

Limited Digital Communications With the IRS Make Problem Resolution Unnecessarily Difficult for Taxpayers

RESPONSIBLE OFFICIALS

Robert Choi, Chief Privacy Officer, Privacy, Governmental Liaison and Disclosure
 Amalia Colbert, Deputy Chief, Appeals and Project Director, Taxpayer First Act Office
 Nancy Sieger, Acting Chief Information Officer
 Karen Howard, Director, Office of Online Services
 Eric Hylton, Commissioner, Small Business/Self-Employed Division
 Kenneth Corbin, Commissioner, Wage and Investment Division

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 Finality*
- *The Right to Confidentiality*
- *The Right to Retain Representation*
- *The Right to a Fair and Just Tax System*

EXPLANATION OF THE PROBLEM

During the early months of the COVID-19 crisis, taxpayers experienced additional difficulties interacting with the IRS. Taxpayers could not receive assistance from IRS employees by telephone or in person because the IRS shut down telephone call centers and Taxpayer Assistance Centers (TACs) to protect the health and safety of taxpayers, IRS employees, contractors, stakeholders, and local communities.² IRS facilities that process paper also shut down, so the IRS could not open or process paper tax returns and other mailed correspondence.³ In addition, revenue agents and revenue officers began working remotely, which intensified the need for alternative methods of communication, such as the use of email or electronic means to upload documentation.

The COVID-19 related closures and resulting challenges exposed critical shortcomings in IRS service and communication channels. Going forward, it is clear that the IRS must increase the availability and use of digital communications, including the electronic exchange of correspondence and documents in a secure

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).

2 Wage and Investment (W&I), Business Performance Review Q3 Fiscal Year (FY) 2020 3-4 (Aug. 7, 2020); IRS SERP (Servicewide Electronic Research Program) Alert 20A0135, Product Line Closure (Rev. Apr. 1, 2020); IRS SERP Alert 20A0191, TPP Guidance During Continued COVID-19 Closures (Apr. 29, 2020) (TPP line opened on April 27, 2020); IRS SERP Alert 20A0207, Accounts Management to Open Some Phone Lines on Monday May 18, 2020 (May 19, 2020); IRS, Taxpayer Assistance Centers Statement (Mar. 20, 2020), <https://www.irs.gov/newsroom/taxpayer-assistance-center-statement>.

3 Email from Charles Rettig, IRS Commissioner, to all IRS employees (June 3, 2020).

environment for critical services. To improve taxpayer service and avoid widescale service shutdowns during a future national or local emergency, the IRS should address:⁴

- The crucial need to maintain an omnichannel service environment;
- Taxpayers' need for an expanded and permanent way to digitally transmit and sign documents;
- Authentication barriers for many digital applications;
- Taxpayers' difficulty signing up for Taxpayer Digital Communications Secure Messaging;
- Limited digital communication options for taxpayers (individuals and businesses);
- The need for all digital applications to be mobile-ready; and
- Limited virtual face-to-face service options.

At the drafting of this report, the IRS Taxpayer First Act Office (TFAO) was finalizing the statutorily required Taxpayer First Act Report to Congress.⁵ The planned report includes a Taxpayer Experience Strategy with a section devoted to "Expanded Digital Services," which TAS highly endorses and recommends the IRS move forward with as soon as is practical.⁶ Many of the strategy's proposals to expand digital services are referenced herein. However, it is crucial that the IRS receives sufficient funds to implement such proposals provided in the TFAO report.

The COVID-19 related closures and resulting challenges exposed critical shortcomings in IRS service and communication channels. Going forward, it is clear that the IRS must increase the availability and use of digital communications, including the electronic exchange of correspondence and documents in a secure environment for critical services.

This analysis does not include issues related to online account applications for individual taxpayers, tax professionals, or business taxpayers, which is discussed separately.⁷ However, the expansion of digital services available to taxpayers through these online accounts is critical. For taxpayers who sign up for online accounts, such accounts could provide a single-entry point to receive the numerous digital services provided by the IRS.

4 IRS actions to address these items are consistent with the IRS Strategic Plan, which includes an objective to "[e]xpand secure digital options for taxpayers and professionals to interact efficiently with the IRS, while maintaining and improving traditional service options." IRS, IRS Strategic Plan FYs 2018 – 2022, <https://www.irs.gov/about-irs/irs-strategic-plan>. IRS actions to address these items are also consistent with the Taxpayer Experience Pillar of the IRS Integrated Modernization Business Plan. IRS, IRS Integrated Modernization Business Plan 17-20 (Apr. 2019), https://www.irs.gov/pub/irs-utl/irs_2019_integrated_modernization_business_plan.pdf.

5 See Taxpayer First Act, Pub. L. No. 116-25, § 1101, 133 Stat. 981 (2019); TFAO response to TAS information request (Oct. 13, 2020).

6 TFAO response to TAS information request (Oct. 13, 2020).

7 See Most Serious Problem: *Online Records Access: Limited Electronic Access to Taxpayer Records Through an Online Account Makes Problem Resolution Difficult for Taxpayers and Results in Inefficient Tax Administration*, *supra*.

It Is Crucial to Maintain an Omnichannel Service Environment

Before discussing the many benefits of digital communication, it is critical to note that the IRS must still maintain telephone, mail, and in-person service options. Millions of taxpayers (about 27 percent of U.S. adults) still do not have broadband internet at home.⁸ In addition, many taxpayers lack sufficient computer skills to interact electronically or may strongly prefer to interact with the IRS by telephone, in-person, or in writing. For these reasons, it is essential that the IRS maintain a robust omnichannel service environment while enhancing its digital offerings.⁹

ANALYSIS

During the COVID-19 crisis, with the temporary closure of TACs, assistor-supported telephone lines, and mail processing centers, the IRS encouraged taxpayers to use digital service options.¹⁰ The pandemic exposed shortcomings in the IRS's portfolio of digital options, which the IRS addressed by developing temporary workaround procedures. The IRS must build upon these short-term initiatives and expand and make permanent improvements in its digital service offerings, as discussed below.

Taxpayers Need an Expanded and Permanent Way to Digitally Transmit and Sign Documents¹¹

Pre-pandemic, taxpayer and practitioners faced the day-to-day challenges resulting from the limited ability to digitally transmit and sign documents. The temporary closure of IRS offices and mail facilities made it impossible for IRS employees to receive paper documents from taxpayers and representatives. As a temporary workaround, the IRS issued guidance, effective through 2020, authorizing employees to accept and transmit documents related to the determination or collection of a tax liability by email. The guidance also permitted employees to accept images of signatures (scanned or photographed) and electronic signatures on documents related to the determination or collection of a tax liability.¹² TAS issued similar guidance regarding digital communications and transmission of documents for open TAS cases.¹³

The IRS put these temporary procedures in place to keep compliance work progressing toward resolution and accept “low risk” forms and requests in the easiest way possible for taxpayers during COVID-19 restrictions.¹⁴ These temporary procedures have been positively received, and we recommend the IRS make these changes permanent.¹⁵ The IRS has indicated that it will determine whether to extend the effective dates of the

8 Monica Anderson, Pew Research Center, *Mobile Technology and Home Broadband 2019*, at 3 (June 13, 2019).

9 For more details on taxpayer needs and preferences, see National Taxpayer Advocate 2019 Annual Report to Congress 6-7 (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*); Emily A. Vogels and Monica Anderson, Pew Research Center, *Americans and Digital Knowledge* (Oct. 9, 2019).

10 IRS, IR-2020-99, *IRS.gov Helps Taxpayers Get Tax Information They Need; Find Tools for Filing, Paying, Checking Accounts and Answering Questions* (May 21, 2020), <https://www.irs.gov/newsroom/irsgov-helps-taxpayers-get-tax-information-they-need-find-tools-for-filing-paying-checking-accounts-and-answering-questions>.

11 See Most Serious Problem: *Online Records Access: Limited Electronic Access to Taxpayer Records Through an Online Account Makes Problem Resolution Difficult for Taxpayers and Results in Inefficient Tax Administration*, *supra*, for a detailed discussion of the IRS's plans to securely exchange documents through the online account applications.

12 Memorandum for All Services and Enforcement Employees, (1) Approval to Accept Images of Signatures and Digital Signatures (2) Approval to Receive Documents and Transmit Encrypted Documents by Email, by IRS Deputy Commissioner, Services and Enforcement (June 12, 2020).

13 Deputy National Taxpayer Advocate, *Interim Guidance, Digital Signatures and External Email Communications* (July 8, 2020).

14 Privacy, Governmental Liaison and Disclosure (PGLD) response to TAS information request (Oct. 13, 2020).

15 See, e.g., James Creech, *The IRS Cracks Open the Door to Electronic Communications*, *PROCEDURALLY TAXING* (May 14, 2020), <https://procedurallytaxing.com/the-irs-cracks-open-the-door-to-electronic-communications>.

procedures and include additional types of documents based on the success of the temporary initiative.¹⁶ The IRS Enterprise Digitalization and Case Management Office is evaluating how the IRS can best increase digital intake across the IRS.¹⁷

In addition, during 2020, the IRS expanded the list of forms on which it will temporarily accept electronic signatures. For example, on August 28, 2020, the IRS announced that it will accept electronic signatures on ten forms that cannot be electronically filed, and it subsequently added six more forms on September 10, 2020.¹⁸ The IRS will accept electronic signatures on these forms if signed and postmarked by December 31, 2020.¹⁹ It indicated that the reason for the temporary change in procedure is to reduce in-person contact and lessen the risk to taxpayers and tax professionals, allowing both groups to work remotely to timely file forms.²⁰ We continue to recommend the IRS make these procedures permanent.²¹

Section 2302 of the Taxpayer First Act (TFA) requires the IRS to publish guidance establishing uniform standards and procedures for the acceptance of taxpayers' electronic signatures for any request for disclosure of a taxpayer's return or return information (e.g., Form 2848, Power of Attorney and Declaration of Representative, and Form 8821, Tax Information Authorization).²² To comply, the IRS has taken the following actions:

- The IRS has approved an interim process allowing for representatives to electronically submit Form 2848 by attaching a document to a secure messaging platform.²³
- Beginning in January 2021, the IRS will offer taxpayers and representatives the option of using electronic signatures on third-party authorization forms and uploading the documents to a secure communication platform, Taxpayer Digital Communication, which will be accessible on IRS.gov. The new "Submit Forms 2848 and 8821 Online" page will provide a way to upload Forms 2848 and 8821 (signed by taxpayers and representatives either electronically or in ink). The uploaded documents will transmit to the Centralized Authorization File units for the standard review and processing.²⁴
- The IRS has also accelerated plans to offer this capability on the upcoming tax professional online account application. The tax professional online account application will allow tax professionals to interface with their clients' taxpayer online accounts to enable the establishment and management of authorizations (Forms 2848 and 8821) completely online, utilizing electronic signatures.²⁵ The IRS plans to launch the tax professional online account application mid-2021 and add further capabilities in the future.²⁶

16 PGLD response to TAS information request (Oct. 13, 2020).

17 *Id.*

18 IRS, IR-2020-206, *IRS Adds Six More Forms to List That Can Be Signed Digitally; 16 Now Available* (Sept. 10, 2020).

19 IRS SERP Alert 20A0383, *Use of E-Signatures on Certain Forms* (Sept. 10, 2020).

20 IRS, IR-2020-206, *IRS Adds Six More Forms to List That Can Be Signed Digitally; 16 Now Available* (Sept. 10, 2020).

21 See *IRS in the Pandemic: Hearing Before the Subcomm. on Government Operations of the H. Comm. on Oversight and Reform*, 116th Cong. (Oct. 7, 2020) (written statement of Erin M. Collins, National Taxpayer Advocate); National Taxpayer Advocate Fiscal Year 2021 Objectives Report to Congress 10-45 (Systemic Advocacy Objective: *Protecting the Rights of Taxpayers Impacted by the COVID-19 National Emergency and Restoring Much-Needed Taxpayer Services*).

22 TFA, Pub. L. No. 116-25, § 2302, 133 Stat. 1013 (2019) (mandating the IRS to publish guidance within six months of enactment establishing uniform standards and procedures for the acceptance of taxpayers' digital signatures for powers of attorneys and disclosure authorizations); IRC § 6061(b)(3).

23 W&I response to TAS information request (Oct. 6, 2020).

24 IRS Deputy Commissioner Services and Enforcement, *IRS to Offer Electronic Signature Solutions for Third-Party Authorization Forms* (Oct. 30, 2020).

25 W&I response to TAS information request (Oct. 6, 2020). For more information on the online account for tax professionals, see Most Serious Problem: *Online Records Access: Limited Electronic Access to Taxpayer Records Through an Online Account Makes Problem Resolution Difficult for Taxpayers and Results in Inefficient Tax Administration*, *supra*.

26 Office of Online Services (OLS), *Tax Pro Account Briefing 5* (Aug. 2020).

The National Taxpayer Advocate urges the IRS to accept electronic signatures on all documents that require a signature and to continue to allow and expand its use of secure digital communications permanently.

The IRS is also developing an e-Signature strategy. The IRS has indicated that it aims to develop a strategy that is customer-friendly, accessible to a broad customer base, compliant with federal mandates and requirements, and consistent with IRS policy.²⁷ The strategy will incorporate a robust e-authentication process to identity-proof and authenticate the signer. It will also establish a Servicewide approach to the strategic goals, objectives, and initiatives needed for electronic signature implementation.²⁸ Once the IRS assesses, identifies, and eliminates any data security vulnerabilities or file size limitation issues, if applicable, the National Taxpayer Advocate urges the IRS to accept electronic signatures on all documents that require a signature and to continue to allow and expand its use of secure digital communications permanently. We recommend the IRS continue soliciting practical suggestions and input from external stakeholders on how to best use electronic signatures.²⁹

Authentication Remains a Barrier for Many Digital Applications

For taxpayers to access many of the digital services provided by the IRS, they must first satisfy strict IRS e-authentication requirements. The IRS developed these strict authentication requirements to comply with guidelines issued by the National Institute of Standards and Technology (NIST)³⁰ and applies them to the Secure Access e-authentication platform for taxpayers to access most digital applications.³¹ Effective authentication requirements are necessary to screen out often highly sophisticated hackers and other unauthorized persons. However, taxpayers also experience difficulties authenticating their identities to access digital applications.³² For example, the collective authentication rate for IRS online applications requiring the highest level of assurance authentication, such as taxpayer online accounts and the Taxpayer Digital Communication Secure Messaging (TDC SM) program, was about 42 percent in fiscal year (FY) 2020.³³

27 Email from Director, Identity Assurance, PGLD, e-Signature Integrated Project Team Update (Oct. 7, 2020).

28 PGLD response to TAS information request (Oct. 13, 2020).

29 See, e.g., IRS Pub. 5316, Internal Revenue Service Advisory Council, Public Report 37-41 (Nov. 2019); IRS Pub. 3415, Electronic Tax Administration Advisory Committee Annual Report to Congress 42 (June 2020); Letter from Christopher W. Hesse, Chair, AICPA Tax Executive Committee, to Charles P. Rettig, Comm'r, IRS, *Temporary IRS Guidance for Electronic Signature Program* (Aug. 19, 2020); Letter from Tom Callahan, Chair, Section of Taxation, ABA, to Charles P. Rettig, Comm'r, IRS, COVID-19 Response (Apr. 3, 2020); Letter from Jerry Gaddis, President, National Association of Enrolled Agents to Charles P. Rettig, Comm'r, IRS, Uniform Standards for Electronic Signatures (Apr. 1, 2020).

30 NIST *Special Publication 800-63-2, Electronic Authentication Guidelines* (Sept. 2013); Office of Management and Budget (OMB), M-19-17, *Enabling Mission Delivery Through Improved Identity, Credential, and Access Management (ICAM) Policy 2, 7* (May 21, 2019).

31 Not all TDC SM installations require authentication via Secure Access. For example, the Large Business and International Division manually authenticates users using WebEx. IRS response to TAS fact check (Nov. 20, 2020).

32 For additional information about the information needed to pass Secure Access authentication, see IRS, *Secure Access: How to Register for Certain Online Self-Help Tools*, <https://www.irs.gov/individuals/secure-access-how-to-register-for-certain-online-self-help-tools> (last visited Oct. 16, 2020); National Taxpayer Advocate Fiscal Year 2020 Objectives Report 108 (Area of Focus: *Facilitate Digital Interaction Between the IRS and Taxpayers While Still Maintaining Strict Security of Taxpayer Information*).

33 PGLD response to TAS information request (Oct. 13, 2020). Note that the option to receive an activation code by mail was not available for several months during the COVID-19 pandemic, and this impacted the verification rate.

This means about 58 percent of taxpayers who attempted to set up an account could not register for one because they could not satisfy the strict authentication requirements.

Since the IRS developed Secure Access, NIST has issued even more rigorous e-authentication guidelines for federal agencies.³⁴ To comply with these rigorous guidelines, the IRS is developing the next iteration of Secure Access, called the Secure Access Digital Identity (SADI) platform. SADI integrates one or more credential service providers (CSPs) to complete identity verification and issue credentials to access applications.³⁵ Using this approach will allow other federal agencies to accept credentials if they use the same CSP, reducing the burden on taxpayers interacting with several federal agencies. Under the SADI platform, the registration and login processes will change by requiring new information to establish the user's digital identity in the identity proofing process (e.g., passport or driver's license).³⁶ As the IRS further develops the SADI platform, it plans to test it on diverse populations to understand its impact on different demographics.³⁷ The IRS is planning to test SADI on one online application in July 2021 (ID Verify) with plans to implement SADI on other digital applications by September 2024.³⁸ As it performs testing of the platform, we recommend that the IRS continue to assess how the new requirements will impact different demographics and determine the feasibility of potentially increasing accessibility while also maintaining compliance with NIST guidelines.

The Identity Assurance group in Privacy, Governmental Liaison and Disclosure (PGLD) and Identity and Access Management group in Information Technology have ongoing discussions with NIST regarding implementing SADI and leveraging CSPs to identity-proof and authenticate taxpayers and representatives. The IRS plans to share the results of the initial SADI pilot with NIST to better understand and solve challenges while balancing security and accessibility. The IRS has also provided comments on NIST guidelines under development, including a recommendation to reconsider the evidence requirements for the three identified Identity Assurance Levels (IALs) to allow agencies to accept risk to balance accessibility/pass rates and security.³⁹

To raise the verification rates, PGLD's Identity Assurance is working with the IRS Office of Online Services to implement the Secure Access Virtual Assistant. When error messages occur during the authentication process, the Virtual Assistant provides guidance to help the user overcome the error. This tool is aimed at improving the user experience by providing self-guided help and information on the most common errors taxpayers encounter during the three main steps of the Secure Access identity proofing process.⁴⁰

Taxpayers Face Difficulty Signing Up for Taxpayer Digital Communications Secure Messaging

The TDC SM program, which currently utilizes the eGain Solve communication platform, provides taxpayers with an option to digitally communicate with IRS employees in a secure manner rather than through paper correspondence, fax, and telephone calls. Specifically, TDC SM enables taxpayers to digitally submit

34 NIST *Special Publication 800-63-3, Digital Identity Guidelines* (June 2017).

35 IRS PGLD, Identity and Access Management and Identity Assurance, *Secure Access Digital Identity (SADI) & App Integration Overview 3* (Sept. 2020).

36 *Id.* at 4-5.

37 Meeting Between PGLD and TAS, *Overview of SADI with TAS* (Sept. 22, 2020); PGLD response to TAS information request (Oct. 13, 2020).

38 PGLD response to TAS information request (Oct. 13, 2020).

39 *Id.* For a detailed description of how IALs are determined, see National Institute of Standards and Technology, *Special Publication 800-63-3, Digital Identity Guidelines*, § 6.1 (June 2017).

40 *Id.*

documentation quickly and securely through their web browser at their own convenience, allowing quicker resolution of their compliance issues. Because it reduces or eliminates the need to call or mail correspondence to the IRS, the program was a much-needed communication channel during the COVID-19 crisis.⁴¹

The TDC SM program is only available to taxpayers invited by the IRS to participate. Taxpayers who participate in the program must consent to receive information via the TDC SM platform by agreeing to the Terms of Service presented on first use. Taxpayers receive an invitation by letter (Correspondence Exam) or in person (Field Exam) requesting them to log into their secure accounts.⁴² Once the taxpayer passes the strict authentication requirements and registers, the program allows him or her to send messages and securely attach and submit digital documentation.⁴³

TDC SM is also available to taxpayer's representatives.⁴⁴ Appropriate authorizations must be on file. Once the representative authenticates his or her identity (using the representative's own Social Security number), the representative is assigned a secure messaging mailbox to receive copies of communications between the IRS and the client.⁴⁵

These IRS organizations are currently using or have used TDC SM:

- Taxpayer Advocate Service (TAS): Conducted a TDC SM pilot in 2017 and 2018 but discontinued after experiencing a low participation rate.⁴⁶
- Small Business/Self-Employed Division (SB/SE): Began using TDC SM in FY 2017 with Schedule A Correspondence Exams but has since expanded to include most issues worked by the program. SB/SE now offers TDC SM in all five Correspondence Exam locations. In September 2020, it also expanded to one campus of automated underreporter (AUR) and plans to expand to additional campuses in 2021.⁴⁷ In addition, Field Exam initiated a test in 2018 and is planning a possible expansion nationwide.⁴⁸
- Large Business and International Division (LB&I): The Affordable Care Act group began using TDC SM in 2017 to communicate with Branded Prescription Drug fee payers. Since May 2020, LB&I Advanced Pricing and Mutual Agreement uses it to communicate with representatives of taxpayers with international tax issues. LB&I Compliance began using TDC SM on May 15, 2020 and has steadily expanded the program to include more businesses and business users.⁴⁹
- Independent Office of Appeals: Began using TDC SM in October 2020.⁵⁰

41 Appeals Office Provides Guidance for Secure Messaging Pilot Program, *Tax Notes* (Oct. 2, 2020); Memorandum, Appeals Taxpayer Digital Communications Secure Messaging Pilot, by Director, Case and Operations Support, IRS Independent Office of Appeals, Deputy Commissioner, Services and Enforcement (Oct. 2, 2020).

42 Appeals Office Provides Guidance for Secure Messaging Pilot Program, *Tax Notes* (Oct. 2, 2020).

43 Nathan J. Richman, *IRS Secure Messaging Pilot Coming to More Campuses*, *Tax Notes* (Aug. 5, 2020).

44 SB/SE, LB&I, TE/GE, and the Independent Office of Appeals are currently conducting TDC pilots. Meeting between TAS and IRS Office of Online Services (Sept. 18, 2020). TAS conducted a TDC pilot in 2017 and to 2018. LB&I has actively used the TDC Secure File Sharing-Secure Messaging (SFS-SM) program since May 15, 2020 and is considering ways to expand such usage. LB&I response to TAS information request (Oct. 6, 2020).

45 Nathan J. Richman, *IRS Secure Messaging Pilot Coming to More Campuses*, *Tax Notes* (Aug. 5, 2020).

46 See National Taxpayer Advocate Fiscal Year 2020 Objectives Report to Congress 108-112 (Area of Focus: *Facilitate Digital Interaction Between the IRS and Taxpayers While Still Maintaining Strict Security of Taxpayer Information*).

47 SB/SE response to TAS information request (Oct. 8, 2020); Meeting Minutes, Meeting Between TAS and SB/SE AUR on the topic of AUR TDC (Sept. 18, 2020).

48 SB/SE response to TAS information request (Oct. 8, 2020); Nathan J. Richman, *IRS Secure Messaging Pilot Coming to More Campuses*, *Tax Notes* (Aug. 5, 2020); IRS SERP Alert 20A0363, Expansion of TDC in SB/SE Correspondence Exam (Aug. 26, 2020).

49 LB&I response to TAS information request (Oct. 6, 2020); IRS response to TAS fact check (Nov. 20, 2020).

50 Memorandum, Appeals Taxpayer Digital Communications Secure Messaging Pilot, by Director, Case and Operations Support, IRS Independent Office of Appeals, Deputy Commissioner, Services and Enforcement (Oct. 2, 2020).

- Tax Exempt and Government Entities (TE/GE): TE/GE Tax Exempt Bonds uses the program to provide more streamlined communication with locality bond issuers, representatives, and conduit borrowers.⁵¹

The SB/SE use of TDC SM has had favorable results for those who sign up. In August 2020, SB/SE reported a satisfaction rate of over 80 percent in August 2020, and updates to the program have reduced audit time for both the IRS and taxpayers.⁵² However, taxpayers have difficulty passing authentication requirements to register. Of the taxpayers who are invited to participate and attempt to create an account, the TDC SM authentication success rate is about 55 percent, meaning that about 45 percent of the taxpayers who attempt to participate cannot authenticate (or choose not to continue).⁵³ As stated in Figure 1.4.1, 12 percent or fewer of taxpayers invited to participate in SB/SE TDC SM actually sign up for an account during each phase of the program.⁵⁴

FIGURE 1.4.1, SB/SE TDC SM Rate of Sign Ups From FYs 2017-2020

Implementation Phase (Periods Generally Ending in March)	Invitations Sent	Signups (Passing Secure Access Authentication)	Percentage of Invitations That Signed Up
Phase I: FY 17/18	9,150	1,071	12%
Phase II: FY 18/19	18,841	2,205	12%
Phase III: FY 19/20	50,527	5,657	11%
Feb. to Sept. 2020	24,000	2,335	10%

Until the IRS develops online accounts for individual taxpayers, tax professionals, and business taxpayers that provide a full service experience, including the TDC SM functionality to correspond with IRS employees and securely attach and submit documents, TDC SM is a useful standalone digital tool.⁵⁵ However, once the IRS incorporates TDC SM functionality into the online account applications for individuals, professionals, and business taxpayers, it may not need to maintain TDC SM separate and apart from the online account applications.

Taxpayers Would Benefit From an Expansion of Taxpayer Digital Communications eGain Text Chat

The Automated Collection System (ACS) program in SB/SE implemented the ACS Text Chat pilot on the TDC platform in November 2017.⁵⁶ The text chat directs taxpayers to the appropriate online service options where possible to reduce the need to call the IRS. Text chat provides general assistance to taxpayers who receive certain ACS letters, visit certain IRS.gov web pages, or were routed out of the Online Payment

51 IRS response to TAS fact check (Nov. 20, 2020).

52 Nathan J. Richman, *IRS Secure Messaging Pilot Coming to More Campuses*, TAX NOTES (Aug. 5, 2020).

53 SB/SE response to TAS information request (Oct. 8, 2020); Meeting Minutes, Meeting Between TAS and SB/SE AUR on the topic of AUR TDC (Sept. 18, 2020).

54 SB/SE response to TAS information request (Oct. 8, 2020). For many of the invitations sent to taxpayers, there is no response at all, or the taxpayer sends a payment and have no need for secure messaging. IRS response to TAS fact check (Nov. 20, 2020).

55 See Most Serious Problem: *Online Records Access: Limited Electronic Access to Taxpayer Records Through an Online Account Makes Problem Resolution Difficult for Taxpayers and Results in Inefficient Tax Administration*, supra.

56 Director, Collection Inventory Delivery and Selection, Interim Guidance on ACS Text Chat Pilot (May 22, 2019).

Most Serious Problem #4: Digital Communications

Agreement application when attempting to establish an installment agreement. Initially, the pilot was implemented as unauthenticated text chat. With unauthenticated text chat, the IRS assistors do not have access to taxpayer information and cannot access the taxpayer's account. Taxpayers are also prevented from providing their Taxpayer Identification Number.

ACS launched authenticated text chat in June 2019. With authenticated text chat, the assistors can provide responses to specific questions based on the taxpayer's entry point after the taxpayer authenticates. Beginning in June 2020, taxpayers could also attach documents during an authenticated chat session.⁵⁷ To access authenticated text chat, the text chat assistor provides the taxpayer with a link to the e-authentication page. Once authenticated, taxpayers are routed back to the assistor on the TDC platform. If the taxpayer fails authentication, he or she can continue with unauthenticated text chat.⁵⁸ ACS has expanded the program to five additional IRS office locations since the beginning of the COVID-19 pandemic and now supports text chats in Spanish.⁵⁹ Figure 1.4.2 shows the statistics of unauthenticated and authenticated text chat.

FIGURE 1.4.2, Performance Metrics for ACS Unauthenticated and Authenticated Text Chat⁶⁰

Performance Metrics	FY 2018	FY 2019	FY 2020
Total Chats Connected	29,836	98,571	328,815
<i>Unauthenticated Chat</i>	29,333	94,225	320,584
<i>Authenticated Chat (Added June 2019)</i>	N/A	4,346	8,231
Average Wait Time	36s	1m, 31s	35s
Average Handle Time	7m, 42s	6m, 54s	6m, 48s
<i>Unauthenticated Chat</i>	7m, 42s	6m, 48s	6m, 13s
<i>Authenticated Chat</i>	N/A	15m, 23s	21m, 50s
Percent Abandoned	1.70%	2.40%	1.30%
Resolution Rate	71%	76%	75%
<i>Unauthenticated Chat</i>	71%	76%	75%
<i>Authenticated Chat</i>	N/A	83%	75%
Customer Satisfaction (Out of 5 Stars)	4	4	4.1

ACS's implementation of text chat has had favorable results. Most notable are the low percentage of users who abandoned text chat, the high resolution rates, and high customer satisfaction rates for both types of text chats. Given these results, taxpayers would benefit from the availability of text chat beyond ACS, and we recommend the IRS increase use for taxpayers.

57 SB/SE Business Performance Review FY 2020 Third Quarter 9 (Aug. 20, 2020).

58 Director, Collection Inventory Delivery and Selection, Interim Guidance on ACS Text Chat Pilot (May 22, 2019).

59 IRS response to TAS fact check (Nov. 20, 2020).

60 OLS response to TAS information request (Oct. 13, 2020). Authenticated chats involve more individualized interactions and generally more complex, contributing to the longer handle times.

Digital Communication Options Are Currently Limited for Business Taxpayers

Many of the existing or planned digital communication tools are aimed at assisting individual taxpayers and their representatives. The expansion of digital communication options to business taxpayers is constrained by the complexities involved in authenticating and authorizing business taxpayer representatives. The IRS relies on a resource-intensive manual consent process to identity-proof and authorize business taxpayer representatives. To authenticate a business taxpayer to use TDC SM in LB&I, this process involves several steps, including: (1) communicating with the primary business contact(s) to confirm willingness to participate in the program; (2) sending the consent form to the taxpayer, corporate officer, or authorized representative by mail, eFax, or email; (3) verifying the information included on the signed and dated consent form returned by mail, eFax, or email; (4) verifying the information included on the form; (5) in the case of a new audit, calling the taxpayer, corporate officer, or authorized representative to further authenticate through a series of questions about the tax return; and (6) sending the account username to the taxpayer, corporate officer, or authorized representative once authentication is complete.⁶¹

The Taxpayer Experience Strategy in the Taxpayer First Act Report to Congress identifies business online accounts as a priority. The planned online account for businesses will include secure document exchange capability. This initiative will start with identification of the best and most secure way to authenticate business entities. The strategy schedules business authentication work to begin in FY 2022 with developing the business online accounts projected to start by FY 2026.⁶² We recommend the IRS consider moving up the start date to provide business online capabilities as soon as practicable.

All Digital Applications Should Be Mobile-Ready

As the IRS releases digital service options, it must consider how taxpayers will access such services. In 2019, about 37 percent of U.S. adults mostly used a smartphone when accessing the internet. In addition, about 17 percent of U.S. adults are now “smartphone only” internet users (*i.e.*, they own a smartphone but do not subscribe to broadband internet service at home).⁶³ While not all IRS digital applications are either mobile-ready or mobile-optimized,⁶⁴ the IRS is making progress. Several digital applications are both mobile-ready and mobile-optimized.⁶⁵ Further transition of applications to mobile-ready or mobile-optimized status is anticipated as part of the IRS response the 21st Century Integrated Digital Experience Act, though none are scheduled. In addition, the Taxpayer Experience Strategy of the Taxpayer First Act Report to Congress aims to make all applications mobile-ready.⁶⁶

Supplementing its effort to make services mobile-ready, the IRS is incorporating mobile technology into its notices. On October 9, 2020, the IRS announced that it added QR barcode technology to notices sent to

61 OLS response to TAS information request (Oct. 13, 2020). Authenticated chats involve more individualized interactions and generally more complex, contributing to the longer handle times. For example, LB&I is leveraging a consent process to invite business representatives to use secure messaging with the audit of LB&I taxpayers including corporations, subchapter S corporations, partnerships with assets greater than \$10 million.

62 Taxpayer First Act Office response to TAS information request (Oct. 13, 2020); OLS response to TAS information request (Oct 13, 2020). Budget priorities and realities may influence the exact timing of the delivery of business online accounts.

63 Monica Anderson, Pew Research Center, *Mobile Technology and Home Broadband 2019*, at 2-4 (June 13, 2019).

64 “Mobile ready” is defined to mean that some layouts, content, and elements resize to mobile viewports and that the application is largely usable in those circumstances with only (relatively) minor inconveniences. “Mobile optimized,” would be mean all of the above would react for mobile viewports, and follow the standards included in the IRS Online Design Guide based upon the U.S. Web Design System. OLS response to TAS information request (Oct. 13, 2020).

65 Such applications include: Direct Pay, Online Account, Tax Exempt Organization Search, Where Is My Amended Return, and Free File Lookup Tool. OLS response to TAS information request (Oct. 13, 2020).

66 OLS response to TAS information request (Oct. 13, 2020).

millions of taxpayers. The CP14 and CP14 IA notices, the first legal notices informing taxpayers they owe a balance, are now equipped with QR bar codes so that taxpayers can use their smartphones to scan the code to go directly to IRS.gov and securely access the information they need to resolve their account balance online without the need to call or interact with the IRS directly. The IRS is assessing the possibility of adding QR codes to other balance due notices in the future.⁶⁷

Virtual Face-to-Face Service Options Are Currently Limited

Videoconference technology allows taxpayers and representatives to be seen, heard, and share documents with the IRS without being physically present.⁶⁸ The following IRS organizations have incorporated videoconferencing technology into their operations:

- Wage and Investment Division (W&I) Field Assistance: W&I Field Assistance offers Virtual Service Delivery (VSD) as a face-to-face service option at about 30 community partner locations such as nonprofit offices and state and local government buildings.⁶⁹ However, VSD generally relies on old technology that only enables two-way communications from dedicated sites.⁷⁰
- The IRS Independent Office of Appeals: Appeals offers WebEx technology for virtual face-to-face conferences between taxpayers, representatives, and Appeals Officers.⁷¹
- SB/SE Field and Specialty Exam: SB/SE has issued guidance setting forth the guidelines for Field and Specialty Exam employees to use WebEx videoconferencing technology to interact with taxpayers.⁷²
- IRS Office of Chief Counsel: The IRS Office of Chief Counsel and the U.S. Tax Court are conducting pre-trial conferences and trials using videoconferencing technology.⁷³

The IRS has distributed the Zoom for Government (ZoomGov) videoconferencing software to employees' workstations throughout the agency for internal and external meetings.⁷⁴ TAS is also evaluating the feasibility of using ZoomGov videoconferencing technology for virtual face-to-face meetings between Case Advocates and taxpayers (or their representatives). Videoconferencing is not meant to replace in-person or telephone conference options; rather, it adds a digital option to communicate with taxpayers and their representatives.

The Taxpayer Experience Strategy in the Taxpayer First Act Report to Congress includes plans to expand virtual face-to-face capabilities throughout the agency. The plans would enable taxpayers to schedule a video chat with an IRS employee using a computer, tablet, or mobile phone. This technology is planned to begin in FY 2021 with incremental increases over the next three to five years. The report includes plans to expand the availability of digital kiosks in the next three to five years. Such planned kiosks will connect to a live assistor,

67 IRS, IR-2020-233, IRS Adds QR Technology to Key Balance Due Notices to Help Taxpayers (Oct. 9, 2020).

68 IRS, Appeals Virtual Conferences – Webex, <https://www.irs.gov/appeals/appeals-virtual-conferences-webex> (last visited Oct. 6, 2020).

69 TAS also has had three operational VSD locations (located in Kenai, AK; Tampa, FL, and Spokane, WA) to interact with taxpayers. TAS, *Contact Us*, <https://www.taxpayeradvocate.irs.gov/contact-us/> (last visited Nov. 11, 2020); Internal Revenue Manual (IRM) 13.1.16.8, Sources of TAS Cases and Initial Intake Actions (Aug. 14, 2020). TAS will be discontinuing the use of this technology, and migrating to other interactive technologies.

70 TFAO response to TAS information request (Oct. 13, 2020); OLS response to TAS information request (Oct. 13, 2020); W&I response to TAS information request (Oct. 27, 2020); Treasury Inspector General for Tax Administration, Ref. No. 2019-IE-R002, *Although Virtual Face-to-Face Service Shows Promise, Few Taxpayers Use It* (Nov. 13, 2018); IRM 4.21.3.4.2.3, Virtual Services Delivery (VSD) (Oct. 1, 2018).

71 IRS, Appeals Virtual Conferences – Webex, <https://www.irs.gov/appeals/appeals-virtual-conferences-webex> (last visited Oct. 11, 2020).

72 Director, Examination Field and Campus Policy, SB/SE, Interim Guidance on WebEx for Taxpayer-Facing Interactions (Sept. 2020).

73 United States Tax Court, Press Release (May 29, 2020).

74 Email from IT Information Services, Advisory – ZoomGov 5.1.3 Enterprise (Sept. 30, 2020).

facilitate in-person identity-proofing for online accounts, enable the printing of transcripts and notices, and permit credit card payments. Return on investment analysis, budget considerations, and dialogue with IRS partners will determine how much the agency expands kiosks.⁷⁵

The planned expansion of virtual face-to-face service is promising. We recommend that the IRS evaluate the feasibility of expanding the use of virtual face-to-face technology to as many taxpayer-facing functions as possible. While existing bandwidth restrictions may impede the IRS from initially deploying widescale use of this technology — limited bandwidth prevented the IRS from using videoconferencing technology for internal purposes during the COVID-19 closures⁷⁶ — such expansion could help fill current or future voids in face-to-face service at TACs and in communication with revenue agents or revenue officers. In addition, taxpayers geographically remote from a TAC or TAS local office would find using videoconferencing technology more helpful and economical than traveling for an in-person conference. Even taxpayers who are geographically close may prefer the convenience of a virtual meeting.

CONCLUSION AND RECOMMENDATIONS

The COVID-19 pandemic exposed critical shortcomings in IRS service and communication channels. In many cases, the IRS addressed such shortcomings by developing temporary workaround procedures. To provide excellent taxpayer service and plan for any future emergencies, the IRS must build upon such temporary initiatives and make permanent improvements in the IRS's digital service offerings. Taxpayers need the option to correspond with the IRS digitally, including attaching and transmitting documents in a secure manner. In addition, the success of the TDC text chat pilot illustrates the need to expand this program beyond ACS. Expanding the use of videoconferencing software to all taxpayer-facing functions would benefit taxpayers, especially those who live in remote geographic locations or simply prefer this means of communication. The IRS must increase accessibility to digital services by increasing the e-authentication verification rates while also maintaining compliance with NIST guidelines. Finally, the provision of high-quality digital services necessitates a shift in IRS culture, in which IRS employees embrace a completely new way of communicating with taxpayers.

Preliminary Administrative Recommendations to the IRS

The National Taxpayer Advocate preliminarily recommends that the IRS:

1. Maintain a robust omnichannel service environment at the same time that it enhances its digital offerings.
2. Accept electronic signatures on all documents that require a signature, once the IRS assesses, identifies, and eliminates any data security vulnerabilities, if applicable.
3. Make permanent the use of a secured messaging system with taxpayers and their representatives.
4. Make permanent and expand the list of documents the IRS will accept and transmit by email using an established secured messaging system, once the IRS assesses, identifies, and eliminates any data security vulnerabilities and file size limitation issues, if applicable.
5. Assess how the new SADI platform will impact different demographics and determine the feasibility of potentially increasing accessibility to digital applications as they are integrated with SADI, while also maintaining compliance with NIST guidelines.

⁷⁵ TFAO response to TAS information request (Oct. 13, 2020).

⁷⁶ IRS Leaders Alert, COVID-19 Daily Manager Update (Mar. 20, 2020).

6. Expand the availability of TDC eGain Text Chat beyond ACS.
7. Continue to develop digital service tools that are mobile-ready.
8. Expand the use of virtual face-to-face technology to taxpayer-facing functions as permitted, while ensuring proper authentication and authorization controls are in place.

Legislative Recommendation to Congress

The National Taxpayer Advocate recommends that Congress:

1. Provide sufficient funding for the IRS to quickly and safely expand digital services including those proposed by the Taxpayer Experience Strategy of the Taxpayer First Act Report to Congress.

IRS COMMENTS

The IRS has aimed to increase digital communications and services over the past decade, but funding constraints and operational challenges impeded progress. The COVID-19 pandemic highlighted the critical need to expand digital options to not only promote efficiency but also preserve health and safety. Digital options for taxpayers, tax professionals, and IRS employees are fundamental to effective tax administration.

In response to COVID-19 concerns, the IRS took steps to protect employees, taxpayers, and their representatives by minimizing the need for in-person contact. Taxpayer representatives expressed concerns with securing handwritten signatures for forms required to be filed or maintained on paper. To alleviate these concerns and promote timely filing, the IRS implemented temporary deviations that allow taxpayers and representatives to electronically sign and submit specific forms. We are reassessing this policy to see how the temporary accommodations may be expanded and, in some cases, made permanent.

As detailed in the Taxpayer First Act, Taxpayer Experience Strategy, the IRS is committed to providing increased options for communicating digitally and an improved online experience for all taxpayers while expanding this service to tax professionals. Because digital services will not meet every need, the IRS must continue to provide taxpayers assistance through a variety of channels — including mail, web, telephone, and in person. We will integrate those channels with expanded digital options to seamlessly guide taxpayers to the resources that will best resolve their issue. As the report mentions, Taxpayer Digital Communications Secure Messaging provides taxpayers with an option to digitally communicate with IRS employees in a secure manner and submit electronic documentation quickly and securely at their own convenience. Text chat for taxpayers with collection questions has expanded to 11 of the 19 Automated Collection System call sites (including bilingual sites), and now allows taxpayers to attach documents such as installment agreement forms and delinquent returns.

Securing our systems and taxpayer data is a top priority for the IRS. In 2017, the National Institute of Standards and Technology (NIST) released Special Publication (SP) 800-63-3 that provided

updated digital identity guidelines and created a new framework for federal agencies to improve the security of their identity-proofing and authentication standards. The guidelines redefined how federal agencies implement digital identity services and included substantially more rigorous authentication requirements. By utilizing Credential Service Providers (CSPs) and conducting emerging technology Innovation Studies and usability surveys, the IRS is working to expand identity proofing and authentication options to meet taxpayers' digital service needs and mobile service expectations while adhering to NIST requirements.

Taxpayers deserve personalized digital services that meet their needs and expectations. The IRS is committed to meeting these expectations and creating a positive digital services experience that increases trust in government and promotes voluntary tax compliance.

TAXPAYER ADVOCATE SERVICE COMMENTS

The IRS's commitment to increase digital communication options for taxpayers and representatives, as reflected in its Taxpayer Experience Strategy of the Taxpayer First Act Report to Congress, will ensure that taxpayers' right to quality service is realized to a greater extent. It is encouraging that the IRS plans to reassess, with a possibility of expanding or making permanent, temporary procedures permitting electronic signatures and digital submission of documents. These temporary procedures were implemented to accommodate taxpayers and representatives as they interacted with the IRS during service limitations associated with the COVID-19 pandemic, but these expanded options to digitally communicate with the IRS will also prove useful to both taxpayers and IRS employees under normal operating conditions.

While the IRS is making great strides to provide digital services to taxpayers and representatives, it also acknowledges the need to maintain an omnichannel approach to taxpayer service which is consistent with TAS's longstanding recommendations. Allowing taxpayers and representatives to choose the service channel that best suits their needs at any given point in their interactions with the agency is crucial to improve their experience. Pursuant to the Taxpayer Experience Strategy, the IRS not only plans to maintain the different service channels, but it also plans to integrate the various channels to seamlessly guide taxpayers to the resources that will best resolve their issue.

For those taxpayers and representatives who choose to use a digital service channel, they can only gain access to many of the digital applications if they pass the rigorous authentication requirements required by NIST. As the IRS complies with the more rigorous NIST requirements and utilizes CSPs to identity proof taxpayers and representatives, we reiterate the need to continually evaluate how such procedures impact accessibility of the suite of digital applications. Specifically, the IRS should monitor how such authentication requirements impact different demographics and determine the feasibility of potentially increasing accessibility while also strictly adhering to the NIST requirements.

RECOMMENDATIONS

Administrative Recommendations to the IRS

The National Taxpayer Advocate recommends that the IRS:

1. Maintain a robust omnichannel service environment at the same time that it enhances its digital offerings.
2. Accept electronic signatures on all documents that require a signature, once the IRS assesses, identifies, and eliminates any data security vulnerabilities, if applicable.
3. Make permanent the use of a secured messaging system with taxpayers and their representatives.
4. Make permanent and expand the list of documents the IRS will accept and transmit by email using an established secured messaging system, once the IRS assesses, identifies, and eliminates any data security vulnerabilities and file size limitation issues, if applicable.
5. Assess how the new SADI platform will impact different demographics and determine the feasibility of potentially increasing accessibility to digital applications as they are integrated with SADI, while also maintaining compliance with NIST guidelines.
6. Expand the availability of TDC eGain Text Chat beyond ACS.
7. Continue to develop digital service tools that are mobile-ready.
8. Expand the use of virtual face-to-face technology to taxpayer-facing functions as permitted, while ensuring proper authentication and authorization controls are in place.

Legislative Recommendation to Congress

The National Taxpayer Advocate recommends that Congress:

1. Provide sufficient funding for the IRS to quickly and safely expand digital services including those proposed by the Taxpayer Experience Strategy of the Taxpayer First Act Report to Congress.