

directly with the agency, as is the case for Forms 1099, the e-file rates for these types of returns would likely improve.

As mandated by the IRA, the IRS recently released its report on the feasibility of establishing an agency-run, free, direct e-file tool.⁸⁶ The report identifies taxpayer interest in the establishment of such a system but acknowledges operational challenges and complexities that it would have to overcome. These obstacles, however, are not insignificant, and considering the IRS's aggressive SOP,⁸⁷ applying the necessary resources in 2024 may require prioritization over other necessary improvements and modernization efforts. The IRS will need to address the impact of its direct file tool's inability to file state tax returns and potential negative consequences to state tax authorities. Additionally, it will need to build configuration-driven software; update the software to keep pace with tax law changes; and ensure taxpayer information is private, secure, and protected from fraud. The IRS will also need to devote substantial customer service and support for its e-file tool.⁸⁸ While the feasibility of a free, direct e-file tool is still open to question, TAS will work with the IRS to provide comment and recommendations.

Objective 13 for FY 2024 – TAS will collaborate with the IRS to identify and implement strategies for increasing e-file rates for individual and business taxpayers.

- Activity 1: Meet with the IRS to discuss the feasibility of providing taxpayers with access via an online account to their tax information in a downloadable format that taxpayers can upload to the tax return software of their choice. Explore and consider the benefits and burdens of a legislative recommendation to move up the March 15 information e-filing deadline that would allow the IRS to include Form 1099 information in a taxpayer's online account earlier in the filing season.
- Activity 2: Form a working group with the IRS to develop strategies for removing barriers, both behavioral and systemic, that contribute to the decision of many business and individual taxpayers to paper file.
- Activity 3: Meet with representatives of the Free File Alliance to better understand the offerings and make recommendations to the IRS about how to improve the Free File webpage on [IRS.gov](https://www.irs.gov) so that taxpayers have access to high-quality information about their free tax return filing options.
- Activity 4: Work with the IRS as it continues to explore building an agency-run, free, direct e-file tool for taxpayers and provide comments.

14. IMPROVE IRS TRANSPARENCY

Transparency, including providing taxpayers with accessible information, is key to a fair and effective tax system that relies on voluntary compliance through self-assessment. Taxpayers, tax professionals, and Congress are entitled to clear communication, timely information, and increased access to IRS operations, procedures, and legal and administrative positions to build trust and voluntary compliance.

Several recent situations affecting the IRS have reinforced the importance of transparency to taxpayers: (1) a commitment of increased funding to the IRS through the IRA;⁸⁹ (2) delays in issuing refunds for tax years 2021 and 2022 due to a backlog in processing returns; and (3) backlogs in processing other forms and correspondence. Although the IRS provides taxpayers with some easily accessible information, there is room for improvement. For example, on April 6, 2023, the IRS issued the IRA SOP,⁹⁰ which provides a useful roadmap as to how the IRS plans to use IRA funds, but the report is light on details. The IRS needs

⁸⁶ IRA, Pub. L. No. 117-169, § 10301(1)(B), 136 Stat. 1818, 1832 (2022).

⁸⁷ IRS, Pub. 3744, IRS Inflation Reduction Act Strategic Operating Plan (Apr. 2023).

⁸⁸ IRS, Pub. 5788, IRS Report to Congress: Inflation Reduction Act § 10301(1)(B) IRS-Run Direct E-File Tax Return System 20 (May 2023).

⁸⁹ IRA, Pub. L. No. 117-169, § 10301(1)(B), 136 Stat. 1818, 1832 (2022).

⁹⁰ IRS, Pub. 3744, IRS Inflation Reduction Act Strategic Operating Plan (Apr. 2023).

to provide regular updates about what enhancements to services, technology, and other operations it will make, when it will implement them, and how it will measure their success. One key aspect of demonstrating transparency is the IRS providing stakeholders an opportunity to work with it on its transformation and to comment throughout this process.

During the past two years, the IRS has provided taxpayers scant information regarding the status of its backlogs and its progress in working through them. During this time, the National Taxpayer Advocate recommended and the IRS agreed to create a dashboard providing information to taxpayers about its overall status in working through these backlogs – especially the backlog in processing returns.⁹¹ The IRS does provide information about processing of returns on its website, but this information is not in an easy-to-read format, and taxpayers must visit multiple sections of the webpage to get a complete picture of where the IRS stands in processing tax returns. TAS will continue to advocate for the IRS to provide taxpayers with more specifics regarding the processing of their returns and any refunds and the status of IRS processing of returns, forms, and correspondence more generally.

Objective 14 for FY 2024 – TAS will continue to advocate for the IRS to be fully transparent and provide specific details as to how it uses the additional funds appropriated through the IRA, the level of detail it provides to taxpayers regarding delays on its Where’s My Refund? tool, and the status of processing of returns, forms, collection notices, correspondence, and other relevant data.

- Activity 1: Encourage the IRS to make all plans transparent to the public, including specific deadlines as to when it will meet objectives, metrics that will allow for the evaluation of outcomes, and regular updates on its objectives and milestones.
- Activity 2: Regularly review the information provided to the public on the IRS’s processing of returns, forms, and correspondence to ensure this information is accurate, complete, and available on [IRS.gov](https://www.irs.gov). Additionally, TAS will continue to encourage the IRS to give taxpayers more details on the processing of returns and any refunds.
- Activity 3: Use internal meetings, blogs, and Reports to Congress to encourage the IRS to provide taxpayers information that is accessible and set forth in an easy-to-understand format.

15. IDENTIFY DATA TO SUPPORT MINIMUM COMPETENCY STANDARDS FOR PAID RETURN PREPARERS OF FEDERAL TAX RETURNS

Taxpayers and the tax system depend heavily on the ability of return preparers to prepare accurate tax returns.⁹² Taxpayers are ill-equipped to navigate the complicated tax laws and must seek the assistance of return preparers to prepare and file their tax returns. For example, 54 percent of tax year (TY) 2021 individual income tax returns were prepared by a return preparer through March 2023.⁹³

Anyone can hold themselves out to be a return preparer. Return preparers without professional credentials are not required to pass any competency tests or take any educational courses on tax return preparation, and they are not subject to any ethical rules. Low-income and elderly taxpayers are particularly vulnerable to harm caused by incompetent or unscrupulous non-credentialed paid return preparers. For example, of the 2020 individual income tax returns with Schedule EIC (Form 1040), Earned Income Credit, prepared by a

91 National Taxpayer Advocate 2021 Annual Report to Congress, TAS Recommendations and IRS Responses, MSP #4, <https://www.taxpayeradvocate.irs.gov/news/directory-entry/2021-msp-04-transparency-and-clarity/>.

92 National Taxpayer Advocate 2022 Annual Report to Congress 128-140 (Most Serious Problem: Return Preparer Oversight: Taxpayers Are Harmed by the Absence of Minimum Competency Standards for Return Preparers), https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2023/01/ARC22_MSP_08_RtnPrepOversight.pdf.

93 IRS, CDW, Individual Returns Transaction File Table (IRTF) TY 2021 (Mar. 2023).