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National Taxpayer Advocate identifies priority areas in mid-year report to Congress; focuses on customer service challenges

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WASHINGTON — National Taxpayer Advocate Nina E. Olson today released her statutorily mandated [mid-year report to Congress](#) that presents a review of the 2018 filing season, identifies the priority issues the Taxpayer Advocate Service (TAS) will address during the upcoming fiscal year and contains the IRS's responses to each of the 100 administrative recommendations the Advocate made in her 2017 Annual Report to Congress.

The most significant challenge the IRS faces in the upcoming year is implementing the Tax Cuts and Jobs Act of 2017 (TCJA), which among other things requires programming an estimated 140 systems, writing or revising some 450 forms and publications and issuing guidance on dozens of TCJA provisions. Ms. Olson expresses confidence that the IRS will implement the law successfully. "Make no mistake about it. I have no doubt the IRS will deliver what it has been asked to do," she writes in the preface to the report.

However, she reiterates her longstanding concern that IRS funding reductions have undermined the agency's ability to provide high-quality taxpayer service and to modernize its aging information technology infrastructure. The report points out that IRS funding has been reduced by 20 percent since fiscal year (FY) 2010 on an inflation-adjusted basis. "Because of these reductions, the IRS doesn't have enough employees to provide basic taxpayer service," the report says. "The compliance and enforcement side of the house has been cut by even more. So in addition to answering the fewest number of taxpayer calls in recent memory, the IRS also has the lowest individual audit rate in memory (0.6 percent) and its collection actions are way down."

Taxpayer service challenges

In her preface to the report, Ms. Olson focuses on the IRS's customer service challenges. The report says the IRS utilizes narrow performance measures that suggest the agency is performing well but do not reflect the taxpayer experience. For example, the IRS reports it achieved a "Level of Service" on its toll-free telephone lines of 80 percent during the 2018 filing season, which is widely understood to mean IRS telephone assistors answered 80 percent of taxpayer calls. In fact, the report points out IRS telephone assistors answered only 29 percent of the calls the IRS received. Similarly, the IRS reports it achieved a customer satisfaction level of 90 percent on its toll-free lines during FY 2017. Yet the report points out that the IRS only surveyed the subset of taxpayers whose calls were answered by telephone assistors and completed.

President's Management Agenda and customer service. The President's Management Agenda for 2018 emphasizes the importance of high-quality customer service. It says: "Federal customers . . . deserve a customer experience that compares to – or exceeds – that of leading private sector organizations," and it cites data from the American Customer Satisfaction Index (ACSI) and the

Forrester U.S. Federal Customer Experience Index as key benchmarks. Notably, those indices found the IRS performs poorly relative to other federal agencies.

The ACSI report for 2017 ranks the Treasury Department 12th out of 13 Federal Departments and says the Treasury Department's score is effectively an IRS score because "most citizens make use of Treasury services via the [IRS] tax-filing process."

For its part, the Forrester report says that federal agencies, on average, score considerably lower than the private sector. Within the federal government, Forrester assessed 15 agencies and ranked the IRS near the bottom of the pack:

- The private sector average score for overall "Customer Experience (CX)" is 69, the federal agency average score is 59 and the IRS's score is 54 out of 100, which the Forrester report characterized as "very poor." This placed the IRS 12th out of 15 rated agencies.
- In the category of "Comply with Directives and Advice," Forrester found that "for every 1-point increase in an agency's CX Index score, 2.0% more customers will do what the organization asks of them. . . Just 61% of Internal Revenue Service (IRS) customers say that they follow its rules, which shows that not even the threat of jail and fines always outweighs the power of a bad customer experience."
- In the category of "Inquire for Official Information," Forrester found that "when a federal agency's CX Index score rises by 1 point, 2.5% more customers are likely to seek its authoritative advice or expertise. . . [T]he IRS inspires a mere 13% of its customers to seek its expertise." That is less than half the federal agency average of 32 percent.
- In the category of "Speak Well of Federal Agencies," Forrester found that "as a federal agency's CX Index score improves by 1 point, 4.4% more customers will say positive things about the organization. . . The IRS lagged other agencies again, as a mere 24% of its customers said that they would speak well of it." This placed the IRS last among the 15 federal agencies ranked and at about half the federal agency average of 47 percent.
- In the category of "Trust Agencies," Forrester found that "[e]ach time a federal agency's CX Index score rises by 1 point, 2.8% more customers will trust the organization. . . [J]ust 20% of customers say that they trust the IRS." Again, this placed the IRS last among the 15 federal agencies ranked and at half the federal agency average of 40 percent.
- In the category of "Forgive Agencies That Make Mistakes," Forrester found that "[f]or every 1-point increase in an agency's CX Index score, 2.7% more customers are willing to forgive the agency when it makes mistakes. . . [O]nly 22% of IRS customers said that they would forgive it for an error." Again, this placed the IRS last among the 15 federal agencies ranked and at about half the federal agency average of 40 percent.

"The significant cuts to the IRS's budget combined with the need to implement several significant new laws in recent years has stretched the IRS very thin," Ms. Olson writes. "But the ACSI and Forrester reports show that taxpayers are not being well served. The aptly named Taxpayer First Act, which the House passed on a unanimous 414-0 vote in April, would direct the IRS to develop a comprehensive customer service strategy within one year. That's an important step in the right direction. I have also recommended that Congress provide the IRS with more funding along with more oversight – and I will encourage the next Commissioner to make customer service improvements a top priority."

Select recommendations to improve customer service. The report highlights recommendations the National Taxpayer Advocate has made to improve customer service, including the following:

- Adopt robust performance measures that more accurately reflect the taxpayer experience, such as “First Contact Resolution” – a widely used measure in the private sector. If the IRS adopts better measures, it will gain a better understanding of where it needs to focus its efforts to improve customer service.
- Provide taxpayers with modernized “omnichannel” services so that taxpayers can obtain assistance online, by phone or in-person. In recent years, the IRS has been pushing taxpayers to use online services, and its recently adopted FY 2018-2022 Strategic Plan even includes a performance measure to gauge the agency’s success at getting taxpayers to use “self-assistance service channels . . . versus needing support from an IRS employee.” Thus, the agency itself is striving for less personal contact with taxpayers, even though 41 million taxpayers do not have broadband service in their homes to access the Internet and even though only about 30 percent of taxpayers who attempt to create online accounts are able to do so because of the IRS’s rigorous authentication requirements. The IRS is right to prioritize data security, the report says, but the inability of most taxpayers to create online accounts underscores the importance of high-quality telephonic and in-person services.
- Accelerate the development of an integrated case management system. Today, the IRS maintains at least 60 separate case management systems that house different items of taxpayer data and cannot be centrally accessed. As a result, customer service representatives are often unable to access information when taxpayers call, and IRS employees often must check multiple systems to get complete information. The inability to access complete taxpayer data on an integrated system also limits the utility of online taxpayer accounts, as taxpayers often will need to call to request information they are not able to see.
- Use “big data” to help taxpayers as well as to bolster enforcement. The IRS regularly uses technology to help identify fraud and noncompliance, but it should also use technology more frequently to minimize harm to taxpayers. For example, the IRS uses filters to detect and stop fraudulent tax returns, but the filters have unacceptably high false-positive rates of more than 60 percent, delaying refunds for hundreds of thousands of legitimate taxpayers. The IRS can do more to refine its filters. The IRS can also do more to use information reporting documents to identify taxpayers who are at risk of economic hardship and therefore should be exempt from collection actions by the IRS and private debt collection agencies.

Priority issues for 2019

The report identifies and discusses 12 priority issues TAS plans to focus on during the upcoming fiscal year. The top five, described briefly above, include implementation of the TCJA, the effectiveness of IRS service channels in meeting taxpayer needs, the development of an integrated case management system, the impact of high false-positive rates on legitimate taxpayers and the protection of taxpayers facing financial hardship from IRS and private debt collection activities.

Volume 2: IRS responses to Taxpayer Advocate

The National Taxpayer Advocate is required by statute to submit a year-end report to Congress that, among other things, describes at least 20 of the most serious problems facing taxpayers and makes administrative recommendations to mitigate those problems. The report released today includes a second volume containing the IRS’s general responses to each of the problems the Advocate identified in her 2017 year-end report, as well as specific responses to each recommendation. In addition, it contains TAS’s analysis of the IRS’s responses and, in some cases, details TAS’s disagreement with the IRS’s position.

Overall, the Advocate made 100 administrative recommendations in her 2017 year-end report, and the IRS has implemented or agreed to implement 35 of the recommendations, or 35 percent. The

agreed implementation rate is slightly lower than last year's. Out of 93 administrative recommendations proposed in the Advocate's 2016 year-end report, the IRS implemented or agreed to implement 35 recommendations, or 38 percent.

"Both people who work in the field of tax administration and taxpayers generally can benefit greatly from reading the agency responses to our report," Ms. Olson said. "Tax administration is a complex field with many trade-offs required. Reading both my office's critique and the IRS's responses in combination will provide readers with a broader perspective on key issues, the IRS's rationale for its policies and procedures, and alternative options TAS recommends."

New TAS website to help taxpayers understand tax reform changes

In light of the Tax Cuts and Jobs Act, TAS has launched a new website, [Tax Reform Changes](#), that lists key tax return items under current law (2017), shows which ones have been impacted by the TCJA and illustrates how the changes will be reflected on tax year 2018 returns filed in 2019. Taxpayers can navigate the website by viewing key tax return topics or seeing them illustrated on a 2017 Form 1040. The line-by-line explanations allow taxpayers to see how the new law may change their tax filings and to consider how to plan for these changes. The website will incorporate updated information as it becomes available. Taxpayers and professionals can sign up to receive email notifications when updates occur. If a taxpayer determines the TCJA will impact his or her tax liability, he or she should [make withholding adjustments](#) by filing a new Form W-4, Employee's Withholding Allowance Certificate, with employers.

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The National Taxpayer Advocate is required by statute to submit two annual reports to the House Committee on Ways and Means and the Senate Committee on Finance. The statute requires these reports to be submitted directly to the Committees without any prior review or comment from the Commissioner of Internal Revenue, the Secretary of the Treasury, the IRS Oversight Board, any other officer or employee of the Department of the Treasury or the Office of Management and Budget. The first report must identify the objectives of the Office of the Taxpayer Advocate for the fiscal year beginning in that calendar year. The second report must discuss at least 20 of the most serious problems encountered by taxpayers, identify the 10 tax issues most frequently litigated in the courts and make administrative and legislative recommendations to resolve taxpayer problems.

The National Taxpayer Advocate blogs weekly about key issues in tax administration. Click [here](#) to subscribe. Past blogs from the National Taxpayer Advocate can be found [here](#).

About the Taxpayer Advocate Service

TAS is an independent organization within the IRS that can help protect taxpayer rights. TAS can offer individuals help if tax problems are causing a hardship or if unsuccessful attempts have been made to resolve a problem with the IRS. Visit TaxpayerAdvocate.irs.gov or call 877-777-4778. For more information, go to TaxpayerAdvocate.irs.gov or irs.gov/advocate. Taxpayers can get updates on tax topics at facebook.com/YourVoiceAtIRS, Twitter.com/YourVoiceatIRS and YouTube.com/TASNTA.

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