

GAO

Testimony

Before the Subcommittee on Energy Policy, Natural Resources and Regulatory Affairs, Committee on Government Reform, House of Representatives

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PAPERWORK  
REDUCTION ACT

Agencies' Paperwork  
Burden Estimates Due to  
Federal Actions Continue  
to Increase

Statement of Patricia A. Dalton, Director  
Strategic Issues





Highlights of [GAO-04-676T](#), a testimony before the Subcommittee on Energy Policy, Natural Resources and Regulatory Affairs, Committee on Government Reform, House of Representatives

### Why GAO Did This Study

The Paperwork Reduction Act (PRA) requires federal agencies to minimize the paperwork burden they impose on the public. The act also requires agencies to obtain approval from the Office of Management and Budget (OMB) before collecting covered information. At the Subcommittee's request, GAO examined changes during the past fiscal year in federal agencies' paperwork burden estimates and their causes, focusing on the Internal Revenue Service (IRS). GAO also examined changes in the number of violations of the PRA.

### What GAO Recommends

GAO is not making any recommendations. However, because IRS accounts for most of the federal paperwork and therefore has a determining impact on the governmentwide burden-hour estimate, OMB could focus more of its burden reduction efforts on that agency. Also, OMB and the agencies could do more to reduce violations. For example, OMB could promote the use of "best practices" used in agencies with good compliance records.

## PAPERWORK REDUCTION ACT

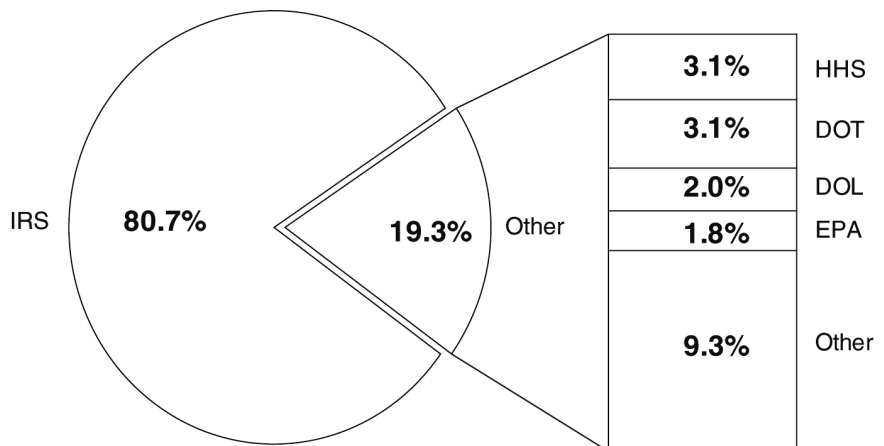
### Agencies' Paperwork Burden Estimates Due to Federal Actions Continue to Increase

#### What GAO Found

As of September 30, 2003, federal agencies estimated that there was about 8.1 billion "burden hours" of paperwork governmentwide. While it may appear that the paperwork burden decreased by about 116 million burden hours from last year, it is important to note that most of the reduction was achieved through adjustments—actions occurring outside of the agencies' control or as a result of reestimates of current paperwork requirements—and not through agency-initiated actions. In fact, the total paperwork burden, exclusive of adjustments, actually increased by about 72 million burden hours. IRS alone accounted for about 6.5 billion burden hours (81 percent) of the governmentwide burden-hour estimate as well as for most of the burden-hour reduction attributable to adjustments.

OMB and the federal agencies identified 223 violations of the PRA that occurred during fiscal year 2003—a slight reduction in the number of violations that were reported last year, but still progress from fiscal year 1998, when there were over 850 violations. OMB continues to take several actions to address PRA violations since last year's hearing. Still, 223 violations of the law during a single year continue to be troubling and should not be tolerated. OMB and the agencies can do more to ensure that the PRA is not violated.

IRS Accounted for Most of the Federal Paperwork Burden-Hour Estimate as of September 30, 2003



Sources: OMB and the Department of the Treasury.

[www.gao.gov/cgi-bin/getrpt?GAO-04-676T](http://www.gao.gov/cgi-bin/getrpt?GAO-04-676T).

To view the full product, including the scope and methodology, click on the link above. For more information, contact Patricia A. Dalton at (202) 512-6806 or [daltonp@gao.gov](mailto:daltonp@gao.gov).

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Mr. Chairman and Members of the Subcommittee:

I am pleased to be here today to discuss the implementation of the Paperwork Reduction Act (PRA) of 1995, as amended. As you requested, I will discuss changes in the estimated federal paperwork burden during the past year, with a particular focus on the Internal Revenue Service (IRS). I will also revisit an issue that we have discussed during previous hearings before this Subcommittee—violations of the PRA in which either information collections were not authorized by the Office of Management and Budget (OMB) or those authorizations had expired.

In brief, federal agencies' estimate of federal paperwork at the end of fiscal year 2003 stood at about 8.1 billion burden hours. While it may appear that the overall paperwork burden decreased by about 116 million burden hours from last year, the estimate does not tell the complete story. First, the agencies' estimates are not precise and the changes from year to year may not be meaningful. It is equally important to understand how this reduction took place. Most of this reduction was achieved through adjustments—caused by factors such as changes in the population responding to a requirement or agency reestimates of the burden associated with a collection of information compared to previous paperwork estimates—and not through agency actions. In fact, the total paperwork burden, exclusive of adjustments, actually increased by about 72 million burden hours to about 8.3 billion burden hours. Most of the burden-hour reduction due to adjustments could be attributed to IRS. IRS alone reduced its paperwork burden by 166.7 million burden hours due to adjustments. For example, one IRS information collection resulted in a reduction of 127 million burden hours, of which over 93 million burden hours were reduced as a result of adjustments to the agency's burden-hour estimate for Form 1120 which is for U.S. corporations reporting income taxes.

Also, our review of OMB's and federal agencies' information collection budgets (ICB) identified 223 violations of the PRA that occurred during fiscal year 2003—only a slight reduction in the number of violations that were reported last year, but still progress from the more than 850 violations reported during fiscal year 1998. OMB deserves credit for the reductions that have occurred in the past year. However, the existence of 223 violations of the law during fiscal year 2003 continues to be troubling and should not be tolerated. We continue to believe that OMB and the agencies can do more to ensure that the PRA is not violated.

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## Background

Before discussing these issues in detail, it is important to recognize that a large portion of federal paperwork is necessary and most often serves a useful purpose. Information collection is one way that agencies carry out their missions. For example, IRS needs to collect information from taxpayers and their employers to know the correct amount of taxes owed. The U.S. Census Bureau collected information that was used to reapportion congressional representation and is being used for a myriad of other purposes. On several occasions, we have recommended that agencies collect certain data to improve operations and evaluate their effectiveness.<sup>1</sup>

However, under the PRA, federal agencies are required to minimize the paperwork burden they impose. The original PRA of 1980 established the Office of Information and Regulatory Affairs (OIRA) within OMB to provide central agency leadership and oversight of governmentwide efforts to reduce unnecessary paperwork and improve the management of information resources. In September 2003, the administration introduced its six-point plan for the economy that was labeled “a full agenda for the creation of jobs in America.” One of the six points is the streamlining of regulations and reporting requirements. This is seen by the administration as a critical part of creating jobs and is reiterated in the President’s 2005 budget.

OIRA also has overall responsibility for determining whether agencies’ proposals for collecting information comply with the PRA.<sup>2</sup> Agencies must receive OIRA approval for each information collection request before it is implemented. Section 3514(a) of the PRA requires OIRA to keep Congress “fully and currently informed” of the major activities under the act, and to submit a report to Congress at least annually on those activities. The report must include, among other things, a list of all PRA violations and a list of any increases in burden. To satisfy this reporting requirement, OIRA

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<sup>1</sup>See U.S. General Accounting Office, *Veterans’ Health Care: VA Needs Better Data on Extent and Causes of Waiting Times*, [GAO/HEHS-00-90](#) (Washington, D.C.: May 31, 2000); *Public Housing: HUD Needs Better Information on Housing Agencies’ Management Performance*, [GAO-01-94](#) (Washington, D.C.: Nov. 9, 2000); and *Environmental Information: EPA Needs Better Information to Manage Risks and Measure Results*, [GAO-01-97T](#) (Washington, D.C., Oct. 3, 2000).

<sup>2</sup>The act requires the director of OMB to delegate the authority to administer all functions under the act to the administrator of OIRA, but does not relieve the OMB director of responsibility for the administration of those functions. Approvals are made on behalf of the OMB director. In this testimony, we generally refer to OIRA or the OIRA administrator wherever the act assigns responsibilities to OMB or the director.

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develops a governmentwide ICB by gathering data from executive branch agencies. In December 2003, the OMB Director sent a bulletin to the heads of executive departments and agencies requesting information to be used in preparation for the fiscal year 2004 ICB (reporting on actions during fiscal year 2003).

OIRA published its ICB for fiscal year 2003 (showing changes in agencies' burden-hour estimates during fiscal year 2002) in April 2003. OIRA officials told us that they did not expect to publish the ICB for fiscal year 2004 until today's hearing. Therefore, we obtained unpublished data from OIRA to identify changes in governmentwide and agency-specific burden-hour estimates and PRA violations during fiscal year 2003. We then compared the data to agencies' burden-hour estimates and violations in previous ICBs to determine the changes in the data over time.

“Burden hours” has been the principal unit of paperwork burden for more than 50 years and has been accepted by agencies and the public because it is a clear, easy-to-understand concept. However, it is important to recognize that these estimates have limitations. Estimating the amount of time it will take for an individual to collect and provide the information or how many individuals an information collection will affect is not a simple matter.<sup>3</sup> Therefore, the degree to which agency burden-hour estimates reflect real burden is unclear. IRS—which accounts for about 80 percent of the governmentwide burden—is sufficiently concerned about the methodology it uses to develop burden estimates that it is in the process of developing and testing alternative means of measuring its paperwork burden. Nevertheless, these are the best indicators of paperwork burden available, and we believe they can be useful as long as their limitations are kept in mind.

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## Scope and Methodology

In conducting our review, we obtained from OIRA the individual agencies' submissions to the ICB. These submissions contain the agency-reported changes to the individual paperwork inventories, as well as those violations of the PRA they identified as having occurred during fiscal year 2003. We assessed the data reliability of the individual agencies' burden-hour estimates and violations by (1) performing electronic testing for obvious

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<sup>3</sup>See U.S. General Accounting Office, *EPA Paperwork: Burden Estimate Increasing Despite Reduction Claims*, GAO/GGD-00-59 (Washington, D.C.: Mar. 16, 2000), for how one agency estimates paperwork burden.

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errors in accuracy and completeness, (2) reviewing relevant documents such as OMB guidance in reporting burden-hour estimates and violations and the dockets for selected information collections, and (3) interviewing knowledgeable OMB officials. We determined that the data were sufficiently reliable for the purpose of this statement. We conducted our review from February through April 2004 in accordance with generally accepted government auditing standards.

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## Small Decrease in the Governmentwide Paperwork Burden Reported for 2003, but Burden Due to Federal Actions Increases

At the end of fiscal year 1995—just before the PRA of 1995 took effect—federal agencies estimated that their information collections imposed about 7 billion burden hours on the public. The amendment and recodification of the PRA that year made several changes in federal paperwork reduction requirements. One such change required OIRA to set a goal of at least a 10 percent reduction in the governmentwide burden-hour estimate for each of fiscal years 1996 and 1997, a 5 percent governmentwide burden reduction goal in each of the next 4 fiscal years, and annual agency goals that reduce burden to the “maximum practicable opportunity.” Therefore, if federal agencies had been able to meet each of these goals, the 7 billion burden-hour estimate in 1995 would have decreased about 35 percent to about 4.6 billion hours by September 30, 2001.

However, this reduction in paperwork burden did not occur. As of September 30, 2001, the target date in the act, the federal paperwork estimate had increased by about 9 percent to 7.6 billion burden hours. Last year we reported that the federal paperwork estimate stood at 8.2 billion hours as of September 30, 2002. The increase from the previous year (about 570 million burden hours) was the largest 1-year increase since the act was recodified in 1995.

This year, the story, while on the surface may appear encouraging, is not. The data we obtained from OIRA indicate that the governmentwide paperwork estimate as of September 30, 2003, stood at 8.1 billion burden hours. First, this is about 1.1 billion burden hours larger than it was when the PRA took effect in 1995. In addition, while it appears that there was a drop of about 116 million burden hours from the previous year, were it not for adjustments to the burden estimate, the federal government actually experienced an increase of about 72 million burden hours in paperwork burden. However, even at 8.1 billion burden hours, the governmentwide paperwork estimate is 3.5 billion burden hours higher than the act’s target estimate at the end of September 30, 2001.

The overall burden-hour estimate does not tell the complete story however. First, the agencies' estimates are not precise and the changes from year to year may not be meaningful. It is equally important to understand how the reduction took place. As table 1 shows, were it not for the burden-hour reduction of about 182 million due to adjustments, there was an increase in the paperwork burden of 72 million burden-hours. Table 1 also shows that only a few agencies' paperwork estimates changed substantially during fiscal year 2003. The Department of Homeland Security (DHS) was created during fiscal year 2003 and by the end of the fiscal year had an estimated 78.2 million burden hours of paperwork. Most of the DHS paperwork burden was the result of requirements associated with the paperwork inventories that were combined in establishing DHS.<sup>4</sup> Three departments—Defense, Labor, and the Treasury—exhibited substantial decreases in their estimated burdens, with Treasury's decrease far outstripping the others. However, much of the Treasury's burden-hour reduction was due to adjustments.

**Table 1: Reported Changes in Federal Agencies' Burden-Hour Estimates during Fiscal Year 2003**

Burden hours in millions	Program changes						Total change	FY 2003 estimate
	FY 2002 estimate	New statutes	Lapses in OMB approval	Agency action	Total	Adjustments		
Governmentwide	8,221.7	122.3	(53.8)	3.6	<b>72.1</b>	(181.7)	<b>(116.3)</b>	8,105.4
Non-Treasury	1,471.8						<b>44.8</b>	1,516.6
<b>Departments</b>								
Agriculture	88.6	0.7	(0.1)	9.7	<b>10.3</b>	(1.5)	<b>8.8</b>	97.4
Commerce	11.7	0.0	–	4.6	<b>4.6</b>	1.0	<b>5.6</b>	17.3
Defense	92.4	–	(54.7)	12.1	<b>(42.6)</b>	0.0	<b>(42.6)</b>	49.8
Education	38.4	2.8	0.0	0.6	<b>3.4</b>	(1.3)	<b>2.1</b>	40.5
Energy	3.8	0.1	(0.1)	(0.4)	<b>(0.4)</b>	0.0	<b>(0.4)</b>	3.4
Health and Human Services	224.8	4.1	3.7	(5.3)	<b>2.5</b>	26.4	<b>28.9</b>	253.7

<sup>4</sup>For example, 10 information collections were contained within the Immigration and Naturalization Service (INS) inventory. When the President signed the Homeland Security Act of 2002 that transferred INS into the newly established DHS, these information collections became part of the new department's burden-hour estimate. These 10 information collections accounted for almost 31 million burden hours—about 38 percent of the department's paperwork burden.

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Burden hours in millions

	Program changes					Total	Adjustments	Total change	FY 2003 estimate
	FY 2002 estimate	New statutes	Lapses in OMB approval	Agency action					
Homeland Security	–	(0.5)	(2.0)	37.5	<b>35.1</b>	43.0	<b>78.2</b>	78.2	
Housing and Urban Development	21.9	0.0	1.0	(0.1)	<b>0.9</b>	2.9	<b>3.8</b>	25.7	
Interior	7.7	0.0	0.0	(0.1)	<b>(0.1)</b>	(0.1)	<b>(0.2)</b>	7.5	
Justice	46.6	0.7	(0.1)	0.1	<b>0.1</b>	(32.0)	<b>(31.2)</b>	15.3	
Labor	189.2	0.2	–	(0.1)	<b>0.1</b>	(29.8)	<b>(29.7)</b>	159.5	
State	29.2	–	0.0	0.3	<b>0.3</b>	(0.1)	<b>0.2</b>	29.4	
Transportation	244.7	2.9	(1.4)	4.9	<b>6.4</b>	(1.5)	<b>4.9</b>	249.6	
Treasury	6,750.4	105.4	–	(70.0)	<b>35.4</b>	(197.0)	<b>(161.6)</b>	6,588.8	
Veterans Affairs	7.4	0.1	–	(0.1)	<b>0.0</b>	–	<b>0.0</b>	7.4	
<b>Agencies</b>									
Environmental Protection Agency	140.5	2.7	–	7.4	<b>10.1</b>	(1.8)	<b>8.3</b>	148.3	
Federal Acquisition Regulations	24.5	–	–	(0.8)	<b>(0.8)</b>	6.9	<b>6.1</b>	30.6	
Federal Communications Commission	26.8	0.1	(0.2)	1.1	<b>1.0</b>	(1.1)	<b>(0.1)</b>	26.7	
Federal Deposit Insurance Corporation	9.9	–	–	0.0	<b>0.0</b>	0.1	<b>0.1</b>	10.0	
Federal Energy Regulatory Commission	4.4	–	0.0	0.0	–	–	–	4.4	
Federal Trade Commission	69.7	0.5	–	0.7	<b>1.2</b>	(4.0)	<b>(2.8)</b>	66.9	
National Aeronautics and Space Administration	6.0	–	–	(0.2)	<b>(0.2)</b>	0.0	<b>(0.2)</b>	5.8	
National Science Foundation	4.5	–	–	–	–	0.0	<b>0.0</b>	4.5	
Nuclear Regulatory Commission	8.3	–	–	0.0	<b>0.0</b>	0.5	<b>0.5</b>	8.8	
Securities and Exchange Commission	136.6	0.7	–	0.9	<b>1.6</b>	7.1	<b>8.7</b>	145.3	
Small Business Administration	2.8	–	0.0	–	<b>0.0</b>	0.0	<b>0.0</b>	2.8	
Social Security Administration	24.9	2.0	–	0.8	<b>2.8</b>	0.6	<b>3.4</b>	28.3	

Sources: OMB and agencies' ICB submissions.

Note: The General Services Administration submitted data on the Federal Acquisition Regulatory Council. Data from the 27 departments and agencies may not equal the governmentwide figure because smaller agencies' requirements are also included. Cells with "0.0" values were nonzero values rounded to zero. Cells with "–" entries were zero values. Addition of individual elements may not equal totals due to rounding.



It is important to understand *how* the agencies accomplish these results. OIRA classifies modifications—either increases or decreases—in agencies’ burden-hour estimates as either “program changes” or “adjustments.”

- Program changes are the result of deliberate federal government action (e.g., the addition or deletion of questions on a form) and can occur as a result of new statutory requirements or agency-initiated actions or through the expiration or reinstatement of OIRA-approved collections.
- Adjustments are not the result of direct federal government action but rather are caused by factors such as changes in the population responding to a requirement or agency reestimates of the burden associated with a collection of information. For example, if the economy declines and more people complete applications for food stamps, the resulting increase in the Department of Agriculture’s paperwork estimate is considered an adjustment because it is not the result of deliberate federal action.

The agencies’ ICB submissions identified what drove the changes in the agencies’ bottom-line burden-hour estimates during fiscal year 2003. Some of the changes in the agencies’ burden-hour estimates are the results of legislative actions and are partially outside the agencies’ control. However, much of the burden-hour decrease experienced during fiscal year 2003 was driven by agencies’ adjustments to their inventories of paperwork requirements and not through agency-initiated actions. As table 2 shows, the number of burden hours attributable to program changes has increased every fiscal year from 1998 to 2002. During fiscal year 2003 the total paperwork burden, exclusive of adjustments, increased again by about 72 million burden hours.

**Table 2: Increases in Burden Hours due to Program Changes Between Fiscal Years 1998 and 2003**

In millions		
Fiscal year	Total governmentwide burden-hour estimate	Number of burden hours due to program changes
2003	8,105.4	72.1
2002	8,223.2	294.1
2001	7,651.4	158.7
2000	7,361.0	188.0

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In millions

<b>Fiscal year</b>	<b>Total governmentwide burden-hour estimate</b>	<b>Number of burden hours due to program changes</b>
1999	7,183.9	189.0
1998	6,951.1	41.1

Sources: OMB and agencies' ICBs.

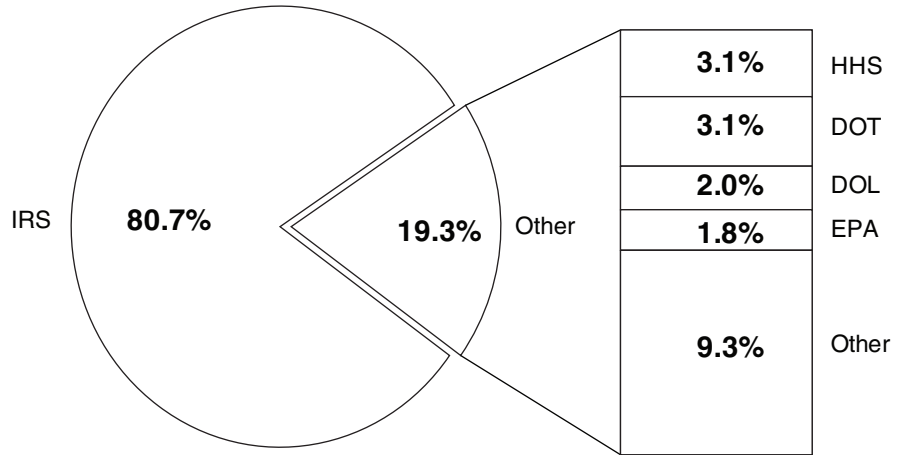
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## IRS Burden-Hour Estimates Greatly Influence the Governmentwide Paperwork Estimate

We have previously reported that the increases in paperwork burden experienced by the federal government were largely attributable to the increases in IRS paperwork. For example, last year, when the government reported an increase of 570 million burden hours, IRS accounted for almost 60 percent (about 330 million burden hours) of the reported increase. For fiscal year 2003, the decrease in the governmentwide paperwork burden is also attributable to changes in IRS paperwork that resulted in a decrease in burden. IRS reported a decrease of 131.4 million burden hours that was more than enough to offset the increases experienced by the other federal agencies. Therefore, although all agencies must ensure that their information collections impose the least amount of burden possible, it is clear that the key to controlling federal paperwork governmentwide lies in understanding the influence of increases and decreases at IRS.

As of September 30, 2003, IRS accounted for about 99 percent of the Department of the Treasury's burden-hour estimate—nearly 6,539.7 billion burden hours. In fact, as figure 1 shows, IRS accounted for about 81 percent of the governmentwide burden-hour estimate (up from about 75 percent in September 1995). Other agencies with burden-hour estimates of 100 million hours or more as of that date were the Departments of Health and Human Services (HHS), Labor (DOL), and Transportation (DOT), the Environmental Protection Agency (EPA); and the Securities and Exchange Commission. Still, because IRS constitutes such a significant portion of the governmentwide burden-hour estimate, changes in IRS's estimate can have a significant—and even determinative—effect on the governmentwide estimate.

**Figure 1: IRS Accounted for Most of the Federal Paperwork Burden-Hour Estimate as of September 30, 2003**



Sources: OMB and the Department of the Treasury.

Note: The governmentwide burden-hour estimate as of September 30, 2003, was about 8.1 billion burden hours.

Treasury’s ICB submission indicated that the decrease in the department’s estimate during fiscal year 2003 (about 162 million burden hours) was largely achieved through adjustments. Decreases of 70 million burden hours due to agency actions and 190 million burden hours due to adjustments were reported, while there was an increase of 105 million burden hours due to statutory requirements. According to the ICB submission, this adjustment was largely driven by adjustments associated with the Forms 1040 and 1040A that are used by individual taxpayers to report their taxable incomes, and Form 1120, which is used by corporations to compute their taxable income and tax liability.

During fiscal year 2003, IRS’s paperwork burden decreased by about 70 million burden hours due to agency actions. As table 3 shows, five information collections resulted in a reduction of about 64 million burden hours as a result of implementing burden reduction initiatives developed in previous fiscal years. Another 17 million burden-hour reduction was achieved as a result of IRS changing paperwork requirements not directed by a burden reduction initiative. However, four of these information collections resulted in a burden-hour decrease of over 190 million hours due to adjustments to the collections. Since OMB does not require agencies to report on the reasons for changes in paperwork burden due to adjustments in their ICB submissions, we are unable to identify the

underlying factors that resulted in these decreases in IRS paperwork burden.

**Table 3: IRS Information Collections with Burden-Hour Reductions of 500,000 or More Due to Agency Actions**

OMB control number	Title	Due to statutory changes	Due to agency actions	Due to adjustments	Reason(s) for decrease
1545-0074	2003 Form 1040 and Schedules, U.S. Individual Income Tax Returns	+15,974,817	-9,875,098	-87,978,659	IRS made changes—deletions of lines—to the Form 1040 and its instructions and schedules. (9,664,549)  The number of new filers for Form 1040-V should have been an adjustment instead of a program change. (210,549)
	2003 Form 1040, U.S. Individual Income Tax Returns	+2,840,101	-15,616,147		As part of the Burden Reduction Initiatives, the Department of the Treasury decided to increase the threshold for filing Schedule B (Form 1040) to \$1,500. As a result, this changed the number of filers. (15,616,147)
1545-0085	2002 Form 1040A and Schedules, U.S. Individual Income Returns	+4,219,190	-992,751		IRS removed two check boxes on the Social Benefits Worksheet for clarification purposes to reduce burden and provide consistency with various products. (992,721)
	2002 Form 1040 A and Schedules, U.S. Individual Income Tax Returns		-1,612,553		As part of the Burden Reduction Initiatives, the Department of the Treasury decided to increase the threshold for filing Schedule 1 (Form 1040A) from \$400 to \$1,500. As a result, this changed the number of filers. (1,612,553)
1545-0092	U.S. Income Tax Return for Estates and Trusts	2,272,477	-1,492,190		IRS deleted lines from the Schedule D worksheet and from Schedule I that offset an increase from added lines to Schedule D. (1,492,190)
1545-0123	Form 1120 and Schedules, U.S. Corporation Income Tax Return	-4,439,447	-29,316,584	-93,263,395	As part of the Burden Reduction Initiatives, the Department of the Treasury decided that corporations with total receipts and assets of less than \$250,000 are not required to complete Schedules L, M-1, and M-2. (26,211,719)  IRS also made changes throughout Form 1120, schedules, and instructions. (3,104,865)
1545-0130	2002 Form 1120S and Schedules, U.S. Income Tax Returns for an S Corporation		-14,262,930		As part of the Burden Reduction Initiatives, the Department of the Treasury decided that corporations with total receipts and assets of less than \$250,000 are not required to complete Schedules L and M-1. (14,262,930)

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OMB control number	Title	Due to statutory changes	Due to agency actions	Due to adjustments	Reason(s) for decrease
1545-0130	2002 Form 1120S and Schedules, U.S. Income Tax Returns for an S Corporation	+5,035,690	-585,430		IRS deleted Schedule D (Part III-Capital Gains Tax) because it was no longer relevant and added one line to Schedule B. (585,430)
1545-0890	2002 Form 1120-A, U.S. Corporation Short-Form Income Tax Return	-427,645	-2,950,743	-11,045,000	As part of the Burden Reduction Initiatives, the Department of the Treasury decided that corporations with total receipts and assets of less than \$250,000 are not required to complete Parts III and IV. (2,576,794)  IRS also deleted lines from the form and deleted a form attachment. (373,949)
1545-0975	2002 Form 1120-W and Schedules, Estimated Tax for Corporations		-549,735		IRS deleted 3 code references to Form 1120-W. (549,000)  IRS deleted a line to Schedule A. (735)
1545-1696	Political Organization Report of Contributions and Expenditures		37,600	-408,400	In its ICB submission, the Department of the Treasury originally reported this as a net reduction of 370,800 burden hours due to agency action. Our review of the information collection request submission to OMB indicates that the majority of the reduction should have been classified as an adjustment since IRS said it was correcting a previous burden computation.
1545-1722	Extraterritorial Income Inclusion, Form 8873		-520,000		IRS deleted 3 lines from the form. (520,000)

Sources: OMB and the Department of the Treasury.

While IRS achieved paperwork burden decreases through agency actions and adjustments, it experienced a paperwork burden increase of about 105 million burden hours due to statutory requirements. According to Treasury's ICB, the implementation of the Jobs and Growth Tax Relief Reconciliation Act of 2003 resulted in an increase in IRS's paperwork burden of about 55 million burden hours—about 51 percent of the IRS's total increase due to statutory requirements.<sup>5</sup> The ICB indicates another 24 million burden-hour increase was due to changes to sections of the Internal

<sup>5</sup>Pub. L. No. 108-27.

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Revenue Code.<sup>6</sup> Another 17 million burden-hour increase resulted from implementation of the Community Renewal Tax Relief Act of 2000.

Furthermore, IRS is responsible for over 80 percent of the governmentwide information collection burden; therefore, its paperwork estimate is often the driver of increases or decreases in the governmentwide burden estimate. Without the 166.7 million burden-hour reduction due to adjustments reported by IRS, governmentwide paperwork would have increased during fiscal year 2003.

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### IRS Continues to Develop Program Initiatives to Reduce Its Burden Estimate

In our previous testimony, we reported that Treasury had indicated in its ICB that it had taken a number of initiatives to reduce paperwork burden. In fiscal year 2002, IRS decided to increase the threshold for taxpayers having to file Schedule B (Form 1040) from \$400 to \$1,500. Treasury estimated that more than 10 million fewer taxpayers would have to file the schedule, about one-third of those who previously had to file. In its recent ICB submission, Treasury reported that this initiative resulted in a reduction of about 17.2 million burden hours.

Treasury also indicated in its ICB submission that it had taken additional initiatives to reduce paperwork burden. For example, it has decided to require certain employers to submit Form 941 annually, instead of quarterly, in order to

- reduce taxpayer burden,
- maintain current payment compliance levels, and
- encourage the use of paperless filing.<sup>7</sup>

Once Treasury, in consultation with other stakeholders (e.g., the Social Security Administration, the U.S. Census Bureau, and the Small Business Administration) has identified a group of taxpayers who would be allowed to provide the required information annually, rather than quarterly, it would

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<sup>6</sup>According to Treasury's ICB, changes were made to its paperwork inventory as a result of requirements under sections 403(b), 457(b), 501(c), 679, and 3406 of the Internal Revenue Code.

<sup>7</sup>Form 941 is used by employers to report to IRS how much they paid in employment taxes for their employees.

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experience a further reduction in its paperwork burden. However, Treasury does not expect to implement this annual reporting option until January 2006, and it could not estimate how many burden hours would be reduced as a result of this action.

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## More Needs to Be Done to Reduce Paperwork Burden

In summary, the agencies' information collection estimates for the governmentwide ICB indicate that federal paperwork experienced its first reduction since 1996, and that IRS continues to be a determining factor in whether the federal government experiences a decrease or an increase in its paperwork burden. While there is a small decrease in the reported paperwork burden for fiscal year 2003, it is important to note that most of the reduction was achieved through adjustments to information collections and not through program changes, including agency actions. Therefore, this reduction appears to be achieved as a result of external factors, or as a result of reestimations of current paperwork requirements. These adjustments are not actual reductions experienced by the affected parties, rather, they are reestimations of the number of people or businesses required to provide the information or the time it takes to complete the form(s) used to collect the information. In some cases these adjustments may be corrections of mathematical errors. Exclusive of these adjustments, the paperwork burden actually increased during fiscal year 2003.

Clearly, there is much that needs to be done to reduce the governmentwide paperwork burden. Currently, the government's paperwork burden estimate is nearly double the PRA target estimate for fiscal year 2001 of 4.6 billion burden hours. In addition, one component of the President's initiative to promote job growth focuses on reducing regulatory and reporting requirements. However, paperwork burden reduction goals and the means of achieving these goals were not articulated in the President's 2005 budget.

Because IRS constitutes such a significant portion of the federal burden, one strategy to address agency-initiated decreases is to focus more of OIRA's burden-reduction efforts on IRS. As we reported last year, five IRS information collections represented nearly half of the governmentwide paperwork burden estimate. A small reduction in the burden associated with those five collections could have a major effect on reducing the paperwork burden governmentwide.

## Agencies Report a Slight Reduction in PRA Violations

I would now like to turn another topic that you asked us to address—PRA violations. The PRA prohibits an agency from conducting or sponsoring the collection of information unless (1) the agency has submitted the proposed collection and other documents to OIRA, (2) OIRA has approved the proposed collection, and (3) the agency displays an OMB control number on the collection. The act also requires each agency to establish a process to ensure that each information collection is in compliance with these clearance requirements. OIRA is required to submit an annual report to Congress that includes a list of all violations. Under the PRA, no one can be penalized for failing to comply with a collection of information subject to the act if the collection does not display a valid OMB control number. OIRA may not approve a collection of information for more than 3 years, and there are currently over 8,100 approved collections.

As table 4 shows, the agencies indicated in their ICB submissions that 223 PRA violations occurred during fiscal year 2003 (i.e., were either carried over from the previous year or were new violations). As in previous years, most of these violations were collections for which OIRA approvals had expired and had not been reauthorized. Five cabinet departments were responsible for 57 percent of the violations—the Departments of Agriculture, Commerce, Defense, Health and Human Services, and Housing and Urban Development.

**Table 4: Reported Violations of the PRA during Fiscal Year 2003**

Department/agency	Expired information collections	Other violations	Total violations
<b>Departments</b>			
Agriculture	25	7	<b>32</b>
Commerce	10	4	<b>14</b>
Defense	27	0	<b>27</b>
Education	2	3	<b>5</b>
Energy	3	0	<b>3</b>
Health and Human Services	21	2	<b>23</b>
Homeland Security	18	0	<b>18</b>
Housing and Urban Development	26	0	<b>26</b>
Interior	1	4	<b>5</b>
Justice	16	0	<b>16</b>



(Continued From Previous Page)

Department/agency	Expired information collections	Other violations	Total violations
Labor	0	0	0
State	7	1	8
Transportation	5	1	6
Treasury	0	0	0
Veterans Affairs	3	0	3
<b>Agencies</b>			
Environmental Protection Agency	0	0	0
Federal Acquisition Regulation	0	0	0
Federal Communications Commission	4	0	4
Federal Deposit Insurance Corporation	0	0	0
Federal Energy Regulatory Commission	4	0	4
Federal Trade Commission	0	0	0
National Aeronautics and Space Administration	1	1	2
National Science Foundation	0	0	0
Nuclear Regulatory Commission	0	0	0
Securities and Exchange Commission	2	0	2
Small Business Administration	17	2	19
Social Security Administration	0	7	7
<b>Total</b>	<b>192</b>	<b>31</b>	<b>223</b>

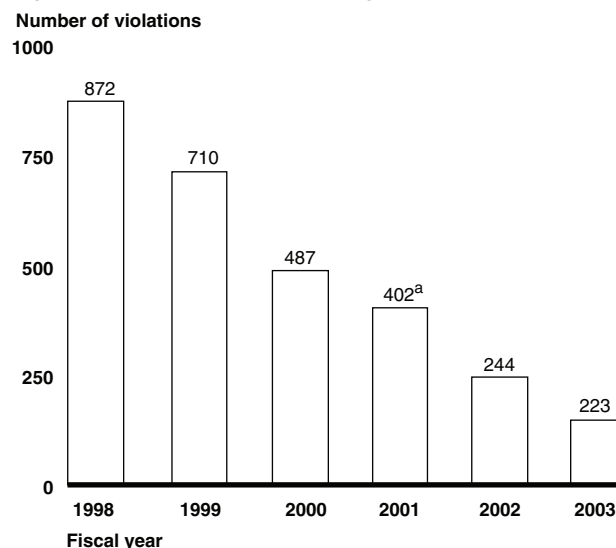
Sources: OMB and agencies' ICB submissions.

## Number of Violations Continues to Decline

As figure 2 shows, the number of PRA violations that the agencies identified has continued to fall over the past 6 fiscal years—from 872 violations during fiscal year 1998 to 223 during fiscal year 2003. The 223 violations reported for fiscal year 2003 is slightly less than the number of violations reported in the previous fiscal year (244), but still progress from the more than 850 violations reported during fiscal year 1998. However, the agencies' ICBs showed that there were an additional 24 information collections in fiscal year 2003 that appear to be violations but were reported by the agencies as nonviolations. According to OMB, these nonviolations were instances in which the agencies allowed information collections to expire, and then determined that they still needed to collect the information, and therefore requested reinstatements for the information collections. OMB states that in these instances, the agencies did not collect information during the time lapse between the expiration

date and reinstatement date, and therefore the agencies did not commit any violations.

**Figure 2: PRA Violations during the Past 6 Fiscal Years**

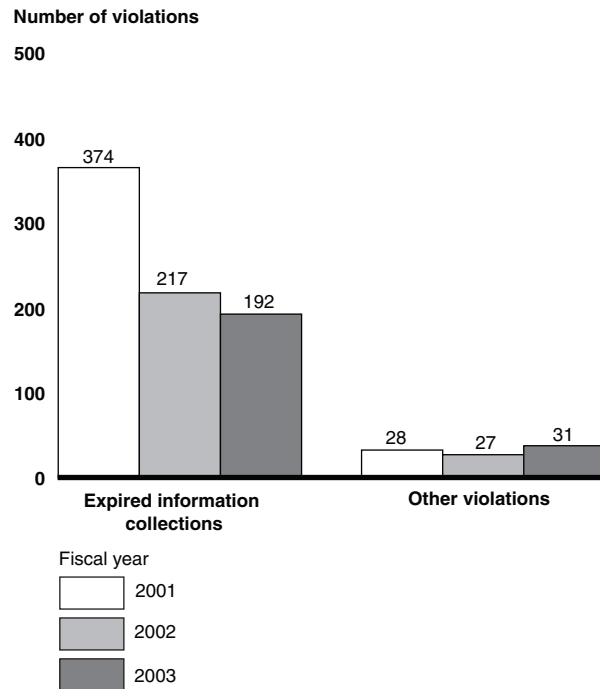


Sources: OMB and agencies' ICB submissions.

Note: In fiscal year 2001, OMB reported the violations only for the cabinet-level departments and EPA. Therefore, the data for that year do not include information for 12 independent agencies included in the other years.

However, as figure 3 shows, our review of the violations reported by the agencies indicates that while violations based on collections where OIRA authorization had expired continue to decline, there was an increase in the number of violations where the agencies had not received OIRA approval prior to collecting the information. While OIRA is able to track those violations where the authorization has expired, it is unable to track, and control, those information collections that had not received its approval.

**Figure 3: Changes in Violations from Fiscal Years 2001 through 2003**



Sources: OMB and agencies' ICBs.

## OIRA Continues to Emphasize Zero Tolerance for Violations

In May 2003, the OIRA Administrator sent a memorandum to agency chief information officers emphasizing the importance of “full compliance” with the PRA. The Administrator said that “the recurring high level of PRA violations, although decreasing over time, was unacceptable,” and that OIRA, together with the agencies, “can and must meet a goal of full compliance.” He continued to encourage agencies to review their procedures for preventing future violations and the status of the collections of the agencies’ PRA inventories.

When OIRA issued its bulletin requesting data from the agencies for the fiscal year 2004 ICB, it provided the agencies with three lists for tracking violations in fiscal year 2003. The first list consisted of all information collections in OIRA’s inventory that expired and had not been reinstated during fiscal year 2003. The second list consisted of all information collections in its inventory that expired and were reinstated during fiscal year 2003. For these lists, the agencies were asked to verify the

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information and correct any missing or incorrect information. In addition, for the list of expired and reinstated collections, the agencies were asked to indicate if expirations were intentional lapses (where the agencies did not collect information) or violations. Thus, agencies were reminded of OIRA's efforts to reduce the number of PRA violations.

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## OIRA Can Do More to Address Violations

Although OIRA and the agencies have clearly made progress in reducing the overall number of PRA violations in recent years, more progress is needed. As I am sure that the Administrator would agree, 223 violations of the law in 1 year is not acceptable. Agencies can and should achieve OIRA's goal of zero violations.

As I noted earlier, OIRA has taken a number of steps during the past year to try to address this problem. As we recommended last year, OIRA has used its database to identify information collections that have recently expired and attempted to determine whether the agencies are continuing to collect the information. OIRA also continues to ask the agencies to describe the procedures that they have in place to prevent future violations. We believe that these actions resulted in the improvements that occurred during fiscal year 2003 and will have positive benefits for years to come.

However, OIRA still has not taken some of the actions that we previously recommended to improve compliance with the PRA. For example, OIRA could notify the budget side of OMB that an agency is collecting information in violation of the PRA and encourage the appropriate resource management office to use its influence to bring the agency into compliance. OIRA could also encourage the use of "best practices" in agencies with good records of PRA compliance. Agencies that have recently eliminated their violations altogether (e.g., the DOL, DOT, and Treasury) may have much to teach agencies that continue to violate the act.

Although OIRA's current workload is clearly substantial, we do not believe the kinds of actions that we suggest would require significant additional resources. Primarily, the actions require a continued commitment by OIRA leadership to improve the operation of the current paperwork clearance process. However, we also recognize that OIRA cannot eliminate PRA violations by itself. Federal agencies committing these violations need to demonstrate a similar level of resolve.

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Mr. Chairman, this completes my prepared statement. I would be pleased to answer any questions.

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## Contacts and Acknowledgments

For future information regarding this testimony, please contact Patricia A. Dalton, Director, Strategic Issues, at (202) 512-6806, or [daltonp@gao.gov](mailto:daltonp@gao.gov). Other individuals who made key contributions to this testimony were Leah Nash and Joseph Santiago.

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