

NATIONAL TAXPAYER ADVOCATE

OBJECTIVES REPORT TO CONGRESS

Fiscal Year 2027



TAXPAYER
ADVOCATE
SERVICE

YOUR VOICE AT THE IRS



TABLE OF CONTENTS

| | |
|---|-----|
| PREFACE: National Taxpayer Advocate’s Introductory Remarks | iii |
| ABOUT THE TAXPAYER ADVOCATE SERVICE | xv |
| REVIEW OF THE 2026 FILING SEASON | 1 |
| TAS SYSTEMIC ADVOCACY OBJECTIVES | 26 |
| Introduction | 26 |
| 1. Protect Taxpayer Rights and Reduce Uncertainty in IRS Administration of COVID-19 Disaster Relief Claims | 27 |
| 2. Reduce Delays for Victims of Identity Theft | 30 |
| 3. Reduce Delays and Taxpayer Burden as the IRS Phases Out Paper Refund Checks | 32 |
| 4. Help Taxpayers With Digital Assets Comply With Reporting Requirements | 35 |
| 5. Improve Math Error Notices and Abatement Procedures | 37 |
| 6. Protect Taxpayers’ Refund Claims by Improving the Statute Extension Process | 40 |
| 7. Reduce Taxpayer Burden by Improving Tax Pro Account | 43 |
| 8. Reduce Taxpayer Burden Caused by Suspended Return Processing Delays | 45 |
| 9. Protect Taxpayer Rights Through Fair and Consistent Penalty Application | 47 |
| 10. Protect Taxpayer Access to Representation by Improving IRS Authorization Processing .. | 50 |
| 11. Reduce Taxpayer Burden From Delays in Processing Deceased Taxpayers’ Returns and Refunds | 53 |
| TAS RESEARCH REPORT | 56 |
| Increasing Earned Income Tax Credit Participation Among Workers Without Qualifying Children | 56 |
| APPENDICES | 71 |
| 1. Evolution of the Office of the Taxpayer Advocate | 71 |
| 2. Case Acceptance Criteria | 77 |
| 3. Low Income Taxpayer Clinic Locations | 78 |

Portions of this report were developed with the assistance of artificial intelligence. All AI-assisted content has been reviewed, verified, and approved by Taxpayer Advocate Service staff to ensure accuracy and integrity.

National Taxpayer Advocate’s Introductory Remarks

HONORABLE MEMBERS OF CONGRESS:

It is my privilege to submit the National Taxpayer Advocate’s Fiscal Year 2027 Objectives Report to Congress. This report outlines the priorities and advocacy objectives of the Office of the Taxpayer Advocate for the upcoming fiscal year and provides an assessment of the recently completed 2026 tax filing season.¹

At its core, tax administration is about people. Every tax return represents an individual, a family, or a business trying to meet their tax obligations, often while balancing financial stress, work, caregiving responsibilities, illness, language barriers, or other life challenges. Most taxpayers want to comply with the law and do the right thing. They deserve a tax administration system that works for them, treats them fairly, and provides meaningful help when problems arise.

Entering the 2026 filing season, there was considerable uncertainty about the IRS’s ability to successfully manage a convergence of major challenges: implementation of sweeping new tax legislation, significant workforce reductions, and extensive leadership turnover.

In the end, the IRS performed better than expected in most respects. The vast majority of taxpayers filed their returns successfully and received their refunds without significant delay. IRS leadership and its workforce deserve substantial credit for that accomplishment, particularly given the extraordinary operational pressures they overcame. But as I discuss below, taxpayers who required assistance from the IRS often struggled to get it.

THE 2026 FILING SEASON

The IRS Faced Significant Challenges in Delivering a Successful Filing Season

Every year, delivering a successful filing season is the IRS’s most important responsibility. This year, the IRS faced several unique challenges that made its task harder. The agency had to implement sweeping legislative changes, operate with substantially reduced staffing, and manage significant leadership turnover while continuing to process returns, deliver refunds, administer the tax laws, collect revenue, and provide assistance to taxpayers. At the same time, it had to combat evolving fraud and identity theft risks and continue modernizing its technology systems.

Extensive new legislation. Implementation of significant tax legislation is always a challenge, but the enactment of the One Big Beautiful Bill (OBBB) Act on July 4, 2025, created an especially difficult task because many provisions applied retroactively to the beginning of 2025.² The IRS had to quickly reprogram systems, revise forms and publications, issue guidance, educate taxpayers, and coordinate with software providers, all under compressed deadlines. Overall, the OBBB Act made more than 100 changes to the tax code. Among other provisions, it created new deductions for interest paid on auto loans, certain tip income, and certain overtime pay, and it created an additional deduction for senior citizens and an increased deduction for state and local taxes. The IRS developed a new form (Schedule 1-A, Additional Deductions) for taxpayers to claim the new deductions for tips, overtime, car loan interest, and senior citizens.

1 IRC § 7803(c)(2)(B)(i). By law, the National Taxpayer Advocate must submit the reports directly to Congress without any prior review or comment from the IRS, the Treasury Department, or the Office of Management and Budget.

2 An Act to Provide for Reconciliation Pursuant to Title II of H. Con. Res. 14 (commonly referred to as the “One Big Beautiful Bill Act”), Pub. L. No. 119-21, 139 Stat. 72 (2025).

All of these changes had to be programmed into IRS processing systems and incorporated into forms and publications under tight deadlines. The IRS also had to establish entirely new administrative frameworks to implement “Trump Accounts,” including reporting systems, eligibility verification procedures, and taxpayer guidance.

For taxpayers, changes of this magnitude can create significant confusion and uncertainty. Taxpayers needed to understand whether they qualified for new benefits, what records they needed, and how the new rules interacted with existing tax provisions. Whenever Congress enacts complex tax legislation under tight timeframes, taxpayers bear much of the resulting burden, particularly lower-income taxpayers and those without access to professional assistance. From a technology standpoint, the IRS deserves high marks for programming its processing systems successfully to implement the OBBB Act changes, and taxpayers seemed largely able to understand and claim the benefits of the new law.

A workforce reduction of more than one quarter. Leading up to the 2025 filing season, the IRS employed about 102,000 employees. By the beginning of the 2026 filing season, that number had fallen to roughly 74,000, a decrease of 27%.³ As significant as that staffing reduction was, the challenge was not simply fewer employees. The agency also lost substantial institutional knowledge and specialized expertise.

The cuts to the Taxpayer Services function created challenges for taxpayers who required personal assistance. When taxpayers are facing serious financial hardship, identity theft, collection action, or prolonged refund delays, they often need help from an employee who can listen, understand the issue, and help resolve it. With fewer employees and even fewer experienced employees, personal service was harder to come by. That translated to longer waits for assistance, fewer experienced employees available to work on complex account issues, delayed responses to correspondence and, as a result, longer case resolution times.

Substantial leadership turnover. During 2025, the IRS experienced an unusual degree of leadership instability in a period requiring sustained operational coordination and long-term planning. Over the course of the year, the agency was led by two commissioners, five acting commissioners, and a chief executive officer. Moreover, leadership turnover extended beyond the commissioner position. Many of the agency's senior executives and leaders of major business units changed, in some cases multiple times, and the deputy commissioner position was eliminated.

The operational challenge created by this turnover did not result simply from the number of leadership changes. Continuity of leadership is particularly important in tax administration because the IRS must simultaneously manage filing season preparation, implementation of new legislation, taxpayer service operations, compliance programs, and long-term strategic planning. Frequent leadership turnover complicated the agency's ability to maintain consistent priorities and operational momentum during a particularly difficult period.

At the same time, reductions in appropriated funding required the IRS to reevaluate priorities, scale back or delay certain initiatives, and continually adjust operational plans. The combination of leadership turnover, changing priorities, and resource constraints created management and operational challenges throughout the year. Despite these challenges, the IRS workforce continued to serve taxpayers under difficult circumstances, and they managed to keep the trains running. More recently, the IRS has experienced a period of greater leadership continuity and stability.

For Most Taxpayers, the Filing Season Went Smoothly

For the significant majority of taxpayers, the 2026 filing season went well. Figure 1.1 compares key 2026 filing season metrics with the same metrics from 2025.

³ IRS, Chief Financial Officer data as of Dec. 18, 2025.

FIGURE 1.1, Individual Tax Return 2026 vs. 2025 Filing Season Statistics⁴

| | Filing Season 2025 | Filing Season 2026 | Percent Change |
|----------------------------------|--------------------|--------------------|----------------|
| Individual Returns Received | 140,633,000 | 140,222,000 | ▼ -0.3% |
| Individual Returns Processed | 138,057,000 | 138,567,000 | ▲ 0.4% |
| Refunds Issued | 86,021,000 | 90,411,000 | ▲ 5.1% |
| Average Refund Amount | \$2,942 | \$3,275 | ▲ 11.3% |
| Refunds Issued by Direct Deposit | 81,032,000 | 90,781,000 | ▲ 12.0% |

The IRS was able to deliver a largely successful filing season for several reasons. Despite general staff turnover, leadership in the business unit responsible for filing season operations remained stable throughout the year, which was a critical driver of success. In addition, new senior leaders quickly recognized the importance of filing season preparations, and their support was also critical.

But the most important factor was the IRS’s continued progress in transforming its information technology (IT) systems. The IRS is often held up as the poster child for antiquated government technology infrastructure, and there is certainly some truth to that characterization. But the IRS has been improving its technology year by year, and as long as it gets the IT right, most taxpayers file their returns and receive their refunds without delay.

This year, the IRS faced two primary IT challenges. The first was programming the OBBB Act changes accurately, which it accomplished. The second was continuing to increase the percentage of transactions performed electronically, which it also accomplished. In each filing season, the percentage of taxpayers who file their returns electronically goes up, as does the number of taxpayers who elect to receive their refunds by direct deposit.

As of April 17, the IRS had processed about 139 million Forms 1040, U.S. Individual Income Tax Return, and about 98% had been submitted electronically. About 65% of those returns resulted in refunds, and about 98% of those refunds were delivered by direct deposit.⁵ As a result, the significant majority of returns were processed solely by automation and without issue, and most taxpayers who filed those returns generally had a smooth, seamless experience.

Some Taxpayers Experienced Challenges

Despite the broad success of the filing season, aggregate statistics do not tell the whole story.

For millions of taxpayers, the filing season was frustrating, confusing, and financially disruptive. Some taxpayers whose returns were frozen by IRS filters waited weeks or months for refunds they depended on to pay rent, buy groceries, or cover medical expenses. Taxpayers calling certain IRS telephone lines often could not reach a live employee despite repeated attempts. Victims of identity theft continued to face unacceptable delays that, in many cases, stretched close to two years. Lower-income and unbanked taxpayers seeking paper refund checks encountered obstacles and delays that left many feeling shut out of a system that should work for everyone.

⁴ See IRS, Filing Season Statistics for Week Ending April 17, 2026, <https://www.irs.gov/newsroom/filing-season-statistics-for-week-ending-april-17-2026>. According to this table, the number of refunds issued by direct deposit exceeds the number of refunds issued. The IRS explains this statistical anomaly in a footnote: “Total refunds issued represents refunds for returns received and processed in 2026 – current year returns only. The number of direct deposit refunds represents refunds for current and prior year returns processed in 2026.”

⁵ IRS, Individual Masterfile, Customer Account Data Engine (CADE) 2 (May 26, 2026).

Refund delays. Even during a relatively smooth filing season, millions of taxpayers experienced refund delays due to processing delays. During the 2026 filing season, more than 14 million individual income tax returns were suspended during processing, broken out as follows:

FIGURE 1.2, Individual Taxpayer Submissions Suspended During Processing, Filing Season 2026⁶

| Category | Volume |
|------------------------------|-------------------|
| Unpostables | 4,662,000 |
| Error Resolution Cases | 4,243,000 |
| Suspected ID Theft Returns | 2,600,000 |
| Processing Rejects | 1,771,000 |
| Suspected Fraudulent Returns | 896,000 |
| Total | 14,171,000 |

While most suspended returns did not result in significant refund delays, about 1.1 million taxpayers received their refunds beyond the IRS’s normal processing time, with an average wait time of about 5.5 weeks.⁷

Telephone and correspondence processing challenges. Telephone service remained another serious challenge. As I previously recommended, the IRS reduced service levels on its Accounts Management lines to allow more employees to work through paper correspondence and other taxpayer cases. This matters because employees in the IRS’s Accounts Management function are responsible both for answering taxpayer telephone calls and for processing taxpayer correspondence and cases. In theory, every hour a customer service representative (CSR) spends answering the phones means one less hour available to process correspondence and resolve account issues, and vice versa. In practice, however, every hour CSRs are assigned to answer the phones means *more than* one hour not processing correspondence.

The reason: The IRS cannot shift CSRs seamlessly between answering the phones at peak periods and processing correspondence at other times. When the agency has aimed for the highest levels of telephone service, CSRs have spent as much as 34% of their time simply waiting for the phone to ring.⁸ That is wasted time that could be more productively spent working down paper inventories and resolving taxpayer cases. During the 2023 filing season, for example, CSR “idle time” on the phones amounted to nearly 1.3 million

6 IRS, Submission Processing Filing Season Statistics Reports (FSSR) for the weeks ending January 9, 2026, through April 17, 2026; IRS, Compliance Data Warehouse (CDW), IMF (June 1, 2026). Numbers are rounded to the nearest thousand. Row totals and column totals may differ because of rounding. Generally, unpostable returns are returns that cannot “post” to the taxpayer’s account due to errors or mismatched data (e.g., a recently married taxpayer signs her tax return using her new spouse’s last name so her name and Social Security number don’t match); Error Resolution cases arise when a taxpayer makes a math error on a return or an IRS employee makes an error transcribing a paper-filed return and an IRS employee must review the return to address the identified issue; suspected identity theft returns are returns flagged by IRS identity theft filters; processing rejects are returns that cannot be processed, usually due to missing or incorrect information; and suspected fraudulent returns are returns flagged by IRS non-identity theft refund fraud filters. For additional explanation of these categories, see Erin M. Collins, Lifecycle of a Tax Return, NATIONAL TAXPAYER ADVOCATE BLOG (May 18, 2021), <https://www.taxpayeradvocate.irs.gov/news/nta-blog/nta-blog-lifecycle-of-a-tax-return/2021/05>.

7 IRS, CDW, Individual Returns Transaction File (IRTF), IMF, and Notice Delivery System (Tax Year 2025 Form 1040 return filings through Apr. 30, 2026). Normal processing time is considered within three weeks for e-filed returns and within six weeks for paper-filed returns. Many taxpayers, particularly those who e-file their returns and choose direct deposit, receive their refunds much sooner than three weeks. Thus, in addition to the 1.1 million taxpayers whose refunds were delayed beyond normal processing times, some taxpayers received their refunds within normal processing times but were subject to shorter delays.

8 IRS, Ready Agent Hours Report (Jan. 1-Apr. 22, 2023).

hours.⁹ The Wage and Investment Division (now Taxpayer Services) closed 1.21 cases per hour in that year.¹⁰ If the nearly 1.3 million hours of telephone idle time had instead been allocated to resolving paper inventories, the IRS would have processed and closed more than 1.5 million additional cases.

The tradeoff between telephone service and paper processing requires an operational choice between the lesser of two evils. With current staffing and technology limitations, the IRS cannot effectively do both. For that reason, the IRS made the difficult decision during the 2026 filing season to devote more resources to processing correspondence, resolving account issues, and reducing paper inventories, even though doing so meant some taxpayers would experience longer wait times on certain telephone lines. Reasonable people may differ about where the balance between answering telephone calls and processing cases should be struck, but the underlying problem remains that the IRS lacks the staffing levels and technology necessary to provide both high-quality telephone service and timely case processing simultaneously.

The good news is that the IRS's decision to emphasize correspondence produced benefits for many taxpayers whose correspondence and account issues might otherwise have remained unresolved for extended periods. The bad news is the reduced staffing devoted to telephone service led to lower taxpayer service levels and longer wait times on several important toll-free lines.

The IRS's benchmark telephone measure focuses only on its "Accounts Management" telephone lines. CSRs answered 59% of the calls to those lines, and the average wait time was about eight minutes. However, 43% of all calls came in on the IRS's compliance and other telephone lines, where employees answered only 34% of the calls, and taxpayers waited an average of 27 minutes to speak to a CSR.

Of particular concern were service levels on the Accounts Receivable/Balance Due line, which taxpayers call when they are unable to fully pay their liabilities and wish to set up installment agreements or make other payment arrangements. That line received 3.4 million calls. Only 31% reached a CSR, with callers waiting an average of 45 minutes to get through. Similarly concerning was service on the Taxpayer Protection Program line, which taxpayers call when their returns are suspended during processing due to suspected identity theft and they need to authenticate their identities to secure the release of their refunds. That line received 2.4 million calls. Only 19% reached a CSR, with callers waiting an average of 20 minutes to get through.

Overall, the IRS maintains dozens of telephone lines. Performance on the telephone lines that received the highest call volumes was as follows:

⁹ IRS, Ready Agent Hours Report (Jan. 1-Apr. 22, 2023).

¹⁰ IRS, Accounts Management Research, Analysis and Data, FY24 Paper Efficiency Target Report (week ending Sept. 28, 2024) (showing 1.21 cases closed per employee per hour in the Adjustments inventory).

FIGURE 1.3, Metrics for the Ten Most Frequently Called Phone Lines, Filing Season 2026 Through April 18, 2026¹¹

| Phone Line | Calls Received | Number of Calls Answered by a CSR | Percentage of Calls Answered by a CSR | Time on Hold (Minutes) |
|--|----------------|-----------------------------------|---------------------------------------|------------------------|
| Installment Agreement/ Balance Due | 3.4 mil | 1.1 mil | 31% | 45 |
| Individual Income Tax Services | 2.7 mil | 1.8 mil | 67% | 8 |
| Taxpayer Protection Program | 2.4 mil | 459,000 | 19% | 20 |
| Business & Specialty Tax Services | 2.1 mil | 1.1 mil | 51% | 13 |
| Wage and Investment Identity Theft | 1.4 mil | 573,000 | 41% | 9 |
| Taxpayer Assistance Center Appointments | 1.2 mil | 718,000 | 61% | 6 |
| Automated Collection System | 1.2 mil | 642,000 | 55% | 19 |
| Practitioner Priority Service | 1.0 mil | 744,000 | 72% | 8 |
| Forms Order | 677,000 | 348,000 | 51% | 22 |
| Tax Law | 598,000 | 469,000 | 78% | 4 |

Lessons From the Filing Season

The 2026 filing season once again highlighted a growing divide in tax administration. For taxpayers whose issues can be resolved through automated systems, the IRS is increasingly performing well. Electronic filing, automated processing, online tools, and direct deposit allow the agency to process tens of millions of returns quickly and efficiently. But taxpayers whose situations fall outside standard processing channels and taxpayers who need individualized assistance, manual review, or flexibility too often encounter delays, confusion, and barriers to resolution.

That divide matters. Taxpayers who fall outside standard processing channels are often the taxpayers who most need assistance. Some taxpayers are comfortable navigating digital tools and online accounts, but others are not, often because they are elderly, disabled, limited-English proficient, unbanked, or lacking reliable internet access. Even among taxpayers who are comfortable with technology, some problems cannot be resolved online and require a conversation with an employee. A modernized IRS can and should improve efficiency and service, but transformation should not come at the expense of accessibility, fairness, or human assistance.

Put differently, a digital-first strategy can improve tax administration but must not become a digital-only strategy. As the IRS continues to transform its operations, it must preserve meaningful access to telephone assistance, in-person service, clear notices, timely correspondence, and effective case resolution functions. Taxpayers must be able to understand what is expected of them, obtain help when they need it, and trust they will be treated fairly when problems arise. Those principles are fundamental to taxpayer rights and essential to maintaining public confidence in our tax system.

¹¹ IRS, Joint Operations Center, Snapshot Reports: Product Line Detail, Enterprise Performance (week ending Apr. 18, 2026). “Percentage of Calls Answered by a CSR” reflects the number of calls answered by CSRs divided by the number of calls received. This was computed based on actual numbers rather than rounded numbers. All numbers in Figure 1.3 are rounded. Because voicebot data was not available for all phone lines, it was not included in the “Calls Received” column or the “Percentage of Calls Answered by a CSR” calculation.

KEY AREAS OF FOCUS FOR FISCAL YEAR 2027

By law, this report must identify key TAS objectives for the upcoming fiscal year. This report describes 11 systemic advocacy objectives. I view this list merely as a starting point rather than a fixed agenda. The landscape of tax administration is constantly evolving, with new problems and priorities arising continually in response to new legislation, economic developments, unexpected tax or nontax developments like the COVID-19 pandemic, and other unforeseen events. We will reassess and refine our priorities as the year progresses.

Among the systemic advocacy objectives described in this report are the following:

Ensure fair treatment for the tens of millions of taxpayers potentially entitled to refunds with respect to the COVID-19 disaster period. In *Kwong v. United States*, the U.S. Court of Federal Claims held that certain tax filing and payment deadlines were suspended during the COVID-19 federal disaster period plus 60 days, suggesting that tax filings and payments ordinarily due between January 20, 2020, and July 10, 2023, were not actually due until July 10, 2023.¹² The government has filed a notice of appeal in the *Kwong* case, and the final outcome may not be known for some time.

If upheld, this ruling could have significant implications for taxpayers. The IRS assessed late filing penalties, late payment penalties, and interest against tens of millions of taxpayers with respect to the disaster period. Thus, taxpayers ultimately may be entitled to refunds of amounts paid or abatements of amounts assessed but not yet paid. In addition, taxpayers who did not previously file returns claiming overpayments of tax or refundable tax credits for tax years 2019 through 2022 may be entitled to do so, even though refund claims for those years would otherwise be barred by the statute of limitations.

However, there is a core fairness issue at play. Taxpayers generally must file timely refund claims (or “protective claims,” pending final resolution of the issue) to preserve their rights to refunds in the event the *Kwong* decision is ultimately sustained. For most taxpayers, that means filing their claims on or before July 10, 2026 (within three years from the end of the COVID-19 suspension period).

That requirement is deeply problematic in this circumstance. The requirement to file a claim or protective claim by July 10 favors taxpayers with professional representation, while the vast majority of taxpayers likely will not know they need to act and therefore will forfeit their right to recover their overpayments. That result would be extremely unfair and inconsistent with fundamental taxpayer rights. It would run contrary to the Taxpayer Bill of Rights, notably the *right to pay no more than the correct amount of tax* (including interest and penalties) and the *right to a fair and just tax system*.¹³

12 *Kwong v. United States*, 179 Fed. Cl. 382 (Nov. 2025). The *Kwong* decision built on an earlier ruling issued by the U.S. Tax Court in *Abdo v. Commissioner*, 162 T.C. 148 (2024), *action on dec.*, 2026-1, 2026-23 I.R.B. 1556 (acquiescing in result only).

13 IRS, Taxpayer Bill of Rights (TBOR), <https://www.irs.gov/taxpayer-bill-of-rights> (last visited June 1, 2026). The rights contained in TBOR are also codified at IRC § 7803(a)(3).

I have published a series of blogs to raise awareness of this issue.¹⁴ In the short term, TAS recommends that the Secretary of the Treasury grant a six-month extension of the July 10, 2026, filing deadline to give taxpayers more time to learn about the issue and preserve their rights by filing claims. If the *Kwong* decision is ultimately upheld, TAS further recommends that the IRS and Congress explore all feasible options to ensure all affected taxpayers receive appropriate relief.

Reduce case resolution delays, currently about 20 months, for victims of identity theft. For the last three years, we have reported on the unconscionable delays that more than 500,000 identity-theft victims have been experiencing as they try to obtain their refunds or resolve their cases.¹⁵ For many low- and middle-income taxpayers, waiting nearly two years for a refund is not merely an inconvenience – it can mean falling behind on rent, utilities, transportation costs, and other basic living expenses. For all taxpayers, this delayed process is frustrating, burdensome, difficult to navigate, and time-consuming.

Despite repeated commitments of prior IRS leadership to reduce case resolution time, the average processing time stubbornly remains just shy of two years.¹⁶ For that reason, TAS will continue to prioritize this issue and work with the IRS to reduce the backlog. We will continue advocating for sufficient staffing and resources to address existing inventories and for improved communication so taxpayers are kept informed of the status of their cases from start to finish.

Reduce burden and refund delays for taxpayers who require paper refund checks. During the 2026 filing season, the IRS imposed significant hurdles for taxpayers seeking to receive their refunds by paper check. The agency was implementing Executive Order (EO) 14247, which generally directs federal agencies to transition toward electronic payments to improve security, reduce fraud risks, and lower administrative costs. The EO expressly authorized the Secretary “to revise procedures for granting limited exceptions where electronic payment and collection methods are not feasible,” but the IRS did not establish clear and workable procedures for millions of affected taxpayers. The most affected taxpayers included unbanked and underbanked taxpayers, lower-income taxpayers, certain elderly taxpayers, and other taxpayers for whom electronic payment was not practical or accessible. The IRS made it difficult for many of these taxpayers to request paper checks and subjected them to refund delays of six weeks or more.

The IRS sent notices to taxpayers who did not provide direct deposit information or provided incorrect information on their tax returns, requesting that they provide correct direct deposit information. Many could not. The median income of the taxpayers who received these notices was less than \$53,000.¹⁷ For these taxpayers, significant refund delays often impose significant financial consequences. Looking toward the 2027 filing season, TAS will continue to recommend that the IRS allow taxpayers to request paper checks at

14 See Erin M. Collins, Tens of Millions of Taxpayers May Be Eligible for Significant Tax Refunds – If They Act on or Before July 10 (Part I), NATIONAL TAXPAYER ADVOCATE BLOG (last updated May 28, 2026), <https://www.taxpayeradvocate.irs.gov/news/nta-blog/tens-of-millions-of-taxpayers-may-be-eligible-for-significant-tax-refunds/2026/04>; Erin M. Collins, How to Use IRS Tax Account Transcripts to Identify Potential COVID-19 Disaster Relief Refunds (Part II), NATIONAL TAXPAYER ADVOCATE BLOG (last updated May 28, 2026), <https://www.taxpayeradvocate.irs.gov/news/nta-blog/how-to-use-irs-tax-account-transcripts-to-identify-potential-covid-19-disaster-relief-refunds-part-ii/2026/05>; Erin M. Collins, Protect Your Potential COVID-19 Disaster Relief Refunds by Filing Formal or Protective Claims for Refund (Part III), NATIONAL TAXPAYER ADVOCATE BLOG (last updated May 28, 2026), <https://www.taxpayeradvocate.irs.gov/news/nta-blog/protect-your-potential-covid-19-disaster-relief-refunds-by-filing-formal-or-protective-claims-for-refund-part-iii/2026/05>; Erin M. Collins, Beyond Penalties and Interest: How *Kwong* May Affect Missed Tax Refunds (Part IV), NATIONAL TAXPAYER ADVOCATE BLOG (last updated May 28, 2026), <https://www.taxpayeradvocate.irs.gov/news/nta-blog/beyond-penalties-and-interest-how-kwong-may-affect-missed-tax-refunds-part-iv/2026/05>.

15 Accounts Management Inventory Report, National Detail Report (week ending Apr. 18, 2026). I first raised this issue in 2023. See National Taxpayer Advocate 2023 Annual Report to Congress, at vi (Preface: *Introductory Remarks by the National Taxpayer Advocate*), https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2024/01/ARC23_Pro_Intro.pdf. At that time, case resolution took an average of about 19 months.

16 IRS, FY 2026 Accounts Management Research, Analysis and Data, Correspondence Imaging System Closed Case Cycle Time Report (as of Apr. 2026).

17 IRS, CDW, IRTF, Notice Delivery System, TY 2025 through April 30, 2026 (June 5, 2026).

the time they file returns when appropriate circumstances exist, provide clearer guidance regarding available exceptions, explain what steps taxpayers must take to receive a paper check, and ensure these taxpayers do not experience refund delays.

Help taxpayers comply with digital asset tax reporting requirements. Taxpayers who own or transact in digital assets face complex and constantly evolving tax reporting requirements. Transactions involving sales, exchanges, staking, mining, airdrops, and transfers often require difficult determinations related to cost basis, income recognition, and character of income or gain. In many cases, taxpayers do not have complete records of their transactions, particularly for earlier years or transactions conducted across multiple platforms, wallets, and exchanges. Even taxpayers making good-faith efforts to comply may struggle to reconstruct the information needed to accurately report their tax obligations.

As a result, many taxpayers face significant uncertainty regarding their reporting obligations, and compliance rates remain relatively low. While some noncompliance is intentional, much is inadvertent due to confusion, incomplete records, or lack of sufficient guidance. New third-party reporting requirements, notably Form 1099-DA, Digital Asset Proceeds From Broker Transactions, will provide the IRS with substantially greater visibility into digital asset activity. However, much of the information will be incomplete, particularly regarding cost basis and transfers between wallets or platforms.

Some taxpayers who have been noncompliant in the past are confused about the taxation of digital assets or frightened about potential civil or criminal liability, while other taxpayers who ordinarily are compliant fail to report digital asset transactions because they lack the information to do so. To resolve past noncompliance efficiently and fairly, TAS recommends the IRS establish a targeted path for taxpayers to correct past reporting errors. Such a program would be a “two-fer” in tax administration: (1) it would allow taxpayers to resolve prior errors, come back into compliance, and move forward with confidence, and (2) it would bring in significant revenue that the IRS otherwise would not collect, thereby reducing the portion of the tax gap attributable to digital asset transactions. Any such initiative should be carefully designed to encourage future compliance while preserving appropriate consequences for willful misconduct. The objective should be to assist taxpayers whose noncompliance stems from confusion, incomplete records, or uncertainty regarding their reporting obligations, while maintaining the integrity of the tax system and ensuring that intentional misconduct is addressed appropriately.

TAS also will work with the IRS to provide clearer taxpayer guidance and educational resources to help taxpayers better understand and meet their digital asset reporting obligations going forward.

TAX ADMINISTRATION LEGISLATION

During the 119th Congress, the tax-writing committees have devoted considerable attention to tax administration issues. While big-picture tax policy bills like the OBBB Act typically receive the lion's share of congressional attention, tax administration is where the rubber meets the road for taxpayers, as they prepare their tax returns, seek information from the IRS about filing and payment requirements, file their returns, respond to IRS notices, and seek to resolve account issues. Each year, the National Taxpayer Advocate's Purple Book recommends legislative changes designed to strengthen taxpayer rights and improve tax administration.

During the final weeks of 2025, Congress enacted three recommendations from the National Taxpayer Advocate's 2025 Purple Book – the Internal Revenue Service Math and Taxpayer Help Act, which significantly improves the clarity of math error notices,¹⁸ and the Disaster Related Extension of Deadlines Act,¹⁹ which implemented our recommendations to prevent taxpayers from losing refunds due to deadline confusion and to stop collection notices from being issued before the deadline for paying tax (a glitch in prior law).²⁰

The House has passed additional legislation from the 2025 Purple Book that is now pending in the Senate:²¹

- H.R. 1152, the Electronic Filing and Payment Fairness Act, would extend the “mailbox rule” applicable to mailed documents and payments to electronically submitted documents and payments.²²
- H.R. 5346, the Fair and Accountable IRS Reviews Act, would require supervisory approval of certain penalties before written communication imposing a penalty is sent to a taxpayer.²³
- H.R. 5349, the Tax Court Improvement Act, would implement two National Taxpayer Advocate Purple Book recommendations – one authorizing Tax Court judges to sign subpoenas to facilitate discovery before scheduled hearings and the other authorizing Tax Court judges to make exceptions, for good cause, to the 90-day deadline for filing a petition contesting a notice of deficiency, such as when a taxpayer misses the deadline due to a medical emergency.²⁴
- H.R. 6495, the Taxpayer Notification and Privacy Act, would require the IRS to provide taxpayers undergoing an audit with tailored notices that identify each specific item of information it plans to request from a third party.²⁵

18 Pub. L. No. 119-39, 139 Stat. 659 (2025) (implementing National Taxpayer Advocate 2025 Purple Book, *Compilation of Legislative Recommendations to Strengthen Taxpayer Rights and Improve Tax Administration* 21 (Legislative Recommendation: *Require That Math Error Notices Describe the Reason(s) for the Adjustment With Specificity, Inform Taxpayers They May Request Abatement Within 60 Days, and Be Mailed by Certified or Registered Mail*), https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2024/12/ARC24_PurpleBook_03_ImproveAssmtCollect_9.pdf).

19 Pub. L. No. 119-64, 139 Stat. 1984 (2025).

20 See National Taxpayer Advocate 2025 Purple Book 133 (Legislative Recommendation: *Amend the Lookback Period for Allowing Tax Credits or Refunds to Include the Period of Any Postponement or Additional or Disregarded Time for Timely Filing a Tax Return*), https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2024/12/ARC24_PurpleBook_08_MiscRecs_55.pdf; and 2025 Purple Book 136 (Legislative Recommendation: *Protect Taxpayers in Federally Declared Disaster Areas Who Receive Filing and Payment Relief From Inaccurate and Confusing Collection Notices*), https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2024/12/ARC24_PurpleBook_08_MiscRecs_56.pdf.

21 The House has also passed legislation that would implement recommendations we have made on previous occasions. H.R. 6956, the BARCODE Efficiency Act, would require the IRS to use scanning technology to process paper-filed tax returns (to replace manual data transcription). H.R. 7971, the Taxpayer Experience Improvement Act, would require the IRS to implement customer service improvements, including establishing a dashboard on IRS.gov to inform taxpayers about backlogs and wait times, expanding electronic access to information about returns and refunds, expanding the use of callback technology, and expanding the information available through online accounts. The IRS is already taking steps to implement most of these measures.

22 See National Taxpayer Advocate 2026 Purple Book 9 (Legislative Recommendation: *Treat Electronically Submitted Tax Payments and Documents as Timely if Submitted on or Before the Applicable Deadline*), https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2026/01/ARC25_PurpleBook.pdf#page=21.

23 See National Taxpayer Advocate 2026 Purple Book 77 (Legislative Recommendation: *Clarify That Supervisory Approval Is Required Under IRC § 6751(b) Before Proposing Penalties*), https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2026/01/ARC25_PurpleBook.pdf#page=89.

24 See National Taxpayer Advocate 2026 Purple Book 114 (Legislative Recommendation: *Authorize the Tax Court to Sign Subpoenas for the Production of Records Held by a Third Party Prior to a Scheduled Hearing*), https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2026/01/ARC25_PurpleBook.pdf#page=126; and National Taxpayer Advocate 2026 Purple Book 108 (Legislative Recommendation: *Promote Consistency With the Supreme Court's Boechler Decision by Making the Time Limits for Bringing All Tax Litigation Subject to Equitable Judicial Doctrines*), https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2026/01/ARC25_PurpleBook.pdf#page=120.

25 See National Taxpayer Advocate 2026 Purple Book 156 (Legislative Recommendation: *Require the IRS to Specify the Information Needed in Third-Party Contact Notices*), https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2026/01/ARC25_PurpleBook.pdf#page=168.

- H.R. 6506, the Taxpayer Due Process Enhancement Act, would suspend the period of limitation on filing claims for credit or refund during a Collection Due Process (CDP) hearing, prohibit the IRS from crediting overpayments against a disputed tax liability during a CDP hearing, and expand the Tax Court's jurisdiction over tax liability determinations in CDP cases.²⁶

The Senate Finance Committee has likewise demonstrated considerable interest in strengthening taxpayer rights and improving tax administration. In February, Chairman Mike Crapo and Ranking Member Ron Wyden introduced S. 3931, the Taxpayer Assistance and Service Act (or "TAS Act"). The bill contains over 60 provisions, more than half of which reflect Purple Book recommendations. Notably, the TAS Act includes most of the bills already approved by the House.

Virtually every provision in the TAS Act and every bill passed by the House has strong bipartisan support and virtually no opposition. The leadership and staffs of the tax-writing committees deserve tremendous credit for their efforts to improve the taxpayer experience, and I encourage Congress to finish the job by passing this tax administration legislation before the end of the year.

CONCLUSION

The IRS faced significant challenges in preparing for the 2026 filing season, including substantial workforce disruption, considerable leadership turnover, and the need to implement major tax legislation under compressed timeframes. Despite these challenges, the filing season generally proceeded well overall, a credit to the agency's leadership and its workforce.

At the same time, the filing season was far from flawless and exposed continuing weaknesses in areas requiring individualized taxpayer assistance. Telephone service on several key toll-free lines, most notably the Installment Agreement/Balance Due line and the Taxpayer Protection Program line, remained unacceptably low. Taxpayers unable to receive their refunds via direct deposit had to navigate a confusing set of instructions and generally had to wait six weeks or more to receive paper refund checks. More than 500,000 identity theft victims continue to wait an average of almost two years for the IRS to release their refunds or resolve their cases.

The filing season demonstrated both the promise and limitations of technology. Continued improvements in technology helped the IRS process returns and deliver refunds efficiently for most taxpayers. Yet technology alone cannot resolve every taxpayer issue. Taxpayers facing identity theft, refund delays, financial hardship, language barriers, disabilities, or complex account issues often need individualized assistance from knowledgeable employees who can explain problems, answer questions, and help bring cases to resolution.

The challenge for the IRS in the years ahead is not to choose between technology and personal service. It is to ensure that taxpayers can obtain assistance in the manner that works best for them. A modern IRS should continue to expand digital services and leverage new technologies to improve efficiency and reduce burden while simultaneously preserving meaningful access to telephone assistance, correspondence processing, and in-person service for taxpayers who need it.

As technology continues to transform tax administration, taxpayer rights must remain at the center of that transformation. The measure of success is not simply how many transactions can be automated or how quickly returns can be processed. The true measure of success is whether taxpayers can understand what is expected of them, obtain help when they need it, and have confidence they will be treated fairly.

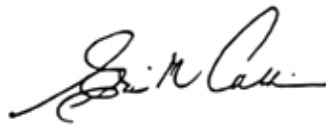
²⁶ See National Taxpayer Advocate 2026 Purple Book 178 (Legislative Recommendation: *Eliminate the IRS's "Roadmap for Evading Tax Court Review" in Collection Due Process Cases*), https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2026/01/ARC25_PurpleBook.pdf#page=190; National Taxpayer Advocate 2026 Purple Book 105 (Legislative Recommendation: *Authorize the Tax Court to Order Refunds or Credits in Collection Due Process Proceedings Where Liability Is at Issue*), https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2026/01/ARC25_PurpleBook.pdf#page=117.

Congress can help ensure that modernization is accompanied by strong taxpayer protections. I am encouraged that Congress continues to focus on improving the taxpayer experience and taking steps to pass legislation to strengthen taxpayer rights. Much of the legislation under consideration in the House and Senate reflects broad bipartisan agreement and would produce meaningful improvements in tax administration. I remain optimistic that the TAS Act can be enacted into law this year.

As always, I look forward to continuing to work with the IRS leadership and Members of Congress to improve tax administration and strengthen taxpayer rights. Most taxpayers are trying to comply with the law. They should not have to choose between efficiency and assistance, between modernization and accessibility, or between technology and fairness. The goal is not simply to build a more digital tax administration system. It is to build a better one, one that uses technology to make compliance easier while ensuring that every taxpayer can obtain help when they need it and be treated fairly.

In sum, tax administration succeeds when taxpayers can understand what is expected of them, obtain help when they need it, and have confidence they will be treated fairly. That should remain our North Star and our shared goal.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Erin Collins", written in a cursive style.

Erin M. Collins
National Taxpayer Advocate
June 24, 2026



ABOUT THE Taxpayer Advocate Service

As an *independent* organization within the IRS, TAS assists taxpayers in resolving tax problems with the IRS, identifies problems for taxpayers, and makes administrative and legislative recommendations to resolve systemic tax issues. TAS ensures every taxpayer is treated fairly and knows and understands their rights under the Taxpayer Bill of Rights.

How TAS Supports Taxpayers



Protecting taxpayer rights and ensuring taxpayers know and understand them.



Offering case assistance to help taxpayers, including individuals, businesses, and exempt organizations, resolve problems they haven't been able to resolve with the IRS on their own.



Resolving large-scale (systemic) problems through IRS collaboration and administrative and legislative recommendations.



Providing tax information on general topics, emerging issues, and self-help across platforms to reach audiences.



NTA
BLOG

Read our latest blogs

[TaxpayerAdvocate.irs.gov/blog](https://www.TaxpayerAdvocate.irs.gov/blog)



Subscribe to our newsletter

[TaxpayerAdvocate.irs.gov/subscribe](https://www.TaxpayerAdvocate.irs.gov/subscribe)



Resources

- Taxpayer Bill of Rights
- Reports to Congress
- Taxpayer Roadmap
- Get Help Topics
- TAS Case Criteria
- Submit a Systemic Issue
- Find Your Local TAS Office



Scan to
Get Help or
Learn More

www.TaxpayerAdvocate.irs.gov

TAS Administered Programs



www.TaxpayerAdvocate.irs.gov/LITC



www.ImproveIRS.org



REVIEW OF THE 2026 FILING SEASON

INTRODUCTION

The IRS entered Filing Season (FS) 2026 facing a difficult set of challenges, including implementing sweeping new legislation, continuing technology transformation, scaling up digitization of paper-filed returns, advancing the transition from paper checks to direct deposit, and doing all of this with fewer employees than in prior years – some of whom were navigating new job responsibilities for the first time. In many respects, the IRS met that moment. Most taxpayers filed successfully and received refunds without significant delay, and the IRS workforce deserves substantial credit for keeping core filing season operations moving under extraordinary pressure.

Yet the filing season also underscored that modernization is not an end in itself. Taxpayers experience the filing season through the practical questions that matter to them: Did my return process correctly? Did my refund arrive when I needed it? Did the notice I received explain what happened and what I should do next? Could I reach someone when I needed help? On those measures, FS 2026 was mixed.

The filing season highlighted a growing divide between taxpayers whose issues could be resolved through automated systems and taxpayers who required individualized assistance. For taxpayers whose returns moved through automated processing channels, the system generally worked well. Electronic filing, direct deposit, online accounts, and improved digital tools helped millions of taxpayers file returns, track refunds, and resolve routine issues with less burden.

But taxpayers whose circumstances fell outside standard processing channels often faced longer waits, confusing notices, reduced access to live assistance, and unresolved account problems. Those taxpayers included identity theft victims, taxpayers whose refunds were stopped by fraud filters, unbanked and underbanked taxpayers seeking paper checks, taxpayers responding to IRS correspondence, and taxpayers who needed in-person or telephone assistance.

The filing season demonstrated that modernization can improve outcomes for many taxpayers while still leaving significant challenges for taxpayers who need individualized help. The taxpayers who most often fall outside automated processing channels are frequently those with the fewest resources, the greatest financial vulnerability, and the greatest need for assistance. For those taxpayers, service delays and barriers to resolution

can have consequences that extend far beyond administrative inconvenience. As a result, the taxpayers most affected by service gaps and processing delays are often those least able to absorb the financial and practical consequences.

Among the key FS 2026 achievements, the IRS:

- Processed almost 99% of received individual returns by the end of filing season;
- Digitized over 750,000 more paper-filed Forms 1040 than in FS 2025;
- Implemented changes to programming, tax forms, and instructions for over 100 changes to the tax code in calendar year (CY) 2025;
- Reduced the number of paper check refunds issued from January 1 through May 26, 2026, to 2.2 million from 8.4 million during the same period in 2025;¹ and
- Increased the percentage of taxpayers receiving refunds by direct deposit to about 98%, up from 94% at the same point last year.

At the same time, several longstanding challenges persisted or worsened, particularly for taxpayers who required assistance beyond routine automated processing:

- Live assistors answered 20% fewer calls than last filing season;
- Call volume to voicebots increased by 4%, but voicebots completed only 17% of calls, with most callers transferring to a live assistor or disconnecting;
- The average time to close Identity Theft Victim Assistance (IDTVA) cases remained extremely high at 600 days for fiscal year (FY) 2026;
- Inventory requiring manual processing as of April 18, 2026, increased by roughly 17% compared to last filing season; and
- The number of fully staffed Taxpayer Assistance Centers (TACs) fell to 42, down from 102 in FS 2025.

This report examines the IRS's performance during FS 2026 through the lens of taxpayer experience. It highlights both the agency's accomplishments and the areas where taxpayers continued to face significant burdens. It also identifies areas where congressional oversight will be important to ensure that modernization efforts improve outcomes not only for taxpayers whose issues can be resolved through automation, but also for those who continue to experience the greatest burdens and need individualized assistance.

Modernization and automation are important, but they are not ends in themselves. The test is whether these improvements reduce burden, protect taxpayer rights, and help resolve issues without unnecessary delay. A modernized IRS should be digital-first, but not digital-only. Technology can improve efficiency and expand access to service, but taxpayers must still be able to obtain timely assistance when automated systems cannot resolve their problems. Continued oversight and support will be essential to ensure that modernization improves outcomes for all taxpayers, especially those who rely most heavily on individualized assistance, so every taxpayer receives the timely, accurate, and respectful service the Taxpayer Bill of Rights promises.²

¹ IRS, Individual Masterfile, Customer Account Data Engine (CADE) 2 (May 27, 2026).

² See Taxpayer Bill of Rights (TBOR), <https://www.taxpayeradvocate.irs.gov/taxpayer-rights> (last visited June 1, 2026). The rights contained in TBOR are also codified in IRC § 7803(a)(3).

FILING SEASON PERFORMANCE

Receipts and Refunds

The IRS began accepting tax year (TY) 2025 returns for processing on January 26, 2026, and the filing season closed on April 15, 2026.³ As of April 18, 2026, the IRS had received 140.2 million individual income tax returns and processed 138.6 million of them, or just under 99%.⁴ The agency issued 90.4 million refunds totaling approximately \$296.1 billion, with an average refund of \$3,275.

Figure 2.1 presents an overview of returns processed and refunds issued during FS 2026 and the past two filing seasons, highlighting the IRS's progress over the last three years.

FIGURE 2.1, Comparing Filing Seasons 2024-2026⁵

| | | FS 2024 (Through April 19, 2024) | FS 2025 (Through April 18, 2025) | FS 2026 (Through April 17, 2026) | Percent Change FS 2025 - FS 2026 |
|----------------------------------|-------------------------------|--|--|--|--|
| Individual Income Tax Returns | Total Receipts | 139.1 mil | 140.6 mil | 140.2 mil | ▼ -0.3% |
| | Total Processed | 136.1 mil | 138.1 mil | 138.6 mil | ▲ 0.4% |
| E-Filing Receipts | Total E-Filing | 134.5 mil | 136.2 mil | 137.6 mil | ▲ 1.0% |
| | Filed by Tax Professionals | 71.3 mil | 72.5 mil | 72.8 mil | ▲ 0.4% |
| | Self-Prepared | 63.2 mil | 63.7 mil | 64.8 mil | ▲ 1.7% |
| Total Refunds | Number | 86.1 mil | 86.0 mil | 90.4 mil | ▲ 5.1% |
| | Amount | \$245.2 bil | \$253.1 bil | \$296.1 bil | ▲ 17.0% |
| | Average Refund | \$2,850 | \$2,942 | \$3,275 | ▲ 11.3% |
| Direct Deposit Refunds | Number | 80.0 mil | 81.0 mil | 90.8 mil | ▲ 12.0% |
| | Amount | \$235.8 bil | \$245.0 bil | \$296.7 bil | ▲ 21.1% |
| | Average Refund | \$2,947 | \$3,023 | \$3,269 | ▲ 8.1% |

The overall filing season statistics tell only part of the story. For most taxpayers, filing a return, receiving a refund, and interacting with the IRS remained largely automated and efficient. The more difficult question is how well the system served taxpayers whose returns required manual review or who needed individualized assistance. The sections that follow examine several areas where taxpayers continued to experience significant burden despite broader improvements in processing and automation.

IRS Phaseout of Paper Checks

On March 25, 2025, the president signed Executive Order 14247, *Modernizing Payments To and From America's Bank Account*, which generally requires federal agencies, including the IRS, to stop issuing paper checks by September 30, 2025, and to process payments electronically whenever practicable. The executive order was intended to improve payment security, reduce administrative costs, and streamline government

³ IRS News Release, IR-2026-12, IRS Opens 2026 Filing Season (Jan. 26, 2026), <https://www.irs.gov/newsroom/irs-opens-2026-filing-season>.

⁴ IRS, Filing Season Statistics for Week Ending April 17, 2026 (May 4, 2026), <https://www.irs.gov/newsroom/filing-season-statistics-for-week-ending-april-17-2026>.

⁵ IRS, Filing Season Statistics for Week Ending April 19, 2024 (Mar. 17, 2026), <https://www.irs.gov/newsroom/filing-season-statistics-for-week-ending-april-19-2024>. IRS, Filing Season Statistics for Week Ending April 18, 2025 (Apr. 25, 2026), <https://www.irs.gov/newsroom/filing-season-statistics-for-week-ending-april-18-2025>. IRS, Filing Season Statistics for Week Ending April 17, 2026 (May 4, 2026), <https://www.irs.gov/newsroom/filing-season-statistics-for-week-ending-april-17-2026>. For FS 2024 and FS 2025, the Direct Deposit Refunds row includes data for the current tax year only, as a subset of the amounts in the Total Refunds row. For FS 2026, the Direct Deposit Refunds amount includes direct deposit refunds issued for both the current tax year and prior tax years.

operations. Importantly, the order also authorizes agencies to establish exceptions when electronic payments are not feasible. However, during FS 2026, the IRS did not establish a sufficiently clear or accessible process for taxpayers who needed those exceptions.

FS 2026 marked the IRS's first major step toward implementing the executive order by requiring taxpayers to receive refunds through direct deposit except in limited circumstances. For most taxpayers, this shift to direct deposit had little practical effect because they already provided direct deposit information when filing their returns. From January 1 through May 19, 2025, the IRS direct deposited about 94.4 million refunds and issued approximately 8.4 million paper check refunds. During the same period in 2026, the IRS direct deposited nearly 100.9 million refunds while issuing only about 2.2 million paper check refunds.⁶

Taxpayers Were Confused by Direct Deposit Notices

To implement the new procedures, the IRS issued about four million CP53E notices as of April 27, 2026, to taxpayers whose returns either did not include valid direct deposit information or contained incorrect banking information.⁷ The CP53E instructed taxpayers to visit their online account to either update or correct their direct deposit information, or opt out of the direct deposit requirement by selecting a waiver. Unfortunately, the notices omitted key information needed by taxpayers to understand their options and protect themselves from fraud.

Despite the CP53E notice only instructing taxpayers to update their direct deposit information or opt out of direct deposit by selecting a waiver via their online account, it did allow taxpayers to call the IRS and waive out of direct deposit by calling the IRS's 1040 line. However, even though it established the phone option, the notice failed to include the phone number or clearly explain that a waiver could be requested over the phone. This phone option was particularly important for taxpayers who may have difficulty creating or navigating an online account, including taxpayers with a disability, elderly taxpayers, or taxpayers without reliable internet access. This omission made what was already a difficult transition even more difficult for many vulnerable taxpayers. Taxpayers should not have to search for basic information to resolve an issue involving their refund.

The notice also confused taxpayers who believed their situation did not warrant a notice. For example, TAS received reports from taxpayers who received CP53E notices even though their originally filed returns showed balances due rather than refunds. In these cases, the IRS likely adjusted the taxpayer's return after filing, converting a balance due situation into a refund. The IRS programmed its systems to issue the CP53E before sending the adjustment notice explaining the change. The rationale was operationally understandable: If the taxpayer quickly updated direct deposit information, the IRS could issue the refund faster and more securely. However, from the taxpayer's perspective, receiving a notice requesting banking information before receiving any explanation of why the IRS suddenly owed them a refund was confusing and alarming. The sequence failed to provide taxpayers with the clear and timely communication they deserve, and undermined taxpayer confidence in the process. TAS also received reports that the IRS issued notices to deceased taxpayers, creating confusion for surviving family members or representatives who were left to manage their financial affairs.

Scammers compounded the problem by circulating fraudulent CP53E notices identical to the authentic ones, including QR codes – however, these QR codes were designed to collect taxpayers' personal and financial information for nefarious purposes. These scams understandably made taxpayers hesitant to respond even to legitimate CP53E notices. In light of scammers' exploitation of these notices, the IRS should continue analyzing its utilization of QR codes on the CP53E. More broadly, going forward, the IRS should simplify and standardize the process for updating direct deposit information while minimizing opportunities for fraud and abuse.

⁶ IRS, Individual Masterfile, Customer Account Data Engine (CADE) 2 (May 26, 2026).

⁷ IRS response to TAS information request (May 18, 2026). This is the total count of notices the IRS issued and includes instances where multiple notices were sent on a return, such as to the taxpayer, spouse, and return preparer.

Taxpayers Had to Wait Longer to Receive a Paper Check

The transition away from paper checks significantly increased the time in which taxpayers received paper check refunds, and the length of delay depended on whether the taxpayer qualified for an automatic exception, requested a waiver, or did not respond to the CP53E notice.

In limited situations where the IRS could identify if the taxpayer would object to having their refund direct deposited into their bank account due to their deeply held religious beliefs, the IRS automatically bypassed the CP53E process and issued paper refund checks in about seven to ten days on average.⁸

For taxpayers who submitted waiver requests, the IRS places a code on the taxpayer's account indicating that it should issue a paper refund check.⁹ Generally, the IRS issued the check about four weeks after the taxpayer made the request.¹⁰ During FS 2026, as of May 29, 2026, the IRS received over 55,000 waiver requests.¹¹

However, those taxpayers who did not respond to the CP53E notice often waited substantially longer than those who received an automatic exclusion from the direct deposit requirement, those who requested a waiver, or those who received paper refund checks in prior years. The IRS took about six weeks to issue paper checks to those taxpayers who received a CP53E, the vast majority of whom did not respond to the notice.¹² By contrast, in FS 2025, the IRS issued most paper check refunds within about a week after the return posted to the taxpayer's account.¹³

These delays are not merely administrative inconveniences. Many taxpayers rely on their refunds to pay rent, buy groceries, cover medical expenses, or meet other basic living needs. Delayed refunds can create real financial hardship, particularly for lower-income taxpayers and vulnerable households living paycheck to paycheck.

For FS 2027, the IRS should reevaluate how it administers the direct deposit requirement. It should consider additional categories of taxpayers where the IRS will automatically suppress the CP53E, thereby excluding them from the direct deposit process. The IRS should also make waiver options clearer and easier for taxpayers to elect before or at the time of filing their returns. Above all, the IRS should design procedures around the taxpayer experience, ensuring that taxpayers can understand their options, protect themselves from fraud, and receive their refunds without unnecessary delay or confusion.

⁸ IRS, Compliance Data Warehouse (CDW), Individual Returns Transaction File (IRTF) and IMF (May 21, 2026). Most notably, members of the Amish and Mennonite communities file IRS Form 4029, Application for Exemption From Social Security and Medicare Taxes and Waiver of Benefits. Once approved, a 4029 indicator is placed on their IRS account alerting the IRS that the taxpayer has opted out of certain social benefit programs due to their deeply held religious beliefs. In this case, the IRS could also use this indicator to automatically exclude these taxpayers from the direct deposit requirement.

⁹ Internal Revenue Manual (IRM) 21.4.1.5.7, Direct Deposits - General Information (June 5, 2026).

¹⁰ *Id.*

¹¹ IRS, Individual Masterfile, Customer Account Data Engine (CADE) 2 (May 29, 2026).

¹² IRS, CDW, IRTF and IMF (May 22, 2026).

¹³ *Id.* The IRS did not issue CP53E notices in FS 2025.

Progress on Digitizing Paper-Filed Returns

For the past several years, taxpayers have been increasingly filing Forms 1040 electronically. About 98% of Forms 1040 were filed electronically during FS 2026. However, the small percentage of paper returns still represents a significant number, surpassing 2.6 million paper-filed Forms 1040.¹⁴ As discussed extensively in prior reports, finding ways to digitize or automate paper processing is central to protecting taxpayers' *right to quality service* because paper processing increases the risk of delays, transcription errors, and uncertainty.¹⁵

The IRS's Zero Paper Initiative (ZPI) is intended to digitize paper filings by extracting the data from paper-filed returns and loading the data into IRS e-filing systems (Modernized e-File, or MeF) so that the IRS can process the return information as if the returns had been filed electronically. That saves some manual work, but it does not eliminate the need for accurate processing and can create additional manual work on the back end of the process. In FS 2026, the IRS relied on four outside vendors to digitize returns.¹⁶ Previously, the IRS had worked on developing an in-house paperless processing system but ended that project in 2025.¹⁷

In FS 2026, the ZPI vendors focused primarily on digitizing:¹⁸

- Form 940, Employer's Annual Federal Unemployment Tax Return;
- Form 941, Employer's Quarterly Federal Tax Return; and
- Form 1040, U.S. Individual Income Tax Return.

The vendors successfully digitized most Forms 940 and 941: 1.7 million and two million, respectively, which together constitutes about 93.6% of those paper-filed forms. In FS 2025, only 11.4% of paper-filed Forms 940 and 941 were digitized and processed through MeF.¹⁹

Progress on digitizing Form 1040 has been slower, but there has been meaningful improvement over last year. Of the FS 2026 Forms 1040 filed on paper, 785,000 were digitized through ZPI, or 27.6% of the total. In FS 2025, less than 1% of paper-filed Forms 1040 were digitized.²⁰ Forms 1040 that do not get digitized through ZPI instead go through the IRS's traditional paper-processing workflow, which involves IRS employees manually transcribing information from the returns into IRS systems.

Before the IRS allows a ZPI vendor to digitize a tax form, the vendor must satisfy an assurance testing and certification process to show that it can reliably digitize the form with sufficient accuracy. The IRS has authorized all four vendors to digitize Forms 940 and 941, but only one vendor in FS 2026 was able to digitize Form 1040.²¹ That limited capacity helps explain why progress on the individual return side remains slower than on employment tax returns.

14 IRS, Filing Season Statistics for Week Ending April 17, 2026 (May 4, 2026), <https://www.irs.gov/newsroom/filing-season-statistics-for-week-ending-april-17-2026>.

15 See, e.g., National Taxpayer Advocate 2025 Annual Report to Congress 18 (Most Serious Problem: *IRS Modernization and Digitalization: Outdated Paper Processes and Procurement Delays Harm Taxpayers*), https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2026/01/ARC_Publication-2104_2025_Web.pdf#page=53; National Taxpayer Advocate 2024 Annual Report to Congress 21 (Most Serious Problem: *Return Processing: Continuing Delays in IRS Return Processing Are Frustrating Taxpayers and Causing Refund Delays*), https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2024/12/ARC24_MSP_02_Processing.pdf.

16 IRS response to TAS information request (May 18, 2026).

17 Treasury Inspector General for Tax Administration (TIGTA), Ref. No. 2026-408-003, *The IRS Has Made Limited Progress Achieving Paperless Processing 3* (2026), <https://www.tigta.gov/sites/default/files/reports/2026-02/2026408003fr.pdf>.

18 IRS response to TAS information request (May 18, 2026). Other filing season forms sent to ZPI vendors include Form 4868, Application for Automatic Extension of Time to File U.S. Individual Income Tax Return, and Form 7004, Application for Automatic Extension of Time to File Certain Business Income Tax, Information, and Other Returns. In FS 2026, ZPI vendors digitized 5,085 and 47,840 of these returns, respectively.

19 IRS response to TAS information request (May 18, 2026). In FS 2025 and 2026, the IRS also digitized Forms 940 and 941 without processing them through MeF using its Service Center Recognition/Image Processing System (SCRIPS), a decades-old system for digitally processing paper returns. The IRS used SCRIPS to process 85% of Forms 940 and 941 in FS 2025 and less than 0.05% in FS 2026. The IRS did not use SCRIPS in either year to process Form 1040.

20 IRS response to TAS information request (May 18, 2026).

21 *Id.*

Accuracy remains a concern. Overall, the accuracy rate for scanned paper returns during this filing season has fallen from prior years.²² The combined accuracy rate for FS 2026 was 85%, showing a downward trend from the 87% achieved in FS 2025 and 92% in FS 2024.²³

The IRS also expanded the number of forms that can be included in an electronic filing by adding digital filing options for 22 forms in FS 2026. In total, 467 forms and schedules can be filed electronically through MeF and the Information Returns Intake System. The agency still has work to do to ensure all IRS forms are compatible with electronic filing. Sadly, the IRS does not track how many remaining forms and schedules can only be filed on paper.²⁴

Returns Requiring Manual Processing at the End of Filing Season

Although the IRS received fewer paper returns than in prior years and digitized more paper filings, the total inventory requiring manual processing increased to 10.5 million at the end of FS 2026 compared to nine million at that same point in FS 2025.²⁵ About 7.3 million 2025 income tax returns were awaiting processing for various reasons as of April 18, 2026, a roughly 28% increase from that amount at the same time last year.²⁶

FIGURE 2.2, Status of Inventory Requiring Manual Processing, Filing Season 2026 Through April 18, 2026²⁷

| | Individual | Business | Unspecified | Total |
|--|----------------|----------------|----------------|-----------------|
| Paper Returns Awaiting Processing – Received in CY 2026 | 825,000 | 487,000 | 664,000 | 2.0 mil |
| Paper and Electronic Returns – Processing Suspended | 3.4 mil | 1.9 mil | | 5.4 mil |
| Amended Returns Inventory | 1.1 mil | 884,000 | | 2.0 mil |
| Total Unprocessed Returns | 5.3 mil | 3.3 mil | 664,000 | 9.3 mil |
| Correspondence/Accounts Management Cases (Excluding Amended Returns) | 375,000 | 875,000 | | 1.3 mil |
| Total Inventory Requiring Manual Processing | 5.7 mil | 4.1 mil | 664,000 | 10.5 mil |

The data in Figure 2.2 suggests that the reduction in paper inventory through ZPI may come at the cost of increased suspensions of inventory downstream. That distinction matters for taxpayers. Digitization improves taxpayer outcomes only if it reduces total delay and error, not if it simply moves unresolved issues to another IRS employee or processing stage.

When IRS employees process paper returns manually, they can make edits to the returns through “code and edit” procedures to address certain issues early in processing. ZPI vendors cannot perform this function, so those issues surface at a later processing stage, namely through the Error Resolution System. While there were

22 IRS response to TAS information request (May 18, 2026).

23 National Taxpayer Advocate Fiscal Year 2026 Objectives Report to Congress 1, 4 (*Review of the 2025 Filing Season*), https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2025/06/JRC26_SAO_ReviewFiling.pdf.

24 IRS response to TAS information request (May 18, 2026).

25 *Id.*

26 IRS response to TAS information request (May 18, 2026); National Taxpayer Advocate Fiscal Year 2026 Objectives Report to Congress 1, 4 (*Review of the 2025 Filing Season*), https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2025/06/JRC26_SAO_ReviewFiling.pdf.

27 IRS response to TAS information request (May 18, 2026). Row totals and column totals may differ because of rounding. The “Unspecified” category includes tax returns received that have not yet been entered into the IRS tracking system and miscellaneous forms that require review for correct routing. IRS response to TAS information request (May 28, 2026).

fewer paper returns awaiting processing this filing season (two million in FS 2026 versus 2.27 million in FS 2025), that reduction was offset by the increase in the number of suspended returns or returns redirected for later action (5.4 million in FS 2026 versus 3.4 million in FS 2025).²⁸

Not all suspensions are avoidable or related to code and edit issues. Some arise from identity theft, processing rejects, or unpostable returns. But the broader lesson remains the same: The IRS must reduce downstream delays, not simply shift them from one part of the pipeline to another.

Correspondence and Amended Returns Delays Cause Taxpayer Frustration

As the IRS continues to transform its information technology, it cannot lose sight of basic taxpayer needs. Taxpayers still need timely processing of amended returns and responses to taxpayer correspondence. When those items sit too long, taxpayers do not just experience inconvenience; they can be denied refunds, be left uncertain about their accounts, or be exposed to unnecessary collection activity.

The IRS's processing of correspondence and amended returns in FS 2026 essentially mirrored that of FS 2025. In FS 2026, there were about 3.3 million pieces of correspondence awaiting processing.²⁹ Approximately 2.9 million of that came from Accounts Management (AM), of which about 63% was considered overaged.³⁰ This compares with 3.4 million pieces of correspondence awaiting processing in AM for FS 2025, 67% of which was considered overaged.³¹ The broader backlog of amended returns and internal account maintenance remained significant as well. Figure 2.3 compares unprocessed correspondence types as of April 18, 2026, to the same time frame for 2025.

FIGURE 2.3, IRS Backlog of Unprocessed Amended Returns and Taxpayer Correspondence, Filing Season 2025 as of April 18, 2025, Filing Season 2026 as of April 18, 2026³²

| Unprocessed Correspondence and Amended Return Processing | Filing Season | Individual | Business | Other | Total |
|---|---------------------------|----------------|----------------|----------------|----------------|
| Unprocessed Accounts Management Adjustment and Correspondence Cases | Filing Season 2025 | 309,000 | 440,000 | N/A | 749,000 |
| | Filing Season 2026 | 375,000 | 875,000 | N/A | 1.3 mil |
| Unprocessed Amended Returns | Filing Season 2025 | 1.2 mil | 1.4 mil | N/A | 2.6 mil |
| | Filing Season 2026 | 1.1 mil | 884,000 | N/A | 2.0 mil |
| Unprocessed Internal Account Maintenance | Filing Season 2025 | 355,000 | 92,000 | 0 | 447,000 |
| | Filing Season 2026 | 890,000 | 176,000 | 2.7 mil | 3.8 mil |
| Total Unprocessed | Filing Season 2025 | 1.9 mil | 1.9 mil | 0 | 3.8 mil |
| | Filing Season 2026 | 2.3 mil | 1.9 mil | 2.7 mil | 7.0 mil |

The harm to taxpayers is easy to see. The IRS's failure to timely process correspondence could result in its automated processes taking adverse action against a taxpayer, such as moving forward with collection actions, increasing penalties, or holding the taxpayer's refund. For example, the IRS can hold a portion of a taxpayer's

²⁸ IRS response to TAS information request (May 18, 2026); National Taxpayer Advocate Fiscal Year 2026 Objectives Report to Congress 1, 4 (*Review of the 2025 Filing Season*), https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2025/06/JRC26_SAO_ReviewFiling.pdf.

²⁹ IRS response to TAS information request (May 18, 2026).

³⁰ IRS, Accounts Management Inventory Reports, National Inventory Age Report (week ending Apr. 18, 2026).

³¹ IRS, Accounts Management Inventory Reports, National Inventory Age Report (week ending Apr. 19, 2025).

³² IRS response to TAS information request (May 18, 2026); National Taxpayer Advocate Fiscal Year 2026 Objectives Report to Congress 1, 4 (*Review of the 2025 Filing Season*), https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2025/06/JRC26_SAO_ReviewFiling.pdf.

refund if it determines a dependent's Taxpayer Identification Number (TIN) is invalid.³³ The taxpayer may respond to the notice by timely sending in documents to verify the dependent's TIN, but if the IRS does not process the taxpayer's response for weeks or months, it further delays the issuance of the taxpayer's refund. That outcome is inconsistent with the IRS's obligation to get the account right the first time and respect the taxpayer's *right to pay no more than the correct amount of tax*.³⁴

Another example is when the IRS makes a math error assessment and sends written notification to taxpayers. By statute, Congress requires the IRS to abate the assessment if the taxpayer notifies the IRS within 60 days of the notification.³⁵ But the IRS's delays in processing correspondence may result in delays in reversing math error adjustments requested by taxpayers. Therefore, it is critical that the IRS devote sufficient resources to processing amended returns and correspondence during the remainder of 2026 to prevent future harm to taxpayers. Delays in reviewing these math error responses can result in incorrect account adjustments and possible IRS collection actions, violating a taxpayer's *right to pay no more than the correct amount of tax*.³⁶

Refund Fraud Detection Programs Present Challenges for Legitimate Taxpayers

The IRS needs strong fraud filters to protect the U.S. fisc from improper refunds, but fraud detection systems also must be designed and managed carefully so legitimate returns are not trapped for weeks or months without taxpayers receiving clear information, meaningful assistance, or a timely refund release.

The IRS employs a series of filters, models, and procedures to detect and prevent improper tax refunds resulting from fraud. Upon detection, the IRS suspends the processing of a flagged return to prevent the release of improper payments. These systems categorize potentially fraudulent returns into two main types: identity theft refund fraud, and non-identity theft refund fraud.

When IRS filters flag a return for identity theft refund fraud, it routes the return to the Taxpayer Protection Program (TPP). It routes returns suspected of non-identity theft refund fraud to the Return Integrity Verification Operation, where the IRS generally verifies income and withholding information against third-party documentation, such as Forms W-2. The IRS holds returns in the TPP until taxpayers authenticate their identity and verify the information on their returns. Non-identity theft flagged returns remain suspended until the IRS or the taxpayer verify the accuracy of the information on the return, which is typically income and withholding data.

For returns flagged for identity theft refund fraud, a taxpayer authenticates their identity and verifies the information on their return. However, after that process is complete, the taxpayer's return may be subject to additional review by non-identity theft filters, further delaying refund issuance.

Although these fraud detection programs are critical to the IRS's efforts to minimize the number of improper refunds, they have inadvertently created challenges for taxpayers who filed legitimate returns but who may now end up waiting weeks or months for their refund.

33 IRM 21.6.1.6.5(3)(f), Exemption/Dependent Claim Procedures (Oct. 1, 2025), https://www.irs.gov/irm/part21/irm_21-006-001r.

34 See TBOR, <https://www.taxpayeradvocate.irs.gov/taxpayer-rights> (last visited June 1, 2026). The rights contained in TBOR are also codified in IRC § 7803(a)(3).

35 IRC § 6213(b)(2)(A).

36 See TBOR, <https://www.taxpayeradvocate.irs.gov/taxpayer-rights> (last visited June 1, 2026). The rights contained in TBOR are also codified in IRC § 7803(a)(3).

Identity Theft Refund Fraud

Taxpayers have three options to verify their identity, including:

- Calling the TPP toll-free line;
- Using an online application on IRS.gov; or
- Visiting a TAC.³⁷

The IRS will send a one-time letter instructing them which of these methods they must use for verification purposes.

In FS 2026, the TPP line was not serving taxpayers well. Taxpayers attempting to resolve identity verification issues faced significant difficulties due to the IRS's Level of Service (LOS) on the TPP phone line, which was unacceptably low at 21% during FS 2026 through April 18, 2026, a decline from 29% in the prior year, and far below acceptable standards.³⁸ The IRS's continued low LOS on the TPP line exacerbates taxpayers' challenges in resolving identity verification issues promptly. Clearly, this is an area the IRS needs to address.

From January 1, 2026, through April 18, 2026, the IRS selected about 2.6 million tax returns for TPP review, and it ultimately released about 1.2 million of these refunds.³⁹ Of these, the IRS released 887,000 refunds after taxpayers completed identity verification, while it released the remaining 269,000 based on IRS records without the need for any taxpayer interaction.⁴⁰ These programs can create significant hardship. Fraud prevention is essential, but legitimate taxpayers should not bear prolonged hardship because the system lacks timely review, clear communication, or accessible assistance. Figure 2.4 shows the number of returns selected and released in the TPP program for the 2025 and 2026 filing seasons.

FIGURE 2.4, Identity Theft Refund Fraud, Filing Seasons 2025 and 2026⁴¹

| | January 1, 2025 (Through April 17, 2025) | January 1, 2026 (Through April 18, 2026) |
|--|---|---|
| Selections Triggered by Filters | 2.3 mil | 2.6 mil |
| Verifications Provided by Taxpayers | 737,000 | 887,000 |
| Confirmed Identity Theft | 68,000 | 59,000 |
| Released by TPP Without the Need for Taxpayer Verification | 24,000 | 269,000 |
| Dollar Amount Identified | \$21.0 bil | \$22.7 bil |
| Dollar Amount Stopped as Possible Improper Payments | \$624 mil | \$565 mil |

Over the years, the IRS filters have struggled with high false detection rates, resulting in refund delays until taxpayers verify the information reported on their returns. Thus, a significant percentage of returns held during FS 2026 may represent correct returns being held, thereby suspending the refund until the taxpayer verifies the return information. Despite this, the IRS does not reach out to affected taxpayers beyond the initial notification. Therefore, taxpayers who expect a refund but have not yet received it should contact the

³⁷ IRM 25.25.6.1.7, Taxpayer Protection Program Overview (Oct. 1, 2025), https://www.irs.gov/irm/part25/irm_25-025-006r.

³⁸ Joint Operations Center (JOC) Enterprise Telephone Data Reporting, week ending April 18, 2026. The international TPP line has a much higher LOS, 85% for FS 2026 through April 18, 2026. However, this line accounts for fewer than 1% of all TPP calls. LOS only includes those taxpayers who get past the initial prompts and wait in the queue to speak with a live assistor.

³⁹ IRS response to TAS information request (May 18, 2026).

⁴⁰ *Id.*

⁴¹ *Id.*

IRS to determine whether their refund is being held for possible identity verification. One positive change this year is that the IRS was able to verify taxpayers' returns and release the refunds without taxpayer intervention for far more selected returns than in FS 2025.⁴²

Non-Identity Theft Refund Fraud

The IRS also continued to hold returns suspected of non-identity theft refund fraud. These returns are often delayed because the IRS is verifying income and withholding information on the taxpayer's return against third-party documentation, such as W-2 data. Again, the objective is legitimate, but the burden falls on taxpayers when the IRS selects legitimate returns and those taxpayers' refunds are frozen while they wait for the IRS to verify the information on the return.

From January through April 15, 2026, the refund fraud filters flagged approximately 218,000 returns as potentially fraudulent, suspending processing of these returns. This was down roughly 13% from the approximately 250,000 returns selected during the same period last year.⁴³ Of those selected in FS 2026, the IRS verified 62,000 returns (roughly 28%) for refund issuance as of April 15, 2026. This is down from the roughly 42% of returns verified during the same period last year.⁴⁴

Figure 2.5 provides more details about returns suspended due to non-identity theft refund fraud.

FIGURE 2.5, Non-Identity Theft Refund Fraud, Filing Seasons 2025 and 2026⁴⁵

| | January 1, 2025 (Through April 16, 2025) | January 1, 2026 (Through April 15, 2026) |
|--|---|---|
| Number of Potentially Fraudulent Tax Returns Selected | 250,000 | 218,000 |
| Dollar Amount of Potentially Fraudulent Refunds Selected | \$3.3 bil | \$2.4 bil |
| Number of Selected Tax Returns Identified for Release | 104,000 | 62,000 |

Unfortunately, taxpayers who filed legitimate returns that were caught by these filters experienced prolonged refund delays, often resulting in financial hardship. The IRS should continue improving filter accuracy and increasing transparency by providing taxpayers with clearer information about what is happening and what taxpayers can do to help resolve the issue.

Identity Theft Victim Assistance Cases

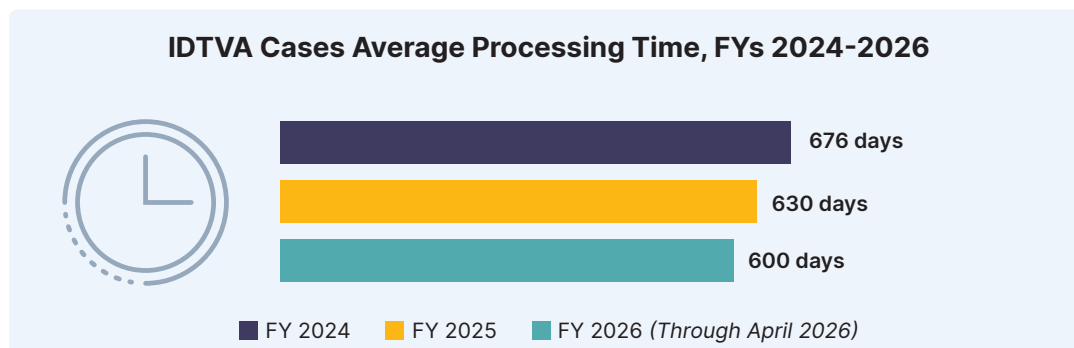
Taxpayers whose returns are rejected because an identity thief has already filed a return generally must file Form 14039, Identity Theft Affidavit, along with a paper return. Typically, in these situations, an identity thief has already filed a fraudulent return using the taxpayer's personal identifying information, such as the Social Security number of either the taxpayer or the taxpayer's dependent. Once the IRS receives the form and the paper tax return, it will open an IDTVA case, and it will not issue the taxpayer's refund until it resolves the case.

42 IRS response to TAS information request (May 18, 2026).

43 *Id.*

44 *Id.*

45 *Id.*

FIGURE 2.6⁴⁶

IRS processing times for IDTVA cases remain extremely high, and these victims must wait far too long to have their identity theft issues resolved.⁴⁷ These delays undermine both a taxpayer's *right to quality service* and confidence that the tax administration system can effectively protect and assist victims.⁴⁸ More than 500,000 identity theft victims continue to wait an average of about 20 months for the IRS to release refunds or resolve their cases.⁴⁹

It is unclear what's causing the delays in processing IDTVA cases, whether it is failure to devote enough resources, or inefficient processes. As of February 21, 2026, there were 1,321 full-time equivalent employees assigned to the IDTVA unit.⁵⁰ However, it is standard practice for the IRS to assign these employees other tasks during the filing season, such as answering phones. In fact, 15% of IDTVA employees' total hours worked were devoted to working the telephone lines during the filing season, thereby taking them away from working IDTVA cases.⁵¹

The IRS is moving toward decentralizing how identity theft cases are worked. It's obvious that changes are needed, yet it is unclear how decentralization will solve this problem. In the past, the IRS worked these cases in a decentralized fashion, which led to fragmented processing and needless transferring of cases between different functions, leading to taxpayer confusion and frustration.⁵² Prior to working IDTVA cases, employees must receive extensive specialized training to research and investigate these cases. As the IRS considers distributing this work more broadly, TAS urges it to move cautiously and consider the downfalls of such an approach, while monitoring the results and impact to taxpayers once a change is implemented. Further, it must ensure all employees who work these cases have sufficient training.⁵³

46 IRS, AM IDTVA, Research Analysis and Data, Correspondence Imaging System (CIS) Closed Case Cycle Time for the Identity Theft (IDT) Victims Unit Reports (through April 2026). National Taxpayer Advocate Fiscal Year 2026 Objectives Report to Congress 1, 4 (*Review of the 2025 Filing Season*), https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2025/06/JRC26_SAO_ReviewFiling.pdf.

47 IRS response to TAS information request (May 18, 2026).

48 See TBOR, <https://www.taxpayeradvocate.irs.gov/taxpayer-rights> (last visited June 1, 2026). The rights contained in TBOR are also codified in IRC § 7803(a)(3).

49 IRS Accounts Management Inventory Report, National Detail Report (week ending Apr. 18, 2026).

50 IRS response to TAS information request (May 18, 2026).

51 *Id.*

52 See National Taxpayer Advocate 2013 Annual Report to Congress 75 (Most Serious Problem: *The IRS Should Adopt a New Approach to Identity Theft Victim Assistance that Minimizes Burden and Anxiety for Such Taxpayers*), <https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2020/10/IDENTITY-THEFT-The-IRS-Should-Adopt-a-New-Approach-to-Identity-Theft.pdf>.

53 See Systemic Advocacy Objective: *Reduce Delays for Victims of Identity Theft*, *infra*.

TAXPAYER SERVICE

Calls to the IRS Decreased Slightly, But Live Assistors Answered Significantly Fewer Calls

The IRS operates approximately 100 toll-free phone lines for taxpayers and representatives, collectively referred to as Enterprise lines.⁵⁴ Taxpayers calling the IRS are often seeking help with urgent and often stressful issues. For many taxpayers, calling the IRS is the most direct, and sometimes the only practical way to resolve these problems. Vulnerable populations bear the burden of inadequate phone service more heavily. Low-income taxpayers, older individuals, rural residents, and taxpayers with limited English proficiency rely disproportionately on telephone assistance.

During FS 2026, the IRS received over 48 million calls to its Enterprise lines, which is a slight decrease from the over 50 million calls during the same period last filing season.⁵⁵ As shown in Figure 2.7, the AM lines, which only include 30 of the approximately 100 IRS phone lines, also saw a slight decrease in calls during FS 2026.⁵⁶

FIGURE 2.7, IRS Phone Results, Filing Seasons 2025 and 2026⁵⁷

| Phone Lines | FS 2025 (Through April 19, 2025) | FS 2026 (Through April 18, 2026) | Percent Change FS 2025 - FS 2026 |
|-----------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| Enterprise Total Lines | | | |
| Total Calls Received | 50.2 mil | 48.1 mil | ▼ -4% |
| Calls Answered by CSRs | 12.4 mil | 9.9 mil | ▼ -20% |
| Voicebot Volume | 26.6 mil | 27.6 mil | ▲ 4% |
| Percent of Calls Answered by CSRs | 25% | 21% | ▼ -16% |
| CSR Level of Service | 70% | 56% | ▼ -20% |
| Assistor Service Rate | N/A | 56% | N/A |
| Service Completion Rate | N/A | 58% | N/A |
| Time on Hold (in Minutes) | 8 | 14 | ▲ 81% |
| Accounts Management Lines | | | |
| Calls Received | 33.5 mil | 32.8 mil | ▼ -2% |
| Calls Answered by CSRs | 8.9 mil | 6.9 mil | ▼ -22% |
| Voicebot Volume | 18.2 mil | 21 mil | ▲ 16% |
| Percent of Calls Answered by CSRs | 27% | 21% | ▼ -21% |
| CSR Level of Service | 87% | 73% | ▼ -17% |
| Assistor Service Rate | N/A | 73% | N/A |
| Service Completion Rate | N/A | 68% | N/A |
| Time on Hold (in Minutes) | 3 | 8 | ▲ 161% |

54 See TIGTA, Ref. No. 2025-100-040, *Telephone Level of Service and Average Wait Times Do Not Fully Reflect the Taxpayer Experience 4* (2025), <https://www.oversight.gov/reports/audit/telephone-level-service-and-average-wait-times-do-not-fully-reflect-taxpayer>.

55 IRS, JOC, Snapshot Reports: Enterprise Snapshot, Enterprise Total (week ending Apr. 18, 2026); IRS, JOC, Voice Bot Report (week ending Apr. 18, 2026); IRS, JOC, Snapshot Reports: Enterprise Snapshot, Enterprise Total (week ending Apr. 19, 2025); IRS, JOC, Voice Bot Report_FY25 (week ending Apr. 19, 2025); email from Taxpayer Services to TAS Research (June 4, 2025) (on file with TAS).

56 The 30 lines include the Individual Income Tax Services (primary line for individual taxpayers), Business and Specialty Tax Services, and Practitioner Priority Service lines. IRS response to TAS information request (May 18, 2026).

57 IRS, JOC, Snapshot Reports: Enterprise Snapshot, Enterprise Total (week ending Apr. 18, 2026); IRS, JOC, Snapshot Reports: Enterprise Snapshot, AM (week ending Apr. 18, 2026); IRS, JOC, Voice Bot Report (week ending Apr. 18, 2026); IRS, JOC, Snapshot Reports: Enterprise Snapshot, Enterprise Total (week ending Apr. 19, 2025); IRS, JOC, Snapshot Reports: Enterprise Snapshot, AM (week ending Apr. 19, 2025); IRS, JOC, Voice Bot Report_FY25 (week ending Apr. 19, 2025); email from Taxpayer Services to TAS Research (June 4, 2025) (on file with TAS); email from Taxpayer Services to TAS Research (June 6, 2025) (on file with TAS). Table values are rounded, but the Percent Change column is computed with exact values.

Across the Enterprise lines, customer service representatives (CSRs) answered 20% fewer calls and voicebot volume increased by 4%.⁵⁸ The IRS only considered 17% of voicebot volume as completed by the voicebot. Approximately 46% of callers transferred to a live assistor while roughly 14% disconnected.⁵⁹ Utilizing voicebot technology could help improve taxpayer service, but only if it accurately addresses the issues and focuses on the outcomes taxpayers expect and need. Given the high rate of callers transferring from a voicebot to a CSR, the IRS still has work to do on improving voicebot technology to handle taxpayer issues accurately.

The IRS continued to offer callback options for callers seeking live assistance on its main toll-free phone applications when CSRs were available. If the IRS projects the call wait time will exceed a certain length and it estimates the callback will fit within IRS available phone hours, the system offers the caller the opportunity to provide their callback number, hang up, and move on with other activities while awaiting a callback once an assistor becomes available. During FS 2026, the IRS successfully connected over 85% of callers who elected to use the callback service to an assistor.⁶⁰

Figure 2.8 summarizes calls received, calls answered, and time on hold for some of the IRS's busiest phone lines, ranked by the number of calls received.⁶¹

FIGURE 2.8, Metrics for the Ten Most Frequently Called Phone Lines, Filing Season 2026 Through April 18, 2026⁶²

| Phone Line | Calls Received | Number of Calls Answered by a CSR | Percentage of Calls Answered by a CSR | Time on Hold (Minutes) |
|---|----------------|-----------------------------------|---------------------------------------|------------------------|
| Installment Agreement/Balance Due | 3.4 mil | 1.1 mil | 31% | 45 |
| Individual Income Tax Services | 2.7 mil | 1.8 mil | 67% | 8 |
| Taxpayer Protection Program | 2.4 mil | 459,000 | 19% | 20 |
| Business & Specialty Tax Services | 2.1 mil | 1.1 mil | 51% | 13 |
| Wage and Investment Identity Theft | 1.4 mil | 573,000 | 41% | 9 |
| Taxpayer Assistance Center Appointments | 1.2 mil | 718,000 | 61% | 6 |
| Automated Collection System | 1.2 mil | 642,000 | 55% | 19 |
| Practitioner Priority Service | 1.0 mil | 744,000 | 72% | 8 |
| Forms Order | 677,000 | 348,000 | 51% | 22 |
| Tax Law | 598,000 | 469,000 | 78% | 4 |

Two lines were especially concerning. The TPP line and the Installment Agreement/Balance Due line continued to provide poor service, jeopardizing taxpayers' *right to quality service*.⁶³ As indicated in Figure 2.8, the TPP phone line, which assists taxpayers with identity theft verification, received nearly 2.4 million calls, of

58 IRS, JOC, Snapshot Reports: Enterprise Snapshot, Enterprise Total (week ending Apr. 18, 2026); IRS, JOC, Voice Bot Report (week ending Apr. 18, 2026); IRS, JOC, Snapshot Reports: Enterprise Snapshot, Enterprise Total (week ending Apr. 19, 2025); email from Taxpayer Services to TAS Research (June 4, 2025) (on file with TAS). The IRS uses voicebots on 28 phone lines, including on six AM lines. IRS response to TAS information request (May 18, 2026).

59 IRS, JOC, Voice Bot Report (week ending Apr. 18, 2026).

60 IRS response to TAS information request (May 18, 2026); National Taxpayer Advocate 2026 Objectives Report to Congress 1, 5 (*Review of the 2025 Filing Season*), https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2025/06/JRC26_SAO_ReviewFiling.pdf.

61 IRS, JOC, Snapshot Reports: Product Line Detail, Enterprise Performance (week ending Apr. 18, 2026). Percentage of Calls Answered by CSRs reflects the number of calls answered by CSRs divided by the number of calls received. This was computed based on actual numbers rather than rounded numbers. All numbers in Figure 2.8 are rounded. Because voicebot data was not available for all phone lines, it was not included in the "Calls Received" column or the "Percentage of Calls Answered by a CSR" calculation.

62 *Id.*

63 See TBOR, <https://www.taxpayeradvocate.irs.gov/taxpayer-rights> (last visited June 1, 2026). The rights contained in TBOR are also codified in IRC § 7803(a)(3).

which CSRs answered only about 459,000, after callers waited an average of 20 minutes.⁶⁴ That is not a minor inconvenience. Taxpayers cannot receive refunds until identity issues are resolved, and the IRS's notice process is often confusing enough that taxpayers need a live assistor to finish the job.⁶⁵ A taxpayer's inability to reach a CSR on the TPP line was another barrier to taxpayers verifying their identity and receiving their refund. The IRS must prioritize the TPP phone line and commit to improving assistance to these taxpayers.

In FS 2026, the Installment Agreement/Balance Due line was another critical pain point. It received 3.4 million calls, of which the IRS answered only 1.1 million. Those taxpayers who spoke with a live assistor waited on hold an average of 45 minutes.⁶⁶ This is one of the IRS's most important service channels because it helps taxpayers understand what they owe, arrange payment, and avoid collection actions. When the IRS cannot respond effectively on this line, taxpayers risk liens, levies, penalties, and unnecessary distress.

Accessible phone service remains essential to protecting taxpayer rights, particularly for taxpayers with complex issues that cannot be resolved through online tools.

IRS Changes How It Tracks Phone Service

The IRS has long used LOS as a phone metric, but it was never a true measure of taxpayer experience. TAS has criticized the measure for years because it tells us very little about whether a taxpayer actually got the help they needed.⁶⁷

For each filing season, the IRS would set an LOS goal for AM phone lines that required the IRS to staff phone lines to meet call demand at peak times, often leaving the lines overstaffed at other times.⁶⁸ Because of antiquated technology and other constraints, CSRs could not seamlessly shift between answering calls and processing paper or manual workloads, leading to substantial idle time.

For FS 2026, the IRS set a 70% LOS goal for the AM phone lines, compared to an 85% goal in FS 2025.⁶⁹ This change contributed to a significant decline in CSR idle time, which was almost 333,000 hours during FS 2026, down from over a million hours in FS 2025.⁷⁰ Despite reducing CSR idle time, the amount of inventory requiring manual processing at the end of the filing season increased as compared to last year.⁷¹

64 IRS, JOC, Snapshot Reports: Product Line Detail, Enterprise Performance (week ending Apr. 18, 2026).

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

66 IRS, JOC, Snapshot Reports: Product Line Detail, Enterprise Performance (week ending Apr. 18, 2026).

67 See, e.g., National Taxpayer Advocate 2025 Annual Report to Congress 33 (Most Serious Problem: *Telephones: The IRS Does Not Accurately Measure the Quality of Telephone Service*), https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2026/01/ARC_Publication-2104_2025_Web.pdf#page=68; National Taxpayer Advocate 2023 Annual Report to Congress 48 (Most Serious Problem: *Telephone and In-Person Service: Despite Improvements in Its Service Levels, the IRS Still Does Not Provide Taxpayers and Tax Professionals with Adequate, Timely Telephone and In-Person Service*), https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2024/01/ARC23_MSP_04_Telephone-InPerson.pdf.

68 AM is a subset of 30 IRS telephone lines, including the Individual Income Tax Services (primary line for individual taxpayers), Business and Specialty Tax Services, and Practitioner Priority Service lines. IRS response to TAS information request (May 18, 2026).

69 IRS response to TAS information request (May 18, 2026); National Taxpayer Advocate Fiscal Year 2026 Objectives Report to Congress 1, 4 (*Review of the 2025 Filing Season*), https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2025/06/JRC26_SAO_ReviewFiling.pdf. The IRS replaced LOS with Assistor Service Rate in January 2026, but the 70% goal remained in place. IRS response to TAS information request (May 18, 2026).

70 IRS response to TAS information request (May 18, 2026); National Taxpayer Advocate Fiscal Year 2026 Objectives Report to Congress 1, 4 (*Review of the 2025 Filing Season*), https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2025/06/JRC26_SAO_ReviewFiling.pdf.

71 IRS response to TAS information request (May 18, 2026).

In January 2026, AM replaced the LOS metric with the Assistor Service Rate (ASR).⁷² ASR serves as a resource-driven measure to help determine live assistance funding rather than a customer experience metric.⁷³ That is a step in the right direction, but the IRS must ensure ASR is used to improve taxpayer outcomes, not merely justify staffing levels.

FIGURE 2.9⁷⁴

Level of Service Formula vs. Assistor Service Rate for AM Lines, FS 2026

| Level of Service Formula <i>Used prior to FS 2026</i> | Assistor Service Rate Formula <i>In use for FS 2026 and beyond</i> |
|--|---|
| $\frac{\text{(Assistor Calls Answered + Info Messages)}}{\text{(Assistor Calls Answered + Info Messages + Telephone Secondary Abandons)}}$ | $\frac{\text{(Assistor Calls Answered + Info Messages + Assistor Live Chat Completions)}}{\text{(Assistor Calls Answered + Info Messages + Telephone Secondary Abandons + Assistor Live Chat Completions + Live Chat Abandons)}}$ |
| = 72.5% | = 72.6% |

Note: The denominator for both formulas also includes a calculation of calls that represent network busies and emergency or other network disconnects.

As the IRS implements ASR, it should ensure ASR is used not only to assess live assistance demand, but also to inform staffing decisions that balance phone coverage with the timely processing of paper returns and correspondence. If the IRS uses ASR to increase phone staffing without accounting for unresolved inventories and repeat contacts, it risks replicating the same distortions inherent in LOS. TAS supports this shift away from the LOS measure, but a better metric should help the IRS understand how much live assistance taxpayers need and how to staff accordingly. The bigger question is still the same: Are taxpayers getting timely help, and is the IRS balancing phone service with the processing of paper, correspondence, and other work that also affects taxpayer rights?

A metric only matters if it helps the IRS make decisions that improve the taxpayer's actual experience.

Taxpayer 360 Remains a Work in Progress

Taxpayers should not have to repeat themselves, and IRS employees should not have to search across multiple systems to answer basic questions. That is the promise of Taxpayer 360: giving CSRs a single view of taxpayer information so they can assist taxpayers more effectively.

⁷² TAS Recommendations and IRS Responses, TAS Recommendation 3-1 (2025).

⁷³ *Id.*; National Taxpayer Advocate 2025 Annual Report to Congress 38 (Most Serious Problem: *Telephones: The IRS Does Not Accurately Measure the Quality of Telephone Service*), https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2026/01/ARC_Publication-2104_2025_Web.pdf#page=68.

⁷⁴ JOC, Telephone Performance Measure Comparison Report (week ending Apr. 18, 2026).

The IRS launched Taxpayer 360 in FY 2025, but as of the 2026 filing season it had not achieved the goal of a single, integrated taxpayer view. However, the IRS has rolled out other tools for CSRs as a broader part of the Taxpayer 360 project:⁷⁵

- 1) “Archie,” an AI-enabled tool to help CSRs conduct research in the Internal Revenue Manual (IRM). This is available to about 12,000 CSRs; and
- 2) New call management tools that help CSRs receive incoming calls and perform authentication. These tools are still being rolled out and were available to about 500 CSRs as of May 2026.

Those are promising steps, but Taxpayer 360 is still more of a work in progress than a finished product. The IRS should continue prioritizing tools that allow employees to resolve taxpayer issues accurately and efficiently during the first contact whenever possible.

Online Accounts Provide Valuable Self-Service Options for Taxpayers and Tax Professionals

The IRS offers self-service tools for taxpayers and tax professionals through Individual Online Accounts (IOLAs), Business Tax Account, and Tax Pro Account (collectively “online accounts”).⁷⁶ These tools provide online access to assistance and reduce the need for phone calls or in-person visits to a Taxpayer Assistance Center (TAC).

Online Account Usage

Online accounts continue to be one of the IRS’s most valuable service improvements. Taxpayers and tax professionals use them for self-service, refund tracking, notices, payment plans, and other account actions that reduce the need for phone calls and TAC visits. During FS 2026, taxpayers logged into IOLA almost 121 million times and tax professionals logged into Tax Pro Account close to 683,000 times.⁷⁷ Through April 30 of FY 2026, taxpayers accessed Business Tax Account over 1.8 million times.⁷⁸ Continuing to add useful functionality to online accounts makes their use more appealing to taxpayers and tax professionals.

New Functions for the Filing Season

In FY 2026, the IRS expanded IOLA functions to include the ability to:

- Submit Form 4547, Trump Account Election(s), and view status;⁷⁹
- Update direct deposit information (for taxpayers who receive a CP53E);
- Upload documents in response to select notices; and
- Receive refund status notifications.⁸⁰

For Business Tax Account, in FY 2026 the IRS added the ability:

- For partnerships, government entities, tax-exempt organizations, and Indian Tribal governments to create accounts;⁸¹ and
- To make extension, audit, amended, and offer in compromise payments.⁸²

⁷⁵ IRS response to TAS information request (May 18, 2026).

⁷⁶ IRS, Your Account (Mar. 5, 2026), <https://www.irs.gov/your-account>.

⁷⁷ IRS response to TAS information request (May 18, 2026).

⁷⁸ IRS response to TAS information request (May 22, 2026).

⁷⁹ IRS, Online Account for Individuals (May 8, 2025), <https://www.irs.gov/payments/online-account-for-individuals>.

⁸⁰ IRS response to TAS information request (May 18, 2026).

⁸¹ IRS, Business Tax Account (Apr. 23, 2026), <https://www.irs.gov/businesses/business-tax-account>.

⁸² IRS response to TAS information request (May 22, 2026).

In FY 2026, the IRS expanded Tax Pro Account functions to include the ability to:

- Link a business Centralized Authorization File (CAF) number;⁸³ and
- Manage a business CAF number to add and remove authorized users and view and withdraw active authorizations.⁸⁴

Taxpayer Use of Online Account Functions

Using IOLA, taxpayers can access 25 different information returns. During FS 2026, taxpayers viewed those information returns more than 3.7 million times.⁸⁵ This functionality helps taxpayers prepare accurate returns. The ability to see information return documents would also greatly benefit tax professionals, particularly when they are preparing or amending a tax return for their client. Ideally, the IRS should provide authorized tax preparers with the ability to download their clients' information returns from Tax Pro Account into the software of choice early in the filing season.

Through IOLA, taxpayers are able to view over 200 types of IRS notices and letters online. During FS 2026, taxpayers viewed letters and notices using IOLA over 12.6 million times. Unfortunately, Tax Pro Account does not yet provide tax professionals with access to notices and letters.⁸⁶ Enabling authorized representatives to view notices directly in Tax Pro Account would reduce taxpayer burden by eliminating the need for taxpayers to download, print, and transmit notices to their representatives; reduce the risk that taxpayers will inadvertently fail to respond; and allow tax professionals to begin reviewing and responding to the IRS on behalf of or in coordination with the taxpayer without delay.

Taxpayers also continued to use online accounts to establish or modify payment plans. During FS 2026, taxpayers used IOLA to create over 58,000 short-term payments plans and over 93,000 long-term payment plans.⁸⁷ Using IOLA, taxpayers can learn about payment plan options, apply for a new payment plan, view and revise an existing payment plan, and create a payment plan for the amount a taxpayer expects to owe in the current tax year.⁸⁸ Authorized representatives can also use Tax Pro Account to set up payment plans on behalf of taxpayers.⁸⁹ These tools allow taxpayers and their authorized representatives to quickly and easily establish payment plans, reducing taxpayer stress and providing them with a practical path to meet their obligations.

Still, there is more to do to protect taxpayers' *right to quality service*.⁹⁰ The IRS should continue to prioritize expanding online account functionality to allow taxpayers to conduct all transactions with the IRS from the "one-stop shop" of an online account, just as they can with other financial institutions, while preserving meaningful alternatives for taxpayers who cannot or should not be required to use digital tools.

Online Refund Status Tools

Each year, millions of taxpayers rely on the IRS's *Where's My Refund?* and *Where's My Amended Return?* tools to track the status of their refunds. Those tools are valuable because they give taxpayers information without having to call the IRS or wait for a paper notice.

83 IRS, Tax Pro Account (Mar. 26, 2026), <https://www.irs.gov/tax-professionals/tax-pro-account>.

84 IRS response to TAS information request (May 18, 2026).

85 IRS response to TAS information request (May 18, 2026) (through March 31, 2026).

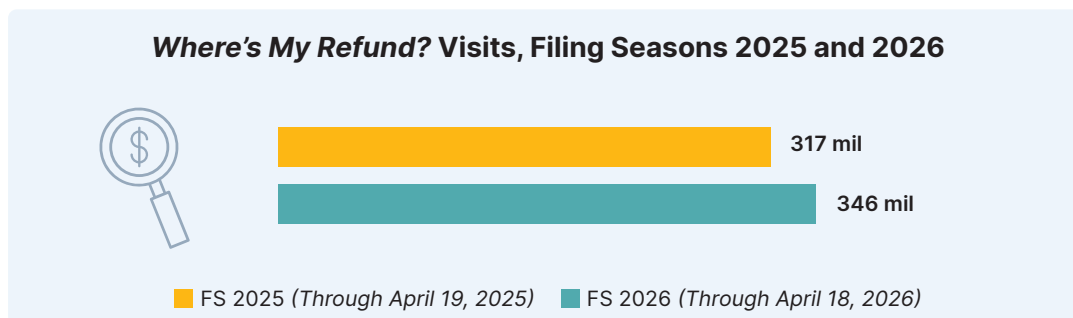
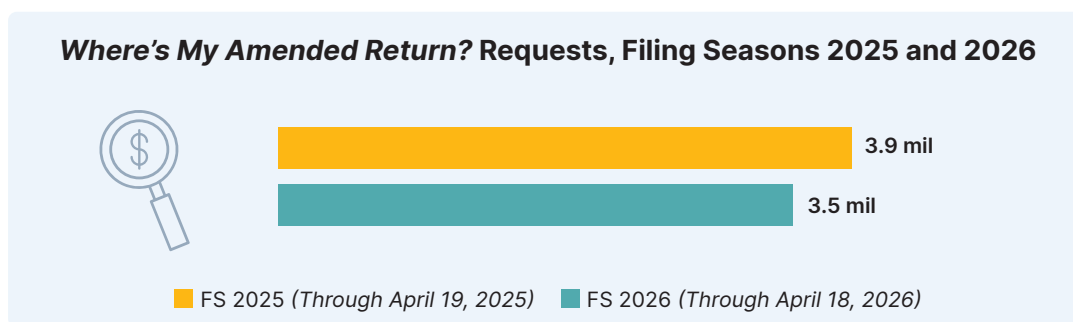
86 IRS response to TAS information request (May 18, 2026).

87 IRS response to TAS information request (May 18, 2026) (through March 31, 2026).

88 IRS, Online Account for Individuals (May 8, 2025), <https://www.irs.gov/payments/online-account-for-individuals>.

89 IRS, Tax Pro Account (Mar. 26, 2026), <https://www.irs.gov/tax-professionals/tax-pro-account>. Tax Pro also provides the ability to create or modify payment plans, but the IRS did not have available data. IRS response to TAS information request (May 18, 2026).

90 See TBOR, <https://www.taxpayeradvocate.irs.gov/taxpayer-rights> (last visited June 1, 2026). The rights contained in TBOR are also codified in IRC § 7803(a)(3).

FIGURE 2.10⁹¹FIGURE 2.11⁹²

Over the years, the *Where's My Refund?* tools have become more accessible to taxpayers and provided more information regarding their refund status. For example, in FS 2025, the IRS enhanced these tools by clarifying instructions, optimizing mobile access, and enabling usage by certain identity theft victims. In addition, the IRS integrated the *Where's My Amended Return?* tool into individual online accounts in May 2025, a welcome and needed functionality for online accounts. In FS 2026, the *Where's My Refund?* tools provided especially useful information to taxpayers whose bank account or routing numbers on their returns are missing or invalid. These taxpayers didn't have to wait to receive a CP53E from the IRS but could visit the *Where's My Refund?* tool and obtain information on next steps.⁹³ This is a good example of the IRS giving taxpayers information when they need it, in a form they can use.

Staffing Challenges Strain Face-to-Face Help at Taxpayer Assistance Centers

For some taxpayers, phone and online service are not enough. They need face-to-face help, especially when they must verify their identity, review records, or resolve a complex issue that cannot be handled well remotely. TACs protect the *right to quality service* by giving these taxpayers access to in-person assistance.⁹⁴

91 CY 2026 Individual Post Filing Season Report Week Ending Apr. 19, 2026 (May 21, 2026). This count only includes online requests for refund status; additional inquiries were made via voicebot or refund assistor line.

92 IRS, Integrated Customer Communications Environment (ICCE), *Where's My Amended Return?* (Jan. 1, 2025 - Mar. 31, 2025); IRS, Online Tools and Integrated Services (OTIS), *Where's My Amended Return?* (Apr. 1-19, 2025, and Jan. 1, 2026 - Apr. 18, 2026). The IRS retired the ICCE data tracking system on March 31, 2025, and began tracking data in OTIS on April 1, 2025.

93 IRS News Release, IR-2026-43, Tax Filing Season Progressing Smoothly With Timely Refund Processing and a High Use of Electronic Filing (Apr. 2, 2026), <https://www.irs.gov/newsroom/tax-filing-season-progressing-smoothly-with-timely-refund-processing-and-a-high-use-of-electronic-filing>.

94 See TBOR, <https://www.taxpayeradvocate.irs.gov/taxpayer-rights> (last visited June 1, 2026). The rights contained in TBOR are also codified in IRC § 7803(a)(3).

TACs are located across the country, including the District of Columbia and Puerto Rico, but TAC staffing in FS 2026 was a serious concern. As of April 15, 2026, there were 353 TACs, but only 42 of them were fully staffed, a substantial decline from the 102 fully staffed TACs in FS 2025. Of the remaining 311 TACs, 281 were understaffed and 30 were unstaffed.⁹⁵

Total assistance hours at TACs fell 38% in FS 2026 from last year's total, although the number of completed scheduled appointments increased. Through April 18, 2026, the IRS provided almost 271,400 hours of in-person assistance at TACs, compared to 440,900 hours in FS 2025. The IRS completed almost 325,000 scheduled appointments for face-to-face assistance at TACs in FS 2026, compared to 302,000 in FS 2025.⁹⁶

Taxpayers generally have to schedule an appointment to receive service at a TAC but can receive service under certain conditions without an appointment, such as if the taxpayer is experiencing a hardship or if the TAC has capacity to provide service without disrupting scheduled appointments.⁹⁷ This is generally subject to the TAC manager's discretion. During FS 2026, TACs assisted just under 76,000 taxpayers without appointments, roughly the same as the over 75,000 such interactions in FS 2025.⁹⁸

The IRS continued its pilot program to assist taxpayers without appointments at select TAC locations. As part of this program, the taxpayer can seek virtual assistance from another participating TAC with service capacity. During FS 2026, 45 TAC locations provided this service with the support of assistors from remote TAC locations, depending on the availability of assistors. This is an increase from the 25 TAC locations offering this service in FS 2025. Given the success of this program, the IRS plans to integrate it into Taxpayer Experience Day events and transition this pilot into a permanent component of Field Assistance operations.⁹⁹ TAS commends the IRS for providing much-needed assistance to these taxpayers who had not scheduled an appointment and making effective remote-assistance options a permanent component of Field Assistance operations.

To make an appointment, taxpayers must call the TAC Appointment toll-free phone line. In FS 2026, live assistors answered only 61% of the 1.2 million calls made to that line, with an average hold time of six minutes.¹⁰⁰ Before scheduling an appointment, IRS assistors on the TAC Appointment line first try to determine the taxpayer's need and direct them to resources where they may find answers to their questions. If the assistor cannot resolve the issue, the assistor helps the taxpayer make the appointment.

This year, the IRS gave taxpayers the option to sign up for text messages to receive confirmation and reminders of their appointment, notifications that they have successfully checked in and that it is their turn to see a representative, and cancellation messages in the event there is an unforeseen closure. This can be particularly valuable information since TACs were closed unexpectedly for over 17,000 hours in FS 2025, primarily for staffing reasons.¹⁰¹ Of the roughly 777,400 TAC appointments created during this year's filing season, 404,400 included a request for text message reminders.¹⁰²

95 IRS response to TAS information request (May 18, 2026).

96 *Id.*; National Taxpayer Advocate Fiscal Year 2026 Objectives Report to Congress 1, 16-17 (*Review of the 2025 Filing Season*), https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2025/06/JRC26_SAO_ReviewFiling.pdf.

97 IRM 21.3.4.2.3.2, TAC Appointment Exception Procedures (Feb. 14, 2025), https://www.irs.gov/irm/part21/irm_21-003-004r.

98 IRS response to TAS information request (May 18, 2026); National Taxpayer Advocate Fiscal Year 2026 Objectives Report to Congress 1, 16-17 (*Review of the 2025 Filing Season*), https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2025/06/JRC26_SAO_ReviewFiling.pdf.

99 IRS response to TAS information request (May 18, 2026); National Taxpayer Advocate Fiscal Year 2026 Objectives Report to Congress 1, 16-17 (*Review of the 2025 Filing Season*), https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2025/06/JRC26_SAO_ReviewFiling.pdf.

100 IRS, JOC, Snapshot Reports: Product Line Detail, Enterprise Performance (week ending Apr. 18, 2026).

101 IRS response to TAS information request (May 18, 2026); National Taxpayer Advocate Fiscal Year 2026 Objectives Report to Congress 1, 16-17 (*Review of the 2025 Filing Season*), https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2025/06/JRC26_SAO_ReviewFiling.pdf.

102 IRS responses to TAS information request (May 18, 2026 and May 20, 2026).

The IRS provided approximately 18,300 extended weekly office hours at 210 TACs around the country and served over 7,000 taxpayers during these extended hours. While this is an increase from the 15,000 extended weekly hours from last year, it is a substantial decline from the 25,700 taxpayers served in these hours in FS 2025.¹⁰³

The IRS opened 100 TACs around the country for Taxpayer Experience Days on one Saturday per month. About 8,100 taxpayers received assistance at the Saturday events, less than the 8,800 who received assistance at Saturday events in FS 2025.¹⁰⁴

The IRS provides two alternative service options for taxpayers in areas TACs do not serve. First, the IRS assists taxpayers virtually by using video communications known as Virtual Service Delivery (VSD). To receive virtual assistance through this program, the taxpayer must use equipment provided at an established VSD partner site, such as a community organization. Between January 1 and April 15, 2026, the number of VSD partner sites increased from 18 to 21, and through April 18, 2026, VSD sites assisted 254 taxpayers.¹⁰⁵

Second, the IRS has a pilot program that provides virtual assistance through web-based software with its Web Service Delivery (WebSD). The IRS plans to convert this program into a permanent offering. Taxpayers may make WebSD appointments to meet virtually with an IRS assistor and discuss issues such as math error notices and refund inquiries. From January 1 through April 15, 2026, the IRS scheduled 3,645 WebSD appointments and completed 2,162 of them.¹⁰⁶ TAS commends these changes and urges continued investment to broaden reach, especially in underserved areas. As the IRS continues its modernization and efficiency efforts, it must consider service as a high priority, particularly in underserved populations.

The IRS did make some meaningful service improvements, including expanded virtual options, Saturday events, extended office hours, text reminders, and pilot programs for remote assistance, but they do not replace the need for fully staffed, accessible in-person service. As the IRS modernizes, it must ensure taxpayers in rural communities, underserved areas, and populations facing access barriers can still obtain meaningful assistance.

103 IRS response to TAS information request (May 18, 2026); National Taxpayer Advocate Fiscal Year 2026 Objectives Report to Congress 1, 16-17 (*Review of the 2025 Filing Season*), https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2025/06/JRC26_SAO_ReviewFiling.pdf.

104 IRS response to TAS information request (May 18, 2026); National Taxpayer Advocate Fiscal Year 2026 Objectives Report to Congress 1, 16-17 (*Review of the 2025 Filing Season*), https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2025/06/JRC26_SAO_ReviewFiling.pdf.

105 IRS response to TAS information request (May 18, 2026); National Taxpayer Advocate Fiscal Year 2026 Objectives Report to Congress 1, 16-17 (*Review of the 2025 Filing Season*), https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2025/06/JRC26_SAO_ReviewFiling.pdf.

106 IRS response to TAS information request (May 18, 2026).

FIGURE 2.12¹⁰⁷

Taxpayers Assisted Via Expanded Service Options at TACs, Filing Season 2026



FILING ASSISTANCE

Volunteer Tax Return Preparation Services Help Millions Meet Filing Obligations

The Volunteer Income Tax Assistance (VITA) and Tax Counseling for the Elderly (TCE) programs continue to be essential for millions of taxpayers, especially low-income taxpayers, older taxpayers, taxpayers with disabilities, and taxpayers with limited English proficiency. Volunteers help taxpayers prepare and e-file returns, claim refundable credits, and meet their filing obligations.

As in previous filing seasons, eligible taxpayers had the option to seek free tax return preparation and filing assistance from volunteers at virtual, over-the-phone, and in-person sites via the VITA and TCE programs. VITA offers free tax return preparation assistance to people who generally make \$69,000 or less annually, people with disabilities, and taxpayers with limited English proficiency who need assistance in preparing their own tax returns.¹⁰⁸ TCE provides free tax help for individuals aged 60 and older. Many taxpayers depend on the services these two programs offer to meet their income tax return filing requirements and claim refundable credits such as the Earned Income Tax Credit or Child Tax Credit.

The number of volunteers at VITA and TCE sites was about the same this year as last filing season. At the start of 2026, about 71,000 volunteers were trained and able to assist taxpayers at roughly 9,000 VITA and TCE sites.¹⁰⁹ About 30.1% of sites offered virtual or phone assistance services.¹¹⁰ Roughly 93.5% of the sites closed by April 30, 2026.¹¹¹ Figure 2.13 illustrates the number of individual returns prepared by the VITA and TCE programs.

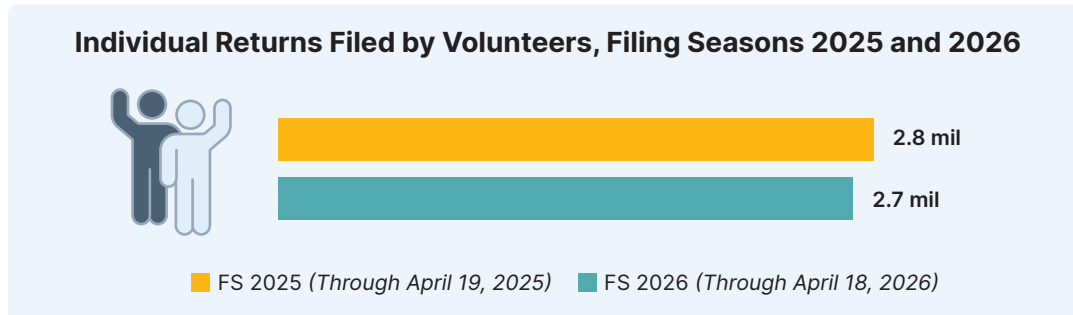
¹⁰⁷ IRS response to TAS information request (May 18, 2026).

¹⁰⁸ See IRS, Free Tax Return Preparation for Qualifying Taxpayers, <https://www.irs.gov/individuals/free-tax-return-preparation-for-qualifying-taxpayers> (last updated Mar. 16, 2026).

¹⁰⁹ IRS response to TAS information request (May 18, 2026).

¹¹⁰ *Id.*

¹¹¹ *Id.*

FIGURE 2.13¹¹²

The National Taxpayer Advocate recognizes and thanks the VITA and TCE volunteers who generously donated their time and knowledge to assist taxpayers. This year, these volunteers assisted taxpayers by preparing around 2.7 million returns, helping them e-file their returns and speed up the payment of their refunds. VITA and TCE volunteers are essential in helping low-income taxpayers, the elderly, taxpayers with disabilities, and limited English-speaking taxpayers fulfill their tax obligations. Millions of taxpayers depend on the generosity and knowledge of the VITA and TCE volunteers, and TAS is grateful for their service and dedication.

These programs are not a luxury; for many taxpayers, they are the only practical path to filing accurately and on time and thus play an essential role in protecting taxpayer rights.

The IRS Provides Taxpayers With Several Ways to File Returns Electronically at No Cost

IRS Free File Alliance

The IRS also continued to offer no-cost electronic filing options through Free File and Free File Fillable Forms. Those tools matter because they help taxpayers prepare and file returns without paying unnecessary fees; however, taxpayers must meet eligibility requirements, and overall usage remains low when compared to the entire tax filing population.

The Free File Alliance, a nonprofit coalition of leading industry tax software providers, partnered with the IRS to help millions of Americans prepare and e-file their federal returns for free.¹¹³ The software options are available to taxpayers with a 2026 adjusted gross income of \$89,000 or less.¹¹⁴ Taxpayers exceeding the income threshold can still file their return at no cost using Free File Fillable Forms available on IRS.gov.¹¹⁵

According to Free File's 2024 program survey, 98% of users would recommend the program to others.¹¹⁶ There have been 3.1 million Free File returns received during FS 2026,¹¹⁷ compared to three million Free File returns for FS 2025, an increase of about 5%.¹¹⁸ And although taxpayers filed approximately 3.1 million returns through Free File in FS 2026, the program is still underutilized and can serve more taxpayers.¹¹⁹ To

112 IRS, CY 2026 Individual Post Filing Season Report for Week Ending April 18, 2026 (May 21, 2026).

113 See Free File Alliance, <https://www.freefilealliance.org/faq/> (last visited May 29, 2026).

114 See IRS, E-file: Do Your Taxes for Free, <https://www.irs.gov/e-file-do-your-taxes-for-free> (last updated Apr. 2, 2026). It should be noted that each participating software company sets its own eligibility requirements, which may be limited to specific states and include other criteria.

115 See IRS, E-file: Do Your Taxes for Free, <https://www.irs.gov/e-file-do-your-taxes-for-free> (last updated Apr. 2, 2026); IRS, Free File Fillable Forms, <https://www.irs.gov/e-file-providers/free-file-fillable-forms> (last updated Apr. 2, 2026).

116 See Free File Alliance, <https://www.freefilealliance.org/> (last visited May 29, 2026).

117 Email from Acting Senior Advisor to the Chief, Taxpayer Services (May 27, 2026) (on file with TAS).

118 IRS response to TAS information request (May 13, 2025).

119 Email from Acting Senior Advisor to the Chief, Taxpayer Services (May 27, 2026) (on file with TAS).

increase usage, the IRS must continue to work with stakeholders, prioritize enhanced outreach, and ensure the Free File Program is prominently advertised and easily accessible on IRS.gov so more eligible taxpayers know about the program and can use it without difficulty.

CHANGES IN THE LAW

Taxpayers Benefit From Several Significant Changes Enacted as Part of the One Big Beautiful Bill Act

On July 4, 2025, the president signed into law what is commonly referred to as the One Big Beautiful Bill (OBBB) Act.¹²⁰ The OBBB Act made more than 100 changes in the tax code, many of which are complex and required significant changes to IRS programming, tax forms and instructions, and taxpayer education materials.¹²¹ One significant change was the creation of “Trump Accounts,” a new type of individual retirement account that parents, guardians, or other authorized individuals can create for their children. The program includes a \$1,000 contribution for children born between January 1, 2025, through December 31, 2028.¹²² As of April 19, 2026, 3.6 million returns filed included a Form 4547, Trump Account Elections, and taxpayers had signed up about 5.5 million children for Trump Accounts.¹²³ As of March 31, 2026, more than one million children were eligible for the \$1,000 contribution.¹²⁴

Other significant tax changes made by the OBBB Act include deductions for senior citizens;¹²⁵ certain tip income;¹²⁶ interest paid on auto loans;¹²⁷ and certain overtime pay.¹²⁸

FIGURE 2.14, Number of Taxpayers Who Claimed These Deductions in FS 2026¹²⁹

| Certain Financial Benefits of the OBBB Act | Number of Filers Claiming OBBB Benefits | Dollars Claimed |
|---|---|-----------------|
| Additional Standard Deduction for Senior Citizens | 23.5 mil | \$177.7 bil |
| Deduction for Certain Tip Income | 6.5 mil | \$45.7 bil |
| Deduction for Certain Auto Loan Interest | 1.3 mil | \$2.3 bil |
| Deduction for Certain Overtime Pay | 26.3 mil | \$82.4 bil |

Taxpayers claimed these deductions on the newly created Schedule 1-A, Additional Deductions. This schedule allows taxpayers to claim these and other new “above the line” deductions (meaning deductions taxpayers can use to reduce their taxable income even if they do not itemize). In addition to the creation of a new schedule, the IRS provided taxpayers with several resources to assist in determining their eligibility and how the deductions should be calculated. Going forward, to assist taxpayers in determining eligibility, amounts to be claimed for these deductions, and avoiding mistakes, the IRS should evaluate what additional information or resources will be most helpful to taxpayers.

120 An Act to Provide for Reconciliation Pursuant to Title II of H. Con. Res. 14, Pub. L. No. 119-21, 139 Stat. 72 (2025) [hereinafter referred to as the “One Big Beautiful Bill Act”].

121 One Big Beautiful Bill Act, Pub. L. No. 119-21, 139 Stat. 72, 74-77 (2025) (listing of tax provisions, which are included in Title VII, Subtitle A of the bill).

122 One Big Beautiful Bill Act, Pub. L. No. 119-21, § 70204, 139 Stat. 72, 179 (2025).

123 Email from IRS Chief of Staff to National Taxpayer Advocate (June 1, 2026) (on file with TAS).

124 IRS News Release, IR-2026-42, 4 Million Children Have Been Signed Up for Trump Accounts With 1 Million Claiming the \$1,000 Pilot Program Contribution (Mar. 31, 2026), <https://www.irs.gov/newsroom/4-million-children-have-been-signed-up-for-trump-accounts-with-1-million-claiming-the-1000-pilot-program-contribution>.

125 One Big Beautiful Bill Act, Pub. L. No. 119-21, § 70103, 139 Stat. 72, 159 (2025).

126 One Big Beautiful Bill Act, Pub. L. No. 119-21, § 70201, 139 Stat. 72, 170 (2025).

127 One Big Beautiful Bill Act, Pub. L. No. 119-21, § 70202, 139 Stat. 72, 174 (2025).

128 One Big Beautiful Bill Act, Pub. L. No. 119-21, § 70203, 139 Stat. 72, 176 (2025).

129 IRS, CDW, IRTF (May 27, 2026).

Clear and comprehensive resources, along with easy-to-understand instructions and examples where appropriate, will ensure that more eligible taxpayers avail themselves of these benefits while being steered away from any possible compliance issues. That work is important because tax law changes only help taxpayers when they can understand and claim benefits correctly. This type of guidance creates the bridge between a statutory benefit and an actual benefit for taxpayers.

CONCLUSION

Overall, FS 2026 showed that the IRS can make meaningful progress when it invests in modernization, automation, and improved online tools. Most taxpayers filed successfully and received refunds without significant delay. That success deserves recognition.

But the filing season also made clear that taxpayers do not experience the IRS through statistics alone. They experience it through whether their refunds arrive on time, whether their notices make sense, whether they can reach a live assistor when they need one, and whether the IRS resolves their problems without forcing them to wait months or years. Those are not minor operational issues; they go directly to the heart of the Taxpayer Bill of Rights. Taxpayers have the *rights to be informed, to quality service, to pay no more than the correct amount of tax, and to challenge the IRS's position and be heard.*

When processing delays, confusing notices, long hold times, inaccessible service channels, and prolonged identity theft cases stand between taxpayers and the resolution they need, those rights are put at risk. The IRS should continue expanding digital services and using technology to reduce burden, but modernization must not become a substitute for human assistance where human assistance is necessary. It must keep the taxpayer at the center of every decision.

The central lesson of FS 2026 is that modernization should narrow, not widen, the gap between taxpayers whose issues can be resolved through automation and those who require individualized assistance. Technology will continue to play an increasingly important role in tax administration, but taxpayer rights require more than efficient systems. They require that taxpayers who encounter problems can obtain meaningful help and timely resolution.

Congress also has an important role to play. Many of the challenges discussed in this report, including identity theft case delays, correspondence backlogs, taxpayer service limitations, and the implementation of major legislative changes cannot be evaluated solely through operational statistics. Continued congressional oversight will be critical to ensure that IRS modernization efforts, staffing decisions, funding priorities, and legislative changes are evaluated not only by measures of efficiency, but by whether they improve outcomes for taxpayers, particularly those who need assistance most.

That standard should continue to guide both IRS modernization efforts and congressional oversight in the years ahead. As tax administration continues to evolve, taxpayers who need individualized assistance should not be left behind; they should be able to obtain meaningful help, timely resolution of their problems, and the full protections of the Taxpayer Bill of Rights.



TAS SYSTEMIC ADVOCACY OBJECTIVES

INTRODUCTION

IRC § 7803(c)(2)(B)(i) requires the National Taxpayer Advocate to submit an annual report to Congress by June 30 outlining the Office of the Taxpayer Advocate's objectives for the upcoming fiscal year (FY). This report is known as the Objectives Report to Congress.

The following section presents key goals and planned activities for FY 2027. These objectives align with the **TAS Strategic Plan: Fiscal Years 2025-2027**, which outlines TAS's vision for improving taxpayer service, fostering a positive employee experience, 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 taxpayers' 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 Systemic Advocacy Objectives align with Goal Three.

TAS Systemic Advocacy Objectives identify areas within IRS tax administration where advocacy can reduce taxpayer burden, prevent harm, and protect taxpayer rights. Similar to the way Most Serious Problems are identified in the Annual Report to Congress, the National Taxpayer Advocate relies on multiple sources to identify key Systemic Advocacy Objectives, including TAS staff experiences, trends in advocacy efforts and our casework, and interactions with practitioners and external stakeholders.

1. PROTECT TAXPAYER RIGHTS AND REDUCE UNCERTAINTY IN IRS ADMINISTRATION OF COVID-19 DISASTER RELIEF CLAIMS

Supports TAS Strategic Goal 3: Influence on Tax Administration

Taxpayers seeking relief under IRC § 7508A for COVID-related claims in light of the *Kwong v. United States* court decision should receive clear information about their rights, timely acknowledgment of their claims, and equitable treatment regardless of whether they are represented or unaware of complex legal developments. Current tax administration places the burden on taxpayers to navigate intricate and evolving legal interpretations and procedures, often without clear guidance or reliable processes. TAS will work with the IRS to improve administration of these claims by promoting standardized processes, enhanced transparency, and systemic solutions that reduce taxpayer burden and ensure similarly situated taxpayers receive similar outcomes.

What Is the Problem?

IRC § 7508A authorizes the IRS to postpone certain tax-related deadlines in the event of a federally declared disaster. Following 2019 amendments, IRC § 7508A(d) provided a mandatory postponement period for qualified taxpayers. During the COVID-19 pandemic (January 20, 2020, through May 11, 2023), the IRS exercised its discretionary authority under IRC § 7508A(a) to postpone certain deadlines but interpreted the mandatory provision under IRC § 7508A(d) narrowly.¹

Recent court decisions, including *Kwong* and *Abdo v. Commissioner*, rejected the IRS's interpretation and significantly expanded the potential scope of relief.² Under *Kwong*, filing and payment deadlines may have been postponed through July 10, 2023, creating the possibility that penalties and interest assessed during this approximately 3.5-year period were improper, potentially entitling taxpayers to refunds or abatements of those penalties and interest.³ Taxpayers who did not file, made overpayments of tax, or did not claim eligible refundable credits on returns due during the COVID-19 pandemic (*i.e.*, generally tax years 2019-2022), may still be able to file tax returns for those years to recover their overpayments or claim their credits. However, the law remains unsettled and further litigation is expected.⁴ Despite this uncertainty, statutory deadlines for filing claims continue to run. Many taxpayers must file claims by July 10, 2026, to preserve their rights while others have additional time to request a refund or an abatement.

IRS processes are not designed to manage the potential volume or complexity of these claims. Claims are generally submitted on paper and manually processed using Form 843, Claim for Refund and Request for Abatement, potentially creating delays and administrative burden. Taxpayers do not necessarily receive confirmation of receipt of the paper Form 843 after submission and there is no reliable way to track claim status online.⁵

¹ See Treas. Reg. § 301.7508A-1(g).

² *Abdo v. Commissioner*, 162 T.C. 148 (2024), *action on dec.*, 2026-1, 2026-23 I.R.B. 1556 (acquiescing in result only); *Kwong v. United States*, 179 Fed. Cl. 382, 386 (2025).

³ See Erin M. Collins, Tens of Millions of Taxpayers May Be Eligible for Significant Tax Refunds – If They Act on or Before July 10 (Part I), NATIONAL TAXPAYER ADVOCATE BLOG (last updated May 28, 2026), <https://www.taxpayeradvocate.irs.gov/news/nta-blog/tens-of-millions-of-taxpayers-may-be-eligible-for-significant-tax-refunds/2026/04/>.

⁴ The Department of Justice filed a notice of appeal in *Kwong* on May 15, 2026.

⁵ A Transaction Code 971 Action Code 660 will post when the IRS processes the paper Form 843. Some taxpayers may receive an interim Letter 2654C acknowledging receipt of correspondence.

The IRS may receive a significant volume of *Kwong*-related claims but has not established standardized processes for handling them. The primary challenge following the July 10, 2026, deadline is how the IRS will manage, track, and resolve the potentially large volume of claims in a fair, consistent, and transparent way.

How Is This Impacting Taxpayers?

By our estimate, tens of millions of taxpayers were assessed penalties or interest for late filings or payments during the 3.5-year period determined in *Kwong*.⁶ In addition, taxpayers are filing claims including other benefits based on the court's decision.

Taxpayers must take proactive steps to obtain relief, yet many are unaware of their eligibility or the need to act before statutory deadlines expire. Lower-income taxpayers are disproportionately affected because they are less likely to have representation or access to information. According to our estimates, a high percentage of taxpayers eligible to make a claim or request for abatement are lower-income taxpayers and are likely unaware of the need to file a claim:

- Roughly 39% of all taxpayers who had interest or penalties assessed for the identified tax periods have an adjusted gross income less than \$100,000; and
- Roughly 84% of taxpayers who have made a payment on their assessed interest or penalties within the past two years have an adjusted gross income less than \$100,000.⁷

As a result, similarly situated taxpayers may receive different outcomes based solely on awareness or access to assistance. Taxpayers who filed claims are experiencing uncertainty as to whether their claims were received, the status of their claims, or how the IRS will handle them.

If the IRS does not improve transparency and its administration of these claims:

- Taxpayers will not receive confirmation that their claims were received or properly recorded, creating uncertainty about whether their rights have been preserved;
- Taxpayers may experience prolonged delays while claims are held pending litigation, without clear timelines or communication; and
- Taxpayers could face inconsistent treatment, including premature denials or different handling across IRS functions.

These conditions undermine fundamental taxpayer rights, including the *rights to be informed, to quality service, to challenge the IRS's position and be heard, and to a fair and just tax system*.⁸

6 IRS, Compliance Data Warehouse (CDW), Account Receivable Dollar Inventory (ARDI) Individual Master File (IMF) Module, and IMF Transaction History (Apr. 29, 2026).

7 IRS, CDW, ARDI IMF Module, IMF Transaction History, and Individual Returns Transaction File (IRTF) Form 1040 (Apr. 29, 2026). Adjusted gross income for these taxpayers is based on the more recent of their 2024 or 2025 filed return; where no return was present we did not include the taxpayer. There may be taxpayers eligible to receive a return of offsets used to pay these penalty and interest assessments that are not included in our estimates.

8 See Taxpayer Bill of Rights (TBOR), <https://www.taxpayeradvocate.irs.gov/taxpayer-rights> (last visited Apr. 20, 2026). The rights contained in TBOR are also codified in IRC § 7803(a)(3).



FY 2027 Initiative - Protect taxpayer rights by improving IRS processes for COVID-19 disaster period claim relief.

TAS will collaborate with the IRS to establish standardized procedures for identifying, processing, and resolving taxpayers' IRC § 7508A COVID-19 disaster-related claims to ensure fair, consistent, and transparent treatment. TAS will focus on actions the IRS can take to:

- **Standardize *Kwong* claim processing so all claims are handled similarly:** Ensure a standardized process for handling related claims, including applying consistent account indicators, and ensure claims are properly monitored or held in suspense, pending final resolution of litigation.
- **Provide clear guidance for taxpayers so they understand the claim process and where they are in the process:** Establish a dedicated IRS.gov page that provides relevant status updates and procedural guidance.
- **Explore automatic systemic relief to taxpayers to ensure eligible taxpayers obtain relief without additional burden:** Develop and implement processes to identify affected taxpayer accounts and automatically adjust penalties and interest, where appropriate, reducing the need for taxpayers to file claims to receive *Kwong*-based relief.

2. REDUCE DELAYS FOR VICTIMS OF IDENTITY THEFT

Supports TAS Strategic Goal 1: Taxpayer Experience and TAS Strategic Goal 3: Influence on Tax Administration

Victims of identity theft often face some of the most prolonged and frustrating interactions with the IRS. When a taxpayer's identity is compromised, the consequences are immediate and severe – delayed refunds, financial hardship, and uncertainty about their tax account status. These taxpayers need timely resolution, clear communication, and confidence that the IRS is handling their case. Instead, many identity theft victims wait nearly two years for relief. These delays are not just inefficient; they leave taxpayers without needed funds, create stress and uncertainty, and undermine trust in the tax system. As the IRS transitions from centralized identity theft case processing and returns to a decentralized processing model to decrease processing times, TAS will work with the IRS on the transition, advocate for taxpayer protection, and work to ensure prior shortcomings of the decentralized model are not repeated.

What Is the Problem?

Victims of identity theft need the IRS to act quickly, keep them informed, and resolve their issues promptly and without added burden. Too often, taxpayers do not receive that level of service. Instead, they experience long delays, frozen refunds, and little clarity about what is happening with their case or when the IRS will resolve it.

The IRS has acknowledged that its current Identity Theft Victim Assistance (IDTVA) process has not worked effectively and is changing how it handles these cases to improve processing times. However, the new approach raises important concerns. As the IRS shifts identity theft cases out of the specialized IDTVA unit and assigns them to Customer Service Representatives (CSRs), it must ensure that CSRs receive adequate training and have the tools necessary to track, monitor, and manage these cases effectively.

In the past, similar processing approaches led to fragmented case handling, multiple internal case transfers, and inconsistent treatment, leaving victims confused and waiting even longer for resolution.¹ Without meaningful safeguards, oversight, and accountability as the IRS redistributes this work, identity theft victims may continue to face uncertainty, delays, and inconsistent service.

Further, taxpayers with pending identity theft cases may face challenges associated with assessment or collection actions that are often corrected once the IRS resolves their identity theft cases. Without clear, comprehensive protections in place across IRS systems, taxpayers may be at risk of harm while the IRS works to correct their accounts, adding unnecessary burden upon taxpayers already in a stressful situation.

¹ See National Taxpayer Advocate 2013 Annual Report to Congress 75 (Most Serious Problem: *Identity Theft: The IRS Should Adopt a New Approach to Identity Theft Victim Assistance That Minimizes Burden and Anxiety for Such Taxpayers*), <https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2020/10/IDENTITY-THEFT-The-IRS-Should-Adopt-a-New-Approach-to-Identity-Theft.pdf>.

How Is This Impacting Taxpayers?

For identity theft victims, delays are not just an administrative burden; they disrupt daily life. When the IRS holds refunds for months or years, taxpayers struggle to pay rent, cover basic living expenses, or meet financial obligations. These delays also conflict with the taxpayer's *right to quality service* and undermine confidence in the IRS's ability to effectively protect and assist taxpayers.²

In fiscal year (FY) 2026, victims of identity theft are waiting an average of 20 months for resolution and relief, and over 500,000 IDTVA cases remain open.³ Without clear processes and well-trained staff working identity theft cases, many victims are likely to:

- Experience long delays in receiving refunds and resolving their cases, potentially resulting in avoidable financial hardship;
- Wait, on average, almost two years for case resolution instead of months for relief;
- Receive little or no communication, leaving them uncertain about the status of their claim and what steps to take next; and
- Experience inconsistent handling of their case, leading to confusion and unequal outcomes.



FY 2027 Initiative - Reduce victim burden in identity theft cases.

TAS will collaborate with the IRS to improve the experience of identity theft victims by reducing delays, increasing transparency, and ensuring consistent, reliable service under the decentralized model. TAS will focus on changes that matter most to taxpayers, including faster resolutions, clear communication, and accountability throughout the process. TAS will focus on actions the IRS can take to:

- **Manage identity theft cases so taxpayers are treated fairly:** Establish clear end-to-end case ownership, procedures, and consistent service standards for processing identity theft cases.
- **Keep victims informed about their cases so taxpayers can know what to expect:** Improve transparency for taxpayers, including providing case status, expected timeframes, and clearer communication.
- **Monitor performance of the decentralized model to learn whether it improves service for taxpayers:** Track and measure cases based on taxpayer-focused outcomes, including cycle time, refund release, and internal transfers.
- **Expand outreach and prevention efforts so taxpayers can help protect themselves:** Strengthen outreach and education to help taxpayers prevent identity theft by expanding access to Identity Protection PINs and increasing awareness of available tools, risks, and protective measures.
- **Prioritize taxpayers experiencing hardship so taxpayers are not further harmed:** Establish clear hardship criteria and expedited processing for identity theft victims facing financial hardship and TAS cases, including early case identification, priority handling, and, where appropriate, accelerated refund relief.

² See Taxpayer Bill of Rights (TBOR), <https://www.taxpayeradvocate.irs.gov/taxpayer-rights> (last visited Apr. 21, 2026). The rights contained in TBOR are also codified in IRC § 7803(a)(3).

³ IRS, Accounts Management (AM) Research, Analysis and Data (RAD), Correspondence Imaging System Closed Case Cycle Time Report, IDT Total (FY 2026); IRS, AM RAD, Identity Theft Executive Summary (week ending Apr. 11, 2026) and Identity Protection Specialized Unit Executive Summary (week ending Apr. 11, 2026).

3. REDUCE DELAYS AND TAXPAYER BURDEN AS THE IRS PHASES OUT PAPER REFUND CHECKS

Supports TAS Strategic Goal 3: Influence on Tax Administration

Taxpayers depend on their refunds to pay for necessary living expenses such as rent, food, and other basic needs. As the IRS phases out paper refund checks, taxpayers are already experiencing longer wait times and added hurdles in getting money they need. While electronic payments can improve speed and security, they do not work for everyone. Taxpayers should not have to wait weeks longer than expected or take extra steps after filing to receive their refunds, simply because they cannot use digital payment methods. Without appropriate safeguards, this transition risks disproportionately harming taxpayers with the least access to financial and digital systems.

TAS will work with the IRS to ensure the transition to electronic refunds protects taxpayer rights and does not reduce access to refunds for vulnerable populations. Success means taxpayers receive their refunds within normal timeframes, without additional steps or delays, regardless of whether they use electronic payments or require a paper check.

What Is the Problem?

During the 2026 filing season, the IRS began phasing out paper refund checks in response to Executive Order (EO) 14247, which directs federal agencies to move toward electronic payments to improve security, reduce costs, and expand use of direct deposit, prepaid card accounts, and other digital options.¹ However, it should be noted that the EO specifically provides the Secretary of the Treasury the “ability to revise procedures for granting limited exceptions where electronic payment and collection methods are not feasible.”² While this shift addresses long-standing challenges – paper checks are significantly more vulnerable to loss, theft, and fraud than electronic payments – it also creates new risks for taxpayers who cannot easily access electronic payment methods, and not all taxpayers can use these options.

Many taxpayers still rely on paper checks, and many do not have practical access to electronic refund delivery. Some taxpayers are unbanked or underbanked, live abroad, have disabilities, or face safety or religious constraints. For these taxpayers, an electronic payment may not be feasible, and paper checks remain a critical option. When direct deposit information is missing or rejected, instead of receiving their refund automatically, these taxpayers must take extra steps. The IRS sends a notice requesting updated information or directing the taxpayer to request an exception. To receive their refund, taxpayers may need to:

- Create or access an online account;
- Provide bank or payment application information, or prepaid card; or
- Request an exception.

¹ EO 14247, *Modernizing Payments to and From America's Bank Account*, 90 Fed. Reg. 14001 (Mar. 25, 2025), <https://www.federalregister.gov/documents/2025/03/28/2025-05522/modernizing-payments-to-and-from-americas-bank-account>.

² See *id.* at § 4(a)(i).

If taxpayers do not complete these steps, the IRS may take six weeks or longer to issue a paper check.³ These additional steps can be difficult or impossible for some taxpayers to complete. The current process does not consistently provide clear guidance, accessible alternatives, or well-defined exception pathways, creating obstacles for taxpayers who cannot readily use electronic payment methods. It also relies heavily on post-filing actions, placing the burden on taxpayers after a problem occurs rather than providing up-front options. As a result, taxpayers who rely on prompt refunds may face new administrative burdens, confusion, and significant wait times before receiving their refunds.

Another challenge for taxpayers will arise when the IRS implements the EO 14247 requirement to eliminate paper check payments to a federal agency. It is imperative that the IRS clearly communicate and implement any transition toward this goal to prevent similar hardships for these impacted taxpayers, including any penalties and interest caused by late or missed payments.

Taxpayers who currently pay by paper check or money order may face new challenges if the IRS limits or eliminates those options. Some taxpayers – particularly those without bank accounts, access to digital payment tools, or comfort with online systems – may struggle to make timely payments or may face fees when using certain payment methods. Additional steps, such as setting up online accounts, navigating electronic payment platforms, or incurring fees for certain payment methods, may increase burden and create difficulties in meeting their tax obligations.

If taxpayers cannot easily access or use electronic payment options, they may delay making payments, which can result in penalties and interest. Without simple, no-fee payment options and clearly communicated alternatives, the shift away from paper checks risks turning a modernization effort into a compliance obstacle, especially for taxpayers least able to navigate complex systems.

How Is This Impacting Taxpayers?

The IRS's transition away from paper checks has already affected many taxpayers. The IRS has issued over four million CP53E notices to taxpayers whose refunds could not be direct deposited.⁴ Approximately 62% of taxpayers receiving these notices have an adjusted gross income (AGI) of \$75,000 or less, and the median AGI for CP53E recipients is \$52,527.⁵

If the IRS phases out paper refund checks without clear alternatives and workable exception paths, the resulting harm to taxpayers will include:

- Taxpayers may not receive their refunds for six weeks or longer if they cannot quickly respond to IRS notices or provide acceptable payment information;
- Taxpayers may be required to create or access online accounts, verify their identity, or navigate unfamiliar systems to receive their refunds or request an exception – steps that can be confusing and difficult to complete;
- Taxpayers who are unbanked, living abroad, have a disability, or face safety, religious, or financial constraints may not be able to use electronic payment options and will lose access to timely refunds; and
- Unclear notices and processes may leave taxpayers uncertain about their options, leading to repeat calls, duplicate submissions, and further time spent trying to resolve issues and receive their refunds.

3 If taxpayers do not respond to IRS Notice CP53E, the IRS will release the refund after six weeks. See IRS Fact Sheet, FS-2026-02, Questions and Answers About Executive Order 14247: Modernizing Payments to and From America's Bank Account, Q&A 5 (Jan. 2026), <https://www.irs.gov/pub/taxpros/fs-2026-02.pdf>.

4 IRS, Compliance Data Warehouse, Individual Return Transaction File, Notice Delivery System, Tax Year 2025 through April 30, 2026 (June 5, 2026).

5 *Id.*

Together, these issues mean some taxpayers must take extra steps and spend more time than expected to receive money they rely on for basic living expenses. This may affect their *rights to quality service, to be informed and to a fair and just tax system*.⁶ As modernization moves forward, taxpayers should receive refunds within standard timeframes regardless of payment method and should not face additional burdens because of their circumstances. The impact on taxpayers will depend on how the IRS implements these changes.



FY 2027 Initiative - Ensure taxpayers receive timely refunds as the IRS eliminates paper checks.

TAS will work with the IRS to ensure the transition to electronic refunds and payments improves security and efficiency without delaying or restricting taxpayer access to their refunds. TAS will focus on actions the IRS can take to:

- **Allow exceptions at time of filing to reduce taxpayer burden:** Enable taxpayers who qualify for an exception to request a paper check or other non-electronic option before or at the time of filing, avoiding post-filing delays and additional steps.
- **Expand accessible electronic refund and payment options so taxpayers do not incur unnecessary costs, penalties, and interest:** Increase availability of easy to use and no-fee electronic refund and payment options so taxpayers who cannot easily use traditional bank accounts have practical alternatives for securely receiving refunds and making payments.
- **Improve communication and outreach, access, and timely resolution to reduce taxpayer burden:** Provide clear guidance and communication, reduce processing time, and ensure accessible support options so taxpayers can resolve payment or refund issues without unnecessary burdens, delays, or penalties.

⁶ See Taxpayer Bill of Rights (TBOR), <https://www.taxpayeradvocate.irs.gov/taxpayer-rights> (last visited Apr. 19, 2026). The rights contained in the TBOR are also codified in IRC § 7803(a)(3).

4. HELP TAXPAYERS WITH DIGITAL ASSETS COMPLY WITH REPORTING REQUIREMENTS

Supports TAS Strategic Goal 3: Influence on Tax Administration

Taxpayers need clear, timely, and practical guidance from the IRS to understand and meet their digital asset tax obligations. Many taxpayers are trying to comply with rules that are complex, evolving, and not fully explained in plain language. As a result, even well-intentioned taxpayers are making mistakes or avoiding compliance altogether. TAS will work with the IRS to improve guidance and establish a practical correction program so taxpayers who made errors or are unsure of their obligations have a safe, clear, and accessible path to come into compliance.

What Is the Problem?

Taxpayers with digital assets face complex and constantly evolving tax reporting requirements. Transactions involving sales, exchanges, staking, mining, airdrops, and transfers often require difficult determinations related to cost basis, income recognition, and character. Despite these complexities, the IRS has not supported compliance through sufficiently clear, comprehensive, or timely guidance.¹ As a result, taxpayers may engage in digital asset transactions without fully understanding the tax consequences or how to report them correctly.

Recent research highlights the scope of this challenge. A study that analyzed IRS data estimated that between 32% to 56% of U.S. taxpayers with cryptocurrency holdings report their transactions. This suggests a significant portion of taxpayers may be out of compliance, often unintentionally, due to confusion or lack of guidance, not willful neglect.² At the same time, new third-party reporting requirements (*e.g.*, Form 1099-DA, Digital Asset Proceeds From Broker Transactions) will soon provide the IRS with more visibility into transactions, increasing the likelihood that the IRS will identify discrepancies.³ Without clear guidance and a correction pathway, many taxpayers may face enforcement actions before they have had a fair opportunity to understand and meet their obligations.

Taxpayers face significant challenges reconstructing records. Digital asset activity is often fragmented between multiple platforms and may use multiple wallets and exchanges, which makes it difficult to compile accurate transaction histories. For taxpayers who want to correct past mistakes, there is no clear roadmap. They may face uncertainty about how to amend their returns, what documentation is sufficient, or whether penalties will be applied. The absence of a clear and accessible correction pathway contributes to continued uncertainty and may discourage taxpayers from coming into compliance. This uncertainty discourages compliance and leaves taxpayers stuck between inaction and risk.

- 1 See Treasury Inspector General for Tax Administration (TIGTA), Ref. No. 2024-300-030, *Virtual Currency Tax Compliance Enforcement Can Be Improved* (2024), <https://www.oversight.gov/reports/audit/virtual-currency-tax-compliance-enforcement-can-be-improved>. Government Accountability Office (GAO), GAO-20-188, *Virtual Currencies: Additional Information Reporting and Clarified Guidance Could Improve Tax Compliance* (2020), <https://www.gao.gov/products/gao-20-188>.
- 2 Jeffrey L. Hoopes et al., *Who Reports Cryptocurrency to the IRS?*, 31 REV. ACCT. STUD. 453, (2026), <https://doi.org/10.1007/s11142-025-09932-1>.
- 3 Digital asset brokers are required to report gross proceeds on Form 1099-DA beginning with transactions occurring on or after January 1, 2025. Infrastructure Investment and Jobs Act, Pub. L. No. 117-58 (2021).

How Is This Impacting Taxpayers?

These challenges are not merely administrative; they can undermine the taxpayer's *rights to be informed, to pay no more than the correct amount of tax, and to a fair and just tax system.*⁴ Without a clear and accessible digital asset correction program:

- Taxpayers who want to comply may hesitate to come forward due to penalties, audits, or unclear expectations;
- Taxpayers will remain without a practical, clear pathway to resolve complex issues regarding historical filings, basis, character, and reporting requirements;
- Reconstructing records and seeking professional help can be expensive and time-consuming, particularly when guidance is unclear;
- Inconsistent or incomplete reporting leads to more notices, audits, and follow-up actions, straining IRS resources, delayed processing, or unresolved account issues; and
- When taxpayers cannot easily correct mistakes or understand their obligations, they may lose confidence that the tax system supports compliance and fair treatment.



FY 2027 Initiative - Reduce taxpayer burden and improve digital asset compliance.

TAS will collaborate with the IRS to create and implement a digital asset correction program so taxpayers with digital asset reporting errors can have a clear path to compliance. TAS will focus on actions the IRS can take to:

- **Develop a digital asset corrective program so taxpayers can fix mistakes and comply:** Create a streamlined correction framework that allows taxpayers to voluntarily fix prior reporting errors, with broad eligibility and appropriate incentives to encourage participation. This corrective program must establish consistent and transparent standards for penalty relief, encouraging taxpayers to come forward and correct errors.
- **Provide clear and comprehensive guidance so taxpayers with digital assets are informed and can comply:** Issue timely, plain language guidance explaining digital asset tax obligations. Guidance should clearly explain reporting requirements, basis calculations, and income treatment across common transaction types.
- **Define program eligibility and procedures so that taxpayers can understand it and participate:** Clearly communicate the scope, eligibility criteria, application process, documentation requirements, and available relief under a digital asset correction program. The process should be simple enough for taxpayers to navigate without excessive professional assistance.
- **Improve tools for record reconstruction so taxpayers with digital assets can accurately report and pay the correct amount of tax:** Support the development of tools, safe harbors, or guidance to help taxpayers reconstruct transaction histories across multiple platforms and wallets.

⁴ See Taxpayer Bill of Rights (TBOR), <https://www.taxpayeradvocate.irs.gov/taxpayer-rights> (last visited Apr. 15, 2026). The rights contained in TBOR are also codified in IRC § 7803(a)(3).

5. IMPROVE MATH ERROR NOTICES AND ABATEMENT PROCEDURES

Supports TAS Strategic Goal 3: Influence on Tax Administration

Taxpayers should not lose important rights because they do not understand an IRS notice or how to respond. When the IRS changes a return using math error authority, taxpayers generally have only 60 days to act. If taxpayers miss that deadline, they may have to first pay the disputed tax before exercising their right to challenge the IRS in court, which can be cost prohibitive for many taxpayers. Because the IRS uses math error authority in millions of cases, unclear notices can lead to widespread harm, including missed deadlines, unnecessary costs, and loss of critical taxpayer protections. TAS's goal is to help taxpayers understand adjustments, preserve their rights, and resolve issues without unnecessary burden. TAS will work with the IRS to ensure math error notices are clear, actionable, and timely, and that abatement procedures are accessible and effective.

What Is the Problem?

Congress enacted the Internal Revenue Service Math and Taxpayer Help Act of 2025 to address long-standing concerns about unclear notices and barriers to challenging math error adjustments.¹ The Act establishes three key implementation deadlines:

- By May 2026, the IRS must provide procedures enabling taxpayers to request an abatement of the math error adjustment in writing, electronically, by telephone, or in person.
- Beginning in November 2026, the IRS must issue clearer, more specific notices and provide accessible methods for requesting abatement within the 60-day timeframe.
- By May 2027, the IRS must establish a pilot program, in consultation with the National Taxpayer Advocate, for sending a statistically significant portion of math error notices by certified or registered mail and reporting the effects of the pilot program to Congress.

The issue now is not the absence of statutory protections, but whether the IRS fully and effectively implements these requirements. The IRS continues to use math error authority in millions of cases; and without effective implementation, taxpayers may continue to receive notices that are unclear, incomplete, or difficult to act on within the required timeframe.

¹ Pub. L. No. 119-39, 139 Stat. 659 (2025).

Historically, math error notices have confused taxpayers by listing multiple possible reasons for an adjustment without identifying the specific issue, failing to clearly highlight the response deadline, and providing incomplete or unclear instructions on how to request an abatement.² While the new law is designed to correct these deficiencies, taxpayers will benefit only if IRS systems, procedures, and notices are updated accordingly.

In addition, these protections will work only if taxpayers receive timely notices that clearly explain how to request an abatement, taxpayers have response options they can realistically use, and the IRS processes abatement requests accurately and on time. Weaknesses in any of these areas could undermine the intent of the law and continue to place taxpayer rights at risk.

How Is This Impacting Taxpayers?

Because math error authority affects millions of taxpayers, failures in effective implementation of the law can result in widespread harm. Unclear notices can cause confusion, delay, and loss of rights.

If the IRS does not implement the new law in a way taxpayers can understand and use:

- Taxpayers may not know what the IRS changed on their returns or why;
- Taxpayers may miss the 60-day deadline to respond and lose a meaningful opportunity for judicial review without first paying the disputed tax;
- Taxpayers may need to make repeat calls, send multiple responses, or visit an IRS office to understand the notice or prove they responded on time;
- Taxpayers may experience delays, missed deadlines, and continued confusion when notices do not clearly explain the abatement process; and
- Vulnerable populations, including low-income taxpayers, taxpayers with limited English proficiency, and those who do not promptly receive notices, may face especially severe burdens.

These problems can deprive taxpayers of fundamental rights, including the *rights to be informed, to pay no more than the correct amount of tax, and to challenge the IRS's position and be heard*. Poor implementation also undermines confidence in the fairness and integrity of the tax system.³

2 See Erin M. Collins, Math Error Part I, NATIONAL TAXPAYER ADVOCATE BLOG (last updated Feb. 28, 2024) (explaining that some math error notices provided a series of possible errors rather than identifying the exact error corrected), <https://www.taxpayeradvocate.irs.gov/news/nta-blog/nta-blog-math-error-part-i/2021/07/>; Erin M. Collins, Math Error Part II: Math Error Notices Aren't Just Confusing; Millions of Notices Adjusting the Recovery Rebate Credit Also Omitted Critical Information, NATIONAL TAXPAYER ADVOCATE BLOG (last updated Sept. 8, 2025) (reporting that over five million notices omitted the 60-day abatement language), <https://www.taxpayeradvocate.irs.gov/news/nta-blog/nta-blog-math-error-part-ii-math-error-notices-arent-just-confusing-millions-of-notices-adjusting-the-recovery-rebate-credit-also-omitted-critical-information/2021/08/>; Erin M. Collins, Math Error Notices: What You Need to Know and What the IRS Needs to Do to Improve Notices, NATIONAL TAXPAYER ADVOCATE BLOG (last updated Sept. 15, 2025), <https://www.taxpayeradvocate.irs.gov/news/nta-blog/nta-blog-math-error-notices-what-you-need-to-know-and-what-the-irs-needs-to-do-to-improve-notices/2022/04/>; Erin M. Collins, A Win for Taxpayers: IRS Math and Taxpayer Help Act, NATIONAL TAXPAYER ADVOCATE BLOG (last updated Dec. 3, 2025), <https://www.taxpayeradvocate.irs.gov/news/nta-blog/a-win-for-taxpayers-internal-revenue-service-math-and-taxpayer-help-act/2025/12/>.

3 See Taxpayer Bill of Rights (TBOR), <https://www.taxpayeradvocate.irs.gov/taxpayer-rights> (last visited Apr. 15, 2026). The rights contained in TBOR are also codified in IRC § 7803(a)(3).



FY 2027 Initiative - Improve math error notices and abatement procedures.

TAS will collaborate with the IRS to ensure the requirements of the Internal Revenue Service Math and Taxpayer Help Act of 2025 are fully implemented so that statutory protections translate into meaningful taxpayer protections. TAS will focus on actions the IRS can take to:

- **Improve notice clarity so taxpayers understand what changed on their return and the appropriate next steps to take:** Ensure math error notices comply with the law and use plain language to clearly identify the:
 - Specific issue;
 - Affected part of the return;
 - Amount changed; and
 - Deadline and steps for requesting an abatement.
- **Expand electronic abatement options so taxpayers can respond timely and retain proof of response:** Develop secure electronic options for taxpayers to request an abatement, such as through the Document Upload Tool or Individual Online Account and provide immediate confirmation of receipt so taxpayers can verify timely submission and retain proof of response.
- **Strengthen notice delivery so taxpayers receive notices in time to respond and protect their rights:** Use the required mail pilot program, conducted in consultation with the National Taxpayer Advocate, to improve notice delivery, increase taxpayer response, and reduce the risk that taxpayers are left with incorrect assessments.
- **Establish performance metrics and accountability so the IRS can identify problems, make corrections, and show whether changes are helping taxpayers:** Track and publicly report measures such as response rates, abatement processing times, repeat contacts, and error correction rates to ensure improvements are effective.
- **Expand outreach and education so taxpayers and practitioners understand math error rights and deadlines:** Provide clear educational materials and guidance to taxpayers and practitioners about math error rights, deadlines, and abatement procedures.

6. PROTECT TAXPAYERS' REFUND CLAIMS BY IMPROVING THE STATUTE EXTENSION PROCESS

Supports TAS Strategic Goal 3: Influence on Tax Administration

Taxpayers have the right to challenge the IRS's denial of a refund claim but generally have only two years to do so unless the IRS agrees to extend the deadline. If a taxpayer does not resolve their issue or file a refund suit within this two-year period, they permanently lose the ability to receive their refund even if the claim is valid. This can mean the loss of thousands or even millions of dollars to taxpayers who did everything right but could not navigate an unclear extension process. Taxpayers should not lose their refunds because the process for extending this deadline is difficult to find, unclear, and hard to navigate.

Under IRC § 6514(a)(2), once the time to bring suit expires, the IRS is legally barred from issuing the refund. This makes the two-year period under IRC § 6532 a strict cutoff, not merely a procedural deadline. Yet, the extension process does not adequately support taxpayers in preserving their rights. TAS will work with the IRS to ensure taxpayers understand their deadlines, have access to a clear and straightforward process to request additional time, and receive timely information to protect their refund claims. Through this effort, TAS aims to reduce the risk of taxpayers losing refunds due to extension process barriers rather than the merits of their claim.

What Is the Problem?

When the IRS denies a taxpayer's refund claim, the taxpayer enters a time-sensitive process that determines whether they can pursue their claim further or receive their money. Under IRC § 6532, taxpayers have two years from the date the IRS mails the notice of claim disallowance to file a refund suit or receive payment.¹ Although taxpayers may request reconsideration or pursue an administrative appeal, these actions do not stop the clock. Because the period continues to run, taxpayers can lose their right to a refund while waiting for the IRS to act. And delays by the IRS can consume a substantial portion of this period.² Once the deadline expires, IRC § 6514(a)(2) bars the refund, meaning taxpayers lose their right to go to court and can no longer receive their refund, regardless of the merits of their claim.

Taxpayers can protect their rights by requesting an extension for more time using Form 907, Agreement to Extend the Time to Bring Suit. This form allows taxpayers and the IRS to agree to extend the two-year deadline, preserving the taxpayer's right to go to court and receive payment. But many taxpayers and practitioners are unaware this option exists. Even IRS employees may be unaware that this option exists, leading to inconsistent use and missed opportunities for taxpayers to safeguard their rights. And for those who are aware of the option, the process for requesting an extension is unclear and difficult to navigate.

¹ In fiscal year (FY) 2025, the IRS issued about 637,000 notices of claim disallowance to taxpayers. IRS, Compliance Data Warehouse, Notice Delivery System and Individual Masterfile Transaction History (Dec. 5, 2025). This includes both Letters 105C, Claim Disallowed, and 106C, Claim Partially Disallowed.

² In FY 2025, the average time from a taxpayer's request for an Appeals review to resolve a case was 337 days – nearly 50% of the two-year period. Appeals provided data from October 1, 2024, through August 31, 2025. IRS response to TAS information request (Oct. 8, 2025). All numbers are rounded. These statistics are for non-docketed cases only.

The IRS lacks a simple, standardized process for requesting Form 907 extensions. The notice of claim disallowance, Form 907, and IRS.gov do not provide clear instructions on how to request an extension or where to submit it. In addition, the IRS does not systematically track nor notify taxpayers of the approaching deadline. As a result, taxpayers face a significant risk of permanently losing their refunds – not because their claims lack merit, but because the process for preserving their rights is unclear and inaccessible.

Recent improvements for taxpayers with disallowed Employee Retention Credit (ERC) claims demonstrate that a better approach is possible. On April 27, 2026, the IRS, in collaboration with TAS, announced a process to notify taxpayers with disallowed ERC claims of the approaching deadline and provided a streamlined Form 907 request process.³ While this is a positive step, the new procedures are only for ERC cases, leaving all other taxpayers without an effective and efficient way to obtain an extension and protect their rights.

How Is This Impacting Taxpayers?

Taxpayers have the *rights to be informed, to pay no more than the correct amount of tax, to challenge the IRS's position and be heard, and to appeal an IRS decision in an independent forum.*⁴ Without clear education, process, and guidance for extending the two-year period, taxpayers risk losing their refunds even when they are entitled to them. These barriers disproportionately affect unrepresented taxpayers and small businesses, who are less likely to be aware of Form 907 or monitor statutory deadlines.

Because the current extension process does not meet taxpayer needs, taxpayers may:

- Struggle to request additional time because the process is difficult to find, unclear, and confusing to follow;
- Be unaware of when their deadline expires or how much time they have left because IRS notices and account transcripts do not clearly identify or track the IRC § 6532 limitations period; and
- Lack sufficient information to understand their rights, the consequences of inaction, and how to preserve their claim.

Without improvements, taxpayers will continue to risk losing valid refunds due to process barriers rather than the merits of their claims.

3 Erin M. Collins, Protect Your Employee Retention Credit Claim: Use IRS's New Streamlined Process to Request an Extension, NATIONAL TAXPAYER ADVOCATE BLOG (last updated May 1, 2026), <https://www.taxpayeradvocate.irs.gov/news/nta-blog/protect-your-employee-retention-credit-claim/2026/04/>; IRS News Release, IR-2026-58, IRS Announces New Option for Certain Taxpayers to Request More Time After ERC Claim Disallowance (Apr. 27, 2026), <https://www.irs.gov/newsroom/irs-announces-new-option-for-certain-taxpayers-to-request-more-time-after-erc-claim-disallowance>. Shortly after April 27, 2026, the IRS began sending notices to eligible taxpayers of this new Form 907 request process.

4 See Taxpayer Bill of Rights (TBOR), <https://www.taxpayeradvocate.irs.gov/taxpayer-rights> (last visited Apr. 20, 2026). The rights contained in TBOR are also codified in IRC § 7803(a)(3).



FY 2027 Initiative - Protect taxpayer refunds by improving the Form 907 process.

TAS will collaborate with the IRS to establish standardized procedures for identifying and tracking the IRC § 6532 two-year statute, while improving taxpayer awareness of and access to Form 907. TAS will focus on actions the IRS can take to:

- **Provide clear guidance to taxpayers so taxpayers can easily understand and act before their rights expire:** Create and maintain an IRS.gov landing page that clearly explains the refund statute expiration date, how to calculate when the refund claim window expires, when and how to request an extension using Form 907, and the consequences of letting the IRC § 6532 two-year period expire.
- **Improve taxpayer accounts so both taxpayers and IRS employees can monitor deadlines in real time:** Add account indicators to track the IRC § 6532 statute and receipt of Form 907. This would give taxpayers and IRS employees visibility into critical deadlines, improve case management, and help prevent taxpayers from losing their rights due to missed timeframes.
- **Provide a digital Form 907 process so taxpayers can easily request additional time and avoid missing critical deadlines:** Develop a secure, user-friendly electronic submission process for Form 907, reducing reliance on manual or paper-based methods minimizing delays or lost requests.

7. REDUCE TAXPAYER BURDEN BY IMPROVING TAX PRO ACCOUNT

Supports TAS Strategic Goal 3: Influence on Tax Administration

Taxpayers have the right to retain an authorized representative to act on their behalf before the IRS. Millions of taxpayers exercise this right and rely on their chosen representative to navigate complex and often time-sensitive tax matters.¹ Taxpayers should have an experience in which their representatives can securely and efficiently access information, communicate with the IRS, and resolve issues without unnecessary delay or cost. Too often, the lack of Tax Pro Account functionality forces taxpayer representatives into less efficient, non-digital workflows that burden the taxpayers they represent.

TAS aims to influence improvements to Tax Pro Account functionality to help create a modern, integrated, and reliable one-stop digital platform where representatives can efficiently manage taxpayer matters. TAS will continue to advocate to expand functionality, improve usability, and monitor whether these changes reduce burden and improve outcomes for taxpayers.

What Is the Problem?

Too often, Tax Pro Account functionality falls short of what is needed to efficiently and effectively represent taxpayers by failing to support routine and often time-sensitive tasks.² When taxpayers receive an IRS notice, face an audit, or are subject to collection activity, many rely on representation to help them understand the situation and protect their interests. The taxpayer's representative often needs immediate access to the taxpayer's tax information, including general account information and notices. In these instances, when representatives cannot utilize Tax Pro Account, they must rely on fragmented and outdated processes, including taxpayer-provided documents, fax, mail, multiple IRS portals, and phone calls. This means taxpayers can face inefficiencies and delays in resolving tax situations where timing often matters.

The data reflects these limitations. By May 2026, nearly 5.8 million individual taxpayers had authorized tax practitioners to receive tax information or represent them; yet there were only about 204,000 active Tax Pro Account users during the 2026 filing season, logging about 700,000 sessions.³ This relatively low usage suggests the platform does not yet offer sufficient functionality to serve as a primary tool for representatives. Taxpayer representatives consistently indicate they need comprehensive, secure, common-sense functions that allow them to use Tax Pro Account as a “go-to” service that serves as a primary tool for representatives. These challenges are not the result of taxpayer or representative error. Rather, they stem from gaps in current IRS digital capabilities that prevent representatives from fully assisting taxpayers in a timely and efficient manner.

- 1 See Taxpayer Bill of Rights (TBOR), <https://www.taxpayeradvocate.irs.gov/taxpayer-rights> (last visited Apr. 15, 2026). The rights contained in TBOR are also codified in IRC § 7803(a)(3).
- 2 National Taxpayer Advocate 2025 Annual Report to Congress 18 (Most Serious Problem: *Tax Pro Account: Online Accounts for Tax Professionals Lack Critical Functionality Required to Effectively Represent Taxpayers*), https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2026/01/ARC_Publication-2104_2025_Web.pdf#page=90.
- 3 IRS, Compliance Data Warehouse, Individual Master File Transaction History (June 1, 2026). IRS Response to TAS Information Request (May 18, 2026). The 2026 filing season includes data through Apr. 18, 2026. The 5.8 million individual taxpayers cited are associated with tax year 2025.

How Is This Impacting Taxpayers?

Where Tax Pro Account falls short, taxpayers bear the burden and cost. Taxpayers often retain representatives for important, time-sensitive tax matters, but their representatives get forced into inefficient, outdated workflows. These delays can have real consequences. Taxpayers may face prolonged uncertainty, higher representation costs, and missed opportunities to resolve issues quickly. In some cases, delays can lead to additional interest, penalties, or unnecessary collection actions – outcomes that could be mitigated with more efficient digital tools.

Taxpayers are also impacted when representatives cannot easily see or respond to IRS notices, track case progress, or communicate securely with the IRS.⁴ This lack of transparency and real-time access undermines taxpayers' ability to stay informed and resolve issues quickly.

If the IRS does not improve Tax Pro Account functionality:

- Taxpayers will continue to experience burdens when exercising their *right to retain representation*;⁵
- Taxpayers may face delayed resolution, resulting in avoidable interest and penalties, and unnecessary collection action; and
- Taxpayers or their representatives will have to rely on paper forms, postal mail, fax submissions, and telephone calls – methods that are slow, labor-intensive, and increase representation costs.



FY 2027 Initiative - Reduce taxpayer burden by improving Tax Pro Account.

TAS will collaborate with the IRS to expand and enhance the functionality of Tax Pro Account so taxpayer representatives can act more efficiently on behalf of taxpayers. TAS will also work with the IRS on practical, high-impact improvements to move Tax Pro Account toward a fully functional, integrated platform. TAS will focus on actions the IRS can take to:

- **Provide functions comparable to taxpayer online accounts so representatives can access information for the taxpayers they represent:** Expand Tax Pro Account functions and capabilities so taxpayer representatives can access the same core information and functions available in individual and business online accounts.
- **Expand the Tax Pro Account authorization tool so taxpayers can digitally authorize their representatives:** Improve the Tax Pro Account authorization process so taxpayers can easily and digitally authorize representatives and upload executed authorization Form 2848, Power of Attorney and Declaration of Representative, and Form 8821, Tax Information Authorization, to include businesses and situations involving multiple representatives.
- **Enable digital case resolution so representatives can receive more efficient and transparent service:** Develop tools that allow representatives to track the status of returns, audits, collections, and submitted documents in real time and prioritize functionality that allows representatives to respond to notices, upload documents, and take key account actions directly within Tax Pro Account.
- **Prioritize high-impact functionality so Tax Pro Account reflects the most important needs of representatives:** Prioritize functionality that directly reduces taxpayer burden, such as access to IRS notices and complete account information.

4 Tax Pro Account does allow Secure Messaging, though it is limited to only those programs that also participate in Secure Messaging. Internal Revenue Manual 21.2.1.63(1), Tax Pro Account (June 12, 2025), https://www.irs.gov/irm/part21/irm_21-002-001r.

5 See TBOR, <https://www.taxpayeradvocate.irs.gov/taxpayer-rights> (last visited Apr. 15, 2026). The rights contained in TBOR are also codified in IRC § 7803(a)(3).

8. REDUCE TAXPAYER BURDEN CAUSED BY SUSPENDED RETURN PROCESSING DELAYS

Supports TAS Strategic Goal 3: Influence on Tax Administration

Taxpayers should not be left guessing why the IRS stopped processing their returns or when they will receive their refunds. Too often, when the IRS routes a return out of normal channels and into suspended return processing, taxpayers receive unclear notices and see only generic updates through tools like *Where's My Refund?*. This leaves taxpayers without a clear explanation of what happened, whether they need to act, or when they can expect resolution. Many of these delays stem from IRS processing issues, not taxpayer errors. TAS will advocate for the IRS to provide clear, timely, and actionable information and to resolve suspended returns more quickly so taxpayers can receive the refunds they depend on without unnecessary delay.

What Is the Problem?

Each year, the IRS diverts millions of returns out of normal processing and into suspended handling categories.¹ As of April 17, 2026, the IRS had approximately 4.8 million suspended returns awaiting processing for reasons that included error resolution, possible identity theft, processing rejects, and unpostable returns, an increase of about 40% over April 2025.²

Not every return in suspended processing creates serious taxpayer harm. The problem is that some suspended returns remain unresolved for extended periods, delaying refunds, generating unclear notices, or requiring taxpayers to make repeat contacts to understand what happened and what they need to do next. In many cases, taxpayers are not told why processing stopped or how long resolution will take. As the IRS changes how it scans and processes returns, it should identify the suspended processing categories that create the greatest burden, and reduce avoidable delays in those inventories, including those resulting from internal processing issues rather than taxpayer actions.³

How Is This Impacting Taxpayers?

Taxpayers whose returns get stuck in suspended processing face substantial harm. In fiscal year (FY) 2025, about 3.6 million taxpayers received refunds beyond the IRS's normal processing time, waiting an average of seven weeks for e-filers and 14 weeks for paper filers.⁴ For many taxpayers, *Where's My Refund?* is the primary tool they use to check their return status. However, when a return is placed in suspended processing, the tool

- 1 IRS, Submission Processing Program Management/Process Assurance Branch, Filing Season Statistics Reports. IRS, Compliance Data Warehouse (CDW), Individual Master File (IMF) Transaction History (Apr. 22, 2026).
- 2 IRS, Submission Processing Program Management/Process Assurance Branch, Filing Season Statistics Reports (week ending Apr. 18, 2025). IRS, CDW, IMF Transaction History (June 1, 2026). IRS, Submission Processing Program Management/Process Assurance Branch, Filing Season Statistics Reports (week ending Apr. 17, 2026). IRS, CDW, IMF Transaction History (June 1, 2026).
- 3 The processing changes include the Zero Paper Initiative (ZPI), where manual code and edit checks that the IRS previously did prior to return processing are now done after it scans paper returns and processes them electronically. For more information on the ZPI initiative, see National Taxpayer Advocate 2025 Annual Report to Congress (Most Serious Problem: *IRS Modernization and Digitalization: Outdated Paper Processes and Procurement Delays Harm Taxpayers*), https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2026/01/ARC_Publication-2104_2025_Web.pdf#page=53.
- 4 National Taxpayer Advocate 2025 Annual Report to Congress iii-iv (Preface: *Introductory Remarks by the National Taxpayer Advocate*), https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2026/01/ARC_Publication-2104_2025_Web.pdf#page=4.

typically provides only general messages, such as “still being processed,” without explaining why processing stopped, whether the taxpayer needs to take action, or when the issue will be resolved.⁵

These delays can have real consequences. Taxpayers may rely on refunds to pay rent, utilities, or medical expenses. Delays involving refundable credits, such as the Earned Income Tax Credit or Child Tax Credit, can disproportionately affect financially vulnerable households. Automated adjustments can create similar burdens. For example, the IRS issues over a million math error notices each year, and delays in reviewing taxpayer responses can lead to incorrect account adjustments and possible collection action.⁶

If the IRS does not reduce these delays:

- Taxpayers will continue to experience delayed refunds or avoidable financial hardship;
- Taxpayers’ issues could take weeks or months to resolve after their returns leave normal processing; and
- Taxpayers might need to make repeat contacts or submit duplicate information because notices and status updates do not clearly explain what happened or what they need to do next.

These delays can deprive taxpayers of timely refunds, compromise the taxpayer’s *rights to be informed* and to *quality service*, and erode confidence that the system treats them fairly.



FY 2027 Initiative - Reduce taxpayer burden caused by suspended return processing delays.

TAS will collaborate with the IRS to identify the suspended processing categories that create the greatest taxpayer burden and reduce avoidable delays for suspended returns, focusing on practical changes that help taxpayers understand what happened to their returns, quickly correct problems, and receive timely resolution. TAS will focus on actions the IRS can take to:

- **Identify high-burden suspended processing categories so TAS and the IRS can target the most meaningful fixes:** Identify which suspended processing categories are driving the most refund delays, repeat contacts, and taxpayer hardship.
- **Clarify notices and status updates so taxpayers understand what happened to their returns and what they must do next:** Improve notices and communication so taxpayers understand why processing stopped, what action they need to take, and when they can expect resolution.
- **Monitor processing changes so IRS technology transformation does not shift errors downstream and increase taxpayer burden:** Evaluate how changes in paper scanning and return processing affect error resolution, rejects, unpostables, and related taxpayer burden and work with the IRS to reduce avoidable delays.
- **Improve refund status transparency so taxpayers can track suspended returns and take timely corrective action:** Enhance *Where’s My Refund?* and other online tools to clearly indicate when a return is suspended, explain the reason for the delay, and provide actionable guidance and realistic timeframes.

5 See National Taxpayer Advocate FY 2025 Objectives Report to Congress 15 (“Previously, the *Where’s My Refund?* tool only informed taxpayers that the IRS had received their return, approved their refund, or sent their refund. Beginning in filing season 2024, the IRS added more responses to taxpayer inquiries, including informing taxpayers if the IRS stopped or delayed processing on their return and the related next steps. The tool also notes if the IRS sent a notice and provides instructions on what taxpayers need to do to resolve the issue.”) (footnotes omitted), <https://www.taxpayeradvocate.irs.gov/reports/2025-objectives-report-to-congress/>.

6 IRS, CDW, Individual Return Transaction File through April 3, 2026 (Apr. 22, 2026).

9. PROTECT TAXPAYER RIGHTS THROUGH FAIR AND CONSISTENT PENALTY APPLICATION

Supports TAS Strategic Goal 3: Influence on Tax Administration

Taxpayers deserve a penalty system that is fair, consistent, and transparent – one that considers their individual circumstances and recognizes good-faith efforts to comply. When applied appropriately, penalties can encourage compliance and strengthen confidence in the tax system. However, when the IRS assesses penalties inconsistently, without proper consideration of reasonable cause, or without meeting statutory requirements such as supervisory approval under IRC § 6751(b), penalties appear arbitrary and unjust. And when the IRS later abates a significant number of penalties, it raises concerns about whether penalties were appropriately assessed in the first place.

The IRS must ensure it applies penalties in a manner where taxpayers receive clear explanations, meaningful opportunities for relief, and equitable treatment from the outset. By influencing changes to IRS policy, procedures, and systems, TAS aims to protect taxpayer rights and ensure penalties support compliance and trust in the integrity of tax administration.

What Is the Problem?

Although penalties are intended to promote compliance, deter misconduct, ensure fairness, and support efficient tax administration, their number and complexity continue to grow, potentially impacting the efficacy of the penalty regime.¹ As of October 2024, the IRS administered nearly 200 distinct civil penalties.² In practice, taxpayers may experience inconsistent application of penalties, confusing notices, limited awareness of available relief, and procedural hurdles when seeking abatement.

The IRS later abates a significant number of penalties, suggesting the IRS's processes and procedures fail to protect taxpayers from inappropriately assessed penalties or adequately consider taxpayer circumstances before imposing penalties.³ A reactive approach shifts the burden to taxpayers to challenge penalties rather than ensuring accuracy before assessment.

TAS remains concerned about whether the IRS consistently asserts penalties in compliance with statutory requirements, particularly IRC § 6751(b), which requires timely written supervisory approval before certain penalty assessments.⁴ This requirement protects taxpayers and ensures the IRS imposes penalties appropriately. However, recent findings show that the IRS has, in some cases, asserted penalties without proper approval

1 National Taxpayer Advocate 2024 Annual Report to Congress 118, 119 (Most Serious Problem: *Civil Penalty Administration: The IRS's Administration of Penalties Is Often Unfair, Is Inconsistently Deterring Improper Behavior, Is Not Promoting Efficient Administration, and Thus Is Discouraging Tax Compliance*), https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2024/12/ARC24_MSP_09_Civ-Pen-Admin.pdf.

2 *Id.*

3 In fiscal year (FY) 2025 the IRS abated more than 5.5 million penalties totaling more than \$1.21 trillion. IRS, 2025 Data Book, Table 4.2, Civil Penalties Assessed and Abated, by Type of Tax and Type of Penalty, Fiscal Year 2025, at 62 (2026), <https://www.irs.gov/pub/irs-pdf/p555b.pdf>.

4 National Taxpayer Advocate 2024 Annual Report to Congress 118, 122-126 (Most Serious Problem: *Civil Penalty Administration: The IRS's Administration of Penalties Is Often Unfair, Is Inconsistently Deterring Improper Behavior, Is Not Promoting Efficient Administration, and Thus Is Discouraging Tax Compliance*), https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2024/12/ARC24_MSP_09_Civ-Pen-Admin.pdf. See also Treasury Inspector General for Tax Administration (TIGTA), Ref. No. 2026-300-021, *Procedures Are Needed to Prevent Backdating Penalty Approvals* (2026), <https://www.oversight.gov/reports/audit/procedures-are-needed-prevent-backdating-penalty-approvals>.

or with backdated or unverifiable approval documentation.⁵ Breakdowns in required processes undermine the integrity of penalty administration. Assessing penalties without proper approval or documentation may subject taxpayers to legally unenforceable penalties and require taxpayers to contact the IRS, wasting both IRS and taxpayer time and resources, and increasing taxpayer burden.

Taxpayers can also struggle to navigate a penalty regime that relies heavily on automated assessments and complex rules. As a result, taxpayers may not understand why penalties were imposed, whether they qualify for relief, or how to effectively challenge an assessment.

How Is This Impacting Taxpayers?

Civil tax penalties impact millions of taxpayers each year, and some penalties can result in significant financial consequences. In FY 2025, the IRS assessed more than 54 million civil penalties totaling approximately \$1.25 trillion while abating more than 5.5 million civil penalties totaling approximately \$1.21 trillion.⁶ Applying penalties inconsistently, improperly, or without consistent use of required safeguards – and later abating the penalties – causes unnecessary financial strain, administrative burdens, and prolonged uncertainty.

Taxpayers have the *rights to be informed, to pay no more than the correct amount of tax, to challenge the IRS's position and be heard, and to a fair and just tax system.*⁷ Improperly or prematurely assessing penalties undermines taxpayer rights and increases taxpayer burden.

If the IRS fails to improve its penalty administration:

- Taxpayers may be assessed penalties without proper consideration of reasonable cause or individual circumstances, resulting in avoidable financial burden;
- Taxpayers may need to spend time and resources challenging penalties the IRS should not have assessed in the first place;
- Taxpayers may not receive clear explanations of penalties, limiting their ability to understand or respond effectively;
- Taxpayers may not understand their eligibility for penalty relief, causing them to pay penalties they may not owe or forgo available relief; and
- Taxpayers may lose confidence in the fairness of tax administration due to inconsistent penalty application and unnecessary burden.

5 TIGTA, Ref. No. 2026-300-021, *Procedures Are Needed to Prevent Backdating Penalty Approvals* (2026), <https://www.oversight.gov/reports/audit/procedures-are-needed-prevent-backdating-penalty-approvals>.

6 IRS, 2025 Data Book, Table 4.2, Civil Penalties Assessed and Abated, by Type of Tax and Type of Penalty, Fiscal Year 2025, at 62 (2026), <https://www.irs.gov/pub/irs-pdf/p555b.pdf>. Penalties abated in FY 2025 do not necessarily correspond to penalties assessed in FY 2025.

7 See Taxpayer Bill of Rights (TBOR), <https://www.taxpayeradvocate.irs.gov/taxpayer-rights> (last visited Apr. 20, 2026). The rights contained in TBOR are also codified in IRC § 7803(a)(3).



FY 2027 Initiative - Improve penalty administration to reduce taxpayer burden and improve compliance.

TAS will collaborate with the IRS to reduce taxpayer burden and improve compliance by addressing key weaknesses in penalty administration, including compliance with statutory safeguards such as the supervisory approval of penalties. The collaboration will focus on ensuring proper initial application of penalties, minimizing improper assessments, and reducing the need for taxpayers to seek relief after the fact. TAS will focus on actions the IRS can take to:

- **Improve penalty notices so taxpayers understand their rights:** Ensure taxpayers receive clear, plain language notices explaining why a penalty was assessed, documentation of supervisory approval, and what options are available to challenge the penalty or seek relief.
- **Strengthen consistency in relief decisions so taxpayers are treated equally:** Provide uniform application of reasonable cause standards and other penalty relief procedures, as well as improve guidance and tools used by IRS employees, including the Reasonable Cause Assistant.
- **Increase pre-assessment review so taxpayers' circumstances are considered prior to penalty assessment:** Reduce reliance on systemic assessments in high-impact areas, including international information return penalties, where greater pre-assessment review can prevent improper penalties and reduce unnecessary downstream disputes.

10. PROTECT TAXPAYER ACCESS TO REPRESENTATION BY IMPROVING IRS AUTHORIZATION PROCESSING

Supports TAS Strategic Goal 3: Influence on Tax Administration

Taxpayers have a fundamental right to choose an authorized representative to act on their behalf before the IRS. This right is grounded in the Taxpayer Bill of Rights, including the *rights to retain representation, to be informed, and to quality service*.¹ But these rights are only meaningful if a representative can promptly access taxpayer information and interact with the IRS without unnecessary barriers. TAS seeks to ensure the IRS authorization process consistently supports representation and will work with the IRS to make the authorization process faster, clearer, and more reliable so taxpayers can use their chosen representative and avoid unnecessary burden.

What Is the Problem?

Many taxpayers rely on an authorized representative to help them resolve tax issues, respond to IRS notices, and navigate complex procedures. For representatives to assist effectively, the IRS must timely process and record the taxpayer's authorization so the representative can access account information and act on the taxpayer's behalf.

Too often, the authorization process does not work as it should. Instead of facilitating authorized assistance, delays and processing failures can prevent representatives from assisting taxpayers when help is needed most. For example, when a taxpayer receives a time-sensitive IRS notice, the taxpayer may need their authorized representative to respond quickly, seek relief, help resolve the issue, or prevent enforcement action. If the IRS does not timely process or otherwise suspends the authorization, the representative cannot act, leaving the taxpayer at risk of missed deadlines, additional penalties and interest, or enforcement action.

For tax professionals, these breakdowns create significant barriers to effectively assist their clients. Representatives depend on the IRS to timely process Forms 2848, Power of Attorney and Declaration of Representative, and Forms 8821, Tax Information Authorization, through the Centralized Authorization File (CAF) Unit. While digital submissions have increased, the IRS still does not offer a digital process for all authorization actions and taxpayer types. Instead, the process continues to rely heavily on manually processing paper and faxed submissions, which can lead to delays, inconsistent application of submission rules, and restrictions on representatives without clear explanations.

As a result, the IRS process intended to facilitate representation too often delays or blocks it, leaving taxpayers without the assistance they need and undermining their *right to retain representation*.²

How Is This Impacting Taxpayers?

When authorization processing fails, taxpayers and their representatives bear the consequences. In fiscal year (FY) 2025, the IRS received nearly seven million authorization forms and spent 972,073 hours processing them, averaging about 11 days per form. By the end of FY 2025, the IRS had 34,856 forms still

¹ See Taxpayer Bill of Rights (TBOR), <https://www.taxpayeradvocate.irs.gov/taxpayer-rights> (last visited Apr. 17, 2026). The rights contained in TBOR are also codified in IRC § 7803(a)(3).

² *Id.*

unprocessed.³ Although digital submissions of Forms 2848 and 8821 increased by 32 percentage points from FY 2023 to FY 2025, the IRS still lacks a fully developed digital process for all authorization actions and taxpayer types.⁴ Current systems frequently route authorizations into manual transcription and do not consistently provide confirmation of receipt, status visibility, or clear rejection information.⁵

These breakdowns create real and immediate harm. Taxpayers may unexpectedly experience delayed or blocked access to representation when responding to IRS notices or enforcement actions. They are also harmed by the inability to track the status of authorization forms, leaving both taxpayers and representatives uncertain whether the IRS received an authorization, whether it was rejected, or why it was rejected. This lack of transparency drives duplicate submissions and repeat contacts with the IRS, while critical deadlines continue to run.

When the IRS places a representative's CAF number in pending review status,⁶ the tax professional may first learn of it when the IRS declines to discuss a client matter. At that point, representatives have limited ability to resolve the issue quickly, as IRS call sites may not be able to assist the representative until the agency completes its review. A single representative's suspension can disrupt multiple taxpayer authorizations at once, delaying case resolution and increasing taxpayer burden for all of their clients. These failures can lead to delayed responses to IRS notices, prolonged case resolution, increased costs, additional penalties or interest, and significant stress and uncertainty for taxpayers.

If the IRS does not improve this process:

- Taxpayers will continue to face delays in obtaining representation and timely help with obtaining transcripts, accessing account information, or responding to IRS notices;
- Taxpayers may miss deadlines, face repeated submissions, and experience unnecessary delays because the representative is unable to receive IRS notices, access taxpayer account information, or timely respond to IRS requests; and
- Taxpayers might unexpectedly lose the help of their chosen tax professional without warning or clear recourse when the IRS places that representative's CAF number in pending review status.

These challenges undermine taxpayers' *rights to retain representation, to be informed, and to receive quality service.*⁷

3 National Taxpayer Advocate 2025 Annual Report to Congress 85 (Most Serious Problem: *Centralized Authorization File: Systemic Failures Undermine Taxpayer Rights to Representation, Due Process, and Quality Service*) (citing IRS, Joint Operations Center (JOC), Accounts Management (AM) Research Analysis and Data (RAD) Reports: FY 2026 CAF Report), https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2026/01/ARC_Publication-2104_2025_Web.pdf#page=114.

4 National Taxpayer Advocate 2025 Annual Report to Congress 79, 83-85 (Most Serious Problem: *Centralized Authorization File: Systemic Failures Undermine Taxpayer Rights to Representation, Due Process, and Quality Service*), https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2026/01/ARC_Publication-2104_2025_Web.pdf#page=114 (showing the share of Forms 2848 and 8821 received through the IRS's Taxpayer Digital Communication platform increased from 28% in FY 2023 to 60% in FY 2025, while explaining that the authorization process still lacks a complete end-to-end digital path because digital submissions may still require manual verification, some amendments and withdrawals require non-digital methods, and Tax Pro Account functionality remained limited).

5 See Robert Kerr, *The High Costs of the IRS's Centralized Authorization File System*, 191 TAX NOTES, Apr. 1, 2026, at 61, 62-63, 65 (Apr. 1, 2026), <https://www.taxnotes.com/tax-notes-today-federal/practice-and-procedure/high-costs-irss-centralized-authorization-file-system/2026/04/01/7vjcc> (explaining that uploaded authorizations are processed "almost entirely by hand," that forms often cannot be tracked and batch submitters may not know which submissions were rejected or why, and that portal-submitted authorizations are "still transcribed manually").

6 See Internal Revenue Manual (IRM) 2.3.31, Exhibit 2.3.31-3, CFINK with CAF number (Feb. 13, 2025) (defining "PND REVIEW" as a CAF status indicating that the "CAF number [is] under review for possible fraud"), https://www.irs.gov/irm/part2/irm_02-003-031; IRM 21.3.7.5.5.2(2), (4), CAF Practice Codes and CAF/POA Suspicious Form and the "Potential Fraud" Authorization Referral Process (Dec. 12, 2024) (explaining that a "Pending" practice code, shown as "P," suspends activity on a CAF number and is displayed in CFINK as "P" CAF STATUS: PENDING REVIEW), https://www.irs.gov/irm/part21/irm_21-003-007r; IRS Office of Professional Responsibility (OPR), Issue No. 2025-14, CAF Numbers in "Pending Review" Status 2 (Oct. 1, 2025) (explaining that, while the review is pending, the CAF holder generally cannot rely on the CAF or IRS employees to authenticate the practitioner's authority to act for represented taxpayers), <https://www.irs.gov/pub/opr-taxpros/508-2025-14-caf-numbers-in-pending-review-status.pdf>.

7 See Taxpayer Bill of Rights (TBOR), <https://www.taxpayeradvocate.irs.gov/taxpayer-rights> (last visited Apr. 17, 2026). The rights contained in TBOR are also codified in IRC § 7803(a)(3).



FY 2027 Initiative - Protect taxpayer access to representation by improving authorization processing.

TAS will collaborate with the IRS to transform the authorization process into a reliable, transparent, and efficient authorization system that consistently supports access so taxpayers can rely on their chosen representatives without unnecessary delays or disruptions. The goal is to ensure taxpayers can authorize, maintain, and rely on their representatives without unnecessary delays and disruptions in the authorization process to avoid repeat submissions, unexplained interruptions, or prolonged uncertainty.⁸ TAS will focus on actions the IRS can take to:

- **Improve CAF support channels so taxpayers and authorized representatives can resolve authorization problems quickly and keep cases moving:** Establish a dedicated and responsive digital support channel for CAF-related issues to enhance status visibility. Representatives should be able to quickly resolve authorization delays, pending review status, rejections, and access problems efficiently.
- **Strengthen notification and review protections when a representative is placed in pending review status, so taxpayers do not lose access to authorized help without prompt notice and an opportunity to respond:** Provide timely notice and clear review procedures when the IRS places a representative's CAF number into pending review status, including clear verification instructions and timely restoration of access or issuance of a replacement CAF number when warranted. Taxpayers should not lose access to representation without notice or an opportunity to address the issue.

⁸ For example, TAS recommends the CAF Unit process all representatives' names on Forms 2848 and 8821, not just the first name, as is the current practice.

11. REDUCE TAXPAYER BURDEN FROM DELAYS IN PROCESSING DECEASED TAXPAYERS' RETURNS AND REFUNDS

Supports TAS Strategic Goal 3: Influence on Tax Administration

Surviving spouses, executors, and other representatives should be able to settle a deceased taxpayer's final return and receive any refund without delay or confusion. Families grieving the loss of a loved one should not face prolonged uncertainty, repeated paperwork requests, or difficulty understanding IRS requirements during an already stressful time. TAS seeks to ensure the IRS processes deceased taxpayer returns and refunds within a reasonable, transparent timeframe. By reducing reliance on paper processing, improving case tracking, and accelerating refund issuances, TAS aims to minimize financial hardship, eliminate uncertainty, and ensure the IRS treats taxpayers with fairness and dignity.

What Is the Problem?

When the IRS receives a return or refund claim that involves a deceased taxpayer, it often moves the case out of normal processing channels and into slower manual workflows.¹ Many of these returns still depend on paper submissions, including Form 1310, Statement of Person Claiming Refund Due to a Deceased Taxpayer, and supporting documentation. If documents are delayed, incomplete, or do not match IRS records, refunds can be held up even when the surviving family member or representative has done everything required. As a result, families and representatives may wait months with little visibility into the status of the return or potential additional actions. Other returns get stuck in a loop with unclear or incomplete IRS correspondence leading to repeated submissions and prolonged delays.

Another challenge arises when the IRS incorrectly marks a living taxpayer as deceased. These errors can prevent legitimate filing, block electronic filing, and add additional burdens while taxpayers or representatives work to correct the account and resume normal processing. Delays or errors in information sharing between agencies, such as death reporting, can further complicate and prolong resolution. Transforming these processes would reduce delays, improve transparency, and lessen the administrative burden on grieving families.

How Is This Impacting Taxpayers?

These processing challenges place significant financial and emotional strain on surviving family members and representatives, many of whom are not tax professionals and may be unfamiliar with estate-related requirements and are navigating the process without professional assistance. Many surviving family members handling these matters are not tax professionals and may be interacting with the IRS for the first time during a period of grief and financial stress. According to the Treasury Inspector General for Tax Administration (TIGTA), the IRS took an average of 444 days to process and issue manual refunds associated with deceased

¹ In order to claim a refund on behalf of a deceased taxpayer, a claimant other than the surviving spouse must file Form 1310. The form is not required if the surviving spouse files a joint return claiming a refund or if the personal representative files the decedent's original return with an attached court certificate showing the representative's appointment. IRS Pub. 559, Survivors, Executors, and Administrators (2023), <https://www.irs.gov/pub/irs-prior/p559--2023.pdf>.

taxpayers. The IRS has also reported more than 440,000 deceased taxpayer accounts with credit balances totaling more than \$1.3 billion.² Additionally, TAS received over 40,000 requests for assistance involving decedent account refunds for tax years 2023, 2024, and 2025.³

These delays can:

- Postpone access to funds needed to settle estates and pay final expenses;
- Create broader financial hardship, including difficulty closing estates or covering ongoing obligations;
- Require repeat submissions of documentation and multiple follow-ups;
- Create confusion due to limited or unclear status information and lack of predictable timelines;
- Force taxpayers to rely on paper processes and limit access to digital tools and tracking; and
- Increase emotional stress during an already difficult time, especially when families must repeatedly address administrative matters related to a deceased loved one.

If the IRS does not improve these processes:

- Surviving family members and representatives will continue to face lengthy delays in receiving refunds;
- Surviving family members and representatives will remain dependent on paper submissions and related correspondence;
- Manual processing will continue to delay case resolution and limit transparency;
- Taxpayers affected by erroneous deceased indicators will experience blocked electronic filing, delayed resolution, and potential reluctance to file future tax returns until the problem is resolved; and
- Taxpayers without professional assistance, including older or more vulnerable individuals, will continue to face a disproportionate burden navigating complex processes.

These challenges undermine the taxpayer's *rights to quality service* and *to be informed* and erode confidence that the system treats families fairly.⁴

2 TIGTA, Ref. No. 225-IE-R012, *Improvements Are Required to Promptly Validate and Issue Manual Refunds Associated With Deceased Taxpayers 1-2* (Mar. 12, 2025), <https://www.oversight.gov/reports/improvements-are-required-promptly-validate-and-issue-manual-refunds-associated-deceased>.

3 Data obtained from the Taxpayer Advocate Management Information System and Phoenix (Apr. 22, 2025). Note: Phoenix is a dynamic system; the data could change based on when the query is run.

4 See Taxpayer Bill of Rights (TBOR), <https://www.taxpayeradvocate.irs.gov/taxpayer-rights> (last visited Apr. 22, 2026). The rights contained in TBOR are also codified in IRC § 7803(a)(3).



FY 2027 Initiative - Reduce taxpayer burden from deceased taxpayer return delays.

TAS will collaborate with the IRS to improve the timeliness, transparency, and efficiency of processing returns and issuing refunds for deceased taxpayers. The goal is to reduce delays, limit paper-based workflows, and provide surviving family members and representatives with clear guidance and meaningful status updates throughout the process. TAS will focus on actions the IRS can take to:

- **Expand electronic submission and routing of documentation to avoid delays:** Provide additional electronic submission options for Form 1310 and supporting documentation so taxpayers and representatives can submit required information easily and avoid paper-related delays.
- **Improve processing of deceased taxpayer refunds so taxpayers and representatives receive refunds more quickly and are not delayed by manual handling:** Enhance IRS systems to validate claimant information and supporting documentation and systemically issue refunds when eligibility is confirmed, reducing reliance on time-consuming manual review.
- **Improve guidance and communication to provide taxpayers and representatives a clear understanding of what is required, how to avoid repeat submissions, and what to expect throughout the process:** Update and standardize IRS guidance, correspondence, and online content to clearly explain when and how to use Form 1310, what information is required, how to resolve issues such as erroneous deceased indicators, and how to track status and expected timelines.



INCREASING EARNED INCOME TAX CREDIT PARTICIPATION AMONG WORKERS WITHOUT QUALIFYING CHILDREN

EXECUTIVE SUMMARY

Earned Income Tax Credit (EITC) participation rates among eligible workers without qualifying children remain substantially lower than participation rates among other EITC-eligible populations. As a result, many low-income workers fail to receive benefits for which they qualify.

Each year, the IRS sends out tens of thousands of CP27, EIC Potential for Taxpayers Without Qualifying Children, notices to taxpayers who appear eligible to claim the EITC but did not claim the credit on their returns. The notice includes Form 15112, Earned Income Credit Worksheet, which taxpayers may complete and return to verify their eligibility and receive the previously unclaimed credit.

Despite this outreach, few taxpayers respond. Among taxpayers who received a CP27 notice related to their tax year (TY) 2024 return, only about 1% subsequently claimed the EITC. This low response rate suggests that a single outreach notice may be insufficient to encourage participation among eligible taxpayers.

TAS approached the IRS Research Analysis and Applied Statistics (RAAS) function about studying whether additional outreach could increase participation among potentially eligible taxpayers who did not respond to the original CP27 notice. RAAS agreed to study the effectiveness of sending an additional outreach letter to CP27 non-respondents. RAAS tested this additional letter on taxpayers not responding to the CP27 notice regarding their TY 2021 returns.

Because of the length of time elapsed since the filing of the original TY 2021 returns, taxpayers responding to the additional IRS outreach could no longer claim the credit by returning Form 15112. Instead, they were required to file an amended return to receive the EITC. The study found that taxpayers who received the additional outreach letter were more likely to file amended returns claiming the EITC than taxpayers in a comparable control group, demonstrating that additional outreach can increase participation among eligible taxpayers.¹

¹ This difference was statistically significant at the .001 level.

The study also evaluated the cost to send an additional outreach letter, the differences in the IRS cost of processing the Form 15112 accompanying the CP27, and the cost to process the amended return generated by the outreach.

Key findings from this study include:

- Additional outreach can meaningfully increase participation among taxpayers eligible for the EITC for workers without qualifying children.
- Taxpayers were more likely to respond to a follow-up outreach letter that differed from the original CP27 notice, suggesting that revised messaging and notice design may improve engagement.
- Sending additional notices reminding taxpayers of their potential eligibility for the EITC and processing the subsequent amended returns would cost the IRS about \$300,000 annually. However, taxpayers without qualifying children filing amended returns to claim the EITC could be expected to claim over \$4.5 million of EITC, about \$800,000 more than would likely be claimed absent the additional outreach. These findings suggest that the additional outreach would produce substantial benefits for eligible taxpayers relative to the administrative cost to the IRS.
- A more cost-effective long-term approach would be to revise Form 1040, U.S. Individual Income Tax Return, to include the information necessary to determine eligibility for the EITC for workers without qualifying children. This change would allow the IRS to use its math error authority to pay eligible claims automatically, reducing administrative burden for both taxpayers and the IRS while increasing participation among eligible workers.
- In addition to sending at least one additional CP27 notice, the IRS should study ways to improve the CP27, while also clarifying the availability of this credit to eligible individuals in the instructions to Form 1040.

Accordingly, this study recommends that the IRS send a second notice to taxpayers who are likely eligible for the EITC but did not respond to the initial CP27 notice, in addition to improving the layout and content of this notice and clarifying the instructions for initially claiming this credit. However, as soon as practical, the IRS should modify Form 1040 to collect the information needed to determine eligibility and calculate the correct EITC amount without requiring additional correspondence from taxpayers.

INTRODUCTION

Each year, the IRS sends tens of thousands of notices to taxpayers who appear eligible for the EITC but who did not claim it when filing their Form 1040. For taxpayers without qualifying children, the IRS sends a CP27 notice along with Form 15112.² Taxpayers can complete and return this worksheet to confirm eligibility and subsequently claim the credit.

Despite this outreach, many taxpayers do not respond and therefore may not receive the EITC for which they are eligible. As a result, millions of dollars in refundable credits intended to support low-income workers remain unclaimed each year.³ This study examines whether sending a follow-up letter to taxpayers who previously were issued a CP27 notice, but did not respond to it, increased the likelihood that those taxpayers later claimed the credit.

2 The IRS sends a different notice if the taxpayer claims children and likely qualifies for the higher EITC amounts paid to taxpayers with children eligible for the EITC.

3 In TY 2021, only 16.3% of taxpayers receiving a CP27 notice claimed the EITC prior to the end of June 2023 (the approximate time the IRS mailed the outreach letters). IRS, Compliance Data Warehouse (CDW), Individual Returns Transaction File (IRTF) (Nov. 20, 2025).

In fiscal year (FY) 2021, TAS asked RAAS to study whether an additional outreach effort could improve participation among taxpayers who appeared eligible for the credit, but who had not responded to the single IRS notice about their apparent eligibility.⁴ Because of IRS operational backlogs related to the COVID-19 pandemic, RAAS postponed the study until 2023.

During Summer 2023, RAAS mailed a follow-up outreach letter to a sample of about 80,000 taxpayers who had not responded to the CP27 notice the IRS mailed shortly after they filed their TY 2021 return.⁵ Specifically, the letter reminded the taxpayer they might be eligible for the EITC and provided instructions on how to claim the credit. Because significant time had passed since the original CP27 notice, taxpayers generally needed to file an amended return rather than simply return Form 15112 to receive the credit.

RAAS compared the response behavior of taxpayers who received the additional outreach letter to a control group of approximately 164,000 similarly situated taxpayers who did not receive the follow-up communication to measure if the follow-up letter increased the likelihood that the sample taxpayers would claim the EITC versus taxpayers who did not receive the additional letter (control group). This report summarizes the results from this study, including an analysis of whether various taxpayer characteristics influenced how the taxpayer responded to an additional letter notifying them of their potential EITC eligibility. We also discuss the cost associated with mailing additional correspondence, ways to reduce those costs, and the amount of EITC taxpayers are potentially forgoing.

BACKGROUND

The EITC is a refundable tax credit designed to assist workers with low to moderate income. Due to statutory complexities, the EITC's payments are often raised as a concern by many policy makers. Even though the amount of EITC available to taxpayers without qualifying children is substantially smaller than the credit available to taxpayers with qualifying children, many eligible taxpayers still fail to claim millions of dollars of the EITC. Some taxpayers may be unaware of their eligibility, while others may overlook the credit when filing their return.

Millions of taxpayers receive the EITC each year. In TY 2024, 23.5 million taxpayers received the EITC, with an average credit of \$2,916 per return. The credit helped lift nearly 2.6 million adults and 4.6 million children above the Federal Poverty Level.⁶ However, the IRS estimates that nearly 20% of taxpayers eligible to claim the EITC do not claim it.⁷

Most nonclaimants do not file a Form 1040, making it difficult for the IRS to identify and contact them. However, the IRS can identify the tens of thousands of taxpayers who file a Form 1040 and fail to claim the EITC even though they appear eligible. When this situation occurs, the IRS sends notices informing taxpayers of their probable eligibility. Specifically, the IRS issues Notice CP27 to taxpayers without qualifying children and Notice CP09, Earned Income Credit – You May Be Entitled to EIC, to taxpayers with qualifying children, advising them of their likely eligibility to claim the credit. Taxpayers can claim the credit by returning the completed Form 15111, Earned Income Credit Worksheet (CP09), or Form 15112 (CP27) accompanying the notice, indicating the fulfillment of all eligibility requirements to the IRS.

4 The IRS sent over a million taxpayers a CP27 notice regarding their TY 2021 return. IRS, CDW, IRTF (Nov. 20, 2025). Legislation Congress enacted because of the COVID-19 pandemic increased the amount of earned income that would still allow taxpayers to qualify for EITC for workers without qualifying children and the amount of the EITC taxpayers were entitled to claim.

5 See Figure 4.14.

6 IRS, CDW, IRTF (Nov. 28, 2025).

7 EITC Participation Rate by State, <https://www.irs.gov/tax-professionals/eitc-central/eitc-participation-rate-by-state> (last visited Nov. 20, 2025). This site also includes an overall EITC participation rate for the nation.

This study focuses exclusively on taxpayers who received a CP27 notice regarding TY 2021 and did not initially respond. In TY 2021, the IRS issued over one million CP27 notices because of the temporary expanded EITC benefits for workers without qualifying children.⁸ During TY 2021, over 15 million taxpayers without qualifying children received about \$12.9 billion in EITC.⁹ However, the participation rate for workers without qualifying children is markedly lower. While the IRS estimates overall EITC participation at over 80%, participation among workers without qualifying children is estimated at only 71%.¹⁰ One likely reason for the lower participation rate is that the potential benefit is generally much smaller than for EITC claimed by taxpayers with qualifying children. In TY 2021, the maximum EITC for workers without qualifying children was \$1,502, while the maximum possible EITC for taxpayers with one, two, or three qualifying children was \$3,733; \$6,164; and \$6,728, respectively.¹¹

Although eligibility rules reverted after the expiration of temporary COVID-19 legislation, substantial numbers of taxpayers without qualifying children continue to claim the credit. In TY 2024, over 6.3 million taxpayers without qualifying children received over \$2.3 billion of EITC. During that same year, the IRS identified over 83,000 taxpayers who were likely eligible for the EITC for workers without qualifying children. Given that the average EITC for workers without qualifying children claimed for TY 2024 was \$368, taxpayers potentially did not claim approximately \$30.5 million of EITC during TY 2024.¹²

OBJECTIVES

This study sought to:

- Evaluate whether an additional outreach letter to taxpayers who were identified as eligible for the EITC without qualifying children increased EITC claims among taxpayers who did not respond to the original CP27 notice;
- Determine what taxpayer characteristics were associated with higher or lower response rates; and
- Assess the cost and potential benefits of sending an additional outreach letter to taxpayers who appear eligible but did not claim the credit or did not respond to the CP27 notice.

METHODOLOGY

TAS desired to test the effectiveness of sending an additional outreach letter to taxpayers who did not respond to the original IRS letter sent soon after the taxpayer filed their tax return and enlisted RAAS's assistance. As a result of the pandemic-related IRS operational backlogs, the study was not conducted until Summer 2023. RAAS focused on taxpayers without qualifying children whose potential EITC amount was at least \$1,000, believing these taxpayers would be the most likely to respond to the credit. Therefore, the findings are only applicable to this population; however, when estimating the costs of additional contacts to CP27 non-respondents, we do apply the average response rate to the outreach letters to the population of CP27 non-respondents. The footnotes specify caveats.

Figure 4.1 describes both the population and sample size percentage of taxpayers receiving but not responding to a CP27 notice based on their TY 2021 return.

8 IRS, CDW, IRTF (Nov. 20, 2025). In more recent tax years, the IRS has only issued about 100,000 CP27 notices to taxpayers without qualifying children who did not claim the EITC on their returns.

9 IRS, CDW, IRTF (Nov. 20, 2025).

10 IRS, Census Exact Match, Project 6000463: CBDRB-FY24-CES004-016, CBDRB-FY24-CES026-014, CBDRB-FY24-CES004-018.

11 IRS, Pub. 596, Earned Income Credit (EIC) (2025), <https://www.irs.gov/publications/p596>.

12 In TY 2024, the maximum EITC amounts were \$632; \$4,213; \$6,960; and \$7,830 for zero, one, two, and three qualifying children, respectively. IRS, Pub. 596, Earned Income Credit (EIC) (2025), <https://www.irs.gov/publications/p596>.

FIGURE 4.1, Sampling Plan¹³

| Filing Status | Potential EITC | Population | Percent of Population | Percent in Sample | Sample |
|--------------------------------|-----------------|----------------|-----------------------|-------------------|---------------|
| Single/Head of Household (HoH) | \$1,000-\$1,099 | 39,606 | 16.1% | 29.2% | 11,577 |
| Single/HoH | \$1,100-\$1,199 | 33,298 | 13.5% | 29.2% | 9,733 |
| Single/HoH | \$1,200-\$1,299 | 37,446 | 15.2% | 29.2% | 10,946 |
| Single/HoH | \$1,300-\$1,399 | 36,084 | 14.7% | 29.2% | 10,548 |
| Single/HoH | \$1,400-\$1,502 | 87,853 | 35.7% | 29.2% | 25,680 |
| Married Filing Joint (MFJ) | \$1,000-\$1,099 | 1,051 | 0.4% | 100.0% | 1,051 |
| MFJ | \$1,100-\$1,199 | 1,069 | 0.4% | 100.0% | 1,069 |
| MFJ | \$1,200-\$1,299 | 990 | 0.4% | 100.0% | 990 |
| MFJ | \$1,300-\$1,399 | 1,057 | 0.4% | 100.0% | 1,057 |
| MFJ | \$1,400-\$1,502 | 7,349 | 3.0% | 100.0% | 7,349 |
| Totals | | 245,803 | | 32.5% | 80,000 |

Figure 4.2 describes the sizes of the sample and control groups by filing status.

FIGURE 4.2, Sample¹⁴

| Filing Status | Treatment Sample | Control Group |
|---------------|------------------|----------------|
| Single/HoH | 68,608 | 164,245 |
| MFJ | 11,391 | 0 |
| Total | 79,999 | 164,245 |

The treatment group included 68,143 single filers, 465 HoH filers, and 11,391 MFJ filers. The taxpayers received a letter informing them of potential EITC eligibility, including instructions on how to amend their return if they determined they were eligible for the credit.¹⁵ A copy of the CP27 notice they previously received was included with the letter.

We compared the number of amended returns claiming the EITC filed by taxpayers after receiving the outreach letter to the number of those taxpayers who filed an amended return claiming the EITC but did not receive an outreach letter. We also explored amended return rates by preparation method, age, adjusted gross income (AGI), earned income, and combinations of these factors. The control group was slightly over twice the size of the treatment group. No statistical difference existed between the treatment and control groups on any of these four factors or on the five strata of potential EITC.

This analysis uses an intent-to-treat method, which includes the entire treatment sample regardless of whether the treatment mailing was returned as undeliverable. The advantage of intent-to-treat is that it preserves randomization, which avoids selection bias and provides an unbiased estimate of the effectiveness of the treatment strategy.

¹³ RAAS excluded 1,147 single, 125 MFJ, and 13 HoH filers before selecting a random sample due to address verification issues.

¹⁴ We excluded one filer in the treatment who received two letters.

¹⁵ See Figure 4.14.

LIMITATIONS

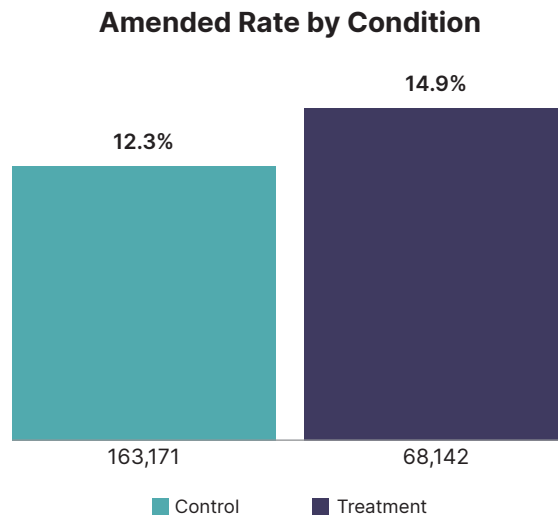
RAAS decided to send the outreach letter to all MFJ filers because their small population size of 11,391 made it unlikely we could measure statistically meaningful differences between the control and treatment group. RAAS considered creating synthetic control for the MFJ cohort from other tax years but found that it was not feasible to do so because the cross-year differences are too significant to create a statistically similar control group.

This data analysis reports the results for the largest cohort, single filers, with the remainder of the single filer population of interest serving as a control group. RAAS removed HoH filers because the small size of the treatment and control groups does not allow sufficient statistical power to provide meaningful results.¹⁶

FINDINGS

Figure 4.3 shows that the amended return rate of the treatment group (14.9%) was 2.6 percentage points (or 21%) higher than the control group (12.3%).¹⁷ This difference was statistically significant at the .001 level.¹⁸ The median EITC amount for those who amended was \$1,274 (no statistical difference between treatment and control groups for EITC amount).

FIGURE 4.3¹⁹



Impact by Original Preparation Method

Figure 4.4 compares the amended return rates of the treatment and control groups for each type of original return preparation method. Preparation method is the most important factor in explaining the statistical variation in whether a taxpayer filed an amended return.

¹⁶ The control group contained 1,074 taxpayers, and the treatment group contained 465 taxpayers. Most HoH filers are eligible for the EITC with a qualifying child and thus received CP09, not CP27.

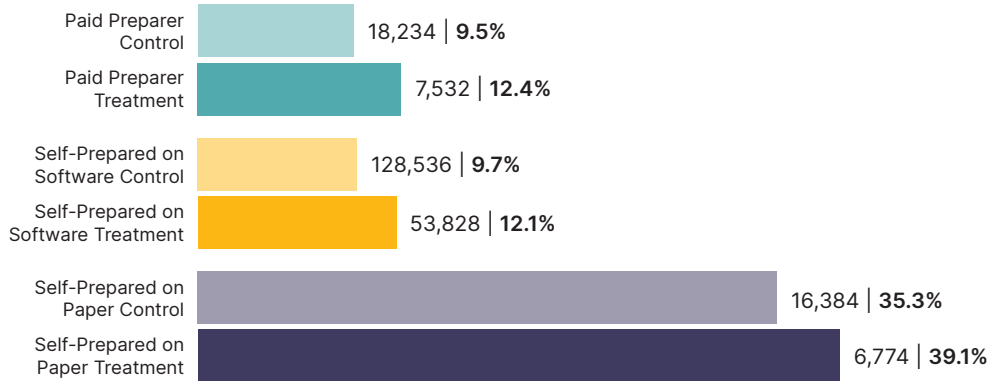
¹⁷ The effect of the outreach letters is 2.7 percentage points when all covariates reported in the methodology section are added to a linear probability model with robust standard errors. We report the more conservative 2.6 percentage points since it is the effect of the simple model including the strata and 30 stratified random pulls (based on strata covariates).

¹⁸ The F-statistic is 263.3, and the standard error is 0.2.

¹⁹ FY2023 No Child Earned Income Tax Credit Outreach Project, IRS, RAAS (Sept. 18, 2025).

FIGURE 4.4²⁰

Amended Rates by Preparation Method and Condition

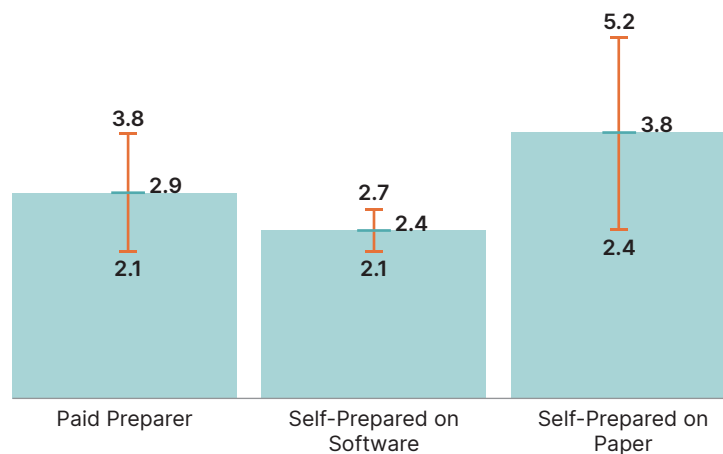


The relatively high amended return rate for treatment and control group returns that were paper-prepared isn't surprising as these taxpayers do not have the benefit of the preparer or software interview to help them determine eligibility for tax benefits like the EITC. However, the data show that using an assisted tax preparation method does not guarantee that the taxpayer will claim all tax benefits to which they are entitled.

Figure 4.5 shows that the outreach letter increased the amended return rate by 2.9 percentage points (31%) for those using a paid preparer, 2.4 percentage points (25%) for those who prepared their return themselves using software, and 3.8 percentage points (11%) for those who self-prepared their return on paper.²¹ Notably, the amended rate among filers who used a paid preparer or prepared their own return on software (treatment or control) was substantially lower than taxpayers who prepared their own returns on paper.

FIGURE 4.5²²

Treatment-Control Difference by Preparation Method



20 FY2023 No Child Earned Income Tax Credit Outreach Project, IRS, RAAS (Sept. 18, 2025).

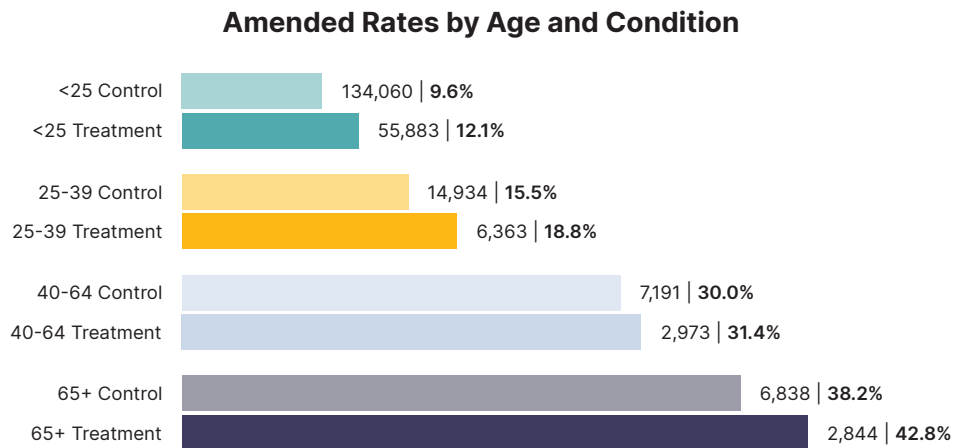
21 This subgroup analysis excludes those using Volunteer Income Tax Assistance sites, as the sample size for these filers is fewer than 30. While all the treatment effects are statistically different from zero, they are not statistically different from each other.

22 FY2023 No Child Earned Income Tax Credit Outreach Project, IRS, RAAS (Sept. 18, 2025).

Impact by Age

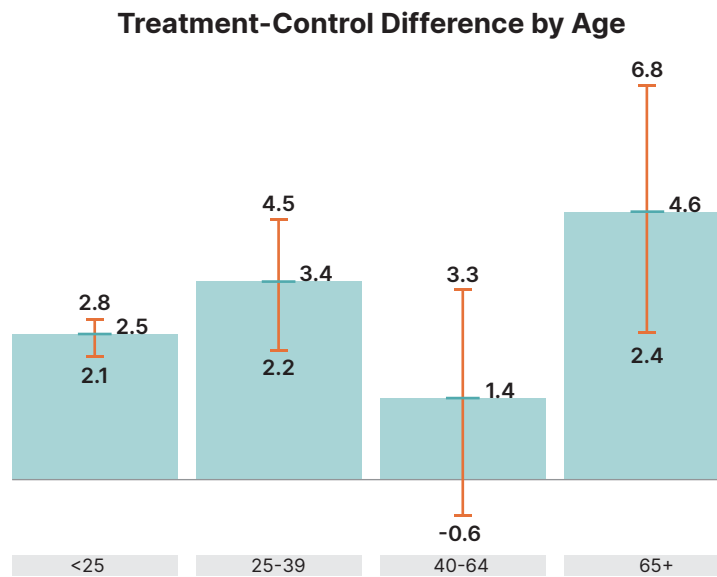
Figure 4.6 shows that the amended return rate rises with age. We note that the age range for EITC eligibility for workers without qualifying children expanded beyond the range of 25 to 64 in 2021 as a result of legislation enacted during the COVID-19 pandemic. However, the eligibility age for the EITC for workers without qualifying children reverted to only taxpayers between the ages of 25 and 64, beginning with TY 2022 and continuing to the following years. If we look only at taxpayers aged between 25 and 64, we see a significantly higher amended return rate for the 40-64 age group compared to the 25-39 age group.

FIGURE 4.6²³



However, Figure 4.7 shows the impact of the treatment was substantially lower for the aged 40-64 group and not statistically significant. Since the EITC for workers without qualifying children eligibility no longer exists for taxpayers under age 25 or over age 64, we will not discuss these age groups in our analysis.

FIGURE 4.7²⁴



²³ FY2023 No Child Earned Income Tax Credit Outreach Project, IRS, RAAS (Sept. 18, 2025).

²⁴ *Id.*

Figure 4.8 shows that the preparation method partially drives the differences in the amended return rate across age groups. Filers aged 40-64 were more than twice as likely to prepare on paper compared to those aged 25-39.

FIGURE 4.8²⁵

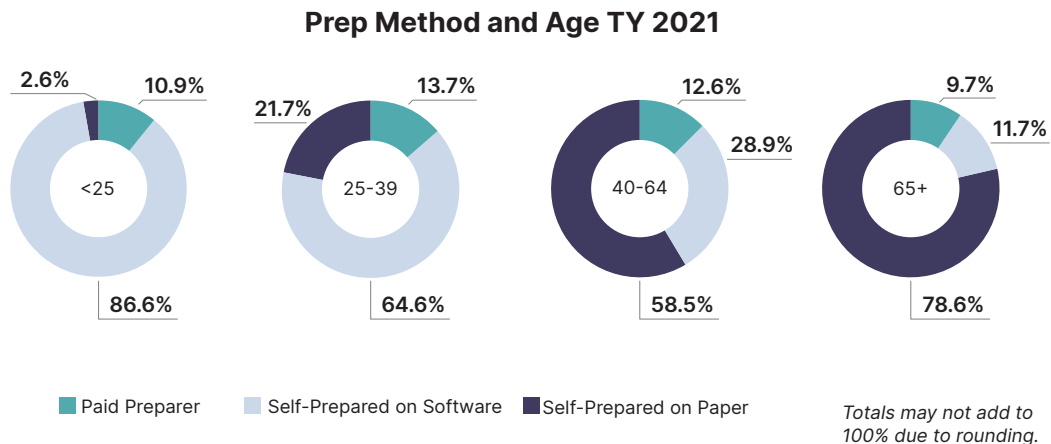
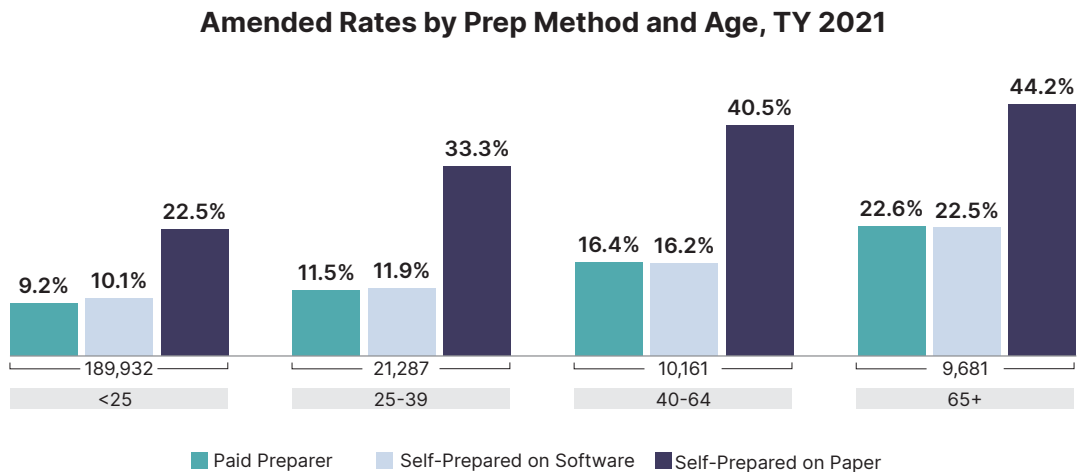


Figure 4.9 shows the likelihood of amending a return to claim additional EITC. This figure also shows that filers aged 40-64 are more likely to amend than those aged 25-39 across preparation methods, and their likelihood of claiming the EITC was over seven percentage points (22%) higher for taxpayers self-preparing paper returns. However, the filers in the 40-64 age group preference for self-preparation on paper increases the overall gap compared to the 25-39 age group by at least 12 percentage points (as shown in Figure 4.6).

FIGURE 4.9²⁶



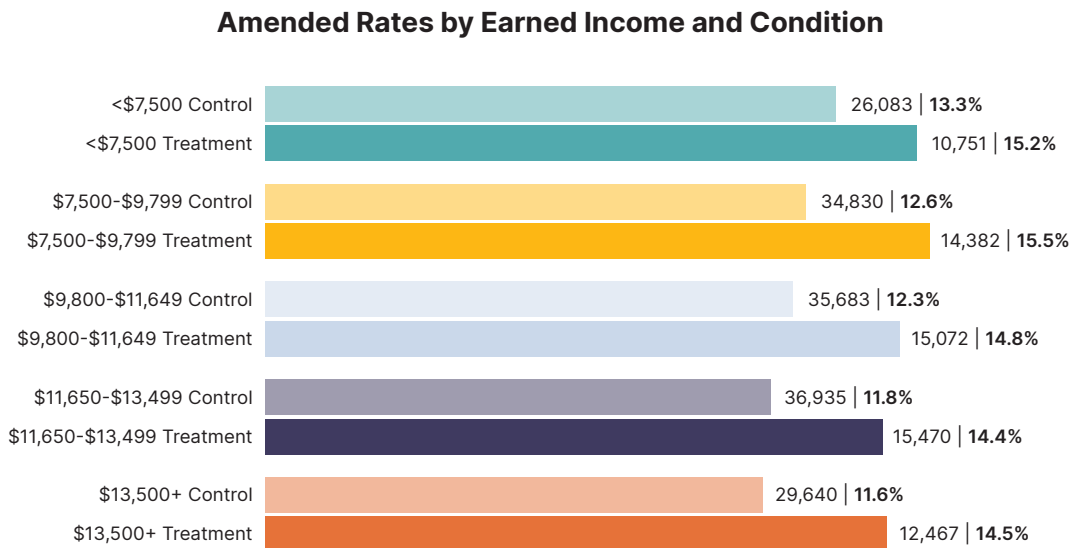
²⁵ FY2023 No Child Earned Income Tax Credit Outreach Project, IRS, RAAS (Sept. 18, 2025).

²⁶ *Id.*

Impact by Amount of Earned Income

Figure 4.10 compares the amended return rates of the treatment and control groups by the amount of earned income computed by the IRS when they submitted their original return. Though earned income is less important than preparation method and age in explaining the variation of amended return rates, earned income was associated with different underlying amended return rates. Taxpayers in the treatment group with earned income in the \$7,500-\$9,799 range (the top half of the phase-in range) had the highest rates of amending their returns after receiving the outreach letter.²⁷ Aside from that peak, the data shows that as computer-calculated earned income increased, the likelihood of filing an amended return generally decreased for both the control and treated groups.²⁸

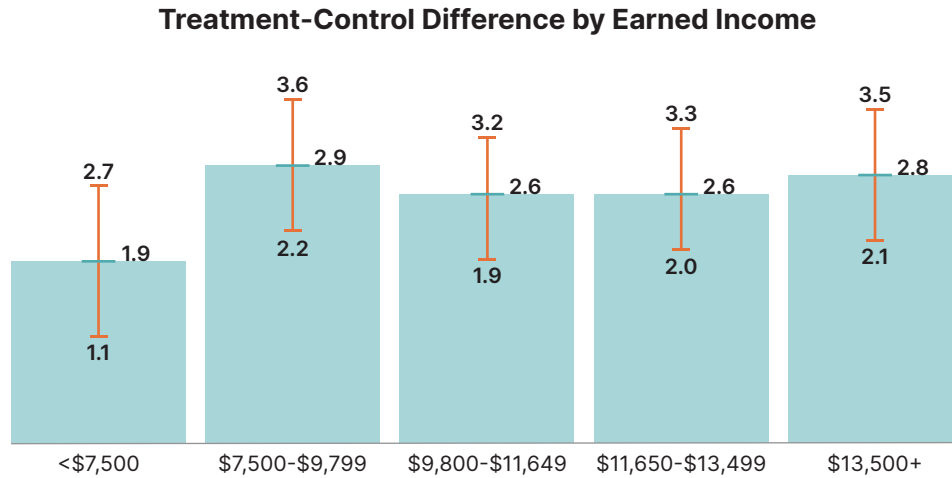
FIGURE 4.10²⁹



As shown in Figure 4.11, the impact of the outreach letter is generally over 2.5 percentage points (21-24%), except for the under \$7,500 group where it is less than two percentage points (14%). The amended return rate treatment effects for the four higher income ranges are each statistically different from the treatment effect for those taxpayers with less than \$7,500 in earned income.

27 The EITC phase-in range is where increasing amounts of earned income will increase the amount of the EITC. In TY 2021, the amount of EITC for single taxpayers plateaus at \$9,800 and begins to phase out (decrease) after earned income reaches \$11,650.
 28 The maximum EITC for workers without qualifying children in TY 2021 was \$1,502, which corresponds to \$9,800 to \$11,649 of earned income.
 29 FY2023 No Child Earned Income Tax Credit Outreach Project, IRS, RAAS (Sept. 18, 2025).

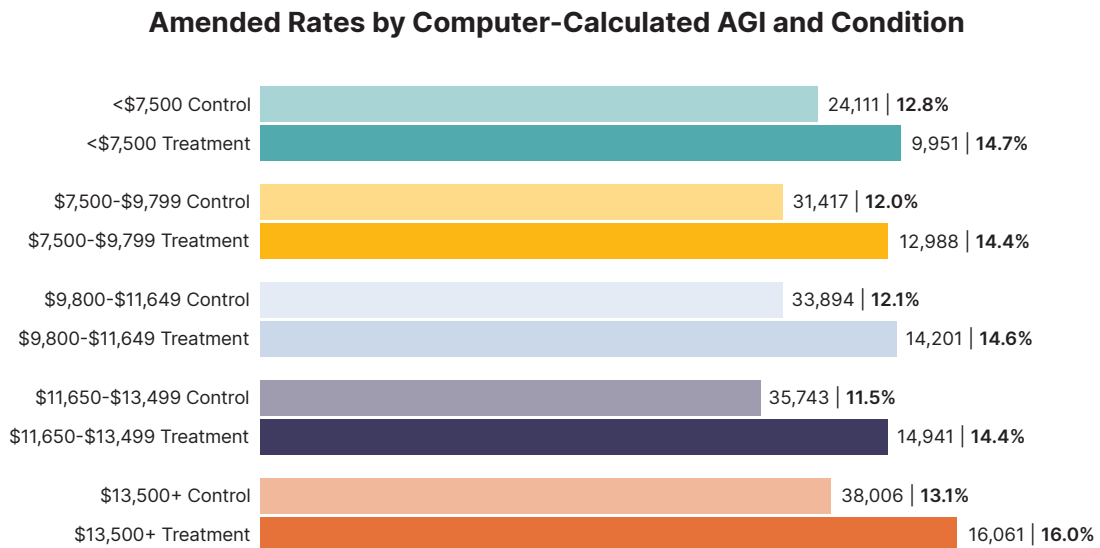
FIGURE 4.11³⁰



Impact by Adjusted Gross Income

Figure 4.12 compares the amended return rates of the treatment and control groups by the amount of AGI computed by the IRS when they submitted their original return. The EITC is based on the amount of earned income. Earned income is a component of AGI, but AGI also includes other income such as interest or dividends or adjustments to income for items such as individual retirement account contributions or the adjustment for self-employment tax.³¹ As with earned income, our analysis of AGI looks at the amount of AGI computed by the IRS on the taxpayer’s original return and could be different from the AGI reported if the taxpayer made an error in calculating AGI.

FIGURE 4.12³²



30 FY2023 No Child Earned Income Tax Credit Outreach Project, IRS, RAAS (Sept. 18, 2025).

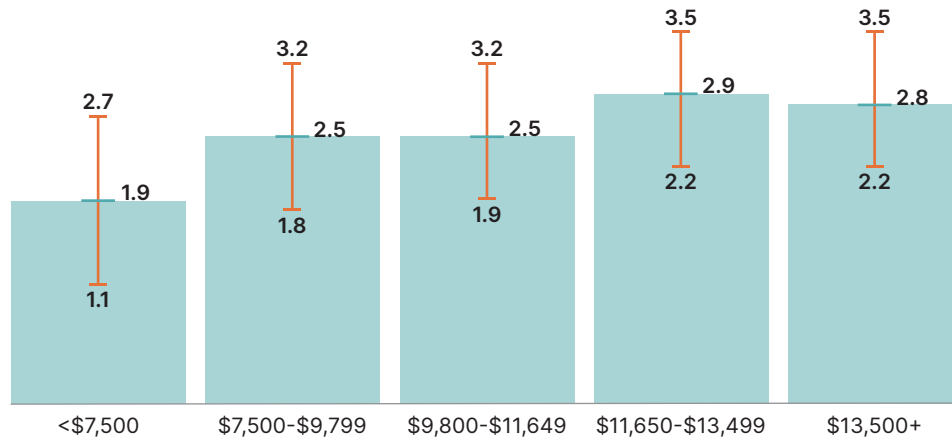
31 In TY 2021, to be eligible for the EITC, a taxpayer’s investment income could not exceed \$10,000.

32 FY2023 No Child Earned Income Tax Credit Outreach Project, IRS, RAAS (Sept. 18, 2025).

Not surprisingly, the amended return rates for AGI are very similar to the prior earned income analysis. Figure 4.13 shows that the impact of the outreach letter increases the amended return rate by at least 2.5 percentage points, except for the under \$7,500 group, which is less than two percentage points different, although only the treatment effects for those less than \$7,500 and those \$13,500 or more are statistically different from each other.

FIGURE 4.13³³

Treatment-Control Difference by Computer-Calculated AGI



The final objective of this study was to evaluate the IRS costs of sending a follow-up outreach letter to non-responding CP27 recipients and then subsequently processing an amended return claiming the credit for those who responded. The study also compares these costs to the alternative of sending a second CP27 notice, which would allow taxpayers to respond using Form 15112 rather than requiring them to file amended returns. This comparison is important because reducing administrative barriers may improve taxpayer participation while also lowering IRS processing costs. The average IRS cost to send out a notice is \$1.13, and the average cost to make an account adjustment is \$2.02.³⁴ The cost to process a paper amended return is \$18.82, while the IRS spent 99 cents to send the outreach letter.³⁵ In total, taxpayers responding to an outreach letter would cost the IRS \$19.81 compared to only \$3.15 if they were responding to a follow-up CP27 notice.

In TY 2024, the IRS identified 83,062 taxpayers receiving a CP27 notice who appeared eligible for the EITC for workers without qualifying children but did not claim the credit on their original returns. These taxpayers were comprised of 68,554 single filers; 3,519 HoH filers; and 10,989 MFJ filers.³⁶ Most CP27 notices were therefore issued to single filers.

The results of this study showed that 14.9% of taxpayers who previously did not respond to the CP27 notice later responded to the outreach letter with an amended return claiming the credit. While the results only pertain directly to single filers who had earned income sufficient to claim an EITC of at least \$1,000, this cost analysis applies the 14.9% rate to the broader population of 83,062 TY 2024 CP27 non-respondents for cost

33 FY2023 No Child Earned Income Tax Credit Outreach Project, IRS, RAAS (Sept. 18, 2025).

34 Email from Taxpayer Services (Dec. 1, 2025) (on file with TAS) and IRS, Document 6746, Cost Estimate Reference FY 2024, at 370 (accounting costs associated with notice review).

35 Email from RAAS (Apr. 9, 2026) (on file with TAS) and IRS, Document 6746, Cost Estimate Reference FY 2024, at 469 (processing amended returns).

36 IRS, CDW, IRTF (Nov. 21, 2025). Eight of the MFJ filers are actually qualifying widows.

estimation purposes.³⁷ Performing this calculation yields an expected 12,376 taxpayers who would respond to an outreach letter with an amended return to claim the EITC for workers without qualifying children. Because processing a paper amended return costs \$16.80 more than processing a notice response adjustment (\$18.82 minus \$2.02), the IRS would incur an estimated additional processing cost of approximately \$207,917 for those amended returns. Mailing notice or outreach letter to the 82,724 non-responding taxpayers would cost approximately \$81,897, bringing the total estimated IRS cost to approximately \$298,814. However, the average EITC for workers without qualifying children amount for claimants in TY 2024 was \$368. Although we estimate the IRS's costs to send a follow-up letter at \$298,814, we would expect taxpayers to receive an additional \$4.5 million of EITC.

While we applied the 14.9% response rate to all TY 2024 recipients, the RAAS analysis showed that 12.3% of the taxpayers in the control group filed an amended return claiming the EITC. Therefore, the additional outreach may increase the response rate by only 2.6 percentage points compared with not issuing a second outreach letter. Nevertheless, on average, this additional number of respondents generated by the outreach letter would still result in eligible taxpayers receiving \$795,000 of EITC.

Alternatively, the IRS could send another CP27 notice to the non-respondents of the original CP27 notice in lieu of sending a follow-up outreach letter. We expect this alternative to reduce the cost to the IRS of sending an additional notice by nearly 60% by eliminating the need to process an amended return for respondents, taking the additional cost down to \$118,591. However, a more cost-effective long-term solution would be to revise Form 1040 schedules to include the limited eligibility questions necessary for the IRS to systemically determine and calculate the EITC for workers without qualifying children during original return processing.

CONCLUSIONS

- This study demonstrates that additional outreach can meaningfully increase participation among taxpayers eligible for the EITC for workers without qualifying children. Nearly 15% of taxpayers who did not respond to the original CP27 notice later claimed the credit after receiving a second communication. The results also suggest that taxpayers may respond more favorably to outreach that differs in format or presentation from the original CP27 notice, indicating that notice design and messaging may influence participation rates.
- This study further indicates that taxpayers were more likely to respond to a follow-up outreach letter that differed from the original CP27 notice. The IRS could explore revisions to the content, format, and presentation of the CP27 to improve response rates. Additionally, focus groups conducted with taxpayers or other direct taxpayer feedback initiatives with individuals who did not respond to the CP27 notice could help the IRS better understand barriers to participation and identify opportunities to improve future communications.
- Fewer than 1% of taxpayers identified as apparently eligible for the EITC for workers without qualifying children in TY 2024 subsequently received their credit.³⁸ The average claim for the EITC for workers without qualifying children in TY 2024 was \$368. If the taxpayers identified as potentially eligible, but who did not later request the EITC, were eligible for the TY 2024 average amount, those taxpayers collectively may have failed to receive over \$30 million in refundable credits. Even if only about 15% responded to a second notice, eligible taxpayers would still receive over \$4.5 million in additional EITC benefits, or about \$800,000 more than if the IRS did not send an outreach letter.

³⁷ The RAAS test only explored the effect of an outreach letter to CP27 non-respondents if the taxpayer had earned income, which would create an EITC amount of at least \$1,000. In TY 2024, the maximum EITC amount was \$602. The RAAS analysis also noted that the percent of respondents decrease when earned income fell below \$7,500. Therefore, the 14.9% response rate may be overstated when applied to all TY 2024 single CP27 respondents.

³⁸ IRS, CDW, IRTF and Individual Master File (Nov. 20, 2025).


- The factors most strongly associated with whether the taxpayer filed an amended return in response to the EITC outreach letter were, in order of significance, return preparation method, age, earned income for EITC purposes, and AGI.
- Sending additional notices reminding taxpayers of their potential eligibility for the EITC and processing the subsequent amended returns would cost the IRS about \$300,000; however, the benefit to taxpayers would be over \$4.5 million in EITC.
- A more cost-effective long-term approach for addressing unclaimed EITC for workers without qualifying children would be to include the eligibility questions necessary to verify entitlement directly on the tax return. This approach would allow the IRS to systemically determine eligibility, calculate the allowable credit amount, and issue the credit during original return processing without requiring additional taxpayer contact. Such a systemic solution could allow eligible taxpayers who fail to claim the EITC for workers without qualifying children to receive more than \$30 million in refundable credits that may otherwise go unclaimed.

RECOMMENDATIONS

- In addition to sending at least one additional CP27 notice, the IRS should study ways to improve the CP27, while also clarifying the availability of this credit to eligible individuals in the instructions to Form 1040.
- As soon as practical, the IRS should modify Form 1040 to capture the information necessary to determine and refund the proper amount of EITC during original return processing for taxpayers without qualifying children who do not claim the credit on their return.³⁹

39 The IRS needs the taxpayer(s) to affirm: they lived in the United States for more than six months during the tax year; they cannot be claimed as a dependent by someone else if they did not file a joint return; they cannot be claimed as an EITC qualifying child for someone else; and their Social Security card does not read "Not Valid for Employment."

FIGURE 4.14



Department of the Treasury
Internal Revenue Service
 PO Box 75426
 Washington, DC 20002

Date:
06/24/2026

Contact number:
8885256797

[Recipient name]
 [Address line 1]
 [Address line 2]
 [Address line 3]

You may be eligible for a credit of up to \$1,502.00 on your 2021 return.

After you filed your 2021 tax return, we sent you a CP 27 notice letting you know that you may be eligible for a refund of up to \$1,502.00 for an Earned Income Credit (EIC). We didn't hear from you, so we're following up to remind you that you can still claim this credit if you're eligible.

To determine if you may be eligible to claim this credit, check "Yes" or "No" to the following statements:

- I lived in the US for more than half of 2021. Yes No
- My Social Security number authorizes me to work or was issued for a reason other than to receive a federally funded benefit such as Medicaid. Yes No

If you answered "No" to either question
 You do NOT qualify to claim EIC for 2021. You can disregard this letter and the previous CP27 notice.

If you answered "Yes" to both questions

- File Form 1040-X, Amended U.S. Individual Income Tax Return, for your 2021 federal tax return. You'll need a copy of your original 2021 return available when preparing the amended return.
- If you used software to electronically file your original 2021 return, you may be able to prepare and electronically file Form 1040-X using that same software. Refer to your software instructions for more information. Otherwise, you must mail a paper Form 1040-X to the address shown in the form's instructions.
- Visit [IRS.gov/1040x](https://www.irs.gov/1040x) for information about filing Form 1040-X.
- Visit [IRS.gov/1040xStatus](https://www.irs.gov/1040xStatus) to track your amended return after you file.
- Get forms and instructions online at [IRS.gov/forms](https://www.irs.gov/forms) or by calling 800-TAX-FORM (800-829-3676).

What will happen after you file Form 1040-X
 If you're eligible for the credit, we'll send you a refund within 20 weeks if you don't owe tax or other debts we're required to collect. If we deny the credit, we'll send you an explanation.

Letter 6457 (Rev. 5-2023)
 Catalog Number 48766J

Evolution of the Office of the Taxpayer Advocate

1979: IRS Establishes the Position of Taxpayer Ombudsman

The IRS administratively established the Office of the Taxpayer Ombudsman in 1979 to serve as the primary advocate for taxpayers within the IRS. The office was designed to help taxpayers resolve problems with the IRS and to elevate systemic concerns affecting taxpayer treatment and service.

1988: TBOR 1 Codifies the Taxpayer Ombudsman and Grants Statutory Authority

The Taxpayer Bill of Rights (TBOR 1), which was included in the Technical and Miscellaneous Revenue Act of 1988, effectively codified the position of Ombudsman and the Office of the Taxpayer Ombudsman.¹ Congress added IRC § 7811, granting the Ombudsman – now the National Taxpayer Advocate, or NTA – statutory authority to issue Taxpayer Assistance Orders (TAOs) if, in the determination of the Ombudsman, a taxpayer is suffering or is about to suffer a significant hardship due to the way the Secretary of the Treasury is administering the Internal Revenue laws.² Further, TBOR 1 directed the Ombudsman and the Assistant Commissioner (Taxpayer Services) to jointly submit an Annual Report to Congress regarding the quality of taxpayer services provided by the IRS. TBOR 1 required that the report be directly delivered to the Senate Committee on Finance and the House Committee on Ways and Means.³

1996: TBOR 2 Strengthens Independence and Expands Advocacy Authority

The Taxpayer Bill of Rights 2 (TBOR 2) significantly strengthened the independence, authority, and responsibilities of the Taxpayer Advocate.

TBOR 2 amended IRC § 7802 (the predecessor to IRC § 7803), replacing the Office of the Taxpayer Ombudsman with the Office of the Taxpayer Advocate and retitling the Taxpayer Ombudsman as the Taxpayer Advocate.⁴ The Act elevated the position to report directly to the IRS Commissioner.⁵

TBOR 2 also defined the functions of the office as follows:

- i. assist taxpayers in resolving problems with the IRS;
- ii. identify areas in which taxpayers have problems in dealings with the IRS;
- iii. to the extent possible, propose changes in the administrative practices of the IRS to mitigate problems identified under clause (ii); and
- iv. identify potential legislative changes which may be appropriate to mitigate such problems.⁶

1 Pub. L. No. 100-647, § 6230, 102 Stat. 3342, 3733-3734 (1988), <https://www.congress.gov/100/statute/STATUTE-102/STATUTE-102-Pg3342.pdf>. In the legislation, Title VI, Subtitle J was titled the Omnibus Taxpayer Bill of Rights, but as subsequent taxpayer rights legislation was passed, it came to be known as Taxpayer Bill of Rights 1.

2 *Id.* at 3733.

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

4 Pub. L. No. 104-168, § 101, 110 Stat. 1452, 1453 (1996), <https://www.congress.gov/104/statute/STATUTE-110/STATUTE-110-Pg1452.pdf>.

5 *Id.* (codified at IRC § 7803(c)(1)(B)(i)).

6 Pub. L. No. 104-168, § 101, 110 Stat. 1452, 1454 (1996) (codified at IRC § 7803(c)(2)(A)).

TBOR 2 replaced the joint Assistant Commissioner/Taxpayer Advocate Report to Congress with two independent reports submitted by the Taxpayer Advocate to the House Committee on Ways and Means and the Senate Committee on Finance.⁷ Congress described the objective of these two reports as providing “an unfiltered and candid report of the problems taxpayers are experiencing and what can be done to address them.”⁸

The first report, due by June 30 each year, sets forth the objectives of the Office of the Taxpayer Advocate for the upcoming fiscal year (the “Objectives Report”).

The second report, due by December 31 each year, describes the activities of the Office of the Taxpayer Advocate for the preceding fiscal year (the “Annual Report”). Congress required the Annual Report, among other things, to:

- Describe at least 20 of the most serious problems encountered by taxpayers;
- Identify the 10 most litigated issues for each category of taxpayers; and
- Make administrative and legislative recommendations to resolve taxpayer problems.⁹

To ensure the independence of these reports, Congress required that they be submitted directly to the tax-writing committees without prior review or comment from the IRS, the Treasury Department, or the Office of Management and Budget.¹⁰

The Joint Committee on Taxation explained the purposes of the legislation as follows:

To date, the Taxpayer Ombudsman has been a career civil servant selected by and serving at the pleasure of the IRS Commissioner. Some may perceive that the Taxpayer Ombudsman is not an independent advocate for taxpayers. To ensure that the Taxpayer Ombudsman has the necessary stature within the IRS to represent fully the interests of taxpayers, Congress believed it appropriate to elevate the position to a position comparable to that of the Chief Counsel. In addition, to ensure that the Congress is systematically made aware of recurring and unresolved problems and difficulties taxpayers encounter in dealing with the IRS, the Taxpayer Ombudsman should have the authority and responsibility to make independent reports to the Congress in order to advise the tax-writing committees of those areas.¹¹

TBOR 2 established a formal process for the Taxpayer Advocate to submit administrative recommendations to the Commissioner and requires the Commissioner to establish procedures to ensure all Taxpayer Advocate administrative recommendations receive a written response within three months.¹²

In addition, TBOR 2 expanded TAO authority under IRC § 7811 by providing the Taxpayer Advocate “with broader authority to affirmatively take any action as permitted by law with respect to taxpayers who would otherwise suffer a significant hardship as a result of the manner in which the IRS is administering the tax laws.”¹³ TAOs could now specify a time period within which the IRS must act on the order. The statute

7 Pub. L. No. 104-168, § 101(a), 110 Stat. 1452, 1454 (1996); (codified at IRC § 7803(c)(2)(B)).

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

9 Pub. L. No. 104-168, § 101, 110 Stat. 1452, 1454 (1996) (codified at IRC § 7803(c)(2)(B)(iii)). In 2019, the list of issues required to be addressed in the Annual Report was amended by the Taxpayer First Act. Key modifications are described under the discussion of the Taxpayer First Act below.

10 IRC § 7803(c)(2)(B)(iii).

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

12 Pub. L. No. 104-168, § 102(b), 110 Stat. 1452, 1456 (1996) (codified at IRC § 7803(c)(3)).

13 STAFF OF J. COMM. ON TAX’N, 104TH CONG., GEN. EXPLANATION OF TAX LEGIS. ENACTED IN THE 104TH CONG. 22, JCS-12-96 (J. Comm. Print 1996), <https://www.jct.gov/getattachment/8ac864d2-2601-4d89-bc00-751dc38a2f11/s-12-96-2943.pdf>.

further provided that only the NTA, the IRS Commissioner, or the Deputy Commissioner may modify or rescind a TAO, and they may only do so if they provide a written explanation of the reason(s) for the modification or rescission.¹⁴

In TBOR 2, Congress did not provide the Taxpayer Advocate with direct supervisory authority over the existing regional and local Problem Resolution Officers (PROs) who handled cases under the Problem Resolution Program, the predecessor to the Office of the Taxpayer Advocate. In legislative history, however, it did address the risk of retaliation against PROs by IRS supervisors for raising concerns about the IRS's handling of taxpayer cases: “[A]ll PROs should take direction from the Taxpayer Advocate and they should operate with sufficient independence to assure that taxpayer rights are not being subordinated to pressure from local revenue officers, district directors, etc.”¹⁵

1997: The National Commission Calls for Greater Independence

In 1997, the National Commission on Restructuring the Internal Revenue Service called the Taxpayer Advocate the “voice of the taxpayer” and emphasized the importance of both actual and perceived independence.

In its final report, the Commission wrote:

Taxpayer Advocates play an important role and are essential for the protection of taxpayer rights and to promote taxpayer confidence in the integrity and accountability of the IRS. To succeed, the Advocate must be viewed, both in perception and reality, as an independent voice for the taxpayer within the IRS. Currently, the [N]ational Taxpayer Advocate is not viewed as independent by many in Congress. This view is based in part on the placement of the Advocate within the IRS and the fact that only career employees have been chosen to fill the position. Because a candidate for the job is likely to have additional career ambitions at the IRS after performing the Advocate position, it is difficult to perceive the Advocate as independent when the position is regarded as just another assignment for an IRS executive, with the Commissioner viewing his or her performance as determining the next position.¹⁶

In addition, the Commission's report stated: “To ensure the independence of the [N]ational Taxpayer Advocate, candidates for this position should have substantial experience representing taxpayers before the IRS or with taxpayer rights issues.”¹⁷

1998: RRA 98 Establishes the Modern National Taxpayer Advocate and Taxpayer Advocate Service

Congress responded to the Commission's concerns by passing the Internal Revenue Service Restructuring and Reform Act of 1998 (RRA 98), which fundamentally strengthened the independence and authority of the Office of the Taxpayer Advocate. Congress amended IRC § 7803(c), retitling the Taxpayer Advocate as the National Taxpayer Advocate (NTA). To preserve independence, Congress provided that the NTA may not serve as an officer or employee of the IRS for the two years preceding or five years following their tenure as the

¹⁴ Pub. L. No. 104-168, § 101, 110 Stat. 1452, 1455 (1996) (codified at IRC § 7811(c)).

¹⁵ H.R. REP. NO. 104-506, at 24 (1996).

¹⁶ NAT'L COMM'N ON RESTRUCTURING THE IRS, A VISION FOR A NEW IRS 48 (Comm'n Print 1997), <https://www.govinfo.gov/content/pkg/GOVPUB-Y3-PURL-LPS69710/pdf/GOVPUB-Y3-PURL-LPS69710.pdf>.

¹⁷ *Id.* at 49.

NTA, with service as an employee of the Office of the Taxpayer Advocate excluded from this restriction.¹⁸ The legislation also replaced the structure of Problem Resolution Officers who reported to IRS district directors with Local Taxpayer Advocates (LTAs) who report directly to the NTA.¹⁹

To further strengthen the independence of the Office of the Taxpayer Advocate, RRA 98:

- Authorized the NTA to “appoint” LTAs in each state and to “evaluate and take personnel actions (including dismissal) with respect to any employee of any local office.”²⁰
- Directed LTAs to advise taxpayers at their first meeting of the fact that “the taxpayer advocate offices operate independently of any other Internal Revenue Service office and report directly to Congress through the National Taxpayer Advocate.”²¹
- Required LTAs to maintain “independent communications” by maintaining “a separate phone, facsimile, and other electronic communication access, and a separate post office address.”²²
- Granted the LTAs discretion to withhold from the IRS the fact that the taxpayer contacted the Office of the Taxpayer Advocate, or any information provided by the taxpayer seeking their assistance.²³

RRA 98 also expanded the definition of “significant hardship” in IRC § 7811 to include four specific circumstances:

1. An immediate threat of adverse action;
2. A delay of more than 30 days in resolving taxpayer account problems;
3. The incurring by the taxpayer of significant costs (including fees for professional representation) if relief is not granted; or
4. Irreparable injury to, or a long-term adverse impact on, the taxpayer if relief is not granted.²⁴

The congressional committee reports make clear that this is a non-exclusive list of what constitutes a significant hardship.²⁵

The legislative history accompanying RRA 98 reinforced Congress’s intent to create an independent taxpayer advocate. For example, Senator John Breaux, a sponsor of RRA 98, stated: “The whole concept is to have a truly independent National Taxpayer Advocate whose one focus will be making sure that taxpayers have good representation, are fairly treated, and have someone, for a change, who is really on their side when they have a conflict with the Internal Revenue Service.”²⁶

18 Pub. L. No. 105-206, § 1102(a), 112 Stat. 685, 699 (1998), <https://www.congress.gov/105/statute/STATUTE-112/STATUTE-112-Pg685.pdf> (codified at IRC § 7803(c)(1)(B)(iv)).

19 See H.R. REP. No. 105-599, at 214 (1998), <https://www.congress.gov/committees-report/105th-congress/house-report/599/1> (codified at IRC § 7803(c)(4)(A)(i)).

20 Pub. L. No. 105-206, § 1102(a), 112 Stat. 685, 701 (1998) (codified at IRC § 7803(c)(2)(D)(i)).

21 Pub. L. No. 105-206, § 1102(a), 112 Stat. 685, 702 (1998) (codified at IRC § 7803(c)(4)(A)(iii)).

22 Pub. L. No. 105-206, § 1102(a), 112 Stat. 685, 702 (1998) (codified at IRC § 7803(c)(4)(B)).

23 Pub. L. No. 105-206, § 1102(a), 112 Stat. 685, 702 (1998) (codified at IRC § 7803(c)(4)(A)(iv)).

24 Pub. L. No. 105-206, § 1102(a), 112 Stat. 685, 704 (1998) (codified at IRC § 7811(a)(2)).

25 See, e.g., H.R. REP. No. 105-599, at 215 (1998), <https://www.congress.gov/committees-report/105th-congress/house-report/599/1>. Prior to 2011, Treasury Regulation § 301.7811-1 had not been updated since it was first published in 1992. Therefore, after Congress expanded the definition of “significant hardship” in the statute in 1998, the regulation was inconsistent with the updated statutory definition. On April 1, 2011, the IRS published final regulations under IRC § 7811 that contain a definition of significant hardship consistent with existing law and practice. Treas. Reg. § 301.7811-1(a)(4)(ii); 76 Fed. Reg. 18059, 18060-61 (Apr. 1, 2011).

26 144 CONG. REC. S4240 (daily ed. May 5, 1998) (statement of Sen. Breaux), <https://www.congress.gov/105/crec/1998/05/05/144/54/CREC-1998-05-05-senate.pdf>.

In addition, Senator Breaux explained the importance of TAS confidentiality as follows:

We are really trying to build some walls between the IRS and the Taxpayer Advocate and their work with the taxpayers, the American citizens of this country, to make sure that they, the taxpayers, know the person they are dealing with is independent, has their interests at heart, and doesn't have to go report to the Internal Revenue Service district director about what he or she has discussed or talked about with the taxpayer who is seeking assistance.²⁷

Finally, in the RRA 98 legislative history, Congress recognized the need for the NTA to have independent counsel to effectively advocate for taxpayers. The version of the bill passed by the Senate contained the following authorization: “The National Taxpayer Advocate shall have the responsibility and authority to... appoint a counsel in the Office of the Taxpayer Advocate to report directly to the National Taxpayer Advocate.”²⁸ In explaining the provision, Senator Charles Grassley said: “In order to make the Taxpayer Advocate more independent, which is what this bill does, it logically follows that the Taxpayer Advocate should have its own legal counsel. This will guarantee it fast, confidential legal advice to help those taxpayers in greatest need. Because it is the taxpayers in greatest need who go to the Taxpayer Advocate.”²⁹ This provision was not included in the final bill, but similar language was included in the conference report. The conference report stated that the “conferees intend that the National Taxpayer Advocate be able to hire and consult counsel as appropriate.”³⁰

2006: Congress Provides Dedicated Minimum Annual Funding for TAS

Beginning in fiscal year 2006, Congress has included a minimum annual funding level for TAS in each annual appropriations bill.³¹ Dedicated funding has strengthened TAS's operational independence by allowing it to make its own financial and resource allocation decisions, independent of the IRS or other executive branch reviews.

2014-2015: The IRS Adopts and Congress Codifies the Taxpayer Bill of Rights

For many years, the NTA advocated for the IRS to establish a clear and accessible Taxpayer Bill of Rights (TBOR). In June 2014, the IRS formally adopted the TBOR, a set of ten fundamental rights of which taxpayers should be aware when dealing with the IRS.³² Among these rights is the *right to a fair and just tax system*, which reiterates that taxpayers have “the right to receive assistance from the Taxpayer Advocate Service if they are

27 144 CONG. REC. S4240 (daily ed. May 5, 1998) (statement of Sen. Breaux), <https://www.congress.gov/105/crec/1998/05/05/144/54/CREC-1998-05-05-senate.pdf>.

28 H.R. 2676, 105th Cong. § 1102(a) (as passed by the Senate, May 7, 1998), <https://www.congress.gov/bill/105th-congress/house-bill/2676>.

29 144 CONG. REC. S4460 (May 7, 1998), <https://www.congress.gov/congressional-record/volume-144/issue-56/senate-section/article/S4452-2>. The provision was added to the bill as an amendment sponsored by Senator Grassley on the Senate floor.

30 H.R. REP. NO. 105-599, at 216 (1998) (Conf. Rep.), <https://www.congress.gov/committee-report/105th-congress/house-report/599/1>. In 2003, the House passed legislation with nearly identical language. It would have authorized the NTA to “appoint a counsel in the Office of the Taxpayer Advocate to report solely to the National Taxpayer Advocate.” See Taxpayer Protection and IRS Accountability Act of 2003, H.R. 1528, 108th Cong. § 306 (2003) (as passed by the House, June 19, 2003), <https://www.congress.gov/bill/108th-congress/house-bill/1528/text/eh?s=9&r=1&hl=H.R.+1528>. The legislation was sponsored by then-Rep. Rob Portman, who had co-chaired the National Commission on Restructuring the Internal Revenue Service and was the lead House sponsor of the IRS Restructuring and Reform Act of 1998. It would have added this language as a new subsection (III) to IRC § 7803(c)(2)(D)(i). Although the authorization was not enacted into law, the Senate in 1998 and the House in 2003 approved virtually identical provisions of the legislation, making clear the RRA 98 conference report language cited above had significant congressional support. The House passed similar legislation in 2025. See National Taxpayer Advocate Enhancement Act, H.R. 997, 119th Cong. (2025) (passed by a unanimous 385-0 vote), <https://www.congress.gov/119/bills/hr997/BILLS-119hr997rfs.pdf>.

31 See Transportation, Treasury, Housing and Urban Development, the Judiciary, the District of Columbia, and Independent Agencies Appropriations Act of 2006, Pub. L. No. 109-115, Title II § 207, 119 Stat. 2396; S. REP. NO. 109-109, at 140 (2005). Beginning with fiscal year 2008, Congress reorganized its appropriations subcommittees and assigned jurisdiction over funding for the Department of the Treasury, including TAS, to the newly created Financial Services and General Government Subcommittee. See Consolidated Appropriations Act, 2008, Pub. L. No. 110-161, Division D (Financial Services and General Government Appropriations Act, 2008), 121 Stat. 1844, 1976 (2007). Congress has continued to specify a minimum TAS funding level in each annual appropriations act.

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

experiencing financial difficulty or if the IRS has not resolved their tax issues properly and timely through its normal channels.”³³ In December 2015, Congress codified the TBOR in IRC § 7803(a)(3) and required the Commissioner to ensure that IRS employees “are familiar with and act in accord with taxpayer rights.”³⁴

2019: Taxpayer First Act Strengthens Taxpayer Advocate Directives

The 2019 Taxpayer First Act (TFA) strengthened the authority and accountability mechanisms surrounding Taxpayer Advocate Directives (TADs), the systemic analog to Taxpayer Assistance Orders, which the NTA uses to direct IRS functions to make administrative or procedural changes to protect taxpayer rights, reduce burden, or improve taxpayer service.³⁵ Under the TFA, the IRS Commissioner or Deputy Commissioner must “modify, rescind, or ensure compliance with” a TAD within 90 days of issuance. If a Deputy Commissioner modifies or rescinds a TAD, the NTA may appeal the decision to the Commissioner, who must either ensure compliance or provide his reasons for any modification or rescission within 90 days.³⁶ Additionally, the TFA added a requirement that the NTA report to Congress on any TADs that were not honored in a timely manner.³⁷

In addition, the TFA modified certain requirements for the reports to Congress. Among other changes, Congress reduced the required number of Most Serious Problems encountered by taxpayers from “at least 20” to “the 10” most serious problems in the Annual Report.³⁸ It also required the Secretary of the Treasury, upon request of the National Taxpayer Advocate, to provide statistical support, to the extent practicable, for the National Taxpayer Advocate’s preparation of the Annual Report, including statistical studies, compilations, and review of information provided by the National Taxpayer Advocate to ensure statistical validity and sound statistical methodology.³⁹

Collectively, these legislative developments reflect Congress’s continuing efforts over four decades to strengthen the independence, authority, and effectiveness of the Office of the Taxpayer Advocate as the voice of taxpayers within the federal tax system.

33 See IRS Pub. 5170, Taxpayer Bill of Rights (July 2014); <https://www.irs.gov/pub/irs-pdf/p5170.pdf>.

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

35 Internal Revenue Manual 13.2.1.5.2, Taxpayer Advocate Directives (Sept. 29, 2020), https://www.irs.gov/irm/part13/irm_13-002-001.

36 Pub. L. No. 116-25, § 1301(a)(1), 133 Stat. 981, 991 (2019), <https://www.congress.gov/bill/116th-congress/house-bill/3151/text> (codified at IRC § 7803(c)(5)).

37 Pub. L. No. 116-25, § 1301(a)(2), 133 Stat. 981, 992 (2019) (codified at IRC § 7803(c)(2)(B)(ii)(VIII)).

38 Pub. L. No. 116-25, § 1301(b)(1), 133 Stat. 981, 992 (2019) (codified at IRC § 7803(c)(2)(B)(ii)(III)).

39 Pub. L. No. 116-25, § 1301(b)(3)(A), 133 Stat. 981, 992 (2019) (codified at IRC § 6108(d)).

Case Acceptance Criteria



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

TAS case acceptance criteria fall into four main categories:

ECONOMIC BURDEN

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

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

SYSTEMIC BURDEN

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

- CRITERIA 5:** The taxpayer has experienced a delay of more than 30 days beyond the normal response time for the particular action to resolve a tax account problem.⁴
- CRITERIA 6:** The taxpayer has not received a response or resolution to the problem or inquiry by the date promised.
- CRITERIA 7:** A system or procedure has either failed to operate as intended or failed to resolve the taxpayer's problem or dispute within the IRS.

BEST INTEREST OF THE TAXPAYER

TAS acceptance of these cases will help ensure that taxpayers receive fair and equitable treatment and that their rights as taxpayers are protected.⁵

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

PUBLIC POLICY

Acceptance of cases into TAS under this category will be determined by the National Taxpayer Advocate and will generally be based on a unique set of circumstances warranting assistance to certain taxpayers.⁶

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

1 IRC § 7803(c)(2)(A).

2 See Internal Revenue Manual (IRM) 13.1.7.3.1, TAS Case Criteria 1-4, Economic Burden (Nov. 29, 2023), https://www.irs.gov/irm/part13/irm_13-001-007. See IRM 13.1.7.4, Exceptions to Taxpayer Advocate Service Criteria (Mar. 9, 2026), https://www.irs.gov/irm/part13/irm_13-001-007.

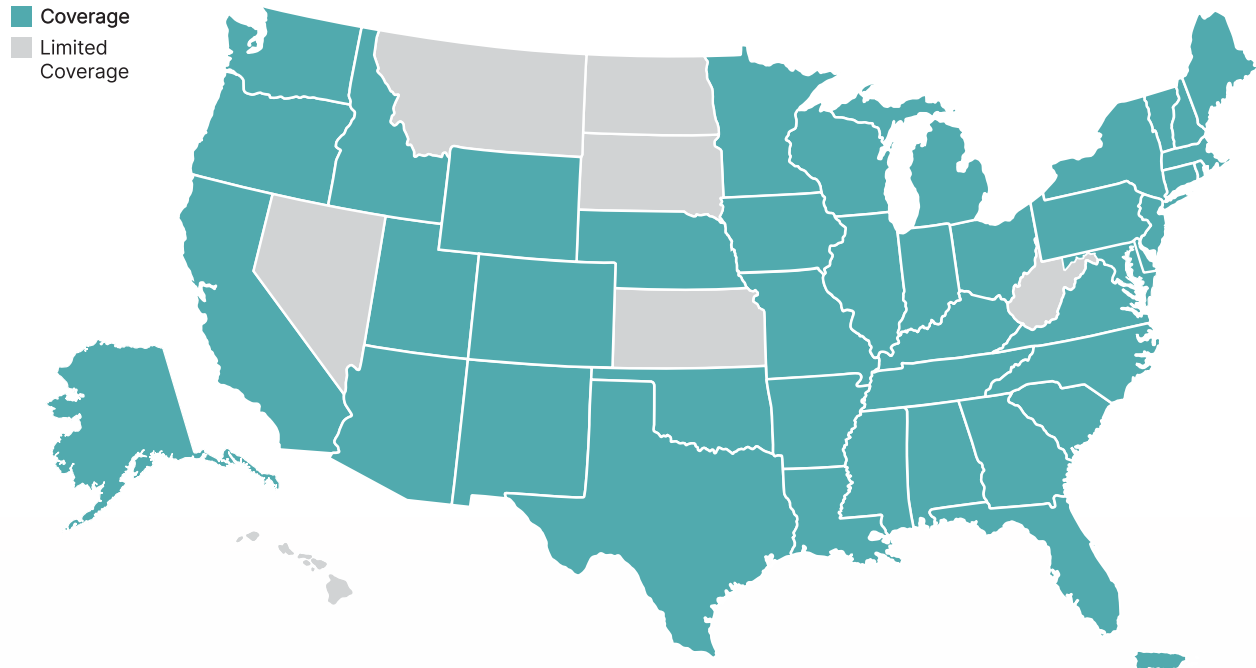
3 See IRM 13.1.7.3.2, TAS Case Criteria 5-7, Systemic Burden (Mar. 9, 2026), https://www.irs.gov/irm/part13/irm_13-001-007. See IRM 13.1.7.4, Exceptions to Taxpayer Advocate Service Criteria (Mar. 9, 2026), https://www.irs.gov/irm/part13/irm_13-001-007.

4 See Exhibit 13.1.7-1, General Response Time Guidelines, https://www.irs.gov/irm/part13/irm_13-001-007, for established normal response times on various (not inclusive) issues.

5 See IRM 13.1.7.3.3, TAS Case Criteria 8, Best Interest of the Taxpayer (Mar. 9, 2026), https://www.irs.gov/irm/part13/irm_13-001-007.

6 See IRM 13.1.7.3.4, TAS Case Criteria 9, TAS Public Policy (Mar. 9, 2026), https://www.irs.gov/irm/part13/irm_13-001-007. See Interim Guidance Memorandum, TAS-13-1024-0004, Interim Guidance on Accepting Cases Under TAS Case Criteria 9, Public Policy (Oct. 1, 2024), <https://www.irs.gov/pub/foia/ig/tas/tas-13-1024-0004.pdf>.

Low Income Taxpayer Clinic Locations



ALABAMA

- **Montgomery**
Legal Services Alabama LITC

ALASKA

- **Anchorage**
Alaska Business Development Center LITC

ARIZONA

- **Flagstaff**
DNA People's Legal Services LITC
- **Phoenix**
Community Legal Services LITC
- **Tucson**
Southern Arizona Tax Clinic

ARKANSAS

- **Little Rock**
UA Little Rock Bowen School of Law LITC
- **Springdale**
Legal Aid of Arkansas LITC

CALIFORNIA

- **Chino**
Good Hands Foundation
- **Los Angeles**
Chinatown Service Center Haven Services
KYCC Low Income Taxpayer Clinic
Pepperdine LITC
- **Merced**
United Way of Merced County

- **Northridge**
Bookstein Low Income Taxpayer Clinic
The Taxpayers Help Center Low Income Taxpayer Clinic

- **Orange**
Chapman University Tax Law Clinic
- **Riverside**
Inland Counties Legal Services LITC

- **San Diego**
Legal Aid Society of San Diego LITC
- **San Francisco**
University of San Diego LITC

- **San Francisco**
Chinese Newcomers Service Center
Justice and Diversity Center of the Bar Association of San Francisco
UC Law SF LITC

- **San Gabriel**
Herald Community Center
- **San Luis Obispo**
Cal Poly Low Income Taxpayer Clinic
- **Santa Ana**
Public Law Center Low Income Taxpayer Clinic

COLORADO

- **Denver**
Colorado Legal Services LITC
Denver Asset Building Coalition LITC
University of Denver LITC

CONNECTICUT

- **North Haven**
Quinnipiac University School of Law LITC
- **Hartford**
UConn Law School Tax Clinic

DELAWARE

- **Georgetown**
DCRAC LITC

DISTRICT OF COLUMBIA

- **Washington**
Center for Taxpayer Rights LITC
American University Washington College of Law, Janet R. Spragens Tax Clinic

FLORIDA

- **Gainesville**
University of Florida Levin College of Law LITC
- **Miami**
Federal Tax Defense Foundation
Legal Services of Greater Miami Community Tax Clinic
- **Orlando**
UMEUS
- **Plant City**
Bay Area Legal Services Inc. LITC
- **Plantation**
Legal Aid Services of Broward and Collier Counties
- **St. Petersburg**
Gulfcoast Legal Services LITC
- **Tallahassee**
Legal Services of North Florida

- **West Palm Beach**
Legal Aid Society of Palm Beach County LITC

GEORGIA

- **Athens**
University of Georgia Research Foundation
- **Atlanta**
The Philip C. Cook Low Income Taxpayer Clinic
Operation Hope
- **Conyers**
The Tax Cure and Relief Foundation
- **Hinesville**
JCVison and Associates, Inc.
- **Lawrenceville**
North Georgia Low Income Taxpayer Clinic

IDAHO

- **Boise**
University of Idaho LITC

ILLINOIS

- **Chicago**
Ladder Up Tax Clinic
Legal Aid Chicago LITC
Loyola University Chicago School of Law Federal Tax Clinic
- **West Chicago**
Prairie State Legal Services LITC

INDIANA

- **Bloomington**
Indiana Legal Services, Inc. LITC

Appendix 3: Low Income Taxpayer Clinic Locations

- **Indianapolis**
Neighborhood Christian Legal Clinic

IOWA

- **Des Moines**
Iowa Legal Aid LITC

KENTUCKY

- **Covington**
Legal Aid of the Bluegrass LITC
- **Louisville**
Legal Aid Society Low Income Taxpayer Clinic
- **Richmond**
AppalRed Low Income Taxpayer Clinic

LOUISIANA

- **Baton Rouge**
Louisiana State University Law LITC
- **New Orleans**
Southeast Louisiana Legal Services LITC

MAINE

- **Portland**
Pine Tree Legal Assistance Inc. LITC

MARYLAND

- **Baltimore**
Maryland Volunteer Lawyers Service LITC
University of Baltimore LITC
University of Maryland Carey School of Law LITC

MASSACHUSETTS

- **Boston**
AACA LITC
Greater Boston Legal Services LITC
- **Jamaica Plain**
Legal Services Center of Harvard Law School LITC
- **Lynn**
Northeast Legal Aid LITC

MICHIGAN

- **Ann Arbor**
University of Michigan LITC
- **Detroit**
Accounting Aid Society
- **East Lansing**
Alvin L. Storrs Low Income Taxpayer Clinic
- **Grand Rapids**
West Michigan Low Income Taxpayer Clinic (Legal Aid of Western Michigan)

MINNESOTA

- **Minneapolis**
Mid-Minnesota Legal Aid Tax Law Project
University of Minnesota LITC

MISSISSIPPI

- **Gautier**
Southern Mississippi Tax Volunteers
- **Oxford**
Mississippi Taxpayer Assistance Project

MISSOURI

- **Kansas City**
Legal Aid of Western Missouri LITC
UMKC School of Law LITC
- **St. Louis**
Washington University School of Law LITC

NEBRASKA

- **Lincoln**
Legal Aid of Nebraska LITC

NEW HAMPSHIRE

- **Concord**
603 Legal Aid Low Income Taxpayer Project

NEW JERSEY

- **Edison**
Legal Services of New Jersey Tax Legal Assistance Project
- **Jersey City**
Northeast New Jersey Legal Services LITC
- **Newark**
Rutgers Federal Tax Law Clinic

NEW MEXICO

- **Albuquerque**
New Mexico Legal Aid Low Income Taxpayer Clinic

NEW YORK

- **Albany**
Legal Aid Society of Northeastern New York LITC
- **Bronx**
Bronx Legal Services
- **Brooklyn**
Build Up Justice
Brooklyn Low-Income Taxpayer Clinic
- **Hicksville**
Sharina World Foundation
- **Ithaca**
Cornell University LITC
- **Jackson Heights**
82 St Tax Services
- **Jamaica**
Queens Legal Services LITC
- **Long Beach**
Economic Advancement Resources Network
- **New York**
Fordham Law School
Mobilization for Justice
The Legal Aid Society LITC
- **Syracuse**
Syracuse University College of Law LITC

NORTH CAROLINA

- **Asheville**
Pisgah Legal Services LITC
- **Charlotte**
North Carolina Low Income Taxpayer Clinic

OHIO

- **Akron**
Community Legal Aid Services LITC
- **Cincinnati**
Legal Aid of Greater Cincinnati LITC

- **Cleveland**
The Legal Aid Society of Cleveland LITC

- **Columbus**
Legal Aid of Southeast and Central Ohio LITC

- **Toledo**
Toledo Tax Controversy Clinic

OKLAHOMA

- **Tulsa**
Legal Aid Services of Oklahoma LITC

OREGON

- **Portland**
Legal Aid Services of Oregon LITC
Lewis & Clark Low Income Taxpayer Clinic
Oregon Law Center LITC

PENNSYLVANIA

- **Dallas**
Misericordia University LITC
- **Harrisburg**
Royalty Tax Consultant
- **Philadelphia**
Campaign for Working Families LITC
Philadelphia Legal Assistance Taxpayer Support Clinic
Temple Law School LITC
- **Pittsburgh**
University of Pittsburgh School of Law LITC
- **Villanova**
Villanova Federal Tax Clinic
- **Washington**
Summit Legal Aid LITC
- **Williamsport**
Susquehanna Legal Aid for Adults and Youth
- **York**
MidPenn Legal Services Low Income Taxpayer Clinic

PUERTO RICO

- **San Juan**
Puerto Rico Tax Foundation for Tax Education and Reporting, Inc.

RHODE ISLAND

- **Providence**
Rhode Island Legal Services LITC

SOUTH CAROLINA

- **Columbia**
USC School of Law Low Income Tax Clinic
- **Greenville**
South Carolina Legal Services LITC

TENNESSEE

- **Nashville**
Tennessee Taxpayer Project

TEXAS

- **Addison**
Association of Russian-speaking Accountants and Tax Professionals
- **Fort Worth**
Legal Aid of Northwest Texas LITC
Texas A&M University School of Law, Tax Dispute Resolution Clinic
- **Houston**
Houston Volunteer Lawyers LITC
Lone Star Legal Aid LITC
South Texas College of Law LITC
- **Lubbock**
Texas Tech School of Law LITC
- **San Antonio**
Texas RioGrande Legal Aid

UTAH

- **Orem**
Utah Tax Help Services
- **Salt Lake City**
Westminster Tax Clinic

VERMONT

- **Burlington**
Vermont Low Income Taxpayer Clinic

VIRGINIA

- **Fairfax**
Legal Services of Northern Virginia LITC
- **Lexington**
Washington and Lee University School of Law Tax Clinic
- **Richmond**
The Community Tax Law Project

WASHINGTON

- **Seattle**
University of Washington Federal Tax Clinic
- **Spokane**
Gonzaga University Federal Tax Clinic

WISCONSIN

- **Milwaukee**
Legal Action of Wisconsin LITC

WYOMING

- **Laramie**
University of Wyoming LITC

Note: States shown as limited coverage do not have an LITC physically located in the state. Taxpayers may be served by LITCs located in other states.



Scan to view the most up-to-date clinic information

www.TaxpayerAdvocate.irs.gov/LITC-map

TAXPAYER
ADVOCATE
SERVICE

YOUR VOICE AT THE IRS



www.TaxpayerAdvocate.irs.gov/ObjectivesReport2027