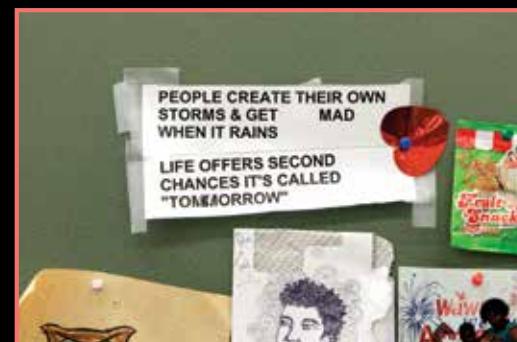


# The Taxman Bummeth



The IRS's understaffed Taxpayer Assistance Center in Philadelphia has been cutting back services for overwhelmed filers. Below: Candace Gaddy



Paying taxes to the IRS is no fun. Neither is working there

By Devin Leonard and Richard Rubin

Photographs By Will Steacy



They start lining up before 7 a.m. An hour and a half later, more than 60 people are waiting to get into the Internal Revenue Service's Taxpayer Assistance Center in Philadelphia, across the street from the Liberty Bell. Young men in parkas and Phillies caps lean sullenly against the wall. Older couples camp on the hard marble floor with their forms in their laps. Some have haunted the lobby for several days, waiting to see someone like Candace Gaddy.

Inside the service center, Gaddy, an IRS taxpayer assistance specialist, sits stoically in a beige cubicle marked by an electric sign with a red numeral 5. She has long, dark hair and wears a white turtleneck, black vest, black jeans, and black boots. She's neatly arranged stacks of tax forms on her table in front of her. The speakers of her Hewlett-Packard computer softly emit the Jay Z song *99 Problems*. She'll hear quite a few from taxpayers today.

A 16-year IRS veteran, Gaddy wishes she could share some of her own IRS troubles with her visitors. Her salary has risen only 2 percent in the last four years. The center lost its secretary and hasn't replaced her because of a four-year-old hiring freeze throughout the agency, which means Gaddy and the remaining employees handle clerical duties, too. One of her fellow specialists spends all his time now answering questions via webcam from taxpayers in Harrisburg, Pa., because that office is short-staffed. Last year, to reduce the lines, the IRS discontinued its practice of preparing simple tax returns as a courtesy for people, many of them elderly. But in Philadelphia the queues have stayed the same or grown longer, because so many people come in with questions about tax credits for Obamacare and what to do to prevent identity thieves from stealing their refunds. (Because the refunds come

on ATM-ready debit cards, thieves like to file victims' returns ahead of time, with a different address.) "I mean, we still had lines," Gaddy says, "but not out the door and around the corner."

The IRS has never been an easy place to work. Its 84,000 employees, 65 percent of them women, generally don't tell people outside the service where they draw a paycheck. It's no way to make friends. They toil in purposely anonymous buildings—a big sign outside might attract crazies. In 2010 an antigovernment zealot flew a single-engine plane into a building in Austin, Texas, where 190 agency employees worked, killing one of them. "Well, Mr. Big Brother I.R.S. man, let's try something different, take my pound of flesh and sleep well," the pilot, Joseph Stack III, wrote in a six-page suicide note.

More recently, the IRS has become a casualty of the budget battles between the Obama White House and House Republicans. Since the GOP won control of the chamber in 2010, the agency's annual budget has fallen by \$1.2 billion, to \$10.9 billion, in 2015. Meanwhile, the agency has lost 11 percent of its employees. Last year it started 19 percent fewer criminal investigations than 2013. This year alone, it expects to close at least 46,000 fewer audits. Nobody likes being scrutinized by the IRS, but audits are a key component of the tax system that keeps the U.S. afloat. "It's core to the country," says Jeffery Trinca, a former Senate aide turned lobbyist who specializes in tax policy.

The agency's customer service operation has been hobbled, too. In late March, the IRS said fewer than 40 percent of the people who call during this tax season will get through to someone. A decade ago, the figure was 83 percent. The agency is so short on funds that some employees purchase their own office supplies, even though the IRS says they shouldn't. "I

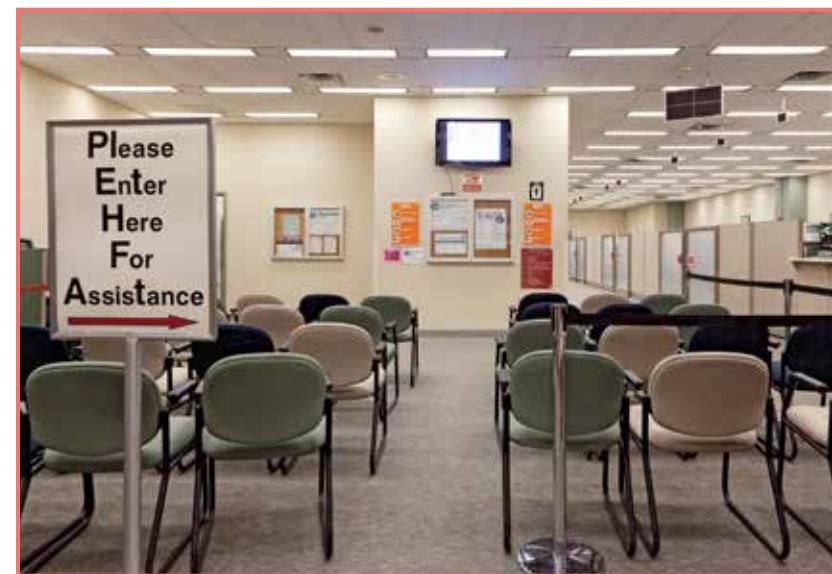
buy my own pens," says Catherine Ficco, a revenue officer in West Nyack, N.Y. "I buy my own clips and hole punchers and things of that nature. It's not uncommon. There's no money to order supplies or paper for my printer."

The IRS has long been disliked, but its employees aren't used to being vilified. In May 2013 the agency disclosed that it had given extra scrutiny to Tea Party groups that were seeking nonprofit status. To Democrats, the decision to group together Tea Party applications and other politically oriented groups was merely a misguided attempt to find a consistent rule after years of muddled policy. "There were some boneheaded decisions," President Obama told Fox News. To Republicans, the IRS's hard look at Tea Party groups proved the service has a political bias. Since then the IRS has been consumed with scandals large and small: an expensively produced internal video that featured top executives dressed as *Star Trek* characters; a lavish conference funded with enforcement money where officials slept in presidential suites, albeit discounted ones; and the rehiring of employees accused of misconduct, including some who hadn't filed their own taxes.

With a presidential election next year, Republicans seem determined to keep the scandals percolating. Texas Senator Ted Cruz may have set the tone in March, announcing his candidacy with a promise to abolish the IRS. He says its agents won't be needed after he throws out the current tax structure and replaces it with a simple flat tax, enabling Americans to fill out their returns on postcards. Cruz wants them reassigned to border patrol duty.

In May 2013, Obama ousted Steven Miller, the acting IRS commissioner, and shortly after named John Koskinen, a former corporate takeover expert, as his replacement. Koskinen has two challenges: restoring the public's confidence

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Budget cuts, hiring freezes, and travel restrictions threaten IRS workers' ability to perform basic job functions

in the service and keeping employees from giving up hope. It may be too late for the latter. IRS veterans say it's fine for Republicans and Democrats to disagree about the level of taxation in America, but they can't do their jobs without functional computers and sufficient supplies. "I still get calls from people that worked for me who talk about the overload they are facing and what's happening to them," says Dorothy Taylor, a former IRS territory manager who was based in Plantation, Fla., before retiring in December 2013. "I try to reassure them that there have always been ups and downs in the organization. I tell them to just keep their heads down and do their job, and hopefully the IRS will pull through like it has in the past. But my concern is, will it?"

People who've spent their careers at the IRS all say the same thing: The pay wasn't fantastic, but the health care and pension benefits were. And they went to the office each morning with a sense of purpose. Without their efforts, they knew, the federal government would stop working.

Whether they worked in Manhattan or Peoria, Ill., IRS veterans talk about something else that kept them at the service: the feeling of camaraderie. It was nice that they appreciated one another, because nobody else did. "You go to a party, and if you say you are from the IRS, half the people move into the other room," says Richard Schickel, a former senior collections officer in Tucson who retired in December 2013. "After a while, your wife and relatives get tired of listening to your stories. They say, 'How could you take those people's houses and their businesses?' The only place you get understanding is with other IRS people."

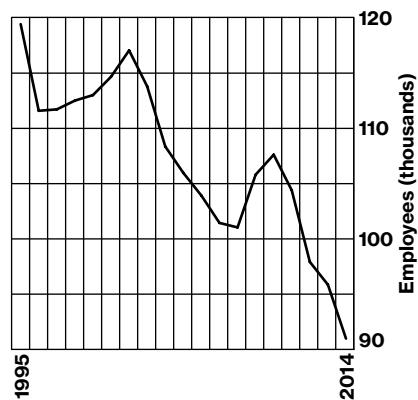
When Schickel was hired in 1981, the IRS was decentralized. The 33 districts throughout the country each had their own criminal investigation, collection, audit, and customer service departments. Every district was like an extended family. Employees knew one another. They played softball together. They went out on social gatherings. "Most of them were just decent people," Schickel says of his

erstwhile co-workers. He's still friends with many of them.

It became more challenging for IRS employees to enjoy each other's company in the late 1990s, also a dark period for the service. Congressional Republicans held hearings in which IRS employees were depicted as jackbooted thugs. Schickel, who's writing a book about the agency, concedes there was some truth to the characterization. But he takes issue with the government's response. In an effort to make the IRS more accountable, President Bill Clinton signed a sweeping reform bill that reconfigured the agency into four national divisions serving different types of taxpayers—individuals, small businesses, large corporations, and nonprofits. "Your boss might be in San Francisco, but you were in New Jersey," Schickel says. "How did that happen?"

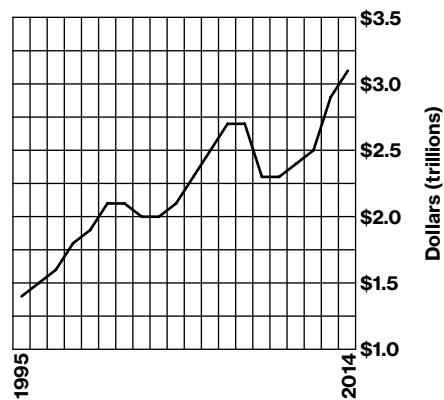
It wasn't all bad. During the eight years of George W. Bush's presidency, the IRS had enough money to send employees with various specialties to training sessions where they'd sharpen their skills and

Fig. 1 Size of IRS workforce



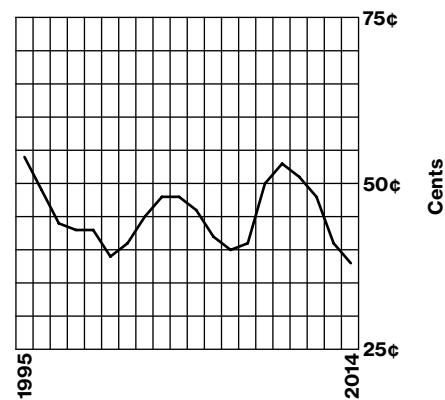
DATA: IRS. INCLUDES SEASONAL WORKERS

Fig. 2 Money collected



DATA: IRS. AMOUNTS ARE IN CURRENT DOLLARS

Fig. 3 Cost of collecting \$100



DATA: IRS. AMOUNTS ARE IN CURRENT DOLLARS

# “We weren’t able to meet physically for about three years. You have all these people working in isolation”



trade war stories. “We were in Chicago one year,” says Sharyn Phillips, an IRS estate tax lawyer in New York. “We were in Kansas City one year. The good thing about it was that you could share your experience. Every year, Congress is tinkering with the tax code. Estate taxes have changed dramatically.” It helped make up for the lack of office pantries with free coffee. Workers might not have had the newest computers, but the service provided them with adequate tech support.

It looked as if the IRS would be funded at previous levels, if not higher, when Obama took office in 2009. In the first year of his presidency, the Democratic-controlled Congress approved a \$12 billion budget for the following year. It also gave the agency more work to do when the Affordable Care Act and another law increased filing requirements for Americans overseas. Then, in 2011, Republicans settled into the House, and the cutbacks started. According to the U.S. Government Accountability Office, the IRS reduced technology spending that year by \$165 million. Schickel says it became almost impossible to get people from tech support to help with a computer problem. This was when the agency was finally going through a difficult upgrade from Windows XP to Windows 7. “A lot of people in the office had laptops. Every time they loaded Windows 7, it completely crashed,” he says. “They didn’t have enough memory. It’s like Congress is against you, the computer system is against you, and you are just fighting to get your job done.”

Many IRS veterans have similar stories about the software switchover. “It’s been really tough,” says Jenny Brown, a tax examiner in an IRS facility in Ogden, Utah, and president of the local National Treasury Employees Union (NTEU) chapter there. “There were times when I actually called my sons and said, ‘OK, how do I do this?’ And they tried to walk me through, because there just aren’t enough people here to do it.”

In 2012 the IRS reduced its training and travel budget by \$54 million. That might not sound like much for an agency with a multibillion-dollar budget, but it punctured morale further. It became difficult, if not impossible, for employees to get together in one location. “The members of our team were scattered all around the country,” says David Stanley, an IRS research program manager who worked in Oakland, Calif., until his retirement last year. “We weren’t able to meet physically for about three years. You have all these people working in isolation.”

The IRS all but stopped sending managers to conferences to speak to accountants and other tax professionals about what could trigger an audit. It wasn’t just the cost of traveling. Ron Cerruti, a former territory manager in San Francisco, says the service was nervous that employees would say something controversial and embarrass it after the scandals of 2013. “I remember one time I was invited to attend a meeting at a hotel in San Francisco about four blocks from my office,” says Cerruti, who also retired last year. “There would have been no travel costs. I couldn’t get permission to go. They were afraid of what we were going to say in front of an audience of external people.”

“We were on a gag order,” says Taylor.

“I mean, it was ridiculous. We couldn’t talk outside of the organization.”

IRS employees give Koskinen high marks for his efforts to rejuvenate morale. An unwaveringly upbeat 75-year-old with an oval face, high cheekbones, and large blue eyes, he never misses a chance to extol his workforce. Koskinen spent much of his early months as commissioner meeting with employees around the country and listening to their gripes. Managers told him they hadn’t seen their team members in person for ages. Employees frequently brought up the gutted tech support operation. “I had people stand up and talk about how there used to be 12 people on the help desk in their area and now there were three,” Koskinen says. “I told employees, ‘Now you know what it’s like to be a taxpayer trying to contact us.’”

Koskinen has tried to restore some of the IRS’s funding, but it hasn’t been easy. In December, Obama signed a 2015 federal spending law that lowered the IRS budget by 3 percent, to \$10.9 billion. The same month, Koskinen said the agency would halt most overtime payments and answer fewer than half of incoming telephone calls from taxpayers during this year’s filing season. The IRS now tells customer service reps they can no longer spend time

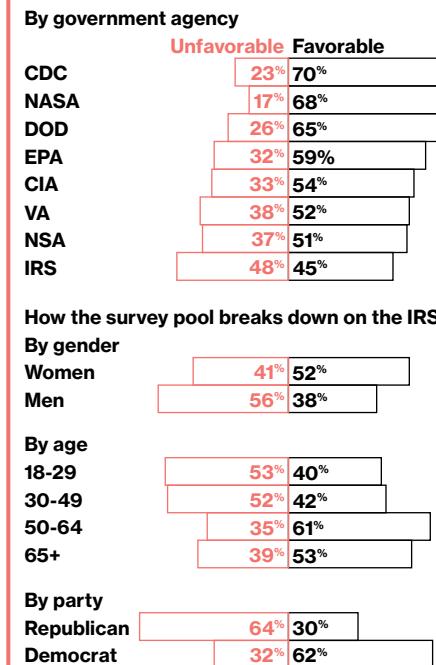
on the phone answering complicated tax questions. Instead, they urge people to go to the IRS website or hire an accountant.

Frank Spadea manages an IRS call center in Philadelphia, where employees sit in a cubicle farm and field questions from Americans in foreign countries. His group used to have 51 employees; it’s down to 17. Of those, he expects at least two to retire this year, and they won’t be replaced. “It’s been seven or eight years since I’ve been able to hire,” he says. Meanwhile, his staff has been overwhelmed with calls this year from Americans overseas who are confused about extra information they’re supposed to furnish under the 2010 law combating tax cheating abroad. “They are calling like crazy about that,” says Donna White, a customer service representative in the office. “You kind of get burnt out.”

Koskinen has asked for more money in 2016, but it doesn’t look good. In March he made his case before a House subcommittee that oversees the IRS’s budget. “I thought it was a good discussion,” he said afterward. “It wasn’t contentious in the sense of, ‘Have you stopped beating your wife lately?’” But Representative Ander Crenshaw, a Florida Republican and the subcommittee chairman, was unmoved. He says the IRS has enough money to carry out its mission. Asked about the lamentations of its employees, Crenshaw says, “We’re not out to punish them. We’re out to make them more efficient, and I want them to keep working on that.”

Some Republican leaders seem more interested in exploiting the scandals. The investigations into the Tea Party affair continue after almost two years and more than \$20 million spent on them. Congressional investigators are pursuing missing e-mails sent by Lois Lerner, who oversaw the agency’s nonprofit division before she was nudged out in 2013. (William Taylor, her attorney, declined to comment.) “The

Fig. 7 Public opinion



DATA: PEW. FIGURES MAY NOT ADD TO 100% BECAUSE OF ROUNDING

public’s lost faith in the IRS,” says Senator John Boozman, an Arkansas Republican and chairman of a subcommittee that has jurisdiction over the service. “It’s really important to have faith in institutions. Now we’re [Congress] at an 18 percent approval rate, so it’s hard to pick on them.” Perhaps, but that isn’t stopping anybody on Capitol Hill.

IRS employees dread the political theater more than the budget cuts. “Every time one little thing is found, it’s blown up to some big conspiracy,” Dorothy Taylor says. “It’s disheartening to the employees in the organization, and that’s why a lot of people like myself have left. You get tired of being beaten down and having resources with-

held. I was there when the tax-exempt [Tea Party] thing started. It had nothing to do with the examinations where I was, but it affected the whole organization.”

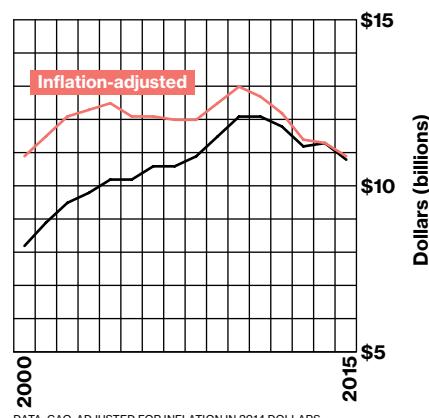
David Carrone, a revenue agent in New Orleans and president of the NTEU chapter in Louisiana, is similarly disgusted with the never-ending cycle of hearings and castigations. “That’s the No. 1 downer as far as morale is concerned,” he says. “I shouldn’t have to say this, but the IRS brings in approximately 93 percent of the revenue of this country. We’re not soldiers here, but we are serving our country.”

Schickel says the political attacks made his job more difficult and potentially more dangerous. Throughout his career, he dealt with antigovernment tax avoiders in Arizona, but once the Tea Party scandal broke, his encounters with otherwise law-abiding ranchers became more hostile. “I used to work Tombstone,” he says. “They hate the IRS down there. It’s a hard enough thing to drive out, bang on somebody’s door, and make a legal demand on them for money. It’s even harder when the person is wearing a gun on his hip and says, ‘I saw on TV that you people are discriminating against the Tea Party.’ That’s when I decided, the hell with this!”

The fear in the IRS is that vilification of the service will hurt Americans’ high voluntary compliance, which makes the country more financially stable than, say, Greece, where much of the population declines to pay taxes altogether. Beleaguered IRS workers worry that citizens will test the system to see what they can get away with. “Once you go in that direction, it’s not an off/on switch,” Koskinen says. “You can’t turn it around the next day by saying, ‘Whoops, I take it back. It’s a really good agency, and they are doing good work.’”

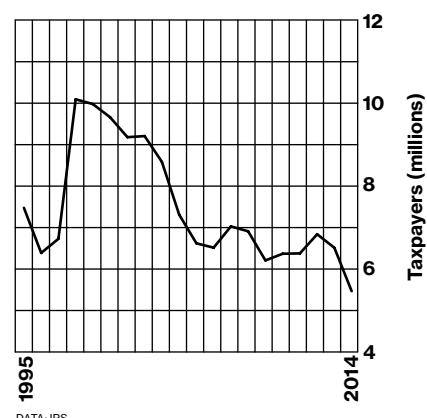
Koskinen says he hasn’t seen any evidence of compliance erosion, but he could be in the dark. In 2012 the IRS estimated that it collected 83 percent of the taxes it was owed from people who had paid on time and without prodding, but that number was extrapolated from 2006 data, before the funding crisis began. “Historically it’s stayed at a good level,” Koskinen says. “But we have 5,000 fewer revenue agents, revenue officers, and criminal investigators than we had five years ago. That has an impact.” Which is why Ficco, in West Nyack, continues to do her job, even if she has to purchase her own supplies. She doesn’t want to see the U.S. go the way of Greece. “Absolutely,” she says. “It is the ultimate goal, and it’s sad that we have people out there trying to do the right thing, and we’re putting up roadblocks in front of them.”

Fig. 4 Fiscal year appropriations



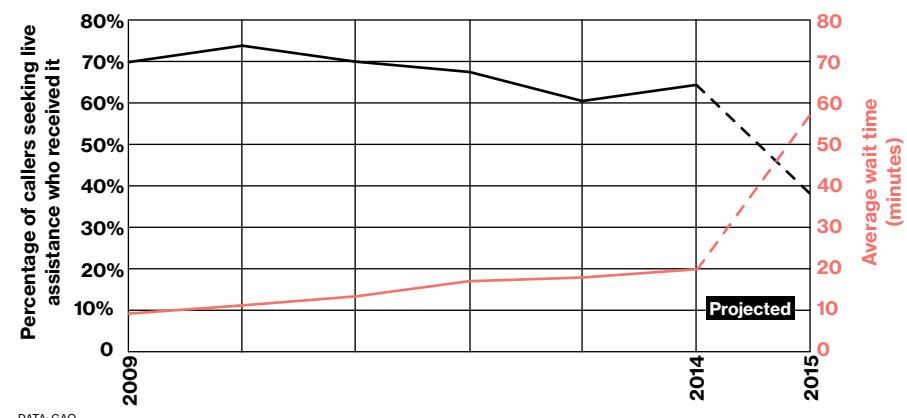
DATA: GAO, ADJUSTED FOR INFLATION IN 2014 DOLLARS

Fig. 5 Walk-in assistance delivered



DATA: IRS

Fig. 6 Phone service



DATA: GAO