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United States Senate

COMMITTEE ON SMALL BUSINESS

WASHINGTON, DC 20510-6350

March 5, 1999

The Honorable David Walker
Comptroller General
United States General Accounting Office
441 G Street, N.W.
Washington, DC 20548

Dear Mr. Walker:

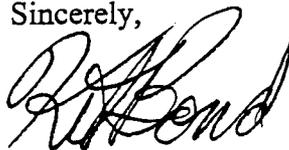
Pursuant to the Internal Revenue Service Restructuring and Reform Act of 1998, the Internal Revenue Service (IRS) is currently planning a major reorganization that calls for establishing four main operating divisions based on customer segments. One of those four divisions is to be dedicated to small businesses and the self-employed. The purpose of this letter is to request the GAO's assistance in reviewing the IRS' plans as they relate to small business and self-employed taxpayers.

Initially, I would like the GAO to answer the following questions: (1) what problems have small businesses and the self-employed encountered in the past in their dealings with the IRS; (2) what problems has the IRS encountered in the past in trying to provide top-quality service to small businesses and the self-employed while ensuring (through either assistance or enforcement) that these taxpayers comply with the tax law; and (3) how, if at all, do the IRS' reorganization plans address these problems?

With respect to the last question, I am particularly interested in your findings on the degree to which the IRS' plans address differences among the varying types of small enterprises (*e.g.*, sole proprietors, partnerships, S corporations) and situations in which taxpayers will transition into and out of the new small business division or have tax issues that fall within the jurisdiction of one of the other three new divisions. In addition, please focus on how the IRS' reorganization plan will ensure that small businesses and the self-employed have access to IRS services that apply to all taxpayers (*e.g.*, Taxpayer Advocate, Appeals, Chief Counsel).

As you proceed with this request, I would appreciate your keeping me apprised of your progress. If you have any questions concerning this request, please contact Mark Warren, the Committee's Tax Counsel, at 4-5175. Thank you for your time and assistance on this important project for small businesses and the self-employed.

Sincerely,



Christopher S. Bond
Chairman