

2023 National Taxpayer Advocate Annual Report to Congress Most Serious Problems Encountered by Taxpayers Administrative Recommendations: IRS and TAS Responses

MSP #1: PROCESSING ONGOING PROCESSING DELAYS BURDEN AND FRUSTRATE TAXPAYERS AWAITING REFUNDS AND OTHER ACCOUNT ACTIONS

In 2023, millions of taxpayers once again experienced significant burden and frustration while awaiting refunds or other IRS actions necessary to comply with their tax obligations and resolve tax account issues. Throughout 2023, the IRS’s backlog associated with paper-filed original and amended returns continued to delay the processing of much-needed taxpayer refunds and assistance with tax account issues. However, there was some good news during the 2023 filing season. Returns filed without errors were processed quicker than previous years, and by the end of September, the IRS had processed all but 169,000 individual and business paper and electronic original returns. Taxpayers calling the 1040 toll-free telephone line experienced shorter wait times and were more likely to get through to speak with a customer service representative (CSR), but answering the phones is only half the battle. Because the IRS prioritized telephone service over other IRS operations such as processing amended returns, working identity theft returns, and responding to taxpayer correspondence, Accounts Management (AM) CSRs responsible for answering calls were not able to process amended returns and answer taxpayer correspondence. This created a new backlog by the end of the 2023 filing season. As a result, individual and business taxpayers experienced delays. These delays not only have negative financial implications for taxpayers awaiting refunds but also for the government, as the IRS must pay interest on overpayments it does not timely refund.

TAS Recommendation	[1-1] Expediently address the processing of valid ERC claims, particularly for taxpayers experiencing financial hardships.
IRS Response	The IRS agrees to implement the TAS recommendation in full.
IRS Action	Currently, the IRS prioritizes the transcription, review and risk assessing of ERC claims for taxpayers who are experiencing financial hardships. Valid ERC claims are processed expeditiously. In addition, the IRS deployed the ERC Voluntary Disclosure Program and claim withdrawal process initiatives to counter questionable claims, further protecting taxpayers with valid claims and ensuring that their claims are prioritized.

TAS Response	While the IRS has stated it is “processing” claims expeditiously, taxpayers and TAS are frustrated with the long delays in processing (allowance of the claim, denial of the claim, or the initiation of an audit) for ERC claims. Over 634,000 of ERC claims filed prior to the September 14, 2024, moratorium are still waiting for processing. Most have waited nine to 12 months to receive any information as to the status of their claims. Claims filed after the moratorium are still in suspense, and the IRS has not begun processing any of the over 698,000 claims pending review. Prioritizing the processing of ERC claims for taxpayers experiencing financial hardships is critical to providing the relief Congress intended. The timely processing of all claims will help to foster taxpayer trust and confidence in tax administration.
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TAS Recommendation	[1-2] Train remote call center CSRs to complete processing duties to increase AM processing capacity; reduce amended return, correspondence, and AM case processing delays; minimize backlogs; and improve the taxpayer experience.
IRS Response	The IRS agrees to implement the TAS recommendation in full.
IRS Action	The IRS reviewed its longstanding decision to have remote call site Customer Service Representatives (CSR) assigned only to phone work. We are redirecting our efforts and expanding the CSRs’ work to include paper case processing. This affords us additional resources and flexibility to effectively manage our inventories and support our paper reduction efforts. In October 2023, Accounts Management (AM) began the planning process to provide training on paper case processing. This included identifying needs, developing the curricula, and working with IT to ensure the required software was up to date. Training is scheduled to begin April 22, 2024, with June 14, 2024, as the projected date for completion and CSR certification.
TAS Response	We support the IRS’s plan to train CSRs in paper case processing. We are optimistic that ensuring CSRs can work on paper case processing will reduce paper backlogs and improve the taxpayer experience. We recommend that the IRS balance the CSR workload during the 2025 filing season to prevent another year of unprocessed paper.

TAS Recommendation	[1-3] Program information technology systems to systemically apply FTA to all eligible taxpayers beginning in FS 2024 while also providing taxpayers the ability to substitute a reasonable cause defense when substantiated by the taxpayer.
IRS Response	The IRS agrees to implement the TAS recommendation in part.
IRS Action	<p>Automating First Time Abate (FTA) has been a priority within the IRS, and IRA funding allowed this project to continue. We are actively working to program our information technology systems to systematically apply FTA to all eligible taxpayers by January 1, 2026, in time for filing season 2026. Automating FTA involves complex programming that must be completed in phases. The first phase incorporates account analysis and codes indicating compliance. The second phase establishes indicators for the three prior years based on the compliance codes from phase one. The final phase will use the indicators established during phase two to determine whether a taxpayer is eligible for the FTA waiver and grant penalty relief when eligible. The final phase will also contain programming that will prevent additional accruals of the penalty even if the tax is paid. Each phase of programming must be developed, tested, and then implemented before the next phase can begin. The IRS is also developing the process by which taxpayers will be able to change FTA to reasonable cause when reasonable cause criteria are met.</p> <p>The IRS agrees with providing taxpayers the ability to change FTA to a reasonable cause defense when reasonable cause criteria are met, and we are developing the process and related instructions to effect this change.</p>
TAS Response	Automation of the application of FTA will reduce taxpayer cost, provide fairness of relief for low-income taxpayers and small businesses unaware of the benefit, and improve efficiencies for the IRS. Although the IRS may not be able to complete this project in FS 2024, the IRS is making progress toward automating FTA by FS 2026. Providing the ability to substitute reasonable cause for FTA at the same time as automating FTA will ensure taxpayer fairness by not forcing taxpayers to use their once-in-three-years FTA waiver when reasonable cause applies.
TAS Recommendation	[1-4] Prioritize the acceptance of amended business and employment tax returns and applications for tentative refund requests for inclusion in the e-file program and electronic processing, along with the electronic processing of e-filed Forms 1040-X, which the IRS accepts electronically but processes manually.

IRS Response	The IRS agrees to implement the TAS recommendation in part.
IRS Action	<p>The IRS plans to implement the recommendation to prioritize the electronic processing of e-filed Forms 1040X. Automated processing of Form 1040X is currently in the design stage of development. Incremental testing will begin during calendar year 2026. The IRS plans to implement the recommendation to include amended employment tax returns, as well as applications for tentative refunds, in the e-file program. Starting June 2024, taxpayers will be able to electronically file the following amended employment tax returns.</p> <ul style="list-style-type: none"> • Amended Form 940, Employer's Annual Federal Unemployment (FUTA) Tax Return • Form 941-X, Adjusted QUARTERLY Federal Tax Return or Claim for Refund • Form 943-X, Adjusted Employer's Annual Federal Tax Return for Agricultural Employees or Claim for Refund • Form 945-X, Adjusted ANNUAL Return of Withheld Federal Income <p>The above returns will be processed manually at this time. Additional amended business returns and the application for tentative refund requests are part of future development discussions.</p>
TAS Response	We support the IRS's plan to allow electronic filing of amended business and employment tax returns and applications for tentative refund requests. However, without expediting the use of electronic processing, the backlogs related to the manual processing of these returns will continue.
TAS Recommendation	[1-5] Electronically process those returns otherwise required to be paper-filed upon rejection and direct these imperfect e-filed returns to treatment streams for resolution.

<p style="text-align: center;">IRS Response</p>	<p>The IRS does not agree to implement the TAS recommendation.</p> <p>We continuously review and evaluate solutions to assist taxpayers in filing complete electronic returns and alleviate processing delays or issuance of correspondence. The e-file system rejects fraudulent or duplicate returns as agreed upon with the Security Summit partners. This is a collaboration between the IRS and members of private industries, the states, and financial institutions, to alleviate fraud from occurring and to protect taxpayers. Additionally, the IRS works with external partners to educate them on the top error rejection codes during various industry calls. We will continue to assess specific scenarios that force taxpayers to file by paper and analyze whether we can allow taxpayers electronic access while mitigating the risk of fraudulent activity.</p> <p>The IRS is planning to allow returns claiming an Earned Income Tax Credit that also had an Identity Protection Personal Identification Number to be received electronically in filing season 2025.</p>
<p style="text-align: center;">IRS Action</p>	<p>N/A</p>
<p style="text-align: center;">TAS Response</p>	<p>We support the IRS’s rejection of fraudulent and duplicate returns. However, the IRS should continue to review the most common rejection reasons and determine ways to minimize those rejections without increasing the risk of identity theft and the filing of potentially fraudulent returns. Electronic returns that meet the <i>Beard</i> standard need to be accepted electronically. The IRS does not have a legal basis for rejecting valid tax returns. The IRS should also continue to evaluate whether it is feasible to accept an imperfect tax return electronically or allow correction rather than forcing the taxpayer to paper file the return with the error uncorrected.</p>

MSP #2: IRS HIRING, RECRUITMENT AND TRAINING: SHORTCOMINGS IN THE IRS’S EMPLOYEE HIRING, RETENTION, RECRUITMENT, AND TRAINING PROGRAMS ADVERSELY AFFECT THE QUALITY OF TAXPAYER SERVICE THE IRS PROVIDES AND UNDERMINE EFFECTIVE TAX ADMINISTRATION

When IRS staffing or training falls to insufficient levels, service quality suffers and taxpayers experience burden and frustration, which undermine voluntary compliance and burden tax administration. The IRS operating at less than full strength harms taxpayers’ *rights to challenge the IRS’s position and be heard* and *to a fair and just tax system*. Many of the IRS’s challenges are traceable to simply not having adequate staffing levels, which in the past decade have fallen to lows not seen since the 1970s. Insufficient staffing has caused the quality of taxpayer service to decline in various forms. Even when the IRS can recruit enough staff, it struggles to attract, onboard, retain, and train the talent it needs.

TAS Recommendation	[2-1] Invest in more technological capabilities to assist the hiring process. HCO needs an automated mechanism for hiring officials to see their real-time vacancy status from start to finish to improve hiring, reduce frustration for BOD hiring officials, and reduce the resulting inquiries to HCO.
IRS Response	The IRS agrees to implement the TAS recommendation in full.
IRS Action	The Department of Treasury is leading an initiative to develop enterprise technology solutions, including an automated mechanism for hiring officials to see their real-time vacancy status from start to finish. IRS has defined self-service HR tools that allow management to request, track, and efficiently manage their individual hiring needs in a single integrated solution and to track hiring demand against actual hiring, as priority requirements. IRS is also funding this effort through the Inflation Reduction Act.
TAS Response	TAS is encouraged to learn about this development and the ongoing Minimum Viable Product (MVP) deliveries that began March 2024. TAS is looking forward to the full implementation around September 2024. TAS will continue to advocate with internal and external stakeholders in support of HCO to receive the technical support and flexibilities it needs so it can better serve its customers.

TAS Recommendation	[2-2] Develop a robust plan to expand or eliminate limits on aggregate amounts for employee awards and bonuses to improve employee retention rates and allow the agency to better compete with other agencies on employee benefits.
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IRS Response	The IRS agrees to implement the TAS recommendation in part.
IRS Action	The IRS does not have the authority to unilaterally change the amounts of award pools. Award amounts are contingent upon budget allocations and several other factors (<i>e.g.</i> , statute, National Agreement, etc.). Therefore, the Agency cannot commit to a plan to expand or eliminate limits on aggregate amounts for employee awards and bonuses. However, the IRS remains committed to offering employee awards and incentives, to improve employee retention rates and to allow the agency to better compete with other agencies on employee benefits. In addition to IRS appropriations and budgets, we also follow the award and incentive limitations the Office of Personnel Management imposes. The IRS agrees to review options available and determine if a plan is possible.
TAS Response	TAS is looking forward to learning more about the IRS’s work on this recommendation as it reviews options available and determines if a plan is possible. It is important for the IRS to study employee awards and bonuses and better understand how to improve employee retention rates, in accordance with and contingent upon limitations the Office of Personnel Management imposes, the National Agreement, and other factors.

TAS Recommendation	[2-3] Explore providing additional recruitment and relocation bonuses, retention bonuses, merit awards, and incentives for critical skills and expand current incentives for employees to allow the agency to better compete with other agencies on employee benefits.
IRS Response	The IRS agrees to implement the TAS recommendation in full.
IRS Action	Recruitment, relocation, and retention incentives are compensation flexibilities currently available to IRS business units to recruit and retain a world-class workforce. The IRS implemented group recruitment incentives for Revenue Agents and Revenue Officers. We are currently evaluating the use of retention incentives for additional mission critical and hard-to-fill occupations.
TAS Response	The National Taxpayer Advocate applauds the IRS for adopting this recommendation as well as its related efforts so far. The development of additional employment incentives will allow for more successful recruitment, leading to a more competitive workforce. TAS is looking forward to hearing about the next group of incentives expected to be implemented on or about July 2024.

TAS Recommendation	[2-4] Consider contracting with recruiting firms that would better assist the IRS in reaching qualified candidates for employment in the higher GS grade level positions.
IRS Response	The IRS agrees to implement the TAS recommendation in full.
IRS Action	IRS is working through the procurement process to award a long-term strategic recruitment contract. In addition to marketing, branding, and outreach efforts, this contract will be a gateway to reaching qualified applicants at all grade levels. In the meantime, IRS entered into a short-term contract with a strategic recruiting firm in January 2024. To date, this contractor is developing strategic recruitment training and performing market research and analyses.
TAS Response	The National Taxpayer Advocate is encouraged by the IRS’s recruitment contracting efforts so far and praises the IRS’s implementation of a long-term strategic recruitment contract. While this is a good first step, more work needs to be done, for which external contractors may be engaged for additional areas of assistance. TAS will be monitoring these developments and collaborating with the IRS to provide insights after evaluating the results.

TAS Recommendation	[2-5] Hire more staffing for HCO’s Strategic Talent Analytics and Recruitment Solutions (STARS) program, in particular to allow for more staffing at Direct Hire Authority (DHA) events and to expedite processes where the IRS is using hiring authorities to speed up hiring processes.
IRS Response	The IRS agrees to implement the TAS recommendation in full.
IRS Action	In early FY24, Talent Acquisition transformed Employment Operations from a hiring action processing posture to full service, customer-centric Hiring Operations. Effective December 2023, these dedicated hiring and recruitment teams are aligned to support specific Business Operating Divisions (BOD). We realigned STARS recruiters to a dedicated Hiring Operations Office and established a new Strategic Recruitment Office. Within this transformation, we staffed each office adequately to meet customer hiring demands and support in-person hiring events. In addition to adequate resources, we are transforming the hiring event process to promote additional automation and efficiencies which we will pilot in April 2024.

TAS Response	The National Taxpayer Advocate is encouraged by HCO’s efforts in undertaking a more customer-centric approach and the realignment of the recruitment teams to better service customers. TAS will continue to monitor progress and evaluate the feedback and responses to these changes from the perspectives of the BODs in the IRS.
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TAS Recommendation	[2-6] Allocate more staffing resources to HCO Talent Acquisition so it can provide more timely communication to its customers.
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IRS Response	The IRS agrees to implement the TAS recommendation in full.
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IRS Action	In early FY24, Talent Acquisition transformed Employment Operations from a hiring action processing posture to full service, customer-centric Hiring Operations. These dedicated hiring and recruitment teams, which received additional FTEs based on hiring capacity calculator data, are aligned to support specific Business Operating Divisions, resulting in relationship building, consistency, accountability, communication, and an improved hiring process from beginning to end.
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TAS Response	The National Taxpayer Advocate praises the IRS’s adoption of this recommendation and its related efforts to date. TAS looks forward to seeing the HCO implement a more customer-centric approach and hire additional employees over time to provide more timely communication to its customers. Critical components of an effective hiring strategy are relationship building and timely communication with both applicants and internal customers (Business Operating Divisions) because they allow for an improved and quicker hiring process.
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TAS Recommendation	[2-7] Provide training for HCO hiring personnel to improve the selection process and ensure BODs receive only qualified applicants.
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IRS Response	The IRS agrees to implement the TAS recommendation in full.
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IRS Action	IRS developed a two-year formal training plan for all HR Specialists. Current HR Specialists will have refresher training and attend courses identified in the plan, building on current knowledge and skills. Recently hired or new HR Specialists will be placed on a two-year developmental training plan with courses covering the full hiring process.
TAS Response	The National Taxpayer Advocate commends HCO for adopting this recommendation and for IRS efforts so far. It is important to revamp training for HR Specialists, both new and experienced, as processes change, and HCO applies a more customer-centric approach. TAS will be monitoring effectiveness of the training over time as it takes place.

TAS Recommendation	[2-8] Allocate more support and personnel in CLS, located within the Enterprise Talent Development Division of HCO, so it can provide classroom services, schedule, and support trainings, increase, or reestablish training services at sites CLS no longer supports and help alleviate the pressure on BODs from competing for classroom training space and equipment.
IRS Response	The IRS agrees to implement the TAS recommendation in full.
IRS Action	Enterprise Talent Development Classroom Learning Services (CLS) provides in-person classroom support services in IRS CLS training locations and remote classroom support services in non-CLS locations. IRS is seeking to allocate more support and personnel in CLS so it can provide classroom services and reestablish training support at non-CLS sites using a phased approach to expand the CLS footprint to increase support of Business Operating Divisions training.
TAS Response	The National Taxpayer Advocate encourages the IRS to find ways to fully implement this recommendation in the future. It is crucial that the IRS allocate more personnel in CLS and provide better classroom services to improve training support. TAS will continue to monitor developments in this area until after the September 30, 2026, proposed implementation date and review the results and changes made.

TAS Recommendation	[2-9] Work with the Office of Legislative Affairs and relevant offices within Treasury to develop a legislative recommendation to provide the IRS with broad legislative DHA to address the current DHA limits and expiration dates because the administrative process to get extensions for DHA through OPM burdens the agency.
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IRS Response	The IRS agrees to implement the TAS recommendation in full.
IRS Action	The FY 2025 President’s Budget includes an administrative provision within the appropriations language that provides Direct Hire Authority (DHA). This provision expands DHA beyond current parameters to help ensure that hiring delays are not an obstacle for achieving broad mission related functions. In addition, the current proposal would extend DHA through 2027. The IRS Human Capital Office will work with the Office of Legislative Affairs and relevant offices within Treasury to respond to any legislative inquiries regarding this proposed language and continue to advocate for its inclusion in the final appropriations. The IRS Human Capital Office will ensure that appropriate language is submitted in February of each year for subsequent budget requests. In addition, Sec. 111 of the 2024 appropriations legislation signed into law on Saturday, March 23, 2024, contains language on direct hire authority for positions related to backlogged tax returns and tax return information (https://www.congress.gov/bill/118th-congress/house-bill/2882/text).
TAS Response	TAS commends the IRS efforts to date and encourages the IRS to continue to request that Congress and OPM provide DHA and additional hiring flexibilities as needed for more positions and functions.

TAS Recommendation	[2-10] During FY 2025, require the IRS Chief Diversity Officer to complete a comprehensive review of the agency’s RA program, including but not limited to case processing procedures, staffing utilization, training, and management oversight of case monitoring; provide a written report to the IRS Commissioner on her findings and recommendations for improving the RA program; and reduce the processing time of RA requests consistent with applicable law and the Internal Revenue Manual.
IRS Response	The IRS agrees to implement the TAS recommendation in full.

IRS Action	<p>In response to the evolving pandemic environment, the IRS implemented various health & safety measures in accordance with guidance from the Safer Federal Workforce Taskforce and other authorities and instituted multiple Return to Office initiatives. As a result, the IRS experienced a significant increase in the numbers of requests for reasonable accommodation (RA). At its peak, the Agency had over 11,000 RA requests, 6,786 of which were exemptions from the Federal vaccine mandate.</p> <p>The Agency provided interim accommodations while processing the RA requests. Recognizing the sizable increase in accommodation requests was adversely impacting case processing times and other aspects of the program, beginning in August 2023, the Agency performed an in-depth review of its policies and procedures for, and resources devoted to, affording effective reasonable accommodations for employees and applicants for employment with disabilities.</p> <p>The IRS Office of Equity, Diversity & Inclusion (IRS-EDI) administers the reasonable accommodation program as described in Internal Revenue Manual 1.20.2 and is in the process of executing a multi-pronged improvement approach in the areas of staffing, training, and process improvement.</p> <p>Historically, IRS-EDI had three teams of Reasonable Accommodation Coordinators (RACs) who facilitate the assessment and fulfillment of accommodation needs in accordance with applicable statutes, regulations, and sub-regulatory guidance. In light of the greatly increased demand for reasonable accommodation services, in 2023 an additional (fourth) team with ten RACs, one Senior RAC and a Team Manager was created. The newly hired RACs were provided in-depth soft skills training followed by on-the-job-instruction.</p> <p>In October 2023, the IRS implemented a new technology platform—IRWorks—to initiate and track reasonable accommodation request. IRWorks is more adept at tracking all facets of the accommodation process allowing for effective case inventory management and data analysis to identify opportunities for improvements which will expedite decision making and fulfillment of accommodation requests.</p> <p>Ensuring all IRS managers are trained in RA is essential to the success of the program. RA was a key aspect of new FY24 Agency-wide Continuing Professional Education for all managers. This refresher training focused on management’s responsibilities and the importance of exhibiting empathy, kindness and grace when addressing employee issues including disability-related workplace challenges. EDI continues to provide RA training to managers and employees as part of established curricula or on an ad hoc basis.</p> <p>In November 2023, the IRS Commissioner approved the RA Improvement Strategy that focuses on addressing several pain points including expediting accommodations case processing. As a result, Deciding Officials must approve or</p>
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	<p>deny accommodations in writing within five to ten business days, with the goal of reducing the need for case referral to Federal Occupational Health. These process improvements and the additional staffing have enabled the Agency to reduce its overall RA case inventory by 30% in the past 12 months.</p>
<p style="text-align: center;">AS Response</p>	<p>The National Taxpayer Advocate applauds the IRS for partially adopting this recommendation and for recent improvements highlighted above. However, it is unclear from the response whether the IRS conducted the recommended study. Furthermore, the development of a comprehensive RA improvement strategy would be incomplete without dialogue with stakeholders, insights and feedback from affected employees with reasonable accommodation needs, and applicants with disabilities seeking employment, as we recommended in our report. TAS is encouraged by the increase in resources devoted to the RA Program and looks forward to reviewing the new comprehensive strategy.</p>

MSP #3: IRS TRANSPARENCY: THE IRS STILL DOES NOT PROVIDE SUFFICIENT CLEAR AND TIMELY INFORMATION TO THE PUBLIC, CAUSING CONFUSION AND FRUSTRATION AND COMPLICATING AGENCY OVERSIGHT

Some taxpayers and tax professionals still struggle to access information from the IRS. They have difficulty finding clear and timely guidance on which they can rely, determining the status of pending issues, understanding IRS correspondence and whether they must respond to it, and reaching an IRS employee with the knowledge to answer their questions and the authority to resolve their problems. Additionally, IRS communications in 2023 on its modernization efforts did not always include sufficient detail, leading to confusion and unrealistic expectations. Without more specific and measurable data on the use of funds and future IRS plans, Congress and stakeholders will not have enough information to provide informed oversight and help guide the IRS in its decision-making.

TAS Recommendation	[3-1] Provide quarterly updates of milestones accomplished and an annual report updating the SOP. Include performance metrics for stated objectives that will allow for the evaluation of outcomes, including specific deadlines on when the IRS will meet these objectives.
IRS Response	The IRS agrees to implement the TAS recommendation in full.
IRS Action	<p>Since the release of the Strategic Operating Plan (SOP) in April 2023, the IRS has communicated accomplishments regularly through press releases and internal leadership updates and will continue to do so on no less than a quarterly basis. The IRS has also begun developing the SOP annual progress update that will be released annually.</p> <p>In December, the IRS completed the initial version of an IRA Integrated Enterprise Roadmap that converts the strategic vision laid out in the IRA SOP into an implementable program plan that can be efficiently executed and effectively managed with tangible outcomes and key results with specific deadlines. The IRS will continue to update the Roadmap and include performance metrics where appropriate.</p>

TAS Response	<p>Since TAS received the IRS response, the IRS released its 2024 IRA SOP Annual Update and Annual Update Supplement. To ensure accountability, annual updates to the SOP should provide a comprehensive account of progress on the SOP, not just the status of currently prioritized goals. The updates should be objective and not seek to overstate successes or minimize setbacks, and they should clearly state when the IRS has added new initiatives or materially changed or deprioritized initiatives in the original SOP. The IRS should either make the IRA Integrated Enterprise Roadmap public or release an equivalent document for external stakeholders that shows the key goals, performance metrics, and deadlines.</p>
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TAS Recommendation	<p>[3-2] Provide specific and verifiable details on the Direct File pilot; the number of taxpayers utilizing the tool; processing successes, issues, and lessons learned associated with the tool; and the costs of a direct e-file system.</p>
IRS Response	<p>The IRS agrees to implement the TAS recommendation in full.</p>
IRS Action	<p>There is a lot the IRS is learning from the Direct File pilot. After the conclusion of the pilot, we will be sharing information about the pilot, including data, lessons learned, and updated cost estimates.</p>
TAS Response	<p>Since TAS received the IRS response, the IRS released its Direct File Pilot Program Filing Season 2024 After Action Report, which includes analysis, lessons learned, and the costs of delivering the pilot. The report notes that the IRS had not yet developed its estimate of the future costs of delivering Direct File but stated it would be “available in the next few weeks.” As of the writing of these comments, the IRS has not yet released that estimate on the future costs of Direct File. On May 30, 2024, the IRS announced that it will make Direct File a permanent option.</p> <p>The IRS should release fully transparent estimates of the future costs of delivering Direct File. The Direct File Pilot Program Filing Season 2024 After Action Report says that the IRS spent \$13 million on pilot development and implementation. For 140,803 accepted returns, this translates to about \$92 per accepted return, far above the roughly \$10-\$13 per return in anticipated costs (based on the estimated cost range of \$64.3 million to \$248.9 million for five to 25 million returns, respectively). As the report notes, the novelty and limited design of the pilot affected these cost averages. However, future cost estimates should thoroughly explain all assumptions on why estimated costs per return would decrease in future years. While TAS continues to believe that taxpayers should have filing options at low or no cost, the cost and feasibility of the Direct File program must be carefully balanced with funding needs for other important taxpayer services.</p>

TAS Recommendation	[3-3] Set up a centralized location on IRS.gov to inform the public of requests for feedback on modernization initiatives, with information on how to submit comments.
IRS Response	The IRS agrees to implement the TAS recommendation in part.
IRS Action	<p>The IRS actively seeks ways to incorporate taxpayer perspectives into the planning, design, and execution of its operations, including modernization initiatives. The IRS established an office, the Taxpayer Experience Office (TXO), specifically designed to identify, synthesize, and report taxpayer views. The IRS structured TXO to work with IRS Business Operating Divisions to integrate taxpayer needs and priorities into daily operations and modernization activities.</p> <p>For example, the TXO uses a variety of mechanisms to gather taxpayer feedback on an array of issues from modernization efforts to specific systems to particular tax forms. These mechanisms include a suite of widely used customer insight tools such as a diverse set of survey instruments, taxpayer focus groups, and quantitative analysis from internal and external databases. After gathering this feedback, the TXO has internal capabilities to review that feedback and distill recommendations.</p> <p>As such, the IRS (TXO) partially agrees with this recommendation. To address the underlying intent of Recommendation 3-3, the IRS (TXO) will continue to pursue its existing efforts to solicit and utilize taxpayer feedback on modernization efforts. In addition, it will create a landing page by December 31, 2024, to share IRS modernization initiative efforts and centralized access to available avenues for taxpayers to provide feedback.</p>
TAS Response	TAS recognizes the important work that TXO does to gather and effectively use taxpayer feedback, and TAS supports the plan to create a landing page that will share IRS modernization initiative efforts and explain to taxpayers how they can provide feedback. The recommendation of the landing page is to supplement, not replace, other IRS outreach efforts. Taxpayers and stakeholders should have access to a centralized site where they can find information on how to provide input on all IRS modernization efforts. Expediently providing this information to stakeholders is important so they can provide input prior to the IRS making key modernization decisions.

TAS Recommendation	[3-4] Add information to IRS tools notifying taxpayers when the IRS has made material changes and updated features.
IRS Response	The IRS agrees to implement the TAS recommendation in part.
IRS Action	Taxpayers will be notified when the IRS has made changes and updated features to its online tools. IRS will conduct an evaluation of the existing tools taxpayers utilize through IRS.gov and the necessity for notifications on updates/changes to the online capabilities. The evaluation will identify the tools that will require an appropriate course of action. We will work with internal partners such as IT, UES and IRS.gov to identify solution(s) that would provide the largest benefit to taxpayers.
TAS Response	<p>As the IRS notes in its 2024 update to the Strategic Operating Plan, the expansion of digital tools is a key part of the IRS’s vision for transforming taxpayer guidance. Taxpayers already rely on certain IRS tools to determine what to report on their tax returns and claims. When the IRS materially changes those tools, taxpayers need to know so that they can update their positions accordingly. The IRS needs to be clear on how they will be notifying taxpayers. For example, will the tool have a banner across the top with the corrections or increased functionality? Will the IRS be posting updates to IRS.gov, issuing press releases, or when appropriate, contacting taxpayers directly with the information?</p> <p>The recent Direct File 2024 After Action Report provides a good example of why this matters. The report notes that the IRS identified three bugs during the pilot that affected the accuracy of 26 returns. After fixing the bugs, the IRS tried to correct at least some of the errors on taxpayer returns by using its math error authority. Although these remedial efforts are helpful, the IRS may not be aware of all the ways that these bugs may have affected taxpayers. Also, the use of math error authority may not fix all problems and may be confusing to taxpayers who receive these notices. Adding an explanation of material changes to the product online would allow taxpayers and tax professionals to self-identify whether their return was affected. Many IRS online tools already have FAQ pages and landing pages that would serve as good locations for alerts or notices regarding material changes to the product.</p>

TAS Recommendation	[3-5] Develop processes to more consistently and timely acknowledge the receipt of taxpayer correspondence and provide accurate timelines on when the IRS expects to respond or act.
IRS Response	The IRS agrees to implement the TAS recommendation in full.

IRS Action	<p>The IRS has a notification process in place when correspondence is received from a taxpayer or an authorized representative. Once mail receipts are identified as account related correspondence, they are date stamped with the IRS received date, bundled, and prescreened to determine what can be closed quickly. Correspondence requiring additional work by is scanned and sent to be worked by more experienced employees and assigned based on the IRS received date.</p> <p>The Correspondence Imaging Inventory (CII) programming automatically issues interim letters for dates 27 days or longer from the IRS received date. Interim letters inform the taxpayer we received their correspondence and provide an initial allotment of processing time. Subsequent interim letters are issued at appropriate intervals, normally 30 days, based on the time frame established from the previous letter. In June 2023, the Inflation Reduction Act, Transformation and Strategy Office (IRA TSO) announced a Treasury-sponsored effort to allow taxpayers, or their tax professional, to respond to notices and IRS letters using the Document Upload Tool (DUT) rather than through regular mail. This reduces communication timeframes and most cost effectively resolves taxpayer issues.</p> <p>Taxpayers can use the tool to upload scans, photos, or digital copies of documents and get confirmation that we received the documents. This tool reduces the correspondence burden on taxpayers, allows for immediate delivery of information required to resolve an account issue and helps decrease case processing time. The IRS began including online correspondence as an option for nine of the notices and letters and deployed them at the end of September 2023. They include: CP04, relating to combat zone status; CP05A, information request related to a refund; CP06 and CP06A, relating to the Premium Tax Credit; CP08, relating to the Child Tax Credit; CP09, relating to claiming the Earned Income Tax Credit; CP75, relating to the EITC; CP75A, relating to the EITC; and CP75D, relating to the EITC and other credits.</p> <p>In addition, the IRS identified 53 other notices that could be appropriate for this type of secure digital communication. As part of the IRA Initiative 1.2: Expand digital services and digitalization, the IRS will be assessing the viability and technology of including these notices, as well as continuing to look for additional suitable notices to provide this online feature. Refer to https://www.irs.gov/newsroom/irs-expands-secure-digital-correspondence-for-taxpayers for information about the using the DUT and qualifying notices.</p> <p>In January 2024, we launched a new dashboard page where taxpayers can find current wait times for correspondence, key forms, letters, and notices. It is located at https://www.irs.gov/help/processing-status-for-tax-forms. The facts and circumstances for each taxpayer's issue(s) will factor into resolution time frames.</p>
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TAS Response	The expanded use of the DUT and other digital communication is an important step in the right direction, and TAS looks forward to their continued implementation and development. While the dashboard provides concise information on the general status of IRS operations and wait times, the IRS needs to continue to develop methods of providing up-to-date information to taxpayers that is specific and accurate to their personal situation.
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TAS Recommendation	[3-6] Provide weekly information throughout the year on filing season statistics, including the total number of returns in inventory, number of returns held beyond normal processing times, number of returns in suspense status, and the anticipated timeframes for working through them while acknowledging that the situation is fluid and timeframes may change along with circumstances.
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IRS Response	The IRS agrees to implement the TAS recommendation in full.
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IRS Action	In January 2024, we launched a new dashboard page where taxpayers can find current wait times for correspondence, key forms, letters, and notices. It is located at https://www.irs.gov/help/processing-status-for-tax-forms . The facts and circumstances for each taxpayer’s issue(s) will factor into resolution time frames. We will expand information available on this page in future versions.
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TAS Response	The new dashboard page provides current wait times but does not yet include the information described in the recommendation. As stated on the dashboard webpage, the dashboard does not include any information on returns that require error correction or other special handling. As the dashboard is expanded, the IRS needs to be transparent and should include information on the total number of returns in inventory, number of returns held beyond normal processing times, number of returns in suspense status, and the anticipated timeframes for working through them while acknowledging that the situation is fluid and timeframes may change along with circumstances.
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TAS Recommendation	[3-7] Publicly disclose the findings of its review of syndicated conservation easement cases on the potential backdating of penalty documents.
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IRS Response	The IRS plans to implement the TAS recommendation in part.
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<p style="text-align: center;">IRS Action</p>	<p>The IRS will publish any related counsel advice and final updated policies and procedures as required by law, taking into consideration the IRS’s legal obligation to protect taxpayers’ return information, deliberative discussions, and privileged information.</p> <p>The IRS and Chief Counsel have taken steps to ensure that only properly approved penalties are being pursued. In addition to a thorough internal review of penalty approval practices, which included a review of all syndicated conservation easement cases, the IRS conducted mandatory penalty approval training for all Large Business & International examiners and managers involved in the development and approval of penalties and for all Small Business/Self-Employed Field Examination examiners and managers. Chief Counsel conducted mandatory training for Chief Counsel attorneys and managers as well. In addition, the IRS and Chief Counsel continue to review compliance with section 6751(b) and are committed to ensuring transparency and taking appropriate corrective action.</p>
<p style="text-align: center;">TAS Response</p>	<p>TAS commends the Office of Chief Counsel for treating this issue seriously and taking steps, including trainings, to ensure that similar problems do not arise in the future. TAS would nonetheless recommend that the IRS and Chief Counsel publish a statement about how the review was conducted in addition to the above-stated materials that the IRS is already legally obligated to publish. To build trust in our system, the IRS should draft a statement to provide transparency into the investigation and its findings without disclosing taxpayer return information, deliberative discussions, or privileged information.</p>

MSP #4: 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

When taxpayers call the IRS, they expect and deserve quality service without suffering long wait times. In 2023, telephone service was considerably better; however, it is still not providing the level of service that taxpayers and tax professionals need throughout the year. Based upon its Level of Service (LOS) measurement, the IRS is not able to accurately determine how to best provide that quality service. The way the IRS calculates LOS paints a picture far more optimistic than the reality of the taxpayer’s experience when calling for assistance and does not address “quality service.” The IRS’s LOS metrics tell taxpayers nothing about how many calls the IRS transferred, whether taxpayers had to call multiple times, and whether the taxpayer ultimately received the information they needed. Tax professionals have also been frustrated with the wait times and low customer service representative (CSR) LOS, incurring unnecessary costs due to IRS delays or CSRs’ inability to answer questions.

Taxpayers who need face-to-face service can make an appointment to visit Taxpayer Assistance Centers (TACs) for free tax help to address their tax questions and receive support if they face language barriers. Although TACs exist throughout the United States, several states have just one TAC location, and many are not fully staffed or operate on a limited schedule causing challenges for taxpayers. Many TACs do not meet the needs of taxpayers who live too far away or can’t make an appointment at a time that works for them.

TAS Recommendation	[4-1] Adopt alternate measures of service on telephones that combine the existing CSR LOS calculation with the seven customer experience factors outlined in OMB Circular No. A-11, Section 280, by the end of FY 2024.
IRS Response	The IRS agrees to implement the TAS recommendation in full.

<p style="text-align: center;">IRS Action</p>	<p>The IRS continues to develop and improve service channels to ease taxpayer burden, improve access and improve the effectiveness and efficiency of our services. Recent examples include, live chats, chat bots, enhanced automated lines and informational messages. In November 2022, the IRS began developing a measure for telephones and other taxpayer service preferences to more holistically measure the experience as enhancements are introduced. This measure will include percentage of contact completions through taxpayer preference channels of access, with planned implementation in FY 2025.</p> <p>The enhancement of Customer Call Back will improve the taxpayer’s experience and satisfaction by allowing taxpayers to save time instead of waiting on hold for an assistor.</p> <p>The seven customer experience factors outlined in Section 280, pertain primarily to transactional surveys. The Accounts Management toll-free survey, and several other IRS transaction surveys, have been aligned to these standards since 2020. This data, along with operational and performance metrics, are regularly used to measure and report on the taxpayer experience. As new services and related metrics are introduced, the IRS will continue to identify opportunities to improve the way we measure and report the customer experience, in line with government-wide performance management guidelines.</p>
<p style="text-align: center;">TAS Response</p>	<p>The IRS agrees to implement the recommendation in full; however, the plans described will fall short of fully adopting the recommendation without further actions. The IRS should report the performance on its phone lines using metrics that capture the quality of the taxpayer experience, which the current LOS measure fails to do. Although the IRS has aligned its transactional surveys to the seven customer experience factors outlined in Section 280 since 2020, the IRS should increase transparency of those survey results and how they influence operational plans. Measuring the percentage of contact completions through taxpayer preference channels of access will be a positive step, as it will provide some insight into the experience of taxpayers who are unable to reach live or automated assistance, but more is required to provide a complete measure of the IRS’s performance in telephone service.</p>

<p style="text-align: center;">TAS Recommendation</p>	<p>[4-2] Add questions to the toll-free customer satisfaction surveys to measure satisfaction with IRS phone tree choices by the end of FY 2024.</p>
<p style="text-align: center;">IRS Response</p>	<p>The IRS agrees to implement the TAS recommendation in part.</p>

IRS Action	The IRS maintains interest in expanding opportunities to gather taxpayer feedback to improve experiences when using our toll-free phone services. However, we are not in agreement with adding questions about the current IRS phone tree choices since we are in the process of replacing menus/phone trees with new, “utterance based” conversational navigation. By the end of 2024, we plan to include questions on the IRS 1040 toll-free customer survey to gather feedback about this new conversational navigation.
TAS Response	Implementing conversational navigation to help guide callers to the necessary assistance is a positive step forward, and like the current system, will require user feedback for continuous improvement of the new system. Allowing callers to opt into a survey at the beginning of a call would help capture the experience of a wider population of callers than only offering the survey to those that have been successfully routed to live or automated assistance.

TAS Recommendation	[4-3] Provide CSRs with a holistic view of taxpayers’ accounts in real time during a phone call, including correspondence sent to or received from the taxpayer, information discussed during a voicebot interaction, and tax account data by the end of FY 2025.
IRS Response	The IRS agrees to implement the TAS recommendation in part.
IRS Action	A Taxpayer 360 taskforce has been set up with representation from across all BODs, IT, and TSO to start up a “Taxpayer 360” solution that provides CSRs an integrated interface to access all required taxpayer data to resolve queries. This is a multi-year effort requiring significant data integration across multiple systems (IDRS, AMS, Finesse, etc.) and development and testing of a new “single pane of glass” interface. Our target for FY25 is to stand up an MVP for FS25 that will be piloted with a subset of CSRs on taxpayer calls. The feedback and testing from this pilot will be used to expand the tool to the full set of CSRs over FY26 and FY27.
TAS Response	The IRS agrees to implement the recommendation in part; however, the IRS response fails to address any of the specific features and capabilities included in the recommendation. The IRS’s ability to implement this recommendation will depend not only on the timely implementation of the Taxpayer 360 interface but also in large part its capabilities, which have not been described with any specificity.

TAS Recommendation	[4-4] Implement comprehensive measures of the taxpayer experience when interacting with voicebots and chatbots by the end of FY 2024 and allow taxpayers to provide feedback to identify ways to improve the technology and determine core reasons for the requests to elevate the call to a live person.
IRS Response	The IRS agrees to implement the TAS recommendation in full.
IRS Action	<p>Currently, there is a single question customer satisfaction survey on our chatbots at the end of their chat session that asks, “Was the information presented helpful?” During FY 2025, the IRS is planning to develop and implement a variety of enhanced metrics to capture quantitative and qualitative feedback from taxpayers interacting with our various voicebots and chatbots. This feedback will help inform future enhancements and analyze the effectiveness of the deployed bots to resolve taxpayer inquiries without the need to elevate to a live call.</p> <p>These enhanced metrics will include: more wholistic measures for the telephone and other taxpayer services (<i>i.e.</i>, voicebots, chatbots, live chat, other automated services, and informational messages) that will include the percentage of completions through various channels of access; and more dynamic customer satisfaction surveys for our voicebots and chatbots on their bot experience.</p>
TAS Response	Although FY 2025 is after the recommended implementation by the end of FY 2024, the IRS’s planned actions will fully implement the recommendation.

TAS Recommendation	[4-5] Increase availability of TAC in-person assistance to ensure taxpayers can obtain an appointment within seven days and extend hours of operation beyond 8 a.m. to 4:30 p.m., Monday through Friday, including regular Saturday hours, by the end of FY 2025.
IRS Response	The IRS agrees to implement the TAS recommendation in part.

IRS Action	<p>The IRS has expanded its service streams which includes providing assistance to taxpayers outside of the normal business days and hours (Monday through Friday, 8:30 a.m. – 4:30 p.m.). The IRS offers extended hour services at over 240 Taxpayer Assistance Center (TAC) locations during the filing season. In addition to the regular hours (Monday through Friday, 8:30 a.m. – 4:30 p.m.), these locations are open Tuesday and Thursday, 7:30 a.m. – 8:30 a.m. and 4:30 p.m. – 6 p.m.</p> <p>The IRS has also brought back its Taxpayer Experience Days (TXD), where taxpayers may visit over 55 TACs throughout the country and receive service on one Saturday each month, February – May. Like extended hours, the IRS is mindful taxpayers may be unavailable during the course of normal working hours, and we want to ensure we are available to assist and provide service to our taxpayers when needed.</p> <p>This year, the IRS is holding Community Assistance Visits (CAV) in underserved communities, providing service to taxpayers where TACs may not be easily available. The IRS is tentatively scheduled to host 10 events from May 2024 – October 2024.</p> <p>The IRS currently provides two virtual services to taxpayers, known as Web Service Delivery (WebSD) and Virtual Service Delivery (VSD). When calling to make an appointment to visit a TAC or when visiting a TAC, a taxpayer may be offered the option to receive virtual assistance through the WebSD platform. The taxpayer may receive virtual service at their home by using their computer without having to visit or revisit a TAC.</p> <p>Regarding VSD, the IRS has partnered with community service outlet hosts, such as libraries, to provide IRS service to taxpayers at 14 locations across the country. The taxpayers can make appointments at these host locations and receive virtual assistance by IRS employees who are located at TACs.</p> <p>These alternate taxpayer assistance service streams are expected to continue in FY2025.</p>
TAS Response	<p>During the 2024 filing season, the IRS has delivered on this recommendation to offer hours beyond the traditional core TAC hours by providing taxpayer experience day events and extended hours in more than 240 TACs. The IRS has also committed to providing multiple community assistance events in underserved communities. The IRS has developed and used VSD as a service option for more than eight years; WebSD has been a service option for at least three years. To fully implement this recommendation, the IRS should commit to ensuring taxpayers can obtain an appointment within seven days and offer Saturday service and extended hours at more TAC locations and on more dates throughout the year to fully meet taxpayer demand.</p>

TAS Recommendation	[4-6] Establish a metric to measure the number of hours TACs were available for in-person service.
IRS Response	The IRS agrees to implement the TAS recommendation in part.
IRS Action	<p>We will review and assess our data to determine if we can measure the number of hours all TACs are available for in-person service and summarize the total. As an example, we have established a manual process for gathering this data for one of our initiatives. We are tracking the number of hours our TACs are open for extended hours. This tracking involves management personnel reporting when the TAC opens for extended hours and closes for extended hours. Calculations are computed by project team leadership. This process is labor intensive and time consuming.</p> <p>As we move forward and modernize our systems, we will examine if we can automate the calculation and summarization for all TAC available hours to assist taxpayers.</p>
TAS Response	The IRS response indicates it will assess its capability to implement the recommendation but does not commit to doing so once feasibility is determined. Until the IRS can effectively measure the supply of in-person service hours it is providing on an ongoing basis, it will be difficult to match that metric with taxpayer demand for in-person service.

MSP #5: RETURN PREPARER OVERSIGHT: THE LACK OF RETURN PREPARER OVERSIGHT ENDANGERS TAXPAYERS, BURDENS THE IRS, AND HARMS TAX ADMINISTRATION

Tax return preparers prepare over half of the individual income tax returns filed on an annual basis. Many of them, however, have no credentials and are subject to no minimum standards, such as competency tests and continuing education. Judicial decisions currently prevent the IRS from implementing practice requirements and conducting preparer oversight. This situation exposes taxpayers to incompetent or unethical actions by preparers. Taxpayers are left to deal with potential tax adjustments, interest, and penalties due to their preparers’ actions.

TAS Recommendation	[5-1] Expand the scope of its efforts to educate taxpayers regarding the importance of relying on credentialed preparers, including AFSP participants, rather than non-credentialed preparers.
IRS Response	The IRS agrees to implement the TAS recommendation in full.
IRS Action	<p>The IRS is committed to launching an external communication campaign to educate taxpayers on choosing reputable preparers, including the value and benefits of credentialed preparers and the Annual Filing Season Program participants by the end of the 2024 fiscal year.</p> <p>This is in addition to our ongoing efforts to educate both taxpayers and preparers on the benefits of the Enrolled Agent and the Annual Filing Season Programs, including outreach to preparers through the Nationwide Tax Forums. In addition, the Return Preparer Office is partnering with Wage & Investment to educate taxpayers through the Tax Preparer Awareness Week and Who Can I Trust campaigns.</p> <p>RPO also assists taxpayers in finding credentialed preparers through the Preparer Directory (https://irs.treasury.gov/rpo/rpo.jsf). Preparers opt-in to be included in this public directory which allows taxpayers to locate credentialed preparers based on both location and type of credential. RPO will promote the Preparer Directory in all educational campaigns that provide guidance to taxpayers on choosing a reputable tax return preparer. RPO will collaborate with IRS Online Services to feature the Directory on relevant pages, leading up to and during the tax filing season. RPO will utilize social media to share informative posts about the Preparer Directory, its benefits, and how taxpayers can access it.</p>

TAS Response	IRS outreach to taxpayers about how to find a reputable return preparer was noticeably comprehensive leading up to and during the 2024 filing season. The IRS’s communications provided useful information to taxpayers about how to find credentialed return preparers, how to identify red flags, and how to report bad return preparers. The IRS is also approaching this issue from another angle by encouraging professionals to become credentialed. We look forward to reading the IRS’s communications leading up to the 2025 filing season.
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TAS Recommendation	[5-2] Increase publicity for the VITA and TCE programs and seek additional annual funding from Congress to support and develop those programs.
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IRS Response	The IRS agrees to implement the TAS recommendation in full.
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IRS Action	The IRS will continue to explore ways to increase publicity for the Volunteer Income Tax Assistance (VITA) and Tax Counseling for the Elderly (TCE) programs. Specifically, Stakeholder Partnerships, Education and Communication (SPEC) will continue to collaborate with non-profit organizations to promote the availability of the VITA and TCE programs. SPEC uses internal communication channels to inform all IRS employees about VITA/TCE services and the opportunities to volunteer within the program. SPEC also works with W&I Communications to share outreach messages to provide awareness of the VITA and TCE programs and volunteer recruitment. SPEC is currently developing a strategy to increase awareness around the availability of the grant program, including providing a learning session at the 2024 National Tax Forums. Additionally, in 2019, SPEC established six Growth Territories to concentrate on new partner growth opportunities. For FY 2024, SPEC awarded \$51M (\$40M VITA and \$11M TCE) grant funds to support these programs. A budget request for FY 2025 was submitted to the Office of Management and Budget to increase VITA funding from \$40M to \$55M, an increase of \$15M.
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TAS Response	The IRS has prioritized both internal and external communications about the availability of VITA and TCE programs. Such publicity is crucial to inform eligible taxpayers about these important free tax return preparation and filing resources. To support adequate staffing at partner sites, the IRS has provided extensive outreach to IRS staff and the professional community about opportunities to volunteer in these programs. In addition, SPEC’s efforts to raise awareness of the grant program and the request for increased funding to support growth opportunities will benefit eligible taxpayers around the country in need of this important free tax return preparation and filing program.
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TAS Recommendation	[5-3] Vigorously enforce return preparer penalties where appropriate, including through the use of systemically assessed IRC § 6695(c) penalties and letters to taxpayers whose preparers have received return preparer penalties.
IRS Response	The IRS agrees to implement the TAS recommendation in part.
IRS Action	The IRS already applies return preparer penalties appropriately to promote voluntary compliance with our tax laws. We've significantly increased the rate at which § 6695(c) penalties are manually assessed by establishing a return preparer penalty working group dedicated to addressing preparers who are failing to properly identify themselves or not using a valid PTIN. We will continue to vigorously enforce return preparer penalties where appropriate. We cannot currently systemically assess a penalty on a preparer where there is no identification number, correct identification number, or valid identification number for the preparer included on the return, whereas a manual assessment allows us to confirm that the appropriate preparer is subject to penalty. Under privacy and disclosure laws, the IRS is generally unable to inform taxpayers that their preparer has been assessed a civil penalty; the IRS may publicize civil enforcement actions if the Department of Justice obtains an injunction against the preparer in court and will do so if consistent with the court order.
TAS Response	The IRS has taken a necessary step by establishing the Return Preparer Penalty Working Group in SB/SE. Prioritizing the enforcement of return preparer penalties, especially IRC § 6695(c) penalties, should effectively send a message to the return preparer community that the IRS is taking action against return preparer noncompliance. It is crucial that this message reaches the ghost preparer community to protect taxpayers from the harm this particular population of return preparers imposes.
TAS Recommendation	[5-4] Establish a single function within the IRS to be responsible for all matters regarding tax return preparation to consolidate authority and better protect taxpayers from incompetent or unscrupulous return preparers

IRS Response	<p>The IRS does not agree to implement the TAS recommendation.</p> <p>The IRS relies on coordination among the relevant functions to achieve its goals with respect to return preparer oversight, including improving preparer accuracy and increasing compliance, identifying non-compliance while also reducing opportunities for preparer misconduct, coordinating educational and compliance actions, and ensuring appropriate outreach to the industry. The IRS engages in continual, sustained efforts such as educational visits to return preparers before, during, and after filing season; appropriate post-filing compliance treatments such as warning letters and preparer audits, or even criminal investigations and injunctions when necessary; and communications and awareness campaigns to reach return preparers and the taxpayers who hire them. Additionally, the IRS is proposing expanded and increased penalties for unscrupulous preparers and is accelerating an existing research effort aimed at detecting and ensuring compliance of ghost preparers. As our return preparer activities grow and evolve, we continue to assess and evaluate novel and robust ways to address incompetent and unscrupulous return preparers, including exploring centralization within the IRS of responsibilities for return preparers.</p>
IRS Action	N/A
TAS Response	<p>The various return preparer oversight activities listed by the IRS are commendable. However, spreading return preparer service and enforcement activities across the IRS provides each function only a small piece of the puzzle with no one single function having comprehensive authority. Considering the significant role return preparers play in the tax system, we encourage the IRS to provide one function the authority to coordinate all return preparer activities IRS-wide. One cohesive management structure would allow the IRS to better collect and analyze relevant data, identify trends, and better coordinate resources for return preparer service and enforcement.</p>

MSP #6: 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

Individuals who are victims of tax-related identity theft are waiting an average of nearly 19 months for the IRS to process their returns and send their refunds. During the pandemic, the IRS’s policy decisions to prioritize other areas (such as shuffling employees to answer telephone lines) contributed to these unreasonable processing delays, which continued throughout 2023 and are expected to continue into 2024. Additionally, each year, the IRS flags millions of returns for potential identity theft. Taxpayers who have filed legitimate returns deal with inadequate notices and difficulties authenticating their identity. Until a taxpayer completes authentication, the IRS cannot process their tax return or send their refund.

TAS Recommendation	[6-1] Refrain from having IDTVA employees perform other duties unrelated to working identity theft cases until the average cycle time for resolving IDTVA cases is less than 90 days.
IRS Response	The IRS agrees to implement the TAS recommendation in part.

<p style="text-align: center;">IRS Action</p>	<p>The IRS is aware of the impact of Identity Theft (IDT) on taxpayers and places a high priority on working this inventory. Limiting the scope of Identity Theft Victim Assistance (IDTVA) employees as suggested could have a negative impact on the overall taxpayer experience. While we cannot limit all IDTVA employees' assignments, we are taking multiple actions to address the IDT inventory. Note, there are some resolution actions that may require longer than 90 days to resolve on some IDT casework.</p> <p>The IRS is committed to implementing multiple strategies to reduce the identity theft inventory and average cycle time by: limiting toll-free phone assignments of IDTVA Customer Service Representatives (CSRs); adding additional resources – We trained over 500 additional IDTVA employees on full scope identity theft to address the increase in IDTVA casework; allocating overtime funding to the IDTVA program to increase case resolution volumes; screening identity theft cases to determine if they can be closed systemically or moved to another area within the IRS if they were referred to IDTVA in error (no evidence of identity theft), to reduce cycle time; providing additional guidance on the necessity of filing Form 14039, Identity Theft Affidavit, to reduce the number of Forms 14039 received; collaborating with Research Applied Analytics Statistics (RAAS) to identify IDTVA cases that fit within an identified scheme criteria to pre-identify the fraudulent return for the IDTVA caseworker, thereby reducing the amount of research needed while improving efficiency; and leveraging IRS Lean Six Sigma capabilities to identify process improvements in current work processes.</p>
<p style="text-align: center;">TAS Response</p>	<p>The IRS's processing times for IDTVA cases are far too long and completely unacceptable. It's encouraging the IRS is taking steps to reduce these timeframes, but the processing times have gotten so unwieldy that the IRS must take drastic measures until it reduces the timeframes. One measure should include a prohibition on redirecting IDTVA employees to other tasks until timeframes have reached a reasonable level. TAS understands the IRS is faced with difficult choices, but it should not continue to revictimize these taxpayers with processing timeframes reaching nearly two years.</p>
<p style="text-align: center;">TAS Recommendation</p>	<p>[6-2] Program identity theft filters to consistently have an FDR below 50 percent.</p>

IRS Response	<p>The IRS does not agree to implement the TAS recommendation.</p> <p>We appreciate your support of the IRS goals of detecting and mitigating refund fraud while working to decrease burden on taxpayers who have filed legitimate returns. Roughly 98% of refund returns are not selected by fraud filters. The remaining 2% often have reported information that may not adhere to known patterns and may not have the information returns needed to validate reported amounts. Without proper validation, the IRS risks issuing improper refunds. The IRS strives to have the correct balance between fraud detection and minimizing improper payments with the taxpayer experience and desire for fast return processing. We continually evaluate our filters to address this balance. Our filters are used to protect taxpayers that had their tax-related data compromised due to data breaches/losses. Also included were schemes due to social media promotions that were originally identified as potential identity theft (IDT). These cases were not treated as IDT; however, these cases were referred for other non-IDT compliance treatments including Frivolous Filer, audits, and/or Automated Questionable Credits. We continue to collaborate with internal and external partners, including Taxpayer Advocate Service, to refine and automate refund fraud filters where appropriate. Each year we consider several factors to make the most efficient selections and improve performance while continuing to achieve our continued high level of protection.</p> <p>When we select a return for pre-refund review, our goal is to validate the tax return and issue a refund as quickly as possible. A taxpayer can authenticate their identity by phone, on the web, or in person at a taxpayer assistance center. Once the authentication is successful, we complete the processing of the taxpayer’s return and quickly release the refund, generally within 21 days. We recognize that positive taxpayer experience is critical, but the risks are too high in the current environment to modify our pre-refund return selection criteria to set the FDR at a certain percentage.</p>
IRS Action	N/A

TAS Response	<p>It is critical the IRS take steps to prevent the issuance of improper refunds, but it must balance this objective against taxpayer burden. Maintaining an FDR somewhere below 50 percent is largely consistent with private sector targets and would prevent hundreds of thousands of taxpayers from undergoing the laborious process of authenticating their identity, such as trying to reach an assistor on the IRS’s Taxpayer Protection Program (TPP) toll-free line or make an appointment at a TAC to authenticate their identity in person. TAS appreciates the IRS’s efforts to leverage information to develop accurate filters, and it should strive for these filters to be as narrow as possible while simultaneously protecting the government fisc. An FDR target somewhere below 50 percent would reduce taxpayer burden while still providing the IRS the flexibility it needs to design filters in a way that will prevent it from issuing improper refunds. Along with a lower FDR, the IRS must provide better customer service, mainly a higher Level of Service on the TPP phone line, which was only about 17 percent during FS 2024, and make it easier for taxpayers to schedule appointments at TACs to authenticate their identity.</p>
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TAS Recommendation	<p>[6-3] Conduct a pilot where the IRS sends taxpayers authentication letters using different versions of plain language and tests sending multiple letters in close proximity of one another to determine if these changes improve the taxpayer response rate.</p>
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IRS Response	<p>The IRS agrees to implement the TAS recommendation in part.</p>
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IRS Action	<p>The IRS agrees on the importance of better understanding the customer experience during the authentication process and is currently conducting pilots to gauge taxpayer behavior and improve response rates. Two examples are below.</p> <p>A new plain language Notice 5071C which is sent to taxpayers who need identity and tax return verification, was tested during the 2023 filing season. Results were promising, including:</p> <ul style="list-style-type: none"> • Recipients that received the letter were 1.9% more likely to register with IDVerify (IDV) and nearly 2% more likely to use IDV as their first channel, reducing mean first cost by \$3.51. • First channel cost savings on 14,910 responses resulted in an estimated total cost savings of \$52,334.10. • Color printing yielded minimal performance gains compared to the black and white letters. <p>As a result of this pilot, a new 5071C letter was developed and will be issued during the 2024 filing season. Similar plain language rewrites will be implemented for the remaining Taxpayer Protection Program letters beginning October 2024 and into 2025.</p> <p>The IRS continues to partner with TAS, conducting a study to determine the difference in timeframes for identity verification that some taxpayers may encounter. The partnership garnered assistance from the Low-Income Tax Clinic (LITC) to survey tax preparers and taxpayers. The survey was developed and subsequently disseminated to a test group within the LITC in August 2022. The IRS analyzed the survey feedback and met with TAS to discuss the survey results along with additional feedback.</p> <p>Recommendations from the test group included: establish the ability to authenticate identity at other federal agency offices (for example, at a US Post Office); add additional Tax Experience Days; include QR codes for additional information and for information in other languages; create shorter letters and use plain language; provide an ID theft indicator on transcripts; establish additional focus groups and complete a study that will analyze readability of IRS letters; review filter selections; and provide additional information on the Where’s My Refund application.</p> <p>Based on the findings, the team expanded the survey to a wider swath of taxpayers. Moving into 2023, the team developed a moderator guide and developed questions specific to taxpayers, rather than tax professionals. Throughout 2023, in partnership with Counsel, the Taxpayer Advocate Service and IRS developed the Customer Feedback Survey and worked on the logistics of distributing the survey to individual taxpayers. The package has moved to the Office of Management and Budget for approval.</p>
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TAS Response	<p>TAS appreciates the IRS’s continued willingness to partner and ensure that IRS notices – particularly its authentication notice – are clear and concise. As pointed out in the IRS’s response, it has taken a number of steps to ensure its authentication notices are easy for taxpayers to understand. However, it is TAS’s position that both the IRS and taxpayers would benefit from a more expansive pilot that focuses on the substance of the notice rather than on stylistic differences. Ensuring that the authentication notice is easy for taxpayers to understand may assist in increasing the number of taxpayers who respond to these notices, which is currently only about 50 percent. Additionally, as part of this pilot, the IRS should test sending multiple notices to taxpayers to see if such efforts would yield better results than the current IRS approach to sending “one-and-done.”</p>
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TAS Recommendation	<p>[6-4] Track when the IRS receives authentication letters returned as “undeliverable” and develop procedures to have IRS employees conduct research to verify a taxpayer’s most recent address.</p>
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IRS Response	<p>The IRS agrees to implement the TAS recommendation in part.</p>
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IRS Action	<p>We appreciate the efforts to improve taxpayer experience and continue to pursue an appropriate balance with efforts to protect taxpayer data, including address information. Due to the nature of the correspondence, Taxpayer Protection Program (TPP) letters are issued to the address on the return and not the address of record when the return moves to the TPP program as an unposted return. This ensures that the address of a return with potential identity theft will not post since this address may not belong to the legitimate taxpayer. The process acts as a de facto address review. A taxpayer that is able to authenticate will have the opportunity to update the address of record at that time.</p> <p>If a legitimate taxpayer’s return is filed when the potential identity theft return is in unpostable status, our process will allow the good return to post. We will use the address from the good return to update the address of record if it is different from the current address of record.</p> <p>We are evaluating the potential of using the Taxpayer Correspondence Digital Transaction, which provides information from the U.S. Postal Service with data about undeliverable mail as well as updated address information when available, to assist with re-issuing TPP letters when a valid move address is in place. A study will have to be performed to determine if the new addresses belong to the actual taxpayer or the invalid taxpayer before actions are taken on a larger scale.</p>
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TAS Response	TAS understands the IRS’s need to move prudently when determining if an address is valid. However, taking additional steps beyond merely relying on the address on the return may better ensure that taxpayers receive these notices, improving the authentication notice low response rate.
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TAS Recommendation	[6-5] Provide a process by which taxpayers can electronically submit Form 15227 and ensure the process routes the forms to the appropriate unit within 48 hours of receipt.
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IRS Response	The IRS agrees to implement the TAS recommendation in full.
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IRS Action	<p>The IRS initially implemented three methods for taxpayers to obtain an Identity Protection Personal Identification Number (IP PIN): Online using the Get an IP PIN application; Mailing Form 15227, Application for IP PIN; or Visiting a Taxpayer Assistance Center.</p> <p>In June 2023, the IRS included Form 15227 in the list of forms to be incorporated into the Digital and Mobile Adaptive Forms (DMAF). This will provide taxpayers with the option to electronically submit their Form 15227 to the IRS. The Form 15227 is under consideration for a calendar year 2025 release in DMAF.</p>
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TAS Response	The IRS’s agreement to provide taxpayers with an electronic means by which they can submit Form 15227 is beneficial to both the IRS and taxpayers.
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TAS Recommendation	[6-6] Conduct outreach to private-public stakeholders making them aware of the availability of IP PINs and how taxpayers can request them.
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IRS Response	The IRS agrees to implement the TAS recommendation in full.
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IRS Action	<p>The IRS’s most effective tool to prevent taxpayers from becoming a victim of tax-related identity theft, is the Identity Protection Personal Identification Number (IP PIN). The IP PIN is a six-digit number that authenticates the return being filed is from the true taxpayer. The IP PIN is only known by the taxpayer and the IRS, which prevents the filing of fraudulent returns by rejecting any returns submitted without the correct IP PIN.</p> <p>To encourage additional taxpayers to opt-into the IP PIN program, the IRS is developing a more concise communication plan to conduct outreach efforts to make taxpayers aware of the availability of the IP PIN, the three methods to voluntarily opt-into the IP PIN program, and information regarding the IP PIN program. This communications plan includes Identity Protection Seminars at the IRS Nationwide Tax Forums. The first seminar was presented during the 2023 IRS Nationwide Tax Forum Seminar and will be delivered again at the 2024 IRS Nationwide Tax Forums</p>
TAS Response	<p>It is critical that the IRS conduct outreach and leverage its public/private partnerships to educate taxpayers about the IP PIN program, the best means to prevent identity theft. TAS appreciates the IRS taking steps to reach a variety of partners, including those who attend the IRS Nationwide Tax Forums. However, it is critical that the IRS also leverage a variety of partnerships, particularly organizations that work closely with the nation’s most vulnerable groups of taxpayers, and private institutions, such as banks, credit unions, and credit card companies, that taxpayers may also be working with to resolve problems arising from identity theft. Making taxpayers aware of the IP PIN program through outreach will assist in preventing future identity theft and will save both the taxpayer and the IRS the expenditure of resources. The IRS’s outreach plan is a good first step, but it needs to integrate the financial sector and other organizations such as AARP more fully.</p>

TAS Recommendation	<p>[6-7] Provide taxpayers who voluntarily opt-into the IP PIN program a means by which they can opt-out of the program.</p>
IRS Response	<p>The IRS agrees to implement the TAS recommendation in full.</p>

<p style="text-align: center;">IRS Action</p>	<p>Funding provided by the Inflation Reduction Act initiative to Improve Self-Service Options allowed the IRS to modify the online Get an IP PIN application to add an optout option for taxpayers who opt-in the IP PIN program voluntarily. Voluntary participation in the IP PIN Program is for taxpayers who are not victims of tax-related identity theft. The opt-out option is scheduled for implementation in May 2024. Taxpayers assigned an IP PIN due to being a victim of tax-related identity theft will not have the option to opt-out. Victims of identity theft are placed into the IP PIN program to prevent them from becoming a repeat victim of identity theft.</p>
<p style="text-align: center;">TAS Response</p>	<p>TAS is pleased the IRS is providing taxpayers who voluntarily opt into the IP PIN program the choice to opt out if they no longer wish to participate. We believe this option may encourage participation in the program as taxpayers will no longer feel confined by their choice to opt in.</p>

MSP #7: 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

Taxpayers and tax professionals lack a comprehensive online account with integrated digital communication tools to access tax information and services that are essential for tax administration and quality service. Taxpayers and tax professionals wanting to interact online need and deserve quality self-service options and quick responses from the IRS. When taxpayers cannot quickly communicate with the IRS to resolve issues and receive answers to their questions simply and securely, it negatively affects the taxpayer experience, which in turn impacts taxpayers’ overall satisfaction and trust in the IRS. The lack of an intuitive, self-service avenue to interact online with the IRS forces taxpayers and tax professionals to pursue alternative methods that delay resolution, such as calling for assistance, seeking in-person assistance at a Taxpayer Assistance Center, forgoing assistance, or submitting paper documents.

TAS Recommendation	[7-1] Add increased capabilities and functionality to IOLA, including the ability to track submissions through the entire process, submit offers in compromise online, and calculate payoffs for any balances due, to provide individuals with robust self-service options available at the convenience of the taxpayer.
IRS Response	The IRS agrees to implement the TAS recommendation in part.

IRS Action	<p>The IRS remains committed to increasing the capabilities and functionality of Individual Online Account (IOLA) to provide robust self-service options available at the convenience of the taxpayer. We are awaiting final approval for the IOLA Fiscal Year 24 Inflation Reduction Act Delivery Plan. While we do not yet have the functionality to allow users to track submissions through the entire process as recommended, we are tentatively planning to develop and deploy numerous IOLA enhancements to support transparency. These include the ability to view one’s audit status (May 2024), refund tracking (June 2024), Amended Return tracking, (September 2024), and Status Tracking Notifications (December 2024).</p> <p>In addition, we are planning to develop and deploy IOLA functionality allowing taxpayers to submit an Offer in Compromise (OIC) online. Using an incremental approach, we plan to incorporate an OIC Eligibility check (August 2024), add OIC related payment options (September 2024), and provide OIC Pre-Qualifier and OIC Submission tools (November 2024).</p> <p>IOLA generates all available balance due amounts owed, and if available, total amounts owed. Currently IOLA is not able to automatically calculate a payoff figure for all balances because of certain account restrictions. These accounts require manual calculations by an IRS assistor. However, the introduction of a Lien Payoff calculator in IOLA (June 2024), will further expand our ability to provide customers with current and accurate payoff balances.</p> <p>The scheduled dates referenced above are tentative. Planned development and enhancements are contingent on funding approval as determined by the prioritization of other planned work.</p>
TAS Response	<p>It is a positive development that the IRS is working toward expanding the capabilities and functionalities available within IOLA. Providing additional features within IOLA will improve the taxpayer experience.</p>

TAS Recommendation	<p>[7-2] Provide individual and business taxpayers with one-click access to all authenticated and unauthenticated self-assistance applications from an intuitive, centralized location.</p>
IRS Response	<p>The IRS agrees to implement the TAS recommendation in full, with the assumption that this recommendation refers to applicable self-service applications being accessible within both individual and business online accounts and not a recommendation to merge the individual and business online accounts.</p>

IRS Action	<p>When adding access to the various self-assistance applications that are available, we plan to integrate access based on the intended audience for the relevant applications. Most self-service applications are designed for a specific user group and integrating that functionality into offerings for other groups would not make sense. As an example, integrating our Tax Withholding Estimator tool, which is designed specifically for individual taxpayers, into Business Tax Account would not make sense. Capabilities with similar functions to the applicable self-service applications will be integrated into the appropriate products.</p> <p>The IRS is already working to integrate several of our most trafficked self-service applications into individual online account. We plan to integrate the majority of these applications by FY25. Additional integrations will occur as product planning permits.</p>
TAS Response	<p>It is a positive development that the IRS is working toward integrating the unauthenticated self-service applications into online accounts. Allowing taxpayers to access all self-service tools within online accounts will improve the taxpayer experience.</p>

TAS Recommendation	<p>[7-3] Deploy a comprehensive online account for business taxpayers by FY 2025, including features such as due date reminders for upcoming tax return or information return filings, payment options, and refund tracking.</p>
IRS Response	<p>The IRS agrees to implement the TAS recommendation in part.</p>
IRS Action	<p>The IRS's Business Tax Account (BTA) application is already live and available to some business entity types. By FY 2025, BTA will be available to most business entities, and will include comprehensive features including viewing tax balance due, making payments, viewing payment history, obtaining digital tax transcripts, and obtaining digital notices and letters. Currently, certain business tax refunds can be tracked through the Individual Online Account (IOLA) depending on the type of business entity (<i>e.g.</i>, Sole Proprietor). Technically, due to the flow through income from Forms 1065 and 1120-S, refund tracking is available because it is tracked through IOLA. Other more complex business entities do not have refunds attributed to tax returns in the same way that individual taxpayers do, and a refund tracking tool would not be appropriate in those cases.</p>
TAS Response	<p>Although it may not be able to bring a comprehensive set of features to BOLA by the end of FY 2025, the IRS continues to expand the available features and business entities served. The IRS should continue working toward a comprehensive BOLA offered to all types of business entities.</p>

<p style="text-align: center;">TAS Recommendation</p>	<p>[7-4] Add increased capabilities and functionality to Tax Pro, such as viewing notices and letters and uploading requested documents, to provide authorized representatives seamless access to their clients’ online accounts through Tax Pro.</p>
<p style="text-align: center;">IRS Response</p>	<p>The IRS agrees to implement the TAS recommendation in part.</p>
<p style="text-align: center;">IRS Action</p>	<p>The IRS remains committed to increasing the capabilities and functionality of Tax Pro Account to provide authorized representatives seamless access to their clients’ online account information. We are awaiting final approval for the Tax Pro Account Fiscal Year 24 Inflation Reduction Act Delivery Plan. The ability for tax professionals to view notices sent to their clients is not currently planned for inclusion in Tax Pro Account as there are systemic limitations to accessing that data. Development of Secure 2-Way Messaging has begun, which will allow authorized representatives to upload documentation in specific instances. However, there are dependencies for deploying this capability within Tax Pro Account that must be addressed and we do not yet have tentative timeframes for completion or deployment. The ability to provide these capabilities within Tax Pro Account is dependent on the identified dependencies being removed.</p> <p>The IRS is actively planning to develop and deploy numerous capabilities to increase Tax Professional access to their clients’ online account information. Adding functionality to View and Act on behalf of an individual taxpayer will include the ability to view posted (November 2023), scheduled/pending, cancelled, and returned payments (December 2023), as well as allow authorized representatives to create and revise payment plans including Installment Agreements (Quarter (Q) 4 2024). In addition, we plan to incorporate the capability to request a CAF for individuals (Q3 2024), request and submit business taxpayer authorizations (Q1 2025), and support for Business Tax Professionals to link and manage business CAF access (Q4 2024). The ability to view and act on behalf of a business taxpayer is also planned for inclusion in Tax Pro Account. It will include the ability to view a business taxpayer’s balance due (deployed December 2023) and posted, scheduled/pending, cancelled, and returned payments (Q4 2024). The above planned development and other future enhancements are contingent on funding approval as determined by the prioritization of other planned work. The dates cited are tentative. We will continue to evaluate.</p>

TAS Response	Tax professionals play an important role in tax administration. Helping them access taxpayer data easily, quickly, and accurately is essential. Although the IRS is not able to bring a full set of features to Tax Pro immediately, continuing to add features and expand functionality of Tax Pro accounts is beneficial. The IRS should continue working toward a comprehensive Tax Pro account.
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TAS Recommendation	[7-5] Provide Reporting Agents with access to online services with the ability to file Form 8655 electronically, access return transcripts, and verify business name and Employer Identification Numbers electronically.
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IRS Response	The IRS agrees to implement the TAS recommendation in part.
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IRS Action	<p>The Reporting Agents can already access return transcripts through e-Services. They must register through ID.me and complete an e-file application with the role as a Reporting Agent. If the requirements are met, they will have access to “Reporting Agent TDS.”</p> <p>In addition, Reporting Agents can validate taxpayer identification numbers (TIN)s, by completing the TIN Matching Application and meeting the qualifications for the TIN Matching Program. Form 8655, Reporting Agent Application, is on the Modernized electronic Filing (MeF) future development list and contingent on prioritizing funding and other work.</p>
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TAS Response	We support the IRS continuing to expand online services for Reporting Agents. The IRS should continue discussions with Reporting Agents to understand their needs and issues and determine if the above steps provide the necessary services.
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TAS Recommendation	[7-6] In FY 2024, create an IRS-wide digital backend workflow for processing DUT submissions and integrate submissions with an enterprise case management system to deliver the document quickly and efficiently to the correct IRS employees.
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IRS Response	The IRS agrees to implement the TAS recommendation in part.
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IRS Action	Digital Inventory Management (DIM) is the digital backend workflow for processing Document Upload Tool (DUT) submissions. Currently, DUT does not integrate with Enterprise Case Management (ECM). However, IT is working to determine if ECM can connect to DUT and be used as a backend workflow. If not, then those users who currently use ECM, will have to access DIM first to view the submissions and then access ECM to view the corresponding case and make updates as necessary. The two systems (DIM and ECM) will not be connected in any way at this time.
TAS Response	While we are encouraged by the development of DIM as a backend workflow, we do not think the IRS will realize full potential or efficiencies of a backend workflow until the IRS integrate it with ECM.

TAS Recommendation	[7-7] Require mandatory annual training for IRS employees on IOLA, Tax Pro, BTA, and digital communication tools to allow employees to educate taxpayers about the applications.
IRS Response	The IRS agrees to implement the TAS recommendation in full.
IRS Action	The IRS agrees to include courses that contain IOLA, Tax Pro, BTA, and digital communication tools to offer to employees during their mandatory annual CPE training. Currently, CSRs are referring taxpayers to our self-help resources located on IRS.gov. This information is accessed by navigating to the ‘Help’ option at the top of the IRS.gov homepage. IRS.gov also provides links to Publications, Form Instructions, and an Interactive Tax Assistant.
TAS Response	We support the IRS’s plan to provide annual training on online accounts and digital communications tools. Training employees on available online account features will improve the taxpayer experience.

TAS Recommendation	[7-8] Timely notify taxpayers, tax professionals, and IRS employees of new features and upgrades available in IOLA, Tax Pro, BTA, and digital communication tools.
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IRS Response	The IRS agrees to implement the TAS recommendation in full.
IRS Action	<p>In support of The Inflation Reduction Act Strategic Operating Plan, the IRS remains committed to notifying taxpayers, tax professionals, and our employees about new features and enhancements to IOLA, Tax Pro, BTA, and digital communication tools as soon as they are completed and deployed.</p> <p>There are specific Internal Revenue Manual (IRM) references for IOLA and Tax Pro with information about the applications, including what functionality is available and what data is presented to the taxpayer or authorized representative. We make updates after verification of a successful deployment. IRM Procedural Updates and Servicewide Electronic Research Program Alerts are published for our frontline employees to keep current with new developments.</p> <p>We also maintain an Employee Demo site for both IOLA and Tax Pro Account to better educate our employees. The site contains test data to highlight the functionality of the tools as well as various end user scenarios. The demo site is updated after live deployments, to ensure employees are aware of the latest front-end functionality. In addition, we will continue to partner with W&I Communications and Liaison to inform our external stakeholders about new features and relevant upgrades. An IOLA Awareness briefing is hosted on ITM (Course 67802) and is available for use during training.</p>
TAS Response	We are encouraged that the IRS provides information on updates internally and externally. However, the information is challenging to locate and lags behind the updates. We would encourage the IRS to consider ways to more effectively and timely communicate these updates, including highlighting the Employee Demo site as an Employee Resource on the IRS employee homepage.

TAS Recommendation	[7-9] Expand taxpayer identity proofing options, including increasing the number of CSPs and expanding in-person identity assistance to taxpayers.
IRS Response	The IRS agrees to implement the TAS recommendation in part.

IRS Action	<p>The IRS is very interested in expanding identity proofing options, including increasing the number of Credential Service Providers (CSPs) and expanding in-person identity assistance to taxpayers. The IRS tested in-person identity proofing assistance and is evaluating the results, which will inform the expansion of identity proofing options that align with IRS Strategic Operating Plans to deliver seamless service. While the IRS is ready to partner with additional CSPs, it is the CSPs who are not yet equipped to authenticate at the level taxpayer data requires and provide the number of transactions per second the IRS needs to meet taxpayer demands. IRS Cybersecurity continues to revisit the marketplace for new and emerging CSPs that have developed a mature solution that aligns with NIST 800-63-3 and other industry certifications. The implementation of additional CSPs will depend on the readiness of the CSPs, not the readiness of the IRS.</p>
TAS Response	<p>While the IRS cannot currently adopt this recommendation, it is encouraging that the IRS continues to explore expanding CSP options while prioritizing taxpayer service and security.</p>

TAS Recommendation	<p>[7-10] Provide kiosks in central locations to give taxpayers access to their online account.</p>
IRS Response	<p>The IRS agrees to implement the TAS recommendation in full.</p>

<p style="text-align: center;">IRS Action</p>	<p>The IRS is exploring opportunities for taxpayers to access their online accounts. Field Assistance is actively strategizing methods to expand its footprint and increase the number of Facilitated Self Assistance (FSA) service options. This includes possibly replacing kiosks with laptops. By replacing kiosks and determining if the same service can be offered on a laptop, we may deploy additional FSA laptops in more TAC locations.</p> <p>Currently, the IRS has 37 locations with kiosks that provide self-help assistance to taxpayers by offering access to IRS e-services. Service tasks that can be addressed by using www.irs.gov, such as filing tax returns and making payments on accounts, are accessible to walk-in taxpayers. A Field Assistance employee serves as a facilitator and guides the taxpayers in navigating through the menus using touch-screen technology.</p> <p>Services offered include access to: IRS.gov; Forms and Publications; Tax Law Questions – Interactive Tax Assistant; Transcripts; Tax ID Application; Online Payment Agreement; Free-File Services; EITC Assistant; Where’s my Refund?; and EFTPS - Electronic Federal Tax Payment System.</p>
<p style="text-align: center;">TAS Response</p>	<p>It is encouraging that the IRS is exploring opportunities to increase FSA options. The program needs to expand beyond 37 locations, focus on underserved communities and populations, and publicize the locations and benefits of use to provide more taxpayers access to online services.</p>

<p style="text-align: center;">TAS Recommendation</p>	<p>[7-11] Incorporate best practices set forth in OMB Memorandum M-23-22, Delivering a Digital-First Public Experience.</p>
<p style="text-align: center;">IRS Response</p>	<p>The IRS agrees to implement the TAS recommendation in full.</p>

<p style="text-align: center;">IRS Action</p>	<p>IRS has currently met all data calls required for actions required in the Delivering a Digital-First Public Experience policy memo and continues to collaborate closely with Treasury and OMB on completion of the remaining actions as details are provided. In addition to these actions, OMB Memorandum M-23-22 includes more than 70 unique requirements for Agencies to implement to improve the delivery of digital services to the public. The majority of these requirements require sustained, ongoing operational support rather than being achieved as a specific milestone. IRS has completed a preliminary assessment of current operations against the criteria in M-23-22, and is already meeting, or making progress toward achieving, the majority of these requirements. Some requirements, such as the adoption of the USWDS, will require more significant transition across IRS digital services, and the Agency is in the process of evaluating how to make this transition most effectively in a timely manner. IRS expects to be able to show demonstrable progress toward achieving all outlined requirements by the start of FY26.</p>
<p style="text-align: center;">TAS Response</p>	<p>Though it is a long-term project, it is encouraging to see the IRS’s plan to continue working toward achieving full compliance with M-23-22. Continuing progress toward meeting the M-23-22 requirements will improve the customer service experience for taxpayers.</p>

MSP #8: INTERNATIONAL: THE IRS’S APPROACH TO INTERNATIONAL INFORMATION RETURN PENALTIES IS DRACONIAN AND INEFFICIENT

U.S. persons who receive money from abroad or who have certain foreign financial interests and cross-border business activities are potentially subject to a wide range of U.S. reporting requirements. Many of these requirements come with significant penalty exposure when a filing is late, incomplete, or inaccurate. Although Congress intended these requirements to prevent wealthy taxpayers and corporations from hiding income and assets abroad, the international information return (IIR) regime also harms unsuspecting lower-income taxpayers, small businesses, and immigrants. Most of these penalties are automatically assessed, broadly applied, needlessly harsh, and often unexpected.

TAS Recommendation	[8-1] Stop automatic assessment and collection of Chapter 61 IIR penalties prior to considering the taxpayer’s specific facts and circumstances, including providing the taxpayer their appeal rights with the Independent Office of Appeals.
IRS Response	<p>The IRS does not agree to implement the TAS recommendation.</p> <p>Assessment of International Information Return (IIR) penalties encourages taxpayer compliance with IIR filing requirements, and IIRs provide the IRS with information that is essential to combat tax evasion and close the international tax gap. Assessing these penalties at filing holds all taxpayers equally accountable for fulfilling their reporting obligations, not just those selected for audit. Taxpayers may request review by the Independent Office of Appeals before payment of the assessed penalty.</p> <p>Currently, the IRS follows the same procedures for assessing Chapter 61 IIR penalties as with the analogous Chapter 68 IIR penalties. Given the frequency with which combinations of these penalties are imposed simultaneously, separating the procedures for the different penalties—including by possibly introducing new deficiency procedures only for Chapter 61 IIR penalties—would create additional administrative burdens and confusion for affected taxpayers.</p>
IRS Action	N/A

TAS Response	<p>TAS strongly disagrees with the IRS’s justification for inaction and continues to renew its request to stop systemic assessments. The argument that adopting the recommendation would create additional administrative burdens falls short because the current process is administratively burdensome and unnecessarily harms lower- and middle-income taxpayers and small and mid-size businesses. The IRS ultimately abates many of these penalties, often because it determines that granting reasonable cause relief is appropriate, which illustrates the inefficiency of the existing process. The high abatement rates, especially in comparison to other penalties, show that taxpayers and the IRS expend significant time, energy, and money addressing penalties that the IRS should not have assessed in the first place.</p> <p>TAS recognizes the important policies underlying the IIR penalty regime. However, we are deeply concerned that the IRS is applying penalties in an unfair and draconian way, particularly with respect to lower- and middle-income individuals and small and mid-size businesses. By systemically assessing penalties when taxpayers willingly come forward and file their late returns, the IRS discourages voluntary compliance. The IRS’s cavalier approach is unfair to taxpayers and inefficient for our tax system.</p>
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TAS Recommendation	<p>[8-2] Update the Internal Revenue Manual to require review of any reasonable cause relief requests before assessing penalties when these requests are submitted in conjunction with IIRs potentially giving rise to penalties.</p>
IRS Response	<p>The IRS agrees to implement the TAS recommendation in part.</p>
IRS Action	<p>The IRS agrees to update policy and procedural guidance in the Internal Revenue Manual to require review and consideration of reasonable cause statements included with late-filed Forms 3520 and 3520-A prior to making the penalty assessment.</p>
TAS Response	<p>TAS commends the IRS’s decision to update the IRM in this manner. TAS encourages the IRS to consider similarly updating the IRM for other IIR penalties, including penalties assessed under IRC § 6038 due to the high dollar value of those assessments.</p>

<p style="text-align: center;">TAS Recommendation</p>	<p>[8-3] Extend eligibility for FTA to all IIR penalties regardless of whether the underlying return was filed late.</p>
<p style="text-align: center;">IRS Response</p>	<p>The IRS does not agree to implement the TAS recommendation.</p> <p>The IRS is responsible for enforcing the tax law and using the tools Congress provides effectively to prevent tax evasion and abuse. Penalties are one of the tools the IRS uses to promote voluntary compliance. Where prior non-reporting of offshore assets and income is unintentional, the IRS is already working to improve and streamline IIR assessment programs to avoid assessing penalties and, if a penalty is assessed, to resolve the taxpayer’s case more quickly. Expanding First Time Abate (FTA) to address these IIR penalties is not the best way to accomplish these goals.</p> <p>FTA is an administrative waiver that provides relief from certain failure to file, failure to pay, and failure to deposit penalties for taxpayers with a history of good tax compliance. Because eligibility for FTA is generally based on the taxpayer having filed and paid on time in the prior three tax years, FTA is only available to one filing every 4 years. In contrast, IIR filings are event based and may not be required every year, making it difficult to establish compliance history. Taxpayers also frequently file multiple years of delinquent IIRs at once, in which case FTA would only apply to one of the periods and taxpayers would still need to rely on alternative abatement requests or reasonable cause statements for the other years. Allowing FTA for all delinquent IIRs filed together would allow taxpayers who had been hiding money offshore to avoid using established voluntary disclosure programs without adverse consequence; instead, these taxpayers could “quietly disclose” past non-compliance by filing an amended return that triggers the statute of limitations and still avoid penalties.</p>
<p style="text-align: center;">IRS Action</p>	<p>N/A</p>

TAS Response	TAS is deeply concerned that the IRS is applying IIR penalties in an unfair and draconian way that harms taxpayers, especially lower- and middle-income individuals and small and midsize businesses who voluntarily come forward and who overwhelmingly bear the impact of these penalties. We are encouraged by the IRS’s statement that it is working to improve and streamline IIR assessment programs and resolve those cases more quickly. However, this does not mean the IRS should not take other actions. Expanding FTA to all IIR penalties is one additional way to improve the IIR assessment process, and the IRS can do so in a manner that does not undermine the important policies underlying the penalty regime while promoting voluntary past and future compliance. The IRS may need to tailor FTA when applying it to certain taxpayers, but that is not a justification for inaction.
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TAS Recommendation	[8-4] Revise Notice 97-34 or issue guidance to make the administrative \$100,000 threshold subject to the same inflation adjustments as the \$10,000 threshold set forth in IRC section 6039F.
IRS Response	The IRS agrees to implement the TAS recommendation in full.
IRS Action	The IRS, with IRS Chief Counsel and the Department of Treasury, agree with the TAS recommendation and are working on proposed regulations under IRC section 6039F (REG-124850-08 and RIN 1545-BI04), which, when finalized, will fully implement the recommendation. The NPRM is anticipated to be published by end of 2024.
TAS Response	TAS commends the IRS, IRS Chief Counsel, and the Department of the Treasury for their efforts on the proposed regulations that, when implemented, will make the administrative threshold in Notice 97-34 subject to the same inflation adjustments as the \$10,000 threshold set forth in IRC § 6039F. TAS is encouraged by the IRS’s steps to alleviate the disparity between the penalties.

TAS Recommendation	[8-5] Update Schedule B and the related instructions to include foreign gifts as potentially reportable transfers.
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<p style="text-align: center;">IRS Response</p>	<p>The IRS does not agree to implement the TAS recommendation.</p> <p>Currently, Form 3520, Annual Return To Report Transactions With Foreign Trusts and Receipt of Certain Foreign Gifts records gratuitous transfers that may be reportable events, which are described in detail on page 2 of Form 3520, Part I, and Schedule B, Line 13. In addition, we do not believe Form 1040 would be the proper vehicle for such a question, as the Form is filed by over 160 million taxpayers each year, the vast majority of whom do not have any foreign transactions, gifts, or inheritances - such a question would have to be written in such a narrow way that all 160 million taxpayers would not need to be required to file the Schedule B (Form 1040) solely to answer the question regarding a foreign gift.</p>
<p style="text-align: center;">IRS Action</p>	<p>N/A</p>
<p style="text-align: center;">TAS Response</p>	<p>TAS disagrees with the IRS’s justification for not acting. We believe there are alternative ways of implementing this recommendation, such as by expanding Question 8 on the Form 1040, Schedule B, and adding a short explanation in the accompanying instructions, neither of which would require a programming change. Making these modifications to the Schedule B and its instructions would provide important notice to taxpayers who are already required to complete Part III of the Schedule of their potential reporting requirements. Because taxpayers are often not aware of reporting requirements for foreign gifts, particularly when there are no tax consequences, and yet face potentially life-altering consequences for not filing the information return, TAS urges the IRS to take every reasonable opportunity available to notify taxpayers of these requirements.</p>

MSP #9: COMPLIANCE CHALLENGES FOR TAXPAYERS ABROAD: TAXPAYERS ABROAD CONTINUE TO BE UNDERSERVED AND FACE SIGNIFICANT CHALLENGES IN MEETING THEIR U.S. TAX OBLIGATIONS

Taxpayers abroad face vast difficulties in complying with their U.S. tax obligations. Many find themselves trying to navigate a complicated tax system they do not understand, and the IRS offers limited assistance and guidance. Taxpayers abroad lack accessible, real-time customer service assistance from the IRS, and help from private tax professionals, if available, is often expensive; both contribute to additional burden for these taxpayers. They face a complex tax code that, combined with the lack of IRS service and a comprehensive plan targeted at fixing these issues, results in frustration and non-compliance. The burden and expense of filing tax and international information returns (IIRs) further the problem. The frustrations, time, expense, and complexity domestic taxpayers face are magnified for taxpayers abroad and exacerbated by the added layer of another country’s tax laws and the potential for severe penalties for mistakes and omissions. The complexity of the tax code, the inability to easily comply, and the fear of severe penalties are so great that some taxpayers choose to relinquish their U.S. citizenship.

TAS Recommendation	[9-1] Clarify the scope of Rev. Proc. 2020-17 to provide certainty regarding the reporting requirements of foreign workplace retirement plans under IRC section 6048, including foreign pensions where deferral of tax on earnings is available under a U.S. tax treaty.
IRS Response	The IRS agrees to implement the TAS recommendation in part.
IRS Action	The IRS, with IRS Chief Counsel and the Department of Treasury, are working on proposed regulations under IRC section 6048 (REG-124850-08 and RIN 1545-BI04), which when published will give taxpayers the opportunity to provide additional comments, and when finalized, will incorporate and modify the scope of the exclusions from IRC section 6048 reporting in Rev. Proc. 2020-17. The NPRM is anticipated to be published by end of 2024.
TAS Response	TAS is encouraged that the IRS, with IRS Chief Counsel and the Treasury Department, are working on the proposed regulations. While the proposed regulations and corresponding opportunity for public comment are important steps, TAS urges the IRS to also look for opportunities to further clarify the scope of the exclusions in plain language understandable to U.S. taxpayers abroad.

TAS Recommendation	[9-2] Translate the most common international tax forms and instructions, starting with Publication 54, into multiple languages other than English.
IRS Response	The IRS agrees to implement the TAS recommendation in part.
IRS Action	To determine whether a tax product is a candidate for translation, the IRS must perform the four-factor analysis (GAO 20-55 (Recommendation 4) and IRM 22.31.1.4(4)). These four factors analyze the number of limited-English proficient (LEP) taxpayers that would be served, the frequency and importance of the program, and the resource availability to provide the language assistance. The agency needs for language assistance are determined with the issuance of the Limited-English Proficient (LEP) Customer Base Report (CBR), as per Executive Order 13166, which provides IRS leadership with a comprehensive snapshot of the LEP taxpayers in the United States, based on Census Bureau data information. However, this report focuses on the LEP taxpayers in the United States, not on U.S. taxpayers living abroad; therefore, we do not know the needs of this part of the population, or even if these taxpayers would be considered “LEP” for receiving this type of service. The IRS would first need to initiate a research study to know if this population is considered LEP, which languages would apply to this population, and then tailor language-related initiatives and services geared toward this population.
TAS Response	TAS strongly recommends that the IRS conduct the research study cited to identify the needs of the population of taxpayers living abroad. This should include identifying the most common international tax forms and instructions that need to be translated and the languages into which they should be translated. While TAS is encouraged that the IRS agrees to implement the TAS recommendation in part, the IRS’s response lacks clarity as to its overall plan, including the specific actions it will take, the anticipated duration of the study or other actions, and the phases the plan must pass through to reach implementation.
TAS Recommendation	[9-3] Provide in-person services abroad including reopening foreign tax attachés and/or TACs, beginning with cities with the highest number of filers. Until it does, the IRS should offer or facilitate virtual TAC, VITA, and TCE appointments to taxpayers outside of the United States, with the same services available to domestic taxpayers.

IRS Response	The IRS agrees to implement the TAS recommendation in part.
IRS Action	Stakeholder Partnerships, Education and Communication (SPEC) currently offers Military Training and tax preparation on Military Bases abroad. However, this training and free tax preparation service is available for military personnel only. With regards to a virtual option for taxpayers living abroad, SPEC does not have the infrastructure to provide a facilitated virtual platform for taxpayer living abroad. This would require establishing a partnership in the U.S. with an organization willing to support this initiative. This includes developing an infrastructure to connect a US citizen living abroad to a certified VITA volunteer currently living in the US. In addition, the volunteer and taxpayer would need the proper virtual technology to communicate and share tax documentation(s) securely. Another concern is training for every country with different treaties would be a challenge for SPEC.
TAS Response	TAS is encouraged by SPEC's efforts in offering military training and tax preparation on military bases abroad. TAS understands the IRS still faces barriers to implementing this recommendation; however, we urge the IRS to continue working to find mechanisms for furnishing the recommended virtual and in-person services for taxpayers living abroad. By expanding this initiative and offering a full suite of services via these appointments, the IRS would provide overseas taxpayers with crucial, long-overdue support.

TAS Recommendation	[9-4] Develop a cross-functional team solely focused on assisting international taxpayers. The team should have regular meetings, objectives, and measurable results.
IRS Response	The IRS agrees to implement the TAS recommendation in full.
IRS Action	LB&I agrees with the recommendation and will lead a cross-functional team solely focused on assisting international taxpayers. Additional stakeholders for this recommendation include the Small Business/Self-Employed Division, the Wage & Investment Division, the Taxpayer Experience Office, and the Taxpayer Advocate Service.

TAS Response	TAS commends IRS LB&I for agreeing to lead a cross-functional team with the Small Business/Self-Employed Division, the Wage & Investment Division, the Taxpayer Experience Office, and TAS solely focused on assisting international taxpayers. With these efforts, the IRS can make strides toward bridging customer service gaps for taxpayers who live abroad. The National Taxpayer Advocate looks forward to receiving details regarding this team and reviewing the IRS successes in implementing this recommendation.
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TAS Recommendation	[9-5] Provide a toll-free international telephone line or alternative free service dedicated solely to taxpayers abroad.
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IRS Response	The IRS agrees to implement the TAS recommendation in part.
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IRS Action	<p>We agree to explore the feasibility of adding chatbot and live chat services dedicated to issues unique to international taxpayers and provide an update by September 30, 2024. The update will include a plan of implementing feasible options. The IRS previously reviewed the ability of offering toll-free telephone services to international callers and determined it was not a feasible option. The U.S. vendor providing domestic toll-free services for the IRS does not have a universal international option. There are 10 countries that offer a service called Universal International Freephone Number which allows taxpayers to dial toll-free numbers in the U.S. using “landline” phones, but this service does not include cell phones or pay phones. The IRS also determined offering callback services to international callers was not a feasible option. To provide worldwide outbound calling, the IRS would need to establish outbound contracts with over 200 countries for both landline and wireless service. If contracts could not be set up with each country, this would create a risk of disparate treatment for the caller. Additionally, the IRS would lose the ability to record the outbound call for quality review and to fulfill certain Freedom of Information Act requests.</p> <p>Today the IRS provides several services for all taxpayers. The IRS has published an expansive amount of information, publications, and forms on IRS.gov. There are several webpages (https://www.irs.gov/individuals/international-taxpayers) dedicated to Individual and Business International Taxpayers, including an expansive list of 50 frequently asked questions (https://www.irs.gov/individuals/internationaltaxpayers frequently-asked-questions-about-international-individual-tax-matters). The IRS has self-help services available on IRS.gov, including IRS Online Account, Where’s My Refund, Where’s My Amended Return, Get Transcript, Bank Account and Credit/Debit payment options. The IRS has established interactive chatbot services that provide procedural and tax law assistance. The IRS continues to add new topics to chatbot services and has started offering live chat services as an escalation from a chatbot interaction on IRS.gov.</p> <p>While the IRS does not currently have chatbot or live chat services dedicated to issues unique for international taxpayers, the IRS agrees to explore the feasibility of adding these services as an alternate form of assistance.</p>
TAS Response	<p>TAS applauds the IRS’s continuing efforts to find ways to improve the customer experience for U.S. taxpayers abroad. Ensuring that this population has access to direct communication with the IRS is essential for supporting their unique needs and lessening their compliance challenges. We are encouraged that the IRS will explore the feasibility of adding chatbot and live chat services dedicated to issues unique to U.S. taxpayers abroad and provide an update by September 30, 2024. Recognizing the technological challenges that currently exist, TAS nonetheless encourages the IRS to continue to examine options for improving customer service, including via telephone, for as many U.S. taxpayers abroad as possible.</p>

TAS Recommendation	[9-6] Provide greater accessibility to online accounts for taxpayers abroad who cannot authenticate through the current CSP.
IRS Response	<p>The IRS does not agree to implement the TAS recommendation.</p> <p>The IRS must follow National Institute of Standards and Technology digital identity guidelines and required levels of authentication for a taxpayer to access their IRS online account. The IRS may not provide online access to someone who cannot authenticate at the required level through the current, or future, CSPs. The IRS is, however, committed to resolving the authentication challenges faced by taxpayers living abroad and worked with the current CSP to implement a number of process improvements. Taxpayers residing in foreign countries may now verify their identity via a video call. During this process, the taxpayer has an opportunity to upload identity documents, wait for them to be reviewed, then join a live video call to complete the verification process. To ease translation issues, taxpayers may now submit a translated document as an accompanying document side-by-side with the original non-English document. In addition, taxpayers may also now use an international phone number to setup multi-factor authentication and create their account.</p>
IRS Action	N/A
TAS Response	TAS appreciates the IRS’s commitment to resolve the authentication challenges faced by U.S. taxpayers abroad. While TAS commends the IRS and current CSP for the recent changes that have improved the process, authentication challenges still exist for some U.S. taxpayers abroad. TAS encourages the IRS to continue to focus on evaluating the expansion and refinement of identity proofing options that meet the unique needs of this population.
TAS Recommendation	[9-7] Modernize the ITIN application process to:1) allow taxpayers to apply for an ITIN throughout the year and submit alternate proof of a filing requirement other than an annual tax return; 2) allow CAAs to electronically file Form W-7 with copies of the supporting documentation; and 3) improve the RTS the IRS uses to process W-7 forms to enhance data quality and management, including a process for logging documents upon receipt. The IRS should also provide dedicated resources and a phone number to the Austin ITIN unit and prominently display current estimates of ITIN processing times on the ITIN landing page of the IRS website.

**IRS
Response**

The IRS plans to implement the TAS recommendation in part.

IRS Action

Currently the IRS allows individuals who meet certain exceptions to submit a Form W-7, Application for IRS Individual Taxpayer Identification Number, (ITIN) separate from an annual tax return. The Form W-7 instructions include five exceptions that allow qualifying individuals to apply for an ITIN any time during the year. However, we do not plan to allow individuals to submit alternate proof of a filing requirement with Form W-7. The Form W-7 requires applicants to prove their identity by providing original supporting documentation such as passports, driver's licenses, and birth certificates, issued by a variety of domestic and foreign entities. Authenticating and processing these documents requires the authenticating party, such as Certified Acceptance Agents (CAA) or IRS employees, to physically handle and examine the documents for certain markers and characteristics not present on copies. For these reasons, the IRS disagrees with allowing CAAs to submit copies of supporting documentation. However, we are still considering options for modernizing the W-7 process that may include CAA participation for documents they are authorized to authenticate.

The IRS fully acknowledges how critically important original documents, such as passports, are to customers. After an identification document is validated, we promptly return it to the applicant's address of record along with Form 14433, Return of Original Documents. If the applicant is experiencing a hardship, the Taxpayer Advocate Service can make a hardship determination and initiate a Missing Document Request.

The IRS continually considers improvement opportunities identified by internal and external stakeholder feedback. We requested funding for updates, enhancements, and improvements to the ITIN Real Time System (RTS). For example, we are exploring a new tool to automate address changes and notice generation by pulling data from the ITIN RTS. ITIN Operations has also been engaged in modernization discussions to enhance data quality, create efficiencies in processing, and improve data management for Form W-7. However, all developments and enhancements are contingent on the prioritization of funding and other initiatives.

Our ITIN employees have specialized training and experience necessary to accurately process ITIN applications including validating supporting identification documents. The customer experience is enhanced by these employees focusing on efficiently working ITIN applications. For this reason, we do not agree with the recommendation to establish a dedicated phone line to the ITIN unit. Customers may contact our toll-free telephone number staffed by Customer Service Representatives, who can provide the status of ITIN applications, as well as request missing identification documents.

In January 2024, the IRS launched a new page on [irs.gov](https://www.irs.gov) where taxpayers can find current wait times for correspondence, key forms including Form W-7, letters, and notices (<https://www.irs.gov/help/processing-status-for-tax-forms>) We will continue to post ITIN processing times based on the received dates of Forms W-7.

TAS Response	<p>Modernizing the ITIN process is critical as certain taxpayers are unable to comply with their federal tax obligations or receive tax benefits for which they legally qualify if they don't have an ITIN. TAS appreciates that the IRS has asked for funding that could lead to some significant improvements in the process, but we are disappointed that the IRS is rejecting parts of the recommendations. TAS will continue to consult with the IRS on these matters.</p> <p>While TAS agrees that the customer experience is enhanced by ITIN unit employees efficiently working ITIN applications, TAS also believes the customer experience would be further improved if ITIN applicants were able to communicate with those employees via a dedicated phone line and directly benefit from their wealth of specialized training and experience. Furthermore, while TAS supports the effort behind the new webpage, we question whether the information is presented in a way that is understandable and meaningful to all taxpayers. TAS encourages the IRS to continue to find ways to provide taxpayers, particularly those for whom English is not their first language, a better understanding of ITIN processing times and to highlight the information on webpages targeted toward ITIN applicants and the international community.</p>
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TAS Recommendation	<p>[9-8] Explore expanding the scope of the VITA program to allow grant funds to be used to provide ITIN certification services for taxpayers at VITA sites.</p>
IRS Response	<p>The IRS plans to implement the TAS recommendation in part.</p>
IRS Action	<p>Grant funding can support the infrastructure that supports tax preparation (e.g., computers, internet), but should not be directly tied to tax preparation services. We will work with Counsel to re-examine the policy to determine if the Certifying Acceptance Agent program can now be supported by VITA/TCE grant funding. Note that the Taxpayer First Act will need to be considered when making a final determination on the eligibility of grant funds for this purpose.</p>
TAS Response	<p>TAS fully supports the IRS consulting with Counsel to determine whether the CAA program can be supported by VITA/TCE grant funding and looks forward to continuing to work with the IRS on this matter.</p>

<p style="text-align: center;">TAS Recommendation</p>	<p>[9-9] Allow taxpayers located outside the United States an additional 60 days upfront to respond to all IRS correspondence that requires a response or other action from the taxpayer.</p>
<p style="text-align: center;">IRS Response</p>	<p>The IRS does not agree to implement the TAS recommendation.</p> <p>The IRS already provides additional time for overseas taxpayers to respond to correspondence. For example, international taxpayers are given 30 days to provide necessary information to complete processing their return while domestic taxpayers are given a shorter 20-day turnaround time. In certain specialized international programs, we include a local fax option for submitting responses faster than regular mail. Internal Revenue Manual 21.3.3.4.16.1, Preparing Outgoing Manually Generated Correspondence, requires we provide an assistor’s name, telephone number, and a unique identifying number so international taxpayers can make direct contact with respect to correspondence.</p> <p>Using regular mail is only one option available to overseas taxpayers. The applicable website https://www.irs.gov/help/contact-my-local-office-internationally) includes information about our International Taxpayer Service Call Center, fax numbers, and where to send correspondence for individual and business tax matters. Although most overseas taxpayers must call a phone number that is not toll-free number to reach the IRS, residents of Puerto Rico and the U.S. Virgin Islands can use the IRS toll free number.</p>
<p style="text-align: center;">IRS Action</p>	<p>N/A</p>

TAS Response	<p>TAS is disappointed with the IRS response to this recommendation and views it as a failure to acknowledge practical burdens that taxpayers located outside of the United States face. The extended timeframes for response accorded to taxpayers abroad, including the extra ten days cited by the IRS, are insufficient, especially considering the additional 60-day time period that Congress provided to these taxpayers in IRC § 6213. While it is encouraging that the IRS allows alternate options for taxpayers to respond to the IRS faster, these options may not be practical or readily available to taxpayers abroad. Additionally, the IRS does not acknowledge that delays result from outgoing IRS mail reaching taxpayers abroad in the first place or consider how it could communicate faster, thus placing the burden on taxpayers to change methods of communication to meet already insufficient time deadlines. For taxpayers abroad, lack of timely notification from the IRS causes them to lose critical administrative, due process, and judicial rights. We urge the IRS to reconsider this recommendation. This simple administrative change would go a long way in recognizing the burdens faced by taxpayers abroad due to postal delays and assisting these taxpayers with minimal change to IRS procedures.</p>
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TAS Recommendation	<p>[9-10] Provide a precertification notice to taxpayers that allows them to attempt to resolve tax liabilities and appeal a proposed IRS certification of a seriously delinquent tax debt before the IRS sends a certification regarding passport revocation to the Department of State. This notice should give taxpayers outside of the United States an additional 60-day response time beyond that provided domestically.</p>
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<p style="text-align: center;">IRS Response</p>	<p>The IRS does not agree to implement the TAS recommendation.</p> <p>Passport certification only applies to taxpayers with seriously delinquent tax debt. At this late stage in the collection process, the taxpayer has had multiple opportunities to resolve their tax debt and pay their liability. For passport certification to occur, a final notice of the IRS’s intent to issue a levy must have been issued and a levy made, or a Notice of Federal Tax Lien must have been filed. Specifically, before certification, the taxpayer receives Letter 1058 (L1058) or LT11, Final Notice- Notice of Intent to Levy and Your Notice of a Right to a Hearing, or Letter 3172, Notice of Federal Tax Lien and Your Rights to a Hearing Under IRC 6320, along with Publication 594, The Collection Process. These letters advise that denial or revocation of their U.S. passport is a possible next step if the taxpayer is individually liable for tax debt totaling more than \$62,000 in calendar year 2024 and doesn’t pay the amount owed or make alternative arrangements to pay. These letters also explain how to seek review of the taxpayer’s underlying liability or the collection action by the IRS Independent Office of Appeals. This statutory period to appeal provides an opportunity for the taxpayer to resolve the tax liabilities and appeal before the IRS sends a certification to the Department of State. Prior to making a recommendation for revocation, the Letter 6152, Notice of Intent to Request U.S. Department of State Revoke Your Passport, is issued to the taxpayer’s address of record. The Letter 6152 currently provides an additional 60-day response time beyond that provided domestically (90 days vs. 30 days).</p>
<p style="text-align: center;">IRS Action</p>	<p>N/A</p>
<p style="text-align: center;">TAS Response</p>	<p>The only direct precertification notice that the IRS provides to taxpayers that their passports may be revoked is a paragraph on the second page of a CDP notice that the IRS may have issued months or even years prior to a certification. This is inadequate and fails to satisfy the taxpayer <i>right to be informed</i>. Because of the vital importance of a passport to U.S. citizens, especially to those abroad, providing a precertification notice to taxpayers would ensure that taxpayers understand the consequences of a seriously delinquent tax debt certification and would encourage compliance.</p>

MSP #10: APPEALS: DESPITE SOME IMPROVEMENTS, MANY TAXPAYERS AND TAX PROFESSIONALS CONTINUE TO PERCEIVE THE IRS INDEPENDENT OFFICE OF APPEALS AS INSUFFICIENTLY INDEPENDENT

The IRS Independent Office of Appeals (Appeals) continues to face challenges impacting its perceived independence and operational efficiency, thereby undermining taxpayer trust and prolonging dispute resolution. Taxpayers and tax professionals often resort to costly litigation if they cannot resolve their case in Appeals or if they doubt the impartiality of the process. Increased burdens and an erosion of confidence in Appeals’ independence compromise a taxpayer’s statutory right to an independent appeal and can lead to unnecessary and costly litigation.

TAS Recommendation	[10-1] Prioritize in-office availability of AOs to reduce wait times and increase taxpayer access for in-person conferences.
IRS Response	The IRS agrees to implement the TAS recommendation in full.
IRS Action	In the past, taxpayers could avail themselves of an in-person conference only in specific situations. As a result of TAS’s recommendations, however, and Appeals’ desire to provide high-quality service to taxpayers, in-person conferences are now available as a matter of right, including to taxpayers whose cases are worked in the campuses. The timing and location of these in-person conferences are determined based on the reasonable convenience of the parties. In addition, letters to taxpayers now include manager contact information to ensure taxpayers’ procedural requests are honored. Appeals is committed to reemphasizing to our employees, both through training and other outreach, that in-person availability is a priority. Further, we are hiring personnel to improve our staffing in states with little or no Appeals presence.
TAS Response	TAS commends Appeals for making in-person conferences available to taxpayers as a matter of right, including manager contact information on letters to taxpayers, reemphasizing the priority of in-person conferences to its employees, and focusing hiring efforts in states with little or no Appeals presence. These efforts should reduce wait times for taxpayers seeking an in-person conference, increase overall access to face-to-face settlement opportunities, and bolster <i>taxpayer rights to quality service and a fair and just tax system.</i>

TAS Recommendation	<p>[10-2] Require technical guidance coordinators and other specialists, whose advice the AO relies upon, be available in person if requested so taxpayers can address their unique facts and circumstances directly with those specialists.</p>
IRS Response	<p>The IRS agrees to implement the TAS recommendation in part.</p>
IRS Action	<p>Appeals continues to believe, as does TAS, that access to Appeals specialists should be available on those coordinated issues that require an Appeals specialist review and concurrence in the mode most beneficial to ensuring that taxpayers’ arguments are fairly heard, analyzed, and responded to so that taxpayers can be assured that their unique facts and circumstances are addressed in their administrative appeal. For the majority of the 30 ACI R&C issues (19 domestic tax issues and 11 international tax issues), Appeals specialists already attend taxpayer conferences, and we anticipate that they will continue to do so.</p> <p>Appeals is in the process of finalizing a study of issue coordination practices, which includes issues that require Appeals specialist review and concurrence. To guide this process, Appeals solicited and received written feedback from internal and external stakeholders, including tax practitioners, IRS Counsel, IRS Compliance employees and Appeals employees (<i>i.e.</i>, Appeals Officers, Appeals Team Case Leaders, Appeals managers, and Appeals specialists). Appeals also conducted listening sessions with these stakeholders. As part of that study, cognizant of taxpayer and TAS feedback, Appeals is looking specifically at access to Appeals specialists.</p> <p>As we await the outcome of that study, Appeals will continue to balance several factors in managing a national program of specialists that frequently serve taxpayers that are not geographically located with the assigned specialists. In doing so, Appeals must balance the requests of taxpayers, the needs of the individual issues in the case, and management of its overall caseload. When determining the type of Appeals specialist participation (<i>i.e.</i>, in person or virtual), Appeals considers such factors as whether the specialist involvement in the case is due to a coordinated issue, the suitability and capability of the individual issue for discussion in a virtual or hybrid conference, how quickly an in-person conference with all advisable participants can be arranged, as well as the delays to other cases that could result from extensive travel times.</p>

TAS Response	TAS appreciates that Appeals seeks to balance various interests in managing its national program of specialists but regards the interest and statutory rights of the taxpayer as paramount. If taxpayers believe that the Appeals employee either making or significantly influencing the ultimate decision on a given case remains “behind a curtain” and inaccessible, the perception that Appeals is independent more in name than in practice will persist, continuing the erosion of taxpayer trust. Appeals should prioritize taxpayer rights and perceptions of independence in balancing the multiple interests of its national program of specialists.
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TAS Recommendation	[10-3] Provide additional budget to contract outside experts on complex matters and hire attorneys that report to the Chief of Appeals.
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IRS Response	The IRS agrees to implement the TAS recommendation in part.
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IRS Action	Assuming a congressional grant of hiring authority and the allocation of the requisite budget, Appeals is in favor of hiring its own attorneys. On the other hand, we do not see a good value proposition in reallocating existing funds to contract with outside experts, as opposed to increasing our own staffing. Appeals’ specialists, who provide expert analysis on complex issues, share with AOs and ATCLs a common mission of settling cases fairly and in light of the hazards of litigation. To this end, our in-house experts look at cases through a similar lens as our decisionmakers, whereas contracted outside experts may not share that settlement-focused, independent perspective. We are also concerned that outside contracting could cause delay and have other negative unintended consequences.
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TAS Response	Independent functions within an administrative agency need advice that is independent of the main agency and its positions. This includes legal advice. IRS Chief Counsel’s “one voice” position prevents its presentation of advice to Appeals that is wholly independent from the IRS’s position. Because independence is at the heart of Congress’s mandate to Appeals, it should both allocate existing resources and petition for requisite increases to abide by this mandate of independence. While in-house Appeals experts look through the same lens, TAS reasserts its opinion that outside experts will provide a diverse point of view to strengthen both the perception and reality of Appeals’ independence in its settlement decisions.
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<p style="text-align: center;">TAS Recommendation</p>	<p>[10-4] Revise the Internal Revenue Manual to require Appeals to share all ACMs with taxpayers and establish policies and mandatory procedures to effectively track these efforts.</p>
<p style="text-align: center;">IRS Response</p>	<p>The IRS does not agree to implement the TAS recommendation.</p> <p>As part of the appeals conference, Appeals hears taxpayers’ positions, understands the legal and factual considerations informing taxpayers’ disputes with the IRS, and proposes resolutions. At the conclusion of this inherently collaborative process, taxpayers and their representatives should have a clear understanding of exactly how and why their cases were resolved. In other words, conferences should leave no ambiguities that require additional explanation from Appeals to taxpayers and their representatives.</p> <p>By contrast, Compliance is generally not present for settlement discussions. Appeals shares ACMs memorializing case resolutions with Compliance so that Compliance can also understand the reasons for the settlement reached between taxpayers and Appeals. ACMs, however, have no precedential value and serve a purely informational purpose. Further, per IRM 8.1.1.6.4, Requests for Appeals to Produce Records (Feb. 10, 2012), ACMs would have to be coordinated with Area Counsel and the local Disclosure Officer before release to taxpayers, which would further burden already limited resources.</p> <p>Sharing ACMs with taxpayers and representatives would not tell them anything they don’t already know. Nevertheless, Appeals is aware of TAS’s views on this subject continues to evaluate the issue.</p>
<p style="text-align: center;">IRS Action</p>	<p>N/A</p>

TAS Response	<p>TAS appreciates the care that Appeals puts into taxpayer conferences, including the emphasis on negotiation and the importance of communicating Appeals’ rationale for a settlement. TAS also appreciates that Appeals desires that every conference will be robust enough to cover all issues in depth so that there’s no ambiguity. And yet, it is part of the human condition that not everyone fully retains in their memories every detail and nuance one hears in an arguably tense situation. This is true of the medical profession, which provides in-depth written information to patients after a consultation even though the medical professional has covered everything in-person. Appeals conferences are arguably just as tense for taxpayers, necessitating by common sense and best practice a written document that covers all the issues and rationales for an Appeals’ decision in addition to a conference. Since, as Appeals points out, there is nothing in the ACM that has not been discussed in an Appeals conference, the ACM is the most logical written document to provide a taxpayer as a matter of quality service and transparency. Since the ACM concerns the taxpayer, there are no disclosure concerns that would violate the taxpayer’s privacy if Appeals only provides the ACM to the taxpayer or representative.</p> <p>While TAS agrees with Appeals that ACMs are not precedential, we are unclear how this justifies a refusal to provide a written document to a taxpayer that memorializes Appeals’ decision and rationale. Taxpayers still have the <i>right to be informed</i>, regardless of the precedential nature of a document.</p> <p>TAS looks forward to working with Appeals as it continues to evaluate this issue.</p>
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TAS Recommendation	<p>[10-5] Hire more AOs from outside the IRS who have the necessary qualifications and experience to reduce the influence of a compliance mindset on Appeals’ culture.</p>
IRS Response	<p>The IRS agrees to implement the TAS recommendation in full.</p>

IRS Action	<p>Appeals is making efforts to increase our hiring from outside of the IRS as a means of reversing the understaffing with which we have grappled for years. Appeals also believes it is good for the overall organizational evolution and public service to welcome a diversity of experiences and viewpoints to ensure Appeals does not become overly rigid in its analysis of litigating hazards. Adding external-to-the-IRS hires can only broaden the base of organizational experience and viewpoints and is an important part of our overall hiring strategy. As a result, we agree with TAS’s recommendation.</p> <p>However, Appeals objects to the fundamental premise underlying this recommendation: that there is something wrong with also hiring from among other IRS operating division employees. TAS itself routinely hires from the Compliance side of the IRS, trusting that its own training and culture, as well as the professionalism of the employees being hired, will not compromise the independence of TAS. The same proposition is equally true for IRS personnel hired by Appeals. Our culture and our training emphasize independence, and we expect the professionals we hire to be neither pro-taxpayer, nor pro-IRS, regardless of their previous place of employment. Independence is a common denominator we seek from all those who join Appeals.</p>
TAS Response	<p>TAS appreciates the care that Appeals puts into its hiring and training efforts. We agree that fully implementing this recommendation should reduce the perception of a compliance culture and introduce outside perspectives and experiences within the IRS Independent Office of Appeals.</p>

TAS Recommendation	<p>[10-6] Provide continuous education for all AOs emphasizing a judicial attitude toward settlement to reduce a compliance mindset.</p>
IRS Response	<p>The IRS agrees to implement the TAS recommendation in full.</p>
IRS Action	<p>By “continuous training,” Appeals assumes that TAS means regular education, reemphasized at reasonable intervals, regarding a judicial attitude toward settlement. If such is the case, Appeals agrees with TAS’s recommendation. Appeals’ training for new hires stresses the importance of independence and consideration of the hazards of litigation. Likewise, Appeals provides extensive ongoing education and messaging for existing employees through formats such as executive town halls, advanced training, annual meetings with Counsel to discuss case law, and weekly updates on recent case decisions for individual workstreams. All of these reinforce the role of hazards settlements and perpetuate a judicial mindset to the resolution of cases.</p>

TAS Response	A judicial attitude within Appeals will facilitate independent settlements and reduce taxpayer perception of a compliance mindset. TAS continues to stress the importance of not only hiring Appeals employees with diverse and independent perspectives but frequently refreshing employee training on judicial attitudes in independently reviewing cases and conducting conferences.
TAS Recommendation	[10-7] In collaboration with Compliance, restructure the current ADR process to provide (a) an ability to appeal the initial determination to Compliance upper management, (b) the creation of a centralized group within Appeals responsible for reviewing Compliance denials of ADR requests, (c) clearer guidance on issues excluded from ADR consideration, and (d) a written explanation to taxpayers citing the basis for the denial.
IRS Response	The IRS agrees to implement the TAS recommendation in full.
IRS Action	<p>In response to GAO 23-105552, published in May 2023, and as part of SOP Initiative 2.4, the IRS has taken several steps to improve its ADR procedures. Among other things, we have stood up an ADR Program Management Office within Appeals to oversee and coordinate IRS-wide Alternate Dispute Resolution (ADR) efforts and data collection.</p> <p>The ADR improvements that are in process include: removing barriers to participating in Post-Appeals Mediation; allowing Appeals to mediate/resolve disputes earlier in the audit or collection process; making it easier for taxpayers to get their cases into ADR by increasing the types of cases and issues that are eligible; requiring a higher-level review if taxpayers' requests for ADR are not accepted; and streamlining and clarifying existing guidance.</p>
TAS Response	Appeals' agreement to implement all the elements of this TAS recommendation is laudable given the enormity of the lift. This includes restructuring the current ADR process to provide (a) an ability to appeal the initial determination to Compliance upper management, (b) the creation of a centralized group within Appeals responsible for reviewing Compliance denials of ADR requests, (c) clearer guidance on issues excluded from ADR consideration, and (d) a written explanation to taxpayers citing the basis for the denial. We understand that this implementation will take time, and TAS stands ready to assist Appeals at each step of its IRS-wide ADR restructuring effort.

TAS Recommendation	[10-8] In collaboration with Compliance, collect consistent, reliable data on what happens to taxpayer requests to use ADR as well as the results of each ADR program, such as resolutions achieved for the time and costs invested.
IRS Response	The IRS agrees to implement the TAS recommendation in full.
IRS Action	The ADR Program Management Office, discussed above, has a variety of responsibilities. One of these is to work with Compliance to collect a range of ADR-related data, including the types specified by TAS in its recommendation.
TAS Response	As identified in GAO Report 23-105552, data collection and analysis are the best next steps for Appeals in restructuring the IRS’s ADR process. TAS looks forward to helping Appeals analyze this data and identify barriers to taxpayers fully participating in ADR programs.

RESEARCH REPORT #2: TWO YEAR BAN: STUDY OF THE TWO-YEAR BANS ON THE EARNED INCOME TAX CREDIT, ADDITIONAL CHILD TAX CREDIT, AND AMERICAN OPPORTUNITY TAX CREDIT

The IRC authorizes the IRS to ban taxpayers from claiming certain refundable credits – the Earned Income Tax Credit (EITC), the Child Tax Credit (CTC), or the American Opportunity Tax Credit (AOTC) – for two years if it determines that the taxpayer claimed the credit recklessly or with intentional disregard of rules and regulations. Over the years, TAS has conducted several research projects to examine whether the IRS is following its own procedures when imposing the two-year ban on one of these credits. This study follows up on those earlier projects and revisits the IRS’s adherence to its procedures when imposing the two-year ban. TAS reviewed a representative sample of 352 cases where the IRS imposed the two-year ban as a result of audits closed in fiscal year (FY) 2022 or the first eight months of FY 2023. This review showed the IRS often did not follow its own procedures.

TAS Recommendation	[RR 2-1] Require managerial review and approval of all language in Form 886-A and the statutory notice of deficiency explaining the reason for the two-year ban.
IRS Response	The IRS does not agree to implement the TAS recommendation. Supervisors are already required to review the entire case file when a Correspondence Examination Technician (CET) proposes the two-year ban. The Notice of Deficiency does not address specific audit issues or bans. It addresses the deficiency amounts, penalties or addition to tax, and appeal rights.
IRS Action	N/A
TAS Response	Although managers are required to review the case file, TAS Research found that managers did so in only 24 percent of cases reviewed where the ban was not imposed systemically. Further, TAS Research found that the explanation as to why the two-year ban was imposed was inadequate in Form 886-A, Explanation of Items, 81 percent of the time and 86 percent of the time in the Statutory Notice of Deficiency. IRM 4.19.14.7.1, 2/10 Year Ban - Correspondence Guidelines for Examination Technicians (CET), provides that examiners must give taxpayers a clear explanation as to why the two-year ban is being proposed.

TAS Recommendation	[RR 2-2] Only impose a ban where the prior audit addresses the same rule under consideration in the current audit.
IRS Response	<p>The IRS does not agree to implement the TAS recommendation.</p> <p>IRC 32(k), 24(g), and 25A(b) allow the IRS to disallow the related credit for the two taxable years after the most recent taxable year for which there was a final determination that the taxpayer’s claim of credit under one of those sections was due to reckless or intentional disregard of rules and regulations. The phrase, “addresses the same rule under consideration,” strictly defines the circumstances under which a two-year ban can be considered, which is limiting to the examiner’s judgement. Auditing Standard 2 (IRM 4.19.13), Examination Depth and Conclusions Reached, requires the conclusion to be, in part, derived from the developed facts and circumstances (to establish reckless or intentional disregard of the rules and regulations for assertion of the two-year ban).</p> <p>All initial contact letters contain enclosures that explain the documentation and requirements to support a taxpayer’s claim for the credits. Existing IRS procedures require CETs to consider all the facts and circumstances of a case before proposing the ban (on non-systemically proposed ban cases). They also call for CETs to document the reasons for the ban and obtain supervisory approval. In all cases, taxpayers are provided their due process and given the opportunity to establish their entitlement for credits.</p>
IRS Action	N/A
TAS Response	<p>The two-year ban is a consequence for taxpayers when they do not follow the rules set out for claiming a refundable credit, such as the EITC, CTC, or AOTC. The logic behind the ban is the taxpayer previously was subject to an examination and during that time was made aware of the rule with which they failed to comply. After that examination, the expectation is the taxpayer will comply with that rule in the future. However, these credits involve a number of rules, and if the taxpayer later violates a rule that wasn’t covered in the prior examination, then the rationale for the ban doesn’t apply (<i>i.e.</i>, the taxpayer wasn’t educated on this rule, so their failure to comply cannot be viewed as reckless based on that fact alone).</p>

TAS Recommendation	[RR 2-3] Not consider a prior audit of a refundable credit conducted more than three years from the date of the current audit.
IRS Response	<p>The IRS does not agree to implement the TAS recommendation.</p> <p>The IRS’s decision to assert (or not) the two-year ban for each credit must be documented to include the reason for the determination on Form 4700, Examination Workpapers. The CET is required to review the documentation submitted by the taxpayer, determine whether the two-year ban should be asserted based on applicable tax law, the taxpayer’s documentation, taxpayer contact, Integrated Data Retrieval System (IDRS) research, and prior year Correspondence Examination Automation Support (CEAS) workpapers. If the two-year ban is asserted, the CET must obtain supervisory approval prior to asserting the two-year ban.</p> <p>Auditing Standard 2 (IRM 4.19.13), Examination Depth and Conclusions Reached, requires the conclusion to be in part, derived from the developed facts and circumstances (to establish reckless or intentional disregard of the rules and regulations for assertion of the two-year ban). This analysis should not be limited to a specific time period, since some taxpayers do not file a tax return every year. Therefore, a complete audit may require research to be conducted more than three years from the date of the current audit.</p>
IRS Action	N/A
TAS Response	One rationale for applying the two-year ban when certain refundable credits have been improperly claimed is that the taxpayer had a previous audit and should be aware of the rules surrounding these credits. However, this rationale is eroded when the prior audit was more than three years before the current audit to which the two-year ban is being proposed. First, it’s possible the rules surrounding these credits have changed since the last time the taxpayer was audited; therefore, it would be unfair for the IRS to base the imposition of the two-year ban on the rationale that the taxpayer was previously made aware of these rules.
TAS Recommendation	[RR 2-4] In cases where the IRS imposes the two-year ban systemically, make additional attempts to reach the taxpayer when the taxpayer has not responded to the audit notice before considering the taxpayer’s failure to respond as reckless or intentional disregard of the rules and regulations.

IRS Response	<p>The IRS does not agree to implement the TAS recommendation.</p> <p>The IRS asserts the two-year ban when the taxpayer demonstrates reckless or intentional disregard of the rules and regulations. Intentional disregard is demonstrated when the taxpayer has knowledge of the requirements and continues to claim a credit for which they are not entitled. The two-year ban is mainly considered by a CET in the second or subsequent year of audit, after the taxpayer has responded and participated in the audit process. The systemic assertion of the two-year ban is proposed in the third year after having Earned Income Tax Credit (EITC) or Child Tax Credit (CTC)/Advanced CTC denied for two prior years or in the fourth year, after the taxpayer was unable to substantiate the credit for three prior years, if one of the examinations was undeliverable. The IRS notifies taxpayers by letter or telephone when the IRS proposes a two-year ban. If the CET proposes the ban during the first year of the audit, the IRM requires the CET to speak with the taxpayer before the assertion of the two-year ban is recommended. Supervisory approval is required on cases where the CET proposes the two-year ban.</p> <p>The CET proposes the ban based on the facts and circumstances of each case, the taxpayer’s response, and a prior audit history that demonstrates whether the taxpayer has recklessly or intentionally disregarded the rules and regulations when claiming the credits. A pattern of reckless or intentional disregard is established when the taxpayer has been informed in the first audit that they were not entitled to the credit but continues to claim the credit. The analysis used to determine the pattern of filing behavior includes review of prior year audits, workpapers, and Correspondence Examination Automation Support (CEAS) notes, the taxpayer’s response, or any telephone calls received.</p>
IRS Action	N/A
TAS Response	<p>TAS’s study found that the explanation as to why the two-year ban was imposed was inadequate in Form 886-A, Explanation of Items, 81 percent of the time and 86 percent of the time in the Statutory Notice of Deficiency. Further, out of 352 cases reviewed, 162 taxpayers (or 46 percent) never responded to the audit, and 16 percent of the notices were undeliverable. One possible explanation for this high no-response rate is that the inadequate explanations provided on the Form 886-A and the Statutory Notice of Deficiency leave taxpayers perplexed as to how they should respond. Considering the stakes are so high for these taxpayers, many of whom are low-income (<i>i.e.</i>, they could be losing about \$3,619 in Earned Income Tax Credit each year), it seems reasonable the IRS would agree to contact the taxpayer via phone to ensure they received and understood the notice.</p>

TAS Recommendation	[RR 2-5] Require IRS managers to conduct regular reviews of employees' cases and imposition of the two-year ban to ensure that they are following all IRS procedures.
IRS Response	The IRS does not agree to implement the TAS recommendation. Supervisory approval is already required for cases where the CET proposes the two-year ban. Managers already conduct a minimum of two evaluative reviews (phone or paper) for each employee per month. The number and times for monitoring is set by the Operation or Department Manager. When an employee works in a blended environment (phone or paper), managers strive for a proportionate mix to review throughout the rating period. Additionally, the National Embedded Quality Program conducts a random statistically valid sample from all closed cases to determine overall program quality.
IRS Action	N/A
TAS Response	Considering the number of problems TAS identified in the study, namely insufficient managerial review of case files and inadequate explanation of the bans in both the Form 886-A and the Statutory Notice of Deficiency, TAS believes this program could benefit from additional managerial review to ensure it protects taxpayer rights. Considering that the imposition of this ban could mean the loss of thousands of dollars for these low-income taxpayers, it is imperative the IRS act prudently and in full observation of the Taxpayer Bill of Rights when moving forward with imposing this ban.