

## DIGITAL COMMUNICATIONS: Digital Communication Tools Are Too Limited, Making Communication With the IRS Unnecessarily Difficult

### WHY THIS IS A SERIOUS PROBLEM FOR TAXPAYERS

Taxpayers contact the IRS when they need help to comply with their tax obligations. The COVID-19 pandemic combined with new programs the IRS was directed to administer has led to historically low levels of telephone service and forced the IRS to limit in-person appointments, frustrating taxpayers and leaving them searching for any available way to communicate with the IRS.<sup>1</sup>

The IRS had been taking steps to expand digital communication with taxpayers and their representatives before the pandemic struck, but the experience of the last year highlights the urgency of accelerating the implementation and expansion of digital communication options to help taxpayers and their representatives receive the help they need.<sup>2</sup>

### EXPLANATION OF THE PROBLEM

The IRS has been significantly underfunded for over a decade, and it has watched its workforce and budget steadily decline during that time.<sup>3</sup> In the Taxpayer First Act Report to Congress, the IRS made clear its commitment to expanding options for taxpayers and representatives to communicate with the IRS digitally. Digital tools allow taxpayers to:

- Securely sign and submit documents, thereby avoiding mail delays;
- Receive chat answers to questions, thereby avoiding calls to the IRS; and
- Access limited virtual services on a mobile device, providing a way for taxpayers to have a face-to-face interaction with an IRS employee without traveling to an IRS office.

An essential element of providing America's taxpayers top quality service in this area is providing user support to all who want to use digital communication tools. When digital communication tools are easy to find, understand, and use, they help ensure the taxpayer's *right to quality service* through clear and easily understandable communications.<sup>4</sup> During the pandemic, the IRS made it easier for some taxpayers to communicate digitally and shifted to a telework environment. But the IRS and taxpayers would benefit from prioritizing and expanding digital communications at a more rapid pace.<sup>5</sup>

Implementing expanded and new digital communication services is a necessity. However, the IRS needs to balance budget restrictions, use of existing resources, and taxpayer needs for each implementation. This includes publicizing the changes, educating taxpayers about the uses, collecting feedback, and making improvements as needed. Some taxpayers will need support in the identity proofing process. Others will need access from a mobile device. Taxpayers living in areas without broadband access may need the IRS to provide equipment that supports digital communication, and taxpayers living abroad face additional challenges. As the IRS implements new digital communication services and enhances existing technologies, it is critical that it integrate these services and tools into an omnichannel service environment as the foundation for seamless communication transitions and experiences across different channels, platforms, and devices.

## ANALYSIS

Currently, there are over 232 million individual taxpayers, and during calendar year 2021, they filed over 168 million individual and jointly filed tax returns; and businesses filed over 12 million corporate and partnership returns.<sup>6</sup> Yet, the available digital communications options, such as secure email and Taxpayer Digital Communications (TDC), are limited to a small population of taxpayers. The IRS must supplement or expand and make available to all taxpayers the ability to use a digital communication option to interact with the IRS to ensure quality service and an improved taxpayer experience. When the IRS takes an interest in a taxpayer, *e.g.*, auditing a taxpayer or pursuing collection, it offers the ability to communicate and exchange documents digitally, including email, text chat, and secure messaging.<sup>7</sup> But taxpayers seeking assistance with voluntary compliance have fewer options to communicate digitally with the IRS for help and face obstacles accessing their own information.<sup>8</sup> Offering online accounts with robust capabilities including two-way secure messaging is a necessity and can serve as a hub for accessing digital tools. See the Most Serious Problem on Online Accounts for a discussion of issues related to online account applications for individual or business taxpayers.<sup>9</sup>

**The IRS must supplement or expand and make available to all taxpayers the ability to use a digital communication option to interact with the IRS to ensure quality service and an improved taxpayer experience.**

### The IRS Should Expand the Use of the Secure Email Messaging System

Secure email provides an opportunity for digital communication that is familiar to many taxpayers. Within the IRS's Secure Email Messaging System (SEMS), messages and attachments are encrypted, but SEMS has limitations. To use SEMS, both the taxpayer and the IRS recipient must have secure messaging software installed on their computers and must exchange encryption certificates. There are also limits on file size that can be attached to emails, and some email software is incompatible with SEMS. International taxpayers are unable to use SEMS because they are unable to complete the authentication process. As a result, the IRS has limited options for secure email. It's only available to Large Business and International (LB&I) Division taxpayers during an audit and the Office of Chief Counsel (Counsel) to communicate with taxpayer representatives in docketed Tax Court cases. Counsel employees may exchange personally identifiable information and return information with taxpayers or their representatives during Tax Court litigation and letter ruling or closing agreement processes.<sup>10</sup> We recommend expanding the use of SEMS to other divisions. Most taxpayers use email in their everyday transactions with businesses, friends, and family as well as some sort of online portal or online account to communicate with their bank or financial institution.

### Documentation Upload Tool Serves as an Electronic Mailroom

On March 4, 2021, the IRS added the Documentation Upload Tool (DUT) for use in Wage and Investment (W&I) cases in the Return Integrity and Compliance Services function. It has also rolled the tool out to other IRS program areas such as Correspondence Exam, Voluntary Disclosure, and TAS.<sup>11</sup> The DUT platform allows taxpayers who prefer not to rely on mail or fax to upload documents requested during the examination in .pdf, .jpeg, .jpg, or .png file formats (with size of up to 5 MB per file) using a web browser.<sup>12</sup> Taxpayers can access DUT through a smartphone or computer device and upload pictures of documents and scanned documents.<sup>13</sup> DUT does not require the user to authenticate and thus is a valuable alternative for taxpayers who have trouble authenticating with the IRS's current programs. However, DUT is a one-way communication tool and does not allow the IRS to send a digital response. For many low-income taxpayers without printers, fax machines, or computers, DUT has been beneficial in providing documents in real time while speaking with the IRS. Until the IRS provides a better alternative,

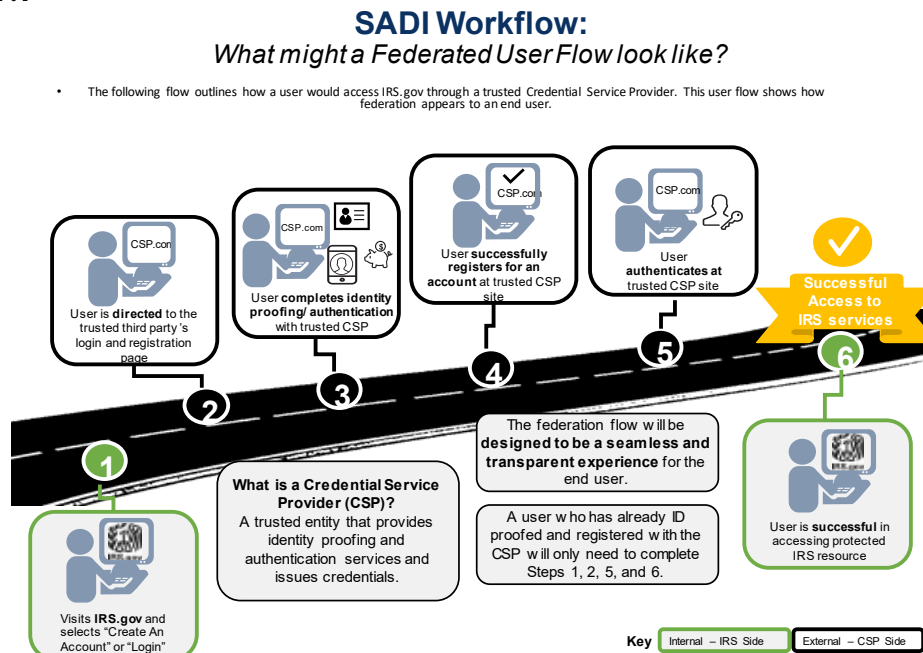
we recommend the IRS continue to expand this service to other functions within the agency to receive correspondence from taxpayers.

### Challenges in Accessing Secure IRS Digital Communication Services

As the custodian of sensitive financial information from hundreds of millions of taxpayers, we appreciate the need for the IRS to take precautions to protect taxpayer data. The IRS is addressing the challenges many taxpayers have in accessing secure digital communication services through the transition to the modernized Secure Access Digital Identity (SADI) platform. The SADI platform is the identity proofing and authentication solution for public-facing IRS applications that will replace the legacy Secure Access eAuthentication (Secure Access eAuth). This solution will address alignment to the updated National Institute of Standards and Technology (NIST) and Office of Management and Budget (OMB) policies.<sup>14</sup> Secure Access eAuth is based on tax return confirmation, financial record confirmation, and mobile phone confirmation. This process creates verification obstacles for taxpayers who want to use digital communication services but who are unbanked, lack financial accounts, are international taxpayers, or are Individual Taxpayer Identification Number (ITIN) holders.

Although the SADI authentication requirements are stricter than Secure Access eAuth, they also provide greater flexibility in the taxpayer identity proofing process. The IRS needs SADI to comply with more rigorous digital identity guidelines NIST imposed on federal agencies, but SADI may also help to improve taxpayer access to secure digital tools. SADI uses one or more Credential Service Providers (CSPs) to provide identity proofing and credential management services for the IRS. Taxpayers move seamlessly from IRS.gov to a CSP website to start the registration process. As shown in Figure 2.7.1, users upload requested identity information (*i.e.*, picture of driver's license, passport) and a "selfie," register for an account, and authenticate on the CSP's site before seamlessly returning to the requested IRS tool upon authentication. SADI will allow taxpayers to access applications across different agencies using a single set of credentials trusted by multiple parties. For example, users may have the option to use a single set of credentials for accessing their Social Security Administration and IRS accounts if both agencies support the same CSP.

FIGURE 2.7.1



## Success of the Secure Access Digital Identity Initiative Is Dependent on Credential Service Providers

Beginning in June 2021, the first application to use SADI for authentication was the Child Tax Credit Update Portal (CTCUP). The IRS created CTCUP as an online tool to allow taxpayers to make modifications in support of receiving or adjusting enrollment for Advance Child Tax Credit payments.<sup>15</sup> During the initial months of SADI implementation, the authentication success rate has been over 73 percent.<sup>16</sup> The IRS began migrating the primary taxpayer-facing applications (Get Transcript, Identity Protection PIN, Online Account, etc.) from Secure Access eAuth to SADI in November 2021.<sup>17</sup> These primary applications provide access to 23 transactions including access to account transcripts, the ability to make account payments, and communication through TDC.<sup>18</sup> The IRS is scheduled to transition the remaining applications, including e-Services Online Tools for Tax Professionals, to SADI in fiscal year (FY) 2022.<sup>19</sup> We will continue to monitor the SADI authentication success rate as it is rolled out to more digital communication tools.

While the legacy Secure Access eAuth platform does not rely on a CSP, SADI requires a third-party CSP to conduct identity proofing and credential management for the IRS. Currently, the only CSP servicing the IRS is ID.me, but the IRS is conducting vendor capability research to determine if CSP vendors have the basic requirements and capabilities (*e.g.*, in-person customer support, multi-language assistance, fraud detection) to integrate with the IRS to expand user coverage for underserved populations.<sup>20</sup> One of the lasting lessons from the pandemic is the importance of having redundant resources to avoid service disruptions. Relying on a single CSP to serve all U.S. taxpayers must be a short-term plan, not a long-term solution. We recommend the IRS partner with additional CSPs before the retirement of Secure Access eAuth and full implementation of SADI and not rely on a single CSP.

## Challenges Remain for International Taxpayers and Holders of Individual Taxpayer Identification Numbers Who Need Access to Digital Communication Services

One large, readily identifiable group of underserved taxpayers in the digital realm are foreign nationals who receive U.S.-sourced income. In 2019, over seven million Forms 1042-S, Foreign Person's U.S. Source Income Subject to Withholding, were filed with the IRS.<sup>21</sup> The IRS currently does not have the technical capability to identity proof international taxpayers using a CSP at the appropriate levels required by NIST guidelines.<sup>22</sup> The IRS is conducting analysis and research of potential solutions in use by other countries and investigating options available from different CSPs to develop an international identity proofing capability, including leveraging passports to identity proof international taxpayers.<sup>23</sup>

Currently, ID.me is limited in its ability to identity proof and issue credentials to those without a Social Security number (SSN), such as ITIN holders. The IRS and ID.me are developing a process to verify that an ITIN is valid once ID.me has validated the user's identity documents including a passport or driver's license.<sup>24</sup> We recommend the IRS establish a process for taxpayers living outside the United States and taxpayers with ITINs to authenticate themselves in SADI or another platform that meets NIST requirements.<sup>25</sup>

## Taxpayer Digital Communication Services

Another way for taxpayers to communicate with the IRS securely is through the TDC platform. The TDC platform is more secure than email because the message content never leaves the secure TDC server and does not cross the open internet.<sup>26</sup> However, taxpayers can only use the TDC platform for certain IRS services, and it is not available to all taxpayers. The platform allows practitioners to submit Forms 2848, Power of Attorney and Declaration of Representative, and 8821, Tax Information Authorization, online via secure messaging using electronic signature methods. While TDC allows for online submissions to the IRS, processing procedures after IRS receipt are the same as for submissions received through all channels

except the Tax Pro Account, which establishes authorizations without generating an electronic Form 2848 or 8821 that requires processing.<sup>27</sup> Submission of Forms 2848 or 8821 through TDC provides the benefit of a confirmation of transmission but still relies on manual processing that has experienced a backlog since March 2020. The IRS has received over 408,000 authorization requests through TDC since implementation with over 392,000 processed; however, processing continues to take more than three weeks.<sup>28</sup>

As of November 2021, there have been over 190,000 invitations and 24,000 participants, few of whom were tax professionals.<sup>29</sup> About 26,500 taxpayers signed up through the Small Business/Self-Employed (SB/SE) Correspondence Exam and about 1,600 through SB/SE Automated Underreporter (AUR).<sup>30</sup> One of the biggest challenges to taxpayers accessing the TDC platform is the process to receive an invitation to use the platform and to authenticate identity. The IRS is addressing this challenge with the transition to the new SADI platform.

The primary service of the TDC platform is TDC Secure Messaging (TDC SM), available for specific compliance programs, that requires the IRS to invite taxpayers to participate in response to a notice or during a call with an IRS representative. TDC SM 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, allowing quicker resolution of their compliance issues. TDC SM is a foundational digital communication service to support the IRS modernization plan, reduce response times, and potentially reduce or eliminate the need for taxpayers to call or mail correspondence.<sup>31</sup>

Several IRS divisions launched applications on the TDC platform to provide methods for digital communication from taxpayers. SB/SE introduced TDC SM on a limited basis for Schedule A correspondence examinations in December 2016, has expanded TDC SM to all correspondence exam locations, and plans to complete expansion of TDC SM to all AUR campuses in 2022.<sup>32</sup> Correspondence exams and AUR functions account for 2.6 million communications annually, of which only a fraction are currently digital communications.<sup>33</sup> More than four years after launch, SB/SE has received about 109,000 digital messages through TDC SM.<sup>34</sup> For the tools to be useful, the IRS needs to promote taxpayer adoption and make these tools accessible and user-friendly to taxpayers. It's worth noting that in August 2020, SB/SE reported a satisfaction rate of over 80 percent from taxpayers who use TDC SM, and updates to the program have reduced audit time for both the IRS and taxpayers.<sup>35</sup> SB/SE Field Exam initiated a test in 2018, but expansion of TDC SM to Field Exam is not included in the Taxpayer Experience Strategy Roadmap.<sup>36</sup> To further leverage the benefits of TDC SM, we recommend the IRS expand TDC SM and secure email to Field Collection, Field Examination, and all correspondence exams.<sup>37</sup>

During 2021, the Tax-Exempt/Government Entities (TE/GE) Divisionwide expansion was prioritized and is currently in development.<sup>38</sup> The Independent Office of Appeals (Appeals) is testing the TDC SM on a pilot basis and plans to expand the pilot to all Appeals technical employees in FY 2022.<sup>39</sup> W&I is working to determine how TDC SM could be applied to the Error Resolution System to allow millions of taxpayers with delayed refunds to submit documentation to resolve some processing errors.<sup>40</sup>

The LB&I Examination function has experienced more message traffic than SB/SE. Within approximately one year of its April 2020 launch, LB&I Examination had sent more than 21,000 secure messages.<sup>41</sup> LB&I has introduced TDC SM in other areas as well, including Affordable Care Act Branded Prescription Drug Fee payers and Advanced Pricing Mutual Agreement. A digital-first application process for the Opportunity Zone program is also in development. The IRS can invite taxpayer representatives to use TDC SM, provided the IRS has received and processed an appropriate representation authorization.<sup>42</sup> Once the representative authenticates his or her identity (using the representative's own SSN), the representative is assigned a secure messaging mailbox to receive copies of communications between the IRS and the client.<sup>43</sup>



Taxpayer representatives and other tax professionals who pay close attention to the IRS may be aware of TDC SM, even if they have never used it. TAS recommends prioritizing extending TDC SM to the tax professional community. Practitioner adoption of TDC SM will help publicize the existence of this digital communication service. Taxpayers undergoing an SB/SE correspondence exam or responding to an AUR notice with little or no professional assistance may not read the notice closely enough to learn there is a new process for digitally exchanging documents. We recommend the IRS educate taxpayers about digital options such as TDC SM and permit taxpayers to request access in lieu of the current invite-only strategy.

### ***The IRS Needs Enhanced Electronic Signature Tools to Meet National Institute of Standards and Technology Requirements***

As part of its response to the pandemic, the IRS took steps to protect employees while still delivering mission-critical functions by minimizing the need for in-person contact and ensuring the ability to maintain critical operations within a remote working environment. To minimize in-person contact, the IRS issued temporary guidance allowing for the use of e-signatures and secure email of documents.<sup>44</sup> Beginning in March 2020, the IRS issued interim guidance<sup>45</sup> that allowed:

- The use of electronic or digital signatures to sign certain paper forms submitted for processing;
- The acceptance of images of signatures and digital signatures on documents related to the determination or collection of tax liability; and
- The use of email to receive or transmit encrypted documents to prove tax compliance.

This guidance was subsequently extended through October 31, 2023.<sup>46</sup>

The IRS does not capture data that allows it to measure how many submitted documents are wet-signed versus electronic; therefore, it cannot measure successful submissions by that metric.<sup>47</sup> However, the IRS monitored incident reporting to identify any data loss or privacy incidents related to the use of the temporary guidance and found none. The response of external stakeholders has been overwhelmingly positive;<sup>48</sup> however, taxpayers cannot sign all forms electronically, and the signature requirements for some forms vary depending on how the forms are submitted. For example, a taxpayer can sign Form 2848 electronically or with an image of a wet signature if the form is submitted online through the TDC portal. If the same form is submitted via e-Fax, the IRS requires wet signatures from the taxpayer and the representative and will reject a Form 2848 if it is submitted with an image of a wet signature or electronic signature.

Although these exceptions have been well received by both taxpayers and employees, they do not fully satisfy the NIST standards for electronic signatures or the Internal Revenue Manual guidelines.<sup>49</sup> Thus, rather than making these exceptions permanent, the IRS will extend them through 2023, pending the development of new tools that will satisfy the requirements for electronic signatures and secure document exchange.<sup>50</sup> We recommend the IRS expedite the development of these new tools.

### **Non-Authenticated and Authenticated Text Chat**

The IRS has capabilities for non-authenticated and authenticated text chat tools.<sup>51</sup> Generally, non-authenticated chat sessions allow for general inquiries supported by an automated virtual assistant. The Secure Access Virtual Assistant helps users via an automated interactive pop-up box with predefined guidance to help the user overcome most common errors taxpayers encounter during the Secure Access eAuth identity proofing process.<sup>52</sup>

Between November 2020 and October 2021, over 173,000 taxpayers interacted with the Virtual Assistant and successfully registered with Secure Access eAuth, resulting in an estimated savings of more than \$11.3 million in avoided labor costs of providing phone service on the IRS toll-free lines.<sup>53</sup> The IRS's Taxpayer Experience Strategy Roadmap includes a project for expanding the use of virtual assistants, but the project is not fully

funded and does not have a scheduled implementation date. We recommend the IRS prioritize adding predefined virtual assistants to non-authenticated chat sessions for more digital communication services, such as helping taxpayers determine the best way to resolve a tax liability, including collection alternatives such as offers in compromise, installment agreements, and currently not collectible status.

Text chats help taxpayers get answers to their questions and resolve their tax issues without needing to call the IRS. Text chat provides general assistance to taxpayers who receive certain Automated Collection System (ACS) letters, visit certain IRS.gov web pages, or attempt to establish an installment agreement but were routed out of the Online Payment Agreement application. All 19 ACS call sites (including bilingual sites) are using text chat.<sup>54</sup> Authenticated text chat allows taxpayers with collection questions to digitally submit documents such as installment agreement forms and delinquent returns. Text chat can be used to exchange text messages, files, web pages, and other information to address taxpayer queries, both proactively and reactively. For a taxpayer to digitally transmit documents to the IRS, the taxpayer must self-authenticate through SADI using a link the text chat assistor provides. Once authenticated, taxpayers are routed back to the assistor on the TDC platform that allows for secure message and document exchange. If the taxpayer fails authentication, he or she can continue with unauthenticated text chat.<sup>55</sup>

ACS saw a record high of over 85,600 chats in March 2021.<sup>56</sup> Since it was launched in 2017, there have been over 954,000 chat sessions, with 82 percent discussing payments and 15 percent addressing online payment agreement topics.<sup>57</sup> The average ACS chat handle time is between six minutes and about 23 minutes with an average wait time of 35 seconds.<sup>58</sup> Seventy-three percent of unauthenticated and 77 percent of authenticated chats led to a resolution of the issue.<sup>59</sup> This is an example of the benefits of digital communications.

**FIGURE 2.7.2, Performance Metrics for ACS Unauthenticated and Authenticated Text Chat<sup>60</sup>**

Performance Metrics	FY 2018	FY 2019	FY 2020	FY 2021
<b>Total Chats Connected</b>	29,836	98,571	328,815	745,314
Unauthenticated Chat	29,333	94,225	320,584	736,518
Authenticated Chat (Added June 2019)	N/A	4,346	8,231	8,796
<b>Average Wait Time (minutes, seconds)</b>	36s	1m, 31s	35s	22s
<b>Average Handle Time (minutes, seconds)</b>	7m, 42s	6m, 54s	6m, 48s	6m, 16s
Unauthenticated Chat (minutes/seconds)	7m, 42s	6m, 48s	6m, 13s	6m, 5s
Authenticated Chat	N/A	15m, 23s	21m, 50s	26m, 57s
<b>Percent Abandoned</b>	1.70%	2.40%	1.30%	1.06%
<b>Resolution Rate</b>	71%	76%	75%	73%
Unauthenticated Chat	71%	76%	75%	73%
Authenticated Chat	N/A	83%	75%	77%
<b>Customer Satisfaction (Out of 5 Stars)</b>	4	4	4.1	4.2

As shown in Figure 2.7.2, more than 73 percent of users resolved their issue using text chat during FY 2021, and they rated the tool favorably, with a customer satisfaction rate of 4.2 out of 5.<sup>61</sup> Text chat has shown to be an efficient digital communication service provided by the IRS. SB/SE plans to introduce an unauthenticated text chat tool in January 2022.<sup>62</sup> A virtual assistant will help answer questions about issues such as one-time payments, notices, and frequently asked questions.<sup>63</sup> We recommend the IRS expand

non-authenticated and authenticated Text Chat (with Virtual Assistant) beyond ACS to all taxpayer-facing functions and transactional tools.

### **For Some Taxpayers, Digital Access Depends on Virtual Face-to-Face Service Delivery and Self-Service Kiosks**

Virtual face-to-face videoconference technology is another digital tool that allows taxpayers and representatives to see and hear an IRS representative and screen-share documents without being physically present.<sup>64</sup> The Taxpayer First Act Report to Congress includes plans to expand virtual face-to-face capabilities throughout the agency.<sup>65</sup> In January 2020, the IRS tested Web Service Delivery (WebSD), which is a digital communication tool that allows the IRS to offer virtual Taxpayer Assistance Center (TAC) appointments to taxpayers from their home or office.<sup>66</sup> Due to COVID-19, the IRS did not expand the virtual face-to-face options during 2021.<sup>67</sup>

The following IRS organizations have incorporated videoconferencing technology into their operations:

- **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.<sup>68</sup> However, VSD generally relies on old technology that only enables two-way communications from dedicated sites.<sup>69</sup>
- **Appeals:** Appeals offers technology for virtual face-to-face conferences between taxpayers, representatives, and Appeals Technical Employees (ATEs). ATEs must offer and conduct a virtual conference if the taxpayer or taxpayer's representative agrees.<sup>70</sup>
- **SB/SE Field and Specialty Exam:** SB/SE has issued guidance setting forth the guidelines for Field and Specialty Exam employees to use videoconferencing technology to interact with taxpayers.<sup>71</sup>
- **LB&I:** LB&I announced that it will accept all requests to meet virtually with government employees, extending a practice established during the pandemic, to offer an alternative to in-person meetings or telephone discussions.<sup>72</sup>
- **Counsel:** Counsel and the U.S. Tax Court are conducting pre-trial conferences and trials using videoconferencing technology.<sup>73</sup>
- **TAS:** TAS offers technology for virtual face-to-face meetings between other government employees, external stakeholders (*e.g.*, congressional offices, Taxpayer Advocacy Panel members, Low Income Taxpayer Clinics), and TAS employees. Many TAS employees have been conducting virtual face-to-face outreach events, a practice that was established during the pandemic as an alternative to in-person outreach events. TAS continues to explore expanding virtual face-to-face meeting options for its employees to be able to meet with taxpayers and their representatives in the future.

The IRS should enable taxpayers to schedule a video chat with an IRS employee using a computer, tablet, or mobile phone. The IRS should also resume its plans to expand the availability of digital kiosks that provide the equipment and technology for taxpayers to interact virtually with the IRS in centralized sites such as TACs and other federal buildings, especially in areas without broadband access. More than three-quarters of taxpayers agree that it is important for the IRS to provide office locations with an onsite IRS representative.<sup>74</sup> Kiosks or similar technology could help meet that need (at least virtually) with the ability to connect to a live assistor, facilitate in-person identity-proofing for online accounts, enable the printing of transcripts and notices, and permit credit card payments. In December 2021, the IRS is scheduled to add capability to self-service kiosks to respond to levies and summons notices.<sup>75</sup> When determining how much the agency expands kiosks, the IRS will consider return-on-investment analysis, budget considerations, and dialogue with IRS partners.<sup>76</sup> We recommend the IRS prioritize its focus on expansion of virtual face-to-face and self-service kiosks or similar technology.



## The IRS Must Create Applications Using Mobile-First Design Principles

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.<sup>77</sup> In addition, about 17 percent of U.S. adults are now “smartphone only” internet users (*i.e.*, they own a smartphone and do not subscribe to broadband internet service at home).<sup>78</sup>

Several digital applications are both mobile-ready and mobile-optimized:<sup>79</sup>

- Direct Pay;
- Online Account;
- Tax Exempt Organization Search;
- Where’s My Amended Return?; and
- Free File Lookup Tool.

While not all IRS digital applications are either mobile-ready or mobile-optimized,<sup>80</sup> the IRS is making progress. In the National Taxpayer Advocate’s 2020 Annual Report to Congress, the IRS agreed with a TAS recommendation to continue to develop digital service tools that are mobile-ready. The IRS response included, “Consistent with the 21st Century Integrated Digital Experience Act legislation, the IRS is already obligated to develop new tools and services into mobile-ready experiences subject to legislative timelines and funding or other resource constraints. While we are actively working toward this goal, this activity will be ongoing with no final implementation date.”<sup>81</sup>

The IRS began work in November 2021 to bring existing features within Online Account into full alignment with web design standards, and the IRS anticipates further transition of applications to mobile-ready or mobile-optimized status as part of the IRS response to 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.<sup>82</sup>

To improve the adoption rate of digital communication services, we recommend the IRS prioritize updating existing applications to be mobile-ready, so that all web content and assets are accessible, legible, and usable across all devices.

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## CONCLUSION AND RECOMMENDATIONS

The IRS has faced unprecedented challenges in the past year that have created an urgency to provide easy-to-use digital communication services while simultaneously facing budget and human resource limitations. To address these challenges and to improve productivity and efficiency, digital communication tools are vital for the IRS to ably service taxpayers. Taxpayers who wish to use digital communication services should have expanded access to information and transactional interactions with IRS.

As the IRS implements new digital communication services and enhances existing technologies, it is critical that the IRS integrate them into an omnichannel service environment and support all taxpayers who choose to use them, as well as taxpayers who prefer non-digital communication. The IRS should prioritize outreach

and education about digital communication tools and help taxpayers find and use them. Taxpayers need digital options to ensure their *right to quality service* through their preferred method. When used effectively, these technologies can profoundly affect IRS interactions for taxpayers who cannot or do not want to rely on phone and mail to communicate about a tax issue. Digital communication tools also benefit the IRS by decreasing demand for manual processing and phone lines, thereby reducing labor costs.

### **Preliminary Administrative Recommendations to the IRS**

The National Taxpayer Advocate recommends that the IRS:

1. Prioritize and expand digital communications to accelerate deployment of taxpayer-facing features by three months in the Taxpayer Experience Roadmap.
2. Develop expanded transactional data-based metrics to determine if taxpayers are completing transactions successfully when choosing a digital channel for service.
3. Accelerate permanent implementation allowing for the use of e-signatures and secure email of documents by end of FY 2022.
4. Expedite the development of new tools that will satisfy the requirements for electronic signatures and secure document exchange by end of FY 2022.
5. Continue to expand DUT service to other functions within the agency to receive correspondence from taxpayers, including issue resolution documentation from taxpayers for math errors by end of FY 2022 and additional audit, examination, and AUR notices by end of FY 2023.
6. Educate taxpayers about digital options such as TDC SM and permit taxpayers to request access rather than the current invite-only strategy by end of Quarter 1, FY 2023.
7. Expedite the onboarding of additional CSPs before the retirement of eAuth and full implementation of SADI and do not rely on a single CSP.
8. Establish a process for taxpayers living outside the United States and taxpayers with ITINs to authenticate themselves in SADI or another platform that meets NIST requirements by end of FY 2022.
9. Prioritize adding predefined virtual assistants to non-authenticated chat sessions for more digital communication services, such as helping them determine the best way to resolve a tax liability, including collection alternatives such as offers in compromise, installment agreements, and currently not collectible status by end of FY 2022.
10. Expand non-authenticated and authenticated Text Chat (with Virtual Assistant) beyond ACS to all taxpayer-facing functions and transactional tools and incorporate expansion plans into Web Services planning and the Taxpayer Experience strategy.
11. Prioritize and focus on expansion of virtual face-to-face and self-service kiosks or similar technology to enable taxpayers with limited to no broadband access to interact virtually with the IRS by end of Quarter 1, FY 2023.
12. Make all existing applications mobile-ready so that all web content and assets are accessible, legible, and usable across all devices. Going forward, standardize the application development process and testing to include mobile-ready access into newly developed applications by end of FY 2022.

### **RESPONSIBLE OFFICIALS**

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Karen Howard, Director, Office of Online Services

Andrew Keyso, Chief, IRS Independent Office of Appeals

Heather Maloy, Director, IRS Next Office

Nancy Sieger, Chief Information Officer

**IRS COMMENTS**

The IRS continues to increase digital communications and services, despite funding barriers. Digital options for taxpayers, tax professionals, and IRS employees are fundamental to effective tax administration.

We are working toward a future where taxpayers who wish to do so may transact much of their business with the IRS digitally, including through their mobile devices. This includes online accounts, secure two-way communications, text chat, expanded ability to check the status of returns and payments, and more.

One example of recent progress is our Documentation Upload Tool (DUT), which gives taxpayers the ability to securely send certain compliance-related documents to us electronically from their computer or smartphone. In 2021, we rolled out this tool for certain cases in the Return Information Control System (RICS) and for use in correspondence examinations. The Report acknowledges the significant benefit this tool provides to low-income taxpayers who may not have easy access to other communication tools.

Enhanced identity verification is critical to protecting taxpayer information and is a key agency priority to ensure compliance with all legal requirements. In FY 2021, we made substantial progress in this area. We deployed the Secure Access Digital Identity (SADI) platform to authenticate taxpayers for access to the Child Tax Credit Update Portal (CTCUP). After the successful deployment of SADI in June, the IRS expedited plans and successfully migrated 16 primary online applications from the legacy Secure Access platform to SADI. We believe our continuing FY 2022 efforts to migrate other applications to this platform will greatly facilitate taxpayer access to our digital services.

TDC, which allows taxpayers to exchange information and messages with us securely, continues to expand. It is now offered in the majority of correspondence examinations handled by the Small Business/Self Employed (SB/SE) operating division. In FY 2022, we plan to use TDC at all our Automated Underreporter (AUR) campuses, as well as expand its use in Appeals and the Tax-Exempt/Government Entities Division. This year, we launched a portal that allows practitioners to submit Forms 2848, Power of Attorney and Declaration of Representative, and 8821, Tax Information Authorization, online via secure messaging using electronic signatures. We are working to expand the portal's functionality.

In 2020, in response to the COVID-19 pandemic, the IRS implemented temporary deviations that allow taxpayers and representatives to electronically sign and submit specific forms. This year, after receiving positive feedback from our employees and from taxpayers and their representatives, we expanded and extended those flexibilities until late 2023.

Taxpayers expect and deserve digital services that are tailored to their needs. Expanding our digital services is one of our top priorities, and we expect to continue making significant, transformative progress in this area in the coming years. Because not all taxpayers prefer to communicate with us electronically, the IRS will continue to provide assistance through a variety of channels – including mail, web, telephone, and in person. We intend to integrate those channels with expanded digital options to seamlessly guide taxpayers to the resources that will best resolve their issue.

## TAXPAYER ADVOCATE SERVICE COMMENTS

The National Taxpayer Advocate recognizes that the IRS has made progress during the past year toward expanding digital communication tools for taxpayers. Tools such as DUT, TDC, and text chat functions provide opportunities for taxpayers to interact with the IRS efficiently and effectively. SADI provides an opportunity for taxpayers to pass the identity proofing process and obtain credentials that help protect the integrity of taxpayers' personal information. Our recommendations reflect the importance of expeditiously implementing new digital communication tools, enhancing existing tools, and increasing taxpayers' access to them.

As the IRS correctly states, taxpayers expect and deserve digital services that are tailored to their needs. Taxpayers who wish to interact digitally with the IRS should have tools at their disposal and be able to access those tools through a mobile device. The IRS must also maintain mail, telephone, and in-person service options for those who prefer not to communicate digitally.

### RECOMMENDATIONS

#### Administrative Recommendations to the IRS

The National Taxpayer Advocate recommends that the IRS:

1. Prioritize and expand digital communications to expedite the deployment of taxpayer-facing features by three months from the current Taxpayer Experience Roadmap schedule.
2. Develop expanded transactional data-based metrics to determine if taxpayers are completing transactions successfully when choosing a digital channel for service.
3. Develop new tools that will satisfy the requirements for electronic signatures and secure document exchange by end of FY 2022.
4. Continue to expand DUT service to other functions within the agency to receive correspondence from taxpayers, including issue resolution documentation from taxpayers for math errors by end of FY 2022 and additional correspondence audit, examination, and AUR notices by end of FY 2023.
5. Educate taxpayers about digital options such as TDC SM and permit taxpayers to request access in lieu of the current invite-only strategy by end of Quarter 1, FY 2023.
6. Partner with additional CSPs before the retirement of Secure Access eAuth and full implementation of SADI and do not rely on a single CSP.
7. Establish a process for taxpayers living outside the United States and taxpayers with ITINs to authenticate their identities in SADI or another platform that meets NIST requirements by December 31, 2022.
8. Prioritize adding predefined virtual assistants to non-authenticated chat sessions for more digital communication services, such as helping taxpayers determine the best way to resolve a tax liability, including collection alternatives such as offers in compromise, installment agreements, and currently not collectible status by end of FY 2022.
9. Expand non-authenticated and authenticated Text Chat (with Virtual Assistant) beyond ACS to all taxpayer-facing functions and transactional tools and incorporate expansion plans into Web Services planning and the Taxpayer Experience strategy.
10. Prioritize and focus on expansion of virtual face-to-face and self-service kiosks or similar technology to enable taxpayers with limited to no broadband access to interact virtually with the IRS by end of Quarter 1, FY 2023.

11. Make all existing applications mobile-ready so that all web content and assets are accessible, viewable, and usable across all devices. Going forward, standardize the application development process and testing to include mobile-ready access into newly developed applications by end of FY 2022.

## Endnotes

- 1 See Most Serious Problem: *Telephone and In-Person Service: Taxpayers Face Significant Challenges Reaching IRS Representatives Due to Longstanding Deficiencies and Pandemic Complications*, *supra*; Most Serious Problem: *Filing Season Delays: Millions of Taxpayers Experienced Difficulties and Challenges in the 2021 Filing Season*, *supra*.
- 2 See Most Serious Problem: *Filing Season Delays: Millions of Taxpayers Experienced Difficulties and Challenges in the 2021 Filing Season*, *supra*.
- 3 See Most Serious Problem: *IRS Recruitment and Hiring: The Lack of Sufficient and Highly Trained Employees Impedes Effective Tax Administration*, *supra*.
- 4 See IRS, Taxpayer Bill of Rights, <https://www.irs.gov/taxpayer-bill-of-rights>. See also IRC § 7803(a)(3)(B).
- 5 See IRS, Accelerating Digital Communications to Solve Pandemic Challenges and Improve the Taxpayer Experience, <https://www.irs.gov/about-irs/accelerating-digital-communications-to-solve-pandemic-challenges-and-improve-the-taxpayer-experience> (last visited Dec. 20, 2021).
- 6 IRS Filing Season Report, Individual Master File (IMF) Total IMF Returns Received (Nov. 5, 2021); U.S. Census Bureau, American Community Survey, 2019 ACS 1 Year Estimates, Table S0101, Ages 18-74; derived as “age 18 and over” minus “age 75 and over.” IRS, Filing Season Statistics Report (Dec. 18, 2021).
- 7 Internal Revenue Manual (IRM) 10.5.1.6.8.1, Emails to Taxpayers and Representatives (Dec. 31, 2020).
- 8 See, e.g., Digitalization, Research and Execution, Enterprise Program Management Office PowerPoint to TAS.
- 9 See Most Serious Problem: *Online Accounts: IRS Online Accounts Do Not Have Sufficient Functionality and Integration With Existing Tools to Meet the Needs of Taxpayers and Practitioners*, *supra*.
- 10 LB&I Secure Email With Taxpayers/Representatives Step-by-Step Instructions for Outlook 2010 Users; IRS Office of Chief Counsel Notice, CC-2020-002 (Oct. 19, 2019).
- 11 Digitalization, Research and Execution, Enterprise Program Management Office PowerPoint to TAS.
- 12 Servicewide Electronic Research Program (SERP) Alert 21A0134, Documentation Upload Tool (DUT) Pilot Implementation in RIVO.
- 13 SERP Alert 21A0316, Documentation Upload Tool (DUT) Implementation for Correspondence.
- 14 NIST, Special Publication 800-63-3, *Digital Identity Guidelines* (June 2017). See also OMB, M-19-17, *Enabling Mission Delivery Through Improved Identity, Credential, and Access Management (ICAM) Policy 2, 7* (May 21, 2019).
- 15 WebApps Governance Board Meeting (June 9, 2021). The portal allows taxpayers to view eligibility; unenroll from advance payments; display payment information; update mailing address; update bank account; self-report changes to income, marital status, and qualifying children; reenroll for advance payments; limit user changes; display history of user changes; and provides multilingual compatibility.
- 16 SADI Group 1 Business Readiness Executive Update 13 (Nov. 4, 2021). This rate accounts for users who were presented with a path forward in the identity verification process, while excluding users who opted not to proceed and instances of estimated fraud.
- 17 See IR-2021-228, IRS Unveils New Online Identity Verification Process for Accessing Self-Help Tools (Nov. 17, 2021), <https://www.irs.gov/newsroom/irs-unveils-new-online-identity-verification-process-for-accessing-self-help-tools>.
- 18 SADI Group 1 Business Readiness Executive Update 21 (Nov. 4, 2021).
- 19 IRS response to TAS information request (Sept. 13, 2021).
- 20 *Id.*
- 21 IRS, Statistics of Income Division, Individuals, Withholding on Foreign Recipients of U.S. Income (Oct. 2019).
- 22 IRS response to TAS information request (Sept. 13, 2021).
- 23 *Id.*
- 24 *Id.*
- 25 See also Taxpayer Advocacy Panel 2020 Annual Report 62 (recommending the IRS should establish a system whereby overseas taxpayers can communicate, file documents, and conduct other interactions with the IRS via electronic means, such as email).
- 26 LB&I TDC Secure File Sharing and Secure Messaging (SFS-SM) (Aug. 18, 2020).
- 27 During the first four months after launch, only about 2,000 Power of Attorney and Declaration of Representative and Tax Information Authorization forms were successfully completed through the Tax Pro Account. For more information about the Tax Pro Account, see Most Serious Problem: *Online Accounts: IRS Online Accounts Do Not Have Sufficient Functionality and Integration With Existing Tools to Meet the Needs of Taxpayers and Practitioners*, *supra*.
- 28 Taxpayer First Act 2302 TDC Dashboard (Nov. 30, 2021).
- 29 IRS, Pub. 5316, Internal Revenue Service Advisory Council Public Report 96 (Nov. 2021).
- 30 Totals from years 2017 to 2021. Email from Office of Online Services (OLS) (Dec. 13, 2021).
- 31 Memorandum, Appeals Taxpayer Digital Communications Secure Messaging Pilot, by Director, Case and Operations Support, IRS Independent Office of Appeals (June 4, 2021).
- 32 SB/SE TDC for Exam: 2021 - Monthly Update Call Notes (Sept. 9, 2021).
- 33 WebApps Governance Board Meeting 22 (June 9, 2021).
- 34 OLS, TDC SB/SE Exam Dashboard & TDC AUR Dashboard (Nov. 29, 2021).
- 35 Nathan J. Richman, *IRS Secure Messaging Pilot Coming to More Campuses*, TAX NOTES (Aug. 5, 2020).



## Most Serious Problem #7: Digital Communications

- 36 The roadmap mentions adding Robotic Process Automation (RPA) and states the software will act as a virtual assistant. The only programs named in the roadmap for adding RPA are Monitoring Offers in Compromise, Certified Professional Employer Organizations, and A6020b, an automated program for Business Masterfile taxpayers who do not file timely. IRS, Pub. 5565, Taxpayer Experience Strategy Roadmap, FY 2022-FY 2025 Roadmap (Sept. 30, 2021).
- 37 See Most Serious Problem: *Correspondence Audits: Low-Income Taxpayers Encounter Communication Barriers That Hinder Audit Resolution, Leading to Increased Burdens and Downstream Consequences for Taxpayers, the IRS, TAS, and the Tax Court, infra.*
- 38 TDC Executive Roundtable Meeting (Aug. 19, 2021).
- 39 IRS, Pub. 5316, Internal Revenue Service Advisory Council Public Report 23 (Nov. 2021).
- 40 TDC Executive Roundtable Meeting (Aug. 19, 2021).
- 41 WebApps Governance Board Meeting 22 (June 9, 2021).
- 42 SB/SE, LB&I, TE/GE, and Appeals are currently conducting TDC pilots. Meeting between TAS and OLS (Sept. 18, 2020). TAS conducted a TDC pilot in 2017 and 2018. LB&I has actively used the TDC Secure File Sharing-Secure Messaging program since May 15, 2020, and is considering ways to expand such usage. IRS response to TAS information request (Oct. 6, 2020).
- 43 Nathan J. Richman, *IRS Secure Messaging Pilot Coming to More Campuses*, TAX NOTES (Aug. 5, 2020).
- 44 Sunita Lough, Memorandum for All Services and Enforcement Employees (Mar. 27, 2020).
- 45 *Id.*
- 46 Douglas W. O'Donnell, Memorandum for All Services and Enforcement Employees (Nov. 18, 2021).
- 47 IRS response to TAS information request (Sept. 13, 2021).
- 48 *Id.*
- 49 IRM 10.10.1, IRS Electronic Signature (e-signature) Program (Dec. 3, 2019).
- 50 IRS response to TAS information request (Sept. 13, 2021).
- 51 PGLD Identity Assurance, Secure Access Virtual Assistant, Billable Sessions Usage and Throttling (Oct. 10, 2021).
- 52 See IRS, FAQs about e-Services and Secure Access, <https://www.irs.gov/individuals/faqs-about-e-services-and-secure-access> (last visited Dec. 20, 2021).
- 53 PGLD Identity Assurance, Secure Access Virtual Assistant, Billable Sessions Usage and Throttling (Oct. 10, 2021).
- 54 See IRS, Accelerating Digital Communications to Solve Pandemic Challenges and Improve the Taxpayer Experience, <https://www.irs.gov/about-irs/accelerating-digital-communications-to-solve-pandemic-challenges-and-improve-the-taxpayer-experience> (last visited Dec. 20, 2021).
- 55 Director, Collection Inventory Delivery and Selection, Interim Guidance on ACS Text Chat Pilot (May 22, 2019).
- 56 WebApps Governance Board Meeting (June 9, 2021).
- 57 See IRS, Accelerating Digital Communications to Solve Pandemic Challenges and Improve the Taxpayer Experience, <https://www.irs.gov/about-irs/accelerating-digital-communications-to-solve-pandemic-challenges-and-improve-the-taxpayer-experience> (last visited Dec. 20, 2021).
- 58 *Id.*
- 59 IRS response to TAS information request (Nov. 8, 2021). Authenticated chats involve more individualized interactions and generally are more complex, contributing to the longer handle times.
- 60 *Id.*
- 61 See IRS, Accelerating Digital Communications to Solve Pandemic Challenges and Improve the Taxpayer Experience, <https://www.irs.gov/about-irs/accelerating-digital-communications-to-solve-pandemic-challenges-and-improve-the-taxpayer-experience> (last visited Dec. 20, 2021).
- 62 IRS response to TAS information request (Nov. 29, 2021).
- 63 *Id.*
- 64 IRS, Appeals Virtual Conferences, <https://www.irs.gov/appeals/appeals-virtual-conferences-webex> (last visited Dec. 20, 2021).
- 65 IRS, Pub. 5426, Taxpayer First Act Report to Congress 65 (Jan. 2021).
- 66 IRS response to TAS information request (Sept. 8, 2021).
- 67 *Id.*
- 68 TAS also has three operational VSD locations (located in Kenai, AK; Tampa, FL; and Spokane, WA) to interact with taxpayers. TAS, Contact Us, <https://taxpayeradvocate.irs.gov/contact-us> (last visited Dec. 20, 2021); IRM 13.1.16.8, Sources of TAS Cases and Initial Intake Actions (Aug. 14, 2020).
- 69 IRS responses to TAS information requests (Oct. 13, 2020; 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).
- 70 IRS, Appeals Virtual Conferences, <https://www.irs.gov/appeals/appeals-virtual-conferences-webex> (last visited Dec. 20, 2021); Interim Guidance AP-08-0321-0009, Memorandum for Required Use of Virtual Conferences (Mar. 22, 2021). This guidance requires ATEs to offer and conduct a virtual conference if the taxpayer and representative agree.
- 71 Director, Examination Field and Campus Policy, SB/SE, Interim Guidance on WebEx for Taxpayer-Facing Interactions (Sept. 2020).
- 72 Memorandum from Nikole C. Flax, Commissioner, IRS LB&I Division (Oct. 18, 2021).
- 73 U.S. Tax Court, Press Release (May 29, 2020).
- 74 IRS, Pub. 5296, Comprehensive Taxpayer Attitude Survey (CTAS) 2020 Executive Report 10 (Apr. 2021).
- 75 IRS, Pub. 5565, Taxpayer Experience Strategy Roadmap, FY 2022-FY 2025 Roadmap 23 (Sept. 30, 2021).
- 76 IRS response to TAS information request (Oct. 13, 2020).
- 77 Monica Anderson, Pew Research Center, *Mobile Technology and Home Broadband 2019*, at 2-4 (June 13, 2019).
- 78 *Id.*
- 79 IRS response to TAS information request (Oct. 13, 2020).
- 80 "Mobile-ready" means 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" means all digital applications would react for mobile viewports and follow the standards included in the IRS Online Design Guide based upon the U.S. Web Design System. IRS response to TAS information request (Oct. 13, 2020).
- 81 National Taxpayer Advocate Fiscal Year 2022 Objectives Report to Congress 90 (Appendix 1: *IRS Responses to Administrative Recommendations Proposed in the National Taxpayer Advocate's 2020 Annual Report to Congress*).
- 82 IRS response to TAS information request (Oct. 13, 2020).