

## Highlights of TAS Successes and Initiatives During Fiscal Year 2023

Each year, TAS helps thousands of people resolve their tax problems. This list provides just a few examples of how TAS advocated for taxpayers during FY 2023.

### FILING GUIDANCE

TAS Tax Tip Assisted Taxpayers Holding Digital Assets Frozen in Bankruptcy Proceedings

TAS Developed Name, Image, Likeness Guidance for Student-Athletes and Their Parents

TAS Advocated for and Secured Programming Fixes to the IRS Tax Withholding Estimator

TAS Successfully Advocated for Certain Taxpayer Populations Unable to Comply With E-File Mandates Due to Religious Reasons

TAS Worked to Clarify Form 1099-K Reporting Requirements

TAS Urged the IRS to Provide Guidance on the Taxability of State Tax Refunds

TAS Successfully Advocated for Clearer Notice and Demand for Payment Letters Sent to Taxpayers in Disaster Relief Areas

### COLLECTIONS

TAS Partnered With the IRS to Return Refunds Erroneously Placed in Excess Collection

TAS Engagement Led to the Return of Levy Proceeds

After Four Years of Advocacy, TAS Successfully Resolved Penalty and Interest Charges on Restitution-Based Assessments

### TAXPAYER ACCOUNTS

TAS Identified and Corrected Confusing Language to Reduce Burden for Taxpayers Victimized by Attempted Fraudulent Return Filings

TAS Worked to Prevent Alternative Minimum Tax Math Errors

TAS Advocated for Relief for American Samoa Residents Impacted by an Identity Theft Filter Modification

TAS Efforts Led to an Improved Identity Theft Notification Involving Deceased Taxpayers

TAS Partnered With the IRS to Secure Get Transcript Tool Corrections for Married Filing Joint Accounts When One Spouse Is Deceased

At the Request of a Congressional Office, TAS Developed a Taxpayer Dashboard Mock-Up to Illustrate Taxpayer-Centric Communication Options

TAS Collaborated With the IRS to Add Updates and an In-App Notification to Online Account for Certain Taxpayers to Authenticate Return Filing

TAS Research Led to an Improved Ability for Taxpayers to Obtain Tax Return Transcripts

TAS Argued for Procedural Remedies to Undo Permanently Restricted Secure Access Digital Identification Accounts of Legitimate Taxpayers and Tax Professionals

### TAS/IRS COLLABORATIONS

TAS Collaborated With the IRS to Review the IRS's Development of Online Portals for 2022 Inflation Reduction Act Credits

TAS Worked With the IRS to Assist Connecticut Taxpayers Whose Forms 1099-G Were Significantly Overstated

TAS Successfully Advocated for Additions to Notices That Uphold Taxpayer Rights and Reduce Taxpayer Burden

### PENALTIES

TAS Successfully Worked for a Consistent Taxpayer Experience Improvement Involving the Inflation Reduction Act

### TAS WEBSITE & SERVICES

TAS Ensured Webpages Contain Important Statutes of Limitation Information

## FILING GUIDANCE



### TAS Tax Tip Assisted Taxpayers Holding Digital Assets Frozen in Bankruptcy Proceedings

**Explanation:** In 2022, several companies in the crypto market filed bankruptcy, affecting millions of creditors. TAS received several Systemic Advocacy Management System (SAMS) submissions from taxpayers asking if losses from digital asset investments are deductible and if there is a requirement to report income reflected on Forms 1099 when their investments lost significant value.

**ADVOCACY RESULT:** TAS recognized the IRS has limited guidance for taxpayers on digital asset loss reporting requirements. TAS developed a Tax Tip: *When Can You Deduct Digital Asset Losses on Your Tax Return?*<sup>1</sup> to educate taxpayers on how to report a loss on their tax returns. This ensured that taxpayers understand the deductibility of their losses and the information return reporting requirements so they can better prepare their returns. It should also help taxpayers avoid needing to file an amended return or triggering IRS document matching inquiries. This reduces taxpayer burden and protects the taxpayer's *right to be informed*.<sup>2</sup> TAS will continue to monitor this issue as instability continues in that financial sector and will issue further guidance as needed.



### TAS Developed Name, Image, Likeness Guidance for Student-Athletes and Their Parents

**Explanation:** Student-athletes and their parents or guardians may be unaware that Name, Image, Likeness (NIL) income is taxable and that they must report it on federal and state income tax returns. Before the 2021 Supreme Court decision<sup>3</sup> and the National Collegiate Athletic Association (NCAA) releasing guidance,<sup>4</sup> college and high school students could not benefit from their NIL without jeopardizing their NCAA eligibility.

**ADVOCACY RESULT:** TAS recognized the need to educate student-athletes on their federal tax filing obligations and developed two Get Help pages<sup>5</sup> on NIL and NIL Collectives on the TAS website, which the IRS then published on IRS.gov. These pages inform student-athletes about the reporting and filing requirements associated with NIL income to enable them to file accurate tax returns and possibly prevent IRS inquiries. TAS provided these resources supporting the taxpayer's *right to be informed* and will monitor this issue to look for further opportunities to educate and advocate.

1 See TAS Tax Tip: When Can You Deduct Digital Asset Investment Losses on Your Individual Tax Return? (Oct. 24, 2023), <https://www.taxpayeradvocate.irs.gov/news/tas-tax-tip-when-can-you-deduct-digital-asset-investment-losses/>.

2 IRC § 7803(a)(3)(A).

3 *NCAA v. Alston*, 141 S. Ct. 2141 (2021).

4 See NCAA, *NCAA Adopts Interim Name, Image and Likeness Policy* (June 30, 2021), <https://www.ncaa.org/news/2021/6/30/ncaa-adopts-interim-name-image-and-likeness-policy.aspx>.

5 See TAS, Name, Image, and Likeness: Income Paid to Student-Athletes Is Taxable Income (Oct. 24, 2023), <https://www.taxpayeradvocate.irs.gov/get-help/general/nil/>; TAS, Name, Image, and Likeness (NIL) Collectives (Oct. 24, 2023), <https://www.taxpayeradvocate.irs.gov/get-help/general/nil/nil-collectives/>.



### TAS Advocated for and Secured Programming Fixes to the IRS Tax Withholding Estimator

**Explanation:** Through SAMS, TAS learned of inaccurate calculations using the IRS Tax Withholding Estimator (TWE), an online tool designed to assist taxpayers in estimating the correct amount of federal income tax withholding. This tool helps prevent under-withholding and an unexpected tax bill when taxpayers file their tax returns. TAS identified several discrepancies within the TWE in the computation of taxable income, self-employment tax, and federal withholding when compared to manual calculations.

**ADVOCACY RESULT:** TAS advocated for the IRS to fix the TWE programming to include the Qualified Business Income (QBI) deduction for self-employed taxpayers and a QBI worksheet illustrating how the deduction was computed. TAS also advocated for updates to the TWE Frequently Asked Questions on IRS.gov. Due to TAS's efforts, taxpayers may now confidently rely on the calculations of the TWE in computing their estimated federal tax liability for each tax year and for other tax planning purposes. These actions promote the taxpayer's *rights to be informed* and to *pay no more than the correct amount of tax*.<sup>6</sup>



### TAS Successfully Advocated for Certain Taxpayer Populations Unable to Comply With E-File Mandates Due to Religious Reasons

**Explanation:** The Taxpayer First Act included e-file mandate provisions impacting a wide variety of forms. Amish taxpayers and preparers, however, cannot comply with e-file mandates for religious reasons. Specifically, they are members of a recognized religious group conscientiously opposed to its members using electronic technology, including filing tax returns electronically.

**ADVOCACY RESULT:** TAS worked with Amish leaders, the IRS, and Chief Counsel to develop an administrative exemption for this population, and Treasury issued final regulations in February 2023. As a result of TAS's advocacy, Treas. Reg. §§ 301.6011-2(c)(6)(ii), 301.6011-3(b)(2), 301.6011-5(b)(2), and 301.6037-2(b)(2) provide that the IRS will allow an administrative exemption for filers for whom using the technology required to file an electronic form conflicts with their religious beliefs. After the issuance of the final regulations, TAS continued to work with Amish leaders, the IRS, and Chief Counsel to properly implement the administrative exemption. In addition, TAS's advocacy led to the Instructions to IRS Form 8508, Application for a Waiver from Electronic Filing of Information Returns, and IRS Notice 2023-60, Electronic Filing Administrative Exemptions, Waivers, and Rejections, providing instructions on how this population can claim the administrative exemption from the e-file mandate rules.

6 IRC § 7803(a)(3)(A), (C).



### TAS Worked to Clarify Form 1099-K Reporting Requirements

**Explanation:** The American Rescue Plan Act of 2021 reduced the reporting threshold from \$20,000 to \$600 for third-party payment settlement organizations (TPSOs), such as PayPal, Venmo, and Cash App.<sup>7</sup> On December 23, 2022, the IRS delayed the implementation of the \$600 reporting requirement for one year.<sup>8</sup> On November 21, 2023, the IRS delayed the implementation for an additional year.<sup>9</sup> These delays were due to the significant increase in the number of Forms 1099-K, Payment Card and Third Party Network Transactions, that TPSOs will be filing each year.<sup>10</sup> While we applaud the IRS for delaying implementation to give TPSOs time to comply and taxpayers to understand the change in reporting threshold, TAS identified that the instructions on the back of Form 1099-K don't clearly explain what "gross amount" represents.

**ADVOCACY RESULT:** The IRS accepted TAS's recommended improvements to the form and its instructions, including clarifying "gross amount." The revised Form 1099-K will include a link to *Understanding Your Form 1099-K* on IRS.gov. TAS's advocacy will reduce taxpayer concern and confusion about complying with the updated threshold.



### TAS Urged the IRS to Provide Guidance on the Taxability of State Tax Refunds

**Explanation:** TAS received 27 SAMS submissions in early February regarding the taxability of California's Middle Class Tax Refund.<sup>11</sup> TAS also received inquiries from several taxpayers and practitioners outside California with questions on the taxability of other state refund/rebate checks that had been received during 2022, indicating they were not getting the IRS guidance they needed to correctly calculate taxable income.

**ADVOCACY RESULT:** TAS opened an information gathering project to monitor the issue and the National Taxpayer Advocate released a blog stating "[t]he IRS must issue guidance and provide education in a proactive and timely manner," as timely guidance "is key to eliminating confusion and frustration for taxpayers and tax professionals, earning the trust of the American people, and providing quality service."<sup>12</sup> The IRS issued guidance on state tax payments the next day,<sup>13</sup> and TAS followed up with a news release urging taxpayers to carefully review the IRS-issued guidance due to its complexity.<sup>14</sup>

- 
- 7 References to these TPSOs are for illustrative purposes only and are not intended to suggest an endorsement by the National Taxpayer Advocate, the Taxpayer Advocate Service, or the IRS.
- 8 See Notice 2023-10, 2023-3 I.R.B. 403.
- 9 See Notice 2023-74, 2023-51 I.R.B. 1484.
- 10 IRS, Pub. 6961, Calendar Year Projections of Information and Withholding Documents for the United States and IRS Campuses 2023 Update 3 (Aug. 2023), <https://www.irs.gov/pub/irs-pdf/p6961.pdf>.
- 11 Data obtained from SAMS (Feb. 16, 2023).
- 12 Erin M. Collins, The IRS Must Be Proactive in Issuing Timely and Clear Guidance to Resolve Tax Reporting Ambiguities, NATIONAL TAXPAYER ADVOCATE BLOG (Aug. 30, 2023), <https://www.taxpayeradvocate.irs.gov/news/nta-blog-the-irs-must-be-proactive-in-issuing-timely-and-clear-guidance/>.
- 13 IRS News Release, IR-2023-23, IRS Issues Guidance on State Tax Payments to Help Taxpayers (Feb. 10, 2023), <https://www.irs.gov/newsroom/irs-issues-guidance-on-state-tax-payments-to-help-taxpayers>.
- 14 TAS, TAS Shares IRS's Guidance on Taxability of State Tax Payments (Feb. 21, 2023), <https://www.taxpayeradvocate.irs.gov/news/tas-shares-irss-guidance-on-taxability-of-state-tax-payments/>.



### TAS Successfully Advocated for Clearer Notice and Demand for Payment Letters Sent to Taxpayers in Disaster Relief Areas

**Explanation:** The IRS postponed filing and payment deadlines to August 15 or October 16 for taxpayers in eight states who were eligible for disaster relief.<sup>15</sup> Taxpayers who filed their returns early with a balance due expected to make a timely payment by the postponed date. However, the IRS followed its normal collection procedures and mailed an initial collection notice and demand for payment letter reflecting an incorrect due date. The letter informed the disaster relief taxpayers that interest and penalties would accrue after the due date reflected on the front page of the letter, and payment was not required prior to the postponed deadline, either August 15 or October 16. Rather than correct the date on the notice and demand for payment letter, the IRS included a short paragraph on the back of page four of the letter. The letters led to confusion and questions.

**ADVOCACY RESULT:** TAS advocated for clarifying the notice and demand for payment letters for current and future taxpayers in disaster relief areas, and the IRS subsequently sent disaster relief taxpayers follow-up letters clarifying the right to postpone payment, stating: “Since your address of record is located in a federally declared disaster area, the IRS has automatically granted you disaster relief ... [t]his gives you an extension of time to file your tax returns as well as make your tax payment listed on the CP14 Notices. You do not need to contact us to get this extra time to pay.”<sup>16</sup>

## COLLECTIONS



### TAS Partnered With the IRS to Return Refunds Erroneously Placed in Excess Collection

**Explanation:** The IRS extended the timeframe to file 2016 refund claims from April 15, 2020, to July 15, 2020. The IRS did not update its computer programming for this change so employees had to manually release the refunds. Unfortunately, not all IRS employees received the guidance to complete the manual adjustment timely, and the IRS erroneously rejected thousands of timely filed 2016 refund claims and sent the overpayments to Excess Collection File, a separate file containing non-Revenue Receipts that cannot be identified or applied.<sup>17</sup>

**ADVOCACY RESULT:** In partnership with the IRS, TAS established a plan to identify impacted accounts, retrieve the overpayments sent to the Excess Collection File in error, and honor the timely refund claims. TAS identified the same issue with some tax year (TY) 2017 refund claims and included those additional accounts in the recovery process. In October 2022, as a result of this effort, 10,563<sup>18</sup> taxpayers received refunds that the IRS denied. This collaborative effort protected the taxpayer’s *rights to quality service, to pay the correct amount of tax due, and to finality*.<sup>19</sup>

15 IRS, Tax Relief in Disaster Situations (Dec. 6, 2023), <https://www.irs.gov/newsroom/tax-relief-in-disaster-situations>.

16 IRS News Release, IR-2023-121, IRS Sends Special Mailing to Taxpayers in Certain Disaster Areas (June 28, 2023), <https://www.irs.gov/newsroom/irs-sends-special-mailing-to-taxpayers-in-certain-disaster-areas>.

17 See IRM 3.17.220.1(1), Program Scope and Objectives (Nov. 24, 2017), [https://www.irs.gov/irm/part3/irm\\_03-017-220r](https://www.irs.gov/irm/part3/irm_03-017-220r).

18 Email from the IRS Wage and Investment (W&I) Division (Oct. 12, 2022) (on file with TAS).

19 IRC § 7803(a)(3)(B)(C), (F).



### TAS Engagement Led to the Return of Levy Proceeds

**Explanation:** The IRS tested a pilot program in CY 2020 that allowed revenue officers (ROs) to print Letter 1058, Final Notice of Intent to Levy and Notice of Your Right to a Collection Due Process Hearing, via the Centralized Print Site (CPS). ROs not included in the pilot group erroneously thought CPS printed and mailed the letters they generated. Because of this error, the IRS levied taxpayers who did not receive a notice of intent to levy.

**ADVOCACY RESULT:** TAS and the IRS found the IRS had issued premature levies to taxpayers. TAS advocated for the IRS to contact these taxpayers, advise them of their rights, and provide them with the option of having the IRS return or retain the levy proceeds. TAS worked with the IRS to ensure it returned all levy proceeds to taxpayers who sought that option.



### After Four Years of Advocacy, TAS Successfully Resolved Penalty and Interest Charges on Restitution-Based Assessments

**Explanation:** On October 3, 2017, the U.S. Tax Court issued an opinion, *Klein v. Comm'r*, stating the IRS is prohibited from assessing interest and failure-to-pay (FTP) penalties on restitution-based assessments (RBAs) made under IRC § 6201(a)(4)(A). Restitution is an amount the court orders a criminal case defendant to pay, which generally reflects the amount the government would have collected had the crime not occurred. Beginning in 2018, TAS advocated for revised RBA procedures and the abatement of FTP penalty and interest on impacted taxpayers' RBA accounts.

**ADVOCACY RESULT:** TAS provided the IRS revisions to Internal Revenue Manual (IRM) 25.26, Restitution; IRM 4.8.6, Criminal Restitution and Restitution Based Assessments; and IRM 5.1.5, Field Collection Procedures Balancing Civil and Criminal Cases, to ensure the IRS does not erroneously assess FTP penalties and interest on RBA accounts. TAS advocated for over four years to ensure the IRS completed interest abatements. TAS was instrumental in getting the IRS's procedures revised to safeguard taxpayers who incur RBA balances from receiving FTP penalties or who were erroneously assessed interest.

## TAXPAYER ACCOUNTS



### TAS Identified and Corrected Confusing Language to Reduce Burden for Taxpayers Victimized by Attempted Fraudulent Return Filings

**Explanation:** The IRS Taxpayer Protection Program (TPP) selects potential identity theft returns and sends letters to the return filer to authenticate their identity and confirm filing or non-filing by telephone, online, or in person. TAS learned from a SAMS submission that IRS phone assistants were erroneously advising taxpayers to visit a Taxpayer Assistance Center (TAC) when they didn't file the TPP-selected tax return. The IRS does not require taxpayers claiming identity theft to appear in person at a TAC location, and these taxpayers were frustrated and angry at the incorrect guidance.

**ADVOCACY RESULT:** TAS found misleading instructions in IRM 21.1.3.2.4, Additional Authentication. TAS collaborated with the Return Integrity Verification Operations program to quickly disseminate an email reminder to all phone assistants that the IRS does not require taxpayers claiming identity theft to go to a TAC to authenticate. TAS also verified the IRS removed the confusing language in the IRM and correctly linked IRS phone assistants to IRM 25.25.6, Taxpayer Protection Program. The new guidance helps IRS phone assistants provide consistent treatment and prevents them from sending taxpayers who didn't file TPP-selected returns to a TAC office to authenticate.



### TAS Worked to Prevent Alternative Minimum Tax Math Errors

**Explanation:** Each year, the IRS makes a concerted effort to update all the forms, schedules, and instructions taxpayers need to file their tax returns. For TY 2022, a small change in numbering the boxes of Form 1099-DIV, Dividends and Distributions, led to problems in the Instructions for Form 6251, Alternative Minimum Tax – Individuals. This slight change of box numbers left taxpayers confused with the amount they should use to calculate their alternative minimum tax (AMT).

**ADVOCACY RESULT:** TAS recommended that the IRS explain the Form 1099-DIV box number changes and recommended a change to the AMT instructions. The IRS accepted both recommendations, republished a corrected version of the 2022 AMT instructions, and explained the correction in an article.<sup>20</sup> TAS's advocacy ensured taxpayers had the information needed to comply with the tax laws and prevented potential math errors on the 2022 tax returns of many taxpayers with an extension of time to file for those who had not yet filed their tax returns.



### TAS Advocated for Relief for American Samoa Residents Impacted by an Identity Theft Filter Modification

**Explanation:** Residents of American Samoa are entitled to claim federal income tax withheld on Social Security benefits reflected on Form SSA-1042S, Social Security Benefit Statement. The IRS selected approximately 1,000 tax returns filed for TY 2022 claiming these refunds as potential identity theft.<sup>21</sup> The American Samoan government elevated the cases to TAS for assistance. TAS research confirmed the federal income tax withholding claimed matched information received by the Social Security Administration, but the IRS return selections for these specific claims doubled compared to the previous year.

**ADVOCACY RESULT:** TAS contacted Return Integrity and Compliance Services (RICS) and requested data to verify the number of selections for these claims during the same period the previous year and requested an explanation for the increased selections. RICS confirmed modifications to the identity filters caused over-selections of returns from American Samoa residents. TAS advocated for implementation of programming changes to avoid over-selection of American Samoa claims in future years. RICS agreed to release the selected returns and is taking the steps to prevent this issue from reoccurring.



### TAS Efforts Led to an Improved Identity Theft Notification Involving Deceased Taxpayers

**Explanation:** TAS identified that due to its identity theft filters, the IRS had not completed processing on returns filed with fiduciary paperwork (e.g., Form 56, Notice Concerning Fiduciary Relationship). Deceased taxpayers' representatives had correctly filed the tax returns, but IRS identity theft filters did not recognize the listed representative. The IRS was addressing Letters 4883C, Potential Identity Theft During Original Processing, to the deceased taxpayer rather than the personal representative.

**ADVOCACY RESULT:** TAS worked with RICS to identify and confirm the programming error affecting these accounts. TAS advocated for Letter 4883C to include the personal representative information and fiduciary guidance and for an update to the letter landing page.

<sup>20</sup> IRS, Post-Release Changes to Tax Forms, Instructions, and Publications (Dec. 8, 2023), <https://www.irs.gov/forms-pubs/changes-to-current-forms-publications>; IRS, Correction to 2022 Instructions for Form 6251 (May 22, 2023), <https://www.irs.gov/about-irs/correction-to-the-2022-instructions-for-form-6251>.

<sup>21</sup> Email from W&I (July 13, 2023) (on file with TAS).



### TAS Partnered With the IRS to Secure Get Transcript Tool Corrections for Married Filing Joint Accounts When One Spouse Is Deceased

**Explanation:** TAS received a SAMS submission from a Power of Attorney (POA) who could not access the Get Transcript tool on IRS.gov for a surviving spouse on married filing joint balance due account. TAS shared the submission with Identity Protection Strategy and Oversight (IPSO), which discovered that Get Transcript was not allowing access to the surviving spouses and their representatives.

**ADVOCACY RESULT:** TAS collaborated with IPSO and the Transcript Delivery System Information Technology Department to correct the programming. Due to TAS's advocacy on the issue and its partnership with the IRS, a surviving spouse or their POA now has immediate access to the joint account information.



### At the Request of a Congressional Office, TAS Developed a Taxpayer Dashboard Mock-Up to Illustrate Taxpayer-Centric Communication Options

**Explanation:** After reading Most Serious Problem: *Processing Delays* in the 2022 Annual Report to Congress, a congressional office asked if TAS could make a policy proposal that fits TAS's idea of reform, in which the IRS would create an easy-to-read online dashboard designed to address several points the National Taxpayer Advocate raised to improve transparency to the taxpayer.

**ADVOCACY RESULT:** Based on the points raised by the legislative aide, TAS developed a Taxpayer Dashboard prototype with the taxpayer in mind. TAS designed the dashboard as a user-friendly way to help the taxpayer navigate and understand the availability of IRS services. The dashboard would show live wait times for toll-free phone numbers and current processing timeframes for various paper returns, forms, amended returns, and certain types of correspondence. The dashboard would allow taxpayers to make online appointments with a TAC and show how busy the TAC would be if the taxpayer planned to walk in without scheduling an appointment. Due to TAS's efforts, legislators will use the Taxpayer Dashboard prototype as the starting point to increase the IRS's transparency.



### TAS Collaborated With the IRS to Add Updates and an In-App Notification to Online Account for Certain Taxpayers to Authenticate Return Filing

**Explanation:** In 2022, TAS elevated an issue to the Secure Access Digital Identification program owners after receiving numerous SAMS submissions from taxpayers confused by next steps upon completing the identity proofing process using a Video Chat Agent. To complete the two-step process required for taxpayers who receive certain TPP notices, taxpayers must first complete identity proofing through a third-party credential service provider to establish login credentials and then return to the IRS (ID Verify) to finish the tax return verification process. The confusion stemmed from unclear email instructions taxpayers received after completing their identity proofing process.

**ADVOCACY RESULT:** TAS improved the email communication language to provide clearer instructions to reduce taxpayer confusion and recommended the IRS implement an alert within a taxpayer's online account. Starting January 29, 2023, taxpayers who received TPP notices and undertook online authentication received notification within their online account, informing them that the IRS has selected their return for additional verification.<sup>22</sup> TAS's advocacy for better taxpayer communication protected the taxpayer's *right to be informed*.<sup>23</sup>

<sup>22</sup> W&I, Individual Online Account (IOLA) Status Briefing (Mar. 29, 2023) (on file with TAS).

<sup>23</sup> IRC § 7803(a)(3)(A).





### TAS Research Led to an Improved Ability for Taxpayers to Obtain Tax Return Transcripts

**Explanation:** TAS received information that the IRS was rejecting many taxpayer requests on Form 4506-T, Request for Transcript of Tax Return.

**ADVOCACY RESULT:** TAS conducted research and discovered the IRS was rejecting the requests because taxpayers were not entering the correct tax year or time period on line 9 of the form. For example, when a taxpayer filed their 2017 individual tax return on April 15, 2018, they incorrectly entered 12/31/2018 on the form instead of 12/31/2017. To fix the issue, taxpayers had to resubmit the forms or make appointments at TACs to request tax return transcripts. This was inconvenient prior to the COVID-19 pandemic but became impossible during the pandemic due to the nationwide shutdown. TAS advocated with the IRS to revise Form 4506-T to add an example to line 9 that assists taxpayers with their requests, which helps prevent rejections of transcript requests.



### TAS Argued for Procedural Remedies to Undo Permanently Restricted Secure Access Digital Identification Accounts of Legitimate Taxpayers and Tax Professionals

**Explanation:** In early 2023, TAS elevated an issue regarding individual taxpayers and tax professionals who were unable to access IRS online products or services. The IRS had restricted these taxpayer accounts from access to online products or services to protect their tax account information after it detected suspected fraud activity. There was no process in place, however, to remediate these accounts and restore online access. While TAS understands the IRS's responsibility to protect taxpayer information, TAS voiced concerns about the lack of a remediation process for legitimate taxpayers and tax professionals to restore their online access. The restrictions forced impacted taxpayers to use nondigital service alternatives, such as paper correspondence, telephone assistance, and in-person visits.

**ADVOCACY RESULT:** The IRS reinstated online access for some impacted taxpayers after a closer review of their accounts and formed a Lean Six Sigma Project team, including TAS representatives, to actively analyze the issue and recommend a solution. The team continues to assess the problem, and the IRS is exploring avenues for reinstating online access to impacted taxpayers.

## TAS/IRS COLLABORATIONS



### TAS Collaborated With the IRS to Review the IRS's Development of Online Portals for 2022 Inflation Reduction Act Credits

**Explanation:** The Inflation Reduction Act (IRA) Tax Provision Implementation Office and the Taxpayer Experience Office (TXO) are reviewing the IRS development of online portals for applying 2022 IRA credits for potential enhancements to the taxpayers' user experience. TXO asked TAS to develop customer needs statements (*i.e.*, personas) based on literature reviews, digital listening, provision owner interviews, etc., to cover each profile and provision group; to provide ongoing support for high-level questions from both the Internal Revenue Service Advisory Council and the Electronic Tax Administration Advisory Committee; and to support a long-range User Research Plan.

**ADVOCACY RESULT:** Despite a short deadline, TAS met with the IRS to create customer needs statements for implementing several IRA provisions and user portals. The team worked together in the months that followed on a long-term research plan that included input from actual users, journey maps, prototyping, and user testing. A TXO executive cited TAS's efforts as "a testament to the depth of knowledge and skills we have across the IRS. These efforts not only provide a crucial perspective to the immediate work but will continue to shape the customer experience."



### TAS Worked With the IRS to Assist Connecticut Taxpayers Whose Forms 1099-G Were Significantly Overstated

**Explanation:** In April 2023, TAS was made aware of a discrepancy on Forms 1099-G issued by the State of Connecticut reporting taxable grants, where the Forms 1099-G were overstated as a result of a decimal error. The IRS was proposing adjustments based on these overstated Forms 1099 that were causing a significant burden to the impacted taxpayers. In addition, the incorrect overstatements were affecting taxpayers being processed by the Automated Underreporter (AUR) Program.

**ADVOCACY RESULT:** The Local Taxpayer Advocate in Hartford, Connecticut, worked with the IRS Government Liaison to get corrected Forms 1099-G issued by the state. The TAS team discussed the audit issue with IRS Campus Examination executives and reached out to the AUR program to make it aware of the issue. The IRS subsequently determined that the process was not identifying the corrected Forms 1099-G and was able to adjust to ensure AUR did not select these cases.



### TAS Successfully Advocated for Additions to Notices That Uphold Taxpayer Rights and Reduce Taxpayer Burden

**Explanation:** The Office of Taxpayer Correspondence (OTC) is redesigning taxpayer notices to support the IRS's Strategic Operating Plan Objective 2.3 of developing taxpayer-centric notices that taxpayers can understand, delivered in ways they prefer, with clear explanations of issues and steps to resolution.

**ADVOCACY RESULTS:** TAS worked with OTC and notice owners to incorporate additions to several letters. The IRS accepted recommendations to add audit reconsideration language to the CP79 series; an Appeals due date to CP523H; a fax number to CP63; and TAS language to CP3501. It also accepted a recommendation to update confusing language in the CP53 notice as to why the IRS couldn't directly deposit a refund. These recommendations support taxpayer rights and reduce taxpayer burden.

## PENALTIES



### TAS Successfully Worked for a Consistent Taxpayer Experience Improvement Involving the Inflation Reduction Act

**Explanation:** On August 24, 2022, in response to its processing delays related to the COVID-19 pandemic, the IRS issued a broad late filing administrative penalty relief program. This penalty relief applies to failure-to-file penalties and certain international information return penalties for TYs 2019 and 2020 returns filed through September 30, 2022. The IRS granted penalty relief automatically for eligible returns. Approximately 4.35 million taxpayers received abatements totaling \$5.04 billion.<sup>24</sup>

**ADVOCACY RESULT:** TAS actively participated on an IRS team to review and comment on notices, IRM changes and procedural updates, and external communication related to this relief. TAS made sure that the relief did not affect the taxpayer's first-time abatement eligibility. TAS also recommended the IRS revise IRM 5.1.15, Reasonable Cause Assistant, to ensure its guidance was consistent with the new relief program. The IRS agreed and prioritized the revision. Thanks to this collaborative effort, TAS helped preserve the taxpayer's *right to pay no more than the correct amount of tax*.<sup>25</sup>

<sup>24</sup> Email from Office of Servicewide Penalties (Sept. 7, 2022) (on file with TAS).

<sup>25</sup> IRC § 7803(a)(3)(C).

## TAS WEBSITE & SERVICES



### TAS Ensured Webpages Contain Important Statutes of Limitation Information

**Explanation:** TAS identified the need for supplementary content in plain language on both IRS and TAS webpages to educate taxpayers about the consequences of specific events such as pending installment agreements, offers in compromise, and bankruptcy. These events can prolong the timeframes within which the IRS may assess or collect taxes and may affect a taxpayer's claim(s) for refund.

**ADVOCACY RESULT:** TAS negotiated and collaborated with the IRS, and notable changes were made to eight pages on the TAS website and 12 pages on the IRS website alongside the creation of four new statute landing pages on IRS.gov.<sup>26</sup> TAS's advocacy for additional online information empowers taxpayers to comprehensively understand their rights and responsibilities in tax-related matters.

---

26 SAMS Information Gathering Project #51593.