

Limited Electronic Access to Taxpayer Records Through an Online Account Makes Problem Resolution Difficult for Taxpayers and Results in Inefficient Tax Administration

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TAXPAYER RIGHTS IMPACTED¹

- *The Right to Be Informed*
- *The Right to Quality Service*
- *The Right to Pay No More Than the Correct Amount of Tax*
- *The Right to Challenge the IRS's Position and Be Heard*
- *The Right to Retain Representation*
- *The Right to a Fair and Just Tax System*

EXPLANATION OF THE PROBLEM

As the IRS moves forward with putting taxpayers first in delivering its strategies, it must continually emphasize innovation and creativity to ensure success. To provide top quality service, as measured through the eyes of the taxpayers, the IRS needs to consistently leverage existing technology and identify emerging programs to pursue innovative solutions and improvements. One area for improvement is its online access to taxpayer records. Due to limited technology systems, the IRS operates under a largely paper-based system, requiring taxpayers to keep copies of paper correspondence, call the IRS for assistance, or use a patchwork of electronic applications to gather necessary information to meet their tax obligations. This system leads to inefficiencies because taxpayers lack the ability to access necessary filing information, resulting in taxpayer delays and dissatisfaction with tax administration. Taxpayers must have a simple way to access their IRS tax records and account information to meet their tax filing and payment obligations.

Despite the many benefits of digital communication and online accounts, it is critical the IRS maintain telephone and in-person service options. Millions of taxpayers still do not have access to broadband internet, while other taxpayers strongly prefer to interact with the IRS by telephone or in person for certain categories

¹ See Taxpayer Bill of Rights (TBOR), www.TaxpayerAdvocate.irs.gov/taxpayer-rights. The rights contained in the TBOR are also codified in the IRC. See IRC § 7803(a)(3).

of transactions.² For these reasons, we believe it is essential that the IRS maintain a robust omnichannel service environment while it enhances its digital offerings.³

ANALYSIS

Robust Online Accounts Would Modernize Information Sharing Between the IRS and Taxpayers

Technology is reshaping how taxpayers and the IRS communicate with each other. The commercial growth of online services has heightened taxpayers' expectations for quality online services they can use to conduct tax communications and transactions. For years, the IRS has steered taxpayers toward digital self-help and has continuously expanded its offerings of digital service options. However, many of these offerings are standalone systems, they do not offer complete information, and they are not available to all taxpayers. As the IRS continues to resume its business operations that were partially or completely shut down at the inception of the COVID-19 pandemic, it should continue to evaluate what it needs to do to administer the tax laws and provide necessary taxpayer services, especially under similar conditions in the future.

Because financial institutions and other state tax agencies⁴ provide access to key information online, customers have come to expect secure and convenient access to their personal information with features such as:

- View account balance and tax year or account period details;
- View estimated payments and credits before filing a return;
- View payment history;
- View a list and images of tax returns;
- View a list and images of notices and correspondence;
- View and update contact information;
- View proposed assessments;
- View a list of authorized representatives (tax professional or a tax professional with a power of attorney) and manage who can access their account;
- View a list of activities that occurred on their account, such as the last time the taxpayer or their authorized representative accessed the account;
- Calculate a balance due for a date in the future;
- File a power of attorney (POA);
- File a nonresident withholding waiver request;
- Protest a proposed assessment;
- Chat with a customer service representative about confidential matters;
- Send a secure message with attachments;
- Receive an email when a notice or correspondence is sent; and

2 National Taxpayer Advocate 2017 Annual Report to Congress 36 (Most Serious Problem: *Online Accounts: The IRS's Focus on Online Service Delivery Does Not Adequately Take Into Account the Widely Divergent Needs and Preferences of the U.S. Taxpayer Population*).

3 For more perspective on the importance of providing taxpayers with multiple channels to interact with the IRS, see National Taxpayer Advocate 2019 Annual Report to Congress 3-14 (Most Serious Problem: *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*).

4 The California Franchise Tax Board (CA FTB) provides a model for what can be achieved currently, including engaging in electronic chats about confidential matters in an easily accessible electronic portal, tool, or application. See CA FTB, My FTB, Features, <https://www.ftb.ca.gov/myftb/features.html> (last visited Dec. 16, 2020).

Most Serious Problem #3: Online Records Access

- Allow an authorized representative full or partial access to the taxpayer's Online Account records and information.

The National Taxpayer Advocate recognizes the IRS is aware of these customer expectations and is progressing toward providing similar services as soon as possible. However, due to years of limited funds, the IRS has only been able to add some online services in a piecemeal fashion. Taxpayers deserve better service from the IRS. The COVID-19 pandemic highlighted the necessity of robust online services for taxpayers and their representatives.

Since 2016, the IRS has offered taxpayers an Online Account application. Over time, the capabilities and popularity of the Online Account have increased. Taxpayers accessed the Online Account application over 23 million times in fiscal year (FY) 2020.⁵ As shown in Figure 1.3.1, the IRS has provided several other online applications to assist taxpayers. Because the Online Account does not reflect all the information from these other applications, there is no consolidated place where taxpayers can view all their information.

FIGURE 1.3.1, IRS Online Self-Assistance Applications⁶

Application Name	Taxpayer Function	Information From Application Reflected in Online Account	Type of Taxpayer Account	Number of Transactions or Sessions, FY 2019	Number of Transactions or Sessions, FY 2020 (Through August 2020)
Online Account	View key information such as balance due and payment history, make a payment online, request a plan via Online Payment Agreement, or access tax records via Get Transcript	N/A	Individual	Number unavailable	23,000,000
Get Transcripts Online	Retrieve a variety of transcripts online to view, print, or download	Yes	Individual	20,861,000	46,064,000
Get Transcripts by Mail	Receive a return or account transcript through mail	Yes	Individual and Business	2,545,000	2,156,000
Where's My Refund	Learn status of refund	No	Individual	368,841,000	758,260,000
Where's My Amended Return	Verify receipt and processing status for amended return (Form 1040X)	No	Individual	5,340,000	4,743,000
Direct Pay	Pay directly from bank account	Yes	Individual	9,420,257	11,841,916

⁵ IRS response to TAS fact check (Nov. 24, 2020).

⁶ IRS response to TAS information request (Oct. 6, 2020; Oct. 9, 2020; Oct 16, 2020; Oct. 20, 2020; and Nov. 3, 2020). The volume for Online Account transactions was corrected as a result of the IRS response to TAS fact check (Nov. 24, 2020). The measure of transactions or sessions records the number of times an application was successfully accessed, or for applications where taxpayers use an application to conduct a transaction (such as make a payment), the number represents successfully completed transactions. Some of the applications listed in Figure 1.3.1 can be accessed through the Online Account. These applications are noted in the third column of the figure.

Most Serious Problem #3: Online Records Access

Application Name	Taxpayer Function	Information From Application Reflected in Online Account	Type of Taxpayer Account	Number of Transactions or Sessions, FY 2019	Number of Transactions or Sessions, FY 2020 (Through August 2020)
Online Payment Agreements	Request a payment agreement for certain taxpayers	Yes	Individual and Business	786,000	844,000
ID Verify	Verify identity so the IRS can process a federal income tax return filed with the taxpayer's name and taxpayer identification number	No	Individual	132,000	211,000
Get an Identity Protection Personal Identification Number (PIN)	Validate identity and retrieve an Identity Protection PIN online	No	Individual	Number unavailable	488,000
Modernized Internet Employer Identification Number	Apply for and receive an employer identification number (EIN) over the web	No	Individual and Business	4,990,000	6,914,000
Transcript Delivery Service – Reporting Agents	Retrieve a variety of account transcripts through mail, fax, or online	No	Individual and Business	237,000	374,000
Transcript Delivery Service – States	Retrieve a variety of account transcripts through mail, fax, or online	No	Individual and Business	534,000	604,000
Transcript Delivery Service – Third Parties	Retrieve a variety of account transcripts through mail, fax, or online	No	Individual and Business	104,127,000	108,119,000
Income Verification Express Service (IVES)	Retrieve transcripts from an online secure mailbox to verify income of a borrower	No	Individual and Business	14,027,000	16,696,000
Free Application for Federal Student Aid (FAFSA) on the Web	Access tax return information and transfer it directly to the FAFSA form	No	Individual	18,691,000	27,498,000
Tax Withholding Estimator	Perform a “paycheck checkup” and learn how to adjust current-year withholding to avoid tax underpayments	No	Individual	Number unavailable	8,193,000
Interactive Tax Assistant (ITA)	Receive answers to basic tax law questions	No	Individual and Business	1,198,000	3,236,000

Below we will discuss the challenges taxpayers are facing and why the IRS must upgrade its systems and provide a robust Online Account for all taxpayers and its employees to assist taxpayers with issues.

Taxpayers Struggle Navigating a Piecemeal System of Online Applications That Have Limited Capabilities and Incomplete Information

As shown in Figure 1.3.1, taxpayers' usage of online applications demonstrates their desire to obtain their information electronically. However, the present system has many downfalls. The IRS has not fully integrated information and access between online applications and a taxpayer's Online Account. The information from the Where's My Refund tool is not available in a taxpayer's Online Account, and during 2020, the information from Get My Payment (Economic Impact Payment) tool was also not incorporated into the Online Account.⁷ Taxpayers wanting to know the date the IRS received and processed their tax returns would not know which transcript to review, and even then, the transcript may be confusing to a taxpayer. For example, for taxpayers who filed their return before the due date, the transcript lists the tax return received date as the due date of the tax return with no explanation. The transcript may list a return posted date that is later than the date the IRS issued a refund, further confusing the taxpayer. The taxpayer may also have to wait months after filing a return to see the information in a transcript in the Online Account. Wage and Income transcripts are not available until mid-May of the processing year.⁸ The IRS made some key updates in September 2020 so that the Online Account immediately shows electronic payments, which means taxpayers do not have to wait until the payments show up on a transcript to confirm them.

While taxpayers can access some applications through the Online Account, such as Get My Transcript and the Online Payment Agreement, others such as the Identity Protection PIN are only available outside the Online Account. Taxpayers using IRS online applications for the first time may face difficulty authenticating their identities.⁹ Some applications have a common login and password; this can actually be a problem for taxpayers who may have accessed an application years ago and misplaced their login information or perhaps forgot that they had used another application.¹⁰

Another issue is that each application is limited in what taxpayers can accomplish. For instance, the Online Payment Agreement is limited to individual taxpayers whose tax debts are below \$50,000 (\$100,000 if requesting a full pay agreement)¹¹ and business taxpayers with a balance of \$25,000 or less.¹² Taxpayers seeking an installment agreement outside of the IRS's streamline criteria must mail or fax in their request forms rather than using an online application. Similarly, taxpayers seeking an offer in compromise can use the IRS's online Offer in Compromise Pre-Qualifier tool to learn if they qualify but then cannot submit the offer online; rather, they must mail or fax in the forms.¹³

7 In January 2021, the IRS plans to make the amount of Economic Impact Payment received by the taxpayer available in the Online Account. IRS response to TAS fact check (Nov. 24, 2020).

8 View Your Account Information, <https://www.irs.gov/payments/view-your-tax-account> (last visited Dec. 16, 2020).

9 In FY 2020, the collective authentication rate for the IRS online applications requiring the highest level of assurance authentication, such as the Online Account, was about 42 percent, meaning 58 percent of taxpayers could not use the applications. For a detailed discussion of authentication issues with IRS online applications, see Most Serious Problem: *Digital Communications: Limited Digital Communications With the IRS Make Problem Resolution Unnecessarily Difficult for Taxpayers*, *infra*.

10 Once a taxpayer has signed up for Get My Transcript, the Online Payment Agreement, or an Online Account, he or she must use the same login and password information for the Identity Protection PIN, even though this application is separate. IRS, Get an Identity Protection PIN, <https://www.irs.gov/identity-theft-fraud-scams/get-an-identity-protection-pin> (last visited Dec. 16, 2020). Taxpayers are able to use Forgot My Username and Forgot My Password functions. IRS response to TAS fact check (Nov. 24, 2020).

11 Internal Revenue Manual (IRM) 21.2.1.57, Online Payment Agreement (OPA) for IMF Debts (Oct. 1, 2020).

12 IRM 21.2.1.57.1, Online Payment Agreements for Certain BMF Debts (Oct. 1, 2020).

13 IRS, Offer in Compromise Pre-Qualifier, https://irs.treasury.gov/oic_pre_qualifier/ (last visited Dec. 16, 2020).

Taxpayers cannot access all the information they need through an online application. For example, the transcripts available through the Get My Transcript application do not provide the taxpayer with the actual tax return information, which a taxpayer might need to verify which child he or she claimed as a dependent on a return. The only way for the taxpayer to view a copy of the actual return filed is to mail a request to the IRS, pay a \$43 fee, and wait up to 75 days.¹⁴ Additionally, it can take up to five months after filing a tax return for the transcript viewable in the Online Account to reflect the return information.¹⁵ Many of the IRS's electronic applications are not available to business taxpayers, including Where's My Refund, Get Transcript Online, and the Online Account.

Some of the online applications only provide information temporarily, lacking the capability for the taxpayer to view the information later. An example is the employer identification number (EIN) application, which allows taxpayers to apply for an EIN online and receive it immediately once approved. The IRS warns that once it provides the EIN confirmation notice, it can *never* regenerate the notice, even if the taxpayer needs a copy to show proof of the EIN, so taxpayers should save a copy.¹⁶ Taxpayers who need to verify their information to file a return must call the IRS if they have lost a copy of the EIN notice.

Security, uniformity, and ease of use are key to successful online applications, including a robust Online Account.

The IRS created the online application, Where's My Refund, which provides basic information such as an acknowledgement that the IRS received the tax return. However, for some taxpayers, the application only supplies a reference code and an IRS phone number, requiring them to call to learn basic information such as if the IRS applied their refund to an outstanding balance due for another tax period.¹⁷ When the IRS holds a taxpayer's refund and asks the taxpayer to verify identity, income, or withholding, the taxpayer must wait to receive a notice in the mail rather than having the ability to be notified or respond online. Once the taxpayer submits a response, he or she does not know if the IRS received the response or is processing the refund until he or she receives another paper notice or the refund itself. From January 1 through October 2, 2019, the IRS took more than four weeks to release taxpayer refunds it held for potential non-identity theft refund fraud.¹⁸ With an integrated Online Account system, these taxpayers could access further information about the status of their refunds, submit inquiries about their account, or provide the required information. Security, uniformity, and ease of use are key to successful online applications, including a robust Online Account.

14 IRS Form 4506, Request for a Copy of Tax Return (Oct. 2020).

15 Information from paper returns with a balance due filed on or before the April 15 due date will post to the transcript in mid to late June. <https://www.irs.gov/individuals/transcript-availability> (last visited Dec. 18, 2020).

16 CP 575A, Employer Identification Number (EIN) Has Been Assigned to You.

17 IRM 21.4.1.6(3) states, "In some instances, the refund callback number will be provided, along with a unique reference number, for further assistance."

18 IRS, IDT and IVO Performance Report Appendix, Non-IDT Extended Refile Rate Calculation, Slide 3 (Oct. 9, 2019).

Taxpayers Have an Urgent Need for Full Access to Their Information in the Online Account Now

Although the IRS is working on several initiatives related to the Online Account, taxpayers cannot afford to wait years for these changes. In FYs 2021-2022, the IRS plans the following actions:

- **Expanded Online Account:** Taxpayers will be able to make a payment, and certain taxpayers can create a short-term payment plan within their Online Account.
- **Tax Professional Account:** Tax professionals and taxpayers will be able to establish digital authorizations (Form 8821, Tax Information Authorization) and Power of Attorney (Form 2848, Power of Attorney and Declaration of Representative) with eSignature.
- **Secure Document Exchange:** More individuals and large and small businesses will have expanded access to secure messaging and file sharing.
- **Authentication:** Some digital self-service applications will have new, more secure ways to authenticate, meeting governmentwide digital identity guidelines.
- **Expand Digital Notifications:** Taxpayers will be able to view electronic (PDF) copies of additional notices not previously available in the Online Account and opt-out of paper delivery for some notices.
- **Digital Signatures:** Authenticated taxpayers and representatives will be able to electronically sign and submit certain forms and documents.¹⁹

In FYs 2023-2025, the IRS plans to further expand the Online Account by allowing taxpayers to update contact information and use secure two-way messaging.²⁰

The IRS introduced new functionalities in its Online Account that allow taxpayers to view a few specific notices and navigate to a message center.²¹ It also plans to implement a feature to alert taxpayers to new notices. These are positive steps, but they fall short of what taxpayers need right now. As of late 2020, only six notices are available in the Online Account, with another five planned for mid-2021.²² Of the notices chosen, most are purely informational notices about adjustments or other past actions. The IRS should instead prioritize notices that provide statutory rights and deadlines to act, such as the statutory notice of deficiency, providing an opportunity to challenge the liability in U.S. Tax Court; the math error notice, providing the taxpayer 60 days to request an abatement; and the Collection Due Process (CDP) hearing notice, providing 30 days to request a CDP hearing.²³ During FYs 2017-2019, the IRS received an average of 6,745 delinquent CDP hearing requests each year.²⁴ Placing important notices with deadlines to exercise taxpayer rights in the Online Account could make it easier for taxpayers to keep track of the deadlines and

19 IRS, Taxpayer First Act: Improving the online experience through Expanded Digital Services (Oct. 14, 2020). IRS response to TAS fact check (Nov. 24, 2020).

20 *Id.*

21 IRS response to TAS information request (Oct. 6, 2020).

22 The six notices initially added to the Online Account and their past volumes for FY 2019 are: CP 21A - Data Processing Adjustment Notice, Balance Due of (444,787); CP 60 - We Removed a payment Erroneously Applied to Your Account - Balance Due (316,281); CP 141 - Return Filed - Initial Balance Due Notice - Individual Retirement Account File (IRAF) Taxes or Penalties Due (32,074); CP 521 - Monthly Installment Agreement (IA) Payment Reminder (volume unknown); CP 01A - We Assigned You an Identity Protection Personal Identification Number (IP PIN) (3,620,563); CP 62 - Notice of Credit Transfer - We Credited Your Account (51,492). The additional five planned notices are: CP 14 - Balance Due, No Math Error (9,145,871); CP 49 - Overpayment Adjustment - Refund Applied to Other Liabilities (8,763,313); CP 39 - Overpaid Taxes Applied to Your Balance Due from a Secondary Social Security Number (SSN) (447,103); CP 14H - Owed Minimum Essential Health Coverage Payment (Shared Responsibility Payment) (739,850); CP 721A - Data Processing Adjustment Notice, Balance Due (Spanish) - Cambios a su Planilla - Saldo Adeudado - (275). IRS response to TAS information request (Oct. 6, 2020).

23 See IRC §§ 6213(a), (b); 6320(a); 6330(a).

24 Individual Master File (transactions posted on or before cycle 202039). CDP hearing requests received after the 30-day deadline are referred to as Equivalency Hearing requests.

exercise their rights. Although the IRS has set a target for placing more notices in the Online Account during FY 2022, it does not have a definitive plan for how many notices it will be adding to the Online Account, when it will add them, and how they will be prioritized.²⁵

The IRS has beneficial elements planned for the Online Account, including the ability to select language preference for future notices, change the taxpayer's address, and view alerts that new notices have been posted within the taxpayer's Online Account.²⁶ However, the IRS could do more to notify taxpayers about the status of their accounts. While the Online Account already includes certain notifications at the top, they are primarily broader public service style messages one might find on IRS.gov, such as the availability of disaster assistance or a reminder to file a return if the taxpayer has not done so.²⁷ There are only a few notifications specific to the taxpayer, such as if the taxpayer is in jeopardy of a lien or levy or if a short term payment plan is past due.²⁸ The IRS could be tailoring more notifications to specific taxpayer situations, such as if the taxpayer had a deadline to provide documentation in an examination case.

The IRS is also planning future capabilities for its online application related to POA authorizations, the Tax Professional Account. By the third quarter of FY 2022, the IRS plans to allow users to view and cancel pending requests, view and print confirmation of a submission, view and resubmit incomplete requests due to system error, and save data entries across sessions.²⁹ Further, the IRS plans to give taxpayers and tax professionals the ability to view and print authorizations by the third quarter of FY 2023. While positive, these developments are still years away. To support representatives and taxpayers, the IRS must prioritize an online application for representatives that allows them to view tax information for their clients for the years they hold an authorization. Without this access, representatives must rely on paper mail, or they may ask taxpayers to give them access to their personal Online Accounts, potentially jeopardizing the taxpayer's privacy and security. The IRS states it has no plans for the Tax Professional Account to include external notifications, which slows down the ability for representatives to help clients since clients may not know when a document needs a signature or when the IRS has processed an authorization.

Unfortunately, there are several Online Account features not planned, such as the ability for taxpayers to view images of their past tax returns and information returns filed by third parties; file documents and request actions (*e.g.*, request a CDP hearing, field assignment, or Appeals hearing); view IRS employee contact information for any open Examination, Collection, or Appeals action; and view the status of compliance interactions (*e.g.*, the IRS received documentation and the examiner is reviewing).

Additional Complexities Due to COVID-19

The pandemic and resulting impact on taxpayers emphasized the urgent need for a robust Online Account. During the pandemic, the IRS took the unprecedented step to protect the health and safety of its employees, their families, taxpayers, and local communities by shutting down some of its operations for months, including notice printing sites. The IRS had already digitally created many notices and placed them in the printing queue. Months passed, and when the IRS printed and mailed the notices, they still reflected the

25 IRS response to TAS information request (Oct. 6, 2020).

26 *Id.*

27 *Id.*

28 IRS response to TAS fact check (Nov. 24, 2020).

29 IRS response to TAS information request (Oct. 6, 2020).

original dates, including due dates. Taxpayers' accounts of record reflected the original date on the notices, not the later date when the notices were mailed.

The total backlog, meaning all notices that were created but were not able to be printed and sent out on the date appearing on the notice, was approximately 31.2 million notices.³⁰ However, when addressing this backlog, the IRS did not treat all notices similarly, leading to taxpayer confusion. We anticipate future challenges as taxpayers and the IRS work through the different notice scenarios:

- The IRS purged approximately 12.3 million notices and never sent them, but they may still appear on the taxpayer's account of record;³¹
- The IRS purged approximately 543,000 notices, regenerated them with new dates, and later sent them out;³²
- The IRS sent approximately 1.8 million notices with original dates on the notice that were prior (sometimes by months) to when they were mailed, but included an insert explaining that the taxpayer had additional time to take an action;³³
- The IRS sent approximately 38,000 notices with original dates on the notice prior to when they were mailed, and taxpayers received a subsequent notice explaining they had additional time to take an action, but the subsequent notice failed to include a copy of the original notice;³⁴ and
- The IRS sent approximately 18 million notices with original dates on the notice prior to when they were mailed but included no insert or subsequent notice providing an explanation.³⁵

Despite the IRS's efforts to prioritize which backlogged notices it should mail first, which notices were statutorily required, and which notices had incorrect dates and required an explanation or new deadline, the lack of transparency and communication created a situation confusing for IRS employees, taxpayers, and representatives, impairing their ability to effectively comply and increasing levels of stress. For example, some taxpayers may have received no communication from the IRS for months during the COVID-19 emergency when they had a balance due with interest accruing. This was due to the IRS purging certain balance due notices and then not recreating and mailing them for approximately six months.³⁶ Conversely, for notices that were not purged but sent out as generated when the printing sites reopened, some taxpayers received demands for payment even when they had already made a payment.³⁷

An Online Account would have allowed the IRS to electronically post the notices and create an alert informing taxpayers to help mitigate the confusion. Taxpayers who received a backdated CDP hearing notice may have been especially confused, as some received an insert with their notices providing one date to request

30 IRS response to TAS information request (Nov. 24, 2020).

31 *Id.*

32 *Id.*

33 *Id.* The IRS sent 1,764,952 notices with Notice 1052-A, Important! You Have More Time to Make Your Payment (May 2020), which provided revised deadlines for notice and demand correspondence. The IRS sent 28,074 notices with Notice 1052-B, Important! You Have More Time to Make Your Payment (June 2020), which provided revised deadlines for math error notices. The IRS sent 47,497 notices with Notice 1052-C, Important! You Have Additional Time to Appeal (July 2020), which provided revised deadlines for Collection Due Process hearing notices.

34 IRS response to TAS information request (Nov. 24, 2020); IRS email response to TAS (Dec. 1, 2020). The supplemental notices provided a revised deadline for requesting a CDP hearing or a revised deadline for a taxpayer to file suit in court to challenge a refund disallowance.

35 IRS response to TAS information request (Nov. 24, 2020); IRS email response to TAS (Dec. 1, 2020).

36 IRS, IRS to Restart Sending 500 Series Balance Due Notices, <https://www.irs.gov/newsroom/irs-to-restart-sending-500-series-balance-due-notices> (Oct. 23, 2020; rev. Nov. 16, 2020). Additionally, for notices that were not purged but sent out as generated when the printing sites reopened, some taxpayers received demands for payment even when they had already made a payment.

37 Alexis Gravely, *Neal Asks IRS to Halt Tax Bills Amid Mail Backlog*, TAX NOTES TODAY (Aug. 21, 2020).

a hearing,³⁸ while other taxpayers later received an additional notice providing a different date to request a hearing. Viewing copies of these notices online would help taxpayers confirm whether their notice provided the first revised deadline or the second. Although the situation is understandable, it is unacceptable for the IRS to issue almost 20 million notices that create confusion and uncertainty.³⁹

Another area where a robust Online Account would have mitigated problems with the COVID-19 emergency is incoming mail from taxpayers. During June 2020, the IRS had a backlog of 12.3 million pieces of unopened mail,⁴⁰ with 5.3 million remaining in early October 2020.⁴¹ Taxpayers' paper refund returns and identity theft documentation supporting the validity of the refunds sat unopened and unprocessed.

The IRS provided for "digital transmission" of Form 1139, Corporation Application for Tentative Refund, and 1045, Application for Tentative Refund, which allow taxpayers to claim quick refunds (tentative allowances) for prior year minimum tax liability and net operating loss deductions pursuant to the Coronavirus Aid, Relief, and Economic Security (CARES) legislation.⁴² Still, the "digital transmission" did not mean taxpayers could submit forms online; rather, they were merely given the option to fax in their forms. Having a portion of the Online Account where taxpayers could file key forms or requests would have provided an additional resource for taxpayers to quickly receive their tax benefits provided in the pandemic relief legislation rather than deal with delays and uncertainty.

Greater Taxpayer Access to Online Records Will Also Benefit the IRS and TAS

The IRS expects to save millions of dollars in postage and printing by placing taxpayer notices in Online Accounts.⁴³ Placing additional information about the status of taxpayers' accounts could reduce customer service representative time as fewer taxpayers would need to call in to learn about the status of their case in examination or collection, confirm whether the IRS received and processed a document, or discover which power of attorneys are on file for which tax years. Online Accounts could free up valuable customer service representatives for taxpayers who can only use the telephone or mail to contact the IRS. During FY 2019, the Wage and Investment exam line received over one million taxpayer calls.⁴⁴ A survey of taxpayers who underwent correspondence examinations revealed that over 40 percent called the correspondence toll-free line simply to check the status of their audit with the majority calling more than once.⁴⁵ Some taxpayers reported calling solely to inform the IRS they had sent the requested documentation.

If the IRS posted notices in the Online Account and provided a notification page where taxpayers could see what information the IRS is requesting and the related due dates, taxpayers may provide the information

38 IRS, Notice 1052-C, Important! You Have Additional Time to Appeal (July 2020), provides all taxpayers receiving this notice until August 13, 2020, to request a CDP hearing.

39 The IRS mailed a total of 19,810,542 notices with dates appearing on the notices that were prior to the dates they were mailed. IRS response to TAS information request (Nov. 24, 2020).

40 *2020 Filing Season and IRS COVID-19 Recovery: Hearing Before the S. Committee on Finance*, 116th Cong. (June 30, 2020) (oral testimony of Charles P. Rettig, Commissioner of Internal Revenue).

41 *IRS in the Pandemic: Hearing Before the H. Government Operations Subcommittee, Comm. on Oversight and Reform, Ways and Means Comm.*, 116th Cong. (Oct. 7, 2020) (oral testimony of Charles P. Rettig, Commissioner of Internal Revenue).

42 IRS, Temporary procedures to fax certain Forms 1139 and 1045 due to COVID-19, <https://www.irs.gov/newsroom/temporary-procedures-to-fax-certain-forms-1139-and-1045-due-to-covid-19> (Oct. 29, 2020). See CARES Act, Pub. L. No. 116-136, §§ 2303, 2305, 134 Stat. 281 (2020).

43 IRS response to TAS information request (Oct. 6, 2020).

44 IRS, JOC, Snapshot Reports: Enterprise Snapshot (week ending Sept. 30, 2020).

45 IRS Customer Satisfaction Survey, W&I Refundable Credits Examination Operations (RCEO) IVR FY 2019 (May 2020).

more quickly, potentially resulting in shorter cycle times for examinations and collection cases.⁴⁶ Finally, placing information online such as past tax returns, information returns filed by the third parties, and clear due dates for filing forms and making payments will likely result in fewer taxpayer errors and a greater number of taxpayers meeting their filing and payment obligations on time.⁴⁷ Because the U.S. tax system is built on voluntary compliance, the IRS benefits greatly from providing top quality service and increasing trust with tax administration, leading to more taxpayers meeting their tax obligations on their own and reducing the need for compliance actions. The IRS recognizes the need to expand secure digital options for taxpayers and professionals to interact efficiently with the IRS while maintaining and improving traditional service options but has lacked the IT funding to move forward with the speed and accuracy required by taxpayers.⁴⁸

Because the U.S. tax system is built on voluntary compliance, the IRS benefits greatly from providing top quality service and increasing trust with tax administration, leading to more taxpayers meeting their tax obligations on their own and reducing the need for compliance actions.

TAS receives many cases each year related to IRS delays. During FYs 2018-2019, TAS received approximately a quarter of its cases under criteria five or six, meaning the taxpayer experienced a delay of more than 30 days after the IRS's promised deadline to resolve a tax account problem or had not received a response or resolution to the problem or inquiry by the date promised.⁴⁹ Viewing the status of a case in examination, appeals, collection, or another part of the IRS would keep taxpayers informed about where their case stood and may mitigate the need for a TAS case. TAS works with the IRS to provide taxpayers with copies of IRS notices. Placing all notices online would allow TAS to focus more on obtaining relief for the taxpayer without the added time and burden of establishing the paper trail between the taxpayer and the IRS.

CONCLUSION AND RECOMMENDATIONS

Although the IRS has taken positive steps and plans to expand online applications to provide greater access to information, there still remains a large gap between the IRS's offerings and the robust online experience taxpayers need and a quality tax administration requires. The COVID-19 emergency highlighted the

46 "Every year IRS receives millions of pieces of correspondence from audited taxpayers that IRS staff manually process. As a result, weeks can pass before taxpayer documentation is reviewed and taxpayers may make repeated calls or be asked to resubmit the same documentation." See United States Government Accountability Office (GAO), Report to the Committee on Finance, U.S. Senate, *IRS Correspondence Audits: Better Management Could Improve Tax Compliance and Reduce Taxpayer Burden* 20 (June 2014).

47 IRS Research Directors Coordinating Council, Deloitte and ASR Analytics demonstrates that making it easier for taxpayers to pay what they owe via user-friendly, self-service platforms (in addition to traditional service channels) improves voluntary compliance and satisfaction with services. IRS, *Behavioral Insights Toolkit* (May 1, 2017).

48 GAO, GAO-20-656, *Taxpayer Service Measures* 10 (Sept. 24, 2020).

49 TAS, *Business Performance Review* (4th Quarter FY 2019; 4th Quarter FY 2018). See IRM 13.1.7.2.2, *TAS Case Criteria 5-7, Systemic Burden* (Feb. 4, 2015).

downfalls of relying on paper. Although the IRS has contemplated many improvements to the Online Account, the National Taxpayer Advocate recommends expediting the completion date of improvements such as integrating a case management system, providing business taxpayers with full access to the same information individual taxpayers have within the Online Account, and integrating secure messaging and document upload capabilities. Without additional funding, the IRS cannot timely expand its Online Account, which requires taxpayers to rely on the phone and mail for their tax records, resulting in taxpayer burden and harm.

Preliminary Administrative Recommendations to the IRS

The National Taxpayer Advocate preliminarily recommends that the IRS:

1. Provide business taxpayers access to Online Accounts.
2. Prioritize posting to the Online Account notices that provide the taxpayer with statutory or administrative rights, a deadline for action, or notice of a potential intrusive enforcement action, such as levy.
3. Develop a timeline for when all remaining notices used by the IRS, outside the 11 notices already scheduled, will be available to be viewed within taxpayers' Online Accounts.
4. Update the programming for the Online Account application so taxpayers can view available notices that were issued prior to when the taxpayer signed up for the Online Account.
5. Provide access to all self-assistance online applications through the Online Account.
6. Update and consolidate Online Account information to reflect information from all other IRS online applications.
7. Integrate secure messaging so that taxpayers can initiate and view messages and upload and download documents to and from the IRS within their Online Accounts.
8. Place taxpayer-specific alerts and notifications on the main dashboard of taxpayers' Online Accounts to notify them of the status of their cases and specific deadlines for action.
9. Allow taxpayers to add, change, or remove authorized representatives through the Online Account.
10. Allow taxpayers to give authorized representatives access to Online Account records for the authorized tax years.
11. Allow taxpayers to update their address and other contact information through the Online Account.
12. Allow taxpayers to make certain requests and file certain forms through the Online Account, such as a CDP request, a penalty abatement request, or a tentative carryback application for refund where e-file is not otherwise available.

Legislative Recommendations to Congress

The National Taxpayer Advocate recommends that Congress:

1. Continue to fund the technological upgrades the IRS requires to provide an enhanced level of service that the country deserves to improve its overall operations.
2. Provide sufficient funding for the Business Systems Modernization account to enable the IRS to replace its 1960s technology systems, create an integrated case management system, and offer robust Online Accounts for taxpayers and practitioners.⁵⁰

⁵⁰ National Taxpayer Advocate 2021 Purple Book, *Compilation of Legislative Recommendations to Strengthen Taxpayer Rights and Improve Tax Administration (Provide the IRS With Sufficient Funding to Meet Taxpayer Needs and Improve Federal Tax Compliance)*.

IRS COMMENTS

We agree with the National Taxpayer Advocate on the need for robust online services as one part of our omni-channel approach to customer service consisting of internet capabilities, correspondence, telephone, and face-to-face interactions. We have focused for several years now on prioritizing, building and delivering the services that are most needed, while also considering feasibility given significant resource and technology constraints. The IRS systematically reviews taxpayer and stakeholder feedback, market research, and strategic priorities to inform our product prioritization and development.

Since launching Online Account for individual taxpayers in 2016, the IRS has added many new features using an agile development process with releases approximately every nine weeks. The IRS has a long list of ideas and must continuously prioritize which features to work on with the available capacity, taking into consideration the taxpayer and business benefit and the level of effort. The team has prioritized features that don't otherwise exist online, or where there were opportunities for significant user experience improvements. Current features available to individual taxpayers via their Online Account include personalized messaging on the home page with reminders to file, lien or levy status, payment plan details and status, and any pending payments. Additionally, in November we added a Message Center where taxpayers can view and download digital copies of six high priority notices. These notices cover 23% of the notice volume sent by the IRS, totaling more than 26 million notices, and taxpayers can view through Online Account any of these notices issued since November 15, 2020. In January we plan to display a taxpayer's Economic Impact Payment amount in Online Account, providing a digital way to look this up when filing 2020 tax returns for taxpayers who have misplaced or have not received the related notices and need to claim additional amounts.

In accordance with the Taxpayer First Act (TFA), the IRS recently developed a 10-year strategy for improving the taxpayer experience. This strategy will help drive prioritization and decision making going forward. The TFA Taxpayer Experience Strategy includes plans to further expand on existing Online Account features and add new ones. However, any future expansion or acceleration would be dependent on receipt of funding.

In Fiscal Year (FY) 2021, the IRS plans to add additional notices, show the taxpayer's address on file, enable taxpayers to sign tax professional authorizations, and offer the option to create a short-term payment plan in Online Account. In partnership with the Bureau of the Fiscal Service, the IRS plans to enable taxpayers in FY 2022 to make payments through Online Account, allowing taxpayers to view their balance and pay it in a single session online without having to reenter information, better enabling voluntary compliance and improving the user experience. In FYs 2022-2024, the IRS plans to add the option to update contact information, allow opt-in and -out of paper notices, allow access to secure messaging in Online Account, and add additional features for tax professionals.

We appreciate the National Taxpayer Advocate's support for additional and consistent funding for digital modernization and the National Taxpayer Advocate's recognition of the positive steps the IRS has taken to expand online services for taxpayers. The IRS is committed to high-quality, seamless

experience — through expanded digital service options as well as through improved traditional channels — in order to help resolve diverse taxpayer needs and promote voluntary tax compliance.

TAXPAYER ADVOCATE SERVICE COMMENTS

TAS appreciates that the IRS is forward-thinking in regard to providing taxpayers comprehensive access to their online records through the Online Account and other applications. As discussed in the Most Serious Problem and the IRS response, there are many future features the IRS is planning that will greatly benefit taxpayers. Providing business taxpayers with the same access to online records as individual taxpayers will be critical to ensuring all taxpayers can easily access the information they need to comply with their tax obligations.

Throughout the Most Serious Problem, we illustrate problems with relying on a piecemeal system of online applications, where taxpayers must use one application to find some information and then another application to find additional information or take an action. The IRS has made some progress in integrating applications. The IRS's future plans to allow taxpayers to view a balance and pay it in a single session will encourage taxpayer compliance and reduce taxpayer frustration. Another step forward is the plan to make information regarding Economic Impact Payments available in the Online Account starting in early 2021. However, the IRS has not committed to integrating all its taxpayer-facing online applications into the Online Account. This step is key to making access to online records simpler for taxpayers. Although the IRS states that it is prioritizing features that do not otherwise exist online, it should also make adjustments to existing features so they are easier to use and integrated in one place.

The Most Serious Problem discusses the downfalls of relying primarily on transcripts to inform taxpayers about their accounts. As explained, the transcript can be confusing to taxpayers, who cannot easily ascertain from the transcript when a return was filed or when a refund was issued. Additionally, the transcript lacks key information shown on a taxpayer's return, such as the dependents claimed for certain tax benefits. The IRS has not committed to posting actual copies of returns within the Online Account, and we hope this is something it will reconsider in the near future.

TAS is pleased to learn the IRS has already begun posting notices in the Online Account, starting with the six notices that were part of a November 2020 update. The IRS indicates that the notices chosen represent a significant portion of all notices the IRS sends. While it is positive that the IRS is focusing on posting high-volume taxpayer notices in the Online Account, TAS believes the IRS should not only consider volume but also the impact on taxpayer rights when it chooses which notices to include next. Many of the notices included or planned are primarily informational notices. Missing from the list of notices currently available or planned for FY 2021 are some key taxpayer

notices such as the statutory notice of deficiency, which provides a taxpayer's only opportunity to challenge a liability in court prior to paying it; the CDP notice, which offers the taxpayer a deadline to request a hearing before the IRS Independent Office of Appeals; and the refund disallowance notice, which sets a two-year deadline to challenge a refund disallowance. TAS encourages the IRS to develop a prioritization plan for posting notices that considers the impact on taxpayer rights as well as volume.

The IRS must accelerate its timeframe for posting additional notices in the Online Account. The 31.2 million notices created during mid-2020 that could not be mailed on time due to the COVID-19 pandemic demonstrate how it is crucial for taxpayers to have access to their notices online. As taxpayers are grappling to understand the impact of the late-mailed or purged notices and what it means for their account balances and due dates, the IRS can leverage the Online Account to provide information. For example, even if a taxpayer lost a copy of his or her refund disallowance notice, and this notice is not yet included in the Online Account, the IRS could use personalized messaging to provide an alert to the taxpayer regarding when his or her deadlines expire for administratively appealing the disallowance or challenging it in court. The Most Serious Problem gives examples of other personalized status updates.

Overall, the IRS has made great strides toward providing more taxpayer information online. TAS understands that funding will continue to dictate when and what improvements the IRS can make to online services. Notwithstanding this restriction, TAS believes the following recommendations will help the IRS prioritize changes that will make it simpler for taxpayers to access their tax information online and will promote taxpayer rights.

RECOMMENDATIONS

Administrative Recommendations to the IRS

The National Taxpayer Advocate recommends that the IRS:

1. Provide business taxpayers access to an online account similar to the IRS's Online Account that is available to individual taxpayers.
2. Prioritize posting to the Online Account notices that provide the taxpayer with key statutory or administrative rights, a deadline for action, or notice of a potential intrusive enforcement action, such as levy.
3. Develop a timeline for when all remaining notices used by the IRS, outside the 11 notices already scheduled, will be available to be viewed within taxpayers' Online Accounts.
4. Provide access to all self-assistance online applications through the Online Account.
5. Update and consolidate Online Account information to reflect information from all other IRS online applications.
6. Integrate secure messaging so that taxpayers can initiate and view messages and upload and download documents to and from the IRS within their Online Accounts.
7. Place taxpayer-specific alert banners on the main dashboard of taxpayers' Online Accounts to provide information regarding their status of their cases and highlight important deadlines,

- such as the due date for providing documentation in an examination, the assignment of a balance due case to a Revenue Officer, or the deadline to request a CDP hearing.
8. Allow taxpayers to add, change, or remove authorized representatives through the Online Account.
 9. Allow taxpayers to give authorized representatives access to Online Account records for the authorized tax years.
 10. Allow taxpayers to update their address and other contact information through the Online Account.
 11. Allow taxpayers to make certain requests and file certain forms through the Online Account, such as a CDP request, a penalty abatement request, or a tentative carryback application for refund where e-file is not otherwise available.

Legislative Recommendations to Congress

The National Taxpayer Advocate recommends that Congress:

1. Continue to fund the technological upgrades the IRS requires to provide an enhanced level of service that the country deserves to improve its overall operations.
2. Provide sufficient funding for the Business Systems Modernization account to enable the IRS to replace its 1960s technology systems, create an integrated case management system, and offer robust online accounts for taxpayers and practitioners.⁵¹

⁵¹ National Taxpayer Advocate 2021 Purple Book, *Compilation of Legislative Recommendations to Strengthen Taxpayer Rights and Improve Tax Administration (Provide the IRS With Sufficient Funding to Meet Taxpayer Needs and Improve Federal Tax Compliance)*.