conference staff, still without the necessity of a written protest in smaller cases. If agreement is not reached upon this review, a further review is open to the taxpayer at the regional Appellate Division, which is separate and completely independent of the Audit Division and the examining officer. Both the district conference staff and the Appellate Division are charged with the responsibility of giving impartial and unbiased consideration to the taxpayer's contentions. If the taxpayer does not avail himself of the right to these reviews, or if no settlement is reached upon these reviews, litigation may ensue. Where no settlement is reached. a notice of deficiency is issued and the taxpayer may then file a petition in the Tax Court for a redetermination of the claimed deficiency, or the tax claimed may be paid and suit filed for its refund in the District Court or Court of Claims. Settlement opportunities will still be available to the taxpayer during litigation and a significant percentage of such disputes are resolved without a court decision.

Both the district conference and the Appellate Division hearing afford an inexpensive, speedy, and impartial review to the taxpayer. He can represent himself or be represented by counsel at these hearings—the choice is up to the taxpayer. Conferences are arranged at his convenience, near his home and, within reasonable limits, at a time most suitable and least costly to him. There are approximately 300 district and branch offices of the Audit Division at which conferences are granted, and 41 branch offices of the Appellate Division. Additionally, many confernces are conducted through "circuit riding" to places even nearer the taxpayer's home. There are approximately 1,050 district and Appellate conferees engaged in this administrative appeals activity. In the fiscal year ended June 30, 1967, the Internal Revenue Service examined some 3.1 million tax returns. Of this number, over 2.1 million were accepted without change, 390,000 taxpayers who were audited received $191 million in refunds and an additional $94 million was refunded to 1.5 million taxpayers who made mathematical errors in their returns resulting in overpayment of taxes. One of the 3.1 million returns examined, disputes arouse in only 74,000 cases. Forty-one thousand cases were handled by the district conference procedure in fiscal 1967, about 27,000 of these being settled by agreement at the district level. At the Appellate Division level, 92 percent of the cases handled in fiscal 1967 were settled. 6 percent were disposed of by default and only 2 percent, or 799 cases, went on to be tried before the Tax Court. This record is all the more impressive when it is considered that most cases before the Appellate Division represent the hard core of controversy: although only 1.7 percent of the returns examined were involved, the disputes concerned $1.8 billion, approximately 55 percent of the total deficiencies proposed by District Directors. The convenience, speed, and expertness available to taxpayers under the existing system exceed anything an Ombudsman could offer without duplicating the review structure already available.

The Department is also concerned that passage of the bill would jeopardize the effectiveness of the administrative handling of disputes. The organization and administration of the procedures responsible for the settlement of tax disputes is the product of considerable experience and analysis on the part of the Internal Revenue Service. Prior to the establishment of the Board of Tax Appeals in 1924, appellate administrative review was afforded taxpayers by a Committee on Appeals and Review in the Bureau of Internal Revenue. However, in order to afford taxpayers a judicial review prior to assessment of their tax, the Board of Tax Appeals was established in 1924, and its authority more completely defined in the Revenue Act of 1926. It was soon ascertained, however, that many cases were being tried before the Board on facts not previously disclosed to the administrative authority. Some taxpayers, having this additional forum, were hesitant to disclose fully their position before trial. Many of these cases would have been settled if the facts presented at the trial had been disclosed to the administrative authority. It was then that the predecessor of the Appellate Division was established in order to resolve the conflict between the necessity for a full disclosure and the desire of taxpayers not to reveal their case before trial. Thus, the Appellate Division today not only is responsible for the settlement of a significant number of disputes but it also provides resolution of factual matters and minor issues so as to clarify and narrow the issues tried.

The establishment of an ombudsman may jeopardize the present settlement procedures of the Internal Revenue Service by creating a situation similar to