

## Review of the 2017 Filing Season

The 2017 filing season proceeded similarly to recent filing seasons in key respects. For the majority of taxpayers who filed their returns without requiring assistance from the IRS, the filing season was virtually problem-free. However, the results were mixed for taxpayers who sought IRS help.

Each year, the IRS receives more than 100 million telephone calls on its toll-free lines, roughly five million taxpayer visits in its Taxpayer Assistance Centers (TACs), and some ten million pieces of correspondence from taxpayers responding to proposed adjustment notices.<sup>1</sup> During Filing Season (FS) 2017, the IRS answered 79 percent of the telephone calls it received on its “Accounts Management” (AM) telephone lines that were routed to a telephone assistant,<sup>2</sup> up from 72 percent during FS 2016.<sup>3</sup> In addition, the time these taxpayers spent on hold declined from 11.1 minutes in FS 2016 to 6.5 minutes in FS 2017.<sup>4</sup> Thus, taxpayers generally were better served on the AM telephone lines.

However, taxpayer service was less successful in other areas. The IRS compliance telephone lines, which are not included in the AM category, showed significant declines. For example, the IRS received about 2.7 million calls on its “Installment Agreement/Balance Due” line, which taxpayers generally call if they cannot pay their tax liabilities in full and are seeking to arrange a payment plan.<sup>5</sup> The IRS answered only 40 percent of these calls during FS 2017 (down from 76 percent in FS 2016), and wait times increased from 11 minutes in FS 2016 to a staggering 47 minutes in FS 2017.<sup>6</sup>

Moreover, the IRS to some degree lucked out this filing season. Despite answering a higher *percentage* of calls on its AM telephone lines, IRS telephone assistants actually answered 25 percent *fewer* calls during FS 2017 as compared with FS 2016.<sup>7</sup> It is only because taxpayer calls routed to AM telephone assistants declined by even more — 32 percent — that the IRS was able to answer 79 percent of its calls during FS 2017. Had IRS telephone assistants received the same number of calls during FS 2017 as it received during FS 2016, they would have answered only 54 percent of taxpayer calls (rather than 79 percent).<sup>8</sup> Thus, while the uptick in the percentage of AM calls answered was welcome news this year, it should not be taken as evidence that the poor levels of service taxpayers have experienced on the phones in recent years have reversed.

1 IRS, Joint Operations Center (JOC), *Snapshot Reports: Enterprise Snapshot, IRS Enterprise Total* (final week of each fiscal year (FY) for FY 2008 through FY 2016) (showing telephone call volumes exceeding 100 million in every year); IRS Wage & Investment Division, *Business Performance Review 7* (Feb. 9, 2017) (showing 5.6 million visits in FY 2015 and 4.5 million visits in FY 2016); IRS, JOC, *Adjustments Inventory Reports: July-September Fiscal Year Comparison* (FY 2007 through FY 2016) (showing annual taxpayer correspondence volumes regarding potential adjustments has ranged from a low of 7.3 million letters to a high of 11.8 million letters and has averaged around ten million per year).

2 IRS, JOC, *Snapshot Reports: Enterprise Snapshot* (week ending Apr. 22, 2017).

3 *Id.*

4 *Id.*

5 IRS, JOC, *Snapshot Reports: Product Line Detail Snapshot* (week ending Apr. 22, 2017).

6 *Id.*

7 IRS, JOC, *Snapshot Reports: Enterprise Snapshot* (week ending Apr. 22, 2017).

8 *Id.* In filing season (FS) 2017, IRS telephone assistants answered 9,872,802 calls on the Accounts Management (AM) telephone lines. In FS 2016, IRS telephone assistants received about 18.2 million telephone calls on the AM telephone calls. Thus, the level of service in FS 2017 would have been about 54 percent if the IRS answered the same number of calls as it actually answered but received the number of calls received in FS 2016 (9.9 million calls answered divided by 18.2 million calls received).

---

**The IRS should set out a list of core services it has been forced to curtail or eliminate and make clear to Congress that it would enhance or reinstate those services if it received additional funding.**

---

As a separate matter, the IRS implemented a new policy that, for the first time, requires taxpayers to schedule appointments in advance of visiting any of the IRS's 376 TACs to receive face-to-face service.<sup>9</sup> Thus, the TACs, previously known as “walk-in” sites, have been completely transformed to become “appointment only” sites. In response to complaints from TAS and others, the IRS has given TAC managers the discretion to make exceptions to the policy. But the general rule continues to require advance appointments.

In addition, the IRS has continued a policy adopted in 2014 that sharply limits the authority of IRS employees to answer tax law questions. IRS employees are restricted to answering “basic” questions during the filing season and are prohibited from answering any tax law questions outside the filing season. In our view, the IRS's continued unwillingness to help taxpayers by answering such a broad range of tax law questions represents a breathtaking abdication of a core function of tax administration.

There is no doubt many of the service constraints are attributable in significant part to funding limitations. Since fiscal year (FY) 2010, we estimate the IRS's budget has been reduced by nearly 20 percent on an inflation-adjusted basis.<sup>10</sup> But regardless of cause, these service limitations harm taxpayers who need assistance. The IRS should set out a list of core services it has been forced to curtail or eliminate and make clear to Congress that it would enhance or reinstate those services if it received additional funding. If the IRS describes how it would use additional funding to improve taxpayer service with greater specificity, congressional appropriators might be convinced that additional funding would be put to good use and provide that funding.

---

<sup>9</sup> IRS News Release IR-2016-172, *Tax Preparedness Series: IRS Face-To-Face Help Now By Appointment* (Dec. 20, 2016). IRS response to TAS fact check (Dec. 20, 2016).

<sup>10</sup> IRS funding is down in dollar terms by 7.5 percent since FY 2010. In FY 2010, the agency's appropriated budget stood at \$12.1 billion. For FY 2016, its budget was \$11.2 billion. Based on the Consumer Price Index measure of inflation, costs have risen by 12 percent over the same period. Bureau of Labor Statistics, Consumer Price Index – Urban (CPI-U) (reflecting inflation from March 2010 through March 2017). Thus, the inflation-adjusted reduction is nearly 20 percent. There are multiple measures of inflation, so the use of a different measure may produce slightly different results.

Figure 2.1.1 presents an overview of returns processing during the filing season including refunds and visits to the IRS website.

**FIGURE 2.1.1, Filing Season Statistics Comparing Weeks Ending April 24, 2015; April 22, 2016; and April 21, 2017<sup>11</sup>**

		2015	2016	2017	% Change 2016-2017
Individual Income Tax Returns	Total Receipts	134,209,000	136,528,000	135,638,000	-0.7%
	Total Processed	128,317,000	129,456,000	128,789,000	-0.5%
e-Filing Receipts	Total e-Filing	119,402,000	122,546,000	122,164,000	-0.3%
	Tax Professionals	70,491,000	70,864,000	70,401,000	-0.7%
	Self-Prepared	48,911,000	51,682,000	51,763,000	0.2%
Web Usage	Visits to IRS.gov	310,407,523	325,525,568	312,255,666	-4.1%
Total Refunds	Number	97,097,000	97,079,000	97,104,000	0.0%
	Amount	\$262.2 bil	\$263.2 bil	\$268.3 bil	1.9%
	Average Refund	\$2,700	\$2,711	\$2,763	1.9%
Direct Deposit Refunds	Number	80,383,000	81,221,000	81,646,000	0.5%
	Amount	\$231.7 bil	\$234.3 bil	\$239.4 bil	2.2%
	Average Refund	\$2,882	\$2,884	\$2,932	1.7%

In the narrative that follows, we will address the taxpayer experience during FS 2017 under the following major themes:

- The impact of several changes in the Protecting Americans from Tax Hikes Act of 2015 (PATH Act) that Congress directed the IRS to implement;
- Interactions with the IRS through phones, correspondence, face-to-face meetings (TACs), and online access; and
- Special topics, including identity theft and refund fraud, the Affordable Care Act (ACA), and services for U.S. taxpayers living abroad.

## IMPACT OF THE PROTECTING AMERICANS FROM TAX HIKES ACT

The PATH Act, which Congress enacted in December 2015, included several provisions that are directly impacting taxpayers, employers, and IRS processes. Among other things, it:

- Advanced the due date to January 31 for employers to report wage information on Forms W-2 to the Social Security Administration (SSA), and for payors of non-employee compensation to report that income on Forms 1099-MISC to the IRS.<sup>12</sup>
- Directed the IRS to hold the refunds of taxpayers claiming either the Earned Income Tax Credit (EITC) or Additional Child Tax Credit (ACTC) until February 15.<sup>13</sup>

11 IRS, *Filing Season Statistics for Week Ending April 21, 2017*, <https://www.irs.gov/uac/newsroom/filing-season-statistics-for-week-ending-april-21-2017>, and *Filing Season Statistics for Week Ending April 22, 2016*, <https://www.irs.gov/uac/newsroom/filing-season-statistics-for-week-ending-april-22-2016>. The figures for 2015 are taken from the Week Ending April 22, 2016 report, and equate to Week Ending April 24, 2015. The 2015 filing season officially ended on April 15. The 2015 figures include additional post-filing season days however this approach maintains compatible calendar dates.

12 Protecting Americans from Tax Hikes (PATH) Act of 2015, Pub. L. No. 114-113 § 201 (codified at IRC § 6071).

13 PATH Act, § 201(b) (codified at IRC § 6402(m)).

- Directed to the IRS to deactivate Individual Taxpayer Identification Numbers (ITINs) for either age of issuance or non-use.<sup>14</sup>

We will address the impact of each of these provisions below.

### *Earlier Deadline for Information Reporting Documents*

The PATH Act accelerated the due dates for certain information reporting documents. The due date for filing Forms W-2, *Wage and Tax Statement*, and Forms 1099-MISC, *Miscellaneous Income*, with the SSA was moved up to January 31. Forms 1099-MISC are used to report non-employee compensation. Prior to 2017, the due date for these information reporting forms was the last day of February (or March, if filed electronically).

The accelerated deadline allows the IRS to verify the legitimacy of tax returns by comparing the return data against the data reported on Forms W-2 filed by employers before paying out refunds. Prior to the enactment of the PATH Act, the IRS received W-2 data from the SSA after the filing season, when the majority of refunds had already been issued, and began data matching in the summer.

By the end of March 2017, the IRS had received 222 million Forms W-2, a nearly 30 percent increase from the 171 million received by the same point in 2016.<sup>15</sup> Similarly, there was a sharp spike in the number of Forms 1099-MISC the IRS received in 2017 as compared with 2016. By week 12 of calendar year (CY) 2017, the IRS received 31 million Forms 1099-MISC, more than 2.5 times the 12 million received by the same week in the prior year.<sup>16</sup>

The objective of the accelerated deadline was to enable the IRS to match information supplied on tax returns against information reported on Forms W-2 and 1099-MISC, ideally before paying out refunds, to identify possible fraud and other mismatches. Based on the accelerated receipt of Forms W-2 and 1099-MISC, the law appears to be having its intended effect.

### *The Hold and Release of Refunds on Returns Claiming the Earned Income Tax Credit and Additional Child Tax Credit Appear to Have Gone Smoothly*

The EITC was enacted as a work incentive in the Tax Reduction Act of 1975. It has become one of the government's largest means-tested anti-poverty programs. In tax year (TY) 2015, more than 27 million taxpayers received about \$67 billion in EITC benefits. However, the EITC program is also plagued by a relatively high improper payment rate.<sup>17</sup> To reduce the improper payment rate, Congress included a directive in the PATH Act that requires the IRS to delay payment of any refund that includes the EITC or the refundable ACTC until February 15 of each filing year.<sup>18</sup> Combined with the requirement that

14 PATH Act, § 203(a) (codified at IRC § 6109(i)(3)).

15 IRS, Compliance Data Warehouse, *Information Returns Master File* (as of cycle 201712).

16 *Id.*

17 An improper payment is defined as “any payment that should not have been made or that was made in an incorrect amount (including overpayments and underpayments) under statutory, contractual, administrative, or other legally applicable requirements” and “any payment to an ineligible recipient.” Improper Payments Elimination and Recovery Act of 2010, Pub. L. No. 111–204, § 2(e) (2010) amending Improper Payments Information Act of 2002, Pub. L. No. 107-300 (2002) by striking § 2(f) and adding (f)(2). The IRS estimates that for FY 2016, between 22.2 percent (\$15.5 billion) and 25.9 percent (\$18.1 billion) of the total Earned Income Tax Credit (EITC) program payments of \$69.8 billion were improper. Department of Treasury, *Agency Financial Report Fiscal Year 2016* 49 (Nov. 2016).

18 Unlike traditional anti-poverty and welfare programs, the EITC was designed to have an easy “application” process by allowing an individual to claim the benefit on his or her tax return. This approach virtually eliminates the significant costs associated with up-front eligibility verification in traditional social welfare programs, but results in a high improper payment rate.

employers accelerate the issuance of Forms W-2 and that other payors accelerate the issuance of Forms 1099-MISC, the requirement that the IRS hold these refunds until February 15 is intended to reduce the improper payment rate by enabling the IRS to data match income information before paying out EITC and ACTC claims. Taxpayers claiming these benefits could submit their returns prior to February 15, but the IRS held the returns until that date.<sup>19</sup>

Based on an analysis of IRS data from FS 2017, it appears computer-generated refund freezes related to the PATH Act released as anticipated.<sup>20</sup> TAS compared the number of EITC refunds issued week-by-week in FS 2016 to the comparable period in FS 2017.<sup>21</sup> During FS 2016, the IRS had issued 13.6 million refunds claiming EITC benefits by mid-February. In 2017, the number of refunds claiming EITC benefits released in mid-February was 17 percent lower than at the same point in 2016.<sup>22</sup> See Figure 2.1.2.

**FIGURE 2.1.2, Comparison of Refund Issuance Dates on Returns Receiving EITC, Filing Seasons 2016 and 2017<sup>23</sup>**

Week Ending	2016 Cumulative	2017 Cumulative	Percentage Difference
Jan. 26, 2017	855,083		
Feb. 2, 2017	7,424,783		
Feb. 9, 2017	11,104,413		
Feb. 16, 2017	13,627,831	11,260,446	-17.4%
Feb. 23, 2017	15,533,821	13,367,603	-13.9%
Mar. 2, 2017	16,995,981	15,265,718	-10.2%
Mar. 9, 2017	18,166,010	16,691,389	-8.1%
Mar. 16, 2017	19,134,737	17,814,073	-6.9%
Mar. 23, 2017	19,971,655	18,775,735	-6.0%
Mar. 30, 2017	20,713,482	19,635,955	-5.2%
Apr. 6, 2017	21,468,224	20,459,066	-4.7%
Apr. 13, 2017	22,323,775	21,351,318	-4.4%
Apr. 20, 2017	23,494,074	22,534,564	-4.1%

TAS also compared the period of time between when a return successfully posted to the IRS computer system and when the refund was issued in Filing Seasons 2016 and 2017. For FS 2016, about 239,000

<sup>19</sup> For a related discussion on the EITC and efforts to improve compliance, see Area of Focus: *TAS Continues to Pursue Improvements to the IRS's Administration of the Earned Income Tax Credit, Particularly With Recent Changes to the Law, infra.*

<sup>20</sup> At an April 6, 2017 hearing before the House Small Business Committee, Treasury Inspector General for Tax Administration Russell George commented to the media that he was unaware of any premature EITC or ACTC refunds, but he planned to look into the matter. Luca Gattoni-Celli, *TIGTA Chief Assesses IRS Budget Cut Fallout During Fraud Hearing*, 2017 TNT 66-67 (Apr. 7, 2017).

<sup>21</sup> Our analysis focused on EITC and did not include Additional Child Tax Credit (ACTC) claims.

<sup>22</sup> In its public statements, the IRS noted the date a taxpayer received their refund could extend to later in the month. See, e.g., IRS News Release IR-2016-167, *2017 Tax Filing Season Begins Jan. 23 for Nation's Taxpayers, Tax Returns Due April 18* (Dec. 9, 2016), <https://www.irs.gov/uac/2017-tax-filing-season-begins-jan-23-for-nations-taxpayers-with-tax-returns-due-april-18> (noting "In addition, the IRS wants taxpayers to be aware it will take several days for these refunds to be released and processed through financial institutions. Factoring in weekends and the President's Day holiday, the IRS cautions that many affected taxpayers may not have actual access to their refunds until the week of Feb. 27.").

<sup>23</sup> IRS, Compliance Data Warehouse, Individual Returns Transaction File and Individual Master File (Tax Year 2015 returns filed in 2016, and Tax Year 2016 returns filed in 2017). The 2017 figures differ slightly from those TAS reported in recent testimony even though they are derived from the same source data. *Hearing Before the H. Comm. on Appropriations, Subcomm. on Financial Services and General Government*, 114th Cong. 34-35 (2017) (written testimony of Nina E. Olson, National Taxpayer Advocate). The data presented here were generated June 5, 2017. While we are unsure why the data differ, the order of magnitude and percentage change is the same.

taxpayers claiming the EITC had to wait two weeks or more for the IRS to issue their refunds after their returns posted. This number climbed to over seven million taxpayers in FS 2017. However, the increase in waiting time declined as FS 2017 progressed. For taxpayers who had delays of four weeks or more, there was a 31 percent increase between Filing Seasons 2016 and 2017 (over 108,000 taxpayers in FS 2016 compared to over 141,000 taxpayers in FS 2017). The average delay was about a week longer in 2017 than 2016 (through the end of March 2017).

As of February 16, 2017, the number of frozen EITC returns between Filing Seasons 2016 and 2017 increased by nearly 260 percent (from about 41,000 to 148,000), and EITC dollars frozen increased by about 225 percent (from \$147 million to \$479 million). The increase in dollars frozen in FS 2017 equates to a potential 2.1 percent decrease in improper payments as compared with FS 2016.<sup>24</sup> This is not surprising, because although income misreporting is the most frequent source of EITC errors, it does not account for the largest dollar amount of EITC errors. Because EITC noncompliance is attributable to multiple causes, there is no magic bullet to eliminate erroneous claims. Rather, it will take multiple approaches to materially bring down the improper payment rate. Upfront W-2 matching is an important step, and as discussed later in this section, it provides additional benefits in the area of identity theft and other refund fraud.

### *Deactivation of Individual Taxpayer Identification Numbers*

The IRS issues ITINs to taxpayers who are ineligible for Social Security numbers (SSNs) but need a taxpayer identification number to file tax returns. The PATH Act codified several changes related to ITINs including expiration due to age or non-use.<sup>25</sup> To implement section 203(a) of the PATH Act, the IRS announced in August 2016 that it would deactivate all ITINs not used on a tax return within the last three years as well as ITINs with the middle digits 78 and 79, which were issued between 1996 and 2000.<sup>26</sup>

The IRS sent a deactivation notice only to taxpayers who had filed tax returns within the preceding three years. Taxpayers who expected to have a continued filing requirement could renew their ITINs beginning in October 2016.

In late December 2016 and early January 2017, the IRS deactivated an estimated 12.4 million ITINs.<sup>27</sup> While the deactivation had no impact for taxpayers who no longer need to file a tax return, data suggests it affected the filing behavior of some. From January 24, 2017 through March 31, 2017, the IRS received 9.8 percent fewer returns with ITINs than during the same period the prior year – a decrease from 2.75 million to 2.48 million.<sup>28</sup> Among those who did file, it is likely that some were unaware of the need to renew their ITIN(s) or were unable to complete the renewal step prior to filing. From January 1 through April 28, 2017, the IRS made approximately 186,000 math error adjustments related to an expired ITIN.<sup>29</sup>

24 We will not know the exact decrease in the improper payment rate until the IRS has made a final determination on each case where the EITC was frozen as a result of the wage verification process.

25 PATH Act, § 203(a) (codified at IRC § 6109(i)(3)). For a more thorough discussion on ITINs, see Area of Focus: *The IRS Makes Needed Changes to the Individual Taxpayer Identification Number (ITIN) Program, But Barriers for ITIN Applicants Remain*, *infra*.

26 IRS News Release IR-2016-100, *IRS Works to Help Taxpayers Affected by ITIN Changes; Renewals Begin in October* (Aug. 4, 2016), <https://www.irs.gov/uac/irs-works-to-help-taxpayers-affected-by-itin-changes-renewals-begin-in-october>.

27 IRS response to TAS information request (May 4, 2017). Further, the IRS deactivated approximately 134,000 of these ITINs in error. The IRS promptly corrected the programming error.

28 ITIN returns refer to returns that include at least one ITIN for a primary, secondary, or dependent taxpayer. IRS, Compliance Data Warehouse (CDW), Entity database (Apr. 17, 2017).

29 IRS, *Math Error Report* (week ending Apr. 28, 2017). Under math error authority, the IRS may independently make adjustments to a tax return unless the taxpayer responds within the designated time frame. Because multiple math error codes may be applied to a single return, the 186,000 math error adjustments do not necessarily represent 186,000 returns.

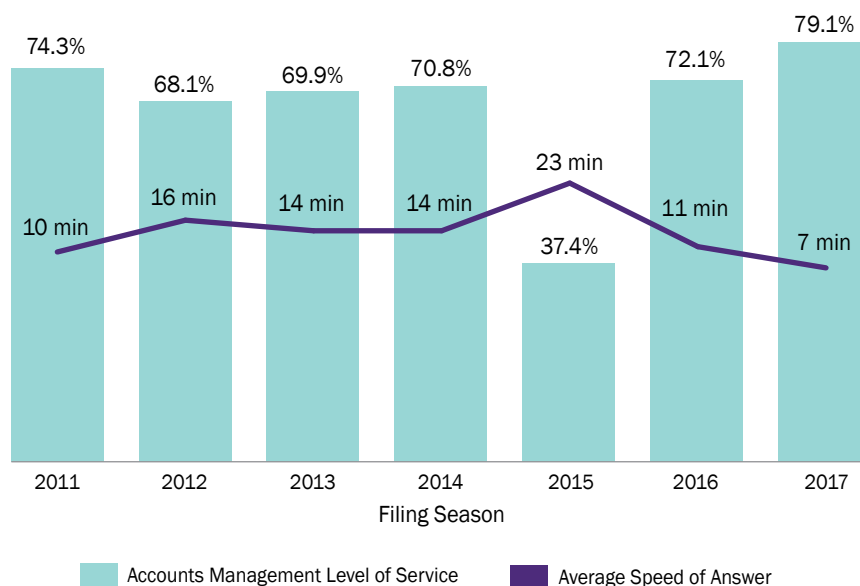


## TELEPHONE ASSISTANCE

In general, the IRS did a better job of answering taxpayer calls during FS 2017, achieving the highest level of service and shortest wait times on its AM phone lines in the past seven years. In its spending plan, the IRS goal was to achieve a 75 percent level of service during the filing season, and the AM phone lines collectively achieved a 79 percent level of service.<sup>30</sup> In addition, the IRS provided toll-free service on the traditional high-demand days of the Presidents Day holiday and the two Saturdays preceding the end of the filing season.<sup>31</sup>

FIGURE 2.1.3<sup>32</sup>

Telephone Services for Accounts Management Phone Lines,  
Filing Seasons 2011-2017: Level of Service and Average Speed of Answer



### Telephone Service Concerns

As noted above, the relatively successful top-line numbers mask significant weaknesses in IRS telephone service that have not been solved. Indeed, they are likely to become more evident if the IRS receives more telephone calls again next filing season.

- IRS Telephone Assistors Answered 25 Percent Fewer Calls on Its AM Lines in FS 2017 As Compared With FS 2016.** The primary reason the IRS answered a higher percentage of taxpayer calls this filing season is that there was a 32 percent reduction in taxpayer calls routed to AM telephone assistors, declining from about 18.2 million calls in FS 2016 to about 12.5 million calls

30 IRS Wage & Investment (W&I), *Business Performance Review* 16 (Feb. 9, 2017). At the same time, the aggregate level of service (LOS) for all IRS phone lines – the Enterprise Total – fell slightly from 71.3 percent to 70.7 percent. IRS, JOC, *Snapshot Reports: Enterprise Snapshot* (Apr. 22, 2017).

31 IRS News Release IR-2017-38, *Avoid the Rush: IRS Extends Service Hours to Assist Taxpayers at Presidents Day Peak* (Feb. 17, 2017), <https://www.irs.gov/uac/avoid-the-rush-irs-extends-service-hours-to-assist-taxpayers-at-presidents-day-peak>. IRS News Release IR-2017-76, *IRS Extends Call Service Hours to Assist Taxpayers on Saturdays – April 8 and 15* (Apr. 6, 2017), <https://www.irs.gov/uac/newsroom/irs-extends-call-service-hours-to-assist-taxpayers-on-saturdays-april-8-and-15>.

32 IRS, JOC, *Snapshot Reports: Enterprise Snapshot* (weeks ending Apr. 28, 2012, Apr. 27, 2013, Apr. 26, 2014, Apr. 25, 2015, Apr. 23, 2016, and Apr. 22, 2017).

in FS 2017.<sup>33</sup> That enabled IRS telephone assistors to answer 3.3 million fewer calls in FS 2017 while still increasing the percentage of calls they answered by seven percentage points. Had the number of telephone calls routed to telephone assistors in FS 2017 remained at FS 2016 levels, the number of calls IRS telephone assistors answered in FS 2017 would have equated to answering just 54 percent of taxpayer calls rather than 79 percent — a dramatically different result.<sup>34</sup>

- **The Percentage of All Calls IRS Telephone Assistors Answered During the Filing Season Declined Slightly From FS 2016 to FS 2017.** The “official” measure of the IRS’s telephone performance is the Customer Service Representative “Level of Service” (or “LOS”) on its Accounts Management telephone lines. The LOS is generally the percentage of calls answered by telephone assistors among all calls gated to an assistor. While it is true that the LOS on the AM lines was 79 percent and the wait time was about seven minutes, there are many telephone lines the IRS maintains that are not included under the “Accounts Management” umbrella. If one looks at all IRS telephone lines (the “Enterprise Total,” in IRS parlance), the LOS actually dropped slightly this filing season as compared with last year and stood at 71 percent.<sup>35</sup>
- **The Percentage of Calls IRS Telephone Assistors Answered During the Filing Season on Compliance Lines Declined Substantially From FS 2016 to FS 2017, While Wait Times Nearly Doubled.** Most of the IRS phone lines excluded from the Accounts Management category are compliance lines (*e.g.*, audit and collection). The telephone lines pertaining to the IRS’s automated collection system received 4.2 million calls during the filing season, and the IRS answered only 44 percent — down from 64 percent last filing season. Wait times rose from 23 minutes last filing season to 42 minutes this year.<sup>36</sup>
- **IRS Telephone Assistors Answered Only 40 Percent of Calls from Taxpayers Seeking to Make Payment Arrangements, and the Average Hold Time Was 47 Minutes.** One IRS compliance line is the “Installment Agreement/Balance Due” line. It received about 2.7 million calls during the filing season. For the most part, these calls come from taxpayers who are seeking to make payment arrangements — the sort of calls most private businesses would pick up immediately. Yet the IRS answered only 40 percent of these calls, and the average wait time among taxpayers who got through was a staggering 47 minutes. The IRS’s performance on this telephone line deteriorated markedly as compared with FS 2016. During FS 2016, the IRS answered 76 percent of these calls, and the wait time was 11 minutes. Thus, the percentage of calls the IRS

33 IRS, JOC, *Snapshot Reports: Enterprise Snapshot* (week ending Apr. 22, 2017). Although the IRS has received more than 100 million telephone calls in every year since 2008, not all calls are routed to telephone assistors. Many are routed to automated processes, such as most calls inquiring about the status of a pending refund. The IRS *Snapshot Reports* on telephone performance do not include a column showing the number of calls routed to telephone assistors. However, it can be roughly computed by dividing the number of calls answered by telephone assistors by the percentage of calls answered (known as the “Level of Service”). During FS 2016, IRS telephone assistors answered 13,156,402 calls on its AM telephone lines and its LOS was 72.1 percent. Therefore, the total number of calls routed to telephone assistors was about 18.2 million (13,156,402 million/0.721). During FS 2017, IRS telephone assistors answered 9,872,802 million calls on its AM telephone lines and its LOS was 79.1 percent. Therefore, the total number of calls routed to telephone assistors was about 12.5 million (9,872,802 million/0.791).

34 IRS, JOC, *Snapshot Reports: Enterprise Snapshot* (week ending Apr. 22, 2017). In FS 2017, IRS telephone assistors answered 9,872,802 calls on the AM telephone lines. In FS 2016, IRS telephone assistors received about 18.2 million telephone calls on the AM telephone calls. Thus, the LOS in FS 2017 would have been about 54 percent if the IRS answered the same number of calls as it actually answered but received the number of calls received in FS 2016 (9.9 million calls answered divided by 18.2 million calls received).

35 IRS, JOC, *Snapshot Reports: Enterprise Snapshot, Enterprise Total* (week ending April 22, 2017). The LOS on all IRS telephone lines (Enterprise Total) for the filing season was 70.7 percent as of April 22, 2017, as compared with 71.3 percent as of the corresponding date in 2016.

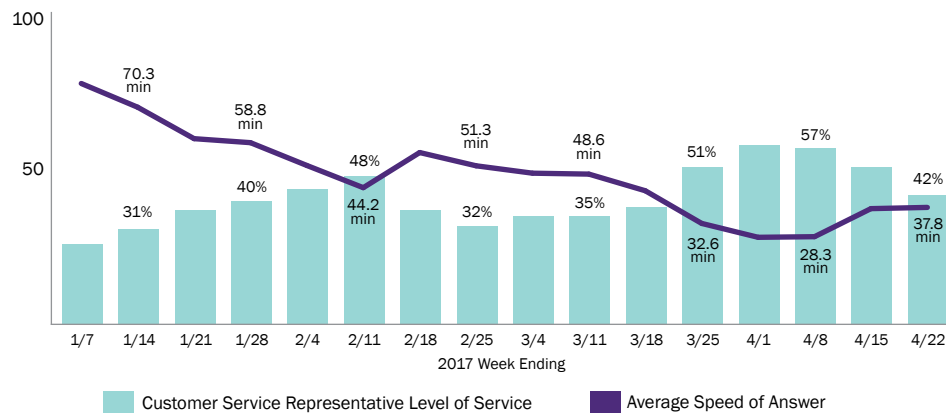
36 IRS, JOC, *Snapshot Reports: Enterprise Snapshot, Consolidated ACS* (week ending April 22, 2017).



answered from taxpayers seeking to make payment arrangements on this line dropped nearly in half as compared with last year, and wait times were more than four-fold.<sup>37</sup>

FIGURE 2.1.4<sup>38</sup>

Installment Agreement/Balance Due Line Service Levels By Week  
During Filing Season 2017



- **The IRS Receives More Telephone Calls Outside the Filing Season Than During the Filing Season, and Its Performance at Other Times Has Been Dramatically Lower.** While the IRS's performance during the filing season receives considerable attention, the IRS typically receives fewer than half its calls during this period. In FY 2016, for example, the IRS received 55 million calls during the filing season and 117 million calls over the course of the full fiscal year on all its telephone lines, and it received 50 million calls during the filing season and 104 million calls during the full fiscal year on its Accounts Management lines.<sup>39</sup> The IRS staffs up considerably during the filing season by hiring seasonal employees to boost its LOS, but the larger number of taxpayers who call during other points of the year don't fare nearly as well. In FY 2016, the IRS answered 53 percent of its calls on its Accounts Management lines over the full year, as compared with 72 percent during the filing season.<sup>40</sup> To average 53 percent over the course of the full year, the LOS outside the filing season was necessarily well below 53 percent. Similarly, the average wait time of 11 minutes during the filing season increased to 18 minutes for the full year, which means callers outside the filing season waited on hold, on average, for substantially longer than 18 minutes. For the current fiscal year, the IRS's spending plan goal is to achieve a level of service of just 64 percent.<sup>41</sup>

37 IRS, JOC, *Snapshot Reports: Product Line Detail, Installment Agreement/Balance Due* (week ending April 22, 2017). LOS decreased 47 percent between FS 2016 and FS 2017.

38 IRS, JOC, *Snapshot Reports: Product Line Detail* (weeks ending Jan. 7 - Apr. 22, 2017).

39 IRS, JOC, *Snapshot Reports: Enterprise Snapshot* (week ending Sept. 30, 2016).

40 *Id.*

41 IRS W&I, *Business Performance Review 16* (Feb. 9, 2017). The IRS directs its resources to other areas after the filing season which has a significant impact on the phone service levels. For example, the IRS achieved a 72 percent filing season LOS on the AM phone lines during the 2016 filing season. However, for the entire FY, the LOS average was just 53 percent. IRS, JOC, *Snapshot Reports: Enterprise Snapshot* (weeks ending Apr. 23, 2016 and Sept. 30, 2016).

- The IRS Now Answers Only “Basic” Tax law Questions During the Filing Season and No Tax law Questions at All Outside the Filing Season.** Citing funding reductions, the IRS sharply curtailed the scope of tax law questions it would answer beginning in 2014. As noted above, the IRS now answers only “basic” questions during the filing season, and it does not answer tax law questions at all after the filing season, including from the roughly 16 million taxpayers who file their returns later in the year.<sup>42</sup> The National Taxpayer Advocate considers this a significant failing since in her view, answering tax law questions is a fundamental responsibility of a tax administration agency.

### Breakout of IRS Telephone Lines

To understand the IRS’s telephone statistics, a few concepts are important to review. First, the IRS tracks the total number of calls it receives, which is known as the “Enterprise Total.” The Enterprise Total includes calls to the “Accounts Management” (AM) telephone lines (which typically account for 85-90 percent of all “Enterprise Total” calls annually), calls to the compliance telephone lines, and calls to a few additional low-volume telephone lines.<sup>43</sup> Second, answered calls are split between “Assistor Answered Calls” and calls handled by the IRS’s automated processes. Whether a call is routed to automation or to a customer service representative (CSR) depends on the telephone number the taxpayer calls and how the caller responds to the prompts he or she encounters. Third, the official LOS statistics generally reflect calls routed to CSRs on the AM telephone lines.

Figure 2.1.5 shows the IRS’s performance during the 2016 and 2017 filing seasons for the AM total, many of the filing season-related phone lines that are components of the AM total, and a few lines of special interest. Nearly every phone line shows an improvement in service, marked by a higher LOS and shorter times on hold (“Average Speed of Answer”). At the same time, the number of call attempts on the AM lines fell by nearly 27 percent from 50.2 million to 36.9 million, while calls answered by an assistor dropped by 25 percent. Generally, shorter wait times may mean that fewer taxpayers hang up and attempt a repeat call.<sup>44</sup>

42 During 2016, the IRS received nearly 137 million tax returns by April 22 and nearly 153 million by December 30, indicating that nearly 16 million returns were received after the filing deadline. See IRS, *Filing Season Statistics* (weeks ending April 22, 2016 and Dec. 30, 2016).

43 For the Jan. 1-Apr. 22, 2017, period the IRS received 44.3 million calls Enterprise-wide, and of that total, 36.9 million calls were directed to the AM telephone lines (83 percent). Typically, calls to the IRS compliance lines are answered at a somewhat higher LOS and with somewhat shorter hold times than the average call to an AM line. IRS, JOC, *Snapshot Reports: Enterprise Snapshot* (Apr. 22, 2017).

44 It is worth noting the instructions for the Form 1040 individual tax return series (Forms 1040, 1040A, and 1040EZ) do not provide information about how to contact the agency by phone for assistance with tax law questions. Taxpayers who visit [irs.gov](http://irs.gov) to find answers to questions will be directed to self-help options, and will find the general tax information phone line (800-TAX-1040) only by clicking through several screens. The IRS “Future State” concept includes directing taxpayers to self-help options on [irs.gov](http://irs.gov). Yet applications for securing a transcript, making a payment, or seeing an account balance do not provide a phone number for the taxpayer to call if they are experiencing difficulty accessing the application.

**FIGURE 2.1.5, 2016 & 2017 Filing Season Statistics for Selected Toll-Free Telephone Lines**<sup>45</sup>

Telephone Line	2016				2017				Percent Change	
	Dialed Attempts	Assistor Calls Answered	Average Speed of Answer (Minutes)	Level of Service	Dialed Attempts	Assistor Calls Answered	Average Speed of Answer (Minutes)	Level of Service	ASA Percentage Change	LOS Percentage Change
Accounts Management (AM) [SUM of 29 Lines]	50,197,902	13,156,402	11.1	72.1%	36,853,126	9,872,802	6.5	79.1%	-41%	10%
Refund Hotline 800-829-1954	16,609,333	166,703	11.4	65.7%	13,155,827	138,167	5.4	74.9%	-52%	14%
Individual Income Tax Services 800-829-1040	8,835,528	2,641,875	12.2	72.1%	8,121,605	2,238,786	5.1	81.3%	-58%	13%
Transcript 800-908-9946	1,172,769	75,533	11.7	71.0%	2,073,759	159,197	6.0	86.6%	-49%	22%
Wage & Investment IMF Customer Response 800-829-0922	2,101,600	676,708	11.7	64.3%	1,818,893	749,240	5.1	80.5%	-56%	25%
Refund Call Back 800-829-0582	2,953,193	709,417	12.8	68.7%	1,787,379	539,793	6.6	74.9%	-48%	9%
Business & Specialty Tax Services Line 800-829-4933	1,372,748	709,392	11.0	77.0%	1,440,368	719,092	10.3	77.0%	-7%	0%
Identity Protection Specialized Unit (IPSU) 800-908-4490	1,574,881	841,261	14.9	76.5%	1,079,399	663,230	8.3	82.8%	-44%	8%
Self Employed IMF Customer Response 800-829-8374	976,523	312,337	11.1	64.0%	864,595	338,973	5.1	79.3%	-54%	24%
ACA Hotline 800-919-0452	1,180,112	803,046	13.5	71.8%	737,028	495,149	8.5	76.7%	-37%	7%
Tax Law 866-883-0217	717,876	421,941	9.4	70.2%	718,472	459,566	10.5	71.8%	12%	2%
PPS 866-860-4259	549,037	391,037	7.3	83.5%	683,674	487,346	6.9	81.0%	-6%	-3%
BMF Customer Response 800-829-0115	850,033	600,333	11.6	81.1%	683,239	486,811	10.0	82.1%	-13%	1%
International 8775 (855-790-8775)	254,332	154,487	6.9	74.3%	223,201	140,284	4.4	78.8%	-37%	6%
Tax Exempt and Government Entities (TE/GE) 877-829-5500	201,179	117,552	10.4	72.8%	199,771	122,162	8.4	74.0%	-19%	2%
Individual Taxpayer Identification Number (ITIN) 800-908-9982	123,905	74,091	10.0	71.1%	189,254	121,148	7.6	73.6%	-24%	4%
NTA 877-777-4778	266,438	138,647	5.1	73.7%	175,879	91,629	2.7	77.2%	-48%	5%
VITA Location 800-906-9887	58,150	39,681	2.9	75.6%	53,428	35,390	3.3	74.4%	11%	-2%
TAC Appointment 844-545-5640	961,103	630,394	5.4	75.9%	2,188,336	1,514,657	4.8	80.3%	-11%	6%
Installment Agreement/Balance Due	2,463,090	1,864,816	11.3	75.7%	2,656,759	1,071,182	46.8	40.3%	313%	-47%
Taxpayer Protection Program 800-830-5084	4,543,631	1,053,121	10.3	23.7%	1,368,598	879,273	7.4	77.8%	-28%	229%
Forms Order Line 800-829-3676 (800-TAX-FORM)	1,081,589	651,142	4.0	80.2%	886,921	554,807	1.6	90.9%	-59%	13%
Amended Return Hotline 866-464-2050	706,250	427,956	11.8	74.6%	518,197	337,970	7.4	78.4%	-37%	5%
<b>Enterprise Total (Includes AM, Compliance, Forms Order Line, ASK TAS, and EPSS)</b>	<b>55,341,769</b>	<b>15,725,909</b>	<b>11.8</b>	<b>71.3%</b>	<b>44,327,213</b>	<b>13,176,265</b>	<b>11.6</b>	<b>70.7%</b>	<b>-2%</b>	<b>-1%</b>

<sup>45</sup> IRS, JOC, Snapshot Reports: Enterprise Snapshot (Apr. 22, 2017) (source of AM and Enterprise Total data); IRS, JOC, Snapshot Reports: Product Line Detail (Apr. 22, 2017) (source of all other data except the Taxpayer Protection Program (TPP) line); IRS, JOC, FY 2016 Weekly TPP Snapshot Report (Apr. 22, 2017) (source of TPP line data). Data from Jan. 1–Apr. 22, 2017. Dialed attempts, sometimes called Net Attempts, is the number of callers intended for a given product line. Dialed attempts excludes callers who dialed the number, but should have dialed another number, and includes callers who dialed another number but should have dialed this number. IRS, FY17 Snapshot & ELS Reporting Guidelines, Version 2017.02 (Mar. 3, 2017).

Overall, there was a reduction of 13.3 million call attempts on the AM telephone lines from FS 2016 to FS 2017. This reduction is primarily attributable to three telephone lines. The IRS no longer requires the use of an electronic filing Personal Identification Number (PIN) for signing a return, which eliminated about six million calls taxpayers made in 2016.<sup>46</sup> The Refund Hotline received about 3.5 million fewer calls,<sup>47</sup> and the removal of the Installment Agreement/Balance Due line from the AM rollup eliminated another 2.5 million calls.<sup>48</sup> The increase in calls on the TAC Appointment Line can be attributed to all TACs operating on an appointment-only basis, as discussed in more detail below.

## CORRESPONDENCE

There is a pool of AM employees that the IRS shifts back and forth between answering the phones and responding to taxpayer correspondence.<sup>49</sup> As a result, the IRS faces a difficult choice in deciding which service to prioritize. If it assigns more employees to answer taxpayer telephone calls, it will fall further behind in processing taxpayer responses to proposed adjustment notices. If it assigns more employees to process taxpayer responses to proposed adjustment notices, it will answer fewer telephone calls. Since 2008, the IRS has received an average of about ten million letters annually responding to proposed adjustments and other notices (e.g., requesting penalty abatements, responding to math error notices, and making payment arrangements).<sup>50</sup> The failure to timely process taxpayer responses to proposed increases in tax liability can have a significant impact on the taxpayer.

Examples of key AM correspondence categories as of April are shown in Figure 2.1.6. The “IMF Overall” category includes all taxpayer correspondence that is not handled by another function within the IRS; the “Amended Return/Duplicate Filing” category includes correspondence in which taxpayers are seeking to file amended returns;<sup>51</sup> and the “Injured Spouse” category includes Forms 8379, *Injured Spouse Allocation*, received from taxpayers.<sup>52</sup> The IRS made significant progress during the filing season to reduce the percentage of overaged inventory (more than 45 days old), achieving reductions of 60 percent or more for both Amended Returns and Injured Spouse claims.<sup>53</sup>

46 Call attempts to the Electronic Filing PIN Help line dropped from 6.1 million in 2016 to 3,200 in 2017. IRS, JOC, *Snapshot Reports: Product Line Detail* (week ending Apr. 22, 2017). Beginning in 2011, taxpayers filing electronically entered a Personal Identification Number (PIN) to sign the return. IRS News Release FS-2011-07, *Taxpayers Who File Electronically Must Use e-Signatures* (Jan. 2011), <https://www.irs.gov/uac/taxpayers-who-file-electronically-must-use-e-signatures>. The IRS maintained the Electronic Filing PIN Help Line (866-704-7388) for taxpayers who needed their e-file PIN for filing their subsequent year tax return. For the 2017 filing season, taxpayers could sign their return using their prior year adjusted gross income amount, or prior year self-select PIN. IRS, *Validating Your Electronically Filed Tax Return*, <https://www.irs.gov/individuals/electronic-filing-pin-request>, (last visited May 12, 2017). This change was due to security concerns. See, e.g., IRS Statement on the Electronic Filing PIN (June 23, 2016), <https://www.irs.gov/uac/irs-statement-on-the-electronic-filing-pin>.

47 Call attempts to the Refund Hotline (800-829-1954) decreased from 16.6 million in 2016 to 13.2 million in 2017. IRS, JOC, *Snapshot Reports: Product Line Detail* (week ending Apr. 22, 2017).

48 The Installment Agreement/Balance Due line was removed from the consolidated AM rollup in October 2016. There were 2,463,090 call attempts during the 2016 filing season. IRS, JOC, *Snapshot Reports: Product Line Detail* (week ending Apr. 22, 2017).

49 Internal Revenue Manual (IRM) 21.1.1.6, *Customer Service Representative (CSR) Duties* (Oct. 1, 2016).

50 Over the past decade, annual taxpayer correspondence in response to proposed adjustments has ranged from a low of 7.3 million letters to a high of 11.8 million letters and has averaged just over ten million per year. See IRS, JOC, *Adjustments Inventory Reports: July-September Fiscal Year Comparison* (FY 2006 through FY 2015).

51 Amended returns are not accepted through e-file and thus must be filed on paper.

52 A taxpayer who participated in the filing of a joint return may request that his or her share of the credit balance be refunded where it otherwise would be applied to a past-due obligation of the other spouse.

53 TAS has expressed concern about over age inventories in the past. See, e.g., National Taxpayer Advocate Fiscal Year 2017 Objectives Report to Congress 65-66. Similarly, the Treasury Inspector General for Tax Administration issued an audit report in February 2016, Ref. No. 2016-40-023, *Continued Inconsistent Use of Over-age Correspondence Lists Contributes to Taxpayer Burden and Unnecessary Interest Payments* (Feb. 2016).

**FIGURE 2.1.6, Selected Correspondence Inventory Levels, April<sup>54</sup>**

	Week Ending 04/25/15	Week Ending 04/23/16	Week Ending 04/22/17	% Change 2016-2017
<b>IMF Correspondence</b>	172,512	226,996	192,522	-15.2%
Overage	30.1%	38.8%	29.9%	-22.9%
<b>Amended Return/Duplicate Filing</b>	225,253	237,445	273,567	15.2%
Overage	28.0%	42.6%	15.9%	-62.6%
<b>Injured Spouse</b>	86,325	107,821	93,136	-13.6%
Overage	17.6%	37.7%	15.0%	-60.3%

## FACE-TO-FACE SERVICE AT TAXPAYER ASSISTANCE CENTERS

For the first time during a filing season, taxpayers needed an appointment to receive assistance at any of 376 TACs operated by IRS.<sup>55</sup> The IRS began a pilot during FS 2015 whereby taxpayers needed to call for an appointment at 44 sites.<sup>56</sup> The IRS expanded the pilot to more locations during FS 2016, and in November 2016, it completed a transition to appointment-only service at all TACs.<sup>57</sup>

To schedule an appointment, a taxpayer must call the TAC Appointment Line (844-545-5640).<sup>58</sup> The telephone assistor will determine the taxpayer's need, and if possible, direct taxpayers to resources where they may find answers to their question(s).<sup>59</sup> The telephone assistor will schedule an appointment for the taxpayer if the assistor determines the need meets the criteria for visiting a TAC — not simply because the taxpayer requests an appointment.<sup>60</sup>

The IRS view is it is serving more taxpayers under the appointment-only approach since Accounts Management employees who staff the TAC Appointment line are able to assist many taxpayers by either answering their questions or directing them to a self-help option. For example, a taxpayer who is looking for forms or publications and is told how to download them from irs.gov or given a centralized number to

54 IRS, JOC, Customer Account Services, Accounts Management Paper Inventory Reports, *National Inventory Age Report* (weeks ending Apr. 25, 2015; Apr. 23, 2016; and Apr. 22, 2017). The Injured Spouse figures reflect taxpayers affected by offsets from the Debtor Master File or from the Financial Management Service and covers debts related to child support, student loans, etc.

55 IRS News Release IR-2016-172, *Tax Preparedness Series: IRS Face-To-Face Help Now By Appointment* (Dec. 20, 2016). IRS response to TAS fact check (Dec. 20, 2016).

56 IRS, *Fact Sheet: Internal Revenue Service Appointment Service Test* (Feb. 26, 2015).

57 In recent years, there have been local news stories from around the country reporting long lines at Taxpayer Assistance Centers (TACs) during the filing season. See, e.g., Alcides Segui, *IRS cutbacks result in day-long wait times for taxpayers*, FOX 13 News, Tampa, FL (Mar. 2, 2016), <http://www.fox13news.com/news/local-news/99602125-story>; and Susan Tompor, *Detroit IRS Office Overrun — Now Requires Appointment*, Detroit Free Press (Feb. 25, 2016), <http://www.freep.com/story/money/personal-finance/susan-tompor/2016/02/24/no-more-walk-detroit-irs-office-wants-appointment/80861504/>. One outcome of the appointment-only approach was an apparent lack of news stories during the 2017 filing season.

58 The TAC Appointment Line achieved an 80.3 percent LOS during FS 2017 with an average wait time of five minutes. Total calls to the appointment line more than doubled from 961,103 during FS 2016 to 2,188,336 in FS 2017 as a result of all TACs requiring appointments. IRS, JOC, *Snapshot Reports: Product Line Detail Snapshot* (week ending Apr. 22, 2017).

59 IRM 21.1.1.6, *Customer Service Representative (CSR) Duties* (Oct. 1, 2016).

60 IRS, *Field Assistance Appointment Desk Guide* (Dec. 5, 2016) (noting the phone assistor will first try to provide direct assistance, and second, provide information on alternative service options). Even if offered an appointment, the taxpayer may decline if the available dates and times do not work. In those instances, the taxpayer may be left with having to choose a “second best” option.

call to request mailed copies may be saved the trip to an IRS office. The IRS says its staff is thereby freed up to assist taxpayers who truly require face-to-face assistance.

The National Taxpayer Advocate has previously recommended the IRS give taxpayers the option of scheduling appointments, but the appointment-only approach can negatively impact taxpayers who need assistance urgently and cannot wait to obtain an appointment.<sup>61</sup> TAS has previously reported examples of taxpayers without an appointment being turned away from a TAC in situations where a focus on assisting the taxpayer might have resulted in a different outcome.<sup>62</sup> TAS is pleased that the IRS updated guidance to employees prior to FS 2017 to include managerial discretion to assist taxpayers without appointments if the taxpayer has a hardship or the taxpayer can be assisted without affecting other scheduled appointments.<sup>63</sup> However, serving taxpayers without appointments remains an exception – and one that requires an exception be granted on a case-by-case basis.

TAS remains concerned that the IRS data captures interactions with taxpayers but does not capture the full taxpayer experience. For example, the IRS does not have the ability to systemically monitor how many days taxpayers have to wait for their appointment. Phone assistors generally do not schedule appointments more than 30 days in the future.<sup>64</sup> But since this tool is not a management information system, there are no summary reports for management to monitor.<sup>65</sup> The IRS also does not know whether a taxpayer directed to a self-help option finds the answer to his or her question or is actually able to complete the self-help task successfully.

And these changes come on top of several reductions in service such as limiting the scope of tax law questions and assistance with tax return preparation.<sup>66</sup> As services are rolled back and made less accessible, the IRS cites the (predictable) decline in usage as a basis for making further reductions or eliminating the services altogether.<sup>67</sup>

If the IRS's current trend continues, taxpayers soon may not have the option for in-person assistance from an IRS employee. For at least the decade preceding FY 2016, more than five million taxpayers sought in-person assistance at TACs every year.<sup>68</sup> The IRS has already reduced the number of TACs from 401

61 The IRS will, in some circumstances, “double book” an appointment if the taxpayer has an urgent need. However, this will happen only when the taxpayer is able to explain the need, and the phone assistor is able to recognize the urgency. There are exception criteria for taxpayers who show up at a TAC without an appointment. Likewise, the taxpayer will need to explain the need, and a TAC employee needs to recognize the taxpayer should receive service.

62 National Taxpayer Advocate Fiscal Year 2017 Objectives Report to Congress 68-70.

63 IRM 21.3.4.2.4.2, *TAC Appointment Exception Procedures* (July 29, 2016).

64 IRS, *Accounts Management Appointment Calendar User Guide* (rev. Sept. 13, 2016).

65 TAS discussion with Field Assistance, Feb. 2, 2017.

66 The Government Accountability Office (GAO) has reported the number of tax law questions answered by the IRS during the filing season alone dropped from 795,000 in 2004 to 110,000 in 2013. GAO-14-133, *2013 Tax Filing Season: IRS Needs to Do More to Address the Growing Imbalance between the Demand for Services and Resources* 26 (Dec. 2013); GAO, GAO-07-27, *Tax Administration: Most Filing Season Services Continue to Improve, but Opportunities Exist for Additional Savings* 29 (Nov. 2006) (supplemented with more precise IRS data provided to TAS by IRS W&I for 2004 through 2006).

67 For example, the IRS prepared nearly 500,000 tax returns for taxpayers in FY 2004. See National Taxpayer Advocate 2014 Annual Report to Congress 3, 21 (Most Serious Problem: *Taxpayer Service: Taxpayer Service Has Reached Unacceptably Low Levels and Is Getting Worse, Creating Compliance Barriers and Significant Inconvenience for Millions of Taxpayers*) (and GAO data cited therein). Over time, IRS placed significant limitations on the number of returns employees could prepare, and it began to require advance appointments. As a result of making the service harder to obtain, the IRS prepared substantially fewer returns over time, reaching a low of about 125,000 during the 2013 filing season. The IRS then eliminated the service, citing low usage.

68 IRS W&I, *Business Performance Review 7* (Nov. 9, 2016), showing 5.5 million visits in FY2014 and 5.6 million visits in FY 2015. The figure dropped to 4.5 million visits for FY 2016 as additional TACs transitioned to appointment-only.



to 376 since 2011.<sup>69</sup> Currently, 22 TACs have no staff, while 95 have only one employee.<sup>70</sup> Because of its new “appointment only” policy, the IRS is projecting that the number of taxpayers visiting a TAC will decline from about 5.6 million in FY 2015 to 3.5 million this year.<sup>71</sup>

The IRS is currently conducting a proof of concept with SSA where TAC employees provide face-to-face assistance to taxpayers using SSA office space.<sup>72</sup> These sites differ from typical TACs in that the location information is provided only to those who have a scheduled appointment, and the office does not stock tax forms and publications.

As a separate matter, the IRS is developing a proof of concept where SSA employees will assist with identity verification for taxpayers.<sup>73</sup> Taxpayers impacted by identity theft may need to visit a TAC to authenticate their identities in some instances before their tax refunds can be released. Completing the verification process at an SSA office may be more convenient for the taxpayer, especially if the nearest TAC is a farther distance away.

The elimination of a regular walk-in option for taxpayers raises significant concerns about access to IRS services. We will continue to monitor the effectiveness of the appointment-only scheduling option in the coming year and advocate for a true walk-in policy. If a taxpayer goes through the trouble to show up at an IRS assistance site, the National Taxpayer Advocate does not understand why we would not find a way to assist that taxpayer.

## AVAILABILITY OF TAX FORMS AND PUBLICATIONS

There were no significant changes in the availability of tax forms and publications for the 2016 filing season. TAS continues to be concerned that in recent years the IRS has scaled back the number of tax forms and publications stocked in TAC offices, and that once exhausted, the offices cannot order additional supplies.<sup>74</sup> While the majority of taxpayers file electronically, about 20 million taxpayers mail in paper tax returns.<sup>75</sup>

---

69 In 2011, the IRS operated 401 TACs. IRS response to TAS information request (Dec. 23, 2014). As of December 31, 2016, the IRS operated 376 TACs, a reduction of six percent. IRS response to TAS fact check (Dec. 20, 2016).

70 IRS response to TAS fact check (Dec. 20, 2016).

71 IRS W&I Division, *Business Performance Review 7* (Feb. 9, 2017).

72 *Id.* at 29.

73 *Id.*

74 National Taxpayer Advocate Fiscal Year 2017 Objectives Report to Congress 70-72. National Taxpayer Advocate Fiscal Year 2016 Objectives Report to Congress 21.

75 The IRS received 152.5 million individual tax returns during calendar 2016. About 20.7 million (14 percent) of those were filed on paper. IRS, *Filing Season Statistics for Week Ending Dec. 30, 2016* (updated Jan. 10, 2017), <https://www.irs.gov/uac/newsroom/filing-season-statistics-for-the-week-ending-december-30-2016>.

## ONLINE AND SELF-SERVICE TOOLS

Online tools have become a more significant part of the filing season experience over time.<sup>76</sup> This trend will continue, especially in light of the IRS’s “Future State” initiative which includes directing taxpayers to more online and self-help tools.<sup>77</sup> Broadly, there are two categories of online tools: general access tools and taxpayer account tools.

General access tools allow taxpayers to obtain general information that is not case-specific. A few examples of what a taxpayer might accomplish on the IRS website ([irs.gov](https://www.irs.gov)) include:

- Downloading tax forms, instructions, and publications;<sup>78</sup>
- Locating the TAC nearest to where the taxpayer lives;<sup>79</sup> and
- Using the Interactive Tax Assistant to find answers to general tax questions such as who may be claimed as a dependent or whether a taxpayer may deduct medical expenses.<sup>80</sup>

Taxpayer account tools generally require that the taxpayer pass an authentication test before getting any information or accessing features. Examples of account tools include:

- Get Transcript, where the taxpayer can view tax account information;<sup>81</sup>
- Direct Pay, where the taxpayer can make payments to the IRS,<sup>82</sup> and
- View Your Tax Account Information, where the taxpayer may view payment histories and remaining balance due.<sup>83</sup>

Relatively simple needs such as obtaining a tax form or instructions can be met through a general access tool — as long as the taxpayer has the ability to access the website and, if needed, to print. The downside is taxpayers are also left to determine on their own the answer to a question. Interactive tools are helpful, but locating the correct answer is dependent on the series of filtering questions matching the taxpayer’s particular circumstances. As noted in the prior discussion on telephone service, the IRS will not answer tax law questions after the filing season, so these tools are the only option available to taxpayers for much of year.

Taxpayers wishing to access account tools face a different challenge. Generally, these tools require that the taxpayer pass “multi-factor authentication.” This security measure is intended to ensure the person requesting access is the true taxpayer and not an imposter. For example, to access an account transcript online for the first time, the taxpayer will need all of the following:

- SSN, date of birth, filing status, and mailing address from latest tax return,
- An email account,

76 For further discussion of online accounts, see Area of Focus: *The IRS’s Heavy Reliance on the Online Account Benefits Those Taxpayers Who Can Access the Application and Prefer Digital Interaction, But It Also Burdens Those Taxpayers Who Need or Prefer More Personalized Service*, *infra*, and Efforts to Improve Taxpayer Advocacy: *TAS Is Piloting a Taxpayer Digital Communications (TDC) Project*, *infra*.

77 IRS, *Future State Initiative*, <https://www.irs.gov/uac/newsroom/future-state-initiative> (last visited June 13, 2017).

78 IRS, *Forms & Publications*, <https://www.irs.gov/forms-pubs> (last visited June 13, 2017).

79 IRS, *Contact Your Local IRS Office*, <https://www.irs.gov/help-resources/contact-your-local-irs-office> (last visited June 13, 2017).

80 IRS, *Interactive Tax Assistant (ITA)*, <https://www.irs.gov/uac/interactive-tax-assistant-ita-1> (last visited June 13, 2017).

81 IRS, *Welcome to Get Transcript*, <https://www.irs.gov/individuals/get-transcript> (last visited June 13, 2017).

82 IRS, *Welcome to Direct Pay!*, <https://www.irs.gov/payments/direct-pay> (last visited June 13, 2017).

83 IRS, *View Your Tax Account Information*, <https://www.irs.gov/uac/view-your-tax-account> (last visited June 13, 2017).

- An account number from a credit card, mortgage, home equity loan, home equity line of credit, or car loan, and
- A mobile phone with the taxpayer's name on the account.

After the user enters some initial information to validate his or her identity, the IRS will send a one-time use security code via text message to the taxpayer's cell phone.<sup>84</sup> Currently, only about one in four taxpayers pass authentication the first time they attempt access.<sup>85</sup>

The ongoing threat from identity thieves complicates the use of online tools. The IRS — appropriately — has tightened security on some tools and that, in turn, has created additional burden for users. For example, e-Services is a suite of web-based tools that allow tax professionals and payors to complete certain transactions with the IRS online.<sup>86</sup> In November 2016, the IRS announced it would begin sending letters to e-Services users that they needed to go online or call the e-Services Help Desk to validate their identities, or else their accounts would be deactivated in 30 days.<sup>87</sup> Apparently, some users either ignored the letter or did not receive it.<sup>88</sup> In March 2017, the IRS added staffing resources to the e-Services Help Desk specifically dedicated to helping practitioners whose accounts had been deactivated.<sup>89</sup>

Another example of an online option not working within the timeframe needed by the taxpayer results from the security breach related to the Free Application for Federal Student Aid (FAFSA). The FAFSA is supported by the Department of Education, and it included a feature to automatically import certain tax return line items used in determining the student's (and family's) income. Within the IRS, this is known as the Data Reporting Tool. In March, the IRS disabled the tool when it learned that identity thieves had managed to access the tax return information of some taxpayers.<sup>90</sup> The IRS advised FAFSA applicants to use the Get Transcript option, suggesting they review the "rigorous identity authentication requirements" before attempting to register, or use the Get Transcript by Mail option (with its lower

84 The taxpayer has the option of requesting that the activation code be mailed to the address of record. 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 June 9, 2017). However, waiting "5 to 10 days for mail delivery of the activation code" hinders the taxpayer's ability to immediately resolve the issue.

85 IRS, JOC, *Online Account External Launch Report* (week ending May 13, 2017). The rate passing authentication to access an online account was 26 percent for the week ending May 13, 2017. Between the week ending Jan. 14, 2017 and May 13, 2017, the passage rate ranged between 18 percent and 26 percent.

86 IRS, *e-Services - Online Tools for Tax Professionals*, <https://www.irs.gov/tax-professionals/e-services-online-tools-for-tax-professionals> (last visited June 13, 2017).

87 IRS, e-News for Tax Professionals \*\*SPECIAL EDITION\*\*: *Update on IRS e-Services*, (Nov. 29, 2016). The IRS originally announced its plans for recertifying e-Services users in September. IRS, e-News for Tax Professionals Issue 2016-38: *Important Security Update for e-Services Users* (Sep. 23, 2016). Three weeks later, the IRS postponed the reauthentication effort "to have discussions with key stakeholders affected by the e-services changes..." IRS, e-News for Tax Professionals Issue 2016-41: *Updates on IRS e-Services and Secure Access* (Oct. 14, 2017).

88 Systemic Advocacy Management System (SAMS) Issue 35681. SAMS is an online tool through which IRS employees and the public may report systemic problems to TAS, <https://www.irs.gov/advocate/systemic-advocacy-management-system-sams> (last visited June 13, 2017).

89 IRS, e-News for Tax Professionals Issue 2017-10: *Received Letter 5903? Additional Staff Available Starting Tuesday to Revalidate Your Identity for e-Services* (Mar. 10, 2017). In additional, examples of practitioner challenges were elevated to TAS. SAMS Issue 35681.

90 IRS, Internal Revenue Service (IRS) and U.S. Department of Education Office of Federal Student Aid (FSA) Statement about the IRS Data Retrieval Tool (DRT) (Mar. 30, 2017), <https://www.irs.gov/uac/internal-revenue-service-irs-and-u-s-department-of-education-office-of-federal-student-aid-fsa-statement-about-the-irs-data-retrieval-tool-drt> (last visited June 13, 2017).

---

As the IRS tries to transition taxpayers from using personal service to using online service, it is incumbent on the agency to develop metrics that measure the effectiveness of online services at meeting taxpayer needs.

---

authentication hurdles), which will allow the transcript to be mailed “within five to ten days.”<sup>91</sup> Taxpayers attempting to schedule a TAC appointment to secure a transcript would be told to use the online options. These events were all happening leading up to May 1, which is the deadline at many colleges for students to make their college decisions.

Not all taxpayer account tools require multi-factor authentication. For example, Where’s My Refund allows the taxpayer to check when his or her tax refund is likely to be issued.<sup>92</sup> The only information the user needs to provide is the SSN (or ITIN), filing status, and expected refund amount.

As the IRS tries to transition taxpayers from using personal service to using online service, it is incumbent on the agency to develop metrics that measure the effectiveness of online services at meeting taxpayer needs. Adequate measures do not yet exist.<sup>93</sup>

## IDENTITY THEFT AND REFUND FRAUD

The nature of stolen identity refund fraud, also referred to as tax-related identity theft, continues to evolve as the IRS implements various filters, rules, and data mining models to combat refund fraud schemes that are becoming increasingly more sophisticated. We are seeing improvement on several metrics that suggest fewer taxpayers are being impacted, while some areas of concern remain.

For purposes of analyzing the taxpayer experience, it is useful to divide taxpayers into three broad categories: (i) taxpayers whose returns are flagged on suspicion of refund fraud unrelated to identity theft; (ii) taxpayers whose returns are flagged on suspicion of refund fraud related to identity theft; and (iii) taxpayers who were previously victimized by tax-related identity theft and whose cases were resolved by the IRS.<sup>94</sup>

91 IRS, IRS Offers Help to Students, Families to Get Tax Information for Student Financial Aid Applications, <https://www.irs.gov/individuals/irs-offers-help-to-students-families-to-get-tax-information-for-student-financial-aid-applications> (last reviewed or updated June 2, 2017) (last visited June 13, 2017).

92 IRS, *Where’s My Refund? - It’s Quick, Easy and Secure*, <https://www.irs.gov/refunds> (last visited June 13, 2017). This tool was used about 300 million times in FY 2016. *The 2017 Tax Filing Season: Internal Revenue Service Operations and the Taxpayer Experience: Hearing Before S. Comm. on Fin., 115th Cong. 2* (2017) (written statement of John A. Koskinen, Commissioner of Internal Revenue). The same functionality is also on the IRS mobile app IRS2GO. IRS, *IRS2Go Mobile App*, <https://www.irs.gov/uac/irs2goapp>.

93 For related discussions on online accounts and alternative approaches, see Area of Focus: *The IRS’s Heavy Reliance on the Online Account Benefits Those Taxpayers Who Can Access the Application and Prefer Digital Interaction, But It Also Burdens Those Taxpayers Who Need or Prefer More Personalized Service*, *infra*, and Efforts to Improve Taxpayer Advocacy (*TAS is Piloting a Taxpayer Digital Communications (TDC) Project*), *infra*.

94 The National Taxpayer Advocate has advocated over many years for policies to address the burden imposed on taxpayers resulting from identity theft and refund fraud, most recently in the 2016 Annual Report to Congress. National Taxpayer Advocate 2016 Annual Report to Congress 151-60 (Most Serious Problem: *Fraud Detection: The IRS’s Failure to Establish Goals to Reduce High False Positive Rates for Its Fraud Detection Programs Increases Taxpayer Burden and Compromises Taxpayer Rights*). For additional discussion on IRS steps to review a tax return, see Area of Focus: *The IRS’s Heavy Reliance on the Online Account Benefits Those Taxpayers Who Can Access the Application and Prefer Digital Interaction, But It Also Burdens Those Taxpayers Who Need or Prefer More Personalized Service*, *infra*.

## Suspicious Returns

### *Pre-Refund Wage Verification*

The IRS passes all tax returns claiming refunds through a variety of validation screens. One such screen looks for false reporting of income or tax withholding. For example, a taxpayer may file a return that understates income or overstates the amount of tax withheld by the employer to generate an inflated refund. Under the IRS's Pre-Refund Wage Verification Program, a claimed refund will be frozen if electronic filters and rules flag the income or withholding as suspicious until the amounts can be verified. While these screens are essential to combat the epidemic of refund fraud, they delay the processing of legitimate returns as well. Taxpayers whose legitimate refund claims have been frozen by these filters face particular challenges, because the Pre-Refund Wage Verification function does not provide a mechanism for direct taxpayer contact. Estimating the number of impacted taxpayers is difficult, because until recently, the IRS did not track false positive rates for this program.

### *Identity Verification*

The IRS's filters and rules also look specifically for identity theft. Under the Taxpayer Protection Program (TPP), returns that the IRS flags as suspicious for identity theft are frozen until the taxpayer filing the return is able to verify his or her identity to the IRS's satisfaction. As of April 13, 2017, 1.3 million suspicious tax returns were selected by the TPP, down from 1.5 million returns over the same period in 2016.<sup>95</sup> The IRS sends a letter instructing the taxpayer to verify his or her identity by calling the TPP phone line. The taxpayer must provide information that was included on the prior-year return and successfully answer certain authentication questions.

Similar to the experience discussed in the prior section on Online and Self-Service Tools, not every legitimate taxpayer will pass the authentication process. For taxpayers failing oral authentication with a phone assistant or for taxpayers deemed at high risk for identity impersonation (*i.e.*, data breach victims), the only option is to visit a TAC. As a result, taxpayers desperate to complete this process to receive their refunds need to make an appointment at a TAC, as discussed above.

The ongoing challenge for the IRS is that as it makes improvements in its filters and screening methods, identity thieves move to a new approach. Currently, there is a lot of attention on phishing schemes where thieves masquerade as a legitimate source and get practitioners or employers to reveal the data that allows the thieves to perpetrate refund fraud.<sup>96</sup>

At the same time, the IRS's fraud detection systems have a history of high false positive rates. In CY 2016, the false positive rate for TPP identity theft filters was 53 percent, meaning that of all returns flagged as potentially fraudulent, more than half turned out to be legitimate.<sup>97</sup> Notably, one IRS process for reviewing returns for identity theft had a false positive rate of about 91 percent.<sup>98</sup> High false positive rates can lead to significant downstream consequences for both the IRS and taxpayers. When legitimate taxpayers are ensnared in an over-reaching IRS fraud detection mechanism, they may experience

95 IRS Return Integrity & Compliance Services (RICS), *Update of the Taxpayer Protection Program (TPP)* (Apr. 19, 2017); IRS RICS, *Update of the Taxpayer Protection Program (TPP)* (Apr. 20, 2016).

96 See, e.g., IRS News Release IR-2016-15, *Phishing Schemes Lead the IRS "Dirty Dozen" List of Tax Scams for 2017; Remain Tax-Time Threat* (Feb. 1, 2017).

97 IRS W&I, *Business Performance Review 9* (Feb. 9, 2017). A false positive occurs when a system selects a legitimate return and delays the refund past the prescribed review period.

98 IRS response to TAS information request (Nov. 3, 2016). In 2017, the IRS modified certain of these business rules and included them in the TPP process. National Taxpayer Advocate Fiscal Year 2017 Objectives Report to Congress 126-7.

protracted refund delays as they navigate the authentication processes to prove they are the true tax return filers. During the 2017 filing season, 75 percent of taxpayers received refunds, and the average refund amount was more than \$2,750.<sup>99</sup> Many taxpayers, particularly those with low incomes, depend on timely receipt of their refunds to pay for basic living expenses; the impact of refund delays can range from mere inconvenience to extreme financial hardship. Thus, IRS reliance on over-inclusive filters unnecessarily delays refunds of legitimate taxpayers, possibly placing these taxpayers in a financial hardship; creates unnecessary work for IRS employees, needlessly draining the IRS's limited resources; and potentially damages taxpayers' willingness to voluntarily comply with their tax obligations.

In 2015, the IRS convened a "Security Summit" that began a collaborative effort between the IRS and representatives of the software industry, tax preparation firms, payroll and tax financial product processors, and state tax administrators to combat identity theft refund fraud.<sup>100</sup> This initiative appears to be having a positive effect in combating identity theft. With more data sharing and additional safeguards put in place at several levels, there appears to be progress within tax administration generally.

### Prior Victims of Identity Theft

Taxpayers who were previously victims of identity theft and whose cases were conclusively resolved by the IRS may be assigned an Identity Protection Personal Identification Number (IP PIN) for use when filing future returns. IP PINs were implemented so the IRS would know a tax return was submitted by the correct SSN owner and allow it to pass through its identity theft filters. More specifically, the IRS marks the taxpayer's account with an identity theft indicator and thereafter the taxpayer provides the IP PIN when filing. IRS systems look for the IP PIN, and if it is provided, the return should be processed without delay. If the tax account contains an identity theft indicator and the tax return lacks an IP PIN or contains an inaccurate IP PIN, the return will be rejected if filed electronically.

TAS is not aware of any systemic problems affecting taxpayers with IP PINs for the 2017 filing season. As we reported last year, there were multiple events impacting this segment of taxpayers.<sup>101</sup> More generally, fewer taxpayers are reporting that they have been the victims of tax-related identity theft. The number of people who reported to the IRS that they were victims of identity theft declined by 46 percent from 698,700 in CY 2015 to 376,500 in CY 2016.<sup>102</sup> As of January 2017, the IRS-wide inventory of identity theft cases was under 30,000 – less than half of the inventory two years ago.<sup>103</sup>

TAS understands and supports the need for a variety of revenue protection strategies. But the IRS must recognize the need for approaches that minimize the burden on legitimate taxpayers. Toward that end, we recommend the IRS devote more resources to recalibrating its filters during the filing season and establish a maximum target false-positive rate. By so doing, it would reduce the number of legitimate returns it flags, thereby reducing inconvenience to taxpayers and its own unnecessary rework.

99 IRS, *Filing Season Statistics for Week Ending April 21, 2017*, <https://www.irs.gov/uac/newsroom/filing-season-statistics-for-week-ending-april-21-2017>. The percentage of returns receiving a refund is based on the number of returns processed.

100 IRS, *Security Summit*, <https://www.irs.gov/uac/security-summit> (last visited June 13, 2017).

101 The IRS mailed reminder notices to 2.7 million taxpayers assigning them an Identity Protection Personal Identification Number (IP PIN) for filing their tax return that specified the incorrect tax year, and the online tool for retrieving the IP PIN was disabled due to security concerns. National Taxpayer Advocate Fiscal Year 2017 Objectives Report to Congress 75-76.

102 *The 2017 Tax Filing Season: Internal Revenue Service Operations and the Taxpayer Experience: Hearing Before the S. Comm. on Fin.*, 115th Cong. 6 (2017) (written statement of John A. Koskinen, Commissioner of Internal Revenue).

103 *The 2017 Tax Filing Season: Internal Revenue Service Operations and the Taxpayer Experience: Hearing Before the S. Comm. on Fin.*, 115th Cong. (2017) (written statement of John A. Koskinen, Commissioner of Internal Revenue). In FY 2017 (through March), TAS had identity theft case receipts of 11,314 – less than half the 24,491 identity theft cases we received by the same point in FY 2016. Data obtained from Taxpayer Advocate Management System (TAMIS) (Apr. 1, 2016; Apr. 1, 2017).



## AFFORDABLE CARE ACT

The primary event impacting taxpayers related to ACA during the filing season was the IRS decision to *not* delay processing tax returns with certain missing ACA information.<sup>104</sup> The ACA generally requires taxpayers to maintain minimum essential coverage throughout the year.<sup>105</sup> The taxpayer can certify on the tax return by checking a box that he or she and other tax family members had minimum essential coverage throughout the year.<sup>106</sup> If this is not the case, the taxpayer may claim a coverage exemption, if eligible, or else must report a shared responsibility payment.<sup>107</sup> The IRS refers to tax returns that do not include any of that information as “silent” returns. The IRS planned to hold off processing such silent returns until the taxpayer provided the missing information.<sup>108</sup>

On January 20, 2017, the President signed an executive order requiring all agencies in the executive branch with responsibilities under the ACA to “minimize the unwarranted economic and regulatory burdens of the Act.”<sup>109</sup> The order stated that the agencies should “exercise all authority and discretion available to them to waive, defer, grant exemptions from, or delay the implementation of any provision or requirement of the Act” that would impose a burden.<sup>110</sup>

In response to the executive order, the IRS announced on February 15, 2017, that it had halted its plan to reject electronically filed “silent returns.”<sup>111</sup> As a result, the tax returns of taxpayers who did not provide the related information and had no other issues were processed without delays.

The National Taxpayer Advocate is closely monitoring what actions, if any, the IRS plans to take to address noncompliance with the ACA. The IRS stated in guidance to employees immediately after the President’s executive order: “The legislative provisions of the Affordable Care Act are still in force until changed by the Congress and taxpayers are still required to follow the law and pay all taxes they may owe under it.”<sup>112</sup> To the extent the IRS is planning to take enforcement action against taxpayers who file silent returns and don’t have qualifying coverage or qualify for an exemption, we believe the IRS’s original plan to reject silent returns should be reinstated, as requiring taxpayers to answer the questions upfront is a taxpayer-education, preventive measure and will reduce subsequent compliance burdens at such time as the IRS makes tax adjustments based on audits or document-matching.

104 For additional coverage of this issue, see Area of Focus: *While the IRS Continues to Do a Reasonable Job in Administering the Affordable Care Act, Taxpayers Still Encounter Difficulties Attempting to Comply with the Complex Provisions*, *infra*.

105 IRC § 5000A(a).

106 IRS, *Instructions for Form 1040, U.S. Individual Income Tax Return* (2016), Line 61 Health Care: Individual Responsibility.

107 *Id.* The taxpayer files Form 8965, *Health Coverage Exemptions*, or self-assesses an individual shared responsibility payment (ISRP) on the return.

108 Electronically-filed returns would be “rejected” giving the taxpayer an opportunity to correct and resubmit the return. Paper-filed returns would be sent to the Error Resolution unit where the taxpayer would be contacted by mail to provide the missing information. IRM 3.12.3.14, *Error Code 157* (Jan. 1, 2017).

109 White House, Executive Order 13765, *Minimizing the Economic Burden of the Patient Protection and Affordable Care Act Pending Repeal* (Jan. 20, 2017).

110 *Id.*

111 See IRS, *Individual Shared Responsibility Payment*, <https://www.irs.gov/affordable-care-act/individuals-and-families/individual-shared-responsibility-provision> (last visited May 22, 2017).

112 IRS, Servicewide Electronic Research Program (SERP) Alert 17A0033, *Responding to Taxpayer Inquiries about ACA Executive Order* (revised Feb. 3, 2017).

## SERVICE OPTIONS FOR U.S. TAXPAYERS LIVING ABROAD

TAS remains concerned about service options for taxpayers located overseas.<sup>113</sup> The number of U.S. citizens living abroad continues to grow, while current services are limited. In mid-2016, approximately nine million U.S. citizens lived abroad, compared with about 7.6 million in mid-2014.<sup>114</sup> There are also many international U.S. taxpayers who are neither residents nor citizens of the United States, as evidenced by the approximately 670,000 U.S. individual tax returns filed by nonresident aliens in 2015.<sup>115</sup>

Taxpayers living abroad generally cannot call U.S. toll-free telephone lines, yet in 2015, the IRS terminated the Electronic Tax Law Assistance program through which taxpayers could submit tax law questions to the IRS through its website and receive a response via email. In recent years, the IRS closed its overseas tax attaché offices, which eliminated the last face-to-face option for taxpayers.<sup>116</sup>

The PATH Act provisions requiring certain taxpayers to renew their ITINs overseas created additional challenges for FS 2016. TAS received reports that U.S. taxpayers in Canada and Mexico who live near the U.S. border and wanted to complete the renewal process in person were unable to make an appointment at a TAC because the toll-free line will not accept calls from a non-domestic number.<sup>117</sup> The IRS implemented a work-around where taxpayers who place a (toll) call to the International Taxpayer Service phone line could be transferred to the TAC appointment line.<sup>118</sup> But this alternative only worked for taxpayers who became aware of it. TAS has been unable to find any instruction concerning this option on [irs.gov](https://irs.gov).<sup>119</sup>

On a positive note, the IRS is again allowing persons outside the U.S. to serve as Certified Acceptance Agents (CAAs).<sup>120</sup> International taxpayers now have the option of using a CAA to complete the ITIN renewal process without mailing important documents such as birth certificates and passports to the IRS.<sup>121</sup>

113 For past reporting on these concerns, see National Taxpayer Advocate Fiscal Year 2017 Objectives Report to Congress 78-79. National Taxpayer Advocate 2015 Annual Report to Congress 72-81 (Most Serious Problem: *International Taxpayer Service: The IRS's Strategy for Service on Demand Fails to Compensate for the Closure of International Tax Attaché Offices and Does not Sufficiently Address the Unique Needs of International Taxpayers*).

114 See U.S. Department of State, Bureau of Consular Affairs, *Who We Are and What We Do: Consular Affairs by the Numbers* (May 2014), <https://travel.state.gov/content/dam/travel/CA%20Fact%20Sheet%202014.pdf>; U.S. Department of State, Bureau of Consular Affairs, *Consular Affairs by the Numbers* (June 2016), [https://travel.state.gov/content/dam/travel/CA\\_By\\_the\\_Numbers.pdf](https://travel.state.gov/content/dam/travel/CA_By_the_Numbers.pdf).

115 IRS, CDW, Individual Returns Transaction File for TY 2015 (as of Apr. 29, 2017, cycle 201717).

116 IRS had fifteen attaché offices at one time. The last was closed in December, 2015. Memorandum from Acting Deputy Commissioner, International (LB&I), *Post Closures of Frankfurt, London and Paris* (Feb. 18, 2015) (on file with TAS). For a detailed discussion, see National Taxpayer Advocate 2015 Annual Report to Congress 72-81 (Most Serious Problem: *International Taxpayer Service: The IRS's Strategy for Service on Demand Fails to Compensate for the Closure of International Tax Attaché Offices and Does Not Sufficiently Address the Unique Needs of International Taxpayers*).

117 SAMS Issue 35184. See also SAMS 35581, 35904.

118 IRS International Taxpayer Service Call Center, 267-941-1000 (not toll-free).

119 See, e.g., IRS, *Contact My Local Office Internationally*, <https://www.irs.gov/uac/contact-my-local-office-internationally> (last visited May 19, 2017), and IRS, *Contact Your Local IRS Office*, <https://www.irs.gov/help-resources/contact-your-local-irs-office> (last visited May 19, 2017).

120 IRS, SERP Alert 17A0128, *Rescinding Termination of International CAAs* (Apr. 17, 2017).

121 For a more detailed discussion, see Area of Focus: *The IRS Makes Needed Changes to the Individual Taxpayer Identification Number (ITIN) Program, But Barriers for ITIN Applicants Remain, infra*. See also, National Taxpayer Advocate 2016 Annual Report to Congress 239-52 (Most Serious Problem: *Individual Taxpayer Identification Number (ITINs): IRS Processes for ITIN Applications, Deactivations, and Renewals Unduly Burden and Harm Taxpayers*).

## CONCLUSION

Overall, the IRS delivered a generally successful 2017 filing season, and the IRS deserves credit for implementing multiple new legislative requirements related to the PATH Act. Taxpayers benefited from higher service levels and reduced wait times on many key phone lines.

However, much of the IRS's improved performance this year is attributable to reduced taxpayer demand for services. While fewer taxpayers attempted to contact the IRS on the telephone, the IRS also answered fewer calls. We also remain concerned about the IRS's recent and continuing reductions in service for taxpayers, including declining to answer all but basic tax law questions during the filing season or any questions after the filing season, eliminating walk-in service at the TACs, and eliminating the ability of taxpayers to ask questions of the IRS online. The failure to meet the needs of taxpayers who rely on these services causes added stress for them and may reduce their willingness or ability to comply.

To a significant degree, the IRS's shortcomings are budget-driven. The additional \$290 million in funding Congress provided this year was very helpful to the IRS in improving its phone service, but the fact that the agency's budget has been reduced by nearly 20 percent in inflation-adjusted terms since FY 2010 continues to require it to cut corners in providing a full range of taxpayer services.