



TAS SYSTEMIC ADVOCACY OBJECTIVES

INTRODUCTION

IRC § 7803(c)(2)(B)(i) requires the National Taxpayer Advocate to submit a report to Congress by June 30 of each year that describes the objectives outlined by the Office of the Taxpayer Advocate for the upcoming fiscal year. This report is known as the Objectives Report to Congress.

The following sections, TAS Systemic Advocacy Objectives and TAS Research Objectives, present key goals and planned activities for fiscal year (FY) 2026. These objectives establish, in part, a basis for the **TAS Strategic Plan: Fiscal Years 2025-2027**, which describes TAS's vision for improving service to TAS taxpayers, cultivating positive TAS employee experiences, and influencing change in tax administration. The Strategic Plan has three key goals:

- **Goal One:** Taxpayer Experience – Provide customer service that protects taxpayer rights through timely, accurate assistance and makes taxpayers feel heard and valued while helping them meet their tax obligations and resolve their tax issues.
- **Goal Two:** Employee Experience – Build a collaborative and empowered workforce ensuring employees and leaders have the skills and tools they need to advocate for customers and grow their careers.
- **Goal Three:** Influence on Tax Administration – Champion taxpayers and taxpayer rights through collaboration, early detection, and resolution of emerging issues and by influencing tax law and tax policies by advocating on behalf of taxpayers. Most TAS Systemic Advocacy Objectives, for example, relate to Goal Three of the Strategic Plan: Influence on Tax Administration.

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

TAS Research Objectives focus on understanding how IRS procedures affect taxpayers and how taxpayers react to IRS actions. The objectives of TAS Research are to improve IRS operations and assist the IRS with balancing its compliance and enforcement efforts with taxpayer rights while also reducing taxpayer burden. Two new research projects are scheduled for FY 2026.

1. IMPROVE AUTOMATION AND METRICS TO ENHANCE THE TAXPAYER EXPERIENCE

Supports TAS Strategic Goal 1: TAS Taxpayer Experience

For FY 2025, the IRS projected it would receive roughly 43 million paper tax returns and about 19 million paper information returns, in addition to tens of millions of other pieces of paper correspondence, such as notice responses and other non-tax forms, most of which will require manual processing.¹ As the National Taxpayer Advocate, I have consistently emphasized that paper is the IRS’s “kryptonite,” triggering delays in processing, increasing call volumes, and driving taxpayers to seek answers online or by phone. Further complicating matters, many employees who process paper submissions also staff the agency’s phone lines, creating service bottlenecks on multiple fronts.

To enhance efficiency and improve the taxpayer experience, the IRS must prioritize processing automation, implement more accurate service metrics, and ensure its systems and processes support end-to-end digital processing and resolution.

What Is the Problem, and How Do We Measure It?

Telephone Metrics: The IRS primarily measures success in answering calls using the Level of Service (LOS) metric, which reflects the percentage of callers who reach a telephone assistant on the Accounts Management (AM) phone lines. This metric may suggest positive performance – reporting an LOS of approximately 87 percent during the filing season and 73 percent in FY 2025 year-to-date.² However, it is a limited and sometimes misleading indicator.

Key deficiencies of the LOS metric include:

- Exclusion of calls routed to IRS compliance functions.
- Failure to account for calls directed to automated systems.
- Lack of qualitative insight into the taxpayer’s experience or whether their issue was resolved.

A more accurate assessment of IRS phone service should include the quality and resolution of the taxpayer’s interaction, not just whether the call was answered. For example, the percentage of calls answered by an assistant is significantly lower than the reported LOS, underscoring the need for a comprehensive and taxpayer-centered performance measure.

The IRS’s LOS metric for phone service is deficient because it does not measure whether customer service representatives (CSRs):

- Provide dependable and accurate assistance;
- Provide responsive assistance;
- Provide knowledgeable and courteous service; or
- Have the ability or training to answer taxpayer questions at the initial point of contact.

The good news is the IRS has begun exploring a new measure of service, the Service Completion Rate, which provides a holistic view of the live assistance services provided to taxpayers across the IRS, including those provided by new technology.³ Taxpayers care about the length of wait time, receiving professional

1 IRS, Pub. 6292, Fiscal Year Return Projections for the United States: 2024–2031 (Sept. 2024), <https://www.irs.gov/pub/irs-pdf/p6292.pdf>; IRS, Pub. 6961, Calendar Year Projections of Information and Withholding Documents for the United States and IRS Campuses 2024 Update (Sept. 2024), <https://www.irs.gov/pub/irs-pdf/p6961.pdf>.

2 IRS, Joint Operations Center (JOC), Snapshot Reports: Enterprise Snapshot, AM (week ending Apr. 19, 2025).

3 TAS Recommendations and IRS Responses, TAS Recommendation 4-1 (2024), <https://www.taxpayeradvocate.irs.gov/arc-recommendations-tracker/> (last visited June 2, 2025).

and respectful treatment, having the CSR answer their question or provide useful alternative resources, and ultimately whether the IRS resolves their issue. We welcome the IRS's movement toward measuring what matters most to taxpayers and making the appropriate adjustments to improve service.⁴

Taxpayer 360 Initiative: CSRs have historically been limited in their ability to assist taxpayers effectively due to fragmented data systems. In FY 2025, the IRS launched the Taxpayer 360 initiative to consolidate taxpayer information onto a single integrated platform. Once fully implemented, CSRs will have access to complete taxpayer data including returns and correspondence at their fingertips, allowing them to respond to taxpayer queries more accurately and efficiently. This change will be extremely beneficial to taxpayers, practitioners, and employees and is essential to improving CSRs' ability to serve taxpayers. As the IRS improves its technology, this initiative should be prioritized for full implementation by Filing Season 2026.

Paper Processing: The Paperless Processing Initiative set a goal of digitally processing all paper-filed tax and information returns by Filing Season 2025 but has fallen short of that goal.⁵ Paper submissions must be scanned to convert them into a digital-friendly format. The IRS set a revised goal of establishing the capability to scan all paper tax returns by the end of the year.⁶ As of April 18, the IRS was only able to scan about one percent of Forms 1040, about nine percent of Forms 940, and about 13.5 percent of Forms 941 from Filing Season 2025.⁷ Critically, scanning is only the initial step in modernizing return processing. To be truly effective, digitized documents must be compatible with IRS systems for automated routing, task assignment, and processing. Full modernization requires reconfiguring business systems to process the data end-to-end from receipt to resolution for all the business applications to move the data seamlessly from point A to point B. Accelerating this transformation is essential to reducing delays, reducing cost, and improving the experience for taxpayers, tax professionals, and employees.

What Is TAS Advocating for?

To enhance taxpayer service through automation and accurate performance measurements, TAS recommends that the IRS:

1. *Implement End-to-End Paperless Processing:* Disclose to Congress and the public the full scope, objectives, milestones, and implementation timeline of its end-to-end paperless processing initiative by the end of FY 2025. Ensure that digitized data is fully compatible with IRS systems for automatic routing, work assignment, and resolution.
2. *Adopt Enhanced Metrics for Phone Service:* By the end of FY 2025, expand and analyze the Service Completion Rate measurement or other alternative measures of telephone service that evaluate the overall taxpayer experience. These metrics should assess the quality, accuracy, timeliness, and resolution of service, not just call connection rates. Adopt an alternate metric of service for phones that measures the taxpayer experience, including attributes related to the quality of service provided and whether the IRS resolved the taxpayer's issue, and balance its resources to provide quality service more efficiently by the end of FY 2025.
3. *Advance Conversational Routing of Calls:* Continue developing intelligent call-routing technologies to improve automation in taxpayer service. Disclose to Congress and the public the initiative's scope, milestones, and expected outcomes by the end of FY 2025.

4 See National Taxpayer Advocate 2024 Annual Report to Congress 46 (Most Serious Problem: *IRS Service: Taxpayer Service Is Often Not Timely or Adequate*), https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2024/12/ARC24_MSP_04_Service.pdf.

5 IRS Fact Sheet, FS-2023-18, IRS Launches Paperless Processing Initiative (Aug. 2023), <https://www.irs.gov/newsroom/irs-launches-paperless-processing-initiative>.

6 IRS response to TAS information request (May 22, 2025).

7 *Id.*

4. *Prioritize Taxpayer 360 Implementation:* Expedite deployment of the Taxpayer 360 platform to enhance CSR access to taxpayer data, enabling quicker, more informed responses. Disclose the scope of Taxpayer 360, initiative details, and milestones to Congress and the public by the end of FY 2025.

CONCLUSION

Providing quality service is a key component of the IRS's mission statement and a priority of the Secretary of the Treasury. Improving taxpayer service in a meaningful and measurable way requires more than incremental changes. The IRS must modernize both its internal processes and the tools used to assess its performance. Automating paper processing, deploying integrated data systems, and implementing qualitative service metrics are critical steps toward a taxpayer-centric model of service delivery – one that is faster, more accurate, and more responsive to taxpayer needs.

2. EXPAND IRS ONLINE ACCOUNT FUNCTIONALITY

Supports TAS Strategic Goal 3: Influence on Tax Administration

As the IRS continues its transition toward a more digital-based service model, expanding online account functionality is essential. Taxpayers and tax professionals increasingly seek self-service options that offer convenience, speed, and accessibility. However, while the IRS has made progress in enhancing online tools in recent years, significant gaps remain in usability, identity verification, and comprehensive digital service offerings.

A robust, user-friendly suite of online services can help the IRS reduce reliance on in-person and phone support, improve the taxpayer experience, and ensure timely resolution of tax-related issues. This modernization effort is not only an operational necessity, but also a strategic opportunity to improve public trust and satisfaction with the tax system. The IRS must continue to expand online account tools and digital services to include a full suite of self-service options for taxpayers wishing to get service online and to decrease reliance on in-person and phone service and paper submissions.

What Is the Problem, and How Do We Measure It?

Although the IRS continues to expand the functionality of online accounts and digital services, many taxpayers and tax professionals still encounter barriers due to the lack of comprehensive self-service tools and challenges verifying and authenticating their identity when using online accounts.⁸ These challenges prevent them from fully utilizing a robust selection of self-service options to answer questions and resolve issues. TAS believes expanding IRS online account functionality will result in faster service and responses, and those who need or want in-person or phone assistance will have shorter wait times.

To illustrate the demand for digital solutions, during the 2025 filing season taxpayers used Where's My Refund? 317,146,000 times and Where's My Amended Return? 3,902,163 times to check the status of their refund or amended return, highlighting a clear preference for online access to information that would otherwise require calling the IRS.⁹

Despite these developments, the current digital offerings are still limited in scope, often requiring users to fall back on traditional service channels. This reinforces the need for continued investment in online services designed with a taxpayer-centric perspective while incorporating input from stakeholders. The IRS must also

⁸ So far in FY 2025, taxpayers and tax professionals have submitted over 500 issues related to identity verification and authentication to the Systemic Advocacy Management System (SAMS), making it one of the most submitted issues. Data obtained from SAMS (Apr. 23, 2025).

⁹ IRS response to TAS information request (May 15, 2025); IRS, Integrated Customer Communications Environment, Where's My Amended Return? (Jan. 1, 2025-Mar. 31, 2025); IRS, Online Tools and Integrated Services, Where's My Amended Return? (Apr. 1, 2025-Apr. 19, 2025).

address the causes of identity verification and authentication failures when using online accounts and provide taxpayers with methods to successfully verify and authenticate their identity, reducing the barriers to using online accounts.

What Is TAS Advocating for?

To address the above challenges and support a more modern, efficient IRS service model, TAS recommends the IRS:

1. *Increase Transparency on Information Technology (IT) Modernization Efforts:* By the end of FY 2025, disclose to Congress and the public the scope, timeline, and anticipated benefits of IT modernization initiatives, particularly those related to enhanced online account functionality.
2. *Expand Online Account Capabilities:* Continue developing and deploying additional features and functionalities within individual, tax professional, and business online accounts. This includes services such as secure messaging, expanded transcript access, account updates, issue resolution, and digital notices by the end of calendar year (CY) 2025.
3. *Improve Identity Verification Processes:* Analyze the root causes of identity verification failure during online account enrollment. Develop and implement targeted strategies to mitigate these issues and create a clear, accessible alternative for users to verify their identities following a failed attempt.
4. *Increase Digital Service Offerings:* Broaden the range of self-service tools available to individual and business taxpayers and tax professionals to engage in self-service assistance.

CONCLUSION

Modernizing and expanding IRS online account functionality is critical to enhancing taxpayer service, eliminating paper, and reducing burdens on traditional support channels. By prioritizing taxpayer needs and ensuring inclusive, accessible design, the IRS can empower users with tools that improve compliance, reduce frustration, and build trust in the tax system.

3. REDUCE AVERAGE TIME TO RESOLVE IDENTITY THEFT VICTIM ASSISTANCE CASES FROM NEARLY TWO YEARS TO FOUR MONTHS

Supports TAS Strategic Goal 3: Influence on Tax Administration

Tax-related identity theft continues to inflict significant harm on affected taxpayers. These victims rely on the IRS Identity Theft Victim Assistance (IDTVA) unit to investigate and resolve their identity theft issues before they can receive their rightful tax refunds.¹⁰ Unfortunately, persistent delays in resolving IDTVA cases, driven by large backlogs and lengthy processing times, have left many victims waiting months and often years for resolution.

Despite increased attention to identity theft issues during the past two years, the IRS has not made meaningful progress reducing the IDTVA case backlog or accelerating case resolution for victims. As a result, affected taxpayers face prolonged uncertainty, financial hardship, and eroded trust in our system of tax administration. Prompt resolution is essential to protect taxpayer *rights to quality service, finality, and a fair and just tax system*.¹¹

¹⁰ Our focus is on the IDTVA cases IRS AM works that comprise the vast majority of IDTVA inventory. These cases include individual IDTVA cases worked in AM and return preparer fraud cases, but does not include cases with compliance issues worked in AM. Internal Revenue Manual (IRM) 25.23.4, IDTVA Paper Process (Oct. 1, 2024), https://www.irs.gov/irm/part25/irm_25-023-004r.

¹¹ See Taxpayer Bill of Rights (TBOR), <https://www.taxpayeradvocate.irs.gov/taxpayer-rights> (last visited May 16, 2025). The rights contained in TBOR are also codified in IRC § 7803(a)(3).

What Is the Problem, and How Do We Measure It?

In recent years, the IRS has received significantly more IDTVA cases, annually numbering in the hundreds of thousands since FY 2021.¹² Victims continue to experience significant delays as the IRS had a backlog of approximately 387,000 unresolved IDTVA cases at the end of FS 2025.¹³

Average IDTVA case resolution times are unacceptably long:

- In FY 2024, the average time to resolve an IDTVA case approached two years.¹⁴
- In mid-FY 2025, the average resolution time remained high at about 602 days.¹⁵

Such prolonged delays deny victims timely access to their refunds and impose unnecessary financial and emotional burdens. Without urgent action to prioritize and streamline IDTVA casework, more taxpayer victims will suffer preventable harm.

What Is TAS Advocating for?

To mitigate harm and improve service for identity theft victims, TAS recommends that the IRS:

1. *Prioritize Timely Identification and Resolution of Potential Refund Cases:* Immediately establish clear criteria to identify and expedite the processing of IDTVA cases with potential refunds while ensuring the victims that are most at risk of financial harm are served first.
2. *Set and Meet Timely Processing Targets:* Develop and implement a comprehensive plan by the end of CY 2025 to reduce the average IDTVA case processing time to 120 days. Further, achieve a sustained average processing time of 90 days or less by the end of CY 2026.

CONCLUSION

Tax-related identity theft victims deserve prompt, effective assistance from the IRS. Long-standing delays in case resolution continue to undermine taxpayer rights and confidence in the agency's ability to respond to fraud. By aggressively addressing the IDTVA backlog and establishing meaningful performance goals, the IRS can significantly improve outcomes for victims and demonstrate a renewed commitment to timely, taxpayer-focused service.

4. STRENGTHEN IRS OVERSIGHT OF UNETHICAL TAX RETURN PREPARERS

Supports TAS Strategic Goal 3: Influence on Tax Administration

Unethical tax return preparers, often non-credentialed, exploit taxpayers by promising large refunds through the manipulation of credits and deductions. Claiming these credits and deductions, for which taxpayers may or may not qualify and some of which don't even exist, can result in serious consequences such as frozen refunds, audits, and penalties. This issue disproportionately harms low-income taxpayers who are entitled to credits like the Earned Income Tax Credit and Child Tax Credit but are unable to access them due to unethical practices of non-credentialed preparers. Insufficient IRS oversight allows these unscrupulous

12 Prior to FY 2021, the IRS received fewer than 100,000 IDTVA cases annually. IRS, JOC, AM IDTVA, Research Analysis and Data (RAD), Correspondence Imaging System (CIS) Closed Case Cycle Time for the Identity Theft Victims Unit Reports, AM Identity Theft, FYs 2020-2025 (FY 2025 data is through the week ending Apr. 19, 2025).

13 IRS, JOC, Customer Account Service (CAS), AM Identity Theft Paper Inventory Report for Individuals, FY 2025 (data is through the week ending Apr. 19, 2025).

14 The average processing cycle time for IDTVA cases was 676 days in FY 2024. IRS, JOC, AM IDTVA, RAD, CIS Closed Case Cycle Time for the Identity Theft Victims Unit Reports, AM Identity Theft, FY 2024.

15 IRS, JOC, AM Research, Analysis and Data (RAD) Reports: Correspondence Imaging System Closed Case Cycle Time (through April 2025).

preparers to operate with minimal accountability, leaving taxpayers vulnerable to confusion, frustration, financial harm, and delayed resolutions.

What Is the Problem, and How Do We Measure It?

Tax-related scams perpetrated by unscrupulous preparers have evolved alongside advances in technology and the rise of social media platforms, disproportionately harming low-income taxpayers. The IRS lacks sufficient oversight authority over these non-credentialed preparers, enabling them to exploit unsuspecting taxpayers who do not have access or cannot afford quality tax advice. For example, IRS statistics show that non-credentialed preparers were responsible for 83 percent of prepared returns claiming the pandemic-era credit for sick and family leave for certain self-employed individuals. These same preparers accounted for 98 percent of the credits disallowed after audit.¹⁶

In cases where the taxpayer filed an amended return to self-correct a questionable claim made for 2021, they waited an average of 225 days from filing the amended return for the IRS to release their refund. Taxpayers who did not file an amended return to self-correct waited an average of 397 days for the IRS to open an audit. On average, taxpayers with frozen refunds due to questionable credit claims waited a total of 536 days (almost 1.5 years) before they received a letter letting them know the IRS was auditing them.¹⁷ For most taxpayers, this letter is their first explanation from the IRS as to why their refund has not been issued.

What Is TAS Advocating for?

To mitigate these challenges and prevent further harm to taxpayers, TAS recommends that the IRS:

1. *Improve Taxpayer Communication:* Provide clear notices to taxpayers informing them that their refund has been held because of concerns with potentially improper credits or deductions. These notices should include detailed instructions on how taxpayers can resolve any issue related to their claims.

To mitigate these challenges and prevent further harm to taxpayers, TAS recommends that Congress:

1. *Enact Tax Preparer Legislation:* Establish minimum standards and continuing education requirements for all tax return preparers.¹⁸

CONCLUSION

Strengthening IRS oversight of non-credentialed tax return preparers is essential to protect taxpayers, especially low-income taxpayers, from fraudulent practices. By implementing stronger oversight, clear communication, and targeted education for preparers, the IRS can mitigate the financial and emotional burden placed on taxpayers while enhancing the integrity of the tax system. Proactive legislative action and enhanced IRS oversight will create a safer environment for taxpayers and ensure they timely receive the benefits and refunds to which they are entitled.

¹⁶ IRS, Compliance Data Warehouse (CDW), Sick and Family Leave Data from Form 7202 in Individual Returns Transaction File, Individual Master File (IMF) (Oct. 29, 2024). IRS, Paid Sick and Family Leave Credit – 2020 vs. 2021 Comparison Chart, <https://www.irs.gov/newsroom/paid-sick-and-family-leave-credit-2020-vs-2021-comparison-chart> (Sept. 13, 2024).

¹⁷ IRS, CDW, IMF Transaction History and IMF Transaction Code 150 History (Apr. 21, 2025).

¹⁸ For proposed legislation, see Taxpayer Assistance and Service (TAS) Act, 119th Cong. §§ 501-504 (Discussion Draft 2025), <https://www.finance.senate.gov/download/tax-admin-bill>.

5. EXPEDITE RESOLUTION OF CENTRALIZED AUTHORIZATION FILE NUMBER SUSPENSIONS TO PROTECT TAX PROFESSIONALS AND TAXPAYERS

Supports TAS Strategic Goal 3: Influence on Tax Administration

Authorized taxpayer representatives, including attorneys, certified public accountants, and enrolled agents, play an essential role in ensuring fairness, efficiency, and due process in taxpayer dealings with the IRS. These professionals serve as advocates for taxpayers, ensuring their rights are respected during interactions with the IRS. However, when the IRS suspects fraud against a practitioner, it can suspend their Centralized Authorization File (CAF) number for months during the investigation, harming them and the taxpayers they represent even though the practitioner is the potential victim.¹⁹

What Is the Problem, and How Do We Measure It?

When the IRS suspects a practitioner is the victim of identity fraud or unauthorized activity, it suspends the practitioner's CAF number.²⁰ This suspension leaves the practitioner unable to represent their clients before the IRS and denies taxpayers their *right to retain representation*.²¹ Although intended to protect practitioners, taxpayers, and the integrity of the tax system, the IRS's suspension of a CAF number restricts legitimate practitioners from accessing their clients' accounts and halts representation during crucial proceedings. This situation occurs even though no formal disciplinary action has been taken against the practitioner by the IRS or the Office of Professional Responsibility.²² In many cases, the practitioner is the victim of fraud rather than the perpetrator. Furthermore, communication regarding the suspension process is often incomplete and delayed, leaving practitioners in the dark about the status of their CAF number and their clients' cases.

The full scope of the issue is not entirely clear, but the IRS's suspension of a CAF number can have a cascading effect, preventing thousands of taxpayers from retaining their chosen representative, which is their right under the Taxpayer Bill of Rights.²³ These suspensions can last for months, unnecessarily burdening taxpayers during audits, appeals, and collections.²⁴ This practice, particularly in cases where practitioners are victims of fraud, undermines the IRS's own goals of fostering a professional and efficient tax system.²⁵ As the IRS responds to cybersecurity threats, it must not lose sight of its fundamental obligations to taxpayers and the authorized representatives who serve them.

When the IRS suspends CAF numbers, it disrupts the relationship between taxpayers and their representatives, denying taxpayers their right to professional assistance during critical moments in their dealings with the IRS. The complex balance between preventing fraud and ensuring taxpayers can continue to access professional representation must not come at the expense of taxpayer rights.

19 A CAF number is a unique identifier assigned by the IRS to track third-party authorizations of access to taxpayer data. IRM 21.3.7.1.1, Background (Mar. 15, 2023), https://www.irs.gov/irm/part21/irm_21-003-007r.

20 For details on these suspension codes, see IRM 21.3.7.5.5.2, CAF Practice Codes and CAF/POA Suspicious Forms Log and the "Potential Fraud" Authorization Referral Process (Apr. 2, 2024), https://www.irs.gov/irm/part21/irm_21-003-007r.

21 See TBOR, <https://www.taxpayeradvocate.irs.gov/taxpayer-rights> (last visited May 14, 2025). The rights contained in TBOR are also codified in IRC § 7803(a)(3).

22 31 U.S.C. § 330(b) mandates that the Secretary (and by extension the IRS) may suspend a representative from practice before the Treasury Department only after providing "notice and opportunity for a proceeding." This means the IRS must observe due process, which includes notifying the representative of the reasons for suspension and providing a fair opportunity to contest the loss of practice rights in a hearing. The rules outlined in Circular 230, specifically in 31 CFR § 10.2 et seq. Subpart D-Rules Applicable to Disciplinary Proceedings (specifically §§ 10.60 to 10.82), reinforce the procedures stated in 31 U.S.C. § 330(b). These sections of Circular 230 detail the steps the IRS must follow when instituting disciplinary proceedings against a representative, including giving notice of the proceedings (§ 10.60), service of a complaint (§ 10.62), and conducting a hearing (§ 10.72).

23 See IRC § 7803(a)(3)(i).

24 The IRS recognizes that "[t]he line between actual fraudulent use of a CAF number and its mere appearance can be very thin [...]. As a result, 'false positives' sometimes occur, with practitioners' legitimate, uncompromised CAF numbers being suspended pending review." Alerts from Office of Professional Responsibility, No. 2024-05, CAF Numbers in 'Pending Review' Status (May 8, 2024), <https://content.govdelivery.com/accounts/USIRS/bulletins/39b0dccc>.

25 IRS, Pub. 3744, IRS Strategic Plan FY 2023-2031, at 102 (Apr. 2023), <https://www.irs.gov/pub/irs-pdf/p3744.pdf>.

Taxpayers, especially those undergoing audits or appeals, are especially vulnerable during these periods of suspension. Delays caused by this process can negatively impact the timeliness and outcome of taxpayer cases. The current suspension system creates unnecessary challenges for taxpayers.

What Is TAS Advocating for?

To mitigate the negative impact of CAF number suspensions on taxpayer representation, TAS recommends that the IRS:

1. *Issue Interim CAF Numbers:* The IRS should issue interim CAF numbers to practitioners believed to be victims of identity theft. This measure will allow practitioners to continue representing taxpayers during the fraud review process, minimizing disruptions to taxpayer representation.
2. *Improve Communication:* The IRS should enhance communication with affected practitioners and taxpayers. This includes revising its letters to provide clear and timely information about the suspension process and the available options for practitioners.
3. *Review Policy:* The IRS should conduct a comprehensive policy review to explore less disruptive alternatives for preventing fraud while safeguarding taxpayers' right to the representation of their choice. This review should include input from key stakeholders, including representatives, practitioners, and taxpayer advocacy groups.

CONCLUSION

The IRS's suspension of CAF numbers due to suspected fraud presents significant challenges to both taxpayer representatives and the taxpayers they serve. While fraud prevention is a critical concern, it should not come at the cost of denying taxpayers their right to effective representation. By issuing interim CAF numbers, improving communication, and reviewing current policies with stakeholder input, the IRS can better balance fraud prevention with taxpayer rights. This approach will ensure taxpayers continue to receive the support they need, without undue disruption, while safeguarding the integrity of the tax system.

6. COMPLETE PROCESSING OF ALL EMPLOYEE RETENTION CREDIT CLAIMS AND ENSURE TAXPAYER RIGHTS ARE PROTECTED

Supports TAS Strategic Goal 3: Influence on Tax Administration

The Employee Retention Credit (ERC) is a refundable tax credit that Congress established to provide critical financial relief to businesses that kept employees on payroll during the COVID-19 pandemic.²⁶

Eligible employers could claim the credit for wages paid through the end of 2021, with deadlines to file claims set at April 15, 2024, for 2020 claims and April 15, 2025, for 2021 claims. Beginning on September 14, 2023, in response to concerns regarding potentially fraudulent or improper claims, the IRS imposed a moratorium on processing new ERC claims.

What Is the Problem, and How Do We Measure It?

Initially enacted in March 2020, the ERC aimed to incentivize employers to retain employees during the crisis. For many small businesses and mid-size employers, the ERC was not just a benefit: it was a lifeline.

²⁶ Initially, the law provided employers who qualified for the ERC a refundable credit against an employer's 6.2 percent share of Federal Insurance Contribution Act (FICA) taxes or Railroad Retirement Tax Act (RRTA) taxes. Coronavirus Aid, Relief, and Economic Security Act (CARES) Act, Pub. L. No. 116-136, § 2301, 134 Stat. 347 (2020). IRC §§ 3111(a) and 3221(a) impose FICA and RRTA taxes on employers. Most employers report this liability on Form 941, Employer's Quarterly Federal Tax Return.

Unfortunately, many taxpayers who filed ERC claims have waited months or longer for the IRS to process their claims and issue their refunds absent any IRS communication about when they can expect their refund.

The IRS's implementation of the moratorium created uncertainty for many taxpayers with pending and new claims, as they received no clear guidance on when or whether the IRS would process their submissions.²⁷ Despite the IRS lifting the moratorium and resuming processing all ERC claims, its progress remains slow, inconsistent, and opaque. As of April 26, 2025, nearly 592,000 ERC claims were still awaiting processing.²⁸ At the current pace, it could take the IRS until the end of CY 2025 to complete processing of the remaining ERC claims.

Since the credit became available, the IRS has received nearly five million ERC claims, and has either disallowed, reversed or recaptured approximately 214,000 of these claims, a small fraction of all taxpayer claims.²⁹ The IRS disallowed about 84,000 claims, and the majority of these claims were disallowed through a risk scoring analysis, while the remainder resulted from standard or streamlined audit processes.³⁰

These IRS processes have led to several downstream consequences for taxpayers, including:

- Insufficient opportunities to submit supporting information during the IRS's review process occurring after it issues a notice of claim disallowance;
- Lengthy review processes for documents submitted to the IRS after it issues a notice of claim disallowance; and
- Prolonged IRS delays before taxpayers receive consideration from the IRS Independent Office of Appeals (Appeals), creating a risk that taxpayers could miss the two-year statutory deadline under IRC § 6532 to file suit for refund in federal court, or the period by which the IRS can issue a refund.³¹

What Is TAS Advocating for?

To protect taxpayer rights and ensure efficient and fair administration of the ERC program, TAS recommends that the IRS:

1. *Commit to Completing Processing of All Remaining ERC Claims:* Complete processing all remaining ERC claims by the end of CY 2025.
2. *Prioritize Claims From Taxpayers Facing Financial Hardship:* Prioritize processing ERC claims from taxpayers experiencing financial hardship, followed by claims processed in the order received.
3. *Allocate Sufficient Resources to Review Disallowance Notice Cases:* Devote sufficient resources to quickly and efficiently review and process taxpayer responses to ERC disallowance notices.
4. *Track ERC Claims Affected by the Two-Year Statute of Limitations:* Track ERC claims affected by the two-year statute of limitations under IRC § 6532 and notify and educate taxpayers on the consequences of the deadline expiring and the options available for extending the deadline.

²⁷ The IRS moved the moratorium date to January 31, 2024. Processing a claim encompasses allowing, disallowing, or initiating an audit on the claim. IR-2024-203, IRS News Release, IRS Moves Forward With Employee Retention Credit Claims: Agency Accelerates Work On Complex Credit As More Payments Move Into Processing; Vigilance, Monitoring Continues On Potentially Improper Claims (Aug. 8, 2024), <https://www.irs.gov/newsroom/irs-moves-forward-with-employee-retention-credit-claims-agency-accelerates-work-on-complex-credit-as-more-payments-move-into-processing-vigilance-monitoring-continues-on-potentially-improper-claims>.

²⁸ IRS, JOC, AM RAD, ERC Inventory Report (week ending Apr. 26, 2025).

²⁹ IRS, CDW, Business Master File (BMF), Notice Delivery System (NDS), and ERC Form 941X Case Selections (Apr. 29, 2025). Reversals include claims that show the credit posted to the account, but later had it reversed but the taxpayer did not receive a claim disallowance letter and was not part of the ERC recapture program. Reasons for reversals include an IRS error or a potential identity theft issue.

³⁰ IRS, CDW, BMF, NDS, and ERC Form 941X Case Selections (Apr. 29, 2025).

³¹ IRC § 6532. Taxpayers have two years from the date on the notice of claim disallowance to file a refund suit in either a U.S. district court or the U.S. Court of Federal Claims. The IRS must issue a refund within this two-year period as any refund that falls outside of this period is considered "erroneous" under IRC § 6514.

TAS recommends the IRS Independent Office of Appeals:

1. *Track ERC Claims Affected by the Two-Year Statute of Limitations:* Track ERC claims in Appeals inventory that are affected by the two-year IRC § 6532 statute and notify taxpayers of the pending statute expiration six months prior to the two-year deadline.
2. *Provide Instructions and Explanation for Submitting Form 907 for ERC Disallowances:* Include instructions for submitting Form 907, Agreement to Extend Time to Bring Suit, in taxpayer notifications sent six months prior to the expiration of the two-year deadline.

CONCLUSION

The closure of the ERC claim period does not mark the end of the IRS's responsibility – it marks a turning point. The agency must now focus on restoring confidence in its administration of this program by resolving claims efficiently, providing clear and timely communication, timely addressing responses to the claim disallowances, and safeguarding taxpayer rights at every step. The administration of the ERC program is a case study on how tax agencies should not handle a new tax credit (*e.g.*, processing delays, lack of transparency, unclear communication). On top of these problems, now it is possible Congress may retroactively prohibit some taxpayers from receiving the credit despite the fact they were legally eligible at the time they claimed the credit.³² Members of Congress, tax professionals, and oversight bodies should remain engaged in ensuring the IRS applies the lessons of the past five years and delivers a fair outcome to all ERC claimants – especially those who relied on the program in good faith.

7. IMPROVE RESPONSES TO FREEDOM OF INFORMATION ACT REQUESTS

Supports TAS Strategic Goal 3: Influence on Tax Administration

The Freedom of Information Act (FOIA) allows any individual to request access to certain documents that the IRS possesses, including administrative files relating to taxpayer returns or claims.³³ FOIA provides transparency in tax administration, which sheds light on the reasoning and evidence underlying IRS decisions, and is critical to the taxpayer *rights to be informed* and *to challenge the IRS's position and be heard*.³⁴ However, taxpayers and tax professionals report ongoing issues with FOIA responses, including long delays, incomplete records, and excessive redactions.³⁵ These shortcomings undermine the utility of FOIA as a tool for oversight and can erode trust in the IRS's administrative fairness and accountability.

32 One Big Beautiful Bill Act, H.R. 1, 119th Cong. § 112205(h) (2025). This House bill retroactively prohibits the IRS from allowing or making payment of ERC claims filed after January 31, 2024. Additionally, it also extends the limitation on assessment to six years from “(A) the date on which the original return which includes the calendar quarter with respect to which such credit is determined is filed, (B) the date on which such return is treated as filed under section 6501(b)(2), or (C) the date on which the claim for credit or refund with respect to such credit is made.”

33 See 5 U.S.C. § 552; IRS, IRS Freedom of Information Act (Apr. 15, 2025), <https://www.irs.gov/privacy-disclosure/irs-freedom-of-information-act>.

34 See TBOR, <https://www.taxpayeradvocate.irs.gov/taxpayer-rights> (last visited May 13, 2025). The rights contained in TBOR are also codified in IRC § 7803(a)(3).

35 See Lauren Loricchio & Amanda Athanasiou, *IRS FOIA Backlog Expected to Grow*, TAX NOTES, Apr. 7, 2025, at 194, <https://www.taxnotes.com/tax-notes-federal/tax-system-administration/irs-foia-backlog-expected-grow/2025/04/07/7rsqs>; Amanda Athanasiou, *FOIA Appeals Fail So Often, Taxpayers See a Broken System*, TAX NOTES, Apr. 7, 2025, at 199, <https://www.taxnotes.com/tax-notes-federal/transparency/foia-appeals-fail-so-often-taxpayers-see-broken-system/2025/04/07/7rsr0>; Amanda Athanasiou & Lauren Loricchio, *The IRS Is Getting Fewer FOIAs. Why Aren't Response Times Improving?*, TAX NOTES, Apr. 7, 2025, at 203, <https://www.taxnotes.com/tax-notes-federal/transparency/irs-getting-fewer-foias-why-arent-response-times-improving/2025/04/07/7rnwj>.

What Is the Problem, and How Do We Measure It?

Following a FOIA request, the IRS has 20 business days to gather and review documents, identify which material it must redact or withhold, and issue the response.³⁶ Yet in FY 2024, the IRS failed to meet this deadline for more than 65 percent of FOIA requests. Alarming, it took the IRS more than 100 days to process over 25 percent of requests.³⁷

The IRS also experienced a growing backlog of FOIA requests. As of the end of FY 2024, the backlog reached 1,208 requests, more than tripling the backlog of 369 from five years earlier.³⁸

The IRS Disclosure Office manages the FOIA program, but fulfillment relies heavily on coordination with employees across various business units.³⁹ The multistep nature of this process includes gathering records, reviewing sensitive content, redacting information, coordinating interdepartmentally, and releasing documents. Because responding to FOIA requests involves multiple steps and potential bottlenecks, the IRS first needs to identify where delays usually happen. Incorporating automation and improving internal coordination will be essential to restoring timeliness, accuracy, and consistency.

What Is TAS Advocating for?

To strengthen FOIA administration and uphold taxpayer rights, TAS recommends that the IRS:

1. *Reduce Processing Time:* Develop and implement a plan by the end of CY 2025 to significantly reduce the average processing time for FOIA requests and ensure more responses are issued within the 20-day statutory timeframe.
2. *Address the FOIA Backlog:* Establish a comprehensive strategy by the end of CY 2025 to reduce the FOIA request backlog to sustainable levels and prevent future accumulation.
3. *Modernize FOIA Processes:* Upgrade FOIA processing systems and workflow to enhance timeliness, efficiency, and consistency across all IRS business units by the end of CY 2025. This may include leveraging automation and improved case management systems.
4. *Clarify FOIA Procedures and Training:* Review and update internal FOIA procedures and training material to ensure IRS employees understand what information they must disclose and how to avoid excessive or unnecessary redactions, consistent with FOIA's intent.

CONCLUSION

The IRS's FOIA program plays a vital role in ensuring transparency, accountability, and the protection of taxpayer rights. Yet current delays and inconsistencies hinder its effectiveness. By modernizing its FOIA processes, reducing processing times, and improving guidance for staff, the IRS can restore confidence in its commitment to openness and deliver better service to taxpayers and practitioners.

36 See 5 U.S.C. § 552(a)(6)(A); *Citizens for Resp. & Ethics in Washington v. Fed. Election Comm'n*, 711 F.3d 180, 188 (D.C. Cir. 2013) (Within the 20-day period in 5 U.S.C. § 552(a)(6)(A), the agency "must at least: (i) gather and review the documents; (ii) determine and communicate the scope of the documents it intends to produce and withhold, and the reasons for withholding any documents; and (iii) inform the requester that it can appeal whatever portion of the 'determination' is adverse").

37 FOIA.gov, Processed Requests - Response Time in Day Increments, <https://www.foia.gov> (last visited May 13, 2025). These percentages are drawn from the combined numbers in the categories of simple requests, complex requests, and expedited requests.

38 FOIA.gov, Backlogs of FOIA Requests and Administrative Appeals, <https://www.foia.gov> (last visited May 13, 2025).

39 See IRM 11.3.13.1.3.2, The Roles of Other IRS Employees in Processing FOIA Requests (Oct. 5, 2021), https://www.irs.gov/irm/part11/irm_11-003-013.

8. STRENGTHEN APPEALS' INDEPENDENCE AND OPERATIONAL EFFICIENCY

Supports TAS Strategic Goal 3: Influence on Tax Administration

The IRS Independent Office of Appeals' (Appeals) mission is to safeguard taxpayer rights by independently and efficiently resolving federal tax disputes, minimizing the need for costly and lengthy litigation. Preserving Appeals' twin pillars – independence and operational efficiency – maintains taxpayer trust, ensures fairness, and facilitates timely dispute resolution.

What Is the Problem, and How Do We Measure It?

Current challenges within Appeals' structure and processes reduce taxpayer confidence in its independence and prolong dispute resolution. When taxpayers question Appeals' impartiality, they often resort to expensive litigation because they believe no other viable option exists. Specific challenges include:

- Appeals often lacks transparency and autonomy in decision-making;
- Chief Counsel attorneys participate in conferences without taxpayer consent, creating perceptions of bias;
- Taxpayers face restricted access to technical employees or other specialists advising Appeals Officers;
- Current regulations may limit taxpayer access to Appeals; and
- Appeals maintains a compliance-driven mindset.

These issues collectively erode taxpayer trust, weaken taxpayer rights, and create inefficiencies measured by increased cycle times, growing case backlogs, and heightened taxpayer dissatisfaction.

What Is TAS Advocating for?

To strengthen taxpayer confidence in the Appeals process and improve case processing efficiency, TAS recommends that the IRS:

1. *Refocus Appeals Training:* Implement mandatory and measurable training programs for Appeals Officers that emphasize a judicial and impartial approach to dispute resolution, thereby reducing compliance-oriented outcomes.
2. *Clarify Appeals Guidance:* Revise the IRM to clearly define policies regarding Appeals Case Memoranda (ACMs). Appeals should either automatically disclose ACMs to taxpayers or discontinue their use if their sole purpose is to document internal settlements without providing feedback to Compliance.⁴⁰
3. *Broaden Technical Specialist Availability:* Require technical guidance coordinators and other specialists advising Appeals Officers to be available in person, upon taxpayer request, to directly address taxpayers' unique situations.
4. *Expand Appeals Transparency:* Publish quarterly metrics externally to detail Appeals' inventory volumes, case resolution timelines, and cycle times to foster transparency and operational accountability.

CONCLUSION

To strengthen Appeals' independence and operational efficiency, the IRS should adopt targeted reforms aimed at rebuilding taxpayer trust and safeguarding their rights. By clarifying ACM transparency policies, delivering training to Appeals Officers focused on impartiality, granting taxpayers direct access to technical specialists, and publicly reporting performance metrics, the IRS will reinforce Appeals as an independent, fair, trusted, and efficient dispute-resolution forum, preserving taxpayer confidence and reducing costly litigation.

⁴⁰ Taxpayers may request the ACM either informally or pursuant to the Freedom of Information Act. The ACM is not exempt in its entirety from disclosure. IRM 8.1.1.6.4, Requests for Appeals to Produce Records (Feb. 10, 2012), https://www.irs.gov/irm/part8/irm_08-001-001 (provides the procedures Appeals must follow responding to requests for various documents).

9. IMPROVE THE IRS'S CRIMINAL VOLUNTARY DISCLOSURE PRACTICE

Supports TAS Strategic Goal 3: Influence on Tax Administration

The IRS's Criminal Voluntary Disclosure Practice (VDP) offers taxpayers with potential criminal tax exposure a critical opportunity to self correct their compliance failures. By voluntarily coming forward, these individuals and entities can pay back taxes, penalties, and interest and avoid criminal prosecution.⁴¹ In return, the IRS gains revenue, closes part of the tax gap, and promotes future compliance. When effectively structured and fairly administered, VDP serves as a powerful compliance tool that benefits both taxpayers and the government.

However, recent changes to the program have diminished its accessibility and effectiveness. Participation has significantly declined, suggesting that the current design of the VDP may not be serving its intended purpose.

What Is the Problem, and How Do We Measure It?

The goal of the IRS's VDP is to provide taxpayers who may have criminal exposure a path to come into compliance and pay past due taxes, penalties, and interest in exchange for the IRS not recommending criminal prosecution against them. However, starting in 2018, the IRS made significant changes to the VDP, which have made it more burdensome, reduced its attractiveness, and caused many practitioners to hesitate to recommend it to their clients. In fact, as of August 31, 2024, the IRS had only completed 161 criminal VDP cases since the beginning of FY 2019.⁴²

This low participation rate indicates that the current VDP framework is not functioning as an effective channel for compliance. Practitioners report that the process is overly complex and unfairly risky, deterring taxpayers from coming forward. In its current form, the program fails to incentivize voluntary disclosures and may ultimately result in fewer resolved cases, lost revenue, and diminished trust in the IRS's commitment to fair administration. If properly structured and executed, the VDP has the potential to attract a significant number of noncompliant taxpayers and be an effective mechanism to bring them into the system. To improve the program's utility, the IRS must collaborate with stakeholders, including tax professionals and legal experts, to identify and understand specific barriers preventing taxpayers from participating in the VDP and refine the program to reduce burdens and increase participation.

What Is TAS Advocating for?

To restore the effectiveness and integrity of the Criminal VDP, TAS recommends the IRS:

1. *Engage Stakeholders to Improve Program Design:* Collaborate with stakeholders to identify and address procedural or policy barriers to VDP participation. Implement revision to reduce administration burden and increase accessibility by the end of FY 2026.
2. *Simplify the Application Process:* Review and revise Form 14457, Voluntary Disclosure Practice Preclearance Request and Application, and relevant sections of the IRM and [IRS.gov](https://www.irs.gov) by the end of FY 2026 to simplify the VDP application process and make it more understandable, user-friendly, and transparent to taxpayers and their representatives to encourage more compliance with our tax system.

41 For an in-depth discussion on this issue, see National Taxpayer Advocate 2024 Annual Report to Congress 134 (Most Serious Problem: Criminal Voluntary Disclosure: Changes to the IRS's Criminal Voluntary Disclosure Practice Requirements May Be Reducing Voluntary Compliance and Negatively Impacting the Tax Gap), https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2024/12/ARC24_MSP_10_Disclosure.pdf.

42 IRS response to TAS information request (Oct. 15, 2024).

CONCLUSION

An effective Criminal VDP is a valuable enforcement and compliance tool. When administered fairly and efficiently, it encourages taxpayers with criminal exposure to come forward, promotes compliance, and contributes to closing the tax gap. The IRS must take steps to modernize and streamline the VDP to ensure it serves both the government's interest in enforcement and taxpayers' right to a fair and accessible path toward compliance.