

THE MOST SERIOUS PROBLEMS ENCOUNTERED BY TAXPAYERS: Introduction

Internal Revenue Code (IRC) § 7803(c)(2)(B)(ii)(III) requires the National Taxpayer Advocate to submit an annual report to Congress that, among other things, contains a summary of ten “most serious problems” encountered by taxpayers. In previous years, Congress tasked the National Taxpayer Advocate with identifying at least the 20 most serious problems impacting taxpayers. As noted in the Preface, this change was the result of the recent passage of the Taxpayer First Act.¹

With the change to the number of Most Serious Problems, TAS revisited its method of selecting its list of ten based on multiple factors. While we rank each year’s problems using the same methodology (described below), the list remains inherently subjective in many respects. See Appendix 3 for additional information on how TAS ranked the Most Serious Problems.

METHODOLOGY OF THE MOST SERIOUS PROBLEM LIST

The National Taxpayer Advocate is in a unique position to identify the most pressing problems that taxpayers face. Because TAS is an independent part of the IRS, it can serve as the advocate for the taxpayer and use the experience of its staff to identify taxpayer problems to make recommendations to improve the IRS from within the organization. TAS also works with more than 300,000 taxpayers and practitioners every year through its casework and outreach events so it sees problems from an external perspective as well. On a daily basis, TAS employees interact with taxpayers and IRS employees to try to resolve taxpayers’ individual problems and make systemic fixes to widespread problems.

The National Taxpayer Advocate becomes aware of potential Most Serious Problems through multiple channels. Trends in TAS’s casework, research studies completed by TAS and outside groups, advocacy projects worked by TAS’s Office of Systemic Advocacy, and findings from IRS taskforces and teams on which TAS participates often reveal issues. Additionally, the National Taxpayer Advocate hears directly from individuals, including Taxpayer Advocacy Panel members, IRS employees, taxpayers, tax practitioners, and other external stakeholders, through TAS’s Systemic Advocacy Management System and other channels.²

The National Taxpayer Advocate considers several factors in identifying, evaluating, and ranking the Most Serious Problems encountered by taxpayers. The ten issues in this year’s report are ranked largely according to the following criteria:

- Impact on taxpayer rights;
- Number of taxpayers impacted;
- Financial impact on taxpayers;
- Visibility, sensitivity, and interest to stakeholders, Congress, and external indicators (*e.g.*, media, etc.);

1 Taxpayer First Act, Pub. L. No. 116-25, 133 Stat. 981 (2019).

2 The Systemic Advocacy Management System (SAMS) is a database of systemic issues and information reported online to TAS by IRS employees and members of the public. <https://www.irs.gov/advocate/systemic-advocacy-management-system-sams>. TAS reviews and analyzes the submissions and determines a course of action, which can include information-gathering projects, immediate interventions, and advocacy projects. Internal Revenue Manual (IRM) 1.4.13.4.9.2, Systemic Advocacy Management System (SAMS) (Sept. 17, 2019).

- Barriers to tax law compliance, including cost, time, and burden;
- Taxpayer Advocate Management Information System (TAMIS) inventory data; and
- Emerging issues.

TAXPAYER ADVOCATE MANAGEMENT INFORMATION SYSTEM LIST

The identification of the Most Serious Problems reflects not only the mandates of Congress and the IRC but also TAS's integrated approach to advocacy — using individual cases as a means for detecting trends and identifying systemic problems in IRS policy and procedures or the IRC. TAS tracks individual taxpayer cases on TAMIS. The top 25 case issues, listed in Appendix 4, reflect TAMIS receipts based on taxpayer contacts in fiscal year 2019, a period spanning October 1, 2018, through September 30, 2019.

USE OF EXAMPLES

The examples presented in this report illustrate issues raised in cases TAS handled. To comply with IRC § 6103, which generally requires the IRS to keep taxpayer returns and return information confidential, TAS has changed the details of the fact patterns. In some instances, the taxpayer has provided written consent for the National Taxpayer Advocate to use facts specific to that taxpayer's case. We note these exceptions in footnotes to the examples.

DATA COMPILATION AND VALIDATION

The data cited in the National Taxpayer Advocate's annual reports generally come from one of three sources: (i) publicly available data such as the IRS Data Book, Government Accountability Office reports, and Treasury Inspector General for Tax Administration reports; (ii) IRS databases to which TAS has access; and (iii) IRS data that IRS operating divisions provide pursuant to TAS information requests. After TAS compiles data, TAS's Office of Research and Analysis confirms it. In accordance with IRC § 7803(c)(2)(B)(ii)(XII), TAS then sends all data included in the Most Serious Problem section of the report to the IRS for final verification prior to publication.

On the rare occasion where TAS and the IRS have a disagreement about data, we generally discuss it, and if a disagreement persists, we note it in the report. This process ensures data integrity and full transparency regarding data sources and reliability.