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United States Senate

COMMITTEE ON SMALL BUSINESS
WASHINGTON, DC 20510-6350

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July 26, 2000

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

Dear Mr. Walker:

Fair and timely enforcement of the nation's tax laws is critically important to small businesses. Proper enforcement helps ensure a "level playing field," whereby businesses that strive to meet their tax obligations have assurance that their competitors are also paying their fair share of taxes. In addition, timely intervention by the Internal Revenue Service (IRS) can help prevent businesses from accumulating substantial unpaid taxes, and the associated interest and penalties, which, if allowed to compound over months or years, many small business taxpayers may be unable to pay.

The IRS has some early intervention programs. One program with an impact on small businesses is the Federal Tax Deposit (FTD) Alerts, which focuses on employment taxes. In too many cases, however, the IRS does not contact businesses with delinquent employment taxes until they have accumulated substantial tax delinquencies, interest, and penalties. At that point, it is often too late for the enterprise to pay the taxes, interest, and penalties and also keep the business afloat.

In light of this situation, I request the GAO's assistance in reviewing the IRS' early intervention programs and initiatives. Specifically, I would appreciate your answers to the following questions:

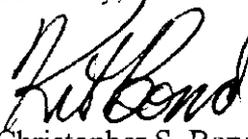
- (1) how much time does the IRS take to contact taxpayers with employment tax delinquencies?
- (2) what are the reasons for the often lengthy period of time between the date that taxes become overdue and the date that the IRS contacts the taxpayer?
- (3) how many resources does the IRS spend to contact these taxpayers?
- (4) what types of early intervention programs and initiatives does the IRS currently use for delinquent employment taxes?

- (5) how does the IRS evaluate the effectiveness of the early intervention programs and initiatives for employment delinquencies?
- (6) are there early intervention programs or initiatives in use at other Federal agencies or at relevant non-Federal organizations that could serve as a best-practices model for the IRS?

In addition, please advise me of any new intervention programs or initiatives that the IRS is developing as part of its modernization efforts and how the agency plan to evaluate such programs or initiatives.

As you proceed with this request, I would appreciate your keeping me and my staff advised of your progress. If you have any questions or need additional information concerning this request, please contact Mark Warren, the Committee's Tax Counsel, at 224-5175. Thank you in advance for your assistance with this matter.

Sincerely,



Christopher S. Bond
Chairman