

## Improving Taxpayers' Experience Throughout the Year

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COVID-19 is the major issue in tax administration currently, affecting every IRS operation and nearly every interaction taxpayers have with the agency. The pandemic has also had significant impact on TAS. As a result, much of our focus in the Fiscal Year 2021 Objectives Report to Congress is on COVID-19 and related issues. However, even as TAS grapples with the constantly changing situation, we continue to advocate on issues present before the pandemic and those that have emerged as a result of it. TAS continues to engage in transparent and open communications with the IRS, taxpayers, and stakeholders to understand their perspectives and effect change.

Below we outline some of the IRS initiatives and taxpayer issues that TAS will continue to address for the benefit of taxpayer rights and effective tax administration. Many of these issues include ongoing dialogues with the IRS to improve policies, processes, and procedures; however, some are new or emerging issues that TAS anticipates could impact taxpayers. We look forward to examining these issues collaboratively with the IRS and other stakeholders where appropriate.

TAS is working with the IRS in the following areas:

- **IRS Servicewide Multilingual Improvement Strategy:** TAS is working with the IRS to provide meaningful access to tax products and services for taxpayers with limited English proficiency (LEP). We are collaborating on:
  - Monitoring the deployment of materials from the top 20 taxpayer languages for use with LEP taxpayers;
  - Establishing Servicewide policies relative to serving LEP taxpayers;
  - Expanding access to IRS services and information to LEP taxpayers through the translation of IRS applications such as Where's My Refund, Direct Pay, Withholding Calculator, and Online Payment Agreement for Individual and Business Master File taxpayers; and
  - Monitoring and tracking implementation of an LEP indicator to establish taxpayer preference for communicating with the IRS on future issues.
- **IRS Notice Improvement Strategy:** TAS is working with the IRS Office of Taxpayer Correspondence to identify opportunities to improve the clarity and content of IRS notices and correspondence with taxpayers. We are focusing on:
  - Taxpayer notice redesign efforts to establish consistent Servicewide process flows for the creation of new taxpayer correspondence products and the update of current products to ensure all contain the proper elements to educate and inform taxpayers and protect taxpayer rights; and
  - Expansion of Taxpayer Digital Communication channels to facilitate more effective and timely communications between taxpayers and the IRS.
- **Improper Collection Statute Extensions:** The collection statute expiration date (CSED) is the amount of time the IRS is allowed to legally collect a tax balance. Sometimes, administrative errors can result in the CSED being extended beyond the period allowed by statute. We will:

- Monitor collaborative team progress to resolve thousands of incorrect CSEDs causing taxpayers to pay the incorrect amount of assessment; and
  - Track the progress of an Integrated Action Tool programming change that will properly calculate the CSED and correct erroneous accounts.
- **Expanding IRS Service and Outreach to Taxpayers:** We will collaborate with the IRS to educate and provide service to rural taxpayer communities and monitor service delivery options and channels for taxpayer assistance. Our efforts will include:
  - Expanding Virtual Service Delivery to rural locations to supplement service options and service communities that have not had face-to-face service;
  - Expanding collaborative outreach efforts to ensure taxpayers have consistent access to traditional paper and digital products as outlined in the Integrated Digital Experience Act, including Taxpayer Assistance Center locations and hours of operation to support the taxpayer's *right to quality service*;
  - Promoting voluntary compliance through expanding taxpayer access to Volunteer Income Tax Assistance/Tax Counseling for the Elderly services and the use of alternative tax preparation methods, *i.e.*, Free File, in underserved and rural communities; and
  - Developing outreach and educational materials with an emphasis on high schools and LEP.
- **Innovation Lab:** The IRS's strategy is to increase compliance through data-driven, cross-functional projects designed to corporately focus on a specific taxpayer segment, *i.e.*, employment taxes. We will:
  - Deploy notices and other communication options to new business owners through a TAS-sponsored project using behavioral insights to improve employment tax compliance through better education. We will track compliance behavior and analyze the results; and
  - Monitor Innovation Lab projects to determine the effectiveness of Servicewide environmental scans, study modeling results and the impact on compliance of misclassification of employees, along with the impact of linked business entities on enforcement actions and activities.
- **Pre-Refund Wage Verification Cases:** This continues to be an annual issue where taxpayers request TAS to assist with the processing of their refunds. The IRS has designed a number of filters to detect and prevent non-identity theft refund fraud. Despite improvements, this program negatively impacts taxpayers by causing delays in releasing legitimate refunds, high false positive rates, and often inadequate information being sent to taxpayers regarding the reasons for refund delays or steps for taxpayers to take to resolve refund holds. We plan to:
  - Work with Return Integrity Compliance Services (RICS) to analyze filter performance and selection results for opportunities to adjust filter parameters and mitigate adverse impact on taxpayers;
  - Work with RICS to identify enhancements to Return Integrity Verification Operations (RIVO) treatment streams to expedite the release of refunds held as a result of filter selection, which should reverse adverse impact to taxpayers by reducing the false positive rate; and

- Dialogue with RICS to streamline RIVO processes for taxpayers claiming hardship(s) associated with refund verification, thereby reducing TAS case receipts. In the past five years, RIVO case receipts averaged 25 percent of all TAS case receipts annually.<sup>1</sup>
- **IRS Expansion of Electronic Filing:** The IRS announced that by late summer 2020, taxpayers will for the first time be able to electronically file their Form 1040-X, Amended U.S. Individual Income Tax Return.<sup>2</sup> We will:
  - Monitor the deployment and impact of allowing taxpayers to file Form 1040-X electronically.
- **Voluntary Disclosure Practice:** The IRS's long-standing voluntary disclosure practice (VDP) provides taxpayers with criminal exposure a means to come into compliance with the law and potentially avoid criminal prosecution.<sup>3</sup> Historically, taxpayers who made a voluntary disclosure could often avoid civil penalties as well.<sup>4</sup> On November 20, 2018, following the termination of its Offshore Voluntary Disclosure Program (OVDP) — a civil settlement program for those with offshore accounts — the IRS announced changes to its VDP.<sup>5</sup> These new procedures are effective for all voluntary disclosures — both offshore and domestic — received after September 28, 2018. The new VDP imposes a litany of new taxpayer burdens, risks, and procedures, substantially decreasing the benefits of the VDP, which has been extremely helpful in promoting future compliance over the years. The 2018 memorandum increases the penalties applicable to participants, generally requiring six years of potential adjustments and a 75 percent fraud penalty on the highest year.<sup>6</sup> Although the program still provides protection from criminal prosecution, it comes at a steep financial cost, and time will tell whether taxpayers continue to use it to voluntarily comply. We intend to:
  - Monitor the effects of the new VDP requirements on taxpayer disclosures and settlements to ensure taxpayer rights are not abridged and consider whether the program still provides sufficient taxpayer benefits to encourage voluntary compliance.
- **The Gig Economy and Its Changing Employee/Contractor Relationships:** California and other states are litigating to reclassify many gig economy workers from contractors to employees. We will:
  - Monitor how the IRS navigates the potential conflict between state and federal worker classification.

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1 Taxpayer Advocate Management Information System, fiscal years (FYs) 2015 to 2019. RIVO cases receipts for FY 2020 through May of 2020 are 40 percent of TAS case receipts.

2 IRS, IRS Announces Form 1040-X Electronic Filing Options Coming This Summer; Major Milestone Reached for Electronic Returns, IR-2020-107 (May 28, 2020), <https://www.irs.gov/newsroom/irs-announces-form-1040-x-electronic-filing-options-coming-this-summer-major-milestone-reached-for-electronic-returns>.

3 See Internal Revenue Manual (IRM) 9.5.11.9, Voluntary Disclosure Practice (Dec. 2, 2009).

4 See, e.g., Mark E. Matthews and Scott D. Michel, *IRS's Voluntary Disclosure Program for Offshore Accounts: A Critical Assessment After One Year*, 181 DTR J-1, 4 (Sept. 21, 2010) (noting that before the Offshore Voluntary Disclosure Program, "taxpayers rarely paid any penalties in connection with voluntary disclosures on offshore accounts. Indeed, most taxpayers, relying on the advice of skilled tax professionals, many of whom have decades of prior experience in the Justice Department or IRS, simply filed amended returns and paid the tax and interest. They were never audited. No penalties were ever asserted....").

5 Memo from Deputy Commissioner for Services and Enforcement, LB&I-09-1118-014, Updated Voluntary Disclosure Practice (Nov. 20, 2018), <https://www.irs.gov/pub/foia/ig/spder/lbi-09-1118-014.pdf>.

6 IRC § 6663.

- **IRS Enforcement Strategy:** TAS anticipates an increase in bankruptcy filings given the current economic challenges. To address the expanded impact of bankruptcy filings on compliance efforts and the potential increased requests for offer in compromise (OIC) relief, we will:
  - Monitor how the IRS plans to educate and train employees on taxpayer rights associated with bankruptcy filing(s) and the impact on enforcement action(s); and
  - Continue discussions and interactions with the IRS to gauge the IRS's readiness to handle potential spikes in collection hardship cases and OIC requests.

TAS will continue the pursuit of these and other opportunities to improve tax administration for the benefit of taxpayers.