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95TH CONGRESS 2d Session } SENATE { REPORT No. 95–1308

RESOLUTION EXPRESSING THE SENSE OF THE SENATE WITH RESPECT TO THE SMALL DISTRICT REORGANIZATION PLAN OF THE INTERNAL REVENUE SERVICE

OCTOBER 9 (legislative day, SEPTEMBER 28, 1978).—Ordered to printed

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Mr. LONG, from the Committee on Finance, submitted the following

REPORT

[To accompany S. Res. 475]

The Committee on Finance, to which was referred the resolution (S. Res. 475) expressing the sense of the Senate with respect to the small district reorganization plan of the Internal Revenue Service, having considered the same reports favorably thereon and recommends that the resolution do pass.

I. SUMMARY

Senate Resolution 475 expresses the sense of the Senate that the Internal Revenue Service proposal to implement a reorganization plan streamlining district offices in 12 States should not be implemented by the Commissioner of the Internal Revenue Service.

39–008

II. BACKGROUND

IRS Reorganization Plan

On February 6, 1978, the Internal Revenue Service announced a proposed reorganization plan which would involve the "streamlining" of 12 of the smallest district offices. The proposal would eliminate certain middle management, technical and administrative support positions in the IRS district offices in the States of Delaware, Idaho, Maine, Montana, New Hampshire, New Mexico, North Dakota, Rhode Island, South Dakota, Utah, Vermont and Wyoming. Adjacent larger districts would be designated as "prime" districts to provide administrative support for the streamlined district offices (e.g., recruitment of personnel, procurement of space, etc.) In addition, the audit review function also would be performed in the prime districts.

Under the IRS's plan for streamlining smaller districts, 220 positions would be eliminated. Sixty-five of these positions are supervisory and technical positions, such as division chiefs and reviewers; the remaining 155 positions would be clerical and administrative. Twenty-six supervisory and administrative support positions would be added in the prime districts so that the net effect of streamlining would be a reduction of 194 positions.

The IRS proposal to streamline its 12 smallest district offices was based on its studies which indicated that smaller district offices were less efficient and that they did not require the levels of management and support services currently assigned to them. The IRS estimated that there would be a $4 million annual savings in salary and support costs as a result of streamlining the 12 smallest districts. This cost savings would be offset to some extent by increased travel and mail expenditures.

Hearing of the Subcommittee on Administration of the Internal Revenue Code

On May 10, 1978, a public hearing was held before the Subcommittee on Administration of the Internal Revenue Code of the Committee on Finance on the proposed reorganization of the 12 smallest IRS districts. The witnesses included Members of the Senate, representatives of the Internal Revenue Service and the National Treasury Employees Union, and private tax practitioners.

During the hearings several questions were raised in regard to the IRS reorganization plan. Those questions were:

1. Whether the plan was a first step in eliminating small districts?
2. Whether the streamlined districts will be subordinate to the prime districts?
3. Whether regionalization reduces service to localities?
4. Whether the plan was imposed by Washington without regard to local conditions?

5. Whether centralization of Audit Review and Returns Program Management will decrease quality through the loss of local perspectives?

6. Whether career opportunities will be reduced in streamlined districts?

7. Whether the elimination of mid-level management positions in the streamlined districts will place excessive burdens on the district directors?

8. Whether it is inappropriate to reduce the size of district offices at a time when the number of taxpayers being serviced within these districts is increasing?

9. Whether the savings resulting from the reorganization will be lost in the additional cost of operations?

Following the hearing, the Subcommittee requested that the IRS and National Treasury Employees Union respond to these questions. In general, the IRS answered the questions in the negative while the National Treasury Employees Union answered them in the affirmative. Their responses are a part of the Subcommittee's hearing record.

III. EXPLANATION OF RESOLUTION

It is the opinion of the committee that tax administration services provided by the Internal Revenue Service must be maintained and improved, especially since the IRS may be the only contact most citizens have with the Federal Government. The committee also believes that the IRS reorganization plan will diminish, rather than maintain and improve, IRS services. More specifically, the reorganization plan will result in the reduction of services for taxpayers served by the 12 affected district offices and will limit the ability of those taxpayers to have a fair, efficient, and timely resolution of their tax questions and disputes with the Federal Government. It is the view of the committee that the IRS has failed to adequately substantiate the cost savings and administrative improvements in their proposed reorganization plans which would justify approval at this time.

The committee, therefore, disapproves of the proposed IRS reorganization of 12 district offices [1] through the elimination of certain management, technical, and administrative support positions in these districts; and resolves that the reorganization should not be implemented by the IRS.

IV. VOTE OF THE COMMITTEE IN REPORTING ON THE RESOLUTION

The committee states that S. Res. 475 was ordered favorably reported by a recorded vote of 10–6, as follows: in favor, Senators Talmadge, Matsunaga, Curtis, Hansen, Dole, Packwood, Roth, Laxalt, Danforth, and Long; opposed, Ribicoff, Nelson, Gravel, Bentsen, Hathaway and, Moynihan.

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[1] The proposed reorganization of IRS district offices in Delaware, Idaho, Maine, Montana, New Hampshire, New Mexico, North Dakota, Rhode Island, South Dakota, Utah, Vermont, and Wyoming.

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