



## USA reforms to the IRS 1998 to 2019

### A model for reforming the Australian Taxation Office

<https://www.selfemployedaustralia.com.au/Downloads/Taxation/Briefing-Reform-ATO-model-IRS-March-2020.pdf>

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 legislative 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 (1600 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 percent 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	Pop	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