

Volume 2

LITERATURE REVIEWS

Fostering Taxpayer Engagement Through Geographic Presence

INTRODUCTION

The National Taxpayer Advocate has raised concerns about the lack of geographic presence in both service and enforcement functions of the IRS. In particular, the National Taxpayer Advocate is concerned that:

- A lack of geographic presence can have a negative effect on taxpayer morale, which in turn may decrease voluntary compliance and increase taxpayer burden;
- The absence of a geographic footprint deprives the IRS and taxpayers of local knowledge which may result in missed opportunities to meet taxpayers' unique needs, and to identify and address noncompliance specific to a geographic region; and
- The IRS is slow to find innovative ways to maintain and create local presence in communities.¹

In 2012 and 2013, TAS developed and administered a survey to a national sample of sole proprietors to determine the factors that influence compliance behavior in this population. TAS also identified geographic communities where a disproportionate number of taxpayers were deemed to be either high or low compliant taxpayers. The studies found that respondents from low-compliance communities were suspicious of the tax system and its fairness. Those in the low-compliance group were clustered in geographic communities while those in the high-compliance group were more dispersed. The low-compliance group also reported more participation in local institutions. The research identified a link between the salient relationships, *i.e.*, one's membership in a group, and one's own attitudes and behaviors towards tax and compliance. Local norms were the most influential factors of tax compliance. The research suggests the IRS should retain a local presence and conduct targeted outreach and education events, particularly in low-compliance communities.²

Pursuant to the above-mentioned TAS research, geographic presence is particularly important in outreach activities. IRS employees need to be on the ground and in the community to understand local issues, local concerns, and local norms. With this local knowledge, the IRS will be in a position to present information in a way that the community can access and understand. In addition, the IRS will be able to provide information on issues relevant to the local taxpayer population rather than provide a general information that is too vague for the taxpayers to apply to their own lives.³

DISCUSSION

A primary way to build taxpayer trust and confidence, provide taxpayer specific service, and to promote understanding of the tax system is to be a part of the community and to display a desire to work with and educate local taxpayers. The Department of Justice has acknowledged the importance of geographic presence in its community oriented policing services. According to the Office of Community Policing Services (COPS), "Community policing begins with a commitment to building trust and mutual respect between police and communities. It is critical to public safety, ensuring that all stakeholders work

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- 1 National Taxpayer Advocate 2016 Annual Report to Congress 86-87 (Most Serious Problem: *Geographic Focus: The IRS Lacks an Adequate Local Presence in Communities, Thereby Limiting Its Ability to Meet the Needs of Specific Taxpayer Populations and Improve Voluntary Compliance*).
 - 2 See National Taxpayer Advocate 2013 Annual Report to Congress vol. 2, 33-56 (Research Study: *Small Business Compliance: Further Analysis of Influential Factors*); National Taxpayer Advocate 2012 Annual Report to Congress vol. 2, 1-70 (Research Study: *Factors Influencing Voluntary Compliance by Small Businesses: Preliminary Survey Results*).
 - 3 David Ingram, *The Advantages of Geographical Organizational Structure*, CHRON, <http://smallbusiness.chron.com/advantages-geographical-organizational-structure-717.html> (last visited Oct. 11, 2017); Jan Levy, *Community Engagement Is Not About Being Nice; It's Fourth Pillar of CSR*, THE GUARDIAN (Sept. 8, 2014), <https://www.theguardian.com/sustainable-business/2014/sep/08/community-engagement-pillar-business-csr-sustainability>.

together to address our nation's crime challenges. When police and communities collaborate, they more effectively address underlying issues, change negative behavioral patterns, and allocate resources.⁴

Foreign tax administrations have acknowledged the importance of in-person outreach initiatives. For example, Her Majesty's Revenue and Customs (HMRC) in the United Kingdom has taken an approach to taxpayer service and enforcement that combines the expertise of centralization with the ability to reach taxpayers on a local level. For those taxpayers who are comfortable seeking guidance by phone, the HMRC phone advisors are able to bring HMRC experts together in a single call to resolve multiple issues, without transferring customers around different parts of HMRC to different advisors who each deal with a separate issue. The HMRC approach provides mobile advisors for taxpayers who need face-to-face help. The mobile advisors meet with taxpayers by appointment at a variety of venues, from government and community buildings to a taxpayer's home or business.⁵ In addition, the Canada Revenue Agency (CRA) implemented a Liaison Officer Initiative that provides in-person guidance to small businesses to identify emerging issues and provide pro-active guidance to avoid downstream audits.⁶

The Disadvantages of Digital Communication

While communicating digitally may appear to be a low-cost option in the short-term, research has shown that this format has disadvantages. For example, research has found that digital screen readers engage in a greater use of shortcuts such as browsing for keywords. They also tend to multitask more. It is no surprise the research found that these digital screen readers engage in less in-depth reading.⁷

The Importance of Two-Way Communication

While face-to-face and telephone communication is optimal, social media is another option to provide effective two-way communication. The government can distribute information and receive much-needed information from those on the ground in a timely manner. However, access problems still exist, especially in disasters when communities lose electricity.⁸

Another way to achieve in-person communication is to deploy mobile vans. This option enables the agency to reach more communities without having established offices in the communities.⁹ The

4 Community Oriented Policing Services, U.S. Dep't of Justice, *About*, <https://cops.usdoj.gov/about> (last visited Oct. 11, 2017).

5 Her Majesty's Revenue & Customs (HMRC), *HMRC Comes Out of the Office to Support Customers Who Need Extra Help* (Feb. 12, 2014), <https://www.gov.uk/government/news/hmrc-comes-out-of-the-office-to-support-customers-who-need-extra-help>.

6 Canada Revenue Agency, *Liaison Officer Initiative*, <https://www.canada.ca/en/revenue-agency/programs/about-canada-revenue-agency-cra/compliance/liaison-officer-initiative-loi.html> (last visited Oct. 13, 2017).

7 Anne Niccoli, *Paper or Tablet? Reading Recall and Comprehension*, *EDUCAUSE REVIEW* (Sept. 28, 2015), <https://er.educause.edu/articles/2015/9/paper-or-tablet-reading-recall-and-comprehension>.

8 *Understanding the Power of Social Media as a Communication Tool in the Aftermath of Disasters*, *Hearing Before the Ad Hoc Subcomm. on Disaster Recovery and Intergovernmental Affairs, S. Comm. on Homeland Security and Governmental Affairs*, 112th Cong. (2011) (written statement of Craig Fugate, Administrator, Federal Emergency Management Agency).

9 See, e.g., Motor Vehicle Admin., Maryland Dep't of Transportation, *MVA Bus Schedule*, <http://www.mva.maryland.gov/locations/bus.htm> (last visited Oct. 12, 2017).

National Taxpayer Advocate has recommended on numerous occasions that the IRS use mobile vans to reach underserved taxpayer populations or to serve disaster areas.¹⁰

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1. 26 U.S. Code § 7803(c)(2).

“(C) **Other responsibilities** The National Taxpayer Advocate shall —
 (i) monitor the coverage and geographic allocation of local offices of taxpayer advocates;...

(D) **Personnel actions**

(i) **In general** The National Taxpayer Advocate shall have the responsibility and authority to —
 (I) appoint local taxpayer advocates and make available at least 1 such advocate for each State;...”

2. **3rdView Consulting**, *Understanding and Improving Customer Focus: How Customer Focus Can Help Sustain and Grow Your Organisation, Module 1: Introduction to Customer Focus* 1, 3 (Dec. 2013), http://communitydoor.org.au/sites/default/files/Topic_1_-_Introduction_to_Customer_Focus.pdf.

“What is customer focus?”

Customer focus is an approach to achieving organisational success by aligning systems, processes and activities around a common purpose — the customer. Organisations can choose to focus on a range of things — manufacturing efficiency, internal processes, new product development. These things are important, however only *customer focus* ensures that the organisation is delivering to the changing needs of those people that will keep them in business.

Customer focus is different to *customer service*. *Customer service* relates to the interactions between frontline personnel and customers. *Customer focus* relates to the alignment of the organisation’s vision, strategy, people, processes and systems, to deliver on identified customer needs. While customer service is the role of a team or department, customer focus involves everyone in the organisation.”

3. **Allen N. Berger & Robert DeYoung**, *The Effects of Geographic Expansion on Bank Efficiency*, 19 J. FIN. SERVICES RES. 163, 169 (Apr. 2001).

“However, we argue that physical distance matters, will continue to matter in the near future, and that technological advances can only partially mitigate the effects, both unfavorable and favorable, of distance on bank efficiency. For example, making relationship loans to borrowers that do not qualify for credit scoring because of relatively weak financial statements and collateral

¹⁰ See National Taxpayer Advocate 2014 Annual Report to Congress 31-45. See also National Taxpayer Advocate 2010 Annual Report to Congress 267-77. In this Most Serious Problem, the IRS reported it had tested a mobile van program in 2008, 2009, and 2010 despite previously responding to research requests that it did not have mobile vans. Additionally, the IRS never shared the parameters of this program with the National Taxpayer Advocate so TAS was unable to evaluate the efficacy of the program design. See also National Taxpayer Advocate 2008 Annual Report to Congress 95-113. In this Most Serious Problem, the IRS did not respond at all to the National Taxpayer Advocate’s recommendation that the IRS begin a mobile van program.

of questionable value requires local knowledge that is difficult to quantify and transmit to a distant headquarters. This local knowledge includes not only financial information about the firm, but information about the firm's managers, its local economic environment, and its relationships with customers, suppliers, and local competitors. Because much of this information is difficult to quantify and transmit, so that verifying whether local loan performance problems are due to adverse local conditions, poor performance of the borrowers, or lax effort/incompetence of local loan officers becomes more difficult as distance increases. In addition, geographic expansion brings potential diversification benefits that increase with physical distance, as shown above. These benefits may accrue to banks that provide loans, deposits, or other financial products and services on a multiregional, national, or international basis. It is unlikely that advances in information, communications, and financial technologies will smooth out differences in regional economic conditions and fully mitigate these potential efficiency gains from geographic expansion.”

4. **Anja Krabye**, 3rdView Consulting, *From Customer-phobic to Customer-focused*, <http://3rdview.com.au/customer-focus/from-customer-phobic-to-customer-focused/> (June 13, 2016).

“There are different levels of benefit that can be derived from customer interactions. Learning customer needs and pain-points helps identify opportunities for a business to deliver value. Turning an idea into a product or service without further customer engagement limits the value that can actually be delivered and hence the benefit the company can receive.

Leaders will often say ‘We’ve heard what the customer needs, so now we can just deliver’. This puts customer phobic people back into their comfort zone and aligns with a ‘business-as-usual’ project management process. Engaging customers throughout prototyping and co-designing with them not only refines the outcome, but also builds customer buy-in and ownership [of] the products and services being designed to serve their needs. If customer phobias block the ongoing engagement with customers, your business misses these benefits.”

5. **Anne Niccoli**, *Paper or Tablet? Reading Recall and Comprehension*, *EDUCAUSE REVIEW* (Sept. 28, 2015), <https://er.educause.edu/articles/2015/9/paper-or-tablet-reading-recall-and-comprehension>.

“Researchers have noticed changes in reading behavior as readers adopt new habits while interfacing with digital devices [citation omitted]. For example, findings by Ziming Liu claimed that digital screen readers engaged in greater use of shortcuts such as browsing for keywords and selectivity [citation omitted]. Moreover, they were more likely to read a document only once and expend less time with in-depth reading. Such habits raise concern about the implications for academic learning.”

“David Daniel and William Woody urge caution in rushing to e-textbooks and call for further investigation [citation omitted]. Their study compared college student performance between electronic and paper textbooks. While the results suggested that student scores were similar between the formats, they noted that reading time was significantly higher in the electronic version. In addition, students revealed significantly higher multitasking behaviors with electronic devices in home conditions. These findings uphold recent results involving multitasking habits while using e-textbooks in Baron’s survey [citation omitted]. Likewise, L. D. Rosen *et al.* found that during a 15-minute study period, students switched tasks, on average, three times while using

electronic devices [citation omitted]. Taken together, these studies point to adaptive habits and cognitive shortcuts while using technology even though learning is the primary objective.”

“Survey results from the Joan Ganz Cooney Center suggest that parents who read to their three- to six-year-olds with tablets recalled significantly fewer details compared to the same story read using print [citation omitted].”

“Uncertainties remain about the influence of digital reading for in-depth reading comprehension for adults and raise more unanswered questions about the developmental implications for children [citation omitted]. The effects of reading from digital devices on children’s cognitive developmental skills and literacy abilities are just beginning to emerge. Questions linger regarding the consequences of nonlinear reading on brain processing, especially adaptive shortcuts due to scrolling, scanning, and hyperlinks [citation omitted]. ‘There is physicality in reading,’ explained developmental psychologist and cognitive scientist Maryanne Wolf of Tufts University, ‘maybe even more than we want to think about as we lurch into digital reading — as we move forward perhaps with too little reflection. I would like to preserve the absolute best of older forms, but know when to use the new [citation omitted].’”

6. **Anne Tolley & Peter Dunne**, *New Tax Education Online Resource for Schools*, BEEHIVE.GOV.T.NZ (July 4, 2011), <https://www.beehive.govt.nz/release/new-tax-education-online-resource-schools>.

“[New Zealand] Education Minister Anne Tolley and Revenue Minister Peter Dunne have today launched a new tax education online curriculum tool for school students.

The Citizenship and Tax Education tool is designed for Year 7-10 social studies classes.

‘This will be a welcome addition to the resources currently available to schools,’ says Mrs. Tolley.

‘It’s a useful and practical programme and it’s aligned to the new curriculum, so students and teachers will benefit.’

Mr. Dunne says the resource essentially starts discussions around citizens paying tax, why we do it and why there is an obligation to do so.

‘Very positive feedback from trials shows that when young people used the tool they demonstrated a real understanding and appreciation of why we pay tax to have a fair, whole and functioning society.’

The programme was developed by Inland Revenue with advice from the Ministries of Education and Youth Development, and includes animations, quizzes, and games.

The resource can be downloaded at www.taxcitizenship.tki.org.nz.”

7. **Canada Revenue Agency**, *Liaison Officer Initiative* (Dec. 23, 2016), <https://www.canada.ca/en/revenue-agency/programs/about-canada-revenue-agency-cra/compliance/liaison-officer-initiative-loi.html> (last visited Oct. 13, 2017).

“Helping you get small business taxes right from the start

The Canada Revenue Agency (CRA) is working hard to improve its services so you can more easily meet your tax obligations, plus save time and money. The **Liaison Officer Initiative (LOI)** provides in-person guidance, support, and information that will help you understand and navigate

the tax system. Early support and certainty make it easier for you to meet your tax obligations. The CRA benefits too: by identifying emerging issues and answering questions for a business in the early stages of development, the CRA can help prevent more serious problems that would cost more to resolve later.

Audits are still one of the tools the CRA uses to make sure taxpayers comply. But with the LOI the CRA is shifting its compliance approach to offer proactive support before costly and time-consuming audits become necessary. LOI activities are geared toward providing timely education and building a stronger relationship between you and the CRA.

The LOI provides the following services:

1. **Small business support visits:** A liaison officer will visit you at your place of business to give you support and guidance on tax matters. One-on-one, they will respond to any tax-related questions and concerns you have, give you general information on tax obligations, and tell you about common tax errors small businesses make.
 2. **Books and records review:** When a small business is not meeting its tax obligations, it is often because of poor record-keeping. The liaison officer will offer to review your books and records and give feedback and guidance on their accuracy and completeness. Your participation in a books and records review is voluntary. By choosing to participate you allow the CRA to help address potential problems before you file your taxes.
 3. **Compliance support arrangement:** After your visit or review, the liaison officer will ask you to sign a compliance support arrangement. This step is completely voluntary. By signing, you acknowledge that you understand your tax obligations and you intend to meet those obligations. The compliance support arrangement will highlight the key responsibilities of both parties, identify tax errors that are commonly made by small businesses, and outline industry benchmarks that you can use to compare your business's performance to the sector in general.”
8. **Christopher Meyer & Andre Schwager**, *Understanding Customer Experience*, HAR. BUS. REV. (Feb. 2007), <https://hbr.org/2007/02/understanding-customer-experience>.

“Although few companies have zeroed in on customer experience, many have been trying to measure customer satisfaction and have plenty of data as a result. The problem is that measuring customer satisfaction does not tell anyone how to achieve it. Customer satisfaction is essentially the culmination of a series of customer experiences or, one could say, the net result of the good ones minus the bad ones. It occurs when the gap between customers’ expectations and their subsequent experiences has been closed. To understand how to achieve satisfaction, a company must deconstruct it into its component experiences. Because a great many customer experiences aren’t the direct consequence of the brand’s messages or the company’s actual offerings, a company’s reexamination of its initiatives and choices will not suffice. The customers themselves — that is, the full range and unvarnished reality of their prior experiences, and then the expectations, warm or harsh, those have conjured up — must be monitored and probed.”

9. **Community Oriented Policing Services**, U.S. Dep't of Justice, *About*, <https://cops.usdoj.gov/about> (last visited Oct. 11, 2017).

“The Office of Community Oriented Policing Services (COPS Office) is the component of the U.S. Department of Justice responsible for advancing the practice of community policing by the nation’s state, local, territorial, and tribal law enforcement agencies through information and grant resources.

Community policing begins with a commitment to building trust and mutual respect between police and communities. It is critical to public safety, ensuring that all stakeholders work together to address our nation’s crime challenges. When police and communities collaborate, they more effectively address underlying issues, change negative behavioral patterns, and allocate resources.

The COPS Office awards grants to hire community policing professionals, develop and test innovative policing strategies, and provide training and technical assistance to community members, local government leaders, and all levels of law enforcement. Since 1994, the COPS Office has invested more than \$14 billion to help advance community policing.”

10. **David Ingram**, *The Advantages of Geographical Organizational Structure*, CHRON, <http://smallbusiness.chron.com/advantages-geographical-organizational-structure-717.html> (last visited Oct. 11, 2017).

“Local Managers

The ability to hire local management offers companies the advantage of having leaders who are completely familiar with the local business environment, culture, and legal climate. Local marketing managers understand exactly what drives local purchase behavior; local accounting managers understand the tax structure and financial reporting requirements of the region; and local staffing managers understand the management practices that are most effective in the region. Decision-making effectiveness can be enhanced by relying on the knowledge and experience of local talent. Placing a mix of local and home office leaders at the helm of a geographical unit has the advantage of melding local culture with company culture, ensuring that the company is sufficiently adaptable to local conditions, while still being true to its core business methodologies.

Geographical Focus

According to Lamar.edu, customer service quality can be enhanced by implementing a geographical structure. Customers can feel more at ease when speaking with local representatives who fully understand their language and idiomatic expressions. Customer support representatives will also have greater access to representatives from other functions, as mentioned before, which can allow them to handle customer issues much more efficiently. For example, in a functional structure, a customer support representative in India might speak with a customer from England, then call an account manager in Germany to obtain the information to help the customer. In a geographical structure, the support representative in India would speak with a customer from India, then ask an account representative down the hall for the needed information. Focusing all functions on one geographical area allows each department to operate with precision: product attributes can be altered to suit local tastes; workplace policies can be altered to fit local workers; marketing can be tailored to the specific market; sales practices can stay within culturally acceptable boundaries; and pricing schemes can fit local trends.”

11. **Ferris Jabr**, *The Reading Brain in the Digital Age: The Science of Paper Versus Screens*, SCIENTIFIC AMERICAN (Apr. 11, 2013), <https://www.scientificamerican.com/article/reading-paper-screens/>.

“Even so, evidence from laboratory experiments, polls and consumer reports indicates that modern screens and e-readers fail to adequately recreate certain tactile experiences of reading on paper that many people miss and, more importantly, prevent people from navigating long texts in an intuitive and satisfying way. In turn, such navigational difficulties may subtly inhibit reading comprehension. Compared with paper, screens may also drain more of our mental resources while we are reading and make it a little harder to remember what we read when we are done.”

“In contrast, most screens, e-readers, smartphones and tablets interfere with intuitive navigation of a text and inhibit people from mapping the journey in their minds. A reader of digital text might scroll through a seamless stream of words, tap forward one page at a time or use the search function to immediately locate a particular phrase — but it is difficult to see any one passage in the context of the entire text. As an analogy, imagine if Google Maps allowed people to navigate street by individual street, as well as to teleport to any specific address, but prevented them from zooming out to see a neighborhood, state or country. Although e-readers like the Kindle and tablets like the iPad re-create pagination — sometimes complete with page numbers, headers and illustrations — the screen only displays a single virtual page: it is there and then it is gone. Instead of hiking the trail yourself, the trees, rocks and moss move past you in flashes with no trace of what came before and no way to see what lies ahead.”

12. **HMRC**, *HMRC Comes Out of the Office to Support Customers Who Need Extra Help* (Feb. 12, 2014), <https://www.gov.uk/government/news/hmrc-comes-out-of-the-office-to-support-customers-who-need-extra-help> (last visited Oct. 12, 2017).

“A new, flexible, face-to-face support service for customers who need extra help with their taxes, tax credits and child benefit entitlements will be rolled out across the UK by HMRC this spring.

Following a successful seven-month trial in the North East of England, the new service will provide expert advisers to resolve issues on the phone in depth, in one go. It will also provide mobile adviser support at a range of convenient locations for those who need a face-to-face appointment.

The phone advisers will be able to bring HM Revenue and Customs (HMRC) experts together in a single call to resolve multiple issues, without transferring customers around different parts of HMRC to different advisers who each deal with a separate issue.

For those who need a personal appointment, HMRC’s mobile advisers will meet them at a range of venues — from government and community buildings to a person’s own home or business — at a time that suits them.

Customers who need extra help on any HMRC issue — from help with a tax return, to assistance with a tax credits claim — will be identified and referred to the new service by both HMRC’s existing helpline phone advisers and by voluntary sector partners.

Following the launch of the new service in May 2014, the current Enquiry Centre network will close.”

13. **HMRC**, *Our Approach to Tax Compliance* (Sept. 2012), https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/89015/tax-compliance.pdf (last visited Oct. 12, 2017).

“We aim to close the tax gap, which is the difference between the amount of tax that should in theory be collected, against what is actually collected, through a number of key compliance activities. They are:

- Identifying how to deal with customers in the most appropriate way. This ranges from educating them about their tax responsibilities to providing local help and support...”

14. **International Monetary Fund**, *Current Challenges in Revenue Mobilization: Improving Tax Compliance*, 41 (Apr. 2015).

“Managing relationships with taxpayers and other stakeholders is important for effective compliance management — with much to do in many developing countries. RAs [Revenue Agents] need strong relationships with many groups: taxpayers (and intermediaries), trade associations, and other agencies responsible for different aspects of tax compliance (such as customs, when tax and customs are separate, social contribution agencies, withholding agents, and anti-money laundering (AML) agencies). More advanced administrations have a range of channels through which tax officials communicate with the public, ranging from regular briefings with trade and other organizations to working with an official taxpayer representative or ombudsman — all of which provide channels for taxpayer grievances and allow the taxpaying community to give the RA feedback on its operations and initiatives. But — with some exceptions, such as with commercial banks acting as withholders — the stakeholder relationships of most developing country RAs are largely ad hoc. This means that opportunities for exchanging information, sharing intelligence, or carrying out joint/coordinated actions with other agencies, are not exploited effectively.”

15. **IRS**, *IRS Earned Income Tax Credit (EITC) Initiative: Report on Fiscal Year 2005 Tests*, 16-17 (Jan. 2007).

“The community test in Hartford County provided an opportunity for outreach and education that would be cost prohibitive for a nationwide test with a relatively small sample dispersed across the country. We selected Hartford County because the community was relatively compact, comprised a single media market, and had a demographic makeup similar to that of the United States as a whole. For the community test, we supported an outreach campaign in an effort to simulate what might happen if we imposed a certification test more broadly. This outreach included IRS-delivered educational materials and working with community-based organizations to educate taxpayers about the certification requirements. The outreach campaign did not include any exceptional efforts. The outreach effort was one way in which the Hartford County test differed from the nationwide test. Another difference in the tests was that third party document providers in Hartford County were much more likely to receive documentation requests from more than one taxpayer, which could potentially affect the third party’s ability and/or willingness to fulfill a taxpayer’s request. Taxpayers in the Hartford County test group also were more likely to meet other taxpayers who also were required to certify and to share information about the requirement and the program.”

16. **James Alm & Benno Torgler**, *Culture Differences and Tax Morale in the United States and in Europe*, 27 J. ECON. PSYCHOL. 224-25 (Apr. 2006).

“We first analyze a cross-section of individuals in Spain and the United States. In line with previous experimental results, our findings indicate a significantly higher tax morale in the United States than in Spain, controlling in a multivariate analysis for additional variables. We then extend our multivariate analysis to include an additional 14 European countries. Our results again indicate that individuals in the United States have the highest tax morale across all countries, followed by Austria and Switzerland. We also find a strong negative correlation between the size of shadow economy and the degree of tax morale in those countries.

In recent years much research has investigated whether values, social norms, and attitudes differ across countries and whether these differences have measurable effects on ‘real’ economic behavior. One area in which such studies are particularly relevant is tax compliance, given both the noted differences across countries in their levels of tax compliance and the marked inability of standard economic models of taxpayer compliance to explain these differences....

In the face of these difficulties, many researchers have suggested that the intrinsic motivation for individuals to pay taxes [citation omitted] — what is sometimes termed their ‘tax morale’ — differs across countries.... However, isolating the reasons for these differences in tax morale is notoriously difficult....

In a common approach, studies sometimes referred to as ‘cultural studies’ have often relied upon controlled laboratory experiments conducted in different countries because such experiments can be set up with identical experimental protocols to allow cultural effects to be isolated....”

17. **Jan Levy**, *Community Engagement Is Not About Being Nice; It’s Fourth Pillar of CSR*, THE GUARDIAN (Sept. 8, 2014), <https://www.theguardian.com/sustainable-business/2014/sep/08/community-engagement-pillar-business-csr-sustainability>.

“If it is vital that companies engage in and understand critical external (or material) issues, how best can they go about it? Carry out market research? Engage an academic? Bring in expert consultants?

Put these traditional approaches aside and consider this: community engagement is a way to understand, engage in and act upon critical workplace, marketplace and environmental issues. It is not additional; it is central. It is not about being nice; it is about addressing business objectives. And it is definitely not about ‘giving back;’ it is about companies being part of, not apart from, society.”

18. **Janet Spragens & Nancy Abramowitz**, *Low-Income Taxpayers and the Modernized IRS: A View from the Trenches*, 107 TAX NOTES 1407, 1409 (June 13, 2005).

“Moreover, many low-income taxpayers are entrepreneurs with their own small businesses — for example, as food service providers, taxi drivers, hairdressers, roofers, merchants, child care providers, or carpet installers — and, as a result, are required to file quarterly estimates of tax, pay self-employment taxes, and claim business deductions on Schedule C. Often, those self-employed low-income taxpayers have only the most rudimentary understanding about the recordkeeping necessary to meet filing requirements or about the filing requirements themselves. A growing number of low-income taxpayers are limited English proficiency (LEP) taxpayers and face major

language barriers in understanding their tax obligations and the avenues for challenging IRS disallowance of their filing positions. Many of those taxpayers seek help with their tax obligations from professional preparers, but their inability to communicate in English often leads them to seek out preparers who speak their language without checking the preparer's credentials or training in taxation. The advice they get from those preparers can range from excellent to incompetent to totally fraudulent. If the taxpayers are undocumented workers, they may be more likely to become embroiled in issues with the IRS involving erroneous Social Security numbers or identity theft.”

“Fair resolution of those cases has traditionally involved cultural, communication, language, and other barriers for the IRS that are different from those raised in cases involving other taxpayers. In resolving those issues successfully, an important part of the process has historically involved allowing the taxpayers the time and opportunity to have a face-to-face meeting with IRS employees. Taxpayers in that demographic tend not to keep good records, and the face-to-face meetings afford taxpayers an opportunity to tell their stories and for the government to assess their credibility, ask them questions, and elicit facts that the taxpayers might not otherwise know could be relevant. The opportunity for taxpayers to describe their circumstances has been very important in reaching correct resolutions, particularly when the issues have involved family status, family relationships, and living patterns (for example, the EITC, filing status, dependency exemptions, and the child credit) — issues that are often not amenable to proof by cancelled checks and other financial records. Even the communications to arrange the meetings added time, focus, and deliberation to the process for involved taxpayers, helping them to better understand what was happening.”

19. **Joana van den Brink-Quintanilha**, Forrester Research, *Managing Cross-Cultural Customer Experiences: Use the Six CX Disciplines to Navigate Cross-Cultural Differences* (Aug. 19, 2015).

“When navigating cultural differences, companies often trip up by ignoring differences and exaggerating differences. Pitfalls like uneven brand perception and industry or region-specific regulation make managing customer experience (CX) across cultural contexts tricky. This report highlights four key principles for managing cross-cultural customer experience. Finally, it offers CX pros a set of proven best practices that leading companies use to deliver experiences that are effective, easy, and emotionally engaging for a variety of cultures both within their home markets and across borders.”

20. **John B. Horrigan**, Pew Research Center, *How Americans Get in Touch with Government* (May 24, 2004).

“Success in their interactions with government is influenced by people’s education and problem-solving skills, not just their technological assets.

Internet users who contact government using any communications channel are more likely than non-users to report that they have been successful in their most recent interactions with government, by a 65% to 53% margin.

These differences, however, are not solely attributable to some inherent benefit brought about by Internet use. Rather, educational and attitudinal factors come into play in predicting success. Those with higher levels of education and those who think government can be trusted are more likely to be successful with government than those without those characteristics.” (at iv).

“Some problems lend themselves to “real time” interaction with the government. That means Government Patrons prefer using the telephone or visiting government offices as they deal with public agencies. Other problems are well suited for the Web or email.

For very complex problems or contacts that in some way involve problem-solving, the phone or in-person visits are preferred by 62% of Government Patrons. Only about one-quarter prefers the Web or email in these instances.

For general information-seeking from government, the gap is much smaller. The telephone or in-person contact is still preferred (by 51% of Government Patrons), but Web or email is preferred by 43% of Government Patrons.” (at iv).

“The Internet is the principal tool in getting certain types of government information, but not for sensitive information or some transactions.

When all respondents were asked where they would turn if they *needed information* about government, the Internet outpaced the phone as the preferred channel for non-sensitive purposes. For instance:

- 39% of all Americans said they would use the Internet to find out about government benefits and 28% said they would use the phone for that.
- To find out about programs an agency offers, 53% of all respondents said they would turn to the Net and 23% said they would use the phone.

For more sensitive queries, such as personal tax questions, people turn more often to the telephone than the Net by a 51% to 17% margin.” (at vii).

21. **Livio Di Matteo**, *Tax Hatred? No, Tax Awareness and Tax Reform*,

FRASER INSTITUTE: FRASER FORUM (Oct. 10, 2017),

<https://www.fraserinstitute.org/blogs/tax-hatred-no-tax-awareness-and-tax-reform>.

“Among the modern criteria for a good tax system are the principles of efficiency and equity. But another important principle is also awareness — that is, taxpayers should be aware of the taxes they pay and the benefits they receive from government expenditures. Being aware of taxes and communicating whether or not you feel there’s value for money should be part of our membership in a vibrant and engaged democracy.”

22. **Maria Sigala, Carole B. Burgoyne & Paul Webley**, *Tax Communication and Social Influence: Evidence from a British Sample*, 9 J. OF CMTY. & APPLIED SOC. PSYCHOL. 237, 239 (May 1999).

“When people are uncertain of what is an objectively appropriate and correct belief, perception or behaviour to have, they tend to be influenced by the norms of a salient group to which they belong and with whose members they identify.”

23. **Maximus**, *Helping Medicaid Beneficiaries Make Well-Informed Decisions About Their Health Plans*, <http://www.maximus.com/medicaid> (last visited Oct. 11, 2017).

“We understand that multi-channel access and good communication is essential when helping Medicaid consumers make health plan choices.

We make enrolling easy and convenient. Our educational materials communicate complex health information in a consumer-friendly manner. We empower consumers with communications materials to make the best health plan choices. Our enrollment programs average an 80%+ consumer choice rate — meaning that more than 80% of consumers have made a well-informed health plan decision based on our objective and responsive services. Most importantly, our professionals live and work in the communities we serve and thoroughly understand the needs of consumers.”

24. **Michael Falcon**, *5 Traits of Customer-Focused Companies*, BUSINESS 2 COMMUNITY (Jan. 4, 2015), <http://www.business2community.com/customer-experience/5-traits-customer-focused-companies-01111323>.

“Understand Creating Micro Customer Experiences is Worth the Investment

When I was invited to speak at Tangerine Bank’s executive retreat earlier this year, I introduced them to what I call micro customer experiences. How I define a micro customer experience is a small, subtle, memorable and affordable gesture that will resonate with your customers for years.

Starbucks understands micro customer experiences by writing your name on your cup. A local small business practices micro customer experiences by writing their customers hand written cards that include personalized messages.

When I introduce this concept to my clients or audience, I can always plan on someone asking, ‘How do you scale this?’

The answer to this question is quite simple: How much do you care? If you care enough you will find the resources or workflow to scale it.

I’m sure the Starbucks operations team questioned how this would scale as I guess it adds 3-5 seconds to each customer interaction. For the most part, they were able to figure it out.

A small business owner may think, ‘I can’t afford to pay someone to write hand written cards to every customer!’

You can afford to pay someone to do this! After all, don’t you spend 5-15 percent of your top-line revenue on marketing? You can allocate a percentage of your marketing spend and reinvest it into becoming memorable, which will bring you organic revenue through repeat business and referrals.

For a company to be successful in 2015, customer experience and marketing teams must work together to improve the customer experience and increase customer acquisition through organic marketing such as word of mouth.”

25. **Motor Vehicle Admin.**, Maryland Dep’t of Transportation, *MVA Bus Schedule*, <http://www.mva.maryland.gov/locations/bus.htm> (last visited Oct. 12, 2017).

“The MVA Bus visits a variety of locations and employment centers throughout the State of Maryland. For more information about specific services offered or to verify the bus schedule, please call **410-768-7000**.

Services offered on the MVA bus are:

- Obtain a renewal/duplicate/corrected Maryland Driver’s License

- Obtain a renewal/duplicate/corrected Maryland Identification Card
- Obtain a duplicate/corrected Commercial Drivers License (address/name only. No endorsements can be added)
- Obtain Certified Copy of Driving Record
- Obtain Disability Placards/Plates
- Return Tags/Apply for a Tag Refund
- Apply for a change of address card (card will be mailed)
- Renew Vehicle Registration
- Obtain Substitute Plates, Substitute Stickers, and Duplicate Registrations
- Pay Administrative Flag fees on Registrations
- Register to vote
- Register as an organ donor”

26. **National Taxpayer Advocate 2013 Annual Report to Congress vol. 2, 33-56** (*Small Business Compliance: Further Analysis of Influential Factors*), <http://www.taxpayeradvocate.irs.gov/2013-Annual-Report/downloads/Small-Business-Compliance-Further-Analysis-of-Influential-Factors.pdf>.

This analysis of survey data suggests that taxpayer service is the principal component of trust in government, which is associated with voluntary compliance, lending further support to the suggestion in the National Taxpayer Advocate 2012 Report to Congress that improvements in taxpayer service could increase voluntary compliance by small businesses. It also observed that noncompliance was geographically concentrated, whereas compliance was more dispersed.

“To recapitulate, the analysis above shows that taxpayer service and trust in government account in significant part for high or low levels of voluntary compliance. Unlike generic economic tendencies, such as risk aversion or rational maximization, taxpayer service with associated trust are socially conditioned and thus geographically identifiable. These factors travel along social networks. By mapping these networks, tax administration can focus outreach more effectively.” (at 44).

“It is important to note that while factor analysis provides statistical evidence for the existence of concepts, it does not evaluate whether these concepts influence compliance behavior. We used logistic regression for that purpose. The results of the logistic regressions show that norms and trust in government (specifically the taxpayer service and fairness components of trust in government) appear to have the most influence on taxpayer compliance behavior. The preparer and tax morale factors also appear to influence the compliance behavior of the subcategory of taxpayers who use preparers. In sum, further analysis lends support to the suggestion in the 2012 report that improvements in taxpayer service could increase voluntary compliance by small business proprietors [citation omitted].” (at 45).

27. **National Taxpayer Advocate 2014 Annual Report to Congress vol. 2, 27-42**
(Research Study: *Estimating the Impact of Audits on the Subsequent Reporting Compliance of Small Business Taxpayers: Preliminary Results*), <http://www.taxpayeradvocate.irs.gov/Media/Default/Documents/2014-Annual-Report/Volume-Two.pdf>.

This analysis suggests that IRS audits of small business taxpayers have a modest deterrent effect that diminishes in the years following the audit, disappearing altogether by year five, and that field and office audits are more effective than correspondence audits in promoting subsequent reporting compliance.

28. **National Taxpayer Advocate 2016 Annual Report to Congress 86-97**
(Most Serious Problem: *Geographic Focus: The IRS Lacks an Adequate Local Presence in Communities, Thereby Limiting Its Ability to Meet the Needs of Specific Taxpayer Populations and Improve Voluntary Compliance*).

“The National Taxpayer Advocate is concerned that [citation omitted]:

- A lack of geographic presence can have a negative effect on taxpayer morale, which in turn may decrease voluntary compliance and increase taxpayer burden;
- The absence of a geographic footprint deprives the IRS and taxpayers of local knowledge which may result in missed opportunities to meet taxpayers’ unique needs, and to identify and address noncompliance specific to a geographic region; and
- The IRS is slow to find innovative ways to maintain and create local presence in communities.” (at 87).

“One good example of community involvement is the Department of Justice (DOJ) community policing program that involves public-private partnerships between law enforcement and the communities it serves to collaboratively resolve problems and build community trust [citation omitted]. The IRS can and should be able to build partnerships with local organizations. It already has a network of Volunteer Income Tax Assistance (VITA) sites, Tax Counseling for the Elderly sites, and Low Income Taxpayer Clinic sites with relationships with local communities. The IRS could expand these partnerships to increase its grassroots outreach and education as well as its involvement in local communities.” (at 92-93).

“It is not always physically or financially feasible to permanently assign employees to the most remote parts of the United States. In these instances, the IRS can partner with private and non-profit organizations to visit these most remote regions and provide tax education and preparation to its taxpayers, many of whom are small businesses or self-employed, or are individuals who rely on tax refunds to provide for their families by claiming credits such as the Earned Income Tax Credit, Child Tax Credit, and other refundable credits [citation omitted].” (at 93).

“The National Taxpayer Advocate is pleased with the IRS’s initiative to co-locate IRS offices with Social Security Administration offices [citation omitted]. Continued expansion of this program, coupled with the creation of virtual service terminals hosted by community partners, will help the IRS reach taxpayers in remote and other underserved communities in a cost-effective manner. The National Taxpayer Advocate encourages the IRS to partner with local government organizations such as departments of motor vehicles and Native American governments to bring service to additional communities.” (at 94-95).

29. **Ranjay Gulati & James B. Oldroyd**, *The Quest for Customer Focus*, 83 HARV. BUS. REV. 92-101 (Apr. 2005).

“First, they know they can become customer focused only if they learn everything there is to learn about their customers at the most granular level, creating a comprehensive picture of each customer’s needs — past, present, and future. Second, they know that this picture is useless if employees can’t or won’t share what they learn about customers, either because it’s inconvenient or because it doesn’t serve their interests. Finally, they use this insight to guide not only their product and service decisions but their basic strategy and organizational structure as well.

Over time, these companies enable and enforce coordination between internal units at progressively more sophisticated levels, they find new ways to manage the flow of information, they develop routines for decision making that incorporate customer preferences, and, ultimately, they shift the locus of their customer-focused efforts away from a centralized hub to a more disbursed set of activities that spans the entire enterprise....

The journey begins with the creation of a centralized repository of customer information, which records each interaction a customer has with the company. Creating this repository is a two-step process. First, organizations bring together and standardize information drawn from customer touch points throughout the firm into a single pool. Second, they organize this information by customer; that is, they make the customer — rather than the account, the purchase, the product, or the location — the fundamental unit of analysis.”

30. **Roger Dooley**, *Paper Beats Digital in Many Ways, According to Neuroscience*, FORBES (Sept. 16, 2015), <https://www.forbes.com/sites/rogerdooley/2015/09/16/paper-vs-digital/#6b605bcf33c3>.

“Rather than an all-digital world, it appears that a multi-channel approach that leverages the unique benefits of paper with the convenience and accessibility of digital will perform best.”

“The most recent work supporting paper-based marketing is a study sponsored by Canada Post and performed by Canadian neuromarketing firm TrueImpact. The study compared the effects of paper marketing (direct mail pieces, in this case) with digital media (email and display ads)....

‘Direct mail requires 21% less cognitive effort to process than digital media (5.15 vs. 6.37), suggesting that it is both easier to understand and more memorable. Post-exposure memory tests validated what the cognitive load test revealed about direct mail’s memory encoding capabilities. When asked to cite the brand (company name) of an advertisement they had just seen, recall was 70% higher among participants who were exposed to a direct mail piece (75%) than a digital ad (44%).’”

“For example, a study in Norway concluded that, ‘students who read texts in print scored significantly better.’”

31. **Taxpayer Advocate Service**, *National Taxpayer Advocate Public Forums* (June 22, 2016), <https://taxpayeradvocate.irs.gov/public-forums>.

“The IRS receives more than 100 million telephone calls and 5 million visits in its walk-in sites each year from taxpayers. Over the last two years, the IRS has worked to develop a ‘Future State’ plan, which outlines the IRS’s intended activities in 5 years and beyond.

In her 2015 Annual Report to Congress, the National Taxpayer Advocate recommended the IRS solicit comments from taxpayers and tax professionals, including their thoughts on the extent to which taxpayers will continue to need telephone and in-person assistance, so the ‘Future State’ plan will better reflect taxpayers’ needs and preferences as they seek to comply with the tax code. The public forums are a part of that recommendation — a series of events around the country to seek comments and suggestions regarding what taxpayers want and need from the IRS to help them comply with their tax obligations.

During the forums, she will be joined by Members of Congress and other presenters representing the interests of different taxpayer groups — the elderly, low-income, disabled, small business owners, tax practitioners, and others.”

32. **Thomas Dohrmann & Gary Pinshaw**, McKinsey & Company, *The Road to Improved Compliance: A McKinsey Benchmarking Study of Tax Administrations – 2008–2009* (Sept. 2009).

“Another major driver of performance is a tax administration’s capabilities in taxpayer segmentation. Put simply, segmentation is the identification and classification of distinct customer groups; tax administrations can then develop customized approaches to meet the needs of each group. Taxpayer segmentation and treatment can be based on taxpayer characteristics (*e.g.*, individual vs. business), debt characteristics (*e.g.*, value or age of debt), and level of risk or complexity in collecting the debt. Best-practice segmentation in the collections function, for instance, includes an assessment of taxpayer willingness and ability to pay, as well as value at risk.” (at 9).

“Developing the segmentation portfolio of taxpayers is only one step. A tax administration must then implement differentiated operating models for each of the segments — varying, for example, the key messages, tone, and method of its communications according to the characteristics of each segment.” (at 9).

“Top performers mount integrated awareness campaigns targeted at the taxpayer segments that pose the highest risk for noncompliance.... One top performer developed an outreach program at trade schools targeted at construction workers, a high risk segment for noncompliance.” (at 18).

33. **U.N. Dep’t of Econ. & Soc. Affairs**, *United Nations E-Government Survey 2012: E-Government for the People*, U.N. Doc. ST/ESA/PAS/SER.E/150, at 84 (Feb. 2012), <https://publicadministration.un.org/egovkb/Portals/egovkb/Documents/un/2012-Survey/Chapter-4-Supporting-multichannel-service-delivery.pdf>.

“Ensure that all groups and individuals, particularly those disadvantaged in some way, can access combined and flexible services using multichannel delivery systems

While aiming for high efficiency and effectiveness, public officials need to keep in mind that all citizens have equal rights to access public services, that is, all citizens should be able to access services even if they do not own or have access to the newest and most innovative platforms, such as a smart phone or tablet. Disadvantaged groups are the largest and most in need users of public services but also the least likely to be able to access or afford electronic and mobile channels. Public agencies can tackle access and affordability issues in different ways. Implementing a regulatory policy that favours competition can bring the prices down so that more citizens can afford access to the Internet. Implementing social coverage policy, which can aim at providing basic telephony and internet access to the disadvantaged groups, can be another effective measure.

Kiosks and public access points are effective measures to overcome the digital divide and reach out to segments of the population that are entirely unfamiliar with Internet applications. (See Chapter 5, Section 5.1 for factors influencing e-service access and use.)”

34. **Understanding the Power of Social Media as a Tool in the Aftermath of Disasters, Hearing Before the Ad Hoc Subcomm. on Disaster Recovery and Intergovernmental Affairs, S. Comm. on Homeland Security and Governmental Affairs, 112th Cong.** (2011) (written statement of Craig Fugate, Administrator, Federal Emergency Management Agency).

“In most disasters, when you are displaced from your home, you no longer have access to your computer. You may not have WiFi access. But in many disasters, including being on the ground in Haiti where we had folks there within a day of the earthquake — I was down there a week later — the one thing that was working were mobile devices. And it is this that I think we in the Federal Government need to understand, that we are moving more and more away from a Web-based capacity to a mobile environment.” (at 4).

“[A] lot of folks are out of their homes at this point, or they may not have electricity or whatever. They may not have access to their stationary device, but their mobile device they certainly can utilize. So I am glad that FEMA is on top of that trend and is really leading the way in that trend to try to communicate in that way, two-way communication, you are hearing from people, but also you are communicating back to people what they know.” (at 7).

“Mr. Chairman, some of my peers now equate the wireless combined with social media as a revolution in emergency management as powerful as wireless was to original public safety radio systems, except now this is far more reaching in the ability to communicate with the public. And so as we see this, again, I think our role here at FEMA is to keep up with the public and not necessarily fall back into what I call innovation at the speed of government, but really look to the technology industry, and as Senator Brown said, I have had the opportunity to go to Google, I have been to Facebook, I have been to Twitter, and really looking into their insights of how we better utilize the private sector as part of the team and not try to re-create things that they do better than us, but use those tools to better communicate and listen to the public as we deal with disasters.” (at 7).

35. **Written Statement of James Hurst**, New York City Dep’t of Consumer Affairs, National Taxpayer Advocate Public Forum 3-4 (Mar. 18, 2016), https://taxpayeradvocate.irs.gov/Media/Default/Documents/PublicForums/Hurst_NYCDCA_Testimony-1.pdf.

Link to New York City Department of Consumer Affairs:
<http://www1.nyc.gov/site/dca/index.page> (last visited Nov. 20, 2017).

“The Department shares the NTA’s concerns that the IRS’ deliberations to reduce telephone and face-to-face interaction will leave low-income and middle-class taxpayers, who may not have the resources to pay for individualized attention, without the guidance or confidence to navigate the tax code. This may put further strains on localities, like New York City, to help facilitate preparer access and will undoubtedly open the door to further predatory behavior by some commercial preparers. The residents of New York City face a myriad of systemic market factors that make them prey to unscrupulous intermediaries, including a high number of immigrant and limited English proficiency filers and limited access to mainstream financial services. The Bronx is particularly vulnerable. In a study commissioned by DCA OFE and conducted by the Urban

Institute, we found that the Bronx has the highest concentration of financially insecure households in the city [citation omitted], as well as the highest concentration of unbanked and underbanked residents [citation omitted].

As Legal Ombudsman, I can speak to the importance of maintaining individualized services and can tell you, firsthand, that it makes a significant difference to the small business owners with whom I work. Many are unable to find relevant resources online and rely on person-to-person communication when seeking assistance. This personal contact fosters confidence in government administration. The daily communication I have with the Department's constituency ensures that they have a resource to help them better understand the laws and rules that govern their businesses and helps to eliminate avoidable fines and violations."

"DCA's outreach goes far beyond what we provide on our website and social media. DCA works with local elected officials to host pop-up tax preparer sites and coordinates with faith-based organizations to foster comfort and confidence among taxpayers to utilize the resources the Department makes available. As the NTA highlights, particularly in regard to EITC eligible taxpayers, the IRS already falls short of properly accommodating populations of people that fall in and out of eligibility for particular programs. It is ill advised to expect everyone to be able to self-help their way through an already difficult process."