

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.<sup>91</sup> 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.<sup>92</sup> 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.<sup>93</sup>

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](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).

paid return preparer, 79 percent were prepared by non-credentialed paid return preparers.<sup>94</sup> Further, of those prepared returns with Schedule EIC that were subject to audit, over 92 percent of the total audit adjustments (in dollars) occurred on returns prepared by non-credentialed paid return preparers.<sup>95</sup> To protect taxpayers from the harm caused by untrained or unscrupulous paid return preparers, it is crucial that Congress provide the IRS the authority to impose minimum competency standards on paid return preparers.

**Objective 15 for FY 2024 – TAS will continue to advocate for the need to provide the IRS authority to impose minimum competency standards on paid return preparers of federal tax returns.**

- Activity 1: Meet with congressional members and staff throughout the year, including at TAS’s Congressional Affairs Program conference, to discuss the Purple Book legislative recommendation authorizing the IRS to establish minimum competency standards for paid return preparers.
- Activity 2: Conduct research to identify additional statistical data supporting the need for minimum competency standards for paid return preparers.

**16. IMPROVE THE STAFFING AND CULTURE OF THE IRS INDEPENDENT OFFICE OF APPEALS**

A review by the IRS Independent Office of Appeals (Appeals) represents taxpayers’ last, and often best, chance to settle their cases administratively within the IRS. However, case delays, inflexible policies, inexperienced Appeals Officers (AOs), and a perceived lack of independence are hampering this process.<sup>96</sup> A timely appeal in a fair and unbiased forum, carrying the perception and reality of independence, is an essential aspect of taxpayer rights and quality tax administration. During FY 2024, TAS will continue working with Appeals as it attempts to address its staffing and training issues and better safeguard its independence.

Appeals has struggled with increasing cycle times<sup>97</sup> for years: from FY 2017 to FY 2022, cycle times have increased 103 percent, and this trend was already occurring before the COVID-19 pandemic exacerbated existing inefficiencies.<sup>98</sup> Appeals’ overall staffing fell by approximately 40 percent from FY 2010 to FY 2017, which has left remaining personnel overwhelmed with heavy caseloads and, at the same time, cost Appeals substantial expertise.<sup>99</sup> A case arriving at Appeals sits for approximately 48 days before Appeals even assigns it to an AO; during that interim period, taxpayers have no point of contact who can update them about the status of their cases.<sup>100</sup> Appeals has been working hard to reverse these trends, and they do seem to be slowing, but it will take a significant effort to bring staffing levels back up and cycle times back down, as well as to provide training and experience for their new employees.

While Appeals can address these issues over time, it can and should deal more directly and expeditiously with those policies that cause taxpayers to question the office’s objectivity. Appeals must be free from interference or influence from other parts of the IRS, including examination and collection functions. Appeals must have the authority, real and perceived, to make independent decisions without fear of retribution or retaliation and must be transparent with taxpayers about the basis for those decisions.

94 IRS, CDW, IRTF TYs 2018-2021; IRS, CDW, Preparer Tax Identification Number Table TYs 2018-2021; IRS, CDW, Audit Information Management System Table TYs 2018-2021 (Sept. 2022).

95 *Id.*

96 National Taxpayer Advocate 2022 Annual Report to Congress 141-156 (Most Serious Problem: *Appeals: Staffing Challenges and Institutional Culture Remain Barriers to Quality Taxpayer Service Within the IRS Independent Office of Appeals*), [https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2023/01/ARC22\\_MSP\\_09\\_Appeals.pdf](https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2023/01/ARC22_MSP_09_Appeals.pdf).

97 “Cycle time” refers to the amount of time between Appeals opening and closing a case.

98 IRS response to TAS information request (Aug. 24, 2022); IRS response to TAS request for fact check (Nov. 25, 2022).

99 Government Accountability Office (GAO), GAO-18-6549, *Tax Administration: Opportunities Exist to Improve Monitoring and Transparency of Appeal Resolution Timeliness* 22 (2018), <https://www.gao.gov/assets/gao-18-659.pdf>.

100 IRS response to TAS information request (Aug. 24, 2022).