

The IRS is Substantially Reducing Both the Amount and Scope of Its Direct Education and Outreach to Taxpayers and Does Not Measure the Effectiveness of Its Remaining Outreach Activities, Thereby Risking Increased Noncompliance

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RESPONSIBLE OFFICIALS

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DEFINITION OF PROBLEM

Despite the IRS's longstanding belief that taxpayer education is essential to voluntary compliance, and the significant resources it dedicated to outreach and education in the immediate aftermath of the IRS Restructuring and Reform Act of 1998 (RRA 98), the IRS has retreated from its earlier commitments.¹ As a consequence:

- Wage and Investment (W&I), the operating division with responsibility for helping 123 million individual taxpayers understand and comply with their tax obligations, now devotes only about six percent of its outreach and education budget to activities that involve direct, face-to-face, contact with taxpayers;
- W&I will not offer any outreach that is not directly related to return filing unless another IRS unit agrees to provide the funding;
- Small Business/Self Employed (SB/SE), the division serving the needs of 57 million business taxpayers, has no outreach and education employees in 12 states;
- SB/SE plans to further reduce its face-to-face outreach and education to tax practitioners in the coming fiscal year; and
- Less than a third of SB/SE's outreach events were targeted directly to small business owners.²

Despite the growing complexity of tax laws and tax procedures, W&I and SB/SE outreach and education programs now have a local presence in fewer communities than when they were conceived over ten years ago, and the IRS's most recent cost-cutting measures have been directed disproportionately at employees of those programs. In fiscal year (FY) 2011, residents of almost half of the U.S. did not have an opportunity to hear from a W&I outreach employee providing information about the Earned Income Tax Credit (EITC) in their states.³

¹ Internal Revenue Service Restructuring and Reform Act of 1998 (RRA 98), Pub. L. No. 105-206 (1998) § 1001.

² SB/SE Calendar of Events, available at http://sbse.web.irs.gov/cl2/sl/Events_Calendar/default.asp; IRS response to Most Serious Problem (Nov. 2, 2012).

³ IRS response to TAS information request (July 30, 2012).

Most Serious Problems

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The IRS has never ascertained whether its focus on filing compliance and its leveraged approach to outreach and education promote taxpayer compliance, reduce taxpayer noncompliance, or compensate for the reduction in pre-filing services and the elimination of the direct contact local employees once had with taxpayers. Nevertheless, it has replaced the previous model — in which local outreach and education employees, as well as Revenue Officers, Revenue Agents, and managers, were expected to respond to taxpayers’ needs — with a system in which outreach and education are available only with respect to a few issues the IRS selects, delivered in the manner it selects, unless another part of the government pays for it.

ANALYSIS OF PROBLEM

Background

Prior to 1998, the IRS was organized into 43 geographically defined districts and service centers.⁴ District Directors adopted Taxpayer Education (TPE) programs, which were managed by the Examination or Collection functions within their districts.⁵ The IRS encouraged its staff to

accept invitations to deliver speeches, participate in tax forums, conferences, seminars and meetings, write articles for publications and have similar contact with outside groups. Such activities are an effective way to inform and educate the public about the Service’s mission and operations and to help taxpayers understand their rights and obligations.⁶

District Directors were advised, “Your personal participation can go a long way in strengthening volunteer involvement in Taxpayer Education and in making the public aware of the educational and informational assistance available.”⁷

As a result of RRA 98, the IRS reorganized into four taxpayer service units, each responsible for serving groups of taxpayers with similar needs, and abandoned geographical location as its organizational principle.⁸ Stakeholder Partnerships, Education and Communication (SPEC), an amalgam of TPE and other existing field functions, “stood up” as a new W&I organization in October of 2000.⁹ Similarly, the Taxpayer Education and Communication office (TEC) was formed as a new program within SB/SE when that division stood up. While SPEC and TEC had the objective of collaborating with local

⁴ S. Comm. on Finance, *Hearings on IRS Restructuring*, 105th Cong. S. Hrg. 105-529, Jan. 28, 1998, 20 (testimony of Hon. Charles O. Rossotti, Commissioner of Internal Revenue).

⁵ SPEC CONOPS 4 (2001), available at http://win.web.irs.gov/spec/docs/spec_conops.pdf; IRM 22.30.1.1.2 (Jan. 1, 2002).

⁶ IRM 1.2.191.8(2), Policy Statement 1-181 (July 24, 1989).

⁷ IRM 6570, Exhibit 400-5 (May 12, 1988).

⁸ RRA 98, Pub. L. No. 105-206 (1998) § 1001.

⁹ SPEC CONOPS 4 (2001), available at http://win.web.irs.gov/spec/docs/spec_conops.pdf; IRM 22.30.1.1.2 (Jan. 1, 2002).

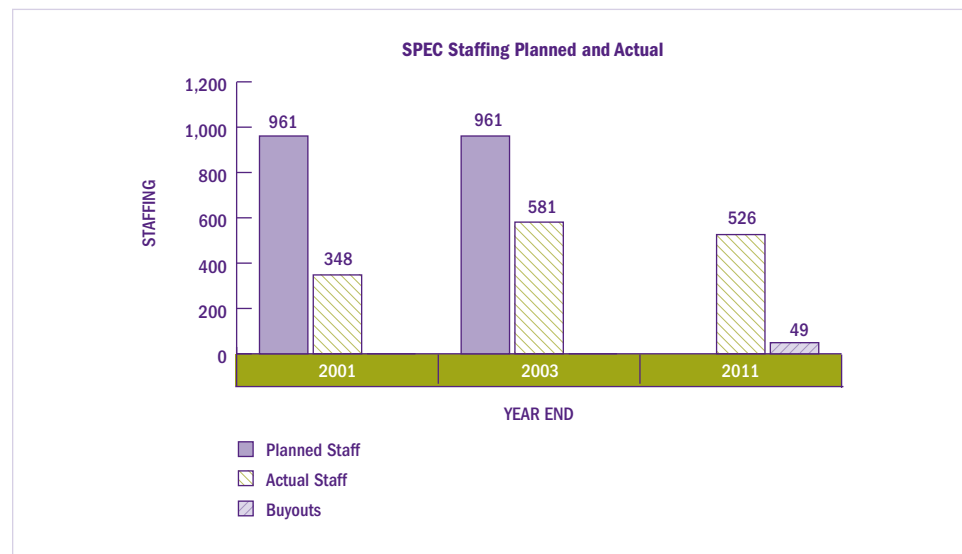
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organizations to deliver outreach and education (*i.e.*, leveraging their activities), the vision of local IRS employees interacting with taxpayers continued.¹⁰

In the immediate aftermath of RRA 98, the IRS dedicated significant resources to its new education and outreach organizations, and planned to dedicate even more, thereby meeting taxpayers where they were.¹¹ SPEC staffing peaked in 2003, however, at about 60 percent of the planned level, as shown by Figure 1.18.1, below.

FIGURE 1.18.1, Spec Planned and Actual Staffing¹²



In November of 2011, when W&I offered buyouts or early retirement to about six percent of all its employees, it extended the offer to 58 percent of SPEC employees.¹³

¹⁰ IRM 21.10.4.8.2.4 (Dec. 1, 2000) provided: "Community Outreach Tax Education is conducted by IRS employees and qualified volunteers. IRS employee instructor sources include Taxpayer Service Representatives, Taxpayer Service Specialists, Customer Service Representatives, Revenue Agents, Tax Auditors, and Revenue Officers. ...It may be necessary to offer overtime or compensatory time to employees in order to provide adequate staffing at Outreach sessions."

¹¹ SPEC was intended to have 961 employees distributed among 48 territories and 72 field offices. IRS Organization Blueprint 2000, Fig. 2-1, W&I Division Organization Structure, Fig. 2-3, Communications, Assistance, Research and Education (CARE) Organization Structure. TEC was intended to have 1,200 employees distributed among 84 domestic territories, two international territories and 219 posts of duty. Treasury Inspector General for Tax Administration (TIGTA), Ref. No. 2000-30-149, *Management Advisory Report: The Small Business/Self Employed Division Will Substantially Stand Up on October 1, 2000* 8 (Sept. 2000) Fig. 3-3, Taxpayer Education Communication Organization Structure (2000).

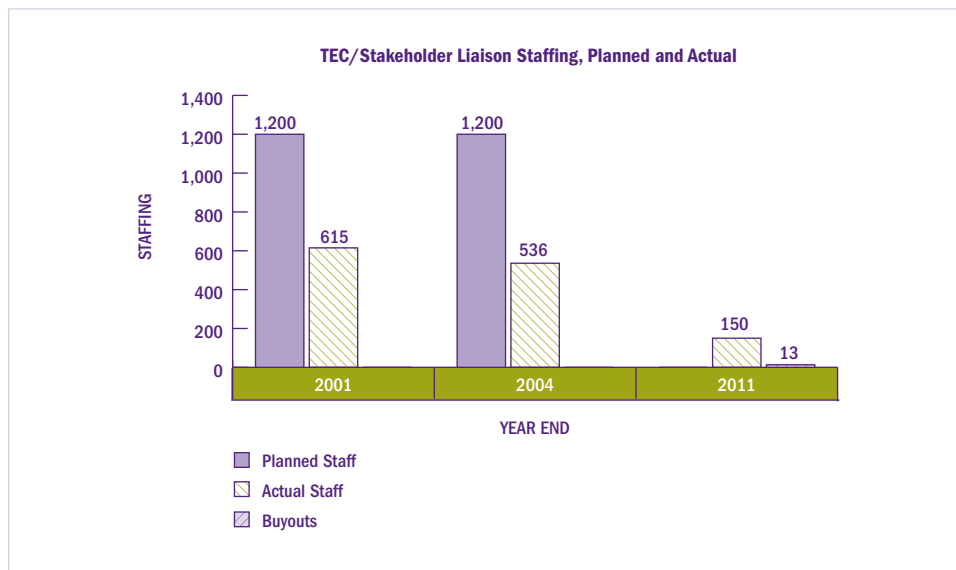
¹² W&I CARE, Discussion Document, *Stand-Up and Beyond* Appendix A, 1 (Jan. 2001); AWSS Employee Support Services, Payroll/Personnel Systems, HR Reporting Section, available at <https://persinfo.web.irs.gov/track/workorg.asp>.

¹³ IRS responses to TAS information request (July 19 and Aug. 2, 2012); IRS response to Most Serious Problem (Nov. 2, 2012). W&I offered buyouts or early retirements to 1,535 out of a total of about 25,000 fulltime W&I employees on roll for the last pay period of 2011, for a rate of about six percent. W&I offered buyouts or early retirements to 332 of a total of about 577 SPEC employees on roll for the relevant pay period of 2011, for a rate of 58 percent. AWSS Employee Support Services, Payroll/Personnel Systems, HR Reporting Section available at <https://persinfo.web.irs.gov/track/workorg.asp>. Actual attrition was about eight percent, as 49 SPEC employees accepted the offers.

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In 2005, SB/SE merged TEC into other outreach and communication units within the division, ultimately replacing it with today’s Stakeholder Liaison (SL) unit with drastically reduced staffing, as shown by Figure 1.18.2 below. The realignment left twelve states without a Stakeholder Liaison employee. Again today, twelve states do not have a Stakeholder Liaison employee within their borders.¹⁴

FIGURE 1.18.2, TEC and Stakeholder Liaison Planned and Actual Staffing¹⁵



SB/SE offered buyouts or early retirement to about eight percent of all of its employees, but extended the offer to 69 percent of Stakeholder Liaison field employees.¹⁶

The IRS’s outreach personnel today do not meet taxpayers where they are. Figure 1.18.3 shows how employees of both organizations were intended to be dispersed over geographic areas compared to how they are dispersed today:

¹⁴ IRS response to TAS information request (July 19, 2012). The states without a local stakeholder liaison are Alaska, Delaware, Hawaii, Indiana, Mississippi, Montana, Nebraska, New Hampshire, North Dakota, Vermont, West Virginia, and Wyoming.

¹⁵ TIGTA, Ref. No. 2000-30-149, *Management Advisory Report: The Small Business/Self Employed Division Will Substantially Stand Up on October 1, 2000* 8 (Sept. 2000); AWSS Employee Support Services, Payroll/Personnel Systems, HR Reporting Section, available at <https://persinfo.web.irs.gov/track/workorg.asp>.

¹⁶ IRS response to TAS information request (July 19, 2012); IRS response to Most Serious Problem (Nov. 2, 2012). SB/SE offered buyouts or early retirements to 1,967 out of a total of about 24,000 SB/SE employees on roll for the last pay period of 2011, for a rate of about eight percent. SB/SE offered buyouts or early retirements to 116 out of a total of about 168 Stakeholder Liaison field employees on roll for the affected pay period of 2011, for a rate of 69 percent. AWSS Employee Support Services, Payroll/Personnel Systems, HR Reporting Section available at <https://persinfo.web.irs.gov/track/workorg.asp>. Actual attrition was about 11 percent, as 13 Stakeholder Liaison field employees accepted the offers.

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FIGURE 1.18.3, SPEC and Stakeholder Liaison Geographic Dispersion¹⁷



In addition to reductions in outreach and education staff, there is no IRM provision corresponding to the one that urged District Directors to engage in face-to-face outreach. In terms of IRS guidance to employees, outreach and education are now “siloeed” in SPEC and Stakeholder Liaison, rather than treated as the responsibility of IRS employees from senior leaders to front-line employees.

SPEC Now Focuses on Return Preparation.

SPEC administers the IRS’s Volunteer Income Tax Assistance (VITA) and Tax Counseling for the Elderly (TCE) programs that provide free return preparation for low to moderate income and elderly taxpayers, respectively.¹⁸ In light of its reduced staff, SPEC shifted its resources from outreach and education to these programs, allocating six percent of its direct labor hours to pre-filing outreach and 74 percent to supporting return preparation in FY 2011.¹⁹ SPEC outreach is now limited to topics related to return filing, such as EITC, efile, Free File, and direct-deposit methods for refunds. For any other topic, SPEC employees will provide direct taxpayer outreach or develop new partners only if the IRS business unit or function requesting the outreach also funds it.²⁰

Almost all of SPEC outreach is leveraged (*i.e.*, delivered by its partners). From October 2011, through June 2012, SPEC employees conducted 158 outreach events, compared to 2,404 events conducted by partners.²¹ EITC outreach events featuring SPEC speakers or presenters took place in 36 cities in 29 states in FY 2011, meaning that residents of 21

¹⁷ IRS Organization Blueprint 2000, Fig. 2-3, CARE Organization Structure and Fig. 3-3, Taxpayer Education Communication Organization Structure (2000).

¹⁸ For a more complete discussion of those programs, see Most Serious Problem: *The IRS Has Failed to Make Free Return Preparation and Free Electronic Filing Available to All Individual Taxpayers*, *infra*.

¹⁹ IRS response to TAS information request (July 30, 2012). In fiscal year (FY) 2011, SPEC charged 1,278,877 labor hours, of which 620,069 were direct hours. Return preparation consumed 460,184 direct hours, or 74 percent of total direct hours, and outreach consumed 38,709 direct hours, or six percent of total direct hours.

²⁰ W&I response to TAS information request (July 19, 2012).

²¹ IRS response to Most Serious Problem (Nov. 2, 2012).

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states never had the opportunity to see a SPEC employee at an EITC outreach event in their state.²² For these taxpayers, the RRA 98 vision of local IRS employees providing outreach and education directly to them, based on their local characteristics, has been lost.

SB/SE Expected Efficiency Gains from an Increased Emphasis on Leveraging but Has Not Gathered Sufficient Information to Ensure that it Leverages Effectively.

Following the 2005 TEC realignment, Stakeholder Liaison increased its reliance on leveraging, focusing its outreach on practitioner and professional organizations with the hope that the information passed on to them would trickle down to actual taxpayers.²³ Of the more than 3,500 Stakeholder Liaison outreach events in FY 2011, 1,165 (less than a third) were Leveraged Small Business Tax Workshops, the only outreach that targets small business owners directly.²⁴ The National Taxpayer Advocate has had misgivings about this trickle-down approach since its beginning, and in 2006 pointed out that Stakeholder Liaison had no five-year strategic plan and still did not measure the effectiveness of its outreach efforts. Some SB/SE research suggested that face-to-face outreach was more effective in increasing compliance than more passive alternatives.²⁵ However, SB/SE could not tailor its outreach to specific groups of taxpayers because it did not have information about the characteristics and needs of small business and self-employed taxpayers.²⁶

SB/SE responded to the National Taxpayer Advocate's concerns by describing its outreach initiatives directed to taxpayers with limited English proficiency (LEP). Stakeholder Liaison had launched Hispanic Small Business Forums in states where this target audience was likely to be found, such as California, Florida, New York, South Carolina, and New Jersey, and planned to expand this outreach nationwide.²⁷ According to Stakeholder Liaison outreach and education records for 2011, however, there were only seven Hispanic Small Business Forums, and only three of them were in a state SB/SE had identified as likely to

²² W&I response to TAS information request (July 19, 2012). In the same period, SPEC employees visited return preparation sites in every state for a total of more than 4,400 times.

²³ National Taxpayer Advocate 2006 Annual Report to Congress 173 (Most Serious Problem: *Small Business Outreach*).

²⁴ Data on Stakeholder Liaison events is recorded and stored on the CSO Calendar of Events, a searchable database with information about outreach events, available at http://sbse.web.irs.gov/cl2/sl/Events_Calendar/default.asp. The calendar contains information about 3,644 events from Oct. 1, 2010, to Sept. 30, 2011. In Leveraged Small Business Tax Workshops, the IRS "support[s] partner and stakeholder efforts by providing them with educational materials and serving as a resource. Partners use the IRS materials to educate small business and industry stakeholders." IRM 11.53.5.14.5(2) (Nov. 25, 2009). There were 1,054 such workshops in FY 2011, and an additional 111 shown as "Spanish/Other." There were no such workshops in FY 2011 in four states: Delaware, Mississippi, West Virginia, and Wyoming. In FY 2010, there were 1,109 workshops, held in all 50 states.

²⁵ National Taxpayer Advocate 2006 Annual Report to Congress 172, 186-87 (Most Serious Problem: *Small Business Outreach*). IRS response to Most Serious Problem (Nov. 2, 2012).

²⁶ National Taxpayer Advocate 2006 Annual Report to Congress *Most Serious Problem: Small Business Outreach* 172, 181-182. In 2010, TIGTA identified the same problem of SB/SE's lack of information about taxpayer needs. TIGTA, Ref. No. 2011-40-010, *Multiple Channels Are Used to Provide Information to Small Business Taxpayers, but More Information is Needed to Understand Their Needs* (Dec. 2010).

²⁷ *Id.* at 172,191. A Small Business Forum (SBF) is "an open forum with Industry stakeholders that allows parties to exchange ideas, gather information about emerging stakeholder issues, manage relationships, and maintain a dialogue with stakeholder groups... The forum is a co-sponsored event, where SL [Stakeholder Liaison] leverages the influence of lead partners to draw other stakeholders to the event." IRM 11.535.14.3 (Nov. 25, 2009).

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have the target audience, that state being New Jersey.²⁸ Stakeholder Liaison’s 2011 outreach also included 57 Leveraged Small Business Tax Workshops designated “(Spanish/Other)” for LEP taxpayers.²⁹ More than 30 of the workshops were held in New York or California, one was held in New Jersey, and none were held in the other states identified as having the greatest concentration of this target audience.³⁰ In this instance, the IRS has identified a taxpayer need but does not meet it.

As for outreach to practitioners, the National Taxpayer Advocate in 2006 noted:

Even if SB/SE attempts to provide outreach to practitioners in these states [without a stakeholder liaison] on a regional or even a “traveling” basis, without establishing a permanent, continuing relationship with these stakeholders, practitioners may not know when the substitute outreach events are being held. These practitioners will also be less likely to turn to Stakeholder Liaison when specific issues come up because the practitioners will not know who to contact or may not feel a local connection with the IRS liaison. This arrangement may set the Stakeholder Liaison up for failure, or at best, limit its effectiveness.³¹

For these reasons, the National Taxpayer Advocate is concerned about SB/SE’s current plans to reduce its face-to-face meetings with tax practitioners in favor of phone forums and other indirect or virtual delivery methods.³² The shift in strategy is motivated by the desire to employ resources more efficiently. SB/SE believes that a more technology-based approach will allow it to reach more practitioners while saving the cost of having its employees travel to face-to-face venues. The decision is not supported by data showing expected savings or expected increases in the effectiveness of the outreach, and SB/SE is aware that some practitioners, as well as Stakeholder Liaison employees, prefer face-to-face meetings.³³ Nevertheless, SB/SE intends to limit in-person meetings mainly to large organizations, and may ultimately replace even these live events with virtual ones. Moreover, this virtual education and outreach will not necessarily be delivered by local employees (*e.g.*, an employee in California may address practitioners in New York), further weakening any local connection that might otherwise exist. Whatever the (unproven) benefits of this new approach may be, it will negatively affect small practitioners, many of whom cannot afford the dues

²⁸ Three Hispanic Small Business Forums were held in Illinois and one was in Texas. SB/SE Calendar of Events, *available at* http://sbse.web.irs.gov/cl2/sl/Events_Calendar/default.asp. The Calendar of Events has a field that indicates whether events were directed to limited English proficiency taxpayers, but only three of these events were so designated.

²⁹ An additional 18 Leveraged Small Business Tax Workshops (without the “(Spanish/Other)” designation) for LEP taxpayers were recorded in 2011, six of which were in New York and one in California, with none in the other states identified as having this target audience. Two of the New York presentations were directed to Chinese speakers and the one in California was directed to Thai speakers.

³⁰ The remaining were held among 11 different states. SB/SE Calendar of Events, *available at* http://sbse.web.irs.gov/cl2/sl/Events_Calendar/default.asp. There were no Leveraged Small Business Tax Workshops in FY 2011, in English or Spanish, in nine states: Alaska, Arkansas, Delaware, Georgia, Idaho, Minnesota, Mississippi, West Virginia, and Wyoming. There were a total of 227 LEP events in FY 2011, representing six percent of the total number of 3,644 events with specified event dates. IRS response to Most Serious Problem (Nov. 2, 2012).

³¹ National Taxpayer Advocate 2006 Annual Report to Congress (Most Serious Problem: *Small Business Outreach*) 172, 184.

³² Message from Director, SB/SE Communications and Stakeholder Outreach (CSO) to all CSO employees (Aug. 15, 2012).

³³ Oct. 1, 2012, conference call with CSO Director.

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required to belong to large organizations and who, coincidentally, may be the ones most in need of face-to-face contact. As one practitioner describes the situation,

[T]his is a huge concern. Tax professional groups are reporting that the IRS Stakeholder Liaison personnel are cancelling meetings and reporting that due to a limited budget they cannot meet with smaller groups. Some of these groups are quite large -100+ practitioners. Budget is understandable but many of these practitioners do not belong to professional organizations and these IRS meetings are really their only viable contact with IRS.

Compliance is tough for taxpayers and without the engagement of IRS and practitioners there is a disaster brewing.³⁴

The National Taxpayer Advocate is, however, encouraged by SB/SE's recent efforts to identify small business segments and determine how best to communicate with them. For example, SB/SE has identified Asian, African-American, Hispanic, baby boomer, and women entrepreneurs as market segments and investigated their characteristics and preferences. It has developed electronic welcome letters, outreach plans, and communication plans tailored to their needs and preferred delivery methods, and it is revising its calendar of events to track outreach to these segments. SB/SE is also conducting an outreach pilot in New York addressed to young entrepreneurs who are Schedule C filers, a segment it identified as underserved.³⁵ However, tracking information about outreach events, collecting evaluations, and maintaining data on customer satisfaction, all of which would tend to show whether an outreach activity reached its intended audience, do not show whether the outreach was effective in influencing taxpayers' behavior.

³⁴ Email from practitioner to the National Taxpayer Advocate (Sept. 24, 2012), on file with TAS.

³⁵ IRS response to TAS information request (July 27, 2012).

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CONCLUSION

In conclusion, the National Taxpayer Advocate preliminarily recommends that SB/SE and W&I:

1. Collaborate with TAS and Compliance employees (*e.g.*, Revenue Officers and Revenue Agents) to design research initiatives to measure the effect of education and outreach methods on specific taxpayer populations or with respect to specific issues.
2. Suspend current plans to reduce in-person outreach and education to practitioners pending the outcome of such research.
3. Adjust the distribution of outreach and education staff over geographic areas in light of research findings about taxpayer characteristics in those areas.
4. Suspend the current policy of not offering outreach and education, beyond the narrow list of topics the IRS identifies, unless other government units agree to pay for it.

IRS COMMENTS

The IRS agrees with the National Taxpayer Advocate on the importance of continued customer service, outreach, and education to influence taxpayer compliance, and we share her interest in reaching individuals and small business taxpayers through these means. The IRS has not reduced the amount and scope of its education efforts. On the contrary, the IRS has worked and continues to work to increase the amount and scope of outreach to individual and small business taxpayers through the expanded use of leveraged resources and technology.

The trend in education, industry, and government is toward conducting business virtually through the use of technology. The education industry, in particular, is increasing virtual delivery with the use of webinars and other types of distance learning. The National Taxpayer Advocate, herself, has encouraged the use of new technology to provide customer service such as through online services and the use of a variety of channels to provide information to taxpayers. The IRS is implementing a business model which will increase the number of taxpayers reached by expanding technology interactions. This business model is aligned with industry trends and consistent with the National Taxpayer Advocate's interest in enhancing customer service through new technology.

The SL and SPEC functions were designed to ensure implementation of IRS strategic goals for outreach and education. The employees and leadership in these divisions have position descriptions, critical job elements, and commitments specific to outreach and education. Rather than retreating from the IRS's earlier commitment to outreach and education as suggested in the National Taxpayer Advocate's report, the IRS continues to emphasize strong, focused leadership to coordinate outreach and education activities.

In addition to the efforts of the SL and SPEC functions, outreach and education activities and responsibilities are shared and coordinated with compliance functions across the IRS

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organization — and not “siloe” within these two functions. For example, while outreach to the field practitioner community is coordinated by SL, representatives from all operating divisions participate in practitioner liaison meetings. The SL function partners with the Affordable Care Act (ACA) office and the Return Preparer Office (RPO) on external presentations such as our webinar on Circular 230.

Compliance organizations work directly with their stakeholders to provide relevant and timely information through participation in conferences, meetings, and seminars around the country throughout the year. This includes:

- Presentations at the Nationwide Tax Forums attended by thousands of small business owners and tax practitioners every year;
- Partnering with key national stakeholders such as the American Payroll Association (APA), American Institute of Certified Public Accountants (AICPA), and the American Bar Association (ABA) to provide presentations at key conferences, continuing professional education (CPE) sessions, and similar meetings;
- Presentations at the National Small Business Forums and Reporting Agent Forums;
- Presentations at various state-level conferences and CPE events;
- Creation of specialized technical content available on IRS.gov and YouTube; and
- Articles in technical publications such as the SSA-IRS Reporter.

Although it is correct that staffing is below the levels initially planned after the IRS Restructuring and Reform Act of 1998 (RRA 98), staffing numbers alone do not provide an accurate portrayal of the number of individual and small business taxpayers reached by SL and SPEC and their partner organizations. When the IRS realigned to the current SL organization from the previous Taxpayer Education and Communication function, we purposefully restructured the SL business model to reach more taxpayers through leveraged outreach and reduced staffing accordingly. Our leveraged model enables SL to provide information to industry and practitioner associations in all 50 states. These groups then provide this information to their members and clients, which expands our influence far beyond the direct participation of taxpayers attending outreach events. The SL function currently has partnerships with 5,969 industry partners and 1,749 practitioner partners.

The SPEC function offers taxpayer assistance through a three-pronged business model: tax preparation, taxpayer education, and financial education and asset building. SPEC also utilizes its partner relationships to deliver outreach and education by cultivating and developing relationships with partner organizations in locations identified as having new needs. The SPEC function has partners in all 50 states, including over 3,931 local partner organizations, 396 local coalitions, and 63 National Partners. Regarding the number of SPEC events referenced in the National Taxpayer Advocate’s report, these numbers do not accurately reflect all of our activities for 2011 as they only reflect Earned Income Tax Credit

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outreach events for a five-month period of 2011 and do not include additional non-EITC outreach activities because that data was not tracked for FY 2011.

In her report, the National Taxpayer Advocate has expressed concern with the IRS's lack of data on how the outreach delivery method (*i.e.*, face-to-face versus virtual outreach) supports expected savings or impacts compliance. Regardless of delivery method, multiple research studies undertaken to date have found it difficult or impossible to measure the effectiveness of outreach initiatives on compliance behavior, since outreach cannot be isolated from the numerous other factors that have the potential to affect compliance. In response to recommendations in the National Taxpayer Advocate 2009 Annual Report to Congress, a research project was pursued, in part, to determine the feasibility of quantifying the extent to which the addition of outreach or education magnifies the impact of correspondence audits.³⁶ Several of the methods reviewed were determined to be suitable for investigating the effects of outreach and education, but it was determined they did not provide reliable quantitative estimates of those effects.

Numerous steps have been taken to alleviate customer concerns with the reduction in face-to-face events, including the following:

- Create a focus group with representatives from national practitioner organizations to obtain input on the best mix of face-to-face and virtual interactions and events;
- Develop an efficient approval process that includes partners' input to determine best outreach and education delivery options;
- Collaborate with Return Preparer Office (RPO) to identify and reach unaffiliated practitioners to provide them with greater opportunities to satisfy their CE credit requirements;
- Work with our partners to market the benefits of receiving IRS information from their desks while reducing the expense and time involved in travelling to meetings;
- Continue to successfully leverage our industry and practitioner partners in all 50 states;
- Continue the upward trend of events for limited English proficient (LEP) taxpayers;
- Continue our success with increasing the number of participants in SB/SE webinars; and
- Maintain our flexibility to redirect outreach activities as needs change.

The National Taxpayer Advocate makes four preliminary recommendations regarding outreach and education activities. The IRS is taking or has taken the following actions with respect to the recommendations:

³⁶ SB/SE Research, Seattle, SEA 0089, *Campus Correspondence Audit Impacts (A Feasibility Study)* (Nov.2011).

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In the past, SB/SE and W&I have worked closely with contractors and our research functions to measure the effect of education and outreach on taxpayer compliance. Results consistently indicate that it would be impossible to isolate the impact of education and outreach on compliance because so many other factors influence behavior.

Since the IRS does not believe it is feasible and, therefore, a good use of resources to perform research to measure the effect of outreach and education, we have no plans to suspend further implementation of our current business model pending such research.

The ability to use technology alternatives to provide presentations and information eliminates the need to have personnel physically present in each state. This approach enables us to have the technical experts participate in these events regardless of location. Our leveraged model, equipping our partners with educational and informational products and materials for their distribution to taxpayers, reaches far more taxpayers than IRS could reach alone. Additionally, the IRS will continue to use highly recognized social media venues, such as YouTube, Twitter, and Tumblr to reach on a continuous basis taxpayers across the country.

The SPEC function currently does not plan to amend its current policy approach to outreach and education initiatives. The SPEC function prioritizes outreach topics throughout the year to make the most effective use of resources. Its priority is to reach all individual taxpayers, including low-income, non-English speaking taxpayers, those with disabilities, and seniors. SPEC also plays a role in assisting other IRS operating divisions and IRS functions in reaching their target audiences as well.

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Taxpayer Advocate Service Comments

The National Taxpayer Advocate recognizes that SPEC and Stakeholder Liaison employees work hard to carry out the missions of their organizations, and that the IRS must find ways to reach more taxpayers with fewer resources. As the IRS notes, the National Taxpayer Advocate supports its expanded use of technology, and recognizes that many taxpayers may prefer to obtain information indirectly. However, she has also made clear that she does not endorse a one-size-fits-all approach to outreach and education, or strategies that serve the needs of the majority of taxpayers only.

The IRS's reach is nationwide, but the nation is comprised of innumerable communities of interest. A local presence allows the IRS to convey information and instruction with local nuance. It allows for two-way communication with taxpayers. Local employees are better positioned to inform national experts of educational needs, which in turn leads to better crafted, responsive outreach and education. The original policy of actively encouraging Revenue Officers, Revenue Agents, managers, and executives to conduct outreach was designed with this in mind — to hear local concerns, address them locally, and elevate them when guidance was needed. The shift to centralized, “leveraged” environments, unaccompanied by a local presence, may be suitable for “plain vanilla” topics and generalized advice, but is not sufficiently responsive to local concerns. There are ways to use technology well and ways to use it poorly, and the IRS is designing an outreach and education system that does not address the true diversity of our population, or, more importantly, create a two-way information exchange.

Moreover, a local IRS presence serves related purposes. For example, as described in Volume 2, TAS's survey of sole proprietors (*i.e.*, those filing Form 1040, *U.S. Individual Income Tax Return, Schedule C*) shows that noncompliance among sole proprietors is highly correlated with attitudes of local peer groups toward government, the IRS, and taxes.³⁷ Compliance is retail. The lack of a local IRS presence is a foregone opportunity to help shape local attitudes.

The National Taxpayer Advocate supports IRS initiatives that address the reduction in face-to-face events, particularly for practitioners that are unaffiliated with large professional organizations, and LEP taxpayers. However, she remains concerned about the effect of these reductions on the many individuals, small business taxpayers, and practitioners that continue to prefer face-to-face interaction with the IRS in their local communities.³⁸ Moreover, she is disappointed that W&I has refused to cease its “outreach for hire” approach — it will continue to only do education on a few issues, and if another part of the

³⁷ See *Factors Influencing Voluntary Compliance by Small Businesses: Preliminary Survey Results, infra*.

³⁸ The IRS notes in its response that we reported only on SPEC's EITC outreach events. At the same time, the IRS admits that it cannot produce data about other outreach events for 2011 because it did not track them (or, evidently, concern itself with whether they were effective).

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agency requests SPEC to do outreach on other issues, that function will have to pay for it. This approach is simply an abdication of its responsibilities to taxpayers.

The National Taxpayer Advocate is disheartened to learn the IRS no longer believes decisions about to how to communicate and interact with taxpayers should be, or even can be, driven by data about the effectiveness of the various methods of delivering services. While the IRS once embraced the need for data, it now appears to have simply given up. The IRS points to the results of a 2009 study that explored the feasibility of quantifying the extent to which the addition of outreach or education magnifies the impact of correspondence audits. The report did not address the feasibility of measuring the effect of outreach and education on taxpayer compliance generally.³⁹ Nevertheless, the IRS appears to view the cited study as confirmation that it need not pose to itself the problem of measuring the effectiveness of its activities in terms of taxpayer behavior.

Rather than attempting to overcome potential obstacles identified in the report, such as differences between test and control groups (a form of bias), the IRS concludes that measuring the effectiveness of its activities is simply “impossible,” “because so many other factors influence behavior.” We disagree. As the IRS acknowledges, bias can be minimized by establishing comparable test and control groups. TAS has worked with the IRS to accomplish this in an ongoing project with W&I and SB/SE in which a representative sample was randomly selected from a population of taxpayers whose returns had already been selected for correspondence audits. Taxpayers in this treatment group received additional education, while other taxpayers under audit did not. The tax behavior of taxpayers in each group can be studied in later periods.

That the IRS lacks information about the effectiveness of its outreach and education has not prevented it from curtailing some types of activities, a decision that has clearly burdened some taxpayers and made it more difficult for them to comply with the law. The National Taxpayer Advocate acknowledges the difficulty of identifying a causal relationship between outreach and education to taxpayers on one hand and taxpayer behavior on the other. However, she believes it is incumbent upon the IRS, when determining how best to allocate scarce resources, to continue to look for ways to measure the effectiveness of its efforts, and she urges the IRS to reconsider its position on the need for data.

³⁹ Moreover, the report noted that the potential for improving taxpayer compliance through outreach and education has already been established by other research. According to the report, “SB/SE Research has had mixed results with field experiments related to outreach to taxpayers. For the 2006 IRS Research Conference, Adelsheim and Zanetti presented research on mass media outreach to industries in targeted geographic areas. All but two of the experiments supported a positive effect of this outreach to the taxpayers. The Denver SB/SE Research group experimented with self-correcting letters to individuals flagged by the Automated Under-Reporter (AUR) matching program. One third of the letters resulted in the taxpayer contacting the IRS for additional information and 9% resulted in amended returns; less than 0.5% of the taxpayers in the control group filed amended returns.” (fn. refs. omitted.) SB/SE Research, Seattle, SEA 0089, *Campus Correspondence Audit Impacts (A Feasibility Study)* (Nov. 2011) at 13.

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Recommendations

The National Taxpayer Advocate recommends that the IRS, to more effectively carry out its outreach and education responsibilities:

1. Collaborate with TAS and Compliance employees (*e.g.*, Revenue Officers and Revenue Agents) to design research initiatives to measure the effect of education and outreach methods on specific taxpayer populations or with respect to specific issues.
2. Suspend current plans to reduce in-person outreach and education to practitioners pending the outcome of such research.
3. Adjust the distribution of outreach and education staff over geographic areas in light of research findings about taxpayer characteristics in those areas.
4. Suspend the current policy of not offering outreach and education, beyond the narrow list of topics the IRS identifies, unless other government agencies or organizations agree to pay the cost.