

2019 National Taxpayer Advocate Annual Report to Congress Most Serious Problems Encountered by Taxpayers: IRS and TAS Responses

MSP #1: CUSTOMER SERVICE STRATEGY: The IRS Needs to Develop a Comprehensive Customer Service Strategy That Puts Taxpayers First, Incorporates Research on Customer Needs and Preferences, and Focuses on Measurable Results

PROBLEM

The Taxpayer First Act requires the IRS to create and submit a comprehensive customer service strategy to Congress by July 1, 2020. As the IRS develops this strategy, the National Taxpayer Advocate has identified several concerns with the IRS's current approach to customer service that the new plan should address. Most importantly, the IRS does not currently view itself as a service organization first and foremost. In addition, customer service decisions are not informed by using multi-disciplined, comprehensive research into customer needs and preferences. Forcing some taxpayers to use digital channels undermines taxpayer rights. Moreover, a service strategy would be incomplete if it did not address services to practitioners. Finally, the new strategy should correct the current absence of meaningful customer service measures to effect desired results and it should not be merely aspirational — it needs to include an implementation plan complete with cost estimates.

TAS Recommendation	[1-1] Ensure that each taxpayer segment and BOD are part of the overall customer service strategy to ensure the IRS is addressing the needs of all customers and responsibility is not falling on any one part of the IRS.
IRS Response	IRS agrees to implement TAS recommendation in full.

<p style="text-align: center;">IRS Action</p>	<p>[As of April 22, 2020] As required by the TFA, the IRS is currently developing a comprehensive taxpayer experience strategy that encompasses all IRS business operating divisions and taxpayer segments, as well as other stakeholders. With this comprehensive strategy, the IRS strives to:</p> <ul style="list-style-type: none"> ▪ Understand, inform, and educate our diverse taxpayer base by providing clear and timely communications and building partnerships; ▪ Provide a seamless taxpayer experience by enhancing self-service and full-service capabilities, expanding access to the IRS, and simplifying the tax process; and ▪ Empower our workforce to provide exceptional service. <p>This December the IRS will submit to Congress a written report detailing the comprehensive taxpayer experience strategy, organizational redesign, and training strategy developed pursuant to the TFA.</p>
<p style="text-align: center;">TAS Response</p>	<p>The IRS's efforts to date have been encouraging. Under this comprehensive strategy, TAS expects that each Business Operating Division (BOD) will consider the application of the overarching strategy to its taxpayer populations and design a specific plan for taxpayers' needs during those interactions. The IRS can only provide a seamless taxpayer experience when all parts of the organization work in concert.</p>

<p style="text-align: center;">TAS Recommendation</p>	<p>[1-2] Appoint a Chief Customer Experience Officer, reporting to the Commissioner or Deputy Commissioner, to unify all taxpayer initiatives across different functions.</p>
<p style="text-align: center;">IRS Response</p>	<p>IRS agrees to implement TAS recommendation in part.</p>

<p style="text-align: center;">IRS Action</p>	<p>[As of April 22, 2020] The IRS understands the importance of an integrated, agency-wide approach to taxpayer service. Development of the comprehensive taxpayer experience strategy includes assessing various options to manage and oversee its delivery throughout the IRS. While our objective is to unify taxpayer experience initiatives across all IRS functions, we are still evaluating how best to achieve this goal.</p> <p>As previously noted, in December the IRS will submit to Congress a written report detailing the comprehensive taxpayer experience strategy, organizational redesign, and training strategy developed pursuant to the TFA.</p>
<p style="text-align: center;">TAS Response</p>	<p>The IRS would benefit from having a Chief Customer Experience Officer (CCEO) who serves as a liaison to coordinate all service initiatives and strategies across different functions of the IRS. A CCEO would ensure that IRS senior leadership consider decisions through the lens of the taxpayers' experience. We continue to recommend the IRS consider implementing this recommendation in full in the future.</p>

<p style="text-align: center;">TAS Recommendation</p>	<p>[1-3] Work with NIST to determine how to make e-authentication requirements as least burdensome as possible and review the e-authentication methods used by other international taxing authorities.</p>
<p style="text-align: center;">IRS Response</p>	<p>IRS agrees to implement TAS recommendation in full.</p>

<p style="text-align: center;">IRS Action</p>	<p>The IRS is working with NIST to make e-authentication requirements as least burdensome as possible while retaining effectiveness. We are also exploring other effective e-authentication methods including those used by international taxing authorities.</p> <p>The IRS established the Secure Access Digital Identity (SADI) initiative to satisfy current NIST guidelines. The SADI initiative maintains a “security first” approach, which enhances the user experience by providing a high-availability platform that meets Federal compliance requirements coupled with the level of authentication for the access needed.</p> <p>We are committed to continual learning and assessment to achieve secure digital communications that are effective but not overly burdensome. For example, the IRS explores authentication opportunities by using innovation studies to:</p> <ul style="list-style-type: none"> -implement new and innovative ideas in a safe and well-defined environment; -learn about new technologies and practices; -improve upon current authentication, authorization, and access processes; and -evaluate products and offerings from outside vendors. <p>Additionally, we recently met with Canadian and Australian tax officials to share best practices and hosted the leader of the International Association of Privacy Professionals to gain insight into the global privacy community. We believe these efforts are vitally important to identifying global privacy and authentication opportunities and risks.</p>
<p style="text-align: center;">TAS Response</p>	<p>TAS welcomes the IRS implementation of the best practices it has gathered. One of the most important parts of an effective comprehensive taxpayer service strategy is enabling both taxpayers and practitioners to interact digitally with the IRS. The ability for digital communication with taxpayers and representatives was heightened by the COVID-19 pandemic and the impact to IRS operations. We continue to recommend the IRS work toward providing this means of communication with taxpayers in a safe and well-defined environment.</p>
<p style="text-align: center;">TAS Recommendation</p>	<p>[1-4] Conduct research into why taxpayers and practitioners do not use certain service channels for particular tasks to enable the IRS to minimize any existing barriers and improve services in that area.</p>

IRS Response	<p>IRS agrees to implement TAS recommendation in full.</p>
IRS Action	<p>The IRS strives to provide outstanding customer service through an omni-channel approach consisting of internet capabilities, correspondence, telephone, and face-to-face interactions. The annual Wage & Investment Division (W&I) Taxpayer Experience Survey provides information about why taxpayers opt to use certain service channels and the specific tasks they like to perform on each channel. Based on a statistically valid sample, findings from the 2019 Taxpayer Experience Survey reveal that taxpayers choose to go to IRS.gov before other sources for convenience. Taxpayers also view the IRS toll-free line as a convenient source for the most reliable information. Additionally, the IRS selects toll-free call transcripts for review based on key word searches to identify problem areas and emerging issues.</p> <p>Leveraging work done previously by our Research, Applied Analytics, and Statistics (RAAS) and Online Services (OLS) business units and W&I, the IRS conducted extensive research to develop the comprehensive taxpayer experience strategy mandated by the TFA. This research includes a review of recommendations and reports issued by the Treasury Inspector General for Tax Administration (TIGTA), U.S. Government Accountability Office (GAO), and the National Taxpayer Advocate's annual reports to Congress. For additional information, the TFA Office conducted extensive outreach, as described above.</p> <p>With the comprehensive taxpayer experience strategy, the IRS strives to expand taxpayers' access to service — particularly for underserved taxpayers, such as taxpayers with limited English proficiency. The IRS is committed to continuing to conduct research to better understand and evaluate taxpayers' needs.</p>
TAS Response	<p>Leveraging existing research to develop a comprehensive customer service strategy makes a lot of sense and is laudable. It is important for the IRS to better understand why taxpayers or their representatives do not use certain service channels for particular tasks so that the IRS can minimize existing barriers and improve services for those tasks.</p>

TAS Recommendation	[1-5] Establish a 311-type phone system to provide the taxpayer or practitioner the option to connect with an initial operator who would ask questions to understand the reason for the call. The operator would then match the caller with the specific office within the IRS that handles that particular issue or case.
IRS Response	IRS agrees to implement TAS recommendation in part.
IRS Action	<p><i>[As of April 22, 2020]</i> Development of the comprehensive taxpayer experience strategy includes assessing various options to improve telephone service. While our objective is to provide a seamless taxpayer experience across all aspects of tax administration, we are still evaluating how best to achieve this goal.</p> <p>As previously noted, in December the IRS will submit to Congress a written report detailing the comprehensive taxpayer experience strategy, organizational redesign, and training strategy developed pursuant to the TFA.</p>
TAS Response	The IRS response suggests that it is still considering whether to adopt a 311 system. TAS continues to believe that a 311 system, or one similar, would facilitate increased efficiencies, decrease wait times, and improve interactions between taxpayers and appropriate IRS personnel. This type of a system, if fully implemented, would fit well within the IRS's comprehensive omnichannel strategy.

TAS Recommendation	[1-6] Conduct research into why a significant number of customers who call the various IRS phone lines hang up either before or after they are placed in a queue for a particular phone line (primary and secondary abandonments).
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<p style="text-align: center;">IRS Response</p>	<p>IRS agrees to implement TAS recommendation in part.</p>
<p style="text-align: center;">IRS Action</p>	<p>While the IRS can monitor the volumes of calls that disconnect immediately, we currently have no way to solicit feedback from taxpayers who call the IRS but hang up prior to being placed in a queue for assistance (referred to as a “primary abandon”). IRS toll-free channels use an interactive voice response methodology that requires the taxpayer to connect to an assistor prior to being invited to participate in the customer satisfaction survey.</p> <p>In the past, the IRS performed studies to identify patterns in “secondary abandons,” <i>i.e.</i>, when a taxpayer hangs up after making a selection from the telephone menu options and being placed in queue for assistance. Data points to identify potential abandon patterns have included prominence on certain applications, days of the week, time of day, auto-dialers, and patterns by individuals or practitioners. We used this data to determine the effect of messaging on the toll-free lines, including the addition of wait time estimates on certain lines. Through these studies, the IRS determined that taxpayers have different tolerances depending on the telephone lines dialed and the type of issue in question. The IRS uses this information to strategically play messages that inform callers of available services, such as those on IRS.gov and automated services like “Where’s My Refund?”.</p> <p>As mentioned above, with the comprehensive taxpayer experience strategy, the IRS expects to further facilitate taxpayers’ access to services. The IRS is committed to continuing to conduct research to better understand and evaluate taxpayers’ needs.</p>
<p style="text-align: center;">TAS Response</p>	<p>The IRS’s response indicates that studies of secondary abandons have determined that taxpayers have different tolerances depending on the telephone lines dialed and the type of issue they are calling about. TAS continues to believe that expanding these types of studies will help the IRS to better understand taxpayer preferences and how to improve service. In addition, TAS agrees with the IRS that expanding the use of callback technology will improve service. This capability may assist in significantly reducing the number of primary and secondary abandons and in providing a more seamless taxpayer experience.</p>

TAS Recommendation	<p>[1-7] Work with TAS to create a Taxpayer Anxiety Index.</p>
IRS Response	<p>IRS does not agree to implement TAS recommendation.</p> <p>The IRS currently assesses the taxpayer experience using functional, point of transaction surveys (e.g., automated surveys on the toll-free channel and Field Assistance Comment Card Surveys), following issue resolution (e.g., Injured Spouse Customer Satisfaction surveys, the Appeals Customer Satisfaction Survey, etc.), and at the end of filing season (e.g., W&I Taxpayer Experience Survey). Taken together, these surveys provide a range of information about the taxpayer experience, including feelings about the IRS, elements of satisfaction, and potential areas for improvement.</p> <p>Given that different individuals may respond to similar circumstances in a myriad of ways — many of which are unpredictable or inextricably linked to externalities — it is not feasible to develop a standard measure for “taxpayer anxiety” that accurately reflects aspects of tax administration within IRS control. For example, taxpayer anxiety may result from the taxpayer’s financial circumstances or temperament or from tax law complexity.</p> <p>The IRS is committed to developing effective and meaningful measures by which to evaluate taxpayer service and to conducting ongoing research to better understand taxpayers’ needs as part of the comprehensive taxpayer experience strategy required by the TFA.</p>
IRS Action	<p>N/A</p>
TAS Response	<p>TAS agrees that the IRS must develop feasible, effective, and meaningful measures to help guide its decisions about how to interact with taxpayers. In deciding how to interact with taxpayers, the IRS should consider that forcing taxpayers into digital services for transactions associated with high anxiety levels, without providing for more personal services, is unlikely to satisfy them. TAS will continue to evaluate the best method to measure and identify the types of interactions that require more personal services to help the IRS better understand taxpayers’ needs.</p>

<p style="text-align: center;">TAS Recommendation</p>	<p>[1-8] Track the subject of taxpayer and practitioner complaints for each service channel to better understand the customer’s satisfaction with actual usage of each service channel.</p>
<p style="text-align: center;">IRS Response</p>	<p>IRS does not agree to implement TAS recommendation.</p> <p>Currently, overall satisfaction with IRS service channels is captured in the individual surveys administered by various IRS organizations, and more generally in the Taxpayer Experience Survey. The IRS also receives specific taxpayer complaints through Congress, the White House, the IRS Commissioner’s office, the Department of Treasury, the Employee Conduct & Compliance Office, and TIGTA. The IRS tracks and monitors these inquiries, which allows IRS leadership to timely and effectively address issues raised and manage responses.</p> <p>As outlined in the Internal Revenue Manual, each business operating division has an internal process to handle taxpayer and practitioner complaints in real time. For example, employees are required to provide supervisor contact information to taxpayers upon request and to fully document interactions with taxpayers in case files for management review. The IRS also uses the Customer Early Warning System (CEWS), a partnership with Accounts Management, Submission Processing, Contact Analytics, and a number of other taxpayer-facing organizations, to identify potential service issue trends and elevate them for response.</p> <p>We view these mechanisms, along with proactive stakeholder engagement, quality/program reviews, and employee feedback, as effective ways to identify trends in taxpayer concerns. Still, we continue to evaluate the feasibility of other measures and metrics as part of the development of the comprehensive taxpayer experience strategy required by the TFA.</p>
<p style="text-align: center;">IRS Action</p>	<p>N/A</p>
<p style="text-align: center;">TAS Response</p>	<p>Under the <i>right to quality service</i>, taxpayers have a right to speak to a supervisor about inadequate service. Although each business operating division has its own internal process to handle taxpayer and practitioner complaints in real time, these efforts are not coordinated nor are they properly studied Servicewide. The IRS should conduct an agency-wide systemic review of complaints and responses to enable meaningful oversight of organizational responsiveness. TAS will continue to monitor and verify actions the IRS takes upon submission of the comprehensive report.</p>

TAS Recommendation	[1-9] Develop meaningful and transparent measures to monitor the success of all customer service initiatives, including first contact resolution and more transparent telephone level of service measures.
IRS Response	IRS agrees to implement TAS recommendation in part.
IRS Action	Development of the comprehensive taxpayer experience strategy includes identifying meaningful and transparent measures to monitor the strategy's effectiveness. While our objective is to improve on and standardize existing measures across all IRS functions, we are still evaluating how best to achieve this goal. As noted above, in December the IRS will submit to Congress a written report detailing the comprehensive taxpayer experience strategy, organizational redesign, and training strategy developed pursuant to the TFA.
TAS Response	It is crucial that the IRS develop measures that ensure its functions are truly focusing on taxpayer service. This includes measures such as the rate of first contact resolution for each service channel and better telephone Level of Service (LOS) measures. The IRS should consider revisiting existing telephone LOS measures to improve transparency. Doing so might enable the IRS to identify gaps in performance because the current LOS measure does not capture all calls to the IRS and insufficiently gauges what the taxpayer experiences when making a telephone call.

TAS Recommendation	[1-10] Coordinate the team developing the Servicewide return preparer strategy to ensure consistency of strategies.
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<p style="text-align: center;">IRS Response</p>	<p>IRS agrees to implement TAS recommendation in full.</p>
<p style="text-align: center;">IRS Action</p>	<p>Developing the comprehensive taxpayer experience strategy is a coordinated, agency-wide process. The IRS is taking a holistic approach to taxpayer service that takes into consideration tax professionals, in their dual roles as customers of IRS services and service providers to their clients (taxpayers).</p>
<p style="text-align: center;">TAS Response</p>	<p>The IRS's efforts to develop a comprehensive customer service strategy seem promising. It should be noted that the development of a comprehensive customer service strategy would be incomplete without addressing the service needs and preferences of practitioners and conducting research to determine which service channels practitioners prefer for various service tasks.</p>

<p style="text-align: center;">TAS Recommendation</p>	<p>[1-11] Collaborate with TAS throughout the development of the comprehensive customer service strategy required by the Taxpayer First Act.</p>
<p style="text-align: center;">IRS Response</p>	<p>IRS agrees to implement TAS recommendation in full.</p>

<p style="text-align: center;">IRS Action</p>	<p>Throughout the development of the comprehensive taxpayer experience strategy, the TFA Office core team has collaborated extensively with all IRS business operating divisions and functions, including TAS. The TFA Office is responsible for coordinating delivery of a comprehensive service strategy based on input from an array of stakeholders, including taxpayers, tax professionals, IRS leadership, oversight organizations, IRS employees, and the National Treasury Employees Union. The TFA Office core team is supported by a small number of subject matter experts, including a senior member of the TAS organization.</p> <p>In key ways, TAS plays an important role in developing the comprehensive taxpayer experience strategy. As a member of the senior executive team, the National Taxpayer Advocate (NTA) sits on the Innovation Advisory Council, a forum created specifically to allow senior executives and the TFA Office core team to have an open dialogue about TFA deliverables on a biweekly basis. Once a month, the core team also briefs senior executives about TFA developments at regularly-scheduled senior executive team meetings. Moreover, the TFAO hosts a biweekly meeting with senior leaders designated as TFA points of contact by each IRS function, including TAS. At these meetings, points of contact discuss significant TFA-related issues.</p> <p>Outside of these frequent interactions, the TFA Office has taken additional steps to work with TAS to develop the comprehensive taxpayer experience strategy. For example, a TFA core team member and the Acting NTA met periodically to collaborate on key aspects of the taxpayer experience strategy. Likewise, for one of its first listening sessions, the TFA core team met with TAS leadership and 78 Local Taxpayer Advocates, who represent taxpayers from across the country. The TFA Office also participated in the Low Income Taxpayer Clinic (LITC) annual conference, sponsored by TAS, and held a TFA round-table discussion with LITC national leadership. Working with the Acting NTA's staff, the TFA Office held two listening sessions with the Taxpayer Advocacy Panel, a group of 75 citizen volunteers who advise the IRS on how to improve our products, services, and customer satisfaction. Furthermore, with other members of the senior executive team, the NTA is a key reviewer of the written report to Congress detailing the three comprehensive strategies.</p>
<p style="text-align: center;">TAS Response</p>	<p>The National Taxpayer Advocate welcomes the IRS's outreach efforts and collaboration with TAS. TAS anticipates continued collaboration with the IRS and stands ready to assist in facilitating the effective implementation of the future TFA comprehensive strategies.</p>

TAS Recommendation	[1-12] Couple the customer service strategy with an implementation plan, complete with cost estimates for various initiatives.
IRS Response	IRS agrees to implement TAS recommendation in full.
IRS Action	As noted earlier, in December the IRS intends to deliver to Congress a combined report detailing the comprehensive taxpayer experience strategy, organizational redesign, and training strategy developed pursuant to the TFA. The report will include an implementation plan and cost estimates, with future refinement to be provided in the out-years.
TAS Response	TAS stands ready to assist the IRS in effectively implementing the taxpayer experience strategy, organizational redesign, and training strategy being developed pursuant to the TFA and is ready to support the IRS with TAS's expertise acquired through decades of experience in interacting with and assisting taxpayers and their representatives.

TAS Recommendation	[1-13] Provide the necessary funding to the IRS for the adequate staffing, budget, and technology needed to provide a robust, world class customer service experience.
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IRS Response	N/A – Congressional Recommendation
IRS Action	N/A
TAS Response	N/A

MSP #2: INFORMATION TECHNOLOGY MODERNIZATION: The IRS Modernization Plan’s Goal to Improve the Taxpayer Experience Is Commendable, But the IRS Needs Additional Multi-Year Funding to Bring It to Fruition

PROBLEM

Aging IRS information technology (IT) infrastructure continues to plague the IRS and directly impact taxpayers. To address the IRS’s failing IT infrastructure and its need for updated technology, the IRS developed its Integrated Modernization Business Plan (Plan), which aims to improve “the taxpayer experience, by modernizing core tax administration systems, IRS operations and cybersecurity.” While this Most Serious Problem raises a few issues with the Plan, if implemented, the Plan would greatly improve the IRS’s IT infrastructure, make tax administration more efficient, and enable the IRS to provide better taxpayer service. While the Plan does not address all of the IRS’s IT issues, for the IRS to make any progress in modernizing its systems, its efforts must be fully funded.

TAS Recommendation	[2-1] Modify the Plan to conform to the requirements of the TFA, by itemizing the anticipated project costs and potential risks if the Plan is not fully funded.
IRS Response	IRS agrees to implement TAS recommendation in part.
IRS Action	As required by the TFA, the IRS is developing a multi-year strategic plan for its information technology needs. This strategic plan will supplement the Modernization Plan with additional commentary, including workforce needs, enterprise architecture concepts, and alignment with the IRS Strategic plan. The IRS also updates the Modernization Plan at least annually, itemizing the expected costs and risks for each of the programs within the plan.

TAS Response	<p>We appreciate the IRS's commitment to take these actions. This issue is further exacerbated by the impact of COVID-19 and the IRS's ability to work remotely with the necessary systems in place.</p>
TAS Recommendation	<p>[2-2] Conduct independent verification and validation of the updated plan to verify that it will result in complete modernization of IRS IT systems, similar to the independent verification and validation required in the TFA of the CADE 2 and ECM systems. The IRS should include for all modernization projects a process and plan to release funding as results are demonstrated in the programs relating to taxpayer and/or customer experience improvements.</p>
IRS Response	<p>IRS agrees to implement TAS recommendation in part.</p>
IRS Action	<p>Consistent with the Consolidated Appropriations Act of 2020 (PL 116-93), GAO is directed to conduct an annual review of Business Systems Modernization (BSM) funded initiatives — <i>i.e.</i>, the Modernization Plan.</p> <p>This independent assessment largely fulfills the intent of NTA's recommendation; therefore, an additional independent assessment will not be pursued. The IRS will rely upon this assessment, and act upon GAO's recommendations each year when it updates the Modernization Plan.</p>
TAS Response	<p>We understand the IRS's desire to avoid an overlap of responsibilities, given limited funding. However, the GAO annual review does not ensure a complete modernization of IRS IT; it is merely a review after the fact. The IRS would benefit from developing a process and plan to release funding as results are demonstrated in the programs relating to taxpayer and/or customer experience improvements.</p>

TAS Recommendation	[2-3] Include in future modernization plans the modernization of the BMF system.
IRS Response	<p>IRS does not agree to implement TAS recommendation.</p> <p>We agree with the importance of the Business Master File (BMF) and continued modernization of the business taxpayer experience in parallel with improvements to the individual taxpayer experience. The IRS continues to make improvements for business taxpayers in fiscal years 2019 and 2020, including customer callback on the employment tax phone application, integration of BMF data with ECM, and digital communication pilots with several types of individual, business, and tax-exempt customers. With the limited resources available for modernization of those programs already prioritized by the organization, modernization of the BMF will not be considered at this time.</p>
IRS Action	N/A
TAS Response	We ask that the IRS keep open the possibility of modernizing its BMF system.
TAS Recommendation	[2-4] Provide the IRS with additional dedicated multi-year funding to replace its aging IT systems pursuant to a plan that sets forth specific goals and metrics and is evaluated annually by an independent third party.

IRS Response	N/A – Congressional Recommendation
IRS Action	N/A
TAS Response	N/A

MSP #3: IRS FUNDING: The IRS Does Not Have Sufficient Resources to Provide Quality Service

PROBLEM

Due to antiquated technology, a smaller workforce, and an increasing workload, the IRS cannot provide quality service without additional funding.

TAS Recommendation	[3-1] The National Taxpayer Advocate recommends that Congress provide the IRS with sufficient funding to improve taxpayer service and modernize its information technology systems. Any increase in funding for enforcement should be coupled with sufficient additional funding for service and operations support to ensure the enforcement actions do not unduly harm taxpayers.
IRS Response	N/A – Congressional Recommendation
IRS Action	N/A
TAS Response	N/A

MSP #4: PROCESSING DELAYS: Refund Fraud Filters Continue to Delay Taxpayer Refunds for Legitimately Filed Returns, Potentially Causing Financial Hardship

PROBLEM

The IRS has designed a number of filters to assist in the detection and prevention of non-identity theft (non-IDT) refund fraud (the Pre-Refund Wage Verification Hold Program or PRWVH). Despite improvements to this program for the 2019 filing season, issues persisted that affected both taxpayers and TAS, including: delays in releasing legitimate refunds, false positive rates (FPR) as high as 71 percent, and inadequate information as to the reasons for refund delays and what steps taxpayers can take to expedite the process.

TAS Recommendation	[4-1] Work with SSA to speed up the transmission of paper W-2 data to earlier in the year.
IRS Response	IRS agrees to implement TAS recommendation in full.
IRS Action	<p>In 2019, the IRS established a working group with SSA focused on opportunities to mitigate fraud through information sharing, analytics, and risk management. One sub-group focuses specifically on wage reporting and efficient sharing of information to combat fraud.</p> <p>Also, as part of the Taxpayer First Act, requirements or thresholds for businesses to electronically file information returns such as the Form W-2 were lowered. Currently, companies filing more than 250 Forms W-2 are required to electronically file. In 2021, the threshold drops to 100 Forms W-2. By 2022, businesses that file more than 10 Forms W-2 will be required to electronically file. This change will result in a sharp decrease in the number of paper Forms W-2 that must be transcribed by the SSA before transmission to the IRS.</p>

<p style="text-align: center;">TAS Response</p>	<p>Both the IRS's efforts to work with the SSA and the provision in the Taxpayer First Act that authorizes the IRS to require more employers to file W-2s electronically will undoubtedly result in more information getting to the IRS sooner, thereby resulting in returns being verified faster. TAS will continue to work with the IRS to identify ways in which the IRS can obtain more information earlier in the filing season.</p>
<p style="text-align: center;">TAS Recommendation</p>	<p>[4-2] Identify acceptable FPR and Operational FPR ranges each year as part of its refund fraud projections.</p>
<p style="text-align: center;">IRS Response</p>	<p>IRS agrees to implement TAS recommendation in part.</p>
<p style="text-align: center;">IRS Action</p>	<p>Every year the IRS examines different fraud scenarios and their impact on taxpayers, revenue protected, false detections, and IRS workload to set refund fraud projections, including a projected False Positive Rate (FPR).</p> <p>The IRS continues to explore ways to improve the FPR. As TAS notes, the FPR dropped by 10 percent in one year and the speed of resolution increased. To the extent we are able to improve models and more effectively separate out true and false positives, we will explore scenarios resulting in further decreases in FPR. As more information returns are e-filed, resolution times are expected to continue to decrease. The IRS continues to strive to minimize the burden of these detections while protecting taxpayers and government revenue from the risks posed by third-party data breaches and highly sophisticated cybercriminals.</p>
<p style="text-align: center;">TAS Response</p>	<p>TAS looks forward to continuing to work with the IRS on identifying the appropriate balance between protecting revenue and reducing burden on taxpayers who file legitimate returns by lowering both the FPR and the Operational FPR, particularly in circumstances where processing times cannot be reduced.</p>

TAS Recommendation	[4-3] Continue to learn from the returns that were part of the FPR to further refine the filters and continually work to lower the false positive rate.
IRS Response	IRS agrees to implement TAS recommendation in full.
IRS Action	The IRS continually evaluates changes in the tax system and makes improvements to our refund fraud detection methods, including refining our filters. We continue to improve the filters using a variety of methodologies, algorithms, data sets, and techniques to help stay ahead of fraudsters. We evaluate and monitor the performance of each filter on a weekly basis and adjust filters that are not performing as expected. We apply lessons learned from confirmed cases and consider emerging trends. We will continue to rebuild and refresh our filters and models each year to better detect emerging schemes, taking into account historical patterns. We continually explore ways to improve the false positive rate while ensuring protection to legitimate taxpayers' accounts.
TAS Response	TAS will continue to work with the IRS to identify the appropriate balance between revenue protection, FPRs, and processing times.
TAS Recommendation	[4-4] Increase RIVO staffing to improve the processing time for validating information on returns, and assigning returns to a compliance stream for further treatment.

IRS Response	IRS agrees to implement TAS recommendation in full.
IRS Action	The IRS is hiring additional staff in the Return Integrity Verification Operation (RIVO). In addition, we continually explore ways to enhance processes to improve the taxpayer experience, such as automating manual processes to reduce process times. Automation is contingent on Information Technology resources.
TAS Response	The additional hiring in RIVO, depending on the level, will help reduce processing times and will address RIVO's limited resources. TAS will continue to advocate that the IRS adopt automated processes where possible while reducing processing times for its manual work and thus reducing processing times across the board.

TAS Recommendation	[4-5] Send an interim letter every 60 days to all taxpayers whose returns it is holding in the PRWVH.
IRS Response	IRS agrees to implement TAS recommendation in full.
IRS Action	The IRS has implemented changes to provide taxpayers in the Pre-Refund Wage Verification Hold Program (PRWVH) a status letter every 60 days.

TAS Response	Ensuring that taxpayers receive a status letter every 60 days will appropriately observe the taxpayers' <i>right to be informed</i> , ensuring that taxpayers are aware of the status of their return and what steps they can take to resolve the issue causing the delay.
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TAS Recommendation	[4-6] Revise Letter 4464C Initial Contact Notice instructing taxpayers to review their returns to verify the income and withholding reported is accurate and correct, and if a mistake is identified, to file an amended return.
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IRS Response	IRS agrees to implement TAS recommendation in full.
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IRS Action	We have revised Letter 4464C to instruct taxpayers to review their returns, verify they are accurate, and submit an amended return if necessary.
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TAS Response	TAS is working with the IRS to include necessary revisions to Letter 4464C. These revisions recommend taxpayers review their returns and all income information statements to ensure all income and withholding matches the information reported on the return and what to do if there is a discrepancy. This will assist in hastening the receipt of their refunds.
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<p style="text-align: center;">TAS Recommendation</p>	<p>[4-7] Instruct RIVO to send Letter 86C, Referring Taxpayer Inquiry/Forms to Another Office, informing taxpayers that it has referred their return to another IRS function, and providing them with the name of the specific function and contact information.</p>
<p style="text-align: center;">IRS Response</p>	<p>IRS does not agree to implement TAS recommendation.</p> <p>The IRS agrees that keeping taxpayers informed of their case status is important; however, with our systemic Questionable Return Program (QRP) process, we are unable to provide specific contact information regarding the site/employee at this time. Although not issuing the Letter 86C, RIVO will collaborate with other functions to encourage a timely issuance of their initial contact letter after receipt of the referral. RIVO has also implemented an interim letter process for QRP referrals to the Automated Questionable Credit.</p>
<p style="text-align: center;">IRS Action</p>	<p>N/A</p>
<p style="text-align: center;">TAS Response</p>	<p>TAS will continue to work with RIVO to identify opportunities where the taxpayer can be better informed as to the status of his or her return, including its assignment to another IRS workstream for further review and analysis.</p>

MSP #5: FREE FILE: Substantial Free File Program Changes Are Necessary to Meet the Needs of Eligible Taxpayers

PROBLEM

To increase electronic filing (e-filing), the IRS partners with Free File, Inc. (FFI), a group of private-sector tax return preparation software providers, to offer free federal tax preparation software products accessible through IRS.gov to approximately 105 million eligible taxpayers. While the rate of e-filing has approached 90 percent for tax year 2018 individual returns, less than two percent (or about 2.5 million returns) were filed using Free File program software products. In addition, data on repeat usage suggests that taxpayers who use Free File have generally been dissatisfied with it. Among taxpayers who used Free File software in 2017, nearly half (47 percent) did not use Free File software again in 2018. Based on issues raised by ProPublica, an assessment of the program by MITRE Corporation, and previous concerns raised by the Taxpayer Advocate Service, the National Taxpayer Advocate believes that the current program is not promoting the best interests of taxpayers. FFI member companies are steering eligible taxpayers away from their Free File program software products and toward their commercial products. In addition, cross-marketing of fee-based services on Free File program software can confuse taxpayers and gives the impression of IRS endorsement. Moreover, the low usage rate of the program proves that the program is not meeting the needs and preferences of eligible taxpayers. Finally, the IRS does not perform routine quality testing of the Free File program software.

TAS Recommendation	[5-1] Explicitly prohibit the use of special coding by FFI members to exclude Free File program software from organic searches on search engines.
IRS Response	IRS agrees to implement TAS recommendation in full.

IRS Action	The IRS recognized there were inconsistencies in approaches by the member companies regarding web searches. As with other changes to the program, this specific change was made in an addendum to the Memorandum of Understanding (MOU) signed on December 26, 2019 stating “FFI Members are prohibited from engaging in any practice that would cause the Member’s Free File Landing Page to be excluded from an organic internet search. Each FFI Member shall standardize the naming of its Free File offer listed on the IRS Free File Website and the Member Free File Landing Page so taxpayers can link to the Member’s Free File Landing Page from organic searches.”
TAS Response	The IRS has addressed the previous questionable marketing practices in the recent addendum to the MOU with FFI.

TAS Recommendation	[5-2] Collaborate with the National Taxpayer Advocate and the FFI member companies to determine the best way to eliminate confusion between Free File program products and other non-program free software offered by FFI members.
IRS Response	IRS agrees to implement TAS recommendation in full.
IRS Action	<p>The IRS, in conjunction with FFI, implemented a revised naming convention to bring more clarity to the Free File software products. The recently signed MOU addendum requires all Free File members to name their Free File products “IRS Free File Program delivered by (company name or product name)”. The same naming convention is in place on each member’s Free File landing page, as well as the IRS.gov/FreeFile website. Taxpayers will readily see when they are using a Free File product because it uses this new naming convention.</p> <p>The IRS will collaborate with stakeholders, including the NTA, to better understand the taxpayer experience differentiating between the IRS and member websites and find a means to measure and track customer satisfaction within the limited IRS budget.</p>

<p>TAS Response</p>	<p>We agree that the new required naming convention will benefit taxpayers and prevent unnecessary confusion. We look forward to collaborating with the IRS to better understand the taxpayer experience and address any remaining taxpayer confusion.</p>
<p>TAS Recommendation</p>	<p>[5-3] Collaborate with the National Taxpayer Advocate as it responds to the MITRE 2019 Free File Report recommendations.</p>
<p>IRS Response</p>	<p>IRS agrees to implement TAS recommendation in part.</p>
<p>IRS Action</p>	<p>We continue to review recommendations from the MITRE 2019 Free File report. We will collaborate with stakeholders, including the NTA, to collect input for our consideration when implementing MITRE's recommendations.</p>
<p>TAS Response</p>	<p>We look forward to collaborating with the IRS on the implementation of MITRE's recommendations.</p>

TAS Recommendation	[5-4] Conduct research to determine why taxpayers eligible to use the Free File program, particularly economically disadvantaged and underserved populations, chose their method of return preparation, including fee-based methods.
IRS Response	IRS agrees to implement TAS recommendation in full.
IRS Action	The IRS recognizes there is a need to better understand why taxpayers make the choices they do. A behavioral and awareness study will be undertaken to further explore decisions needed for the program.
TAS Response	The IRS has committed to conduct the recommended research on taxpayers, including the economically disadvantaged and underserved populations, on why they choose different methods of preparation.
TAS Recommendation	[5-5] Develop actionable goals for the Free File program before entering into a new agreement that, among other things, provide targeted use percentages aimed to substantially increase taxpayer usage and increase the percentage of taxpayers who continue to use the program from year to year.

IRS Response	IRS agrees to implement TAS recommendation in part.
IRS Action	We agree to study the issue and use data gathered this year, in addition to customer and stakeholder input, to determine the appropriate goals prior to negotiating a new agreement.
TAS Response	The IRS has committed to develop appropriate goals before renegotiating a new agreement with FFI. We recommend the IRS develop goals that include targeted use percentages aimed at substantially increasing both taxpayer usage and the percentage of taxpayers who continue to use the program from year to year.

TAS Recommendation	[5-6] Work with the National Taxpayer Advocate to create measures evaluating taxpayer satisfaction with the Free File program and test each return preparation software's ability to complete various forms, schedules, and deductions.
IRS Response	IRS agrees to implement TAS recommendation in part.

<p style="text-align: center;">IRS Action</p>	<p>The IRS agrees to evaluate taxpayer satisfaction with the Free File program and use those results to improve Free File. To that end, in the MOU addendum from December 2019, FFI agreed to begin a survey process for successful Free File users. This is the first step of an iterative process to survey taxpayers regarding their customer experience and satisfaction.</p> <p>All commercial versions of software that electronically file returns go through the Assurance Testing System (ATS) for Modernized e-File (MeF) Individual Tax Returns to make sure the basic computations are correct. Free File products are identical to the basic product software partners offer in the commercial marketplace. The IRS disagrees with testing software products using taxpayer scenarios. The IRS does not perform, and has no authority to perform, testing on private-sector products, of which Free File is a subset.</p> <p>We established an online email address and are responding to taxpayer inquiries, as well as identifying common issues to consider as improvement opportunities for the Free File program.</p>
<p style="text-align: center;">TAS Response</p>	<p>The IRS has the authority to test the Free File program products beyond the Assurance Testing System (ATS) for Modernized e-File (MeF) Individual Tax Returns that it currently performs on all private sector products. The Free File program is a contractual arrangement between the IRS and FFI, and the terms are periodically updated. In addition, taxpayers can access the Free File program products through the IRS website, and the products now use the naming convention “IRS Free File Program delivered by (company name or product name).” Therefore, it is reasonable for taxpayers to assume that the IRS endorses the program products and performs testing of the products’ content (in addition to technological compatibility).</p>

<p style="text-align: center;">TAS Recommendation</p>	<p>[5-7] Conduct customer satisfaction surveys and routine quality testing of each Free File program software product to determine clarity of prompts, accuracy of preparation, ease of navigation, and coverage of forms and schedules.</p>
<p style="text-align: center;">IRS Response</p>	<p>IRS agrees to implement TAS recommendation in part.</p>

<p style="text-align: center;">IRS Action</p>	<p>The recent MOU addendum states: "...FFI members shall use a statistically valid methodology to randomly select and uniformly survey taxpayers who successfully e-filed a tax return through the Free File program. This is the first step of an iterative process to survey taxpayers regarding their customer experience and satisfaction." The IRS will receive quarterly and annual findings from this process to help inform future decisions.</p> <p>While the IRS and FFI currently require a minimum listing of core Forms 1040 and schedules, most participating companies go beyond this requirement and offer nearly all available Forms 1040 and schedules. Participating companies guarantee the calculations performed by the federal Free File offering.</p>
<p style="text-align: center;">TAS Response</p>	<p>The December 2019 addendum provides that FFI will conduct random surveys of successful Free File users. However, the IRS should take a more proactive role in the development and methodology of such surveys. Allowing the industry to develop and conduct the surveys and merely report the findings to the IRS on a quarterly and annual basis does not go far enough. The IRS should have the authority to approve the language of the survey questions as well as the survey methodology.</p>

<p style="text-align: center;">TAS Recommendation</p>	<p>[5-8] Redesign the Free File Software Lookup Tool to better direct taxpayers to software providers that best meet their circumstances.</p>
<p style="text-align: center;">IRS Response</p>	<p>IRS agrees to implement TAS recommendation in full.</p>
<p style="text-align: center;">IRS Action</p>	<p>The current Free File Software Lookup Tool allows taxpayers to enter criteria such as age, adjusted gross income, state of residence, and Earned Income Tax Credit or military pay received. The combinations of these criteria identify the specific companies that provide products to best fit the taxpayer's needs. We are in the process of improving this tool to better direct taxpayers to software providers. We expect these improvements to be made available in early summer 2020.</p>

TAS Response	The IRS is taking the recommended action to improve the Free File Software Lookup Tool. Taxpayers have a <i>right to quality service</i> and the IRS's provision of a useful tool to assist taxpayers in choosing the appropriate program product will improve the overall taxpayer experience.
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TAS Recommendation	[5-9] Provide more Free File program options for ESL taxpayers.
IRS Response	IRS agrees to implement TAS recommendation in part.
IRS Action	For the 2020 filing season, two FFI members are offering Free File software in Spanish. We appreciate the NTA's perspective that the program is helpful enough to expand the program to non-English speaking taxpayers.
TAS Response	Two program software products offered in Spanish are a good start. We encourage the IRS to work with FFI to offer program products in other common languages. For example, IRS.gov provides tax information in Spanish, Mandarin Chinese, Korean, Russian, and Vietnamese.

TAS Recommendation	[5-10] Prepare an advertising and outreach plan to make taxpayers, particularly in underserved communities, aware of the Free File program.
IRS Response	IRS agrees to implement TAS recommendation in part.
IRS Action	The IRS welcomes ideas from the NTA to increase awareness of the Free File program among underserved populations. The IRS does not have marketing funds to pursue an advertising campaign to increase Free File program awareness. However, we are building onto our communications plan to increase program awareness. The IRS issues a multitude of traditional news releases and social media promotions that include key messages about Free File on IRS.gov, as well as references in the Form 1040 instructions.
TAS Response	We understand that the IRS has no funds to pursue an advertising campaign, and we welcome the opportunity to collaborate with the IRS on additional ways to increase taxpayer awareness of the Free File program.

TAS Recommendation	[5-11] Mandate that the IRS, in consultation with the National Taxpayer Advocate, submit a report to Congress by June 30, 2020, summarizing the actions it has taken to address the recommendations made by the MITRE 2019 Free File report as well as recommendations made by the National Taxpayer Advocate herein to improve the Free File program by Filing Season 2021.
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IRS Response	N/A – Congressional Recommendation
IRS Action	N/A
TAS Response	N/A

TAS Recommendation	[5-12] Direct the IRS to set a goal of increasing the usage rate of the Free File program to a significantly higher yet attainable level (e.g., ten percent of the 70 percent of taxpayers eligible to use the program) and a goal of increasing the retention rate to 75 percent of taxpayers who used Free File in the preceding year and, if those goals are not attained by 2025, to replace Free File with an alternative approach to make tax software available to taxpayers at no or low-cost, including through the use of sole-source or multi-source contracts with tax software companies.
IRS Response	N/A – Congressional Recommendation
IRS Action	N/A

TAS Response	N/A
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MSP #6: RETURN PREPARER STRATEGY: The IRS Lacks a Comprehensive Servicewide Return Preparer Strategy

PROBLEM

Considering that about 80 million tax year 2018 individual tax returns were prepared by return preparers, and preparers interact with most functions of the IRS, the development of a comprehensive return preparer strategy is long overdue. In 2019, the IRS developed a preparer misconduct study in response to a 2018 recommendation by the Treasury Inspector General for Tax Administration. However, preparer misconduct issues are only one component of a truly comprehensive Servicewide return preparer strategy. In addition to addressing misconduct issues, the National Taxpayer Advocate recommends that the IRS develop a comprehensive strategy with the following components:

- Emphasize the taxpayer's *right to retain representation*;
- Encourage return preparer competency within the bounds of its authority;
- Address the current lack of transparency in preparer fees;
- Incorporate a comprehensive taxpayer education campaign;
- Restrict access to confidential taxpayer information on online applications to only those preparers over whom the IRS has oversight authority; and
- Track preparer noncompliance data by type of preparer.

TAS Recommendation	[6-1] The National Taxpayer Advocate recommends that the IRS develop a comprehensive servicewide return preparer strategy that references the taxpayer's <i>right to retain representation</i> in the mission of the strategy.
IRS Response	IRS does not agree to implement TAS recommendation. The taxpayer's right to retain representation is a fundamental right for all taxpayers under the Taxpayer Bill of Rights; therefore, it is not necessary to address as a separate item in the return preparer strategy.

IRS Action	N/A
TAS Response	We continue to recommend that the IRS prominently reference the taxpayer's <i>right to retain representation</i> in the SWPS. This reference, ideally in the mission statement, will serve as a reminder to all IRS employees who implement this strategy of the need to protect this fundamental taxpayer right even as they address potential preparer noncompliance.

TAS Recommendation	[6-2] The National Taxpayer Advocate recommends that the IRS develop a comprehensive servicewide return preparer strategy that increases preparer competency through outreach and education to preparers before any detection of noncompliance.
IRS Response	IRS agrees to implement TAS recommendation in part.
IRS Action	The IRS will continue to address preparer competency. Outreach and education for preparers is ongoing and is provided through various avenues, such as the National Tax Forums, Stakeholder Liaison efforts, meetings with professional associations and various industry stakeholders, webinars, and a wealth of resources on IRS.gov, including a Tax Preparer Toolkit that provides resources and continuing education opportunities for preparers. The IRS also sends eNews articles, Quick Alerts, and social media messages to tax practitioners whenever new tax legislation is passed and implemented. The IRS continually engages with our tax professional partners through the Refundable Credit Summits and the Software Developers Working Group to share information and discuss challenges and lessons learned within the preparer community, with the goal of improving the quality of tax returns filed claiming refundable credits and other benefits. These activities will continue as part of the overall return preparer strategy.

<p style="text-align: center;">TAS Response</p>	<p>While the preparer and taxpayer outreach and education mentioned by the IRS is important, the IRS should explore other ways it can increase preparer competency within its authority. For example, the strategy could include a goal to increase participation in the Annual Filing Season Program.</p>
<p style="text-align: center;">TAS Recommendation</p>	<p>[6-3] The National Taxpayer Advocate recommends that the IRS develop a comprehensive servicewide return preparer strategy that requires disclosure of fees charged in connection with the preparation and filing of tax returns and enforce such requirements.</p>
<p style="text-align: center;">IRS Response</p>	<p>IRS does not agree to implement TAS recommendation.</p> <p>The IRS does not have authority to impose or enforce a requirement to disclose fees charged in connection with the preparation and filing of tax returns.</p>
<p style="text-align: center;">IRS Action</p>	<p>N/A</p>
<p style="text-align: center;">TAS Response</p>	<p>Considering the significant burden imposed on taxpayers by the lack of transparency in fees charged by many preparers, as discussed in the MSP, the IRS should work with the Office of Chief Counsel to determine if it has the authority to impose and enforce fee disclosure requirements on preparers.</p>

TAS Recommendation	[6-4] The National Taxpayer Advocate recommends that the IRS develop a comprehensive servicewide return preparer strategy that includes a comprehensive public education campaign, particularly to low-income and other taxpayer populations that are vulnerable to unskilled and unethical preparers. Such a campaign should provide information to taxpayers about preparer roles, responsibilities, requirements, and reporting misconduct.
IRS Response	IRS agrees to implement TAS recommendation in full.
IRS Action	Each year, the IRS hosts an annual “EITC Awareness Day,” which is a nationwide effort to provide taxpayers more information about the Earned Income Tax Credit (EITC) through traditional and social media channels and to promote use of the EITC Assistant on IRS.gov. The 14th EITC Awareness Day was held on January 31, 2020. Using available communication resources to reach the broadest range of taxpayers, the annual EITC Awareness Day News Release informs the tax community where they can find information regarding the Free-File, Volunteer Income Tax Assistance (VITA), and Tax Counseling for the Elderly (TCE) programs. In addition, news releases inform the tax community how to choose a paid preparer and include instructions on how to report unscrupulous preparers. This information is also available on IRS.gov.
TAS Response	Based on the IRS response, existing IRS communications, especially those associated with EITC Awareness Day, amount to the recommended comprehensive public education campaign.

TAS Recommendation	[6-5] The National Taxpayer Advocate recommends that the IRS develop a comprehensive servicewide return preparer strategy that limits access to confidential taxpayer information through online applications to only those preparers over whom the IRS has oversight authority.
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IRS Response	IRS agrees to implement TAS recommendation in part.
IRS Action	The Office of Professional Responsibility's (OPR's) standard operating procedures and electronic case management systems already limit access to confidential taxpayer information to only those preparers over whom the OPR has oversight authority through Circular 230. The future online account application for tax professionals is being evaluated by Online Services (OLS). Discussions regarding implementation and funding are ongoing.
TAS Response	We look forward to working with OLS as it continues to plan the implementation of the tax professional online application.

TAS Recommendation	[6-6] The National Taxpayer Advocate recommends that the IRS develop a comprehensive servicewide return preparer strategy that routinely tracks preparer noncompliance data by type of designation.
IRS Response	IRS does not agree to implement TAS recommendation. The IRS does not track preparer noncompliance data by type of designation for several reasons. The designation in the Preparer Tax Identification Number (PTIN) system is self-reported and not always accurate regarding preparer type. In addition, preparer designations change and expire, and some preparers hold multiple designations. Finally, the IRS has seen no evidence that tracking noncompliance by type of designation will impact overall noncompliance. However, the IRS does analyze preparer data to identify non-compliance and to determine the appropriate enforcement approach.
IRS Action	N/A

TAS Response	While data on noncompliance by preparer designation may be imprecise due to the reasons cited by the IRS, maintaining and analyzing this data would still prove useful. Tracking noncompliance by preparer type could identify trends and enable the IRS to provide outreach and education as well as compliance treatments in a more targeted manner.
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TAS Recommendation	[6-7] The National Taxpayer Advocate recommends that the IRS collaborate with TAS in the development of the comprehensive servicewide return preparer strategy.
IRS Response	IRS agrees to implement TAS recommendation in full.
IRS Action	TAS is currently represented on the return preparer strategy team.
TAS Response	TAS looks forward to continued participation on the SWPS team.

TAS Recommendation	[6-8] The National Taxpayer Advocate recommends that the IRS incorporates service to return preparers into the comprehensive taxpayer service strategy mandated by the Taxpayer First Act, because return preparers are customers of the IRS and important vehicles of taxpayer compliance.
IRS Response	IRS agrees to implement TAS recommendation in full.
IRS Action	The IRS is taking a holistic approach to developing the comprehensive taxpayer service strategy mandated by the Taxpayer First Act. This approach includes consideration of tax professionals in their dual roles as customers of IRS services and service providers to their clients (taxpayers). The Taxpayer First Act Office will continue to look for opportunities to grow and strengthen trusted partnerships with the tax professional community and their comprehensive taxpayer service strategy will be detailed in the written report to Congress required by section 1101 of the Taxpayer First Act.
TAS Response	Considering the important role preparers play in the tax system, it is crucial that the IRS Comprehensive Customer Service Strategy addresses service to preparers. As a result, coordination of the SWPS with the service strategy is essential.

TAS Recommendation	[6-9] The National Taxpayer Advocate recommends that Congress amend Title 31, § 330 of the U.S. Code to authorize the Secretary to establish minimum standards for federal tax return preparers.
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IRS Response	N/A – Congressional Recommendation
IRS Action	N/A
TAS Response	N/A

MSP #7: APPEALS: The Inclusion of Chief Counsel and Compliance Personnel in Taxpayer Conferences Undermines the Independence of the Office of Appeals

PROBLEM

The Office of Appeals' (Appeals) emphasis on including Counsel and Compliance in certain conferences fundamentally alters the role of Appeals and runs counter to the congressional priority of an independent Appeals process. Currently, Appeals is not gathering sufficient quantitative and qualitative data to adequately evaluate the success of a pilot program to study the effects of this inclusion. However, anecdotal reports of tax practitioners participating in the pilot validate the National Taxpayer Advocate's prior reservations about the involvement of Counsel and Compliance in conferences.

TAS Recommendation	[7-1] Compile quantitative data regarding the efficiency and outcomes of pilot proceedings and publish that data when the pilot is complete.
IRS Response	<p>IRS does not agree to implement TAS recommendation.</p> <p>Appeals considers qualitative data more informative than quantitative data in evaluating the success of this pilot. The cases involved in the pilot are Appeals' largest and most complex cases, involving unique, varied, and non-homogenous issues. Therefore, an analysis of quantitative data alone is unlikely to inform a conclusion about the success of the pilot. A better evaluation of the pilot is whether the parties to the dispute found the process helpful, and whether the Appeals Officer obtained a better understanding of the substance of the dispute that was useful in formulating a settlement basis with the taxpayer.</p>
IRS Action	N/A
TAS Response	Although qualitative information is important, quantitative data also represents an indispensable resource for evaluating the impact of the pilot on taxpayers.

TAS Recommendation	[7-2] Carefully consider and publish the reactions of taxpayers and tax practitioners who participate in the pilot.
IRS Response	IRS agrees to implement TAS recommendation in full.
IRS Action	The IRS Independent Office of Appeals will carefully consider and publish the reactions of taxpayers and tax practitioners who participate in the pilot on the IRS website at www.irs.gov .
TAS Response	TAS applauds Appeals for its commitment to compile and publish the reactions of pilot participants.
TAS Recommendation	[7-3] Regardless of the pilot's outcome, only include Counsel and Compliance in appeals conferences with taxpayers' consent. To the extent taxpayers do not agree to this participation, offer the parties the possibility of nonbinding mediation as a means of resolving or narrowing their differences through collaborative exploration of factual and legal disputes prior to an appeals conference.

IRS Response	<p>IRS does not agree to implement TAS recommendation.</p> <p>The IRS Independent Office of Appeals will make decisions about the participation of Compliance and Counsel at Appeals conferences after the conclusion of the pilot.</p>
IRS Action	N/A
TAS Response	TAS continues to believe that including Counsel and Compliance in Appeals conferences against the wishes of taxpayers compromises Appeals' independence and jeopardizes its mission.

TAS Recommendation	[7-4] If the participation of Counsel and Compliance continues after the pilot, restrict this participation to ATCL cases, other than in exceptional circumstances.
IRS Response	<p>IRS does not agree to implement TAS recommendation.</p> <p>The IRS Independent Office of Appeals will make decisions about the participation of Compliance and Counsel at Appeals conferences after the conclusion of the pilot.</p>
IRS Action	N/A

**TAS
Response**

At a minimum, if the participation of Counsel and Compliance is adopted in the future, it should be limited to large cases under the jurisdiction of LB&I.

MSP #8: MULTILINGUAL NOTICES: The IRS Undermines Taxpayer Rights When It Does Not Provide Notices in Foreign Languages

PROBLEM

Persons with limited English proficiency (LEP) do not speak English as their primary language and have a limited ability to read, speak, write, or understand English. Although Executive Order 13166 requires all federal agencies to develop and implement a system allowing LEP persons to meaningfully access services, LEP taxpayers frequently do not receive IRS notices in their preferred languages, impairing their *right to be informed*. Even when the IRS has a notice already translated into Spanish, taxpayers often have no simple way to request it or notate their accounts to reflect their preference. This resulted, for example, in the IRS sending in Spanish *only one out of almost a million* notices related to renewing Individual Taxpayer Identification Numbers (ITINs) during the most recent fiscal year, 2019. Additionally, the IRS website fails to include notices and information about those notices in languages other than English.

TAS Recommendation	[8-1] Place a checkbox on Form 1040 to allow taxpayers to choose to receive their notices in Spanish and, as more notices are translated, expand the 1040 checkbox to languages other than Spanish.
IRS Response	IRS agrees to implement TAS recommendation in part.
IRS Action	As part of development of the IRS Enterprise Multilingual Strategy, the IRS is assessing the concept of gathering language preference information from taxpayers to help improve the experience for taxpayers with LEP. The manner in which taxpayers elect their preference is yet to be determined.
TAS Response	The development of a Schedule LEP, attached to the Form 1040, indicating language preference for notices, would aid in informing taxpayers and would be a useful tool toward compliance.

TAS Recommendation	[8-2] Incorporate language information from the ITIN Real Time System in the IRS’s account systems so that if a taxpayer files a Form W-7 in Spanish, an indicator is systemically placed on his or her accounts.
IRS Response	IRS agrees to implement TAS recommendation in part.
IRS Action	As part the development of the IRS Enterprise Multilingual Strategy, the IRS is considering options for capturing taxpayers language preferences and indicating that preference on the taxpayer’s account. Currently, if the taxpayer submits a Form W-7(SP), the account is noted and the ITIN assignment or renewal notice will generate in Spanish. Expansion to other forms is yet to be determined.
TAS Response	Currently, the language preference captured in the ITIN Real Time System is only applied to ITIN notices, despite other information from the ITIN Real Time System, such as address, being updated in other IRS systems. As the IRS’s Enterprise Multilingual Strategy is rolled out, we recommend the language preference in the ITIN Real Time System be shared with other systems and applied to additional notices.
TAS Recommendation	[8-3] Translate into the five most common non-English languages the IRS webpages that correspond to the four notices identified in the MSP (CP 11 – English Math Error on Return – Balance Due; Letter 105C – English Claim Disallowed; Letter 106C – English Claim Partially Disallowed; Letter 854C – English Penalty Waiver or Abatement Disallowed/Appeals Procedure Explained), along with other IRS webpages that correspond to other statutory notices and taxpayer rights.

IRS Response	IRS agrees to implement TAS recommendation in part.
IRS Action	As part of development of the IRS Enterprise Multilingual Strategy, the IRS is studying the translation of additional IRS webpages. The specific webpages to be translated, and the languages to be provided, are yet to be determined.
TAS Response	Translation of additional webpages would be beneficial to informing taxpayers of their rights. The IRS's commitment to providing multilingual information should include prioritizing the translation of the four webpages that TAS identified above in section 8.3, relating to key statutory notices.

TAS Recommendation	[8-4] Develop a plan to identify additional notices that provide statutory rights and webpages that specifically pertain to those notices to be translated into the top five LEP languages by using the LEP demographics. The plan should include options to create a hyperlink or scannable code on the notices that would direct an LEP taxpayer to a webpage providing alternate language templates of the notice.
IRS Response	IRS agrees to implement TAS recommendation in part.
IRS Action	As part of the development of the IRS Enterprise Multilingual Strategy, the IRS is developing a plan to identify additional notices to be translated. The specific notices and features to be added are yet to be determined.

TAS Response	As the development of the IRS Enterprise Multilingual Strategy is visualized, we are excited about working with the IRS to translate additional notices and provide features making it easier for taxpayers requesting notices in languages other than English.
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TAS Recommendation	[8-5] Create procedures similar to those used by the SSA to identify taxpayers who may have LEP, instruct employees to ask these taxpayers about language preference, and allow employees to mark a taxpayer's account to reflect this preference.
IRS Response	IRS agrees to implement TAS recommendation in part.
IRS Action	As part the Enterprise Multilingual Strategy development activities, the IRS is considering options for capturing a taxpayer's language preferences and placing that information on the taxpayer's account. The specific methods for doing so are yet to be determined.
TAS Response	The IRS's plans to capture taxpayer language preference through employee contacts will benefit taxpayers. We recommend the IRS consider reviewing the practices of other agencies, such as the Social Security Administration.

TAS Recommendation	<p>[8-6] Place a note on all correspondence providing taxpayers with instructions explaining how to receive their notices in languages other than English.</p>
IRS Response	<p>IRS agrees to implement TAS recommendation in part.</p>
IRS Action	<p>As part of developing the IRS Enterprise Multilingual Strategy, the IRS is assessing the concept of gathering language preference information from taxpayers to help improve the experience for LEP taxpayers. The way in which we communicate instructions to taxpayer is still to be determined.</p>
TAS Response	<p>Including a multilingual insert in the top ten notices is a positive step toward the recommendation. However, we request the IRS provide a website address on all taxpayer notices referencing instructions to solicit notices in other languages.</p>
TAS Recommendation	<p>[8-7] Expand the LEP indicator and use the indicator to centrally coordinate and record the issuance of notices in languages other than English.</p>

IRS Response	IRS agrees to implement TAS recommendation in part.
IRS Action	As part of the Enterprise Multilingual Strategy development activities, the IRS is studying options to capture a taxpayer's language preferences and indicate those preferences on the taxpayer's account. The IRS will also explore how best to generate notices in the taxpayer's preferred language. The ways in which this information will be used to issue notices and the languages in which those notices will be provided are yet to be determined.
TAS Response	TAS will continue to work with the IRS on language preference options for taxpayers' accounts for the purpose of generating notices in their chosen language.

MSP #9: COMBINATION LETTERS: Combination Letters May Confuse Taxpayers and Undermine Taxpayer Rights

PROBLEM

The IRS uses the Combination Letter, which combines the Initial Contact Letter and the 30-Day Letter, in hundreds of thousands of correspondence audits. In fiscal years (FYs) 2015 to 2019, the IRS used the Combination Letter in approximately 16 percent, or about 500,000, audits. When the IRS combines two letters with very different functions, taxpayers may experience:

- Insufficient time to provide necessary documentation and resolve questionable items;
- Confusion because the inclusion of the audit report in the initial contact gives the appearance that the result of the audit is a foregone conclusion;
- Insufficient understanding of their right to appeal and the related timeframe; and
- A lower likelihood of responding to the letter as compared to taxpayers who received two separate letters.

Despite the problems Combination Letters create for taxpayers, the IRS Wage and Investment Division has plans to expand its use of the letters.

TAS Recommendation	[9-1] Discontinue the use of Combination Letters and provide all taxpayers undergoing an examination with a separate Initial Contact Letter and 30-Day Letter, providing taxpayers with sufficient time to submit documentation and explanations before issuing the 30-Day Letter.
IRS Response	IRS does not agree to implement TAS recommendation. The IRS has previously acted to reduce the use of the Combination Letters. We use Combination Letters on a small percentage of cases in correspondence examinations, and only when the IRS already has internal information that supports the issues or evidence of prior IRS contact on the same issue. The taxpayer has the opportunity to dispute the facts and provide supporting or correcting documentation.

IRS Action	N/A
TAS Response	TAS welcomes the IRS's upcoming Combination Letter study and our joint participation toward improving taxpayer communication.

TAS Recommendation	[9-2] If the IRS chooses not to discontinue use of Combination Letters, it should work with the Taxpayer Advocate Service (TAS) on a joint study to track and compare Combination Letter data with Initial Contact Letter data to identify the causes of significant discrepancies between the two populations, as well as analyze potential issues and areas for improvement.
IRS Response	IRS agrees to implement TAS recommendation in part.
IRS Action	The IRS agrees on the importance of better understanding the customer experience. We will work with the Wage & Investment (W&I) Division Lean Six Sigma staff to identify potential areas for improvement. The Taxpayer Advocate Service (TAS) will be included on the team conducting the study.
TAS Response	TAS looks forward to working with the W&I Division Lean Six Sigma staff to identify potential areas for improvement. A key element of the study should include data measuring the actual impact Combination Letters have on taxpayer rights, IRS resources, taxpayer responsiveness, and the exercise of appeal rights.

TAS Recommendation	[9-3] Refrain from expanding the use of Combination Letters until research is conducted on the impact to taxpayers and the IRS.
IRS Response	IRS agrees to implement TAS recommendation in full.
IRS Action	We will refrain from expanding the use of Combination Letters to any new workstreams until the completion of the Lean Six Sigma Study noted in the IRS Response to Recommendation #9-2 is complete.
TAS Response	TAS appreciates IRS's commitment to refrain from expanding the use of the Combination Letter to new workstreams until the Lean Six Sigma Study has been completed.
TAS Recommendation	[9-4] If the IRS continues to use Combination Letters, work with TAS to redesign them to clearly communicate to taxpayers: <ol style="list-style-type: none"> a. Their tax return is under examination; b. The possible outcomes of the audit, including what happens if the taxpayer provides documentation the IRS deems inadequate; c. The timeframe in which they have to request an appeal and the factors that impact this timeframe; and d. The steps they must take to request an appeal.

IRS Response	IRS agrees to implement TAS recommendation in part.
IRS Action	We continuously look for opportunities to simplify and improve the clarity of notices and other communications to taxpayers. We will use the information from the study noted above in response to Recommendation #9-2 to determine if changes are necessary to the Combination Letters. The specifics of those changes are yet to be determined.
TAS Response	TAS welcomes IRS's decision to utilize the Lean Six Sigma study findings as a basis for determining necessary Combination Letter revisions.

TAS Recommendation	[9-5] Revise IRS Publication 3498-A, The Examination Process (Audits by Mail), to include guidance specific to the Combination Letter.
IRS Response	IRS does not agree to implement TAS recommendation. Publication 3498-A generally guides taxpayers through the audit process and explains their responsibilities and rights during and after an audit. The Publication does not list or provide information on specific letters, as there are numerous letters that are issued by the various examination functions in the IRS. Rather, each letter speaks to what actions need to be taken regarding the letter sent. Repeating information specific to a single letter in a publication for all letters issued by examination functions may be more confusing to taxpayers. However, we will evaluate the results of the study noted above in the IRS Response to Recommendation #9-2 to determine ways to improve our communications with taxpayers.
IRS Action	N/A

**TAS
Response**

We acknowledge that it may not be possible or necessary for Publication 3498-A to specifically address the numerous letters issued by the various examination functions in the IRS. We are optimistic that the IRS and TAS will come to an agreement on revised Combination Letter language.

MSP #10: OFFER IN COMPROMISE: The IRS’s Administration of the Offer in Compromise Program Falls Short of Congress’s Expectations

PROBLEM

When Congress granted the IRS broad authority to use offers in compromise (OICs) to accept less than the full amount due for some taxpayers, it urged the IRS to educate the public about OICs and adopt a liberal acceptance policy to provide an incentive for taxpayers to continue to file tax returns and pay their taxes. Both taxpayers and the IRS benefit when the IRS accepts an OIC; however, TAS research studies have shown that in 40 percent of returned and rejected OICs, the IRS never collects the amount offered by the taxpayer, much less the reasonable collection potential (RCP) it calculated. The National Taxpayer Advocate remains concerned that the IRS’s administration of the OIC program falls short of Congress’s expectations because the IRS oftentimes estimates a higher collection potential than the amount a taxpayer offers to compromise the liability, but then never collects that amount, rejecting viable OICs it could accept; the IRS generally fails to consider the effect of bankruptcy when considering an OIC; and the IRS is sending more accounts to its Automated Collection System (ACS) and private collection agencies (PCAs) resulting in less communication with taxpayers about OICs.

TAS Recommendation	[10-1] Conduct a follow-up study evaluating a statistically-valid sample of rejected OICs to determine the accuracy of future income calculations and why the IRS is not collecting the RCP.
IRS Response	<p>IRS does not agree to implement TAS recommendation.</p> <p>A 2018 IRS study found that revenue collection exceeded the amount originally offered in 71 percent of cash offers and 66 percent of deferred offers that were not accepted. Additionally, the FY 2019 offer acceptance rate climbed to 69 percent when removing those cases where the information the taxpayer provided did not allow us to make a collectability determination (acceptances/acceptances + rejections).</p> <p>When an OIC is rejected, we recognize that we will not collect the RCP or the taxpayer’s offered amount in every case. This is the nature of a settlement program. We believe the current policies and resulting acceptance rates are good not only for revenue but for taxpayer compliance overall.</p>
IRS Action	N/A

TAS Response	The 2018 IRS study shows that the IRS's RCP computation does not represent what the IRS will eventually collect in a little less than one-third of rejected OICs. This number is too large to be part of the "nature of a settlement program." Moreover, there is a financial cost to the IRS for keeping cases in CNC status or the Queue, and an unrealistic RCP formula erodes the taxpayer's <i>right to finality</i> .
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TAS Recommendation	[10-2] Review rejected OICs where taxpayers later declared bankruptcy and determine whether the policy should be revised to consider the effect of a potential bankruptcy on the RCP on all OICs rather than only those where the taxpayer threatens bankruptcy.
IRS Response	IRS agrees to implement TAS recommendation in full.
IRS Action	We will review a sample of rejected OICs where taxpayers later declared bankruptcy and determine whether the existing policy should be revised to consider the effect of a potential bankruptcy on the RCP on OICs other than those where the taxpayer indicates he or she may file for bankruptcy.
TAS Response	We welcome the implementation of this recommendation and the ability to analyze the review's results for situations involving rejected OICs where the taxpayers subsequently declared bankruptcy.

<p style="text-align: center;">TAS Recommendation</p>	<p>[10-3] Work with the National Taxpayer Advocate to develop a pilot program where the IRS sends informative, educational letters about the OIC program to taxpayers in CNC or shelved status.</p>
<p style="text-align: center;">IRS Response</p>	<p>IRS does not agree to implement TAS recommendation.</p> <p>As noted above, we have previously conducted three studies and invested significant resources reaching out to taxpayers to educate them on the OIC process, and all of them resulted in low response rates. It is possible there is little incentive for a taxpayer in a currently not collectible or shelved status to file an OIC, that many taxpayers with liabilities do not open letters from IRS, and that taxpayers may not have funds to make an offer or family or friends who are willing to lend them money for an offer. We include information about the OIC program in various billing notices to provide information on OICs early in the process, and we continue to promote the program through a variety of channels.</p>
<p style="text-align: center;">IRS Action</p>	<p>N/A</p>
<p style="text-align: center;">TAS Response</p>	<p>We continue to believe that targeted communication will help taxpayers use the OIC program more effectively. The IRS's increased OIC program communication on additional taxpayer notices is a benefit to informing taxpayers.</p>