

USA reforms to the IRS 1998 to 2019

A model for reforming the Australian Taxation Office - Overview 2020

By the mid-1990s the US Congress had come to view that tax administration by the Internal Revenue Services was in trouble. Major reforms were legislated in 1998 and 2006.

- In 1997 the IRS had 1 staff member to every 2,720 Americans
- In 2019 the IRS has 1 staff member to every 4,150 Americans

This improvement indicates around a *50% increase* in productivity by the IRS since 1998.

The reforms included

a) The 1998 legislation: Emphasis on Taxpayer Rights

- IRS is to be a service organisation.
- Required compliance to a Taxpayer Bill of Rights.
- A tax debt cannot be collected until all appeals have been exhausted.
- IRS has the onus of proof of a tax debt.
- Genuine internal independent review process inside IRS.
- Taxpayer Advocate is strong (1,600 staff), independent from IRS.
- Treasury Inspector General audits IRS, investigates complaints about IRS.
- Appeal rights to a dedicated Tax Court.
- 71 legislated procedures the IRS must follow under Taxpayer Rights Code.

b) The 2006 Whistleblower laws relevant to the IRS

US Whistleblower laws

- Provide protections to whistleblowers from harassment, abuse and attack by the entity against whom they are whistleblowing.
- Provide financial incentives to whistleblowers who expose fraud of up to 30 per cent of the revenue raised as a result of their whistleblowing.

In 2006 these laws were applied to the IRS. Some \$US 13.7 billion (to 2017) in extra tax revenue has occurred as a result of these laws.

c) The 2019 Taxpayer First Act

In July 2019 the Taxpayer First Act consolidated and expanded the reforms of 1998 with twelve additional provisions to improve IRS administration.

An overview comparison IRS-ATO—2019

Approx	Tax Admin Staff IRS/ATO	Population	Pop to every tax admin staff	Operating budget \$A	Operating cost per head population \$A	Cost collecting \$100 of tax \$US/\$A
USA	80,000	329m	4,150	\$16.3b	\$47	\$0.35
Australia	20,000	25m	1,321	\$3.6b	\$169	\$0.96