

## 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>

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

6 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>.

7 *Id.*

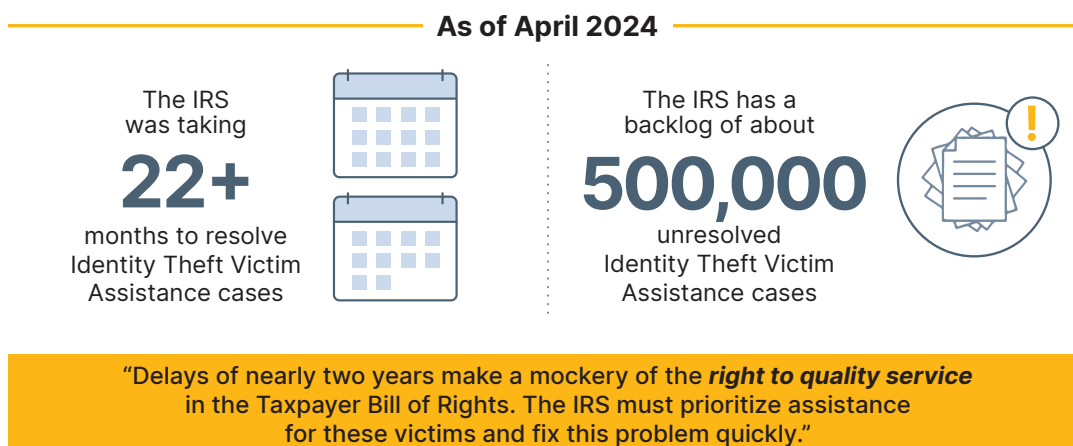
8 IRS, Submission Processing Program Management/Process Assurance (PMPA) Branch, Filing Season Statistics Reports (weekly 2024 reports through Apr. 19, 2024); IRS response to TAS information request (May 23, 2024).

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

10 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>

11 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.  
 12 IRS, Accounts Management Inventory Report (AMIR), National Inventory Age Report (week ending Sept. 30, 2023).  
 13 IRS, Compliance Data Warehouse, Individual Master File and Individual Returns Transaction File (Sept. 28, 2023).  
 14 IRS, AMIR, National Inventory Age Report (week ending Apr. 20, 2024).  
 15 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

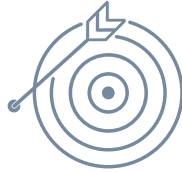
16 IRS, JOC, Snapshot Reports: Enterprise Snapshot, AM (week ending Apr. 22, 2022).

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

18 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.

19 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

<sup>21</sup> 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 assistors.

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).

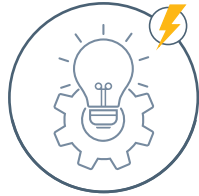
<sup>25</sup> IRS, Ready Agent Hours Report (Jan. 1, 2024, through Apr. 20, 2024).

<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?

<sup>28</sup> 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/iy1672>; 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

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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.

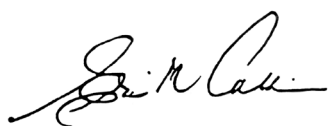
## CONCLUSION

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

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>.