

MSP
#16**FIELD COLLECTION: The IRS Has Not Appropriately Staffed and Trained Its Field Collection Function to Minimize Taxpayer Burden and Ensure Taxpayer Rights Are Protected****RESPONSIBLE OFFICIAL**

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TAXPAYER RIGHTS IMPACTED¹

- *The Right to Be Informed*
- *The Right to Quality Service*
- *The Right to Pay No More Than the Correct Amount of Tax*
- *The Right to Challenge the IRS's Position and Be Heard*
- *The Right to Privacy*
- *The Right to a Fair and Just Tax System*

DEFINITION OF PROBLEM

Field Collection works cases² that have not been resolved through the notice stream or through the Automated Collection System (ACS).³ In general, to resolve cases Revenue Officers can file a lien, issue a levy, seize assets, recommend suits to foreclose on a federal tax lien or reduce the tax debt to judgment. Often these cases are aged and generally involve resolution of tax debts with complex financial circumstances, the investigation and assertion of trust fund liabilities related to employment taxes, finding collection alternatives that cannot be resolved by mere levy or seizure of assets, and ensuring taxpayers are in full compliance with filing tax returns and paying taxes. In fiscal year (FY) 2018, the average age of cases with at least one unpaid assessment assigned to Field Collection was 1,203 days.⁴ Revenue Officers are supposed to make field visits to taxpayer locations to gain a better understanding of taxpayers' financial circumstances and the economic conditions in their geographic area.⁵ They meet with taxpayers face-to-face and assess their ability to pay the tax.

1 See Taxpayer Bill of Rights (TBOR), www.TaxpayerAdvocate.irs.gov/taxpayer-rights. The rights contained in the TBOR are also codified in the Internal Revenue Code (IRC). See IRC § 7803(a)(3).

2 In Field Collection, Revenue Officers work cases, which consist of various delinquent and balance due modules. See Internal Revenue Manual (IRM) 5.1.20, *Field Collecting Procedures, Collection Inventory* (Nov. 2, 2016).

3 For an overview of the IRS collection process and information about each Collection function, see the Introduction to Collection, *infra*.

4 IRS, Compliance Data Warehouse (CDW), Individual and Business Module Accounts Receivable Dollar Inventory. Small Business/Self-Employed (SB/SE) could not confirm the reported average age of a case due to limited information provided regarding the methodology. However, the Strategic Analysis & Modeling (SAM) team came up with a similar average age of 1,353 days by conducting a series of queries for the same time frame of Individual Master File (IMF) and Business Master File (BMF) cases assigned to Status 26 during fiscal year (FY) 2018 using data from CDW's Masterfile Status History and Accounts Receivable Dollar Inventory tables.

5 See IRM 5.1.10.3, *Initial Contact* (Dec. 11, 2018); Field Compliance Embedded Quality FC Job Aid (Sept. 2017), Attribute 401, Field Visitation.

Notwithstanding their responsibility to collect tax, Revenue Officers must adhere to taxpayers' right to privacy and right to a fair and just tax system, which means, respectively, the Revenue Officer must balance the government's interest in collecting the tax with the taxpayer's interest that the collection action be "no more intrusive than necessary," and the Revenue Officer must consider the taxpayer's specific "facts and circumstances that might affect their underlying liabilities, ability to pay, or ability to provide information timely."⁶ The current state of Field Collection has impaired the ability of Revenue Officers to fulfill their mission in accord with the TBOR.

The National Taxpayer Advocate has the following concerns:

- Revenue Officer staffing has declined by 45 percent since 2011⁷ and therefore is not as accessible to taxpayers, and is less able to assess economic conditions on the ground;
- IRS procedures do not provide for early intervention by Revenue Officers;
- Revenue Officers are not given the appropriate tools (*e.g.*, ability to enter into offers in compromise (OICs); reduced training) to effectively collect revenue; and
- IRS metrics for evaluating the effectiveness of Field Collection are incomplete; they do not properly measure the value of first contact resolution, future voluntary compliance, prevention of economic hardship, or the education of taxpayers.

ANALYSIS OF PROBLEM

Background

If taxpayers do not voluntarily pay taxes assessed, the IRS may initiate collection action. The IRS will send a series of letters issued early in the life of the debt, notifying the taxpayer of the balance due and requesting payment of the full amount (this is called the "notice stream"). If the taxpayer does not pay in full or otherwise respond to the notice stream, the IRS issues a final notice of intent to levy via certified mail.⁸ If the taxpayer does not pay within 30 days of that notice, the IRS sends a collection due process (CDP) notice that provides a taxpayer the opportunity to appeal the filing or issuance of liens or levies.⁹

⁶ See IRS Pub. 1, *Your Rights as a Taxpayer* (rev. Sept. 2017).

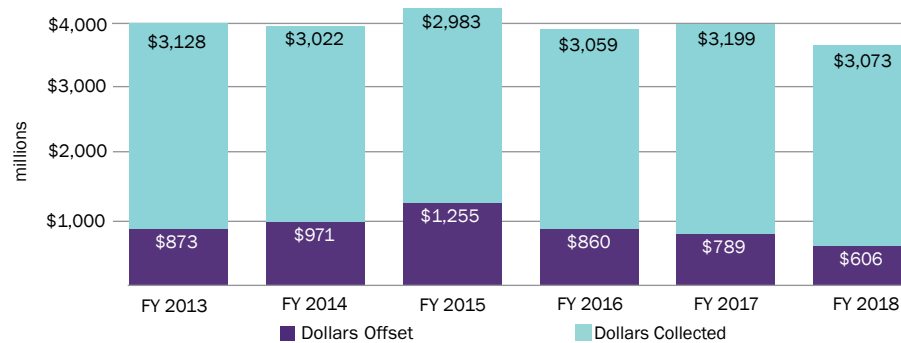
⁷ The number of Revenue Officers declined from 4,817 at the end of FY 2011 to 2,639 at the end of FY 2018. IRS Human Resources Reporting Center (Sept. 24, 2011 and Sept. 29, 2018). Due to the lapse in appropriations, the IRS did not provide a timely response to our request to verify these figures during the TAS Fact Check process.

⁸ See IRC § 6331(d).

⁹ See IRC §§ 6320 and 6330. For an in-depth discussion of the Collection Due Process (CDP) process, see Most Serious Problem: *Collection Due Process Notices: Despite Recent Changes to Collection Due Process Notices, Taxpayers Are Still at Risk for Not Understanding Important Procedures and Deadlines, Thereby Missing Their Right to an Independent Hearing and Tax Court Review*, *supra*.

FIGURE 1.16.1¹⁰

Dollars Collected (including Offset) by Field Collection by Fiscal Year



The chart above shows the amounts collected by Field Collection (including via offsets from taxpayer refunds) for the five-year period from FY 2013 to FY 2017. The dollars collected by Field Collection has been relatively steady, despite the significant reduction in Revenue Officer staffing that we had mentioned. The IRS brought in over \$3 billion in FY 2018 from Taxpayer Delinquent Accounts (TDAs) assigned to Field Collection.¹¹ Additionally, nearly \$1.3 billion was collected from installment agreements attributable to Field Collection.¹²

Field Collection issued 439,001 levies in FY 2018.¹³ This is a 47 percent decrease when compared to FY 2011. In FY 2018, Field Collection completed 275 seizures, down 65 percent from 776 in FY 2011.¹⁴ Field Collection filed 225,852 liens in FY 2018, down 60 percent from 566,889 liens filed in FY 2011.¹⁵

10 See FY 2018: IRS, Collection Activity Report 5000-2, Taxpayer Delinquent Accounts (TDAs) (Sept. 30, 2018); FY 2017: IRS, Collection Activity Report 5000-2, TDA Report (Oct. 1, 2017); FY 2016: IRS, Collection Activity Report 5000-2, TDA Report (Oct. 2, 2016); FY 2015: IRS, Collection Activity Report 5000-2, TDA Report (Oct. 4, 2015); FY 2014: IRS, Collection Activity Report 5000-2, TDA Report (Sept. 28, 2014); FY 2013: IRS, Collection Activity Report 5000-2, TDA Report (Sept. 29, 2013).

11 The exact amount collected by Field Collection in FY 2018 was \$3,073,180,944. IRS, Collection Activity Report 5000-2 (Sept. 30, 2018); IRS, Collection Activity Report 5000-6 (Sept. 30, 2018).

12 \$1,294,794,616 was collected from installment agreements (IAs) in FY 2018. IRS, Collection Activity Report 5000-2 (Sept. 30, 2018); IRS, Collection Activity Report 5000-6 (Sept. 30, 2018).

13 IRS, Collection Activity Report 5000-24 (Oct. 9, 2018). In FY 2011, Field Collection issued 882,751 levies; IRS, Collection Activity Report 5000-C23 (Oct. 11, 2011).

14 IRS, Collection Activity Report 5000-24 (Oct. 9, 2018); IRS, Collection Activity Report 5000-C23 (Oct. 11, 2011).

15 This includes liens filed by Advisory and lien refiles. IRS, Collection Activity Report 5000-25 (Oct. 1, 2018).

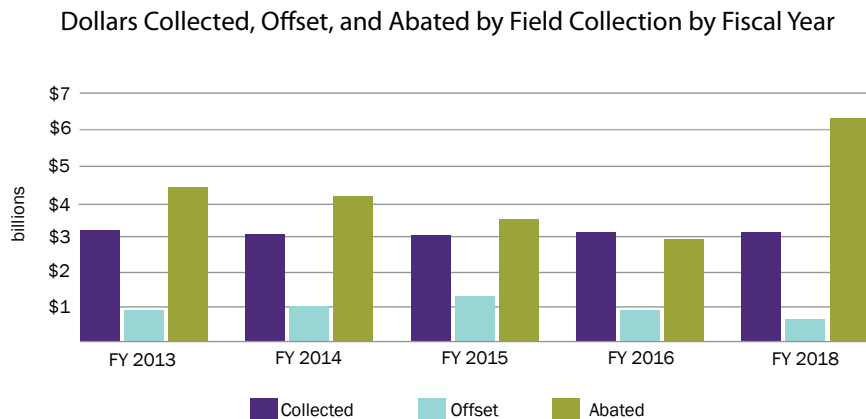
FIGURE 1.16.2¹⁶

Figure 1.16.2 shows the amounts abated by Field Collection from FY 2013 to FY 2018.¹⁷ An abatement is a decrease in the amount of penalties or tax that is imposed upon a person.¹⁸ The figure above includes partial and full abatements. Examples of abatements include abatement of the failure to file penalty, abatement of estimated tax penalty, abatement of the failure to deposit penalty, or abatement of the failure to pay penalty, and abatement of the IRS’s substitute for return assessment under IRC § 6020(b). Interestingly enough, Field Collection abated more than it collected in many years.

The Role of Field Collection

The Field Collection function is the final depot in the collection roadmap. The function relies on Revenue Officers to work all tax accounts that were not resolved in the notice stream and the ACS. Revenue Officers are charged with collecting delinquent taxes and securing unfiled tax returns from individual and business taxpayers. Aspects of a Revenue Officer’s responsibilities include education, research and investigation, and, when necessary, appropriate enforcement.

One of the important roles Revenue Officers play is to educate taxpayers on their tax filing and paying obligations. Taxpayers have the right to be informed and the right to know what they need to do to comply with tax laws. They are entitled to clear explanations of the law and IRS procedures and IRS decisions about their tax accounts and to receive clear explanations of the outcomes. During their interaction with taxpayers, Revenue Officers have an opportunity to provide guidance on a wide range

16 See FY 2018: IRS, Collection Activity Report 5000-2, TDA Report (Sept. 30, 2018); FY 2016: IRS, Collection Activity Report 5000-2, TDA Report (Oct. 2, 2016); FY 2015: IRS, Collection Activity Report 5000-2, TDA Report (Oct. 4, 2015); FY 2014: IRS, Collection Activity Report 5000-2, TDA Report (Sept. 28, 2014); FY 2013: IRS, Collection Activity Report 5000-2, TDA Report (Sept. 29, 2013).

17 The National Taxpayer Advocate discusses abatements of tax in the 2016 Annual Report to Congress, recommending that the IRS determine and mitigate the factors causing such a large percent of the tax to be abated, so that resources are not wasted on assessments not due. See National Taxpayer Advocate 2016 Annual Report to Congress vol. 2, 81-102 (Research Study: *Collecting Business Debts: Issues for the IRS and Taxpayers*). The “dollars collected” only includes dollars collected from TDAs assigned to Field Collection it does not include revenue from IAs or secured returns. FY 2017 data is omitted from the graph because of a few large outliers. In FY 2017, Field Collection abated more than six times the amount it collected. IRS, Collection Activity Report 5000-2 (Oct. 1, 2017).

18 BLACK’S LAW DICTIONARY (Free Online Legal Dictionary 2nd Ed.).

of financial matters and help taxpayers take actions to resolve their tax issues. That interaction should include public outreach to provide information about the Revenue Officers' role in the collection of taxes and the policy, process, and procedures of field collection. Yet, there is no outreach function for Field Collection, or even within the SB/SE division. As of April 1, 2017, the IRS moved the Stakeholder Liaison function out of SB/SE and into headquarters Communications & Liaison.

As part of the investigative process, Revenue Officers in Field Collection are expected to meet with taxpayers (individual taxpayers and business taxpayers, or their representatives) in person to discuss and establish collection alternatives.¹⁹ Such meetings may be held at the taxpayer's place of business, the taxpayer's residence, or at the representative's office.²⁰ Revenue Officers will also obtain and analyze financial information to determine the taxpayer's ability to pay the tax bill.

The majority of Field Collection cases are related to business taxpayers. At the end of FY 2018, business taxpayers comprised 53 percent of Field Collection cases.²¹ Business cases are often more complicated, requiring time and resources to properly assess and address the business's unique compliance circumstances. This includes investigation and assertion of the trust fund recovery penalty (TFRP) on persons involved in the activities to collect, account for, and pay over taxes held in trust of employment tax.²² Active businesses with employees are called in-business-trust-fund (IBTF) taxpayers. IBTF taxpayers require personal contact and, in most circumstances, a field visit.²³ These accounts cannot be simply resolved in the notice stream or the ACS when the issues involve more than one tax period, unfiled employment tax returns, or late federal tax deposits.

The IRS Has Been Entrusted With Powerful Collection Powers

Congress has given the IRS some very powerful tools to bolster its collection efforts. For example, if a taxpayer has outstanding tax liabilities and has not responded to the notices to pay, the IRS may file a Notice of Federal Tax Lien or levy assets or income without first going to court and obtaining a judgment.²⁴ These are awesome collection powers granted to the IRS. For a private creditor to garnish a paycheck or attach a lien to assets, generally it would need to first go to court and obtain a judgment, while the IRS may take these actions administratively.

Using its lien and levy authorities are drastic measures that can have significant negative impact on taxpayers. Thus, before taking these measures, Revenue Officers are to check whether taxpayers are not suffering economic hardship from circumstances that would make their account "currently not collectible."²⁵

19 See IRM 5.1.10.3.2, *Effective Initial Contact* (Nov. 20, 2017); IRM 5.1.10.3(3), *Initial Contact* (Dec. 11, 2018) ("In most cases, you should try to make initial contact with taxpayers in the field.").

20 IRM 5.15.1.2(4), *Overview and Expectations* (Aug. 29, 2018).

21 IRS, Collection Activity Report 5000-2 (Dec. 3, 2018).

22 IRC § 6672. See IRM 5.7.3, *Establishing Responsibility and Willfulness for the Trust Fund Recovery Penalty* (Aug. 6, 2015); IRM 1.2.14.1.3, *Policy Statement 5-14 (Formerly P-5-60)* (June 9, 2003); IRM 5.17.7, *Legal Reference Guide for Revenue Officers, Liability of Third Parties for Unpaid Employment Taxes* (July 18, 2012).

23 See IRM 5.1.10.3, *Initial Contact* (Dec. 11, 2018); Field Compliance Embedded Quality Field Collection (FC) Job Aid (Sept. 2017), Attribute 401, Field Visitation.

24 See IRC § 6321; IRC § 6331.

25 See IRM 5.11.1.3.1, *Pre-Levy Considerations* (Nov. 9, 2017). "Revenue Officers must exercise good judgment in making the determination to levy... If the revenue officer has sufficient information and verified that the levy would cause an economic hardship, the levy should not be issued." See also Most Serious Problem: *Economic Hardship: The IRS Does Not Proactively Use Internal Data to Identify Taxpayers at Risk of Economic Hardship Throughout the Collection Process*, *supra*.

If a Revenue Officer determines that a taxpayer is unable to pay the tax bill in full, the Revenue Officer may consider alternative means of resolving the tax debt. Such collection alternatives may include:

- Setting up an installment agreement that would allow the taxpayer to pay the bill over time;
- Recommending relief from penalties imposed when the tax bill is overdue (*e.g.*, if there is reasonable cause) or recommending adjustment or abatement if the tax debt is in doubt;
- Evaluating whether the taxpayer is a good candidate for an offer in compromise, where the IRS would accept less than the full amount of the tax liability; or
- Suspending collection due to currently not collectible accounts, which could include IBTF taxpayers.²⁶

Because Revenue Officers are expected to engage in personal contact with taxpayers, it is important for Revenue Officers to maintain a geographic presence in the communities in which they serve.²⁷ For example, there may be circumstances unique to that community that should be taken into consideration. Having IRS employees with a geographic presence in the local community can pay dividends by making the IRS seem more relatable. TAS research studies have shown that personal contacts produce better response, resolution, and agreement rates, and result in better-educated taxpayers.²⁸

As of December 6, 2018, there were 2,639 Revenue Officers nationwide.²⁹ Figures 1.16.3 and 1.16.4 reflect the number of Revenue Officers by state in FY 2011 and, again, in FY 2018.³⁰

26 Accounts may be reported currently not collectible (CNC) using closing code 13 when an operating corporation, exempt organization, or limited liability partnership can pay current taxes but cannot pay its back taxes and enforcement cannot be taken because the business has no distrainable accounts receivable or other receipts or equity in assets. See IRM 5.16.1.2(1), *Currently Not Collectible Procedures, Closing Code 13* (Sept. 18, 2018); IRM 5.16.1.2.7, *In-Business Corporations, Exempt Organizations, Limited Liability Partnerships, or Limited Liability Corporations* (Aug. 25, 2014).

27 See National Taxpayer Advocate 2017 Annual Report to Congress vol. 2, 245 (Literature Review: *Fostering Taxpayer Engagement Through Geographic Presence*).

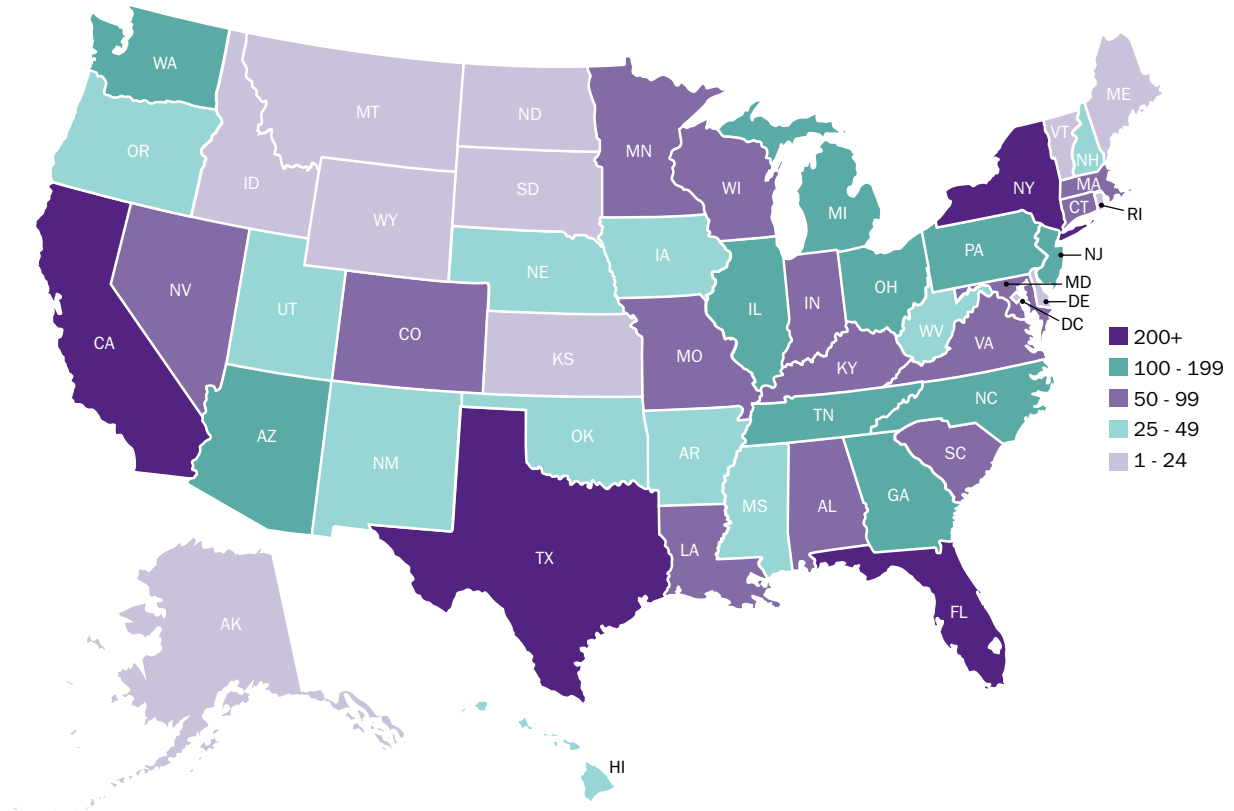
28 See, *e.g.*, National Taxpayer Advocate 2013 Annual Report to Congress vol. 2, 15 (Research Study: *A Comparison of Revenue Officers and Automated Collection System in Addressing Similar Employment Tax Delinquencies*).

29 IRS Human Resources Reporting Center (Sept. 29, 2018). Due to the lapse in appropriations, the IRS did not provide a timely response to our request to verify these figures during the TAS Fact Check process.

30 Due to the lapse in appropriations, the IRS did not provide a timely response to our request to verify these figures during the TAS Fact Check process.

FIGURE 1.16.3³¹

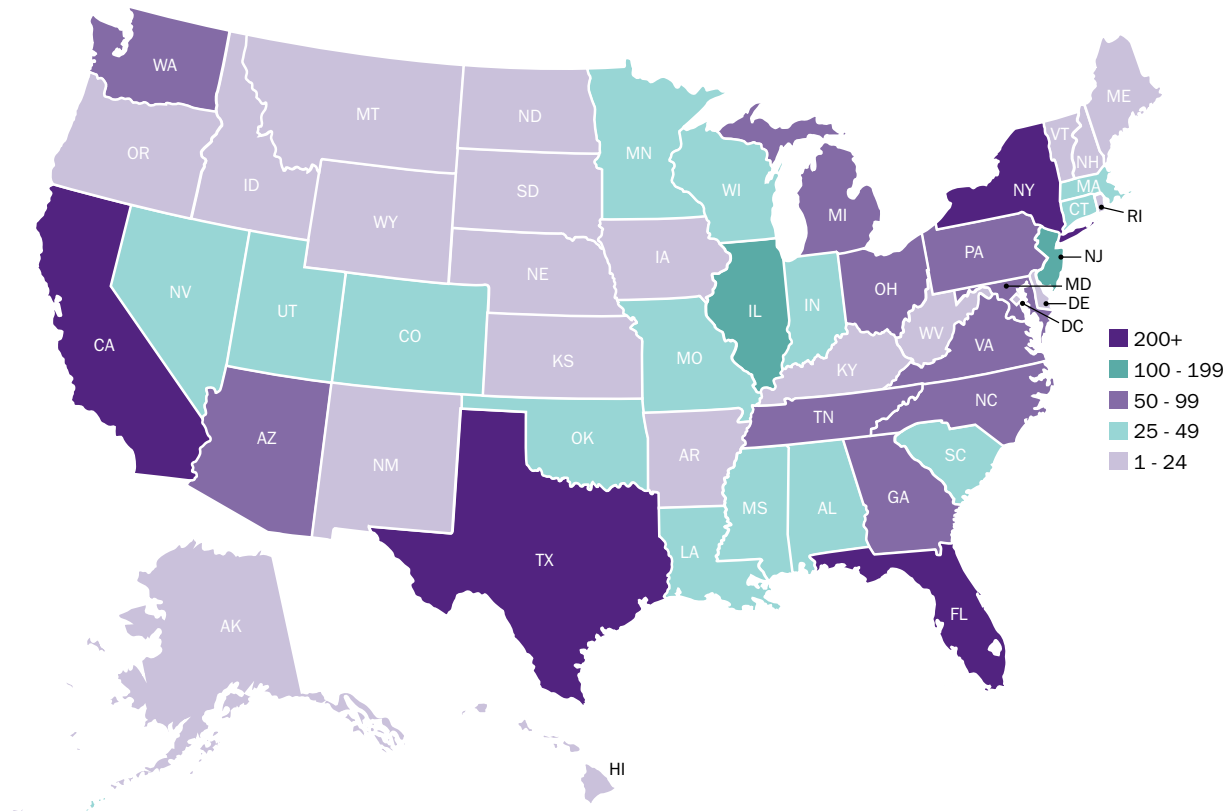
Revenue Officer (RO) by State and US Possession, 2011



31 U.S. Possessions with no Revenue Officers include Armed Forces Pacific (AP), American Soma (AS), Guam (GU), Marshall Islands (MH), Northern Mariana Islands (MP) and Palau (PW). Due to the lapse in appropriations, the IRS did not provide a timely response to our request to verify these figures during the TAS Fact Check process.

FIGURE 1.16.4³²

Revenue Officer (RO) by State and US Possession, 2018



Field Collection has plans to hire up to an additional 750 Revenue Officers (budget permitting) in FY 2019,³³ but note that nearly a quarter of the current Revenue Officer cadre is eligible to retire.³⁴

Revenue Officers Need to Be More Accessible to Taxpayers

As Figure 1.16.5 reflects, there has been a significant reduction in the staffing of Revenue Officers over the past several years. As of the end of FY 2018, there were 2,639 Revenue Officers, down 45 percent from 4,817 Revenue Officers in FY 2011. One negative consequence of this decline in staffing is that it makes it more difficult for taxpayers to have face-to-face interaction with Revenue Officers. In less populated states, a taxpayer may be required to drive hundreds of miles to meet with the nearest Revenue Officer. Moreover, the decrease in IRS offices staffed with Revenue Officers makes it more

³² U.S. Possessions with no Revenue Officers include AP, AS, GU, MH, MP, PW and Virgin Islands, U.S.

³³ IRS response to TAS information request (Oct. 5, 2018). Due to the lapse in appropriations, the IRS did not provide a timely response to our request to verify these figures during the TAS Fact Check process.

³⁴ As of January 5, 2019, 606 Revenue Officers will be eligible for retirement. Data obtained from the IRS Human Resources Reporting Center (Dec. 11, 2018). Due to the lapse in appropriations, the IRS did not provide a timely response to our request to verify these figures during the TAS Fact Check process.

difficult for individual Revenue Officers to understand the economic conditions in the taxpayer’s geographic area or industry—conditions that influence the taxpayer’s ability to pay the tax debt.³⁵

In recent conversations TAS held with stakeholder groups, practitioners expressed a common frustration with the lack of responsiveness of the Revenue Officers.³⁶ Practitioners voiced concern about the difficulty in not only arranging face-to-face meetings, but even in reaching Revenue Officers via phone or having them return calls.

According to the 2019 National Agreement between the IRS and the National Treasury Employees Union (NTEU), Revenue Officers are among the positions eligible for “frequent telework”—meaning that they have regular and recurring duties that may be performed at an approved site other than the official post of duty for more than 80 hours each month.³⁷ Frequent teleworkers are still required to report to their assigned post of duty at least two days each pay period for their full tour of duty.³⁸ However, since Revenue Officers are considered “mobile workers,” they can meet that reporting requirement by performing field work in their assigned post of duty at least twice during each pay period, in lieu of coming into the office. In other words, there is no minimum amount of time required for a Revenue Officer to spend in his or her office.

With the trend of frequent teleworking and “hoteling” (a hoteling arrangement is one where teleworking employees share a single workstation on a rotating basis, rather than have a dedicated office, allowing the government to save resources), taxpayers and practitioners may continue to have difficulty reaching their assigned Revenue Officer by phone, or receiving a callback.

FIGURE 1.16.5, “Hoteling” by Revenue Officer Groups, Calendar Year (CY) 2014 to CY 2018³⁹

	CY 2014	CY 2015	CY 2016	CY 2017	CY 2018 (thru June)
Revenue Officer Groups Allowing “Hoteling”	3	9	13	22	37

Field Collection has not conducted formal analysis on the impact of hoteling on Revenue Officers’ performance of duties and their interaction with taxpayers.⁴⁰ The trend toward more frequent hoteling of Revenue Officers may lead to reduced face-to-face office meetings, a reduced ability to accommodate walk-in or last-minute appointments, more difficulty in scheduling appointments (because of the need to adjust to the Revenue Officer’s hoteling schedule), delays in posting payments made by taxpayers,

35 Some IRS offices offer Virtual Service Delivery (VSD), where a taxpayer may interact with IRS employees via webcam. This VSD option seems like a good idea in theory, particularly for taxpayers in rural areas that may be hours away from the nearest IRS office. However, the only IRS business units that currently offer VSD capability are Field Assistance, TAS, and Appeals—and uptake has been disappointing. The technology is also challenging. With decreased Revenue Officer staffing, expanding some form of user-friendly virtual face-to-face technology to Field Collection would make it easier for taxpayers to get face-to-face contact with Revenue Officers. However, even if there is a demonstrated demand for VSD or alternative digital solutions, Field Collection should not diminish the option for traditional face-to-face interaction—there is no need for the IRS to make taxpayers choose one over the other.

36 TAS telephone calls with practitioners (Oct. 3, 2018; Oct. 10, 2018).

37 2019 National Agreement Between IRS and NTEU, Article 50, § 1.B.1, § 2.F.3.

38 2019 National Agreement Between IRS and NTEU, Article 50, § 1.A.4.

39 IRS response to TAS information request (Oct. 5, 2018).

40 *Id.*

and delays in posting tax returns. (The IRS did indicate that many offices have an “Revenue Officer of the Day” assigned to ensure that a Revenue Officer is available for unscheduled visits and to accept payments and tax returns, but such a designation would not be feasible in offices where there is just one Revenue Officer.)⁴¹ The IRS recognizes that there could be issues arising from teleworking Revenue Officers and lag time in accepting payments and financial information from taxpayers. For example, IRM 5.1.2, *Field Collection Procedures, Remittances, Form 809, and Designated Payments* (Nov. 26, 2014), discusses how teleworking employees should safeguard and timely post payments and OIC receipts from taxpayers. Offices that share secretaries will face additional hurdles in ensuring there is not a significant lag time in processing such that it burdens taxpayers and infringes on their right to quality service.

While there may be a resource savings to the government for increased hoteling of its Field Collection employees, we do not know the true cost—whether there is a negative impact on taxpayer service. The IRS may offer reduced customer service by delaying some administrative duties (such as posting payments, posting returns, inputting pending installment agreements, inputting bankruptcy indicators, etc.) because Revenue Officers spend less time in the office or because support staff is shared.

Assignment of Field Collection Cases Should Allow for Early Intervention

By the time a Revenue Officer makes contact, taxpayers may be unable to pay the debt in full because the debt has grown so large as a result of accrued penalties and interest, or because the taxpayer’s financial condition has deteriorated over time. This risk of “pyramiding” taxes and interest is especially high in IBTF cases, which account for 15 percent of Field Collection’s modules in inventory as of the end of FY 2018.⁴² Thus, it is imperative that a Revenue Officer quickly assess the taxpayer’s situation and take early intervention measures, as appropriate

Recognizing the importance of early intervention, in June 2015, the IRS formed a Field Inventory Process Improvement Team (FIPIT) that looked at the impact of how inventory was assigned to Revenue Officers.⁴³ The “Fresh Inventory” pilot limited the assignment of inventory to Collection cases that had recent liabilities on tax periods less than three years old. The pilot applied to all individual and business tax liabilities. The goal was to have in-person contact with taxpayers as early as possible to educate them regarding compliance requirements and reduce the risk of pyramiding further, which is costly to the taxpayer.

For this Fresh Inventory pilot, cases were compared to control groups and the pilot groups generally had a higher number of full pay cases and a lower number of currently not collectible closures. The pilot groups also closed substantially more cases per Revenue Officer. This suggests that early intervention is a benefit to the taxpayer and makes it easier for the IRS to collect or otherwise resolve the case.

There are no plans to immediately implement any of the FIPIT pilots.⁴⁴ The results from the Fresh Inventory pilot suggest that the IRS could modify its case selection and assignment methodologies for Revenue Officers to encourage early intervention. This, in turn, would reduce taxpayer burden and increase the likelihood of the taxpayer becoming compliant in the future. The IRS should implement the approach utilized in the Fresh Inventory pilot, and explore other approaches to older inventory.

41 IRS response to TAS information request (Oct. 5, 2018).

42 IRS, Collection Activity Report 5000-2, TDA Report (Sept. 30, 2018).

43 IRS response to TAS information request (Oct. 5, 2018).

44 *Id.*

In 2014, Employment Tax engaged the Office of Research, Analysis, and Applied Statistics (RAAS) to examine the effectiveness of several potential expansions of the Federal Tax Deposit (FTD) Alert program, as part of the Early Interaction Initiative Pilot. The purpose of this initiative was “to determine the right treatment, at the right time, for the right taxpayer.”⁴⁵ The pilot studied the effectiveness of earlier interaction with taxpayers by first sending “soft letter notices” earlier in the quarter, to remind businesses of their obligation to make timely FTDs. The overall outcome of the FTD Early Interaction Initiative was an increase in the number and frequency of Alerts issued per quarter, and an expansion of the FTD Alert treatments into new taxpayer segments. The new taxpayer segments were businesses who needed early interaction, education, and Revenue Officer intervention.

The Early Interaction Initiative Pilot concluded in September 2016, showing some positive results. They indicated Revenue Officer field visits on IBTF taxpayers and early interaction were effective in ensuring businesses complied with FTD depository requirements. Based on the results of the pilot, Revenue Officer visits are estimated to have generated additional payments compared to a control group with no early interaction in 2017.⁴⁶ RAAS’s analysis is currently under review.

Properly Evaluating the Effectiveness of Field Collection Is Difficult But Achievable

As a general rule, the IRS assigns the “easier” collection cases to Campus Collection—high volume, “fresh” cases that the IRS thinks will not involve much personal contact—while it reserves the more problematic collection cases for Field Collection. Thus, it is not possible to make an apples-to-apples comparison of the effectiveness of Campus Collection versus Field Collection by looking strictly at the revenue collected.⁴⁷

The IRS measures quality through two systems—the Embedded Quality Review System (EQRS) and the National Quality Review System (NQRS).⁴⁸ EQRS is used to evaluate employee performance on cases and rate case actions against quality attributes.⁴⁹ NQRS provides independent case review information that is used to determine organizational performance. Many of the same quality attributes are used to review employee performance and assess organizational quality. The quality measurement systems evaluate Field Collection performance relative to the actions taken by Revenue Officers specific to the IRM, Collection policy, and statute, but it does *not* measure the outcome or impact of those actions to taxpayers, including if those actions resulted in undue harm or burden to taxpayers.⁵⁰

Although Field Collection measures quality, it does not include such results in its Monthly Assessment of Performance (MAP) and Business Performance Review (BPR). Only the metrics shown on the MAP and BPR are used to evaluate the effectiveness of the Field Collection program.⁵¹

45 IRS response to TAS information request (Oct. 5, 2018).

46 *Id.*

47 For an in-depth look at the Automated Collection System (ACS) function, see Most Serious Problem: *IRS’s Automated Collection System (ACS): ACS Lacks a Taxpayer-Centered Approach, Resulting in a Challenging Taxpayer Experience and Generating Less Than Optimal Collection Outcomes for the IRS*, *infra*.

48 IRM 5.13.1, *Embedded Quality Field Organizations Administrative Guidelines* (Oct. 4, 2018).

49 See Field Compliance Embedded Quality FC Job Aid (Sept. 2017).

50 See IRM 21.10.1.7.12, *EQRS/NQRS Standard Reports* (Oct. 1, 2013); IRM 21.10.1.7.12.1, *Standard EQRS Reports* (May 17, 2018); IRM 21.10.1.7.12.2, *Standard NQRS Reports* (Sept. 11, 2018).

51 IRS response to the TAS information request (Apr. 26, 2018).

The Collection managers' manual has a very cursory section on taxpayer rights.⁵² This is the section of the IRM that lists the ten rights and instructs managers to ensure rights are “always observed.” Yet there is nothing in the managers' manual discussing specific ways to uphold these rights, such as meeting with taxpayers to hear any objections that they may have.

Revenue Officers have a number of important responsibilities as they interact with taxpayers, including:

- **Identifying economic hardship.** When a taxpayer states he or she is suffering from economic hardship, has the Revenue Officer taken all the appropriate steps to protect the taxpayer from further collection action? Has the Revenue Officer been proactive about identifying economic hardship and responded promptly to taxpayers' claims of experiencing economic hardship?⁵³
- **Preserving taxpayer rights.** Has the Revenue Officer advised the taxpayer of the Taxpayer Bill of Rights or merely handed (or mailed) the taxpayer Publication 1? The IRS should track whether these rights are being communicated from the outset of any collection case.⁵⁴
- **Evaluating collection alternatives.** After the Revenue Officer obtains the taxpayer's financial information and analyzed the situation, has the Revenue Officer seriously explored all of the collection alternatives?⁵⁵ Has the Revenue Officer explained each of the applicable options to the taxpayer in terms the taxpayer can understand? Has the Revenue Officer seriously considered the taxpayer's objections to the proposed collection action?⁵⁶
- **Taking timely actions.** While cycle time is one measurement, Revenue Officers also should be evaluated on whether they took timely actions. While timely actions are part of case quality review process, overall program metrics do not track the average timeliness of Revenue Officer actions.⁵⁷
- **Impacting taxpayers' future compliance behavior.** Revenue Officers have an opportunity to make a real impact on the future compliance behavior of taxpayers with whom they interact. If the IRS tracked this behavior, even by pulling nationally representative samples annually, Revenue Officers may be more invested in making an effort to ensure that taxpayers understand the process and are aware of what is expected of them.⁵⁸ Taxpayers have the right to be informed of IRS decisions about their tax accounts and are entitled to clear explanations of the laws and IRS procedures. One way to fulfill this right is for Revenue Officers to conduct and participate in outreach events to inform and educate taxpayers and practitioners about the collection process.
- **Receiving proper training.** Revenue Officers should regularly receive training, not only on the technical aspects of the job but on how to effectively interact with taxpayers. Courses on financial analysis should be required of all Revenue Officers. In addition, Revenue Officers should be offered communications and psychology workshops, enhancing Revenue Officers' skills in having conversations with taxpayers when collection action is imminent. Field Collection

52 IRM 1.4.50.3.2, *Protecting Taxpayer Rights* (Aug. 21, 2018).

53 See IRM 5.11.1.3.1, *Pre-Levy Considerations* (Nov. 9, 2017).

54 See Field Compliance Embedded Quality FC Job Aid, Attribute 607 Taxpayer Rights (page 21). Also, the Integrated Collection System (ICS) contact history screen allows you to select 'Taxpayer Rights Publications.' A pick list allows for verification of Pub 1, Pub 594 and Pub 1660; at least one publication must be selected to verify this selection.

55 See Field Compliance Embedded Quality FC Job Aid, Attribute 203 Requested/Secured Financial Information 5; Attribute 432 Verify/Analyze Ability to Pay 11; Attribute 434 Research & Technical Analysis 12.

56 See IRC § 7803(a)(3)(D).

57 Field Collection has Embedded Quality metrics which cases are reviewed. See Field Compliance Embedded Quality FC Job Aid 2; Attribute 200 Timely Initial Contact 4; Timely Follow-up Actions 16; Attribute 505 Timely Employee Actions.

58 See Field Compliance Embedded Quality FC Job Aid, Attribute 437 Compliance 14; Attribute 800 Customer Impact (National Review Only) 27.

should require a course that teaches ways to balance collection with taxpayer education regarding their rights as taxpayers and their responsibilities in tax compliance and awareness of other collection alternatives—and bring in external presenters from Low Income Taxpayer Clinics or private practitioners, as well as TAS, to give Revenue Officers a sense of the taxpayer perspective.

Organizational goals can drive behavior, but only when performance metrics are aligned with those goals. By emphasizing measures such as cycle time and percent of time spent in the field,⁵⁹ Collection sends a message to Revenue Officers that case closures and rates of performance are more important than balancing their role in the collection of taxes and tax returns and informing taxpayers of their rights, the IRS collection process and procedures, and the importance of voluntary compliance.

Virtual Training of Revenue Officers Is No Substitute for In-Person Training

In the National Taxpayer Advocate’s 2017 Annual Report to Congress, we reported that the IRS cut its training budget from a high of \$170 million in FY 2010 to just under \$40 million in FY 2017.⁶⁰ Not only has it slashed three-quarters of its training budget, but the IRS is moving away from face-to-face training and focusing its training efforts on virtual learning.

The IRS provided data on the number of training sessions it delivered over the past five fiscal years.⁶¹ We reviewed what was provided and found that much of Field Collection’s training is completed virtually. In the past, Field Collection regularly delivered face-to-face training, especially for new hires. However, this is no longer the case.⁶² In FY 2018, there were 14 times as many virtual training sessions as there were in-person training sessions.⁶³

FIGURE 1.16.6, Field Collection Training Sessions, FY 2014 to FY 2018⁶⁴

Fiscal Year	In-Person Sessions	Attendees	Total Hours	Virtual Sessions	Attendees	Total Hours
2014	105	2,151	15,579	1,464	78,627	201,991
2015	110	19,108	102,880	1,127	59,547	94,822
2016	10	461	16,199	137	704	1,390
2017	73	1,355	13,310	952	63,450	95,920
2018	74	20,897	58,685	1,058	47,158	45,926

59 SB/SE Business Performance Report (4th Qtr FY 2018); SB/SE Business Performance Report (3rd Qtr FY 2018).

60 National Taxpayer Advocate 2017 Annual Report to Congress 86.

61 IRS response to TAS information request (Oct. 5, 2018); IRS response to TAS information request (Nov. 7, 2017).

62 In-person attendees: FY 2014 43 new hires; FY 2015 280 hires; FY 2016 0 new hires; FY 2017 6 new hires; FY 2018 184 new hires. Virtual attendees: FY 2014 226 new hires; FY 2015 58 new hires; FY 2016 0 new hires; FY 2017 91 new hires; FY 2018 135 new hires. IRS response to TAS information request (Oct. 5, 2018); IRS response to TAS information request (Nov. 7, 2017); IRS response to TAS fact check (Jan. 30, 2019).

63 SB/SE disagreed. In its January 30, 2019, response, SB/SE asserted that there were eight times as many virtual training sessions as there were in-person training sessions. In FY 2018, there were 74 in-person person training sessions and 1,058 virtual sessions reported. Upon review of the virtual classes, 452 are Skillsoft online developmental courses. These courses are voluntary in nature and have inappropriately skewed these results. Excluding the voluntary Skillsoft developmental courses and utilizing a virtual class count of 606 (1,058 – 452).

64 IRS response to TAS information request (Oct. 5, 2018); IRS Human Capital Office response to TAS information request (Nov. 7, 2017). Due to the lapse in appropriations, the IRS did not provide a timely response to our request to verify these figures during the TAS Fact Check process.

We appreciate that there are substantial cost savings that the IRS may achieve by driving its employees to undergo virtual learning. However, the work of Revenue Officers requires the exercise of judgment and discretion. Discussions of case studies, partaking in role playing, practicing interviewing and negotiating techniques—these are skills that are vital for Field Collection employees and do not lend themselves to the virtual learning environment.

For example, TAS recommends the Financial Analysis series become a core competency course taught face-to-face.⁶⁵ This core competency will strengthen Revenue Officers' ability to more effectively work complex business cases⁶⁶ and provide them the tools to better identify and work their own OIC case versus shipping the case to an OIC Specialist who would not be familiar with the taxpayer's economic situation or geographic location.⁶⁷ Also, TAS recommends a new course be created, using the case study technique, on how to make an economic hardship determination including pre- and post-levy situations⁶⁸ and incorporating training on placing businesses into CNC status.⁶⁹

CONCLUSION

Revenue Officers have a difficult task. They are assigned collection cases that are aged and often require a great deal of legwork. Yet the trend is for Revenue Officers to receive less in-person training. Field Collection can help Revenue Officers become more effective by assigning them more recent cases (so Revenue Officers can make more of an impact via early intervention measures, as demonstrated by several recent pilot programs), by making them available to meet taxpayers face-to-face or respond timely to taxpayer calls, by encouraging Revenue Officers to conduct educational programs in their communities, and by changing how it evaluates Revenue Officers.

65 Financial Analysis series would include the following courses: (1) Basic Financial Analysis for Wage Earners; (2) Basic Financial Analysis for the Self-Employed (schedule C filer; emphasis on understanding bank statement info, P&L statement with comparison to Schedule C); (3) Financial Analysis for Flow-through Entities (emphasis on understanding the income statement and balance sheet); and (4) Financial Analysis of C-corporations and consolidated entities.

66 Field Collection reported that only 37 Revenue Officers in FY 2018 attended a financial analysis course. See IRS response to the TAS information request (Oct. 5, 2018).

67 IRM 5.8.5, *Offer in Compromise, Financial Analysis* (Mar. 23, 2018); IRM 5.1.2.5.6.2, *Processing Offer in Compromise Receipts* (Sept. 26, 2014).

68 IRM 5.1.12.20.1.1, *Make an Economic Hardship Determination* (Aug. 5, 2014); IRM 5.11.1.3.1, *Pre-Levy Considerations* (Nov. 9, 2017); IRM 5.11.2.3.1.4, *Economic Hardship* (Apr. 15, 2014). See also IRM 5.16.1.2.9, *Hardship* (Sept. 18, 2018).

69 IRM 5.16.1.2.7, *In-Business Corporations, Exempt Organizations, Limited Liability Partnerships, or Limited Liability Companies* (Aug. 25, 2014), specifically that accounts can be reported CNC using closing code 13 if such organizations can pay current taxes but cannot pay back its back taxes and enforcement cannot be taken because the business has no distrainable accounts receivable or other receipts or equity in assets. Only 3,273 cases were closed as CNC using closing code 13 (hardship for businesses) in FY 2018. IRS, CDW, Business Master File.

RECOMMENDATIONS

The National Taxpayer Advocate recommends that the IRS:

1. Formally evaluate the impact on taxpayers of hoteling Revenue Officers—for example, is there any quantifiable harm to taxpayers due to the lag time in responding to taxpayer or practitioner calls or appointments, or in posting payments and tax returns, installment agreements, and OICs?
2. Implement lessons from the “Fresh Inventory” pilot to modify its case selection and assignment methodologies for Revenue Officers to focus on early intervention that educate taxpayers on compliance, resolve cases timely, and promote future voluntary compliance.
3. Implement the Early Interaction Initiative to ensure business taxpayers are in compliance with and educated on the federal tax deposit requirements for employment taxes.
4. Issue a policy for a “Revenue Officer of the day” in all field offices, except offices with only one Revenue Officer, so every taxpayer, wherever they are located in the country, receives the same quality service. Such a policy would help ensure that payments and tax returns are posted timely, correspondence and questions are responded to timely, and face-to-face meetings are available.
5. Promote taxpayers’ future compliance by Revenue Officers conducting and participating in outreach events that provide information on policy and procedures of Field Collection and the role of Revenue Officers in the collection of taxes and voluntary tax compliance.
6. Establish a quality measurement system that measures (using a statistically valid sample) the future voluntary compliance impact of Field Collection actions, including if those actions resulted in undue harm or burden to taxpayers.
7. Grant Revenue Officers the authority to work Offer in Compromise cases.