

Assisting Taxpayers in Meeting Their Obligations Under the Law

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A judge in a tax dispute once remarked that “the art of taxation consists in so plucking the goose as to get the most feathers with the least hissing.”¹ His observation illustrates the basic reason why governments need to assist their citizens in meeting their obligations under their nation’s tax laws. Perhaps if the goose understood the need to give up some of its feathers and knew the least painful way to perform the removal, it would not hiss nearly as much.

While some may think that tax administrators are not in a good position to reduce the hissing because of a presumed bias to protect the government’s interest, others argue that it is the obligation of the tax administration to provide “taxpayer services”—assistance, information, and education. Important objectives of government in the area of tax administration are (1) to support those citizens who wish to comply with the tax laws by making the burden of compliance and payment as light as possible (Adam Smith’s third maxim of convenience of payment); (2) to minimize the amount of public and private resources diverted from other uses to ensure that taxes are collected (Adam Smith’s fourth maxim of economy in collection); and (3) to strive through education to increase the number of willing compliers. This education includes explaining how society benefits from the taxes and what will happen to those who fail to pay their fair share. The purpose of this chapter is to discuss various aspects of taxpayer services and the methods employed to meet taxpayers’ needs. Section I presents the rationale for taxpayer service programs, after giving a brief history of the cyclical growth in taxpayer service efforts in the U.S. Internal Revenue Service (IRS). Section II primarily describes different types of IRS taxpayer service programs and also attempts to weave into the discussion selected experiences of other countries. Section III identifies

¹*U.S. Life v. Harbison*, 784 F.2d 1239 (5th Cir. 1986), quoting a Jean Baptiste Colbert attribution.

and discusses the major issues concerning the effectiveness of taxpayer services—improving compliance, improving taxpayer confidence, easing the burden of compliance, and dealing with tax law complexity. Section IV presents conclusions concerning the taxpayer service function.

Oliver Wendell Holmes, the noted U.S. Supreme Court Justice, has been widely quoted as stating that, “Taxes are the price we pay for civilization.” If that is the case, and we believe it is, then assisting citizens to understand their responsibility and to meet their portion of that cost will engender a more knowledgeable society capable of contributing to the general welfare and to the development of civilization.

I. Rationale for Taxpayer Assistance

All too many countries seem to do their best to make it difficult for taxpayers to comply with the law. The law is complex, contradictory, hard to interpret, and even hard to find; the necessary forms are hard to locate and sometimes they even have to be purchased; forms and payments have to be submitted at inconvenient times and places; and many who become involved with tax officials feel annoyed or harassed. In other words, most countries need to improve their administrative performance, particularly in the areas of clarity, access, and education. Tax administrations that understand taxpayers’ problems face the difficult task of finding resources within their budgets to improve taxpayer services. They then face another layer of complicated decision making concerning the level and variety of potential programs. New Zealand, for example, proceeded logically from the purpose of taxpayer services, to goals, and then to programs that would ensure attainment of the goals. For New Zealand’s Inland Revenue Department, the purpose of taxpayer services is to ensure that it is as easy as possible for people to comply with the legislation. Two goals follow from this purpose: (1) to inform people of their rights and obligations and (2) to provide people with consistent, impartial, courteous, and prompt service.² While good planning by tax officials is important in designing taxpayer service programs, the decision-making authority may not rest solely with tax officials. An examination of the evolution of the taxpayer service func-

²See New Zealand (1990).

tion in the United States may help to illustrate the various forces that affect the decision-making process.³

Historical Background

The income tax became a reality for most Americans during the war years of 1944 and 1945. Prior to that time, the income tax, which was established by the Sixteenth Amendment to the U.S. Constitution, affected only the wealthy. The war created a great need for revenue, so the tax base was expanded by requiring for the first time that the vast majority of citizens be responsible for filing income tax returns. Assistance was available only to those who were willing to visit a local IRS office either to get help or to have their return prepared by a government employee. Such assistance prevented tax administration staff from performing their normal duties and was not provided at uniform levels throughout the country.

It was not until the mid-1950s that the IRS instituted a formal program for assisting taxpayers. In addition to providing help in the preparation of returns, the IRS extended office hours in some areas and allowed personnel to speak before local groups, on the radio, and on the television.

Over the next two decades, the assistance programs expanded in quality and range of services offered. By the mid-1970s, a centralized telephone service was available to all residents within the United States. For the cost of a local phone call, taxpayers could reach knowledgeable staff to answer their questions. Volunteer programs had begun, and taxes were being taught in most high schools. Even though expenditures for these programs were escalating, the Congress of the United States consistently looked favorably on the function. Between 1972 and 1980, IRS staff years devoted to taxpayer service grew by 140 percent, and the taxpayer service share of total IRS staff years grew from 3.1 percent to 5.8 percent (Steuerle (1986)). Also during this period, compliance rates were at their highest levels.⁴

In the early 1980s, however, taxpayer services were de-emphasized for a number of reasons. Between 1980 and 1986, taxpayer service staff years actually dropped by 8 percent and the taxpayer service share of

³This paper focuses on taxpayer service programs at the national level, but these programs are just as important at state and local levels. It has been suggested (see Oldman's comments to this paper) that administration of the local property tax could be improved if more information and assistance were provided to taxpayers.

⁴In subsequent sections, the relationship between taxpayer services and compliance is explored in more depth.

total IRS staff years fell to 4.9 percent (Steuerle (1986)). Factors outside the control of tax administrators, such as budget deficits and an increasingly more complex tax law due to major tax legislation almost every year, put pressure on the executive and legislative branches to find ways to reduce costs. Since it could not be proved that taxpayer service increased revenues, there was pressure brought to reduce or, in one year (1983), eliminate entirely funding from the budget.

The U.S. Senate's Committee on Governmental Affairs, Subcommittee on Oversight of Government Management held hearings and prepared a report (United States, Senate (1982)) analyzing how the public might be affected if taxpayer service programs were eliminated. One part of the report addressed the question, "Is it the responsibility of the IRS to provide tax assistance to the public?" (p. 2). The subcommittee found, "There is sentiment in Congress and a consensus among former IRS commissioners that the IRS has the responsibility to provide free tax assistance" (p. 10). One former IRS Commissioner, Donald C. Alexander, stated, "Our government has a responsibility to provide assistance to taxpayers, and we should not force them to pay for advice on how to meet their responsibilities" (p. 12). Additional testimony involving the fairness of the tax system and the complexity of the law brought up the role of private practitioners and their relationship to public sector assistance. Ignoring the fact that public assistance (provided equally to all) and private assistance (only provided for a fee) are not perfect substitutes, some suggested that public assistance was not really needed since an adequate cadre of private practitioners was available to those who needed help. In response, another former Commissioner, Jerome Kurtz, said, "We should be concerned about the question of fairness. Our government is financed largely by a self-assessment individual income tax system which is inordinately complex. We require taxpayers to compute and pay their own liabilities. It seems to me the government has an obligation to help taxpayers to fulfill their obligations" (p. 13).

The proposal to eliminate taxpayer service was rejected by Congress, but full funding was not made available for the years 1983–89. Currently, the taxpayer service function in the United States is receiving favorable support; new technology and innovative programs are being developed for deployment in the near term.

This short review of the history of the taxpayer service function illustrates some points that support the case for government to provide assistance to citizens in meeting their obligations under the tax laws. These are as follows:

- A specifically designated taxpayer assistance cadre permits other employees to perform their regularly assigned tasks without interruption.

- Availability of information, such as through toll-free telephone systems, provides service to citizens in a uniform manner without regard to location.
- Broad-based congressional support of assistance programs provides continuity of service no matter which party is in power in the executive branch.

Several elements of tax administration function more smoothly with an effective taxpayer service program. The three most important are compliance, problem resolution, and dissemination of information.

Compliance with the Law

Citizens must have the means to understand what is required of them in order to comply with the law. At a minimum, tax authorities must provide their citizens with appropriate avenues to comply. This may entail such programs as developing clear forms and instructions; providing points of contact to citizens so that they can request and secure information about their duty; and developing educational programs to inform existing and future taxpayers.

Resolution of Problems

No matter how well (or poorly) citizens comply and tax administrators function, errors occur. Tax administrations must have avenues for citizens to contact and deal with the government. A citizen's tax account is generally the area in which most contact with the government occurs. The success or failure of those contacts can determine to some degree the level of confidence a citizen has in his government. So it is important for tax administrators to be responsive, polite, and willing to apologize if the error was on their part.

Dissemination of Information

A primary element of taxpayer services is to inform the public of their duties and responsibilities under the tax laws. It is essential that tax administrators provide information, such as rulings, regulations, decisions, and other notifications, to foster a reasonably high level of compliance and minimize problems. A major objective of this element is to help citizens conform to the needs of the government by sending clear messages to taxpayers. An example of the importance of this

element is provided in a survey taken in Colombia. The survey's purpose was to assess the success or failure of the newly implemented value-added tax (VAT). One third of the respondents noted the importance of adequate and timely information (Orozco de Triana (1987)).

Impressions of Tax Administrators in Other Countries

The view that these elements are essential to a smoothly functioning tax administration is shared by tax administrators in many countries. For example, a tax expert from Trinidad and Tobago (Pounder (1989, p. 1)) has argued that, "in many parts of the free world where the self-assessment system of taxation has been introduced, taxpayer assistance, information and education is one of the fundamental concerns of tax administrations in their efforts to achieve the maximum possible level of voluntary compliance by taxpayers."

A tax expert from Argentina (Asorey (1987, p. 4)) also noted the important link between taxpayer services and compliance, when he stated, "Taxpayer information, assistance and education, as activities aimed at improving voluntary compliance with tax obligations, are problems of common importance in developed as well as developing countries, even though the causes of noncompliance are dissimilar."

With respect to the importance and responsibility that governments have to provide taxpayer assistance and information, a former Director of National Taxes of Colombia (Orozco de Triana (1987)) pointed out that if the government makes demands on taxpayers it must also provide adequate assistance in order to protect the citizen-government relationship. The government must realize that a citizen's frustration is more traumatic and negative when the tax administration does not provide him with sufficient elements for complying with his duties.

It is clear that tax administrators and practitioners support the rationale that taxpayer assistance is an important element in the furtherance of good tax administration.

Another Point of View

There is another side, however, to the question of how much, if any, taxpayer assistance should be provided by governments. Some believe that government should not provide or should severely limit such services, particularly where large numbers of competent private tax practitioners are available to serve the needs of the public. We do not think that private tax preparers and public tax officials providing assistance are perfect substitutes. Instead, both can serve a useful function. While

the IRS attempts to provide a uniform level of service across the country, the degree of trust that can be expected between taxpayer and government is a fundamental concern. Many people are reluctant to accept everything the tax administrator has to say. Jones (1987, p. 1) argued that, "taxpayers are often hesitant to rely on direct communications with the Internal Revenue Service. As one example, the growth in use of commercial tax return preparer services exceeds what would be expected from the complexity of the Internal Revenue Code as it applies to individuals. Taxpayers are much more ready to accept negative rules and limitations from their tax advisers than they are from even the most articulate government servants."

Klepper and Nagin (1989) argue that private tax preparers play a mixed role. On the one hand, they contribute to noncompliance by interpreting ambiguous tax provisions in favor of their clients. On the other hand, they contribute to compliance by enforcing nonambiguous tax provisions and by communicating the tax administration's enforcement priorities to taxpayers. Without private tax preparers, who have relatively easy access to the tax administration's information bulletins and letter rulings, taxpayers would bear higher search costs to obtain documented answers to their questions. Those taxpayers that rely on private preparers tend to have higher incomes; more income from sources other than wages, interest, and dividends; and higher marginal tax rates (Long and Caudill (1987)). Also, a relatively larger number of these taxpayers tend to be self-employed or over age 65. Dubin, Graetz, Udell, and Wilde (1990) found that the average income of those who used paid preparers was between 1.7 to 4.6 times higher (depending on type of paid preparer) than taxpayers who used nonpaid assistance from the IRS or volunteer organizations.⁵

II. Types of Taxpayer Information Programs

There are many types of taxpayer information programs available to taxpayers throughout the world. The United States, Canada, and Mexico are examples of countries that offer a variety of programs. The IRS, for example, produces a 28-page booklet, publication no. 910, that lists the types, availability, and accessibility of its many programs. This section of the chapter will examine six major types of taxpayer

⁵These data are from the Special Academic Research File of the 1979 Individual Return Taxpayer Compliance Measurement Program.

information programs. Table 1 illustrates what types of programs are available in various selected countries. In addition to these programs, a broader concept of taxpayer services would include such tax administration activities as improving the design of forms and providing information on recent interpretations of the law through tax bulletins or letter rulings. It would also include the services provided by private practitioners.

Publications

Many countries produce special tax publications. Canada produces 14 tax guides and 30 pamphlets on narrowly focused issues.⁶ Most of these publications pertain to the income tax with a few describing aspects of other on-going taxes. In order to implement the new goods and services tax, Canada's tax administration produced close to 90 specific publications. It also created a special tax advisory program and a vendors' inquiry group that answers taxpayers' questions over the phone.⁷

The IRS creates and produces 110 separate publications designed to assist citizens in meeting their tax obligations. These publications are in addition to the large array of forms and instructions produced to aid the taxpayer. The documents range from publication no. 1, "Your Rights as a Taxpayer," to publication no. 929, "Tax Rules for Children and Dependents." Many of the more widely used publications are available at IRS offices and public libraries throughout the country. Every effort is made by the IRS to reflect the law, regulations, rulings, and applicable court decisions in an objective manner, so that the taxpayer is informed and is able to relate his situation to the spirit and letter of the law. Some of the publications are available in Spanish. All of these publications are furnished free of direct charge to the taxpayer.

Although it is difficult to conduct a systematic study of the value of various publications for taxpayers, anecdotal evidence suggests that they can be quite helpful. For example, in 1988 the tax administration of India began publishing, in all indigenous languages, a pamphlet entitled *How to Compute Your Taxable Income*. By 1990, two years after the first publication, computational mistakes had dropped from about 22 percent to 3.5 percent.⁸ This reduction in computational errors should

⁶Canada (1988).

⁷Conversations with Canadian tax officials (Michael Burpee, Director General, Operations, and Stuart Watson, Director General, Research and Development).

⁸Conversations with S.R. Wadhwa, Chief Commissioner of Income Tax, Bhopal, India.

Table 1. Taxpayer Information Programs in Selected Countries

	Argentina	Canada ¹	Chile ²	Colombia	Jamaica ³	Mexico	Trinidad	United States
Publications								
Tax guides (instructions)	x	x	x	x	x	x	x	x
Pamphlets and bulletins	x	x		x	x	x	x	x
Technical publications		x		x	x	x	x	x
Audio cassettes for visually impaired		x						
Newspaper tax supplements			x	x	x	x	x	x
Reminders in press			x					
Media								
Radio or television commercials	x	x	x	x	x	x	x	x
Special television programs		x		x	x		x	x
Video cassettes		x				x		x
Press conferences			x			x		x
Telephone contact								
Telephone assistance	x	x	x	x	x	x	x	x
Tele-refund		x				x		x
Tele-info		x						x
Personal contacts								
Walk-in service				x	x	x	x	x
Correspondence								
Individually drafted letters		x	x		x		x	x
Standardized letters		x	x		x		x	x
Other programs								
Volunteers		x					x	x
High school program		x	x		x	x	x	x
Rural tax scene kits	x	x				x		x
Native outreach		x						x
Training for new business								
Participation in seminars and conferences		x		x		x	x	x

Sources: Conversations with various tax officials and publications from various tax departments.

¹All publications are in two languages (French and English), with some in additional languages (Chinese, Greek, Italian, Polish, Portuguese, and Spanish). Video cassettes are available in eight languages.

²To provide additional taxpayer assistance, 10–15 tax office branches are scheduled to be opened.

³Telephone assistance is provided, but not in a formal, structured manner. Also, the high school program is planned.

produce a savings in administrative costs, but an estimate of the magnitude was not available.

Media

Print and electronic media are widely used by the IRS to provide information and educational materials to taxpayers. Several of these media programs are worthy of special mention.

Tax Supplement

Each year the IRS contracts with newspapers throughout the country to produce an income tax supplement to be published early in the filing season. In 1990, this supplement was 23 pages in length, appeared in 2,655 newspapers, and reached more than 42 million households. The supplement brought information to readers about income taxes in a journalistic style and was replete with helpful hints, recommendations, and methods to make filing and paying as easy as possible. Chile also publishes a tax supplement in newspapers.

Advertising Council

In 1987 the IRS approached the Advertising Council for assistance in reversing some distressing trends in the relationship between taxpayers and the IRS. A seven-year trend of later and later filing during the filing period was in evidence, and with the 1986 Tax Reform Act about to affect returns, a further slippage would result in serious, if not insurmountable problems for tax administrators.

The IRS turned to the Advertising Council, a nonprofit organization dedicated to using the creativity and talent of the advertising industry to bring messages of public interest to the population. Its success in environmental awareness, personal safety, vehicular safety, and education for the underprivileged has been exceptional over the past forty or so years. The program that was developed used radio, television, and print media to convey a simple message to the American public, "File early, file accurately." As shown in Table 2, the upward trend in filing late during the filing period stopped during the 1988 filing season. In 1989 and 1990 the number of persons filing earlier and more accurately increased. The IRS has continued its relationship with the Advertising Council in these and other areas, most notably in its volunteer income tax assistance efforts.

Table 2. United States: Percentage of Individual Income Tax Returns Filed by April 1

Year	Percentage	Percentage Change from Previous Year
1984	61.5	—
1985	59.9	- 1.6
1986	59.7	- 0.2
1987	57.7	- 2.0
1988	57.8	+ 0.1
1989	58.5	+ 0.7
1990	60.1	+ 1.6

Source: Internal Revenue Service. Returns Processing and Accounting Division.

Note: Each percentage point represents 1.0 million to 1.1 million returns, depending on the year.

Tax Clinic

Each year, in conjunction with a commercial television station, the IRS produces a tax clinic which is broadcast throughout the country on a Sunday in early February on public broadcasting channels and cable networks. In 1991 the show reached 1.4 million households with an audience estimated at 840,000 viewers. The production follows a quiz show format and is interspersed with interviews with tax officials, accountants, and lawyers discussing timely tax topics. The IRS makes a special effort to staff its telephone sites during and after the show, and the public is invited to call if they have questions. In 1991, 23,885 calls were received during and immediately after the show.

Financial News Network

The IRS produces a weekly television show on the Financial News Network, a cable channel that reaches 200,000 households in the United States. The format permits the IRS to inform the public about how the IRS functions, its relationships with other governmental bodies, and interesting tax topics. Based on the response from viewers' telephone calls and Nielsen ratings, this endeavor has been very successful.

Video Cassettes

The IRS has produced video cassettes on various tax issues. These cassettes have been distributed to video cassette stores in the private

sector. These stores then rent the cassettes to consumers who view them at their homes. The tax administration of Mexico also makes use of video cassettes by distributing both cassettes and television monitors to local tax offices. Taxpayers can go to their local tax office and view cassettes on various tax issues.

Telephone Contact

Any resident of the United States can telephone the IRS, toll free, in order to receive information about taxes, to order forms or publications, or to seek information about his personal tax account. In 1990, the IRS answered 38 million telephone inquiries. The toll-free telephone system is operated from 32 centralized sites and has up to 4,900 employees answering taxpayers' inquiries at the height of the filing season. Accuracy, courtesy, and accessibility are the three most important features in operating a telephone system for service to taxpayers.

Accuracy

To provide an accurate answer, the person providing assistance must first understand the nature and extent of a taxpayer's inquiry. Next, the person must know where to find the correct information to deliver to the taxpayer. Finally, the person must make sure that the caller understands and can use the information provided. These three steps are essential to the successful completion of a call. The IRS has had problems in achieving an acceptable level of accuracy. In the late 1970s, tests by the General Accounting Office (GAO) of the United States indicated an accuracy level of about 85 percent. By the time the 1986 Tax Reform Act was implemented, the accuracy rate as measured by GAO and the IRS had fallen to about 65 percent. Since that time, improvements, such as increased managerial emphasis, a more experienced work force, and increased emphasis on probing to obtain all the facts needed about a taxpayer's situation, have helped to raise the accuracy rate (United States, General Accounting Office (1990a)). The accuracy rate jumped from 63 percent in 1989 to 77 percent in 1990 (United States, General Accounting Office (1990b)).

In some respects, increased complexity in the law and less than adequate funding contributed to the decline. But improved methods and systems for measuring accuracy instituted in the mid-1980s may have measured accuracy more stringently than previous attempts. Regardless of the reason, a taxpayer can expect a measurably better answer today than four or five years ago because of continuous efforts

to improve the program, such as the integrated test call survey system. This system was instituted in 1988, to survey on a random basis the accuracy of answers to prepared questions. Using the results and information gleaned from this survey, training was improved, local monitoring was increased, methods were strengthened, and problem areas were pinpointed. Through careful management attention to this information, significant progress in accuracy has been achieved (United States, General Accounting Office (1990b)).

Accuracy is also an important dimension in minimizing the burden of tax administration. In Sweden, for example, revenue agents are asked to handle telephone calls during the tax filing season. In this way, the Swedish tax authorities attempt to lower the probability of providing inaccurate information by the use of less highly trained personnel. If accurate and complete answers are provided over the telephone during the filing season, then the work load for the rest of the year will be minimized.

Courtesy

The need for civility and courtesy in dealing with taxpayers is essential to maintain trust and confidence in the tax system. A completely correct answer delivered in a surly, rude, or condescending manner will leave a sour taste in the mouth of the caller and not serve to satisfy the mission of the tax administrator. Even in the years when accuracy was at its lowest, staff providing assistance at the IRS got good marks from callers on their politeness and eagerness to help the taxpayer.

In a survey conducted by Perng and Chovonec (1989), 82 percent of the respondents rated politeness on the part of those providing assistance at the IRS as excellent, the highest rating based on a six-point scale. Another 12 percent gave a rating of 5, the next highest level. Less than 1 percent of respondents gave ratings at the lowest two levels. Using the same rating scale on eagerness to help, 76 percent of the respondents gave an excellent rating. Another 14.5 percent of respondents gave a score of 5, for a total of 90.5 percent at the positive end of the scale. Only 2 percent of the respondents gave ratings at the lowest two levels of the scale.

Accessibility

Taxpayer service representatives who are willing and able to give accurate answers in a courteous manner are of limited use if taxpayers cannot reach the tax administration. Enough equipment and lines must

be available to serve the public in an efficient and economical manner. Balancing staffing, equipment, and demand for service has evolved into an art, if not a science. The IRS measures the accessibility of its telephone service on an hourly basis. Because of the increase in demand for toll-free service between 1989 and 1990 (a jump from 34 million to 51 million calls, which includes busy signals and those who abandon the attempt before being assisted), IRS' accessibility rate dropped from 90 percent of incoming calls on the first or second attempt to 74 percent (United States, General Accounting Office (1990b)). Part of the reason for what appears to be an increase in demand is in reality a decrease in IRS resources. Reduction in staffing and a longer time to provide a full explanation to a taxpayer's question meant that taxpayers on average had to call more often before getting through to IRS staff.

Personal Contact

Taxpayers in the United States generally have more personal contact with the tax administrator than any agency of the Federal Government with the exception of the post office. The IRS sends forms and instructions annually to each taxpayer identified on the tax rolls. Of the roughly 45 million taxpayer contacts the IRS had through the taxpayer service system, about 7 million were visits to IRS offices for various services. One fifth of these needed additional forms or publications (Cox and Risler (1990)).

A very large number of taxpayers visit IRS offices to obtain information about the law, how it affects them, and the current status of their tax account. The IRS has 597 sites strategically situated throughout the United States and 13 countries in the world where taxpayer assistance is provided throughout the filing season, January through April. In addition to "official" IRS sites, forms and instructions are also available in thousands of post offices, banks, and libraries throughout the United States. Most of the official sites are staffed throughout the year for service to taxpayers. Few taxpayers need to spend more than an hour to reach an IRS office by public or private transportation. Accessibility is excellent. However, the IRS does not provide, like Spain, a service whereby the taxpayer can sit at a computer in the tax office to receive answers to questions.

Correspondence

Less than 0.4 percent of all taxpayer service contacts, about 172,000, arise from correspondence. The taxpayer service function in the IRS

is limited in the types and complexity of issues it handles through correspondence. Rulings, technical advice, determinations, and procedural pronouncements are beyond the jurisdiction of the IRS' taxpayer service function. Such items, of which there are many hundreds of thousands, are handled by other IRS functions. The main distinction between the responsibilities of the taxpayer service function and other functions, which provide services under a broader concept of the term, is whether or not the transaction or situation has already occurred. A question during the filing season in 1991 about a situation in tax year 1990 is retrospective in nature and within the purview of the taxpayer service function. If, on the other hand, the item is prospective in nature, for example, a request for a letter ruling, it generally is outside the purview of taxpayer service. While the IRS receives very few letters compared with other types of contacts, surveys of taxpayers who have written for advice give the IRS its lowest marks in this category (Perng and Chovonec (1989)).

Other Sources of Taxpayer Information

There are several other sources from which taxpayers can receive information regarding their tax obligations. About 47 percent of those filing an individual income tax return use the services of paid preparers. While this is a significant number of people, it is their personal choice and, as mentioned earlier in this paper, may be a reflection of distrust in the system, complexity in the law, or just no desire to do it themselves. Fortunately, the United States has a large number of competent, professional tax preparers who can perform these tasks. Their goodwill and cooperation are essential to the efficient operation of the tax system.

The IRS has several other programs that reach many people and serve certain elements of the population who either cannot afford preparers or cannot perform the task of filing returns themselves. In addition, the IRS has a program for educating new entrants into the work force so they can understand and meet their responsibilities under the law.

Volunteer Programs

The IRS sponsors volunteer programs to reach those who cannot do their own tax return and cannot afford or may not choose to pay a professional for the service. Volunteers are recruited from various walks of life, such as accountants, retirees, and other persons interested in helping those unable to help themselves. The volunteer income tax assistance program operates throughout the nation. The IRS trains the

volunteers, and they work at the centers for no remuneration from either the Government or the taxpayers. A second volunteer area involves tax counseling for the elderly. Sponsoring organizations have members who visit shut-ins, retirement homes, and nursing homes for helping the elderly meet their tax obligations. The Government reimburses the sponsoring organizations for certain expenses, but neither these organizations nor their workers receive other remuneration. Together these programs and their 79,000 volunteers provided free assistance to 2 million persons in filing their returns in 1990. An internal IRS cost-benefit study conducted in 1989 indicated that the value of the services provided by the volunteers was worth \$50 million if the IRS had to pay for their time.

Understanding Taxes

One of the essential tasks of tax administration is to prepare young citizens for the time when they must file tax returns. A good basic knowledge of civic responsibility needs to be learned in the educational system. The United States has a program called "understanding taxes" that is taught in secondary schools to students between the ages of 14 and 18. It is not a mandatory course but more than 4 million students in more than 20,000 schools participated in the program in 1990. The course explains the benefits of government, the need for taxes, and how to prepare a simple tax return. This program has been improved substantially since its initiation more than 20 years ago. A major revamping of the program occurred in 1988. The Joint Council on Economic Education and the Agency for Instructional Technology joined with the IRS to improve the course and its delivery systems. Video tapes, computer diskettes, and a modular approach significantly increased the variety and flexibility of the course. Evaluations submitted by teachers using the program were overwhelmingly positive.

Other countries have similar programs. In Spain, for example, the Ministry of Finance has cleverly designed material in comic book form to make the basic rationale for paying taxes understandable. The book, *El Puente*, describes how one Indian village that has a market is separated by a canyon from another village without a market. The village lacking the market decides to benefit the public by building a bridge over the canyon. The necessary resources for the bridge are obtained through taxation.

One developing country that has shown a long-term interest in taxpayer education is the Philippines. Beginning in 1961, the Joint Legislative-Executive Tax Commission undertook periodic surveys in order

to determine the level of tax consciousness, the degree of compliance, the attitude of the taxpayer toward the tax administration, and the common problems of tax administration. Based on these surveys, a long-term program to improve taxpayer education, information, and assistance was established. A major part of the program was an effort to foster tax consciousness through the schools. Currently both elementary schools and high schools have incorporated the teaching of taxation in their curricula (Yongco and Quintos (1979)). The Bureau of Internal Revenue has gradually expanded the educational effort to reach adults. For example, according to the Bureau's 1987 Annual Report, during that year, it conducted 3,179 seminars, 3,227 symposiums, and 12,007 public forums and made 478,474 house-to-house visits to inform taxpayers of their obligation under the law.

Small Business Tax Seminars

The IRS has had in place for many years a program that provides new business persons the opportunity to attend a seminar where a great deal of information on business tax matters is disseminated. More than 1,000 of these seminars are conducted each year throughout the 50 states and approximately 10,000 people attend. In contrast to these IRS seminars that are not mandatory, some socialist countries use mandatory educational meetings once or twice a year as the major (and sometimes only) program to provide business taxpayers with information and assistance on recent changes in the tax law.

In 1989 a new addition to the IRS program was developed with the help of representatives from educational groups. It had been discovered that many new business persons did not attend seminars conducted by the IRS because of fear of the agency. Through a joint effort a new course was designed to be taught in community colleges and adult education facilities. Although developed by the IRS, it was taught by individuals not connected with the IRS in more than 1,500 schools during 1990. A total of 42,254 students participated in the program. The Mexican tax administration has also developed seminar material that is used by instructors who are not tax officials (Mexico, Undersecretariat of Revenue of Mexico (1991)).

III. Major Issues Concerning the Effectiveness of Taxpayer Assistance

Does Taxpayer Assistance Improve Compliance and Reduce Noncompliance?

Improving compliance and reducing noncompliance are not the same because they apply to different activities of the tax administration that

may be targeted to different types of taxpayers. On the one hand, publishing taxpayer guides and explaining the tax system in the media foster compliance—one of the major goals of a tax administration—primarily among those taxpayers who try to follow the law. Enforcement activities, on the other hand, are needed to reduce noncompliance among those taxpayers who try to evade paying their full tax liability. Tax audits, for example, increase the risk that tax evaders will be detected and punished.⁹ While taxpayer assistance programs may do little to reduce noncompliance, many tax administrators believe that taxpayer assistance programs can be extremely effective in improving compliance, especially by reducing taxpayer ignorance and confusion. Unfortunately, there are few studies (see subsequent discussion) that provide quantitative evidence on the effects of taxpayer services. Witte and Woodbury (1983), for example, found that IRS educational efforts appeared to raise the level of compliance, but the effect was small.

Does Taxpayer Assistance Improve Taxpayer Confidence in the Tax System?

The answer to this question may appear to be straightforward. Simple logic would seem to dictate that effective, courteous assistance that helps citizens meet their obligations under the tax laws would improve taxpayer confidence in the tax system. If that were the only criterion for establishing confidence in the tax system, one could reasonably deduce that good assistance would raise confidence levels in the tax system. However, there are many other factors that contribute to the degree of taxpayer confidence. Some of these factors are as follows:

- The tax law may be perceived as unfair to some segments of the population.
- The complexity of the law may reduce taxpayers' ability to understand their obligation, and confusion hardly engenders confidence.
- Enforcement policies could be unevenly or harshly applied.
- Taxpayer service personnel may be less than competent or courteous.

Each of these factors can affect the level of confidence taxpayers have in the tax system. It is therefore very difficult to measure with

⁹For an interesting discussion of how the IRS audit function has changed by placing greater reliance on information reporting, conducting fewer audits of taxpayers, and increasing the severity of punishment, see Dubin, Graetz, and Wilde (1990).

any high degree of precision whether taxpayer assistance improves confidence in the tax system.

Even with these limitations, some researchers have attempted to ascertain whether taxpayer assistance improves taxpayer confidence. Two studies have been conducted involving surveys of taxpayers that may shed some light on the question. In response to questions dealing with assistance, Hendricks (1990) found that 75 percent of the respondents agreed that the IRS assistance program was "very helpful" or "somewhat helpful." While this is encouraging, it shows that 25 percent of the taxpayers dealing with the IRS were not favorably impressed with the help offered.¹⁰ Hendricks observed that good people, training, and a simpler, fairer tax law could improve the credibility of the system. His survey also showed that 86 percent of the respondents answered "not sure" or "no" to the question: "Do we have a self-assessment federal tax system?" This response suggests that a large portion of the population does not understand one of the basic tenets of U.S. tax administration. However, Hendricks expressed the belief that the taxpayer assistance and compliance programs are important vehicles to remedy this lack of awareness. He also argued that taxpayer confidence in the Federal Government is not at the appropriate level, but continued emphasis on taxpayer education, tax simplification, and fairness would help to raise that level.

Another study, by Cox and Risler (1990), reported the results of a 19-week survey conducted from February 22 to June 30, 1988. More than 9,000 taxpayers were asked to participate and more than 6,000 responses were tallied. The study measured the participants' perceptions about how the assistance they received would affect their behavior and their taxes. The actual performance could not be measured because this would violate taxpayer confidentiality, so to the extent that perceptions were different from what taxpayers actually did the results may be overstated or understated. The data strongly suggest that assistance does affect confidence by improving compliance with the law. More than 80 percent of the requests for assistance provide individuals with information that will help them meet their obligation under the law.

The paper concluded: "From the responses given by individuals surveyed about their contacts with Taxpayer Service, it appears that Taxpayer Service provides individuals with the type of assistance they need to comply with the tax laws and that these individuals plan to follow the advice they receive." One generally does not follow the

¹⁰It would be important to find why these 25 percent were not favorably impressed to evaluate whether this was due to the IRS program or to the taxpayers' disappointment at receiving information that would raise their tax liability.

advice of someone unless there is some confidence in that party. As long as assistance programs and the staff providing the assistance give good information that can be relied upon, it does seem reasonable to conclude that confidence in the tax system will be improved. Conversely, deterioration in the performance of those providing the assistance will hurt confidence in the system.

Does Taxpayer Assistance Ease the Burden of Complying with the Tax Laws?

While it seems reasonable to believe that taxpayer assistance will ease the burden of compliance, there have been few empirical studies performed to test in a systematic fashion the validity of this belief. In a study based on a 1984 taxpayer survey, Smith (1987) found support for the hypothesis that taxpayers' perceptions of the quality of taxpayer assistance have an indirect affect on the level of compliance. Although Smith's study, which relies on a recursive model to produce estimated effects, is one of the few rigorous attempts to address the linkage between taxpayer assistance and compliance, it did not go as far as a more recent study conducted by Price Waterhouse (1989) for the IRS. This study found that most line item errors on tax returns were due to a misunderstanding of the tax forms or the instructions. Taxpayer assistance significantly reduced the line item errors by clarifying for the taxpayer what specifically should be reported.

The study's methodology was to set up a laboratory experiment with four separate groups completing hypothetical tax returns. Three of the groups were allowed to use different types of taxpayer assistance: (1) either telephone or walk-in assistance; (2) only telephone assistance; and (3) only walk-in assistance. The fourth group, the control group, was not allowed to use taxpayer assistance. Taxpayers were recruited in Dallas, Texas, through newspaper advertisements and were administered a screening questionnaire over the phone to determine items such as their age, income, filing status, and whether they prepared their own return. Of those who qualified after the initial screening, 400 were selected to meet different hypothetical tax return situations. An additional 10 percent (or 40) were selected to substitute for participants who failed to show up for the test.

The participants were asked to report to a large meeting hall where they each were given a selected hypothetical return situation, placed randomly into one of the four groups, and asked to fill out the tax return. They were told that if they filled out the return correctly, they would receive additional monetary compensation. Those participants

Table 3. Differences Between Groups in Total Tax Reported
(By Measure of Error)

	Percent Error	Average Error (In U.S. dollars)	Absolute Error (In U.S. dollars)
Groups with assistance	59	10	297
Group with no assistance	64	-79	482
Difference	5	-69	185
Probability of no statistical difference	0.187	0.446	0.043

Source: Price Waterhouse (1989).

Note: Mathematical mistakes on returns were not counted as errors.

who used taxpayer assistance (65 percent of those in the groups with assistance) were also asked to rate the quality of the IRS assistance.

Price Waterhouse reviewed all the tax returns and computed three measures of tax compliance: (1) the percent of returns with errors; (2) the average error, a measure that does not change the sign of the error so underreporting and overreporting errors tend to offset each other; and (3) the absolute error, a measure of the absolute value of the error. Average error indicated a group's average dollar difference between correct tax liability and tax liability actually reported on the hypothetical returns. Absolute error, on the other hand, indicates the seriousness of errors in completing the tax returns—the higher the magnitude of error, the lower the level of compliance.

Table 3 presents the difference between the groups with assistance and the group with no assistance with respect to the three measures. The percent of returns with an error in reporting the total tax (after removing simple mathematical errors) was 5 percent less for the groups with assistance than the group with no assistance (59 percent versus 64 percent). The statistical probability of no difference between the two groups was less than 19 percent. With respect to the average error measure, the difference was an underreporting of \$69 for each return, but the difference is not statistically significant.¹¹ This, the report argues, can be partially explained by the fact that overreporting and underreporting errors tend to cancel each other out. The difference in absolute error of \$185, however, is statistically significant with a low probability of about 4 percent that no difference between the two groups

¹¹ Even if the evidence does not support a short-run revenue gain from taxpayer services, it seems reasonable that long-run revenue is enhanced when the IRS assists a taxpayer who would have otherwise overreported.

exists. Difference among the three groups with assistance were statistically insignificant for all three measures.

Those participants who consulted with the IRS staff on one or more occasions were asked to complete a questionnaire regarding the quality of the assistance received. Almost 69 percent were "very pleased" with the assistance and another 20 percent were "somewhat pleased." However, some of the tax return errors attributed to those in the groups with assistance were due to incorrect advice from the IRS staff who provided incorrect answers for about 15 percent of the questions and correct, but insufficient answers for another 8 percent of the contacts. Even though incorrect advice was given to 41 taxpayers in 49 separate contacts, only 17 taxpayers made mistakes on their hypothetical returns that affected tax liability. This contributed to 8 percent of the absolute error for the taxpayer groups with assistance.¹²

In a review of the Price Waterhouse laboratory test, Wilt, Perng, and Mannion (1990) concluded that the test demonstrated taxpayer assistance significantly improves the accuracy of returns, thus increasing the level of taxpayer compliance, but left unresolved the question of whether revenues increase, since taxpayer assistance reduces the probability of both underreporting and overreporting errors.

How Does Complexity of the Tax Law Affect Assistance Efforts?

The United States has had a considerable increase in complexity within its tax code over the past decade. Almost every year the Congress has passed major tax legislation that has added to the complexity of tax administration. Paradoxically, a general objective of the legislation was tax simplification (for example, removing taxpayers from the tax rolls), but complexity for certain sets of taxpayers increased (for example, calculating the allowable deduction for nonmortgage interest payment). These numerous changes have had a serious impact on taxpayer assistance programs. The most notable, of course, is the increased budgetary requirements to provide adequate levels of assistance, forms, publications, and information to taxpayers. In real dollars, adjusted for inflation, the budgetary requirements of taxpayer service have more than tripled since 1973 when the program was formally recognized as

¹²The reasons given why some taxpayers did not follow the incorrect advice were that some felt they received the wrong advice and some realized that the incorrect advice conflicted with other information. Also, some may have followed the advice, but it had no effect on their actual tax liability. In one example a taxpayer was advised to fill out Schedule B (report of interest income) when it was not required.

a functional entity with a status equal to the other major functions within IRS such as examination and collection.

Some of the reasons that led to the tremendous increase in budgetary requirements that are directly related to increased complexity of the law are as follows:

- The time required to answer taxpayers' questions on telephone calls has almost doubled in the past five years.
- Forms and publications have increased in number and complexity. New methods to test the adequacy of forms prior to issuance are very costly.
- The development of programs for volunteer groups to help those who cannot prepare their own returns is costly, but benefits to the public far outweigh the costs.
- Time spent in training and development of staff who assist taxpayers has risen twofold to threefold.
- The development of programs for educational institutions for high school students and new businesses has been expensive.
- The initiation of quality control and measurement systems to determine the effectiveness of service has cost a considerable amount in investment and maintenance.

These and other items have largely been due to increased complexity. As the law became more complex in the 1980s and budgets became tighter, the accuracy of information given to taxpayers began to diminish.

Complexity of the tax law is of great concern to the IRS, tax practitioners, academicians, as well as the taxpayer who must comply with the law. Many tax experts believe that if the rate of complexity continues to escalate, the U.S. tax code may become unadministrable. These same experts, however, are pessimistic about efforts to reduce complexity. For example, Deborah Schenk (1990) argued, with respect to the personal income tax, that there is little likelihood of significant simplification being achieved in the Internal Revenue Code because there is no constituency that is focused enough to overcome the hurdles that stand in the way. Her premise points out the problems of maintaining revenue neutrality while achieving fairness in the application of the law, particularly to low-income taxpayers. In the area of simplification for the preparers of returns, she suggested that the Congress may not be ready to trade off some time-honored concepts such as vertical and horizontal equity. In addition, she suggested that there is little likelihood of Congress ending the use of the tax system to provide incentives for nontax-related national objectives.

Some countries, however, have been able to reduce complexity. Colombia's tax reform in 1983–88 kept simplification of the tax system as a major objective, even to the point of sacrificing some provisions for horizontal equity if they could not be administered effectively. One concrete example of Colombia's success is in the design of new tax forms. The number of lines on the corporate income tax return was reduced from 420 to 55, and the number of lines on the individual income tax return was reduced from 210 to 41 (Vázquez-Caro, Reid, and Bird (1992)). Another example is the United Kingdom's value-added tax return: over the years this form has been reduced to a single page with only seven blocks to fill out.

IV. Conclusions

This paper has attempted to examine some of the elements required to assist taxpayers in meeting their obligations under the law, describe various types of taxpayer information programs, and assess the effectiveness of the taxpayer service function. While the U.S. Congress has debated the question of government-provided taxpayer services, most researchers and practitioners agree that IRS programs to assist, inform, and educate taxpayers achieve higher levels of tax compliance than would otherwise be the case, particularly when taxpayers are in general agreement with the policies of the Government and perceive that the tax laws are being fairly administered. Unfortunately, there is no evidence to assess the effort of the taxpayer service function on revenue-raising capacity. Nevertheless, there are bits and pieces of evidence showing that in the face of rising tax law complexity, taxpayer services increase compliance levels, improve taxpayer confidence, and ease the burden of compliance. This evidence is compelling enough, even without a bottom line on revenue-raising capacity, to dictate that tax administrators should actively pursue a program of assistance, information, and education. The evidence also indicates that such programs are enhanced to the extent that administrators constantly examine themselves to ensure that fairness and equity are practiced to the limit permitted under the laws.

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Comments

María Corina Arocha

I shall comment on the paper presented by Robert LeBaube and Charles L. Vehorn from the standpoint of the specific situation of Venezuela, a country with considerable problems in its tax system and a low level of compliance which is currently designing a far-reaching tax reform.

Since 1989, the new economic strategy based on the correction of macroeconomic imbalances and promotion of domestic and external efficiency and competitiveness has underscored the need for an in-depth fiscal reform.

The Venezuelan economy has been characterized in recent years by a significant decline in per capita GNP. From 1981 to 1990 that figure fell by 20 percent, more than twice the average drop for Latin America (9.4 percent). Services such as public safety, education, health, water, and electricity demonstrably deteriorated in that period. A return to the per capita income of 1981 will require a growth rate of 5 percent over five years, which in turn will require a sustained process of structural changes and investment in human capital, infrastructure, and services.

This ambitious effort to achieve structural change cannot be sustained by traditional financing schemes. Oil continues to be important, but it is no longer sufficient. Consequently, neither oil nor borrowing, nor certainly inflation, can provide the basis of public funding. The tax system must therefore become the primary source for financing public activities. However, the tax system is not equipped for that important job and must therefore be modernized.

The Venezuelan tax system is characterized by excessive dependence on oil revenue. By 1989, non-oil taxes together represented only about 3.3 percent of GDP, while oil revenues accounted for 15 percent. Of the former, 2.2 percent came from business income taxes, less than 0.4 percent from individual income taxes, and the rest from taxes on cigarettes, liquor, official stamps, and other items.

The development of the country on the basis of oil revenues has contributed to the underdevelopment of the rest of the tax system. Paying taxes is, to many Venezuelans, a rather strange notion. We are talking about a country with very little in the way of a tax culture.

The Venezuelan tax system is highly distortionary. On the one hand, it applies a top rate of 50 percent, while on the other hand it offers a lavish system of tax incentives: exemptions, credits, and rebates.

Similarly, businesses pay taxes on inflationary earnings, and if they distribute dividends the shareholder is subject to the individual income tax.

The legal structure is complex: it includes a great many tax-related laws, decrees, and rulings, and the law contains elements that unnecessarily complicate tax administration without offering any benefit in terms of revenue.

In addition, legislation pertaining to fines and penalties is out of date. To give an example, the interest for late payment is 18 percent when the market rate of interest is about 40 percent. These inconsistencies result in low revenues, reduce the system's equity, and make it hard to administer.

Venezuela's tax administration can be described as ineffective, and its credibility among taxpayers is not such as to ensure adequate compliance. Of the many reasons for this situation, the most important is that tax officials lack motivation or are not properly trained; in extreme cases, they leave something to be desired where honesty is concerned. An inadequate staffing policy has produced a continuous decline in the quality of tax administration personnel. Furthermore, systems and procedures are complex, there is no appropriate information system, accounting is done manually and its results are inconsistent with the data of the automated system, and the filing systems are very poor.

In the area of serving and informing the public, the organization is in place and the functions are established, but the staff and material resources with which to fulfill the aim of "serving and offering efficient and timely information and advice to the taxpayer" are lacking. Staff are assigned from the personnel roster, or work mostly in other units or are shared with other agencies, so that they are distracted from their primary function.

The only useful response to this dismal state of the Venezuelan tax system is a comprehensive reform with changes to the tax structure, procedures, and administration. To that end, three main courses of action were adopted starting in 1989.

- Rationalize the tax system by broadening its base and establishing rates compatible with international models.
- Simplify taxes by eliminating or reformulating those that are unproductive, difficult to administer, or both, and creating a tax structure based on few taxes and effective collection.
- Modernize the tax administration by improving procedures and systems, introducing modern automated systems, improving the physical infrastructure, and raising the quality of staff.

To implement its strategy for modernizing the tax system, the Ministry of Finance submitted two bills to the Congress of the Republic in December 1989: an amendment to the Income Tax Law, including the introduction of a comprehensive system of adjustment for inflation, and a law establishing the VAT. Also submitted to Congress in the course of 1990 were partial amendments to the Organic Tax Code and a Draft Law on Public Credit to finance the modernization of tax administration.

A tax system reform of the magnitude proposed in Venezuela naturally entails a broad program of taxpayer education, information, and assistance. It does not pay to skimp on such a program, and the Government has therefore committed itself to investing substantial resources in this area.

Once the need for a system to provide service to taxpayers was established, the Ministry of Finance was confronted with the difficulty, as LeBaube and Vehorn point out, of defining the level and kind of programs to be developed, while taking into account the severe constraints imposed by the scarcity of resources, especially that of qualified staff, facing the Venezuelan tax administration.

With regard to developing the taxpayer service system, the first decision has been to set up public information and counseling offices. These are being run jointly with the Presidential Commission for State Reform, which, acting on an executive order, has prepared some basic guidelines for the organization and operation of the public outreach offices that must be included in all state agencies.

The creation of those offices is intended first and foremost to establish a direct relationship between the tax authority and the taxpayer in an attempt to diminish the importance of the "intermediary," whose actions have been proved to be damaging to the interests of both the taxpayers and the tax administration. Another purpose of these offices is to start rebuilding taxpayers' confidence in the administration—a confidence which was being lost because of the low quality of that administration.

Success in the pursuit of these objectives will hinge largely on the personnel working in the offices. For that reason clear guidelines have been laid down for the selection, training, and upgrading of the staff that will be taking part in these programs. In addition to knowledge of tax matters, officials must be ready to provide information and seek solutions to the problems that arise. They must be able to communicate both orally and in writing, and to analyze and condense. Most important from the standpoint of re-establishing confidence in the tax administration, they must have a clear sense of dedication.

Work with the private sector has proceeded vigorously. The focus has been on joint efforts with associations of manufacturers, merchants, developers, and so on, as well as accountants, lawyers, economists, and other professionals active in the tax field, to devise taxpayer information and education programs covering the new VAT and the inflation adjustment system. Without the cooperation of those groups, the implementation of these two instruments in the near future would not be feasible. The following are some of the efforts being carried out with the private sector, the universities, and the National School of Finance:

- **Information:** (1) meetings, seminars, and discussions; (2) publications, including technical documents explaining the reasons for the reform and its effects, pamphlets describing new legal provisions and procedures, and fiscal supplements in press; (3) media, including announcements on radio and television and publicity through special programs and video cassettes; and (4) correspondence.
- **Education and training:** (1) training, consisting of courses, workshops, and other programs at the basic, technical, and university levels; (2) publications, including guides and manuals; and (3) media, including special programs on VAT, video cassettes, and tax education programs.

Given the changes to be introduced in Venezuela, there is no doubt that these taxpayer information and education programs will go forward. The question that arises in the case of less developed and poorly funded systems, as resources allocated to such efforts are usually modest, is whether the services will reach the taxpayer and what their levels and range will be.

I would therefore urge that, bearing in mind the resource constraints, these taxpayer services programs be so designed technically that they produce the best results possible and continue to do so over time.

Oliver Oldman

This is a fine paper bringing together a lot of useful information and experience about taxpayer assistance as well as the authors' ideas. They are to be complimented in advancing the state of the art of thinking about this topic.

It is a nice coincidence that the paper on taxpayer assistance at this conference was assigned to me. I played a small role in the development of the U.S. Internal Revenue Service programs to use volunteers to provide taxpayer assistance, now called VITA (Volunteer Income Tax Assistance), and in bringing together the IRS and law student volunteers some thirty years ago. Also, for some years now my wife has served in the VITA program and in Tax Counselling for the Elderly. Each year now the IRS and the American Association for Retired Persons coordinate training for new volunteers and updating for regular volunteers. There is no question from my discussions with my wife and from students who have participated in volunteer assistance work that taxpayers are most grateful and appreciative of this effort made by volunteers with official logistical support. Those discussions also lead to a picture of numerous ordinary persons who desire to comply with the tax laws but whose understanding of them is extremely limited. Volunteer programs should probably be expanded, at least in American society, by exerting the effort to identify groups of taxpayers who would like to have available to them a volunteer trained by the IRS. One example that comes to mind is a wide range of clubs and other informal organizations devoted to everything from sports to music whose members consist of lower-middle-income persons. Official outreach to such groups to seek and train volunteers could have a handsome payoff in terms of the development of taxpayer attitudes and understanding.

In order to make further progress in understanding the use of taxpayer assistance programs, useful additional research might be carried out not only on the volunteer programs discussed above but also on the full range and variety of officially manned programs. I have in mind in particular the desirability of conducting interviews both with the people who directly provide the assistance to the taxpayers, that is IRS employees and volunteers, and also their bosses. Similarly, a significant sample of taxpayers who receive assistance ought to be interviewed. The idea here is of course to conduct qualitative in-depth studies to supplement quantitative studies in order to gain new insights about taxpayer assistance generally.

The paper provides a comprehensive list of officially provided sources of information for taxpayers. To be added to that list is the extensive participation by IRS officials in tax seminars and conferences the agendas for which are primarily set by the private organizers of those meetings. IRS cooperation and its supplying of speakers is highly regarded by those who attend the meetings.

The paper stated that in Spain taxpayers already have access to a computer which answers the taxpayer's questions. It is surprising that

the United States does not now do this even though it has already installed a highly successful interactive video program for the automatic training of IRS employees. The IRS is actively developing a plan for taxpayer access to computers and thereby to official information.

The paper states that 25 percent of assisted taxpayers were not favorably impressed by the assistance rendered to them. I wonder whether or not those are the persons with the more difficult problems and also those who had high expectations of receiving particular answers which they did not get. In short, the 25 percent figure may be misleading.

The paper contains a useful discussion of the revenue impact of overreporting and underreporting resulting from the taxpayer assistance program. Averaging together overreporting and underreporting has the effect of canceling one out to the extent of the other. Perhaps these should not be averaged. A taxpayer who might have overreported and thereby increased revenue but through assistance files correctly and thereby reduces revenue is a happy taxpayer. The increase in the taxpayer's level of confidence with respect to the IRS (and perhaps government generally) is also an important form of revenue increase in the long run. The asset value one might attach to a satisfied taxpayer goes up. In short, correcting overreporting is not a net revenue loss but a sound expenditure of funds to improve compliance and attitudes and the national wealth in the sense of satisfied taxpayers.

The discussion in the paper with respect to complexity as the cause of a decline in the accuracy of information given to assisted taxpayers needs a qualification. During the 1980s in the United States the number and frequency of legislative changes was probably far more important than increasing technical complexity in terms of impact on accuracy. Indeed, as a whole, legislators thought that they were simplifying the law. Mere change is a complicating factor in that people—both officials and taxpayers—have to change their ways. During periods of change we can expect a decline in accuracy but one that ought to be reversed if change stops.

While the present conference did not focus on administrative aspects of the property tax, it might be useful to include a few words comparing taxpayer assistance under a property tax with that under income taxes. By a property tax I mean a tax levied annually on the current capital value (but it could also be on the rental value) of real estate at a percentage of the value. Under the property tax the government does all the work of administration with little or no input from the taxpayer at all. Taxpayers are not "assisted" because they do not generally have to file declarations or provide other information directly to the tax administration. Nevertheless taxpayers do a great deal of complaining about property taxation and property tax administration. Only in the

most recent years have property tax administrators begun to provide adequate outreach and information to taxpayers about the way the property tax works and why the amounts paid by taxpayers differ one from the other. Among the approaches increasingly used around the United States is to publish information about tax values of property and current sales values of property and to make such information available in a manner that enables taxpayers readily to compare the tax burden on their own parcels of property with those of other comparable parcels. Perhaps taxpayers ought to be given more access to people in property tax administration in order better to understand and compare the valuation data. This would be analogous to taxpayer assistance under income tax programs.

Conversely, some thought might be given in income tax administration to providing taxpayers with comparative income information for a variety of different types of activities so that taxpayers have a handle on what other taxpayers are reporting and paying. In the case of the property tax a taxpayer can identify particular parcels of property with which he is familiar and compare their tax values with his own because that information is public information. The practical issue for the property taxpayer is the ready accessibility of the information so that he can use and compare it. Should more information similarly be available to income taxpayers about other taxpayers? Different countries have different practices here. My own judgment is that the increasing trend in recent years toward further and further privacy of tax information is a trend in the wrong direction. Figuring out ways to open up and make accessible more income tax information that is not necessary to be kept private is a task which ought to be faced now.

Finally, a couple of comments about the literature. The 1983 American Bar Association Tax Section Conference on Income Tax Compliance dealt with a variety of issues some of which relate to taxpayer assistance. The resulting volume published by the Tax Section contains information useful to those concerned with the topic of this paper. Similarly, *Readings on Income Tax Administration*, edited by Patrick L. Kelley and Oliver Oldman, was published in 1973 by the Foundation Press. It, too, contains writings and comments relevant to the paper. Looking back at that volume reminded me of how properly fashionable it now is to quote a statement by Milka Casanegrade Jantscher that "tax administration *is* tax policy." We should keep quoting that statement because it is a step beyond what Carl Shoup said at the first CIAT General Assembly on May 5, 1967 in Panama, that "tax administration is the key to tax policy." It is that phrase which is repeated on the cover of the *Readings* volume just cited.