

2008 ARC – MSP Topic #1 – THE COMPLEXITY OF THE TAX CODE

Problem

The largest source of compliance burdens for taxpayers is the complexity of the tax code. IRS data show that taxpayers and businesses spend 7.6 billion hours a year complying with tax-filing requirements. To place this in context, it would require 3.8 million full-time employees to work 7.6 billion hours. In dollar terms, we estimate that taxpayers spend \$193 billion a year complying with income tax requirements, which amounts to 14 percent of aggregate income tax receipts. One count shows the number of words in the tax code has reached 3.7 million, and over the past eight years, changes to the tax code have been made at a rate of more than one a day – including more than 500 changes in 2008 alone. All of this complexity imposes additional monetary costs on taxpayers – about 60 percent of individual taxpayers pay practitioners to prepare their returns and an additional 22 percent purchase tax software to assist them. Perhaps most troubling, tax law complexity leads to perverse results. On the one hand, taxpayers who honestly seek to comply with the law often make inadvertent errors, causing them either to overpay their tax or to become subject to IRS enforcement action for mistaken underpayments of tax. On the other hand, sophisticated taxpayers often find loopholes that enable them to reduce or eliminate their tax liabilities.

The National Taxpayer Advocate recommends that Congress substantially simplify the tax code. To assist Congress in pursuing tax simplification, this report includes a series of recommendations, including recommendations to repeal the Alternative Minimum Tax, streamline education and retirement savings tax incentives, simplify the family status provisions of the Code, allow taxpayers to exclude modest amounts of canceled debts from income without having to make an affirmative claim, reduce tax sunset and phase-out provisions, and revise the overall penalty structure. (See next section summarizing Legislative Recommendations.) More broadly, the report recommends six principles on which fundamental tax reform should be based.

| NTA Recommendation | IRS Response | IRS Addressed Yes/No | TAS Assessment |
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| 1. The National Taxpayer Advocate recommends that Congress substantially simplify the Internal Revenue Code. | N/A – Congressional Recommendation | N/A | |

2008 ARC – MSP Topic #2 – IRS NEEDS TO MORE FULLY CONSIDER THE IMPACT OF COLLECTION ENFORCEMENT ACTIONS ON TAXPAYERS EXPERIENCING ECONOMIC DIFFICULTIES

Problem

When the IRS contemplates taking enforced collection action against a taxpayer, both the tax code and IRS procedures require that IRS personnel consider whether the collection action will impose an economic hardship on the taxpayer. When the economy struggles and more taxpayers become unable to pay their tax liabilities, the importance of considering the impact of collection actions on taxpayers and their families becomes critical. In addition, while levy and seizure authority are important collection tools that allow the IRS to address serious incidents of noncompliance, a review of IRS historical enforcement data suggests that expanded use – as opposed to judicious use – of these tools does not necessarily translate into more tax dollars collected. For example, while the number of levies issued by the IRS increased by an astonishing 1,608 percent from FY 2000 to FY 2007 – from 220,000 levies to about 3.76 million – the increase in total collection yield during this period was slightly less than 45 percent. To the contrary, historical enforcement data indicate that collection alternatives may be more effective at collecting liabilities from taxpayers having trouble paying their tax debts. To more effectively deal with taxpayers in these difficult economic times, the National Taxpayer Advocate recommends that the IRS provide specific guidance requiring pre-decisional consideration of economic hardship in all Internal Revenue Manual sections related to collection enforcement and encourage greater use of collection payment alternatives such as offers in compromise and partial payment installment agreements where economic hardship is present.

| NTA Recommendation | IRS Response | IRS Addressed Yes/No | TAS Assessment |
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| 1. The National Taxpayer Advocate recommends that the IRS clarify or develop a new uniform policy statement that defines the concept of economic hardship. | On January 6, 2009, the IRS issued a press release providing new steps to help financially distressed taxpayers maximize their refunds and speed up payments, while providing additional help to people struggling to meet their tax obligations. On March 6, 2009, Commissioner Shulman conducted an interview on NPR with the focus on what taxpayers should do if they cannot pay the taxes they owe. On | No | We think this response does not fully address the underlying concerns raised in the 2008 Annual Report to Congress. There is little guidance in the IRM on considering economic hardship prior to a collection decision. The National Taxpayer Advocate has addressed her concern for more careful consideration of taxpayers' circumstances in almost every |

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| | <p>Saturday 3/21/2009, the IRS and community partners opened their doors to provide free tax preparation, answer questions, and assist with taxpayers unable to pay their tax obligations. The IRS also developed and issued a Public Service Announcement (PSA) titled "Can't Pay". The PSA provided taxpayers with guidance on what they should do if they are unable to pay their tax obligation.</p> <p>We believe that current guidance provides sufficient direction to collection employees on addressing situations and resolving cases when taxpayers experience an economic hardship.</p> | | <p>Annual Report to Congress. See National Taxpayer Advocate 2001 Annual Report to Congress 202-15 (Most Serious Problem: <i>IRS Collection Procedures</i>); National Taxpayer Advocate 2002 Annual Report to Congress 15-24 (Most Serious Problem: <i>Processing of Offer in Compromise Cases</i>); National Taxpayer Advocate 2003 Annual Report to Congress 99-112 (Most Serious Problem: <i>Offers in Compromise</i>); National Taxpayer Advocate 2004 Annual Report to Congress 226-45 (Most Serious Problem: <i>IRS Collection Strategy</i>), 311-41 (Most Serious Problem: <i>Offers in Compromise</i>), 433-50 (Key Legislative Recommendation: <i>Offers in Compromise: Effective Tax Administration</i>); National Taxpayer Advocate 2005 Annual Report to Congress 270-91 (Most Serious Problem: <i>Allowable Living Standards for Collection Decisions</i>); National Taxpayer Advocate 2006 Annual Report to Congress 62-82 (Most Serious Problem: <i>Early Intervention in IRS Collection Cases</i>), 83-109 (Most</p> |

| NTA Recommendation | IRS Response | IRS Addressed Yes/No | TAS Assessment |
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| | | | <p>Serious Problem: <i>IRS Collection Payment Alternatives</i>), 507-19 (Key Legislative Recommendation: <i>Improve Offer in Compromise Program Accessibility</i>); National Taxpayer Advocate 2007 Annual Report to Congress 374-87 (Most Serious Problem: <i>Offers in Compromise</i>), 388-84 (Most Serious Problem: <i>Inadequate Training and Communication Regarding Effective Tax Administration Offers</i>), and 432-47 (Status Update: <i>IRS Collection Strategy</i>).</p> |

| NTA Recommendation | IRS Response | IRS Addressed Yes/No | TAS Assessment |
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| <p>2. The National Taxpayer Advocate recommends that the IRS provide specific guidance requiring pre-decisional consideration of the concept of economic hardship in all Internal Revenue Manual sections related to IRS Collection enforcement activities.</p> | <p>We are developing a course for FY 2009 Revenue Officer Continuing Professional Education on responding to economic conditions. The course, titled Responding to a Changing Economy, will be finalized by 4/17/09 and sent to publishing. This module will be used for RO CPE beginning in June 2009.</p> | <p>Yes (Partial)</p> | <p>We agree this should be a partial yes. We are pleased to learn that the IRS is developing training for its Revenue Officers on how to respond to changing economic conditions. However, TAS was disappointed to learn about this training after it had been completed and was not afforded an opportunity to review or comment on the training, which is addressing some of our concerns raised in this years, and prior years, Annual Reports to Congress.</p> <p>Although the National Taxpayer Advocate is encouraged to learn about the training being provided to Revenue Officers, it is still vital that the IRS provide formal guidance in its IRMs on how economic hardship should be considered prior to making a collection decision.</p> |

| NTA Recommendation | IRS Response | IRS Addressed Yes/No | TAS Assessment |
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| <p>3. The National Taxpayer Advocate recommends that the IRS review all polices and procedures related to insolvency and the pursuit of exempt and excluded assets and establish adequate managerial safeguards and controls for situations when enforcement is appropriate, including the tracking of collection actions against exempt and excluded assets.</p> | <p>Managerial safeguards and controls including managerial approval of enforcement action taken against assets that were exempt, abandoned, or excluded from the bankruptcy estate are incorporated into current IRS policies and procedures. Any collection actions taken to enforce the federal tax lien against these assets must be in accordance with the provisions of the Internal Revenue Code, Treasury Regulations, and IRS policies and procedures. The same IRS requirements applicable to seizures of principal residences or levying on retirement plans, such as level of approval required, and consideration of economic hardship and use of other collection alternatives, continue to apply even when such assets were part of a bankruptcy estate.</p> | <p>No</p> | <p>This response does not address TAS's underlying concerns. TAS understands that the IRS is obligated to follow the laws and regulations governing bankruptcy and that collection of certain assets is limited by the law in certain circumstances. However, we are recommending that the IRS go one step further and truly consider the taxpayers economic condition and the potential to cause economic hardship before exercising its collection authority on taxpayers who have recently come out of bankruptcy. Additionally, we are recommending that the IRS monitor and track the number and type of collection actions taken in insolvency cases.</p> |

| NTA Recommendation | IRS Response | IRS Addressed Yes/No | TAS Assessment |
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| <p>4. The National Taxpayer Advocate recommends that the IRS continue to review and revise current case assignment practices to provide earlier intervention and resolution before a taxpayer's financial uncertainty worsens.</p> | <p>The current Consolidated Decision Analytics Project is developing more sophisticated decision analytics to route cases earlier, faster, and more accurately to the correct treatment streams.</p> | <p>No</p> | <p>The adoption of the Consolidated Decision Analytics System (CDAS) will prioritize cases according to their collection potential. However, the CDAS system does not attempt to determine which cases are most likely to pyramid if early collection action is not taken. Therefore, the IRS still needs to take steps to make sure all taxpayers accounts are being analyzed early on, rather than letting the liability and penalties and interest increase. See National Taxpayer Advocate 2006 Annual Report to Congress 31-171; National Taxpayer Advocate 2007 Annual Report to Congress 324-95, 432-47.</p> |

2008 ARC – MSP Topic #3 – UNDERSTANDING AND REPORTING THE TAX CONSEQUENCES OF CANCELLATION OF DEBT INCOME

Problem

When a creditor writes off a debt, the tax code generally treats the amount of the canceled debt as taxable income to the debtor, but Congress has carved out a number of exceptions. The rules that determine whether cancellation of debt income is includible in gross income are complex, and taxpayers often do not receive reliable information about their tax reporting and payment obligations. For example, the Mortgage Forgiveness Debt Relief Act of 2007 carved out an exception for debts canceled in the course of a home foreclosure, but the exception only applies to the extent that the loan proceeds were used to acquire or improve a principal residence. It appears that most subprime borrowers use a portion of their loans for other purposes (e.g., to pay off car loans, credit card balances, student loans, or medical bills), and the exception does not apply to the extent loan proceeds were used for these “non-qualified” purposes. Moreover, taxpayers do not automatically receive the benefit of any exception. If they do not file Form 982, *Reduction of Tax Attributes Due to Discharge of Indebtedness (and Section 1082 Basis Adjustment)*, with their tax returns to claim an exclusion and adjust their tax attributes, the IRS will assume the cancellation of debt is taxable (based on its receipt of a Form 1099-C, *Cancellation of Debt*, filed by the creditor). Even where Form 982 is properly filed, taxpayers who exclude canceled debt from income under the “insolvency” exception may receive IRS notices requesting additional documentation if they do not also provide a statement of insolvency, a requirement that does not appear in any IRS forms or publications. The National Taxpayer Advocate recommends that the IRS take several steps to address this problem, including developing an insolvency worksheet that taxpayers can file with their returns and creating a centralized unit dedicated to handling cancellation of debt issues.

| NTA Recommendation | IRS Response | IRS Addressed Yes/No | TAS Assessment |
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| 1. The National Taxpayer Advocate recommends that the IRS develop an insolvency worksheet for taxpayers claiming the insolvency exception. | IRS has developed a 40-line generic worksheet that will work for all taxpayers. The new worksheet appears on page 6 of the April 7, 2009, revision of Publication 4681. | Yes | The National Taxpayer Advocate personally attended to development of the insolvency worksheet. The worksheet would not have been developed without TAS's advocacy. |

| NTA Recommendation | IRS Response | IRS Addressed Yes/No | TAS Assessment |
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| <p>2. The National Taxpayer Advocate recommends that the IRS revise Form 982 to instruct taxpayers claiming the insolvency exception to attach an insolvency worksheet to their returns.</p> | <p>The IRS disagrees with this recommendation because the insolvency worksheet is for taxpayers' use to help them determine insolvency. Because the IRS does not need the worksheet to process Form 982, taxpayers do not need to attach the worksheet to their returns.</p> | <p>No</p> | <p>In view of the IRS's refusal to revise Form 982 as requested, TAS is seeking to modify Notice CP2000 to reference the worksheet and invite taxpayers to use it in preparing their response to the Notice CP 2000.</p> |
| <p>3. The National Taxpayer Advocate recommends that the IRS create a centralized unit dedicated to handling cancellation of debt issues.</p> | <p>At this time, the IRS does not believe the Cancellation of Debt (COD) income issue is so unique as to justify creation of redundant, centralized operations dedicated solely to this particular tax provision. Unlike Innocent Spouse or the recently centralized Identity Theft unit, where specialized handling is provided to address unique claims or uncommon issues, the requirement to report and pay tax on COD income is an integral part of IRS' information, education, assistance, and compliance operations.</p> | <p>No</p> | <p>The reason given by the IRS for not creating a specialized unit (lack of uniqueness of COD issues) does not address the justifications offered for creating such a unit (complexity and predicted increase in volume). TAS believes the IRS should do more to assist taxpayers who face this issue.</p> |

2008 ARC – MSP Topic #4 – EMPLOYMENT TAXES

Problem

The National Taxpayer Advocate is concerned that IRS employment tax policies may overreach and undermine some of the important protections enacted in the Taxpayer Bill of Rights and the IRS Restructuring and Reform Act of 1998. With an estimated \$58 billion in unpaid employment taxes, it is clear that the IRS faces a significant noncompliance problem. At the same time, the overall employment tax compliance rate is high – approximately 88 percent of all employment tax returns are filed and fully paid. While the need to collect unpaid payroll taxes is obvious, the IRS should follow a tailored approach to address the problem, including applying different treatments to taxpayers based on their levels of and reasons for noncompliance, encouraging prospective voluntary compliance by helping taxpayers who are attempting to follow complex rules and procedures, concentrating sufficient resources on early intervention techniques to prevent the accumulation of substantial employment tax liabilities, and building a local compliance presence that balances enforcement with outreach and education.

| NTA Recommendation | IRS Response | IRS Addressed Yes/No | TAS Assessment |
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| <p>1. The National Taxpayer Advocate recommends that the IRS perform research to determine the reasons for employment tax noncompliance, the types of service or enforcement-related treatments necessary to bring each type of taxpayer into compliance, and the best time for the IRS to intervene with such treatments.</p> | <p>We already have several research projects underway. Collection has initiated six research projects through SB/SE Research to collect data on employment tax noncompliance. These projects are aimed at identifying factors, traits and characteristics that influence businesses becoming delinquent in employment taxes. We are also researching the impact our internal systems may have on our ability to rapidly address noncompliance. We anticipate these projects being completed by December 31, 2009. These projects will allow Collection to improve procedures, guidance and treatment streams that</p> | <p>Yes (Partial)</p> | <p>Each individual research project appears to focus on a small segment of the employment tax taxpayers. However, there appears to be no overarching employment tax research strategy to incorporate the findings of each study, and if feasible, apply them to the entire population of employment taxpayers.</p> |

| NTA Recommendation | IRS Response | IRS Addressed Yes/No | TAS Assessment |
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| | <p>could assist all employers in staying current with payroll tax liabilities. Please see listing of projects below.</p> <p>Specialty, Employment Tax is working with SB/SE Research on various projects, including the following: -- Quantify the number of Form 8027 nonfilers and identify the potential nonfilers. An electronic listing conducive to manipulation will be produced in order to pilot a soft notice/compliance follow-up Initiative. The results of this pilot would be assessed to determine potential expansion of the soft notice treatment. We anticipate this Research project being complete by December 31, 2009. -- Research requested funding for Dunn and Bradstreet (D&B) data on full service restaurants from the R&D fund. We anticipate this project being complete by December 31, 2009. -- Show a breakdown of the types of resolution of CAWR Category 1 cases. Determining by type of closure by the field and correspondence audit units, and determining the ultimate Collection resolution of assessed cases. We anticipate this project being complete by December 31, 2009. -- Gather</p> | | |

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| | <p>information on the impact of a proposed employment tax legislative initiative to treat all charged tips as wages reported by the employee to the employer within the scope of IRS 6053(a) and IRC 3121(q). Research will estimate the percentage of gross receipts received through charge card purchases in "large" food and beverage establishments. This information will be used to determine the impact this new interpretation of an existing regulation would have on reducing the tax gap. We anticipate this project being complete by September 30, 2009. -- Information on the Collection Automated 6020(b) Program and the payments received on account from taxpayers prior to the assessment of liability and the generation of a Balance Due Notice. This information will supplement a process analysis of the Automated 6020(b) Program and assist the EWETP sub-team in determining what, if any, payment related corrective actions to recommend and implement. We anticipate this project being complete by December 31, 2009. -- Information on the Examination Programs and the payments received on account from taxpayers prior to the</p> | | |

| NTA Recommendation | IRS Response | IRS Addressed Yes/No | TAS Assessment |
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| | assessment of a liability and generation of a Balance Due Notice. The research requested will supplement a process analysis of the Field Examination Process and assist the ET sub-team in determining what, if any, payment related corrective actions to recommend and implement. We anticipate this project being complete by December 31, 2009. | | |
| 2. The National Taxpayer Advocate recommends that the IRS partner with the Small Business Administration and organizations such as SCORE to pair up taxpayers with mentors once they have indicated they are confused about tax filing and payment obligations. | The IRS routinely leverages partnerships with the Small Business Administration as well as other external stakeholders such as Small Business Development Centers, SCORE, CPAs, Enrolled Agents, and Chambers of Commerce to address taxpayer's confusion regarding employment tax reporting and payment compliance. We continually strive to identify issues and concerns that may be impacting taxpayers and work to expand and tailor workshops and outreach efforts to alleviate taxpayer confusion. | Yes | We commend the IRS for developing and maintaining these partnerships. In addition, we encourage the IRS to focus outreach initiatives on the grassroots level to reach taxpayers directly rather than solely communicating with the large trade organizations representing taxpayers. |

| NTA Recommendation | IRS Response | IRS Addressed Yes/No | TAS Assessment |
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| <p>3. The National Taxpayer Advocate recommends that the IRS develop pilot outreach programs through cognitive learning labs to test the impact local outreach initiatives have on employment tax compliance.</p> | <p>The IRS continues to examine products and services that would accurately gauge the impact local outreach initiatives have on employment tax compliance. Currently, we rely on an effective survey and feedback process administered by both the IRS and our external partners as a part of each outreach effort.</p> | <p>No</p> | <p>While we commend the IRS for conducting surveys directly or through partners, such feedback from surveys is not as useful as the cognitive research lab in designing and engaging the effectiveness of all nuances and aspects of the outreach initiatives.</p> |
| <p>4. The National Taxpayer Advocate recommends that the IRS explore and test a public information campaign to convey to employers the importance of meeting employment tax obligations, and the detrimental impact noncompliance can have on the finances of both the business entity and individuals deemed responsible.</p> | <p>The IRS has an effective public information and outreach program that leverages electronic and printed media, as well as personal involvement through directed contact with external stakeholder partners. In addition, IRS policy and requirements ensure taxpayers are provided information throughout the filing and payment process that explains their rights, responsibilities and potential consequences of non-compliance.</p> | <p>Yes</p> | <p>The IRS clearly conducts an effective public information campaign and the Taxpayer Advocate Service encourages the IRS to continue these efforts, paying particular attention to conveying information regarding the detrimental consequences of noncompliance.</p> |

| NTA Recommendation | IRS Response | IRS Addressed Yes/No | TAS Assessment |
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| <p>5. The National Taxpayer Advocate recommends that the IRS, as part of the Lien Policy Analyst Team, track the dollars generated by liens to determine whether they are an effective collection tool for payroll tax liabilities.</p> | <p>The IRS is engaged in an end-to-end review of the Federal Tax Lien program, in which the overall effectiveness of the program, existing guidance, current policy and the overall cost/benefits of filing liens are being analyzed. The IRS is currently working with SB/SE Research to complete a study using FY 2004 through FY 2008 data. Depending on the results of the study the IRS will consider subsequently updating the study to determine how lien filing policy changes have impacted the degree to which the lien as a collection tool is effective.</p> | <p>Yes</p> | <p>The Taxpayer Advocate Service encourages the IRS to track dollars generated by liens as part of the study. Tracking these dollars is necessary to determine the program's effectiveness.</p> |
| <p>6. The National Taxpayer Advocate recommends that the IRS collaborate with the Taxpayer Advocate Service in all studies, reviews, and workgroups associated with the employment tax program.</p> | <p>The Taxpayer Advocate Service (TAS) is participating in the current review of the Federal Tax Lien program, and on other teams the IRS has established to analyze various employment tax programs.</p> | <p>Yes</p> | <p>The National Taxpayer Advocate appreciates the inclusion of TAS employees and encourages continued collaboration in the future.</p> |

2008 ARC – MSP Topic #5 – IRS PROCESS IMPROVEMENTS TO ASSIST VICTIMS OF IDENTITY THEFT

Problem

Identity theft occurs when one person unlawfully uses another person’s personal data to commit fraud or other crimes. In the past year, the IRS has improved its identity theft process in a number of ways, including establishing an Identity Protection Specialized Unit and a toll-free hotline for identity theft victims. These changes, if properly managed, should provide more assistance to victims of identity theft. The IRS recognizes identity theft as a serious problem and has agreed to address the concerns and recommendations that the National Taxpayer Advocate has previously raised. In light of the IRS’s agreement with our suggestions, the National Taxpayer Advocate makes no specific additional recommendations at this time. However, she will continue to urge the IRS to implement the following actions: provide global account review and account monitoring (if necessary) for all identity theft victims; allow employees the discretion to deviate from established guidelines in accepting evidence of identity theft; and allow employees more latitude in determining the rightful owner of a disputed Social Security number.

| NTA Recommendation | IRS Response | IRS Addressed Yes/No | TAS Assessment |
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| 1. No specific recommendations at this time. | N/A | N/A | N/A |

2008 ARC – MSP Topic #6 – TAXPAYER SERVICE: BRINGING SERVICE TO THE TAXPAYER

Problem

Since announcing its original plan in 2001 to establish 676 Taxpayer Assistance Center (TAC) sites, the IRS has established only 401 TACs and just 55 percent of them are open 36 to 40 hours per week. Further, 40 percent of taxpayers live more than a 30-minute drive from a TAC, and TACs are unable to handle many issues and questions. Similarly, the Small Business/Self-Employed Division since 2001 has sharply reduced its planned education and outreach program for small business taxpayers. In both instances, the IRS has sought to meet taxpayer needs by increasing Internet service. While that trend is generally positive, there remain significant numbers of taxpayers who do not have access to the Internet and there are certain categories of service that are more effectively handled through face-to-face interaction. The National Taxpayer Advocate recommends that the IRS collaborate with TAS on all ongoing and new studies pertaining to taxpayer service, including the Taxpayer Assistance Blueprint for small business and self-employed taxpayers currently underway, and take steps to identify innovative approaches to delivering in-person assistance.

| NTA Recommendation | IRS Response | IRS Addressed Yes/No | TAS Assessment |
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| <p>1. The National Taxpayer Advocate recommends that the IRS expand the Taxpayer Assistance Blueprint to other taxpayer segments, including TE/GE taxpayers, and implement the findings in a taxpayer service strategy tailored to the needs of the population the strategy serves.</p> | <p>W&I developed a multi-year research strategic plan to ensure that we expand and refine our understanding of taxpayer and partner needs, preferences, and behavior. In addition, a multi-divisional research council, including W&I, SB/SE, TE/GE, and LMSB, was established to ensure that the research plan addresses a broad spectrum of taxpayer segments. Efforts of the multi-divisional council and analysis of research findings will help the IRS increase its understanding of taxpayer needs and behaviors, and help to refine and improve future service delivery strategies. The SB/SE Research function already partners</p> | <p>No</p> | <p>The National taxpayer Advocate continues to urge the IRS to complete a full scale Taxpayer Assistance Blueprint for TE/GE and SB/SE. The absence of a similar effort made to address the needs and preferences of W&I taxpayers leaves the IRS in a position of not having gone directly to the taxpayer to complete research necessary to develop a comprehensive taxpayer strategy for these segments.</p> |

| NTA Recommendation | IRS Response | IRS Addressed Yes/No | TAS Assessment |
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| | <p>with SB/SE customers to identify taxpayer service needs and preferences, service channel innovations and improvements and complementary preparer service needs and preferences. In the past, this was done under the umbrella of the Taxpayer Services Research Council (formerly TAB Research Council). With the disbanding of this formal group, Research will continue to develop research projects for our customers focused on taxpayer and preparer services as a normal operating procedure. As needed, this work will be overseen by the newly-formed Services and Compliance Council headed by RAS (SB/SE Research is a member). In addition, the SB/SE division CLD function is also partnering with SB/SE Research to obtain data to assist in determining and planning outreach activities. While TE/GE itself does not have the resources to conduct a TAB of the scope conducted in W&I and SB/BE, it is engaged, at present, in several significant efforts aimed at understanding the behaviors, needs and preferences of the taxpayers TE/GE serves. For example, Exempt Organizations is currently working with</p> | | |

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| | <p>MITRE Corporation on the IRS Information Modeling project to understand how exempt organizations and practitioners use our website to look for and find information to meet their needs. Among other things, this project will lead to improving the IRS.gov website. We anticipate that MITRE will conduct a similar review of how Employee Plans taxpayers use the EP website, beginning sometime next year. As another example, Employee Plans has recently conducted a survey of subscribers to EP's Retirement News for Employers newsletter in which EP asked for and received feedback on how EP can better provide information. TE/GE also has an active and productive public advisory group, the ACT, with representatives from all taxpayer segments we serve. The ACT offers in-depth and carefully considered suggestions about how TE/GE can improve its services, and TE/GE pays close attention to their recommendations.</p> | | |

| NTA Recommendation | IRS Response | IRS Addressed Yes/No | TAS Assessment |
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| <p>2. The National Taxpayer Advocate recommends that the IRS conduct a survey of tax law needs by geographic location and bring tax law areas into scope at the TACs based on taxpayer demand.</p> | <p>W&I's Geographic Coverage Initiative (GCI) team surveyed every TAC in 2008 to determine the top three out-of-scope TAC law topics. In addition, an analysis was completed of taxpayer interactions as they relate to out of scope topics in Contact Recording. As a result of this analysis, two tax law topics were added into scope for FY 2009, Non-Resident Alien issues and Cancellation of Debt. The IRS continues to explore the possibility of adding geographic based tax law issues, such as farming and land grants, by training subject matter experts and utilizing a referral system.</p> | <p>Yes</p> | <p>The National Taxpayer Advocate is pleased that the IRS took the initiative of surveying the TACs regarding out of scope issues and added back in issues as a result of this survey. The National Taxpayer Advocate continues to urge the IRS to complete a more comprehensive and robust study that is updated routinely and would allow the IRS to appropriately adjust tax law topics to changing needs and demographics of taxpayers visiting the TACs</p> |
| <p>3. The National Taxpayer Advocate recommends that the IRS co-locate with other federal and state agencies, use mobile vans, and explore the possibility of telepresence to reach taxpayers in locations where the IRS has limited or no face-to-face presence.</p> | <p>The IRS continues in its efforts to reach more taxpayers. A study began on February 9, 2009, where an Individual Tax Advisory Specialist in the TAC assists taxpayers with tax law, account inquiries, Individual Taxpayer Identification Numbers and transcript requests at eight designated volunteer sites identified by the geographic coverage model. To date, 673 taxpayers have been assisted at these pilot locations. This initiative will provide first contact closure to the underserved by providing services previously unavailable. Another GCI</p> | <p>No</p> | <p>The National Taxpayer Advocate commends the effort to partner with volunteer sites by offering a TAC employee at pilot locations. However, the IRS cannot rely only on volunteer and partner organizations to provide IRS presence in rural and other underserved areas. The IRS needs to establish a presence itself, in any of the ways we recommended or using other innovative methods. Mobile vans, tele-presence, and partnering with other government agencies to</p> |

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| | <p>initiative involves testing alternative locations to ensure viability before a brick and mortar location is established. The recommendations are:</p> <ul style="list-style-type: none"> • Establish five pilot sites to increase the coverage rate in underserved areas. Add additional locations after analysis of the pilot program results prove successful. • Partner with State, Federal and City agencies to establish alternative locations similar to disaster assistance sites. <p>The IRS also continues to expand volunteer services to rural areas throughout the country using its leveraged partner model. Specific emphasis has been placed on increasing coverage in rural communities where often there is limited or no IRS face-to-face presence. The SPEC Rural Initiative has identified and expanded national partner relationships to increase both investment and local affiliate engagement. Efforts continue to focus on assisting partners servicing rural communities to overcome common barriers such as the lack of resources available to train, staff and operate volunteer return preparation sites in rural areas. For the 2009 filing</p> | | <p>space share are viable alternatives the IRS should explore.</p> |

| NTA Recommendation | IRS Response | IRS Addressed Yes/No | TAS Assessment |
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| | <p>season, the IRS developed and implemented the Alternative Rural Site Policy as one strategy to assist partners in addressing the needs of rural taxpayers. This innovative policy provides a free tax preparation model that enables partners to operate non face-to-face volunteer sites in rural locations, while adhering to quality requirements. Ten states have been identified as Rural Best Practice Models. These models will be used to expand services to rural taxpayers in other states where coverage gaps exist. During the past year, VITA Grants were awarded to a number of partners who have targeted rural communities with their programs. The goal is to provide equal access to free tax return preparation for rural populations using an existing network of partners.</p> | | |

| NTA Recommendation | IRS Response | IRS Addressed Yes/No | TAS Assessment |
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| <p>4. The National Taxpayer Advocate recommends that the IRS collaborate with the Taxpayer Advocate Service in all ongoing and new studies pertaining to taxpayer service, including the Taxpayer Assistance Blueprint for small business and self-employed taxpayers currently underway.</p> | <p>W&I originally coordinated research efforts in support of the Taxpayer Assistance Blueprint (TAB) between all IRS research functions, including those within the TAS. Cross-functional research continues through the Services-Compliance Steering Group under the direction of the Director of Research National Headquarters. This steering group fulfills the mission of the former TAB Council by sharing project information and identifying opportunities for collaboration to improve service delivery to taxpayers. TAS Research is actively included within this framework. In SB/SE, a newly formed group, the Services and Compliance Council, headed by Research, Analysis and Statistics (RAS) under the Office of the Commissioner, will oversee research efforts that are focused on taxpayer and/or practitioner service needs and preferences. This is a cross-functional group with membership from TAS, SB/SE Research and other business unit research functions. This group will provide the venue for collaboration and support between TAS and other research functions, as the report suggests.</p> | <p>Yes</p> | <p>The National Taxpayer Advocate appreciated the opportunities to be involved in projects where the IRS has identified taxpayer service as a concern. However, the National Taxpayer Advocate urges the IRS to always consider the impact to taxpayer service from the initial design stage of all projects and studies.</p> |

2008 ARC – MSP Topic #7 – NAVIGATING THE IRS

Problem

The IRS employs more than 100,000 workers in 12 major business units in over 800 offices within and outside the United States. Taxpayers, practitioners, and even IRS employees have difficulty finding the appropriate office or employee to help them resolve tax problems. The IRS does not publish a topical or personnel directory that would assist taxpayers in navigating the agency. By comparison, this information is provided clearly on the websites of taxing authorities in other countries and U.S. states. The National Taxpayer Advocate recommends that the IRS take steps to address this problem, including revising the Internal Revenue Manual to direct IRS employees to accommodate taxpayer requests to speak to a particular employee, adding departmental phone numbers to the topical index on IRS.gov, and considering the creation of a phone number staffed by operators who would obtain details about the taxpayer’s question or problem and direct the taxpayer to the function that can help.

| NTA Recommendation | IRS Response | IRS Addressed Yes/No | TAS Assessment |
|--|---|-------------------------|--|
| <p>1. The National Taxpayer Advocate recommends that the IRS revise the IRM to direct its employees to accommodate taxpayer requests to speak to a particular employee, whenever feasible.</p> | <p>IRS disagrees with this recommendation because, in general, it is not feasible for our Toll-free service to accommodate taxpayer requests to speak to a particular employee. Our Customer Service Representatives (CSRs) are specialized and trained to handle the type of work to which they are assigned. Customers who call the Toll-free numbers are held in an enterprise queue until an appropriately skilled CSR is available. For Accounts Management, approximately 12,000 CSRs handle over 30 million calls in a typical year. This call volume makes it inefficient to allow customers to queue for a specific employee. Any appropriately trained CSR to which a</p> | <p>No</p> | <p>The IRS response reflects its view that it is not <i>necessary</i> for taxpayers to speak to a particular employee. The <i>feasibility</i> of accommodating such requests is demonstrated by the IRS’s acknowledgement that there is such a procedure in place for the “relatively rare instances where it is necessary.”</p> |

| NTA Recommendation | IRS Response | IRS Addressed Yes/No | TAS Assessment |
|--|---|-------------------------|--|
| | <p>customer is routed can efficiently and effectively answer any follow-up questions. When an account call is answered, information concerning the actions taken is placed on the taxpayer's account to allow any CSR who receives a subsequent call to determine what previous action was taken. In the relatively rare instances where it is necessary to get back to a specific employee, there is a process in place which allows a CSR to make a referral to the appropriate employee, who will contact the customer.</p> | | |
| <p>2. The National Taxpayer Advocate recommends that the IRS create a personnel directory for internal use, searchable by the same employee number that IRS employees give to taxpayers.</p> | <p>IRS disagrees with this recommendation. The Discovery Directory on IRS intranet meets the employee-locator needs of the vast majority of internal IRS customers without the addition of employee badge numbers. Accounts Management (AM) Toll-free service is the primary venue for general customer contacts, providing information related to filing returns, refund inquiries, remitting payments and resolving account issues. Should a customer have a follow-up question, any one of the appropriately trained CSRs to which they will be routed should be able to efficiently handle the inquiry. The IRS</p> | <p>No</p> | <p>The IRS indicates that it cannot maintain an up-to-date database because some of its employees are seasonal. (References to Discovery Directory are irrelevant because the Discovery Directory is organized by SEID number, which is not the identifying number provided to taxpayers.)</p> |

| NTA Recommendation | IRS Response | IRS Addressed Yes/No | TAS Assessment |
|--------------------|---|-------------------------|----------------|
| | <p>strives to meet a 72% level of service. Redirecting telephone calls to individual CSRs will seriously hamper the Service's ability to deliver world class customer service. There are approximately 12,000 CSRs in AM; almost 5,000 are seasonal employees whose telephone number might change each time they are brought back to work from furlough. A comprehensive directory with employee telephone numbers would need continuous update, making it obsolete almost as soon as it was published. The additional burden placed on the Service would not serve the taxpayer.</p> | | |

| NTA Recommendation | IRS Response | IRS Addressed Yes/No | TAS Assessment |
|--|--|----------------------|---|
| <p>3. The National Taxpayer Advocate recommends that the IRS create a personnel directory for internal use organized by business function.</p> | <p>The IRS disagrees with this recommendation. Internally, we provide our employees a wealth of information regarding "who does what in the IRS" on internal web sites and employee contact data on the Discovery Directory. The latter is an employee database researchable by name, Standard Employee Identification Number (or SEID), and job series. We believe current business unit directories available to IRS employees through the Intranet and the Discovery Directory meet the employee-locator needs of the vast majority of internal IRS customers without the addition of employee badge numbers.</p> | <p>No</p> | <p>The IRS response is a claim that its current processes are effective, in spite of TAS's showing that they are not.</p> |
| <p>4. The National Taxpayer Advocate recommends that the IRS adjust the topical tax index on IRS.gov to include telephone numbers of offices associated with each topic.</p> | <p>The IRS disagrees with the recommendation because IRS.gov already contains information that allows taxpayers to locate toll free telephone numbers by issue. IRS.gov provides specific numbers for Accounts Management issues such as Individual, Business, Tax Exempt Organizations, and Identity Theft.</p> | <p>No</p> | <p>IRS.gov provides individual taxpayers with a single central phone number to call, and likewise provides business taxpayers with a single number to call.</p> |
| <p>5. The National Taxpayer Advocate recommends that the IRS establish a cognitive learning lab to test and observe</p> | <p>The IRS recognizes and has responded to the need to continually improve its insights into the role service plays in facilitating taxpayer and third party compliance. The Taxpayer</p> | <p>No</p> | <p>The response rejects establishing a cognitive learning lab as a "single approach," which is not what the National Taxpayer Advocate recommends.</p> |

| NTA Recommendation | IRS Response | IRS Addressed Yes/No | TAS Assessment |
|--|---|-------------------------|----------------|
| <p>taxpayers' experiences in navigating the IRS.</p> | <p>Assistance Blueprint (TAB) report represented a significant milestone for taxpayer-focused research, establishing baseline taxpayer service needs, preferences, and behaviors. Since fiscal year 2007, the IRS research community has applied available resources to expand its focus beyond descriptive research to areas of cognitive research, addressing issues of taxpayer comprehension, problem solving, and decision making. Through an IRS Commissioner-initiated task force, considerable resources are being invested in understanding and improving taxpayer comprehension of IRS notices and correspondence. Other IRS research projects address navigation of the automated phone system, better understanding of the relationship between service task and service resource choice, forms and schedules comprehension testing, and taxpayer decisions regarding return preparation. A cross functional research committee has been established to oversee the application of the \$5 million budget initiative intended to improve our understanding of the relationship between effective service delivery and compliance. The</p> | | |

| NTA Recommendation | IRS Response | IRS Addressed Yes/No | TAS Assessment |
|--------------------|---|-------------------------|----------------|
| | <p>evolution in the scope and content of IRS cognitive research since the TAB report reflects its importance to the agency and its operating divisions. The IRS intends to use available resources to further expand its knowledge of taxpayer decision making and behavior, and test new communication and services approaches to better facilitate voluntary compliance. While we agree with the National Taxpayer Advocate's recommendation to increase the IRS focus on cognitive research, we do not agree that the single approach of developing a cognitive research lab is the most effective means to engage IRS operating divisions and translate lessons learned into testing of service alternatives.</p> | | |

2008 ARC – MSP Topic #8 – IRS HANDLING OF ITIN APPLICATIONS SIGNIFICANTLY DELAYS TAXPAYER RETURNS AND REFUNDS

Problem

Any individual who must file a tax return but is not eligible to obtain a Social Security number must apply to the IRS for an Individual Taxpayer Identification Number (ITIN). With limited exceptions, ITIN applications must be submitted with a tax return filed on paper. In 2005, the inability to receive an ITIN before preparing and filing a paper tax return caused processing delays that affected 280,000 refunds totaling over \$500 million. In addition, the IRS requirement for ITIN applicants to file paper returns is inconsistent with the congressional mandate for the IRS to achieve an 80 percent e-file rate. The IRS has provided inadequate assistance and information to applicants, as evidenced by the high number of incomplete and rejected applications, restricted telephone access to ITIN personnel, and failure to expand the Certified Acceptance Agent program. The National Taxpayer Advocate recommends several actions for streamlining the ITIN process, which include permitting individuals to submit an ITIN application prior to the filing season where the individuals can demonstrate an imminent need to file a return, allowing new ITIN applicants to file returns electronically, and promptly acknowledging all applicant requests for the return of original documents.

| NTA Recommendation | IRS Response | IRS Addressed Yes/No | TAS Assessment |
|---|--|----------------------|---|
| <p>1. The National Taxpayer Advocate recommends that the IRS permit applicants to file an ITIN application without a tax return prior to the filing season if applicants can document that they are required to file returns.</p> | <p>The IRS disagrees with this recommendation and believes the requirement to attach a tax return to the Form W-7 ITIN application strikes a reasonable balance between the competing objectives of facilitating compliance with U.S. tax laws and ensuring, to the extent possible, that ITINs are not issued for purposes other than federal tax administration.</p> | <p>No</p> | <p>Current IRS policy creates a logjam of ITIN applications during the filing season and substantially delays processing of tax returns and associated refunds, causing significant taxpayer burden. A taxpayer can document the need for an ITIN without providing a return. The IRS issues an ITIN before receiving a return if the taxpayer owns an asset that generates income subject to IRS information reporting and/or tax withholding requirements. This inconsistent treatment of</p> |

| NTA Recommendation | IRS Response | IRS Addressed Yes/No | TAS Assessment |
|--|---|-------------------------|--|
| | | | <p>unearned and earned income for assigning ITINs ignores the legal requirement for the taxpayer to furnish a taxpayer identification number when filing returns or other documents with the IRS, regardless of the type of income at issue.</p> |
| <p>2. The National Taxpayer Advocate recommends that the IRS allow new ITIN applicants to file returns electronically.</p> | <p>The IRS disagrees with this recommendation because ITIN applicants experience only one year in which they are not allowed to file electronically. Therefore, any potential delay in receiving a refund only occurs in the year the ITIN is issued. Tax returns for all subsequent years may be filed electronically.</p> | <p>No</p> | <p>The IRS has not considered viable and less burdensome alternatives to its current policy of requiring the filing of a paper tax return along with the initial application for the ITIN. Developing a process for taxpayers to obtain ITINs at any time during the year, rather than just during filing season, upon proof of employment and withholding (or self-employment), <i>e.g.</i>, pay stubs, Forms 1099-MISC, <i>Miscellaneous Income</i>, etc. would allow ITIN applicants to file electronically and receive expeditious processing of tax returns and associated refunds.</p> |

| NTA Recommendation | IRS Response | IRS Addressed Yes/No | TAS Assessment |
|---|---|-------------------------|--|
| <p>3. The National Taxpayer Advocate recommends that the IRS measure the processing time for <i>all</i> ITIN applications, including applications suspended by the IRS as incomplete.</p> | <p>The IRS agrees that management information on suspended ITIN applications is limited. Our current timeliness measures ensure that applications submitted with tax returns are processed and refunds are issued timely. Contingent on funding availability, we plan to expand and improve the management reports available to enable the IRS to better monitor the status of suspended ITIN applications.</p> | <p>Yes</p> | <p>The National Taxpayer Advocate is pleased with IRS's willingness to better monitor the status of suspended ITIN applications. TAS will proactively support finding for this initiative.</p> |

2008 ARC – MSP Topic #9 – ACCESS TO THE IRS BY INDIVIDUAL TAXPAYERS LOCATED OUTSIDE THE UNITED STATES

Problem

Approximately five million American citizens living outside the country and over a half million troops deployed overseas need a way to contact the IRS when they have inquiries about their accounts or the tax laws. These taxpayers have limited options for obtaining information, filing returns, and replying to IRS notices and letters. There are only four IRS overseas customer service posts available to taxpayers with U.S. filing obligations, who are spread over 194 countries and more than 60 territories. Those outside the United States generally incur greater expenses, such as international telephone charges, transportation, and carrier mailing costs, when trying to communicate with the IRS. Although the IRS has developed customer service initiatives as a part of its strategy for international tax administration, it does not provide enough resources to meet the needs and preferences of taxpayers based outside the country. The National Taxpayer Advocate’s recommendations for improving customer service for overseas taxpayers include opening toll-free international telephone lines and providing overseas taxpayers with secure online access to their tax accounts.

| NTA Recommendation | IRS Response | IRS Addressed Yes/No | TAS Assessment |
|---|--|-------------------------|--|
| <p>1. The National Taxpayer Advocate recommends that the IRS provide international toll-free telephone access to the Accounts Management function in Philadelphia and the National Taxpayer Advocate (NTA) toll-free line for U.S. taxpayers in Canada and Mexico, followed by expansion to other countries with large U.S. taxpayer populations.</p> | <p>The IRS agrees with this recommendation and, for a number of years, has been taking action to serve international taxpayers. The IRS Accounts Management (AM) continually strives to provide optimum customer service to all customers and has explored options to provide cost free/low cost service to the international customer segment since 2003. However, in addition to IRS’ obligation to provide equitable service to all customers, there is an equal fiduciary responsibility to balance that service with costs associated with that providing service. AM will be</p> | <p>Yes</p> | <p>The National Taxpayer Advocate commends the IRS for taking actions to implement Project Milestone. After a joint TAS and Accounts Management presentation on International Toll Free Telephone Service (Feb. 12, 2009) (on file with TAS), JOC moved forward to seek W&I Modernization Advisory Council approval of Business Capabilities Document to begin Project Milestone (MS 0), which was granted on April 22, 2009. When implemented, the functionality will offer international toll-free phone</p> |

| NTA Recommendation | IRS Response | IRS Addressed Yes/No | TAS Assessment |
|--|---|-------------------------|--|
| | <p>participating, along with National Taxpayer Advocate (NTA), Seamless Taxpayer Experience Group, Large and Midsize Business and other business functions to create a Business Capabilities Document to start the Project Milestone process of defining the requirements to provide cost free telephone service to the International customer for AM and NTA.</p> | | <p>and fax services for customers living in Mexico, Canada, United Kingdom, Germany, Italy, Philippines, Australia, France, Israel, and Spain.</p> |
| <p>2. The National Taxpayer Advocate recommends that the IRS resolve the security issues with the Internet Customer Account Services (ICAS) system and reinstate the "My IRS Account" application, providing taxpayers outside the United States with online access to their accounts.</p> | <p>IRS made a business decision in October 2008, to stop work on "My IRS Account" (MIRSA) due to our renewed focus on taxpayer experience, funding concerns, as well as authentication and security issues. As a result of this decision, the MIRSA project team completed an orderly shutdown of the project. This included significant work by MITS and business stakeholders to capture the code and project documentation developed over the course of the project. The IRS lacks a comprehensive enterprise solution for eAuthentication. ETA has been identified as the business owner. Developing the solution will take time. Without this solution, the IRS had to decide whether to deploy a system knowing that it could not add interactive</p> | <p>No</p> | <p>This business decision is not a taxpayer-friendly solution, which leave the taxpayers without an option to access their account transcripts online. The IRS' explanation that e-Authentication solution is impossible in the foreseeable future lacks credibility. Tax agencies in other countries and many states have overcome the security issues and instituted customer-friendly applications similar to the suspended "My IRS Account." Taxpayers compare the service they receive from the IRS with the service they receive from other organizations, where accessing account information, resolving problems, and sending and receiving information 24 hours</p> |

| NTA Recommendation | IRS Response | IRS Addressed Yes/No | TAS Assessment |
|--------------------|---|----------------------|--|
| | <p>functionality to the system in the foreseeable future because it will not be able to meet security certification or to wait for an eAuthentication solution and deploy it when there is a comprehensive design and funding is available. The project plan called for the latter approach. When the project was initiated, the plan was to have an enterprise authentication solution in place for the deployment of Release One and for the deployment of all future functionality. But when it became clear that this was not going to happen, an interim solution, Internet Taxpayer Authentication Services (ITAS) was developed for Release One with the understanding that MITS would continue to work on a solution for the enterprise authentication system prior to deployment. ITAS supports view-only functionality, not interactive. For example, functionality as simple as changing an address or submitting an electronic form can not be delivered with ITAS. Another example, a link for "Get My Payoff Amount" could not be deployed with ITAS because it is interactive. Our initial exploration of state and other government experiences suggests there may be</p> | | <p>a day with minimal inconvenience and cost have become the norm. Termination of the "My IRS Account" project is a huge step backward for both the taxpayers and the IRS, and adversely affects the declared strategic goal of improving taxpayer service. The IRS should try a pilot Internet project for International taxpayers, experiencing vital need to access their tax accounts. By adopting such approach the IRS may test the feasibility of the project on a much smaller group of taxpayers.</p> |

| NTA Recommendation | IRS Response | IRS Addressed Yes/No | TAS Assessment |
|--------------------|--|-------------------------|----------------|
| | <p>services other than MIRSA that may prove more effective at serving more taxpayers. Our goal is to complete this comprehensive analysis to provide the best possible options for all taxpayers. Further, the IRS concluded it needed to identify a comprehensive eStrategy – in particular, an eServices product roadmap - before proceeding with MIRSA or any other eServices' expansion.</p> | | |

| NTA Recommendation | IRS Response | IRS Addressed Yes/No | TAS Assessment |
|---|---|----------------------|---|
| <p>3. The National Taxpayer Advocate recommends that the IRS translate the complete IRS website content into Spanish, followed by expansion of IRS forms and publications available in other languages.</p> | <p>IRS disagrees with this recommendation. Translating the entire IRS website into Spanish, including all forms and publications, followed by expansion to other languages would be cost prohibitive, entailing the creation of duplicative foreign language staffs to support IRS.gov. However, IRS already provides specifically targeted services in Spanish such as Where's My Refund, Free File, Frequently Asked Questions, and ITIN. In addition, Publication 17, Your Federal Income Tax, is searchable in Spanish.</p> | <p>No</p> | <p>The National Taxpayer Advocate fundamentally disagrees with the IRS's statement that translating the IRS website into Spanish would "entail creation of a duplicate Spanish-speaking staff to support IRS.gov, making it cost prohibitive." In light of the additional \$116 million requested for international enforcement initiatives, and absent the estimated cost for the translation, we find it difficult to understand why providing essential tax information in Spanish on the website would be cost prohibitive. Many countries and U.S. states translate their entire websites into Spanish and other languages. The IRS should reconsider the need for a complete translation of IRS.gov into Spanish. TAS offers its assistance and experience in developing this and other multilingual products and services as part of the federal government's effort to expand and integrate products and services for Limited English Proficient (LEP) taxpayers.</p> |

| NTA Recommendation | IRS Response | IRS Addressed Yes/No | TAS Assessment |
|--|--|-------------------------|--|
| <p>4. The National Taxpayer Advocate recommends that the IRS implement Estimated Waiting Time (EWT) functionality on IRS toll customer service lines and reduce the wait time for international taxpayers at the Accounts Management function.</p> | <p>The IRS is already taking action to improve wait time. However, the current customer processing platform for the International taxpayer does not offer the same capabilities to provide an estimated wait time as the other Accounts Management (AM) product lines. AM is collaborating with Modernization and Information Technology Services to explore and test alternative venues for providing customer queue information which would allow the International customer to make an informed decision on whether to remain in queue for service or call back later. Staffing and technology options are also being explored to reduce wait times for the International customer.</p> | <p>Yes</p> | <p>The National Taxpayer Advocate commends the IRS's initiative to explore and test alternative venues for providing customer queue information. The IRS should update the telecommunications platform to allow EWT functionality and reduce the wait time for overseas taxpayers, adhering to its strategic goal of improving service to the international taxpayers.</p> |

2008 ARC – MSP Topic #10 – CUSTOMER SERVICE WITHIN COMPLIANCE

Problem

Simply stated, the IRS gets what it measures. The IRS largely rates operational performance by using *efficiency* measures (e.g., cycle time, case closures, and average call time) instead of *effectiveness* measures (e.g., did the IRS's actions achieve the desired voluntary compliance results?). The 2008-2009 IRS Strategic Initiative includes the goal to “*Improve service to make voluntary compliance easier.*” Yet current measures do not promote customer service and may ultimately lead to noncompliant behavior by taxpayers, because IRS business strategies and measures do not adequately emphasize a balanced approach between taxpayer service and enforcement within the IRS’s compliance organizations. The IRS has the opportunity to establish taxpayer-centric measures that encompass effectiveness as well as efficiency components to accomplish this strategic goal. The National Taxpayer Advocate recommends four actions to address this problem, including creating an IRS Cognitive Learning Lab and making it possible for taxpayers to work with one employee from start to finish on a case.

| NTA Recommendation | IRS Response | IRS Addressed Yes/No | TAS Assessment |
|--|---|----------------------|---|
| <p>1. The National Taxpayer Advocate recommends that the IRS create a Cognitive Learning Lab to study the behavior and attitudes of taxpayers as they interact with IRS products, services, and compliance or enforcement initiatives.</p> | <p>We do not agree with this recommendation. In light of the research efforts already conducted and currently underway, creating a cognitive learning lab is not necessary. As we previously advised TAS, the Taxpayer Assistance Blueprint (TAB) project is supplementing their work with original survey research focused on the needs and desires expressed by individual taxpayers about the services they would like to be able to access. Because of the extensive research already completed for the TAB, the IRS now knows more than ever before about taxpayer needs, preferences and behaviors.</p> | <p>No</p> | <p>The National Taxpayer Advocate is disappointed that the IRS continues to fail to see the benefits an in-house cognitive lab would provide to the IRS and the taxpayer.</p> |

| NTA Recommendation | IRS Response | IRS Addressed Yes/No | TAS Assessment |
|--|--|----------------------|---|
| <p>2. The National Taxpayer Advocate recommends that the IRS incorporate effectiveness measures in the operating divisions' quality reviews or other program reviews to address long-term taxpayer compliance and identify areas for improvement in service.</p> | <p>IRS quality reviews already include metrics, such as timeliness and accuracy, which are designed to incorporate the taxpayer's point of view. For example, embedded quality reviews, tied to employee Critical Job Elements, assist in driving employees' behavior toward the goal of a quality taxpayer experience. Technical employees and managers are held accountable for these quality measures through their performance expectations.</p> | <p>No</p> | <p>The IRS fails to address our underlying concerns with this response. Timeliness and accuracy do not reflect overall effectiveness of programs.</p> |
| <p>3. The National Taxpayer Advocate recommends that the IRS review its programs to identify opportunities for taxpayers to work with one employee from start to finish.</p> | <p>The IRS has already taken well-considered and industry-proven steps to service large volume and wide-ranging subject matter inquiries from taxpayers through its web, toll-free telephone, and TAC services. The IRS strives to the extent possible to allow taxpayers to address all issues with a single point of contact; and more importantly, with one contact. For example, field and office examinations are conducted by one Revenue Agent or one Tax Compliance Officer and the taxpayer has an immediate opportunity to pay the deficiency at the conclusion of the examination without the need for referral to the Collection function.</p> | <p>No</p> | <p>The IRS fails to address our underlying concerns with this response.</p> |

| NTA Recommendation | IRS Response | IRS Addressed Yes/No | TAS Assessment |
|---|--|-------------------------|---|
| <p>4. The National Taxpayer Advocate recommends the IRS involve TAS early in program design discussions to incorporate the taxpayer perspective in any proposed programs.</p> | <p>The IRS already regularly solicits and welcomes the NTA's perspective on new or ongoing programs, and will continue to do so. In this regard, the IRS acknowledges the NTA's many helpful contributions. However, because the recommendations of the Taxpayer Advocate Service are often unconstrained by considerations of business, staffing, or budgetary limitations, the IRS is not always able to adopt or fully accept the NTA's suggestions for IRS programs.</p> | <p>Yes</p> | <p>The National Taxpayer Advocate commends the IRS for including TAS early in program design to incorporate the taxpayer perspective in programs. However, it bears repeating that the IRS can implement many of these suggestions within current staffing and budgetary constraints so long as the IRS is willing to prioritize taxpayer service. Congress has previously shown significant support for customer service efforts within the IRS. Instead of decrying the lack of resources available to taxpayer service initiatives (including those within compliance), the IRS can and must make a business case to the incoming Congress to demonstrate the need for further improvements.</p> |

2008 ARC – MSP Topic #11 – LOCAL COMPLIANCE INITIATIVES HAVE GREAT POTENTIAL BUT FACE SIGNIFICANT CHALLENGES

Problem

Research suggests that concentrated examinations targeted at a local business segment or industry have a greater “ripple effect” on voluntary compliance by other taxpayers than seemingly random examinations. Compliance initiative projects (CIPs) allow local IRS employees to generate this impact by focusing on specific local compliance problems using examinations or “alternative treatments,” which may include outreach, education, form changes, regulatory changes, or even agreements with the states. The CIP process also enables employees from different IRS functions to work together, utilize local sources of information, and reach out to local organizations to address noncompliance at the local level. In addition, CIPs allow the IRS to learn about what works and what does not. The National Taxpayer Advocate is concerned that the IRS has neglected this important program. She recommends that the IRS take steps to revitalize it, such as developing better measures for local CIPs, allocating more resources to local CIPs, and making CIP reports more widely available to preserve the benefits of any lessons learned.

| NTA Recommendation | IRS Response | IRS Addressed Yes/No | TAS Assessment |
|---|---|----------------------|---|
| <p>1. The National Taxpayer Advocate recommends that the IRS require each area to devote some resources to identifying and addressing local problems using local compliance initiative projects (CIPs) (e.g., by working with local partners and local sources of data), or alternatively establish procedures to allow the areas to divert resources from plan work to</p> | <p>The returns examined under CIPs are considered discretionary work. The national examination plan and each area plan contain allocations for discretionary work. In the FY 2009 Examination Program letter, Areas were specifically encouraged to use CIPs to help identify egregious areas of noncompliance in order to close the tax gap.</p> | <p>No</p> | <p>As discussed again in the National Taxpayer Advocate’s 2009 Annual Report to Congress, out of the 72 CIPs initiated in FY 2009, only one involved another IRS function and only seven utilized state or local data. Thus, it seems reasonable to require each area examination function to do at least some CIP work with other IRS functions and local partners, using local data sources to address noncompliance by local cash economy businesses, which represent the largest component of the tax gap. The National</p> |

| NTA Recommendation | IRS Response | IRS Addressed Yes/No | TAS Assessment |
|---|--|-------------------------|---|
| complete local CIPs with appropriate national approvals. | | | Taxpayer Advocate reiterated this recommendation in her 2009 Annual Report to Congress. |
| 2. The National Taxpayer Advocate recommends that the IRS track the identification and implementation of alternative treatments in connection with all compliance initiative projects (CIPs). | For each CIP, consideration will be given to alternative treatments as appropriate. The HQ CIP Analyst will track the identification of Alternative Treatments. A database will be set up to track the Alternative Treatments. The database will be created by 09/30/2009. | Yes | The new CIP database will partially address the National Taxpayer Advocate's concern. The IRS's CIP database, however, will not track the implementation of alternative treatments as recommended. Nor will it include any measures that could help the IRS determine if a CIP utilizing alternative treatments is more effective in improving voluntary compliance than one that does not. |

| NTA Recommendation | IRS Response | IRS Addressed Yes/No | TAS Assessment |
|--|---|-------------------------|---|
| <p>3. The National Taxpayer Advocate recommends that the IRS work with the IRS (or SB/SE) research function to develop better measures of the impact of compliance initiative projects (CIPs) (including alternative treatments) and traditional examinations on voluntary compliance.</p> | <p>Reports comparing local CIP results against local DIF results are generated and analyzed. The CIP results are further broken down to the RA and TCO level and then compared against the DIF results for each at the local level. This provides a valid comparison of CIP and DIF selected return results. Although a further analysis of the deterrent affects on noncompliance of alternative treatments may be helpful, we have not found a meaningful way to measure this effect.</p> | <p>No</p> | <p>If the IRS “has not found a meaningful way to measure” the impact of CIPs on voluntary compliance it should consult with its research function for assistance. Notwithstanding the IRS’s formal response, however, we understand that it recently met with the research function to discuss the feasibility of improving its analysis of CIP results. Doing so could help it achieve its goal of maximizing voluntary compliance. The National Taxpayer Advocate reiterated this recommendation in her 2009 Annual Report to Congress.</p> |
| <p>4. The National Taxpayer Advocate recommends that the IRS make compliance initiative project (CIP) termination reports more widely available to IRS employees and researchers (e.g., by adding links to them on the CIP intranet website) to preserve the benefits of any lessoned learned.</p> | <p>Beginning with the 3rd quarter of FY09, CIP termination reports will be posted to the CIP webpage on the IRS intranet.</p> | <p>Yes</p> | <p>Posting CIP termination reports would implement this recommendation. As of December 23, 2009, however, TAS was unable to locate termination reports on the CIP webpage on the IRS intranet. For these reports to preserve the benefits of lessons learned for IRS researchers and employees, they need to be widely accessible and easy to find.</p> |

| NTA Recommendation | IRS Response | IRS Addressed Yes/No | TAS Assessment |
|--|--|-------------------------|---|
| <p>5. The National Taxpayer Advocate recommends that the IRS meet with the IRS (or SB/SE) research function regularly to identify compliance initiative project (CIP) results that merit additional research and analysis.</p> | <p>We agree to perform a quarterly comprehensive analysis of CIP results beginning in August 2009. In addition, we will engage IRS Research function as warranted.</p> | <p>Yes</p> | <p>If implemented, the IRS's quarterly analysis would appear to satisfy this recommendation. To be most useful, however, any analysis of CIP results should try to evaluate the extent to which CIPs are maximizing voluntary compliance.</p> |

2008 ARC – MSP Topic #12 – CUSTOMER SERVICE ISSUES IN THE IRS’S AUTOMATED COLLECTION SYSTEM (ACS)

Problem

ACS is a main component of the IRS’s collection process, sending automated collection notices to millions of taxpayers and employing numerous telephone assistors to receive calls from these taxpayers. Although ACS generally receives relatively high customer satisfaction survey ratings and internal quality assessments, TAS has received numerous complaints from tax professionals and taxpayers that suggest the need for improvements. ACS customers have raised concerns about extensive wait times, the inability to fax documents to employees, overly burdensome procedures, and general dissatisfaction with the ACS process. Neither ACS’s customer satisfaction surveys nor its internal quality reviews measure these important aspects of taxpayer service. The National Taxpayer Advocate has identified several steps the IRS can take to improve processes that drive customer satisfaction, most importantly the need for the IRS to evaluate the entire customer experience with ACS instead of assessing only a “snapshot” in time.

| NTA Recommendation | IRS Response | IRS Addressed Yes/No | TAS Assessment |
|--|--|-------------------------|----------------|
| 1. The National Taxpayer Advocate recommends that the IRS develop specific guidance, for inclusion in all IRM sections related to levy releases, requiring employees to inform taxpayers of their option to obtain a faxed levy release. | We have revised the IRM 5.19.4.4.10 to provide additional guidance for faxing levy releases and provided more examples in training materials. ACS is also pursuing technological alternatives to improve our efficiency in releasing levies. | Yes | |

| NTA Recommendation | IRS Response | IRS Addressed Yes/No | TAS Assessment |
|--|--|-------------------------|--|
| <p>2. The National Taxpayer Advocate recommends that the IRS adopt a comprehensive fax policy, and obtain the necessary equipment, that will allow taxpayers and practitioners to fax any and all documentation to the IRS, including documents that must now be mailed.</p> | <p>Due to capacity and resource limitations, the IRS established limits on the number of incoming facsimile pages to ten. The page limitation is merely a guide to promote equity and efficiency for both the taxpayer and the site. As more resources become available, we will revisit this issue.</p> | <p>Yes</p> | <p>While the IRS has established a page limitation to provide effective taxpayer service, the IRS has not disagreed with the premise that it may accept more pages in a facsimile or other mode of communication in the near future as resources avail themselves. TAS recommends that the IRS define a future implementation date for a comprehensive fax policy that will eliminate or expand the ten page fax limitation.</p> |

| NTA Recommendation | IRS Response | IRS Addressed Yes/No | TAS Assessment |
|---|---|-------------------------|--|
| <p>3. The National Taxpayer Advocate recommends that the IRS develop a customer satisfaction survey that records taxpayer concerns about the overall handling of their cases and develop and implement a survey specifically for tax practitioners.</p> | <p>ACS utilizes objective and unbiased data collected through our Customer Satisfaction Survey to improve operations. The survey is available for all ACS phone applications, including the Tax Practitioner Line. We believe our Customer Satisfaction Survey and internal quality reviews are adequate to gauge the level of our success in providing quality service. In addition to the Customer Satisfaction Survey, correspondence is also received from taxpayers and their representatives expressing either their satisfaction or dissatisfaction of how the IRS handled their situation. All complaints received, through any venue, are thoroughly researched, addressed, and, whenever possible, resolved. The use of Contact Recording has afforded the IRS an opportunity to listen to the actual call that led to the complaint ensuring management has an accurate portrayal of what occurred during the call. Contact Analytics will be in place within a year and will help us to further identify areas that need improvement.</p> | <p>No</p> | <p>The IRS response does not address TAS's underlying concern. TAS is concerned that the IRS may not be doing enough to follow-up and reach out to taxpayers who the IRS has harmed through a failed ACS contact. To alleviate these concerns, TAS recommends that the IRS redesign their customer satisfaction survey to capture responses from taxpayers with terminated calls, who may have some helpful criticism for the ACS.</p> |

| NTA Recommendation | IRS Response | IRS Addressed Yes/No | TAS Assessment |
|---|---|-------------------------|---|
| <p>4. The National Taxpayer Advocate recommends that the IRS develop a tracking mechanism to identify and monitor situations where the taxpayer has requested to speak with an ACS manager, in order to evaluate the degree to which IRS's stated policy is being followed.</p> | <p>Contact analytics will become available in September 2009, at which time we will be able to pull reports that specifically target accounts where the taxpayer has requested a manager call back. During the FY09 operational reviews, ACS monitored calls at each site to identify accounts where the taxpayer may have requested a manager call-back.</p> | <p>Yes</p> | <p>The IRS appears to have addressed TAS's concerns as it pertains to manager callbacks. Particularly, the IRS recognizes that its managers are not following through with taxpayers.</p> |

2008 ARC – MSP Topic #13 – THE IRS SHOULD PROACTIVELY ADDRESS EMERGING ISSUES SUCH AS THOSE ARISING FROM “VIRTUAL WORLDS”

Problem

By one estimate, about \$1 billion in real dollars changed hands in computer-based environments called “virtual worlds” in 2005. Over 16 million people are estimated to have active subscriptions to these environments, many of which have their own virtual economies and currencies. However, IRS employees have been unable to respond to taxpayer inquiries about how to report transactions associated with them. Economic activities in virtual worlds may present an emerging area of tax noncompliance, in part because the IRS has not provided guidance about whether and how taxpayers should report such activities. To improve voluntary tax compliance, the National Taxpayer Advocate recommends that the IRS issue guidance addressing how taxpayers should report economic activities in virtual worlds.

| NTA Recommendation | IRS Response | IRS Addressed Yes/No | TAS Assessment |
|---|---|-------------------------|---|
| <p>1. The National Taxpayer Advocate recommends that the IRS work with the Office of Chief Counsel and the Treasury Department to issue guidance addressing how taxpayers should report economic activities in virtual worlds (or at least ask the Office of Chief Counsel to put it on the priority guidance plan) along with other emerging issues.</p> | <p>The IRS has issued guidance in the past on other activities that raise similar issues to those of "virtual world" game activities. This guidance should be helpful in assisting taxpayers who have questions about the tax consequences of their online "virtual world" game activities. The IRS will continue to prioritize our guidance to meet taxpayer needs. Virtual world e-business issues and implementation of communication and compliance strategies will continue to be addressed through the EBEL policy group.</p> | <p>Yes</p> | <p>Notwithstanding the IRS’s formal response, which suggests it is not issuing any guidance, it posted some helpful information on its website in November 2009 at http://www.irs.gov/businesses/small/article/0,,id=215593,00.html. For example, this posting states “avatars frequently exchange goods and services in both the real and virtual worlds. Cyber-economic activities in the online world may have tax consequences that real world avatar counterparts need to</p> |

| NTA Recommendation | IRS Response | IRS Addressed Yes/No | TAS Assessment |
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| | | | consider.” It then lists potentially relevant IRS publications. This is helpful and partially implements our recommendation. It would be even more helpful, however, to issue more explicit analysis. |
| 2. The National Taxpayer Advocate recommends that the IRS invite the Taxpayer Advocate Service to appoint a representative to the E-Business and Emerging Issues policy group. | The IRS agrees that it could be beneficial for us to invite TAS to appoint a representative to periodically meet with EBEI and provide SB/SE Policy with a report as to TAS perceptions of most serious problems that involve e-business and emerging issues. Such involvement between annual NTA Reports to Congress could result in improved awareness and responsiveness of the IRS to taxpayer issues and needs. As evidence, we were able to be responsive to the barter exchange industry after being made aware of their issues by IRPAC. We would like to begin TAS' involvement in the EBEI work group by 9/30/2009. | Yes | |

2008 ARC – MSP Topic #14 – SUITABILITY OF THE EXAMINATION PROCESS

Problem

Since 2000, the IRS has continuously increased the number of individual income tax return examinations it conducts. The number more than doubled from 617,765 in FY 2000 to 1,384,563 in FY 2007, with examinations completed by correspondence accounting for 83 percent of all individual taxpayer audits. Although taxpayers understandably do not like to be audited, the IRS should initially assume good faith on the part of taxpayers and avoid taking an unnecessarily adversarial approach. The Internal Revenue Manual and IRS publications provide opportunities for the IRS to meet taxpayer needs and preferences throughout the examination process, including allowing taxpayers to choose a method for conducting an examination (face-to-face versus correspondence), request a telephone discussion with the examiner, and even set up a payment agreement for any taxes owed. Because the IRS often fails to meet taxpayer needs and preferences due to limited resources or policy reasons, the resulting unsuitability of the examination process can lead to disparities in audit and customer satisfaction results, including tax assessments that sometimes reflect the taxpayer’s inability to navigate the audit process rather than the amount truly owed. The National Taxpayer Advocate recommends five actions to help the IRS address problems with the suitability of the examination process, including directing its focus substantially toward meeting taxpayer needs and preferences and immediately eliminating the so-called “combination letter” from the process.

| NTA Recommendation | IRS Response | IRS Addressed Yes/No | TAS Assessment |
|---|--|-------------------------|--|
| 1. The National Taxpayer Advocate recommends that the IRS, in consultation with TAS Research, conduct a research study that compares the results of correspondence audits with face-to-face audits for similar issues, with respect to agreements, adjustments, employee and customer | The IRS is currently working to develop such a test. | Yes | The National Taxpayer Advocate is pleased the IRS is planning to conduct the test comparing correspondence and office exam results with respect to similar cases. This study should show whether particular taxpayer populations (e.g., EITC taxpayers) are better able to understand what is required and bring in better |

| NTA Recommendation | IRS Response | IRS Addressed Yes/No | TAS Assessment |
|--|--------------|-------------------------|--|
| <p>satisfaction, taxpayer educational opportunities, and cycle time.</p> | | | <p>information when conveyed in a face-to-face environment. If the test results confirm what TAS's survey results show, IRS should plan for and offer office examinations as an option in certain cases initially established as correspondence exams.</p> |

| NTA Recommendation | IRS Response | IRS Addressed Yes/No | TAS Assessment |
|---|--|--------------------------|---|
| <p>2. The National Taxpayer Advocate recommends that the IRS immediately eliminate the use of combination letters in all situations during the examination process.</p> | <p>We considered the National Taxpayer Advocate's recommendation to eliminate the use of combo letters in all situations. While we've eliminated use of these letters in most circumstances, we've made a management decision to continue using them in working Criminal Investigation cases and other limited issues where we have a very low no change rate. It is beneficial for these taxpayers who generally agree with our assessments to have a report readily available to sign. We disagree that use of these letters may abridge taxpayer rights in violation of RRA 98 by providing inadequate appeal rights.</p> | <p>Yes (Partial)</p> | <p>The National Taxpayer Advocate is pleased with the IRS' business decision to eliminate the use of combination letters in most circumstances. However, she remains concerned about the use of the letter in Criminal Investigation cases. The National Taxpayer Advocate fundamentally disagrees with the joining of the 30-day timeframe to submit information with the 30-day timeframe to appeal. These two administrative processes should remain separate. Accordingly, the National Taxpayer Advocate urges the IRS to eliminate all and any use of combination letters in the examination process.</p> |
| <p>3. The National Taxpayer Advocate recommends that the IRS finalize and promptly implement the suggestions made by the Customer Satisfaction Initiative Team, including</p> | <p>The Service had previously initiated a Correspondence Exam Taxpayer Satisfaction Improvement (TSI) Initiative to analyze the customer satisfaction survey for ways to improve our service to the taxpayer. A cross-functional team was established which</p> | <p>Yes</p> | <p>The National Taxpayer Advocate appreciates the efforts of the Correspondence Examination Taxpayer Satisfaction Improvement Initiative Team to improve</p> |

| NTA Recommendation | IRS Response | IRS Addressed Yes/No | TAS Assessment |
|--|--|-------------------------|--|
| <p>the proper consideration of multilingual initiatives in correspondence, the integration of phone skill training, and the roll-out of updated documentation and substantiation protocol and resources.</p> | <p>included TAS representation. Through this team, SBSE and W&I are currently working on optimizing the incoming mail process and developing a model by participating in Lean Six Sigma Organization (LSSO) facilitated events. In an effort to rollout updated documentation and substantiation protocol, we are developing an ordinary and necessary expense documentation search tool by industry type for SERP research. We have updated IRM 4.19.13.9.6 to provide specific guidance to tax examiners on the authority to extend time for taxpayers to respond in certain situations. In addition, we intend to pursue the following TSI suggestions: • Annual updating of "documentation requirements" • Certain third party substantiation • Develop relative tools and training for tax examiners</p> <p>We recognized the need to optimize taxpayer telephone access and service issues. Universal Call Routing is already scheduled to rollout in SBSE. Integration of phone skill training is an integral part of this rollout. W&I has completed their Universal Call Routing rollout. To enhance this process for</p> | | <p>taxpayer service during the examination process. The National Taxpayer Advocate is pleased that the IRS promptly considers and implements team's suggestions.</p> |

| NTA Recommendation | IRS Response | IRS Addressed Yes/No | TAS Assessment |
|--------------------|--|-------------------------|----------------|
| | <p>SBSE, W&I is sharing their lessons learned. Proper consideration of multilingual initiatives in correspondence will be considered in any changes to taxpayer communications on an ongoing basis. We are committed to continuing to address and promptly consider suggestions made by the Taxpayer Satisfaction Initiative Team.</p> | | |

2008 ARC – MSP Topic #15 – THE IRS CORRESPONDENCE EXAMINATION PROGRAM PROMOTES PREMATURE NOTICES, CASE CLOSURES, AND ASSESSMENTS

Problem

In FY 2007, the IRS conducted 83 percent of all individual income tax examinations exclusively by mail in an effort to expand its audit coverage. The program as currently designed, however, is plagued by problems that increase taxpayer burden. These problems include a preoccupation with closing cases rather than working with taxpayers to resolve audit issues and an automated process that causes perpetual delays in responding to taxpayer correspondence. These issues lead to premature notices, premature case closures, and premature assessments, all of which drive taxpayers to TAS for help and generate needless re-work for IRS employees. The National Taxpayer Advocate urges the IRS to protect taxpayers by requiring managers and employees to adhere to the agency’s longstanding audit quality standards in conducting correspondence examinations.

| NTA Recommendation | IRS Response | IRS Addressed Yes/No | TAS Assessment |
|--|---|-------------------------|---|
| <p>1. The National Taxpayer Advocate recommends that the IRS implement processes and procedures to associate and consider taxpayer correspondence timely; move forward with systemic restrictions to limit the reduction of suspense periods in the batch processing system.</p> | <p>We already have policies and procedures in place regarding associating and considering taxpayer correspondence. During 2008, we reviewed those policies and standardized them to ensure all taxpayer correspondence receive timely and adequate consideration. We’ve already made some systemic changes to standardize the suspense periods for cases in Status 22. We submitted a system work request change to automatically populate the suspense period whenever a case is updated into a new letter status.</p> | <p>Yes</p> | <p>The National Taxpayer Advocate is encouraged to see that the IRS has taken a number of significant steps to improve the timeliness of taxpayer correspondence and reducing the suspense period in the batch processing system. See also National Taxpayer Advocate 2006 Annual Report to Congress 289.</p> |

| NTA Recommendation | IRS Response | IRS Addressed Yes/No | TAS Assessment |
|---|--|-------------------------|--|
| <p>2. The National Taxpayer Advocate recommends that the IRS issue a Servicewide Electronic Research Program (SERP) Alert covering IRM 4.19.3.1, <i>Outgoing Calls</i>, to emphasize the importance of effective use of the telephone in resolving correspondence examinations.</p> | <p>While we agree our employees should follow this IRM, we do not believe issuance of a SERP alert is the most effective way to ensure these provisions are being adhered to. Managers routinely review work and provide feedback to their employees, when warranted, regarding effective use of the telephone in bringing examination cases to closure.</p> | <p>Yes</p> | <p>We think this response should be changed to yes. The National Taxpayer Advocate's concern surrounding this issue was making sure that IRS tax examiners were aware of all their options when attempting to locate taxpayers. Although the IRS did not send out a SERP alert informing examiners as to when it would be appropriate to use the telephone to locate taxpayers, it has taken steps to make sure its employees are aware and educated on all their resources. These steps do address TAS's underlying concern, but just in a different way. See also National Taxpayer Advocate 2006 Annual Report to Congress 289.</p> |

| NTA Recommendation | IRS Response | IRS Addressed Yes/No | TAS Assessment |
|---|--|----------------------|---|
| <p>3. The National Taxpayer Advocate recommends that the IRS eliminate the use of the Examination Procedural Job Aid and follow the guidance in IRM 4.19.19, <i>Telephone Contacts</i> and align the procedures used by tax examiners in locating taxpayers and handling undeliverable mail in IRM 4.19.13, <i>Liability Determination – General Development and Resolution</i>, with the procedures used by tax compliance officers in IRM 4.10.2, <i>Examination of Returns – Pre-contact Responsibility</i>.</p> | <p>We do not agree with this recommendation. Correspondence examination telephone assistors are already required to follow IRM 4.19.19, which provides technical guidance that is not superseded by any locally generated procedural job aids. We periodically review and update job aids to ensure they are current and consistent with the IRM. W&I Examination’s Toll-Free Telephone Assistance Guide in SERP, contains hyperlinks to various IRM and other references. It provides examiners with quick access to guidance to assist in handling taxpayer telephone calls timely and accurately.</p> | <p>Yes</p> | <p>We think this response should be changed to yes. The IRS is currently conducting a test on eliminating the use of the Examination Procedural Job Aid and applying the guidance in IRM 4.19.19, <i>Telephone Contacts</i>. Additionally, the IRS has agreed to evaluate its process and procedures for locating taxpayers when letters are returned as undelivered. This issue has been raised by the National Taxpayer advocate previously. See National Taxpayer Advocate 2006 Annual Report to Congress 289.</p> |

| NTA Recommendation | IRS Response | IRS Addressed Yes/No | TAS Assessment |
|--|--|--------------------------|--|
| <p>4. The National Taxpayer Advocate recommends that the IRS stop using the combo letter in all correspondence examinations and revert to the pre-1999 examination procedure of issuing a preliminary audit report, followed by a traditional 30-day letter at a later stage in the audit.</p> | <p>We considered the National Taxpayer Advocate's recommendation to eliminate the use of combo letters in all situations. While we've eliminated use of these letters in most circumstances, we've made a management decision to continue using them in working Criminal Investigation cases and other limited issues where we have a very low no change rate. It is beneficial for these taxpayers who generally agree with our assessments to have a report readily available to sign. We disagree that use of these letters may abridge taxpayer rights in violation of RRA 98 by providing inadequate appeal rights.</p> | <p>Yes (Partial)</p> | <p>The National Taxpayer Advocate is pleased that the IRS has taken steps to eliminate the combo letter in most circumstances. The combo letter is confusing to taxpayers and makes the correspondence exam even more difficult. See also National Taxpayer Advocate 2006 Annual Report to Congress 289.</p> |

2008 ARC – MSP Topic #16 – THE IMPACT OF IRS CENTRALIZATION ON TAX ADMINISTRATION

Problem

Over the years, the IRS has centralized many of its major operations and programs. This centralization has significantly changed the organizational structure, management, work processes, and the quality of interaction between the IRS and taxpayers. When carried out correctly, centralization can significantly reduce redundancies and increase effectiveness. However, if the IRS fails to consider the impact of centralization on taxpayer service and compliance, it may harm taxpayers. The IRS needs to do a better job of measuring the downstream consequences to taxpayers, including the impact on taxpayer service and compliance, when evaluating the costs and benefits of centralization. The National Taxpayer Advocate recommends that the IRS establish a standard matrix that defines the project, provides background information, sets forth objectives, establishes tangible products, quantifies expected benefits, and identifies necessary resources. The IRS should then use this standard project matrix to evaluate programs and determine whether the anticipated benefits of centralization have been realized.

| NTA Recommendation | IRS Response | IRS Addressed Yes/No | TAS Assessment |
|---|---|-------------------------|--|
| <p>1. The National Taxpayer Advocate recommends that the IRS establish a standard matrix that defines the project, provides background information, sets forth objectives, establishes tangible products, quantifies expected benefits, and identifies necessary resources.</p> | <p>The IRS does not agree with this recommendation because the establishment, assessment, and validation of planning assumptions are a routine and ongoing part of IRS business practices, including programs that have been centralized. With regard to the use of a standard project matrix, while most IRS business operations and programs are unique and may not lend themselves to a standardized assessment tool, the IRS welcomes and will consider any specific model the NTA may have to offer.</p> | <p>No</p> | <p>The National Taxpayer Advocate recognizes that IRS business operations and programs are unique. However, a standard project matrix could still be used as a tool to evaluate the success of the program. We have provided a template for such a matrix.</p> |

| NTA Recommendation | IRS Response | IRS Addressed Yes/No | TAS Assessment |
|---|---|-------------------------|---|
| <p>2. The National Taxpayer Advocate recommends that the IRS use this standard project matrix to evaluate programs and determine whether the anticipated benefits of centralization have been realized.</p> | <p>The IRS does not agree with this recommendation because the establishment, assessment, and validation of planning assumptions are a routine and ongoing part of IRS business practices, including programs that have been centralized.</p> | <p>No</p> | <p>The National Taxpayer Advocate continues to feel that a standard project matrix would benefit the IRS as it evaluates the effectiveness of centralized programs.</p> |

2008 ARC – MSP Topic #17 – INCORRECT EXAMINATION REFERRALS AND PRIORITIZATION DECISIONS CAUSE SUBSTANTIAL DELAYS IN AMENDED RETURN PROCESSING FOR INDIVIDUALS

Problem

Every year, more than three million taxpayers file amended returns for various reasons, including the complexity of the tax code, changes in their circumstances, late-year tax legislation, and incomplete or inaccurate tax preparation software. Many of these taxpayers experience unnecessary burden and delays. A cooperative IRS-TAS study of TAS amended return cases found the average taxpayer waited 26 weeks for the amended return to be processed before contacting TAS for assistance. These delays stem from the IRS not meeting its own processing guidelines, unnecessary referrals for audits, and management decisions to de-emphasize processing so-called “duplicate filings,” which occur when more than one Form 1040 is filed with the same name and Social Security number. The National Taxpayer Advocate recommends that the IRS allow individual taxpayers to file amended returns electronically to reduce errors and shorten processing times, eliminate unnecessary audit referrals, and create a special unit to resolve duplicate filing cases as a top priority.

| NTA Recommendation | IRS Response | IRS Addressed Yes/No | TAS Assessment |
|---|---|-------------------------|--|
| 1. The National Taxpayer Advocate recommends that the IRS allow taxpayers to file Forms 1040X electronically directly with the IRS. | The IRS is currently taking action to allow taxpayers to file Forms 1040X electronically. The current 1040 e-file program does not provide the capability to accept amended returns. Modernized e-file (MeF) was designed to accept amended returns for business returns. Form 1040 will be implemented on the MeF platform using a 3-phase release strategy over 3 years, 2010 – 2012. Included in the release strategy is the acceptance of amended returns, tentatively targeted for Phase 3 (January 2012). | Yes | The National Taxpayer Advocate is pleased that the IRS is taking action to allow taxpayers to file Forms 1040X electronically. |

| NTA Recommendation | IRS Response | IRS Addressed Yes/No | TAS Assessment |
|---|---|-------------------------|---|
| <p>2. The National Taxpayer Advocate recommends that the IRS revise its Examination referral criteria for amended returns by identifying more of the common characteristics of the amended returns that the Exam function accepts as filed.</p> | <p>The IRS agrees with this recommendation. W&I, in conjunction with SB/SE, will review the referral criteria for amended returns to determine if any changes can be made to improve the current referral process, by reducing the referrals Exam accepts as filed.</p> | <p>Yes</p> | <p>The National Taxpayer Advocate is pleased with this development and looks forward to working the IRS to continue to improve the Exam process.</p> |
| <p>3. The National Taxpayer Advocate recommends that the IRS analyze its database of amended returns to identify the reasons for filing those returns and develop an education campaign for taxpayers about avoidable errors on original returns that result in filing an amended return.</p> | <p>The IRS has completed multiple analyses to determine the reasons taxpayers file amended returns. Typically, taxpayers file amended returns to correct omissions (<i>i.e.</i>, Wages, Interest) from the original return, not to correct errors. Education campaigns are ongoing to inform taxpayers on ways to avoid the most common errors. The instructions for filing Form 1040 contain information on "How to Avoid Most Common Mistakes."</p> | <p>Yes</p> | <p>The National Taxpayer Advocate applauds the IRS for conducting research on taxpayer behavior. The IRS should continue to educate taxpayers on how to avoid common errors on original returns that require the filing of an amended return.</p> |

| NTA Recommendation | IRS Response | IRS Addressed Yes/No | TAS Assessment |
|---|---|-------------------------|--|
| <p>4. The National Taxpayer Advocate recommends that the IRS prioritize duplicate filing conditions by creating a special unit that will only work duplicate filings.</p> | <p>The IRS disagrees with this recommendation. Accounts Management has reviewed the possibility of specialized units to work duplicate filings and amended returns. Since this work type comprises approximately 50 percent of the overall IMF adjustments workload, approximately 3.5 million cases, it is not feasible to have special units handle the volume of the amended return/duplicate filing claims.</p> | <p>No</p> | <p>Our recommendation was for the IRS to establish a specialized unit to work duplicate filings, not all amended returns. The creation of such a unit would allow the IRS to quickly resolve issues stemming from duplicate filings.</p> |

2008 ARC – MSP Topic #18 – INADEQUATE FILES MANAGEMENT BURDENS TAXPAYERS

Problem

From FY 2005 through FY 2008, the IRS refunded over 40 percent (more than \$3.7 million) of the fees it collected for photocopies of taxpayers’ documents because it could not locate the files the taxpayers needed. The IRS is required by law to efficiently maintain and manage agency records, including electronic and paper files, as evidence of IRS policies, decisions, and operations. Both taxpayers and IRS employees need prompt access to paper documents to resolve tax return issues or verify taxpayer information, yet the IRS has failed to follow procedures and implement safeguards for maintaining and managing paper files and records. This failure has contributed to complaints from taxpayers, practitioners, IRS employees, and other stakeholders who experienced substantial delays or received the wrong taxpayer’s documents. Although control of the files operation reverted back to the IRS in 2008 after being contracted out for the past two years, the transition has not resolved most of the associated problems. To further improve the Files operation, the National Taxpayer Advocate recommends the IRS take proactive steps to develop a service-wide recordkeeping and paper-file management strategy and database, take steps to convert paper returns to an electronic format, and revise relevant Internal Revenue Manual provisions to employ adequate quality control and specific timeliness measurements for expedited taxpayer files requests.

| NTA Recommendation | IRS Response | IRS Addressed Yes/No | TAS Assessment |
|---|--|----------------------|--|
| <p>1. The National Taxpayer Advocate recommends that the IRS proactively pursue the Modernized Submission Processing project, allowing imaging, auto-data extraction, and image archive of scanned documents, and expand its application to all stored paper files and records.</p> | <p>We are pursuing funding for the Modernized Submission Processing project. The project was submitted for prioritization last year, but was not funded. Funding for the project has been requested for FY 2011.</p> | <p>Yes</p> | <p>We commend the IRS for its plan to electronically image the paper 1040 family of returns. TAS will proactively support finding for this initiative.</p> |

| NTA Recommendation | IRS Response | IRS Addressed Yes/No | TAS Assessment |
|--|--|-------------------------|---|
| <p>2. The National Taxpayer Advocate recommends that the IRS reverse the increase in the paper file retrieval fee until such time as the IRS improves the quality of file retrieval.</p> | <p>The management of the Files areas has reverted back to the IRS, significant improvements have been made in the service provided and we continue to work on further improvements. Congress provided that the Service may prescribe "a reasonable fee "for reproduction of returns in the form of a user fee. The user fee was developed in coordination with the Chief Financial Officer and OMB Circular A-25, <i>User Charges</i>. The amount of the user fees properly reflects the expenses associated with providing the service.</p> | <p>No</p> | <p>The National Taxpayer Advocate is extremely concerned about the increase from \$39 to \$57 in the document retrieval fee in the absence of adequate quality controls and timeliness measurements for files requests. The IRS should reconsider this fee increase, which will place an additional hardship on taxpayers in light of the current economic situation and the increasing need for taxpayers to obtain copies of tax documents.</p> |

| NTA Recommendation | IRS Response | IRS Addressed Yes/No | TAS Assessment |
|---|--|-------------------------|--|
| <p>3. The National Taxpayer Advocate recommends that the IRS revise relevant Internal Revenue Manual provisions to employ adequate quality control and specific timeliness measurements for taxpayer file requests, including TAS expedited requests.</p> | <p>The IRS will update IRM 3.5.61, <i>Files Management & Services</i>, to include timeframes for TAS Requests in the next published edition. In the interim, we will issue SERP Alerts containing any additional information as it is finalized.</p> | <p>Yes</p> | <p>The National Taxpayer Advocate commends the IRS for taking steps to establish procedures for expedited handling of TAS document requests. We encourage the IRS to establish effective processes and coordinate requests with FRC facilities, so it can meet the established timeframes. The IRS should also establish adequate IRM quality control and specific timeliness measurements for taxpayer files requests, especially expedited requests.</p> |
| <p>4. The National Taxpayer Advocate recommends that the IRS include TAS employees on the cross-functional servicewide team created to improve the Files operation.</p> | <p>The IRS will solicit TAS for inclusion for our next round of meetings.</p> | <p>Yes</p> | <p>TAS is looking forward to offering its expertise and assistance toward improvement of the Files operation to the benefit of taxpayers and IRS employees who need prompt access to paper documents to resolve tax return issues or verify taxpayer information.</p> |

2008 ARC – MSP Topic #19 – THE IRS MISCALCULATES INTEREST AND PENALTIES BUT FAILS TO CORRECT THESE ERRORS DUE TO RESTRICTIVE ABATEMENT POLICIES

Problem

A TAS study has found that the IRS is miscalculating the failure to pay penalty and could be negatively impacting about two million taxpayer accounts annually. Moreover, the IRS’s manual calculations of interest yields an accuracy rate of only 67.7 percent, which means nearly one out of three restricted interest accounts are incorrectly computed. The IRS is aware of, but has failed to correct, certain systemic problems that cause penalty and interest miscalculations. These incorrect calculations lead numerous taxpayers to believe they have fully paid what the IRS says they owe, only to receive subsequent bills for accruals of interest, penalties, or both. The IRS bears the cost of these inaccurate calculations, not only through rework by employees but also by taxpayers’ reduced confidence in the IRS. The National Taxpayer Advocate recommends that the IRS consider allocating adequate resources toward planning and programming to resolve common penalty and interest computation issues, revising pertinent Internal Revenue Manual sections so *all* taxpayers are entitled to accuracy reviews of interest and penalty calculations, and re-evaluating the overly complex restricted interest procedures to make certain that all taxpayers receive accurate interest charges.

| NTA Recommendation | IRS Response | IRS Addressed Yes/No | TAS Assessment |
|--|--|----------------------|---|
| <p>1. The National Taxpayer Advocate recommends that the IRS allocate adequate resources toward planning and programming for the Common Services Penalty and Interest Computation Module, Customer Account Data Engine, IDRS, Financial Management Information System, IMF, and BMF.</p> | <p>The IRS agrees to continue devoting resources towards planning and programming for its systems to resolve penalty and interest computation issues. Given the magnitude of this task, we must determine the correct balance of resource usage between updating this infrastructure and conducting day-to-day business.</p> | <p>Yes</p> | <p>TAS is actively following up on this problem with the new director of Servicewide Penalties and Interest in order to learn the extent and adequacy of current resource allocation.</p> |

| NTA Recommendation | IRS Response | IRS Addressed Yes/No | TAS Assessment |
|--|--|----------------------|---|
| <p>2. The National Taxpayer Advocate recommends that the IRS resolve common penalty and interest computation and notice issues by allowing for assessments and systemic updates every three months in order to provide current account balance information to taxpayers.</p> | <p>We do not have plans to allow for systemic updates every three months. A notice needs to be sent to the taxpayer for penalty and interest accruals to be posted to the taxpayer's account. Currently, the print sites are sending notices annually and can not handle the additional volume that would result from these additional accruals. We do not have the personnel or equipment resources to issue these additional notices.</p> | <p>No</p> | <p>By delaying notice to taxpayers, the IRS further burdens itself when it has to rework calculations that were done many months ago. More notice to taxpayers can lead to less costs in other areas and provide added taxpayer service.</p> |
| <p>3. The National Taxpayer Advocate recommends that the IRS revise pertinent IRM sections to simplify restricted interest procedures and provide for accuracy reviews of interest and penalty calculations to <i>all</i> taxpayers.</p> | <p>The IRS threshold for mandatory review of manual interest computations was set at amounts greater than \$50,000. The \$50,000 criterion was set to provide review of large dollar adjustments and to address sizable interest accuracy issues. Those not meeting this threshold are subject to our sample review process. Reviewing all manual interest computations is not the best use of our limited resources. We will continue to sample on a limited basis.</p> | <p>No</p> | <p>Waiting until a restricted interest account exceeds \$50,000 in interest to verify accuracy is unproductive, because it causes delays and a greater amount of rework. Further, low income taxpayers, who need every dollar for living expenses, tend to be affected more by restricted interest errors than those taxpayers who have restricted interest exceeding \$50,000.</p> |

2008 ARC – MSP Topic #20 – INEFFICIENCIES IN THE ADMINISTRATION OF THE COMBINED ANNUAL WAGE REPORTING PROGRAM IMPOSE SUBSTANTIAL BURDEN ON EMPLOYERS AND WASTE IRS RESOURCES

Problem

The Combined Annual Wage Reporting (CAWR) program is designed to ensure that employers accurately report annual wage data to the IRS and the Social Security Administration. If the IRS discovers a discrepancy in the wage and tax data reported by an employer, it issues a notice and requests that the employer provide information to resolve the discrepancy.

However, the CAWR notices are not clearly written. As a result, employers are often unable to identify the cause of the discrepancy and respond timely, which in turn may lead the IRS to improperly impose penalties on the employers. From FY 2003 to FY 2008, the IRS eventually abated 81 percent of the penalty dollars it previously assessed, causing substantial rework for the IRS and needlessly burdening employers. The National Taxpayer Advocate recommends that the IRS provide specific information about the wage reporting discrepancy on notices, include the phone number for a live assistor in the CAWR unit on notices, and continuously train its employees about when it is appropriate to assess CAWR penalties.

| NTA Recommendation | IRS Response | IRS Addressed Yes/No | TAS Assessment |
|---|--|----------------------|---|
| 1. The National Taxpayer Advocate recommends that the IRS redesign CAWR notices and letters to include specific information about the wage reporting discrepancy to enable employers to respond more quickly, or provide employers with more time to respond. | Due to the aggregate reporting on the employment tax returns, the IRS is unable to determine the specific information return(s) that may be the source of the mismatch. The IRS also does not know whether the mismatch was due to misreporting on the employment tax returns or the information return(s). Therefore, additional specificity to identify the discrepant data is not possible. | No | The National Taxpayer Advocate encourages the IRS to think of ways to improve clarity and specificity in its communication with taxpayers. If such specificity is not possible under the current system, then we reiterate our recommendation that taxpayers be given more time to respond. |

| NTA Recommendation | IRS Response | IRS Addressed Yes/No | TAS Assessment |
|--|---|-------------------------|---|
| <p>2. The National Taxpayer Advocate recommends that the IRS include a toll-free telephone number for the CAWR unit on notices and letters so employers can contact a live IRS employee.</p> | <p>The IRS has been exploring the feasibility of establishing a unique toll-free telephone number for use in the CAWR program. While this is being pursued, taxpayers who call the current business toll-free customer service number can speak to a customer service representative (CSR). Through the Integrated Data Retrieval System, CSR's have access to the same information that is available to CAWR program employees on the CAWR Automated Program (CAP) System. In addition, the CAWR handbook, IRM 4.19.4.11 (IRS-CAWR/SSA-CAWR CSR Information) includes an entire section that provides CSRs with guidance needed to respond to CAWR related inquiries. Until a CAWR program toll-free telephone number is available, the IRS will continue to use the current business toll-free customer service number on CAWR notices.</p> | <p>No</p> | <p>The National Taxpayer Advocate continues to believe that there is value in connecting employers directly to the CAWR unit. While CSRs may have access to information on the CAWR Automated Program, we remain convinced that CAWR unit employees are best suited to respond to CAWR inquiries.</p> |

| NTA Recommendation | IRS Response | IRS Addressed Yes/No | TAS Assessment |
|---|---|-------------------------|--|
| <p>3. The National Taxpayer Advocate recommends that the IRS provide regular refresher training for employees on when it is appropriate to assess CAWR penalties, incorporating examples culled from inventory showing when it is and is not appropriate to impose the penalty.</p> | <p>In FY 2008 CAWR tax examiners were provided training on the revised penalty abatement procedures contained in IRM 4.19.4. Penalty assessment and abatement training is also a component of CAWR Continuing Professional Education (CPE) training which is provided to CAWR tax examiners annually.</p> | <p>Yes</p> | <p>The National Taxpayer Advocate is pleased that CAWR employees were provided training on the revised penalty abatement procedures and hopes that such training is made a part of the CPE curriculum each year.</p> |

2008 ARC – Status Update – THE IRS’S PRIVATE DEBT COLLECTION (PDC) INITIATIVE IS FAILING IN MOST RESPECTS

Problem

IRS data now shows that the IRS’s Collection function outperforms private collection agencies (PCAs) in almost every way, collecting three times as much as the PCAs and resolving more cases earlier in the process. Overall, the PCAs have only collected about four percent of the outstanding tax balances assigned to them, bringing in less than \$56 million in commissionable payments on \$1.46 billion of tax debt. The National Taxpayer Advocate has addressed a number of the PDC initiative’s deficiencies in prior Annual Reports to Congress and testimony. Many of these concerns remain while new ones have arisen. In addition, despite initial expectations that the IRS could learn about state-of-the-art collection practices in private industry through its work with PCAs, the IRS has now acknowledged that it has not been able to identify any “best practices” from the private debt collection industry. The National Taxpayer Advocate remains concerned that there is an inherently greater risk to taxpayer compliance, taxpayer rights, and taxpayer privacy when tax collection is outsourced to private, for-profit businesses. Given this risk and the PCAs’ unambiguous underperformance as compared with the IRS’s own Collection function, the National Taxpayer Advocate continues to believe that the PDC program should be terminated.

| NTA Recommendation | IRS Response | IRS Addressed Yes/No | TAS Assessment |
|--------------------------------------|--------------|-------------------------|----------------|
| 1. PDC program should be terminated. | N/A | N/A | |