

National Taxpayer Advocate

2013 ANNUAL REPORT TO CONGRESS

VOLUME ONE



YOUR VOICE AT THE IRS

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At their core,
taxpayer rights are human rights.
They are about our inherent humanity.

Particularly when
an organization is large, as is the IRS,
and has power, as does the IRS,
these rights serve as a bulwark
against the organization's tendency
to arrange things in ways that
are convenient for itself,
but actually dehumanize us.

Taxpayer rights, then, help ensure that
taxpayers are treated in a humane manner.

Nina E. Olson
Laurence Neal Woodworth
Memorial Lecture
May 9, 2013

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Contents

PREFACE: A Path to Strengthening Tax Administration and Improving Voluntary Tax Complianceix

THE MOST SERIOUS PROBLEMS ENCOUNTERED BY TAXPAYERS

The Most Significant Issues Facing Taxpayers and the IRS Today

Introduction 1

1. **TAXPAYER RIGHTS: The IRS Should Adopt a Taxpayer Bill of Rights as a Framework for Effective Tax Administration** 5
2. **IRS BUDGET: The IRS Desperately Needs More Funding to Serve Taxpayers and Increase Voluntary Compliance.** 20
3. **EMPLOYEE TRAINING: The Drastic Reduction in IRS Employee Training Impacts the Ability of the IRS to Assist Taxpayers and Fulfill its Mission** 40
4. **TAXPAYER RIGHTS: Insufficient Education and Training About Taxpayer Rights Impairs IRS Employees’ Ability to Assist Taxpayers and Protect Their Rights** 51
5. **REGULATION OF RETURN PREPARERS: Taxpayers and Tax Administration Remain Vulnerable to Incompetent and Unscrupulous Return Preparers While the IRS Is Enjoined from Continuing its Efforts to Effectively Regulate Return Preparers** 61

Problems Facing Vulnerable Taxpayer Populations

6. **IDENTITY THEFT: The IRS Should Adopt a New Approach to Identity Theft Victim Assistance that Minimizes Burden and Anxiety for Such Taxpayers** 75
7. **HARDSHIP LEVIES: Four Years After the Tax Court’s Holding in *Vinatieri v. Commissioner*, the IRS Continues to Levy on Taxpayers it Acknowledges Are in Economic Hardship and Then Fails to Release the Levies** 84
8. **RETURN PREPARER FRAUD: The IRS Still Refuses to Issue Refunds to Victims of Return Preparer Misconduct Despite Ample Guidance Allowing the Payment of Such Refunds** . . 94
9. **EARNED INCOME TAX CREDIT: The IRS Inappropriately Bans Many Taxpayers from Claiming EITC** 103
10. **INDIAN TRIBAL TAXPAYERS: Inadequate Consideration of Their Unique Needs Causes Burdens.** 116

Problems Relating to IRS Collection Policies and Practices

11. **COLLECTION STRATEGY: The Automated Collection System’s Case Selection and Processes Result in Low Collection Yields and Poor Case Resolution, Thereby Harming Taxpayers and the Public Fisc** 124
12. **COLLECTION PROCESS: IRS Collection Procedures Harm Business Taxpayers and Contribute to Substantial Amounts of Lost Revenue.** 134
13. **COLLECTION STATUTE EXPIRATION DATES: The IRS Lacks a Process to Resolve Taxpayer Accounts with Extensions Exceeding its Current Policy Limits** 147
14. **COLLECTION DUE PROCESS HEARINGS: Current Procedures Allow Undue Deference to the Collection Function and Do Not Provide the Taxpayer a Fair and Impartial Hearing** 155

Problems Causing Increased Taxpayer Burden

15. EXEMPT ORGANIZATIONS: The IRS Continues to Struggle with Revocation Processes and Erroneous Revocations of Exempt Status. 165

16. REVENUE PROTECTION: Ongoing Problems with IRS Refund Fraud Programs Harm Taxpayers by Delaying Valid Refunds 173

17. ACCURACY-RELATED PENALTIES: The IRS Assessed Penalties Improperly, Refused to Abate Them, and Still Assesses Penalties Automatically. 182

18. ONLINE SERVICES: The IRS’s Sudden Discontinuance of the Disclosure Authorization and Electronic Account Resolution Applications Left Practitioners Without Adequate Alternatives. 188

19. IRS WORKER CLASSIFICATION PROGRAM: Current Procedures Cause Delays and Hardships for Businesses and Workers by Failing to Provide Determinations Timely and Not Affording Independent Review of Adverse Decisions 197

Problems Facing International Taxpayers

20. INTERNATIONAL TAXPAYER SERVICE: The IRS Is Taking Important Steps to Improve International Taxpayer Service Initiatives, But Sustained Effort Will Be Required to Maintain Recent Gains 205

21. INDIVIDUAL TAXPAYER IDENTIFICATION NUMBERS: ITIN Application Procedures Burden Taxpayers and Create a Barrier to Return Filing 214

22. OFFSHORE VOLUNTARY DISCLOSURE: The IRS Offshore Voluntary Disclosure Program Disproportionately Burdens Those Who Make Honest Mistakes 228

23. REPORTING REQUIREMENTS: The Foreign Account Tax Compliance Act Has the Potential to Be Burdensome, Overly Broad, and Detrimental to Taxpayer Rights 238

Problems Requiring Additional Guidance

24. DIGITAL CURRENCY: The IRS Should Issue Guidance to Assist Users of Digital Currency . . 249

25. DEFENSE OF MARRIAGE ACT: IRS, Domestic Partners, and Same-Sex Couples Need Additional Guidance 256

LEGISLATIVE RECOMMENDATIONS

Introduction 264

National Taxpayer Advocate Legislative Recommendations with Congressional Action. . . . 273

1. Repeal the Alternative Minimum Tax 292

2. Broaden Relief from Timeframes for Filing a Claim for Refund for Taxpayers with Physical or Mental Impairments 302

3. Allocate to the IRS the Burden of Proving it Properly Imposed the Two-Year Ban on Claiming the Earned Income Tax Credit. 311

4. Premium Tax Credit: Adjust the Affordability Threshold Based on Type of Coverage 316

5. Allow Taxpayer Identification Number Matching by Colleges. 319

THE MOST LITIGATED ISSUES

Introduction 322

Significant Cases 326

1. Accuracy-Related Penalty Under IRC § 6662(b)(1) and (2) 339
2. Trade or Business Expenses Under IRC § 162(a) and Related Code Sections 347
3. Gross income Under IRC § 61 and Related Code Sections 355
4. Summons Enforcement Under IRC §§ 7602(a), 7604(a), and 7609(a) 362
5. Collection Due Process Hearings Under IRC §§ 6320 and 6330) 371
6. Failure to File Penalty Under IRC § 6651(a)(1), Failure to Pay Penalty Under IRC § 6651(a)(2), and Estimated Tax Penalty Under IRC § 6654 384
7. Charitable Deductions Under IRC §170 391
8. Frivolous Issues Penalty Under IRC § 6673 and Related Appellate-Level Sanctions 399
9. Civil Actions to Enforce Federal Tax Liens or to Subject Property to Payment of Tax Under IRC § 7403 403
10. Relief from Joint and Several Liability for Spouses Under IRC § 6015 408

TAS CASE ADVOCACY 420

APPENDICES

1. Top 25 Case Advocacy Issues for Fiscal Year 2013 by TAMIS Receipts 445
2. Glossary of Acronyms 446
3. The Most Litigated Issues: Case Tables 452
4. Taxpayer Advocate Service Directory 505

Volume Two: TAS Research and Related Studies

1. Do Accuracy-Related Penalties Improve Future Reporting Compliance by Schedule C Filers? 1
2. A Comparison of Revenue Officers and the Automated Collection System in Addressing Similar Employment Tax Delinquencies 15
3. Small Business Compliance: Further Analysis of Influential Factors 33
4. The Service Priorities Project: Developing a Methodology for Optimizing the Delivery of Taxpayer Services 57
5. Fundamental Changes to Return Filing and Processing Will Assist Taxpayers in Return Preparation and Decrease Improper Payments 67
6. The IRS Private Debt Collection Program — A Comparison of Private Sector and IRS Collections While Working Private Collection Agency Inventory 97

PREFACE: A Path to Strengthening Tax Administration and Improving Voluntary Tax Compliance

HONORABLE MEMBERS OF CONGRESS:

I respectfully submit for your consideration the National Taxpayer Advocate's 2013 Annual Report to Congress. Section 7803(c)(2)(B)(ii) of the Internal Revenue Code requires the National Taxpayer Advocate to submit this report each year and in it, among other things, to identify at least 20 of the most serious problems encountered by taxpayers and to make administrative and legislative recommendations to mitigate those problems.

This report arrives at the close of a very difficult year for the IRS. It found itself mired in a scandal relating to tax-exempt organizations, resulting in the resignation or retirement of the acting Commissioner and other members of the IRS senior leadership.¹ It went through seven difficult months — from May to December — during which, under the leadership of a very able senior civil servant, it attempted to right both its operations and its reputation. During this time, it experienced a 16-day shutdown that has delayed the start of the 2014 filing season and exposed thousands of taxpayers to harm from enforcement actions initiated just before or during the shutdown.² In the midst of all this, it is a credit to the talent and professionalism of IRS employees that they managed to conduct the business of the agency as well as they have.

I submit that all of these short-term crises mask the major problem facing the IRS today — unstable and chronic underfunding that puts at risk the IRS's ability to meet its current responsibilities, much less articulate and achieve the necessary transformation to an effective, modern tax agency.

Throughout the Most Serious Problems section of this report, we recount the ways in which chronic underfunding drives the agency to develop short-term solutions that merely patch over problems and impose unnecessary burden and even harm on taxpayers. These short-term solutions also create more work for the IRS in the end, thereby wasting precious resources. As the IRS spends its resources to address problems in this *ad hoc* manner — to put fires out — it is unable to direct attention and talent to the long-term challenges it faces as it attempts to modernize. Simply put, without a stable funding stream and adequate resources to invest in the future, the IRS will fall short of fulfilling its mission to serve the U.S. taxpayer and collect revenue.

1 For a discussion of problems relating to exempt organizations, see Most Serious Problem: *Exempt Organizations: The IRS Continues to Struggle with Revocation Processes and Erroneous Revocations of Exempt Status*, *infra*. See also National Taxpayer Advocate Fiscal Year 2014 Objectives Report to Congress (Special Report to Congress: *Political Activity and the Rights of Applicants for Tax-Exempt Status*).

2 For example, during the shutdown period, the IRS issued 3,902 levies on Social Security recipients. IRS Compliance Data Warehouse, Individual Master File (Processing Year 2013).

A Vision for the IRS in the 21st Century

A 21st century tax administration would:

- Be founded on a Taxpayer Bill of Rights and use that document as an analytical tool for its operations and initiatives.³
- Be operated on the principle that voluntary compliance is the least expensive, most effective method of collecting tax revenue.
- Recognize that modern tax administration not only involves collecting revenue but also disbursing benefits (tax expenditures) to targeted populations, including low income and business taxpayers, and it would design its activities, staffing, and training around the specific characteristics and needs of those populations.
- Be built on the understanding that only two percent of the revenue it collects comes from direct enforcement actions and that the provision of taxpayer service, assistance, and education is one of the most influential factors for maintaining voluntary compliance, particularly for the self-employed.
- Be open to emerging research that its existing enforcement approach — based on targeting large delinquencies ahead of recent delinquencies and focused on the use of liens and levies instead of timely, personal contact — may be less effective than it believes.
- Use findings from its own and the international research community to develop approaches to voluntary compliance and enforcement that incorporate behavioral, psychological, and educational approaches.
- Develop localized compliance initiatives, building on the finding that one of the most significant influences of compliance behavior is a taxpayer's networks and norms, particularly local ones.⁴
- Educate its workforce about the foundational principles of tax administration and how those principles are applied in the different aspects of their work.⁵
- Be on the cutting edge of electronic tax administration, providing taxpayers with access to their electronic accounts so they can check on filing requirements, track receipt and processing of documents they have filed, identify problems with their accounts, and resolve those problems through submissions, explanations, etc.
- Provide taxpayers with online access to all third-party information reports received by the IRS, in time for them to download or populate their return preparation software — whether government-provided, purchased from a commercial software provider or used by a commercial return preparer.⁶

³ See Most Serious Problem: *Taxpayer Rights: The IRS Should Adopt a Taxpayer Bill of Rights as a Framework for Effective Tax Administration*, *infra*.

⁴ See Volume 2: *Small Business Compliance: Further Analysis of Influential Factors*, *infra*, and National Taxpayer Advocate 2012 Annual Report to Congress, vol. 2, 1-70 (*Factors Influencing Voluntary Compliance by Small Businesses: Preliminary Survey Results*).

⁵ See Most Serious Problem: *Taxpayer Rights: Insufficient Education and Training About Taxpayer Rights Impairs IRS Employees' Ability to Assist Taxpayers and Protect Their Rights*, *infra*.

⁶ See Volume 2: *Fundamental Changes to Return Filing and Processing Will Assist Taxpayers in Return Preparation and Decrease Improper Payments*, *infra*.

- Provide taxpayers with face-to-face (including virtual face-to-face) and telephonic communication rather than relying solely on correspondence that generates confusion, low response rates, and re-work for the IRS.
- Develop a comprehensive suite of taxpayer service, compliance, and enforcement measures that can serve as a basis for funding decisions, while holding the IRS accountable for delivery of effective tax administration.⁷
- Lastly but most crucially, the IRS would receive the funding necessary to achieve the transformation into a 21st century tax administration and to sustain its operations at that level.⁸

In short, what taxpayers need and deserve is the transformation of the IRS from a traditional enforcement-focused tax agency to a forward-looking modern agency that embraces technology even as it recognizes the specific needs of taxpayers for personal assistance in their efforts to comply voluntarily with the tax laws. In this latter construct, the use of enforcement is informed by an understanding of taxpayer behavior. The overriding strategic goal for this system should be to increase and maintain voluntary compliance; all IRS activities should be designed to further that goal.

I want to make clear that I believe the IRS can make that transformation. It has many, many talented people, who know what needs to be done and would love to be able to receive the education and funding necessary to utilize the most advanced approaches for their jobs. But as we have noted since the 2006 Annual Report to Congress,⁹ the IRS has been chronically underfunded for years now, at the same time it has been required to take on more and more work, including administering benefit programs for some of the most challenging populations. In such an environment, the IRS can only solve problems *ad hoc*; undertaking transformational approaches to tax administration has seemed, unfortunately, like a luxury it has not been able to afford.

What the IRS — and by extension, U.S. taxpayers — need is for Congress, the Administration, Treasury, and the Commissioner of Internal Revenue to work together to provide the funding, vision, direction, and accountability required to enable the IRS to become an agency that we are all proud of, that we find easy to navigate and work with, and that we trust and believe is fair. This is not a luxury. This is a necessity.

In the pages that immediately follow, I discuss two areas that are foundational for this transformation: taxpayer service and collection. Throughout the rest of the report's discussion of the Most Serious Problems of taxpayers, we identify other components of tax administration that must change and modernize to be effective, and we attempt to identify the consequences to taxpayers — and the public fisc — if we fail.

A central theme of this report is that without adequate funding, the IRS will fail at its mission. But additional funding alone will not bring the IRS into the 21st century. The funding must be accompanied by a commitment to rethinking its approach to tax administration and intense self-scrutiny about how it should best deploy those resources. The IRS must be open to new approaches and research, even if it shakes traditional assumptions. We offer this discussion, and the following report, in the hope that under new leadership and with the support of Congress, the IRS will again be able to undertake this challenge.

⁷ See Volume 2: *The Service Priorities Project: Developing a Methodology for Optimizing the Delivery of Taxpayer Services*, *infra*.

⁸ See Most Serious Problem: *IRS Budget: The IRS Desperately Needs More Funding to Serve Taxpayers and Increase Voluntary Compliance*, *infra*.

⁹ See National Taxpayer Advocate 2006 Annual Report 442-457 (Legislative Recommendation: *Revising Congressional Budget Procedures to Improve IRS Funding Decisions*).

The Case for Taxpayer Service as One of the Most Significant Influences on Voluntary Compliance

The classic economic model of compliance — that compliance depends upon the risk (or perception of risk) of being caught and the cost (punishment) if caught — does not fully explain the high compliance rate in our tax system. Research shows that other factors, such as taxpayers' attitudes about government and their perception that they are being treated fairly by the tax system, also influence taxpayer compliance decisions. Many researchers refer to these factors collectively as “tax morale.”¹⁰

In recent years, the Taxpayer Advocate Service (TAS) has explored the factors influencing taxpayer compliance decisions. In Volume 2 of this year's Annual Report, we discuss three studies that provide empirical evidence on several points:

- (1) Taxpayer service and trust are a significant factor in influencing compliance behavior and perhaps the most significant factor for self-employed taxpayers, who are subject to little information reporting and to whom the largest portion of the tax gap is attributable;¹¹
- (2) Accuracy-related penalties, a classic economic deterrent, do not increase the long-term voluntary compliance of the taxpayers against which they are assessed;¹² and
- (3) Local collection personnel outperformed remote, centralized collection personnel, but neither groups' enforcement actions had a significant impact on taxpayers' future compliance.¹³

This research suggests we need to adopt a new paradigm of tax compliance and the relationship between the IRS and the taxpayer. For example, our surveys have shown that for the most noncompliant group of taxpayers (sole proprietors), trust in the government, trust in the IRS, and trust in the tax system highly correlate with compliant behavior.¹⁴ Further analysis has found that delivery of taxpayer service is the single most influential factor for compliant behavior by this group of taxpayers.¹⁵ Thus, the new paradigm for tax administration should include a robust, well-funded, well-researched system of taxpayer services, designed to make it easier for taxpayers to comply with the laws and for noncompliant taxpayers to come into compliance.

Now, I am not suggesting that the IRS should not undertake enforcement actions. Such activity certainly has a direct effect (*i.e.*, it corrects the specific taxpayer's noncompliant behavior for the period under review) and indirect effect (economists have estimated the indirect effect of an examination on voluntary compliance is between six and 12 times the amount of the proposed adjustment).¹⁶ But the IRS is very quick to pull out its hard core enforcement tools — and our research shows that indiscriminate use of these tools does not bring about significant long-term voluntary compliance. The goal of any compliance

10 For an introduction to the concept of tax morale, see National Taxpayer Advocate 2007 Annual Report to Congress vol. 2, 138-182 (*Normative and Cognitive Aspects of Tax Compliance: Literature Review and Recommendations for the IRS Regarding Individual Taxpayers*).

11 See Volume 2: *Small Business Compliance: Further Analysis of Influential Factors*, *infra*.

12 See Volume 2: *Do Accuracy-Related Penalties Improve Future Reporting Compliance by Schedule C Filers?*, *infra*.

13 See Volume 2: *A Comparison of Revenue Officers and the Automated Collection System in Addressing Similar Employment Tax Delinquencies*, *infra*.

14 See National Taxpayer Advocate 2012 Annual Report to Congress, vol. 2, 1-70 (*Factors Influencing Voluntary Compliance by Small Businesses: Preliminary Survey Results*).

15 See Volume 2: *Small Business Compliance: Further Analysis of Influential Factors*, *infra*. Economic deterrence, while a factor, is counterbalanced by other economic concerns, including the taxpayer's ability to stay in business.

16 Alan H. Plumley, *The Determinants of Individual Income Tax Compliance: Estimating The Impacts of Tax Policy, Enforcement, and IRS Responsiveness*, Publication 1916 (Rev. 11-96), Washington, DC, 35-36; Jeffrey A. Dubin, Michael J. Graetz and Louis L. Wilde, *The Effect of Audit Rates on the Federal Individual Income Tax, 1977-1986*, 43 NAT. TAX J., 395, 396, 405 (1990).

action is that you don't have to address that taxpayer's noncompliance over and over again, resulting in an endless loop of enforcement action. For all but the most determinedly noncompliant taxpayers, the use of "softer" tools, like timely personal contacts (whether by phone or in-person), educational notices, installment agreements, and offers in compromise, make it more likely to bring that taxpayer into future compliance even as you address the current issue.¹⁷

IRS Taxpayer Service Delivery is Deteriorating to a Point That Will Impact Voluntary Compliance.

I believe that any attempt to develop a framework for IRS service delivery should begin with a discussion of the mission of the Internal Revenue Service and how taxpayer service relates to the mission. It is universally acknowledged that the IRS is the principal organization responsible for collecting the revenues necessary to fund the numerous and diverse functions performed by the federal government, *i.e.*, that taxes are "the life blood" of government.¹⁸ As noted above, however, it should be clear that the mission of the IRS is broader than merely collecting tax revenue. In fact, with the expansion of refundable tax credits for individuals and businesses, the IRS today is a significant disburser of government payments.

There is also general agreement that the IRS is supposed to collect the *correct* amount of tax. This implies that the IRS's responsibility extends beyond ensuring that everyone pays the taxes they owe. We also have a responsibility to ensure that taxpayers do not pay *more* taxes than they owe. Further, there is general recognition that the IRS must weigh the burden it imposes on taxpayers against its mission to collect the taxes owed. For example, Congress has never funded the IRS to conduct extensive audits of every taxpayer every year. Besides being far too intrusive, this would place an unreasonable financial burden on the vast majority of honest taxpayers.

Our system is based on self-assessment, but the tax laws are so complicated (and become more so each year) that computing the correct amount of tax poses a daunting challenge for many of our citizens, and they frequently require assistance. While some can readily afford to pay for the assistance they need, tens of millions cannot. For these taxpayers, paying for tax assistance creates a significant financial burden.

Yet today, IRS-provided taxpayer service is increasingly and unacceptably limited. First, telephone calls and correspondence are the two main ways taxpayers communicate with the IRS. Yet the IRS is projecting it will answer only 61 percent of its calls this year from taxpayers seeking to speak to a live assistor. Waiting times are approaching 20 minutes for those lucky enough to get through. If you are a tax professional trying to resolve a problem for a client, you have a 20-minute wait on the line inaptly named "Practitioner Priority Service."¹⁹ Similarly, our ability to process correspondence has declined. Comparing the final week of FY 2004 with the final week of FY 2013, the backlog of taxpayer correspondence in the tax adjustments inventory jumped by 217 percent (from 348,000 to 1.1 million),²⁰ and the

17 See Leslie Book, *The Poor and Tax Compliance: One Size Does Not Fit All*, 5 *Kans. L. Rev.* 1, 23-33 (2003). See also Her Majesty's Revenue and Customs (HMRC), *HMRC Hidden Economy Strategy and Customer Segmentation* (Nov. 2013). For a fascinating report on the results of a campaign applying this methodology to increasing compliance among electricians, see Her Majesty's Revenue and Customs, *HMRC Electricians Tax Safe Plan Research Report 260*, TNS-BMRB (April 2013).

18 *Bull v. U.S.*, 295 U.S. 247, 259 (1935).

19 IRS, Joint Operations Center, *Snapshot Reports: Product Line Detail – PPS* (week ending Sept. 30, 2013) (showing that the hold for FY 2013 on the Practitioner Priority Service telephone line was 1,183 seconds). Even worse, the hold time for the final quarter of the fiscal year was 2,221 seconds, or 37 minutes.

20 IRS, Joint Operations Center, *Weekly Enterprise Adjustments Inventory Report* (week ending Sept. 30, 2004) and *Weekly Enterprise Adjustments Inventory Report* (week ending Sept. 28, 2013).

percentage of taxpayer correspondence in this inventory classified as “over-age” increased by 361 percent (from 11.5 percent to 53.0 percent of correspondence).²¹ Correspondence generally is considered over-age when it is 45 days old or older and the issue it addresses has not been resolved.²²

Second, the IRS has abandoned return preparation in its walk-in sites, which was already limited to the most vulnerable populations of taxpayers — the elderly, the disabled, and the low income. It also has shut down tax law assistance on the phones after April 15, and has significantly limited the scope of questions it is willing to answer during the filing season. Thus, in the United States today, tax preparation and filing assistance is now, for the most part, privatized. That is, for a taxpayer to comply with his or her requirement to file a tax return, the taxpayer generally must pay for assistance, pay for software, and pay for advice. This is an unprecedented change in tax administration and it is not a good one. It is particularly devastating when one considers that over 50 percent of prepared individual returns are completed by unenrolled return preparers²³ — the very preparers the IRS is now hamstrung over regulating because of pending litigation in the federal courts. So while we hash out this issue in the courts, millions of taxpayers are exposed to the risk of incompetent and even fraudulent return preparers.²⁴

In addition, millions of low and middle income taxpayers are “touched” annually by IRS programs that propose additional assessments, such as correspondence audits, math error, and automated underreporter (AUR) programs. Other programs hold refunds that IRS filters have identified as questionable or potentially fraudulent.²⁵ These proposed additional assessments and refund holds are not always correct, and taxpayers frequently need help understanding IRS notices and other communications.²⁶

Low and middle income taxpayers generally cannot afford to pay practitioners to work with the IRS to resolve these kinds of issues. They rely on IRS assistance through our various channels, such as the toll-free line, correspondence, and walk-in sites. If, as I propose in the Taxpayer Bill of Rights, we accept that these taxpayers have a *right to pay the correct amount of tax, i.e.*, that they should not pay taxes they do not actually owe, and should not be subjected to unreasonable financial (or other) burden, the IRS has an obligation to provide a reasonable level of service to help them do so. Similarly, practitioners who interface with the IRS on behalf of taxpayers require a reasonable level of service. I think we must acknowledge

21 IRS, Joint Operations Center, *Adjustments Inventory Reports: July – September Fiscal Year Comparison* (FY 2004 Through FY 2013).

22 Wage and Investment Division (W&I) FY 2012 Account Management Program Letter and Operating Guidelines (Dec. 12, 2011). In some instances, the definition of over-age varies based on factors such as the type of work, the program, the site, and inventory levels. TAS conversation with Joint Operations Center Paper Inventory Analyst (Dec. 13, 2011).

23 IRS Compliance Data Warehouse, Individual Returns Transaction File and Return Preparers and Providers Database (Tax Year 2011).

24 *Loving v. IRS*, 917 F. Supp. 2d 67 (D.D.C. Jan. 18, 2013), *motion to suspend injunction pending appeal denied but injunction modified* by 920 F. Supp. 2d 108 (D.D.C. Feb. 1, 2013), *appeal docketed*, No. 13-5061 (D.C. Cir. Feb. 22, 2013), *motion for stay pending appeal denied*, 111 A.F.T.R.2d (RIA) 1384 (D.D.C. Mar. 27, 2013), *oral argument*, No. 13-5061 (D.C. Cir. Sept. 24, 2013). See Most Serious Problem: *Regulation of Return Preparers: Taxpayers and Tax Administration Remain Vulnerable to Incompetent and Unscrupulous Return Preparers While the IRS Is Enjoined from Continuing its Efforts to Effectively Regulate Return Preparers*, *infra*. See generally, Nina E. Olson, *More Than a “Mere” Preparer: Loving and Return Preparation*, 2013 TNT 92-13, Tax Notes Today (May 13, 2013).

25 See Most Serious Problem: *Revenue Protection: Ongoing Problems with IRS Refund Fraud Programs Harm Taxpayers by Delaying Valid Refunds*, *infra*.

26 For example, in tax year 2009, nearly 300,000 returns contained errors with dependent taxpayer identification numbers (TINs). During math error processing, the IRS disallowed over \$200 million of credits claimed on these returns, but subsequently reversed at least part of its dependent TIN math errors on 55 percent of them. Ultimately about 150,000 taxpayers had their refunds restored. On average, the IRS allowed nearly \$2,000 per return after the initial disallowance, with a delay of nearly three months. The total restored to taxpayers was about \$292 million. This amount exceeds the amount of credits that were initially disallowed, because it includes both restored credits and related tax reductions (e.g., taxpayers got the benefit of exemptions that were initially disallowed when the credits were disallowed). Furthermore, analysis of a sample of taxpayers who did not contest these assessments showed that about 40,000 taxpayers were denied refunds they were probably entitled to receive. See National Taxpayer Advocate 2011 Annual Report to Congress vol. 2, 116-120 (*Math Errors Committed on Individual Tax Returns – A Review of Math Errors Issued on Claimed Dependents*).

that service delivery is as integral to the IRS mission as collecting taxes and enforcing the tax laws, and fund it accordingly.

Automation Is Not a Complete Solution

To address ongoing budget pressures, the IRS is increasingly turning away from personal service toward automation, and it is clear that cost-effective innovations could yield improvements in taxpayer service. For example, the IRS allows taxpayers to conduct simple actions through IRS.gov. However, taxpayers cannot use the site for such tasks as:

- Correcting computational errors;
- Checking account status; or
- Obtaining prior year return information immediately.

By requiring a taxpayer to write, call, or visit a Taxpayer Assistance Center (TAC) to complete these tasks, the IRS creates a higher volume of calls, correspondence, and TAC visits, burdening taxpayers and creating additional work for itself. Moving tasks to the Internet would enable computer-savvy taxpayers to use this channel for these actions and could reduce stress on IRS walk-in, telephone and correspondence resources, allowing IRS assistors to focus on taxpayers who need and prefer the TACs, the phone or correspondence.

While automated options are an important component of a comprehensive taxpayer service strategy, the IRS cannot rely solely on these options to close gaps. As the tax code grows more complex, taxpayer issues become increasingly difficult and harder to resolve through automation. Additionally, IRS research shows that taxpayers prefer personal service for some activities, and that certain segments of the taxpaying public are unable or unwilling to use automation. In a congressionally mandated update to a Taxpayer Assistance Blueprint, the IRS stated:

[T]axpayers report they use IRS.gov most often to complete transactional tasks (*i.e.*, tasks that require minimal in-person assistance, such as obtaining a form or publication). However, when responding to a notice or obtaining payment information, taxpayers said that they are more likely to call the IRS toll-free telephone lines.... Research also suggested that age, income, and education are correlated to taxpayer behavior, and recent findings show that taxpayers with lower household incomes reported higher use of non-web-based IRS service channels than taxpayers in higher income households.... Low income, limited English proficient (LEP), and elderly taxpayers tend to report a somewhat higher preference for the TAC channel and a lower preference for the electronic channel than the majority of taxpayers as a whole.... Low income and LEP taxpayers report using the telephone channel more than the overall taxpaying population.²⁷

The IRS is Judged on Measures that Undercut Taxpayer Service

Unfortunately, many of the measures stakeholders routinely apply to the IRS do not acknowledge the importance of service delivery. Invariably, the focus is on reducing the tax gap through enforcement

²⁷ See IRS, *Annual Report to Congress: Progress on the Implementation of The Taxpayer Assistance Blueprint Five-Year Progress Report: FY 2008–FY 2012 7-8* (Apr. 22, 2013).

efforts, or improving efficiency as measured by return on investment (ROI). Each year, for example, the IRS publishes a document entitled “Enforcement and Service Results” on its website. The data is viewed with considerable interest by the tax administration community. At this writing, the FY 2012 results are the most recent posted. They contain seven pages of “Enforcement” data that show Enforcement Revenue Collected broken out by Examination, Collection, Appeals, and Document Matching; staffing for “key enforcement occupations”; audit rates for individuals overall and by income range; audit rates for various types of business entities; the number of levies, liens and seizures during the past year; and data on criminal investigations. At the end, there is just a single page of basic “Service” data. This heavy emphasis on enforcement measures relative to service delivery measures is indicative of IRS priorities, and suggests the need for a stronger commitment to providing high quality service to taxpayers.

The IRS’s service activities compete with its enforcement programs for funding. While research shows that taxpayer service contributes to voluntary compliance, measuring the direct dollar impact of service on compliance (*i.e.*, the ROI of IRS services) is at best very difficult. Thus, we recommend IRS funding be based on its *obligation* to deliver an acceptable level of service to the nation’s taxpayers rather than a return on investment approach that emphasizes enforcement at the expense of service. In other words, if we acknowledge that quality taxpayer service is a fundamental taxpayer right and an integral component of the IRS’s mission, then funding for IRS services should be based on service measures and set at a level that ensure the IRS will fulfill that right and achieve its mission.

IRS Needs Better Taxpayer Service Measures that Will Drive Better Funding and Resource Allocation Decisions

The IRS should develop and publish a comprehensive suite of service measures that can serve as the basis for funding decisions, while holding the IRS accountable for efficient and effective service delivery. Elsewhere, I have offered detailed guidelines for the creation of a portfolio of measures that would enable both the IRS and external stakeholders to evaluate the effectiveness of IRS service delivery.²⁸ These measures would also enable the IRS to identify performance gaps that could guide the creation of performance improvement goals. A principal feature of this proposed framework is the inclusion of the following types of measures for each of the IRS service delivery channels (telephone, face-to-face, electronic, correspondence):

- Access – level of service, wait time (including, where applicable, time waiting for service, and time waiting for a response).
- Customer satisfaction.
- Accuracy.
- Issue resolution – *i.e.*, did the IRS completely resolve the taxpayer’s problem(s)?

Stakeholders are also keenly interested in how well the IRS is delivering each of its major services (*e.g.*, return preparation, refund inquiries, tax law inquiries). The IRS could report select service delivery measures for each of its major service activities:

- Taxpayer awareness of the availability of the various service types by channel.

²⁸ See IRS, *Annual Report to Congress: Progress on the Implementation of the Taxpayer Assistance Blueprint* (April 2009 to September 2010) 54-57 (May 2011).

- Customer satisfaction with each service type by channel.
- Issue resolution for each service type by channel.
- Access for Limited English Proficiency and disabled taxpayers for each service type by channel.
- Number of returns prepared by Taxpayer Assistance Centers and Volunteer Income Taxpayer Assistance programs.

In this year's annual report, we discuss a project that TAS and the Wage and Investment (W&I) Operating Division have developed to enable the IRS to identify a proper balance between automated and personal service delivery.²⁹ We are developing a ranking methodology for IRS taxpayer services that takes taxpayer needs and preferences into account. The goal of the project is to identify, from both the government perspective and the taxpayer perspective, the value of each of the major taxpayer services offered by the IRS. This approach enables the IRS to identify the core service activities that taxpayers need in order to comply with the tax laws. In the face of budget or staffing constraints, the IRS will be able to use this ranking methodology to make resource allocation decisions based on highest valued services. Moreover, by weighting the values of criteria differently, the IRS can change the ranking of a given service. For example, if we believe that our system should make a special effort to assist vulnerable taxpayer populations, we should give more weight to the "vulnerable populations" criterion in our ranking formula.

Taxpayer Service Is Not an Isolated Function But Must Be Incorporated Throughout All IRS Activities, Including Enforcement.

The goal of a comprehensive, modern taxpayer service plan should be to maintain and increase voluntary compliance. In order to achieve that goal, the IRS should stop approaching service and enforcement as separate tracks. The IRS enforcement functions, such as audit and collection, should not be excused from having to address the issue of taxpayer service. If a taxpayer makes a reporting error, for example, the enforcement functions should not only seek to assess and collect any underpayment of tax but should also educate the taxpayer to reduce the likelihood that the taxpayer will make the error again. In this way, the IRS can and should integrate service within its enforcement activities.

It is a truism that "you get what you measure." IRS enforcement functions are measured primarily by the tax dollars assessed and collected, and the audits closed, liens filed, and levies issued. These measures have the effect of telling IRS employees that enforcement activity is what counts, and taxpayer education, problem resolution, and long-term voluntary compliance do not.

To change this mindset and to bring IRS enforcement into alignment with the observation that taxpayer service is the most influential compliance factor, I provide a "report card" of measures at the end of this preface that, from the Taxpayer Advocate Service's perspective, would provide a good indication whether the IRS is treating U.S. taxpayers well and furthering voluntary compliance. Some of the measures are available today; others still need to be developed. Significantly, measures that show the impact IRS activities have on voluntary and future compliance and how effective the IRS has been in protecting taxpayer rights are missing from the IRS's current suite of measures. I encourage the IRS to work with TAS to develop these measures. In future reports, we will publish and track IRS performance on these measures.

²⁹ See Volume 2: *The Service Priorities Project: Developing a Methodology for Optimizing the Delivery of Taxpayer Services*, *infra*.

In a budget-constrained environment, the IRS tends to fall back on automated enforcement activity instead of personal contacts, regardless of whether that automated activity is productive or detrimental to voluntary compliance. In many cases, the IRS ignores its own research findings and persists in unproductive and taxpayer-harmful activity. This pattern is no more obvious than in the area of IRS Collection activities, as I discuss in the following section.

15 Years After RRA 98, The IRS Collection Operation Is Entrenched in Unproductive Methods that Do Not Promote Voluntary Compliance.

Earlier this year, the Treasury Inspector General for Tax Administration (TIGTA) released a report on *Trends in Compliance Activities Through Fiscal Year 2012*.³⁰ The report discusses the challenges the IRS is currently facing with reductions in resources available for IRS enforcement activities, and what TIGTA identified as a significant decline in enforcement revenue. In regard to the IRS Collection function, the TIGTA report notes that “new Taxpayer Delinquent Account (TDA) receipts continue to outpace closures,” and devotes a separate section to the decreases in the IRS’s use of liens, levies, and seizures.³¹ While TIGTA does not directly link the decline in enforcement revenue to the reductions in liens, levies, and seizures, these collection actions are nevertheless highlighted in the discussion of Collection’s “mixed results.”

TIGTA’s observations are strikingly similar to assessments made of the IRS Collection program shortly after the implementation of the IRS Restructuring and Reform Act of 1998 (RRA 98). For example, in its May 2002 report titled *Impact of Compliance and Collection Program Declines on Taxpayers*, the General Accounting Office (GAO, now the Government Accountability Office) reported that IRS Collection programs showed declines in business results and staffing, concluding that “declining staff and productivity, and an emphasis on taxpayer service contributed to compliance and collection declines.”³² The GAO report also made specific mention of the IRS’s decreasing use of enforcement sanctions, noting that the number of liens, levies, and seizures “dropped precipitously” between fiscal years (FY) 1996 and 2000.³³

A commonly held perception following the implementation of RRA 98 was that the reductions in liens, levies, and seizures reflected a general decline in IRS enforcement, particularly in respect to the IRS Collection operations, and that the IRS’s new emphasis on taxpayer service was incompatible with a robust collection program. In fact, later discussions of collection program results commonly compared lien and levy activity with pre-RRA 98 levels, and increased activities in these enforcement areas were cited as improvements in IRS performance.³⁴

The IRS needs to embrace an expanded understanding of Collection “enforcement” actions.

This unfortunate focus on counting the wrong things — to the detriment of measuring performance factors that truly are important in tax administration — mitigated the positive impact that RRA 98 and the

30 TIGTA, Ref. No. 2013-30-078, *Trends in Compliance Activities Through Fiscal Year 2012* (Aug. 23, 2013). This review of nationwide compliance statistics for the IRS’s Collection and Examination function activities has been conducted annually by TIGTA since FY 2000.

31 *Id.*

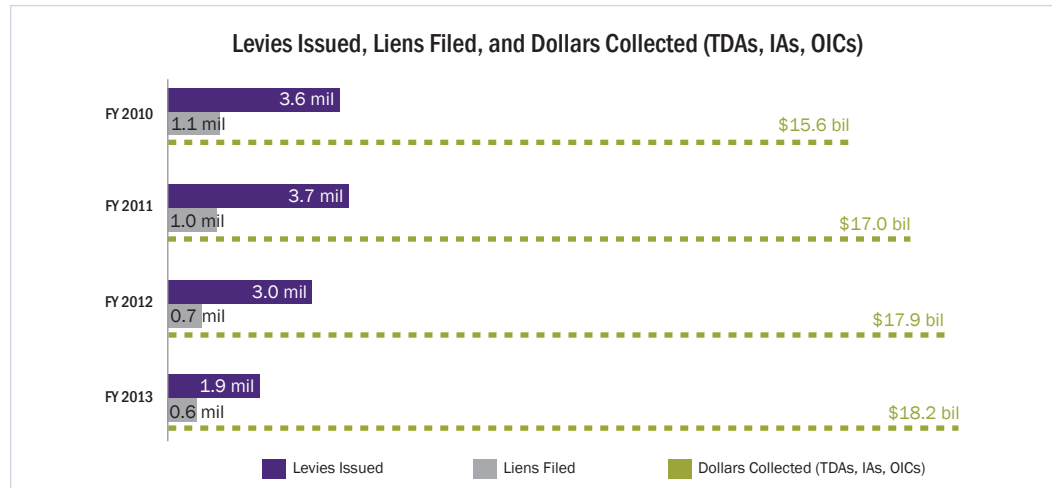
32 GAO, GAO-02-674, *Impact of Compliance and Collection Program Declines on Taxpayers* 11 (May 2002).

33 *Id.* at 12 (May 2002).

34 IRS, Statement by IRS Commissioner Mark W. Everson, *IRS Improves Enforcement and Services in 2005* (Nov. 2005). This press release noted that “In our collection activities, levies and liens have recovered to pre-RRA ‘98 levels.” (Emphasis added) IRS, Statement by IRS Commissioner Mark W. Everson, *Fiscal Year 2006 Enforcement and Service Results* (Nov. 2006). The press release noted, “Overall, some of our most common enforcement tools at the IRS also showed increases. In our collection activities, levies and liens continue to top their 1998 levels.” (Emphasis added)

subsequent IRS restructuring efforts might have had on the IRS Collection program. For example, the GAO report noted that between fiscal years (FY) 1996 and 2001, “cases closed declined by 36 percent, reflecting significant declines in both staff time and productivity.”³⁵ However, the report later mentions that case closures resulting in full paid accounts or installment agreements did not change for field collections and actually increased for telephone collections.³⁶ In fact, IRS data reveal that the substantial reductions in liens and levies that the IRS experienced post-RRA 98 had *no discernible impact* on the collection of delinquent revenue during this period.³⁷ Unfortunately, the IRS’s preoccupation with the volumes of lien and levy actions hampered efforts to identify the collection treatments that successfully delivered this revenue, with the aid of improved taxpayer service, *e.g.*, timely personal contacts, and more flexibility in the use of payment options such as installment agreements and offers in compromise.

In FY 2013, we see a very similar situation developing with respect to the status of the Collection program. Severe budget cuts have contributed to reductions in Collection staffing, and significant changes in IRS collection policies implemented in FY 2011 and 2012 (*i.e.*, the so-called IRS “Fresh Start Initiative”) have placed greater emphasis on more flexible collection decisions, as opposed to increased use of traditional enforcement actions. Consequently, in FY 2013, lien filings by the IRS were 45 percent less frequent than in FY 2010, and levies have been reduced by 51 percent since FY 2011. Yet, these reductions do not appear to have had *any* negative impact on revenue collections. In fact, delinquent tax dollars collected on open TDA accounts, installment agreements, and offers in compromise have actually increased by 16.3 percent from FY 2010 through FY 2013.³⁸



If history continues to repeat itself, observers soon will be pointing to the declines in liens and levies, and questioning whether the IRS enforcement programs are “broken.” To counter this cycle, I urge the IRS to

35 GAO, GAO-02-674, *Impact of Compliance and Collection Program Declines on Taxpayers* 12 (May 2002).

36 *Id.*

37 IRS Data Book 1996 to 2001. In FY 1997, the IRS reported a total yield from taxpayer delinquent accounts of \$29,913,365, while also reporting the issuance of 3,659,000 levies and the filing of 544,000 liens. In FY 2000, levy issuances had dropped to 220,000 and lien filings totaled 288,000. However, total collection yield for FY 2000 was reported as \$29,935,564 — slightly more than FY 1997. In FY 2001, after several years of reduced lien and levy activity, the IRS reported total collection yield of \$32,186,839 — an eight percent increase over FY 1997, even though the approximately 674,000 levies issued remained at only 18 percent of the FY 1997 level.

38 IRS, Collection Activity Reports, NO-5000-2, *Taxpayer Delinquent Accounts Report*; NO-5000-6, *Installment Agreement Report*; NO-5000-108, *Report of Offer in Compromise Activity* (FY 2010 to 2013).

expand the traditional definition of “enforcement” to include collection actions such as installment agreements, offers in compromise, and reminder notices that are demonstrably effective both in collecting delinquent revenue and in ensuring that delinquent taxpayers are compliant with their future tax obligations.

Critical Success Factor #1 for IRS Collection Work: Focus on the use of timely personal contacts for taxpayers who do not self-correct during the collection notice process.

A critical component of any effective and efficient collection operation is a timely, meaningful contact with the debtor, which is designed to address the full scope of the delinquency problem and expeditiously implement a realistic payment solution. In fact, an IRS research study published in FY 2012 noted, “[T]he number one action leading to case closure [in the Automated Collection System or ACS] is a telephone call with the taxpayer.”³⁹ Ironically, even though the IRS data presented in the study indicates that the majority of cases closed by ACS during the study period did not involve levy actions, and a relatively small number of levy issuances actually generated case closing actions, a key recommendation from the study was to *issue more levies*.⁴⁰

For the past several years, I have urged the IRS to review its practices involving the use of liens and levies, and rarely use these enforcement tools to *initiate* taxpayer contacts. These practices are not necessary, nor do they routinely generate productive taxpayer contacts. In fact, considering the high volume of cases not resolved by ACS, the IRS should be concerned that the reliance on “heavy-handed” enforcement may actually be discouraging taxpayers from coming forward to seek assistance from the IRS to resolve their tax debt problems. In this year’s annual report, we address concerns with the IRS’s over-reliance on automated levies as “calling cards.”⁴¹

Critical Success Factor #2 for IRS Collection Work: Meet the needs of the taxpayer by expediting the assignment of collection cases to employees who are trained and empowered to resolve them.

TIGTA has reported that IRS enforcement revenue declined by nine percent from FY 2011 to 2012, and specifically noted that dollars collected by ACS in FY 2012 declined for the first time in four years. It is interesting to note, however, that Collection enforcement yield — overall — has actually *increased* by eight percent from FY 2010 to 2013. Moreover, although Collection yield did decline by almost three percent from FY 2011 to 2012, upon closer examination, the reductions were primarily in the collection of business taxes.⁴² Remarkably, the IRS collected approximately \$602 million less in delinquent taxes withheld by employers in FY 2012 — the year the IRS opted to assign a greater percentage of these cases directly to ACS, rather than expedite their delivery to revenue officers in the field.⁴³ In fact, through FY 2013, the IRS has collected 12 percent less delinquent withholding taxes from business taxpayers than during the same period in FY 2011.⁴⁴ Conversely, collections on delinquent taxes related

39 IRS, SB/SE Research, Project DEN0181, *Automated Collection System (ACS) Closed Case Actions* 35 (Aug. 2012).

40 *Id.* For more details on this research study, see *Most Serious Problem: Collection Strategy: The Automated Collection System’s Case Selection and Processes Result in Low Collection Yields and Poor Case Resolution, Thereby Harming Taxpayers and the Public Fisc*, *infra*.

41 See *Most Serious Problem: Collection Strategy: The Automated Collection System’s Case Selection and Processes Result in Low Collection Yields And Poor Case Resolution, Thereby Harming Taxpayers and the Public Fisc*, *infra*.

42 IRS, Total Enforcement Revenue Collected (TERC) database, available at <http://cdw.web.irs.gov/EnforcementRevenueSummary.aspx> (last visited Dec. 23, 2013).

43 *Id.* In FY 2012, the IRS reported collecting \$4.371 billion in delinquent withholding taxes. In FY 2011, the IRS reported collecting \$4.973 billion in delinquent withholding taxes.

44 *Id.* In FY 2013, the IRS reported collecting \$4.366 billion in delinquent withholding taxes.

to individual income taxes have increased by 16 percent since the implementation of the “Fresh Start Initiative” in FY 2010, which involved policy changes primarily associated with income tax debts related to individuals.⁴⁵

In addition to timely interventions, another critical success factor for an effective collection operation is to ensure that cases are routinely assigned to employees who are trained and empowered to provide service that meets the specific needs of their customers. Since the implementation of RRA 98, the IRS Collection functions have strayed from this critically important concept. In this report, we discuss how IRS case assignment practices involving business-related tax delinquencies are neither efficient nor effective, and have resulted in billions of dollars of lost revenue.⁴⁶

Critical Success Factor #3 for IRS Collection Work: Provide reasonable payment solutions as early in the collecting process as possible.

Successful collection operations embrace the concept of contacting delinquent customers early, and quickly negotiating agreements for realistic payment solutions. In FY 2011, the IRS revised the collection policies governing the use of installment agreements (IA) and offers in compromise (OIC) to make it easier for more taxpayers to enter into “streamlined” payment agreements or qualify for OICs in appropriate situations. However, since the implementation of the new “streamlined” IA criteria, the number of IAs has actually *declined* by 11 percent,⁴⁷ while the IAs granted to business taxpayers have dropped by 17 percent since FY 2011.⁴⁸ The IRS collected approximately \$11.1 billion with IAs in FY 2013 — more than all other collection treatments on TDA accounts combined.⁴⁹ Yet, the IRS continues to struggle with the reality that flexible payment options represent the government’s best option to collect much of its current inventory of delinquent tax debts.

At the conclusion of FY 2013, the IRS reported over 848,000 taxpayers with TDA accounts in the Collection Queue, representing \$49.9 billion in delinquent taxes.⁵⁰ The inventory of TDA cases that the IRS reported as “shelved” stands at an all-time high of \$14.4 billion, while the overall inventory of cases reported by the IRS as “currently not collectible” included a staggering \$82.8 billion in September 2013.⁵¹ Realistically, without a more proactive approach to using IAs and OICs to resolve these accounts, the majority of this revenue will likely never be collected.

In this year’s Annual Report, we identify and discuss how existing systemic and cultural issues serve as barriers for taxpayers attempting to negotiate fair, reasonable payment solutions for tax debt problems.⁵²

45 IRS, Total Enforcement Revenue Collected (TERC) database, available at <http://cdw.web.irs.gov/EnforcementRevenueSummary.aspx> (last visited Dec. 23, 2013). In FY 2013, the IRS reported collecting \$23.575 billion on individual income tax delinquencies — a 16 percent increase over the \$20.344 billion collected in FY 2010.

46 See Most Serious Problem: *Collection Process: IRS Collection Procedures Harm Business Taxpayers and Contribute to Substantial Amounts of Lost Revenue*, *infra*. See also Volume 2: *TAS Research Study: A Comparison of Revenue Officers and The Automated Collection System In Addressing Similar Employment Tax Delinquencies*, *infra*.

47 IRS, Collection Activity Report NO-5000-6, *Installment Agreement Report* (FY 2011 to 2013).

48 *Id.*

49 *Id.*

50 IRS, Collection Activity Report NO-5000-2, *Taxpayer Delinquent Accounts Report* (Sept. 2013). The Collection Queue is an inventory of TDA accounts that are active, but unassigned to the ACS or CFF functions. See IRM 5.1.20.2 (May 27, 2008).

51 IRS, Collection Activity Report NO-5000-149, *Recap of Accounts Currently Not Collectible Report* (Sept. 2013).

52 See Most Serious Problem: *Collection Process: IRS Collection Procedures Harm Business Taxpayers and Contribute to Substantial Amounts of Lost Revenue*, *infra*.

Critical Success Factor #4 for IRS Collection Work: Focus enforcement efforts on the most serious compliance problems in order to maximize the benefits of available Collection resources.

In a budget environment characterized by severe cuts and limited staffing, the IRS Collection operation needs to focus its resources on programs that maximize the benefits to the government in recovering lost revenue and improving voluntary compliance. However, the improvement of case-processing efficiencies in the application of IRS compliance programs must only be accomplished along with careful consideration of taxpayer rights and taxpayer service.

For several years, I have expressed concerns with the IRS's use of automated levies.⁵³ Of particular concern are levies on Social Security retirement income, which frequently result in economic hardship for low income taxpayers, who rely on these payments to meet their necessary living expenses. The IRS continues to issue millions of these levies each year through the Federal Payment Levy Program and has not yet adequately addressed my concerns about the impact of this program on some of the most vulnerable members of our society. As a result, many taxpayers, who are currently living on income at or near poverty levels, continue to suffer undue economic and emotional harm while dealing with the IRS to resolve these levies. Most recently, the Deputy Commissioner of Services and Enforcement rescinded my Taxpayer Advocate Directive (TAD) in which I directed the IRS to protect a subset of these taxpayers.⁵⁴ In rescinding the TAD, the IRS ignores both case law and a conclusive research study showing harm to these taxpayers. Thus, in this year's annual report, I again urge the IRS to implement more safeguards into the current practices used with automated levies to prevent harm for low income taxpayers, and provide timely relief to taxpayers who have already been harmed by these enforcement actions.⁵⁵

Conclusion

This year, TAS sponsored a series of focus groups with taxpayers to ascertain their reaction to a proposed Taxpayer Bill of Rights. In these discussions, the one right that taxpayers flat out did not find credible was the *right to quality service*. When we link this observation to a finding from our 2012 survey of noncompliant sole proprietors that they believed the IRS is more interested in collecting the tax than in getting the right answer, and this year's finding that taxpayer service and trust are the most influential factors for small business compliance, one can easily conclude that taxpayer service is one of, if not the, most significant determinant for voluntary compliance and keeping noncompliance from growing. It may not bring in the hard-core noncompliant taxpayers, but it is absolutely critical to many others.

Rather than generating all sorts of automated compliance touches — including Automated Underreporter, Automated Substitute for Return, and math error notices that we later abate, which create work for ourselves and torments taxpayers unnecessarily — the IRS should explore alternative approaches to engendering compliance. What if we came up with a strategy for underreporting and nonfiling that incorporated local compliance initiatives? Working through local networks like local trade and business

53 National Taxpayer Advocate 2011 Annual Report to Congress (Most Serious Problem: *The New Income Filter for the Federal Payment Levy Program Does Not Fully Protect Low Income Taxpayers from Levies on Social Security Benefits* 350-365).

54 Taxpayer Advocate Directive (TAD) 2012-2 (*Taxpayers Whose Incomes Are Below 250 percent of the Federal Poverty Level Set by the Department of Health and Human Services and who receive Social Security or Railroad Retirement Board Benefits Should Be Screened Out of the Federal Payment Levy Program (FPLP) regardless of unfiled returns or outstanding business debts*) (Jan. 12, 2012). See also Memorandum from John M. Dalrymple, IRS Deputy Commissioner, Services and Enforcement to Nina E. Olson, National Taxpayer Advocate, TAD 2012-2, Low Income Filter in the Federal Payment Levy Program (Dec. 20, 2013).

55 See Most Serious Problem: *Hardship Levies: Four Years After the Tax Court's Holding in Vinatieri v. Commissioner, the IRS Continues to Levy on Taxpayers it Acknowledges Are in Economic Hardship and Then Fails to Release the Levies*, *infra*.

groups, would we be more successful in promoting long-term voluntary compliance?⁵⁶ If we incorporated truly virtual face-to-face audit and collection appointments into our enforcement strategy — where the taxpayer or representative could schedule a “virtual” appointment with the IRS and communicate face-to-face in a secure virtual environment, would we achieve higher response rates, better resolutions, and more education of the taxpayer? What would happen if we required local IRS managers and enforcement personnel to go out in the community and conduct outreach? They could learn about the specific challenges taxpayers face in trying to comply with the tax laws, which would be valuable information for developing future compliance and education initiatives.

None of these things is out of reach, and except for the virtual meetings, they could be done tomorrow — for almost no expense (just a redeployment of the same resources). And the virtual technology is available — many federal agencies, including the Social Security Administration, which has the same concerns about the privacy of its proceedings, are using this technology today.

My plea to Congress, then, is to fund taxpayer service, hold enforcement accountable for a more holistic approach, ensure taxpayer rights are the framework of analysis for all IRS initiatives, and provide the appropriate funding and oversight to bring the IRS into the 21st century, both in terms of technology and more importantly in terms of its understanding of taxpayer motivations and the factors influencing compliance behavior.

We are at a crossroads. We can continue to operate as we have in the past, where success is measured by the least productive aspect of our work (enforcement). Or we can be open to the possibility that enforcement dollars, levies, and liens may not be the optimal measures of the IRS’s success in maximizing voluntary (and overall) tax compliance — and engage in an open dialogue about alternative ways to most effectively accomplish the IRS’s mission.

As we conclude a tumultuous year for the agency, I look forward to working with you to chart a better path forward, and I stand ready to assist you in any way that I can.

Respectfully submitted,



Nina E. Olson
National Taxpayer Advocate
31 December 2013

⁵⁶ Her Majesty’s Revenue and Customs (HMRC) has undertaken just such an initiative to address the “hidden economy.” See Her Majesty’s Revenue and Customs (HMRC), *HMRC Hidden Economy Strategy and Customer Segmentation* (Nov. 2013).

National Taxpayer Advocate Report Card: Measuring the IRS's Protection of Taxpayer Rights and Promotion of Voluntary Compliance

Phones	Data Available?
Number of calls	Yes
Percentage of taxpayers able to speak to live assistor (LOS) — Toll Free	Yes
Percentage of taxpayers able to speak to live assistor (LOS) — NTA Toll Free	Yes
Percentage of taxpayers able to speak to live assistor (LOS) — Practitioner Priority	Yes
Percentage of calls answered (LOS)	Yes
Average wait time to reach live assistor (speed of answer)	Yes
Accuracy — Percent of times the information given and actions taken were correct	No
Awareness of service (or utilization)	No
Correspondence	Data Available?
IMF volume	Yes
BMF volume	Yes
Average days in inventory (by unit or by IMF/BMF)	Yes
Percentage of inventory overage (by unit or by IMF/BMF)	Yes
Examination	Data Available?
<i>* All items broken out by type of exam — office, correspondence, field</i>	
No change rates	Yes
Agreed rates	Yes
Non-response rates	Yes
Percentage of cases appealed	Yes
Collection	Data Available?
Offer in Compromise: Number of Offers Submitted	Yes
Offer in Compromise: Percentage of Offers Accepted	Yes
Installment Agreements: Number of Individual & Business IAs	Yes
Streamlined Installment Agreements (ACS): Number of Individual & Business IAs	Yes
Streamlined Installment Agreements (CFf): Number of Individual & Business IAs	Yes
Number of OICs Accepted per Revenue Officer	Yes
Number of IAs Accepted per Revenue Officer	Yes
Percentage of cases in the queue or CNC	Yes
Age of delinquencies in the queue	Yes
Percentage of cases where the taxpayer is fully compliant upon closure	compute
Percentage of cases where the taxpayer is fully compliant after five years	compute

Appeals	Data Available?
Rate of appeal to Tax Court	Yes
Average number of days in Appeals to reach resolution	Yes
Customer Satisfaction of service in Appeals (Including perceptions of independence and fairness)	Yes

Tax Exempt / Government Entities	Data Available?
Employee Plans: Average age of determination requests	Yes
Exempt Org: Average age of determination requests, including average age for first read, intermediate, and full development cases	No
Toll Free LOS	Yes

Other — Apply to All Functional Areas	Data Available?
IRS Issue Resolution — Percentage of taxpayers who had their issue resolved as a result of the service they received	No
Taxpayer Issue Resolution — Percentage of taxpayers who reported their issue was resolved after receiving service	No
Wait time — Average time taxpayer spent waiting before receiving service	No
Number of complaints (by process) received by phone, by mail, or reported on social media	No
Percentage of calls/letters/issues resolved in a single 2-way communication (single call, single meeting, or single exchange of correspondence)	No
Percentage of noncompliant taxpayers (non-filers, under-reporters, or those with delinquencies) who are compliant after the IRS (or a given IRS business unit) closes their cases	Yes
Percentage of noncompliant taxpayers (non-filers, under-reporters, or those with delinquencies) who are compliant five years after the IRS (or a given IRS business unit) closes their cases	Yes
Percentage of taxpayers subject to IRS burden (e.g., received a notice from math error, AUR, ASFR, audit, collection, or had a refund delayed) who were (or may have been) compliant (i.e., those whose math error, AUR, or ASFR resulted in no net increase in tax, those with delayed refunds that were ultimately paid, those who appeared to have delinquencies but where nothing was ultimately collected)	No
Percentage of closed cases (selected at random and stratified by outcome) where the taxpayer reported that the IRS actually resolved their case and resolved it fairly	No
Average days between the due date of the return and final resolution of any liability	No

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