National Taxpayer Advocate's Blog: Selected Comments

The National Taxpayer Advocate's (NTA) Blog: Taxpayer Rights and Taxpayer Burden launched on January 11, 2012. Through the blog, NTA Nina E. Olson examines a variety of tax-related topics.

Below is a selection of reader comments and feedback received. This selection of comments is not meant to be statistically representative of the larger group of comments we've received. Note that comments received will not be responded to individually.

May 16, 2013 – I am currently going through the "corr exams" process regarding a prior year dependent verification request. I sent three faxes to the IRS each having different "verification" documents for the tax year in question. I was recently told via a telephone call with a so called "Tax Examiner" that their system only held the date of first fax receipt (or conventional mail) as response date without any other communication dates (for subsequent fax or conventional mail communications). This bothered me as it implied that any other information or documentation supplied was not retained or given consideration. Then I questioned the examiner about the tax court appeals process and timelines / deadlines related to my specific audit and if going through the "corr exams" process would create any issues or conflicts with any appeal that I might initiate and was told that there should not be any problem with pursuing both avenues to resolve. Then the "examiner" indicated that I could always "work with" the IRS to resolve my issue, which at that time I accepted and was comfortable with so I elected not to request or initiate an appeal because I was led to believe that if I provided the requested documentation, which I did via three fax transmissions, I could "work with" the tax examiner to a satisfactory resolution.

However, after reading statistics in the "IRS Correspondence Examinations: Are they really as effective as the IRS thinks?" blog article I have been seriously considering filing for an appeal while I still have time. Just not sure what percentage of "corr exams" are resolved in favor of the individual taxpayer as I do not see that in the blog but it does indicate more often than not that taxpayers are not "happy" with the process or results. I just wanted to share this experience as It seems highly likely that many taxpayers are getting the same suggestion to "work with" tax examiners instead of filing an appeal while being led to believe that working with the IRS is more favorable than the appeals process. Very misleading on the part of examiners and an uncomfortable position to be in. Thanks for listening and I hope you find this information useful to some extent as I am probably not the only one to have had these or similar experiences! Sincerely, a concerned citizen and taxpayer.

Jan. 11, 2013 – One area I think that needs improvement is the part of Schedule A of 1040 that is for charitable contributions. For example, the instructions do not say what to do in the case of carryovers when for several years the taxpayer contributes more to charity than he or she is

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allowed to deduct. I was also very confused about what to put on line 18 in this case. I have done my own taxes for decades, but finally had to consult a CPA for this. Plus, please do something about the ATM. I have never had to pay this, but each year I crunch through the horrible calculations. At least make it trivial for people to know if they have to do the calculations or not. Also, several worksheets are truly horrible in terms of calculations, yet it seems like the formula they are trying to have you calculate is much simpler. There should be a way to do this. I am sure the current way is very error prone.

Jan. 10, 2013 – I just wanted to check in and congratulate the TAS on another excellent Report to Congress. I also want to say that I am very thankful for the help that [the local TAS office] gave me with the horrible 2009 OVDI FBAR mess. From today's perspective, that was one of the very few good things I have to say about my ex-country. Ex-country? Yes. As you write in your report, dealing with the IRS is far too complicated for Americans living overseas. I came to that realization when, in early 2009, I learned that I was supposed to have been filing 1040s all these years, even though I pay far more in [country omitted] income taxes. So, I set out to put the house in order in order to get out of the nonsense. And it is nonsense. Then, came that horrible 2009 OVDI FAQ. I had already done a "quiet disclosure" on my own, but it said it wasn't enough. Oh, no. If I didn't join the OVDI, I could face criminal prosecution, which sounded scary. My [identifying information omitted] husband said not to do it, the OVDI was obviously extortion. I foolishly thought that Americans and the IRS were basically fair. I pointed to FAQ #35, and the IRM, which indicated that everything would be OK. Well, my husband was right. The OVDI was an attempt at extortion because FAQ #35 was an outright lie. Oh, [name omitted], my examiner seemed to be reasonable, but she wasn't allowed to treat me reasonably. I spent two entire years in extreme anxiety, losing lots of sleep, until with [name omitted] help, I opted out of the OVDI and I came out with no money due. But it's not over. I am still upset. Before the OVDI travesty, the idea of giving up my US citizenship with simply a logical decision based on the fact that the tax form rigmarole was complicated and stupid, a complete waste of time for me and the IRS. But in the OVDI, my attitude changed. America is not my country anymore. America does [not] want me. America wanted to PUNISH me for the "crime" of having a bank account right where I live and work, you can't get more "onshore" than that. And with the passage of FATCA, it became even more obvious that America didn't want me to be a citizen. That hurts. Somewhere in the OVDI process I just lost my optimism and have become a lot more cynical. Maybe more "realistic"--everyone is out to cheat me, even the US government. I'm simply sadder than I used to be. Anyway, you do good work and I really appreciate you speaking up for us. [name omitted]

Jan. 10, 2013 – I just read the TAS 2012 annual report and what a relief and joy to see that you are working on behalf of us US "international taxpayers." I've lived abroad for many years and can attest to the truth of everything you say in the report. It really is that bad and some of us are in a state of despair and losing hope that anything will ever be done to make it better. Thank you so much for the work you do. If I remain a US citizen today it is in part because of your advocacy. [name omitted]

Jan. 10, 2013 – Excellent report this year! Re the annex about the survey on small business tax compliance, I would recommend the recent issue of the e-Journal of Tax Research, which reports on similar surveys from many other countries.

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January 9, 2013 – I think the tax complexity filing issue is right up there in importance with global warming, gun control, infrastructure repair and withdrawal from Afghanistan. How do we make Congress pay attention?

August 31, 2012 – Communications between the different sections of IRS and the Tax Collection group is non-existent or disjointed at best. Guidance and direction provided by IRS representatives regarding disposition on tax collection issues have been incorrect but since there is no direct contact or information flow between the IRS representatives providing you guidance and tax collection employees the information is useless. In addition, personnel in the tax collection group appear to have no incentive to resolve issues and focus on collection even if the basis for collection is invalid.

August 27, 2012 – It is very unsettling to see the amount of people having problems with the IRS. I got an AUR letter for the tax year 2009 in March of 2012, realizing my mistake I filed a 1040X for the year 2009 adding the under reported income amount plus expenses. I was told this would be a 8-12 week process so I patiently waited. Today is week 14 and still have heard nothing. After numerous calls to the IRS with NO answers I have filed hardship with the Taxpayer Advocate. Hopefully this will get something done on my refund. This whole process is so frustrating. It would be so nice to be assigned to 1 specific person whom you could rely on to keep track of your case and get you some answers.

I called today and was informed an Action Required had been put in the system on Aug. 13 and on Aug 15th the answer came back from the Action Required that it will take 12 weeks to process my claim!! Needless to say this is ridiculous! Where has it been all this time and why another 12 weeks? I am beyond frustrated at this point. What are my rights????

July 27, 2012 – I've had 3 correspondence audits for clients in the past 12 months. One was valid, while the other two cited issues that simply were not valid. There is very little support that examiners actually provided. The advocates have been great, but I think it is unfortunate that it falls on your lap. I've also found that the IRS does not always provide 886-A detail on their initial 30 day letters, and then does provide it on the deficiency notice. Unfortunately, I believe that taxpayers without professional representation are going to get duped in to paying these notices, simply because they don't have the sophistication to understand the process.

June 27, 2012 – [Note: Personal information omitted to protect privacy] – Nina, Thanks so much for your semi-annual reports. Today's Semi-Annual Report to Congress had wonderful advice for me to use in a correspondence audit (for a Schedule C: send ALL the receipts; they're not kidding; they're allowing 8 days to respond to a 30-day letter) and incredible revelations regarding ITINs that I wasn't aware of. I'll try to incorporate your ITIN observations into a section about ITINs in my forthcoming article to be published in (name omitted). You also provided new information regarding the adoption credit audits that I'm forwarding to someone affected by that sad situation.

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June 13, 2012 – [Note: Personal information omitted to protect privacy] – I will begin by saying that I retired from the IRS on [year omitted]. I had joined the service's [name omitted] business operating agency in [year omitted] from [name omitted] agency, shortly before the full roll-out of RRA98. During the next seven years I watched Nina Olson's performance as NTA with growing admiration. After [number omitted] years of Federal Government Service, I believe I know an effective executive when I see one. Which brings me to the subject matter at hand.

In [date omitted] 2011 my [year omitted] return became the target of a "corr exam", specifically over the issue of claimed state sales tax deductions. Admittedly, the rather large amount of my deduction was the reason for the exam, and I have no problem with that aspect of the process. Where I do take exception, however, was with the cursory, incomplete, and inconsistently applied criteria that the "examiner" gave the 200+ pages of supporting documentation requested by the initial notice. Furthermore, all efforts to speak to either the examiner, or someone in authority, have proved futile. So, this morning I called TAS and I now have a case number and assigned TAS office. It's unfortunate that I find it necessary to pursue this path, for two reasons: (1) Had my case been dealt with via a "desk exam", I know resolution would have already been arrived at; and, (2) I'm sure that TAS has more important cases to deal with than this one. The bottom line is that the IRS' reliance on "corr exams" is a disservice to taxpayers. Sustaining exam disallowance findings by default (i.e., non-response to IRS notices from taxpayers) is tax code enforcement "on the cheap"!

April 27, 2012 – Hollow, The idea that a tax payer is being audited by an algorithm is out of this world. Corr exams are impersonal and insulting; after all we the tax payers are being put in a position to believe that what the computer spits out is correct and to fork-out the tax liability of a year past! I do not like it. I do agree that once the initial notice have been issued the IRS should give the tax payer the courtesy of a phone call to clarify any issues and to verbally inform the tax payer of the disposition of the corr exam notice. Thank you.

April 23, 2012 – Having one contact person to work with would [simplify] the response process and make the taxpayer feel they have someone to go to that understands what is going on with their case. They do not have to repeat their case over and over to different IRS employees.

April 22, 2012 – Thank you, Nina, for this excellent series of blog posts and updates. I sincerely appreciate your efforts to widen the discussion and bridge the gulf between the IRS and taxpayers. I am now experiencing first-hand a Corr Examination and am finding it stressful, time-consuming and draining, all of which directly affect my daily income earning as a self-employed taxpayer. The fact that the initial Examination letter (26 pages!) included duplicated pages, obtuse language, demands for documentation that are clearly trivial and not relevant to any of the objections, and an extensive recalculation of my taxes owing based on the presumption that I will agree (I do not and am responding to all objections with the not-free assistance of a tax advisor) all add insult to injury. On the positive side, I can confirm that when I rang the examiner listed on the cover page of the letter I was put through more or less promptly and she did agree to a three-week extension. I will post a more detailed feedback once the examination is complete. In the meantime, I will check your updates regularly - they're very valuable!

April 12, 2012 – My return is small, $400 processed by a tax professional. The letter I received said to fax to a number the papers in question. The fax number did not work. In trying to find out what was happening, no one knew. I ended mailing the papers requested--3 plus weeks ago. I have no idea if that is what they really needed or if they need more info. I find the IRS overpaid, too many employees who know nothing of

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anything and everything. I am tired of being on hold, transferred and not getting anywhere except to be told by the person on the phone they don't know anything.

April 5, 2012 – As a Swedish American, residing in Sweden, I find it positive that TAS went to Sweden for guidance. It shows that the TAS really are the "good guys" in the IRS who are trying to be progressive and improve the relationship with taxpayers. While many Swedes will disagree with me, I would say that the majority of Swedes feel that Skatteverket is helpful. This is shown in customer satisfaction surveys in which the Swedish Tax Authority, Skatteverket, comes out as the Number 1 liked public agency. For those Swedes reading this who will disagree with me, my only comment is that it is all relative. Skatteverket, while tough in enforcing tax collection, is reasonable. The experiences in OVDP and OVDI have shown that the IRS is not. As someone who has experienced both the Swedish and American systems, I also rate the Customer Service in the Swedish Tax Authority highly and consider it to be the way tax collection should be done.

Starting in the 1990s, the Swedish Tax Agency took the decision to simplify their tax forms as well as to develop a tough, but respectful relationship with its "customers". While the US gives lip service to this in various public forums, Skatteverket truly tries to implement it. While no one likes filling out tax forms, I find the Swedish one simple to understand and can submit them electronically. Compared to filling out dozens of pages on my US tax declaration with calculations that are so complicated that I must pay an accountant, my Skatteverket form is 3 pages long and I can make comments to explain or add things I am declaring. While Swedish is the national language, to make it easy for immigrants to understand, the documents and web pages are available in English and a host of other languages. As far as I can tell, the IRS only made the OVDI program information available in a number of languages – just what was needed to scare immigrants into joining. Proof of the more positive approach of the Swedish Tax Agency is that one can find a document called "Right from the Start" on their website along with the necessary form.

The documents cites the Swedish approach based on research into the value of respecting your taxpayers and not declaring them guilty from the start. It can be found on their website: http://www.skatteverket.se/download/18.612143fd10702ea567b80002569/rapport200501_eng.pdf

Additionally, the Swedish Tax Agency has also presented their philosophy at various international conferences. I refer readers to presentations from the conference at the Inter American Tax Center at:
http://www.ciat.org/index.php/en/international-cooperation/international-activities/technical-conferences/ponencias/1450-ponencias-conferencia-2010.html

Take a look at the Swedish presentation and note what they say in their presentation. Compare that to the lip service the US gives to similar issues. The Swedish Tax Agency states: "Tax morale is about taxpayer's inner motivation to pay taxes. It is about what someone think is the right way to handle a situation. As a consequence, it is not possible to force someone to have a certain morale regarding tax issues. What we as tax administrations can do is however to create an environment and a relationship that contributes to voluntary compliance based on knowledge about what motivates taxpayers to comply. It is in this sense; we in the Swedish Tax Administration have built our strategies.

We have a vision "A society in which everyone is willing to pay their fair share" and goals regarding trust and a good taxpayer relation. We aim to get it "Right from the start". There are a lot of drivers affecting taxpayer's compliance behaviour and a recent published OECD note gives a broad overview of research done in this area. The findings indicate that there are a lot of circumstances that affects the taxpayer's behaviour, like

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deterrence, norms and fairness. Our findings in The Swedish Tax Agency are that we have realized that we in the past underestimated the importance of perceived fairness and trust when it comes to tax morale and inner motivation. We were too focused on what we were doing and did not reflect enough on how we carried out our activities and how our actions was perceived by the taxpayers. We believe we can contribute to a pro compliance environment and increase inner motivation to comply by understanding things from a taxpayer perspective. In this sense we focus on issues like trust, the way we communicate and procedural justice. The way that agencies carry out their work affects people's perception and trust of the agency. It's not the case that agencies like the Swedish Tax Agency who takes money from people are less popular compared to agencies that gives money in form of different contributions. In Sweden the result is the other way around, the Tax Agency is far more liked compared to the National Insurance Agency who provide different kind of monetary support." It is good that the TAS feels that they can learn from the Swedish Tax Agency. If only the rest of the IRS felt this way.

March 26, 2012 – I just received a CP2000 concerning mismatched 1099-MISC income from self-employment resulting from use of the accrual accounting system. A face-to-face would almost certainly be more effective than the approx. 1.5 days I have spent documenting why my reported income was correctly accrued. It would allow for questions and answers in an interactive setting. Now I have to mail the form and documents in and sweat it out; I will be away from home a lot and it will make it awkward to respond in a timely fashion. Thank you for your concerns. They are almost certainly justified.

March 20, 2012 – As a longtime IRS employee in multiple customer service areas, I can tell you that the main problem with correspondence audits is the difficulty in getting them to acknowledge receipt of documentation. In an office audit, one can say, "Here's this. Do you need anything else?" That opportunity isn't there with correspondence audits. The problem may have more to do with the mail processing/CIS system at service centers than anything else.

March 19, 2012 – I disagree with the premise- what's worse, a correspondence exam or an in-person exam? Give me (and most other honest citizens) a letter to mail back anytime, rather than going to some IRS office, waiting on slow service.

March 14, 2012 – Correspondence auditors are frustrating for both the preparer and the taxpayer as you never get to speak directly with anyone who is actually handling the case. Often responses and notices cross in the mail and the taxpayer gets upset with receipt of a second notice when the preparer has already responded to the first. We warn our clients this is likely to happen.

March 14, 2012 – I can't see how the IRS can issue and enforce a notice of deficiency when a notice comes back as undeliverable-taxpayer has right to produce the documentation and refute the proposed deficiency. There should always be a single person assigned to each audit, and we should be able to fax the information. This would help avoid the issue of correspondence "crossing in the mail". Besides the legalese, include a

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bulleted "what to do" to make it clear to the taxpayer.

February 13, 2012 – Just read your outstanding research about "real" vs. "unreal" audits. I was floored by the findings. Keep up the great work protecting the taxpayer...especially those that don't have the means to protect themselves. One thing that was left out is that the states are starting to issue similar "unreal" audit letters--especially in NY. And this does not count the unreal audits that the IRS instigates, and then in turn notifies the taxpayer's state (which leads to a state letter). Thanks.

February 9, 2012 – I am a CPA for 30 years and have had several experiences with correspondence audits. None of these have been good. Every time I send in evidence the file is reviewed by a new person who will either ignore what has been done and effectively re-audit the file or just make a new point as to why the expense is rejected. I have called into the center and spoken with up to four different auditors who have worked on one case and they agree with me on the phone but when the report comes out they have rejected again. I have to discuss the lesser of two evils with my clients, continue to pay my fee to fight or give in to an invalid claim by the IRS and pay the additional tax. This is the equivalent to extortion in my opinion. I have to advocate for my client and we have paid thousands of dollars in fraudulent claims by the IRS.

January 26, 2012 – My experience with about 35% of my clients who find themselves in the AUR process is that IRS asks for supporting data as part of the process thus making the "unreal" audit very real. This is particularly true with 1099 basis issues and debt settlement issues. This procedure is congruent with IRS comments at the Tax Forums.