....	188,397	34,970	123	58,838	36	39,566	1,758	1,376	1,729	2,288	—	—
Wilmington.....	92,288	7,221	137	82,268	140	1,081	7	264	1,170	—	—	—
Philadelphia Service Center.....	3,716	3,716	—	—	—	—	—	—	—	—	—	—
Southeast Region:												
Atlanta.....	289,886	147,635	608	107,125	1,900	20,833	6,627	3,221	1,518	418	—	—
Birmingham.....	46,378	30,851	309	13,199	39	864	44	568	369	146	—	—
Columbus.....	38,761	28,337	10	8,621	163	81	—	2,099	971	—	—	—
Greensboro.....	123,528	48,841	440	59,734	179	7,696	1,128	2,980	2,529	—	—	—
Jackson.....	44,230	34,368	9	18,109	—	—	—	1,819	116	100	—	—
Jacksonville.....	536,249	152,191	1,521	391,616	3,916	53,253	6,130	3,667	1,959	18	—	—
Little Rock.....	42,899	21,563	54	18,801	26	628	—	469	352	—	—	—
Nashville.....	252,292	82,268	27	167,775	260	18,617	3,458	2,796	2,123	1,649	—	—
New Orleans.....	574,689	112,861	254	226,690	1,657	27,172	419	2,542	2,007	2,549	—	—
Atlanta Service Center.....	5,415	5,415	—	—	—	—	—	—	—	—	—	—
Memphis Service Center.....	4,122	4,122	—	—	—	—	—	—	—	—	—	—
Central Region:												
Cincinnati.....	402,205	40,814	333	340,409	1,713	11,888	662	1,306	852	4,211	16	—
Cleveland.....	292,965	92,588	3,592	155,344	1,977	19,725	2,870	13,952	2,891	—	—	—
Detroit.....	479,789	130,150	329	306,791	909	15,900	789	15,678	7,831	1,913	—	—
Indianapolis.....	114,816	58,680	414	38,713	72	10,407	1,321	3,170	1,394	447	—	—
Louisville.....	71,183	28,703	38	35,855	5,394	124	794	2,268	17	17	—	—
Parkersburg.....	30,811	18,092	281	7,817	—	2,836	687	856	339	4	—	—
Cincinnati Service Center.....	7,292	7,292	—	—	—	—	—	—	—	—	—	—
Midwest Region:												
Aberdeen.....	11,351	7,222	13	1,720	184	1,648	131	248	176	—	—	—
Chicago.....	1,046,870	275,990	4,886	691,189	6,436	30,985	1,315	2,833	9,796	23,440	—	—
Des Moines.....	178,716	35,735	808	121,267	6,180	7,498	642	5,163	1,424	—	—	—
Fargo.....	12,944	8,323	25	1,630	192	367	—	149	55	—	—	—
Helena.....	19,341	11,004	—	—	—	5,283	102	470	243	297	—	—
Milwaukee.....	495,649	44,900	12	438,397	716	6,490	226	3,573	1,301	—	—	—
Omaha.....	55,938	16,620	189	37,469	41	5,105	269	847	395	0	—	—
St. Louis.....	314,100	62,246	648	233,963	926	10,647	3,243	1,039	1,385	3	—	—
St. Paul.....	296,890	46,493	151	217,859	261	11,298	19,911	5,555	363	—	—	—
Springfield.....	184,529	36,176	347	130,928	—	10,769	3,590	2,205	465	38	—	—
Kansas City Service Center.....	6,737	6,737	—	—	—	—	—	—	—	—	—	—
Southeast Region:												
Albuquerque.....	24,956	17,195	134	5,244	8	1,896	231	121	64	—	—	—
Austin.....	178,438	83,616	716	40,072	555	48,145	339	3,054	1,408	62	—	—
Cheyenne.....	45,871	2,571	7	20,357	45	569	12,056	211	55	—	—	—
Dallas.....	921,305	218,185	296	495,263	2,561	22,927	114,330	3,596	11,183	2,735	30,244	6
Denver.....	226,373	85,394	620	124,060	1,749	6,963	3,667	932	863	—	—	—
Houston.....	1,886,971	230,426	10,159	798,172	2,172	12,654	5,682	5,606	23,432	803,765	—	—
Oklahoma City.....	559,705	210,837	428	190,500	373	14,483	1,010	10,205	1,261	—	—	—
Phoenix.....	176,199	87,548	465	68,199	6,692	6,029	390	342	751	—	—	—
Salt Lake City.....	91,536	67,037	8,279	14,050	811	145	—	952	262	—	—	—
Wichita.....	194,797	37,072	264	64,285	414	10,260	163	3,477	78,663	199	—	—
Austin Service Center.....	17,851	9,125	—	—	—	—	—	—	—	8,726	—	—
Ogden Service Center.....	5,479	5,479	—	—	—	—	—	—	—	—	—	—
Western Region:												
Anchorage.....	55,610	45,978	143	5,809	303	2,801	—	338	238	—	—	—
Boise.....	111,095	27,522	169	75,938	591	2,572	193	373	3,737	—	—	—
Honolulu.....	89,471	43,577	58	32,650	9,853	1,180	106	693	346	—	—	—
Laguna Niguel.....	503,517	320,486	125	144,150	9,671	26,502	4,789	1,789	2,973	—	—	—
Las Vegas.....	131,853	77,953	242	36,623	15,294	1,467	64	122	89	—	—	—
Los Angeles.....	1,041,788	493,801	4,240	462,953	9,060	21,894	6,682	5,331	1,676	40,453	468	—
Portland.....	118,178	60,246	1,467	44,632	71	6,338	1,246	4,998	5,676	—	—	—
Sacramento.....	183,410	69,662	43,661	93,528	8,272	196	4,307	1,102	1,028	—	—	—
San Francisco.....	519,705	261,347	11,899	241,347	9,814	34,717	29	435	1,578	31,403	4	455
San Jose.....	398,199	150,395	549	233,129	1,973	10,884	—	602	557	—	—	—
Seattle.....	206,679	114,231	769	64,465	78	3,234	317	1,288	1,043	21,115	15	95
Fresno Service Center.....	3,191	3,191	—	—	—	—	—	—	—	—	—	—

*Less than \$500

Table 10.—Number of returns examined by class of tax and by internal revenue regions, districts and other areas

Table 11.—Returns examined by examination divisions

	1985	1986
Additional tax proposed	1,104,181	914,964
Refunds proposed	116,739	98,019
No adjustment proposed	237,846	273,425
Total	1,458,746	1,292,408
Disposition of examined returns		
Not inspected	1,324,175	1,134,637
Appealed administratively	91,134	102,708
Referred to the U.S. Tax Court	43,437	55,063
Total	1,458,746	1,292,408

Table 12.—Examinations resulting in refunds (excluding claims for refunds)

	Number of returns		Amount recommended (in thousands of dollars)	
	1985	1986	1985	1986
Individual	69,685	56,428	157,312	137,876
Fiduciary	1,036	1,162	8,448	10,400
Corporation	5,100	5,008	441,821	402,879
Estate	2,611	2,579	60,567	83,426
Gift	35	46	2,144	728
Excise	2,598	2,371	65,354	68,830
Employment	713	708	6,470	32,549
Miscellaneous	12	8	410	122
Total	81,713	68,310	742,528	736,610

**Table 13.—Results of collection activity
(in thousands)**

	1985	1986
Taxpayer delinquent accounts		
Opening inventory	1,934	1,692
Issuances ¹	2,471	2,664
Dispositions	2,713	2,419
Closing inventory	1,692	1,938
(a) Number of accounts	59,143,062	\$11,921,808
(b) Balance of assessed tax, penalty and interest		
Delinquent return investigations		
Opening inventory	618	1,040
Issuances ¹	1,909	1,396
Dispositions	1,466	1,527
Closing inventory	1,040	909
Returns compliance investigations closed	61	28
Miscellaneous investigations closed	121	117
Offers in compromise received	5	6
Enforcement activity		
Notices of federal tax lien filed	705	767
Notices of levy served upon third parties	1,418	1,617
Seizures of property made	25	22

Note: Totals may not add due to rounding.
* Adjusted to balance in accounting method.

**Table 14.—Civil penalties assessed and abated
(dollars in thousands)**

	Assessments		Abatements		Net penalties	
	Number	Amount	Number	Amount	Number	Amount
Individual						
Delinquency	1,578,599	552,643	226,460	146,640	1,352,139	406,003
Estimated tax	2,720,142	985,555	198,557	594,098	2,521,585	391,457
Failure to pay	6,714,055	365,637	901,537	35,525	5,812,518	310,112
Bad check	230,982	2,753	6,397	23,210	224,585	2,346
Fraud	1,841	15,270	176	2,410	1,665	128,060
Negligence	229,461	245,607	18,398	48,565	211,063	199,242
False withholding	1,076	569	114	57	962	512
Other ⁵	132,966	177,766	24,918	23,430	108,048	154,226
Total	11,620,122	2,482,290	1,377,467	889,932	10,242,655	1,592,358
Corporation²						
Delinquency	163,909	598,450	56,778	423,294	107,131	175,156
Estimated tax	336,087	331,448	63,207	179,500	272,880	151,948
Failure to pay	431,895	383,899	183,154	273,308	248,741	110,591
Bad check	527	82	118	31	358	61
Fraud	603	26,268	23	3,589	590	22,679
Negligence	3,578	28,898	205	2,378	3,373	26,522
Miscellaneous	13,815	138,037	4,943	37,934	8,872	100,103
Total	953,514	1,507,092	308,429	920,022	645,085	587,070
Employment³						
Delinquency	2,614,376	763,092	635,633	260,691	1,978,543	502,401
Miscellaneous	5,222	5,222	1,244	1,737	3,978	3,485
Failure to pay	5,181,985	376,796	1,223,753	186,043	3,958,232	190,753
Federal tax deposits	384,776	620,180	356,230	444,775	628,546	175,405
Bad check	130,433	2,948	1,676	1,455	128,557	1,493
Fraud	557	1,850	49	47	508	1,803
Other ⁴	163	47	1	162	47	162
Total	8,917,512	1,770,135	2,218,968	894,748	6,698,528	875,387
Excise⁴						
Delinquency	407,481	110,008	76,520	63,980	330,962	26,028
Daily delinquency	40,061	57,481	27,224	41,808	12,837	15,673
Failure to pay	440,264	29,688	94,207	22,388	346,057	7,300
Federal tax deposits	26,189	45,721	7,910	30,334	18,279	14,797
Bad check	4,940	86	109	12	4,831	74
Fraud	1,594	5,637	221	272	1,373	5,365
Other ⁵	288	882	31	74	257	808
Total	920,823	249,513	206,231	178,686	714,592	70,646
Estate and Gift						
Delinquency	9,225	53,179	4,463	52,926	4,762	254
Miscellaneous	67	254	11	6	56	246
Failure to pay	16,967	36,664	13,185	35,167	3,782	1,497
Bad check	339	56	57	42	282	24
Fraud	30	870	8	194	22	676
Negligence	65	137	7	9	44	128
Total	26,675	91,170	17,725	88,348	8,948	2,825
All Other⁶						
Delinquency	237,460	361,492	133,205	196,872	104,255	164,620
Failure to pay	120,778	13,118	42,648	8,150	78,130	4,968
Bad check	2,128	36	118	2,010	25	25
Fraud	2	10	—	2	10	—
Negligence	68	468	24	144	44	74
Miscellaneous	8,336	185,341	6,875	185,617	1,461	(276)
Total	368,802	560,487	182,870	390,796	185,932	169,991
Non-return⁷	106,111	267,578	29,271	80,790	85,840	187,208
Total, all civil penalties	22,915,557	6,928,285	4,331,979	3,413,061	18,583,578	3,515,184

Note: With the exception of estimated tax, penalties can apply to any tax year. Abatements can apply to any tax year.
¹ Includes taxpayer identification number, failure to report tips and miscellaneous.
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, 11, 11C, 720 and 730.
⁵ Includes negligence and miscellaneous.
⁶ Includes Forms 1041, 1065 and individual retirement account file.
⁷ Includes penalties assessable under the Tax Equity and Fiscal Responsibility Act of 1982 and the Tax Reform Act of 1984.
⁸ Less than \$500.

Table 15.—Appeals Division Workload Not Before the Tax Court (Nondocketed)

	Number of Cases ¹	
	1985	1986
Received	42,450	52,390
Regular Work	26,233	29,838
Tax Shelters	16,217	22,552
Disposed of by Agreement	33,434	34,630
Regular Work	22,829	23,717
Tax Shelters	10,605	10,913
Disposed of as Unagreed²	3,000	2,413
Regular Work	848	2,248
Tax Shelters	2,152	167

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 85.4 percent mentioned in the section on "Administrative Appeals".

Table 16.—Appeals Division Workload Petitioned to the Tax Court (Docketed)

	Number of Cases ¹	
	1985	1986
Received	33,920	38,430
Regular Work	19,810	20,782
Tax Shelters	14,310	17,648
Disposed of by Agreement	23,300	25,941
Regular Work	15,298	17,922
Tax Shelters	8,002	8,019
Disposed of as Unagreed²	3,566	4,026
Regular Work	855	3,251
Tax Shelters	2,711	775

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 89.7 percent docketed agreement rate mentioned in the section on "Administrative Appeals" because they were already considered as unagreed for purposes of computing the nondocketed agreement rate.

Table 17.—Requests for EP/EO tax rulings and technical advice (Closings)

Subject	Total	Taxpayers' requests for tax rulings	Field requests for technical advice
Total	9,857	9,237	620
Actual matters	1,982	1,950	32
Exempt organizations	4,167	3,738	369
Employee plans	3,708	3,489	219

Table 18.—Determination letters issued on ERISA employee benefit plans

Letters issued	Stock bonus	Money purchase	Target benefit	Profit sharing	ESOP	Total defined contribution	Defined benefit	Total
Initial qualifications:								
Qualified	454	11,065	480	28,895	172	41,066	21,597	62,663
Participating employees	318,345	289,634	10,951	2,082,328	82,853	2,784,111	5,034,877	7,818,988
Not qualified	4	63	1	12	0	80	66	146
Amendments:								
Qualified	1,642	56,692	1,602	114,825	436	175,197	79,723	254,920
Not qualified	0	5	0	7	0	12	10	22
Terminations:								
Qualified	25	5,571	185	7,533	*	13,314	9,987	23,301
Not Qualified	0	8	0	12	0	20	5	25

* The termination reporting system does not distinguish between stock bonus and ESOP plans.

Table 19.—Number of exempt organizations returns examined by type

Section 501(c)(3)	Private foundations	4,733
	Nontax-exempt charitable trusts	539
501(c)(3)	All others	5,984
501(c)(4)	Civic leagues, social welfare	1,368
501(c)(5)	Labor, agriculture, horticulture	1,455
501(c)(6)	Business leagues	1,848
501(c)(7)	Social and recreational clubs	2,505
501(c)	All others	2,881
521	Farmers' cooperatives	624
Total		21,837

60 **Table 20.—Number of active entities on exempt organizations master file**

	1985	1986
Section 501(c):	24	24
(1) Corporations organized under act of Congress	5,758	5,859
(2) Teleholding corps	368,071	363,051
(3) Religious, charitable, etc.	131,250	133,940
(4) Social welfare	75,632	76,236
(5) Labor, agriculture organizations	57,217	57,064
(6) Business leagues	57,540	56,625
(7) Social and recreation clubs	94,435	95,623
(8) Fraternal beneficiary societies	10,668	10,776
(9) Voluntary employees' beneficiary societies	15,924	17,931
(10) Domestic fraternal beneficiary societies	11	11
(11) Teachers' retirement funds	5,244	5,392
(12) Benevolent life insurance assocns.	7,239	7,600
(13) Cemetery companies	6,032	6,068
(14) Credit unions	967	949
(15) Mutual insurance companies	18	18
(16) Corps. to finance crop operation	726	712
(17) Supplemental unemployment benefit trusts	3	3
(18) Employee funded pension trusts	23,062	24,716
(19) War veterans organizations	161	191
(20) Legal service organizations	5	19
(21) Black lung trusts	82	82
501(c) Religious and apostolic organizations	82	81
501(e) Cooperative hospitals	0	0
501(f) Coop. service orgs. of operating educational orgs.	2,542	2,133
521 Farmers' cooperatives	1,233	1,133
Nonexempt charitable trusts	27,913	29,858
Total	885,658	929,415

* As 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 21.—Disposal of exempt organizations applications

	Applications for determination			Total
	Approved	Denied	Other*	
Section 501(c):	0	0	1	1
(1) Corporations organized under act of Congress	187	5	288	480
(2) Teleholding corps	34,109	547	12,252	46,908
(3) Religious, charitable, etc.	2,749	68	862	3,679
(4) Social welfare	500	9	541	1,049
(5) Labor, agriculture organizations	2,129	76	541	2,746
(6) Business leagues	1,545	79	745	2,400
(7) Social and recreation clubs	40	8	90	148
(8) Fraternal beneficiary societies	92	0	745	837
(9) Voluntary employees' beneficiary societies	17	2	74	113
(10) Domestic fraternal beneficiary societies	0	0	0	0
(11) Teachers' retirement funds	31	5	93	139
(12) Benevolent life insurance assocns.	346	2	53	401
(13) Cemetery companies	14	1	10	25
(14) Credit unions	0	0	3	3
(15) Mutual insurance companies	0	0	0	0
(16) Corps. to finance crop operation	19	0	0	19
(17) Supplemental unemployment benefit trusts	2	0	0	2
(18) Employee funded pension trusts	203	0	88	292
(19) War veterans organizations	18	0	23	41
(20) Legal service organizations	2	0	0	2
(21) Black lung trusts	0	0	0	0
(22) Employer liability trusts	0	0	0	0
501(c) Religious and apostolic organizations	4	0	0	4
501(e) Cooperative hospitals	0	0	0	0
501(f) Coop. service orgs. of operating educational orgs.	33	3	23	59
521 Farmers' cooperatives	8	0	0	8
Nonexempt charitable trusts	785	182	433	1,400
National Office rulings and determination letters	43,007	987	16,347	60,341

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

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 populations realized		(8)
						Total (6)	National Office (7)	
1957	305,537,814	60,171,917,000	0.38	171,984	466.16	51,364	2,832	48,532
1958	337,428,789	79,978,476,484	0.42	174,822	457.33	50,816	2,999	47,907
1959	355,469,228	79,797,972,806	0.44	177,830	448.73	51,226	2,969	48,257
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	450,980,420	99,440,939,342	0.47	186,538	533.09	56,491	3,401	53,090
1963	500,804,314	105,925,395,281	0.47	189,549	553.74	57,711	3,637	56,074
1964	549,692,131	112,260,257,115	0.49	191,889	585.03	61,059	3,839	57,220
1965	597,387,471	114,434,633,721	0.52	194,309	588.95	62,098	3,881	58,217
1966	628,861,929	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	65,946	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	758,765,475	187,919,539,668	0.40	202,677	927.19	66,064	3,862	62,202
1970	886,159,162	195,722,096,497	0.45	204,878	955.31	66,683	4,103	64,580
1971	981,085,297	191,647,199,138	0.51	207,033	925.63	68,972	4,358	64,614
1972	1,127,390,411	209,855,736,876	0.49	208,949	1,004.83	69,549	4,334	64,415
1973	1,162,069,945	237,787,204,058	0.49	210,410	1,130.11	74,170	4,505	69,665
1974	1,312,894,681	286,952,253,663	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	302,018,791,922	0.56	215,142	1,408.14	84,284	4,732	79,532
1977	1,790,588,738 ¹	358,139,416,730	0.50	217,329	1,647.91	83,743	4,894	78,849
1978	1,962,129,267 ¹	395,776,389,362	0.49	219,033	1,826.81	85,329	4,919	80,410
1979	2,116,166,276 ¹	430,412,185,013	0.46	220,998	2,083.32	86,168	4,978	81,190
1980	2,290,838,622 ¹	519,375,273,361	0.44	229,231 ²	2,275.69 ²	97,464	5,114	82,350
1981	2,465,468,704 ¹	606,799,120,630	0.41	236,613 ²	2,631.24 ²	86,156	5,104	81,056
1982	2,626,338,036 ¹	632,240,505,595	0.42	232,962 ²	2,713.92 ²	82,857	5,098	77,759
1983	2,968,525,840 ¹	621,246,792,581	0.47	235,225 ²	2,666.58 ²	83,805 ²	4,367 ²	79,448 ²
1984	3,279,067,495 ¹	686,475,229,453	0.49	237,454 ²	2,965.71 ²	87,835 ²	5,373 ²	82,308 ²
1985	3,600,952,523 ¹	742,871,541,283	0.48	239,714 ²	3,096.99 ²	92,254	5,454	86,800
1986	3,841,983,050 ¹	782,251,812,225	0.49	241,688	3,233.84	95,880	5,361	90,519

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 3,950 average positions to reflect the AT&F transfer July 1972. AT&F included in years 1956-71.

⁵ Eleven average positions transferred to office of the Secretary 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.—Costs incurred by the Internal Revenue Service by activity
(in thousands of dollars)

Appropriation by activity	Total		Personal compensation and benefits		Other	
	1985	1986	1985	1986	1985	1986
Total obligations, appropriations and reimbursements	3,617,375	3,886,906	2,631,366	2,759,180	986,009	1,107,726
Obligations against appropriated funds	3,600,952	3,841,984	2,619,584	2,746,919	981,368	1,095,065
Salaries and expenses	104,855	89,475	76,196	67,351	28,759	22,124
Executive direction	6,857	6,638	5,623	5,409	1,234	1,228
Management services	98,098	82,837	72,573	61,942	25,225	20,895
Processing tax returns	1,048,459	1,247,483	890,922	705,459	457,547	542,024
Returns processing and revenue accounting	822,497	917,965	633,771	595,992	288,726	321,993
Computer services	225,972	329,498	57,151	109,467	168,821	220,031
Examination and appeals	1,378,506	1,401,171	1,133,137	1,149,924	243,369	251,247
Examination	1,114,845	1,139,501	915,344	933,884	199,501	205,617
Appeals and tax litigation	167,263	162,639	133,598	129,659	27,604	25,041
Employee plans and exempt organizations	94,398	99,031	78,134	82,442	16,264	16,589
Investigation, collection and taxpayer service	1,071,022	1,103,855	817,329	824,185	253,693	270,670
Tax fraud investigations	210,951	221,304	172,528	171,200	47,423	50,104
Collection	613,527	606,498	483,894	467,094	129,633	139,404
Taxpayer service	169,874	206,212	104,207	130,001	65,667	78,211
Enforcement litigation and technical	67,670	67,841	66,700	66,700	10,970	11,951
Reimbursable obligations, total	16,423	24,922	11,782	12,281	4,641	12,661

Table 24.—Costs incurred by the Internal Revenue Service by office
(in thousands of dollars)

Internal revenue office, district or region	Total	Personnel compensation	Travel	Equip-ment	Other
	(1)	(2)	(3)	(4)	(5)
A. Total Internal Revenue Service	3,868,906	2,759,180	90,449	95,679	921,598
National Office	686,346	254,049	11,544	36,100	394,653
North Atlantic	462,717	358,119	7,736	6,709	90,153
Mid-Atlantic	350,811	276,314	7,277	7,958	59,262
South	457,545	355,152	13,224	9,789	79,980
Southeast	280,520	222,668	8,076	4,263	45,913
Central	318,682	257,405	4,154	4,664	49,660
Midwest	503,636	415,744	5,848	11,021	87,322
Southwest	521,498	399,942	14,831	9,265	97,460
Western	66,376	50,824	0	616	13,536
Regional Appeals	64,674	56,699	1,893	3,325	2,757
Regional Counsel	35,677	30,556	2,283	1,143	1,695
Regional Inspector	24,567	13,650	115	523	10,269
National Computer Center	50,168	34,946	321	1,119	13,782
B. Regional commissioners' offices (excluding district directors' offices and service centers)	288,359	71,331	12,744	11,420	201,464
North Atlantic	19,215	9,967	766	1,082	7,600
Mid-Atlantic	40,450	10,215	784	1,121	28,320
South	43,315	9,299	3,562	936	29,518
Central	31,397	9,468	1,079	1,919	18,931
Midwest	37,780	9,225	1,264	819	24,522
Southwest	51,820	10,454	1,645	3,996	35,725
Western	76,682	13,703	3,594	1,547	57,838
C. District directors' offices and service centers	2,622,149	2,214,013	59,725	42,049	306,362
North Atlantic	443,202	348,152	6,950	5,827	82,473
Albany	11,961	9,910	426	1,605	60
Albany	5,626	4,371	253	56	647
Albany	48,279	37,087	1,081	917	9,194
Boston	51,392	41,974	647	7,933	647
Brooklyn	28,152	22,711	1,090	951	4,500
Buffalo	3,505	2,895	191	33	396
Burlington	25,367	21,400	681	200	3,166
Hartford	68,925	73,240	1,067	594	11,334
Mannhattan	6,257	5,084	328	117	728
Portland	7,515	5,768	201	75	1,171
Providence	315	0	294	0	21
North Atlantic Region centralized training	74,656	54,757	265	1,150	18,784
Andover Service Center	63,422	69,855	205	1,378	27,684
Brookhaven Service Center	310,361	286,099	6,483	6,837	30,942
Mid-Atlantic	43,865	39,390	600	542	3,273
Baltimore	24,656	19,657	1,729	725	2,346
Foreign Operations	57,295	52,567	1,219	427	3,082
Newark	45,240	40,329	875	922	3,114
Philadelphia	23,070	20,481	565	524	1,400
Pittsburgh	27,391	23,320	902	619	2,550
Richmond	5,147	4,651	117	148	231
Wilmington	3,782	2,475	24	190	1,072
Farms Distribution Center	254	0	206	0	48
Mid-Atlantic Region centralized training	79,681	63,028	188	2,640	13,827
Philadelphia Service Center	414,230	345,853	9,862	8,853	49,862
Southeast	53,335	43,735	1,672	1,168	6,760
Atlanta	15,378	13,655	586	236	901
Birmingham	11,319	9,885	409	267	758
Columbus	26,815	24,065	928	338	1,494
Greensboro	10,608	9,315	380	269	844
Jackson	81,023	66,975	2,533	2,399	9,096
Jacksonville	11,103	9,763	489	255	1,096
Little Rock	29,141	24,233	911	846	3,151
Nashville	24,854	22,007	935	294	1,618
New Orleans	477	0	435	0	42
Southeast Region centralized training	78,672	63,123	196	1,199	14,227
Atlanta Service Center	71,505	59,097	168	1,655	10,585
Memphis Service Center	249,523	214,200	6,987	2,344	28,382
Central	34,554	30,652	913	323	2,826
Cleveland	37,433	33,091	1,052	375	2,915
Detroit	53,119	46,584	2,394	424	3,717
Indianapolis	29,878	25,470	955	230	3,023
Louisville	16,323	14,140	758	112	1,313
Parkerburg	9,162	8,100	449	60	353
Treasury Complaints Processing Center	3	0	3	0	0
Central Region centralized training	333	0	274	0	59
Cincinnati Service Center	68,618	56,123	199	603	11,476
Midwest	284,902	248,180	7,193	3,645	25,884
Aberdeen	3,895	3,422	229	49	195
Chicago	79,414	72,576	1,800	677	4,361
Des Moines	14,136	12,344	523	283	976
Fairport	4,288	3,748	231	58	251
Hennia	5,300	4,712	265	49	274
Milwaukee	22,755	20,285	615	233	1,622
Omaha	9,720	8,470	358	108	786
St. Louis	34,100	30,005	1,116	290	2,689
St. Paul	26,811	23,690	896	279	1,946
Springfield	13,149	11,759	526	147	717
Farms Distribution Center	438	117	21	4	296
Midwest Region centralized training	378	0	366	0	12
Kansas City Service Center	70,517	57,052	246	1,460	11,759

Table 24.—Continued
(in thousands of dollars)

Internal revenue office, district or region	Total	Personnel compensation	Travel	Equip-ment	Other
	(1)	(2)	(3)	(4)	(5)
Southwest	475,115	405,290	11,203	7,025	51,597
Albuquerque	714	6,422	338	59	395
Austin	26,654	28,020	1,325	402	1,807
Cheyenne	4,650	3,858	405	40	347
Dallas	75,528	64,731	1,093	566	1,465
Denver	33,030	29,910	1,393	699	999
Houston	53,558	46,813	1,414	811	4,520
Oklahoma City	24,486	22,124	1,084	201	1,077
Phoenix	20,367	17,417	678	546	1,720
San Lake City	9,439	8,590	354	24	471
Wichita	14,759	13,418	593	67	681
Treasury Complaints Center	736	0	671	0	65
Southwest Region centralized training	681	566	109	4	2
Austin Service Center	108,168	90,758	352	1,418	15,640
Ogden Service Center	90,845	74,663	386	1,494	14,402
Western	444,818	386,239	11,237	7,718	39,822
Anchorage	10,425	8,565	844	173	743
Boise	6,211	5,457	324	131	299
Honolulu	8,418	7,499	278	168	473
Laguna Niguel	57,165	50,644	2,049	630	3,542
Los Angeles	84,152	73,874	1,814	1,219	7,245
Portland	17,563	15,099	628	410	1,426
Las Vegas	12,402	10,842	504	219	837
Sacramento	25,296	22,858	788	366	1,284
San Francisco	49,348	42,721	804	754	5,067
San Jose	32,289	28,777	1,314	560	1,638
Seattle	32,321	28,665	936	647	2,551
Western Region centralized training	475	0	433	0	42
Fresno Service Center	108,253	91,218	419	2,141	14,475

Note: Reimbursements are included in the above figures.

Table 25.—Personnel summary

Location and type	Average positions realized		Number of employees at close of year	
	1985	1986	1985	1986
Service total	92,792	96,395	96,705	102,296
Permanent	38,469	52,846	52,629	97,676
Temporary	3,323	3,549	4,076	4,627
National Office	5,543	5,470	5,787	5,563
Regional offices*	87,249	90,925	90,918	96,733
Data processing operations	25,773	30,254	28,653	32,879
Collection	15,412	15,571	15,119	15,674
Revenue officers	7,366	7,247	7,362	7,359
Other	8,026	8,324	7,757	8,315
Taxpayer service	4,262	5,326	4,610	5,892
Taxpayer service specialists	557	608	584	701
Taxpayer service representatives	1,121	1,302	1,211	1,660
Other	2,584	3,416	2,815	3,531
Examination	24,798	26,120	24,433	27,797
Revenue agents	13,557	13,619	13,666	14,507
Tax auditors	3,513	3,292	3,528	3,409
Other	7,728	9,209	7,239	9,881
Employee plans/exempt organizations	1,822	2,099	1,914	2,280
EP/EO technicals	1,344	1,251	1,320	1,234
Other	618	848	594	1,026
Appeals	2,213	2,228	2,212	2,346
Appeals officers	1,050	1,052	1,056	1,082
Auditors	177	173	177	176
Other	986	1,003	979	1,086
Tax fraud	4,377	4,122	4,394	4,270
Special agents	2,823	2,800	2,860	2,752
Other	1,554	1,322	1,534	1,518
Executive direction	126	124	125	116
Management services	2,176	2,046	2,560	2,350
Resource management	4,604	4,052	4,400	4,340
Centralized services ¹	3,811	1,119	3,828	443
Counsel	2,454	2,382	2,485	2,479
Inspection	964	952	972	960

Note: Reimbursements are included in the above figures.

¹ Includes National Computer Center and the Data Center.

² Centralized Services staffing was absorbed by its client functions during FY 1986.

Table 26.—Chief Counsel cases received

	Tax court cases*			General legal services*	Refund litigation*
	Small tax cases	Other than small cases	Total		
1982	9,814	20,925	30,739	3,620	921
1983	10,036	22,574	32,610	3,672	961
1984	12,263	27,670	39,933	4,335	984
1985	14,684	34,258	49,142	4,841	1,023
1986	14,587	34,200	48,787	5,126	1,454

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

Table 27.—Chief Counsel receipt and disposal of cases

Division	Types of cases	Pending	Received	Disposed	Pending	
		Oct. 1, 1985			Sept. 30, 1986	
Disclosure litigation	Disclosure opinions	135	211	218	128	
	FOIA opinions	4	34	23	15	
	Privacy Act opinions	7	30	29	6	
	FOIA litigation	121	46	101	66	
	Privacy Act litigation	79	34	72	41	
	Section 7217 litigation	6	2	2	6	
	Section 7431 litigation	37	21	29	29	
	Litigation/Coordination	21	24	34	11	
	Appellate litigation	6	46	23	34	
	FOIA requests	106	216	216	106	
	FOIA appeals	363	909	898	394	
	Privacy Act requests	3	9	13	2	
Privacy Act appeals	3	16	17	2		
Total	619	1,698	1,675	842		
Employee plans and exempt organizations	Revenue rulings	10	18	13	15	
	Letter rulings	30	46	61	23	
	Technical advice	9	35	22	15	
	Other advice	10	38	34	14	
	Legislation	7	5	1	5	
	Requests	14	5	12	71	
	Miscellaneous	14	26	20	20	
	Total	152	174	163	183	
	General litigation	Bankruptcies	8,481	10,941	9,566	9,836
		Non-Bankruptcy insolvencies	153	108	124	137
Decedents' incompetents		300	255	244	371	
Collection suits (U.S. Plaintiff)		2,341	4,029	4,473	1,897	
Suits against U.S.		1,997	1,934	1,910	2,021	
Foreign documents requests		1	3	3	1	
Tax return preparers		39	31	14	56	
Summons enforcement		6,395	8,384	9,014	5,765	
Disclosure, FOIA & privacy acts		168	563	627	109	
Advisory opinions		1,159	6,364	6,223	1,300	
Total, all regions		21,094	32,617	32,218	21,483	
National Office:						
Advisory		548	382	372	558	
Other centralized cases		152	404	410	146	
Other centralized cases		37	16	9	44	
Total, National Office	737	802	791	748		
Total, all regions & National Office	21,831	33,419	33,009	22,241		
Interpretative	Revenue rulings	45	127	89	83	
	Letter rulings	40	65	63	40	
	Technical advice	46	75	77	44	
	Other advice	37	77	85	29	
Total	168	344	314	196		
Legislation and regulations	Legislation	62	14	29	47	
	Regulations	424	46	90	380	
	Miscellaneous	95	47	50	92	
Total	581	107	169	519		

* Includes actions for injunctions and/or declaratory relief.

COMMISSIONERS OF INTERNAL REVENUE

Office of Commissioner of Internal Revenue 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
July 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

GUY T. HELEVERING
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/June 22, 1971

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/present

The following were Acting Commissioners during periods when there was no Commissioner holding the office:

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

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

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

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

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

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

H.F. MIREs of Washington from Aug. 16 to Aug. 19, 1930

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

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

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

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

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

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

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

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

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

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

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

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

PRINCIPAL OFFICERS OF THE INTERNAL REVENUE SERVICE

as of September 30, 1986

NATIONAL OFFICE

COMMISSIONER
Lawrence B. Gibbs

DEPUTY COMMISSIONER
James I. Owens

ASSISTANT TO THE
COMMISSIONER
Richard C. Stark

ASSISTANT TO THE
COMMISSIONER
(Legislative Liaison)
Vacant

DIVISION DIRECTOR
Legislative Analysis
Gayle G. Morin

ASSISTANT TO THE
COMMISSIONER
(Public Affairs)
Ellen Murphy (Acting)

TAXPAYER OMBUDSMAN
Jack G. Petrie

ASSISTANT TO THE
DEPUTY COMMISSIONER
Vacant

EXECUTIVE SECRETARY
George A. O'Hanlon

INSPECTION

ASSISTANT COMMISSIONER
John M. Rankin, Jr.

DEPUTY ASSISTANT
COMMISSIONER
Kenneth A. Thompson

DIVISION DIRECTORS:

INTERNAL AUDIT
Erwin Sobin

INTERNAL SECURITY
C. Arnold Decker

DATA PROCESSING

ASSOCIATE COMMISSIONER
M. Eddie Heironimus

TAX SYSTEM REDESIGN

ASSISTANT COMMISSIONER
Vacant

COMPUTER SERVICES

ASSISTANT COMMISSIONER
Vacant

DEPUTY
ASSISTANT COMMISSIONER
Daniel N. Capozzoli

DIVISION DIRECTORS:

HARDWARE
Richard W. Marsh

COMPLIANCE PROCESSING
SYSTEMS
Gerald A. Rabe

PLANNING, BUDGETING
AND REVIEW STAFF
Donald E. Curtis

TAX PROCESSING SYSTEMS
Walter A. Hutton

USER ASSISTANCE &
COMPUTER CAPACITY
MANAGEMENT OFFICE
Bernard F. Miller

RETURNS AND INFORMATION PROCESSING

ASSISTANT COMMISSIONER
Dominic E. Pecorella

DEPUTY
ASSISTANT COMMISSIONER
Henry H. Philcox

DIVISION DIRECTORS:

NATIONAL COMPUTER CENTER
Martinsburg, WV
Stephen J. Stalcup

PROGRAM PLANNING
AND REVIEW STAFF
Ophelia W. Burton

RETURNS PROCESSING AND
ACCOUNTING
Fredric F. Perdue

STATISTICS OF INCOME
Frederick J. Scheuren

TAXPAYER SERVICE
Walter M. Alt

OPERATIONS

ASSOCIATE COMMISSIONER
Philip E. Coates

COLLECTION

ASSISTANT COMMISSIONER
William M. Wauben
DEPUTY
ASSISTANT COMMISSIONER
Paul M. Harrington

CRIMINAL INVESTIGATION

ASSISTANT COMMISSIONER
Richard C. Wassenaar
DEPUTY
ASSISTANT COMMISSIONER
Anthony V. Langone

EXAMINATION

ASSISTANT COMMISSIONER
Frederic P. Williams
DEPUTY
ASSISTANT COMMISSIONER
Ralph F. Shilling

EMPLOYEE PLANS AND
EXEMPT ORGANIZATION

ASSISTANT COMMISSIONER
Robert I. Brauer
DEPUTY
ASSISTANT COMMISSIONER
Robert E. Withers

DIVISION DIRECTORS:

EMPLOYEE PLANS
TECHNICAL AND ACTUARIAL
Martin I. Slate

EXEMPT ORGANIZATIONS
TECHNICAL
Edward D. Coleman

INTERNATIONAL

ASSISTANT COMMISSIONER
Percy P. Woodard
DEPUTY
ASSISTANT COMMISSIONER
Michael J. Kelly

POLICY AND MANAGEMENT

ASSOCIATE COMMISSIONER
Vacant

HUMAN RESOURCES
MANAGEMENT & SUPPORT

ASSISTANT COMMISSIONER
Michael P. Dolan
DEPUTY
ASSISTANT COMMISSIONER
Orion L. Birdsall, Jr.

DIVISION DIRECTORS:

DIRECTOR OF PRACTICE
Leslie S. Shapiro

CONTRACTS AND ACQUISITIONS
Vacant

FACILITIES AND INFORMATION
MANAGEMENT SUPPORT
John T. Blank

HUMAN RESOURCES
Robert J. Agresta (Acting)

NATIONAL OFFICE
RESOURCES MANAGEMENT
Suellen P. Hamby

PLANNING, FINANCE, AND
RESEARCH

ASSISTANT COMMISSIONER
John L. Wedick, Jr.
DEPUTY
ASSISTANT COMMISSIONER
Guerry G. Notte

DIVISION DIRECTORS:

FINANCE
Stephen E. Taylor

PLANNING
Alan A. Beck

RESEARCH
Frank M. Malanga

DIVISION DIRECTORS:

DATA CENTER
Detroit, Michigan
Jack L. Schroeder (Acting)

RETURNS & INFORMATION
PROCESSING

TAX FORMS
AND PUBLICATIONS
Edmund I. Goldwag

REGIONAL AND DISTRICT
OFFICERS

CENTRAL REGION

REGIONAL COMMISSIONER
James D. Hallman

ASSISTANT REGIONAL
COMMISSIONERS:

COLLECTION
Donovan H. Williams

CRIMINAL INVESTIGATION
Larry R. Hyatt

EXAMINATION
Donald L. Houck
RESOURCES MANAGEMENT
Jon R. Swan

DATA PROCESSING
Charles F. Jones

DISTRICT DIRECTORS:

CINCINNATI, OH
James J. Ryan

CLEVELAND, OH
Jack P. Chivatero

DETROIT, MI
John O. Hummel

INDIANAPOLIS, IN
William M. Jacobs

LOUISVILLE, KY
Raymond L. Rizzo

PARKERSBURG, WV
Ronald W. Kirby

DIRECTOR,
CINCINNATI SERVICE CENTER
Patrick J. Ruttle

REGIONAL INSPECTOR
John E. McManus

MID-ATLANTIC REGION

REGIONAL COMMISSIONER
Michael J. Murphy

ASSISTANT
REGIONAL COMMISSIONERS:

COLLECTION
Leroy C. Gay

CRIMINAL INVESTIGATION
Thomas A. Wise

EXAMINATION
Regina M. Deanehan

RESOURCES MANAGEMENT
Joseph F. Kump

DATA PROCESSING
Donald N. Spagnuolo

DISTRICT DIRECTORS:

BALTIMORE, MD
Teddy R. Kern

NEWARK, NJ
Cornelius J. Coleman

PHILADELPHIA, PA
Charles E. Roddy

PITTSBURGH, PA
Vacant

RICHMOND, VA
Gerald R. Esposito

WILMINGTON, DE
Clare Shy Winter

DIRECTOR, PHILADELPHIA
SERVICE CENTER
Joseph H. Cloonan

REGIONAL INSPECTOR
Benjamin J. Redmond

MIDWEST REGION

REGIONAL COMMISSIONER
Roger L. Plate

ASSISTANT
REGIONAL COMMISSIONERS:

COLLECTION
Allen G. Woodhouse

CRIMINAL INVESTIGATION
Warren E. Harrison

EXAMINATION
Leon Moore

RESOURCES MANAGEMENT
Jack E. Shank

DATA PROCESSING
John T. Ader

DISTRICT DIRECTORS:

ABERDEEN, SD
David H. Reizes

CHICAGO, IL
J. Robert Starkey

DES MOINES, IA
John Edwards

FARGO, ND
Woodrow D. Malone

HELENA, MT
John C. Wendorff

MILWAUKEE, WI
Lawrence M. Phillips

OMAHA, NE
Mitchell E. Premis

SPRINGFIELD, IL
Ira S. Loeb

ST. LOUIS, MO
Robert A. LeBaube

ST. PAUL, MN
C. Dudley Switzer

DIRECTOR, KANSAS CITY
SERVICE CENTER
Everett Lousy

REGIONAL INSPECTOR
Joseph F. Jech

NORTH ATLANTIC REGION

REGIONAL COMMISSIONER
Charles H. Brennan

ASSISTANT
REGIONAL COMMISSIONERS:

COLLECTION
Eugene P. Pfeiffer (Acting)

CRIMINAL INVESTIGATION
Bruce V. Milburn

EXAMINATION
Marshall V. Washburn (Acting)

RESOURCES MANAGEMENT
John J. Dunne

DATA PROCESSING
Francine Crowley

DISTRICT DIRECTORS:

ALBANY, NY
Edwin A. Kelleher

AUGUSTA, ME
James E. Daly, Jr.

BROOKLYN, NY
John J. Jennings

BUFFALO, NY
Gary H. Matthews

BURLINGTON, VT
Joyce Weitz

HARTFORD, CT
James E. Quinn

BOSTON, MA
John D. Johnson

MANHATTAN, NY
Pete J. Medina

PORTSMOUTH, NH
Donald D. Mitgang

PROVIDENCE, RI
Malcolm A. Liebermann

DIRECTOR, BROOKHAVEN
SERVICE CENTER
Bobby G. Hughes

DIRECTOR, ANDOVER SERVICE
CENTER
Thomas M. Quinn

REGIONAL INSPECTOR
Joseph F. Reinhold

SOUTHEAST REGION

REGIONAL COMMISSIONER
Thomas A. Cardoza

ASSISTANT
REGIONAL COMMISSIONERS:

COLLECTION
Conrad L. Clapper

CRIMINAL INVESTIGATION
Joseph T. Pagani

EXAMINATION
Donald E. Bergherm

RESOURCES MANAGEMENT
Lee R. Monks

DATA PROCESSING
Henry E. Leech, Jr.

DISTRICT DIRECTORS:

COLUMBIA, SC
Donald L. Breihan

ATLANTA, GA
Paul D. Williams

BIRMINGHAM, AL
Philip J. Sullivan

GREENSBORO, NC
John E. Burke

JACKSON, MS
Tully Miller

JACKSONVILLE, FL
Vacant

LITTLE ROCK, AR
William F. Barlow

NASHVILLE, TN
Alvin H. Kolak

NEW ORLEANS, LA
David G. Blattner

DIRECTOR, ATLANTA SERVICE
CENTER
Sylvia H. Wren

DIRECTOR, MEMPHIS SERVICE
CENTER
Raymond P. Keenan

REGIONAL INSPECTOR
Billy G. Morrison

FT. LAUDERDALE
Merlin W. Heye

SOUTHWEST REGION

REGIONAL COMMISSIONER
Richard C. Voskuil

ASSISTANT
REGIONAL COMMISSIONERS:

COLLECTION
Gerald F. Swanson

CRIMINAL INVESTIGATION
Glenn E. Shepard

EXAMINATION
James R. Kopidlansky

RESOURCES MANAGEMENT
James A. Lindsey

DATA PROCESSING
Charles J. Peoples

DISTRICT DIRECTORS:

ALBUQUERQUE, NM
Francis L. Browitt

AUSTIN, TX
Gary O. Booth

CHEYENNE, WY
Vacant

DALLAS, TX
Glenn Cagle

DENVER, CO
Gerald L. Muhlbacher

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
Clarence M. King, Jr.

DIRECTOR,
AUSTIN SERVICE CENTER
Larry G. Westfall

DIRECTOR,
OGDEN SERVICE CENTER
Robert E. Wenzel

REGIONAL INSPECTOR
E. Derle Rudd

WESTERN REGION

REGIONAL COMMISSIONER
Thomas P. Coleman

ASSISTANT REGIONAL
COMMISSIONERS:

COLLECTION
James D. Helm

CRIMINAL INVESTIGATION
Darrell G. Smith

EXAMINATION
Richard S. Wintrode

RESOURCES MANAGEMENT
Charles W. Gilbert

DATA PROCESSING
Robert J. Kensinger, Jr.

DISTRICT DIRECTORS:

ANCHORAGE, AK
Calvin E. Esselstrom

BOISE, ID
Richard R. Orosco

HONOLULU, HI
Harold M. Browning

LAGUNA NIGUEL, CA
Michael J. Quinn

LOS ANGELES, CA
Frederick C. Nielsen

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
Elmer W. Kletke

SEATTLE, WA
Robert E. Mirsberger

DIRECTOR,
FRESNO SERVICE CENTER
Theron C. Polivka

REGIONAL INSPECTOR
Vacant

CHIEF COUNSEL FOR
THE INTERNAL
REVENUE SERVICE

WALTER H. SMITH/1866

WILLIAM MCMICHAEL/1871

CHARLES CHESLEY/1971

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. MILLEW/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. SIEGEL/1977

N. JEROLD COHEN/1979

KENNETH W. GIDEON/1981

FRED T. GOLDBERG, JR./1984

WILLIAM F. NELSON/1986

The following are Acting Chief
Counsel during periods when there
was no Chief Counsel holding the
office:

JOHN W. BURRUS
from March 2, 1936, to Nov. 30, 1936

MASON B. LEMING
from Dec. 6, 1951, to May 15, 1952

KENNETH W. GEMMILL
from June 11, 1953, to Nov. 8, 1953

RUDY P. HERTZOG
from Dec. 1, 1954, to May 8, 1955,
from Jan. 20, 1961, to Aug. 16, 1961,
and from Sept. 1, 1963, to Jan. 5,
1964

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

LESTER R. URETZ
from April 1, 1966, to April 11, 1966

RICHARD M. HAHN
from Jan. 20, 1969, to June 25, 1969

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

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

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

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

LESTER STEIN
from June 1, 1979, to Nov. 16, 1979

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

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

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

V. JEAN OWENS
from March 14, 1986 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 Sept. 30, 1986

NATIONAL OFFICE

CHIEF COUNSEL
William M. Nelson

DEPUTY CHIEF COUNSEL
V. Jean Owens

SPECIAL ASSISTANT
TO THE CHIEF COUNSEL
James D. Bridgeman

ASSISTANT TO THE
DEPUTY CHIEF COUNSEL
Ronald A. Glaser

DIVISION DIRECTORS:

APPEALS
Howard T. Martin

OPERATIONS
Richard J. Miheleic

ASSOCIATE CHIEF COUNSEL
(LITIGATION)
James J. Keightley

DEPUTY ASSOCIATE CHIEF COUNSEL
Donald T. Rocen

SPECIAL LITIGATION COUNSEL
Stephen M. Miller

SPECIAL APPELLATE COUNSEL
Daniel F. Folzenlogen

SPECIAL ASSISTANT TO
THE ASSOCIATE CHIEF
COUNSEL (LITIGATION)
Martin Kaye

LITIGATION DIVISION DIRECTORS:

CRIMINAL TAX
Vacant

DISCLOSURE LITIGATION
Peter V. Filpi

GENERAL LEGAL SERVICES
William F. Long, Jr.

GENERAL LITIGATION
Arnold E. Kaufman

TAX LITIGATION
Robert P. Ruwe

ASSOCIATE CHIEF COUNSEL
(TECHNICAL)
Peter K. Scott

DEPUTY
ASSOCIATE CHIEF COUNSEL
Marlene Gross

PRINCIPAL TECHNICAL ADVISOR
Michael S. Novoy

SENIOR TECHNICAL ADVISOR
David E. Dickinson

TECHNICAL ADVISORS
Philip Bennet
Vacant

SENIOR STAFF ASSISTANT
Janet Dearborn

STAFF ASSISTANT
Robert O'Hara

TECHNICAL DIVISION DIRECTORS:

CORPORATION TAX
Vacant

EMPLOYEE PLANS AND
EXEMPT ORGANIZATIONS
James J. McGovern

INDIVIDUAL TAX
Mario E. Lombardo

INTERPRETATIVE
James F. Malloy

LEGISLATION AND REGULATIONS
Donald E. Osteen

REGIONAL AND DISTRICT OFFICERS

CENTRAL REGION

REGIONAL COUNSEL
Clarence E. Barnes, Jr.

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)
John A. Freeman

REGIONAL DIRECTOR OF APPEALS
Thomas J. Yates

DISTRICT COUNSEL:

CINCINNATI, OH
Richard E. Trogolo

CLEVELAND, OH
Buckley D. Sowards

DETROIT, MI
Charles S. Strood

INDIANAPOLIS, IN
Ross E. Springer

LOUISVILLE, KY
Ferdinand J. Lotz, III

MID-ATLANTIC REGION

REGIONAL COUNSEL
David E. Gaston

DEPUTY REGIONAL COUNSEL
(CRIMINAL TAX)
Richard A. Francis, Jr.

DEPUTY REGIONAL COUNSEL
(TAX LITIGATION)
Charles F.T. Carroll

DEPUTY REGIONAL COUNSEL
(GENERAL LITIGATION)
John Kissane

ASSISTANT REGIONAL COUNSEL
(GENERAL LEGAL SERVICES)
David J. Markman

REGIONAL DIRECTOR OF APPEALS
Nelson A. Brooke

DISTRICT COUNSEL:

BALTIMORE, MD
Herbert A. Seidman

NEWARK, NJ
Matthew Magnone

PHILADELPHIA, PA
H. Stephen Kesselman

PITTSBURGH, PA
Donald W. Howser

RICHMOND, VA
Marion B. Morton

WASHINGTON, DC
Melvin E. Lefkowitz

MIDWEST REGION

REGIONAL COUNSEL
Denis J. Conlon

DEPUTY REGIONAL COUNSEL
(CRIMINAL TAX)
Carleton E. Knechtel

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

REGIONAL DIRECTOR OF APPEALS
Kevin P. Morgan

DISTRICT COUNSEL:

CHICAGO, IL
Vacant

DES MOINES, IA
Vacant

HELENA, MT
Thomas C. Morrison

KANSAS CITY, MO
James T. Finlen, Jr.

MILWAUKEE, WI
Nelson E. Shafer

OMAHA, NE
Ronald M. Frykberg

SPRINGFIELD, IL
Jeff. P. Ehrlich

ST. LOUIS, MO
Vacant

ST. PAUL, MN
Robert F. Cunningham

NORTH-ATLANTIC REGION

REGIONAL COUNSEL
Agatha L. Vorsanger

DEPUTY REGIONAL COUNSEL
(CRIMINAL TAX)
Barry J. Finkelstein

DEPUTY REGIONAL COUNSEL
(GENERAL LITIGATION)
Myron Levine

DEPUTY REGIONAL COUNSEL
(TAX LITIGATION)
Jay S. Hamelburg

ASSISTANT REGIONAL COUNSEL
(GENERAL LEGAL SERVICES)
Robert F. Hermann

REGIONAL DIRECTOR OF APPEALS
Eugene D. Alexander

DISTRICT COUNSEL:

ALBANY, NY
Gerald A. Thorpe

BOSTON, MA
Robert B. Dugan

BROOKLYN, NY
Summer L. Lipsky

BUFFALO, NY
John E. White

HARTFORD, CT
Powell W. Holly, Jr.

MANHATTAN, NY
Joseph F. Mastelli

SOUTHEAST REGION

REGIONAL COUNSEL
Jack D. Yarbrough

DEPUTY REGIONAL COUNSEL
(CRIMINAL TAX)
Jack Morton

DEPUTY REGIONAL COUNSEL
(GENERAL LITIGATION)
Ronald P. Campbell

DEPUTY REGIONAL COUNSEL
(TAX LITIGATION)
Roy L. Allison

ASSISTANT REGIONAL COUNSEL
(GENERAL LEGAL SERVICES)
Harry G. Mason

REGIONAL DIRECTOR OF APPEALS
Robert B. Douthitt

DISTRICT COUNSEL:

ATLANTA, GA
Dean R. Morley, III

BIRMINGHAM, AL
John B. Harper

GREENSBORO, NC
Alan I. Weinburg

JACKSONVILLE, FL
Roy S. Fischbeck

MIAMI, FL
John T. Lyons

NASHVILLE, TN
Richard J. Neubauer

NEW ORLEANS, LA
James E. Keeton, Jr.

SOUTHWEST REGION

REGIONAL COUNSEL
David L. Jordan

DEPUTY REGIONAL COUNSEL
(CRIMINAL TAX)
Val J. Albright

DEPUTY REGIONAL COUNSEL
(GENERAL LITIGATION)
Charles L. McReynolds, Jr.

DEPUTY REGIONAL COUNSEL
(TAX LITIGATION)
Mark L. Puryear

ASSISTANT REGIONAL COUNSEL
(GENERAL LEGAL SERVICES)
Gary A. Anderson

REGIONAL DIRECTOR OF APPEALS
Claude C. Rogers Jr.

DISTRICT COUNSEL:

AUSTIN, TX
Lewis J. Hubbard

DALLAS, TX
Kenneth A. Little

DENVER, CO
William A. Goss

HOUSTON, TX
Harold Friedman

OKLAHOMA CITY, OK
Michael J. O'Brien

PHOENIX, AZ
Roger Rhodes

SALT LAKE CITY, UT
Marion K. Mortensen

WESTERN REGION

REGIONAL COUNSEL
Benjamin C. Sanchez

DEPUTY REGIONAL COUNSEL
(CRIMINAL TAX)
William K. Shipley

DEPUTY REGIONAL COUNSEL
(GENERAL LITIGATION)
Vacant

DEPUTY REGIONAL COUNSEL
(TAX LITIGATION)
Barbara Leonard

ASSISTANT REGIONAL COUNSEL
(GENERAL LEGAL SERVICES)
Robert J. Wilson

REGIONAL DIRECTOR OF APPEALS
Donato Cantalupo

DISTRICT COUNSEL:

ANCHORAGE, AK
James A. Nelson

BOISE, ID
Wayne R. Appleman

HONOLULU, HI
William A. Sims

LAGUNA NIGUEL, CA
Dorothy W. Westover

LOS ANGELES, CA
Joseph O. Greaves

PORTLAND, OR
Michael W. Bentley

RENO, NV
S. Clay Freed

SACRAMENTO, CA
Steven J. Mopsick

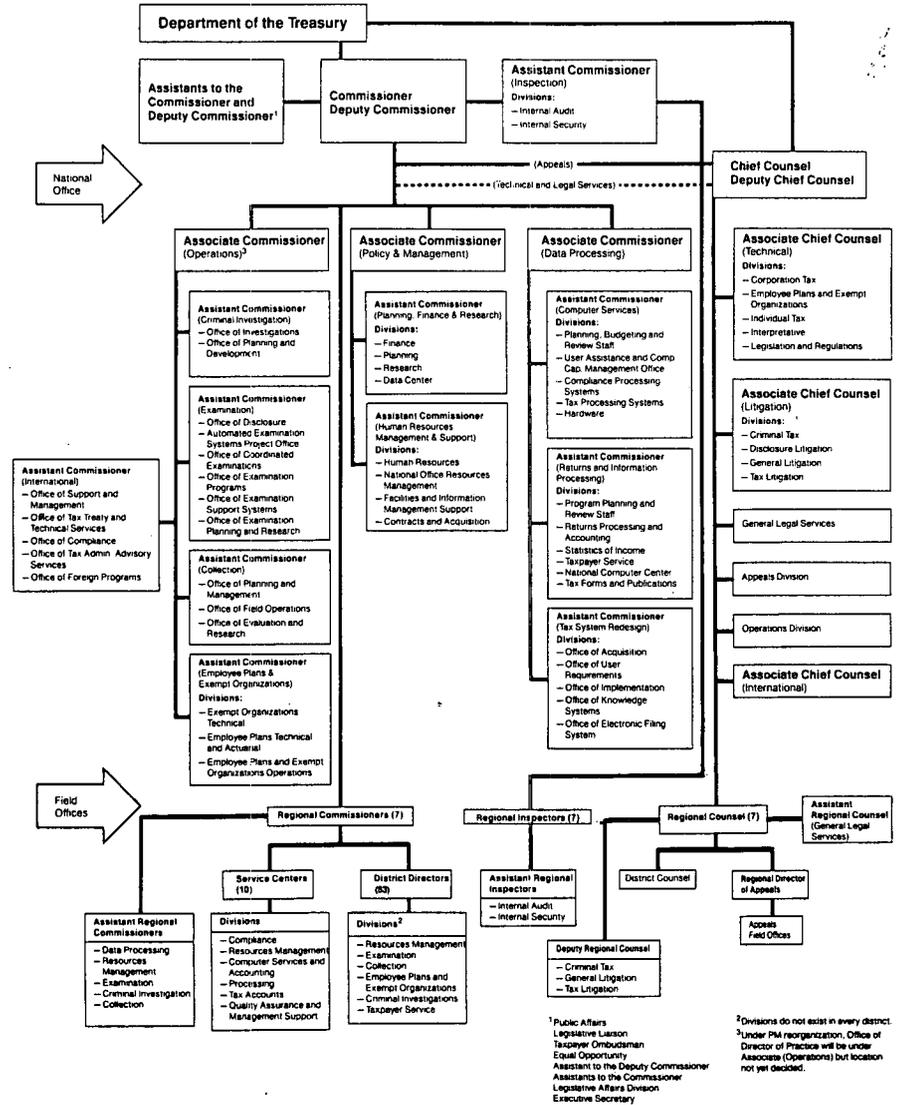
SAN DIEGO, CA
Donald W. Wolf

SAN FRANCISCO, CA
J. Richard Murphy

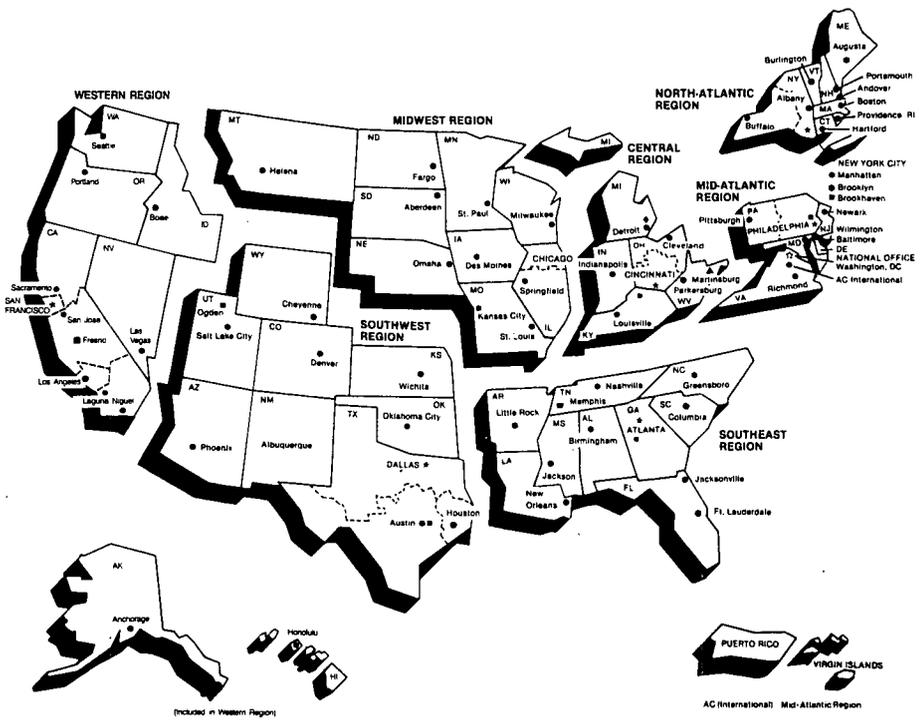
SAN JOSE, CA
Lawrence G. Lilly

SEATTLE, WA
Richard J. Shipley

IRS ORGANIZATION CHART



IRS REGIONS, DISTRICTS AND SERVICE CENTERS; CHIEF COUNSEL REGIONAL AND DISTRICT OFFICES



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