

MSP #17

The IRS Lacks a Servicewide Strategy that Identifies Effective and Efficient Means of Delivering Face-to-Face Taxpayer Services

RESPONSIBLE OFFICIAL

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DEFINITION OF PROBLEM

As the IRS strives to provide service to all taxpayers, balancing the diverse needs of taxpayers within the confines of existing resource constraints is crucial. Taxpayer Assistance Center (TAC) resources are in great demand, with 397 TACs serving over six million taxpayers in fiscal year (FY) 2012.¹ TACs provide the main means through which taxpayers receive in-person service from IRS employees. Certain groups of taxpayers prefer TAC assistance for various reasons:

- *Lack of personal computers and Internet access:* Twenty-four percent of Americans do not own a personal computer;² and 22 percent do not access the Internet.³
- *Internet security and identity theft concerns:* Approximately 44 percent of taxpayers are insecure about sharing any personal information on the Internet.⁴
- *Education, income, age, disability, and language barriers:* Individuals who have less than a high school education, are elderly, live in households with income of under \$30,000 per year, are disabled, or speak English as a second language are less likely to have Internet access.⁵

The segments of the taxpayer population that are least likely to use Internet services, and to have any Internet access overall, constitute extremely vulnerable groups that most need face-to-face TAC services.

A recent Taxpayer Advocacy Panel (TAP) survey shows that many taxpayers attempt to complete their tax-related tasks through channels other than TACs, but eventually visit a TAC when they cannot resolve their issues by phone or online. During one week in

¹ IRS, Wage and Investment (W&I) Division Business Performance Review, 3rd Quarter – August 15, 2012, *Customer Assistance, Relationships and Education (CARE) Performance Measures*, 20. These numbers are estimates as the IRS anticipates serving 6,070,000 taxpayers at TACs in FY 2012. The current number of TACs is 397 as the IRS closed the Jersey City, NJ TAC in July 2012. E-mail from Lashawne King, Senior W&I Program Analyst (Dec. 10, 2012).

² Kathryn Zickuhr, Pew Internet, *Generations and Their Gadgets* (Feb. 2011), <http://www.pewinternet.org/Reports/2011/Generations-and-gadgets.aspx>.

³ Kathryn Zickuhr, Aaron Smith, Pew Internet, *Digital Differences* (Apr. 2012), <http://www.pewinternet.org/Reports/2012/Digital-differences.aspx>.

⁴ W&I Taxpayer Experience Survey, Tax Year 2009, Filing Season 2010 24 (May 2011). Additional reasons American adults report for not using the Internet include: just not interested, don't have a computer, too expensive, and too difficult. Kathryn Zickuhr, Aaron Smith, Pew Internet, *Digital Differences* (Apr. 2012), <http://www.pewinternet.org/Reports/2012/Digital-differences.aspx>.

⁵ *Id.* PEW found Internet use as of 2011 remains strongly correlated with age, education, and household income, forming the basis for the strongest predictors of use among all factors studied.

April 2012, the TAP surveyed over 650 taxpayers in line at more than 30 TACs, and found that almost 60 percent had already tried to use the IRS website or phone lines.⁶

By failing to pursue research into the impact of its policy shifts, the IRS continues to make changes in a vacuum without fully understanding their effect and burden on taxpayers, including re-work for both the taxpayer and the IRS. For example, in 2012 the IRS reduced the number of days it offered tax return preparation in the TACs and stopped accepting appointments for return preparation. This change may have been a factor in the 50 percent decrease in the number of e-file returns prepared and accepted by TACs.⁷ The IRS did this despite growing evidence of return preparer fraud and the greater accuracy of TAC-prepared returns.⁸

ANALYSIS OF PROBLEM

Background

The IRS provides face-to-face taxpayer services in 397 TACs or local “walk-in” offices across the country.⁹ IRS estimates more than six million taxpayers visited a TAC in fiscal year (FY) 2012, with similar numbers anticipated for FY 2013.¹⁰ In the past, by visiting a TAC, taxpayers could pick up forms and publications, seek guidance about tax laws, request transcripts or other account information, seek assistance with IRS notices, make tax payments, and have their returns prepared.¹¹ Services provided at the TACs have declined

⁶ The TAP is a federal advisory committee comprised of citizen volunteers who work to improve IRS services by providing the taxpayers' perspective to various IRS operations. This survey effort was supported by the National Taxpayer Advocate and her Research and Systemic Advocacy staffs. TAP volunteers returned 664 completed surveys from 33 different TAC offices. While these results are not statistically representative of all TAC visitors, they represent the needs and activities of a sizable number of TAC customers during one week in the tax filing season. Percentages shown are out of all 664 respondents. Some respondents did not answer every question. Twenty-five percent of survey respondents attempted to call the IRS before visiting a TAC and 34 percent attempted to find an answer on IRS.gov.

⁷ IRS, *Field Assistance E-File Report* (Apr. 2012). In filing season 2011 (through April 4, 2011), 113,387 returns were e-filed in the TACs compared to just 55,958 in filing season 2012 (through April 2), a 50.6 percent decline. *Id.* For a further discussion of the National Taxpayer Advocate's concerns about return filing, see Most Serious Problem: *The IRS has Failed to Make Free Return Preparation and Free Electronic Filing Available to All Individual Taxpayers*, *infra/supra*.

⁸ For further discussion of the National Taxpayer Advocate's concerns about return preparer fraud, see Most Serious Problem: *The IRS Harms Victims of Return Preparer Misconduct by Failing to Resolve Their Accounts Fully*, *infra/supra*.

⁹ The current number of TACs is 397 as the IRS closed the Jersey City, NJ TAC in July 2012. E-mail from Lashawne King, Senior W&I Program Analyst (Dec. 10, 2012).

¹⁰ W&I Business Performance Review, 3rd Quarter – August 15, 2012, *Customer Assistance, Relationships and Education (CARE) Performance Measures*, 20. Anticipated number of Taxpayer Assistance Center (TAC) contacts in FY 2012 is 6,070,000, with the target for FY 2013 at 5,465,000.

¹¹ IRS, *Field Assistance Concept of Operations 2* (Aug. 3, 2001). The IRS prepares Form 1040, *U.S. Individual Income Tax Return*, for taxpayers at no charge and based on need.

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since 2004.¹² These changes in 2012 have further reduced taxpayer access to TACs from June 2010 levels in several ways:

- TACs were not open to support Earned Income Tax Credit Saturdays;¹³
- Three TAC offices closed;¹⁴
- Seven TAC offices have no current staffing, one office has only one employee (compared to June 2010 levels) and six additional TAC offices now only have two employees;¹⁵ and
- TACs have expanded services by accepting identity theft documentation¹⁶ in person but have not increased staff levels, thereby diluting available resources for traditional TAC services.

The IRS anticipates taxpayers will have to wait longer for help, have their access to services cut off earlier in the day to avoid end-of-day overtime, and may find small TACs unexpectedly closed due to employee absences.¹⁷ Despite the continued reduction in TAC service, the National Taxpayer Advocate recommends a two-pronged approach to providing taxpayer services — through technology and face-to-face communication in a TAC.

Taxpayer Needs and Preferences Should Drive IRS Services.

Taxpayers have different needs, preferences, and expectations for interacting with and receiving service from the IRS. Some taxpayers are more likely to use the Internet to find forms and publications and gain an understanding of their tax law obligations. Others are more likely to visit the IRS in person to accomplish these tasks, including those who have low income or limited English proficiency, and the elderly.¹⁸ Although Internet use has increased since 2006, when 71 percent of U.S. households accessed the Internet at least once a

¹² Treasury Inspector General for Tax Administration (TIGTA), Ref. No. 2012-40-036, *Interim Results of the 2012 Filing Season*, (Mar. 30, 2012). For a further discussion, see National Taxpayer Advocate 2002 Annual Report to Congress 95-103 (Most Serious Problem: *Free U.S. Individual Income Tax Return Preparation*); National Taxpayer Advocate 2003 Annual Report to Congress 145-51 (Most Serious Problem: *Taxpayer Assistance Centers*); National Taxpayer Advocate 2004 Annual Report to Congress 8-25 (Most Serious Problem: *Taxpayer Access – Face-to-Face Interaction*); National Taxpayer Advocate 2005 Annual Report to Congress 2-24 (Most Serious Problem: *Trends in Taxpayer Service*); National Taxpayer Advocate 2007 Annual Report to Congress 162-82 (Most Serious Problem: *Service At Taxpayer Assistance Centers*); National Taxpayer Advocate 2008 Annual Report to Congress 95-113 (Most Serious Problem: *Taxpayer Service: Bringing Service to the Taxpayer*).

¹³ The IRS and its coalition partners use Earned Income Tax Credit (EITC) Super Saturday events to increase awareness and participation in the EITC by eligible workers. For example, in 2009 the IRS opened over 250 TAC offices from 9 a.m. to 2 p.m. on Saturday, March 21 to support this initiative. See IRS News Release IR-2009-25, *IRS Partners Mark Super Saturday March 21 to Help Taxpayers*.

¹⁴ W&I Business Performance Review, FY 2012 Qtr. 1, 5 (Feb. 15, 2012).

¹⁵ *Id.* Fifteen offices are unstaffed, 36 offices have only one employee, 115 TACs have two employees, and 232 or 58 percent of TACs have three or more employees as of January 14, 2012. For a complete discussion of the reduction of service during the 2012 filing season, see National Taxpayer Advocate Fiscal Year 2013 Objectives Report to Congress, *Filing Season Review*, 43 (June 2012).

¹⁶ See Internal Revenue Manual (IRM) 21.3.4.31, *Identity Theft Overview* (Oct. 1, 2012).

¹⁷ TIGTA, Ref. No., 2012-40-036, *Interim Results of the 2012 Filing Season* (Mar. 30, 2012).

¹⁸ IRS, 2007 Taxpayer Assistance Blueprint Phase II, 111.

month compared to 84 percent in 2012, some taxpayers still need face-to-face help with IRS notices, payments, and filing timely tax returns.¹⁹ Of adults who are online:

- 61 percent complete banking activities online;
- 71 percent shop;
- 64 percent use social networks; and
- 91 percent check email.²⁰

Use of online banking, a task most closely related to IRS activities, strongly correlates with age, income, and education levels. Adults with lower income levels, less than a high school education, and those over the age of 65 are the least likely to use the Internet for banking.²¹

TAP Survey Demonstrates Needs of TAC Users.

In April 2012, members of the Taxpayer Advocacy Panel surveyed taxpayers waiting for assistance in more than 30 TACs across the country. The survey was designed to gather information on customers' reasons for visiting the TAC, what other efforts they had made to resolve their issues, and their use of and comfort with various types of technology.²²

Responses suggest that even though these taxpayers tried to use different service channels, they still needed face-to-face help from a TAC. Taxpayers' reasons for visiting a TAC vary depending on time of year. The most frequently mentioned reasons were:

- To get an answer to a tax question;
- Obtain tax forms, instructions, or publications; or
- To resolve an issue related to an IRS notice or letter.

Figure 1.17.1 displays the responses to the TAP survey's question regarding contact with the IRS prior to visiting the TAC.

¹⁹ Forrester Research, Inc., North American Benchmark Mail Survey, Q2 2006. Seventy-one percent of U.S. households, 18 years of age and over, were accessing the Internet at least once a month from home, work, or elsewhere. *Id.* Eighty-four percent of US households, 18 years of age and over, are accessing the Internet at least once a month from home, work, or elsewhere. Forrester Research, Inc., North American Technographics Benchmark Survey, Q3 2012.

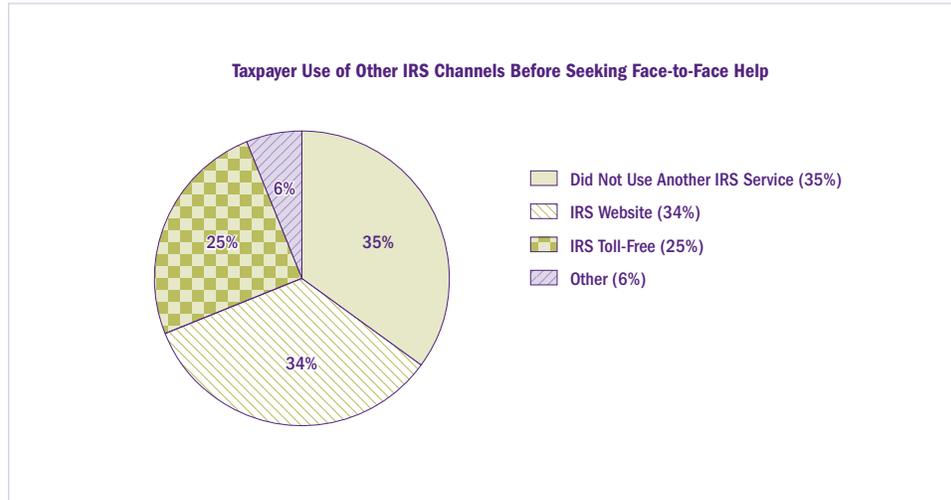
²⁰ Kathryn Zickuhr, Aaron Smith, *Pew Internet, Digital Differences* 13 (Apr. 2012), <http://www.pewinternet.org/Reports/2012/Digital-differences.aspx>.

²¹ *Id.* Pew found that only 44 percent of adults over the age of 65 bank online, only 32 percent of adults with less than a high school education bank online, and only 42 percent of adults with household incomes of less than \$30,000 per year bank online.

²² The TAP is a federal advisory committee comprised of citizen volunteers who work to improve IRS services by providing the taxpayers' perspective to various IRS operations. The National Taxpayer Advocate and her Research and Systemic Advocacy staffs provided support to this survey effort. TAP volunteers returned 664 completed surveys from 33 different TAC offices. While these results are not statistically representative of all TAC visitors, they represent the needs and activities of a sizable number of TAC customers during one week in the tax filing season. Percentages shown are out of all 664 respondents. Some respondents did not answer every question.

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FIGURE 1.17.1, Taxpayer Use of Other IRS Service Channels Before Seeking Face-to-Face Help²³

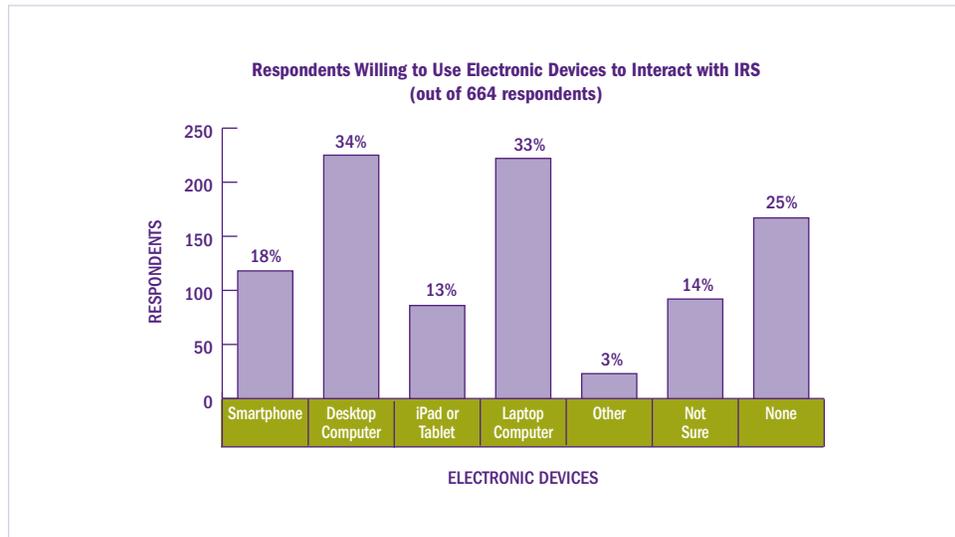


Only about one of every three of these taxpayers had not contacted the IRS by some other method before coming into the office, about 34 percent had visited the IRS website prior to visiting the TAC, and about 25 percent had phoned first. About one of every three respondents said they would be willing to interact with the IRS virtually (using a computer screen similar to Skype™), about 40 percent were not willing to interact with the IRS virtually, and another 26 percent did not reject the idea but were unsure if they would use such a service.²⁴

Figure 1.17.2 displays the numbers of taxpayers who reported they were willing to use each of the surveyed electronic devices to interact with the IRS.

²³ 2012 TAP Survey of IRS Customers (Apr. 2012). Two customers tried to contact the IRS using more than one additional service channel.

²⁴ *Id.*

FIGURE 1.17.2, Methods Taxpayers Will Use To Interact With IRS²⁵

While a number of participants responded positively to the idea of using technology to communicate with the IRS, more than one of four indicated they do not have Internet access at home, rated their computer or Internet skills as “limited” or below, or said they would not use computers or smartphones to interact with the IRS. These findings provide further evidence that in-person services at TACs are still needed.²⁶

The IRS could expand on the TAP survey as part of a comprehensive evaluation of taxpayers who visit TACs. Because taxpayer needs fluctuate through the year, a study that encompassed a full year would allow the IRS to find out what activities taxpayers come to TACs for, whether they had attempted to use other IRS services first, and why they were unable to use other channels successfully. Knowing what taxpayers would be willing to do through other channels can assist the IRS in deciding what other tools to offer, such as e-filing an amended tax return or having immediate access to an account transcript online. This could allow the IRS to focus TAC services on items that taxpayers expect to accomplish in an in-person face-to-face environment and ease the burden on TAC resources. Without rigorous research and analysis on the effect and burden of taxpayer service policy changes, the IRS will continue to make decisions that fail to consider the true needs of taxpayers.

²⁵ 2012 TAP Survey of IRS Customers (Apr. 2012).

²⁶ *Id.*

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Implementing a Ranking System of IRS Services Can Assist the IRS in Prioritizing Resource Allocation and Identifying Gaps in Research

At the request of the National Taxpayer Advocate, the Wage and Investment division has worked with TAS on the Service Priorities Project to develop a ranking methodology for IRS taxpayer services.²⁷ The goal of the project is to identify, from both the government and the taxpayer perspectives, the value of each taxpayer service offered by the IRS. By using existing data and identifying gaps, the IRS could use this ranking tool to allocate scarce resources based on the highest valued services. The ranking tool would consider factors such as:

- Issue resolution;
- Accuracy of service provided;
- Customer satisfaction;
- Taxpayer time spent getting the service;
- Awareness of the offered service; and (as proposed by TAS)
- Taxpayer willingness to use the service, its usage by vulnerable taxpayer populations such as the elderly or low income, and the relative impact on taxpayers who do not receive the service they request through a particular channel.

To populate the tool, the IRS must develop values for each of the ranking criteria. Some of this information is readily available for services offered by the IRS, such as taxpayer wait time when calling the IRS. However, the IRS will need to collect other information through surveys and increased tracking of service contacts. By identifying these information gaps, the ranking tool will easily allow the IRS to see areas where it needs to do additional research and analysis to determine how taxpayer services are being used and how taxpayers would like to use these services. Continuing research to populate the ranking tool will help the IRS to understand the best ways in which to deliver each type of service to the taxpayer and to optimize its overall taxpayer service strategy.

W&I and TAS have been unable to reach an agreement on the inclusion of TAS's proposed measures in the ranking tool. As a result, the IRS decided how to allocate resources for the 2013 filing season without the benefit of this ranking. Additionally, W&I declined the request of the National Taxpayer Advocate to discuss the preliminary ranking results at the October 2012 meeting of the IRS Services Committee.²⁸

IRS Policies Impact Taxpayer Assistance Center Service Delivery.

Policy Changes Severely Reduced Tax Return Preparation in FY 2012.

Beginning with the 2012 filing season, TACs reduced the number of days they offered tax return preparation and no longer scheduled preparation appointments in advance. Instead,

²⁷ See Exhibit 1 for a sample ranking template.

²⁸ Email from Robin Canady to Nina Olson, National Taxpayer Advocate (Oct. 2012), on file with TAS Systemic Advocacy.

the offices helped taxpayers on a first-come, first-served basis.²⁹ This change may have been a factor in the 50 percent decrease in the number of e-file returns prepared and accepted by TACs.³⁰ The IRS failed to conduct research to determine how the taxpayers who relied on TACs to prepare their returns in previous years completed their returns in this filing season, and it thus missed an important opportunity to study the downstream consequences of this major policy change.³¹ Nor did the IRS use this opportunity to determine if these returns were less accurate than those previously prepared by the TACs. Generally, returns prepared by TACs, where the taxpayers have a household income of less than \$50,000 and do not use schedules E or F or Form 2106, have lower Discriminant Function (DIF) scores than returns prepared by other preparers or by taxpayers, suggesting that TAC-prepared returns are less likely to understate the tax owed and are thus more accurate.³² By failing to pursue research into the impact of its policy changes, the IRS continues to make these changes in a vacuum without fully understanding their effect and burden on taxpayers, including re-work for both the taxpayer and the IRS.

In the past, taxpayers with appointments were guaranteed to be helped the day of the appointment, and the IRS could gauge the need for assistors when appointments were scheduled. Denying appointments negatively impacts taxpayers, particularly those who do not have paid time off from work, those who must travel long distances to reach a TAC, and elderly or disabled taxpayers who have difficulty getting to their local TAC. The IRS plans to continue this new policy in the 2013 filing season. The National Taxpayer Advocate suggests that the best option for the IRS and taxpayers alike is to use a combination of scheduled appointments for taxpayers who call in advance and are traveling long distances to the TAC and first-come, first-served appointments for others on the day they visit the TAC.³³

Cutting bulk submissions of tax returns would have harmed tax preparers.

During the filing season and throughout the year, tax preparers commonly go to TACs to submit multiple returns, sometimes even hundreds at a time, in order to receive a date-stamped copy of the first page of each return. The IRS refers to this practice as “bulk submission.” In preparation for the 2012 filing season, the IRS changed Internal Revenue Manual (IRM) 21.3.4.8, *Receipt of Tax Returns*, to indicate that TACs would no longer accept

²⁹ TAC managers have discretion to make an exception to the policy and schedule an appointment on a case-by-case basis. See National Taxpayer Advocate Fiscal Year 2013 Objectives Report to Congress, *Filing Season Review* 44 (June 2012).

³⁰ IRS, *Field Assistance E-File Report*, April 2012. In filing season 2011 (through April 4, 2011) 113,387 returns were e-filed in the TACs compared to just 55,958 (through April 2) in filing season 2012, a 50.6 percent decline. For a further discussion of the National Taxpayer Advocate’s concerns about return filing, see Most Serious Problem: *The IRS has Failed to Make Free Return Preparation and Free Electronic Filing Available to All Individual Taxpayers*, *infra/supra*.

³¹ IRS response to TAS research request (Oct. 31, 2012). The response indicated that W&I did not track where the 50 percent of taxpayers who came to a TAC during the 2011 filing season actually went to get their tax returns e-filed in the 2012 filing season.

³² Compliance Data Warehouse, *Individual Returns Transaction File: Tax Year 2010*. TAC criteria for return preparation include returns with income not in excess of \$50,000, and no schedules E, F, or Forms 2106, in addition to other requirements. The DIF score is an IRS calculated estimate of the likelihood that a tax return has understated the amount of tax owed, based on the type of return filed. The only returns that have lower DIF scores than TAC-prepared returns with the caveats listed above are those in Activity Code 272, which are returns with no Schedules C, E, F, or Form 2106 and no claiming of the Earned Income Tax Credit.

³³ See National Taxpayer Advocate Fiscal Year 2013 Objectives Report to Congress, *Filing Season Review* 42-45 (June 2012).

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bulk submissions from preparers. The IRS amended this procedure by March 2012, at the urging of the National Taxpayer Advocate, to provide exceptions to the general rule.³⁴

Inability to accept cash payments harms taxpayers.

The IRS requires three separate employees to complete a cash transaction, which is why TACs with only one or two employees do not accept cash payments.³⁵ TACs that are not accepting cash must post Publication 4996, *Making a Payment — No Cash Accepted Poster — Field Assistance Taxpayer Assistance Centers* (see image below), and IRS.gov must be updated to reflect the inability of the TAC to accept cash.³⁶ This harms any taxpayer who must travel a long distance to a TAC to make a cash payment, or who can only visit the TAC during a narrow timeframe, particularly taxpayers who are “unbanked” and have no other way to pay their taxes. Unless the taxpayer has checked IRS.gov in advance or previously visited the TAC, he or she would not know that this location could not accept the cash payment. Likewise, if a three-person TAC became a two-person TAC due to an unscheduled employee absence, a taxpayer would not be able to make a cash payment on that day.³⁷ Although it may be a rare occurrence, for a taxpayer who drove a long distance to make the payment, it is a frustrating inconvenience and can result in additional penalties and interest, despite the taxpayer’s efforts to make a payment.

Figure 1.17.3 (next page) shows a TAC counter with a sign on top that reads “Welcome to Taxpayer Assistance” and taped to the desk below a sign reads “No cash payments today. We’re sorry for the inconvenience.”

³⁴ IRM 21.3.4.8, *Receipt of Tax Returns* (Oct. 11, 2012). The IRM provides the following exceptions to the return acceptance policy:

- ◆ Returns received from taxpayers (non-preparers).
- ◆ Tax Returns received with remittance.
 - * Field Assistance (FA) employees will accept tax returns with remittances. Remittances must be processed within the 24 hours deposit standard.
 - * FA employees will provide the Tax Return Preparer information on making payments on behalf of their clients using EFTPS and the electronic filing options.
- ◆ Form 4868.
- ◆ Any individual or business extension forms can be accepted at any time, not limited to the due date only.
- ◆ Forms 4506-T.
- ◆ Imminent Refund Statute Expiration Date (RSED).
- ◆ Past-year returns (nonfilers), and routine returns when the preparer has traveled a significant distance or waited a long time.
- ◆ Managers have full authority to accept returns from preparers, on a case by case basis in their individual TACs, when it is in the best interest of the IRS or taxpayer hardship.
- ◆ Preparers are still required to provide a transmittal list or copies of their client’s returns if they are requesting “proof of filing” per IRM 21.3.4.8.2, *Receipts for Tax Returns*. **NOTE:** The policy of not accepting tax returns from preparers is not intended to limit assistance to taxpayers or their authorized representatives, particularly in situations where the taxpayer is facing financial harm or undue hardship (e.g., delinquent returns or to start or stop an installment agreement). The intent is, primarily, to stop the practice of solely dropping off returns when they can be mailed directly to the IRS processing campus. TACs will accept returns with imminent statute implications, with remittances or other situations where it’s in the best interest of the taxpayer and the IRS to accept them.

³⁵ IRM 21.3.4.7.11.5 (Apr. 1, 2011). To comply with the requirements associated with the segregation of duties and to implement the remittance/courier process, three separate employees are required to complete the cash transaction.

³⁶ IRM 21.3.4.7.2 (Oct. 1, 2011).

³⁷ See National Taxpayer Advocate Fiscal Year 2013 Objectives Report to Congress, *Filing Season Review 43* (June 2012).



Figure 1.17.4 displays IRS Publication 4996 “Payments”

 Taxpayer Assistance Center



Payments

Pagos

Cash payments are not accepted in this office.

Write your name and Social Security Number (SSN), or Employer Identification Number (EIN), or Individual Taxpayer Identification Number (ITIN) on the payment document.

Make your check or money order payable to the “U.S.Treasury.”

We cannot issue receipts for non-cash payments.

Los pagos con dinero en efectivo no se aceptan en esta oficina.

En el documento del pago, escriba su nombre y el Número de Seguro Social (SSN), o el Número de Identificación Patronal (EIN), o el Número de Identificación de Contribuyente Individual (ITIN).

Haga su cheque o giro pagadero a “U. S. Treasury.”

No podemos emitir recibos para los pagos que no sean en efectivo.

To make a payment online go to www.irs.gov and select **Filing & Payment**
Para hacer un pago en Internet vaya a www.irs.gov y seleccione **Filing & Payment**

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Most Serious Problem

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The IRS Uses Multiple Channels to Meet Face-to-Face Taxpayer Service Needs Beyond TACs.

The IRS is taking steps to maintain or expand services in some of its locations, including Facilitated Self-Assistance (FSA). FSA uses self-service kiosks, currently located in 37 TACs throughout the country, where the IRS provides help with self-assistance (on computer workstations).³⁸ FSAs allow the IRS to educate taxpayers on different services channels. Taxpayers can access Free File, print tax forms and publications, and perform research.³⁹ However, IRS employees must be on hand to assist taxpayers using FSA and to determine if they can resolve their issues this way. While FSA may allow taxpayers with simpler issues to avoid TAC lines, and free TAC employees to work more complex issues, it does not alleviate the need to provide IRS employees as guides to FSA.

The IRS has also piloted virtual face-to-face (VFTF) services in an effort to reach more taxpayers. Using video communication technology, taxpayers can have virtual face-to-face interactions with assistors in remote locations.⁴⁰ Once the taxpayer steps up to the monitor and provides identification, the IRS employee can provide many services normally handled in a TAC. The FY 2012 VFTF service delivery pilot, which included 12 locations, allowed the IRS to maximize its resources, by expanding hours of service in remote locations and balancing the workload in high-traffic areas.⁴¹

Through May 26, 2012, the IRS served more than 12,500 walk-in taxpayers through VFTF, assisting with account and tax law inquiries.⁴² Additionally, both TAS and the Office of Appeals tested VFTF during the pilot period, with TAS offering taxpayers the opportunity to interact face-to-face with case advocates and Appeals using video technology to connect Appeals Officers with two Low Income Taxpayer Clinics. Plans to expand VFTF in fiscal year 2013 include services from W&I, pilot services from the Small Business/Self-Employed (SB/SE) division, and more locations for TAS and Appeals.⁴³ Another possible expanded use of this technology would place VFTF terminals in Volunteer Income Tax Assistance (VITA) sites during the filing season so IRS employees can address account-related questions that VITA staff cannot answer.⁴⁴

While the National Taxpayer Advocate wholeheartedly supports these promising efforts, the IRS can do a better job of matching its resources and services with taxpayer demand.

³⁸ W&I Field Assistance (TAP) PowerPoint Presentation, Who We Are, 10 (June 2012).

³⁹ <http://www.irs.gov/pub/irs-soi/10presconfacilitate.pdf> Facilitated self-service kiosks are located in 37 TACs throughout the country.

⁴⁰ For an in-depth discussion of virtual face-to-face services, see Status Update: *The IRS has Made Significant Progress in Delivering Virtual Face-to-Face Service and Should Expand Its Initiatives to Meet Taxpayer Needs and Improve Compliance*, *infra*.

⁴¹ The Virtual Face-to-Face pilot included ten TACs and two Stakeholder Partnership Education and Communication (SPEC) partner organization sites. IRS W&I Division Field Assistance (Taxpayer Advocacy Panel) PowerPoint Presentation, Who We Are, 13 (June 2012).

⁴² W&I Business Performance Review, 3rd Quarter 4 (Aug. 15, 2012).

⁴³ *Id.*

⁴⁴ See Status Update: *The IRS has Made Significant Progress in Delivering Virtual Face-to-Face Service and Should Expand Its Initiatives to Meet Taxpayer Needs and Improve Compliance*, *infra/supra*. The VITA program, administered by the IRS, originated with the Tax Reform Act of 1969 as part of the increased emphasis on taxpayer education. VITA provides underserved communities with free tax filing assistance, using IRS-certified volunteers.

For example, the IRS has placed FSA kiosks in only 37 of the 397 TACs, so only a small percentage of taxpayers can use them. As noted above, many taxpayers are uncomfortable using such technology for tax matters even when they have access to it. The IRS can accomplish its taxpayer service goals by balancing technology – FSA and VFTF — with traditional face-to-face interactions in the TACs and by expanding access to all services.

CONCLUSION

Advances in technology do not eliminate the need for taxpayers to meet with IRS employees in person to discuss notice inquiries, concerns about refunds, tax law questions, options for payment agreements, and more. The National Taxpayer Advocate applauds the IRS's effort to use technology to communicate with certain segments of the taxpayer population. However, for certain taxpayers, technology will never replace face-to-face communication.⁴⁵ As the IRS moves forward with VFTF service and explores offering additional Internet services, it must understand how different taxpayer populations are able to interact with the IRS. Without sufficient data, the IRS cannot hope to address the needs and preferences of varying segments of taxpayers. A rigorous and regularly updated analysis of how taxpayers use IRS services, how they prefer to use IRS services, and their willingness to use new IRS services would allow the IRS to precisely allocate service resources across different channels. And evaluating the impact of changes and reductions to face-to-face TAC services will prevent the IRS from harming and abandoning taxpayers, especially the most vulnerable populations.

The National Taxpayer Advocate preliminarily recommends that the IRS:

1. Continue to study taxpayer needs and preferences and work with TAS to update the surveys done in coordination with the 2006 Taxpayer Assistance Blueprint by addressing service delivery options through traditional channels and emerging technologies.
2. Commit to using the W&I and TAS ranking tool in making changes in taxpayer service policies and offerings, including the three taxpayer value criteria proposed by TAS; to completing the research necessary to fully populate the tool's data fields; and to extending the methodology to enable scoring of changes to the way covered services are delivered (*e.g.*, increases or decreases in the level of service or available service hours for a service activity).
3. Partner with TAS to study and rigorously analyze the downstream consequences of changes in taxpayer service policy and their impact on different taxpayer groups.
4. Reinstate the policy of allowing taxpayers to make appointments at TACs for tax return preparation during filing season and throughout the year.

⁴⁵ See IRS's Annual Report to Congress, *Progress on the Implementation of The Taxpayer Assistance Blueprint 8* (Mar. 14, 2012). While a significant majority of taxpayers would use online resources to complete transactional tasks, a significant minority are not willing or able to use web-based self-service tools.

The IRS Lacks a Servicewide Strategy that Identifies Effective and Efficient Means of Delivering Face-to-Face Taxpayer Services

IRS COMMENTS

Delivering excellent customer service is a priority of the IRS. The Taxpayer Assistance Centers are one of the vital resources available to taxpayers. TAC assistors provide a variety of services to taxpayers who visit the 397 TAC⁴⁶ locations throughout the country. The TAC program provides face-to-face assistance to taxpayers who cannot resolve their problem over the telephone or through correspondence, need a document issued to them in a reasonable period of time, or prefer face-to-face contact. In FY 2012, this type of live assistance was provided to seven million taxpayers.

Recognizing resource limitations and competing priorities, the IRS takes steps to monitor performance and provide the most effective service possible within its allocated budget. The IRS is committed to providing superior customer service, attempts to offer the best mix of services for all taxpayers, and concentrates on those that only the IRS provides. We conduct customer satisfaction surveys related to our services and offerings and other initiatives that capture customer and stakeholder concerns and complaints. Additionally, we track diagnostic measures that assess our ability to provide customer service in a timely manner. Our customer satisfaction surveys reflect favorably on our service offerings. The IRS also monitors wait times and triage taxpayers waiting for service. This allows us to assist more taxpayers with less complex issues quickly while allowing more experienced assistors to focus on helping those taxpayers with complex issues.

To improve taxpayer service, the IRS is adding Facilitated Self-Assistance to many TAC locations and piloting Virtual Service Delivery. The expansion to self-help options allows IRS to provide quick and accurate answers to many taxpayers and can free up our live customer service resources to address taxpayer inquiries that require personal interaction.

During FY 2012, the IRS completed the VSD pilot in the TACs, and it was deemed successful, serving almost 17,000 taxpayers through the end of September. The report showed that the vast majority (87 percent) of taxpayers using VSD reported that they received resolution for their main issue. An even larger number of respondents (91 percent) reported that they would be willing to use video assistance again during a future visit. The IRS will be expanding the VSD program in FY 2013. Planning is underway to deploy virtual service in six TACs and six partner sites for the 2013 filing season.⁴⁷

The IRS took a comprehensive look at TACs and determined there was a need to modify some of its services beginning in FY 2012. While we added services such as VSD, the IRS must constantly monitor the menu of existing services offered. In FY 2012, IRS began offering year round return preparation two to three days per week, determined by staffing and workload for each TAC. Appointments are available when a taxpayer has special needs, such as those with disabilities. Appointments may also be provided at local

⁴⁶ IRS, *Contact Your Local IRS Office*, available at <http://www.irs.gov/uac/Contact-Your-Local-IRS-Office-1>.

⁴⁷ IRS, W&I Business Performance Review, 4th Quarter (Nov. 14, 2012).

management's discretion but generally, return preparation is offered on a first-come, first-serve basis. Scheduling appointments for return preparation reduces resources available to provide services to taxpayers who are awaiting other more complex services.

When TAC assistors are unavailable to prepare returns during the days offered, taxpayers are educated and offered several free filing options. These options include directing taxpayers to a local IRS-sponsored Volunteer Income Tax Assistance sites or Tax Counseling for the Elderly sites and to other available free electronic filing options (IRS Free File and IRS Free Fillable Forms) that could possibly reduce their time waiting for return preparation services in TACs. Many VITA and TCE sites receive grants from the IRS to prepare returns with the low-income, elderly, disabled, and those that speak limited English, with some open year-round. Last year, VITA and TCE volunteers prepared returns with a 92 percent rate of accuracy.⁴⁸ External partners share data with the IRS concerning the availability of their VITA and TCE sites during and after the filing season. This ensures that site information such as locations and hours of operation are timely updated on the IRS.gov VITA Site Locator. Providing these alternatives is beneficial for taxpayers in that they are educated as to the various free options available for return preparation service.

Although we strive to assist all taxpayers, some taxpayers enter TACs with questions and concerns that are out of scope for TAC employees. When this situation arises, the TAC employees provide three options to the taxpayer to assist in resolving the issue:

- The taxpayer will be escorted to a vacant workstation and the TAC employee contacts the appropriate function via telephone for assistance.
- The TAC employee will encourage the taxpayer to call the appropriate toll-free number or check IRS.gov from the comfort of their home.
- Employees will also provide Publication 4604 (EN/SP), *Use the Web for IRS Tax Products & Information*, to educate taxpayers on other automated options for ordering and printing forms and publications. When requested, these documents can be printed locally.

As mentioned in the Most Serious Problem, the National Taxpayer Advocate and the Commissioner of Wage and Investment initiated a joint team to develop a method of evaluating the impact of a reduction or elimination of any service to taxpayers. The Service Priority Project was established to quantify the value of service tasks by service channel (*i.e.*, face-to-face, assisted and automated telephone, and online), based on government and taxpayer value criteria. The service tasks are defined at a broad level, *e.g.*, providing general tax law assistance and information and providing tax account assistance.

⁴⁸ Stakeholder Partnerships, Education & Communication Total Relationship Management System (SPECTRUM), Report # 2012F67229R, *Accuracy Percentage by 8 Percent Primary Questions Report*, April 20, 2012.

The IRS Lacks a Servicewide Strategy that Identifies Effective and Efficient Means of Delivering Face-to-Face Taxpayer Services

The project team discussed numerous criteria to capture government and taxpayer value. Relevant criteria were suggested in TAB Phase 2.⁴⁹ The set of government and taxpayer value criteria that would be included in the first model were limited by the availability of data.

The ranking tool is still under development. Once operational, the IRS will use the ranking tool as a guide, along with other relevant information, in making decisions about changes to taxpayer services. The IRS will incorporate the three criteria proposed by TAS into the ranking tool as data become available. The IRS will modify existing surveys in order to collect data that will populate the data gaps in the current model. These modifications will be constrained by budget considerations. For example, an increased sample size necessary to collect the detailed data for the model will increase the survey cost. While the ranking tool is under development, the project team has proposed that information available about the relevant criteria be included as addenda to the IRS's score sheets. Preliminary scores of the draft ranking tool were used to assess the proposed 2013 taxpayer service changes, and the scores supported the proposed changes. The ranking tool is not designed to provide information about the impact of specific changes in service attributes (*e.g.*, hours of operation, wait time, etc.).

The IRS will evaluate the cost-effectiveness of conducting research that will provide the detailed data needed to quantify changes in service attributes (*e.g.*, level of service, hours of operation). The IRS conducts strategic research on an ongoing basis, such as the TAC Expectations Survey, to get a measure of the face-to-face customer base and needs. Our research has indicated, however, that is difficult to measure the downstream consequences of particular service changes and their impact on different taxpayer groups.

Finally, the IRS welcomes continued partnership with the Taxpayer Advocacy Panel in addressing taxpayer needs and preferences. During 2010, the IRS conducted the Customer Expectation Survey in part, to address the concerns of the TAP and the Treasury Inspector General for Tax Administration (TIGTA).⁵⁰ The IRS is planning to conduct a similar survey in FY 2013 to keep up with emerging taxpayer needs and to match them with the limited resources available. The IRS has also enhanced the Field Assistance Customer Survey Card for 2013 to include questions regarding alternative service channels.⁵¹

⁴⁹ IRS, *2007 Taxpayer Assistance Blueprint, Phase 2* 123 (Apr. 2007).

⁵⁰ IRS, *Taxpayer Assistance Center Customer Expectation Final Report*.

⁵¹ IRS Form 13359, *Your Opinion Counts!* (Sept. 2012).

Taxpayer Advocate Service Comments

Providing quality taxpayer service to address the needs of a large and varied taxpayer population is crucial to the IRS mission. The National Taxpayer Advocate is pleased that the IRS recognizes the value of offering many service channels to address taxpayer needs. In particular, TAS fully supports the expansion of the VFTF service delivery channel.⁵² Additionally, she is pleased that the IRS has agreed to incorporate the TAS criteria in the jointly developed service ranking tool and will use this tool to make future taxpayer service decisions.

However, the National Taxpayer Advocate is surprised to learn that the IRS used this ranking tool “to assess the proposed 2013 taxpayer service changes” and that “the scores supported the proposed changes.” W&I senior leadership did not discuss this ranking with the National Taxpayer Advocate, nor does it appear that W&I included TAS’s executive team’s “votes” in that ranking. Moreover, as noted above, W&I declined to include this ranking on the agenda for its pre-filing season Services Committee meeting, which includes the IRS Senior Leadership and is the most appropriate for a discussion of taxpayer service changes that affect *all* taxpayers. Thus, the IRS justifies its dilution of TAC services for FY 2013 by its own self-serving ranking, without incorporating the viewpoint of the National Taxpayer Advocate — the statutory voice of the taxpayer within the IRS — or any other IRS senior official in the ranking. Going forward, W&I must do better. Otherwise, this ranking tool is a farce.

The IRS must remain cognizant of the taxpayer perspective as it makes service delivery decisions. Failing to fully populate the ranking tool data before making taxpayer service strategy changes will cause the IRS to continue making decisions in a vacuum. Instead, it must commit to recognizing the importance of the taxpayer experience with IRS services and use internal data and external research to fully understand the downstream impact and consequences of taxpayer service changes. It should be a budget priority of the IRS to complete the research and data collection necessary to make the ranking tool effective. While populating the tool will require an investment upfront, it will, in the long term, allow the IRS to make better decisions and target resources more appropriately. It will also enable the IRS to inform Congress of the compliance and other impacts of insufficient funding for taxpayer service, including which service cuts will harm the most vulnerable populations. Without this information, the IRS is making resource allocation decisions in the dark.

The National Taxpayer Advocate remains concerned about the decision to no longer offer appointments for tax return preparation in the TACs and the impact on taxpayers. Although other free or low cost alternatives exist for return preparation, turning taxpayers away and directing them to spend additional time seeking out other return preparation options after already visiting a TAC adds to taxpayer burden. The policy change may have

⁵² For an in-depth discussion of VFTF services, see Status Update: *The IRS has Made Significant Progress in Delivering Virtual Face-to-Face Service and Should Expand Its Initiatives to Meet Taxpayer Needs and Improve Compliance, infra.*

been responsible for the over 50 percent decline in returns prepared in the TACs in filing season 2012.⁵³ The IRS did not track if these taxpayers actually followed through on the suggestion to have returns prepared by VITA or TCE, if they qualified.

Finally, while self-assist options for taxpayers are an important component of a well-rounded taxpayer service strategy, the IRS cannot rely solely on these options to fulfill service gaps. The TAP survey demonstrated that many taxpayers attempted to use these channels, were unable to resolve their issues, and ended up seeking face-to-face assistance at a TAC.⁵⁴ Additionally, the IRS knows that certain taxpayer segments are unable or unwilling to use self-assistance options and it must meet the needs of those taxpayers through other channels.⁵⁵

Recommendations

The National Taxpayer Advocate recommends the IRS take the following actions:

1. Continue to study taxpayer needs and preferences and work with TAS to update the surveys done in coordination with the 2006 Taxpayer Assistance Blueprint by addressing service delivery options through traditional channels and emerging technologies.
2. Commit to using the W&I and TAS ranking tool in making changes in taxpayer service policies and offerings, including the three taxpayer value criteria proposed by TAS; to completing the research necessary to fully populate the tool's data fields; to extending the methodology to enable scoring of changes to the way covered services are delivered (*e.g.*, increases or decreases in the level of service or available service hours for a service activity); and to including a broad array of TAS and IRS senior leadership in the actual ranking of service offerings and to timely discussing this ranking at the IRS Services Committee.
3. Partner with TAS to study and rigorously analyze the downstream consequences of changes in taxpayer service policy and their impact on different taxpayer groups.
4. Reinstate the policy of allowing taxpayers to make appointments at TACs for tax return preparation during filing season and throughout the year.

⁵³ IRS, *Field Assistance E-File Report*, April 2012. In filing season 2011 (through Apr 4, 2011) 113,387 returns were e-filed in the TACs compared to just 55,958 (through Apr. 2) in filing season 2012, a 50.6 percent decline. For a further discussion of the National Taxpayer Advocate's concerns about return filing, see Most Serious Problem: *The IRS has Failed to Make Free Return Preparation and Free Electronic Filing Available to All Individual Taxpayers*, *infra*.

⁵⁴ This survey effort was supported by the National Taxpayer Advocate and her Research and Systemic Advocacy staffs. TAP volunteers returned 664 completed surveys from 33 different TAC offices. While these results are not statistically representative of all TAC visitors, they represent the needs and activities of a sizable number of TAC customers during one week in the tax filing season. Percentages shown are out of all 664 respondents. Some respondents did not answer every question. Twenty-five percent of survey respondents attempted to call the IRS before visiting a TAC and 34 percent attempted to find an answer on IRS.gov.

⁵⁵ See W&I Taxpayer Experience Survey, Tax Year 2009, Filing Season 2010, 24 (May 2011); see also IRS, 2007 Taxpayer Assistance Blueprint Phase II, 111.