

# National Taxpayer Advocate **OBJECTIVES REPORT TO CONGRESS**

Fiscal Year 2025



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## National Taxpayer Advocate's Introductory Remarks

### HONORABLE MEMBERS OF CONGRESS:

It is my privilege to submit for your consideration the National Taxpayer Advocate's Fiscal Year 2025 Objectives Report to Congress. As required by law, this report describes the objectives of the Office of the Taxpayer Advocate for the upcoming fiscal year.<sup>1</sup> To provide context about the IRS's performance and taxpayer challenges, this report analyzes the recently completed 2024 tax filing season.

At the outset, I want to take a moment to reflect on the last four years. I was appointed as the National Taxpayer Advocate in March 2020, just as the COVID-19 pandemic spiked and led to some of the most challenging times taxpayers, the IRS, and its employees have ever experienced. The impact was not merely intense but long-lasting. At the start of the pandemic, the IRS had to close its tax return processing facilities for an extended period, and it then brought employees back to work gradually and initially part-time to comply with state and local social distancing requirements. The reduction in paper processing capacity caused a backlog of paper filings that at one time exceeded 35 million, strangling returns processing and driving tens of millions of frustrated taxpayers and practitioners to try to reach the IRS by phone.<sup>2</sup> That, in turn, triggered the lowest levels of telephone service taxpayers have ever received. During these years, Congress enacted special tax benefits to provide financial relief for individuals, families, and businesses, which required the IRS to devise new processes to deliver the relief while employees simultaneously struggled to stay afloat and perform the agency's most important core function – managing the filing season. Not to be overly dramatic, but during the last four years, I believe we have progressed from a place of despair to a place of hope and optimism for the future of the agency and therefore for taxpayers.

Although the statute governing my position requires me to identify taxpayer problems and propose administrative and legislative recommendations to resolve them, I would be remiss if I did not take this opportunity to acknowledge TAS's increased caseload resulting from the IRS's challenges and the impact of this increased caseload on TAS employees. During these difficult years, TAS employees have continued to provide a safety net for taxpayers experiencing problems with the IRS. Since the start of the pandemic, TAS has helped nearly one million taxpayers to resolve their account problems. I thank our employees for their dedication and hard work on behalf of our nation's taxpayers. I also want to acknowledge, recognize, and thank other IRS employees, managers, and leaders for administering the last four filing seasons, wherein taxpayers received hundreds of millions of much-needed refunds, stimulus payments, and other congressionally authorized tax benefits.<sup>3</sup> Did the IRS do a perfect job? No. But I believe the IRS has turned the corner, and with the additional multiyear funding provided by the Inflation Reduction Act,<sup>4</sup> particularly

<sup>1</sup> IRC § 7803(c)(2)(B)(i).

<sup>2</sup> National Taxpayer Advocate Fiscal Year 2022 Objectives Report to Congress 6 (*Review of the 2021 Filing Season*), [https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2021/06/JRC22\\_SAO\\_ReviewFiling.pdf](https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2021/06/JRC22_SAO_ReviewFiling.pdf); IRS, Joint Operations Center (JOC), Snapshot Reports: Enterprise Snapshot, Enterprise Total (Fiscal Year (FY) 2021 and 2022).

<sup>3</sup> The IRS reports it issued more than 160 million payments worth over \$270 billion under the Coronavirus Aid, Relief, and Economic Security Act; more than 147 million payments worth over \$142 billion under the COVID-Related Tax Relief Act of 2020; and more than 169 million payments worth approximately \$395 billion under the American Rescue Plan Act. See IRS News Release, IR-2021-38, As Required by Law, All First and Second Economic Impact Payments Issued; Eligible People Can Claim Recovery Rebate Credit (Feb. 16, 2021), <https://www.irs.gov/newsroom/as-required-by-law-all-first-and-second-economic-impact-payments-issued-eligible-people-can-claim-recovery-rebate-credit>; IRS News Release, IR-2021-127, More Than 2.3 Million Additional Economic Impact Payments Disbursed Under the American Rescue Plan; Total Payments Top 169 million (June 9, 2021), <https://www.irs.gov/newsroom/more-than-2-point-3-million-additional-economic-impact-payments-disbursed-under-the-american-rescue-plan-total-payments-top-169-million>.

<sup>4</sup> An Act to Provide for Reconciliation Pursuant to Title II of S. Con. Res. 14, Pub. L. No. 117-169, § 10301, 136 Stat. 1818, 1831-1833 (2022) [hereinafter referred to as the "Inflation Reduction Act"].



for Taxpayer Services and information technology (IT) modernization, I am bullish that the taxpayer experience will continue to improve and move onward and upward.

## THE 2024 FILING SEASON

For most taxpayers, the filing season is the only time they interact with the IRS. Delivering a successful filing season is therefore the agency's highest priority. The IRS largely succeeded in 2024. After several years of abysmal taxpayer service during the COVID-19 pandemic, the IRS has now delivered two filing seasons that demonstrate the agency has restored service to pre-pandemic levels and has improved in most, but not all, areas of service. This is excellent news for most taxpayers.

It is worth noting that although the IRS's leadership is aiming to implement changes that will be transformational in nature, particularly in the technology area, the improved filing season performance this year was driven primarily by hiring more employees to answer the phones – a step that is not at all transformational. That is not to say the IRS didn't make any progress in implementing systems upgrades to improve the taxpayer experience. It did. To cite one example, the IRS has made it possible for taxpayers to respond to IRS notices by electronically submitting information through its Document Upload Tool (DUT) portal.<sup>5</sup> The DUT is an important step in the right direction. Even with the DUT, the IRS needs to make more progress. IRS employees still must manually process most documents received through this tool; the IRS is working to automate the backend processing of these documents, which will transform how taxpayers work with the IRS. But I am optimistic that new technology will substantially improve the taxpayer experience. Modernizing IT systems and capabilities remains essential to providing the world-class taxpayer service that the IRS aspires to achieve and, most importantly, that taxpayers deserve.

**Overall, the filing season went smoothly.** More than 96 percent of individual taxpayers filed their returns electronically, and the IRS processed most of them timely and without difficulty.<sup>6</sup> More than 60 percent of taxpayers claimed refunds,<sup>7</sup> and most received them quickly. Many refunds included refundable tax credits like the Earned Income Tax Credit and the Additional Child Tax Credit on which families, particularly low-income families, rely to meet basic living expenses. Therefore, timely and predictable refund payments are essential.

However, the IRS suspended over 20 million returns during processing.<sup>8</sup> As of the end of the filing season, 5.5 million returns were in "suspense" status for one of several reasons, about half because of suspected identity theft due to apparent irregularities on the return.<sup>9</sup> In these cases, the IRS sent letters to affected taxpayers notifying them they must authenticate their identities and potentially address the irregularities. In 2024, the IRS saw an uptick in suspicious claims involving the fuel tax credit, the sick and family leave credit, and household employment taxes.<sup>10</sup>

<sup>5</sup> See IRS, IRS Document Upload Tool (Jan. 30, 2024), <https://www.irs.gov/help/irs-document-upload-tool>.

<sup>6</sup> See IRS, Filing Season Statistics for Week Ending April 19, 2024 (Apr. 26, 2024), <https://www.irs.gov/newsroom/filing-season-statistics-for-week-ending-april-19-2024>.

<sup>7</sup> *Id.*

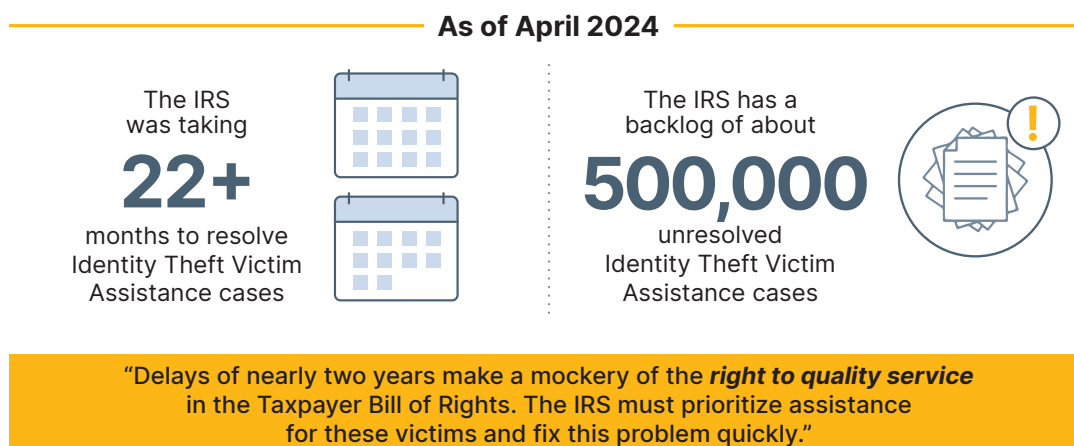
<sup>8</sup> IRS, Submission Processing Program Management/Process Assurance (PMPA) Branch, Filing Season Statistics Reports (weekly 2024 reports through Apr. 19, 2024); IRS response to TAS information request (May 23, 2024).

<sup>9</sup> IRS, Wage & Investment Inventory Report (week ending Apr. 20, 2024).

<sup>10</sup> IRS News Release, IR-2024-139, IRS Warns Taxpayers They May Be Scam Victims If They Filed for Big Refunds; Misleading Advice Leads to False Claims for Fuel Tax Credit, Sick and Family Leave Credit, Household Employment Taxes (May 14, 2024), <https://www.irs.gov/newsroom/irs-warns-taxpayers-they-may-be-scam-victims-if-they-filed-for-big-refunds-misleading-advice-leads-to-false-claims-for-fuel-tax-credit-sick-and-family-leave-credit-household-employment-taxes>.

**IRS delays in resolving identity theft victim assistance cases are unconscionable.** There is a second category of identity theft cases, which are worked by the IRS's Identity Theft Victim Assistance (IDTVA) unit. The IRS's delays in resolving these cases are lengthy and a blemish on its performance. Generally, IDTVA cases arise when the IRS rejects a return because an identity thief previously filed a fraudulent return using the personal identifying information of the taxpayer, such as a Social Security number, and the IRS must sort out which taxpayer is the legitimate one. In my [2023 Annual Report to Congress](#), I highlighted that the IRS was taking about 19 months to resolve IDTVA cases and send refunds to affected taxpayers.<sup>11</sup> That data was as of September 30, 2023, when there were about 484,000 cases in inventory,<sup>12</sup> and 69 percent of taxpayers whose IDTVA cases the IRS had resolved had adjusted gross incomes at or below 250 percent of the Federal Poverty Level.<sup>13</sup> That means those taxpayers were disproportionately likely to qualify for refundable tax credits and disproportionately likely to need their refunds to pay their living expenses. I called the delay unconscionable, and IRS leaders agreed to prioritize reducing delays.

Unfortunately, the problem has grown worse. As of April 2024, the IRS was taking more than *22 months* to resolve IDTVA cases, and it had approximately 500,000 unresolved cases in inventory.<sup>14</sup> In my [2023 Annual Report to Congress](#), I wrote: "If it weren't for the significant number of challenges affecting larger groups of taxpayers, this would be headline news, and it should be." I reiterate my concern. Delays of nearly two years make a mockery of the *right to quality service* in the [Taxpayer Bill of Rights](#). The IRS must prioritize assistance for these victims and fix this problem quickly.



**The IRS should replace its benchmark "Level of Service" performance measure for telephone service, as it does not reflect the taxpayer experience, and it produces inappropriate priorities and a misallocation of resources.** For more than 20 years, the IRS has utilized the "Customer Service Representative Level of Service" (LOS) on its Account Management (AM) telephone lines for budgetary estimates. But over time, it has increasingly relied on the LOS as its principal measure of telephone performance and taxpayer service, and it has set specific, well-publicized LOS goals for improved taxpayer service. During both the 2023 and 2024 filing seasons, it set a goal of achieving an LOS of at least 85 percent on its AM lines and achieved it.<sup>15</sup>

<sup>11</sup> IRS, Accounts Management Identity Theft Victim Assistance Research, Analysis, and Data, Correspondence Imaging System Closed Case Cycle Time for the Identity Theft (IDT) Victims Unit Reports, FY 2023.

<sup>12</sup> IRS, Accounts Management Inventory Report (AMIR), National Inventory Age Report (week ending Sept. 30, 2023).

<sup>13</sup> IRS, Compliance Data Warehouse, Individual Master File and Individual Returns Transaction File (Sept. 28, 2023).

<sup>14</sup> IRS, AMIR, National Inventory Age Report (week ending Apr. 20, 2024).

<sup>15</sup> U.S. Dep't of the Treasury, Press Release, IRS Achieves Key Paperless Processing Initiative Goal, Outlines Improvements for Filing Season 2024 (Nov. 7, 2023), <https://home.treasury.gov/news/press-releases/jy1890>.

That represented a dramatic improvement from the pandemic years. During the 2022 filing season, the IRS's AM LOS had been 15 percent.<sup>16</sup>

I have previously expressed my concerns about relying excessively on the LOS measure, but I continue to see the IRS moving down the same unproductive path. As I will describe below, the LOS is a check-the-box measure that fails to gauge the taxpayer's telephone experience accurately and fails even to attempt to gauge the taxpayer experience in other important areas. Yet because the IRS has adopted it as its primary measure of taxpayer service, sacrifices are made in other areas to boost the LOS as much as possible. In my view, relying on the LOS to drive taxpayer service decisions is akin to letting the tail wag the dog.

As we have frequently noted, the LOS performance measure does not accurately reflect the experience of most taxpayers who call. During the 2024 filing season, the IRS routed about 10.3 million<sup>17</sup> AM calls to its customer service representatives (CSRs), and the CSRs answered 9.0 million, producing an LOS of 88 percent.

But for context, the IRS received 39.9 million calls. Therefore, the 10.3 million calls included in the AM LOS calculation reflects just over 25 percent of the calls the IRS received and ignores the other 75 percent. The other 75 percent consisted of calls routed to non-AM telephone lines, calls in which the taxpayer disconnected before being placed in a calling queue, or calls routed for automated responses. Overall, CSRs answered only 32 percent (not 88 percent) of all calls directed to the AM telephone lines. And the LOS calculation doesn't include calls routed to compliance and other telephone lines that don't fall under the AM umbrella.

In addition, the AM LOS target of 85 percent applies only for the filing season. Once the filing season ends, service levels fall off sharply. In fiscal year (FY) 2023, the IRS hit its goal of providing an LOS of 85 percent during the filing season, but it provided an LOS of just 40 percent on its AM lines during the other 8.5 months of the year.<sup>18</sup>

Figure 1.1 shows telephone metrics for all calls received and the breakdown between the AM and non-AM telephone lines during the recent filing season.

**FIGURE 1.1, IRS Telephone Results for the 2024 Filing Season<sup>19</sup>**

Telephone Lines	Calls Received	Number of Calls Answered by an IRS Employee	Percentage of Calls Answered by an IRS Employee	Level of Service	Time on Hold
All Calls	40 mil	12.4 mil	31%	63%	8 min
Accounts Management	28 mil	9.0 mil	32%	88%	3 min
Non-Accounts Management	12 mil	3.4 mil	29%	36%	21 min

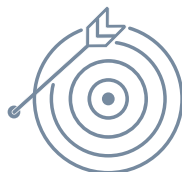
<sup>16</sup> IRS, JOC, Snapshot Reports: Enterprise Snapshot, AM (week ending Apr. 22, 2022).

<sup>17</sup> IRS, JOC, Snapshot Reports: Enterprise Snapshot, AM (week ending Apr. 20, 2024).

<sup>18</sup> IRS, JOC, Snapshot Reports: Enterprise Snapshot, AM (weeks ending Apr. 20, 2023; Sept. 30, 2023). The LOS for the AM non-filing season period is computed by dividing the calls answered for only the filing season period and the calls answered for the entire fiscal year by their respective Levels of Service to determine the calls routed to an assistor for both periods. The difference between the calls answered by an assistor during these is then divided by the difference between the calls routed to an assistor during these two periods.

<sup>19</sup> The LOS for the non-AM calls is computed by dividing the calls answered by assistors at the Enterprise level and the AM calls by their respective Levels of Service to determine the calls routed to an assistor for both the AM and Enterprise levels. The difference between the calls answered by an assistor is then divided by the difference between the calls routed to an assistor Enterprise-wide and the calls routed to an AM line. IRS, JOC, Snapshot Reports: Enterprise Snapshot, Enterprise Total, AM (week ending Apr. 20, 2024).

As Figure 1.1 shows, the IRS has reported an LOS on the AM lines of 88 percent and an average wait time of three minutes. The three-minute wait time is a huge improvement that is much appreciated by individuals who are calling. But the experience was very different for the 12 million calls received on other telephone lines, where the LOS averaged 36 percent with an average wait time of 21 minutes, and only 29 percent of callers spoke with an employee.



**The IRS has allocated resources to hit an ambitious but arbitrary “Level of Service” goal, causing it to prioritize the wrong work.**

In my opinion, the AM LOS measure has taken on outsized importance in recent years, as the IRS has allocated resources to hit ambitious but arbitrary goals that mean less than meets the eye and that consequently have required the IRS to neglect calls to non-AM telephone lines and workstreams like paper correspondence that I believe should receive higher priority. The measure is causing the IRS to prioritize the wrong work, and it needs to be replaced. Drawbacks of using the LOS measure include:

***The LOS measure is materially misleading and not an appropriate measure of the taxpayer experience.*** Many observers mistakenly believe the IRS answered the percentage of calls reflected by the measure. It is important that the tax-writing committees and others conducting oversight understand the measure’s limitations. Again: the benchmark LOS of 88 percent does not mean the IRS answered 88 percent of incoming calls. Moreover, the LOS fails to measure industry standards such as customer satisfaction, confidence, trust, effectiveness, quality, ease of use, simplicity, efficiency, and the ability to have issues resolved.<sup>20</sup>

To reiterate, the IRS’s benchmark LOS reflects only telephone calls directed to the AM telephone lines – not calls directed to other lines. The IRS classifies about 35 of its telephone lines as falling under the AM umbrella, but it has dozens of other telephone lines not included under the AM umbrella that account for the balance of taxpayer calls. As shown by the volumes in Figure 1.1, 30 percent of the calls the IRS received during the 2024 filing season were directed to non-AM telephone lines.

Callers to the non-AM telephone lines included:

- 3.7 million taxpayers who called the Installment Agreement/Balance Due line to make payment arrangements or otherwise resolve their tax debts (42 percent of calls were answered with a 23-minute wait time);
- 3.0 million taxpayers who called the Taxpayer Protection Program telephone line because IRS filters had suspended the processing of their returns on suspicion of identity theft, and they needed to authenticate their identities to receive their refunds (16 percent of calls were answered with a 20-minute wait time); and

<sup>20</sup> See Office of Management and Budget (OMB), *Preparation, Submission, and Execution of the Budget*, Circular No. A-11, § 280 (July 10, 2020), <https://trumpadministration.archives.performance.gov/cx/assets/files/a11-280.pdf>. OMB developed this list of factors using leading practices from the private and public sectors, including Fortune 500 companies, market research institutions, and international organizations. Transactional surveys, such as the AM toll-free survey, have been aligned to these standards since 2020; however, the IRS lacks transparency about how the results of these surveys guide operational planning, as it places most of its focus on the LOS measure. The IRS also specifies that telephone calls will be measured for Timeliness, Professionalism, Customer Accuracy, Regulatory/Statutory Accuracy and Procedural Accuracy. See Internal Revenue Manual 21.10.1.4.1.1, Accounts Phones Measure (Oct. 1, 2006), [https://www.irs.gov/irm/part21/irm\\_21-010-001](https://www.irs.gov/irm/part21/irm_21-010-001).



- 2.1 million taxpayers who called the IRS's Automated Collection System telephone line after receiving a collection notice and who may have needed urgent help getting a levy released to alleviate an economic hardship (19 percent of calls were answered with a ten-minute wait time).

Figure 1.2 shows key metrics for the ten most frequently called telephone lines.

**FIGURE 1.2, Metrics for Ten Most Frequently Called Telephone Lines for the 2024 Filing Season<sup>21</sup>**

Telephone Line	Calls Received	Number of Calls Answered by an IRS Employee	Percentage of Calls Answered by an IRS Employee	Level of Service	Time on Hold
Refund Hotline	8.3 mil	80,000	1%	77%	6 min
Individual Income Tax Services	6.9 mil	2,100,000	30%	87%	4 min
Installment Agreement/ Balance Due	3.7 mil	1,600,000	42%	42%	23 min
Taxpayer Protection Program	3.0 mil	486,000	16%	17%	20 min
Taxpayer Assistance Center Appointments	2.4 mil	1,300,000	52%	86%	4 min
Automated Collection System	2.1 mil	408,000	19%	33%	10 min
Business and Specialty Tax Services	2.0 mil	1,200,000	59%	90%	4 min
Wage and Investment (W&I) Identity Theft	1.4 mil	598,000	43%	78%	4 min
Practitioner Priority Service	1.1 mil	973,000	85%	95%	2 min
W&I Individual Master File Customer Response	1.0 mil	329,000	31%	85%	4 min

In concept, the IRS should give many non-AM calls higher priority than AM calls, as taxpayers calling the compliance telephone lines have outstanding tax debts they are trying to resolve or are facing collection actions that may be creating economic hardships. One would expect a caller facing eviction because an IRS levy is leaving her unable to pay her rent would receive priority over a caller requesting an account transcript. But because the IRS's benchmark LOS measure is based solely on the percentage of calls it answers on the AM telephone lines, the agency places a lower priority on calls that don't factor into the benchmark LOS calculation. It is relatively overstaffing AM telephone lines and understaffing other telephone lines.

***The LOS only measures the percentage of calls answered – not whether the IRS resolved a taxpayer's account problem – and problem resolution is what matters most to taxpayers.*** By design, the IRS intends the LOS to measure only the ability of a taxpayer to reach a CSR, and it doesn't even do that accurately. Taxpayers generally are not given the opportunity to press "0" or "#" to reach an IRS employee. Instead, the

21 IRS, JOC, Snapshot Reports: Product Line Detail (Enterprise Performance) (week ending Apr. 20, 2024). As shown in the first non-header row of Figure 1.2, the IRS telephone system routed 99 percent of refund inquiries for automated responses, presumably because CSRs did not have access to information beyond what the taxpayer could access through the Where's My Refund? tool. All numbers in Figure 1.2 are rounded.

IRS preprograms its systems to route calls either for employee response or for automated response depending on how the taxpayer answers its prompts. During the 2024 filing season, 7.9 million<sup>22</sup> calls were routed for automated responses. As a result, many taxpayers who wished to reach a CSR could not do so, and their calls are excluded from the AM LOS measure.

More generally, a benchmark measure of IRS telephone performance should focus on whether the IRS has resolved the taxpayer's problem. Private sector telephone call centers often use measures like "first-contact resolution" to assess whether they have resolved the caller's problem or whether it remains outstanding. The IRS should be measuring outcomes at least as much as it measures the ability to get through. TAS is currently conducting a study to ascertain the metrics businesses and other government agencies with large call centers use to evaluate their performance. We plan to publish the results in my 2024 Annual Report to Congress.

***The IRS cannot know before the filing season how many calls it will receive, and for that reason, slavishly aiming to achieve an LOS goal established long in advance is unwise.*** The LOS equals the percentage of calls answered by IRS employees divided by the number of taxpayer calls routed to IRS employees. The IRS uses historical data to estimate call volumes and sets targets for how many calls it has the capacity to answer, and it then sets hiring and training goals to hit its LOS targets. But it cannot accurately project how many calls it will receive in a given week or a given year if circumstances change relative to historical norms. Call projections are more art than science even in stable years, and there are plenty of years where last-minute developments substantially affect call volumes. The pressure to hit a moving target also contributes to an overallocation of agency resources to staff the phones during the filing season, causing the IRS to relatively understaff other areas of taxpayer service. Simply adding more employees to the mix is a short-term fix. Over the longer term, the IRS needs to be transformational in how it addresses and manages telephones, and correct measurement goals must be a part of the solution.

***The LOS measure is a product of numerous variables that the IRS can manipulate to make telephone service seem better than it is.*** Up to and including FY 2016, the IRS included the Installment Agreement/Balance Due telephone line under the AM umbrella as part of the AM LOS calculation. However, the Installment Agreement/Balance Due telephone line was receiving a lot of calls (10.4 million in FY 2016), which caused a significant drag on LOS performance. The solution? Beginning with FY 2017, the IRS waved its magic wand and reclassified the Installment Agreement/Balance Due telephone line as a non-AM line. In FY 2017, the LOS on the Installment Agreement/Balance Due line dropped by two percentage points, but because it was no longer under the AM umbrella, the LOS on the AM lines jumped from 53 percent to 77 percent, making it appear that IRS telephone performance had improved dramatically. Along the same lines, the IRS can boost the LOS by routing more calls for automated responses, since it also excludes those calls from the LOS calculation.<sup>23</sup>

***The LOS measure has caused the IRS to neglect taxpayer correspondence for the last two filing seasons, meaning millions of taxpayers are waiting longer to resolve account problems and receive their refunds.*** I want to thank and compliment the CSRs who serve taxpayers. It is a very difficult job to perform day in and day out. Any criticism I have of telephone service is not directed at employees but rather at how the IRS manages and measures taxpayer service. CSRs in the IRS's AM function juggle two jobs: (1) they answer AM telephone calls, and (2) they process taxpayer correspondence. When CSRs answer phones, they aren't processing paper. When they process paper, they aren't answering phones.

22 IRS, JOC, Snapshot Reports: Product Line Detail, Enterprise Performance (week ending Apr. 20, 2024). The 7.9 million calls is the rounded sum of the Integrated Customer Communication Environment and the information messaging calls. Additionally, the IRS received nearly 700,000 interactive voice recognition (chatbot) calls.

23 IRS, JOC, Snapshot Reports: Enterprise Snapshot, AM (week ending Sept. 30, 2017) (noting "The IA/Bal Due Product Line ... is included in FY 2016 figures, for FY 2017 the IA/Bal Due PL moves to Compliance:").

To achieve high telephone service levels, the IRS must staff its phone lines so there are enough CSRs to handle calls during peak periods. But that means that during quiet periods, CSRs are sitting around waiting for the phone to ring. During the 2023 filing season, CSRs spent 3.73 million hours staffing the AM lines, and they spent 1.27 million of those hours (34 percent) waiting to receive calls.<sup>24</sup> The IRS cannot easily shuffle employees between answering phones and processing correspondence, so over-assigning employees to staff the telephone lines meant that CSRs were not processing taxpayer correspondence. Taxpayer correspondence became backlogged, causing many taxpayers experiencing delays in receiving replies to their correspondence to call the IRS to check on the status of their accounts and needlessly adding to the burden of telephone assistants.

The IRS took the same approach during the 2024 filing season. While the IRS improved its performance slightly, CSRs still spent 1.1 million hours (29 percent of their time) waiting to receive calls.<sup>25</sup> That continued to represent a significant amount of unproductive employee time that could have been spent processing taxpayer correspondence and amended returns. And notably, the percentage of overaged correspondence (*i.e.*, correspondence not processed within normal timeframes) increased during the 2024 filing season as compared with the prior year. At the end of the 2024 filing season, 66 percent of the 6.8 million pieces of taxpayer correspondence and cases in AM inventory were overaged, as compared with 61 percent at the same point during the prior year.<sup>26</sup> Moving forward, the IRS needs to rebalance its workflow and find a way to shift employees between answering telephones and processing paper more nimbly or reimagine how it does the work and consider embarking on a reevaluation of its staffing and service model on all its telephone lines. We need to keep in mind that backlogs in processing tax returns and taxpayer correspondence drive much of the phone volume. For the 2025 filing season, I encourage the IRS to prioritize reducing its paper processing backlog, even if that means somewhat reducing the telephone LOS, especially given the inaccurate and misleading picture the LOS paints.

To summarize, there is a well-known business principle that “you get what you measure.” I have described the weaknesses in the LOS measure, first, because the excessive focus on the measure is undermining taxpayer service in other areas and, second, because it illustrates the need to utilize a balanced suite of measures that receive equal or appropriate priority. Let’s not throw bodies at the problem. Let’s think differently. Even with Inflation Reduction Act funding, resources are finite. The IRS could better allocate the resources it puts into achieving the 85 percent LOS goal to address other challenges, including the 66 percent of taxpayer correspondence it is not processing within normal timeframes, and to greatly reduce the 22 months it is taking to resolve IDTVA cases. The AM LOS is not the best, or even a good, barometer of taxpayer service. I encourage the IRS to be transformational and look toward developing and measuring the taxpayer experience rather than utilizing a measure that merely checks a box.

## **TRANSFORMATIONAL = NEW AND IMPROVED TECHNOLOGY = IMPROVED EFFICIENCIES AND BETTER SERVICE**

The IRS frequently uses the word “transformational” to describe its objectives under its Inflation Reduction Act Strategic Operating Plan.<sup>27</sup> I welcome and am enthusiastic about the possibilities of transformational changes that will lead to a better taxpayer experience and improved tax administration. But what is “transformational”? To me, transformational change is not just about meeting established goals. It means making business decisions by looking at problems and solutions differently, with an emphasis on long-term innovative solutions rather than short-term stopgap fixes. There are many ways the IRS can improve taxpayer service, including by hiring more CSRs to answer the phones. There are also many ways the IRS can

<sup>24</sup> IRS, Ready Agent Hours Report (Jan. 1, 2023, through Apr. 22, 2023).

<sup>25</sup> IRS, Ready Agent Hours Report (Jan. 1, 2024, through Apr. 20, 2024).

<sup>26</sup> IRS, AMIR, National Inventory Age Report (week ending Apr. 20, 2024).

<sup>27</sup> IRS, Pub. 3744, Inflation Reduction Act Strategic Operating Plan FY 2023-2031 (2023), <https://www.irs.gov/pub/irs-pdf/p3744.pdf>.

strengthen its compliance programs, including by hiring more revenue agents to conduct audits. But more hiring in and of itself is not transformational.



**“When I look back eight years from now on how the IRS spent its Inflation Reduction Act funding, the changes I consider ‘transformational’ will primarily involve the deployment of new technology and innovative thinking.”**

When I look back eight years from now on how the IRS spent its Inflation Reduction Act funding, the changes I consider “transformational” will primarily involve the deployment of new technology and innovative thinking. On the taxpayer service side, one example involves increased functionality within online accounts that enables taxpayers and tax professionals to conduct virtually all their business with the IRS online, including receiving and responding to notices and receiving alerts and updates to facilitate compliance. Imagine a taxpayer or a representative receiving a text message or email referring the taxpayer to their online account, seeing an alert, opening a notice, then uploading and responding to the notice. Imagine a taxpayer or representative seeing copies of their tax returns, participating in online chats with CSRs to clarify inquiries, checking an outstanding balance, making a payment, and providing bank data for deposits or payments. Some of these functionalities have recently been added, and I look forward to seeing the IRS build on its progress.

Meaningful transformation means creating efficiencies by scanning all paper-filed returns and documents into a format from which the IRS can extract data and permanently removing the word “backlog” from the IRS’s vocabulary. As part of a Paperless Processing Initiative announced by Secretary Yellen, the IRS has set lofty goals for the 2025 filing season of scanning all paper-filed tax and information returns and 50 percent of all correspondence, non-tax forms, and notice responses, and digitally extracting the data from paper-filed tax returns.<sup>28</sup> This is a major lift and a laudable goal. As with telephone operations, however, I recommend the IRS be transformational in its processing of paper-filed returns and correspondence by implementing best-in-class technology on which it can build going forward rather than just working toward meeting a 2025 goal. The Inflation Reduction Act funding provides the IRS with a unique opportunity to improve and transform tax administration. The IRS should implement scanning capabilities that provide broad efficiencies in processing for the filing season, but in doing so, it is critical these capabilities give CSRs and the business units access to all relevant information, provide for comparable treatment of e-filed returns and paper-filed returns, and allow the IRS to extract data to improve the selection of returns for fair and focused examinations and for other tax administration purposes.

Another example of transformation would be having tools such as Where’s My Refund? and Where’s My Amended Return? provide complete and up-to-date information about processing delays, action items, and refund status. And can you imagine how tax administration would improve if the IRS provided taxpayers with early guidance and correspondence in plain language that is simple to understand and easy to follow?

28 Janet L. Yellen, Sec’y of the Treasury, Remarks on Inflation Reduction Act, Progress on Modernizing the IRS (Aug. 2, 2023) (“[B]y Filing Season 2025, the IRS is committing to digitally process 100 percent of tax and information returns that are submitted by paper – as well as half of all paper correspondence, non-tax forms, and notice responses. It will also digitalize historical documents that are currently in storage at the IRS.”) (as prepared for delivery), <https://home.treasury.gov/news/press-releases/jy1672>; see IRS Fact Sheet, FS-2023-18, IRS Launches Paperless Processing Initiative (Aug. 2023), <https://www.irs.gov/newsroom/irs-launches-paperless-processing-initiative>.

And if the IRS resolved taxpayer issues in days or weeks rather than months or years? Or if a taxpayer could call the IRS to resolve a problem and speak with a CSR who has access to all relevant information on their computer screen and who generally can resolve the problem during the first phone call or connect the taxpayer to someone who can assist?

These objectives may not seem ambitious, particularly since many financial institutions have been providing this level of service for years. But they would absolutely be transformational for the IRS. Among other updates, the IRS must replace its 60 discrete case management systems with an integrated, IRS-wide system, and it must modernize its individual and business repositories for official taxpayer records. It must provide tools and resources for taxpayers, whether for an in-person visit at a Taxpayer Assistance Center, an online transaction, or a telephone call. We are painfully aware that the IRS deployed much of its core technology in the 1960s, and it is still using Assembly Language Code and COBOL to store taxpayer records on which taxpayer service and compliance activities both depend. I cannot overstate the benefits to taxpayers and the tax system if the IRS is able to adopt and integrate new and improved technology. But the work required from the IRS to get there is huge, and we must appreciate that transformational change may not be achieved overnight. As the saying goes, “Good things come to those who wait.”

Consider an example that illustrates some of the challenges the IRS faces. When taxpayers call the IRS to resolve an account problem, they typically reach a CSR who has limited access to their information. If the taxpayer is calling about a notice, the CSR cannot see the notice and may ask the taxpayer to read it aloud or provide a reference number so the CSR can pull up a generic sample of a similar letter. The CSR can access some – but not all – of the 60 separate case management systems the IRS has. But even if the CSR has access, each system operates on a different screen. CSRs also have a different view than what the taxpayer sees in their online account, so they have no idea what information the taxpayer can see. For these reasons, a call to a CSR can take much longer than it should. The CSR may have to put the taxpayer on hold multiple times to launch different systems and ultimately may still not be able to access the system relevant to the taxpayer’s issue, requiring a transfer or call to a different IRS function.

Under an initiative called Taxpayer360, the IRS is aiming to address these limitations by creating an integrated case management system that contains all relevant information a CSR needs to help taxpayers in a single database. Imagine a world where a CSR sees all relevant taxpayer data in real time while the taxpayer is on the phone. But because the IRS’s many systems are so intertwined, we must recognize it cannot make progress on some projects without addressing other projects first or simultaneously.

When Congress passed the Inflation Reduction Act in 2022, it allocated \$4.8 billion over ten years for new technology (the Business Systems Modernization account) out of more than \$79 billion in additional supplemental funding. That was just six percent. By contrast, it allocated \$44.2 billion for Enforcement, \$25.3 billion for Operations Support, and \$3.2 billion for Taxpayer Services.<sup>29</sup> Congress has since reduced the total supplemental appropriation to about \$58 billion, but IT modernization funding remains a relatively small part of the total.

I have previously recommended that Congress consider reallocating some Inflation Reduction Act funding from the Enforcement account to the Business Systems Modernization account (as well as to the Taxpayer Services account). Another option would be to authorize the IRS to transfer funds from the Enforcement account to other accounts to improve IT modernization and taxpayer service. In its Strategic Operating Plan Update, the IRS recently said: “[T]he Strategic Operating Plan noted that the agency anticipates Business System Modernization funding provided under IRA – critical for technology improvements – will run out by fiscal year 2026. And current levels of taxpayer service will be unable to be supported through

29 Inflation Reduction Act, Pub. L. No. 117-169, § 10301, 136 Stat. 1818, 1831-1833 (2022).



fiscal year 2026.”<sup>30</sup> While opinions about the large boost in Enforcement funding have varied, I have yet to hear a Member of Congress oppose the additional funding provided for Taxpayer Services or IT modernization. I encourage Members to ensure that taxpayer services and technology modernization – the truly “transformational” component of the IRS’s Strategic Operating Plan – are adequately funded to meet the needs of the taxpaying public and to conduct regular congressional oversight to ensure the funding is well spent.

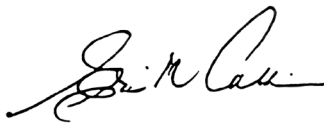
## CONCLUSION

Although the IRS continues to face challenges as it begins to modernize its technology systems and business processes, I remain optimistic that it is making strides in the right direction. In this preface, I have tried to highlight two key points. First: The telephone LOS measure is deficient. The IRS must do a better job of identifying and implementing a balanced suite of performance measures to ensure it is effectively measuring its success in incorporating changes that will bring tax administration to the right place rather than stretching to meet the LOS goal that does not accurately measure the taxpayer experience. Second: Of all the initiatives the IRS has undertaken to improve its operations, the ones that are truly transformational and will most dramatically improve the taxpayer experience over the next ten years are technology-based and should receive funding priority. These two areas are key to improving taxpayer service and transforming the IRS.

I cannot overstate the need for continued funding for improved taxpayer service and technology modernization. Each year, the IRS collects about 96 percent of all federal revenue, and an efficient, well-functioning agency is key to that success.<sup>31</sup> Based upon my 40 years working in tax administration, I believe that improved service, early and clear guidance, education, easy-to-follow instructions, state-of-the-art technology, and transparency are critical components to maximize voluntary tax compliance and should reduce the level of enforcement necessary to ensure compliance with our extraordinarily complex tax system.

Like many Americans, I have high aspirations and expectations for the IRS. I am honored to be the National Taxpayer Advocate during this historic time in tax administration, and I am eager to see and experience the enhancements to IRS technology and improvements in taxpayer service. I look forward to continuing to work with the IRS and Members of Congress to help transform the taxpayer experience.

Respectfully submitted,



Erin M. Collins  
National Taxpayer Advocate  
June 26, 2024

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30 See IRS News Release, IR-2024-130, IRS Releases Strategic Operating Plan Update Outlining Future Priorities; Transformation Momentum Accelerating Following Long List of Successes for Taxpayers (May 2, 2024), <https://www.irs.gov/newsroom/irs-releases-strategic-operating-plan-update-outlining-future-priorities-transformation-momentum-accelerating-following-long-list-of-successes-for-taxpayers>.

31 See IRS News Release, IR-2024-115, IRS Releases 2023 Data Book Describing Agency’s Transformation Through Statistics (Apr. 18, 2024), <https://www.irs.gov/newsroom/irs-releases-2023-data-book-describing-agencys-transformation-through-statistics>.

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## REVIEW OF THE 2024 FILING SEASON

### INTRODUCTION

During Filing Season (FS) 2024, the IRS used Inflation Reduction Act funding to improve taxpayer service. As a result of this investment, it exceeded filing season service goals the Secretary of the Treasury set by:

- Achieving a nearly 88 percent Level of Service (LOS) and three-minute call wait time on its Accounts Management (AM) toll-free phone lines;<sup>1</sup>
- Providing a callback option on 97 percent of its phone lines;
- Delivering 13,000 more hours of in-person assistance at Taxpayer Assistance Centers (TACs) than in the previous filing season;
- Enabling taxpayers to digitally submit all correspondence and responses to notices;
- Providing taxpayers the ability to e-file 20 additional tax forms;
- Increasing the number of returns prepared by volunteers by more than 220,000;
- Launching the Direct File pilot; and
- Providing more detailed messaging on its Where's My Refund? tool.<sup>2</sup>

Most taxpayers did not experience issues filing their returns this filing season, as the IRS's overall operations continued to run relatively smoothly. Similar to FS 2023, the IRS did not start the filing season with a backlog of unprocessed original individual filed returns. However, at the start of the year, it still had a sizable

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1 The AM toll-free telephone lines are comprised of 35 phone lines providing service to taxpayers seeking assistance with tax law, account inquiries, tax account adjustments, or information on the status of the processing of their tax returns or issuance of their tax refunds. IRS, Joint Operations Center (JOC), Snapshot Reports: Accounts Management (week ending Apr. 20, 2024).

2 U.S. Dep't of the Treasury, Press Release, IRS Achieves Key Paperless Processing Initiative Goal, Outlines Improvements for Filing Season 2024 (Nov. 7, 2023), <https://home.treasury.gov/news/press-releases/jy1890>; IRS response to TAS information request (May 23, 2024); IRS News Release, IR-2024-109, IRS Delivers Strong 2024 Tax Filing Season; Expands Services for Millions of People on Phones, In-Person and Online With Expanded Funding (Apr. 15, 2024), <https://www.irs.gov/newsroom/irs-delivers-strong-2024-tax-filing-season-expands-services-for-millions-of-people-on-phones-in-person-and-online-with-expanded-funding>.

carryover of amended returns, business returns, correspondence, Identity Theft Victim Assistance (IDTVA) cases, and returns identified with potential errors awaiting processing; these issues grew throughout the filing season.<sup>3</sup>

As of April 20, 2024, the IRS received 139.1 million individual income tax returns.<sup>4</sup> It processed 136.1 million (98 percent) individual returns and issued 86.1 million refunds totaling about \$245.2 billion with an average refund of \$2,850.<sup>5</sup> However, as of April 20, 2024, there were still around 11.7 million original and amended individual and business tax returns awaiting processing. Of these, the IRS suspended 5.5 million returns for various reasons, such as error resolution, possible identity theft, processing rejects, and unpostable returns.<sup>6</sup>

To meet Treasury service goals, the IRS prioritized service on the AM toll-free phone lines at the expense of other operations. Specifically, Treasury instructed the IRS to achieve an 85 percent LOS on the general toll-free phone lines during FS 2024, which the IRS accomplished by adding and reallocating resources away from other important functions.<sup>7</sup> The IRS reassigned AM customer service representatives (CSRs) to answer key phone lines, resulting in them being largely unable to accomplish their other tasks such as amended return processing, taxpayer correspondence, and IDTVA cases. Due to the IRS's antiquated information technology (IT) systems and certain other factors, these employees were unable to work the paper inventory (process amended returns, correspondence, and IDTVA cases) and still answer phones at a rate that would achieve a high LOS during core working hours. Thus, reassigning employees to focus on the phones resulted in a higher LOS and shorter wait times on select phone lines, which was a welcome relief for millions of taxpayers, but came at the expense of other operations.<sup>8</sup>

## FILING SEASON PERFORMANCE

### January 29, 2024 – Opening of the Filing Season

The IRS began accepting tax year (TY) 2023 returns for processing on January 29, 2024, and the filing season closed on April 15, 2024. The IRS timely processed most returns and issued refunds, but room for improvement remains.

Figure 2.1 presents an overview of returns processed and refunds issued during FS 2024 and the past two filing seasons. We compare FS 2024 data to FS 2023 data to show the progress the IRS has made over the last year.

<sup>3</sup> IRS response to TAS information request (May 23, 2024).

<sup>4</sup> IRS, Filing Season Statistics for Week Ending April 19, 2024 (Apr. 26, 2024), <https://www.irs.gov/newsroom/filing-season-statistics-for-week-ending-april-19-2024>.

<sup>5</sup> *Id.*

<sup>6</sup> IRS, Wage and Investment (W&I) Inventory Report (week ending Apr. 20, 2024); IRS response to TAS information request (May 23, 2024).

<sup>7</sup> U.S. Dep't of the Treasury, Press Release, IRS Achieves Key Paperless Processing Initiative Goal, Outlines Improvements for Filing Season 2024 (Nov. 7, 2023), <https://home.treasury.gov/news/press-releases/jy1890>.

<sup>8</sup> IRS, JOC, Snapshot Reports: Enterprise Snapshot, Enterprise Total (week ending Apr. 20, 2024). As of April 20, 2024, the IRS Taxpayer Protection Program phone line had an LOS of 17 percent.

**FIGURE 2.1, Comparing Filing Seasons 2022-2024<sup>9</sup>**

		FS 2022 (Through April 22, 2022)	FS 2023 (Through April 21, 2023)	FS 2024 (Through April 19, 2024)	Percent Change 2023-2024
Individual Income Tax Returns	Total Receipts	138,942,000	137,144,000	139,137,000	1.5%
	Total Processed	133,773,000	134,649,000	136,069,000	1.1%
E-Filing Receipts	Total E-Filing	133,410,000	132,009,000	134,531,000	1.9%
	Filed by Tax Professionals	70,509,000	70,492,000	71,327,000	1.2%
	Self-Prepared	62,900,000	61,517,000	63,204,000	2.7%
Total Refunds	Number	88,667,000	85,935,000	86,058,000	0.1%
	Amount	\$267.0 bil	\$236.6 bil	\$245.2 bil	3.6%
	Average Refund	\$3,012	\$2,753	\$2,850	3.5%
Direct Deposit Refunds	Number	83,891,000	81,799,000	80,028,000	-2.2%
	Amount	\$260.0 bil	\$231.3 bil	\$235.8 bil	2.0%
	Average Refund	\$3,099	\$2,827	\$2,947	4.2%
Web Usage	Visits to IRS.gov	609,075,000	488,119,000	571,496,000	17.1%

Figure 2.1 shows relatively consistent data from the most recent years for returns filed electronically and on paper, refunds issued, and direct deposits made. Particularly noteworthy is the increase in [IRS.gov](https://www.irs.gov) visits during FS 2024 when compared to FS 2023. This filing season, [IRS.gov](https://www.irs.gov) had almost 572 million visits, a 17 percent increase compared to FS 2023. The Where's My Refund? tool accounted for more than 298 million of those visits, up more than 68 million from FS 2023, representing a nearly 30 percent increase.<sup>10</sup>

### Over 4.6 Million Individual Paper Tax Returns Required Manual Processing<sup>11</sup>

The COVID-19 pandemic strained the IRS's submission processing function. The processes that worked before the pandemic could not handle the challenges associated with closing down the campuses. A decrease in employee availability due to pandemic restrictions further hampered the processes. Mounds of paper returns the IRS received overwhelmed its human assembly line for paper processing. Although employees worked hard to catch up, the backlog and delays took years to overcome. In 2023, the IRS made considerable progress, and in 2024, its employees were able to timely process most paper returns. The IRS learned many lessons from the pandemic, including how the difficulties of manually processing paper returns impact its limited resources.<sup>12</sup> The good news is that more taxpayers are filing their returns electronically, which decreases the strain on IRS resources, and generally results in the quicker issuance of refunds.

9 IRS, Filing Season Statistics for Week Ending April 19, 2024 (Apr. 26, 2024), <https://www.irs.gov/newsroom/filing-season-statistics-for-week-ending-april-19-2024>; IRS, Filing Season Statistics for Week Ending April 21, 2023 (Mar. 4, 2024), <https://www.irs.gov/newsroom/filing-season-statistics-for-week-ending-april-21-2023>; IRS, Filing Season Statistics for Week Ending April 22, 2022 (Nov. 2, 2023), <https://www.irs.gov/newsroom/filing-season-statistics-for-week-ending-april-22-2022>. The Filed by Tax Professional category includes e-filed returns prepared and filed by Volunteer Income Tax Assistance volunteers. The Self-Prepared category includes returns prepared using Direct File, Free File, and other tax return preparation software.

10 IRS, CY 2024 Individual Filing Season Report (week ending Apr. 20, 2024).

11 IRS response to TAS information request (May 23, 2024).

12 Erin M. Collins, Getting Rid of the Kryptonite: The IRS Should Quickly Implement Scanning Technology to Process Paper Tax Returns, NATIONAL TAXPAYER ADVOCATE BLOG (Mar. 30, 2022), <https://www.taxpayeradvocate.irs.gov/news/nta-blog-getting-rid-of-the-kryptonite-the-irs-should-quickly-implement-scanning-technology-to-process-paper-tax-returns/>.



Despite processing improvements for paper returns, as of April 20, 2024, there were still 11.7 million individual and business income tax returns awaiting processing for various reasons, including error resolution, possible identity theft, processing rejects, and unpostable returns.<sup>13</sup> Figure 2.2 shows the FS 2024 inventory of returns requiring manual processing.

**FIGURE 2.2, Status of Inventory Requiring Manual Processing, Filing Season 2024 Through April 20, 2024<sup>14</sup>**

	Individual	Business	Not Specified	Total
Paper Returns Awaiting Processing – Received in Calendar Year (CY) 2024	1,100,000	500,000	1,400,000	3,100,000
Paper and Electronic Returns – Processing Suspended	4,000,000	1,500,000	0	5,500,000
Amended Returns Inventory	1,500,000	1,700,000	0	3,100,000
<b>Total Unprocessed Returns</b>	<b>6,600,000</b>	<b>3,700,000</b>	<b>1,400,000</b>	<b>11,700,000</b>
Correspondence/Accounts Management Cases (Excluding Amended Returns)	1,300,000	600,000	2,400,000	4,300,000
<b>Total Inventory Requiring Manual Processing</b>	<b>7,900,000</b>	<b>4,300,000</b>	<b>3,800,000</b>	<b>16,000,000</b>

As part of its Paperless Processing Initiative, the IRS expanded e-file capabilities to 20 additional tax forms in FS 2024, including amendments to employment tax Forms 940, 941, and 941-SS.<sup>15</sup> Despite these improvements, millions of taxpayers still file their tax returns on paper, some by choice and some by necessity. These paper returns tie up IRS resources because of the required manual processing. This year, taxpayers filed 4.6 million paper returns compared to 5.1 million paper returns in FS 2023 (a decrease of about ten percent).<sup>16</sup> The IRS improved its efficiency in processing paper tax returns through technological enhancements and increased staff assigned to manually input the returns, both of which contributed to the timely issuance of refunds.

One of the technological improvements was the expanded use of scanning technology to process paper returns. During FS 2024 through May 3, 2024, the IRS scanned nearly a million returns and forms (about ten percent), primarily Form 940, Employer's Annual Federal Unemployment (FUTA) Tax Return; Form 941, Employer's Quarterly Federal Tax Return; Form 4868, Application for Automatic Extension of Time to File U.S. Individual Income Tax Return; and Form 1040, U.S. Individual Income Tax Return, where certain schedules were attached. The accuracy rate for all scanned paper returns during this filing season was over 92 percent.<sup>17</sup>

<sup>13</sup> IRS, W&I Inventory Report (week ending Apr. 20, 2024); IRS response to TAS information request (May 23, 2024).

<sup>14</sup> IRS, W&I data (weeks ending Apr. 22, 2023; Apr. 20, 2024). Row totals and column totals may differ because of rounding.

<sup>15</sup> U.S. Dep't of the Treasury, Press Release, IRS Achieves Key Paperless Processing Initiative Goal, Outlines Improvements for Filing Season 2024 (Nov. 7, 2023), <https://home.treasury.gov/news/press-releases/jy1890>.

<sup>16</sup> IRS response to TAS information request (May 23, 2024).

<sup>17</sup> The IRS also has a longstanding hybrid scanning/manual transcription program that processed about 3.8 million employment tax returns through May 3, 2024. IRS response to TAS information request (May 23, 2024); email from the Senior Advisor to the Chief, Taxpayer Services (June 3, 2024) (on file with TAS). Note that the accuracy rate is for all returns scanned through Modernized eFile.

## The IRS Prioritized Telephone Service Over Other Operations to Achieve a High Level of Service<sup>18</sup>

The IRS has 102 toll-free telephone lines for taxpayers and representatives to contact the IRS, and these lines are collectively referred to as its Enterprise lines.<sup>19</sup> In FS 2024 through April 20, 2024, the IRS received almost 40 million calls to its Enterprise lines, a significant increase from the almost 32 million calls it received during the same period last filing season.<sup>20</sup>

### Telephone Service Goals Set by the Secretary of the Treasury

In November 2023, the Secretary of the Treasury gave the IRS three telephone service goals for FS 2024:

1. Achieve at least an 85 percent LOS in answering telephone calls on its main phone line,
2. Achieve an average call wait time of five minutes or fewer on the main phone line, and
3. Offer a callback option available to 95 percent of eligible taxpayers seeking telephone assistance at the beginning of the call if the projected wait is more than 15 minutes.<sup>21</sup>

Because the IRS considered the goals set by Treasury to apply to the AM toll-free lines, it focused on improving service levels only on those phone lines. The AM lines consist of 35 telephone lines that provide service to taxpayers seeking assistance with tax law, account inquiries, tax account adjustments, or information on the processing status of their tax return or issuance of their tax refund.<sup>22</sup> This means the remaining 67 phone lines were not subject to these goals, and the IRS did not make LOS a priority for these lines. For perspective, out of the nearly 40 million phone calls received by the IRS during FS 2024 through April 20, 2024, approximately 28 million (about 70 percent) came through on AM lines. The IRS received the remaining 12 million calls on non-AM lines.<sup>23</sup>

To achieve the service goals set by Treasury, the IRS hired nearly 7,000 AM CSRs through April 19, 2024.<sup>24</sup> However, similar to FS 2023, adding more CSRs to answer the phones during peak call periods meant that CSRs were often waiting for taxpayers to call rather than performing other functions when call volumes were low. Due to antiquated technology and certain other factors, CSRs assigned to answer the phones currently cannot perform other tasks while waiting for calls. As a result, CSRs were waiting for calls slightly over 1.1 million hours (about 25 percent of the time they were assigned to answer the phones), during which they did not assist taxpayers on the phone or process amended tax returns or taxpayer correspondence.<sup>25</sup> Putting aside how the IRS calculates its LOS, it is commendable that the IRS has met its high LOS goals for both this filing season and last. But the IRS could only accomplish this by prioritizing select phone lines over other phone lines and other IRS operations, resulting in a lower LOS for other IRS phone lines deemed lower priority and greater delays in processing correspondence and amended returns.<sup>26</sup>

18 See Systemic Advocacy Objective: *Improve Taxpayer Access to Telephone and In-Person Assistance*, *infra*.

19 In analyzing telephone service, the IRS gathers data and reports out toll-free phone line information by function and phone numbers such as AM or collection and rolls the data up to an enterprise-wide data set. Treasury Inspector General for Tax Administration (TIGTA), Ref. No. 2024-IE-R001, *Actions Are Needed to Improve the Quality of Customer Service in Telephone Operations* (2023), <https://www.tigta.gov/sites/default/files/reports/2023-11/2024ier001fr.pdf>.

20 IRS, JOC, Snapshot Reports: Enterprise Snapshot, Enterprise Total (week ending Apr. 20, 2024).

21 U.S. Dep't of the Treasury, Press Release, IRS Achieves Key Paperless Processing Initiative Goal, Outlines Improvements for Filing Season 2024 (Nov. 7, 2023), <https://home.treasury.gov/news/press-releases/jy1890>.

22 IRS, JOC, Snapshot Reports: Enterprise Snapshot, Enterprise Total; IRS, JOC, Snapshot Reports: Accounts Management (week ending Apr. 20, 2024); Internal Revenue Manual (IRM) 21.1.1.1.3, Roles and Responsibilities (Oct. 1, 2020), [https://www.irs.gov/irm/part21/irm\\_21-001-001](https://www.irs.gov/irm/part21/irm_21-001-001); TIGTA, Ref. No. 2024-IE-R001, *Actions Are Needed to Improve the Quality of Customer Service in Telephone Operations* (2023), <https://www.tigta.gov/sites/default/files/reports/2023-11/2024ier001fr.pdf>.

23 IRS, JOC, Snapshot Reports: Enterprise Snapshot, Enterprise Total (week ending Apr. 20, 2024).

24 IRS response to TAS information request (May 23, 2024).

25 *Id.*

26 IRS, JOC, Snapshot Reports: Enterprise Snapshot, Enterprise Total (week ending Apr. 20, 2024). As of April 20, 2024, the IRS Taxpayer Protection Program phone line had an LOS of 17 percent.

To improve levels of service and meet the third telephone goal set by Treasury, the IRS has continued to modernize its phone lines to include callback options.<sup>27</sup> The IRS provided callback options on 97 percent of its main toll-free phone applications when they had available CSRs to call the taxpayer back.<sup>28</sup> If the IRS projects the call wait time will be longer than 15 minutes, and the callback is estimated to fit within IRS phone hours, the system offers the caller the opportunity to provide their callback number, hang up, and move on with other activities while awaiting a callback once an assistor becomes available.<sup>29</sup> During FS 2024, the IRS offered about 4.6 million taxpayers the callback service, and 3.1 million (67 percent) elected to use it. Ultimately, the IRS successfully connected to an assistor 80 percent of callers who elected to use the callback service.<sup>30</sup>

### Level of Service on Key IRS Telephone Lines

While the AM phones achieved an overall LOS of nearly 88 percent, many of the non-AM lines experienced a much lower LOS. Figure 2.3 shows the number and percentage of calls answered by a CSR, the LOS, and time on hold for FS 2024 through April 20, 2024, on some of the IRS's busiest phone lines, ranked by the number of calls received.<sup>31</sup>

**FIGURE 2.3, Metrics for Ten Most Frequently Called Telephone Lines, Filing Season 2024 Through April 20, 2024<sup>32</sup>**

Telephone Line	Calls Received	Number of Calls Answered by a CSR	Percentage of Calls Answered by a CSR	Level of Service	Time on Hold
Refund Hotline	8.3 mil	80,000	1%	77%	6 min
Individual Income Tax Services	6.9 mil	2,100,000	30%	87%	4 min
Installment Agreement/ Balance Due	3.7 mil	1,600,000	42%	42%	23 min
Taxpayer Protection Program	3.0 mil	486,000	16%	17%	20 min
Taxpayer Assistance Center Appointments	2.4 mil	1,300,000	52%	86%	4 min
Automated Collection System	2.1 mil	408,000	19%	33%	10 min

*Continued on next page.*

27 The IRS also provides self-service assistance in the form of voicebot technology. For more information on the technology and associated measures, see National Taxpayer Advocate 2023 Annual Report to Congress 48 (Most Serious Problem: *Telephone and In-Person Service: Despite Improvements in Its Service Levels, the IRS Still Does Not Provide Taxpayers and Tax Professionals With Adequate, Timely Telephone and In-Person Service*), [https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2024/01/ARC23\\_MSP\\_04\\_Telephone-InPerson.pdf](https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2024/01/ARC23_MSP_04_Telephone-InPerson.pdf).

28 IRS News Release, IR-2024-109, IRS Delivers Strong 2024 Tax Filing Season; Expands Services for Millions of People on Phones, In-Person and Online With Expanded Funding (Apr. 15, 2024), <https://www.irs.gov/newsroom/irs-delivers-strong-2024-tax-filing-season-expands-services-for-millions-of-people-on-phones-in-person-and-online-with-expanded-funding>. An application is when a taxpayer calls a toll-free line and is presented with multiple options to select.

29 IRS response to TAS information request (May 23, 2024); IRS, SERP Job Aids, Miscellaneous: Customer Callback FAQs and Talking Points.

30 IRS response to TAS information request (May 23, 2024).

31 IRS, JOC, Snapshot Reports: Product Line Detail (weeks ending Apr. 22, 2023; Apr. 20, 2024). Time on Hold refers to Average Speed of Answer, which is the time it takes a taxpayer to reach a live CSR, including the time needed to respond to any automated prompts.

32 IRS, JOC, Snapshot Reports: Product Line Detail (Enterprise Performance) (week ending Apr. 20, 2024). The shaded phone lines are not AM lines. Percentage of Calls Answered by CSRs reflects the number of calls answered by CSRs divided by the number of calls received. All numbers in Figure 2.3 are rounded.

Telephone Line	Calls Received	Number of Calls Answered by a CSR	Percentage of Calls Answered by a CSR	Level of Service	Time on Hold
Business and Specialty Tax Services	2.0 mil	1,200,000	59%	90%	4 min
W&I ID Theft	1.4 mil	598,000	43%	78%	4 min
Practitioner Priority Service	1.1 mil	973,000	85%	95%	2 min
W&I Individual Master File Customer Response	1.0 mil	329,000	31%	85%	4 min

Despite technological improvements and an increase in the number of CSRs, some phone lines still suffered from a low LOS, including the Taxpayer Protection Program (TPP) line, the Automated Collection System line, and the Installment Agreement/Balance Due line, all of which are non-AM phone lines. As indicated in Figure 2.3, the TPP phone line suffered an abysmal LOS. When the IRS identifies taxpayer returns with possible identity theft, it instructs the taxpayers to authenticate their identity before the IRS will release their tax refunds. Taxpayers often find the IRS's authentication letters complex and confusing, leaving them to call the TPP phone line for assistance.<sup>33</sup> Despite its importance, the TPP line LOS substantially decreased this filing season. During FS 2024, the TPP line received about three million calls, of which CSRs answered only about 486,000. This brought the TPP line's LOS to just 17 percent in FS 2024, down from 47 percent in FS 2023.<sup>34</sup> A taxpayer's inability to reach a CSR on the TPP line was another barrier to taxpayers authenticating their identity and receiving their refund. The IRS must prioritize this phone line and commit to improving assistance to these taxpayers.

Similarly in FS 2024, the Installment Agreement/Balance Due line continued to suffer a low LOS of just 42 percent, slightly lower than the 46 percent LOS in FS 2023.<sup>35</sup> More specifically, in FS 2024, the line received 3.7 million calls, of which the IRS answered only 1.6 million.<sup>36</sup> This is a vital line for taxpayers, as the assistants answer questions about balances owed and help taxpayers make payment arrangements. Taxpayers who cannot reach the IRS through this line risk becoming subjects of enforced collection actions and charges, such as liens, bank and wage levies, and increased penalties. Moreover, the IRS risks losing revenue by not assisting taxpayers with payment arrangements. Once the IRS takes collection actions on these taxpayers, they also experience difficulties reaching a CSR on the Automated Collection System line, which experienced a 33 percent LOS in FS 2024 through April 20, 2024. The IRS has initiated a voicebot feature on these lines to assist taxpayers with their collection issues, which makes the low LOS even more surprising, considering that the IRS intended the feature to free up CSRs and ultimately improve overall LOS.<sup>37</sup>

33 National Taxpayer Advocate 2023 Annual Report to Congress 78 (Most Serious Problem: *Identity Theft: Lengthy Issue Resolution Delays and Inadequate Notices Burden Taxpayers Who Are Victims of Identity Theft or Whose Returns the IRS Has Flagged for Possible Identity Theft*), [https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2024/01/ARC23\\_MSP\\_06\\_Identity-Theft.pdf](https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2024/01/ARC23_MSP_06_Identity-Theft.pdf). Once the IRS filters select a return for possible identity theft, the IRS sends the taxpayer one of four letters that ask them to authenticate their identity: Letter 5071C, Potential Identity Theft during Original Processing with Online Option, which provides online and phone options and is issued most widely; Letter 4883C, Potential Identity Theft during Original Processing, which provides a phone option; Letter 5447C, Potential Identity Theft during Original Processing: Foreign Address, which provides phone and mail options for international taxpayers; or Letter 5747C, Potential Identity Theft during Original Processing, which provides an in-person option only (and is used sparingly).

34 In comparison, the TPP line for FS 2023 received about 1.9 million calls, of which the IRS answered about 823,000. IRS, JOC, Snapshot Reports: Product Line Detail Snapshot (week ending Apr. 20, 2024).

35 National Taxpayer Advocate Fiscal Year 2024 Objectives Report to Congress (*Review of the 2023 Filing Season*), [https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2023/06/JRC24\\_SAO\\_ReviewFiling.pdf](https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2023/06/JRC24_SAO_ReviewFiling.pdf).

36 IRS, JOC, Snapshot Reports: Product Line Detail Snapshot (week ending Apr. 20, 2024).

37 Darren Guillot, IRS Small Bus./Self-Employed Deputy Comm'r, Using Voice and Chat Bots to Improve the Collection Taxpayer Experience (Sept. 29, 2022), <https://www.irs.gov/about-irs/using-voice-and-chat-bots-to-improve-the-collection-taxpayer-experience>.

### *IRS Level of Service Calculation*

The IRS calculates and presents LOS data in a complex and confusing manner that does not reflect the overall taxpayer experience. For decades, the IRS used LOS as a budget projection measure. But LOS is not the most efficient method or standard to determine the success of customer service and the customer experience. When the IRS reports a benchmark LOS, it is reasonable to assume that it reflects calls where the CSR actually speaks with the caller. That is not the case. First, the benchmark measure reflects only calls directed to the IRS's AM telephone lines. Of the nearly 40 million calls the IRS received, about 28 million (70 percent) came in on or were routed to the AM lines.<sup>38</sup> Thus, the benchmark measure does not reflect the taxpayer experience, how the IRS handled the remaining 12 million calls outside of AM lines (such as the compliance phone lines), or whether the IRS answered the taxpayer's questions.<sup>39</sup>

Second, the IRS derives the denominator in the LOS computation from calls routed to telephone assistants rather than from all calls to that phone line. A phone tree greets callers to the AM lines. Depending on the options a taxpayer selects, the phone system determines whether to direct the caller to a live assistant or one of its automated offerings. Automation is not a deliberate caller-selected option. The IRS routed to assistants only 54 percent of the 16.6 million calls answered by the AM lines (about nine million), and the remaining taxpayer calls went to automation or reflected taxpayer hangups.<sup>40</sup>

While the IRS is reporting a benchmark LOS of 88 percent, *IRS employees answered only 32 percent of the incoming calls on the AM lines.*<sup>41</sup>

Figure 2.4 provides a more complete picture of the taxpayer experience when calling the IRS. In most cases, the percent of calls answered by CSRs is far less when compared to the IRS's calculation of CSR LOS – and with the exception of the AM lines, the percentage of calls answered by CSRs have decreased compared to last filing season. This figure also provides useful information to consider when evaluating the IRS's overall success in providing customer service to taxpayers on its phone lines.

38 IRS, JOC, Snapshot Reports: Enterprise Snapshot for Enterprise Total, Accounts Management, and Consolidated Automated Collection Service data (weeks ending Apr. 23, 2022; Apr. 22, 2023; Apr. 20, 2024); IRS, JOC, Snapshot Reports: Product Line Detail for Form 1040 data (weeks ending Apr. 23, 2022; Apr. 22, 2023; Apr. 20, 2024). CSR LOS is an IRS performance measure that reflects the number of calls answered by CSRs divided by the number of calls directed to CSRs (*i.e.*, it excludes primary abandons, taxpayers who encounter busy signals or are disconnected, and calls routed for automated responses). The Percent Change column is computed based on actual numbers, not rounded numbers. The percentages of change in Figure 2.4 are rounded.

39 IRS, JOC, Snapshot Reports: Enterprise Snapshot (week ending Apr. 20, 2024).

40 *Id.*

41 *Id.*



**FIGURE 2.4, IRS Telephone Results, Filing Seasons 2022-2024<sup>42</sup>**

	FS 2022 (Through April 23, 2022)	FS 2023 (Through April 22, 2023)	FS 2024 (Through April 20, 2024)	Percent Change Filing Seasons 2023-2024
<b>Enterprise Total Lines</b>				
Calls Received	72,811,503	31,871,203	39,896,173	25%
Calls Answered by CSRs	7,453,961	11,002,546	12,447,988	13%
Percent of Calls Answered by CSRs	10%	35%	31%	-11%
Automated Info Messaging	13,675,703	7,265,400	7,902,113	9%
CSR Level of Service	18%	72%	63%	-13%
Time on Hold (in Minutes)	29	8	8	0
<b>Accounts Management Lines</b>				
Calls Received	60,036,799	24,630,593	28,069,829	14%
Calls Answered by CSRs	4,641,053	7,671,193	9,000,254	17%
Percent of Calls Answered by CSRs	8%	31%	32%	3%
Automated Info Messaging	13,448,537	7,099,449	7,616,443	7%
CSR Level of Service	15%	85%	88%	5%
Time on Hold (in Minutes)	28	3	3	0
<b>Form 1040 Line</b>				
Calls Received	15,317,600	5,380,423	6,859,030	27%
Calls Answered by CSRs	1,161,185	1,806,896	2,083,577	15%
Percent of Calls Answered by CSRs	8%	34%	30%	-12%
Automated Info Messaging	747,252	470,829	406,504	-14%
CSR Level of Service	14%	91%	87%	-4%
Time on Hold (in Minutes)	26	2	4	100%
<b>Taxpayer Protection Program Line</b>				
Calls Received	4,717,020	1,937,054	3,036,441	56%
Calls Answered by CSRs	163,437	862,902	486,277	-44%
Percent of Calls Answered by CSRs	3%	45%	16%	-64%
Automated Info Messaging	0	0	0	0
CSR Level of Service	4%	47%	17%	-64%
Time on Hold (in Minutes)	47	16	20	25%

Continued on next page.

42 IRS, JOC, Snapshot Reports: Enterprise Snapshot for Enterprise Total, Accounts Management, and Consolidated Automated Collection Service data (weeks ending Apr. 23, 2022; Apr. 22, 2023; Apr. 20, 2024); IRS, JOC, Snapshot Reports: Product Line Detail for Form 1040 data (weeks ending Apr. 23, 2022; Apr. 22, 2023; Apr. 20, 2024). The Percent Change column is computed based on actual numbers rather than rounded numbers.

	FS 2022 (Through April 23, 2022)	FS 2023 (Through April 22, 2023)	FS 2024 (Through April 20, 2024)	Percent Change Filing Seasons 2023-2024
<b>Consolidated Automated Collection System Lines</b>				
Calls Received	5,038,973	3,185,939	6,046,969	90%
Calls Answered by CSRs	1,641,744	1,544,789	2,083,725	35%
Percent of Calls Answered by CSRs	33%	48%	34%	-29%
Automated Info Messaging	13,762	15,081	33,177	120%
CSR Level of Service	34%	51%	41%	-20%
Time on Hold (in Minutes)	36	20	20	0

As part of its transformation initiatives, the IRS should focus on measuring the service taxpayers receive and their experience dealing with the IRS.<sup>43</sup> As a consumer, the taxpayer cares about the length of wait time, professional and respectful treatment, the CSR answering their question or providing alternative resources, and the IRS resolving their issue. LOS does not capture the taxpayer telephone experience or determine how the IRS can better provide quality service to assist taxpayers with their questions and issues. The IRS needs to revisit its measure to determine if taxpayers are receiving the service they deserve under the Taxpayer Bill of Rights, in particular the *right to quality service*.<sup>44</sup>

For the IRS to capture a clearer understanding of the taxpayer experience, it should adopt a more efficient, flexible, predictable model that accurately measures the taxpayer experience. To better reflect the taxpayer experience, the IRS telephone service measures should include: (1) whether taxpayers received the information requested, (2) whether they needed to speak with multiple IRS employees, and (3) whether the IRS provided additional information, such as links to materials or videos. Rather than just hiring more CSRs, the IRS should tackle phone service in new ways that improve quality and increase efficiency in combination with more online functionalities and in-person options. The funding provided in the Inflation Reduction Act gives the IRS the opportunity to make transformational changes.

### Taxpayers Are Again Experiencing Delays in Processing Taxpayer Correspondence and Amended Returns<sup>45</sup>

To achieve the high telephone LOS goal mandated by Treasury, the IRS reallocated resources away from processing taxpayer correspondence and amended returns. As a result, the IRS was behind in processing taxpayer responses to IRS correspondence during FS 2024. The IRS sent millions of notices to taxpayers during FS 2024, including math error notices.<sup>46</sup> Many of these notices instruct taxpayers to substantiate an item claimed on their return or to request abatement of a math error assessment if they do not agree. The backlog in processing taxpayer responses to math error assessments keeps the IRS from timely abating or responding to taxpayers' requests to abate, which frustrates taxpayers and leaves them trying to figure out what happened to their abatement request.

43 In addition to LOS measures, the IRS conducts transactional surveys, such as the AM toll-free survey; however, the IRS lacks transparency about how the results of these surveys guide operational planning, as it places the majority of focus on LOS measures. The IRS also specifies that telephone calls will be measured for Timeliness, Professionalism, Customer Accuracy, Regulatory/Statutory Accuracy and Procedural Accuracy. See IRM 21.10.1.4.1.1, Accounts Phones Measure (Oct. 1, 2006), [https://www.irs.gov/irm/part21/irm\\_21-010-001](https://www.irs.gov/irm/part21/irm_21-010-001).

44 See Taxpayer Bill of Rights, <https://www.taxpayeradvocate.irs.gov/taxpayer-rights/> (last visited May 7, 2024). The rights contained in the Taxpayer Bill of Rights are also codified at IRC § 7803(a)(3).

45 See Systemic Advocacy Objective: *Modernize IRS Processing to Increase Efficiency and Improve the Taxpayer Experience*, *infra*.

46 See, e.g., IRS, Math Error Report for Calendar Year (CY) 2024 (cycle 16).

In November 2023, Treasury announced that the IRS had achieved its Paperless Processing Initiative goal to provide taxpayers with the ability to digitally submit all correspondence and responses to notices.<sup>47</sup> As of April 12, 2024, the IRS received nearly 900,000 taxpayer responses to notices through the Document Upload Tool (DUT). The IRS estimates more than 94 percent of individual taxpayers will no longer have to send paper correspondence to the IRS.<sup>48</sup> While a significant accomplishment, a problem remains: the IRS has not yet developed a way to electronically process the documents digitally submitted through the DUT. Until it develops a way for all IRS Business Operating Divisions to receive the electronic submissions, the IRS is still processing correspondence submitted through the DUT the same way as paper correspondence, contributing to the IRS backlog in processing correspondence. Sadly, taxpayers probably used the tool because they assumed it would speed up the processing of their inquiry or request. The IRS should set appropriate expectations with taxpayers utilizing the DUT.

Despite an expanded use of the DUT and an actual decrease in correspondence received during FS 2024 compared to FS 2023, the IRS continues to struggle with processing taxpayers' correspondence and amended returns. Specifically, the percentage of overage correspondence increased in FS 2024, compared to FS 2023.<sup>49</sup> Figure 2.5 shows the accumulation of taxpayer correspondence and amended returns still awaiting processing because CSRs were primarily devoted to answering incoming calls on IRS phone lines.

**FIGURE 2.5, IRS Processing of Taxpayer Correspondence, Filing Season 2024 as of April 20, 2024<sup>50</sup>**

Correspondence and Amended Return Processing	Individual	Business	Other	Total
Accounts Management Adjustment and Correspondence Cases	317,000	436,000	n/a	<b>753,000</b>
Amended Returns	1,500,000	1,700,000	n/a	<b>3,100,000</b>
Internal Account Maintenance (Includes Employer Identification Number applications, refund inquiries, Identity Theft Victim Assistance forms, tax preparer authorizations, and other written taxpayer correspondence)	975,000	131,000	2,400,000	<b>3,500,000</b>
<b>Total</b>	<b>2,800,000</b>	<b>2,200,000</b>	<b>2,400,000</b>	<b>7,400,000</b>

The IRS's failure to timely process correspondence could result in its automated processes taking adverse action against a taxpayer, such as moving forward with collection actions, increasing penalties, or holding the taxpayer's refund. For example, the IRS can hold a portion of a taxpayer's refund because it determines a dependent's Taxpayer Identification Number (TIN) is invalid. The taxpayer responds to the notice by timely sending in documents to verify the dependent's TIN, but the IRS does not process the taxpayer's response for weeks or months, further delaying the issuance of the taxpayer's refund. Another example is when the IRS makes a math error assessment and sends written notification to taxpayers. By statute, the IRS is required

47 U.S. Dep't of the Treasury, Press Release, IRS Achieves Key Paperless Processing Initiative Goal, Outlines Improvements for Filing Season 2024 (Nov. 7, 2023), <https://home.treasury.gov/news/press-releases/jy1890>.

48 U.S. Dep't of the Treasury, Press Release, Filing Season 2024 Report Card: IRS Builds On 2023 Progress, Delivers World Class Customer Service Thanks to Inflation Reduction Act (Apr. 15, 2024), <https://home.treasury.gov/news/press-releases/jy2250>.

49 About 70 percent of the adjustments and correspondence inventory was overaged compared to nearly 63 percent the same time last year. IRS response to TAS information request (May 23, 2024). The overage data only reflect the portion of taxpayer correspondence requesting adjustments. Overage correspondence is correspondence the IRS has not addressed within 30 days of receipt. IRM 21.3.3.3.4, Quality and Timely Responses (Oct. 1, 2023), [https://www.irs.gov/irm/part21/irm\\_21-003-003](https://www.irs.gov/irm/part21/irm_21-003-003).

50 IRS response to TAS information request (May 23, 2024). Row totals and column totals may differ because of rounding.

to abate the assessment if the taxpayer notifies the IRS within 60 days of the notification.<sup>51</sup> But the IRS's delays in processing correspondence are resulting in delays in reversing math error adjustments as requested by taxpayers. TAS is aware of several taxpayers still waiting for an abatement and an acknowledgement of their timely request to abate while the IRS continues to issue collection notices. Therefore, it is critical that the IRS devote more resources to processing amended returns and correspondence during the remainder of 2024 to prevent future harm to taxpayers.

## Refund Fraud<sup>52</sup>

The IRS analyzes all tax returns claiming refunds by running them through a variety of filters, models, and rules that flag returns for potential identity theft or non-identity theft refund fraud. When the filters detect possible identity theft or non-identity theft refund fraud, the IRS will suspend the return and send it through either TPP for identity theft refund fraud or to the Return Integrity Verification Operation (RIVO) for non-identity theft refund fraud. The IRS's TPP holds the refund until the IRS can determine it is not subject to identity theft, while RIVO holds the refund until the IRS or the taxpayer can verify the information on the return through third-party data. Although these programs are critical to prevent the IRS from issuing improper refunds, they have struggled with high false detection rates over the years, among other issues.

### Identity Theft Refund Fraud

The IRS's TPP will only send taxpayers one notice requesting that they authenticate their identity using one of three methods:

- Calling the TPP toll-free telephone number,
- Using an online application on [IRS.gov](https://www.irs.gov), or
- Visiting a TAC.<sup>53</sup>

When taxpayers receive a TPP letter asking them to authenticate their identity but have questions, they will likely have difficulty reaching an IRS assistor. The LOS for the TPP phone line was unacceptably low at 17 percent during FS 2024 through April 20, 2024, down from 47 percent in FS 2023 through April 22, 2023.<sup>54</sup> During FS 2024, because of Treasury's 85 percent LOS goal for the main phone lines, the IRS did not prioritize calls on the TPP line. Clearly, this is an area the IRS needs to improve.

As of April 17, 2024, TPP had selected about 2.8 million suspicious tax returns, and as of April 18, 2024, it had released about 935,000 refunds. The IRS released about 627,000 of the 935,000 refunds after taxpayers authenticated their identity and return information, while the IRS released the remaining 308,000 without any taxpayer interaction.<sup>55</sup> The number of returns selected into the TPP are up 33 percent from the roughly 2.1 million suspicious returns selected during FS 2023 through April 20, 2023.<sup>56</sup>

One reason for the increase in the TPP case selections was a filter that identified returns where a taxpayer had claimed the Fuel Tax Credit as possible identity theft when it should have selected them for scrutiny under the non-identity theft refund fraud program.<sup>57</sup> As a result of this filter error, the IRS issued taxpayers a high

<sup>51</sup> IRC § 6213(b)(2)(A).

<sup>52</sup> See Systemic Advocacy Objective: *Reduce Processing Times for Identity Theft Victim Assistance Cases*, *infra*.

<sup>53</sup> IRM 25.25.6.1.7, Taxpayer Protection Program Overview (Oct. 1, 2023), [https://www.irs.gov/irm/part25/irm\\_25-025-006r](https://www.irs.gov/irm/part25/irm_25-025-006r).

<sup>54</sup> IRS, JOC, Snapshot Reports, Enterprise Total (week ending Apr. 20, 2024).

<sup>55</sup> IRS response to TAS information request (May 23, 2024). The IRS was able to authenticate the information on the return by analyzing information and data in its possession.

<sup>56</sup> IRS response to TAS information request (May 23, 2024).

<sup>57</sup> IRS News Release, IR-2024-139, IRS Warns Taxpayers They May Be Scam Victims If They Filed for Big Refunds; Misleading Advice Leads to False Claims for Fuel Tax Credit, Sick and Family Leave Credit, Household Employment Taxes (May 14, 2024), <https://www.irs.gov/newsroom/irs-warns-taxpayers-they-may-be-scam-victims-if-they-filed-for-big-refunds-misleading-advice-leads-to-false-claims-for-fuel-tax-credit-sick-and-family-leave-credit-household-employment-taxes>.

number of Letters 5747C, Potential Identity Theft during Original Processing – TAC Auth Only. In FS 2023, the IRS issued letters to 115,477 taxpayers, but in FS 2024, that number increased by 264 percent to 420,306.<sup>58</sup> Another possible explanation for this uptick in identity theft refund fraud cases was an increase in breaches against individuals, businesses (including tax preparers), and phishing scams where bad actors get taxpayers to reveal their personally identifiable information.

Over the years, the IRS filters have struggled with high false detection rates. Although the rates are not yet available for CY 2024, they have been consistently high over the last several years.<sup>59</sup> For CY 2023, the IRS expects the final false detection rate to be about 54 percent.<sup>60</sup> Based on prior years' experience, it is likely that once again a significant percentage of returns the IRS held during FS 2024 are actually correct taxpayer returns awaiting payment of their refunds. However, beyond sending the initial notice, the IRS makes no further attempts to contact the taxpayer. So, if taxpayers are expecting a refund but have not yet received it, they should contact the IRS to ensure it is not holding the return for possible identity theft.

### ***Non-Identity Theft Refund Fraud***

In FS 2024 through April 17, 2024, the refund fraud filters selected approximately 2.6 million potentially fraudulent tax returns, up 353 percent from approximately 577,000 potentially fraudulent returns selected during the same period last year.<sup>61</sup> Out of the approximately 2.6 million selected returns, the IRS has verified for release over two million (79 percent) as of April 17, 2024.<sup>62</sup>

One reason for the increase in selection is a delay by the Social Security Administration in submitting Form W-2 data to the IRS.<sup>63</sup> This means that the IRS could not verify W-2 information on returns early in the filing season because it did not yet have the data.<sup>64</sup> Other factors contributing to this increase include an increase in tax scams and misleading social media posts encouraging taxpayers to file inflated positions on their returns.

Specifically, the increase in fraud filter triggers could be attributed to:<sup>65</sup>

- An increase in erroneous Fuel Tax Credits;
- Credits for sick leave and family leave; and
- Overreporting household employment tax withholding.

Although it is not yet clear how many of the returns selected in FS 2024 are suspicious versus legitimate, the IRS released two million of the 2.6 million returns selected by the non-identity theft refund fraud filters, determining that they were, in fact, legitimate.<sup>66</sup> Taxpayers whose returns are valid but caught in these filters experience prolonged refund delays, possibly creating financial hardship.

<sup>58</sup> IRS Notice Delivery System, IRS Compliance Data Warehouse (May 29, 2024).

<sup>59</sup> National Taxpayer Advocate 2023 Annual Report to Congress 78 (Most Serious Problem: *Identity Theft: Lengthy Issue Resolution Delays and Inadequate Notices Burden Taxpayers Who Are Victims of Identity Theft or Whose Returns the IRS Has Flagged for Possible Identity Theft*), [https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2024/01/ARC23\\_MSP\\_06\\_Identity-Theft.pdf](https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2024/01/ARC23_MSP_06_Identity-Theft.pdf).

<sup>60</sup> IRS W&I Business Performance Review Q4 FY 2023, at 19 (Nov. 20, 2023).

<sup>61</sup> IRS response to TAS information request (May 23, 2024).

<sup>62</sup> *Id.*

<sup>63</sup> Email from Information Technology Specialist, Information Technology (Jan. 25, 2024) (on file with TAS).

<sup>64</sup> *Id.*

<sup>65</sup> IRS News Release, IR-2024-139, IRS Warns Taxpayers They May Be Scam Victims If They Filed for Big Refunds; Misleading Advice Leads to False Claims for Fuel Tax Credit, Sick and Family Leave Credit, Household Employment Taxes (May 14, 2024), <https://www.irs.gov/newsroom/irs-warns-taxpayers-they-may-be-scam-victims-if-they-filed-for-big-refunds-misleading-advice-leads-to-false-claims-for-fuel-tax-credit-sick-and-family-leave-credit-household-employment-taxes>.

<sup>66</sup> IRS response to TAS information request (May 23, 2024).



## Identity Theft Victim Assistance Cases

During the filing season, the IRS rejected a number of taxpayers' electronically filed tax returns because an identity thief had already filed a fraudulent return using the taxpayer's personal identifying information, such as the Social Security number of either the taxpayer or the taxpayer's dependent. Upon this realization, these taxpayers must submit a Form 14039, Identity Theft Affidavit, and a paper tax return. Once the IRS receives the form and the paper tax return, it will open an IDTVA case, and it will not issue the taxpayer's refund until it resolves the case.

Unfortunately, through April 2024, the IRS is taking on average 675 days to resolve identity theft cases,<sup>67</sup> meaning victims are waiting on average *nearly two years* to receive their tax refunds. Many factors contributed to these extremely lengthy processing times for IDTVA cases, one of which was an increase in IDTVA case receipts. More specifically, in fiscal year (FY) 2022, IDTVA case receipts were 228,383, and they increased in FY 2023 to 294,138.<sup>68</sup> Several other factors contributed to the long processing times, including IRS operational limitations dating back to the beginning of the pandemic and the IRS removing IDTVA employees off their casework to work other high priority assignments, such as answering IRS toll-free phone lines during the filing season.<sup>69</sup>

The lengthy processing time for IDTVA case resolution is unacceptable. This problem started during the COVID-19 pandemic. However, the onset of the pandemic was over four years ago. It is no longer reasonable to associate the pandemic challenges with high IDTVA case resolution times. One of the main reasons for these unacceptable processing times is the IRS's prioritization of other problems that it deems more important, such as reaching an 85 percent LOS on its main phone lines. These taxpayers are already victims of a bad actor who stole their identity and used it to file a fraudulent return. The IRS is revictimizing taxpayers by making them wait nearly two years to resolve their case and receive their refund. The IRS must prioritize the timely resolution of these cases and give taxpayers the high level of attention they deserve as it has with other issues in recent years, such as working through its paper return backlogs and providing a high LOS on its phone lines. To the IRS's credit, it has started to take some steps to address the IDTVA long processing times, such as adding more IDTVA employees. Specifically, the IDTVA unit increased the number of employees who worked these cases by about 166 percent from FS 2023 to FS 2024.<sup>70</sup> The IRS also reduced the rate at which it placed its IDTVA employees on the phones during FS 2024.<sup>71</sup>

## The Where's My Refund? and Where's My Amended Return? Tools

Each year, millions of taxpayers turn to the IRS's Where's My Refund? and Where's My Amended Return? tools to check the status of their refunds. Figure 2.6 shows the number of visits to the Where's My Refund? tool.

67 IRS, AM IDTVA, Research Analysis and Data (RAD), Correspondence Imaging System (CIS) Closed Case Cycle Time for the Identity Theft (IDT) Victims Unit Reports (through Apr. 2024).

68 IRS, JOC, Accounts Management Research, Analysis, and Data (AM RAD), IDTVA Accounts Inventory Report for Individuals, FY 2022 through FY 2023.

69 IRS response to TAS information request (May 23, 2024).

70 *Id.*

71 *Id.*

**FIGURE 2.6, Where's My Refund? Visits, Filing Seasons 2022-2024<sup>72</sup>**

Tool	Visits for FS 2022 (Through April 22, 2022)	Visits for FS 2023 (Through April 21, 2023)	Visits for FS 2024 (Through April 20, 2024)	Percent Change 2023-2024
Where's My Refund?	334,399,000	230,193,000	298,871,000	29.8%

Taxpayers attempted to check the status of their refunds using the Where's My Refund? tool almost 299 million times in FS 2024.<sup>73</sup> Previously, the tool only informed taxpayers that the IRS had received their return, approved their refund, or sent their refund. Beginning in FS 2024, the IRS added more responses to taxpayer inquiries, including informing taxpayers if the IRS stopped or delayed processing on their return and the related next steps. The tool also notes if the IRS sent a notice and provides instructions on what taxpayers need to do to resolve the issue.<sup>74</sup>

During the 2024 filing season, the Where's My Amended Return? tool received over 5.8 million visits. Unfortunately, the IRS has not yet made similar enhancements to Where's My Amended Return?, so taxpayers do not receive additional information if the IRS delays processing of their amended return.<sup>75</sup> Because of the high volume of pending refund claims, the IRS should prioritize updating this tool and provide taxpayers with current information and expectations regarding processing times for amended returns.

### Face-to-Face Service at Taxpayer Assistance Centers<sup>76</sup>

The IRS provides face-to-face assistance to taxpayers at TACs located across the country, the District of Columbia, and Puerto Rico. As of April 20, 2024, there were 363 TACs, of which 252 were understaffed and 16 were unstaffed.<sup>77</sup> All staffed TACs offer appointments and serve taxpayers who walk in without an appointment, but only in certain circumstances. To make an appointment, taxpayers must call the TAC Appointment toll-free telephone line, which achieved an 86 percent LOS in FS 2024 through April 20, 2024.<sup>78</sup>

Treasury set a FS 2024 goal for the IRS to deliver 8,500 more hours of in-person assistance at TACs than it did during FS 2023.<sup>79</sup> The IRS exceeded this goal by providing more than 13,000 additional hours of service at TACs during this filing season, serving a total of 784,000 taxpayers.<sup>80</sup> To achieve this goal, the IRS provided nearly 13,000 extended weekly office hours at 242 TACs around the country and served nearly 22,000 taxpayers during these extended hours.<sup>81</sup> The IRS also opened 117 TACs around the country for "Taxpayer Experience Days" on one Saturday per month.<sup>82</sup> About 15,000 taxpayers received assistance at

72 IRS, CY 2024 Individual Filing Season Report (week ending Apr. 20, 2024); IRS, CY 2023 Individual Filing Season Report (week ending Apr. 21, 2023).

73 IRS response to TAS information request (May 23, 2024).

74 IRS response to TAS information request (May 30, 2024).

75 IRS response to TAS information request (May 23, 2024); IRS response to TAS information request (May 30, 2024).

76 See Systemic Advocacy Objective: *Improve Taxpayer Access to Telephone and In-Person Assistance*, *infra*.

77 IRS response to TAS information request (May 23, 2024).

78 IRS, JOC, Snapshot Reports: Product Line Detail (Enterprise Performance) (week ending Apr. 20, 2024).

79 U.S. Dep't of the Treasury, Press Release, IRS Achieves Key Paperless Processing Initiative Goal, Outlines Improvements for Filing Season 2024 (Nov. 7, 2023), <https://home.treasury.gov/news/press-releases/jy1890>.

80 IRS, CY 2024 Individual Filing Season Report (week ending Apr. 20, 2024); IRS response to TAS information request (May 23, 2024).

81 IRS News Release, IR-2024-25, IRS Offering Additional Time at Taxpayer Assistance Centers for Face-to-Face Help (Jan. 29, 2024), <https://www.irs.gov/newsroom/irs-offering-additional-time-at-taxpayer-assistance-centers-for-face-to-face-help>; IRS response to TAS information request (May 23, 2024).

82 See IRS, IRS Face-to-Face Saturday Help, <https://www.irs.gov/help/irs-face-to-face-saturday-help> (last updated June 3, 2024); IRS response to TAS information request (May 23, 2024).

the 193 Saturday events.<sup>83</sup> Although the events provided welcome relief for many taxpayers, some taxpayers experienced significant delays due to the high volume of participants and the IRS's inability to timely service these taxpayers. Taxpayers expressed frustration as they faced long lines during these events.<sup>84</sup> One possible explanation for the long lines and wait times at these events was the significant increase in the IRS's issuance of IRS Letter 5747C, Potential Identity Theft during Original Processing – TAC Auth Only, which requires taxpayers to visit a TAC to authenticate their identity. In one well-publicized Houston event, the frustration led to violence and a sudden closure of the event.<sup>85</sup> The Treasury Inspector General for Tax Administration (TIGTA) is conducting an evaluation of safety and security at TACs during Taxpayer Experience Days.<sup>86</sup> The IRS has taken measures to prevent these issues in the future such as coordinating with local law enforcement and taking comprehensive physical security measures.<sup>87</sup> Once the IRS addresses identified problems, it should continue to offer these Saturday events in future filing seasons to enable thousands of taxpayers to seek assistance from IRS employees without having to schedule an appointment.

In 2024, the IRS continued its policy of requiring taxpayers to schedule an appointment to receive face-to-face assistance at any of its TACs in most circumstances.<sup>88</sup> To schedule an appointment, the IRS instructs taxpayers to call the TAC Appointment line, where an assistor determines the taxpayer's need and directs them to resources where they may find immediate answers to their questions.<sup>89</sup> If the taxpayer cannot resolve their issue, the assistor helps them make an appointment at a TAC for face-to-face assistance with an IRS employee. This filing season, there were 784,000 scheduled appointments for face-to-face assistance at TACs, an increase of 37 percent compared to FS 2023.<sup>90</sup>

83 IRS response to TAS information request (May 23, 2024).

84 See, e.g., Jacqueline Francis, *Hundreds Frustrated by Line at Tax Assistance Event Held by IRS in Detroit*, CLICKONDETROIT.COM (Apr. 14, 2024), <https://www.clickondetroit.com/news/local/2024/04/14/hundreds-frustrated-by-line-at-tax-assistance-event-held-by-irs-in-detroit>; Long lines, Chaotic Scenes at IRS Taxpayer Assistance Centers in Downtown Miami and Plantation, NBC6 (updated Apr. 15, 2024), <https://www.nbcmiami.com/news/local/long-lines-create-chaotic-scene-at-the-irs-taxpayer-assistance-center-in-downtown-miami-and-plantation-locations/3284205/>; Brittany Ford, 'I Want My Money:' People Spend Hours in Line Outside Atlanta Tax Center for IRS Help, ATLANTA NEWS FIRST (Apr. 13, 2024), <https://www.atlantafirst.com/2024/04/13/i-want-my-money-people-spend-hours-line-outside-atlanta-tax-center-irs-help/>.

85 Peter Warren, *Fight at Houston IRS Office Forces Closure, Stuns Taxpayers Waiting in Line*, HOUSTON CHRON. (Apr. 13, 2024), <https://www.houstonchronicle.com/news/houston-texas/trending/article/houston-irs-office-monitored-police-amid-reports-19401418.php>.

86 Memorandum from Russell P. Martin, Deputy Inspector General for Inspections and Evaluations to Comm'r, Wage and Investment Division, and Chief, Facilities Management and Security Services (Apr. 3, 2024). TIGTA also recently issued an audit report on the quality of services provided at TACs during FS 2023, detailing the long waits encountered by auditors visiting TACs during Taxpayer Experience Days. TIGTA, Ref. No. 2024-100-022, *Taxpayer Assistance Centers Generally Provided Quality Service, But Additional Actions Are Needed to Reduce Taxpayer Burden* 9 (2024), <https://www.tigta.gov/reports/audit/taxpayer-assistance-centers-generally-provided-quality-service-additional-actions-are->.

87 IRS response to TAS information request (May 23, 2024).

88 IRS News Release, IR-2024-25, IRS Offering Additional Time at Taxpayer Assistance Centers for Face-to-Face Help (Jan. 29, 2024), <https://www.irs.gov/newsroom/irs-offering-additional-time-at-taxpayer-assistance-centers-for-face-to-face-help>.

89 IRM 21.1.1.3, Customer Service Representative (CSR) Duties (June 2, 2023), [https://www.irs.gov/irm/part21/irm\\_21-001-001](https://www.irs.gov/irm/part21/irm_21-001-001).

90 IRS, CY 2024 Individual Filing Season Report (week ending Apr. 20, 2024).

**FIGURE 2.7, Face-to-Face Assistance, Filing Seasons 2022-2024<sup>91</sup>**

	FS 2022 (Through April 22, 2022)	FS 2023 (Through April 21, 2023)	FS 2024 (Through April 20, 2024)	Percent Change 2023-2024
<b>Total Field Assistance Face-to-Face Contacts</b>	434,000	572,000	784,000	37%
<b>Walk-in Exceptions (No Scheduled Appointment)</b>	6,000	4,700	93,300	1,885%

In limited instances, the IRS deviates from its appointment policy and lets taxpayers receive assistance from a TAC without an appointment (*e.g.*, if the taxpayer was experiencing a hardship or if the TAC was able to accept walk-in appointments without disrupting scheduled appointments). During FS 2024, the combination of extended hours and Saturday events contributed to TACs assisting about 93,300 taxpayers without appointments, an increase of 1,885 percent from FS 2023.<sup>92</sup> The appointment-only approach can negatively affect taxpayers who need assistance urgently and cannot wait to obtain an appointment,<sup>93</sup> so TAS is pleased that the IRS's guidance to employees includes managerial discretion to assist taxpayers without appointments in certain circumstances.<sup>94</sup> However, serving taxpayers without appointments remains the exception to the rule, limiting taxpayer access to obtain in-person assistance from the IRS.

The IRS is piloting a program to assist taxpayers without appointments at select TAC locations. As part of this program, the taxpayer can seek virtual assistance from another participating TAC with service capacity.<sup>95</sup> Currently, there are 13 TAC locations scheduled to provide this service with the support of assistors from 58 remote TAC locations, depending on the availability of assistors.<sup>96</sup> We commend the IRS for thinking outside the box to provide much-needed assistance to these taxpayers without an appointment.

The IRS provides two alternative service options for taxpayers in areas not served by TACs. First, the IRS assists taxpayers virtually by using video communications known as virtual service delivery (VSD). To receive virtual assistance through this program, the taxpayer must use equipment provided at an established VSD partner site, such as a community organization.<sup>97</sup> Between January 1 and April 15, 2024, there were 14 VSD partner sites, and through April 13, 2024, the VSD sites assisted 165 taxpayers.<sup>98</sup> Second, the IRS provides virtual assistance through web-based software with its Web Service Delivery (WebSD) pilot program.<sup>99</sup> Taxpayers may make WebSD appointments to meet virtually with an IRS assistor and discuss issues such as math error notices and refund inquiries. From January 1 through April 15, 2024, the IRS scheduled about 4,200 WebSD appointments as part of this pilot program and completed about 3,200 appointments.<sup>100</sup> While TAS is pleased the IRS intends to make this program permanent next filing season, it should increase

91 IRS, CY 2024 Individual Filing Season Report (week ending Apr. 20, 2024); IRS, CY 2023 Individual Filing Season Report (week ending Apr. 21, 2023).

92 IRS, 2024 Weekly Individual Filing Season Report, Cumulative Statistics Comparing April 21, 2023, and April 19, 2024, <https://www.irs.gov/newsroom/filing-season-statistics-for-week-ending-april-19-2024>.

93 IRM 21.3.4.2.4.2, TAC Appointment Exception Procedures (June 27, 2022), [https://www.irs.gov/irm/part21/irm\\_21-003-004r](https://www.irs.gov/irm/part21/irm_21-003-004r). The IRS will, in some circumstances, "double book" an appointment for hardship and international cases, but TAC group manager discretionary approval is required.

94 IRM 21.3.4.2.4.2, TAC Appointment Exception Procedures (June 27, 2022), [https://www.irs.gov/irm/part21/irm\\_21-003-004r](https://www.irs.gov/irm/part21/irm_21-003-004r).

95 IRS response to TAS information request (May 23, 2024).

96 *Id.*

97 IRM 1.4.11.3.4, Virtual Service Delivery (VSD) (Feb. 20, 2024), [https://www.irs.gov/irm/part1/irm\\_01-004-011](https://www.irs.gov/irm/part1/irm_01-004-011).

98 IRS response to TAS information request (May 23, 2024).

99 IRS, SERP Alert 24A0028, Web Service Delivery (WebSD) Virtual TAC (Jan. 23, 2024).

100 IRS response to TAS information request (May 23, 2024).

availability to meet the needs of a broader segment of taxpayers, giving them another option to interact with the IRS and get the assistance they need.

### Volunteer Tax Return Preparation Services Available to Taxpayers

As in previous filing seasons, eligible taxpayers had the option to seek free tax return preparation and filing assistance from volunteers at virtual, over-the-phone, and in-person sites via the Volunteer Income Tax Assistance (VITA) and Tax Counseling for the Elderly (TCE) programs.<sup>101</sup> VITA offers free tax return preparation assistance to people who generally make \$64,000 or less annually, people with disabilities, and limited English-speaking taxpayers who need assistance in preparing their own tax returns. TCE provides free tax help for individuals aged 60 and older.<sup>102</sup> Many taxpayers depend on the services these two programs offer to meet their income tax return filing requirements and claim refundable credits such as the Earned Income Tax Credit or Child Tax Credit.

VITA certified about the same number of volunteers and had nearly the same number of VITA and TCE sites in FS 2024, compared to FS 2023. Specifically, in mid-January 2024, about 67,000 volunteers were certified at about 9,000 VITA and TCE sites.<sup>103</sup> In addition, about 90 percent of these sites closed after April 15, 2024.<sup>104</sup> As illustrated in Figure 2.8, the IRS met the goal set by the Secretary by increasing the number of returns prepared in the VITA and TCE programs during this filing season by more than 220,000.<sup>105</sup>

**FIGURE 2.8, Individual Returns Filed by Volunteers, Filing Seasons 2022-2024<sup>106</sup>**

	FS 2022 (Through April 22, 2022)	FS 2023 (Through April 21, 2023)	FS 2024 (Through April 20, 2024)	Percent Change 2023-2024
<b>Total Individual Returns Prepared by Volunteers</b>	2,095,000	2,432,000	2,658,000	9.3%

The National Taxpayer Advocate recognizes and thanks the VITA and TCE volunteers who generously donated their time and knowledge to assist taxpayers. This year, these volunteers assisted taxpayers who filed nearly 2.7 million returns and provided them the ability to e-file their returns and speed up the payment of their refunds.<sup>107</sup> VITA and TCE volunteers are essential in helping low-income taxpayers, the elderly, taxpayers with disabilities, and limited English speakers fulfill their tax obligations. Millions of taxpayers depend on the generosity and knowledge of the VITA and TCE volunteers, and we are grateful for their service and dedication.

101 IRS, Free Tax Return Preparation for Qualifying Taxpayers (Mar. 29, 2024), <https://www.irs.gov/individuals/free-tax-return-preparation-for-qualifying-taxpayers>; IRS, Pub. 5450, VITA/TCE Site Operations (Sept. 2022), <https://www.irs.gov/pub/irs-pdf/p5450.pdf>. Some VITA sites used an Intake Only Site model that allowed taxpayers to drop off their documents and sign a consent form. Then, the communications would take place via phone or computer.

102 IRS response to TAS information request (May 23, 2024); IRS, Free Tax Return Preparation for Qualifying Taxpayers (Mar. 29, 2024), <https://www.irs.gov/individuals/free-tax-return-preparation-for-qualifying-taxpayers>; TAS, VITA and TCE (Feb. 8, 2024), <https://www.taxpayeradvocate.irs.gov/get-help/filing-returns/vita-and-tce/>.

103 IRS response to TAS information request (May 23, 2024).

104 *Id.*

105 U.S. Dep't of the Treasury, Press Release, IRS Achieves Key Paperless Processing Initiative Goal, Outlines Improvements for Filing Season 2024 (Nov. 7, 2023), <https://home.treasury.gov/news/press-releases/jy1890>.

106 IRS, 2024 Weekly Individual Filing Season Report, Cumulative Statistics Comparing April 21, 2023, and April 19, 2024, <https://www.irs.gov/newsroom/filing-season-statistics-for-week-ending-april-19-2024>; IRS, 2023 Weekly Individual Filing Season Report, Cumulative Statistics Comparing April 22, 2022, and April 21, 2023, <https://www.irs.gov/newsroom/filing-season-statistics-for-week-ending-april-21-2023>.

107 IRS, CY 2024 Individual Filing Season Report (week ending Apr. 20, 2024).



## IRS Direct File

The IRS launched the Direct File pilot in the middle of FS 2024.<sup>108</sup> The pilot program is a new free service offering individual taxpayers a user-friendly and secure way to prepare and electronically file a federal income tax return directly with the IRS. After an initial testing phase, the IRS launched the program to the public on March 12, 2024, on a limited basis.<sup>109</sup> The program was available in both English and Spanish, and taxpayers could access the program from a smartphone, tablet, laptop, or desktop. However, to access the program, taxpayers had to first create an account and verify their identity through ID.me.<sup>110</sup>

During its inaugural year, Direct File was limited in scope. The program was only available to taxpayers who are U.S. citizens or resident aliens living in 12 states: Arizona, California, Florida, Massachusetts, Nevada, New Hampshire, New York, South Dakota, Tennessee, Texas, Washington, and Wyoming. In addition, during its first year, the IRS limited the pilot to eligible taxpayers reporting only certain types of income and claiming limited credits and deductions.<sup>111</sup> Specifically, taxpayers could use the program if they only had one or more of the following types of income: wage income, Social Security benefits, unemployment compensation, and interest income of \$1,500 or less. The program only supported the following types of tax deductions: standard deduction, educator expense deduction, and student loan interest deduction. Finally, the program only supported three tax credits: Earned Income Tax Credit, Child Tax Credit, and Credit for Other Dependents.

Through April 15, 2024, more than 140,000 taxpayers electronically filed accepted returns through the program.<sup>112</sup> The returns filed through Direct File reported \$90 million in total tax refunds and \$35 million in total tax balances due.<sup>113</sup> Of the 15,000 Direct File users who participated in a survey, 90 percent rated their experience as Excellent or Above Average. Even more impressive, the survey found that 86 percent of the survey respondents indicated that their experience with Direct File increased their trust in the IRS.<sup>114</sup>

The development of the tool has faced criticism by government oversight agencies and the commercial electronic filing industry. TIGTA found that the IRS overstated taxpayer interest in the tool due to the design of surveys conducted pursuant to the statutorily required report to Congress, which the IRS submitted to Congress on May 16, 2023.<sup>115</sup> The Government Accountability Office (GAO) found that the IRS failed to

108 The IRS announced that it is making the Direct File program permanent. IRS News Release, IR-2024-151, IRS Makes Direct File a Permanent Option to File Federal Tax Returns; Expanded Access for More Taxpayers Planned for the 2025 Filing Season (May 30, 2024), <https://www.irs.gov/newsroom/irs-makes-direct-file-a-permanent-option-to-file-federal-tax-returns-expanded-access-for-more-taxpayers-planned-for-the-2025-filing-season>.

109 U.S. Dep't of the Treasury, Press Release, U.S. Department of the Treasury, IRS Launch Direct File Pilot Program (Mar. 12, 2024), <https://home.treasury.gov/news/press-releases/jy2172>; *The President's Fiscal Year 2025 IRS Budget and the IRS 2024 Filing Season*, Hearing Before the S. Comm. on Finance, 118th Cong. (Apr. 16, 2024) (statement of Danny Werfel, Comm'r, Internal Revenue), <https://www.finance.senate.gov/download/0416-werfel-testimony>.

110 IRS, Fact Sheet FS-2024-09, Top Things to Know About the IRS Direct File Pilot as April Filing Deadline Approaches (Apr. 9, 2024), <https://www.irs.gov/newsroom/top-things-to-know-about-the-irs-direct-file-pilot-as-april-filing-deadline-approaches>.

111 IRS, Pub. 5917, IRS Direct File Pilot: What You Need to Know (Feb. 2024), <https://www.irs.gov/pub/irs-pdf/p5917.pdf>; IRS, Fact Sheet FS-2024-09, Top Things to Know About the IRS Direct File Pilot as April Filing Deadline Approaches (Apr. 9, 2024), <https://www.irs.gov/newsroom/top-things-to-know-about-the-irs-direct-file-pilot-as-april-filing-deadline-approaches>.

112 IRS, Pub. 5969, IRS Direct File Pilot Program Filing Season 2024 After Action Report 2 (May 2024), <https://www.irs.gov/pub/irs-pdf/p5969.pdf>; IRS News Release, IR-2024-122, Direct File Pilot Officially Closes After More Than 140,000 Taxpayers Successfully Use Direct E-Filing System in 12 States, Including Integration With 4 State Tax Systems (Apr. 26, 2024), <https://www.irs.gov/newsroom/direct-file-pilot-officially-closes-after-more-than-140000-taxpayers-successfully-use-direct-e-filing-system-in-12-states-including-integration-with-4-state-tax-systems>.

113 IRS, Pub. 5969, IRS Direct File Pilot Program Filing Season 2024 After Action Report 2 (May 2024), <https://www.irs.gov/pub/irs-pdf/p5969.pdf>.

114 *Id.* at 3.

115 TIGTA, Ref. No. 2024-408-002, *Inflation Reduction Act: Assessment of a Free and Electronic Direct Filing Tax Return System* (2023), <https://www.tigta.gov/reports/audit/inflation-reduction-act-assessment-free-and-electronic-direct-filing-tax-return>; IRS, Pub. 5788, Inflation Reduction Act § 10301(1)(B) IRS-Run Direct e-File Tax Return System (May 16, 2023), <https://www.irs.gov/pub/irs-pdf/p5788.pdf>.

appropriately account for the full cost of the new Direct File tool.<sup>116</sup> The commercial electronic filing industry has also criticized the pilot program as unpopular and unnecessary.<sup>117</sup>

One highlight of the IRS Direct File program is the way the development team worked with TAS to ensure the program is accessible to taxpayers with disabilities. TAS assisted the team in reaching out to individuals with disabilities and organizations that represent individuals with disabilities to test the tool for accessibility. This process identified several minor issues that the Direct File team addressed.

### IRS Free File Alliance

The Free File Alliance is a nonprofit coalition of industry-leading tax software companies that have partnered with the IRS to help millions of Americans prepare and e-file their federal returns for free.<sup>118</sup> It is available to taxpayers with an adjusted gross income of \$79,000 or less and provides options in English and Spanish. Taxpayers whose income exceeds the threshold may choose to complete their tax return using Free File Fillable Forms on [IRS.gov](https://www.irs.gov).<sup>119</sup> With about 2.9 million returns filed through Free File in FS 2024, the number of taxpayers who filed through this program is slightly more than the number of taxpayers who filed through the VITA and TCE programs, but the Free File program is still underutilized and has not achieved widespread adoption. Considering that 98 percent of respondents to a 2023 survey indicated they would use the Free File program again, the IRS needs to do more to advertise the Free File Alliance products and services and ensure they are easy for taxpayers to find on [IRS.gov](https://www.irs.gov).<sup>120</sup> On May 22, 2024, the IRS announced that it had extended the Free File program through 2029.<sup>121</sup>

**FIGURE 2.9, Individual Returns E-Filed Using Free File, Filing Seasons 2022–2024<sup>122</sup>**

FS 2022 (Through April 22, 2022)	FS 2023 (Through April 21, 2023)	FS 2024 (Through April 20, 2024)	Percent Change 2023–2024
2,954,000	2,651,000	2,856,000	7.7%

116 GAO, GAO-24-107236, *IRS Direct File: Actions Needed During Pilot to Improve Information on Costs and Benefits* (2024), <https://www.gao.gov/products/gao-24-107236>.

117 Julie Zauzmer Weil, *The IRS's New Tax Software: Rave Reviews, But Low Turnout*, WASH. POST, Apr. 15, 2024, <https://www.washingtonpost.com/business/2024/04/15/irs-direct-file-reviews/>.

118 Free File Alliance, FAQs, <https://freefilealliance.org/faq> (last visited May 7, 2024). The site answers whether a taxpayer may file their state income tax for free: "Some participating Free File Alliance companies offer free state tax return preparation and e-filing services through partnerships with participating state programs. Other companies charge a fee for state tax return preparation and e-filing."

119 See IRS, Free File Fillable Forms (Feb. 21, 2024), <https://www.irs.gov/e-file-providers/free-file-fillable-forms>.

120 Free File Alliance, Press Release, *IRS Free File Now Open for 2024 – The Free File Alliance Offers Taxpayers Free Industry-Leading Tax Software* (Jan. 12, 2024), <https://www.prnewswire.com/news-releases/irs-free-file-now-open-for-2024---the-free-file-alliance-offers-taxpayers-free-industry-leading-tax-software-302033793.html>.

121 IRS News Release, IR-2024-145, *IRS Announces Extension of Free File Program Through 2029* (May 22, 2024), <https://www.irs.gov/newsroom/irs-announces-extension-of-free-file-program-through-2029>.

122 IRS, 2023 Weekly Individual Filing Season Report, Cumulative Statistics Comparing April 22, 2022, and April 21, 2023, <https://www.irs.gov/newsroom/filing-season-statistics-for-week-ending-april-21-2023>; IRS, 2024 Weekly Individual Filing Season Report, Cumulative Statistics Comparing April 21, 2023, and April 19, 2024, <https://www.irs.gov/newsroom/filing-season-statistics-for-week-ending-april-19-2024>.

## Taxpayers Need Timely Guidance to Comply With Their Tax Obligations<sup>123</sup>

IRS transparency is a cornerstone of our tax administration system and is crucial for taxpayers to voluntarily comply with their tax obligations. One area of concern during the past several years has involved confusion surrounding payments from states to taxpayers and whether these payments are subject to federal taxation. In February 2023, after delays in providing requested guidance on this issue, the IRS announced broad administrative relief for state payments, allowing taxpayers to exclude them from federal taxation because it was the middle of the filing season, and each state payment program required careful analysis.<sup>124</sup> Although taxpayers appreciated the relief in 2023, it did not provide certainty for subsequent years. On September 18, 2023, to provide more certainty, the IRS issued Notice 2023-56, which specifies when payments from states to taxpayers are subject to federal taxation.<sup>125</sup>

However, questions remained about specific situations. For example, in August 2023, Colorado's congressional delegation sent a letter to IRS Commissioner Danny Werfel urging the IRS to provide guidance on whether Colorado's Taxpayer Bill of Rights (TABOR) payments to taxpayers are federally taxable.<sup>126</sup> The Commissioner confirmed at a meeting with Colorado leadership that the IRS would not tax state TABOR payments for TY 2023.<sup>127</sup> Although this determination provided relief for Colorado taxpayers when filing their 2023 tax returns, it provided little certainty as to how the IRS would view these payments in future years. Additionally, the IRS reached a different conclusion when analyzing Minnesota's state payments where the state sent a rebate payment to taxpayers, determining that these payments did not fall within the general welfare or disaster relief payment exclusions.<sup>128</sup> These two examples illustrate that the IRS needs to provide more specific guidance to add certainty as to how taxpayers should treat these state payments on their federal returns.

In another example, the IRS provided that payments made from Arizona's Families Tax Rebate Program are subject to federal taxation.<sup>129</sup> It did not provide a written statement on its position until 18 days after the start of the 2024 filing season and only after Arizona's Attorney General challenged the IRS's position, which was initially provided to the Arizona Department of Revenue verbally during a virtual meeting.<sup>130</sup>

Obviously, there is much confusion surrounding the taxability of state payments, and the IRS needs to do more to resolve the confusion facing states and taxpayers. This is just one area where the IRS needs to provide more specific and timely guidance so taxpayers do not scramble at the beginning of each filing season to determine how to treat these or other payments. Taxpayers should not have to rely on their elected representatives to nudge the IRS to provide guidance on the federal tax treatment of these payments.

123 See Systemic Advocacy Objective: *Enhance IRS Transparency by Improving Applicable Technology, Sufficiently Explaining Modernization Progress, and Providing Straightforward Guidance on Tax Law*, *infra*.

124 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>.

125 IRS Notice 2023-56, 2023-38 I.R.B. 824, Federal Income Tax Consequences of Certain State Payments, <https://www.irs.gov/pub/irs-drop/n-23-56.pdf>.

126 Letter from Rep. Joe Neguse et al., to Danny Werfel, Comm'r, Internal Revenue (Aug. 31, 2023), [https://neguse.house.gov/sites/evo-subsites/neguse.house.gov/files/evo-media-document/irs\\_co-tabor-letter-8.31.23.pdf](https://neguse.house.gov/sites/evo-subsites/neguse.house.gov/files/evo-media-document/irs_co-tabor-letter-8.31.23.pdf). In 1992, Colorado passed a TABOR amendment limiting the amount of tax revenue retained by the state and refunding the excess revenue to Colorado taxpayers.

127 Ernest Luning, *IRS Won't Tax TABOR Refunds, Agency Decides After Colorado Delegation Exerts Pressure*, COLO. POLITICS, Jan. 9, 2024, [https://www.coloradopolitics.com/colorado-in-dc/irs-wont-tax-tabor-refunds-agency-decides-after-colorado-delegation-exerts-pressure/article\\_9bf9a96c-a998-11ed-ad62-1768f3aef57c.html](https://www.coloradopolitics.com/colorado-in-dc/irs-wont-tax-tabor-refunds-agency-decides-after-colorado-delegation-exerts-pressure/article_9bf9a96c-a998-11ed-ad62-1768f3aef57c.html).

128 Letter from Danny Werfel, Comm'r, Internal Revenue, to Rep. Pete Stauber (Jan. 19, 2024), <https://stauber.house.gov/sites/evo-subsites/stauber.house.gov/files/evo-media-document/commissioner-werfel-letter-to-stauber.pdf>. Minnesota state rebate payments refunded a portion of the state's surplus to Minnesota residents.

129 Letter from Rep. David Schweikert et al., to Danny Werfel, Comm'r, Internal Revenue (Mar. 13, 2024), <https://schweikert.house.gov/wp-content/uploads/2024/03/Letter-to-IRS-on-AZ-Families-Tax-Rebate-Decision-3.13.24.pdf>.

130 *Id.*

## Taxpayers Are Experiencing Long Delays and Uncertainty With Pending Employee Retention Credit Claims<sup>131</sup>

The Employee Retention Credit (ERC) was a temporary payroll tax credit available to employers during parts of 2020 and 2021 intended to partially offset the cost of paying workers during the COVID-19 pandemic. Certain employers whose businesses experienced specific adverse effects from the pandemic could claim the ERC. Under the statute, taxpayers had until April 15, 2024, to claim the ERC for TY 2020 and until April 15, 2025, to claim the credit for TY 2021.<sup>132</sup>

In 2022 and 2023, the IRS experienced a surge in employers filing amended payroll tax returns to claim the credit retroactively. On September 14, 2023, the IRS announced a moratorium on processing new ERC claims through the end of 2023 due to concern about the potential for widespread ineligible claims and fraud within the program.<sup>133</sup> As of the drafting of this report, the moratorium is still in effect with no end in sight, and most of the claims filed before September 14, 2023, are still awaiting processing.

When the IRS imposed the moratorium, it had a backlog of nearly 666,000 ERC claims, with about 95 percent under 120 days old.<sup>134</sup> Over eight months later, nearly all ERC claims filed before the moratorium remain unprocessed, and 85 percent (1,148,026 out of 1,346,898) of pending claims are over 120 days old.<sup>135</sup> As of May 25, 2024, the backlog of unworked ERC claims has nearly doubled since the September 14, 2023, moratorium on processing new ERC claims.<sup>136</sup> The National Taxpayer Advocate does not want the IRS issuing improper payments and does not want to encourage fraudulent filings, but these significant delays are harming taxpayers with valid ERC claims, as many have already waited a year or longer for the IRS to determine if their claim is valid. The IRS's delay in processing these legitimate claims is hurting the very businesses for whom Congress created the ERC. It's time for the IRS to be transparent on how and when it plans to move forward addressing these ERC claims to ensure it protects the taxpayer *rights to finality* and *to challenge the IRS's position and be heard*.<sup>137</sup>

## CONCLUSION

Although FS 2024 was an overall success, and the IRS met the service goals set by the Secretary of the Treasury, backlogs still persist with amended returns, returns suspended as a result of a possible error, taxpayer correspondence, and IDTVA cases. After the filing season, taxpayers will continue to submit correspondence and file tens of millions of tax returns on extension. Thus, it is imperative that the IRS focus substantial resources during the rest of 2024 to catch up on its current backlog, timely process all incoming tax returns, pay out pending refunds, timely resolve IDTVA cases, and prevent carryover of unprocessed returns into 2025, while still providing taxpayer service through its toll-free lines and walk-in centers. The IRS needs to eliminate the word “backlog” from its vocabulary by modernizing the processing and scanning of paper returns, focusing on suspended and amended returns, issuing all pending refunds before the close of the year, and starting FS 2025 fresh.

<sup>131</sup> See Systemic Advocacy Objective: *Protect Taxpayer Rights in Employee Retention Credit Claims*, *infra*.

<sup>132</sup> IRC § 6511.

<sup>133</sup> IRS News Release, IR-2023-169, To Protect Taxpayers From Scams, IRS Orders Immediate Stop to New Employee Retention Credit Processing Amid Surge of Questionable Claims; Concerns From Tax Pros (Sept. 14, 2023), <https://www.irs.gov/newsroom/to-protect-taxpayers-from-scams-irs-orders-immediate-stop-to-new-employee-retention-credit-processing-amid-surge-of-questionable-claims-concerns-from-tax-pros>.

<sup>134</sup> IRS, RAD Report, COVID Business Credits (week ending May 18, 2024); see Systemic Advocacy Objective: *Protect Taxpayer Rights in Employee Retention Credit Claims*, *infra*.

<sup>135</sup> IRS, RAD Report, COVID Business Credits (week ending May 25, 2024).

<sup>136</sup> *Id.*

<sup>137</sup> See Taxpayer Bill of Rights, <https://www.taxpayeradvocate.irs.gov/taxpayer-rights/> (last visited May 7, 2024). The rights contained in the Taxpayer Bill of Rights are also codified at IRC § 7803(a)(3).





## TAS SYSTEMIC ADVOCACY OBJECTIVES

### INTRODUCTION

IRC § 7803(c)(2)(B)(i) requires the National Taxpayer Advocate to submit a report to Congress by June 30 of each year that describes the objectives outlined by the Office of the Taxpayer Advocate for the upcoming fiscal year. This report is known as the Objectives Report to Congress. The following sections present TAS's key goals and planned activities for fiscal year (FY) 2025 in three areas: Systemic Advocacy Objectives, TAS Case and Other Business Objectives, and TAS Research Objectives.

**Systemic Advocacy Objectives** describe objectives for which TAS will advocate to improve tax administration on behalf of taxpayers and to address systemic issues causing taxpayer burden, harm, or a negative impact on taxpayer rights. Similar to the way TAS identifies Most Serious Problems in the Annual Report to Congress, the National Taxpayer Advocate calls upon a multitude of sources to assist in identifying key Systemic Advocacy Objectives, including the experience of TAS staff, trends in advocacy efforts and TAS casework, and interactions with practitioners and external stakeholders.

**TAS Case Advocacy and Other Business Objectives** describe additional activities TAS will pursue to advance its advocacy efforts through casework and systemic advocacy and through the Taxpayer Advocacy Panel and Low Income Taxpayer Clinics. TAS works directly with taxpayers and their representatives to identify issues, research solutions, and advocate on behalf of taxpayers. TAS's goal is to continuously improve its internal and external processes and business operations for the benefit of taxpayers. This section details planned TAS activities for organizational improvement and promotion of its advocacy efforts.

**TAS Research Objectives** focus on understanding how IRS procedures affect taxpayers and how taxpayers react to IRS actions. The objectives of TAS Research are to improve IRS operations and assist the IRS with balancing its compliance and enforcement efforts with taxpayer rights while also reducing taxpayer burden. Four new research projects are scheduled for FY 2025.



## 1. MODERNIZE IRS PROCESSING TO INCREASE EFFICIENCY AND IMPROVE THE TAXPAYER EXPERIENCE

Hundreds of millions of taxpayers file their tax returns with the IRS annually. For many Americans, it is the only experience they have with the IRS, so providing efficient filing and processing systems is paramount to effective tax administration. The effects of paper processing ripple throughout the IRS, decreasing administrative efficiency and increasing taxpayer burden. Paper processing not only creates backlogs in the processing of mailed tax forms and correspondence, but it also negatively impacts elements of the taxpayer experience, including telephone line wait times, timeliness of refunds, and document storage costs.<sup>1</sup>

The IRS Paperless Processing Initiative<sup>2</sup> seeks to mitigate the impacts of paper submissions and reduce the burden of paper filing on taxpayers. As part of the initiative, the IRS launched the Document Upload Tool (DUT),<sup>3</sup> which allows taxpayers to securely upload documents to the IRS but still requires the IRS to manually process on the back end. The initiative has set an ambitious goal to accomplish paperless processing (scanning and digitalization) of all tax and information returns by the 2025 filing season.<sup>4</sup> Even with a shift toward digitalization, the IRS only scanned about ten percent (nearly a million) of returns and forms filed by paper during Filing Season 2024 through May 3, 2024. The scanned returns and forms were primarily IRS Form 940, Employer's Annual Federal Unemployment (FUTA) Tax Return; IRS Form 941, Employer's Quarterly Federal Tax Return; IRS Form 4868, Application for Automatic Extension of Time to File U.S. Individual Income Tax Return; and IRS Form 1040, U.S. Individual Income Tax Return, where certain schedules were attached.<sup>5</sup>

Electronic filing is an important tool to reduce the number of paper tax returns taxpayers submit to the IRS, as it allows the IRS to more efficiently process returns during the annual filing season.<sup>6</sup> With less paper to process, backlogs decrease, improving return processing and the timeliness of payment of refunds. Even with a high rate of electronic filing, some taxpayers who want to electronically file are unable to do so. Taxpayers may have to paper file if they must file a form or schedule that the IRS has not programmed its systems to accept electronically or if the IRS systems reject a tax return for violating a programming rule. As part of the Paperless Processing Initiative, the IRS has begun expanding the forms eligible for electronic filing, but the project is far from complete.<sup>7</sup> TAS will continue to monitor the Paperless Processing Initiative and provide recommendations as needed.

- 1 National Taxpayer Advocate 2023 Annual Report to Congress 5 (Most Serious Problem: *Processing: Ongoing Processing Delays Burden and Frustrate Taxpayers Awaiting Refunds and Other Account Actions*), [https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2024/01/ARC23\\_MSP\\_01\\_Processing-Delays\\_FINAL\\_01292024.pdf](https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2024/01/ARC23_MSP_01_Processing-Delays_FINAL_01292024.pdf).
- 2 IRS Fact Sheet, FS-2023-25, IRS Achieves Key Paperless Processing Initiative Goal, Outlines Improvements for Filing Season 2024 (Nov. 2023), <https://www.irs.gov/newsroom/irs-achieves-key-paperless-processing-initiative-goal-outlines-improvements-for-filing-season-2024>; IRS Fact Sheet, FS-2023-18, IRS Launches Paperless Processing Initiative (Aug. 2023), <https://www.irs.gov/newsroom/irs-launches-paperless-processing-initiative>.
- 3 Until the IRS implements a backend workflow process and case management system integration, IRS staff processes DUT submissions manually, which creates another potential processing backlog. See National Taxpayer Advocate 2023 Annual Report to Congress 87 (Most Serious Problem: *Online Account Access for Taxpayers and Tax Professionals: Digital Services Remain Inadequate, Impeding Efficient Case Resolution and Forcing Millions of Taxpayers to Call or Send Correspondence to the IRS*), [https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2024/01/ARC23\\_MSP\\_07\\_Online-Accounts.pdf](https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2024/01/ARC23_MSP_07_Online-Accounts.pdf).
- 4 IRS Fact Sheet, FS-2023-25, IRS Achieves Key Paperless Processing Initiative Goal, Outlines Improvements for Filing Season 2024 (Nov. 2023), <https://www.irs.gov/newsroom/irs-achieves-key-paperless-processing-initiative-goal-outlines-improvements-for-filing-season-2024>; IRS Fact Sheet, FS-2023-18, IRS Launches Paperless Processing Initiative (Aug. 2023), <https://www.irs.gov/newsroom/irs-launches-paperless-processing-initiative>.
- 5 IRS response to TAS information request (May 23, 2024). The IRS also has a longstanding hybrid scanning/manual transcription program that processed about 3.8 million employment tax returns through May 3, 2024. During Filing Season 2024 through the week ending May 25, 2024, the IRS scanned only 176,365 Forms 1040. IRS response to TAS information request (June 3, 2024).
- 6 See, e.g., Alexander Rifaat, *Paper W-2 Filings on Track to Drop by Half*, TAX NOTES, Apr. 5, 2024, at 372, <https://www.taxnotes.com/tax-notes-today-federal/employment-taxes/paper-w-2-filings-track-drop-half/2024/04/05/7jdj9>.
- 7 National Taxpayer Advocate 2023 Annual Report to Congress 5 (Most Serious Problem: *Processing: Ongoing Processing Delays Burden and Frustrate Taxpayers Awaiting Refunds and Other Account Actions*), [https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2024/01/ARC23\\_MSP\\_01\\_Processing-Delays\\_FINAL\\_01292024.pdf](https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2024/01/ARC23_MSP_01_Processing-Delays_FINAL_01292024.pdf).

The National Taxpayer Advocate has recommended the IRS accept valid tax returns it rejected solely based on electronic filing criteria and direct them to an appropriate treatment stream for resolving discrepancies.<sup>8</sup> During FY 2023, 150.9 million individuals filed an electronic Form 1040. Of the 19.4 million taxpayers who experienced rejection of their tax return, the IRS ultimately accepted returns for approximately 14 million taxpayers, while over five million of those taxpayers with a rejected Form 1040 return ended up filing on paper or did not file.<sup>9</sup> TAS will continue to advocate for a system that allows taxpayers to perfect electronic tax return filings rather than forcing those taxpayers to submit paper returns.

**Objective 1 for FY 2025 – TAS will work with the IRS as the IRS implements plans to modernize processing through the Paperless Processing Initiative.**

- Activity 1: Monitor the IRS implementation of the Paperless Processing Initiative, including scanning technology and digitalization to process paper-filed IRS forms and correspondence and the expansion of electronic filing eligible tax forms, and make administrative recommendations as needed to minimize taxpayer burden.
- Activity 2: Provide recommendations to allow perfection of electronically filed tax returns rejected solely based on electronic filing criteria and the creation of an appropriate treatment stream for resolving discrepancies.
- Activity 3: Monitor the inventory and processing of amended returns, including Employee Retention Credit claims, and provide recommendations to improve the processing timeframe and transparency about the length of time and reasons for delays.

**2. IMPROVE IRS EMPLOYEE HIRING, RECRUITMENT, RETENTION, AND TRAINING PROCESSES**

The IRS still has much work to do to improve its hiring, recruitment, and training processes. Failures in hiring, recruitment, and training lead to poor customer service quality, undermine voluntary compliance, and burden tax administration. IRS employee attrition remains a concern for the National Taxpayer Advocate. As noted in the 2023 Annual Report to Congress, about 18 percent of IRS employees are currently retirement-eligible and can leave at any time, with 37 percent of IRS employees estimated to become retirement-eligible in the next five years.<sup>10</sup> This state of affairs will lead to a void in the management and leadership ranks at the IRS, and the National Taxpayer Advocate urges the IRS to move quickly and efficiently to mitigate the impact of employee attrition.

The IRS continues to expand its use of in-person and virtual recruitment events, which it announces on an external recruitment website.<sup>11</sup> Using funding provided in the Inflation Reduction Act of 2022,<sup>12</sup> the IRS has increased its focus on hiring customer service representatives (CSRs) and revenue agents. The IRS Chief

8 National Taxpayer Advocate 2023 Annual Report to Congress 5 (Most Serious Problem: *Processing: Ongoing Processing Delays Burden and Frustrate Taxpayers Awaiting Refunds and Other Account Actions*), [https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2024/01/ARC23\\_MSP\\_01\\_Processing-Delays\\_FINAL\\_01292024.pdf](https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2024/01/ARC23_MSP_01_Processing-Delays_FINAL_01292024.pdf); National Taxpayer Advocate 2021 Annual Report to Congress 139 (Most Serious Problem: *E-Filing Barriers: Electronic Filing Barriers Increase Taxpayer Burden, Cause Processing Delays, and Waste IRS Resources*), [https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2022/01/ARC21\\_MSP\\_08\\_Efiling.pdf](https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2022/01/ARC21_MSP_08_Efiling.pdf).

9 IRS, Compliance Data Warehouse (CDW), Electronic Tax Administration Research and Analysis System (Nov. 2023).

10 Email from the IRS Chief Human Capital Officer (dated Dec. 19, 2023). The volume of IRS retirement-eligible employees in the next five years varies, and estimates are as high as 63 percent. IRS, Pub. 5530, Fiscal Year 2024 Budget in Brief (Feb. 2023), <https://www.irs.gov/pub/irs-prior/p5530--2023.pdf>. Attrition is defined as “the departure of employees from an organization for any reason (voluntary or involuntary), including resignation, termination, death, or retirement,” in a fiscal year and is used interchangeably with the term “employee turnover.” See Human Resources Glossary, Gartner, <https://www.gartner.com/en/human-resources/glossary/attrition> (last visited May 13, 2024).

11 IRS Events, IRS Careers, <https://www.jobs.irs.gov/events> (last visited May 13, 2024).

12 An Act to Provide for Reconciliation Pursuant to Title II of S. Con. Res. 14, Pub. L. No. 117-169, 136 Stat. 1818 (2022).

Human Capital Officer, Traci DiMartini, declared in early 2024 that the IRS will continue to use “every tool that is available to us” to improve the recruitment and hiring process.<sup>13</sup>

Increasing hiring operations includes expanding the IRS Human Capital Office (HCO) hiring personnel staff to improve hiring operation capacity. These new employees require effective training before they can hire other new employees to expand the overall workforce. In a recent Government Accountability Office (GAO) audit, GAO directed the IRS Commissioner “to direct the Human Capital Officer at IRS to ensure that USA Staffing Program Managers at their agency routinely solicit and analyze training feedback from human capital professionals and use such information to improve training resources that address human capital professionals’ needs.”<sup>14</sup>

A recent change in the IRS telework policy may pose a new challenge for employee recruitment and retention. A 2024 Treasury directive to return certain employees in the National Capital Region to the office 50 percent of the time may complicate IRS efforts to recruit and retain employees.<sup>15</sup> The Treasury Department announced the directive due to a wider directive from the U.S. Office of Management and Budget (OMB).<sup>16</sup> The National Treasury Employees Union (NTEU) opposes the Treasury directive to increase the number of days Treasury employees report to a government worksite, calling it a decision that “flies in the face of the proven benefits of telework.”<sup>17</sup> This may be a challenge in terms of employee recruitment and retention.

The IRS hiring process continues to take too long. The IRS fails to meet the Office of Personnel Management’s (OPM’s) 80-day Time-to-Hire benchmark<sup>18</sup> for external hires, as shown in Figure 3.1. In FY 2024 to date, the average time to hire has increased compared to FY 2023. Although TAS commends the recent efforts of HCO in expanding recruitment operations, these changes have not yet produced tangible results. The National Taxpayer Advocate continues to advocate for significant improvements in FY 2025 and beyond to slow the current rate of attrition, meet hiring demand, and reduce the length of the hiring process.

**FIGURE 3.1, IRS Time-to-Hire Averages From FY 2022 to FY 2024 to Date<sup>19</sup>**

Time to Hire by Segment	FY 2022 Average	FY 2023 Average	FY 2024 Average
Overall	81 days	68 days	77 days
External	93 days	85 days	95 days
Internal	58 days	51 days	61 days

13 Louis Parks, *The IRS Is Taking a Maverick’s Approach to Recruitment*, FIN. MAGNATES, Apr. 1, 2024, <https://www.financemagnates.com/trending/the-irs-is-taking-a-mavericks-approach-to-recruitment/>.

14 GAO, GAO-24-105738, *Federal Hiring: USA Staffing System Supports Hiring Needs, But Actions Are Needed to Strengthen Training and Program Management* (2024), <https://www.gao.gov/products/gao-24-105738>.

15 Jory Heckman, *Treasury, IRS Set 50% Return-To-Office Target For Employees to Meet ‘Governmentwide’ Standard*, FED. NEWS NETWORK, Feb. 16, 2024, <https://federalnewsnetwork.com/workforce/2024/02/treasury-irs-set-50-return-to-office-target-for-employees-in-may/>.

16 See OMB Memorandum No. M-23-15, *Measuring, Monitoring, and Improving Organizational Health and Organizational Performance in the Context of Evolving Agency Work Environments* (Aug. 2023), <https://www.whitehouse.gov/wp-content/uploads/2023/04/M-23-15.pdf>. See also Jory Heckman, *Treasury, IRS Set 50% Return-To-Office Target For Employees to Meet ‘Governmentwide’ Standard*, FED. NEWS NETWORK, Feb. 16, 2024, <https://federalnewsnetwork.com/workforce/2024/02/treasury-irs-set-50-return-to-office-target-for-employees-in-may/>.

17 NTEU, *NTEU Opposes Treasury Telework Directive*, <https://www.nteu.org/~media/Files/nteu/docs/public/irs/2024/nteu-opposes-treasury-telework-directive> (Apr. 3, 2024).

18 Erich Wagner, *OPM Announces Adjustments to Annual Time-to-Hire Metrics*, GOVEXEC, Feb. 26, 2020, <https://www.govexec.com/management/2020/02/opm-announces-adjustments-annual-time-hire-metrics/163361/>. See also OPM Memorandum, *Time-to-Hire Reporting Requirements* (Feb. 25, 2020), <https://www.chcoc.gov/content/time-hire-reporting-requirements-1>.

19 IRS Time-to-Hire Averages Table, Latest from the IRS Tactical Operations Center (TOC) - TALK (week ending Mar. 8, 2024) (email on file with TAS).

## **Objective 2 for FY 2025 – TAS will continue to advocate for improvements in IRS employee hiring, recruitment, retention, and training processes.**

- Activity 1: Review and analyze the IRS FY 2025 hiring and recruitment strategies and propose suggestions on improving recruitment efforts and speeding up the pace of hiring.
- Activity 2: Collaborate with hiring and training subject matter experts within each of the IRS's Business Operating Divisions in FY 2025 to gain direct insight from HCO customers to identify current hurdles and inefficiencies in IRS hiring, recruitment, and training processes.
- Activity 3: Work with IRS HCO to develop potential employee retention strategies and recommendations in FY 2025 to reduce the overall turnover rates of employees.

## **3. ENHANCE IRS TRANSPARENCY BY IMPROVING APPLICABLE TECHNOLOGY, SUFFICIENTLY EXPLAINING MODERNIZATION PROGRESS, AND PROVIDING STRAIGHTFORWARD GUIDANCE ON TAX LAW**

“Transparency” is the government’s obligation to share with citizens the information they need to make informed decisions and hold officials accountable for the conduct of the people’s business. For the IRS, this means providing taxpayers, tax professionals, industry, and other stakeholders with all the information to which they’re entitled, when they need it, in an accessible, clear, and sufficiently detailed way. It is imperative that the IRS be transparent, impartial, fair, and consistent to maintain its integrity. And to preserve the trust and confidence of taxpayers, it is imperative that tax administration remain independent and insulated from partisan influence, allowing it to operate in a manner that promotes the best interests of the taxpayers and the nation as a whole. The IRS has made progress recently in key areas relating to transparency, including phone service, clarification of certain notices and letters, and improvements to online accounts. Despite these advances, taxpayers and tax professionals still report difficulties communicating effectively with the IRS.<sup>20</sup>

Many of the IRS’s plans to improve transparency rely on updating the agency’s technology.<sup>21</sup> Technology modernization would provide “taxpayers with instant account updates, faster refund processing and payment posting, and near real-time status updates”<sup>22</sup> as well as give IRS CSRs the streamlined access to taxpayer data they need to respond to taxpayer questions with specificity and detail.<sup>23</sup> However, GAO has reported that the IRS still needs to finish developing its plans on technology modernization and that the IRS may be at risk of “cost overruns, schedule delays, and overall project failure.”<sup>24</sup> Additionally, as the IRS’s modernization of technology involves the implementation of artificial intelligence (AI), such as in existing voicebots and chatbots, the IRS must remain transparent about its use of AI, particularly as those uses affect taxpayer rights and data privacy.<sup>25</sup>

20 See, e.g., 2023 IRS Nationwide Tax Forums TAS Focus Groups, IRS Transparency (Oct. 2023).

21 See, e.g., IRS, Pub. 3744-A, 2024 IRA Strategic Operating Plan Annual Update Supplement 27 (Apr. 2024), <https://www.irs.gov/pub/irs-pdf/p3744a.pdf> (“Modernizing the IRS IT environment underpins all of the service and enforcement improvements described in this update.”).

22 IRS, Pub. 4450, IRS Fiscal Year 2025 Congressional Budget Justification & Annual Performance Report and Plan 5 (Feb. 2024), <https://home.treasury.gov/system/files/266/02.-IRS-FY2025-CJ.pdf>.

23 See IRS, Pub. 3744-A, 2024 IRA Strategic Operating Plan Annual Update Supplement 18 (Apr. 2024), <https://www.irs.gov/pub/irs-pdf/p3744a.pdf>.

24 GAO, GAO-24-106566, *Information Technology: IRS Needs to Complete Planning and Improve Reporting for Its Modernization Programs* 12-13 (2024), <https://www.gao.gov/products/gao-24-106566>.

25 See OMB, Memorandum No. M-24-10, *Advancing Governance, Innovation, and Risk Management for Agency Use of Artificial Intelligence* 24-25 (2024), <https://www.whitehouse.gov/wp-content/uploads/2024/03/M-24-10-Advancing-Governance-Innovation-and-Risk-Management-for-Agency-Use-of-Artificial-Intelligence.pdf>.

Technology is not the only area of concern for IRS transparency. The IRS must be proactive in issuing guidance on tax law that is clear and timely and that adequately reflects input from stakeholders while fully complying with the notice-and-comment requirements of the Administrative Procedure Act.<sup>26</sup> As the IRS continues to implement its Strategic Operating Plan (SOP), it needs to provide stakeholders with meaningful updates on its progress without overstating successes or minimizing setbacks. These updates must include performance metrics and specific deadlines that objectively report progress toward all initiatives in the SOP, not just modernization efforts the IRS currently prioritizes.<sup>27</sup>

**Objective 3 for FY 2025 – TAS will continue to advocate for the IRS to be fully transparent and provide specific details on its progress toward implementing the SOP, including its efforts to modernize technology and strategically implement AI, and to produce clear and timely guidance and information to taxpayers, tax professionals, industry, and other stakeholders.**

- Activity 1: Make recommendations through TAS’s cross-functional working groups, the IRS Advisory Counsel, public speeches, blogs, Reports to Congress, and other avenues that the IRS be transparent when providing updates on its plans for modernization and its progress toward meeting modernization initiatives.
- Activity 2: Review IRS uses of AI to ensure that they comply with government-wide standards on taxpayer rights and data privacy through membership on the Data and Analytics Strategic Integration Board, the AI Assurance Team, or other cross-functional groups involved in AI oversight.
- Activity 3: Conduct listening sessions and other forms of outreach with external stakeholders to identify areas in which the IRS has not provided taxpayers with guidance and information that is timely and clear and that adequately incorporates stakeholder feedback. Use internal meetings, blogs, and Reports to Congress to advocate for the IRS to promptly address these issues.

#### **4. IMPROVE TAXPAYER ACCESS TO TELEPHONE AND IN-PERSON ASSISTANCE**

When taxpayers need IRS assistance filing and paying their federal taxes, two of the primary service channels they use are calling telephone lines and seeking in-person assistance at Taxpayer Assistance Centers (TACs).<sup>28</sup> The IRS reports its performance assisting callers on the telephone lines using a metric called Level of Service (LOS), which fails to measure several industry standard factors such as:

- Satisfaction (whether the customer is satisfied with service received);
- Confidence/trust (whether the interaction increased confidence in the federal program/service or the ability to serve its relevant population);
- Effectiveness/quality (whether the customer’s need was addressed or issue was resolved);
- Ease/simplicity (whether it was easy to complete what needed to be done);
- Efficiency/speed (whether it took a reasonable amount of time to complete what needed to be done);

26 5 U.S.C. §§ 551-559. See National Taxpayer Advocate 2023 Annual Report to Congress 176-177 (Most Litigated Issues: *Litigation Trend: Challenges Concerning the Administrative Procedure Act*), [https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2024/02/ARC23\\_MostLitigatedIssues.pdf](https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2024/02/ARC23_MostLitigatedIssues.pdf).

27 The IRS’s 2024 SOP update and update supplement both present arguments for why the IRS has been successful so far in its modernization efforts, but neither attempts to comprehensively describe IRS progress toward all initiatives in the SOP. See IRS, Pub. 3744-A, 2024 IRA Strategic Operating Plan Annual Update Supplement (Apr. 2024), <https://www.irs.gov/pub/irs-pdf/p3744a.pdf>; IRS, Pub. 3744-B, 2024 IRA Strategic Operating Plan Annual Update (Apr. 2024), <https://www.irs.gov/pub/irs-pdf/p3744b.pdf>.

28 See IRS, Service to Taxpayers (Mar. 13, 2023), <https://www.irs.gov/statistics/service-to-taxpayers>.



- Equity/transparency (whether the customer was treated fairly/understood what was being asked of the customer throughout the process); and
- Employee helpfulness (whether employees the customer interacted with were helpful).<sup>29</sup>

TAS has advocated for the IRS to adopt a more comprehensive measure of phone service that includes the quality of the caller's experience.<sup>30</sup> Although it is commendable that the IRS reported a CSR LOS of 88 percent on its Accounts Management (AM) toll-free phone lines during Filing Season 2024,<sup>31</sup> that calculation includes calls where the IRS routed a caller to an automated response when they wanted to reach a live assistor, calls where the CSR was unable to answer the caller's questions, and calls where the taxpayer had to call multiple times or was unsatisfied with the service they received from a CSR for other reasons. As such, the LOS is neither a good measurement of service nor an accurate reflection of the taxpayer experience. On other phone lines outside of AM, such as the Installment Agreement/Balance Due lines and the Taxpayer Protection Program line, the IRS achieved low Levels of Service even by its own measurement, reporting Levels of Service of 42 and 17 percent, respectively.<sup>32</sup> Assisting taxpayers with collection or fraud issues and improving service must be a priority for the IRS.

The IRS provides face-to-face taxpayer assistance at local TAC offices across the country, the District of Columbia, and Puerto Rico. Taxpayers serviced at TACs rated the quality of their service between 86 and 93 percent during 2023.<sup>33</sup> However, when taxpayers call the IRS for assistance, such as to make a TAC appointment, the IRS only allows them to rate their experience if the IRS CSR resolves the taxpayer's inquiry and the taxpayer agrees to the IRS transferring them to the survey.<sup>34</sup> The IRS should allow taxpayers to opt into a survey before it connects them with a CSR, so they can provide feedback on the quality of their experience, regardless of whether the CSR resolves the taxpayer's inquiry. Also, the IRS does not give callers the opportunity to rate the quality of their experience when it disconnects the call. In fact, through April 20, over 23,000 callers to the TAC appointment line, 241,000 callers to the AM lines, and 3.7 million callers on the IRS Enterprise lines during 2024 were unable to rate the quality of their experience because the IRS disconnected their call.<sup>35</sup>

29 See OMB, *Preparation, Submission, and Execution of the Budget*, Circular No. A-11, Section 280 (July 10, 2020), <https://trumpadministration.archives.performance.gov/cx/assets/files/a11-280.pdf>. OMB developed this list of factors using leading practices from the private and public sectors, including Fortune 500 companies, market research institutions, and international organizations. Transactional surveys, such as the Accounts Management toll-free survey, have been aligned to these standards since 2020; however, the IRS lacks transparency about how the results of these surveys guide operational planning, as it places the majority of focus on LOS measures. The IRS also specifies that telephone calls will be measured for Timeliness, Professionalism, Customer Accuracy, Regulatory/Statutory Accuracy and Procedural Accuracy. See Internal Revenue Manual (IRM) 21.10.1.4.1.1, Accounts Phones Measure (Oct. 1, 2006), [https://www.irs.gov/irm/part21/irm\\_21-010-001](https://www.irs.gov/irm/part21/irm_21-010-001).

30 See National Taxpayer Advocate 2023 Annual Report to Congress 48, 63 (Most Serious Problem: *Telephone and In-Person Service: Despite Improvements in Its Service Levels, the IRS Still Does Not Provide Taxpayers and Tax Professionals With Adequate, Timely Telephone and In-Person Service*), [https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2024/01/ARC23\\_MSP\\_04\\_Telephone-InPerson.pdf](https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2024/01/ARC23_MSP_04_Telephone-InPerson.pdf).

31 Approximately 35 phone lines reside within the IRS's Taxpayer Services AM function, which typically accounted for about 71 percent of the total call volume the IRS received during Filing Season 2024. IRS, Joint Operations Center (JOC), Snapshot Reports: Enterprise Snapshot, Enterprise Total; IRS, JOC, Snapshot Reports: Accounts Management (week ending Apr. 20, 2024). The IRS's formula for determining LOS is more complex than just number of calls received divided by number of calls answered. The LOS formula is: (Assistor Calls Answered + Automated Calls Answered (Info Messages)) divided by (Assistor Calls Answered + Automated Calls Answered (Info Messages) + Emergency Closed + Secondary Abandons + (Add either Calculated Busy Signal or Network Incompletes) + (Add either Calculated Network Disconnects or Total Disconnects)). Net AM attempts divided by net Enterprise attempts for Filing Season 2024 produced a percentage of 71.

32 IRS, JOC, Snapshot Reports: Product Line Detail (week ending Apr. 20, 2024).

33 IRS response to TAS information request (May 15, 2024).

34 *Id.*

35 *Id.*

Although improved in 2024, staffing shortages still limited taxpayer access to TAC services. During 2024, 22 TACs closed and provided no services for 30 days or more due to staffing shortages.<sup>36</sup> As of April 20, 2024, 252 TAC locations were open, and 16 were closed or unstaffed.<sup>37</sup> The IRS was able to fully staff only 27 percent of the TACs that stayed open, meaning fewer taxpayers could receive assistance.<sup>38</sup> Under normal procedures, taxpayers must make an appointment to receive TAC assistance; however, in a welcome change, the IRS served nearly 85,000 taxpayers without an appointment during regular TAC hours during 2024.<sup>39</sup> The average number of days taxpayers waited for a TAC appointment after scheduling decreased from 18.4 days in FY 2021 to 14.5 days in FY 2023, which was a 21 percent reduction, but still fell short of the seven-day waiting period TAS recommended in the 2023 Annual Report to Congress.<sup>40</sup>

The IRS offered special in-person Saturday hours known as Taxpayer Experience Days once a month during February, March, April, and May at many TAC locations. Taxpayers were able to walk in and receive most services routinely offered by the TAC without an appointment.<sup>41</sup> Through May, the IRS had held four Taxpayer Experience Days at 117 TACs during 2024 and served over 15,000 taxpayers.<sup>42</sup>

TAS has advocated for the IRS to increase availability of TAC in-person assistance so taxpayers can obtain an appointment within seven days and extend hours of operation beyond 8:30 a.m. to 4:30 p.m., Monday through Friday, including regular Saturday hours.<sup>43</sup> From January 29 through April 16, 2024, the IRS extended service hours on Tuesdays and Thursdays between 7:30-8:30 a.m. and 4:30-6 p.m. at 242 TAC locations, a positive start.<sup>44</sup> Over 600 TAC employees provided more than 12,800 additional hours of service at TACs during this filing season, and the TACs served a total of 784,000 taxpayers during regular and extended hours.<sup>45</sup> Auditors from the Treasury Inspector General for Tax Administration (TIGTA) made unannounced visits to 16 of the locations offering Saturday walk-in service.<sup>46</sup> TIGTA auditors, acting as taxpayers, posed one of two general tax law questions to TAC assistants and evaluated the TAC environment, including wait times, orderliness, and employee professionalism.<sup>47</sup> The auditors found that the TAC assistants generally provided accurate and professional assistance, but taxpayers experienced long wait times, ranging from three to seven hours at seven of the sampled TACs, highlighting the need for more service providers to

36 IRS response to TAS information request (May 15, 2024).

37 IRS response to TAS information request (May 23, 2024).

38 IRS response to TAS information request (May 15, 2024).

39 IRS response to TAS information request (May 23, 2024).

40 Treasury Inspector General for Tax Administration (TIGTA), Ref. No. 2024-100-022, *Taxpayer Assistance Centers Generally Provided Quality Service, But Additional Actions Are Needed to Reduce Taxpayer Burden* 4 (2024), <https://www.tigta.gov/sites/default/files/reports/2024-05/2024100022fr.pdf>; National Taxpayer Advocate 2023 Annual Report to Congress 48, 64 (Most Serious Problem: Telephone and In-Person Service: Despite Improvements in Its Service Levels, the IRS Still Does Not Provide Taxpayers and Tax Professionals With Adequate, Timely Telephone and In-Person Service), [https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2024/01/ARC23\\_MSP\\_04\\_Telephone-InPerson.pdf](https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2024/01/ARC23_MSP_04_Telephone-InPerson.pdf).

41 IRS, Pub. 3744, IRS Inflation Reduction Act Strategic Operating Plan (Apr. 2023), <https://www.irs.gov/pub/irs-pdf/p3744.pdf>; IRS, IRS Face-to-Face Saturday Help (May 17, 2024), <https://www.irs.gov/help/irs-face-to-face-saturday-help>.

42 IRS response to TAS information request (May 23, 2024); TIGTA, Ref. No. 2024-100-022, *Taxpayer Assistance Centers Generally Provided Quality Service, But Additional Actions Are Needed to Reduce Taxpayer Burden* 1 (2024), <https://www.tigta.gov/sites/default/files/reports/2024-05/2024100022fr.pdf>.

43 See National Taxpayer Advocate 2023 Annual Report to Congress 48, 64 (Most Serious Problem: Telephone and In-Person Service: Despite Improvements in Its Service Levels, the IRS Still Does Not Provide Taxpayers and Tax Professionals With Adequate, Timely Telephone and In-Person Service), [https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2024/01/ARC23\\_MSP\\_04\\_Telephone-InPerson.pdf](https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2024/01/ARC23_MSP_04_Telephone-InPerson.pdf).

44 IRS News Release, IR-2024-25, IRS Offering Additional Time at Taxpayer Assistance Centers for Face-to-Face Help (Jan. 29, 2024), <https://www.irs.gov/newsroom/irs-offering-additional-time-at-taxpayer-assistance-centers-for-face-to-face-help>; IRS response to TAS information request (May 23, 2024).

45 IRS response to TAS information request (May 23, 2024); IRS, CY 2024 Individual Filing Season Report (week ending Apr. 20, 2024).

46 TIGTA, Ref. No. 2024-100-022, *Taxpayer Assistance Centers Generally Provided Quality Service, But Additional Actions Are Needed to Reduce Taxpayer Burden* 9 (2024), <https://www.tigta.gov/sites/default/files/reports/2024-05/2024100022fr.pdf>.

47 *Id.* at 10.

meet taxpayer demand.<sup>48</sup> The IRS is assessing the possibility of implementing extended hours as a regular, ongoing program, which would provide a great benefit to taxpayers.<sup>49</sup>

**Objective 4 for FY 2025 – TAS will work with the IRS to improve taxpayer access to telephone and in-person assistance.**

- Activity 1: Advocate for the discontinuation of the LOS measure.
- Activity 2: Propose new methods of measuring the taxpayer experience that include metrics related to quality of service provided for the IRS to put in place by the end of FY 2025.
- Activity 3: Advocate for the IRS to allow callers to opt into a post-call quality survey before they connect to a CSR by the end of FY 2025.
- Activity 4: Promote expanded TAC hours of operation beyond 8:30 a.m. to 4:30 p.m., Monday through Friday, including regular Saturday hours, to be in place by the end of FY 2025 for all TAC offices.

**5. INCREASE AWARENESS OF THE NEED FOR IRS OVERSIGHT OF PAID FEDERAL RETURN PREPARERS**

Return preparers play an essential role in tax administration. In recent years, paid tax return preparers prepared the majority of the individual income tax returns filed.<sup>50</sup> Many of these preparers have no credentials and are subject to no minimum standards, such as competency tests, continuing education, or ethical rules. IRS data shows that there are significantly more non-credentialed paid tax return preparers than the total of all credentialed paid preparers preparing individual returns.<sup>51</sup> Non-credentialed preparers disproportionately serve lower-income taxpayers. For example, non-credentialed preparers prepared approximately 82 percent of the tax year (TY) 2022 individual returns claiming the Earned Income Tax Credit (EITC) that were prepared by paid tax return preparers.<sup>52</sup>

IRS oversight of the profession would protect taxpayers by imposing ethical rules on and ensuring a minimum level of competency for paid federal return preparers. The absence of such oversight exposes taxpayers to harm imposed by inept or dishonest return preparers. Because taxpayers bear ultimate responsibility for the accuracy of their own returns, incompetent and unethical return preparers subject taxpayers to unanticipated tax deficiencies, penalties, interest, overpaid taxes, or lost refunds. Non-credentialed preparers generate a disproportionate level of EITC audit adjustments. For example, of the TY 2021 EITC returns prepared by a paid preparer and subject to audit, approximately 94 percent of the audit adjustments (in dollars) were made to returns prepared by non-credentialed preparers.<sup>53</sup> This IRS data suggests that a significant portion of EITC improper payments was attributable to tax returns prepared by non-credentialed paid preparers.<sup>54</sup>

48 TIGTA, Ref. No. 2024-100-022, Taxpayer Assistance Centers Generally Provided Quality Service, But Additional Actions Are Needed to Reduce Taxpayer Burden 10 (2024), <https://www.tigta.gov/sites/default/files/reports/2024-05/2024100022fr.pdf>.

49 IRS response to TAS information request (May 23, 2024).

50 IRS, CDW, Individual Returns Transaction File (IRTF) TYs 2018-2022 (through Dec. 31, 2023).

51 Almost 60 percent of unique Preparer Tax Identification Numbers (PTINs) recorded on TY 2022 individual returns belonged to non-credentialed preparers. Of the approximately 534,000 unique PTINs recorded on TY 2022 individual returns, more than 313,000 were non-credentialed return preparers. IRS, CDW, IRTF TYs 2018-2022, Return Preparers and Providers (RPP) Database (through Dec. 31, 2023). Because the IRS cannot determine the number of ghost preparers preparing tax returns, this figure underestimates the number of non-credentialed return preparers actually preparing returns. Ghost preparers are preparers who fail to appropriately sign and enter their PTIN on the returns they prepare, typically making it appear as if the taxpayer self-prepared the return.

52 IRS, CDW, IRTF TYs 2018-2022, RPP Database (through Dec. 31, 2023).

53 IRS, CDW, IRTF TYs 2018-2022, RPP Database, and Audit Information Management System (AIMS) Closed Case Database (through Dec. 31, 2023).

54 In FY 2023, the IRS estimates the amount of EITC improper payments was \$22 billion, or 33.5 percent of dollars paid out. GAO, GAO-24-106927, *Improper Payments: Information on Agencies' Fiscal Year 2023 Estimates* (2024), <https://www.gao.gov/products/gao-24-106927>.

Since 2002, to protect taxpayers from the harm imposed by untrained and unscrupulous non-credentialed return preparers, the National Taxpayer Advocate has recommended that Congress authorize the IRS to conduct return preparer oversight.<sup>55</sup> Through data-supported outreach, TAS will continue raising awareness of the need to impose minimum standards on paid federal return preparers. To further protect taxpayers, especially before Congress enacts any preparer oversight legislation, TAS will also raise taxpayer awareness on how to select a reputable return preparer.

**Objective 5 for FY 2025 – TAS will increase awareness of the risks inherent in the current lack of oversight of paid federal return preparers.**

- Activity 1: Conduct research in connection with the development of the related Purple Book legislative recommendation<sup>56</sup> to identify statistical data supporting the need to impose minimum competency and ethical standards on paid federal return preparers.
- Activity 2: Develop outreach (*e.g.*, NTA Blog, TAS Tax Tips) to raise taxpayer awareness on how to select a reputable tax return preparer.
- Activity 3: Meet with congressional members and staff throughout the year and during the Congressional Affairs Program conference, as appropriate, to discuss the Purple Book legislative recommendation to authorize the IRS to establish minimum competency standards for federal tax return preparers.

**6. REDUCE PROCESSING TIMES FOR IDENTITY THEFT VICTIM ASSISTANCE CASES**

Each year, hundreds of thousands of taxpayers are victims of tax-related identity theft. In FY 2022, the IRS had 228,383 Identity Theft Victim Assistance (IDTVA) case receipts, and in FY 2023, they increased to 294,138.<sup>57</sup> This increase resulted in part from the issuance of pandemic-era credits such as Economic Impact Payments, the Additional Child Tax Credit, and the Advance Child Tax Credit, which led to the IRS having a backlog of IDTVA cases. IDTVA case receipts seem to be on a similar trajectory in FY 2024 as there have been 189,653 IDTVA case receipts in FY 2024 through May 25, 2024. The IRS received 93,429 of these case receipts during Filing Season 2024.<sup>58</sup> Identity thieves are often motivated by large credits to steal taxpayers' personal identifying information and file fraudulent returns so they can divert taxpayers' refunds to themselves. It took the IRS 556 days in FY 2023 to resolve IDTVA cases – nearly 19 months.<sup>59</sup> As of April 2024, the processing time jumped to 675 days – nearly two years.<sup>60</sup>

It has been four years from the onset of the pandemic, and the IRS's delays in helping victims are unconscionable.<sup>61</sup> The IRS has prioritized other service areas, such as processing a backlog of paper-filed returns and achieving an 85 percent Level of Service on its main toll-free lines, to demonstrate its success, while identity theft victims continue to experience extreme processing timeframes to get their refunds.<sup>62</sup> It is past time for the IRS to prioritize IDTVA cases.

55 See National Taxpayer Advocate 2002 Annual Report to Congress 216 (Legislative Recommendation: *Regulation of Federal Tax Return Preparers*), [https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2020/08/arc2002\\_section\\_two.pdf](https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2020/08/arc2002_section_two.pdf).

56 National Taxpayer Advocate 2024 Purple Book, *Compilation of Legislative Recommendations to Strengthen Taxpayer Rights and Improve Tax Administration 7 (Authorize the IRS to Establish Minimum Competency Standards for Federal Tax Return Preparers and Revoke the Identification Numbers of Sanctioned Preparers)*, [https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2024/01/ARC23\\_PurpleBook\\_02\\_ImproveFiling\\_4.pdf](https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2024/01/ARC23_PurpleBook_02_ImproveFiling_4.pdf).

57 IRS, JOC, AM RAD, IDTVA Accounts Inventory Report for Individuals, FY 2022 through FY 2024.

58 IRS, JOC, AM RAD, IDTVA Accounts Inventory Report for Individuals, FY 2024.

59 IRS, JOC, AM RAD, Correspondence Imaging System (CIS) Closed Case Cycle Time for the Identity Theft Victims Unit Reports, FY 2023.

60 IRS, JOC, AM RAD, CIS Closed Case Cycle Time for the Identity Theft Victims Unit Reports (through Mar./Apr. 2024).

61 Erin M. Collins, Identity Theft Victims Are Waiting Nearly Two Years to Receive Their Tax Refunds, NATIONAL TAXPAYER ADVOCATE BLOG (June 6, 2024), <https://www.taxpayeradvocate.irs.gov/news/nta-blog/identity-theft-victims-are-waiting-nearly-two-years-to-receive-their-tax-refunds/2024/06>.

62 Janet L. Yellen, Sec'y of the Treasury, Remarks at IRS Headquarters in Washington, D.C. (Nov. 7, 2023), <https://home.treasury.gov/news/press-releases/jy1888>.

The IRS's failure to reduce these timeframes further harms victims who are often dealing with other issues related to the identity theft. These taxpayers won't receive their federal tax refunds until the IRS resolves their IDTVA cases. These delays are particularly challenging for low-income taxpayers who may rely on these refunds to pay their day-to-day living expenses or expenses accrued throughout the year, such as medical bills. IRS delays in issuing refunds may force some taxpayers to reduce their food expenses, leading to food insecurity.<sup>63</sup> In addition, these identity theft victims may struggle to secure certain kinds of loans, such as mortgages.<sup>64</sup>

The IRS's lengthy delays in resolving these IDTVA cases have also led to collection problems for some taxpayers. For instance, taxpayers who have elected to apply an overpayment to the next tax year may receive a collection notice because the IRS won't apply the overpayment until it resolves the IDTVA case. Another consequence of the lengthy processing time is that the IRS will not automatically assign an Identity Protection PIN (IP PIN) until it resolves their case.<sup>65</sup> However, taxpayers can request an IP PIN on their own at any point during the IDTVA case resolution process.<sup>66</sup> Undoubtedly, more problems are likely to arise until the IRS addresses the lengthy IDTVA processing times.<sup>67</sup>

#### **Objective 6 for FY 2025 – TAS will work with the IRS to identify ways to reduce IDTVA case processing times.**

- Activity 1: Work with the IRS to identify ways to improve efficiency in IDTVA case processing to achieve shorter processing times.
- Activity 2: Identify systemic issues arising from these lengthy IDTVA case processing times and work with the IRS to systemically solve these problems.
- Activity 3: Advocate for the IRS to provide more specific processing timeframes for IDTVA cases on the IRS operational page.<sup>68</sup>

### **7. IMPROVE THE CUSTOMER EXPERIENCE FOR ONLINE ACCOUNTS AVAILABLE TO INDIVIDUALS, BUSINESSES, AND TAX PROFESSIONALS**

The IRS has continued to expand its online account functionality, but taxpayers and tax professionals still lack comprehensive online accounts. The lack of a robust, self-service avenue to interact online with the IRS fails to adequately meet taxpayer service expectations and forces taxpayers and tax professionals to pursue alternative methods that delay resolution, such as calling for assistance, seeking in-person assistance at a TAC, submitting paper documents, or forgoing assistance entirely.

63 O. Kondratjeva, *The Impact of Tax Refund Delays on the Experience of Hardship Among Lower-Income Households*, J. OF CONSUMER POL'Y, 45:239-280 (2022), <https://link.springer.com/content/pdf/10.1007/s10603-021-09501-4.pdf>.

64 IRM 21.2.3.5.8(4), Transcripts and Identity Theft (Apr. 29, 2022), [https://www.irs.gov/irm/part21/irm\\_21-002-003r](https://www.irs.gov/irm/part21/irm_21-002-003r). When a taxpayer has an identity theft indicator on their account, they won't be able to have the IRS send tax transcripts directly to a third party, such as a mortgage lender. In these situations, IRS assistors are instructed to inform the taxpayer: "'In cases of identity theft, the financial community has been made aware we will only release transcripts to the taxpayer. A mortgage company or lender does not need to obtain the transcript directly from the IRS.' See Regulation 12 CFR § 1026.43(c)(4)."

65 An IP PIN is a unique number issued annually known only to the IRS and the taxpayer. An IP PIN protects identity theft victims against future identity theft. The taxpayer includes the IP PIN on their return as a safeguard and as a way for the IRS to know it is truly the taxpayer filing the tax return rather than a bad actor.

66 IRM 25.23.2.9.1.2, Get an IP PIN Online Available for Taxpayers to Opt-In to the IP PIN Program (May 8, 2023), [https://www.irs.gov/irm/part25/irm\\_25-023-002r](https://www.irs.gov/irm/part25/irm_25-023-002r). The IRS issues an IP PIN to taxpayers who are victims of tax-related identity theft once it resolves their cases and requires the taxpayers to use an IP PIN to file their returns going forward.

67 IRM 25.23.2.6, Closing Identity Theft Issues (Sept. 6, 2023), [https://www.irs.gov/irm/part25/irm\\_25-023-002r](https://www.irs.gov/irm/part25/irm_25-023-002r). The completion of the necessary actions and input of a closing code by the IDTVA employee trigger the issuance of the IP PIN.

68 See IRS, IRS Operations: Status of Mission-Critical Functions (Apr. 10, 2024), <https://www.irs.gov/newsroom/irs-operations-status-of-mission-critical-functions>.



The IRS SOP contains many objectives that have the potential to transform the modernization of online accounts, such as improving self-service options, building status tracking tools, and expanding digital response options. As the IRS implements its SOP, TAS will continue to advocate for it to develop online account functionality with a taxpayer-centric approach that prioritizes the experience and needs of all taxpayers and tax professionals while incorporating input from stakeholders.<sup>69</sup>

On September 22, 2023, OMB issued Memorandum M-23-22, *Delivering a Digital-First Public Experience*, which provides guidance to agencies on how to design and deliver websites and digital services to the public. It includes and summarizes many best practices for digital services, including:

- Provide services to the public in a manner that maximizes self-service or transaction completion;
- Design and deliver digital options with users at the center of the experience;
- Prioritize customization to help users complete more relevant tasks more quickly;
- Ensure accessibility for people of diverse abilities;
- Provide content that is authoritative and easy to understand;
- Ensure the design of digital services incorporates appropriate privacy safeguards; and
- Build a digital workforce capable of delivering information and services to the public.<sup>70</sup>

Online accounts with robust services that incorporate the digital-first public experience best practices are an important tool to improve the taxpayer experience and raise taxpayers' overall satisfaction and trust in the IRS, and TAS will continue to advocate that the IRS implement these best practices.

**Objective 7 for FY 2025 – TAS will work with the IRS to incorporate the digital-first public experience best practices for online accounts available to individuals, businesses, and tax professionals.**

- Activity 1: Monitor IRS implementation of the SOP objectives relating to online accounts and provide recommendations to ensure the IRS makes timely progress toward developing online account functionality with a taxpayer-centric approach that prioritizes the experience and needs of individual and business taxpayers and tax professionals.
- Activity 2: Provide recommendations to the IRS for the expansion of services available within Individual Online Accounts, Business Tax Accounts, and Tax Pro Accounts.

**8. IMPROVE ADMINISTRATION OF INTERNATIONAL INFORMATION RETURN PENALTIES BY ELIMINATING SYSTEMIC ASSESSMENTS, OFFERING A FIRST-TIME ABATEMENT WAIVER, AND INCREASING TAXPAYER AWARENESS**

U.S. persons who receive money from abroad, have foreign financial interests, or engage in cross-border activities are potentially subject to a wide range of U.S. reporting requirements. Many of the international information return requirements can result in significant penalties when a filing is late, incomplete, or inaccurate, even if the information reported relates to income that isn't taxable. These penalties are broadly applied, needlessly harsh, and often unexpected, harming unsuspecting lower- and middle-income taxpayers, small businesses, and immigrants.<sup>71</sup> In FY 2025, TAS will continue to work with the IRS to develop a sounder approach to this penalty regime.

<sup>69</sup> IRS, Pub. 3744, IRS Inflation Reduction Act Strategic Operating Plan (Apr. 2023), <https://www.irs.gov/pub/irs-pdf/p3744.pdf>.

<sup>70</sup> OMB Memorandum No. M-23-22, *Delivering a Digital-First Public Experience* (Sept. 2023) (implementing the 21st Century Integrated Digital Experience Act, Pub. L. No. 115-336, 132 Stat. 5025 (2018)), <https://www.whitehouse.gov/omb/management/ofcio/delivering-a-digital-first-public-experience/>.

<sup>71</sup> See National Taxpayer Advocate 2023 Annual Report to Congress 101 (Most Serious Problem: *International: The IRS's Approach to International Information Return Penalties Is Draconian and Inefficient*), [https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2024/01/ARC23\\_MSP\\_08\\_International.pdf](https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2024/01/ARC23_MSP_08_International.pdf).

In many cases, the failure to file is simply due to the taxpayer being unaware of international information return reporting obligations. This is particularly true when there are no federal tax consequences involved, such as when a taxpayer receives a nontaxable gift. Additional transparency and clarity regarding international information return requirements could contribute to compliance, which would be beneficial to taxpayers and the IRS. For example, the IRS should update Schedule B (Form 1040), Interest and Ordinary Dividends, and the related instructions to include foreign gifts as potentially reportable transfers.

Another significant issue arises because most of these penalties are systemically assessed at the time the IRS receives a late information return, which means taxpayers have no preassessment mechanism for disputing the penalty. The IRS use of systemic penalties creates hardships for taxpayers, causes substantial inequities and inefficiencies in tax administration, and rests on a questionable legal foundation.<sup>72</sup> Although many of these penalties are ultimately abated by the IRS for administrative reasons, including that the taxpayer filed returns timely or the IRS granted reasonable cause relief, the process may come at a great financial cost and emotional toll for taxpayers. For example, for the most frequently assessed international information return penalties (IRC §§ 6038 and 6038A), TAS has found that, averaged across calendar years 2018–2021, the abatement percentage as measured by number of penalties was 74 percent and by dollar value was 84 percent.<sup>73</sup> Since taxpayers and the IRS expend significant time, energy, and money addressing penalties that the IRS should not have assessed in the first place, the IRS should stop systemically assessing these penalties. Furthermore, these penalties should be directly eligible for first-time abatement, ideally the systemic first-time abatement for which the National Taxpayer Advocate has broadly advocated.<sup>74</sup> Offering an international information return first-time abatement waiver would help extend equitable treatment to taxpayers and bring administrative efficiency to the IRS.

**Objective 8 for FY 2025 – TAS will advocate to end systemic assessment of international information return penalties and to develop a first-time abatement waiver specific to these penalties.**

- Activity 1: Continue to advocate for the IRS to end the systemic assessment regime for Chapter 61 international information return penalties.
- Activity 2: Continue to meet with the IRS Office of Servicewide Penalties and the Taxpayer Experience Office to discuss extending eligibility for first-time abatement to all international information return penalties regardless of whether the underlying return was filed late.

72 The IRS's position is that the penalties in Title 26, Subtitle F, Chapter 61, Subchapter A, Part III are not subject to deficiency procedures and are immediately assessable. The National Taxpayer Advocate's position, consistent with that of the U.S. Tax Court in *Farhy v. Comm'r*, 160 T.C. No. 6 (Apr. 3, 2023), *rev'd and remanded*, No. 23-1179, 2024 WL 1945977 (D.C. Cir. May 3, 2024), is that these penalties do not contain or cross-reference language authorizing the IRS to treat them as assessable, and, therefore, the U.S. Department of Justice would need to institute a civil action to recover the penalties. In May 2024, the D.C. Circuit Court of Appeals reversed the Tax Court's decision in *Farhy*, holding that "the statute's text, structure, and function" indicated the penalties were assessable. *Farhy v. Comm'r*, No. 23-1179, 2024 WL 1945977, at \*10 (D.C. Cir. May 3, 2024). According to the rule laid out in *Golsen v. Comm'r*, 54 T.C. 742 (1970), the D.C. Circuit's ruling sets a precedent for the Tax Court in cases within the D.C. Circuit's appellate jurisdiction. The Tax Court addressed the applicability of the *Golsen* rule to *Farhy* in a recent case in which the Tax Court rejected the government's suggestion that it reconsider *Farhy* and explained that "the mere fact that *Farhy* is currently on appeal at the D.C. Circuit is insufficient. This case is appealable to the Eighth Circuit, and therefore any ruling from the D.C. Circuit would not be binding on this proceeding." *Mukhi v. Comm'r*, 162 T.C. No. 8 (Apr. 8, 2024) (citing to *Golsen*, 54 T.C. at 757). It remains to be seen if the IRS will appeal the decision in *Mukhi*, which followed the Tax Court's earlier decision that the IRS does not have assessment authority for these penalties, which could result in a split of opinion between circuits. See also National Taxpayer Advocate 2020 Annual Report to Congress 119 (Most Serious Problem: *International: The IRS's Assessment of International Penalties Under IRC §§ 6038 and 6038A Is Not Supported by Statute, and Systemic Assessments Burden Both Taxpayers and the IRS*), [https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2021/01/ARC20\\_MSP\\_08\\_International.pdf](https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2021/01/ARC20_MSP_08_International.pdf).

73 IRS, CDW, Business Master File. Because of such factors as the broad penalty relief provided in IRS Notice 2022-36, 2022-36 I.R.B. 188, Penalty Relief for Certain Taxpayers Filing Returns for Taxable Years 2019 and 2020, and processing delays due to COVID-19, penalty data in any given recent year may not be illustrative of long-term trends. For this reason, we present a four-year average.

74 For further discussion, see National Taxpayer Advocate Fiscal Year 2024 Objectives Report to Congress 21 (Systemic Advocacy Objective: *Implement Systemic First Time Abatement But Allow Substitution of Reasonable Cause*), [https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2023/06/JRC24\\_SAO\\_SystAdvObjs.pdf](https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2023/06/JRC24_SAO_SystAdvObjs.pdf).

- Activity 3: Advocate for updating the Internal Revenue Manual (IRM) to require review of reasonable cause relief requests before assessing penalties when these requests are submitted in conjunction with late filed international information returns potentially giving rise to penalties.
- Activity 4: Collaborate with the IRS to discuss the possibility of adding language to the Schedule B and related instructions to include foreign gifts as potentially reportable.

## 9. REDUCE COMPLIANCE CHALLENGES FOR TAXPAYERS ABROAD

Taxpayers abroad face significant challenges in meeting their U.S. tax obligations.<sup>75</sup> They are plagued by a complex tax code and declining levels of IRS customer service. They can be liable for severe penalties for failing to file or incorrectly filing their tax returns and complicated international information returns, of which they may not be aware. Yet, they have no access to in-person IRS assistance and almost no ability to access free return preparation assistance. Additionally, taxpayers abroad often encounter significant delays in receiving correspondence from or sending correspondence to the IRS and have insufficient timeframes in which to respond to key IRS notices, which causes them to lose critical administrative, due process, and judicial rights. Other challenges include difficulties in obtaining Individual Taxpayer Identification Numbers and checking on their application status, access to only one dedicated IRS telephone line (that is not toll-free), language barriers, problems accessing online resources, and limited payment and refund options.

Despite the multitude of challenges facing taxpayers abroad, the IRS offers only limited assistance, and many IRS systems are still not compatible with the needs of this population. The complexity of U.S. tax laws and the lack of accessible IRS customer service and assistance burdens taxpayers, especially those abroad, causes frustration, and impedes compliance. To protect taxpayer rights and improve voluntary compliance for this population, the IRS needs to educate and assist taxpayers abroad, improve customer service options, and reduce the challenges these taxpayers face.

### **Objective 9 for FY 2025 – TAS will identify compliance challenges for taxpayers abroad and make administrative recommendations to minimize burdens imposed on this population.**

- Activity 1: Meet with stakeholders and representatives for international taxpayers to better understand the difficulties they face in complying with their U.S. tax obligations and make recommendations to the IRS to reduce compliance burdens.
- Activity 2: Work with the IRS to identify which IRS forms and publications individual taxpayers abroad use most and recommend the IRS prioritize them for translation into languages other than English.
- Activity 3: Review IRM provisions and IRS correspondence products to identify circumstances in which taxpayers abroad do not have sufficient time to respond and make recommendations to the IRS to revise such notices and procedures to provide additional time.
- Activity 4: Review the IRS's FAQs about international individual tax matters applicable to U.S. taxpayers abroad and provide specific suggestions to the IRS about how to improve that content to make it more helpful to taxpayers abroad.

<sup>75</sup> National Taxpayer Advocate 2023 Annual Report to Congress 116 (Most Serious Problem: *Compliance Challenges for Taxpayers Abroad: Taxpayers Abroad Continue to Be Underserved and Face Significant Challenges in Meeting Their U.S. Tax Obligations*), [https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2024/01/ARC23\\_MSP\\_09\\_Compliance-Abroad.pdf](https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2024/01/ARC23_MSP_09_Compliance-Abroad.pdf).

## 10. IMPROVE IRS ALTERNATIVE DISPUTE RESOLUTION USE AND EFFECTIVENESS

The IRS's Alternative Dispute Resolution (ADR) programs offer a unique opportunity for taxpayers to expedite the administrative resolution of their tax disputes, provide finality, and eliminate the burden and need for costly litigation. The IRS designed the ADR programs to save taxpayers and the government time and resources and ensure the protection of taxpayer rights. However, a 65 percent decline in taxpayer use of ADR between FYs 2013 and 2022 reveals significant agency shortcomings and an urgent need to understand the reasons for this decline.<sup>76</sup> Lack of sufficient data on program management complicates efforts to gauge the effectiveness of ADR initiatives. This negatively impacts taxpayer experiences and potentially results in inefficient use of government resources.<sup>77</sup>

The National Taxpayer Advocate previously recommended the IRS revitalize its ADR programs and ensure they serve as efficient, accessible, and transparent mechanisms for resolving tax disputes to uphold and advance taxpayer rights. To its credit, on April 24, 2024, the IRS announced the creation of an ADR Program Management Office within the Independent Office of Appeals (Appeals) to revamp its ADR offerings.<sup>78</sup>

### **Objective 10 for FY 2025 – TAS will advocate for improved ADR access for all eligible taxpayers, enhanced data collection and analysis for continuing program improvement, and the reduction of administrative hurdles to taxpayer participation.**

- Activity 1: Establish a cross-functional team consisting of TAS and the Appeals' ADR Program Management Office to develop strategies to improve and promote ADR programs.
- Activity 2: Participate in cross-functional team meetings to ensure eligible taxpayers have awareness of and the opportunity for ADR.
- Activity 3: Propose collaborative meetings with Appeals' ADR Program Management Office to develop and deploy a robust IRS-wide data collection and analysis framework. This framework should include taxpayer requests for ADR, denials, and outcomes for each ADR option (*e.g.*, Fast Track Settlement, Fast Track Mediation, Post Appeals Mediation) across all stages of the administrative dispute resolution cycle, focusing on improving transparency, identifying trends, and addressing program shortfalls.
- Activity 4: Advocate for the creation and implementation of a specialized unit within the IRS dedicated to ADR and focused exclusively on mediating tax disputes early in the process and participate in collaborative ADR cross-functional program meetings.
- Activity 5: Propose collaborative meetings with Appeals' ADR Program Management Office to establish guidance to lower ADR participation barriers.
- Activity 6: Propose collaborative meetings to allow TAS to participate in the creation of ADR training for Appeals technical employees.

## 11. PROTECT TAXPAYER RIGHTS IN EMPLOYEE RETENTION CREDIT CLAIMS

The Employee Retention Credit (ERC) is a refundable tax credit designed to provide employment tax relief for businesses that endured certain pandemic-linked difficulties in 2020 and 2021 yet retained employees on payroll.<sup>79</sup> However, the ERC's complex eligibility framework, often-lucrative value, and an unregulated preparer industry have made it vulnerable to infiltration by unscrupulous actors who aggressively marketed

76 GAO, GAO-23-105552, *IRS Could Better Manage Alternative Dispute Resolution Programs to Maximize Benefits* (2023), <https://www.gao.gov/products/gao-23-105552>.

77 See National Taxpayer Advocate 2023 Annual Report to Congress 139 (Most Serious Problem: *Appeals: Despite Some Improvements, Many Taxpayers and Tax Professionals Continue to Perceive the IRS Independent Office of Appeals as Insufficiently Independent*), [https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2024/01/ARC23\\_MSP\\_10\\_Appeals.pdf](https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2024/01/ARC23_MSP_10_Appeals.pdf).

78 IRS News Release, IR-2024-119, IRS Independent Office of Appeals Forms Alternative Dispute Resolution Program Management Office (Apr. 24, 2024), <https://www.irs.gov/newsroom/irs-independent-office-of-appeals-forms-alternative-dispute-resolution-program-management-office>.

79 IRC § 3134.

scams and misled business taxpayers under the guise of lawful services, often for large fees.<sup>80</sup> Due to a substantial processing backlog aggravated by fraudulent and erroneous claims, the IRS implemented compliance enforcement initiatives, slowed or halted ERC processing for stricter review, and imposed a moratorium on processing ERC claims filed on or after September 14, 2023.<sup>81</sup> To conserve staffing resources and encourage voluntary compliance for business taxpayers, the IRS deployed an ongoing ERC Withdrawal Program and a temporary Voluntary Disclosure Program (VDP) requiring taxpayers to withdraw unprocessed returns and repay overstated credits.<sup>82</sup>

The IRS pivoted from processing ERC claims toward using analytics to help review and identify incorrect ERC claims. When it imposed the moratorium, the IRS had a backlog of over 665,000 ERC claims, and only five percent were over 120 days old.<sup>83</sup> Over nine months later, the total number of unprocessed ERC claims has doubled to over 1.3 million with about 85 percent *over* 120 days old.<sup>84</sup> Although slowing ERC claim processing may aid the IRS in protecting against fraud, the deliberately slow pace has caused significant delays.<sup>85</sup> As of the drafting of this report, the moratorium remains in effect, and its end date is still unknown. Even though the IRS must pay interest on delayed ERC claims, it states the cost will be largely offset by not paying out more erroneous ERC claims.<sup>86</sup> Although the IRS paying required interest on delayed ERC claims may generally seem fair, interest won't help businesses that need immediate funds or that already closed because the ERC was their last lifeline.

The ERC's complexity and the IRS's focus on identifying incorrect claims means there are undoubtedly eligible business taxpayers with legitimate ERC claims who are experiencing lengthy delays. These taxpayers are waiting for information about their ERC claims because the IRS has not posted processing updates and offers no mechanism for taxpayers to check their claim status online. The IRS must find a balance between fraud prevention and taxpayer service to ensure it preserves the taxpayer *rights to finality and to challenge the IRS's decision and be heard*.<sup>87</sup> For business taxpayers to get the relief Congress intended, the IRS should improve its process to identify legitimate ERC claims in better, more timely ways; significantly increase the volume of ERC claims it processes (approval of claim, denial of claim, or initiation of an audit of the claim); and be transparent by posting general updates on the ERC claims backlog and estimated processing timelines.

80 IRS News Release, IR-2024-85, Dirty Dozen: Beware of Aggressive Promoters Who Dupe Taxpayers Into Making Questionable Employee Retention Credit Claims; Risks Continue for Small Businesses, Special Withdrawal Program Remains Available (Mar. 29, 2024), <https://www.irs.gov/newsroom/dirty-dozen-beware-of-aggressive-promoters-who-dupe-taxpayers-into-making-questionable-employee-retention-credit-claims-risks-continue-for-small-businesses-special-withdrawal-program-remains-available>.

81 IRS News Release, IR-2023-169, To Protect Taxpayers From Scams, IRS Orders Immediate Stop to New Employee Retention Credit Processing Amid Surge of Questionable Claims; Concerns From Tax Pros (Sept. 14, 2023), <https://www.irs.gov/newsroom/to-protect-taxpayers-from-scams-irs-orders-immediate-stop-to-new-employee-retention-credit-processing-amid-surge-of-questionable-claims-concerns-from-tax-pros>.

82 The IRS reports receiving \$225 million from the VDP; it closed the program on March 22, 2024. IRS News Release, IR-2023-193, IRS Announces Withdrawal Process for Employee Retention Credit Claims; Special Initiative Aimed at Helping Businesses Concerned About an Ineligible Claim Amid Aggressive Marketing, Scams (Oct. 19, 2023), <https://www.irs.gov/newsroom/irs-announces-withdrawal-process-for-employee-retention-credit-claims-special-initiative-aimed-at-helping-businesses-concerned-about-an-ineligible-claim-amid-aggressive-marketing-scams>; IRS, Withdraw an Employee Retention Credit (ERC) Claim (Dec. 21, 2023), <https://www.irs.gov/newsroom/withdraw-an-employee-retention-credit-erc-claim>.

83 IRS, JOC, AM RAD, COVID Business Credits (week ending Sept. 16, 2023).

84 IRS, JOC, AM RAD, COVID Business Credits (week ending May 25, 2024).

85 IRS News Release, IR-2023-169, To Protect Taxpayers From Scams, IRS Orders Immediate Stop to New Employee Retention Credit Processing Amid Surge of Questionable Claims; Concerns From Tax Pros (Sept. 14, 2023), <https://www.irs.gov/newsroom/to-protect-taxpayers-from-scams-irs-orders-immediate-stop-to-new-employee-retention-credit-processing-amid-surge-of-questionable-claims-concerns-from-tax-pros>.

86 See Fiscal Year 2025 Budget Request for the Internal Revenue Service, Hearing Before the H. Subcomm. on Financial Services and General Government of the H. Comm. on Appropriations, 118th Cong., (May 7, 2024) (testimony of Danny Werfel, Comm'r, Internal Revenue) (at 1:58), <https://appropriations.house.gov/events/hearings/budget-hearing-fiscal-year-2025-request-internal-revenue-service>.

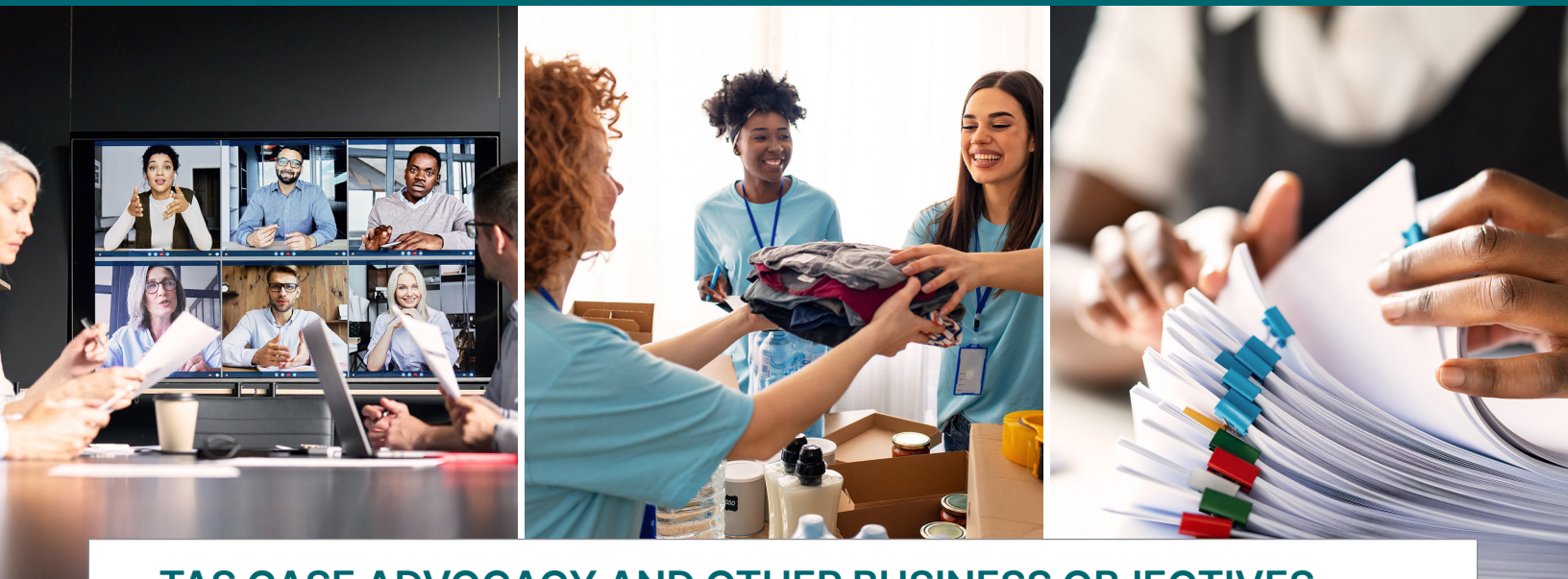
87 See Taxpayer Bill of Rights (TBOR), <https://www.taxpayeradvocate.irs.gov/taxpayer-rights> (last visited May 31, 2024). The rights contained in TBOR are also codified in IRC § 7803(a)(3).



**Objective 11 for FY 2025 – TAS will continue monitoring the IRS’s handling of ERC claims and protect taxpayer rights by advocating for transparency, the timely processing of all claims, and the issuance of refunds on legitimate claims.**

- Activity 1: Advocate for the IRS to continue incentivizing taxpayers to voluntarily withdraw ineligible pending ERC claims; return erroneous ERC claim refunds; and for taxpayers who received their ERC payments, file the required amended business returns related to the ERC benefits or offset the ERC pending claims by the benefits on the required amended business returns.
- Activity 2: Recommend the IRS post general updates on its website about the volume of the ERC claims backlog and estimated processing times.
- Activity 3: Continue to refer ERC cases for the IRS to prioritize when the taxpayer has a significant hardship and qualifies for TAS assistance.
- Activity 4: Work with the IRS to ensure it offers clear explanations and transparency when it denies an ERC claim by providing taxpayers with a written explanation consistent with the taxpayer *right to be informed* and clearly details the basis for denial so taxpayers may properly consider whether to exercise their *right to appeal an IRS decision in an independent forum* or pursue litigation.

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## TAS CASE ADVOCACY AND OTHER BUSINESS OBJECTIVES

A fundamental component of TAS's mission is to protect taxpayer rights and help taxpayers (*e.g.*, individuals, business owners, and exempt organizations) resolve tax-related issues they cannot resolve on their own through normal IRS channels. Our Case Advocates work directly with taxpayers or their representatives by identifying issues, researching solutions, and advocating within the IRS on behalf of taxpayers to resolve the issue. Our Systemic Advocacy team also identifies potential challenges and larger systemic problems that affect a specific group of taxpayers or taxpayers at large and works proactively with the IRS to alleviate unnecessary taxpayer burden and propose solutions. TAS works closely with our partners on the Taxpayer Advocacy Panel (TAP), the Low Income Taxpayer Clinics (LITCs), and outside stakeholders to expand our capacity to hear from a broad spectrum of taxpayer communities and to support a range of options for taxpayers to receive assistance. Our goal is to continuously improve our processes and advocacy efforts to work more efficiently and effectively for taxpayers.

### TAS CASE ADVOCACY

TAS has 75 offices located in all 50 states, the District of Columbia, and Puerto Rico. Intake Advocates and Case Advocates work directly with taxpayers, their representatives, and congressional staff to identify tax issues, research solutions, and advocate with the IRS on behalf of taxpayers to resolve specific tax problems.

#### 1. Raise Awareness About TAS and Educate Via Outreach

To support our objective of resolving taxpayer problems, TAS collaborates with stakeholders to raise awareness about TAS services and educate taxpayers about tax responsibilities, taxpayer rights, tax benefits, and credits. Our goal is to introduce TAS services to underserved communities and assist taxpayers who face significant barriers when engaging with the IRS or who suffer/are about to suffer economic or systemic hardships due to an IRS action or inaction. Outreach allows TAS to reach taxpayers and representatives through local, regional, statewide, and national events.

Throughout fiscal year (FY) 2024, TAS will continue to focus on reaching taxpayers at various outreach events. We aim to educate taxpayers about how to avoid common tax issues and utilize self-help resources. Between October 1, 2023, and March 31, 2024, TAS leveraged our relationships with stakeholders to

complete over 600 outreach events and 111 Problem Solving Days.<sup>1</sup> We partnered with the IRS Stakeholder Partnerships, Education, and Communication function; LITCs; members of TAP; and staff of local congressional offices and state agencies to inform taxpayers and practitioners about TAS services, eligibility for valuable tax credits, taxpayer rights, available tax resources, and how to address unresolved tax issues.

In FY 2025, TAS will continue to leverage relationships with stakeholders. TAS will focus its outreach efforts on underserved populations including the elderly, Native American communities, members of the military, taxpayers with disabilities, taxpayers with limited English proficiency, low-income taxpayers, taxpayers living in rural communities, and taxpayers living abroad. Every Local Taxpayer Advocate and their staff will examine their community's unique needs to develop an initiative that will focus their outreach efforts on a specific underserved population within their community. TAS will use these opportunities to inform taxpayers about TAS's services and tax law changes. In FY 2025, TAS will meet one-on-one with taxpayers through Problem Solving Days and partnerships with the IRS, including Saturday Taxpayer Experience Days. During these events, taxpayers can discuss specific tax issues with TAS employees who will explain their rights, conduct research, and navigate a resolution.

**Objective 1 for FY 2025 – TAS will leverage relationships with stakeholders to reach and assist taxpayers.**

- Activity 1: Work with stakeholders to raise TAS awareness among taxpayers, particularly those in underserved communities, and coordinate outreach and Problem Solving Day events to provide direct TAS services.
- Activity 2: Develop and implement a pre-filing season preventative outreach strategy to educate taxpayers about valuable tax benefits and how to avoid tax filing pitfalls.

## **2. Deploy a New Case and Systemic Issue Management System**

TAS's current case and systemic issue management systems have not kept pace with innovations in technology such as the ability to interact with taxpayers. Developing a new system is essential for TAS to provide quality taxpayer service and enhance employee efficiency.

In FY 2024, TAS began a large-scale effort to design a new system that combines case and systemic management issues to improve TAS's interactions with taxpayers and the quality of service. The new system and transformation of processes will use technology to improve the efficiency of providing taxpayer service, enhance electronic document management, and ensure employees have the tools necessary to successfully advocate and communicate with taxpayers, their representatives, and congressional offices in the manner requested. The system will provide enhanced analytics to support TAS in promptly identifying systemic issues to effectively influence tax administration. TAS has identified many new system requirements (*i.e.*, statements that explain the desired functionality of the system) that will help to preserve our most precious resource of TAS employees' time, support communication with taxpayers, and improve advocacy through enhanced knowledge sharing.

In FY 2025, TAS will continue to protect taxpayers' *right to quality service* by deploying the new case and systemic issue management system to improve the customer experience. But deploying a new system is no small task. TAS will need to train employees and revise many policies and Internal Revenue Manual (IRM) sections. The new system will be transformational for TAS employees and taxpayers; it will modernize work processes, eliminate redundant steps, and most importantly, allow TAS employees to spend more time interacting with taxpayers and meeting our core mission of advocating for taxpayers.

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<sup>1</sup> TAS Outreach Database (Mar. 31, 2024). Problem Solving Days provide TAS the opportunity to meet with taxpayers and their representatives to discuss unresolved IRS tax issues and educate about the Taxpayer Bill of Rights, tax benefits and credits, and emerging issues.

**Objective 2 for FY 2025 – TAS will improve the customer experience.**

- Activity 1: Deploy a new case and systemic issue management system to improve the customer experience and provide employees the tools they need to advocate and communicate.

**TAS SYSTEMIC ADVOCACY**

Amended returns, paper correspondence processing delays, lack of clear and timely tax guidance, Individual Taxpayer Identification Number (ITIN) application processing delays, looming workforce attrition, and unacceptably long identity theft resolution times are but a sample of the many systemic IRS issues that adversely impact a wide number of taxpayers every day. Congress created TAS to identify issues that impact large numbers of taxpayers, advocate for the resolution of problems, and mitigate these impacts through its own research and systemic advocacy groups, direct partnership with the IRS, and the formal submission of administrative and legislative recommendations to effect taxpayer relief.

**3. Continue to Identify and Analyze Systemic Issues That Impact a Broad Range of Taxpayers**

TAS recognizes a problem as systemic if the impact:

- Affects or will affect multiple taxpayers;
- Involves IRS systems, policies, or procedures;
- Affects or will affect taxpayer rights;
- Increases taxpayer burden;
- Causes or will cause disparate treatment of taxpayers; or
- Involves a negative impact to essential taxpayer services.

TAS identifies systemic issues in multiple ways. For example, Systemic Advocacy closely collaborates with TAS Case Advocacy to identify trends through reviews of TAS casework and outreach events. TAS also identifies problems via public submissions to the Systemic Advocacy Management System (SAMS)<sup>2</sup> database and the National Taxpayer Advocate and Deputy National Taxpayer Advocate's relationships with internal and external stakeholders. TAS employees serve on various internal working groups and collaborative teams with the IRS. This allows TAS analysts to recognize potential systemic issues and advocate for changes before they become a problem. This proactive approach helps protect taxpayer rights and ensures that the IRS considers and minimizes taxpayer burden. Additionally, TAS's Systemic Advocacy teams partner with external stakeholders including TAP and LITCs to learn about problems facing taxpayers.

**Objective 3 for FY 2025 – TAS will continue to analyze systemic issues with an emphasis on reducing taxpayer burden and protecting taxpayer rights.**

- Refer to the *Systemic Advocacy Objectives* for a list of objectives and activities, *supra*.

2 SAMS is a database where IRS employees and members of the public can submit issues for TAS's consideration; TAS employees record subsequent actions on those issues. IRS, Systemic Advocacy: Report a Systemic Issue (May 20, 2024), <https://www.irs.gov/advocate/systemic-advocacy-management-system-sams>; IRS, Systemic Advocacy Management System (SAMS), <https://apps.irs.gov/app/sams> (last visited May 30, 2024). TAS reviews and analyzes all SAMS submissions and determines a course of action, which may include information-gathering projects, immediate interventions, and advocacy projects. Internal Revenue Manual (IRM) 1.4.13.4.9.2, Systemic Advocacy Management System (SAMS) (July 16, 2021), [https://www.irs.gov/irm/part1/irm\\_01-004-013](https://www.irs.gov/irm/part1/irm_01-004-013).



## TAXPAYER ADVOCACY PANEL

TAP is a Federal Advisory Committee that TAS supports. It is comprised of an independent panel of approximately 75 citizen volunteers who listen to taxpayers, identify taxpayers' systemic issues, and make suggestions for improving IRS customer service. Volunteers represent all 50 states, the District of Columbia, and Puerto Rico, with one member representing U.S. citizens living or working abroad. Members serve a three-year term, with about one-third of the panel graduating each year.

### 4. Foster a Diverse Range of Taxpayer Advocacy Panel Volunteers and Educate Via Outreach

In FY 2025, TAP will prioritize several key areas to enhance its support for taxpayers. TAP will leverage targeted outreach campaigns to recruit individuals from various backgrounds and communities, including college students, international taxpayers, and senior citizens, to foster inclusivity and ensure the panel represents all sectors of the population and demographics.

Additionally, TAP will concentrate on expanding its outreach and training initiatives, both for TAP members and staff, to better equip them with the necessary tools and knowledge to effectively assist taxpayers. TAP will enhance communication channels to reach a wider audience, provide comprehensive training programs to enhance members' understanding of the IRS, and foster collaboration between TAP members and IRS staff to streamline support services for taxpayers. By prioritizing recruiting, outreach, and training efforts, TAP aims to strengthen its role as a vital advocate for taxpayers and enhance its ability to address their needs in the ever-evolving landscape of tax administration.

#### Objective 4 for FY 2025 – TAP will increase panel recruitment and outreach efforts.

- Activity 1: Leverage relationships within TAS and the IRS and with external partners through the release and promotion of TAP's Annual Report to maximize awareness of TAP and showcase the benefit of TAP's uniquely wide spectrum of demographic backgrounds.
- Activity 2: Partner with local colleges, non-profit organizations, tax professional organizations, and TAS and IRS stakeholders to conduct and promote TAP outreach activities and initiatives.

## LOW INCOME TAXPAYER CLINICS

Congress provides federal matching grants for Low Income Taxpayer Clinics (LITCs) to protect taxpayer rights by providing access to representation for low-income taxpayers and underserved communities. The grants provide clinics financial support to assist low-income individuals with IRS tax disputes and provide education and outreach to individuals who speak English as a second language. TAS, through the LITC Program, administers the grants and provides oversight of the clinics. In 2023, there were about 130 clinics throughout the United States that represented, educated, and advocated on behalf of taxpayers.

### 5. Refine and Conduct Low Income Taxpayer Clinic Research to Accurately Target Taxpayer Community Needs

To ensure communities with the greatest need for LITC services have access, the program's definition of underserved communities looks beyond geographic coverage to factors that may impact the level of need in various locations. For example, the LITC Program Office is gathering and reviewing data to determine if low-income taxpayers in various geographic locations interact with the IRS at different rates. Clinics in some areas have reported a decrease in taxpayer contacts, whereas other clinics have seen increasing demands for service.

Additionally, the LITC Program Office is conducting ongoing research to determine if certain geographic locations or groups of taxpayers experience higher rates of audit or other IRS interaction.<sup>3</sup>

Some groups of taxpayers, such as elderly or disabled taxpayers, those who live in rural areas, individuals with limited English proficiency, or those with other demographic characteristics may experience additional barriers to accessing services. The analysis of the research planned for FY 2025 will help shape future recruitment, funding, and general service delivery strategies.

**Objective 5 for FY 2025 – The LITC Program Office will work with TAS Research to refine its data model to help focus its recruiting and funding decisions.**

- Activity 1: Finalize the low-income taxpayer/IRS interaction dataset.
- Activity 2: Determine if the LITC Program can use additional datasets from the IRS and other agencies to further refine the definition of underserved or identify underserved communities.
- Activity 3: Develop heat maps of different areas of the country and use them to identify potential partners and areas for more targeted recruitment.
- Activity 4: Identify five localities of high need based on one or more characteristics described above.
- Activity 5: Develop an equity assessment plan for at least two of the identified areas to help identify and recruit organizations best equipped to deliver needed LITC services to the targeted areas.

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3 See, e.g., Kim M. Bloomquist, *Regional Bias in IRS Audit Selection*, TAX NOTES, Mar. 4, 2019, at 987, <https://www.taxnotes.com/special-reports/audits/regional-bias-irs-audit-selection/2019/03/01/2957w>; Government Accountability Office (GAO), GAO-22-104960, *Tax Compliance: Trends of IRS Audit Rates and Results for Individual Taxpayers by Income* (2022), <https://www.gao.gov/products/gao-22-104960>.



## TAS RESEARCH OBJECTIVES

In addition to ensuring the accuracy of TAS reports and completing other analyses to support the National Taxpayer Advocate, TAS Research conducts a variety of research activities to detect systemic problems, improve IRS procedures for administering the tax laws, and formulate legislative recommendations to enhance the efficiency of tax administration and reduce taxpayer burden. TAS research projects provide pertinent information on both tax policy and tax administration and help inform the development of the National Taxpayer Advocate's Annual Report to Congress. In fiscal year (FY) 2025, TAS will study taxpayer experiences when interacting with various IRS processes, review TAS's customer service to ensure TAS is providing excellent assistance to all types of taxpayers, and develop recommendations for policymakers to consider as legislative and administrative remedies to improve service to taxpayers. TAS continues its FY 2024 research project of reviewing IRS telephone service and the related metrics to ensure excellent service.

### 1. STUDY WHY TAXPAYERS OFTEN TAKE A LONG TIME TO AUTHENTICATE THEIR IDENTITY TO RECEIVE A CLAIMED REFUND

Identity theft continues to plague the IRS. In 2023, the Federal Trade Commission (FTC) received over a million reports of identity theft, continuing a trend of theft reports exceeding one million per year for the past several years.<sup>1</sup> But these are just the identity theft occurrences reported to the FTC. A recent report issued by the American Association of Retired Persons (AARP) places the 2023 frequency of identity theft at about 15 million instances with a total dollar loss attributable to identity theft at \$23 billion.<sup>2</sup>

Each year, the IRS's identity theft filters seek to stop identity thieves from getting refunds, and as a result, the IRS suspends processing on a few million refund returns it suspects identity thieves submitted. After suspending a claimed refund, the IRS issues a letter to the taxpayer shown on the return requesting the taxpayer authenticate their identity within 30 days. However, taxpayers often take much longer to respond to this letter. During the 2023 filing season, taxpayers took an average of 52 days to respond to IRS letters

1 Fed. Trade Comm'n, *Fraud and ID Theft Maps* (Apr. 25, 2024), <https://public.tableau.com/app/profile/federal.trade.commission/viz/FraudandIDTheftMaps/AllReportsbyState>.  
 2 Christina Ianzito, *Identity Fraud Cost Americans \$43 Billion in 2023*, AARP (Apr. 10, 2024), <https://www.aarp.org/money/scams-fraud/info-2024/identity-fraud-report.html>.

requesting identity authentication; however, some taxpayers took more than six months to respond to an IRS request to authenticate their identity.<sup>3</sup>

Ultimately, the IRS ends up releasing over half of the refunds it freezes to legitimate taxpayers after authentication.<sup>4</sup> Nevertheless, all of these taxpayers still had to experience the burden of authenticating their identities with the IRS to receive their legitimate refunds. In conjunction with the IRS Taxpayer Services Business Operating Division, TAS will focus on identifying the reasons taxpayers delayed authenticating their identities and any barriers they encountered using various IRS identity authentication methods.

During 2024, TAS and the IRS sent a survey to a random sample of taxpayers who successfully authenticated their identity. The sample contained three categories: taxpayers who authenticated their identity within 30 days, taxpayers who took between 31 and 180 days to authenticate their identity, and taxpayers who did not authenticate their identity for more than 180 days after the IRS requested them to do so. The study will assess whether the reasons for delayed identity authentication are personal or reflect difficulties in understanding and navigating the IRS's various identity authentication processes. TAS and the IRS will also solicit suggestions for improving the IRS's procedures when it requests identity authentication.

**Objective 1 for FY 2025 – TAS will partner with IRS Taxpayer Services to analyze survey results about taxpayer experiences verifying their identities via the IRS's identity authentication processes.**

- Activity 1: Analyze taxpayer survey data to determine the reasons taxpayers delay authenticating their identities, examine their experiences with various IRS identity authentication processes, and review taxpayer suggestions to improve the processes.
- Activity 2: Determine if delays in taxpayer identity authentication correlate with experiences during the authentication process.

**2. DETERMINE WHETHER TAS CASE RECEIPTS AND OUTCOMES ARE CONSISTENT ACROSS THE DEMOGRAPHIC GROUPS OF TAXPAYERS SEEKING TAS ASSISTANCE**

Stanford University published a study in 2023 with the Treasury Department showing that the IRS Earned Income Tax Credit (EITC) audit selection process disproportionately selects Black taxpayers.<sup>5</sup> While the report does not indicate the IRS intentionally selected certain demographic groups for audit more often than others, the data strongly suggests that the IRS audit selection process created unintentional bias against certain taxpayer groups. As the IRS investigated the findings from this report, TAS supplied data from its own closed EITC cases to the IRS's Research, Applied Analytics, and Statistics (RAAS) function. RAAS conducted a preliminary analysis of TAS's closed EITC audit cases and did not find a similar bias in TAS EITC case receipts from and outcomes for Black taxpayers.

With RAAS, TAS will perform a more comprehensive analysis of all TAS case receipts and closures. The study will examine if TAS case receipts occur proportionally to overall taxpayer demographics and if the resolution of those cases occurs proportionally across all demographic segments. While the population of TAS casework is significantly impacted by IRS actions, this assessment is expected to identify demographic segments in need of additional awareness of TAS services. TAS will analyze its case quality data to ensure it works cases consistently regardless of taxpayer demographics. An evaluation of TAS casework and the resulting relief provided to taxpayers by demographic segments will allow TAS to determine if it can improve existing

3 IRS, Wage and Investment (W&I) Business Performance Report (BPR) Q4, FY 2023, 27.

4 IRS, W&I BPR Q4, FY 2023, 17. The IRS is projecting a 54 percent false detection rate for 2023.

5 Hadi Elzayn, et al., *Measuring and Mitigating Racial Disparities in Tax Audits 1* (Stanford Inst. for Econ. Pol'y Rsch., Working Paper, 2023), <https://siepr.stanford.edu/publications/working-paper/measuring-and-mitigating-racial-disparities-tax-audits>.

procedures to prevent unintentionally biased outcomes to parts of its customer base. TAS will also determine if it needs to raise awareness of its services and conduct outreach to particular demographic groups.

**Objective 2 for FY 2025 – TAS will provide a report to the National Taxpayer Advocate detailing whether TAS case receipts, case quality, and problem relief are consistent among taxpayers regardless of their demographic classification.**

- Activity 1: Analyze TAS receipts by demographic representation.
- Activity 2: Analyze TAS case quality review program data to determine if TAS case quality is consistent across demographic groups.
- Activity 3: Determine if TAS provides relief for taxpayers proportionally across demographic groups.

**3. STUDY THE FINANCIAL BENEFITS PROVIDED TO LOW-INCOME FAMILIES THROUGH TAX CREDITS AND THE ROLE OF THE IRS IN ADMINISTERING THESE CREDITS**

The IRS plays a critical role in distributing financial benefits to low-income taxpayers, especially those with children, through both refundable and non-refundable tax credits. The IRS is responsible for fostering participation in the tax return filing system for taxpayers to receive eligible benefits, processing tax returns claiming these credits, and ensuring that the credits are only paid to individuals who meet the legal requirements to receive these benefits. Taxpayers often have difficulty understanding the complex legal requirements to claim many of these credits, particularly since the eligibility rules often stem from a time when family structures were vastly different. The IRS often has an equally difficult time determining if a taxpayer is eligible for the credit and often lacks the necessary resources to stop all ineligible claims. This study aims to determine the population of children who could benefit from these tax credits, absent the ability of their caregivers to meet complicated and technical eligibility requirements. In addition to conducting its own research, TAS will obtain input and analyses of other experts in this area to create insights that will assist policymakers in considering new legislation to lift more children out of poverty, improve the administrability of tax credits for low-income taxpayers, and reduce improper claims of these credits.

The impact of the EITC and the Other Dependent Credit to low-income taxpayers is extensive. For tax year (TY) 2022, taxpayers filed nearly 23 million returns claiming EITC benefits worth nearly \$58 billion. These same taxpayers claimed over \$11 billion in the Other Dependent Credit on TY 2022 returns.<sup>6</sup> TAS published a study in the National Taxpayer Advocate 2022 Annual Report to Congress that significantly focused on splitting the EITC between a worker and a child credit and the potential impact of changes in the EITC structure on reducing the EITC improper payment rate.<sup>7</sup> This study will further examine possible ways to reduce the EITC improper payment rate and explore the effect on other tax credits available to low-income families, the economic impact of these credits, and the role of the IRS in administering these credits.

**Objective 3 for FY 2025 – TAS will provide a report to the National Taxpayer Advocate that explores changes to the structure of the EITC and the Other Dependent Credit, the economic impact of potential changes in the structures of these credits, and how such changes would impact the IRS's ability to administer these credits.**

- Activity 1: Analyze payment distributions for a worker credit and a child component of EITC and explore possibilities for merging this credit with the Other Dependent Credit.

<sup>6</sup> IRS, Compliance Data Warehouse, TY 2022 returns processed as of April 25, 2024 (May 7, 2024).

<sup>7</sup> National Taxpayer Advocate 2022 Annual Report to Congress 243 (Research Study: *Exploring Earned Income Tax Credit Structures: Dividing the Credit Between a Worker and Child Component and Other Considerations*), [https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2023/02/2022-ARC\\_Research\\_EITC\\_02022023.pdf](https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2023/02/2022-ARC_Research_EITC_02022023.pdf).



- Activity 2: Determine the effect of simplifications to the definition of a qualifying child for claiming the EITC.
- Activity 3: Describe current IRS challenges for administering the EITC and Other Dependent Credit and how changes to the structures of these two credits would likely affect the IRS's ability to administer these credits.
- Activity 4: Quantify the effects on changes in the structure of these credits on their improper payment rate as well as their economic impact on low-income families.

#### **4. ASSESS THE TAXES PAID AND CREDITS RECEIVED BY INDIVIDUAL TAXPAYER IDENTIFICATION NUMBER FILERS AND THEIR DEPENDENTS AND THE BARRIERS THEY FACE IN NAVIGATING RELATED IRS ADMINISTRATIVE PROCEDURES**

Non-citizens who live or work in the United States often find their tax treatment confusing. Taxpayers with Individual Taxpayer Identification Numbers (ITINs) may face multiple challenges in fulfilling their requirement to pay taxes or in receiving the tax benefits for which they may be eligible, such as the Other Dependent Credit. This assessment will briefly examine how the tax system treats non-citizens, discuss ITIN filers in the broader landscape of non-citizens, including undocumented workers, and detail the amount of taxes these individuals pay and the tax credits they receive.

This study will explore the taxes paid and credits received by ITIN filers over the past several years as well as the barriers individuals face when applying for and using ITINs and related difficulties as they navigate the IRS's ITIN process from year to year. It will estimate the amount of taxes not paid by individuals eligible for an ITIN who choose to avoid the complicated IRS ITIN guidance. The study will build upon previous TAS work on the IRS administration of the ITIN program, including two prior National Taxpayer Advocate Reports to Congress discussing how the IRS ITIN program was one of the most serious problems facing taxpayers.<sup>8</sup> TAS may also consult other experts who have studied taxpayer usage of ITINs. The study will describe the economic characteristics of typical ITIN filers, the challenges they face in meeting their filing obligations, and the deterrent effects these challenges may have on others who are eligible for or who might otherwise obtain ITINs.

**Objective 4 for FY 2025 – TAS will describe the IRS ITIN process, quantify the taxes paid and credits received by ITIN filers, and estimate the revenue lost due to undocumented workers who do not participate in the tax system by obtaining and using an ITIN.**

- Activity 1: Describe the IRS administration of the ITIN program.
- Activity 2: Determine the size and composition of the ITIN program and quantify its impact on U.S. taxation.
- Activity 3: Estimate the tax revenue lost due to taxpayers who avoid obtaining an ITIN and reporting their income.

<sup>8</sup> National Taxpayer Advocate 2016 Annual Report to Congress 239 (Most Serious Problem: *Individual Taxpayer Identification Numbers (ITINs): IRS Processes for ITIN Applications, Deactivations, and Renewals Unduly Burden and Harm Taxpayers*), [https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2020/08/ARC16\\_Volume1\\_MSP\\_18\\_ITINS.pdf](https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2020/08/ARC16_Volume1_MSP_18_ITINS.pdf); National Taxpayer Advocate 2017 Annual Report to Congress 181 (Most Serious Problem: *Individual Taxpayer Identification Numbers (ITINs): The IRS's Failure to Understand and Effectively Communicate With the ITIN Population Imposes Unnecessary Burden and Hinders Compliance*), [https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2020/08/ARC17\\_Volume1\\_MSP\\_16\\_ITINS.pdf](https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2020/08/ARC17_Volume1_MSP_16_ITINS.pdf).

## Evolution of the Office of the Taxpayer Advocate

The Office of the Taxpayer Ombudsman was created by the IRS in 1979 to serve as the primary advocate, within the IRS, for taxpayers. This position was codified in the Taxpayer Bill of Rights (TBOR 1), included in the Technical and Miscellaneous Revenue Act of 1988 (TAMRA).<sup>1</sup>

In TBOR 1, Congress added IRC § 7811, granting the Ombudsman (now the National Taxpayer Advocate) the statutory authority to issue Taxpayer Assistance Orders (TAOs) if, in the determination of the Ombudsman, a taxpayer is suffering or is about to suffer significant hardship because of the way the Internal Revenue laws are being administered by the Secretary.<sup>2</sup> Further, TBOR 1 directed the Ombudsman and the Assistant Commissioner (Taxpayer Services) to jointly provide an Annual Report to Congress about the quality of taxpayer services provided by the IRS. This report was delivered directly to the Senate Committee on Finance and the House Committee on Ways and Means.<sup>3</sup>

In 1996, the Taxpayer Bill of Rights 2 (TBOR 2) amended IRC § 7802 (the predecessor to IRC § 7803), replacing the Office of the Taxpayer Ombudsman with the Office of the Taxpayer Advocate.<sup>4</sup> The Joint Committee on Taxation set forth the following reasons for change:

To date, the Taxpayer Ombudsman has been a career civil servant selected by and serving at the pleasure of the IRS Commissioner. Some may perceive that the Taxpayer Ombudsman is not an independent advocate for taxpayers. To ensure that the Taxpayer Ombudsman has the necessary stature within the IRS to represent fully the interests of taxpayers, Congress believed it appropriate to elevate the position to a position comparable to that of the Chief Counsel. In addition, to ensure that the Congress is systematically made aware of recurring and unresolved problems and difficulties taxpayers encounter in dealing with the IRS, the Taxpayer Ombudsman should have the authority and responsibility to make independent reports to the Congress in order to advise the tax-writing committees of those areas.<sup>5</sup>

In TBOR 2, Congress not only established the Office of the Taxpayer Advocate but also described its functions:

- To assist taxpayers in resolving problems with the IRS;
- To identify areas in which taxpayers have problems in dealings with the IRS;
- To the extent possible, propose changes in the administrative practices of the IRS to mitigate those identified problems; and
- To identify potential legislative changes that may be appropriate to mitigate such problems.<sup>6</sup>

Congress did not provide the Taxpayer Advocate with direct line authority over the existing regional and local Problem Resolution Officers (PROs) who handled cases under the Problem Resolution Program, the predecessor to the Office of the Taxpayer Advocate. At the time of the enactment of TBOR 2, Congress believed it sufficient to require that “all PROs should take direction from the Taxpayer Advocate and that

1 Pub. L. No. 100-647, Title VI, § 6230, 102 Stat. 3342, 3733-3734 (1988).

2 *Id.* at 3733.

3 Pub. L. No. 100-647, Title VI, § 6235(b), 102 Stat. 3737 (1988).

4 Pub. L. No. 104-168, § 101, 110 Stat. 1452, 1453-1456 (1996).

5 STAFF OF J. COMM. ON TAX’N, 104TH CONG., GEN. EXPLANATION OF TAX LEGIS. ENACTED IN THE 104TH CONG. 20, JCS-12-96 (J. Comm. Print 1996), <https://www.jct.gov/getattachment/8ac864d2-2601-4d89-bc00-751dc38a2f11/s-12-96-2943.pdf>.

6 Pub. L. No. 104-168, § 101(a), 110 Stat. 1452, 1454 (1996).

they should operate with sufficient independence to assure that taxpayer rights are not being subordinated to pressure from local revenue officers, district directors, etc.”<sup>7</sup>

TBOR 2 also replaced the joint Assistant Commissioner/Taxpayer Advocate Report to Congress with two annual reports issued directly and independently by the Taxpayer Advocate to the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate.<sup>8</sup> The first report, the Objectives Report to Congress, is to contain the objectives of the Office of the Taxpayer Advocate for the fiscal year beginning in that calendar year. This report is to provide full and substantive analysis in addition to statistical information and is due no later than June 30 of each calendar year.

The second report is on the activities of the Office of the Taxpayer Advocate during the fiscal year ending during that calendar year. Section 7803(c)(2)(B)(ii) of the IRC, as amended by the Taxpayer First Act (TFA), requires the National Taxpayer Advocate to submit this report each year and to include in it, among other things, a description of the ten most serious problems encountered by taxpayers as well as administrative and legislative recommendations to mitigate those problems. The report must:

- Identify the initiatives the Office of the Taxpayer Advocate has taken on improving taxpayer services and IRS responsiveness;
- Contain recommendations received from individuals with the authority to issue a TAO;
- Contain a summary of the ten most serious problems<sup>9</sup> encountered by taxpayers, including a description of the nature of such problems;
- Contain an inventory of initiatives and recommendations for which action has been taken and the result of such action;
- Contain an inventory of initiatives and recommendations for which action remains to be completed and the period of time these items have been in the inventory;
- Contain an inventory of initiatives and recommendations for which there has been no action, an explanation for the lack of action, and the responsible official;
- Identify any TAO or Taxpayer Advocate Directive (TAD)<sup>10</sup> that was not honored by the IRS in a timely manner;
- Contain recommendations for legislative or administrative action that will resolve taxpayer problems;
- Identify areas of the tax law that impose significant compliance burdens on taxpayers or the IRS, including specific recommendations for remedy;
- Identify the ten most litigated issues for each category of taxpayers, including recommendations for mitigating such disputes;
- With respect to any statistical information included in such report, include a statement of whether such statistical information was reviewed or provided by the Secretary under IRC § 6108(d) and, if so, whether the Secretary determined such information to be statistically valid and based on sound statistical methodology; and
- Include other such information as the National Taxpayer Advocate may deem advisable.

7 STAFF OF J. COMM. ON TAX’N, 104TH CONG., GEN. EXPLANATION OF TAX LEGIS. ENACTED IN THE 104TH CONG. 21, JCS-12-96 (J. Comm. Print 1996), <https://www.jct.gov/getattachment/8ac864d2-2601-4d89-bc00-751dc38a2f11/s-12-96-2943.pdf>.

8 Pub. L. No. 104-168, § 101(a), 110 Stat. 1452, 1454-1455 (1996).

9 As originally enacted, TBOR 2 required a summary of at least 20 of the most serious problems. In July 2019, the TFA reduced the required number of most serious problems to ten. Pub. L. No. 116-25, § 1301(b)(1), 133 Stat. 981, 992 (2019).

10 A TAD mandates that functional areas make certain administrative or procedural changes to improve a process or grant relief to groups of taxpayers (or all taxpayers). TADs are used to protect the rights of taxpayers, prevent undue burden, ensure equitable treatment, or provide an essential service to taxpayers. Internal Revenue Manual 13.2.1.6.3, Taxpayer Advocate Directives (Sept. 29, 2020), [https://www.irs.gov/irm/part13/irm\\_13-002-001](https://www.irs.gov/irm/part13/irm_13-002-001).

The stated objective of these two reports is for Congress to receive an unfiltered and candid report of the problems taxpayers are experiencing and what can be done to address them. While both reports are to include statistical information, the TFA created a requirement whereby the National Taxpayer Advocate must coordinate research with the office of the Treasury Inspector General for Tax Administration (TIGTA). The National Taxpayer Advocate is now precluded from reporting statistical information that is included in a TIGTA report.<sup>11</sup>

Both the Annual Report to Congress and the Objectives Report are not subject to review by the IRS, Department of Treasury, or Office of Management and Budget, giving TAS a unique opportunity to directly provide information to Congress. “The reports by the Taxpayer Advocate are not official legislative recommendations of the Administration; providing official legislative recommendations remains the responsibility of the Department of Treasury.”<sup>12</sup>

Finally, TBOR 2 amended IRC § 7811, expanding the scope of a TAO by providing the Taxpayer Advocate “with broader authority to affirmatively take any action as permitted by law with respect to taxpayers who would otherwise suffer a significant hardship as a result of the manner in which the IRS is administering the tax laws.”<sup>13</sup> For the first time, the TAO could specify a time period within which the IRS must act on the order. The statute also provided that only the National Taxpayer Advocate, the IRS Commissioner, or the Deputy Commissioner could modify or rescind a TAO, and that any official who so modifies or rescinds a TAO must respond in writing to the National Taxpayer Advocate with his or her reasons for such action.<sup>14</sup>

In 1997, the National Commission on Restructuring the Internal Revenue Service called the Taxpayer Advocate the “voice of the taxpayer.” In its discussion of the Office of the Taxpayer Advocate, the Commission noted:

Taxpayer Advocates play an important role and are essential for the protection of taxpayer rights and to promote taxpayer confidence in the integrity and accountability of the IRS. To succeed, the Advocate must be viewed, both in perception and reality, as an independent voice for the taxpayer within the IRS. Currently, the [N]ational Taxpayer Advocate is not viewed as independent by many in Congress. This view is based in part on the placement of the Advocate within the IRS and the fact that only career employees have been chosen to fill the position.<sup>15</sup>

In response to these concerns, in the IRS Restructuring and Reform Act of 1998 (RRA 98), Congress amended IRC § 7803(c), renaming the Taxpayer Advocate as the National Taxpayer Advocate and mandating that the National Taxpayer Advocate could not be an officer or an employee of the IRS for two years preceding or five years following his or her tenure as the National Taxpayer Advocate (service as an employee of the Office of the Taxpayer Advocate is not considered IRS employment under this provision).<sup>16</sup>

RRA 98 provided for Local Taxpayer Advocates (LTAs) to be located in each state and mandated a reporting structure for LTAs to report directly to the National Taxpayer Advocate.<sup>17</sup> As required by IRC § 7803(c)(4)(A)(iii), the LTA must advise taxpayers at their first meeting of the fact that “the taxpayer advocate offices operate independently of any other Internal Revenue Service office and report directly to Congress through the National Taxpayer Advocate.”

<sup>11</sup> IRC § 7803(c)(2)(B)(iv).

<sup>12</sup> STAFF OF J. COMM. ON TAX’N, 104TH CONG., GEN. EXPLANATION OF TAX LEGIS. ENACTED IN THE 104TH CONG. 21, JCS-12-96 (J. Comm. Print 1996), <https://www.jct.gov/getattachment/8ac864d2-2601-4d89-bc00-751dc38a2f11/s-12-96-2943.pdf>.

<sup>13</sup> *Id.* at 22.

<sup>14</sup> Pub. L. No. 104-168, § 102(b), 110 Stat. 1452, 1456 (1996).

<sup>15</sup> REP. OF THE NAT’L COMM’N ON RESTRUCTURING THE IRS, A VISION FOR A NEW IRS 48 (1997), <https://www.govinfo.gov/content/pkg/GOVPUB-Y3-PURL-LPS69710/pdf/GOVPUB-Y3-PURL-LPS69710.pdf>.

<sup>16</sup> Pub. L. No. 105-206, § 1102(a), 112 Stat. 685, 699 (1998).

<sup>17</sup> Pub. L. No. 105-206, § 1102(a), 112 Stat. 685, 701 (1998).

Congress also granted the LTAs discretion to not disclose to the IRS the fact that the taxpayer contacted the Office of the Taxpayer Advocate, or any information provided by the taxpayer to that office.<sup>18</sup> RRA 98 also expanded the definition of “significant hardship” in IRC § 7811 to include four specific circumstances:

1. An immediate threat of adverse action;
2. A delay of more than 30 days in resolving taxpayer account problems;
3. The incurring by the taxpayer of significant costs (including fees for professional representation) if relief is not granted; or
4. Irreparable injury to, or a long-term adverse impact on, the taxpayer if relief is not granted.<sup>19</sup>

The Committee Reports make clear that this list is a non-exclusive list of what constitutes a significant hardship.<sup>20</sup>

Prior to 2011, Treasury Regulation § 301.7811-1 had not been updated since it was first published in 1992. Consequently, after Congress expanded the definition of “significant hardship” in the statute in 1998, the regulation was inconsistent with the updated definition. On April 1, 2011, the IRS published in the Federal Register final regulations under IRC § 7811 that contain a definition of significant hardship consistent with existing law and practice.<sup>21</sup>

The National Taxpayer Advocate advocated for many years that the IRS establish a TBOR. In June 2014, the IRS adopted the TBOR – a set of ten fundamental rights that taxpayers should be aware of when dealing with the IRS.<sup>22</sup> One of those ten rights is the *right to a fair and just tax system*, which gives taxpayers the right to receive assistance from the Office of the Taxpayer Advocate if they are experiencing financial difficulty or if the IRS has not resolved their tax issues properly and timely through its normal channels. In December 2015, Congress enacted IRC § 7803(a)(3), which requires the Commissioner to ensure that employees of the IRS are familiar with and act in accord with taxpayer rights, including the *right to a fair and just tax system*.<sup>23</sup> The TBOR, as enacted, lists rights that already existed in the Code, putting them in simple language and grouping them into ten fundamental rights.

The passing of the TFA in July 2019 codified the timeframes surrounding issuance of TADs. Now, the IRS must respond to a TAD no later than 90 days after its issuance.<sup>24</sup> If the IRS decides to modify or rescind the TAD, the National Taxpayer Advocate may appeal that decision to the Commissioner of the IRS within 90 days. The Commissioner then has 90 days to either ensure compliance with the TAD or provide reasons to the National Taxpayer Advocate for the modification or rescission of the TAD. Additionally, the National Taxpayer Advocate must report on any TADs that were not honored in a timely manner in the activities report.<sup>25</sup>

18 IRC § 7803(c)(4)(A)(iv).

19 IRC § 7811(a)(2).

20 See, e.g., H.R. REP. NO. 105-599, at 215 (1998) (Conf. Rep.).

21 Treas. Reg. § 301.7811-1(a)(4)(ii); 76 Fed. Reg. 18059, 18060-61 (Apr. 1, 2011).

22 See IRS News Release, IR-2014-72, IRS Adopts “Taxpayer Bill of Rights,” 10 Provisions to be Highlighted on IRS.gov, in Publication 1 (June 10, 2014), <https://www.irs.gov/newsroom/irs-adopts-taxpayer-bill-of-rights-10-provisions-to-be-highlighted-on-irs.gov-in-publication-1>.

23 See Consolidated Appropriations Act, 2016, Pub. L. No. 114-113, Division Q, Title IV, § 401, 129 Stat. 2242, 3117 (2015).

24 IRC § 7803(c)(5)(A).

25 IRC § 7803(c)(2)(B)(ii)(VIII).



# Case Acceptance Criteria



As an independent organization within the IRS, TAS helps taxpayers resolve problems with the IRS and recommends changes to prevent future problems. TAS fulfills its statutory mission by working with taxpayers to resolve problems with the IRS.<sup>1</sup>

TAS case acceptance criteria fall into four main categories:

## ECONOMIC BURDEN

Economic burden cases are those involving a financial difficulty to the taxpayer: an IRS action or inaction has caused or will cause negative financial consequences or have a long-term adverse impact on the taxpayer.<sup>2</sup>

- CRITERIA 1** The taxpayer is experiencing economic harm or is about to suffer economic harm.
- CRITERIA 2** The taxpayer is facing an immediate threat of adverse action.
- CRITERIA 3** The taxpayer will incur significant costs if relief is not granted (including fees for professional representation).
- CRITERIA 4** The taxpayer will suffer irreparable injury or long-term adverse impact if relief is not granted.

## SYSTEMIC BURDEN

Systemic burden cases are those in which an IRS process, system, or procedure has failed to operate as intended, and as a result the IRS has failed to timely respond to or resolve a taxpayer issue.<sup>3</sup>

- CRITERIA 5** The taxpayer has experienced a delay of more than 30 days to resolve a tax account problem.
- CRITERIA 6** The taxpayer has not received a response or resolution to the problem or inquiry by the date promised.
- CRITERIA 7** A system or procedure has either failed to operate as intended, or failed to resolve the taxpayer's problem or dispute within the IRS.

## BEST INTEREST OF THE TAXPAYER

TAS acceptance of these cases will help ensure that taxpayers receive fair and equitable treatment and that their rights as taxpayers are protected.<sup>4</sup>

- CRITERIA 8** The manner in which the tax laws are being administered raises considerations of equity, or has impaired or will impair the taxpayer's rights.

## PUBLIC POLICY

Acceptance of cases into TAS under this category will be determined by the National Taxpayer Advocate and will generally be based on a unique set of circumstances warranting assistance to certain taxpayers.<sup>5</sup>

- CRITERIA 9** The National Taxpayer Advocate determines compelling public policy warrants assistance to an individual or group of taxpayers.

<sup>1</sup> IRC § 7803(c)(2)(A)(i).

<sup>2</sup> See Internal Revenue Manual (IRM) 13.1.7.3.1, TAS Case Criteria 1-4, Economic Burden (Nov. 29, 2023), [https://www.irs.gov/irm/part13/irm\\_13-001-007](https://www.irs.gov/irm/part13/irm_13-001-007). TAS changed its case acceptance criteria to not accept current tax year cases involving Pre-Refund Wage Verification Hold (PRVWH) issues between January 1 and June 30 (unless referred to TAS by a congressional office; in these instances, TAS will not accept PRVWH cases between January 1 and March 15). In addition, TAS changed its case acceptance criteria to not accept non-congressional cases (Criteria 1-4 and 8) for current and prior year individual and business original and amended paper returns mailed (or sent via private delivery service) to the IRS. See IRM 13.1.7.4, Exceptions to Taxpayer Advocate Service Criteria (Nov. 29, 2023), [https://www.irs.gov/irm/part13/irm\\_13-001-007](https://www.irs.gov/irm/part13/irm_13-001-007).

<sup>3</sup> TAS changed its case acceptance criteria to generally stop accepting certain systemic burden issues. See IRM 13.1.7.3.2, TAS Case Criteria 5-7, Systemic Burden (Nov. 29, 2023), [https://www.irs.gov/irm/part13/irm\\_13-001-007](https://www.irs.gov/irm/part13/irm_13-001-007), and IRM 13.1.7.4, Exceptions to Taxpayer Advocate Service Criteria (Nov. 29, 2023), [https://www.irs.gov/irm/part13/irm\\_13-001-007](https://www.irs.gov/irm/part13/irm_13-001-007).

<sup>4</sup> See IRM 13.1.7.3.3, TAS Case Criteria 8, Best Interest of the Taxpayer (Nov. 29, 2023), [https://www.irs.gov/irm/part13/irm\\_13-001-007](https://www.irs.gov/irm/part13/irm_13-001-007).

<sup>5</sup> See Interim Guidance Memorandum TAS-13-0123-0001, Interim Guidance on Accepting Cases Under TAS Case Criteria 9, Public Policy (Jan. 23, 2023), <https://www.irs.gov/pub/foia/ig/spder/tas-13-0123-0001.pdf>.

## Low Income Taxpayer Clinic Contact Information

Low Income Taxpayer Clinics (LITCs) represent individuals whose income is below a certain level and who need to resolve tax problems with the IRS, such as audits, appeals, and tax collection disputes. LITCs can represent taxpayers in Tax Court as well as with the IRS. In addition, LITCs can provide information about taxpayer rights and responsibilities in different languages for individuals who speak English as a second language. LITCs provide services for free or a small fee. LITCs receive IRS grants but work independently to assist and advocate for taxpayers.

Low-income taxpayers who need help in resolving tax disputes with the IRS and cannot afford representation may qualify for free or low-cost assistance from an LTC. Using poverty guidelines published annually by the Department of Health and Human Services, each LTC decides if an individual meets the income eligibility guidelines and other criteria before it agrees to provide representation. Eligible taxpayers must generally have income that does not exceed 250 percent of the poverty guidelines. Figure 6.1 shows the income ceilings for 2024.

**FIGURE 6.1, LTC Income Guidelines (250 Percent of the Federal Poverty Guidelines)**

Size of Family Unit	48 Contiguous States, Puerto Rico, and D.C.	Alaska	Hawaii
1	\$37,650	\$47,025	\$43,275
2	\$51,100	\$63,850	\$58,750
3	\$64,550	\$80,675	\$74,225
4	\$78,000	\$97,500	\$89,700
5	\$91,450	\$114,325	\$105,175
6	\$104,900	\$131,150	\$120,650
7	\$118,350	\$147,975	\$136,125
8	\$131,800	\$164,800	\$151,600
For each additional person, add	\$13,450	\$16,825	\$15,475

Figure 6.2 shows the LITCs receiving federal funding for the 2024 calendar year that are run by nonprofit organizations or academic institutions. Although LITCs receive partial funding from the IRS, LITCs, their employees, and their volunteers are completely independent of the IRS. Contact information for clinics may change, so please check for the most recent information at <https://www.irs.gov/pub/irs-pdf/p4134.pdf> (English), <https://www.irs.gov/pub/irs-pdf/p4134sp.pdf> (Spanish), or by using the LTC local clinic locator tool at <https://www.taxpayeradvocate.irs.gov/about-us/low-income-taxpayer-clinics-litc/>. Please note the location listed for the clinic is often its main office and a clinic may have branch offices in other cities, so it is best to contact the clinic to determine if it has a location nearer to the taxpayer.

**FIGURE 6.2, 2024 LITCs and Contact Information**

State	City	Clinic Name	Public Phone Number	Languages Served in Addition to English
AK	Anchorage	Alaska Business Development Center LITC	800-478-3474 907-562-0335	All languages through interpreter services
AL	Montgomery	Legal Services Alabama LITC	866-456-4995 334-832-4570	Spanish and other languages through interpreter services
AR	Little Rock	UA Little Rock Bowen School of Law LITC	501-916-5492	Spanish
	Springdale	Legal Aid of Arkansas LITC	870-732-6373	Spanish and Marshallese
AZ	Flagstaff	DNA People's Legal Services LITC	833-362-1102	Spanish, Navajo, Hopi, and other languages through interpreter services
	Phoenix	Community Legal Services LITC	800-852-9075 602-258-3434	Spanish and other languages through interpreter services
	Tucson	Southern Arizona Tax Clinic	520-622-2801	Spanish and other languages through interpreter services
CA	Los Angeles	Bet Tzedek Legal Services Tax Clinic	323-939-0506	Spanish, Russian, and other languages through interpreter services
	Los Angeles	Bookstein Low Income Taxpayer Clinic	818-677-3688	Spanish, Armenian, and Korean
	Los Angeles	KYCC Low Income Taxpayer Clinic	213-365-7400	Spanish and Korean
	Los Angeles	Pepperdine LITC	213-673-4831	Spanish
	Northridge	Taxpayers Help Center LITC	818-488-1388	Spanish, Hindi, and Urdu
	Orange	Chapman University Tax Law Clinic	877-242-7529 714-628-2535	Spanish and Vietnamese
	Riverside	Inland Counties Legal Services LITC	888-245-4257 951-368-2555	Spanish and other languages through interpreter services
	San Diego	Legal Aid Society of San Diego LITC	877-534-2524	Spanish, Vietnamese, Tagalog, Arabic, Farsi, and Somali
	San Diego	University of San Diego LITC	619-260-7470	Spanish and other languages through interpreter services
	San Francisco	Chinese Newcomers Service Center	415-421-2111	Chinese, Cantonese, Mandarin, Vietnamese, and Toisanese
	San Francisco	Justice and Diversity Center of the Bar Association of San Francisco	415-782-8978	Spanish
	San Francisco	UC Law SF LITC	415-703-8287	Spanish
	San Gabriel	Herald Community Center	626-286-2600	Mandarin and Cantonese
	San Luis Obispo	Cal Poly Low Income Taxpayer Clinic	877-318-6772 805-756-2951	Spanish and other languages through interpreter services
	Santa Ana	Public Law Center	888-230-3741 714-541-1010	Spanish, Vietnamese, Tagalog, Chinese, Arabic, Farsi, and Mandarin

### Appendix 3: Low Income Taxpayer Clinic Contact Information

State	City	Clinic Name	Public Phone Number	Languages Served in Addition to English
CO	Denver	Colorado Legal Services LITC	844-440-4848 303-837-1313	Spanish and other languages through interpreter services
	Denver	Denver Asset Building Coalition LITC	303-388-7030	Spanish and other languages through interpreter services
	Denver	University of Denver LITC	303-871-6331	Spanish
CT	Hamden	Quinnipiac University School of Law LITC	203-582-3238	Spanish and other languages through interpreter services
	Hartford	UConn Law School Tax Clinic	860-570-5165	Spanish, Mandarin, Chinese, French, and other languages through interpreter services
DC	Washington	American University Washington College of Law, Janet R. Spragens Tax Clinic	202-274-4144	All languages through interpreter services
	Washington	LITC Support Center	202-630-1690	Spanish
DE	Georgetown	DCRAC LITC	877-825-0750 302-690-5000	Spanish, Italian, and Hindi
FL	Ft. Myers	Florida Rural Legal Services Low Income Taxpayer Clinic	888-582-3410 863-688-7376	All languages through interpreter services
	Gainesville	University of Florida Levin College of Law LITC	352-273-0800	All languages through interpreter services
	Miami	Legal Services of Greater Miami Community Tax Clinic	866-686-2760 305-576-0080	Spanish and Haitian Creole
	Plant City	Bay Area Legal Services Inc. LITC	813-752-1335	Spanish and Haitian Creole
	Plantation	Legal Aid Services of Broward and Collier Counties	954-736-2477	Spanish and Haitian Creole
	St. Petersburg	Gulfcoast Legal Services LITC	727-821-0726	Spanish, French, and other languages through interpreter services
	Tallahassee	Legal Services of North Florida	850-385-9007	Spanish, Chinese, French, and other languages through interpreter services
	West Palm Beach	Legal Aid Society of Palm Beach County LITC	800-403-9353 561-655-8944	Spanish and Haitian Creole
GA	Atlanta	The Philip C. Cook Low Income Taxpayer Clinic	404-413-9230	Spanish
	Hinesville	JCVision and Associates, Inc.	866-396-4243 912-877-4243	Spanish
	Lawrenceville	North Georgia Low Income Taxpayer Clinic	888-267-6891 678-646-5661	Spanish
IA	Des Moines	Iowa Legal Aid LITC	800-532-1275 515-243-2151	Spanish and other languages through interpreter services
ID	Boise	University of Idaho LITC	877-200-4455 208-364-6166	All languages through interpreter services

### Appendix 3: Low Income Taxpayer Clinic Contact Information

State	City	Clinic Name	Public Phone Number	Languages Served in Addition to English
IL	Des Plaines	Center of Concern LITC	847-823-0453	Spanish and other languages through interpreter services
	Chicago	Ladder Up Tax Clinic	312-630-0242	Spanish and Polish
	Chicago	Legal Aid Chicago LITC	312-341-1070	All languages through interpreter services
	Chicago	Loyola Federal Income Tax Clinic	312-915-7176	All languages through interpreter services
	Rockford	Prairie State Legal Services LITC	855-829-7757 630-690-2130	All languages through interpreter services
IN	Bloomington	Indiana Legal Services, Inc. LITC	800-822-4774 812-339-7668	All languages through interpreter services
	Indianapolis	Neighborhood Christian Legal Clinic	317-429-4131	Spanish, French, Arabic, Burmese, Hakha Chin, Kinyarwanda, Maya, Swahili, Chinese, Zophei, Falam, and other languages through interpreter services
KY	Louisville	Legal Aid Society Low Income Taxpayer Clinic	800-292-1862 502-584-1254	All languages through interpreter services
	Richmond	AppalRed Low Income Taxpayer Clinic	800-477-1394 859-624-1394	Spanish and other languages through interpreter services
LA	New Orleans	Southeast Louisiana Legal Services LITC	877-521-6242 504-529-1000	Spanish, Vietnamese, and other languages through interpreter services
MA	Boston	AACA LITC	617-426-9492	Chinese, Vietnamese, French, Haitian Creole, Gujarati, Hindi, Urdu, Punjabi, and Swahili
	Boston	Greater Boston Legal Services LITC	800-323-3205 617-371-1234	All languages through interpreter services
	Jamaica Plain	Legal Services Center of Harvard Law School LITC	866-738-8081 617-390-1729	Spanish and other languages through interpreter services
	Lawrence	Northeast Legal Aid LITC	800-336-2262 978-458-1465	Spanish, Khmer, Portuguese, Bulgarian, Thai, Polish, French, Arabic, Hebrew, Italian, Luganda, Swahili, Hindi, Urdu, and other languages through interpreter services
MD	Baltimore	Maryland Volunteer Lawyers Service LITC	800-510-0050 410-547-6537	All languages through interpreter services
	Baltimore	University of Baltimore LITC	410-837-5706	All languages through interpreter services
	Baltimore	University of Maryland Carey School of Law LITC	410-706-3295	All languages through interpreter services
ME	Augusta	Pine Tree Legal Assistance Inc. LITC	207-622-4731	All languages through interpreter services
MI	Ann Arbor	University of Michigan LITC	734-936-3535	All languages through interpreter services
	Detroit	Accounting Aid Society	866-673-0873 313-556-1920	Spanish and Arabic
	East Lansing	Alvin L. Storrs Low Income Taxpayer Clinic	517-432-6880	All languages through interpreter services
	Grand Rapids	West Michigan Low Income Taxpayer Clinic (Legal Aid of Western Michigan)	800-442-2777 616-774-0672	Spanish and other languages through interpreter services



### Appendix 3: Low Income Taxpayer Clinic Contact Information

State	City	Clinic Name	Public Phone Number	Languages Served in Addition to English
MN	Minneapolis	Mid-Minnesota Legal Aid Tax Law Project	800-292-4150 612-334-5970	Spanish, Somali, Hmong, Arabic, Oromo, Amharic, and other languages through interpreter services
	Minneapolis	University of Minnesota LITC	612-625-5515	Somali, Spanish, Hmong, Karen, and other languages through interpreter services
MO	Kansas City	Legal Aid of Western Missouri LITC	800-990-2907 816-474-6750	Spanish and other languages through interpreter services
	Kansas City	UMKC School of Law LITC	816-235-6201	All languages through interpreter services
	St. Louis	Washington University School of Law LITC	314-935-7238	All languages through interpreter services
MS	Oxford	Mississippi Taxpayer Assistance Project	888-808-8049 622-234-2918	All languages through interpreter services
	Gautier	Southern Mississippi Tax Volunteers	855-829-8657	All languages through interpreter services
NC	Asheville	Pisgah Legal Services LITC	800-489-6144 828-253-0406	Spanish and other languages through interpreter services
	Charlotte	North Carolina Low Income Taxpayer Clinic	800-438-1254 704-376-1600	Spanish and other languages through interpreter services
NE	Lincoln	Legal Aid of Nebraska LITC	800-742-7555 402-435-2161	All languages through interpreter services
NH	Concord	603 Legal Aid Low Income Taxpayer Project	603-224-3333	All languages through interpreter services
NJ	Edison	Legal Services of New Jersey Tax Legal Assistance Project	888-576-5529 732-572-9100	Spanish, Haitian Creole, Portuguese, Hindi, and Arabic
	Jersey City	Northeast New Jersey Legal Services LITC	201-792-6363	Spanish, Korean, Hindi, Urdu, Hebrew, Arabic, Portuguese, Tagalog, and other languages through interpreter services
	Newark	Rutgers Federal Tax Law Clinic	973-353-1685	Spanish
NM	Albuquerque	New Mexico Legal Aid Low Income Taxpayer Clinic	866-416-1922 505-243-7871	All languages through interpreter services

### Appendix 3: Low Income Taxpayer Clinic Contact Information

State	City	Clinic Name	Public Phone Number	Languages Served in Addition to English
NY	Albany	Legal Aid Society of Northeastern New York LITC	833-628-0087 518-462-6765	All languages through interpreter services
	Bronx	Bronx Legal Services	917-661-4500	Spanish and other languages through interpreter services
	Brooklyn	Brooklyn Legal Services Corporation A LITC	718-487-2300	Spanish and other languages through interpreter services
	Brooklyn	Brooklyn Low-Income Taxpayer Clinic	917-661-4500	Spanish, Russian, American Sign Language, and other languages through interpreter services
	Buffalo	Erie County Bar Association Volunteer Lawyers Project LITC	800-229-6198 716-847-0662	All languages through interpreter services
	Jamaica	Queens Legal Services LITC	917-661-4500	Spanish, Mandarin, Cantonese, Fuzhounese, Korean, Hindi, Bengali, Urdu, French, Haitian Creole, Croatian, Malayalam, and other languages through interpreter services
	New York	Fordham Law School	212-636-7353	Spanish and other languages through interpreter services
	New York	Mobilization for Justice	212-417-3839	Spanish, Chinese, French, Haitian Creole, Urdu, Tagalog, Tamil, Persian, and other languages through interpreter services
	New York	The Legal Aid Society LITC	212-426-3013	Spanish and other languages through interpreter services
	Rochester	Low Income Taxpayer Clinic at CASH	585-900-1004	Spanish and other languages through interpreter services
	Syracuse	Syracuse University College of Law LITC	888-797-5291 315-443-4582	All languages through interpreter services
OH	Akron	Community Legal Aid Services	800-998-9454	Spanish and other languages through interpreter services
	Cincinnati	The Legal Aid Society of Greater Cincinnati LITC	800-582-2682 513-241-9400	All languages through interpreter services
	Cleveland	The Legal Aid Society of Cleveland LITC	888-817-3777 216-861-5500	All languages through interpreter services
	Columbus	Legal Aid of Southeast and Central Ohio	844-302-1800 740-354-7563	All languages through interpreter services
	Toledo	Toledo Tax Controversy Clinic	419-684-8822	Arabic and other languages through interpreter services
OK	Tulsa	Legal Aid Services of Oklahoma LITC	833-284-6227 918-236-9572	All languages through interpreter services
OR	Portland	Legal Aid Services of Oregon LITC	503-224-4086	Spanish, Mandarin, Japanese, and other languages through interpreter services
	Portland	Lewis & Clark Low Income Taxpayer Clinic	503-768-6500	Spanish and other languages through interpreter services
	Portland	Oregon Law Center LITC	800-672-4919	Spanish and other languages through interpreter services

### Appendix 3: Low Income Taxpayer Clinic Contact Information

State	City	Clinic Name	Public Phone Number	Languages Served in Addition to English
PA	Philadelphia	Philadelphia Legal Assistance Taxpayer Support Clinic	215-981-3800	Spanish, Arabic, French, and other languages through interpreter services
	Philadelphia	Temple Law School LITC	215-204-8948	Spanish, Farsi, and other languages through interpreter services
	Pittsburgh	University of Pittsburgh School of Law LITC	412-648-1300	Spanish and French
	Villanova	Villanova Federal Tax Clinic	888-829-2546 610-519-4123	Spanish and other languages through interpreter services
	Washington	Southwestern Pennsylvania Legal Services LITC	800-846-0871 724-225-6170	All languages through interpreter services
	Williamsport	Susquehanna Legal Aid for Adults and Youth	570-884-4174	Spanish and other languages through interpreter services
	York	MidPenn Legal Services Low Income Taxpayer Clinic	844-675-7829	Spanish and other languages through interpreter services
RI	Providence	Rhode Island Legal Services LITC	401-274-2652	Spanish and other languages through interpreter services
SC	Columbia	USC School of Law Low Income Tax Clinic	803-777-4155	All languages through interpreter services
	Greenville	South Carolina Legal Services LITC	888-346-5592	Spanish and other languages through interpreter services
TN	Memphis	Memphis Area Legal Services	901-523-8822	All languages through interpreter services
	Oak Ridge	Tennessee Taxpayer Project	866-481-3669 865-483-8454	Spanish and other languages through interpreter services
TX	Fort Worth	Legal Aid of Northwest Texas LITC	800-955-3959 817-336-3943	Spanish and other languages through interpreter services
	Fort Worth	Texas A&M University School of Law, Tax Dispute Resolution Clinic	817-212-4123	Spanish and other languages through interpreter services
	Houston	Houston Volunteer Lawyers LITC	713-228-0735	Spanish, Vietnamese, and other languages through interpreter services
	Houston	Lone Star Legal Aid LITC	800-733-8394 713-652-0077	Spanish, Vietnamese, and other languages through interpreter services
	Houston	South Texas College of Law LITC	800-646-1253 713-646-2922	All languages through interpreter services
	Lubbock	Texas Tech University School of Law	800-420-8037 806-742-4312	Spanish and other languages through interpreter services
	San Antonio	Texas Taxpayer Assistance Project	833-329-8752 210-212-3747	Spanish and other languages through interpreter services
UT	Provo	Centro Hispano LITC	801-655-0258 801-691-5259	Spanish, Portuguese, and other languages through interpreter services
	Salt Lake City	Westminster Tax Clinic	801-210-8291	Spanish, Portuguese, Serbian, Croatian, Bosnian, Montenegrin, Macedonian, Bulgarian, and Russian

### Appendix 3: Low Income Taxpayer Clinic Contact Information

State	City	Clinic Name	Public Phone Number	Languages Served in Addition to English
VA	Fairfax	Legal Services of Northern Virginia LITC	866-534-5243 703-778-6800	Spanish and other languages through interpreter services
	Lexington	Washington and Lee University School of Law Tax Clinic	540-458-8918	All languages through interpreter services
	Richmond	The Community Tax Law Project	800-295-0110 804-358-5855	Spanish and other languages through interpreter services
VT	Burlington	Vermont Low Income Taxpayer Clinic	800-889-2047 802-863-5620	All languages through interpreter services
WA	Seattle	University of Washington Federal Tax Clinic	866-866-0158 206-685-6805	Spanish, Russian, Mandarin, and Korean
	Spokane	Gonzaga University Federal Tax Clinic	800-793-1722 509-313-5791	All languages through interpreter services
WI	Milwaukee	Legal Action of Wisconsin LITC	855-502-2468 414-274-3400	All languages through interpreter services
WY	Laramie	University of Wyoming LITC	833-719-2490 307-766-6114	All languages through interpreter services

Taxpayers may be able to receive assistance from a referral system operated by a state bar association, a state or local society of accountants or enrolled agents, or another nonprofit tax professional organization that is not part of the LITC Program.

## Glossary of Acronyms

Acronym	Definition
AARP	American Association of Retired Persons
ADR	Alternative Dispute Resolution
AI	Artificial Intelligence
AIMS	Automated Information Management System
AM	Accounts Management
AMIR	Accounts Management Inventory Report
AM RAD	Accounts Management Research, Analysis, and Data
BPR	Business Performance Review
CDW	Compliance Data Warehouse
CFR	Code of Federal Regulations
CIS	Correspondence Imaging System
COBOL	Common Business Oriented Language
COVID-19	Coronavirus Disease 2019
CSR	Customer Service Representative
CY	Calendar Year
DUT	Document Upload Tool
EITC	Earned Income Tax Credit
ERC	Employee Retention Credit
FS	Filing Season or Fact Sheet
FTC	Federal Trade Commission
FUTA	Federal Unemployment Tax Act
FY	Fiscal Year
GAO	Government Accountability Office
HCO	Human Capital Office
IA	Installment Agreement
IDT	Identity Theft
IDTVA	Identity Theft Victim Assistance
IP PIN	Identity Protection PIN
IR	Internal Revenue
IRA	Inflation Reduction Act
IRC	Internal Revenue Code
IRM	Internal Revenue Manual
IRS	Internal Revenue Service
IRTF	Individual Returns Transaction File
IT	Information Technology
ITIN	Individual Taxpayer Identification Number

Acronym	Definition
JCS	Joint Chiefs of Staff
JOC	Joint Operations Center
LITC	Low Income Taxpayer Clinic
LOS	Level of Service
LTA	Local Taxpayer Advocate
NTA	National Taxpayer Advocate
NTEU	National Treasury Employees Union
OMB	U.S. Office of Management and Budget
OPM	U.S. Office of Personnel Management
PMPA	Program Management/Process Assurance Branch
PRO	Problem Resolution Officer
PRWVH	Pre-Refund Wage Verification Hold
PTIN	Preparer Tax Identification Number
RAAS	Research, Applied Analytics, and Statistics
RAD	Research, Analysis, and Data
RIVO	Return Integrity Verification Operation
RPP	Return Preparers and Providers
RRA 98	IRS Restructuring and Reform Act of 1998
SAMS	Systemic Advocacy Management System
SERP	Servicewide Electronic Research Program
SOP	Strategic Operating Plan
TABOR	Taxpayer Bill of Rights (Colorado's)
TAC	Taxpayer Assistance Center
TAD	Taxpayer Advocate Directive
TAMRA	Technical and Miscellaneous Revenue Act
TAO	Taxpayer Assistance Order
TAP	Taxpayer Advocacy Panel
TAS	Taxpayer Advocate Service
TBOR	Taxpayer Bill of Rights
TCE	Tax Counseling for the Elderly
TFA	Taxpayer First Act
TIGTA	Treasury Inspector General for Tax Administration
TIN	Taxpayer Identification Number
TOC	Tactical Operations Center
TPP	Taxpayer Protection Program
TY	Tax Year



Acronym	Definition
VDP	Voluntary Disclosure Program
VITA	Volunteer Income Tax Assistance
VSD	Virtual Service Delivery
WebSD	Web Service Delivery
W&I	Wage and Investment (Operating Division)

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