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IRS to close facility in N.E. Phila.

The paper-submission center in Phila. will be closed. Ever-fewer tax returns are sent by mail.

By Bob Fernandez
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After graduating from Frankford High School, Diane Nagle bummed around for a summer and then landed an entry-level job transcribing tax-form data at the IRS processing center on Roosevelt Boulevard.

It was uninspiring work, hammering away on an IBM terminal. "To tell you the truth, it was boring. I just typed all day," she said. But it gave her some financial independence and a career path with the federal government.

As recently as early 2003, in the height of tax season, the IRS Philadelphia processing center employed almost 5,400 temporary, seasonal and full-time career workers slicing open 15 million envelopes containing tax forms, inputting tax-form data to government computers, and bundling checks.

But say adios to all that.

E-filing, as the IRS calls its electronic submission of tax documents and payments, is wiping out those jobs and similar ones on the East Coast. The IRS will process its last mailed-in Form 1040 and tax check in Philadelphia by September 2007, and the facility will join those on Long Island, N.Y., and in Memphis, Tenn., in the IRS paper-submission graveyard. Other centers in Andover, Mass., and Atlanta are expected to follow Philadelphia and close in 2009 and 2011, respectively, IRS officials say.

Nothing like it has happened in the city's huge federal workforce since the government pulled the plug on the storied Philadelphia Naval Shipyard in the mid-1990s. And it shows that even as private companies have downsized since the recession, the city's employment base faces persistent threats from Washington.

The U.S. government employs 34,200 civil servants here, but those numbers have been dwindling as the government restructures agencies and other parts of the country gain population and power in Washington. The federal payroll in Philadelphia has declined almost 8 percent, or 2,900 positions, since 2000, Bureau of Labor Statistics figures show.

The IRS says it's cutting jobs in Philadelphia but that it's helping workers get new positions in the IRS, another federal agency, or the private sector. To lessen the economic blow, the IRS says it's adding skilled jobs in IRS operations staying in Philadelphia after next year. It expects to employ 5,000 to 5,500 in the remaining operations. During the busiest days in its peak processing year of 2003, the IRS employed from 9,000 to 10,000 in Philadelphia, according to figures from the agency.

Randall Miller, a history professor at St. Joseph's University and an expert on Philadelphia, said the IRS jobs are government service positions that have been a key support of the city's economy. They are "irreplaceable," he said. "They are going, and they are not coming back."

Indeed, now there's concern that other IRS operations could go. Several hundred workers respond to international tax queries by phone, Internet and, yes, paper correspondence.

With international filers mailing returns to other cities, it's plausible that questions will be routed to other IRS centers, local employees say.

"We didn't think they'd take international submissions. But if they could take them, they could take what we do, too," said Liz Rawlinson, an international tax specialist and 19-year IRS employee in Philadelphia.

The main reason for the IRS restructuring is e-filing, agency officials say. Electronic filing has soared to an estimated 74.2 million returns for 2005 taxes from 40.2 million for 2000 taxes. Almost 135 million individuals filed taxes for the 2005 season.

Colleen Kelley, president of the National Treasury Employees Union, said the union acknowledges "the changes that come with technology" and the fact that the volume of paper filing is shrinking. But she said the IRS "made the choice to eliminate sites" for paper submissions.

"We argued hard to downsize or process fewer returns in each site," she said, referring to 10 IRS campuses around the country, including Philadelphia. Philadelphia is the largest center being closed. After the restructuring, IRS paper-submission operations will remain in Fresno, Calif.; Kansas City; Cincinnati; Ogden, Utah; and Austin, Texas.

For 2006 taxes, Pennsylvania residents will mail individual tax returns to Philadelphia, the last year they'll do so. New Jersey residents will send returns to Kansas City. Delaware residents will send them to Atlanta. Business returns in all three states go to Cincinnati.

Nagle, the president of the local NTEU chapter, said IRS employees failed to draw attention to the closing of the paper-submission center. "We have not had any support from the politicians we contacted," she said. "Let's face it, not many people like the IRS so maybe they don't think it's a vote-getter."

In January 2004, Sen. Arlen Specter (R., Pa.) sent the IRS a letter saying that it was important that the changes "be made so as to limit job loss," according to a copy provided by his office on Friday. He did not have further correspondence with the IRS over the matter, his spokesman said.

Sen. Rick Santorum (R., Pa.) has been working with the IRS to reach an agreement with the University of Pennsylvania and others for a new IRS office in West Philadelphia, spokesman Robert Traynham said Friday. The IRS says it wants to relocate to the old U.S. Postal Service facility, near 30th Street Station.

Christopher Egger, an IRS executive in Philadelphia, said the agency considered several economic factors to determine where to maintain paper processing. The biggest factor was real estate, he said. Some IRS buildings in Philadelphia are owned by the government, and some are leased. Egger said it's likely that the IRS will not renew leases on its current buildings. The IRS is located on 34 acres and uses seven buildings.

The IRS has been telling employees for several years that the paper-submission function will close and has been downsizing for it, Egger said. The IRS held job fairs in June and will notify employees of

the closing by letter in October.

About 1,155 career federal employees remain in the paper-submission operation. An additional 1,350 temporary employees toiled there at tax time earlier this year, according to the local union. Many jobs are seasonal, with employees working between January and May each year.

The IRS has given employees who are losing positions priority for jobs in other IRS departments. The agency says it's adding 500 jobs in customer service, also called accounts management, and compliance. The jobs have higher rankings, or grade; are full time; and pay more than the jobs eliminated in paper submission, Egger noted.

IRS headquarters "has not stated an intention" to relocate international customer service or other operations after paper-submission closes, Egger said. "I assume we will have a large amount of work here for a long time."

Nagle isn't so sure. "There is concern that since people won't be filing returns here, people won't be sending correspondence here, and that will dry up some of the work," she said.

Some aspects of the job IRS employees won't miss. They tell stories of tax documents arriving with animal feces or urine smeared on them. Envelopes sometimes contain both tax documents and dead mice - unfriendly messages from unhappy taxpayers. But jobs have been reliable through the years, allowing mothers and others to work for several months and then get summers off. "We still have people in denial," said Nagle, 44. "For some, this is all they know."

Added Ralph Sbraccia, 61, a tax examiner who expects to take early retirement: "I don't think reality has sunk in... . We have found that people are not putting in for other jobs."

Sbraccia said the search for new jobs is complicated by the fact that IRS employees don't have many transferable skills. "In here, your skills are limited to processing taxes and they don't train you for something else," he said.

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