

Status Update: The IRS Has Made Significant Progress in Delivering Virtual Face-to-Face Service and Should Expand Its Initiatives to Meet Taxpayer Needs and Improve Compliance

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DEFINITION OF PROBLEM

Virtual face-to-face (VFTF) service delivery enables taxpayers to interact directly with IRS employees using videoconferencing equipment. While video service will not replace traditional face-to-face service, using it to enhance and expand existing service will allow the IRS to reach taxpayers in more remote areas of the country and those with mobility issues. VFTF also will provide face-to-face interaction where the IRS now offers only automated service or correspondence. Taxpayers can benefit from having their issues and their rights explained to them personally, their documents reviewed instantly, and the opportunity to ask follow-up questions in real time, while the IRS can benefit by eliminating rework and reducing case processing time.

The IRS and TAS began pilot testing one form of VFTF service in fiscal year (FY) 2012, during which time the IRS served over 12,500 taxpayers through virtual service stations.¹ Eighty-six percent of taxpayers surveyed on their experience with the Wage and Investment (W&I) Division pilot reported they were satisfied or very satisfied with the service, and 91 percent would use it again.²

Despite this promising beginning, competing priorities may impede the ability of the IRS to focus appropriately on a VFTF service strategy that encompasses research into the proper technology, thereby preventing a more robust use of VFTF and limiting the types of services provided. Providing resources and a directive to expand VFTF service as a way for citizens to interact with their government should be a priority of Congress. Given adequate resources and a choice to make expanding VFTF services a priority, the IRS could work to place video stations in existing IRS locations or partner facilities and expand the capability of current equipment, enabling taxpayers and their representatives to interact securely with IRS employees via personal computers or mobile devices. In the deployment of VFTF technology, however, the IRS must be careful not to rely too heavily on virtual services at the expense of its traditional local, geographically positioned expertise.

¹ IRS, *Field Assistance Virtual Delivery Service (VSD) W&I Research and Analysis Report*, iv (August 2012). W&I served 12,469 taxpayers during the pilot. Appeals served 11 taxpayers through Sept. 14, 2012. IRS response to TAS research request (Sept. 14, 2012). TAS served 68 taxpayers through August 31, 2012. Receipt volume from Taxpayer Advocate Management Information System (TAMIS) (Sept. 2012). Total number of taxpayers served was 12,548. Customer Satisfaction rates for VFTF were similar to rates for taxpayers receiving in-person service in TACs.

² IRS, *Field Assistance Virtual Delivery Service (VSD) W&I Research and Analysis Report*, iv (August 2012).

ANALYSIS OF PROBLEM

Background

Certain taxpayers need or prefer to receive services in a face-to-face environment.³ However, reaching all segments of the population through Taxpayer Assistance Centers (TACs) or in-office appointments may not be possible due to space and budgetary constraints. For this reason, the National Taxpayer Advocate has previously recommended that the IRS test virtual service delivery to bring a type of face-to-face service to more taxpayers.⁴ Such a program would:

- Expand face-to-face options for taxpayers who live in areas not served by TACs or other IRS sites;
- Assist taxpayers with limited mobility; and
- Give taxpayers with tax disputes a real-time interaction with an IRS employee to resolve their issues.

In FY 2012, TAS and the IRS began pilots of VFTF service delivery. The pilots' goals were to seek service delivery alternatives outside of IRS facilities, enhance utilization of IRS resources, optimize staffing, balance workload, and increase access to face-to-face service where it presently was not available.

In building the pilot, the IRS studied the success of the virtual program implemented by the Social Security Administration (SSA). The SSA identified a gap in its ability to provide face-to-face services to Native American reservations due to distance, travel limitations, and bad weather. Without face-to-face contact, understanding of SSA programs was limited. To help close this gap, the SSA established videoconferencing between SSA offices and six reservations in the western United States.⁵ The program has since expanded to more than 70 locations, with plans to bring videoconferencing to the nine other SSA regions, in addition to using the technology to reach U.S. citizens abroad and collaborating with the Department of Veterans Affairs to assist disabled veterans returning from war.⁶ This technology has allowed the SSA to enhance services to citizens and to reach previously underserved target groups. The SSA is also using videoconferencing technology to conduct disability hearings with applicants in the office of the applicant's attorney. Through software made available to representatives, an applicant can connect directly to an SSA employee during the hearing.

³ See IRS Oversight Board, *Taxpayer Customer Service and Channel Preference Survey Special Report* (Nov. 2006); National Taxpayer Advocate 2006 Annual Report to Congress vol. 2, 1-15 (*Study of Taxpayers' Needs, Preferences, and Willingness to Use IRS Services*).

⁴ See National Taxpayer Advocate 2010 Annual Report to Congress 267-277 (Most Serious Problem: *The IRS Has Been Reluctant to Implement Alternative Service Methods that Would Improve Accessibility for Taxpayers Who Seek Face-to-Face Assistance*); and National Taxpayer Advocate 2008 Annual Report to Congress 95-113 (Most Serious Problem: *Taxpayer Service: Bringing Service to the Taxpayer*).

⁵ IRS, *Virtual Service Delivery: Delivering Taxpayer Services Using Video Communications Technology* (July 2011).

⁶ *Id.*

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State governments, other federal agencies, and foreign governments also are successfully using video technology to interact with their citizens. For example, Iowa is providing education, reuniting troops in war zones with their families, and bringing doctors to patients in underserved rural areas.⁷ Members of Congress use Skype and ooVoo to conduct official business with constituents,⁸ and lawyers in Singapore are trying cases in e-court using video conferencing.⁹ The Department of Veterans Affairs is also using video conferencing technology in conjunction with the SSA to aid returning veterans from Afghanistan and Iraq.¹⁰

Virtual Service Delivery is being tested across the IRS and TAS with positive results.

In FY 2012, W&I piloted VFTF in ten IRS offices and two partner sites.¹¹ The IRS Office of Appeals also tested VFTF to connect Memphis and Fresno Campus Appeals officers with Low Income Taxpayer Clinics (LITCs) in Tennessee and Washington State.

W&I tested VFTF service delivery in 12 locations, providing a limited number of the services normally offered at brick and mortar TACs. The pilot period, which ran from October 2011 until June 2012, served nearly 12,500 taxpayers and offered an alternative form of service in offices that had a large volume of customers, were unstaffed or staffed only at certain times of the year, or were located in an external partner's location.¹² Eighty-six percent of taxpayers reported they were satisfied or very satisfied with this service, and 91 percent would use it again.¹³

TAS participated in the IRS pilot from December 2011 through August 2012 by connecting its office in Jacksonville, Florida, to a TAC in Tampa (where TAS has no local office). TAS has served nearly 70 taxpayers as of August 31, 2012, with employees discussing tax problems, opening cases for those who met TAS criteria, and providing updates on cases TAS was already working.¹⁴ All of those who responded to TAS's customer service survey agreed or strongly agreed that that they would be willing to use video technology again and would recommend it to others.¹⁵

Appeals tested VFTF service delivery by working with two LITCs from April 2012 through October 2012 for Collection Due Process and offer in compromise cases. Taxpayers could come to the test sites and work with an LITC representative to conduct a hearing with

⁷ Iowa Communications Network, available at http://www.icn.state.ia.us/aboutus/icn_story/index.html (last visited on September 2, 2012).

⁸ Press Release, Committee on House Administration, House Network Now Supports Skype and ooVoo Video Teleconferencing (June 28, 2011), <http://cha.house.gov/press-release/house-network-now-supports-skype-and-ooVoo-video-teleconferencing>.

⁹ International Bar Association, Richardson, Frank, *The E-Justice Revolution*, available at <http://www.ibanet.org/> (last updated Oct.15, 2010).

¹⁰ IRS, *Virtual Service Delivery: Delivering Taxpayer Services Using Video Communications Technology* (July 2011).

¹¹ IRS, *Virtual Service Locations*, available at <http://www.irs.gov/pub/newsroom/vsd.pdf> (last visited September 2, 2012).

¹² IRS, *Field Assistance Virtual Delivery Service (VSD) W&I Research and Analysis Report*, iv (August 2012).

¹³ *Id.*

¹⁴ Receipt volume from TAMIS (Sept. 2012).

¹⁵ Only nine TAS customers responded to the customer survey, which resulted in a sample size that could not be projected to the entire pilot population.

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Appeals. The Appeals pilot has not yet concluded, and as a result, TAS is awaiting the outcome of the surveys administered during the pilot.

The IRS and TAS plan to expand the VFTF service delivery pilot in FY 2013. The IRS and TAS will expand VFTF sites in FY 2013 to encompass over 20 locations.¹⁶ Several of the sites will include both TAS and IRS services in order to maximize the impact of services offered to taxpayers. The new sites will include W&I and SB/SE compliance services as well as additional W&I Field Assistance services, TAS services, and Appeals services. Sites will be located at IRS and non-IRS buildings.¹⁷ Additionally, the IRS will upgrade the equipment available in many VFTF sites to allow for higher resolution document cameras to enhance the ability of employees to review taxpayer documents in real time.¹⁸

TAS is very encouraged by the results of the VFTF pilots and anticipates additional success as the IRS expands the program with additional services in FY 2013. The National Taxpayer Advocate applauds the IRS efforts to expand VFTF service and encourages the IRS to continue pursuing additional strategies that will allow taxpayers to use their personal computers or mobile devices to interact with the IRS.

The IRS should explore offering additional VFTF services to meet taxpayer needs and enhance taxpayer rights.

While the VFTF services initially deployed through W&I have been extremely successful, failure to adopt appropriate technology prohibits the IRS from offering a full range of services in this environment. Taxpayers using the VFTF sites cannot make a payment, file a return, obtain account transcripts, or interact with IRS employees other than W&I TAC staff. The IRS is exploring technology that will allow taxpayers to accomplish these and other routine tasks, with multiple IRS organizations sharing the technology and routing video to the correct location. VFTF technology will help all taxpayers who are willing and able to use the services, especially those who live far from traditional face-to-face locations, have limited mobility, face issues of functional literacy when confronted with IRS correspondence, or lack representation. Not offering a full range of services in a virtual environment will prevent taxpayers from accomplishing everything they could do in a traditional IRS building. Funding is the key issue in advancing the technology and the number of locations where VFTF is offered.

Allowing taxpayers and their representatives to use their personal computers or mobile devices to engage in VFTF activities could reduce taxpayer burden in many IRS interactions.

¹⁶ IRS, *Virtual Service Delivery: Delivering Taxpayer Services Using Video Communications Technology* (Oct. 2012). Several sites overlap between IRS operating divisions and TAS.

¹⁷ New proposed sites may be located in Helena, MT, Roswell, NM, Davenport, IA, Alexandria, LA, Little Rock, AR, Pensacola, FL, Boise, ID, Beaumont, TX, Farmington, NM, Waterloo, IA, Tupelo, MS, San Diego, CA, El Paso, TX, Anchorage, AK, Wichita, KS, Billings, MT, Nome, AK, Staten Island, NY, Flagstaff, AZ, Lake Havasu, AZ, Clarksdale, MS, and Spokane, WA or Coeur d'Alene, ID. IRS, *Virtual Service Delivery: Delivering Taxpayer Services Using Video Communications Technology* (Oct. 2012).

¹⁸ *Id.*

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For example, the IRS could use videoconferencing to conduct “office” audits with taxpayers or their representatives. Such technology could also assist elderly or disabled taxpayers who may face difficulties leaving their homes to meet with a Tax Compliance Officer. Web-based videoconferencing would allow taxpayers or representatives to meet with IRS employees from their own homes or offices, respectively, using their own computers or mobile devices.

Expanding VFTF services to international locations would allow the IRS to address the service needs of taxpayers who live abroad.¹⁹ Currently, taxpayers living abroad only have access to face-to-face services via four international tax attaches located in Frankfurt, Paris, London, and Beijing.²⁰ These offices have limited hours and two are open for face-to-face services by appointment only.²¹ Additionally, services offered by the attaché offices are limited to obtaining tax forms and publications, addressing account problems, and answering questions about notices and bills.²² International taxpayers have indicated a strong preference for the IRS to improve online services, including interactive options.²³ Opening even one VFTF site internationally would exponentially increase the IRS presence for taxpayers abroad and would allow these taxpayers access to the face-to-face services offered to taxpayers in the U.S.

Testing VFTF for correspondence exams is a step in the right direction.

The IRS should use VFTF to make more services available in a face-to-face environment that have generally been available only by telephone or correspondence. In FY 2011, the IRS conducted 75 percent of its individual audits by correspondence, which does not allow the taxpayer a personal interaction with the IRS to understand how to resolve the issue.²⁴ The National Taxpayer Advocate is pleased that the IRS will begin testing the use of VFTF correspondence exams in FY 2013. Moving these exams from correspondence to VFTF will:

- Allow the taxpayer to work with a single point of contact at the IRS;
- Permit the taxpayer to have his or her issue explained clearly face-to-face;
- Enable the employee to examine the taxpayer’s documents and determine immediately whether more information is necessary; and
- Allow the taxpayer to ask questions about how to resolve the issue and receive an instant response.

¹⁹ For further discussion of the National Taxpayer Advocate’s concerns about service to international taxpayers, see Most Serious Problem: *Challenges Persist for International Taxpayers as the IRS Moves Slowly to Address Their Needs*, *supra*.

²⁰ IRS, *Contact My Local Office Internationally*, available at: <http://www.irs.gov/uac/Contact-My-Local-Office-Internationally> (last visited Nov. 7, 2012).

²¹ *Id.*

²² *Id.*

²³ IRS, Wage and Investment Division (W&I) Research & Analysis, *Research Study Report, 2012 Taxpayer Experience of Individuals Living Abroad: Service Awareness, Use, Preferences, and Filing Behaviors* (Aug, 2012) (2012 WIRA Research Study). Sixty-nine percent of respondents to the IRS survey indicated they would prefer that the IRS expand and improve online services over phone services.

²⁴ IRS, *Fiscal Year 2011 Enforcement and Service Results* 3.

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The National Taxpayer Advocate has previously detailed her concerns about the lack of personal communication with taxpayers during the correspondence exams process.²⁵ A 2004 TAS survey revealed that 17 percent of taxpayers who requested an audit reconsideration due to communication difficulties, and were audited because they claimed the Earned Income Tax Credit (EITC), were not even aware of the initial exam.²⁶ When taxpayers do not even know they are being audited, the IRS cannot help them understand and participate in the exam. Relying heavily on correspondence exams particularly impacts taxpayers who lack representation, are not functionally literate, or do not speak English as a first language. Using VFTF service to conduct these exams would protect taxpayer rights and particularly vulnerable taxpayer populations. The National Taxpayer Advocate anticipates a successful pilot of VFTF service in W&I correspondence exams in FY 2013 and looks forward to the expansion of this service.

The IRS and TAS face challenges in deploying VFTF service.

The IRS needs a clear strategy that defines how it can use video technology, including collaborating within the IRS, with other federal agencies, and external partners, to expand services to citizens. The IRS also needs a mobile technology strategy. Providing quality face-to-face services, especially in program areas where taxpayers often face confusion, must be a strategic priority for Congress and the IRS. A clear strategy should address training, privacy, and security issues to ensure the IRS can continue to move forward with this critical initiative.

Training employees to work in this new environment, especially in areas where the IRS has not previously offered face-to-face service, is imperative. Employees will need to learn how to speak with taxpayers in a manner that allows taxpayers to be comfortable with the interaction while still addressing the taxpayer's and the IRS's needs.

In addition, using the Internet to interact with taxpayers raises concerns about the security of sensitive information. The IRS must address the security of any personally identifiable information as part of its efforts to develop a web-based VFTF solution accessible from computers and mobile devices. Taxpayers must be assured that virtual service is just as secure as traditional service options.

While these obstacles exist, they can be overcome. The IRS can continue to learn from SSA and other agencies in these areas, and should study existing Internet security products to determine if they meet IRS needs. While preparing new VFTF sites, the IRS can develop and present training so employees will be ready when the sites come online. Congress

²⁵ See, e.g., National Taxpayer Advocate 2011 Annual Report to Congress vol. 2, 63-90 (*An Analysis of the IRS Examination Strategy: Suggestions to Maximize Compliance, Improve Credibility, and Respect Taxpayer Rights*); and National Taxpayer Advocate 2009 Annual Report to Congress 158-167. Similarly, the National Taxpayer Advocate has concerns about Automated Collection System (ACS) processes and the impact on taxpayers who are not afforded the opportunity to address concerns in a face-to-face environment. For further discussion of the National Taxpayer Advocate's concerns about ACS, see Most Serious Problem: *The Automated Collection System Can Become More Productive and Resolve More Case by Improving Customer Service and Diversifying its Case Inventory*, *supra*.

²⁶ National Taxpayer Advocate 2004 Annual Report to Congress vol. 2, 20-21 (*Earned Income Tax Credit (EITC) Audit Reconsideration Study*).

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can assist the IRS by specifically allotting funds for VFTF services and directing the IRS to offer more services to more taxpayers, thus enhancing taxpayer rights and promoting voluntary compliance.

CONCLUSION

VFTF service is not a substitute for traditional face-to-face service. However, it can be a supplement or alternative to TAC services, especially for taxpayers who live far from a TAC or have limited mobility. The IRS can address longstanding concerns about the efficacy of automated or centralized enforcement activity by expanding face-to-face service to new areas such as offers-in-compromise and Appeals hearings, via personal computing devices. Improved technology would help the IRS to offer a full range of services, which in turn could help taxpayers understand the solutions to their tax issues at their first contact, thereby avoiding multiple contacts to resolve the same issue.

RECOMMENDATIONS

The National Taxpayer Advocate recommends that:

1. The IRS continue to study and propose areas where VFTF delivery options would benefit taxpayers.
2. The IRS immediately identify international locations for VFTF sites and expand VFTF to taxpayers abroad.
3. Congress provide funding specifically to allow the IRS and TAS to expand VFTF service using broadband and mobile technology as a way for citizens to interact with their government.
4. The IRS pursue strategic solutions that would allow taxpayers to interact with IRS employees on their home computers or mobile devices.