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United States Senate

COMMITTEE ON SMALL BUSINESS

WASHINGTON, DC 20510-6350

September 28, 2000

The Honorable Charles O. Rossotti
Commissioner
Internal Revenue Service
1111 Constitution Avenue, N.W.
Washington, DC 20224

Mr. Joseph Kehoe
Commissioner
Small Business/Self-Employed Division
Internal Revenue Service
1111 Constitution Avenue, N.W.
Washington, DC 20224

Dear Commissioners Rossotti and Kehoe:

Recently, I learned that the Treasury Inspector General for Tax Administration (TIGTA) has undertaken a review of the Internal Revenue Service' (IRS) Electronic Tax Law Assistance (ETLA) program. TIGTA's Management Advisory Report, entitled "Comparison of Responses to Small Business/Self-Employed Taxpayer Questions from the Electronic Tax Law Assistance Program and other Internet Tax Law Services" (Reference Number: 2000-30-126), focused on the accuracy of the answers that small business owners received through the ETLA program when they contacted the IRS with tax questions. I also understand the TIGTA examined three commercial Internet web sites that offer free tax advice in order to provide a comparison between the quality of responses that small businesses receive from ETLA and free commercial sources.

Much to my surprise and alarm, the TIGTA review found that out of the sample of 50 questions concerning small business tax issues, the IRS provided the small business taxpayer with the correct answer only 54% of the time. While that accuracy rate is slightly higher than that of the three commercial Internet web sites (which achieved a 47% accuracy rate), these findings are extremely worrisome and undermine small business taxpayers' confidence in the IRS.

The TIGTA findings are also in stark contrast to the 76% and 80% accuracy rates that the IRS reported in Fiscal Years 1999 and 2000, respectively, for *all types* of inquires that taxpayers posed through the ETLA program. In Fiscal Year 2000, the ETLA program is projected to answer nearly 350,000 tax law questions. A 54% accuracy rate for the small businesses tax questions poses a grave risk to small business owners and the self-employed who turn to the IRS for help and rely on the accuracy of the agency's answers at their peril.

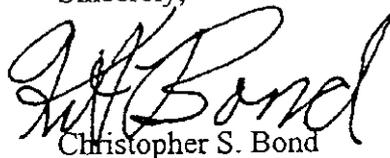
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With the IRS' new Small Business/Self-Employed Division set to "stand up" next week, I urgently request that you take steps to improve the IRS' accuracy rate with respect to tax questions submitted by small businesses and self-employed individuals. I understand that Congress has much work to do when it comes to simplifying the tax laws, and as the Chairman of the Senate Committee on Small Business, I will continue my efforts to enact a simpler, fairer, and flatter tax code. In the interim, however, the IRS must administer the current system in an accurate, consistent, and timely manner. A significant part of that responsibility includes giving taxpayers correct answers to their questions.

You both have made considerable progress in modernizing the IRS to meet its dual mission of collecting taxes and providing top-quality customer service, and I applaud your efforts. I hope the TIGTA's review will serve as a guide to areas in the new SB/SE Division where additional attention is greatly needed.

Thank you for looking into the matter and taking appropriate action to ensure that small business taxpayers can confidently rely on the IRS when seeking assistance with their taxes. If you have any questions or would like to discuss this matter in greater detail, please do not hesitate to contact me or have your staff contact Mark Warren, the Committee's Tax Counsel, at 202/224-5175.

Sincerely,

A handwritten signature in black ink, appearing to read "Chris Bond", written in a cursive style.

Christopher S. Bond
Chairman