

## Review of the 2019 Filing Season

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### INTRODUCTION

Despite a 35-day partial government shutdown that ended on January 25, 2019, the IRS began to process tax returns just three days after the government reopened. On that first day, the IRS processed more than 1.9 million e-filed returns during its peak hour—setting a new record with a rate of 536 submissions per second.<sup>1</sup>

During Filing Season (FS) 2019, the IRS successfully processed most returns, with most taxpayers receiving a timely refund. For many taxpayers who needed help from the IRS, however, the experience was challenging. The IRS benchmark telephone measure shows the agency answered 67 percent of calls to its Account Management lines, down from 80 percent in FS 2018.<sup>2</sup> Some compliance-related phone lines experienced much lower levels of service (LOS).

The IRS served fewer taxpayers who sought help at Taxpayer Assistance Centers (TACs) and continued its policy of answering only a limited scope of tax law questions on its toll-free telephone lines and in TACs.<sup>3</sup>

### Filing Season Performance

The 2019 filing season began on January 28. The filing deadline to submit 2018 tax returns was Monday, April 15, 2019, for most taxpayers.<sup>4</sup>

For the majority of taxpayers, the IRS consistently does an excellent job of processing their returns. The IRS's FS 2019 statistics indicate that 126.3 million individual returns were filed electronically, out of 137.2 million (92 percent).<sup>5</sup> Figure 2.1 presents an overview of returns processing and refunds during FS 2017, FS 2018, and FS 2019.

1 *Review of the FY2020 Budget Request for the U.S. Department of Treasury: Hearing Before the S. Subcomm. on Financial Services and General Government of the S. Comm. on Appropriations, 116th Cong. (2019)*, (written testimony of Charles P. Rettig, Commissioner of Internal Revenue).

2 IRS, Joint Operations Center (JOC), *Snapshot Reports: Enterprise Snapshot, Enterprise Total* (week ending Apr. 20, 2019).

3 Due to the appropriations lapse, Taxpayer Assistance Centers (TACs) began accepting appointments on Wednesday, January 30, 2019. As of the report dated April 19, 2019, the TACs had 799,000 face-to-face contacts for 2019 (down 23.8 percent from the prior year). There were 87,000 walk-ins (no scheduled appointment), up 44.9 percent from the 2018 filing season, when there were 60,000 walk-ins. IRS, *2019 Weekly Individual Filing Season Report Cumulative Statistics* (Apr. 20, 2018; Apr. 19, 2019).

4 However, because of the Patriots' Day holiday on April 15, 2019, in Maine and Massachusetts and the Emancipation Day holiday on April 16, 2019, in the District of Columbia, taxpayers who lived in Maine or Massachusetts had until April 17, 2019, to file their tax returns.

5 IRS, *Filing Season Statistics for Week Ending April 19, 2019*, <https://www.irs.gov/newsroom/filing-season-statistics-for-week-ending-april-19-2019> (last visited June 7, 2019).

**FIGURE 2.1, Filing Season Statistics Comparing Weeks Ending April 21, 2017; April 20, 2018; and April 19, 2019<sup>6</sup>**

		2017	2018	2019	% Change 2018–2019
Individual Income Tax Returns	Total Receipts	135,638,000	136,919,000	137,233,000	0.2%
	Total Processed	128,847,000	130,477,000	130,775,000	0.2%
e-Filing Receipts	Total e-Filing	122,164,000	124,515,000	126,264,000	1.4%
	Tax Professionals	70,401,000	70,983,000	70,476,000	-0.7%
	Self-Prepared	51,763,000	53,532,000	55,788,000	4.2%
Total Refunds	Number	97,104,000	95,434,000	95,737,000	0.3%
	Amount	\$268.3 bil	\$265.3 bil	\$260.9 bil	-1.7%
	Average Refund	\$2,763	\$2,780	\$2,725	-2.0%
Direct Deposit Refunds	Number	81,646,000	80,491,000	83,249,900	3.4%
	Amount	\$239.4 bil	\$236.9 bil	\$238.4 bil	0.6%
	Average Refund	\$2,932	\$2,943	\$2,863	-2.7%

From January 1 through April 20, 2019, the IRS received 40.8 million telephone calls overall,<sup>7</sup> of which 34.4 million were directed to its Accounts Management telephone lines.<sup>8</sup> The IRS achieved a 67 percent LOS in FS 2019,<sup>9</sup> down from the 80 percent level in FS 2018.<sup>10</sup> As discussed in more detail below, the way the IRS calculates this performance measure can be misleading. Only 23 percent (approximately eight million of the 34.4 million callers) of callers actually got through to an Accounts Management assistor. Among taxpayers who got through to Accounts Management telephone assistants, hold times increased from 5.1 minutes in FS 2018 to 9.0 minutes in FS 2019.<sup>11</sup>

Telephone service was considerably worse on IRS telephone lines outside the Accounts Management category, particularly on the compliance lines. Taxpayers calling the IRS's consolidated Automated Collection System telephone lines had a much lower LOS (33 percent), and callers who managed to get through on those lines waited on hold for an average of 41 minutes.

The IRS provides face-to-face assistance to taxpayers in the 50 states, the District of Columbia, and Puerto Rico at 358 TACs.<sup>12</sup> This filing season, post-shutdown through March 31, Field Assistance provided face-to-face assistance to nearly 600,000 taxpayers, a decrease of 7.1 percent compared to the

6 IRS, *Filing Season Statistics for Week Ending April 19, 2019*, <https://www.irs.gov/newsroom/filing-season-statistics-for-week-ending-april-19-2019> (last visited June 7, 2019); *Filing Season Statistics for Week Ending April 20, 2018*, <https://www.irs.gov/newsroom/filing-season-statistics-for-week-ending-april-20-2018> (last visited June 7, 2019); *Filing Season Statistics for Week Ending April 21, 2017*, <https://www.irs.gov/uac/newsroom/filing-season-statistics-for-week-ending-april-21-2017> (last visited June 7, 2019).

7 IRS, JOC, *Snapshot Reports: Enterprise Snapshot, Enterprise Total* (week ending Apr. 20, 2019).

8 IRS, JOC, *Snapshot Reports: Enterprise Snapshot, Accounts Management (AM)* (week ending Apr. 20, 2019).

9 IRS, JOC, *Snapshot Reports: Enterprise Snapshot* (week ending Apr. 20, 2019).

10 *Id.*

11 *Id.*

12 The number of TACs was noted in the Commissioner's written testimony. See *The 2019 Tax Filing Season and the 21st Century IRS: Hearing Before the S. Comm. on Finance*, 116th Cong. (2019) (written statement of Charles P. Rettig, Commissioner, Internal Revenue).

same time last year.<sup>13</sup> Nearly 63,000 taxpayers were assisted at TACs without an appointment because of openings in the day's calendar or as staffing permitted.<sup>14</sup> While the IRS has given TAC managers the discretion to make exceptions to the advance scheduling requirement in response to complaints from TAS and others, the general rule requiring advance appointments remains. We continue to hear from practitioners that walk-in taxpayers (and even practitioners trying to make payments on behalf of their clients) are often turned away.

Both on the phones and in the TACs, the IRS has continued a policy adopted in 2014 that sharply limits the authority of IRS employees to answer tax law questions. During filing season, telephone assistants answer only "basic" questions and are generally prohibited from answering any tax law questions outside the filing season, other than those related to the recently enacted tax reform law for the remainder of 2019 or specifically related to an account issue about which the taxpayer is calling.<sup>15</sup> In the National Taxpayer Advocate's 2018 Annual Report to Congress, we discussed the inadequacy of the responses to tax law questions (which had been deemed to be in-scope and were supposed to be answered year-round).<sup>16</sup>

Also, during FS 2019, the IRS delayed issuing hundreds of thousands of refunds associated with legitimate tax returns because the returns were flagged as potentially fraudulent. As discussed below and later in this report, the IRS uses 193 "filters"<sup>17</sup> to identify potentially fraudulent returns, and these filters produced false detection rates of about 82 percent for non-identity theft (IDT) refund fraud for calendar year (CY) 2018,<sup>18</sup> and about 63 percent for IDT refund fraud for January 31, 2019 through May 15, 2019.<sup>19</sup>

In the narrative that follows, we will address the taxpayer experience during FS 2019 under the following major themes:

- The challenge of processing tax returns and delivering refunds shortly after the longest government shutdown in history;
- The impact of implementing the provisions of the Tax Cuts and Jobs Act of 2017<sup>20</sup> as directed by Congress;
- The transition to a new Form 1040;
- The impact of implementing provisions of the Protecting Americans From Tax Hikes Act of 2015 (PATH Act);

13 IRS Wage and Investment (W&I) Division, *Business Performance Review* 15 (Apr. 30, 2019).

14 *Id.*

15 For a more detailed discussion on telephone and TAC 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*), and 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*).

16 See National Taxpayer Advocate 2018 Annual Report to Congress 19 (Most Serious Problem: *Tax Law Questions: The IRS's Failure to Answer the Right Tax Law Questions at the Right Time Harms Taxpayers, Erodes Taxpayer Rights, and Undermines Confidence in the IRS*).

17 Treasury Inspector General for Tax Administration (TIGTA), Ref. No. 2019-44-030, *Interim Results of the 2019 Filing Season* 13 (Apr. 2, 2019).

18 IRS, *Identity Theft (IDT) & Integrity and Verification Operations (IVO) Selections FS18 End of Year Summary* (Jan. 31, 2019). Note that Fraud Detection Rates (FDRs) for filing season (FS) 2019 are not yet available for non-IDT refund fraud, as third party documentation is still coming into the IRS. Usually early FDRs are not available until sometime in July at the earliest.

19 IRS, *IDT and IVO Modeling Analysis Performance Report* (May 22, 2019).

20 Pub. L. No. 115-97, 131 Stat. 2054.

- Interactions with the IRS through phones, correspondence, face-to-face meetings, and online access; and
- Special topics, including refund fraud, the Affordable Care Act (ACA), and services for U.S. taxpayers living abroad.

### Impact of the 35-Day Government Shutdown

Taxpayers were adversely affected during the 35-day partial government shutdown that began on December 22, 2018—the longest government shutdown in U.S. history. During this shutdown, taxpayers had limited means to obtain customer service assistance from the IRS via phone, in person, or by mail:

- The IRS was unable to staff its phone lines to assist callers from December 22, 2018, until January 21, 2019—just four days before the shutdown ended. During this time, it is estimated that there were 3.8 million attempts to call the IRS.<sup>21</sup>
- The IRS canceled 16,530 scheduled appointments at TACs.<sup>22</sup>
- The IRS estimates that it received more than five million pieces of taxpayer correspondence during the shutdown.<sup>23</sup>

A backlog of paper tax returns and taxpayer correspondence developed as the IRS had to furlough much of its customer service staff. Each year, the IRS usually uses part of December and January to shift customer service representatives (CSRs) from answering telephones to working correspondence. This shift is designed to reduce correspondence inventory prior to the CSRs having to focus primarily on answering calls during the filing season. This shift did not occur in December 2018 and January 2019 because the shutdown covered this timeframe, which compounded the correspondence backlog.

Due to the extended government shutdown, delays occurred in the hiring and training of customer service personnel. The shutdown resulted in a five-week delay in training for 2,502 of the 2,903 new CSRs hired to answer tax account calls and resolve tax account issues.<sup>24</sup> The IRS was able to complete training for only 436 of the new hires prior to the President's Day peak period,<sup>25</sup> leaving 2,066 new CSRs who were unable to answer taxpayer calls. This contributed to a 57 percent LOS as of February 22, 2019, compared to a 78 percent LOS reported at the same period in the prior year.<sup>26</sup>

### Impact of the Tax Cuts and Jobs Act

In December 2017, Congress passed the Tax Cuts and Jobs Act of 2017, the largest overhaul of the Internal Revenue Code since 1986. Some of the more notable changes affecting individual taxpayers in the 2019 filing season are provisions that eliminated the personal exemption, increased the Child Tax Credit, increased the standard deductions, and introduced a Qualified Business Income deduction.

21 TIGTA, Ref. No. 2019-44-030, *Interim Results of the 2019 Filing Season 4* (Apr. 2, 2019).

22 *Id.*

23 *Id.*

24 *Id.*

25 The IRS refers to the week of President's Day as a peak period for taxpayer contact with the IRS. For calendar year 2019, the period covers February 18 to February 22.

26 TIGTA, Ref. No. 2019-44-030, *Interim Results of the 2019 Filing Season 4* (Apr. 2, 2019).

Because most provisions of the law did not take effect until January 1, 2018, the 2019 filing season was the first time most taxpayers felt the law's main impact. Implementation of the Tax Cuts and Jobs Act's provisions required the IRS to:<sup>27</sup>

- Create 48 new tax products and revise 494 existing tax products;
- Perform computer programming changes and updates that impacted 128 information technology systems; and
- Develop and issue guidance documents, including regulations, revenue rulings, revenue procedures, and notices.<sup>28</sup>

The Tax Cuts and Jobs Act included provisions that made significant changes to income tax rates, income tax deductions and credits, and income tax withholding. In order to minimize potential burden on employees and employers, the IRS updated its online withholding calculator to work with the revised tax tables.<sup>29</sup> This online tool is intended to provide taxpayers with the ability to estimate their tax liability and withholding under the Tax Cuts and Jobs Act. The calculator also provides taxpayers with a suggestion to the number of withholding allowances they should claim for the remainder of the tax year. However, there has been some criticism of the withholding calculator, including assertions that the online calculator required too much information to be input by taxpayers.<sup>30</sup>

As a result of the changes to the tax withholding tables, the IRS recognized that some taxpayers may not have checked their withholding and may unexpectedly owe more tax than anticipated when they file their 2018 tax returns, despite the availability of an online withholding calculator. Many, including the Government Accountability Office (GAO), predicted that a significant portion of the population would underwithhold taxes for tax year (TY) 2018. In July 2018, the GAO published a report estimating that 21 percent of wage-earning taxpayers would be under-withheld.<sup>31</sup>

In response to these concerns, the IRS announced on January 16, 2019, that “for any taxpayer who paid at least 85 percent of their total tax liability during the year through federal income tax withholding, quarterly estimated tax payments or a combination of the two,” it would waive the estimated tax penalty for many taxpayers whose 2018 federal income tax withholding and estimated tax payments fell short of their total tax liability for the year.<sup>32</sup>

As Congress and others continued to express concerns,<sup>33</sup> on March 22, 2019, IRS announced it would further expand the estimated tax penalty waiver by lowering the paid-in threshold further, from 85

27 TIGTA, Ref. No. 2019-44-030, *Interim Results of the 2019 Filing Season 3* (Apr. 2, 2019).

28 The IRS has posted 25 Treasury Regulations, five Treasury Decisions, 25 Revenue Procedures, five Revenue Rulings, and 51 Notices on its Tax Reform Guidance page. See <https://www.irs.gov/newsroom/tax-reform-guidance> (last visited June 6, 2019).

29 See [www.irs.gov/payments/tax-withholding](http://www.irs.gov/payments/tax-withholding) (last visited May 10, 2019).

30 See Nina E. Olson, NTA Blog, *As the IRS Redesigns Form W-4, Employee's Withholding Allowance Certificate, Stakeholders Raise Important Questions* (Nov. 29, 2018).

31 Government Accountability Office (GAO), GAO-18-548, *Federal Tax Withholding: Treasury and IRS Should Document the Roles and Responsibilities for Updating Annual Withholding Tables 13* (July 31, 2018).

32 IRS, IR-2019-03, *IRS Waives Penalty for Many Whose Tax Withholding and Estimated Tax Payments Fell Short in 2018* (Jan. 16, 2019).

33 During the March 7, 2019, hearing before the House Committee on Ways and Means Subcommittee on Oversight, several members of Congress expressed concern that the IRS would impose a penalty on taxpayers who unwittingly underpay their taxes the first year the new tax law takes effect. In contrast, Congress waived the estimated tax penalty the first year after the last major tax reform (in 1986), recognizing the difficulty in accurately projecting one's tax liability under the new tax law.

percent to 80 percent.<sup>34</sup> While this lower threshold is appreciated, it treats similarly-situated taxpayers differently, which violates taxpayers' *right to a fair and just tax system*.<sup>35</sup> Compare two taxpayers who both paid 80 percent of their 2018 tax liability when they filed their return. Taxpayer A files on February 1 and would need to calculate and pay the estimated tax penalty. In contrast, Taxpayer B files on April 1 and applies for the waiver of the estimated tax penalty. Taxpayers who had already paid the estimated tax penalty based on higher minimum payment percentage (85 percent or 90 percent) are instructed to file Form 843, *Claim for Refund and Request for Abatement*, to recover the overpaid funds.<sup>36</sup> This places additional burden on those taxpayers who filed before March 22, 2019—especially since Form 843 cannot be filed electronically.

In practice, only a small percentage of eligible taxpayers actually requested the waiver of the estimated tax penalty. According to an April 2019 report published by the Treasury Inspector General for Tax Administration (TIGTA), only six percent of taxpayers eligible for this relief actually received a waiver of the estimated tax penalty, implying that the procedures were too burdensome or not communicated effectively (or both).<sup>37</sup>

While the IRS should be applauded for providing penalty relief to under-withheld taxpayers by lowering the payment threshold, the additional burden the IRS has placed on these taxpayers by requiring them to apply for this relief is unnecessary. TAS recommended that the IRS systemically waive the estimated tax penalty for taxpayers who qualify, which would reduce taxpayer burden and be in line with the IRS's stated commitment to customer service. The IRS responded that it would not be able to systemically waive the estimated tax penalty, in part due to the need for extensive programming/testing of its systems.<sup>38</sup> TAS will continue to advocate for the IRS to proactively abate any estimated tax penalty assessed on taxpayers who meet the 80 percent payment threshold, without any action required by the taxpayer.

Another impact, and perhaps an unintended consequence, of the Tax Cuts and Jobs Act is that there were noticeably more tax returns filed by taxpayers who owed tax at the time they filed their 2018 tax return. There were 23.4 million "balance due" returns filed in the 2019 filing season, compared to 22.2 million balance due returns filed the prior year—a nearly six percent increase, compared to a 1.4 percent increase overall in tax returns filed.<sup>39</sup> The "Installment Agreement/Balance Due" toll-free line experienced a 13 percent uptick in call volume.<sup>40</sup>

The IRS did not establish a dedicated toll-free line for tax reform questions. Instead, taxpayers with questions about the Tax Cuts and Jobs Act provisions were directed to the Tax Law phone line. There were 531,000 calls made to this Tax Law line in FS 2019, down 19 percent from the 659,000 calls made

34 IRS, IR-2019-55, *IRS Expands Penalty Waiver for Those Whose Tax Withholding and Estimated Tax Payments Fell Short in 2018; Key Threshold Lowered to 80 Percent* (Mar. 22, 2019).

35 See Taxpayer Bill of Rights (TBOR), [www.TaxpayerAdvocate.irs.gov/taxpayerrights](http://www.TaxpayerAdvocate.irs.gov/taxpayerrights). The rights contained in the TBOR are also codified in the Internal Revenue Code (IRC). See IRC § 7803(a)(3).

36 IRS Notice 2019-25, § 3.

37 TIGTA, Ref. No. 2019-44-030, *Interim Results of the 2019 Filing Season 7* (Apr. 2, 2019).

38 See TAS White Paper on Information Gathering Project 40766, *IRS Proactive Abatement of Estimated Tax Penalties for 2018 Tax Year* (May 6, 2019).

39 IRS, *Daily E-File At-a-Glance* (Apr. 23, 2019; Apr. 24, 2019).

40 IRS, JOC, *Snapshot Reports: Product Line Detail* (Apr. 20, 2019).

in FS 2018. The LOS for this line was 81 percent, and the wait time for those that got through was under five minutes—a vast improvement from the 8.9 minute wait time in FS 2018.<sup>41</sup>

### Overhaul of Form 1040

Along with the numerous challenges to implement provisions of the Tax Cuts and Jobs Act, the IRS was directed to overhaul its Form 1040 series, effective for the 2018 tax year. It conducted a major redesign of the iconic Form 1040, breaking it up into a half-page front and back main form and six separate schedules. The IRS also eliminated Forms 1040A and 1040-EZ for TYs 2018 and beyond.

For taxpayers with simple returns, the shorter form should provide simplification. But for the majority of taxpayers who will have to complete additional schedules, the new form is likely to create more complexity. Some taxpayers who previously completed only the Form 1040 will now have to complete one form and up to six schedules to report the same information.

TAS estimates that approximately 47 million taxpayers (32 percent) will be able to meet their filing requirements by using the main form alone.<sup>42</sup> As shown in Figure 2.2, the remaining 68 percent of taxpayers—nearly 102 million—will have to complete at least one additional schedule, with 38 percent having to complete two or more.<sup>43</sup>

**FIGURE 2.2, Breakdown of Taxpayers Required to File TY 2018 Form 1040 Schedules Based on TY 2017 Filing Data (In Millions)<sup>44</sup>**

Number of Schedules Required to Be Filed	Volume	Percent
Zero	47.3	31.8%
One	46.3	31.1%
Two	30.8	20.7%
Three	17.2	11.6%
Four	5.4	3.6%
Five	1.7	1.1%
Six	-	0.0%
<b>Total</b>	<b>148.7</b>	<b>100.0%</b>

Rather than being forced to use the new Form 1040 and applicable schedules, taxpayers should be given the choice of whether to file the traditional Form 1040 or the simplified version. Particularly since the Form 1040A and the Form 1040-EZ have been eliminated, the IRS can publish both forms to meet taxpayer needs.

41 IRS, JOC, *Snapshot Reports: Product Line Detail* (week ending Apr. 20, 2019). The Installment Agreement/Balance Due line was grouped with Accounts Management until 2017, when it was moved to the Consolidated ACS lines. This move allowed the IRS to show a higher level of service (LOS) on its Accounts Management lines, while the LOS on the Consolidated ACS lines decreased drastically.

42 TAS research estimates that 68 percent of taxpayers will need to file one or more schedules of the 2018 Form 1040 based on tax year (TY) 2017 tax return filing data. IRS Compliance Data Warehouse (CDW), *Individual Returns Transactions File (IRTF), TY 2017* (Feb. 2019). For example, using the new Form 1040, a taxpayer with unemployment compensation, student loan interest deduction, and child and dependent care expenses will now have to file Schedules 1 and 3, whereas with the 2017 1040, they only needed to file the main form, which was two pages.

43 IRS CDW, *IRTF, TY 2017* (Feb. 2019).

44 *Id.*

Perhaps due to a combination of the complexity of the tax reform changes and having to deal with a redesigned Form 1040, many taxpayers sought extensions of time to file their 2018 tax returns. Over 11.5 million taxpayers requested extensions in the 2019 filing season, up eight percent from the prior filing season. Two million taxpayers had a balance due at the time of the extension, up 13 percent from the 2018 filing season.<sup>45</sup>

### Impact of the Protecting Americans From Tax Hikes Act

The PATH Act, enacted by Congress in December 2015, included several provisions that directly impact taxpayers, employers, and IRS processes. These provisions:

- Advanced the due date to January 31 for employers to report wage information on Forms W-2 to the Social Security Administration (SSA) and for payors of non-employee compensation to report that income on Forms 1099-MISC to the IRS;<sup>46</sup> and
- Directed the IRS to hold the refunds of taxpayers claiming either the Earned Income Tax Credit (EITC) or the Additional Child Tax Credit (ACTC) until February 15.<sup>47</sup>

We will address the continuing impact of each of these provisions below.

#### *Earlier Deadline for Information Reporting Documents*

The PATH Act accelerated the due dates to January 31 for certain information reporting documents, such as Form W-2, *Wage and Tax Statement*, and Form 1099-MISC, *Miscellaneous Income*, reporting non-employee compensation. Prior to 2017, the due date for these information reporting forms was the last day of February (or March, if filed electronically).

Employers file Forms W-2 with the SSA, which sends the W-2 data to the IRS. Prior to the PATH Act, the IRS received W-2 data after the filing season when it had already issued most refunds. Moving up the W-2 filing deadline should provide the IRS more time to verify the legitimacy of tax returns claiming refunds by comparing the return data against the data reported on Forms W-2 filed by employers before paying out refunds.

More Forms W-2 were submitted to the IRS earlier in the filing season this year compared with the 2018 filing season.<sup>48</sup> The IRS received 219 million Forms W-2 as of February 4 this filing season, compared with 101 million for the same period last filing season—an increase of about 117 percent.<sup>49</sup> The early submissions of Forms W-2 allowed the non-IDT refund fraud program to perform pre-work on selected returns, so the IRS could begin issuing certain refunds after February 15.<sup>50</sup>

45 IRS, *Daily E-File At-a-Glance* (Apr. 23, 2019; Apr. 24, 2018).

46 Protecting Americans from Tax Hikes (PATH) Act of 2015, Pub. L. No. 114-113 § 201 (codified at IRC § 6071).

47 PATH Act, § 201(b) (codified at IRC § 6402(m)).

48 Some of this increase in the number of Forms W-2 filed early in the filing season may be attributable to entities having more experience meeting the accelerated deadlines. The IRS now allows just one 30-day extension of time to file Form W-2 with the Social Security Administration, before penalties will accrue (in prior years, multiple extensions were allowed).

49 IRS, *IDT and IVO Modeling Analysis - MAIN Performance Report*, slide 10 (Feb. 6, 2019).

50 See Pub. L. No. 114-113, Division Q, Title IV, § 201, 129 Stat. 2242, 3076 (2015), which prevents the IRS from issuing certain refunds before February 15th each year. The increase in timely received Form W-2 data, in conjunction with two other changes, likely resulted in more returns being released earlier in the process this year compared to last year. One change is the newly adopted systemic release feature which allows returns to be released back into normal processing systemically rather than waiting for an IRS employee to manually release the refund. The other is the availability of third-party documentation daily rather than weekly.

### *Delay in the Release of Refunds on Returns Claiming the Earned Income Tax Credit (EITC) and Additional Child Tax Credit*

The EITC was enacted as a work incentive in the Tax Reduction Act of 1975 and has become one of the government's largest means-tested anti-poverty programs. One concern about the EITC program is that it has a relatively high improper payment rate.<sup>51</sup>

In an effort to reduce the improper payment rate, Congress included a directive in the PATH Act that requires the IRS to delay payment of any refund that includes the EITC or the refundable ACTC until February 15 of each filing year.<sup>52</sup> Combined with the requirement that employers accelerate the issuance of Forms W-2 and that other payors accelerate the issuance of Forms 1099-MISC with non-employee compensation, the refund hold until February 15 is intended to reduce the improper payment rate by permitting time for income data matching before paying out EITC and ACTC claims. Taxpayers claiming these benefits can submit their returns prior to February 15, but the IRS holds the refunds associated with those returns until that date.<sup>53</sup> Figure 2.3 shows the impact of the PATH provisions on taxpayers claiming the EITC.

**FIGURE 2.3, Comparison of Refund Issuance Dates on Returns Receiving EITC, Filing Seasons 2016–2019<sup>54</sup>**

Week Ending (2019)	2016 Cumulative	2017 Cumulative	2018 Cumulative	2019 Cumulative	Percentage Difference 2016–2109
Jan. 24, 2019	855,083				
Jan. 31, 2019	7,424,783				
Feb. 7, 2019	11,104,413				
Feb. 14, 2019	13,627,831	11,260,446	10,645,675		
Feb. 21, 2019	15,533,821	13,367,603	12,727,288	12,061,038	-22.4%
Feb. 28, 2019	16,995,981	15,265,718	14,507,455	13,799,013	-18.8%

continued on next page

- 51 An improper payment is defined as “any payment that should not have been made or that was made in an incorrect amount (including overpayments and underpayments) under statutory, contractual, administrative, or other legally applicable requirements” and “any payment to an ineligible recipient.” Improper Payments Elimination and Recovery Act of 2010, Pub. L. No. 111–204, § 2(e) (2010) amending Improper Payments Information Act of 2002, Pub. L. No. 107-300 (2002) by striking § 2(f) and adding (f)(2). The IRS estimates that for FY 2018, 25.06 percent (\$18.4 billion) of the total earned income tax credit (EITC) program payments were improper. Department of Treasury, *Agency Financial Report, Fiscal Year 2018* 42; TIGTA, Ref. No. 2019-40-039, *Some Refundable Credits Are Still Not Classified and Reported Correctly as a High Risk for Improper Payment by the Internal Revenue Service* 4 (May 13, 2019). Note that the IRS updated its calculations and methodology for FY 2018 based on guidance from the Office of Management and Budget (adding back overclaims recovered through post-refund activities to the total amount). For a fuller discussion of the EITC, see National Taxpayer Advocate Fiscal Year 2020 Objectives Report vol. 3, [www.TaxpayerAdvocate.irs.gov/ObjectivesReport2020](http://www.TaxpayerAdvocate.irs.gov/ObjectivesReport2020), available July 2019.
- 52 Unlike traditional anti-poverty and welfare programs, the EITC was designed to have an easy “application” process by allowing an individual to claim the benefit on his or her tax return. This approach virtually eliminates the significant costs associated with up-front eligibility verification in traditional social welfare programs but results in a high improper payment rate.
- 53 For a related discussion on the EITC and efforts to improve compliance, see Area of Focus: *TAS Is Analyzing Its Cases to Identify Ways to Strengthen Earned Income Tax Credit (EITC) Advocacy and to Improve IRS EITC Audits*, *infra*.
- 54 IRS CDW, *IRTF and Individual Master File (IMF)*, TY 2016 returns filed in 2017, TY 2017 returns filed in 2018, and TY 2018 returns filed in 2019 (June 2018 for TY 2016 and TY 2017; June 2019 for TY 2018). For TY 2018, there were 60 tax returns processed prior to Feb. 15, 2019. The reason these refunds were processed earlier than the IRS processing guidelines could not be determined so these counts were included in the Feb. 21, 2019 cumulative total. Because of when Feb. 15, 2019 occurred, refunds were released a week later in 2019.

Week Ending (2019)	2016 Cumulative	2017 Cumulative	2018 Cumulative	2019 Cumulative	Percentage Difference 2016–2109
Mar. 7, 2019	18,166,010	16,691,389	15,948,693	15,204,661	-16.3%
Mar. 14, 2019	19,134,737	17,814,073	17,104,596	16,355,006	-14.5%
Mar. 21, 2019	19,971,655	18,775,735	18,065,972	17,337,208	-13.2%
Mar. 28, 2019	20,713,482	19,635,955	18,906,548	18,173,080	-12.3%
Apr. 4, 2019	21,468,224	20,459,066	19,653,263	18,953,625	-11.7%
Apr. 11, 2019	22,323,775	21,351,318	20,487,404	19,796,811	-11.3%
Apr. 18, 2019	23,494,074	22,534,564	21,568,297	21,138,965	-10.0%

In FS 2019 (through April 24), the IRS selected 1,045,051 non-IDT EITC and ACTC returns because it had been unable to verify third-party information needed for matching.<sup>55</sup> However, it has released 764,680 refunds—through systemic matching or due to a compliance initiative.<sup>56</sup>

## TAXPAYER INTERACTIONS WITH THE IRS

### Telephones

Each year, the IRS reports out on the Accounts Management CSR LOS as its benchmark measure of taxpayer access to telephone assistance. The IRS received 40.8 million telephone calls during the 2019 filing season<sup>57</sup> and reported a LOS of 67 percent on its Accounts Management telephone lines.<sup>58</sup> This level marks a significant decline from the IRS's performance during FS 2018, when the IRS reported an 80 percent LOS.<sup>59</sup>

However, the way the IRS calculates and presents filing season data is complex and confusing and does not necessarily reflect the overall experience of taxpayers seeking telephone assistance. When the IRS reports a benchmark LOS, one might assume it reflects the percentage of its calls that IRS telephone assistants answer. That is not the case. The benchmark measure is a very narrow one and does not reflect the taxpayer experience in two respects. First, the benchmark measure reflects only calls that are directed to the IRS's Accounts Management telephone lines. Of those, 34.4 million of the 40.8 million total calls (84 percent) the IRS received came in on or were routed to the Accounts Management lines.<sup>60</sup> The benchmark measure does not tell us anything about how the remaining 6.4 million calls outside of Accounts Management (such as the compliance phone lines) were handled.<sup>61</sup>

Second, the denominator in the IRS's LOS computation is derived from calls routed to telephone assistants, rather than from *all* calls to that phone line. Callers to the Accounts Management lines are

55 IRS, *IDT & IVO Performance Report 9* (May 1, 2019).

56 *Id.*

57 IRS, JOC, *Snapshot Reports: Enterprise Snapshot* (week ending Apr. 20, 2019).

58 *Id.* The IRS reports the Accounts Management Customer Service Representative LOS as its benchmark measure of telephone performance.

59 *Id.*

60 *Id.*

61 The National Taxpayer Advocate raised these concerns in a March 7, 2019 committee hearing. *The Tax Filing Season: Hearing Before the H. Subcomm. on Oversight of the H. Comm. on Ways and Means*, 116th Cong. 6-11 (2019) (statement of Nina E. Olson, National Taxpayer Advocate).

greeted by a phone tree, and based on their responses, callers are directed either to an employee for live assistance or to an automated system. Depending on which buttons a caller pushes, the IRS decides whether to direct the caller to its automated offerings. In other words, automation is not a deliberate caller-selected option. Only 40 percent of the 20.2 million calls answered by the Accounts Management lines (about 8.1 million) were routed to assistors and are included in the LOS computation, while the remaining taxpayer calls were routed to automation or reflected taxpayer hang-ups (typically because taxpayers do not want to work through the phone tree or wait on hold).<sup>62</sup> As a result, while the IRS is reporting a benchmark level of service of 67 percent, *IRS employees answered only 23 percent of the calls received on the Accounts Management lines and 25 percent of calls received on all lines.*<sup>63</sup>

### *Breakout of IRS Telephone Lines*

To understand the IRS's telephone statistics, a few concepts are important:

- The IRS tracks the total number of calls it receives, which is known as the “Enterprise Total.” The Accounts Management telephone lines are the largest subset of the Enterprise Total, accounting for 84 percent of all calls during the filing season. The IRS generally directs calls to the Accounts Management lines for account inquiries and answers to tax law questions, among other things.<sup>64</sup> The remaining 16 percent of calls reflect a combination of calls to the Consolidated Automated Collection System lines, which include most of the IRS's compliance service operations and certain other low-volume telephone lines.<sup>65</sup>
- Calls generally are directed either to telephone assistors or an automated response. Whether a call is routed to a telephone assistor or to automation generally depends on the telephone number the taxpayer calls and how the caller responds to the automated prompts he or she encounters.

Figure 2.4 shows the IRS's performance during the 2019 filing season for the Accounts Management total, many of the filing season-related phone lines that are components of the Accounts Management total, a few lines of special interest, and the Enterprise total. There was a 16.4 percent decrease in calls answered by an assistor, from 10.4 million calls in FS 2018 to 8.1 million in FS 2019 on the Accounts Management line. Most phone lines showed a decline in service, marked by a lower LOS and longer times on hold (“Average Speed of Answer”).<sup>66</sup> Generally, longer wait times indicate a greater likelihood that a taxpayer will hang up and attempt a repeat call.

62 IRS, JOC, *Snapshot Reports: Enterprise Snapshot* (week ending Apr. 20, 2019).

63 *Id.*

64 For the Jan. 1–Apr. 20, 2019, period the IRS received 40.8 million calls Enterprise-wide, and of that total, 34.4 million calls were directed to the Accounts Management telephone lines (84 percent). IRS, JOC, *Snapshot Reports: Enterprise Snapshot* (Apr. 20, 2019).

65 Internal Revenue Manual (IRM) 21.1.1.3, *Customer Service Representative (CSR) Duties* (Oct. 1, 2018).

66 IRS, JOC, *Snapshot Reports: Enterprise Snapshot* (Apr. 20, 2019) (source of AM and Enterprise Total data); IRS, JOC, *Snapshot Reports: Product Line Detail* (Apr. 20, 2019) (source of all other data except the Taxpayer Protection Program (TPP) line); IRS, JOC, *FY 2019 Weekly TPP Snapshot Report* (Apr. 20, 2019) (source of TPP line data). Data from Jan. 1–Apr. 20, 2019. Dialed attempts, sometimes called Net Attempts, is the number of callers intended for a given product line. Dialed attempts exclude callers who dialed the number, but should have dialed another number, and includes callers who dialed another number but should have dialed this number. IRS, *FY 17 Snapshot & ELS Reporting Guidelines*, Version 2017.02 (Mar. 3, 2017).

**FIGURE 2.4, 2019 Filing Season Statistics for Toll-Free Telephone Lines**<sup>67</sup>

Telephone Line	2018					2019					Percent Change			
	Dialed Attempts	Assistor Calls Answered	Average Speed of Answer (Minutes)	Level of Service	Dialed Attempts	Assistor Calls Answered	Average Speed of Answer (Minutes)	Level of Service	Dialed Attempts	Assistor Calls Answered	Average Speed of Answer (Minutes)	Level of Service	ASA Percentage Change	LOS Percentage Change
Accounts Management (AM) (Sum of 32 Lines)	35,668,223	10,422,742	5.1	80.0%	34,382,805	8,059,818	9.0	66.9%					76.8%	-16.4%
Refund Hotline 800-829-1954	12,713,310	1,15,577	3.9	83.0%	11,806,636	63,090	5.2	76.6%					32.9%	-7.7%
Individual Income Tax Services 800-829-1040	7,894,684	2,434,719	3.5	79.1%	7,316,757	1,903,012	8.8	66.5%					150.5%	-15.9%
Transcript 800-908-9946	1,568,196	206,723	7.1	75.2%	1,094,351	46,975	7.6	81.0%					7.3%	7.7%
Wage & Investment IMF Customer Response 800-829-0922	1,797,884	820,456	3.5	82.0%	1,399,034	495,207	8.2	66.2%					134.8%	-19.2%
Refund Call Back 800-829-0582	1,482,996	538,468	4.3	80.7%	3,132,815	871,323	10.2	56.4%					137.6%	-30.1%
Business & Specialty Tax Services 800-829-4933	1,587,233	787,089	8.5	77.3%	1,702,836	567,682	16.5	62.1%					94.1%	-19.6%
WI ID Theft 800-908-4490	906,515	507,904	3.5	83.3%	696,315	273,006	8.2	68.9%					134.3%	-17.3%
Self-Employed IMF Customer Response 800-829-8374	876,086	388,652	3.8	80.4%	679,649	234,012	8.8	64.2%					132.5%	-20.2%
ACA Hotline 800-919-0452	817,981	547,746	8.1	81.1%	628,441	400,358	6.2	81.8%					-23.9%	0.8%
Tax Law 866-883-0217	659,111	467,691	8.9	79.1%	531,024	388,533	4.7	80.6%					-47.0%	1.8%
PPS 866-860-4259	886,265	692,443	3.3	90.7%	853,189	533,069	6.8	83.3%					107.1%	-8.2%
BMF Customer Response 800-829-0115	691,943	500,688	8.5	83.7%	543,671	312,123	16.3	69.8%					91.8%	-16.6%
International 8775 855-790-8775	215,713	148,192	3.0	81.9%	259,822	153,921	3.2	78.6%					6.7%	-4.1%
Tax Exempt and Government Entities (TE/GE) 877-829-5500	205,323	123,777	8.4	72.7%	169,378	118,297	3.6	88.6%					-56.9%	21.8%
Individual Taxpayer Identification Number 800-908-9982	203,591	137,935	6.0	79.1%	240,224	126,599	12.0	63.8%					100.0%	-19.3%
NTA 877-777-4778	308,477	167,734	3.7	75.2%	442,949	155,283	13.3	47.0%					260.4%	-37.5%
VITA Location 800-906-9887	48,890	35,115	2.2	82.5%	42,259	30,365	1.7	82.2%					-22.7%	-0.4%
TAC Appointment 844-545-5640	2,232,666	1,438,502	5.7	76.0%	1,847,085	1,019,131	7.2	67.0%					26.9%	-11.9%
Installment Agreement/Balance Due	1,941,044	947,294	28.7	49.0%	2,201,579	527,112	49.5	24.1%					72.3%	-50.8%
Taxpayer Protection Program 800-830-5084	1,753,421	1,051,828	12.5	70.1%	1,335,279	686,154	13.3	60.4%					6.4%	-13.8%
Forms Order Line 800-829-3676 (800-TAX-FORM)	994,055	506,605	7.4	69.0%	1,081,288	402,073	11.2	49.9%					51.6%	-27.7%
Amended Return Hotline 866-464-2050	447,167	325,396	4.1	88.6%	890,753	334,135	10.1	62.1%					145.5%	-29.9%
Enterprise Total (Includes AM, Compliance, EPSS, Forms Order Line, ASK TAS, Enrolled Agent and IDTVA)	42,512,830	13,521,301	8.7	72.9%	40,796,555	10,082,963	13.2	58.5%					51.9%	-19.7%

67 IRS, JOC, Snapshot Reports: Enterprise Snapshot (Apr. 20, 2019) (source of AM and Enterprise Total data); IRS, JOC, Snapshot Reports: Product Line Detail (Apr. 20, 2019) (source of all other data except the Taxpayer Protection Program (TPP) line); IRS, JOC, FY 2019 Weekly TPP Snapshot Report (Apr. 20, 2019) (source of TPP line data). Data from Jan. 1–Apr. 20, 2019. Figure 2.4 does not list all Accounts Management telephone lines.

### Telephone Service Observations

As noted above, favorable top-line numbers mask significant weaknesses in IRS telephone service. Consider the following:

- **The LOS was not uniformly high across all IRS telephone lines.** During FS 2019, the IRS received 6.4 million calls to telephone lines not included in the Accounts Management umbrella, such as those directed to the compliance functions. These calls accounted for 16 percent of the total calls the IRS received this filing season. One particular compliance line—the “Installment Agreement/Balance Due” line, which taxpayers generally call if they cannot pay their tax liabilities in full and are seeking to arrange a payment plan—had extremely poor service in FS 2019. The IRS received over 2.2 million calls on this line and had a LOS of 24 percent for FS 2019, meaning that more than three out of four taxpayers who attempted to call this line did not receive assistance at the time of the call. Taxpayers who spoke to an assistor waited an average of 49 minutes on hold.<sup>68</sup>
- **Although we believe most taxpayers calling the IRS want to speak to an employee, 60 percent of Accounts Management calls were answered by automation.**<sup>69</sup> Callers generally have no choice regarding how and where their calls are routed—the IRS programs call-transfers based on the caller’s response to pre-recorded telephone prompt options. The IRS call tree generally does not present the taxpayer with an option to speak to a live assistor. *Thus, the LOS data reflects where taxpayers have been directed by the IRS, not necessarily where and how taxpayers need or would like to be assisted.*
- **Despite a reported LOS of 67 percent, IRS telephone assistors answered only about 23 percent of the calls the IRS received on its Accounts Management lines.** When the IRS reports its benchmark LOS was 67 percent, a casual observer may conclude that telephone assistors answered 67 percent of the calls the IRS received. In fact, *telephone assistors answered only 8.1 million calls out of 34.4 million calls received on the Accounts Management lines, or 23 percent.* We are not suggesting that the IRS only served 23 percent of callers; we recognize that some are adequately served through automation and some quickly hang up for personal reasons (*e.g.*, a call-waiting notification is received just after the start of the call). But when telephone assistors answer only 23 percent of taxpayer calls during a period when the IRS reports a “Level of Service” of 67 percent, the need for more transparent performance measures is apparent.
- **Measures like LOS do not provide qualitative information about the assistance a taxpayer receives on a telephone call.** Achieving a high LOS does not mean much if the IRS is unable to answer taxpayers’ questions over the phone or guide them to an appropriate solution to resolve their issues. To more thoroughly evaluate the IRS’s telephone service and its service on other communication channels, the IRS should incorporate additional measures aimed at assessing taxpayer satisfaction. According to researchers, the “single biggest driver of customer satisfaction” is First Contact Resolution.<sup>70</sup> *Almost 40 percent of taxpayers calling the IRS felt one call did not fully resolve their problems.*<sup>71</sup> These results show taxpayers are not getting the full assistance they need

68 IRS, JOC, *Snapshot Reports: Product Line Detail Snapshot* (week ending Apr. 20, 2019).

69 Of the 20.2 million Accounts Management calls the IRS took during the filing season, 12.1 million were directed to automation. IRS, JOC, *Snapshot Reports: Enterprise Snapshot* (week ending Apr. 20, 2019).

70 Jeff Rumburg & Eric Zbikowski, MetricNet, *The Five Most Important KPI’s (Key Performance Indicators) for the Call Center 5* (Feb. 20, 2013), [https://ccng.com/uploads/five\\_most\\_important\\_kpis\\_for\\_the\\_call\\_center\\_metricnet.pdf](https://ccng.com/uploads/five_most_important_kpis_for_the_call_center_metricnet.pdf).

71 National Taxpayer Advocate 2017 Annual Report to Congress vol. 2 62, 85 (Research Study: *A Further Exploration of Taxpayers’ Varying Abilities and Attitudes Toward IRS Options for Fulfilling Common Taxpayer Service Needs*).

over the phone, jeopardizing their *rights to quality service and to be informed*, while potentially undermining voluntary compliance.<sup>72</sup>

### Correspondence

There is a pool of Accounts Management employees that the IRS shifts between answering the phones and responding to taxpayer correspondence.<sup>73</sup> As a result, the IRS faces a difficult choice in deciding which service to prioritize. If it assigns more employees to answer taxpayer telephone calls, it will fall further behind in processing taxpayer responses to proposed adjustment notices. If it assigns more employees to process taxpayer responses to proposed adjustment notices, it will answer fewer telephone calls. On average, the IRS has received approximately nine million letters annually responding to proposed adjustments and other notices (*e.g.*, requesting penalty abatements, responding to math error notices, and making payment arrangements).<sup>74</sup> The failure to timely process taxpayer responses to proposed increases in tax liability can have a significant impact on the taxpayer.

Figure 2.5 shows examples of key Accounts Management correspondence inventory levels at the conclusion of recent filing seasons. The “IMF Correspondence” category includes all taxpayer correspondence from individual taxpayers that is not handled by another function within the IRS; the “Amended Return/Duplicate Filing” category includes correspondence in which taxpayers are seeking to file amended returns;<sup>75</sup> and the “Injured Spouse” category includes Forms 8379, *Injured Spouse Allocation*, received from taxpayers.<sup>76</sup> The Injured Spouse correspondence inventory and percentage of overaged Injured Spouse inventory (more than 45 days old) has shown a significant increase from 2018 to 2019. TAS case receipts for Amended Returns from Wage and Investment (W&I) increased by 12 percent, and Injured Spouse from W&I cases increased by 23 percent, from April 2018 to April 2019.<sup>77</sup>

72 For further discussion on IRS phone service, see National Taxpayer Advocate FY 2019 Objectives Report to Congress 41-46 (Area of Focus: *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*). See also 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*).

73 IRM 21.1.1.3, *Customer Service Representative (CSR) Duties* (Oct. 1, 2018).

74 Over the past decade, annual taxpayer correspondence in response to proposed adjustments has ranged from a low of 7.1 million letters to a high of 11.7 million letters and has averaged approximately nine million per year. See IRS, JOC, *Adjustments Inventory Reports: July-September Fiscal Year Comparison* (FY 2009 through FY 2018).

75 Amended returns are not accepted through e-file and thus must be filed on paper.

76 A taxpayer who participated in the filing of a joint return may request that his or her share of the credit balance be refunded where it otherwise would be applied to a past-due obligation of the other spouse.

77 Data obtained from the Taxpayer Advocate Management Information System (TAMIS) (May 1, 2018; May 1, 2019).

**FIGURE 2.5, Selected Individual Master File (IMF) Correspondence Inventory Levels, April 2017, 2018, and 2019<sup>78</sup>**

	Week Ending 4/22/17	Week Ending 4/21/18	Week Ending 4/20/19	% Change 2018–2019
IMF Correspondence	192,522	153,440	126,204	-17.8%
Overage	29.9%	35.0%	30.9%	-11.7%
Amended Return/Duplicate Filing	273,567	356,988	175,842	-50.7%
Overage	15.9%	23.1%	41.0%	77.5%
Injured Spouse	93,136	95,127	130,443	37.1%
Overage	15.0%	20.4%	22.5%	10.3%

### Face-to-Face Service at Taxpayer Assistance Centers

This filing season, the IRS continued its policy of requiring taxpayers to schedule an appointment to receive assistance at any of its TACs.<sup>79</sup> Thus, the TACs, previously known as “walk-in” sites, have been completely transformed to become “appointment only” sites.<sup>80</sup> To schedule an appointment, a taxpayer must call the TAC Appointment line (844-545-5640).<sup>81</sup> The telephone assistor determines the taxpayer’s need and, if possible, directs taxpayers to resources where they may find answers to their questions.<sup>82</sup> The telephone assistor schedules an appointment for the taxpayer if the assistor determines the need meets the criteria for visiting a TAC—not simply because the taxpayer requests or prefers an appointment.<sup>83</sup> During this filing season, TAS received complaints from taxpayers regarding problems with receiving service from a TAC—sometimes even when the taxpayer had an appointment.

The IRS asserts that it is serving more taxpayers under the appointment-only approach since Accounts Management employees who staff the TAC Appointment line can assist many taxpayers by either answering their questions or directing them to a self-help option. For example, an assistor may save a trip to an IRS office for taxpayers looking for forms or publications by telling them how to download from IRS.gov or giving a centralized number to call to request mailed copies. The IRS says its staff is thereby freed up to assist taxpayers who truly require face-to-face assistance. In addition to the push toward using online self-help options, taxpayers visiting TACs are greeted with a sign on the door that appointments are

78 IRS, JOC, *Customer Account Services, Accounts Management Paper Inventory Reports: National Inventory Age Report* (weeks ending Apr. 22, 2017; Apr. 21, 2018; and Apr. 20, 2019). The Injured Spouse figures reflect taxpayers affected by offsets from the Debtor Master File or from the Financial Management Service and covers debts related to child support, student loans, etc.

79 IRS News Release IR 2019-67, *IRS.gov: Best place to get last-minute tax tips and resources* (Apr. 9, 2019), <https://www.irs.gov/newsroom/irsgov-best-place-to-get-last-minute-tax-tips-and-resources> (last visited June 7, 2019).

80 For a more detailed discussion, 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*).

81 The TAC Appointment Line achieved a 67.0 percent LOS during the 2019 filing season, with an average wait time of 7.2 minutes. IRS, JOC, *Snapshot Reports: Product Line Detail Snapshot* (week ending Apr. 20, 2019).

82 IRM 21.1.1.3, *Customer Service Representative (CSR) Duties* (Oct. 1, 2018).

83 IRM 21.1.1.3(13), *Customer Service Representative (CSR) Duties* (Oct. 1, 2018) (noting the phone assistor will first try to provide direct assistance, and second, provide information on alternative service options). Even if offered an appointment, the taxpayer may decline if the available dates and times do not work. In those instances, the taxpayer may be left with having to choose a “second best” option.

required, with an exception only for limited services such as making a “limited payment,” picking up a tax form, or dropping off a current year tax return.<sup>84</sup>

The appointment-only approach can negatively impact taxpayers who need assistance urgently and cannot wait to obtain an appointment.<sup>85</sup> TAS is pleased that the IRS’s current guidance to employees includes managerial discretion to assist taxpayers without appointments if the taxpayer has a hardship or can be assisted without affecting other scheduled appointments.<sup>86</sup> However, serving taxpayers without appointments remains an exception—and one that is granted on a case-by-case basis. As noted previously, only about 63,000 taxpayers received assistance at TACs without an appointment in the 2019 filing season (through March).<sup>87</sup>

We continue to be concerned about the limitations on walk-in service for taxpayers. In fact, IRS data captures certain interactions with taxpayers but does not capture the full taxpayer experience. For instance, in the example above where a CSR instructs the taxpayer to download forms or publications, there is no way to know if the taxpayer ultimately located and downloaded the publication needed. An “appointments preferred” approach would be reasonable, but the “appointments required” approach the IRS has adopted (notwithstanding permitted managerial discretion) sends the wrong message to taxpayers. If a taxpayer takes the time to travel to an IRS assistance site, the IRS should do everything it can to assist that taxpayer. If the TAC has too many taxpayers to assist at the time, the IRS should utilize the process it used for decades, namely, have Revenue Agents or Revenue Officers and other qualified employees on call to assist during these overload times.

If the current trend continues, taxpayers soon may not have the option for in-person assistance from an IRS employee. Because of its new “appointment only” policy, the number of taxpayers visiting a TAC declined from about 5.6 million in FY 2015 to 2.9 million in FY 2018.<sup>88</sup> Moreover, the IRS has reduced the number of TACs from 401 to 358 since 2011.<sup>89</sup>

The Consolidated Appropriations Act of 2018 included several directives for the IRS to follow before deciding to close any more TACs, including:

- Report to the committees on appropriations of the Senate and House of Representatives within 120 days of enactment of the Act on the steps being taken to prevent any TAC closures and the status of any proposed alternatives to fully staffed TACs;

84 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*). The IRS updated Publication 5202, *Appointment Only Poster for Field Assistance Taxpayer Assistance Centers (English-Spanish Version)* in February 2017. The prior August 2015 version contained no exceptions, stating only the following: “To provide the best possible service, taxpayer assistance is by appointment only.”

85 IRS W&I Division, *Business Performance Review 15* (Apr. 30, 2019). The IRS will, in some circumstances, “double book” an appointment if the taxpayer has an urgent need. However, this will happen only when the taxpayer is able to explain the need, and the phone assistor is able to recognize the urgency. There are exception criteria for taxpayers who show up at a TAC without an appointment. Likewise, the taxpayer will need to explain the need, and a TAC employee needs to recognize the taxpayer should receive service.

86 IRM 21.3.4.2.4.2, *TAC Appointment Exception Procedures* (Oct. 1, 2018).

87 IRS W&I, *Business Performance Review 12* (May 10, 2018).

88 *Id.* 15 (Apr. 30, 2019).

89 See GAO, GAO-12-176, *Processing Gains, but Taxpayer Assistance Could Be Enhanced by More Self-Service Tools* (Dec. 2011); *Review of the FY 2020 Budget Request for the U.S. Department of Treasury: Hearing Before the S. Subcomm. on Financial Services and General Government of the S. Comm. on Appropriations, 116th Cong.* (2019), (written testimony of Charles P. Rettig, Commissioner of Internal Revenue).

- Conduct a study on the impact of closing a TAC and the adverse effects it has on taxpayers' ability to interact with the IRS; and
- Hold a public forum in the impacted community at least six months prior to a planned TAC closure and notify the committees on appropriations of the Senate and House of Representatives.<sup>90</sup>

A recent TIGTA report noted that the IRS closed 12 TACs in 2018 but did so without adhering to these congressional directives in at least four of those closures.<sup>91</sup> Specifically, the IRS did not timely provide a report to congressional committees on the steps being taken to prevent TAC closures. Furthermore, the IRS did not conduct a study on the taxpayer impact of closing four TACs that the IRS closed after Congress passed the Consolidated Appropriations Act of 2018, nor did the IRS hold a public forum in the four affected communities at least six months prior to closing the TACs.

### Availability of Tax Forms and Publications

While a majority of taxpayers continue to file electronically, about 11 million taxpayers mail in paper tax returns.<sup>92</sup> Many of these taxpayers, along with a number of other taxpayers, rely on printed versions of forms and publications.

Gone are the days where taxpayers could grab the Form 1040 variant they needed, along with instructions and common publications, at their local public library or post office. The IRS directs those who need a printed version of tax forms (including the newly redesigned Form 1040) to IRS.gov, where taxpayers may download and print forms, instructions, and publications. However, not all Americans find this option convenient. A 2016 TAS survey found that more than 41 million U.S. taxpayers lack broadband access at home, including 14 million taxpayers with no internet access at home at all.<sup>93</sup> For such taxpayers, they will need to call 800-829-3676 (from 7 a.m. to 7 p.m. Mondays through Fridays) to order forms and publications by mail.

To see how easy it was to obtain printed copies of Form 1040, TAS asked a few employees to request the new “postcard” sized Form 1040 by mail. What they received was the simplified form printed on 8.5” x 11” paper, along with six schedules that they did not request.

### Online and Self-Service Tools

Online tools have become a more significant part of the filing season experience over time.<sup>94</sup> Broadly speaking, there are two categories of online tools: general access tools and taxpayer account tools.

90 Consolidated Appropriations Act, 2018, Pub. L. No. 115-141, 132 Stat. 348.

91 See TIGTA, Ref. No. 2019-40-029, *The Internal Revenue Service Did Not Follow Congressional Directives Before Closing Taxpayer Assistance Centers; a Data-Driven Model Should Be Used to Optimize Locations* (May 8, 2019).

92 The IRS received 137.2 million returns in the 2019 filing season. Approximately 126.2 million of these (92 percent) were e-filed. IRS, *Filing Season Statistics for Week Ending April 19, 2019*, <https://www.irs.gov/newsroom/filing-season-statistics-for-week-ending-april-19-2019> (last visited June 7, 2019).

93 National Taxpayer Advocate 2017 Annual Report to Congress vol. 2 63 (*A Further Exploration of Taxpayers' Varying Abilities and Attitudes Toward IRS Options for Fulfilling Common Taxpayer Service Needs*) (TAS based the analysis in this report on 3,735 survey responses obtained as of February 2017).

94 For further discussion of online accounts, see *Efforts to Improve Taxpayer Advocacy: TAS Explores Innovative Ways to Communicate with Taxpayers*, *infra*.

General access tools allow taxpayers to obtain general information that is not case-specific. A few examples of what a taxpayer might accomplish on the IRS website (IRS.gov) include:

- Downloading tax forms, instructions, and publications;<sup>95</sup>
- Locating the TAC nearest to where the taxpayer lives;<sup>96</sup> and
- Using the Interactive Tax Assistant to find answers to general tax law questions such as who may be claimed as a dependent or whether a taxpayer may deduct medical expenses.<sup>97</sup>

Taxpayer account tools generally require that the taxpayer pass an authentication test before getting any information or accessing features. Examples of account tools include:

- *Get Transcript*, where the taxpayer can view tax account information;<sup>98</sup>
- *Direct Pay*, where the taxpayer can make payments to the IRS;<sup>99</sup> and
- *View Your Tax Account Information*, where the taxpayer may view payment histories and remaining balance due for certain tax years.<sup>100</sup>

A general access tool can meet relatively simple needs, such as obtaining and printing tax forms or instructions—if the taxpayer has the ability to access the website. As noted above, 14 million individual taxpayers do not have internet access in their homes, and more than 41 million do not have broadband.<sup>101</sup> Even if a taxpayer does have internet access to obtain forms and instructions, he or she is left to determine on his or her own the answer to a question. Interactive tools are helpful, but locating the correct answer is dependent on the series of filtering questions matching the taxpayer's circumstances. Because the IRS will not answer tax law questions after the filing season that are unrelated to tax reform, these tools are the only option available to taxpayers for much of the year.

Taxpayers wishing to access account tools face a different challenge. Generally, these tools require that the taxpayer pass “multi-factor authentication.” This security measure is intended to ensure the person requesting access is the true taxpayer and not an imposter. For example, to access an account transcript online for the first time, the taxpayer will need:

- His or her Social Security number (SSN), date of birth, filing status, and mailing address from the latest tax return;
- An email account;
- An account number from a credit card, mortgage, home equity loan, home equity line of credit, or car loan; and
- A mobile phone with the taxpayer's name on the account (*i.e.*, not pay-as-you-go minutes).

95 IRS, *Forms, Instructions & Publications*, <https://www.irs.gov/forms-pubs> (last visited June 12, 2019).

96 IRS, *Contact Your Local IRS Office*, <https://www.irs.gov/help-resources/contact-your-local-irs-office> (last visited June 12, 2019).

97 IRS, *Interactive Tax Assistant (ITA)*, <https://www.irs.gov/uac/interactive-tax-assistant-ita-1> (last visited June 12, 2019).

98 IRS, *Welcome to Get Transcript*, <https://www.irs.gov/individuals/get-transcript> (last visited June 12, 2019).

99 IRS, *Direct Pay With Bank Account*, <https://www.irs.gov/payments/direct-pay> (last visited May 10, 2019).

100 IRS, *View Your Tax Account Information*, <https://www.irs.gov/uac/view-your-tax-account> (last visited May 10, 2019).

101 See National Taxpayer Advocate 2017 Annual Report to Congress vol. 2 62, 63 (Research Study: *A Further Exploration of Taxpayers' Varying Abilities and Attitudes Toward IRS Options for Fulfilling Common Taxpayer Service Needs*).

After the user enters some initial information to validate his or her identity, the IRS will send a one-time use security code via text message to the taxpayer's cell phone.<sup>102</sup> Currently, only about one in five taxpayers pass authentication the first time he or she attempts access.<sup>103</sup>

Not all taxpayer account tools require multi-factor authentication. For example, *Where's My Refund* allows the taxpayer to check when the IRS is likely to issue his or her tax refund.<sup>104</sup> The only information the user needs to provide is the SSN (or Individual Taxpayer Identification Number), filing status, and expected refund amount. As the IRS tries to transition taxpayers from using personal service to using online service, it is incumbent on the agency to develop ways to measure the effectiveness of online services at meeting taxpayer needs. To date, adequate measures do not exist. Moreover, ability to access remains a barrier to widespread and expanded usage.<sup>105</sup>

## SPECIAL TOPICS

### Refund Fraud

For the 2019 filing season, the IRS has made a number of improvements to its refund fraud program. After a troubling 2018 filing season, in which the IRS refund fraud program was plagued with processing times that averaged about 40 days, false positive rates of 63 percent for IDT refund fraud filters, and 81 percent for non-IDT refund fraud filters, the IRS made a number of changes to the refund fraud program for the 2019 filing season.<sup>106</sup> These changes have resulted in a better experience for taxpayers.

Specifically:

- During the filing season, the IRS is systemically checking for the posting of third-party information daily instead of weekly;
- When the return is being selected due to a mismatch between the information on the return and the third-party information, the IRS will conduct additional analysis. If the third-party information would have no impact on the amount of the refund, the refund will be released immediately; and
- When a return carries with it both an IDT and non-IDT refund fraud concern, IRS systems will have the capability to systemically verify income and withholding information upon successful authentication of the taxpayer's identity, thereby compressing the processing time.

102 The taxpayer has the option of requesting that the activation code be mailed to the address of record. IRS, *Secure Access: How to Register for Certain Online Self-Help Tools*, <https://www.irs.gov/individuals/secure-access-how-to-register-for-certain-online-self-help-tools> (last visited May 10, 2019). However, waiting 10 days for mail delivery of the activation code hinders the taxpayer's ability to immediately resolve the issue.

103 IRS, JOC, *Monthly Account Dashboard* (month ending April 2019). The New Profile Registration Rate was 19 percent for FY 2019 and is defined as the rate at which sessions completed "First Time User" authentication.

104 IRS, *Where's My Refund? - It's Quick, Easy and Secure*, <https://www.irs.gov/refunds> (last visited May 10, 2019). The same functionality is also on the IRS mobile app IRS2GO. IRS, *IRS2Go Mobile App*, <https://www.irs.gov/uac/irs2goapp>.

105 For further discussion of online accounts and alternative approaches, see *Efforts to Improve Taxpayer Advocacy: TAS Explores Innovative Ways to Communicate with Taxpayers*, *infra*.

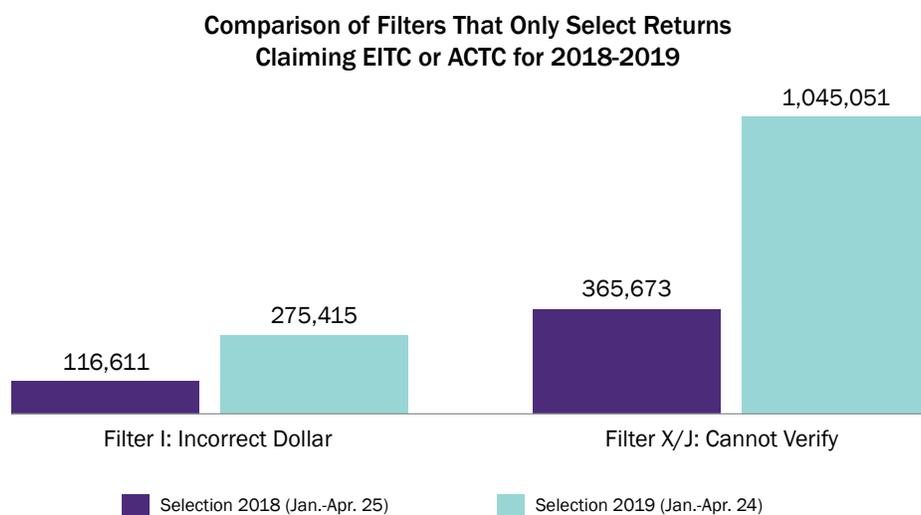
106 The false positive rate reported was for January 1 to October 3, 2018. A false positive occurs when a system selects a legitimate return and delays the refund past the prescribed review period. See IRS, *IDT and IVO Performance Report*, 19, 32 (Oct. 10, 2018).

These changes have resulted in two significant differences in the program, when compared to prior filing seasons:

1. The filters have been able to select many more returns for further analysis than they have in the past; and
2. Many more returns were identified for release earlier on in the filing season, as this is the first year that the program had the ability to release returns systemically.

As shown in Figure 2.6, the two non-IDT refund fraud filters that exclusively select returns where EITC or ACTC have been claimed more than doubled their selection of returns compared to last year.<sup>107</sup>

**FIGURE 2.6**<sup>108</sup>

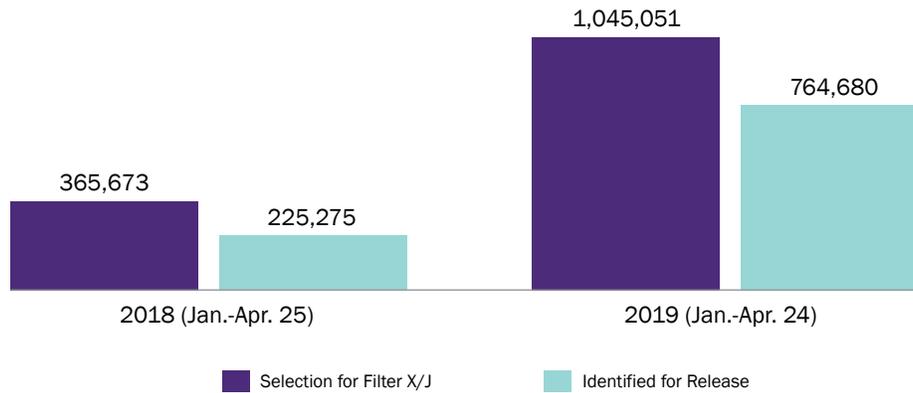


One possible explanation for this increase is the adoption of new systemic verification and reprocessing features for Filter X, which allows the IRS to increase its workload for this particular area of questionable refund claims.

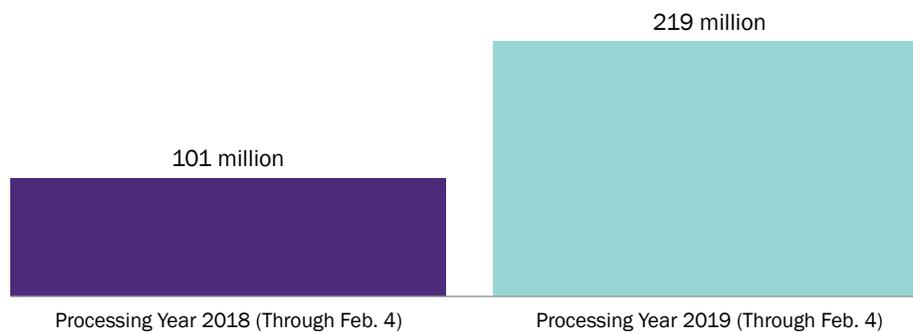
According to customized data provided to us by the IRS, through April 24, while Filter X selected 1,045,051 returns, nearly three-quarters of those returns were identified for release as shown in Figure 2.7. Comparing these results with the same filter selections and release rates for the same period during 2018, Figure 2.7 indicates the IRS is doing a much better job at systemically identifying more returns for release earlier in the process. Also, from a percentage basis, the IRS is doing better than in 2018—it released 73.2 percent of refunds that it had stopped this year, compared to only 61.7 percent over the same period in 2018.

<sup>107</sup> Filter X selects returns where EITC or additional child tax credit (ACTC) is claimed on the return, and there is no third-party information available to verify the income or withholding on the return. Filter I selects returns where EITC or ACTC have been claimed, and there is a discrepancy of income between the return and the W-2 information. Filter J was renamed Filter X in FY 2019.

<sup>108</sup> IRS, *IDT and IVO Performance Report 8* (May 1, 2019); *IDT and IVO Performance Report 16* (May 2, 2018).

**FIGURE 2.7**<sup>109</sup>**Comparison of Filter X Selections and Returns Identified for Release in 2019 to Selections Identified for Release for the Same Period During 2018**

This dramatic increase in the number of selected returns that were identified for release was due in part to Filter X's ability to systemically identify returns for release, and to the significant increase in the number of Forms W-2 the IRS received early on in the filing season. Specifically, the IRS had over a hundred million more Forms W-2 available compared to last year, as shown in Figure 2.8.

**FIGURE 2.8**<sup>110</sup>**Information Return Master File Form W-2 Availability Through February 4**

Despite the high number of returns identified for release, there are still 249,105 returns selected by Filter X in suspension as of April 24, 2019, waiting for third-party documentation to verify the information on the return.<sup>111</sup> This is in addition to another 305,016 returns that were selected by other non-IDT

109 IRS, *IDT and IVO Performance Report 9* (May 1, 2019); *IDT and IVO Performance Report 17* (May 2, 2018).

110 IRS, *IDT and IVO Performance Report 10* (Feb. 6, 2019).

111 IRS, *IDT and IVO Performance Report 9* (May 1, 2019).

refund fraud filters that are also still pending outcome.<sup>112</sup> In regards to the 249,015 returns, one possible explanation for their suspension could be the SSA's transmission of paper Forms W-2 to the IRS. The IRS has received about 58 percent fewer W-2 paper receipts as of April 26, 2019, when compared to the same time period for 2018.<sup>113</sup> Returns that are not resolved by June 15, 2019, will have to be worked through a manual process, which will delay the issuance of legitimate refunds.<sup>114</sup>

TAS case receipts increased by about 3,000 for FS 2019 between January 1 and April 30, compared to FS 2018 for the same time period, even without counting cases involving prior year returns from the total TAS refund fraud case receipts.<sup>115</sup> Although TAS case receipts have increased for FS 2019, when compared to FS 2018, the rate at which they increased was far less than the rate by which selections increased for non-IDT returns where EITC or ACTC and the income could not be verified. Specifically, between January 1 and April 24, 2019, there was a 186 percent increase in the selection of non-IDT returns where EITC or ACTC has been claimed, and the income on the returns cannot be validated, when compared to the same time period for 2018.<sup>116</sup> Alternatively, TAS's case receipts for issues regarding these returns increased 12 percent for January 1 through April 25, 2019, when compared to the same time period for 2018.<sup>117</sup>

Although more analysis is needed, initial indications suggest that the increase in TAS case receipts is largely driven by the significant increase in non-IDT case selection. Further, it appears that Filter X's systemic release of returns early in the filing season resulted in a number of returns being processed quickly without TAS assistance. In fact, by the time a number of cases arrived in TAS, the release of the refund was already being processed. To address this quick release process, on April 2, 2019, TAS issued interim guidance that implemented a three-week moratorium on accepting Filter X cases in TAS. This allowed for the return to work through the process, and in many cases resulted in release without TAS assistance.<sup>118</sup> Taxpayers were instructed they could come to TAS for assistance if they did not get their refund after the three-week period.<sup>119</sup>

In the next several months, more data should become available on the outcome of the IRS's 2019 filing season refund fraud efforts, such as false positive rates, processing times, and the amount of revenue protected.

112 These 305,016 returns are in the process of being verified, which means the IRS has reached out to the taxpayer's employers to confirm and verify the W-2 information that has been provided to it. IRS, *IDT and IVO Performance Report 3* (May 1, 2019).

113 The IRS received 2.6 million paper Forms W-2 compared to almost 6.2 million in 2018 for the same time period. Generalized Mainline Framework (Jan. 2 through Apr. 26, 2019).

114 Once third-party documentation is fully loaded onto Information Return Processing (IRP), returns that do not yet have a match with third-party information will be worked manually.

115 Data obtained from TAMIS (May 1, 2018; May 1, 2019).

116 IRS, *IDT and IVO Performance Report 9* (May 1, 2019); *IDT and IVO Performance Report 17* (May 2, 2018).

117 Data obtained from TAMIS (Jan. 1, 2018 to Apr. 25, 2018 and separately for Jan. 1, 2019 to Apr. 24, 2019 for TAS pre-refund wage verification holds).

118 IRS, Interim Guidance Memorandum (IGM) TAS-13-0419-0004, *Interim Guidance on Exclusion from TAS Case Acceptance Criteria Taxpayers Impacted by Pre-Refund Wage Verification Hold – Filter X*, (Apr. 2, 2019).

119 TAS reviewed pre-refund wage verification hold case receipts and found that 35 percent of the cases reviewed were resolved or would have been resolved shortly without TAS intervention. See *Efforts to Improve Taxpayer Advocacy*, *infra*.

## AFFORDABLE CARE ACT

### In a Taxpayer-Friendly Move, the IRS Will Not Accept Tax Returns Silent on Health Care Coverage

The Patient Protection and Affordable Care Act of 2009 (ACA)<sup>120</sup> requires individuals to obtain qualifying minimum essential coverage (MEC), receive an exemption from the coverage requirement, or pay an individual shared responsibility payment (ISRP). For TY 2018, taxpayers must continue to report coverage, qualify for an exemption, or pay the ISRP (but this requirement is repealed by the Tax Cuts and Jobs Act for TY 2019 and beyond). Tax returns that didn't report a full-year MEC, attach an exemption (Form 8965, *Health Coverage Exemptions*), or pay an ISRP, are referred to as “silent returns.”

For TY 2018, the IRS reiterated that it would not consider a return complete and accurate if the taxpayer does not report full-year coverage, claim a coverage exemption, or report a shared responsibility payment on the tax return.<sup>121</sup> The National Taxpayer Advocate supports this decision, because taxpayers who e-file now find out immediately that they have omitted this information, rather than receiving an IRS letter weeks down the road while their refunds are frozen.

### General ACA Tax Return Data

Eligible individual taxpayers claimed the premium tax credit (PTC) for TY 2018 returns filed during the 2019 filing season. Figure 2.9 provides information regarding the extent to which individual taxpayers claimed the PTC on their TY 2018 returns.

**FIGURE 2.9, Comparison of the Premium Tax Credit on Forms 8962 for TY 2017 and TY 2018 (Filed Jan. 1 Through Apr. 26, 2018 and Jan. 1 Through Apr. 25, 2019)**<sup>122</sup>

	TY 2017	TY 2018	Percent Change from TY 2017 to TY 2018
Forms 8962	4.9 million	4.8 million	-2%
Total PTC Claimed	\$22.1 billion	\$29.8 billion	35%
Average PTC	\$4,558	\$6,349	39%
Returns Reporting APTC	4.7 million (96% of returns with Forms 8962)	4.7 million (98% of returns with Forms 8962)	0%
Total APTC Reported	\$24.4 billion	\$32.8 billion	26%
Forms 8962 Submitted With Prepared Returns (Paid or Volunteer)	3.1 million (63% of returns with Forms 8962)	3.1 million (65% of returns with Forms 8962)	0%

120 Affordable Care Act, Pub. L. No. 111-148, 124 Stat. 119 (2010), as amended by the Health Care and Education Reconciliation Act of 2010, Pub. L. No. 111-152, 124 Stat. 1029 (2010).

121 IRS, *Individual Shared Responsibility Provision*, <https://www.irs.gov/affordable-care-act/individuals-and-families/individual-shared-responsibility-provision> (last visited May 19, 2019).

122 IRS CDW, *IRTF, TY 2017 and 2018* (June 2018; June 2019). This preliminary data is based on TY 2017 returns that posted as of April 26, 2018; and TY 2018 returns that posted as of April 25, 2019 and is subject to change as the IRS reviews the data, processes additional TY 2018 returns, and conducts compliance activities.

Individual taxpayers who did not have MEC or qualify for an exemption were required to make an ISRP on their TY 2018 returns. Figure 2.10 provides data on the reporting of ISRPs on TY 2018 returns.

**FIGURE 2.10, Comparison of Individual Shared Responsibility Payments for TY 2017 and TY 2018 (Filed Jan. 1 Through April 26, 2018 and Jan. 1 Through April 25, 2019)<sup>123</sup>**

	TY 2017	TY 2018	Percent Change from TY 2017 to TY 2018
Returns With ISRP	3.6 million	2.9 million	-19%
Average ISRP	\$766	\$1,110	45%
Prepared Returns Reporting ISRP (Paid or Volunteer)	2.3 million (64%)	1.8 million (62%)	-22%
Returns Filed With Forms 8965, <i>Health Coverage Exemptions</i>	10.4 million	6.9 million	-34%
Returns Filed With Forms 8965 Claiming Household Coverage Exemption (Form 8965 Part II)	3.6 million	2.3 million	-36%
Returns Filed With Forms 8965 Claiming Household Coverage Exemption (Form 8965 Part III)	8.0 million	5.9 million	-26%
Prepared Returns Filed With Forms 8965	5.4 million (52%)	2.5 million (36%)	-54%

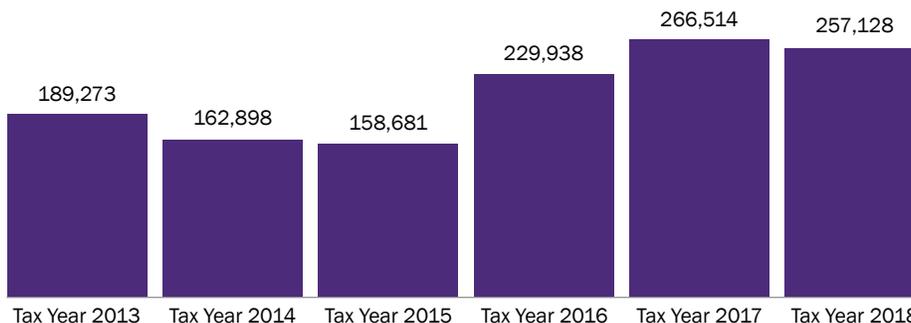
## SERVICE OPTIONS FOR U.S. TAXPAYERS LIVING ABROAD

TAS remains concerned about service options for taxpayers located overseas.<sup>124</sup> Approximately nine million U.S. citizens live abroad.<sup>125</sup> There are also many international U.S. taxpayers who are neither residents nor citizens of the United States, as evidenced by the increase in individual tax returns filed by nonresident aliens during the filing season from TYs 2013 through 2018.

<sup>123</sup> IRS CDW, *IRTF, TY 2017 and 2018* (June 2018; June 2019). This preliminary data is based on TY 2017 returns that posted as of April 26, 2018; and TY 2018 returns that posted as of April 25, 2019 and is subject to change as the IRS reviews the data, processes additional TY 2018 returns, and conducts compliance activities.

<sup>124</sup> For past reporting on these concerns, see National Taxpayer Advocate FY 2017 Objectives Report to Congress 78-79. See also National Taxpayer Advocate 2015 Annual Report to Congress 72-81 (Most Serious Problem: *International Taxpayer Service: The IRS's Strategy for Service on Demand Fails to Compensate for the Closure of International Tax Attaché Offices and Does Not Sufficiently Address the Unique Needs of International Taxpayers*).

<sup>125</sup> See U.S. Department of State, Bureau of Consular Affairs, *Consular Affairs by the Numbers* (Mar. 2018), [https://web.archive.org/web/20160616233331/https://travel.state.gov/content/dam/travel/CA\\_By\\_the\\_Numbers.pdf](https://web.archive.org/web/20160616233331/https://travel.state.gov/content/dam/travel/CA_By_the_Numbers.pdf). U.S. Department of State, Bureau of Consular Affairs, *Who We Are and What We Do: Consular Affairs by the Numbers* (Jan. 2013), [https://travel.state.gov/content/dam/ca\\_fact\\_sheettravel/CA%20Fact%20Sheet%202014.pdf](https://travel.state.gov/content/dam/ca_fact_sheettravel/CA%20Fact%20Sheet%202014.pdf).

**Figure 2.11**<sup>126</sup>**Forms 1040-NR, U.S. Nonresident Alien Income Tax Return,  
Filed During the Filing Season (January Through April) for Tax Years 2013-2018**

Taxpayers living abroad generally cannot call U.S. toll-free telephone lines, yet in 2015, the IRS terminated the Electronic Tax Law Assistance program through which taxpayers could submit tax law questions to the IRS on its website and receive a response via email. In recent years, the IRS closed its overseas tax attaché offices, which eliminated the last face-to-face option for taxpayers.<sup>127</sup>

## CONCLUSION

The IRS faced significant challenges in the 2019 filing season, including a 35-day partial government shutdown, and the need to implement numerous tax reform changes as well as designing a new Form 1040. Nevertheless, it delivered a generally successful filing season for most taxpayers. The IRS reported a 67 percent LOS as its benchmark measure of telephone performance, but that performance measure is misleading. Only 23 percent of callers actually spoke to a live assistor. The IRS answered fewer calls on its compliance telephone lines (33 percent LOS), and those who got through waited an average of 41 minutes. Moreover, the IRS served fewer taxpayers in its TACs and continued its policy of answering only a limited scope of tax law questions on the phone and in-person. Lastly, the IRS's refund fraud filters continued to operate with high false positive rates, which significantly delayed refunds for hundreds of thousands of taxpayers who had filed legitimate returns, harming some taxpayers and creating additional work for the IRS.

<sup>126</sup> IRS CDW, *IRTF Form 1040-NR, U.S. Nonresident Alien Income Tax Return for TY 2013 filed through Apr. 24, 2014; TY 2014 filed through Apr. 30, 2015; TY 2015 filed through Apr. 28, 2016; TY 2016 returns filed through Apr. 27, 2017; TY 2017 filed through Apr. 26, 2018; and TY 2018 filed through Apr. 25, 2019* (June 2018; June 2019).

<sup>127</sup> For a detailed discussion, see National Taxpayer Advocate 2015 Annual Report to Congress 72-81 (Most Serious Problem: *International Taxpayer Service: The IRS's Strategy for Service on Demand Fails to Compensate for the Closure of International Tax Attaché Offices and Does Not Sufficiently Address the Unique Needs of International Taxpayers*).