

MSP
#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

RESPONSIBLE OFFICIALS

Heather C. Maloy, Commissioner, Large Business & International Division
Debra Holland, Commissioner, Wage and Investment Division
Sarah Hall Ingram, Director, Affordable Care Act Implementation

DEFINITION OF PROBLEM

In 2008, when the National Taxpayer Advocate first described the difficulties international taxpayers face in complying with their U.S. tax obligations, about five million U.S. citizens were living abroad. This compared to just over four million in 1999, a 22 percent increase in a nine-year period.¹ By 2013, the number of U.S. citizens overseas had jumped to 7.6 million — an additional increase of more than 50 percent in just five years.² The National Taxpayer Advocate continues to describe the challenges the Foreign Account Tax Compliance Act (FATCA) and Report of Foreign Bank and Financial Accounts (FBAR) regimes pose for international taxpayers.³ Adding to their compliance obligations, beginning in 2014, U.S. taxpayers living abroad will face unique challenges in complying with their obligations under the Affordable Care Act (ACA).⁴

The National Taxpayer Advocate has continued to call attention to the service needs of international taxpayers, and the IRS has taken important steps to address some immediate concerns.⁵ However, the IRS has not yet undertaken the long-term commitment necessary to meet the needs of this important, fast-growing group of taxpayers.

International taxpayers who do not find the online services they need may call the international call site, a *toll* number. The call site answered approximately 330,000 calls in fiscal year (FY) 2012. Callers, some

- 1 National Taxpayer Advocate 2008 Annual Report to Congress 141 (Most Serious Problem: *Access to the IRS by Taxpayers Located Outside of the U.S.*); United Nations Secretariat Department of Economic and Social Affairs, Statistics Division, *Estimation of emigration from the United States using international data sources* 4 (Nov. 2006) available at <http://unstats.un.org/unsd/Demographic/meetings/egm/migrationegm06/DOC%2019%20ILO.pdf#page=4>, estimating that 4.1 million US citizens lived abroad in 1999.
- 2 U.S. Dept. of State Bureau of Consular Affairs, *Who We Are and What We Do: Consular Affairs by the Numbers*, available at http://travel.state.gov/pdf/ca_fact_sheet.pdf, estimating that 7.6 million U.S. citizens live abroad (May 2013 update).
- 3 See Most Serious Problem (Reporting Requirements: *The Foreign Account Tax Compliance Act has the Potential to be Burdensome, Overly Broad, and Detrimental to Taxpayer Rights*) and Most Serious Problem (*The IRS Offshore Voluntary Disclosure Program Disproportionately Burdens Those who Made Honest Mistakes*), *supra*.
- 4 The Patient Protection and Affordable Care Act of 2010 (ACA), Pub. L. No. 111-148, 124 Stat. 119 (2010) (codified as amended in scattered sections of the U.S. Code), as amended by the Health Care and Education Reconciliation Act of 2010, Pub. L. No. 111-152, 124 Stat. 1029 (2010). For a more complete discussion of IRS outreach and education about the ACA see Most Serious Problem: *Affordable Care Act: The IRS Communication and Implementation Strategy Needs Improvement*, *supra*.
- 5 National Taxpayer Advocate 2012 Annual Report to Congress 262 (Most Serious Problem: *Challenges Persist for International Taxpayers as the IRS Moves Slowly to Address Their Needs*); National Taxpayer Advocate 2011 Annual Report to Congress 129-272, which included six serious problems international taxpayers face in understanding and meeting their U.S. tax obligations.

of whom were phoning from overseas, waited ten minutes on average to speak to an assistor.⁶ More than a quarter of the time, the caller did not succeed in speaking to an assistor at all.⁷ International taxpayers may find information online about how to meet their filing obligations, and especially seek information about how to obtain an Individual Taxpayer Identification Number (ITIN), but they still cannot electronically file Form W-7, *Application for IRS Individual Taxpayer Identification Number* or Form 1040NR, *U.S. Nonresident Alien Income Tax Return*.

ANALYSIS OF PROBLEM

Background

More U.S. Citizens Live Abroad and a Greater Proportion are Renouncing their Citizenship.

U.S. citizens or resident aliens are subject to tax on their worldwide incomes.⁸ They have the same general tax reporting requirements whether they reside in the United States or abroad, an obligation that at one time could have been viewed as “nontrivial but not onerous.”⁹ However, as the National Taxpayer Advocate noted, the tax requirements have become so confusing and the compliance burden so great that some taxpayers give up their U.S. citizenship.¹⁰ As Figure 1.20.1 shows, since 1999, the number of U.S. citizens living abroad has increased 85 percent while the number of annual expatriations has skyrocketed nearly 500 percent. Perhaps because renouncing citizenship “may be easier than staying in compliance with U.S. tax laws that can be onerous for citizens of other countries,” expatriations are expected to continue to increase, with an expected 2013 level at least 33 percent more than the previous high in 2011.¹¹

6 As discussed below, there were 304,866 unique visitors in fiscal year 2013 to the IRS.gov landing page for international taxpayers. Taxpayers spoke to an assistor at the international call site 332,246 times in FY 2012. IRS Snapshot Report run Nov. 14, 2013. According to one IRS survey, 60 percent of international taxpayers who filed a return and called the IRS (67 out of 112) stated that they personally paid for the international phone call. Wage and Investment Research & Analysis (WIRA): 2012 *Taxpayer Experience of Individuals Living Abroad: Service Awareness, Use, Preferences, and Filing Behaviors* 47 (Aug. 2012).

7 The Customer Service Representative (CSR) level of service at the international call site was 72 percent, meaning 28 percent of calls went unanswered.

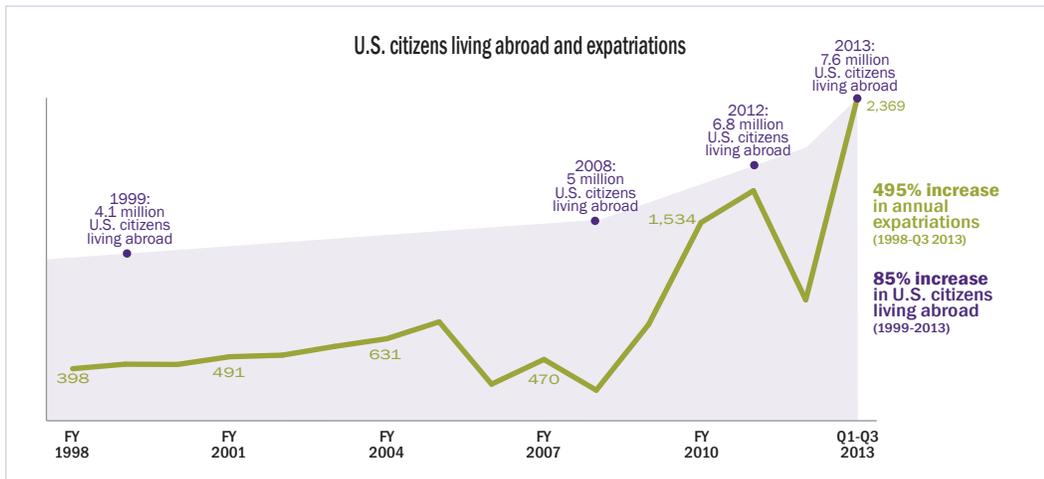
8 IRC § 61.

9 Peter J. Spiro, *The (Dwindling) Rights and Obligations of Citizenship*, 21 *William and Mary Bill of Rights Journal* 899 at 920 (Mar. 2013).

10 National Taxpayer Advocate 2012 Annual Report to Congress 262 (Most Serious Problem: *Challenges Persist for international Taxpayers as the IRS Moves Slowly to Address Their Needs*); National Taxpayer Advocate 2011 Annual Report to Congress 151 (Most Serious Problem: Individual U.S. Taxpayers Working, Living, or Doing Business Abroad Require Expanded Service Targeting their Specific Needs and Preferences).

11 Laura Saunders, *More Taxpayers Are Abandoning the U.S. Year's Tally for Expatriations Sets Record; Increase Comes Amid Tax Crackdown on Offshore Assets*, *The Wall Street Journal* (Nov. 13, 2013) available at <http://online.wsj.com/news/articles/SB10001424052702304243904579195923107439130>. See also William Douglas, *Tax Law is Putting a Strain on Expatriates: Record Number Are Ditching U.S. Passports Out of Frustration, Fear*, *The Washington Post* (Nov. 20, 2013) A24.

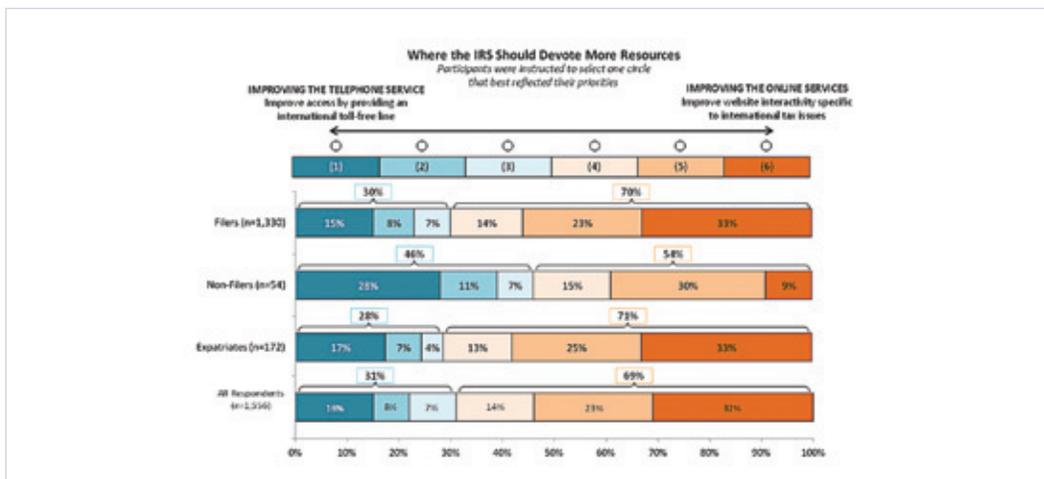
FIGURE 1.20.1, U.S. Expatriations Since 1998¹²



The IRS Focuses on Improving IRS.gov, but Telephone Communication Remains Essential for Many International Taxpayers.

In the past few years, the IRS has published research studies that explore the needs and preferences of international taxpayers.¹³ As Figure 1.20.2 shows, while taxpayer preferences may best be described as falling on a continuum, most respondents to an IRS survey indicated that the IRS should devote resources to improving online services rather than to improving telephone services.¹⁴ However, a significant minority preferred improvements to telephone service by providing an international toll-free line.

FIGURE 1.20.2, Preferences of Filers, Non-filers, and Expatriates¹⁵



Source: 2011 Survey of Individuals Living Abroad: Top Line Report. ICF Macro, September 16, 2011.

12 See Most Serious Problem: Reporting Requirements: The Foreign Account Tax Compliance Act has the Potential to be Burdensome, Overly Broad, and Detrimental to Taxpayer Rights, *infra/supra* for further discussion of this trend.

13 See, e.g., WIRA: 2012 Taxpayer Experience of Individuals Living Abroad: Service Awareness, Use, Preferences, and Filing Behaviors (Aug. 2012); WIRA: Understanding the International Taxpayer Experience: Service Awareness, Use, Preferences, and Filing Behaviors, Research Study Report (Feb. 2010).

14 WIRA: 2012 Taxpayer Experience of Individuals Living Abroad: Service Awareness, Use, Preferences, and Filing Behaviors 60 (Aug. 2012).

15 *Id.* at 44.

The IRS report concludes, “[i]n light of recent budget cuts, tight resources, and an increased workload, the IRS must labor to improve voluntary compliance with international tax provisions and reduce the tax gap attributable to international transactions. This effort will require a strategic balance of both service and enforcement initiatives grounded in targeted, relevant outreach and the effective use of technology.”¹⁶ As part of this effort, the IRS’s Office of Online Services (OLS) adopted a five-year strategy to provide taxpayers a range of online service options.¹⁷ However, many of these services are not yet available. In the meantime, international taxpayers can obtain information or assistance with their individual accounts by calling the international call site, and they are doing so with increasing frequency, but the service they receive there is worsening.

... as the National Taxpayer Advocate noted, tax requirements have become so confusing and the compliance burden so great that some taxpayers give up their U.S. citizenship.

IRS.gov has a “Contact My Local Office Internationally” page that provides a telephone number (not toll-free) to the international call site, which taxpayers used to speak with an IRS employee about 330,000 times in FY 2012.¹⁸ The customer service representative (CSR) level of service decreased from 78 percent in FY 2011 to 72 percent in FY 2012.¹⁹

The IRS’s lack of online services forces taxpayers to call from overseas. This system may not accommodate their preferences, and is not the best use of IRS resources.²⁰

At least one IRS Tax Attaché office uses the Department of State’s voice-over-Internet- protocol (VoIP) system at the U.S. Embassy where it is located to reach taxpayers by telephone.²¹ The service permits an unlimited number of international outbound calls for the same low rate.²² If call forwarding were also part of the service, a taxpayer could dial the number listed in a local telephone directory as the IRS taxpayer service line and reach an IRS assistor in the U.S. - without paying international call rates.

The IRS is Planning Significant Improvements to its Communications Capabilities that will Benefit International Taxpayers and is Undertaking Further Research About Their Filing Compliance but Needs to Prioritize Developing Online Services for These Taxpayers.

The IRS is launching a pilot program in which taxpayers will be able to securely exchange messages and documents with IRS employees through a secure messaging portal (SMP). Taxpayers who register for the service will receive system-generated notifications by email or SMS text notifying them they received a message on the SMP. The notification will not contain any personally identifiable information.

16 WIRA: 2012 Taxpayer Experience of Individuals Living Abroad: Service Awareness, Use, Preferences, and Filing Behaviors 11 (Aug. 2012).

17 See National Taxpayer Advocate 2012 Annual Report to Congress 252 (Most Serious Problem: *The IRS is Striving to Meet Taxpayers’ Increasing Demand for Online Services, Yet More Needs to be Done*)

18 Taxpayers called this number and spoke with an assistor 332,246 times in FY 2012. IRS Snapshot Report (report run Nov. 14, 2013).

19 *Id.* We do not show data for FY 2013 because the numbers are not compatible with earlier years due to a change in the report structure.

20 See National Taxpayer Advocate 2012 Annual Report to Congress 151 (Most Serious Problem: *The IRS is Striving to Meet Taxpayers’ Increasing Demand for Online Services, Yet More Needs to be Done*), noting that “[w]hile such [online service] projects involve upfront development and implementation costs, the IRS would realize savings in the short term from decreased call volume and in the long term from improved tax compliance and a reduction in costly enforcement contacts for basic issues.”

21 National Taxpayer Advocate Nov. 15, 2013 in-person meeting and Nov. 26 and 27, 2013 telephone conversations between TAS Attorney Advisor and IRS Deputy Tax Attaché, United Kingdom.

22 Nov. 26, 2013 conversation with IRS Deputy Tax Attaché, United Kingdom, describing the applicable Vonage subscription. Vonage rates generally are available at http://vonage-promotions.com/?s=100&k=187&gclid=CM6T7-P_ILsCFTNp7AodlWoAUw. The IRS cannot confirm the cost of the service, but it appears that it would be approximately \$30 per month.

Upon logging in through the SMP authentication page, the taxpayer will be able to read and respond to correspondence with the IRS, attach documents to messages to the IRS, and download attachments in messages from the IRS. Future pilot phases will include live chat, “click to call,” screen sharing, and online video meetings.²³ One initiative tailored to taxpayers living abroad is a pilot project to offer Virtual Volunteer Income Tax Assistance (VITA). The pilot is scheduled to begin with the 2014 filing season at two sites, in Warsaw, Poland and Beijing, China. Another planned pilot that is not yet underway will provide virtual service and tax workshops in Virtual Town Hall meetings overseas.²⁴ The National Taxpayer Advocate applauds these efforts, and urges the IRS to include international taxpayers in the earliest phases of the various online service pilots.

The IRS has also contracted with an independent consultant to survey 4,000 individuals residing abroad who the IRS believes have U.S. filing requirement and did not file a return.²⁵ The survey, to be conducted by mail and online, will “focus on why some individuals living abroad do not file a tax return, their awareness of certain tax provisions and forms specific to International Taxpayers, and how the IRS can encourage voluntary compliance among this population.”²⁶ The IRS previously described such a survey, and while the National Taxpayer Advocate generally supports the initiative, she is concerned that the IRS is proceeding without vetting it with stakeholders, including TAS.²⁷

The IRS's lack of online services forces taxpayers to call from overseas. This system may not accommodate their preferences, and is not the best use of IRS resources.

International Taxpayers Cannot Call the IRS for Some Important Services They Need and Do Not Have Access to Those Services Online.

The IRS website, with a new version (or “content management system”) as of August 31, 2012, has a page for international taxpayers, but the IRS.gov homepage does not link directly to it. A user can select information for individual taxpayers from an obscure dropdown menu on the homepage and from there access the international taxpayer landing page.²⁸ Alternatively, from the homepage, a user can type in a search term such as “international” that opens the international taxpayer landing page. Google Analytics data, available since the launch of the new IRS.gov on August 31, 2012, shows the individual international taxpayer landing page was viewed approximately 450,000 times by about 300,000 unique visitors in FY 2013.²⁹ The five most frequently visited IRS web pages that pertain

23 LB&I response to TAS information request (Oct. 28, 2013).

24 W&I response to TAS information request (Oct. 28, 2013).

25 *Id.* These presumed non-filers will be identified using the IRS Compliance Data Warehouse non-filer database and U.S. Department of State passport data.

26 *Id.*

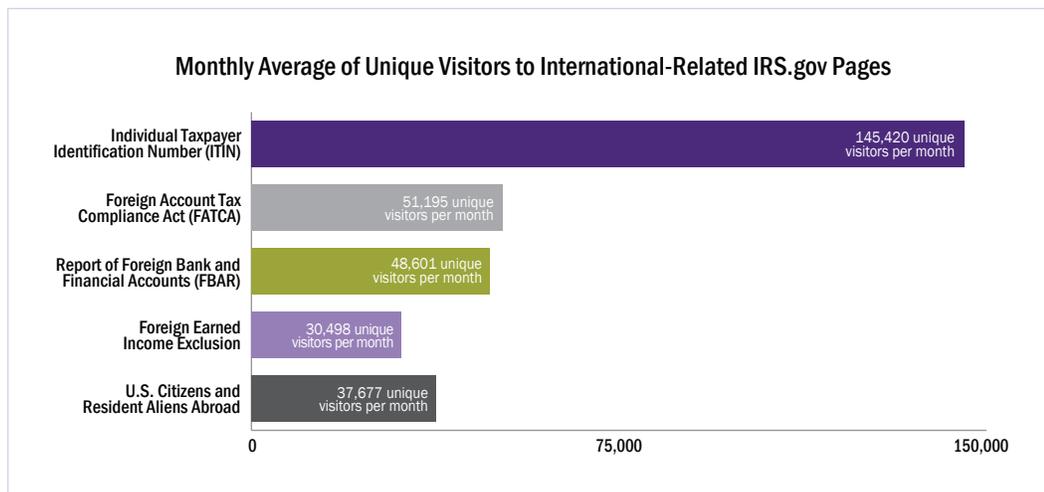
27 National Taxpayer Advocate 2012 Annual Report to Congress 262, 271 (Most Serious Problem: *Challenges Persist for International Taxpayers as the IRS Moves Slowly to Address Their Needs*). The IRS indicates that “fielding for this survey is expected to begin in early January 2014 and concluded in March 2014.” W&I response to TAS information request (Oct. 28, 2013).

28 The international taxpayer landing page is at <http://www.irs.gov/Individuals/International-Taxpayers>. Before the migration to the new Content Management System, the International Taxpayer content resided in the Businesses channel of IRS.gov rather than with the Individual channel.

29 The IRS uses Google Analytics to obtain metrics about IRS.gov webpage usage. Data includes the number of page views, the number of unique visitors, bounce rates, average time on pages, the number of exits, and average visit duration. There were 447,074 page views of the landing page, by 304,866 unique visitors during FY 2013. Large Business & International Division (LB&I) response to TAS information request (Nov. 18, 2013). Google Search Analytics also powers the new Content Management search engine on IRS.gov, allowing users to obtain more efficient search results.

to international taxpayers (other than the international taxpayer landing page) are shown in Figure 1.20.3 below.³⁰

FIGURE 1.20.3, Monthly Average of Unique Visitors to International-Related IRS.gov Pages



Keeping in mind that “international taxpayers may best be served through investment and improvements in IRS.gov and online services,” the IRS’s Large Business & International Division considered Form W-7, the ITIN application, a candidate for electronic filing.³¹ The Google Analytics data that has since become available confirms taxpayers’ overwhelming interest in information about ITINs relative to other international topics. Nevertheless, LB&I no longer supports electronic filing of Form W-7 and taxpayers still cannot file it electronically.³²

30 LB&I response to TAS information request (Oct. 28, 2013). The IRS individual international page invites users to search TaxMap, an IRS-developed tax law discovery tool that refers taxpayers to information available on IRS.gov. TaxMap is available at <http://taxmap.ntis.gov/taxmap>. Approximately 13,000 unique visitors selected among the more than 200 topics in the TaxMap international index, but the IRS does not have data on which topics are visited most often. The TaxMap international index is hosted by another government agency, the National Technical Information Service (NTIS). The software NTIS uses is not configured to capture the frequency with which taxpayers select various index topics. However, the top five countries from which visitors accessed TaxMap, and the respective number of unique visitors in a recent six-month period were:

United States – 155,903 visitors; China – 5,937 visitors; Canada – 3,413 visitors; United Kingdom – 2,974 visitors; and Germany – 1,852 visitors. LB&I response to TAS information request (Oct. 28, 2013). The data is for the period March 22, 2013 to September 16, 2013 and was created through reverse domain name system lookups of the Internet protocol addresses of TaxMap visitors.

31 2012 WIRA Research Study; WIRA, *Understanding the International Taxpayer Experience: Service Awareness, Use, Preferences, and Filing Behaviors*, Research Study Report 43, 60 (Feb. 2010). See National Taxpayer Advocate 2012 Annual Report to Congress 262, 274 (IRS Response, Most Serious Problem: *Challenges Persist for International Taxpayers as the IRS Moves Slowly to Address Their Needs*).

32 The IRS advised that “The IRS does not plan to pursue electronic filing of the ITIN application. Form W-7, Application for IRS Individual Taxpayer Identification Number (ITIN), is not a candidate form for electronic filing for the following reasons: 1. Modernized e-File (MeF) is unable to accept both the W-7 and associated tax return(s) in the same transaction. Taxpayers are required to include their original, valid tax return(s) for which the ITIN is needed. [We note that this requirement is subject to a few exceptions. Nonresident aliens claiming the benefits of a tax treaty and persons with income, payments, or transactions subject to third party reporting or withholding may apply for an ITIN separately from filing a tax return. See Instructions for Form W-7 (Aug. 2013).] 2. MeF requires a valid Taxpayer Identification Number (TIN) at the time the return is submitted for processing. The tax returns submitted with the W-7 applications do not have a TIN when the return is submitted to IRS. 3. Taxpayers must also submit documentation that supports the information provided on the Form W-7. The applicant can submit original documents or certified copies from the issuing agency.

[We note that certain applicants are exempt from the requirement to submit original documents: spouses and dependents of military taxpayers; students who are part of the Student and Exchange Visitor Program (SEVP); and nonresident aliens claiming tax treaty benefits.] Attaching a pdf version of the supporting documentation will not allow IRS to authenticate the documents per IRM 3.21.263.” TAS SharePoint (tracking annual report to Congress recommendations), 2012 Rec. 15-4.

LB&I did request inclusion of Form 1040NR, *U.S. Nonresident Alien Income Tax Return*, in the 2015 release of the IRS's Modernized E-file platform, which would permit taxpayers to file the return electronically. The IRS Submission Processing Executive Steering Committee declined to do so due to “other priorities and resource constraints.”³³ However, as the National Taxpayer Advocate urged, the IRS now includes Form 8938, *Statement of Specified Foreign Financial Assets*, among those that can be submitted electronically.³⁴

The IRS Still Maintains Only Four Foreign Tax Attaché Offices for Interaction with International Taxpayers.

The “How to Contact the IRS” webpage provides the contact information for four embassies or consulates where the IRS has tax attachés and for the local Puerto Rico office. Taxpayers contacted their foreign attaché offices 26,205 times in FY 2013, by way of:

- 6,929 in-person contacts (walk-in or by appointment);
- 10,546 telephone contacts; and
- 8,730 correspondence contacts (by letter, fax, or email).³⁵

The four tax attaché offices held outreach events as follows:³⁶

	Beijing	Frankfurt	London	Paris	Total
FY 2011	12	2	6	7	27
FY 2012	17	3	6	7	33
FY 2013	10	3	17	6	36

The topics of these outreach events and tax workshops, at which the number of attendees ranged from 20 to 200, included:

- Filing requirements for taxpayers living abroad;
- Foreign earned income exclusion;
- Foreign tax credit;
- Treaty-related issues; and
- ITIN, FBAR, FATCA, and other topics of interest for international taxpayers.³⁷

Despite the growth of the U.S. population overseas and repeated urging by the National Taxpayer Advocate, the IRS has not increased the number of attachés and has no plans to do so.³⁸

33 LB&I response to TAS information request (Oct. 28, 2013).

34 See National Taxpayer Advocate 2012 Annual Report to Congress 262, 280 (Most Serious Problem: *Challenges Persist for International Taxpayers as the IRS Moves Slowly to Address Their Needs*)

35 LB&I response to TAS information request (Oct. 28, 2013).

36 *Id.*

37 LB&I response to TAS information request (Oct. 28, 2013).

38 See National Taxpayer Advocate 2011 Annual Report to Congress 151,157 (Most Serious Problem: Individual U.S. Taxpayers Working, Living, or Doing Business Abroad Require Expanded Service Targeting Their Specific Needs and Preferences) for a description of the IRS attaché post expansion analysis, in which it identified nine countries as candidates for post expansion. The study abruptly ended due to “budgetary and other considerations.” The IRS has no plans to increase the number of foreign tax attaché posts. LB&I response to TAS information request (Oct. 28, 2013).

The Individual Taxpayer Assistance Team is a Promising Development, but Needs to be Made Permanent.

In June 2012, LB&I, the Wage & Investment Division (W&I), and TAS created the International Individual Taxpayer Assistance Team (IITA) to develop international taxpayer service initiatives.³⁹ The IRS Office of Online Services (OLS) joined the group in August of 2012. The team has been instrumental in updating and streamlining various IRS webpages for international taxpayers, identifying areas and issues of most concern to them and working with TaxMap. The National Taxpayer Advocate has recommended that the IRS make IITA permanent, with a formal charter.⁴⁰ She has further recommended that IITA be required to provide periodic written reports and formal recommendations to Business Operating Division (BOD) executives through the existing Services Committee, and the IRS has agreed to consider the proposal. Once IITA is a permanent, accountable group, it can engage in long-term planning, and the IRS can measure its effectiveness. LB&I has appointed a permanent full-time program manager for IITA, an important first step, but there are no other full-time employees dedicated to IITA.⁴¹ IITA continues to function through “cross functional ad hoc teams” — exactly the approach the National Taxpayer Advocate would prefer to avoid, in favor of a more holistic approach.⁴²

International Taxpayers Face Unique Challenges under the Affordable Care Act.

The Affordable Care Act of 2010 generally requires “applicable individuals” to have minimal essential health coverage (MEC) beginning in 2014 or pay a penalty.⁴³ U.S. citizens abroad who are subject to the requirement will be treated as having MEC under circumstances described in the statute (for example, if they are eligible for the foreign earned income exclusion).⁴⁴ In addition, according to the Department of Labor, U.S. citizens living abroad who do not meet the statutory requirements may still be considered as having MEC if they are covered by an “expatriate health plan.”⁴⁵ However, Treasury regulations do not reflect this rule and important details about how U.S. taxpayers living abroad can meet their obligations under the ACA remain undeveloped.⁴⁶ The IRS has posted only two FAQs about how ACA applies to

39 For a complete discussion of the steps the IRS has taken to provide better service to international taxpayers, see National Taxpayer Advocate 2012 Annual Report to Congress 262, 265 (Most Serious Problem: *Challenges Persist for International Taxpayers as the IRS Moves Slowly to Address Their Needs*).

40 National Taxpayer Advocate 2012 Annual Report to Congress 262, 280 (Most Serious Problem: *Challenges Persist for International Taxpayers as the IRS Moves Slowly to Address Their Needs*).

41 LB&I response to TAS information request (Oct. 28, 2013).

42 Nov. 4, 2013 email from IITA program manager to TAS Senior Technical Advisor.

43 The Patient Protection and Affordable Care Act of 2010, Pub. L. No. 111-148, 124 Stat. 119 (2010) (codified as amended in scattered sections of the U.S. Code), as amended by the Health Care and Education Reconciliation Act of 2010, Pub. L. No. 111-152, 124 Stat. 1029 (2010). An “applicable individual” does not include “an individual for any month if for the month the individual is not a citizen or national of the United States or an alien lawfully present in the United States.” See IRC § 5000A(a), (b), (d), and (f).

44 IRC § 5000A(f)(4) provides: “Individuals residing outside United States or residents of territories. — Any applicable individual shall be treated as having minimum essential coverage for any month — (A) if such month occurs during any period described in subparagraph (A) or (B) of section 911(d)(1) which is applicable to the individual, or (B) if such individual is a bona fide resident of any possession of the United States (as determined under section 937(a) for such month.”

45 An expatriate health plan for purposes of certain transitional relief is “an insured group health plan with respect to which enrollment is limited to primary insureds who reside outside of their home country for at least six months of the plan year and any covered dependents, and its associated group health insurance coverage.” U.S. Dep’t. of Labor, *FAQs about the Affordable Care Act Implementation Part XII* (March 8, 2013), available at <http://www.dol.gov/ebsa/faqs/faq-aca13.html>.

46 Letter from the American Benefits Council to the U.S. Dep’t. Of Labor (May 8, 2013) available at <http://www.americanbenefitscouncil.org/index.cfm>.

U.S. citizens residing abroad, neither of which sheds any additional light on this issue.⁴⁷ The international taxpayer landing page does not contain a direct link to these FAQs.

CONCLUSION

The population of U.S. international taxpayers is growing rapidly, and is subject to increasingly burdensome tax compliance obligations. The IRS emphasizes service to these taxpayers via IRS.gov pages, but taxpayers increasingly call the IRS for information and matters relating to their accounts even if they have to pay for the call and even though they would prefer online services. At the same time, important online services continue to be unavailable. The IRS is making incremental progress with developing the International Individual Taxpayer Assistance Team, but needs to do more.

RECOMMENDATIONS

The National Taxpayer Advocate recommends the IRS:

1. Make the IITA a permanent initiative with reporting responsibilities.
2. Develop and implement free electronic filing of Forms 1040NR and W-7.
3. Prioritize the delivery of online services to the overseas population of international taxpayers, given their special circumstances and communication barriers, by including them in the first group of pilot projects the IRS launches.
4. Improve the CSR level of service for international taxpayers who call the international call site.
5. Explore the use of voice-over-Internet-protocol and other alternative methods of telephone services that will allow the IRS to contact taxpayers, and taxpayers to contact the IRS, without paying international call rates.
6. Open more foreign tax attaché offices, and locate a Local Taxpayer Advocate at each site.
7. Develop dedicated FAQs that ultimately become formal published guidance about how U.S. citizens abroad who are subject to the reporting requirements of the Affordable Care Act (ACA) can meet their obligations, and provide links to this guidance on the ACA webpage from the international taxpayer webpage.

⁴⁷ The FAQs appear at <http://www.irs.gov/uac/Questions-and-Answers-on-the-Individual-Shared-Responsibility-Provision> and include answers to: 12. Are US citizens living abroad subject to the individual shared responsibility provision? 13. Are residents of the territories subject to the individual shared responsibility provision? ACA Implementation response to TAS information request (Nov. 1, 2013).