

#3 CODIFY THE IRS MISSION STATEMENT

Present Law

The IRS Restructuring and Reform Act of 1998 directed the IRS to revise its mission statement “to place a greater emphasis on serving the public and meeting taxpayers’ needs.”²⁶ In response, the IRS adopted the following mission statement: “Provide America’s taxpayers top quality service by helping them understand and meet their tax responsibilities and *by applying the tax law* with integrity and fairness to all” (emphasis added). In 2009, with no public discussion, the IRS quietly made a profound change to its mission statement, which now reads: “Provide America’s taxpayers top quality service by helping them understand and meet their tax responsibilities and *enforce the tax law* with integrity and fairness to all” (emphasis added).

Reasons for Change

There are three shortcomings inherent in the current IRS mission statement.

First, the shift in tone and emphasis, from “apply” to “enforce,” has significant consequences. If a tax agency views its primary mission as “enforcing” the tax laws, it is likely to design its procedures and focus its resources on taking action against the relatively small number of taxpayers it views as noncompliant. By so doing, it may neglect to provide sufficient service and support to maintain and strengthen voluntary compliance among the overwhelming majority of taxpayers who are fully or substantially compliant, and thereby risk lower levels of compliance on their part. Even focusing solely on the small noncompliant taxpayer population, a mix of enforcement and education is likely to be most effective in improving compliance. The phrase “applying the tax law” is broad enough to encompass enforcement while also encompassing non-coercive compliance strategies.

Second, the current mission statement does not acknowledge that the IRS today has two lines of business — collector of revenue and administrator of benefits. In recent decades, the tax code has been increasingly used to promote various social and economic policies through the mechanism of tax credits and other tax expenditures. Taking an enforcement-oriented approach toward these inherently complex provisions, instead of one based on taxpayer service and education supplemented by problem identification and understanding of the root causes of noncompliance, can deter eligible taxpayers from claiming benefits to which they are legally entitled and prevent ineligible taxpayers from understanding what they did wrong. An agency’s strategies and goals are established to further the agency’s mission, so a more nuanced and accurate mission statement is likely to lead to better outcomes.

Third, the IRS adopted the Taxpayer Bill of Rights in 2014,²⁷ and Congress enacted its provisions into law in 2015.²⁸ Accordingly, the mission statement should similarly be updated to make clear that taxpayer rights serve as the foundation for effective tax administration.

Recommendation

Codify the IRS mission statement to make clear that (1) the mission of the IRS is to provide U.S. taxpayers with top quality service to help them understand and meet their tax responsibilities and to apply the tax law with integrity and fairness to all; (2) the IRS is both the tax collector and a benefits administrator; and (3) the

26 Pub. L. No. 105-206, Title I, § 1002, 112 Stat. 685, 690 (1998).

27 IR-2014-72, *IRS Adopts “Taxpayer Bill of Rights;” 10 Provisions to be Highlighted on IRS.gov, in Publication 1* (June 10, 2014).

28 IRC § 7803(a)(3).

Taxpayer Bill of Rights (or taxpayer rights more generally) serve as the guiding principles for effective tax administration.

If Congress adopts our recommendation to enact the Taxpayer Bill of Rights as IRC § 1, it may be codified as section 1(a) and the IRS mission statement may be codified as section 1(b).²⁹

²⁹ See Legislative Recommendation: *Enact the Taxpayer Bill of Rights As a Freestanding Provision in the Internal Revenue Code*, *supra*.