

**MSP  
#1****CUSTOMER SERVICE STRATEGY: The IRS Needs to Develop a Comprehensive Customer Service Strategy That Puts Taxpayers First, Incorporates Research on Customer Needs and Preferences, and Focuses on Measurable Results****RESPONSIBLE OFFICIALS**

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**TAXPAYER RIGHTS IMPACTED<sup>1</sup>**

- *The Right to Be Informed*
- *The Right to Quality Service*
- *The Right to a Fair and Just Tax System*

**PROBLEM**

In 2015, Commissioner Koskinen characterized IRS customer service as “abysmal.”<sup>2</sup> In 2018, the President’s Management Agenda emphasized the importance of high-quality customer service. It said: “Federal customers ... deserve a customer experience that compares to — or exceeds — that of leading private sector organizations,” and it cited data from the American Customer Satisfaction Index (ACSI) and the Forrester U.S. Federal Customer Experience Index as key benchmarks.<sup>3</sup> The ACSI report for 2018 ranks the Treasury Department tied for 10th out of 12 Federal Departments and says that, “most [IRS] programs score ... well below both the economy-wide national ACSI average and the federal government average.”<sup>4</sup> The 2019 Forrester report ranked the IRS 13th out of 15 federal agencies and characterized the IRS’s score as “very poor.”<sup>5</sup>

To address these shortcomings, Congress earlier this year enacted the most comprehensive revisions to IRS procedures since the IRS Restructuring and Reform Act of 1998, and it pointedly titled the new law

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

2 John A. Koskinen, Commissioner of Internal Revenue, Address to National Press Club (Mar. 31, 2015).

3 President’s Management Agenda 7, 28 (Sept. 19, 2019), <https://www.whitehouse.gov/wp-content/uploads/2018/03/Presidents-Management-Agenda.pdf>.

4 American Customer Satisfaction Index, *ACSI Federal Government Report 2018*, at 3-4 (Jan. 2019), <https://www.theacsi.org/images/stories/images/govsatscores/19jan-Gov-report-2018.pdf>.

5 Rick Parrish, *The US Customer Experience Index 2019: How Brands Build Loyalty with the Quality of Their Experience*, Forrester Research 16 (June 2019).

the “Taxpayer First Act (TFA).” Among other things, the law requires the IRS to create and submit a comprehensive customer service strategy to Congress by July 1, 2020.<sup>6</sup>

Although the title and some of the content of the legislation reflect congressional concern about the IRS’s performance, the IRS should view congressional interest as a valuable opportunity to revamp its customer service strategy and engage congressional stakeholders in understanding the type and amount of resources needed to implement its new strategy.<sup>7</sup> As the IRS develops this strategy, the National Taxpayer Advocate has identified several concerns with the IRS’s current approach to customer service that the new plan should address:

- Improving customer service begins with a cultural shift within the IRS;
- The IRS does not view itself as a service organization first and foremost;
- Customer service decisions are not informed by using multi-disciplined, comprehensive research into customer needs and preferences;
- Taxpayers need assistance navigating the complex tax system, including the agency itself;
- Forcing taxpayers to use digital channels undermines taxpayer rights;
- There is a current absence of meaningful customer service measures to effect desired results;
- Any strategy also needs to address the needs of practitioners who interact with the IRS on behalf of taxpayers; and
- The strategy cannot be merely aspirational — it needs to include an implementation plan complete with cost estimates.

The IRS’s past strategic plans focused on the IRS’s perspective (*e.g.*, cutting costs, pushing taxpayers to use online services without maintaining adequate telephone and in-person service, and aiming for “efficiencies”) without adequately considering the customers’ perspective. For that reason, TAS believes it is critical that TAS be integrally involved in developing and vetting all aspects of the plan.<sup>8</sup> Despite numerous requests, the IRS has failed to include a TAS executive as part of the team leading the Taxpayer First Act Office (TFAO) that will coordinate the IRS’s implementation of the new law.<sup>9</sup> TAS is actively engaging in senior level discussions and all TFAO meetings with IRS points of contact and executives regarding the customer service strategy; however, the TFA implementation team is typically making decisions on major plans without the inclusion of TAS, increasing the risk that the final plan will not adequately address the needs of taxpayers. TAS has made countless recommendations over the past 20 years on ways the IRS can and should enhance customer service. We will not cover each of those

6 See Taxpayer First Act, Pub. L. No. 116-25, § 1101, 133 Stat. 981 (2019) (The provision provides that the strategy shall include “a plan to provide assistance to taxpayers that is secure, designed to meet reasonable taxpayer expectations, and adopts appropriate best practices of customer service provided in the private sector, including online services....”). In addition, the Cross-Agency Priority goals included in the President’s Management Agenda highlighted the need for improved customer experience with federal services, and set the specific goal of providing a modern, streamlined, and responsive customer experience. Office of Management and Budget, *CAP Goal Action Plan: Improving Customer Experience with Federal Services 2*, [https://www.performance.gov/CAP/action\\_plans/FY2018\\_Q1\\_Improving\\_Customer\\_Experience.pdf](https://www.performance.gov/CAP/action_plans/FY2018_Q1_Improving_Customer_Experience.pdf) (last visited Nov. 26, 2019).

7 See Most Serious Problem: *IRS Funding: The IRS Does Not Have Sufficient Resources to Provide Quality Service*, *infra*; Most Serious Problem: *Information Technology Modernization: The IRS Modernization Plan’s Goal to Improve the Taxpayer Experience Is Commendable, But the IRS Needs Additional Multi-Year Funding to Bring It to Fruition*, *infra*.

8 TAS has made a number of recommendations related to improving customer service over the years. For a list of recommendations made by the National Taxpayer Advocate over the last seventeen years, see Appendix 1, *Past TAS Recommendations on Taxpayer Service*, *infra*.

9 While an Executive Readiness Candidate from TAS is assigned to the TFAO as Assistant to the Project Director for Taxpayer Experience, this individual is on a developmental detail to the TFAO and is not at the same level as a TAS executive.

recommendations in this discussion but rather will address the larger issues that the IRS must consider as it develops its customer service strategy. Appendix 1 of this report includes a list of all the taxpayer service-related recommendations TAS has made over the years that we believe are still relevant and that the IRS should consider.

## IMPACT ON TAXPAYERS

### Background

Congress has long been concerned with IRS customer service and has required the IRS to train employees in customer service, produce customer service plans detailing its approach to customer service, and implement other requirements aimed at improving service.<sup>10</sup> In 2006 and 2007, in response to a congressional directive, the IRS created a comprehensive service strategy in two phases: the 2006 Taxpayer Assistance Blueprint (TAB I) and the 2007 Taxpayer Assistance Blueprint (TAB II).<sup>11</sup> Congress required the IRS to provide annual updates on its progress toward implementation of the TAB.<sup>12</sup> However, when Congress failed to require the annual update to the TAB in the fiscal year (FY) 2017 appropriations bill, the IRS determined it was no longer required.<sup>13</sup> Accordingly, the updates provided to Congress became mere laundry lists with no comprehensive strategy, no analysis of service gaps that prompted any initiative, and no follow-through to measure the success of initiatives to meet taxpayer needs.<sup>14</sup> Moreover, there was no linkage between the TABs and the annual IRS budget requests.

In April 2019, the IRS issued the IRS Integrated Modernization Business Plan, a “six-year road map for achieving necessary modernization of IRS systems and taxpayer services....” Although the plan states that it addresses multiple service channels, it focuses on information technology rather than the overall customer experience.<sup>15</sup>

### Improving Customer Service Begins With a Cultural Shift Within the IRS

An effective IRS service strategy considers the customer’s perspective from the first interaction with the tax system through full resolution of any enforcement actions. The IRS instead approaches service and enforcement as mutually exclusive rather than understanding that it cannot separate these concepts. It must integrate customer service into all aspects of IRS operations and make it fundamental to ensuring the IRS protects taxpayer rights and promotes voluntary compliance. This requires starting with an overall look at the culture within the IRS and how it interacts with taxpayers. The IRS must look broader than just the type of services it offers to taxpayers and the channels through which it offers them; it must look at the type of employees the agency hires and how they are trained. Is the IRS training employees to be empathetic to customers and to value their interactions with them? Or is the

10 IRS Reform and Restructuring Act of 1998 (RRA 98), Pub. L. No. 105-206, § 1205; H.R. REP. No. 109-307, at 209 (2005).

11 H.R. REP. No. 109-307, at 209 (2005); IRS, The 2006 Taxpayer Assistance Blueprint (2006); IRS, The 2007 Taxpayer Assistance Blueprint (2007).

12 See, e.g., H. Comm. On Appropriations, 111th Cong., *Committee Print on H.R. 1105, Omnibus Appropriations Act, 2009, Division D-Financial Services and General Government*, at 959 (2009).

13 However, the IRS continues to conduct the Taxpayer Experience Survey on an annual basis, which was used to evaluate progress toward the TAB, to gather information on the taxpayer experience and preference. The results from this annual survey are used to inform business decisions. IRS response to TAS fact check (Nov. 15, 2019). See Consolidated Appropriations Act, 2017, Pub. L. No. 115-31. Email from the IRS (May 15, 2017) (on file with TAS).

14 IRS, The 2006 Taxpayer Assistance Blueprint, (Apr. 2006); IRS, The 2007 Taxpayer Assistance Blueprint (2007).

15 IRS Integrated Modernization Business Plan 4-11 (Apr. 2019); See Most Serious Problem: *Information Technology Modernization: The IRS Modernization Plan’s Goal to Improve the Taxpayer Experience Is Commendable, But the IRS Needs Additional Multi-Year Funding to Bring It to Fruition, infra.*

IRS training employees to move work as quickly as possible and to try to limit customer interactions? The IRS can undertake an extensive effort to expand digital services and enhance its interactions with taxpayers and practitioners as part of its customer service strategy. However, if at the end of the day the organization is one where employees do not want to engage with taxpayers or where employees negatively view taxpayers who owe money, then an expansion of services will not fundamentally improve the customer service experience.

### Customer Service Is the Responsibility of Every Part of the IRS

An overarching IRS-wide customer service strategy is critical, and each Business Operating Division (BOD) in the IRS must consider how it applies the Servicewide strategy to its particular taxpayer populations and form a plan specific to customer needs during those interactions.<sup>16</sup> The current lack of plans for each taxpayer segment magnifies that the IRS does not first consider itself a service organization. The TFA also requires the IRS to develop a plan to redesign its structure.<sup>17</sup> The IRS should consider using the customer service strategy to inform any potential restructure to avoid the silos that currently cause problems in how the IRS serves customers.

To ensure it incorporates service throughout the organization, the IRS should appoint a Chief Customer Experience Officer (CCEO) who reports directly to the Commissioner or Deputy Commissioner and serves as a liaison to coordinate all service initiatives and strategies across different functions. A CCEO would ensure that IRS senior leadership views decisions through the lens of the taxpayer's experience.<sup>18</sup>

### Customer Services Must Meet Customer Needs and Preferences

The IRS provides service through various communication channels such as the internet, phone, and in-person assistance. Taxpayers and representatives have different preferences for each of these channels and these preferences may vary depending on the specific needs of the taxpayer or the type of task the taxpayer or representative is trying to accomplish. To provide world class service to customers and protect their *right to quality service*, the IRS must base service strategy decisions on research into customer needs rather than on what the IRS thinks is best and lowest cost. The IRS should conduct research into why taxpayers or their representatives do not use certain service channels for particular tasks so that it can minimize existing barriers and improve services in those areas, if possible. This includes talking with taxpayers and their representatives directly about what they want from the IRS — not just guessing at what the best delivery method might be. Finally, to better understand customer satisfaction with actual usage of each service channel, the IRS should track the subject of taxpayer complaints for each service channel.<sup>19</sup>

While many taxpayers prefer to interact with the IRS electronically in certain transactions, to meet the needs and preferences of all taxpayers, the IRS must maintain an omnichannel service environment. An

16 We acknowledge that the Taxpayer First Act requires the Secretary to submit a plan to redesign the IRS's structure. We are discussing BODs as they are currently structured, but we recognize that the IRS could recommend a reorganization that makes the organization look completely different. Taxpayer First Act, Pub. L. No. 116-25, § 1302, 133 Stat. 981 (2019).

17 *Id.*

18 U.S. General Services Administration, Customer Experience Toolkit (Aug. 8, 2019). The Department of Veterans Affairs, General Services Administration, Export-Import Bank, and Federal Student Aid have all created similar positions. Rick Parrish, *Why Every Federal Agency Should Have a Chief Customer Officer*, GOVLOOP.COM (May 6, 2015), <https://www.govloop.com/why-every-federal-agency-should-have-a-chief-customer-officer/>.

19 National Taxpayer Advocate 2017 Annual Report to Congress 22, 29-30 (Most Serious Problem: *Telephones: The IRS Needs to Modernize the Way It Serves Taxpayers Over the Telephone, Which Should Become an Essential Part of an Omnichannel Customer Service Environment*).

omnichannel service environment is one that provides taxpayer service in a seamless manner through various channels such as in-person help, phone calls, and online applications. Taxpayers can choose one or several channels to obtain issue resolution, depending on their particular service task, preferences, needs, or access.<sup>20</sup> An omnichannel service environment will ensure that the IRS does not leave behind those taxpayers who do not have access to digital service options due to the lack of broadband access or inability to pass e-authentication requirements for online applications.<sup>21</sup>

A key part of a comprehensive taxpayer service strategy is offering online accounts to share information and enable both taxpayers and practitioners to interact digitally with the IRS. These online accounts contain sensitive taxpayer information and must be safeguarded with strict authentication requirements.<sup>22</sup> However, some taxpayers have difficulty passing strict authentication requirements to access those accounts.<sup>23</sup> For FY 2019, only 43 percent of taxpayers attempting to authenticate their identity were able to pass the strict authentication standards and register for a new online account.<sup>24</sup> As the IRS looks to expand its online service offering, it must make its e-authentication requirements as least burdensome as possible while also satisfying the guidelines issued by the National Institute of Standards and Technology (NIST).<sup>25</sup> We suggest working with NIST and reviewing the methods used by other international taxing authorities. In Canada and the United Kingdom, taxpayers can authenticate through banking partners with links the Canada Revenue Agency and Her Majesty's Revenue and Customs provide.<sup>26</sup> These countries also allow taxpayers to verify in person.<sup>27</sup> Similarly, U.S. taxpayers should have options to authenticate by phone, in person at a Taxpayer Assistance Center (TAC), or via an authentication code sent to their address of record.

**The IRS must integrate customer service into all aspects of IRS operations and make it fundamental to ensuring the IRS protects taxpayer rights and promotes voluntary compliance.**

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- 20 See National Taxpayer Advocate 2017 Annual Report to Congress 22, 22-35 (Most Serious Problem: *Telephones: The IRS Needs to Modernize the Way It Serves Taxpayers Over the Telephone, Which Should Become an Essential Part of an Omnichannel Customer Service Environment*).
- 21 See, e.g., National Taxpayer Advocate 2017 Annual Report to Congress 36 (Most Serious Problem: *The IRS's Focus on Online Service Delivery Does Not Adequately Take into Account the Widely Divergent Needs and Preferences of the U.S. Taxpayer Population*).
- 22 For a detailed description of the information required to pass Secure Access requirements, see IRS, *Secure Access: How to Register for Certain Online Self-Help Tools*, <https://www.irs.gov/individuals/secure-access-how-to-register-for-certain-online-self-help-tools> (last visited Oct. 26, 2019).
- 23 See National Taxpayer Advocate Fiscal Year 2020 Objectives Report 108 (Area of Focus: *Facilitate Digital Interaction Between the IRS and Taxpayers While Still Maintaining Strict Security of Taxpayer Information*).
- 24 IRS response to TAS fact check (Nov. 26, 2019).
- 25 National Institute of Standards and Technology, Special Publication 800-63-3, *Digital Identity Guidelines* (June 2017). The IRS must also comply with Office of Management and Budget, M-04-04, *E-Authentication Guidance for Federal Agencies* (Dec. 16, 2003).
- 26 The Canada and United Kingdom tax authorities provide additional ways for taxpayers to verify their identities, such as through financial institutions, in person, telephone, and video calls. See Government of Canada Revenue Agency, *My Account for Individuals*, <https://www.canada.ca/en/revenue-agency/services/e-services/e-services-individuals/account-individuals.html> (last visited Oct. 10, 2019); United Kingdom, *Government Digital Service*, <https://www.gov.uk/government/publications/introducing-govuk-verify/introducing-govuk-verify> (last visited Oct. 10, 2019).
- 27 See Government of Canada Revenue Agency, *My Account for Individuals*, <https://www.canada.ca/en/revenue-agency/services/e-services/e-services-individuals/account-individuals.html> (last visited Oct. 10, 2019); United Kingdom, *Government Digital Service*, <https://www.gov.uk/government/publications/introducing-govuk-verify/introducing-govuk-verify> (last visited Oct. 10, 2019).

### Taxpayers Need Assistance Navigating the Complex Tax System

To address various taxpayer communication preferences and assist taxpayers in better navigating the agency itself, the IRS should establish a 311-type phone system, as TAS has previously recommended.<sup>28</sup> The 311 system would provide the taxpayer the option to connect with an operator who would ask questions to understand why a taxpayer is calling. The operator would then match the taxpayer with the specific office within the IRS that handles the taxpayer's issue or case. Such a channel would facilitate increased efficiencies, diminished wait times, and improved interactions between taxpayers and appropriate IRS personnel. It would also fit within a more comprehensive omnichannel environment that utilizes customer experience mapping and customer journey analytics already employed in private industry.<sup>29</sup>

### Reducing Levels of Service on Personal Service Channels Forces Taxpayers Into Using Digital Channels

Although in-person assistance is the most costly service channel, TAS research into taxpayer needs and preferences has clearly indicated a demand for personal services by certain populations and certain types of interactions or tasks.<sup>30</sup> The IRS's reduction in staff and the number of TACs, the switch to appointments-only in the TACs, and the low percentage of telephone calls answered by live assistors leave taxpayers with little choice but to attempt to complete tax-related tasks on the internet (where the taxpayer often does not get issue resolution)<sup>31</sup> or to spend money for professional assistance. If the IRS steers taxpayers toward digital channels when they require or prefer a more personal channel, it is undermining the taxpayers' *rights to be informed* and *to quality service*. It is also causing a downstream impact as the IRS may have to handle multiple requests from the same taxpayer or deal with an exam or collection issue if taxpayers do not get the response they need and are unable to meet their tax obligations.

### Low Percentage of Telephone Calls Actually Answered by Live Assistors

As illustrated in Figure 1.1.1, IRS phone service has fallen short in recent years for taxpayers who chose that service channel expecting to receive personal assistance.<sup>32</sup> Phone assistors only answered about 29 percent of calls enterprisewide in FY 2019. On the Consolidated Automated Collection System line, live assistors answered only about 31 percent of the calls, and the average speed of answer was about 38 minutes. Even worse, for taxpayers calling the Installment Agreement/Balance Due line to make payment arrangements because they could not pay in full, live assistors only answered about 26 percent of the calls, and wait times averaged about 45 minutes. While the IRS touts relatively high levels of service (LOS)

28 See National Taxpayer Advocate 2018 Annual Report to Congress 52 (Most Serious Problem: *Navigating the IRS: Taxpayers Have Difficulty Navigating the IRS, Reaching the Right Personnel to Resolve Their Tax Issues, and Holding IRS Employees Accountable*).

29 National Taxpayer Advocate 2017 Annual Report to Congress 22 (Most Serious Problem: *Telephones: The IRS Needs to Modernize the Way It Serves Taxpayers Over the Telephone, Which Should Become an Essential Part of an Omnichannel Customer Service Environment*); National Taxpayer Advocate FY 2019 Objectives Report to Congress 41 (Area of Focus: *IRS's Failure to Create an Omnichannel Service Environment Restricts Taxpayers' Ability to Get Assistance Using the Communication Channels That Best Meet Their Needs and Preferences*); Maxie Schmidt-Subramanian and Andrew Hogan, *How to Measure Digital Customer Experience*, Forrester Research 3 (June 21, 2016).

30 National Taxpayer Advocate 2017 Annual Report to Congress, vol. 2, at 61 (Research Study: *A Further Exploration of Taxpayers' Varying Abilities and Attitudes Toward IRS Options for Fulfilling Common Taxpayer Service Needs*); National Taxpayer Advocate Public Forums, <https://taxpayeradvocate.irs.gov/public-forums> (last visited Aug. 19, 2019); National Taxpayer Advocate 2015 Annual Report to Congress, vol. 2, at 101 (Research Study: *Understanding the Hispanic Underserved Population*); National Taxpayer Advocate 2014 Annual Report to Congress, vol. 2, at 9 (Research Study: *Low Income Taxpayer Clinic Program: A Look at Those Eligible to Seek Help From the Clinics*).

31 IRS response to TAS information request (July 1, 2019), from the IRS Customer Satisfaction Survey, FY 2018 Accounts Management (AM) Toll-Free Annual Report, W&I Strategies and Solutions Research Group 1 (Jan. 2019).

32 IRS, JOC, Snapshot Reports: Enterprise Snapshot and Product Line Detail (weeks ending Sept. 30, 2015; Sept. 30, 2016; Sept. 30, 2017; Sept. 30, 2018; Sept. 30, 2019).



for its Accounts Management (AM) line — 65 percent in FY 2019 — live assistors really only answered about 28 percent of the calls made to that line.<sup>33</sup> We are not suggesting that the IRS only served 28 percent of callers as we recognize that some are adequately served through automation and some quickly hang up for personal reasons (*e.g.*, a call-waiting notification is received just after the start of the call).

**FIGURE 1.1.1, Levels of Service for Total Enterprise, Accounts Management, Consolidated ACS, and Installment Agreement Telephone Lines for Fiscal Years 2015–2019<sup>34</sup>**

	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
<b>Total Enterprise Net Attempts</b>	116.7 mil	117.5 mil	95.6 mil	98.5 mil	99.3 mil
<b>Total Enterprise Assistor Calls Answered</b>	26.1 mil (22%)	32.2 mil (27%)	32.6 mil (34%)	34.7 mil (35%)	28.6 mil (29%)
<b>Total Enterprise Level of Service (LOS)</b>	44%	56%	68%	69%	56%
<b>Total Enterprise Average Speed of Answer (ASA) (minutes)</b>	25.9 mins	17.4 mins	12.8 mins	11.3 mins	16.2 mins
<b>Accounts Management (AM) Net Attempts</b>	101.5 mil	104.3 mil	74.5 mil	77.7 mil	76.8 mil
<b>AM Assistor Calls Answered</b>	18.2 mil (18%)	25.5 mil (25%)	23.2 mil (31%)	25.3 mil (33%)	21.3 mil (28%)
<b>AM ASA (minutes)</b>	30.5 mins	17.8 mins	8.4 mins	7.5 mins	11.3 mins
<b>AM LOS</b>	38%	53%	77%	76%	65%
<b>Consolidated ACS Net Attempts</b>	N/A	4.9 mil	13.1 mil	12.1 mil	15 mil
<b>Consolidated ACS Assistor Calls Answered</b>	N/A	2.8 mil (58%)	5.7 mil (44%)	5.9 mil (49%)	4.7 mil (31%)
<b>Consolidated ACS ASA (minutes)</b>	N/A	17.9 mins	30.6 mins	24.4 mins	38.1 mins
<b>Consolidated ACS LOS</b>	N/A	70%	47%	53%	34%
<b>Installment Agreement/Balance Due (IA/Bal Due) Net Attempts<sup>35</sup></b>	11.1 mil	10.4 mil	8.6 mil	7.6 mil	9.3 mil
<b>IA/Bal Due Assistor Calls Answered</b>	4.1 mil (37%)	4.6 mil (44%)	3.7 mil (42%)	3.6 mil (48%)	2.4 mil (26%)
<b>IA/Bal Due ASA (minutes)</b>	34.8 mins	22.5 mins	32.7 mins	27.5 mins	44.5 mins
<b>IA/Bal Due LOS</b>	37%	44%	42%	48%	26%
<b>Practitioner Priority Service (PPS) Net Attempts</b>	2.1 mil	2 mil	2.4 mil	3.1 mil	3.5 mil
<b>PPS Calls Answered</b>	0.9 mil (41%)	1.3 mil (62%)	1.7 mil (73%)	2.2 mil (72%)	2.1 mil (61%)
<b>PPS ASA (minutes)</b>	46.6 mins	10.5 mins	8.9 mins	7.5 mins	8.8 mins
<b>PPS LOS</b>	48%	71%	82%	85%	78%

33 The Accounts Management line has the highest call volume and is used for account inquiries and tax law questions, among other things.

34 IRS, JOC, Snapshot Reports: Enterprise Snapshot and Product Line Detail (weeks ending Sept. 30, 2015; Sept. 30, 2016; Sept. 30, 2017; Sept. 30, 2018; Sept. 30, 2019).

35 The IRS moved the Installment Agreement line from Accounts Management to Consolidated ACS in October 2016 (FY 2017).

To better understand taxpayer interaction with the phone tree system, the IRS should conduct research into why a significant number of taxpayers who call the various IRS phone lines hang up either before or after they are placed in a queue for a particular phone line. The IRS refers to these hang-ups as “primary abandonments” (*i.e.*, when the taxpayer hangs up before they are placed in the queue, such as when a call-waiting notification is received just after the start of the call) and “secondary abandonments” (*i.e.*, when the taxpayer hangs up after they are placed in the queue and before they receive any service).<sup>36</sup> In FY 2019, of the approximate 99 million calls to the IRS enterprisewide, about 25 million (about 25 percent) were primary abandonments, and 11 million (about 11 percent) were secondary abandonments.<sup>37</sup> Research into the reasons for these abandonments will aid the IRS’s understanding of the taxpayer experience to help improve telephone service overall and protect the taxpayer’s *right to quality service*.

In addition, telephone callback technology would address the poor levels of service on the phones. In fact, the TFA mandates the IRS to include callback services as part of the customer service strategy.<sup>38</sup> This technology would enable the caller to request a callback instead of waiting on hold. If the IRS cannot keep up with call volumes on the phone lines and taxpayers experience long hold times, this technology will prevent the IRS from losing the taxpayer who is presumably contacting the IRS in an effort to comply with the tax laws. The IRS tested the technology during the 2019 filing season but has yet to fully roll out the capability. By implementing this technology, the IRS will provide phone service with a taxpayer-centric approach.<sup>39</sup>

### *Reduction in Service at Taxpayer Assistance Centers*

The IRS continues to reduce service at its TACs, the main vehicle for in-person interaction with the IRS. Since 2011, the IRS has closed 43 TACs (over ten percent of its total TACs).<sup>40</sup> As of October 2019, of the remaining 358 TACs, 34 (over nine percent) have no staff and no circuit riders (employees who work at multiple TACs) or seasonal employees and are effectively closed; one is only open seasonally; and eight are staffed by circuit riders and were open less than 35 hours per week.<sup>41</sup> Staffing in TACs has declined over 40 percent since FY 2011.<sup>42</sup> The IRS implemented an appointment-only-based system in the TACs by the end of calendar year 2016.<sup>43</sup> In the first two full fiscal years of the appointment system, TAC visits declined by 38 percent.<sup>44</sup> While an appointment-only system would naturally lead to a decline in TAC visits, this does not mean that fewer taxpayers demand face-to-face service. Rather, it means less face-to-face service is available to taxpayers. The IRS needs to make decisions based on what taxpayers need as opposed to current usage because current usage does not capture taxpayer demands. Figure 1.1.2 shows the steady decline in TAC visits since FY 2014.

36 IRS response to TAS information request (July 2, 2019).

37 IRS, JOC, Snapshot Reports: Enterprise Snapshot (week ending Sept. 30, 2019).

38 Taxpayer First Act, Pub. L. No. 116-25, § 1101(a)(1), 133 Stat. 981, 986 (2019).

39 For more information on callback technology, see Most Serious Problem: *IRS Funding: The IRS Does Not Have Sufficient Resources to Provide Quality Service*, *infra*; Most Serious Problem: *Information Technology Modernization: The IRS Modernization Plan’s Goal to Improve the Taxpayer Experience Is Commendable, But the IRS Needs Additional Multi-Year Funding to Bring It to Fruition*, *infra*.

40 Effective July 1, 2019, the Taxpayer First Act, Pub. L. No. 116-25, § 1403, 133 Stat. 981 (2019), imposed new notification and reporting requirements on the IRS before it can close TACs. IRS response to TAS information request (Dec. 23, 2014; July 2, 2019); IRS response to TAS fact check (Nov. 15, 2019).

41 IRS response to TAS information request (July 2, 2019); IRS response to TAS fact check (Nov. 15, 2019).

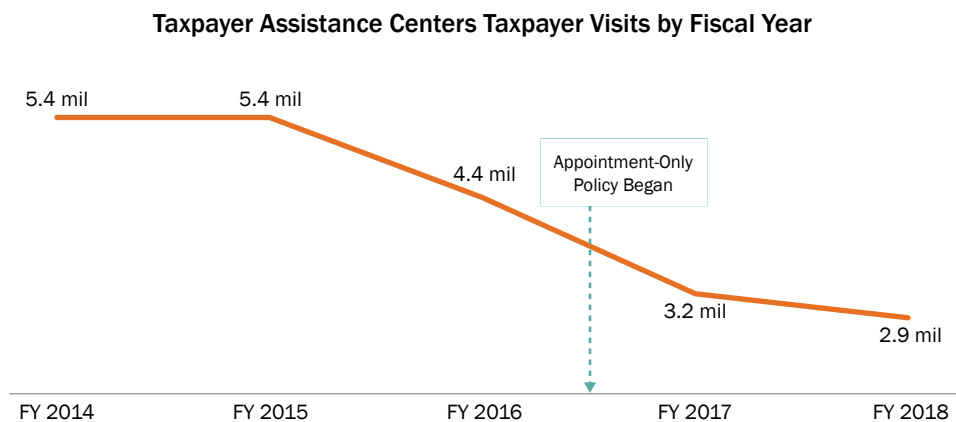
42 IRS response to TAS information request (Sept. 3, 2017; July 2, 2019); IRS response to TAS fact check (Nov. 15, 2019).

43 Memorandum from Debra Holland, Commissioner, Wage & Investment (W&I) to All W&I Employees (Dec. 13, 2016).

44 IRS response to TAS information request (Sept. 2, 2017; July 2, 2019); IRS response to TAS fact check (Nov. 15, 2019).



FIGURE 1.1.2



### *The IRS Should Increase Access to Personal Service Channels for Interactions Associated With High Anxiety Levels*

Forcing taxpayers into digital services for transactions associated with high anxiety levels might be counterproductive. Such forced migration may just create delays, greater taxpayer anxiety, and more IRS rework. Even worse, it could create anger and distrust on behalf of taxpayers, which could lead to increased noncompliance.<sup>45</sup> TAS has previously recommended creating a taxpayer anxiety index to understand how taxpayers respond in certain situations.<sup>46</sup> Once established, the IRS should conduct periodic surveys to determine the level of anxiety associated with different interactions with the IRS and track taxpayer complaints for each service channel to gauge the associated level of anxiety. Based on survey findings and taxpayer complaints, the IRS would better understand which types of interactions cause more anxiety and require more personal services. The IRS could also provide dedicated helplines for interactions or tasks associated with particularly high anxiety levels.<sup>47</sup>

### **Improved Measures Will Identify Performance Gaps**

The Taxpayer First Act requires the IRS to identify metrics and benchmarks to measure its progress in implementing the service strategy.<sup>48</sup> It is often said “you get what you measure.” If the IRS is focused on the speed of its interactions with taxpayers and not on ensuring it resolves all of the taxpayers’ issues, employees will naturally focus on working quickly instead of spending the time needed to resolve the issue. It is crucial that the IRS develop measures that ensure the IRS is truly focusing on taxpayer service. This includes measures such as the rate of first contact resolution for each service channel. In

45 See National Taxpayer Advocate FY 2020 Objectives Report to Congress 1, 5-8 (Introduction: *The National Taxpayer Advocate’s Remarks on the Role of Trust and Taxpayer Advocate Service in Fostering Tax Compliance*); Michelle A. Shell and Ryan W. Buell, *Why Anxious Customers Prefer Human Customer Service* (Apr. 15, 2019), <https://hbr.org/2019/04/why-anxious-customers-prefer-human-customer-service>.

46 TAS has previously suggested the “Taxpayer Anxiety Index” (TAI) as a methodology to analyze how the IRS should design its service strategy, especially the digital component thereof. For a detailed discussion of the TAI and an illustration of its application to the tax return processing roadmap, see National Taxpayer Advocate FY 2020 Objectives Report to Congress 1, 5-8 (Introduction: *The National Taxpayer Advocate’s Remarks on the Role of Trust and Taxpayer Advocate Service in Fostering Tax Compliance*).

47 National Taxpayer Advocate 2015 Annual Report to Congress 240 (Most Serious Problem: *Earned Income Tax Credit (EITC): The IRS Does Not Do Enough Taxpayer Education in the Pre-filing Environment to Improve EITC Compliance and Should Establish a Telephone Helpline Dedicated to Answering Pre-filing Questions From Low Income Taxpayers About Their EITC Eligibility*).

48 Taxpayer First Act, Pub. L. No. 116-25, § 1101(a)(5), 133 Stat. 981 (2019).

addition, the strategy should revisit existing telephone LOS measures to improve transparency and enable the IRS to identify gaps in performance and serve as the basis for funding requests to meet taxpayers' needs.<sup>49</sup>

### *First Contact Resolution*

Achieving a high level of service on the phones does not mean much if the IRS is unable to answer taxpayers' questions or guide them to an appropriate solution to resolve their issues. To more thoroughly evaluate its telephone service and service on other communication channels, the IRS should incorporate additional measures aimed at assessing taxpayer satisfaction. According to researchers, the "single biggest driver of customer satisfaction" is First Contact Resolution.<sup>50</sup> Taxpayers want to be able to resolve all of their issues the first time they contact the IRS, not make multiple attempts to get an answer. Almost 40 percent of taxpayers calling the IRS felt one call did not fully resolve their problems.<sup>51</sup> In FY 2018, approximately 77 percent of callers to the AM lines said they used other resolution methods prior to calling the IRS, with 44 percent visiting IRS.gov prior to calling.<sup>52</sup> The data shows that many taxpayers still need to speak to a live representative even after reviewing many of the non-telephone resources available to them. Incorporating this measure into the plan will more accurately gauge taxpayer satisfaction.

### *Telephone Level of Service Measures Need More Transparency*

Telephone LOS measures must be transparent and capture what is truly happening with service. For example, the IRS received approximately 99 million telephone calls enterprisewide and reported an LOS of about 65 percent on its AM telephone lines during FY 2019.<sup>53</sup> This level marks a significant decline from the IRS's performance during FY 2018, when the IRS reported a 76 percent LOS.<sup>54</sup> However, this measure is narrow and does not reflect the full taxpayer experience. The current LOS measure does not capture all calls to the IRS and insufficiently gauges what the taxpayer actually experiences when using this service channel.<sup>55</sup> The IRS, in collaboration with TAS, should determine a more transparent measure for telephone service.

49 See National Taxpayer Advocate 2017 Annual Report to Congress, vol. 2, at 230 (Literature Review: *Improve Telephone Service Through Better Quality Measures*).

50 Jeff Rumburg & Eric Zbikowski, *The Seven Most Important Performance Indicators for the Service Desk*, METRICNET, [https://www.thinkhdi.com/~media/HDI/Corp/Files/Library-Archive/Rumburg\\_SevenKPIs.pdf](https://www.thinkhdi.com/~media/HDI/Corp/Files/Library-Archive/Rumburg_SevenKPIs.pdf) (last visited Dec. 30, 2019).

51 National Taxpayer Advocate 2017 Annual Report to Congress vol. 2, at 62, 85 (Research Study: *A Further Exploration of Taxpayers' Varying Abilities and Attitudes Toward IRS Options for Fulfilling Common Taxpayer Service Needs*).

52 IRS response to TAS information request (July 1, 2019), from the IRS Customer Satisfaction Survey, FY 2018 AM Toll-Free Annual Report, W&I Strategies and Solutions Research Group 1 (Jan. 2019). A study by the Harvard Business Review suggests an even higher percentage, finding that 57 percent of inbound calls to commercial call centers come from customers that attempted to use web resources first. Matthew Dixon, Karen Freeman, & Nicholas Toman, *Stop Trying to Delight Your Customers*, HARVARD BUSINESS REVIEW (July-Aug. 2010), <https://hbr.org/2010/07/stop-trying-to-delight-your-customers>.

53 *Id.* IRS, JOC, Snapshot Reports: Enterprise Snapshot (week ending Sept. 30, 2019). The IRS reports the AM Customer Service Representative LOS as its benchmark measure of telephone performance.

54 IRS, JOC, Snapshot Reports: Enterprise Snapshot (week ending Sept. 30, 2019).

55 The LOS measure only captures calls directed to the AM lines. About 77 million calls (about 77 percent) are routed to AM lines. The reported benchmark LOS accounts only for these calls, not the remaining twelve million calls (such as the compliance phone lines). Further, the denominator in the LOS computation is derived from calls routed to telephone assistants, rather than from all calls to that phone line. As a result, while the IRS is reporting a benchmark LOS of 65 percent, IRS employees answered only 28 percent of the calls received on the AM lines and 29 percent of calls received on all lines. IRS, JOC, Snapshot Reports: Enterprise Snapshot (week ending Sept. 30, 2019); See National Taxpayer Advocate FY 2020 Objectives Report to Congress 15, 24-28 (*Review of the 2019 Filing Season*).

### A Service Strategy Is Not Comprehensive Unless It Addresses Practitioners

Considering that millions of taxpayers choose to interact with the IRS through their representatives, making them a vehicle for taxpayer compliance, the development of a comprehensive customer service strategy would be incomplete without addressing the service needs and preferences of practitioners.<sup>56</sup> Because practitioner needs and preferences are different than those of taxpayers, the IRS should conduct research to determine which service channels practitioners prefer for various service tasks. The IRS should also conduct customer satisfaction surveys to determine how to improve service offerings for this population.

As the IRS develops the customer service strategy, it should coordinate with the team developing the Servicewide return preparer strategy to ensure consistency and avoid duplication of efforts. In this report, we have provided a list of items we believe the IRS should include in the Servicewide return preparer strategy, some of which involve online application access for practitioners, outreach and education, and a public education campaign to taxpayers on what they should expect from their return preparers.<sup>57</sup>

## IMPACT ON THE INTERNAL REVENUE SERVICE

### Strategy Must Include an Implementation Plan

If the IRS wants to change the way it interacts with taxpayers, the customer service strategy cannot be merely aspirational. The IRS must couple the strategy with an implementation plan that lays out the obstacles and challenges for each stage of implementation. Many of the items the IRS will include in the strategy cannot be accomplished without information technology upgrades and the requisite funding. Accordingly, the implementation plan must provide cost estimates for the various initiatives in the strategy.<sup>58</sup>

## CONCLUSION

In the Taxpayer First Act, Congress has given the IRS a directive to revamp the ways in which they serve taxpayers. This challenges the IRS to change how it views taxpayers and their representatives, what they need from the IRS, and how the IRS can best provide those services to meet their needs. Customer service touches every facet of IRS operation and must be a primary consideration as the IRS implements new programs and retires or retrofits current ones to address changing needs and goals. Robust research into taxpayer and practitioner needs and preferences as well as meaningful customer service measures should inform all IRS service decisions. Throughout the development of a comprehensive customer service strategy, the IRS should leverage the wealth of knowledge and experience TAS has acquired through decades of interacting with and assisting taxpayers and their representatives.

56 Over 80 million tax year (TY) 2018 individual tax returns were prepared and filed by return preparers. IRS, Compliance Data Warehouse, Individual Return Transaction File Entity file (data updated Oct. 24, 2019); IRS response to TAS fact check (Nov. 8, 2019). See also Most Serious Problem: *Return Preparer Strategy: The IRS Lacks a Comprehensive Servicewide Return Preparer Strategy*, *infra*.

57 See Most Serious Problem: *Return Preparer Strategy: The IRS Lacks a Comprehensive Servicewide Return Preparer Strategy*, *infra*.

58 See Most Serious Problem: *IRS Funding: The IRS Does Not Have Sufficient Resources to Provide Quality Service*, *infra*; Most Serious Problem: *Information Technology Modernization: The IRS Modernization Plan's Goal to Improve the Taxpayer Experience Is Commendable, But the IRS Needs Additional Multi-Year Funding to Bring It to Fruition*, *infra*.

## RECOMMENDATIONS

### Administrative Recommendations to the IRS

The National Taxpayer Advocate recommends that the IRS:

1. Ensure that each taxpayer segment and BOD are part of the overall customer service strategy to ensure the IRS is addressing the needs of all customers and responsibility is not falling on any one part of the IRS.
2. Appoint a Chief Customer Experience Officer, reporting to the Commissioner or Deputy Commissioner, to unify all taxpayer initiatives across different functions.
3. Work with NIST to determine how to make e-authentication requirements as least burdensome as possible and review the e-authentication methods used by other international taxing authorities.
4. Conduct research into why taxpayers and practitioners do not use certain service channels for particular tasks to enable the IRS to minimize any existing barriers and improve services in that area.
5. Establish a 311-type phone system to provide the taxpayer or practitioner the option to connect with an initial operator who would ask questions to understand the reason for the call. The operator would then match the caller with the specific office within the IRS that handles that particular issue or case.
6. Conduct research into why a significant number of customers who call the various IRS phone lines hang up either before or after they are placed in a queue for a particular phone line (primary and secondary abandonments).
7. Work with TAS to create a Taxpayer Anxiety Index.
8. Track the subject of taxpayer and practitioner complaints for each service channel to better understand the customer's satisfaction with actual usage of each service channel.
9. Develop meaningful and transparent measures to monitor the success of all customer service initiatives, including first contact resolution and more transparent telephone level of service measures.
10. Coordinate the team developing the Servicewide return preparer strategy to ensure consistency of strategies.
11. Collaborate with TAS throughout the development of the comprehensive customer service strategy required by the Taxpayer First Act.
12. Couple the customer service strategy with an implementation plan, complete with cost estimates for various initiatives.

### Legislative Recommendations to Congress

The National Taxpayer Advocate recommends that Congress:

1. Provide the necessary funding to the IRS for the adequate staffing, budget, and technology needed to provide a robust, world class customer service experience.<sup>59</sup>

59 For more details on this legislative recommendation, see National Taxpayer Advocate 2020 Purple Book, *Compilation of Legislative Recommendations to Strengthen Taxpayer Rights and Improve Tax Administration 6 (Provide The IRS With Sufficient Funding to Meet Taxpayer Needs and Improve Federal Tax Compliance)*.