



COMMISSIONER

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

February 28, 2017

The Honorable Ted W. Lieu
U.S. House of Representatives
Washington, DC 20515

Dear Representative Lieu:

Thank you for your letter dated February 8, 2017, about the consolidation of our El Segundo and Long Beach offices. In your letter, you reference my July 28, 2016, letter to you on this issue, and you requested more information about our decision. I am enclosing the responses to your questions.

Office of Management and Budget (OMB) Memorandum M-12-12, *Promoting Efficient Spending to Support Agency Operations*, and the accompanying Management Procedures Memorandum No. 2015-01, requires federal agencies to use real property assets efficiently and to reduce the total square footage of office and warehouse space. Agencies must occupy available federal business space before entering into or extending a new lease for commercial office space.

The lease on our El Segundo office expired in January 2017, and the General Services Administration completed a short-term extension to allow time for the consolidation. We have excess space at the Long Beach Federal Building. Moving our employees to our offices in the Long Beach Federal Building will help us reduce costs and follow the OMB directive.

I hope this information is helpful. If you have additional questions, please call me, or a member of your staff may call Leonard Oursler, Director, Legislative Affairs, at 202-317-6985.

Sincerely,

A handwritten signature in blue ink, appearing to read "John A. Koskinen".

John A. Koskinen

Enclosure

- **Has the IRS explored other options to the closure of the El Segundo office, including relocating the office elsewhere within western Los Angeles County to reduce rental costs? If so, why were those options rejected?**

We decided to consolidate the El Segundo office into the Long Beach office because the lease for the El Segundo office was ending, and excess space is available to house the employees from the El Segundo office at the Long Beach Federal Building. Consolidation of the two offices will allow us to operate more efficiently and reduce operating costs.

- **Can you provide my office with the calculations showing how, exactly, the proposed move would save the IRS \$1 million?**

The lapse of the commercial lease for the El Segundo office space will create a prospective cost savings. The rent and the security charges for the El Segundo office lease were \$86,201.20 per month, or \$1,034,414.40 per year.

- **Can you provide my office with information regarding what rental cost savings, if any, the IRS would make by moving to Long Beach and paying the General Services Administration rent there instead?**

We will assign employees from El Segundo to vacant offices and workstations in Long Beach, where we already pay for the space. While we may rent a small amount of additional space in the Long Beach Federal Building to accommodate new hires and other employees, we have no agreement for any such additional space at this time. Any additional space will be relatively minor in comparison to the size and cost of the El Segundo office space.

- **What impact, if any, will the increased mileage costs (to reimburse IRS staff who will have to travel great distances – in some cases, over 50 miles – to serve the taxpayers of western Los Angeles County) have on the IRS's anticipated savings?**

We do not expect notable changes in travel cost reimbursements to employees, for several reasons. The El Segundo office staff has declined from 120 employees in July 2016 to 106 employees today. The Small Business/Self-Employed (SB/SE) business unit is our largest business unit in El Segundo with 86 employees. Twenty-five (25) of these employees live closer to Long Beach than to El Segundo. Only 13 of the SB/SE employees may have a commute longer than 10 miles, assuming these employees are even required to travel to Long Beach daily.

Most of the employees in the El Segundo office are regular teleworkers and field-based revenue agents and revenue officers who meet with taxpayers at the taxpayer's site, and therefore are seldom required to be in the office. These employees do not start their travel to taxpayer sites from the Long Beach office; therefore, we do not anticipate a significant impact to savings projections.

- **Please provide the IRS's cost-benefit analysis for the proposed closure of the El Segundo office, and indicate whether or not that analysis factors in the**

increased burdens on staff and taxpayers, including those who are low-income and dependent on public transportation, who would have to travel longer distances as a result of the move.

We can achieve our mission from the Long Beach Federal Building with little burden on staff or taxpayers. Factors in our cost-benefit analysis for the closure of the El Segundo office include:

- The benefit of having more employees at the Long Beach office's walk-in taxpayer assistance center.
- The minimal taxpayer impact, as so many of our employees are expected to meet with taxpayers at their place of business and not at an IRS office.
- The minimal employee impact because employees can telework.