

Area of
Focus #2

The IRS's Failure to Create an Omnichannel Service Environment Restricts Taxpayers' Ability to Get Assistance Using the Communication Channels That Best Meet Their Needs and Preferences

TAXPAYER RIGHT(S) IMPACTED¹

- *The Right to Be Informed*
- *The Right to Quality Service*
- *The Right to Pay No More Than the Correct Amount of Tax*

DISCUSSION

The National Taxpayer Advocate has previously recommended that the IRS adopt an omnichannel approach to taxpayer communication as a part of the *right to quality service*.² This approach would allow the taxpayer to choose the way to communicate with the IRS that best meets his or her needs and preferences. Taxpayers seeking assistance from the IRS as they attempt to comply with their federal tax obligations should have as seamless and effortless of an experience as possible.

For years, the National Taxpayer Advocate has expressed concern over the IRS's increased reliance on online self-help tools while neglecting other channels. This approach ignores the needs of the millions of taxpayers who do not have internet access or prefer more personal forms of communication.³ If taxpayers cannot get the assistance they need and their questions go unanswered, they are less likely to be able to comply with their federal income tax obligations.⁴ Furthermore, restricting or reducing taxpayers' access to service methods violates fundamental taxpayer rights, particularly the *right to quality service* and the *right to be informed*.

In the 2018 Consolidated Appropriations Act, Congress provided additional funds for the IRS to support taxpayer services and instructed the IRS to make improving its help lines a priority.⁵ The Cross Agency Priority goals included in the President's Management Agenda also highlighted the need for improved customer experience with federal services, and set the specific goal of providing a modern, streamlined, and responsive customer experience.⁶ These directives present the IRS the opportunity to revamp its customer service strategy and focus on the needs of taxpayers. The IRS should prudently invest funds to improve the taxpayer experience over all channels of communication, and TAS is

1 See Taxpayer Bill of Rights (TBOR), www.TaxpayerAdvocate.irs.gov/taxpayer-rights. The rights contained in the TBOR are now listed in the Internal Revenue Code (IRC). See Consolidated Appropriations Act, 2016, Pub. L. No. 114-113, Division Q, Title IV, § 401(a) (2015) (codified at IRC § 7803(a)(3)).

2 See, e.g., National Taxpayer Advocate 2017 Annual Report to Congress 22-35 (Most Serious Problem: *Telephones: The IRS Needs to Modernize the Way It Serves Taxpayers Over the Telephone, Which Should Become an Essential Part of an Omnichannel Customer Service Environment*).

3 See National Taxpayer Advocate 2015 Annual Report to Congress 3-13 (Most Serious Problem: *Taxpayer Service: The IRS Has Developed a Comprehensive "Future State" Plan That Aims to Transform the Way It Interacts With Taxpayers, But Its Plan May Leave Critical Taxpayer Needs and Preferences Unmet*).

4 See, e.g., National Taxpayer Advocate 2017 Annual Report to Congress 22-35 (Most Serious Problem: *Telephones: The IRS Needs to Modernize the Way It Serves Taxpayers Over the Telephone, Which Should Become an Essential Part of an Omnichannel Customer Service Environment*).

5 H.R. 1625, 115th Cong. Div. E, Title I, § 104 (2018).

6 Office of Budget and Management, *CAP Goal Action Plan: Improving Customer Experience with Federal Services*, 2 (2018).

An omnichannel approach to taxpayer communication would allow the taxpayer to choose the way to communicate with the IRS that best meets his or her needs and preferences.

available to assist the IRS in developing a new, omnichannel approach to taxpayer service.

The IRS Continues to Drive Taxpayers to Access Its Online Resources as an Attempt to Supplant Rather Than Enhance Other Forms of Communication

To respond to taxpayers' questions, the IRS must ensure taxpayers have adequate access to the assistance they need, regardless of the channel of communication they choose. About 14 million individual taxpayers do not have internet access in their homes, and over 41 million do not have broadband.⁷ TAS's research has shown that even among taxpayers who have broadband access, many still use different channels to accomplish different types of service tasks.⁸ When getting help with more complicated issues, such as understanding a notice or asking tax law questions, taxpayers are more likely to contact the IRS over the phone or visit a Taxpayer Assistance Center (TAC).⁹

The National Taxpayer Advocate is concerned that the IRS is attempting to drive taxpayers to use online self-help solutions while making a conscious effort to reduce the volume of personal assistance it provides. In filing season 2018, the IRS actually received two million fewer calls enterprise-wide than in 2017, and call volume decreased by over 20 percent on the IRS's Consolidated Automated Collection System lines, which include most of the IRS's compliance service operations.¹⁰ This decrease is partially due to the IRS making it more difficult for taxpayers to find the appropriate numbers to call for assistance. For example, prior to fiscal year (FY) 2016, the IRS sent out an average of 1.8 million Letter 16 (LT16) notices annually, which request a taxpayer to call the IRS about unpaid taxes.¹¹ However, in FY 2016, the IRS stopped systematically issuing this notice, cutting the number of notices sent out to just 866,000.¹² The purpose of this reduction was to reduce the amount of inbound phone calls to the backlogged Automated Collection System lines.¹³ *Thus, the IRS intentionally decreased the number of phone calls it received by drastically reducing the number of letters sent out to trigger taxpayers to seek help from the IRS over the phone to make alternative payment arrangements.*

The redesigned LT16 notices the IRS sent were “engineered specifically to reduce inbound telephone calls.”¹⁴ Instead of explicitly instructing taxpayers to call the IRS, the redesigned letters “encouraged taxpayers to use self-service channels and reduced the visual prominence of the telephone contact

7 National Taxpayer Advocate 2017 Annual Report to Congress vol. 2, 62, 71–72 (Research Study: *A Further Exploration of Taxpayers' Varying Abilities and Attitudes Toward IRS Options for Fulfilling Common Taxpayer Service Needs*). Without broadband access, it is not feasible for taxpayers to download materials with larger file sizes, such as forms, instructions, and publications.

8 National Taxpayer Advocate 2017 Annual Report to Congress vol. 2, 62, 81 (Research Study: *A Further Exploration of Taxpayers' Varying Abilities and Attitudes Toward IRS Options for Fulfilling Common Taxpayer Service Needs*).

9 *Id.*

10 IRS, Joint Operations Center (JOC), *Snapshot Reports: Enterprise Snapshot* (week ending Apr. 21, 2018). Note that filing season numbers are drawn from the “Planning Period” statistics 2018 reported on the JOC website for the period beginning on January 1, which correlates with the start of filing season.

11 An LT16 notice is typically sent after an LT11, which informs the taxpayer of the IRS's intent to levy. See IRS, Automated Collection System (ACS) Optimization/Research, Analytics & Applied Statistics (RAAS), *ACS LT16 Notice Test Pilot Report*, 3 (Sept. 27, 2017).

12 See IRS, ACS Optimization/RAAS, *ACS LT16 Notice Test Pilot Report*, 3 (Sept. 27, 2017).

13 *Id.* For a full discussion on the impact of the redesigned LT16 notices, see Area of Focus: *TAS Is Researching Specific Ways That the IRS Can Improve Its Notices and Letters to Educate Taxpayers and Protect Taxpayer Rights*, *infra*.

14 *Id.* at 22.

number on the printed notice.”¹⁵ As noted above, getting help with a notice is one of the areas where taxpayers prefer speaking with a telephone assistor, not using online resources.¹⁶ Merely removing the prominence of the number did not eliminate the taxpayers’ need for assistance over the phone; it just made it more difficult for taxpayers to get to the assistance they needed. The redesigned notices actually resulted in *more telephone calls to incorrect numbers not printed on the notice*, creating an unnecessary burden on taxpayers and telephone assistors alike.¹⁷ Instead of driving taxpayers to the self-service options it prefers, the IRS should present taxpayers with sufficient information about all its service channel options available and give taxpayers the opportunity to choose the channel that is best for them.

Similarly, the IRS has drastically reduced the availability of service for taxpayers in its TACs. Over the course of calendar year 2016, the IRS moved from a walk-in system for TAC service to a predominantly appointment-only system.¹⁸ Prior to the implementation of this system, 5.4 million taxpayers visited TACs in FY 2015.¹⁹ However, in FY 2016, only 4.4 million taxpayers visited TACs as the IRS phased in the appointment-only system.²⁰ By FY 2017, the first full year of the appointment system, just 3.2 million taxpayers visited TACs, over two million fewer than before the IRS implemented this system.²¹ While the IRS does still provide walk-in assistance at TACs for some services, like making a payment or picking up a form, it no longer advertises this on its website. Taxpayers visiting TACs are greeted with a sign on the door that appointments are required, with minimal indication that some walk-ins could be accepted.²²

15 See IRS, ACS Optimization/RAAS, *ACS LT16 Notice Test Pilot Report*, 22 (Sept. 27, 2017).

16 National Taxpayer Advocate 2017 Annual Report to Congress vol. 2, 62, 81 (Research Study: *A Further Exploration of Taxpayers’ Varying Abilities and Attitudes Toward IRS Options for Fulfilling Common Taxpayer Service Needs*).

17 See National Taxpayer Advocate 2017 Annual Report to Congress 117–127 (Most Serious Problem: *Taxpayer Assistance Centers (TACs): Cuts to IRS Walk-In Sites Have Left the IRS With a Substantially Reduced Community Presence and Have Impaired the Ability of Taxpayers to Receive In-Person Assistance*); IRS, ACS Optimization/RAAS, *ACS LT16 Notice Test Pilot Report*, 23 (Sept. 27, 2017).

18 See IRS, *Contact Your Local Office*, <https://www.irs.gov/help-resources/contact-your-local-irs-office> (last visited Aug. 16, 2017).

19 IRS response to TAS information request (Sept. 13, 2017).

20 *Id.*

21 IRS response to TAS information request (Nov. 3, 2017). IRS had 401 TAC locations in 2011, but that number is down to 371 in 2017.

22 See National Taxpayer Advocate 2017 Annual Report to Congress 117-127 (Most Serious Problem: *Taxpayer Assistance Centers (TACs): Cuts to IRS Walk-In Sites Have Left the IRS With a Substantially Reduced Community Presence and Have Impaired the Ability of Taxpayers to Receive In-Person Assistance*).

FIGURE 3.2.1, Signs on Entrances to Taxpayer Assistance Centers²³



23 These photographs were updated on May 21, 2018.

The factors that are most likely to shape a taxpayer's experience seeking assistance with the IRS are the ease of accessing a particular resource, the effectiveness of that resource in addressing the taxpayer's problem, and the emotional impact of the interaction.

Thus, the National Taxpayer Advocate remains concerned about the services the IRS provides for taxpayers seeking assistance. According to Forrester's 2018 Federal Customer Experience Index for 2018, the IRS scored just 54 out of 100, below the federal average score of 59 and well below the private sector average score of 69.²⁴ In particular, the index showed the IRS inspires a mere 13 percent of taxpayers to seek its expertise, which ranked last among federal agencies.²⁵ These results show the IRS is failing to engage taxpayers and communicate with them effectively, which can have negative consequences for voluntary compliance. Forrester's study notes, "Just 61% of Internal Revenue Service (IRS) customers say that they follow its rules, which shows that *not even the threat of jail and fines always outweighs the power of a bad customer experience.*"²⁶

Understanding the Gaps in a Taxpayer's Journey to Get Assistance Will Allow the IRS to Better Improve Its Service and Likely Increase Voluntary Compliance

To develop an omnichannel environment, the IRS should examine why taxpayers prefer and choose particular channels and optimize all aspects of that experience instead of attempting to modify their behavior.²⁷ The factors that are most likely to shape a taxpayer's experience seeking assistance with the IRS are the ease of accessing a particular resource, the effectiveness of that resource in addressing the taxpayer's problem, and the emotional impact of the interaction.²⁸ A favorable customer experience regarding these factors creates a sense of customer loyalty, which is crucial to a relational approach to taxpayer service and can increase voluntary compliance.²⁹

Over the coming year, TAS will explore how taxpayers navigate the IRS and identify ways the IRS can improve its service to reduce the burden on taxpayers seeking assistance. In the private sector, companies are increasingly using customer experience mapping and customer journey analytics to understand the context behind why customers choose particular channels to accomplish particular tasks and identify whether they are able to reach the right resource on the channel they choose.³⁰ Gaps in the journey occur where search and navigation fail to arrive at the optimal result, and customers abandon

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- 24 Rick Parrish and Margaret Rodriguez, Forrester Research, *Federal Customer Experience Index, 2018*, 3, 5 (May 31, 2018). The American Consumer Satisfaction Index study of citizen satisfaction with different federal departments showed a similar result, as just 61 percent of taxpayers were satisfied with the Treasury Department, compared to the federal department average of 70 percent. See American Customer Satisfaction Index (ACSI), *Citizen Satisfaction by Federal Department*, (Jan. 30, 2018).
- 25 Rick Parrish and Margaret Rodriguez, Forrester Research, *Federal Customer Experience Index, 2018*, 11 (May 31, 2018).
- 26 *Id.*
- 27 In the 2017 Annual Report to Congress, the National Taxpayer Advocate recommended that the IRS evaluate its telephone service from the taxpayer's perspective instead of just relying on efficiency metrics like the Level of Service. See National Taxpayer Advocate 2017 Annual Report to Congress 22-35 (Most Serious Problem: *Telephones: The IRS Needs to Modernize the Way It Serves Taxpayers Over the Telephone, Which Should Become an Essential Part of an Omnichannel Customer Service Environment*).
- 28 Bobby Cameron and Tim Harmon, Forrester Research, *Elevate Omnichannel Customer Experience With Continuous Business Services 3* (May 4, 2015) ("While firms historically have designed channels according to their go-to-market costs, customers increasingly make choices based on experience.").
- 29 While some companies tend to avoid focusing on the emotional aspect of customer relations because it is viewed as abstract and irrational, research has shown that how an experience makes customers feel has a bigger influence on their loyalty to a brand than effectiveness or ease in most industries. Deanna Laufer, Forrester Research, *How to Build the Right CX Strategy 4* (Jan. 10, 2017).
- 30 Maxie Schmidt-Subramanian and Andrew Hogan, Forrester Research, *How to Measure Digital Customer Experience 3* (Jun 21, 2016).

their task.³¹ Analyzing this information helps companies understand what they need to do differently to help customers find the information they need.

For the IRS, this sort of analysis is critical to identify the shortcomings in its taxpayer service and learn at what points taxpayers are likely to abandon their attempts to get help. If taxpayers face too many obstacles in their attempted interactions with the IRS, their frustrations may mount and their willingness to voluntarily comply in the future may suffer. In the 2017 Annual Report to Congress, the National Taxpayer Advocate identified some of these negative trigger points that drive taxpayer frustration with the service provided by the IRS, particularly over the telephone.³² For taxpayers, frustration occurs when they feel their time is being wasted and they are unable to reach the assistance they need. TAS's Service Priorities Project Survey showed that long hold times or time spent waiting in the calling queue was the most common reason why taxpayers reported being unable to resolve an issue on the phone.³³

To eliminate this trigger point for a negative service experience, TAS recommended the IRS create a callback feature, which would allow taxpayers the choice to have the next available customer service representative call them back instead of needlessly waiting on hold.³⁴ TAS will continue to advocate for a callback feature and other telephone technology updates to reduce taxpayer burden in getting assistance from the IRS.

FOCUS FOR FISCAL YEAR 2019

In fiscal year 2019, TAS will:

- Advocate for improving in-person and telephone service options to better develop an omnichannel taxpayer service environment;
- Review how taxpayers navigate getting assistance from the IRS and identify parts of the journey that lead to a negative experience or lead the taxpayer to abandon his or her attempt to get help; and
- Provide suggestions to the IRS on how to prioritize investment of additional funding provided by Congress to improve taxpayer service across all channels of communication.

31 Deanna Laufer, Forrester Research, *How to Build the Right CX Strategy* 6 (Jan. 10, 2017).

32 National Taxpayer Advocate 2017 Annual Report to Congress 22-35 (Most Serious Problem: *Telephones: The IRS Needs to Modernize the Way It Serves Taxpayers Over the Telephone, Which Should Become an Essential Part of an Omnichannel Customer Service Environment*).

33 National Taxpayer Advocate 2017 Annual Report to Congress vol. 2, 85 (Research Study: *A Further Exploration of Taxpayers' Varying Abilities and Attitudes Toward IRS Options for Fulfilling Common Taxpayer Service Needs*).

34 National Taxpayer Advocate 2017 Annual Report to Congress 22-35 (Most Serious Problem: *Telephones: The IRS Needs to Modernize the Way It Serves Taxpayers Over the Telephone, Which Should Become an Essential Part of an Omnichannel Customer Service Environment*).