

National Taxpayer Advocate 2012 Annual Report to Congress (ARC): The Most Serious Problems (MSPs) Encountered by Taxpayers

2012 ARC – MSP Topic #1 – THE COMPLEXITY OF THE TAX CODE

Problem

The most serious problem facing taxpayers — and the IRS — is the complexity of the Internal Revenue Code.

NTA Recommendation	IRS Response	IRS Addressed Yes/No/Partial (TAS's Assessment)	TAS Explanation (if any)
<p>1. Consider holding meetings with constituents to discuss both the complexity of the existing tax code and the trade-offs between tax rates and tax breaks that tax reform will require. In our view, it is critical to lay this groundwork for tax reform to succeed. The evolution of the Tax Reform Act of 1986 suggests that taxpayers will initially be concerned about losing tax benefits but will ultimately support tax simplification if and when they feel confident that the loss of tax benefits will be substantially offset by a reduction in tax rates.</p>	<p>N/A – Congressional Recommendation</p>	<p>N/A – Congressional Recommendation</p>	<p>N/A – Congressional Recommendation</p>

NTA Recommendation	IRS Response	IRS Addressed Yes/No/Partial (TAS's Assessment)	TAS Explanation (if any)
<p>2. Employ a “zero-based budgeting” approach to comprehensive tax reform that starts out with the assumption that all tax benefits will be eliminated and adds tax benefits back only if Members conclude that the public policy benefits of running the provision or program through the tax code outweigh the tax complexity that doing so creates for taxpayers and the IRS. We are concerned that if Members do not follow this approach, the final outcome will reflect more tinkering around the margins than fundamental tax simplification.</p>	<p>N/A – Congressional Recommendation</p>	<p>N/A – Congressional Recommendation</p>	<p>N/A – Congressional Recommendation</p>

NTA Recommendation	IRS Response	IRS Addressed Yes/No/Partial (TAS's Assessment)	TAS Explanation (if any)
3. Consider some of the specific recommendations we have made in the past and summarized in this section – not as a substitute for comprehensive reform but as a checklist to ensure that these important issues are addressed.	N/A – Congressional Recommendation	N/A – Congressional Recommendation	N/A – Congressional Recommendation
4. Solicit suggestions and comments from the IRS regarding the administrability of tax reform provisions under consideration. Proposals that make theoretical sense must be practical for the IRS to translate into forms and instructions and must be enforceable.	N/A – Congressional Recommendation	N/A – Congressional Recommendation	N/A – Congressional Recommendation

NTA Recommendation	IRS Response	IRS Addressed Yes/No/Partial (TAS's Assessment)	TAS Explanation (if any)
<p>5. Solicit suggestions and comments from the National Taxpayer Advocate regarding the taxpayer burden and taxpayer rights impact of tax reform provisions under consideration. Conceptually sound proposals should be tested to ensure they are comprehensible to taxpayers, easy to comply with, and administrable by the IRS without undue burden or harm to taxpayer.</p>	<p>N/A – Congressional Recommendation</p>	<p>N/A – Congressional Recommendation</p>	<p>N/A – Congressional Recommendation</p>

NTA Recommendation	IRS Response	IRS Addressed Yes/No/Partial (TAS's Assessment)	TAS Explanation (if any)
<p>6. Amend Section 7523 of the Internal Revenue Code to direct the IRS to provide each taxpayer with a "Taxpayer Receipt" in conjunction with the filing of a tax return that shows how the taxpayer's tax payments will be spent. For the reasons discussed above, we believe public trust in Congress and the government will be enhanced if taxpayers see more clearly the connection between the taxes they pay and the benefits they receive.</p>	<p>N/A – Congressional Recommendation</p>	<p>N/A – Congressional Recommendation</p>	<p>N/A – Congressional Recommendation</p>

2012 ARC – MSP Topic #2 – THE ALTERNATIVE MINIMUM TAX CORRODES BOTH THE TAX SYSTEM AND THE DEMOCRATIC PROCESS

Problem

The individual Alternative Minimum Tax (AMT) was originally enacted to ensure wealthy persons paid at least some tax. Because the AMT is not indexed for inflation, limited to high income taxpayers, or focused on tax loopholes, however, it increasingly penalizes middle income taxpayers for having children, getting married, or paying state and local taxes while allowing thousands of millionaires to pay no tax at all. The AMT is complicated and burdensome, even for those who are not subject to it. Many taxpayers must fill out the lengthy AMT form only to find they owe little or no AMT after all.

NTA Recommendation	IRS Response	IRS Addressed Yes/No/Partial (TAS's Assessment)	TAS Explanation (if any)
1. The National Taxpayer Advocate continues to recommend permanent repeal of the individual AMT.	N/A – Congressional Recommendation	N/A – Congressional Recommendation	N/A – Congressional Recommendation

2012 ARC – MSP Topic #3 – THE IRS IS SIGNIFICANTLY UNDERFUNDED TO SERVE TAXPAYERS AND COLLECT TAX

Problem

The significant and chronic underfunding of the IRS poses one of the most significant long-term risks to tax administration today. Because of funding shortages, the IRS is unable to answer millions of taxpayer telephone calls or timely process letters; the tax gap (*i.e.*, the amount of tax due but uncollected) stands at nearly \$400 billion each year; taxpayers believe the tax laws are not being fairly enforced against others; and the federal deficit is unnecessarily large. Some taxpayer problems identified in this report result from poor planning or execution, and it is important that the IRS not use lack of funding as a justification for failing to address those problems. However, the lack of sufficient funding is the sole or significant cause of many taxpayer problems.

NTA Recommendation	IRS Response	IRS Addressed Yes/No/Partial (TAS's Assessment)	TAS Explanation (if any)
1. Revise the budget rules so that the IRS is “fenced off” from otherwise applicable spending ceilings and is viewed more like an accounts receivable department. It should be funded at a level designed to maximize tax compliance, particularly voluntary compliance, with due regard for protecting taxpayer rights and minimizing taxpayer burden.	N/A – Congressional Recommendation	N/A – Congressional Recommendation	N/A – Congressional Recommendation

NTA Recommendation	IRS Response	IRS Addressed Yes/No/Partial (TAS's Assessment)	TAS Explanation (if any)
<p>2. In allocating IRS resources, keep in mind that tax compliance requires a combination of high quality taxpayer service, outreach and education, and effective tax-law enforcement, and the IRS should continue to maintain a balanced approach toward that end. We are concerned that the program integrity cap adjustment procedures used in the past skew this important balance and should be avoided, but if cap adjustments continue to be used, we recommend they be written in a manner that applies to broadly defined compliance initiatives that include both taxpayer service (including outreach and education) and enforcement components.</p>	<p>N/A – Congressional Recommendation</p>	<p>N/A – Congressional Recommendation</p>	<p>N/A – Congressional Recommendation</p>

2012 ARC – MSP Topic #4 – THE IRS HAS FAILED TO PROVIDE EFFECTIVE AND TIMELY ASSISTANCE TO VICTIMS OF IDENTITY THEFT

Problem

Over the last few years, the number of tax-related identity theft incidents has been growing rapidly. Within TAS, identity theft case receipts have increased 650 percent from fiscal year (FY) 2008 to FY 2012. Organized criminal gangs have found ways to steal the Social Security numbers (SSNs) of other taxpayers, file tax returns using those taxpayers' names and SSNs, and obtain tax refunds. Then, when the real taxpayer files a return claiming the refund, that return is rejected and the victim cannot get his or her refund. To compound the problem, because the IRS takes more than six months, on average, to resolve stolen identity cases, many victims are left exposed to identity theft-related problems the following filing season. The IRS reports that it is making progress in blocking fraudulent claims and assisting victims, but as the problem grows, the IRS is falling further and further behind.

NTA Recommendation	IRS Response	IRS Addressed Yes/No/Partial (TAS's Assessment)	TAS Explanation (if any)
<p>1. Mark identity theft victims' accounts as eligible for IP PINs as soon as the identities and addresses of the rightful SSN owner are verified, rather than after final resolution of the identity theft case.</p>	<p>While current programming limits IP PIN generation to once annually, the IRS continues to actively explore the feasibility of providing IP PINs on demand through the use of e-authentication. Additionally, for the 2013 filing season, the IRS expanded the IP PIN population by applying a temporary marker to accounts for which the legitimate taxpayer was determined and the correct address verified, even though the account had not been completely resolved. This innovative and collaborative approach to providing IP PINs</p>	<p>No</p>	<p>TAS applauds the efforts of the IRS in recognizing the need to apply temporary markers on approximately 100,000 accounts in late 2012 to allow these taxpayers to receive the IP PINs. However, TAS believes that the IRS should have a systemic process that enables ID theft victims to be marked as eligible for IP PINs as soon as their identity and address have been verified, rather than waiting until their ID theft case has been fully resolved, or requiring the IRS to take emergency measures at the end of each year to</p>

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	to taxpayers whose case was still in active ID theft inventory provided added protection and reduced burden on taxpayers in the event the perpetrator attempts to misuse the TP's identity before the account is resolved.		ensure all ID theft victims are protected.

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<p>2. Conduct a global account review upon receipt of a taxpayer's claim of identity theft in whichever IRS function serves as the taxpayer's first point of contact to ensure the case is appropriately routed and that all identity-theft issues are comprehensively resolved.</p>	<p>The IRS reviews accounts upon receipt and assignment to determine the taxpayer's problem and ensure the case is routed to the function with the authority and skills necessary to resolve all issues. The IRS recognizes the need to enhance and strengthen existing guidance to ensure all identity theft related issues are recognized and assigned at the earliest time possible to avoid delays in case resolution. PGLD will draft additional guidance in IRM 10.5.3 to ensure employees perform an initial account review to identify all taxpayer issues. Employees will give additional attention to cases that by their nature indicate a high potential for multiple issue involvement.</p>	<p>Yes</p>	<p>The IRS has agreed that an initial and final global account review should take place on all ID theft cases. We will monitor to ensure that the IRM is updated to reflect these procedures.</p>

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3. Retain the IPSU as the single point of contact with identity theft victims throughout the duration of their cases, unless the global account review indicates that there is only a single issue or tax year present in the case.	In March 2013, the cross-functional IPSU Reengineering Team reached an agreement that IPSU will monitor those taxpayer accounts involving two or more IRS functions. Accounts involving a single IRS function will be worked by the respective function.	Yes	The IRS agreed with this recommendation. TAS will work with the appropriate IRM owners to ensure that this procedure is adopted.
4. Move the IPSU out of the AM function, to afford it greater autonomy as it acts as the face of the IRS to identity theft victims.	The cross-functional IPSU Reengineering Team is studying the future role of IPSU. We are awaiting the team's final analysis and recommendations before making any changes to IPSU operations.	No	The IRS has not agreed to make any changes to the role and placement of the IPSU. The IPSU will continue to reside within AM. Under this current framework, the IPSU will have limited ability to follow up with other functions that are involved with the resolution of the identity theft victim's case and hold them to the established timeframes.
5. Require the IPSU (or in the case of a single-issue case, the specialized function) to conduct final global account reviews on all identity theft cases.	The IRS currently performs identity theft global account reviews to ensure all taxpayer issues are identified and addressed. The global review is performed both manually and automated using IAT tools. The method used to perform the review is dependent upon case facts	Yes	

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	<p>and circumstances. PGLD has already published guidance requiring all employees closing an identity theft case to perform case closure analysis to ensure all taxpayer issues are addressed. This includes, but is not limited to, a review of both prior and subsequent tax years for evidence of unresolved identity theft issues. The IRS recognizes the need to enhance and strengthen existing guidance to ensure all identity theft related issues are resolved at the point of closure. PGLD will draft additional guidance in IRM 10.5.3 to ensure employees perform a final global account review to identify all taxpayer issues.</p>		

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<p>6. Implement agreements between the IPSU and the various functions that work identity theft cases to set acceptable timeframes for completing the required actions and consequences for not meeting the timeframes.</p>	<p>The IRM provides guidelines and procedures for Identity Theft casework. IPSU issues an Identity Theft Assistance Request (ITAR) to the appropriate function for action with a recommended timeframe. The receiving function must acknowledge receipt within five business days. When the requested completion date is not reasonable due to the complexity of the case, a new completion date is negotiated. We are in the process of adding ITAR escalation guidelines to the IRM. In all cases, we strive to resolve cases in the shortest possible timeframe. Throughout the process, the IRS maintains continuous communication with the identity theft victim.</p>	<p>Partial</p>	<p>While the IPSU does follow up with the functions that exceed the negotiated completion date for ITARs, TAS would like these timeframes to be shorter than they currently are, and for there to be consequences for exceeding the agreed-upon completion date.</p>

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7. Set a Level of Service goal for the Taxpayer Protection Unit equal to or greater than the Level of Service goal set for the main toll-free phone line.	The IRS set a Level of Service goal for the Taxpayer Protection Unit (TPP) for the FY 2013 filing season that was greater than the Level of Service for the main toll-free phone line. Since the TPP line is a relatively new service and a unique product line, setting and maintaining the level of service goal has proven to be challenging.	Yes	When they split TPP off from the normal phone lines, a "planned" LOS of 80 percent was set.
8. Establish procedures that meet accelerated 90-day timeframes for determination of the true SSN owner and resolution of return-processing issues.	Identity Theft (IDT) cases are extremely complex, requiring a multitude of case related actions in order to identify the SSN-owner. The IRS has been aggressive in taking steps to shorten the time it takes to work a case through various cross functional reengineering efforts that included Taxpayer Advocate Service. For example, IRS IDT Reengineering Teams streamlined procedures to identify SSN-owners' returns, correct taxpayer account data, and initiate refunds to IDT victims quicker. The improved efficiency helped the IRS close 484,000 cases	No	Although the IRS has devoted additional resources to ID theft victim assistance, it has not committed to resolving the determination of SSN ownership within 90 days.

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	<p>in FY 2013 (through April 20) vs. receipts of 307,000, decreasing inventory by almost 180,000 cases. In addition to reengineering efforts, the IRS dedicated additional resources to working IDT cases. In October 2012, there were over three times as many staff working IDT cases as compared to October 2011. We expect timelines to decrease in the future.</p>		
<p>9. Insert into every agreement with state and local agencies an explicit clause that says that return information of an identity thief may be used only for prosecution of identity theft-related crimes (with no redisclosure to third parties).</p>	<p>Under the IRS' Identity Theft Victim Disclosure Waiver Pilot, the IRS provides the information, at the request of the victim, to the law enforcement (LE) individual/agency the victim authorizes to receive it. The IRS does not enter into any type of formal agreement with the LE agencies in order to allow them to receive the information the victim authorizes. The same is true when the IRS is asked by taxpayers via appropriate authorization forms to provide copies of tax</p>	<p>No</p>	<p>The IRS states that it would be administratively infeasible to enter into separate MOUs with each state and local law enforcement agency that participates in the ID theft disclosure program.</p>

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	<p>documents/information to a lender or other service provider. The IRS respects the request of the taxpayer and presumes that the taxpayer has weighed the risks of releasing tax information to that particular provider against the service being provided. In addition, the IRS is not privy to the conversations the LE agencies have with the victims in the pilot program submissions. It is possible there are other actions that LE plans to take with the information beyond the prosecution aspect that the victims may know about and want to happen.</p>		
<p>10. Work with the Social Security Administration, the Office of Management and Budget, and the Justice Department to develop guidance that withholds the Death Master File from public release under a FOIA exemption for the limited period required to prevent</p>	<p>The IRS agrees that the practice of public release of the Death Master File should be changed. The IRS has worked with SSA and OMB to develop a legislative proposal that would prevent public release of the death master file.</p>	<p>Yes</p>	

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the DMF's use in committing tax-related identity theft (which we believe to be two years).			
11. Include TAS at all levels of identity theft program and procedural planning, including front-line teams, training development, guidance, and advisory and executive steering committees.	The IRS views TAS as a valued partner in the discussion and development of identity theft procedures and processes and looks forward to continued collaborations in the future. TAS is already included in all identity theft governance meetings (Advisory Council and Executive Steering Committee) and is a team member on numerous other identity theft-related initiatives such as the Accounts Management Reengineering and IPSU future state teams. The IRS will continue to seek the input and participation of TAS on future endeavors.	Yes	We appreciate the IRS's willingness to partner with TAS on ID theft victim assistance.

2012 ARC – MSP Topic #5 – THE IRS HARMS VICTIMS OF RETURN PREPARER MISCONDUCT BY FAILING TO RESOLVE THEIR ACCOUNTS FULLY

Problem

Unscrupulous tax return preparers sometimes change their clients’ returns without the clients’ knowledge or consent to obtain inflated refunds and divert the extra money into their own bank accounts. Return preparer misconduct ties up IRS resources, drains the public fisc, and harms taxpayers. When a return preparer diverts a taxpayer’s refund using an altered bank routing number and obtains the funds using direct deposit, the taxpayer is harmed, yet the IRS will not issue a refund to the taxpayer. Instead, the IRS’s position has been that the taxpayer’s sole recourse is to seek relief from the return preparer or bank.

NTA Recommendation	IRS Response	IRS Addressed Yes/No/Partial (TAS’s Assessment)	TAS Explanation (if any)
<p>1. Develop comprehensive guidance providing full relief to victims of return preparer misconduct, including the issuance of a refund.</p>	<p>Internal guidance to process claims was issued on those scenarios for which all legal issues have been resolved. On June 26, 2012, the IRS issued Servicewide Electronic Research Program (SERP) Alert 12A0417, Memphis AM ONLY-Return Preparer Misconduct Interim Guidance. This SERP Alert, and subsequent internal guidance issued on September 6, 2012, provides internal guidance on how to resolve cases in which the taxpayer visits a return preparer but does not authorize that return preparer to file a tax return on their behalf. The guidance also addresses cases where the taxpayer authorized a tax</p>	<p>Partial</p>	<p>The IRS has issued Interim Guidance Memoranda to its AM and Collection employees, but the IGMs did not address some common scenarios. It is our understanding that the IRS is awaiting additional guidance from Counsel and senior IRS leadership; meanwhile, taxpayers are suffering significant harm.</p>

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	<p>preparer to file a tax return but the return is subsequently altered by the preparer without the consent of the taxpayer, provided the preparer did not misdirect a tax refund due and owing to the taxpayer. Further guidance will be issued once remaining legal issues have been resolved.</p>		

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<p>2. Conduct direct outreach and seek authorization to use appropriated funding for a comprehensive consumer safety information campaign for taxpayers, targeting the most vulnerable segments of the taxpayer population.</p>	<p>The IRS website currently provides information to taxpayers on how to choose a Tax Return Preparer. See Tax Topic 254 on IRS.gov. It cautions taxpayers about unscrupulous preparers and provides a link regarding how to choose a tax preparer and how to interact with that preparer to avoid fraud (See hyperlink to IRS Tax Tip 2011-106). In addition Tax Tip 2013-07 Ten Tips to Help You Choose A Tax Preparer was issued in February 2013. This page also provides a link to information on reporting suspected fraud (See "How to Report Suspected Tax Fraud Activity"). We agree that further education and outreach would be beneficial and will continue to leverage our existing resources by engaging our partners and stakeholders.</p>	<p>Yes</p>	

2012 ARC – MSP Topic #6 – DESPITE SOME IMPROVEMENTS, THE IRS CONTINUES TO HARM TAXPAYERS BY UNREASONABLY DELAYING THE PROCESSING OF VALID REFUND CLAIMS THAT HAPPEN TO TRIGGER SYSTEMIC FILTERS

Problem

To combat refund fraud, the IRS has expanded its use of automated screens to filter out questionable refund claims. In recent years, the IRS has seen large spikes in the Questionable Refund Program (QRP) inventory, which requires manual review. However, the IRS has not provided the Accounts Management Taxpayer Assurance Program (AMTAP) the resources it needs to complete the reviews on a timely basis. The result is that increasing numbers of legitimate taxpayers are waiting excessive amounts of time for their refunds. The number of legitimate tax returns ensnared in IRS anti-fraud filters has increased by 75 percent over the last three years, from 58,013 in 2010 to 101,678 in 2012.

NTA Recommendation	IRS Response	IRS Addressed Yes/No/Partial (TAS's Assessment)	TAS Explanation (if any)
1. Provide the AMTAP unit sufficient staff and systems resources to work its inventory timely.	Return Integrity and Correspondence Services (RICS) reorganized in January 2013. The operation formerly known as AMTAP became Integrity and Verification Operations (IVO). RICS increased IVO staffing for the 2013 filing season. We will assess efficiencies gained from the accelerated availability of the Information Returns data to determine appropriate resource utilization and allocation to best address our inventory.	Yes	The IRS agrees with this recommendation, but ultimately, we will not know whether the staffing was sufficient until after the next filing season.

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<p>2. Adhere to the policy of systemically releasing refunds after 70 days if the IRS cannot determine that the return is part of a known scheme or requires greater scrutiny.</p>	<p>The IRS developed revenue protection processes over many years using historical data to determine indications of fraud. IRS refines fraud models each year based on performance and new characteristics and updates procedures for reviewing and processing revenue protection inventory accordingly to ensure indication of fraud before holding a refund. Manual screening processes also ensure that a return meets established fraud characteristics before designation for verification and refund hold. Due to the historical evidence of known fraud, the explosion in fraud and identity theft in the past two years, and the consistent amount of revenue protected by IRS fraud detection efforts, IRS must maintain the ability to determine when a hard refund freeze is appropriate.</p>	<p>No</p>	<p>TAS agrees that the IRS must maintain the ability to determine when a hard refund freeze is appropriate, but reiterate that this determination should be made within 70 days of the initial freeze, per the agreement reached in 2006.</p>

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3. If the IRS requires additional time to research a questionable refund claim, enable AMTAP to extend soft freezes in 30-day intervals.	IRS already implemented a change for the 2013 Filing Season that allows a second 11 week soft freeze to be placed on a tax account. Integrity and Verification Operations (IVO, formerly AMTAP) can use this new programming when additional time is needed for verification.	Yes	We are pleased that the IRS has been able to develop a second, temporary freeze to use in cases when a determination cannot be made within the first 11 weeks. However, we caution against using this additional temporary freeze on a routine basis.
4. Institute programming that will allow immediate processing of tax returns re-submitted by legitimate taxpayers caught by the OMM filters.	IRS has already corrected this programming. Returns coded with Specialty Processing Code (SPC) "B" are now automatically processed without additional delay.	Yes	
5. When taxpayers call inquiring about refunds, direct them to the personnel with access to the most current information regarding their account.	IRS currently has procedures in place for personnel that assist taxpayers to provide the most current information available regarding their account. If the phone personnel determines additional research is needed, an e-F4442 is generated to Integrity & Verification Operation (IVO). IVO has instituted new procedures where e-F4442s are worked expeditiously.	Yes	

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6. Track the number of tax returns "verified bad" by AMTAP, in addition to the number of information documents.	When returns are screened, the return is not verified as "bad", but the information documents associated with the return may be verified as "bad". IRS has implemented the ability to track the number of returns associated to information documents that have been verified as "bad".	Yes	TAS is pleased that the IRS has developed this capability. When we requested such data in 2012, we were told that the IRS did not track the number of returns verified bad.
7. Develop a system (apart from EFDS) for tracking case referrals to Exam, as not all employees have access to EFDS.	EFDS will be replaced by the Return Review Program (RRP). Unlike EFDS, RRP will track returns and monitor cases that are selected for referral. Returns that are identified will be referred and receive appropriate notations on IDRS per the other business function's processes. This will ensure a seamless transfer and that cases do not get lost.	Partial	The IRS states that RRP will have the functionality we requested. However, it may be years before RRP is fully implemented and available to all IRS employees.

2012 ARC – MSP Topic #7 – THE IRS’S COMPLIANCE STRATEGY FOR THE EXPANDED ADOPTION CREDIT HAS RESULTED IN EXCESSIVE DELAYS TO TAXPAYERS, HAS INCREASED COSTS FOR THE IRS, AND DOES NOT BODE WELL FOR FUTURE CREDIT ADMINISTRATION

Problem

The adoption tax credit was created in 1996 to encourage adoption and help offset the potentially onerous costs associated with it. The Patient Protection and Affordable Care Act increased the maximum credit amount and made the credit fully refundable for 2010 and 2011. The changes to the credit caused the IRS to alter its compliance strategy to focus almost exclusively on minimizing improper payments and stopping potentially fraudulent claims. During the 2012 filing season, 90 percent of returns claiming the refundable adoption credit were subject to additional review to determine if an examination was necessary. Despite Congress’ express intent to target the credit to low and middle income families, the IRS created income-based rules that were responsible for over one-third of all additional reviews in fiscal year 2012. Sixty-nine percent of all adoption credit claims during the 2012 filing season were selected for audit. The median refund amount involved in these audits is over \$15,000 and the median adjusted gross income (AGI) of the taxpayers involved is about 64,000 for tax year (TY) 2011. The average adoption credit correspondence audit currently takes 126 days, causing a lengthy delay for taxpayers waiting for refunds. Of the \$668.1 million in adoption credit claims in TY 2011 as a result of adoption credit audits, the IRS only disallowed \$11 million — or one and one-half percent — in adoption credit claims. However, the IRS has also had to pay out \$2.1 million in interest in TY 2011 to taxpayers whose refunds were held past the 45 days allowed by law.

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1. Ensure that any examination filters take into account the congressionally-intended demographics of the affected taxpayer population and are continually monitored and updated if data demonstrate that they are catching more taxpayers than appropriate.	IRS considers available historical data in the development of filters. If the credit is new, we look at historical data on taxpayers who are likely to claim the credit. The filters are established based on informed decisions and adjusted with experience. Throughout the filing season we review the performance of our filters, and as necessary	No	While the IRS states that they look at data in developing filters and adjust them during the filing season as necessary, data indicates that the IRS is not making appropriate adjustments to prevent legitimate taxpayers from suffering undue examinations and delays. As the IRS does not indicate it is taking any additional steps to improve its filters, TAS does

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	make adjustments to improve our selection criteria to reduce taxpayer burden and keep low risk returns out of the examination work stream.		not agree that this recommendation has been adopted.
2. Provide examples of acceptable adoption credit documentation for taxpayers.	IRS agrees it is important for taxpayers to understand what documentation is acceptable. However, the IRS believes while posting examples of acceptable documentation may help some taxpayers; individuals could use that information to perfect fictitious documents that they could then use to make fraudulent claims for the adoption credit. The IRS used other outreach to communicate with taxpayers about documentation. This outreach included collaboration with external stakeholders and extensive training for our tax examiners. We updated forms and publications, posted information on our internal and external websites, issued public service announcements, communicated with the	No	Sample documentation, on its own, is not sufficient to allow a taxpayer to file a false claim for the Adoption Credit. The IRS's failure to provide sample documentation harms legitimate taxpayers who are looking to provide the requested information in order to obtain the Adoption Credit.

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	professional preparer community and collaborated with software developers.		
3. In consultation with the National Taxpayer Advocate and external stakeholders, develop a third-party affidavit form for verification of a child's special needs status.	The IRS has considered the feasibility of implementing a third party affidavit form for verification of a child's special need status. The states and/or counties provide special need documentation during or after the adoption process to adoptive parents. The IRS decided to minimize burden on taxpayers and to avoid undue delays in issuing refunds by accepting the documents already available to adoptive parents. We also considered the burden to the third parties in various levels of many government agencies who would be completing the affidavits and both their challenge and IRS's in educating the parties involved for this time-limited potential need.	No	The availability of a third-party affidavit would not burden taxpayers, rather it would ease burden by providing an alternative method of providing necessary proof to the IRS. TAS maintains that use of a third-party data is critical for taxpayers who may otherwise have difficulty meeting the IRS's standard of proof.
4. Allow e-filing of adoption tax credit returns that include substantiation in an electronic format.	For tax year 2011, the IRS investigated electronic filing and possible attachment of documentation to electronic returns. Based on the	No	While taxpayers filing Adoption Credit claims for 2012 can file electronically, that is only because the credit is no longer refundable and

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	<p>expected significant decrease in the volume of adoption credit returns in 2011 that did occur, limited e-filing capabilities, and necessary equipment, a business decision was made not to pursue an electronic filing option for tax year 2011. Starting with tax year 2012 when the adoption credit became nonrefundable, there is no requirement to attach supporting documentation to the return. The IRS is now in the process of re-implementing electronic filing for tax years going forward starting with 2013. As with any other claim a taxpayer makes on their return, they will be expected to have and maintain proof that the claim is accurate. We will ensure that our continued outreach efforts to preparers and the adoption community clearly communicate this information.</p>		<p>there is no requirement to attach supporting documentation to a return. TAS continues to urge the IRS to allow taxpayers to electronically file returns even in instances when supporting documentation is required.</p>

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5. Consider the factors for refundable credits laid out by the National Taxpayer Advocate when moving forward with the administration of the Premium Tax Credit.	The IRS will consider the factors laid out by the National Taxpayer Advocate when moving forward with the administration of the Premium Tax Credit. As with all strategic business decisions to achieve a balanced program, we will consider the protection of taxpayer rights and impact on taxpayer burden as part of any new solutions.	Yes	
6. Study the administration of the adoption credit to identify lessons that can be applied to the administration of other refundable credits, including the Premium Tax Credit.	The IRS agrees that it is important to use the experience from prior years in tax administration. We will continue our practice of building upon prior year experiences in administering any new refundable credits, including the Premium Tax Credit.	Yes	

2012 ARC – MSP Topic #8 – THE IRS OFFSHORE VOLUNTARY DISCLOSURE PROGRAMS DISCOURAGE VOLUNTARY COMPLIANCE BY THOSE WHO INADVERTENTLY FAILED TO REPORT FOREIGN ACCOUNTS

Problem

The Bank Secrecy Act (BSA) requires U.S. citizens and residents to report foreign accounts on Form TD F 90–22.1, *Report of Foreign Bank and Financial Accounts* (FBAR) so the government can better detect “bad actors” engaged in tax evasion, terrorism, and money laundering. Beginning in 2009, the IRS initiated a series of offshore voluntary disclosure (OVD) programs to settle with taxpayers who had failed to report offshore income and file any related information return such as the FBAR. These programs applied a resource-intensive, burdensome, punitive, one-size-fits-all approach designed for “bad actors” to “benign actors” who inadvertently violated the rules.

Benign actors were required to “opt out” to get a fair result — at the risk of facing draconian penalties. Afraid to opt out, some paid more than they should — extortion in their view. Others declined to address the problem. While an estimated five to seven million U.S. citizens reside abroad, and many more U.S. residents have FBAR filing requirements, the IRS received only 741,249 FBAR filings in 2011, and as of September 29, 2012, it had received fewer than 28,000 OVD submissions. Thus, OVD programs have both infringed taxpayer rights and failed to address significant FBAR compliance problems.

NTA Recommendation	IRS Response	IRS Addressed Yes/No/Partial (TAS’s Assessment)	TAS Explanation (if any)
1. Adopt the three-category approach (described above), which does not require benign actors to opt out of the OVD program(s). Alternatively, the IRS could significantly expand and clarify the Streamlined Nonresident Filing Initiative to encourage all benign actors (including U.S. residents and those owing more than \$1,500) to correct past	To address questions from international taxpayers, in December 2011, the IRS issued a fact sheet to assist U.S. citizens and dual citizens residing outside the U.S. understand the federal tax return and FBAR filing requirements and return to compliance with U.S. law (see FS 2011-13). The fact sheet included a discussion about the circumstances that would or would not warrant the imposition of FBAR penalties.	Partial	In early 2013, following publication of the National Taxpayer Advocate’s recommendation to expand the Streamlined Nonresident Filing Initiative to both U.S. residents and those owing more than \$1,500, the IRS eliminated the \$1,500 threshold. However, benign actors that reside in the U.S. do not qualify. They still face the burdensome opt-in-opt-out process.

NTA Recommendation	IRS Response	IRS Addressed Yes/No/Partial (TAS's Assessment)	TAS Explanation (if any)
<p>noncompliance using less burdensome procedures (e.g., expand and clarify who qualifies for it and further explain who will be deemed to have reasonable cause for failure to file an FBAR).</p>	<p>To address additional feedback from taxpayers and stakeholders, including practitioners and organizations representing taxpayers located overseas, the IRS provided a new option--the Streamlined Filing Compliance Procedures--effective September 1, 2012, to help some nonresident U.S. taxpayers who have not been filing tax returns or FBARs come into compliance. Under the streamlined procedures, taxpayers presenting low compliance risk will undergo an expedited review and the IRS will not assert penalties or pursue follow-up actions. In August 2012, the IRS issued instructions for the streamlined procedures, including submission instructions and a description of factors that, if present, suggest an increase in compliance risk level and therefore ineligibility for streamlined examination. On February 28, 2013, the IRS</p>		

NTA Recommendation	IRS Response	IRS Addressed Yes/No/Partial (TAS's Assessment)	TAS Explanation (if any)
	issued new Frequently Asked Questions (FAQ's) to clarify some aspects of the streamlined procedures about which questions had been raised.		
2. Send "soft" notices to educate persons with foreign accounts about the FBAR and Form 8938 reporting requirements, encouraging them to self-correct inadvertent violations, as contemplated by the FBAR Compliance Initiative Project and the FBAR Stop Filer Program.	The IRS has taken a number of steps to educate persons with foreign accounts about the FBAR and Form 8938 reporting requirements. For example, the IRS created a comparison chart available on IRS.gov to assist taxpayers in differentiating between FBAR and FATCA Form 8938 requirements. This chart has been publicized through several channels reaching U.S. filers located domestically and overseas, including the IRS Twitter account, communications by the IRS tax attachés located in U.S. consulates and embassies overseas with the assistance of the State Department, and the IRS National Public Liaison's practitioner email distribution list. To further assist filers with general and technical	No	TAS recommendation was: "Send "soft" notices to educate persons with foreign accounts about the FBAR and Form 8938 reporting requirements, encouraging them to self-correct inadvertent violations, as contemplated by the FBAR Compliance Initiative Project and the FBAR Stop Filer Program." The IRS has not agreed to do so.

NTA Recommendation	IRS Response	IRS Addressed Yes/No/Partial (TAS's Assessment)	TAS Explanation (if any)
	<p>questions regarding FBAR filing, an international phone line was provided to supplement the toll-free FBAR/Title 31 Help Line. IRS responded to over 15,000 phone inquiries in 2012. IRS mailbox FBARquestions@irs.gov continued to be another resource to our customers with IRS responding to over 3,500 written inquiries in 2012. The IRS will continue to share information with the public using irs.gov and other communication vehicles to educate taxpayers regarding FBAR and FATCA filing requirements and will also continue to monitor whether additional outreach is appropriate.</p>		
<p>3. Update Revenue Procedure 2002-23, 2002-1 C.B. 744 to clarify how beneficiaries of Canadian retirement plans can file late or amended returns that elect to exclude undistributed income from those plans.</p>	<p>The IRS is reviewing the available guidance to determine what updates are needed. The IRS provided relief to beneficiaries of Canadian retirement plans who failed to make timely income deferral elections through the Offshore</p>	<p>No</p>	<p>Although the IRS has provided further instructions on its website in connection with the Streamlined Program, it continues to provide Canadians with conflicting information about how they can file a late return that excludes undistributed</p>

NTA Recommendation	IRS Response	IRS Addressed Yes/No/Partial (TAS's Assessment)	TAS Explanation (if any)
	Voluntary Disclosure Program and the Streamlined Filing Compliance Procedures.		income from their retirement plans. As noted above, Revenue Procedure 2002-23, 2002-1 C.B. 744 (requiring a PLR), and IRM 21.5.3.4.9.1 (Aug. 4, 2009) (instructing employees to process late elections) both remain in force and conflict with 2012 OVDP FAQ #54 (requiring a submission to an examiner) and the instructions to the Streamlined Nonresident Filing Initiative.
4. Incorporate all OVD FAQs and the Streamlined Nonresident Filing Initiative (or the three-category approach, described above) into a Revenue Procedure (or similar guidance published in the Internal Revenue Bulletin) that incorporates comments from internal and external stakeholders.	The IRS provided guidance and instructions for the Offshore Voluntary Disclosure Program and the Streamlined Filing Compliance Procedures. The IRS has updated the guidance from time to time in response to comments from internal and external stakeholders and will continue to review the available guidance to determine if further updates or revisions are needed.	No	
5. Revise Forms 8938 and/or TD F 90-22.1 to reduce taxpayer burden and the duplicative reporting	The IRS is mindful of the burden created by the two forms; however, it is important to note that there are	No	The Technical Explanation does not require FBAR reporting to remain unchanged, but simply

NTA Recommendation	IRS Response	IRS Addressed Yes/No/Partial (TAS's Assessment)	TAS Explanation (if any)
<p>identified by the GAO.</p>	<p>separate reporting requirements under the law. The FBAR (TD F 90-22.1) is required under Title 31 for law enforcement purposes in addition to tax administration. As a consequence, different policy considerations apply to FBAR and other information reporting, such as the Form 8938. These are reflected in the law defining differing categories of persons required to file Form 8938 and the FBAR, different filing thresholds for Form 8938 and FBAR reporting, and differing assets (and accompanying information) required to be reported on each form. These differing policy considerations were recognized during the passage of the HIRE Act and the enactment of section 6038D, and Congress's intention to retain FBAR reporting notwithstanding the enactment of section 6038D was specifically noted in the technical explanation of the revenue provisions contained</p>		<p>explains that the legislation itself does not change the FBAR reporting requirements. It goes on to state that "regulatory exceptions to avoid duplicative reporting requirements are anticipated." This undercut any implication that Congress intended for Forms 8938 and TD F 90-22.1 to require duplicative reporting of the same information. The reason the legislation did not eliminate FBAR reporting is because law enforcement components outside of the IRS, which do not have ready access to tax information, may need the information on an FBAR (TD F 90-22.1), which would not be possible if the information were instead collected on Form 8938 – a tax form subject to the confidentiality provisions of IRC § 6103. For its part, however, the IRS has access to FBAR (TD F 90-22.1) information. Thus, the Technical Explanation does not prevent the IRS from eliminating the requirement</p>

NTA Recommendation	IRS Response	IRS Addressed Yes/No/Partial (TAS's Assessment)	TAS Explanation (if any)
	<p>in Senate amendment 3310, The "Hiring Incentives to Restore Employment Act," Under Consideration by the Senate (Staff of the Joint Comm. On Taxation, JCX-4-10 (February 23, 2010)) (Technical Explanation) accompanying the HIRE Act. The Technical Explanation states that "[n]othing in this provision [section 511 of the HIRE Act enacting section 6038D] is intended as a substitute for compliance with the FBAR reporting requirements, which are unchanged by this provision." (Technical Explanation at p. 60.) The IRS is committed to ensuring that taxpayers understand the different reporting requirements and will continue to explore whether further coordination of the requirements is possible provided the existing legal framework.</p>		<p>for taxpayers to report duplicative information on Form 8938.</p>

2012 ARC – MSP Topic #9 – The IRS’s Handling of ITIN Applications Imposes an Onerous Burden on ITIN Applicants, Discourages Compliance, and Negatively Affects the IRS’s Ability to Detect and Deter Fraud

Problem

Any individual who has a tax return filing obligation but is not eligible to obtain a Social Security number (SSN) must apply to the IRS for an Individual Taxpayer Identification Number (ITIN). For years, the National Taxpayer Advocate has raised concerns about ITIN policies and procedures, including the recurring bottlenecks of ITIN applications during the peak tax season and the associated strain on IRS resources inhibiting the ability to timely detect and deter fraud. The IRS has taken a rather reactive approach to the problems with its ITIN program. On June 22, 2012, in response to a Treasury Inspector for Tax Administration (TIGTA) report, it abruptly began requiring applicants to submit only original documents or documents certified by the issuing agency, and it suspended the certifying acceptance agent (CAA) program. This policy change created an unprecedented burden to ITIN taxpayers without addressing tax compliance concerns.

NTA Recommendation	IRS Response	IRS Addressed Yes/No/Partial (TAS’s Assessment)	TAS Explanation (if any)
1. Permit CAAs, federal and state government agencies, and U.S. financial institutions to certify identity documents for dependent ITIN applicants, similar to current rules for CAA certification of documents for primary and secondary taxpayers.	The IRS is taking steps to relieve taxpayer burden while maintaining the integrity of the Individual Taxpayer Identification Number (ITIN) process for primary, secondary and dependent ITIN applications. IRS will continue to require original documentation, such as passports, birth certificates, or certified copies of these documents from the issuing agency for ITIN applications, regardless of whether the application relates to a primary or secondary applicant or a dependent ITIN applicant. In addition to direct	No	

NTA Recommendation	IRS Response	IRS Addressed Yes/No/Partial (TAS's Assessment)	TAS Explanation (if any)
	<p>submission of documents to the IRS ITIN centralized site or use of Certified Acceptance Agents (CAAs), ITIN applicants will have several other avenues for verification of their documents. These options include some key IRS Taxpayer Assistance Centers (TACs), U.S. Tax Attachés in London, Paris, Beijing, and Frankfurt and the Low-Income Taxpayer Clinics and Volunteer Income Tax Assistance (VITA) Centers that have CAAs. The procedure announced October 2, 2012, for foreign students at educational institutions to be certified through the Student Exchange Visitors Program (SEVP) remains.</p>		

NTA Recommendation	IRS Response	IRS Addressed Yes/No/Partial (TAS's Assessment)	TAS Explanation (if any)
2. Accept copies of documents certified by an apostille in conformance with the U.S. obligations under the Hague Convention.	The IRS no longer accepts notarized copies of documents and there is no requirement to accept copies under the Hague Convention if only original documents are accepted. The IRS is not in violation of the Hague Convention by not accepting copies of documents certified by an apostille.	No	IRS mischaracterizes apostilles as notarizations.

NTA Recommendation	IRS Response	IRS Addressed Yes/No/Partial (TAS's Assessment)	TAS Explanation (if any)
<p>3. Improve oversight of the CAA program, including periodic trainings to CAAs and an annual competency examination.</p>	<p>As part of the application process, Certified Acceptance Agents (CAAs) are required to complete an online self-certifying course and attach the certification to their application. Additionally, CAAs are now required to successfully complete a forensic document identification training course. The IRS will increase compliance reviews using a risk-based selection criteria. Infractions are identified and classified as minor and major. Stricter penalties will apply to major infractions and CAAs will be removed from the program for one year. Forensic document training must be completed by December 31, 2013. CAAs will have until January 31, 2014 to submit to IRS the certification verifying the completion of this training.</p>	<p>Yes</p>	

NTA Recommendation	IRS Response	IRS Addressed Yes/No/Partial (TAS's Assessment)	TAS Explanation (if any)
<p>4. Allow filing of ITIN applications throughout the taxable year with proof of taxable income and a filing need.</p>	<p>As mentioned in the 2010 Most Serious Problem report, the requirement for a valid tax return with the Form W-7 application was established to ensure the Individual Taxpayer Identification Number (ITIN) assigned is used for proper tax administration purposes. Associating the issuance of the ITIN with the filing of a tax return is the only reliable method for the IRS to verify the number is being requested and properly used for tax administration purposes. As a result, ITINs are no longer issued solely based upon a statement that an applicant requires an ITIN in order to file a return without proof that the individual in fact needs the number to do so.</p>	<p>No</p>	

NTA Recommendation	IRS Response	IRS Addressed Yes/No/Partial (TAS's Assessment)	TAS Explanation (if any)
<p>5. In addition to the automatic five-year expiration rule for newly assigned ITINs, develop a process to retire ITINs that are no longer used for tax purposes, for example, where the taxpayer leaves the country (as would a student) or receives an SSN, after communicating with the taxpayer.</p>	<p>For the first time, new Individual Taxpayer Identification Numbers (ITINs) will expire after five years. This change will help ensure ITINs are being used for legitimate tax purposes. Taxpayers who still need an ITIN will be able to reapply at the end of the expiration period. This step will provide additional safeguards to the ITIN program to help ensure only people with legitimate tax purposes are using the numbers. In addition, the IRS will explore options, through engagement with interested stakeholder groups, for deactivating or refreshing the information relating to previously issued ITINs. We currently have a process to retire an ITIN when we are notified the ITIN owner now has a Social Security Number or is deceased.</p>	<p>No</p>	<p>IRS will not develop a process to retire old ITINs, other than upon notification that the holder is dead or received an SSN.</p>

NTA Recommendation	IRS Response	IRS Addressed Yes/No/Partial (TAS's Assessment)	TAS Explanation (if any)
<p>6. Require ITIN employees to contact the ITIN applicant if a document is returned as undeliverable.</p>	<p>The IRS agrees to do a study on undeliverable Individual Taxpayer Identification Number (ITIN) mail. Under consideration is a procedure requiring ITIN Tax Examiners to research the Integrated Data Retrieval System (IDRS) for a good mailing address. If none is found, they will send an e-mail to the Entity function in Austin with the taxpayer's telephone number. An Entity employee will then call the taxpayer to identify a good mailing address. The study will track how many applications do not have telephone numbers and the successful and unsuccessful attempts by Entity to reach the taxpayer by telephone. At the end of six months, the IRS will evaluate the results and determine whether to continue with this procedure.</p>	<p>Partial</p>	<p>While the IRS has not completely adopted the NTA's recommendation, it has committed to a study on the issue. TAS is unsure of the sample size for the study and is open to working with the IRS on this study. TAS looks forward to the results of the study and hopes the IRS will discuss the results with TAS prior to making a final determination.</p>

NTA Recommendation	IRS Response	IRS Addressed Yes/No/Partial (TAS's Assessment)	TAS Explanation (if any)
<p>7. Amend Form W-7 to allow applicants to provide contact information for a third party for limited Form W-7 processing questions, similar to a field on a tax return.</p>	<p>The W-7 includes a line for the taxpayer to enter the name of a delegate, if applicable, and check boxes to indicate the relationship to the applicant; parent, court appointed guardian or power of attorney. The check box feature was added to the W-7 to assist in resolving processing issues with the designated third party. By making a designation and by checking the appropriate box individuals are able to give permission to the IRS to contact the designee to answer any questions or provide missing information identified during the processing of the return. Because the majority of processing issues with the W-7 involve documentation, the IRS could not resolve the issue by telephone contact. For these reasons, the IRS does not believe additional contact information on the W-7 is necessary.</p>	<p>No</p>	<p>The specific recommendation is to provide for contact for limited W-7 processing questions; the existing IRS provision requires a POA.</p>

NTA Recommendation	IRS Response	IRS Addressed Yes/No/Partial (TAS's Assessment)	TAS Explanation (if any)
8. Return original documents by trackable mail service, such as certified, registered, or priority mail.	The current W-7 instructions includes a note that applicants are permitted to include a prepaid express mail or courier envelope. The IRS would return the documents using the envelope provided by the taxpayer.	No	
9. Modernize the ITIN operation, including an update of the RTS software to include the document number and country of issuance of a foreign document, a process for scanning and barcoding submitted documentation, and electronic verification of documents with federal, state, and foreign (if possible) government databases and CAAs.	Wage and Investment, Submission Processing, will evaluate the feasibility of an automated process. If feasible, a formal request will be submitted for a new automated process to scan and electronically verify documents. We will submit a Unified Work Request (UWR) for Out of Cycle (OOC) Funds for FY 2014.	Partial	IRS committed to evaluate the feasibility of automating the process to scan and electronically verify documents. The IRS "will submit a Unified Work Request (UWR) for Out of Cycle (OOC) Funds for FY 2014."

2012 ARC – MSP Topic #10 – THE PRESERVATION OF FUNDAMENTAL TAXPAYER RIGHTS IS CRITICAL AS THE IRS DEVELOPS A REAL-TIME TAX SYSTEM

Problem

In the 2009 and 2011 Annual Reports to Congress, the National Taxpayer Advocate wrote about the benefits of accelerated third-party information reporting to both taxpayers and tax administration. In late 2011 and early 2012, the IRS held two public meetings to solicit suggestions and concerns from external stakeholder regarding a potential real-time tax system (RTTS). As the IRS continues to evaluate the idea of an RTTS, the National Taxpayer Advocate has concerns regarding the type of compliance contact the IRS would make to the taxpayer upon identifying a mismatch in information. We caution against the expansion of math error authority to cover mismatched third-party data. In addition, we believe that the IRS should provide taxpayers with electronic access to the third-party data to assist taxpayers in return preparation and develop a pre-populated return option for taxpayers.

NTA Recommendation	IRS Response	IRS Addressed Yes/No/Partial (TAS's Assessment)	TAS Explanation (if any)
<p>1. Work with the National Taxpayer Advocate in developing a real-time tax system. Legislative action may be necessary to accelerate third-party reporting deadlines, tighten e-file mandates, and enable the IRS to receive Form W-2 data at the same time taxpayers receive forms from their employers.</p>	<p>The IRS is exploring efforts that could improve administration of the current filing process. Current efforts are aimed at studying the feasibility of more timely matching of information return data, such as W-2 wage information, received from third parties. We believe that these efforts will reduce taxpayer burden and improve compliance, including reduction of fraud, in the existing tax filing process. We believe that improvements in our current tax filing process are necessary and appropriate</p>	<p>No</p>	<p>Although the IRS has expressed that they are working with TAS to explore possible implementation strategies, no definite commitment to implementation has been stated. TAS will continue to work with the IRS to further develop issues identified amidst current budget constraints.</p>

NTA Recommendation	IRS Response	IRS Addressed Yes/No/Partial (TAS's Assessment)	TAS Explanation (if any)
	<p>before there can be consideration of a more fundamental change in filing process. The IRS recognizes that taxpayer rights must be preserved in any changes that may take place. While it is premature to speculate on the specifics of any future state or to address each of the recommendations, the IRS will continue to ensure that taxpayer rights are respected. We look forward to working with the National Taxpayer Advocate in this effort.</p>		
<p>2. Develop accelerated information-reporting procedures that afford taxpayers the same rights that accrue during a traditional examination.</p>	<p>The IRS is exploring efforts that could improve administration of the current filing process. Current efforts are aimed at studying the feasibility of more timely matching of information return data, such as W-2 wage information, received from third parties. We believe that these efforts will reduce taxpayer burden and improve compliance, including reduction of fraud, in the existing tax filing process.</p>	<p>No</p>	<p>Although the IRS has expressed that they are working with TAS to explore possible implementation strategies, no definite commitment to implementation has been stated. TAS will continue to work with the IRS to further develop issues identified amidst current budget constraints.</p>

NTA Recommendation	IRS Response	IRS Addressed Yes/No/Partial (TAS's Assessment)	TAS Explanation (if any)
	<p>We believe that improvements in our current tax filing process are necessary and appropriate before there can be consideration of a more fundamental change in filing process. The IRS recognizes that taxpayer rights must be preserved in any changes that may take place. While it is premature to speculate on the specifics of any future state or to address each of the recommendations, the IRS will continue to ensure that taxpayer rights are respected. We look forward to working with the National Taxpayer Advocate in this effort.</p>		
<p>3. Allocate sufficient staffing to handle the anticipated increased in taxpayer contacts during the filing season.</p>	<p>The IRS is exploring efforts that could improve administration of the current filing process. Current efforts are aimed at studying the feasibility of more timely matching of information return data, such as W-2 wage information, received from third parties. We believe that these efforts will reduce</p>	<p>No</p>	<p>The response does not address the need for additional staffing to meet filing season needs and increases in demand for services.</p>

NTA Recommendation	IRS Response	IRS Addressed Yes/No/Partial (TAS's Assessment)	TAS Explanation (if any)
	<p>taxpayer burden and improve compliance, including reduction of fraud, in the existing tax filing process. We believe that improvements in our current tax filing process are necessary and appropriate before there can be consideration of a more fundamental change in filing process. The IRS recognizes that taxpayer rights must be preserved in any changes that may take place. While it is premature to speculate on the specifics of any future state or to address each of the recommendations, the IRS will continue to ensure that taxpayer rights are respected. We look forward to working with the National Taxpayer Advocate in this effort.</p>		
<p>4. Provide taxpayers and their representatives access to a real-time transcript of third-party information to assist in return preparation.</p>	<p>The IRS is exploring efforts that could improve administration of the current filing process. Current efforts are aimed at studying the feasibility of more timely matching of information return</p>	<p>No</p>	<p>Although the IRS has expressed that they are working with TAS to explore possible implementation strategies, no definite commitment to implementation has been</p>

NTA Recommendation	IRS Response	IRS Addressed Yes/No/Partial (TAS's Assessment)	TAS Explanation (if any)
	<p>data, such as W-2 wage information, received from third parties. We believe that these efforts will reduce taxpayer burden and improve compliance, including reduction of fraud, in the existing tax filing process. We believe that improvements in our current tax filing process are necessary and appropriate before there can be consideration of a more fundamental change in filing process. The IRS recognizes that taxpayer rights must be preserved in any changes that may take place. While it is premature to speculate on the specifics of any future state or to address each of the recommendations, the IRS will continue to ensure that taxpayer rights are respected. We look forward to working with the National Taxpayer Advocate in this effort.</p>		<p>stated. TAS will continue to work with the IRS to further develop issues identified amidst current budget constraints.</p>
<p>5. Provide taxpayers with the ability to download third-party data directly from</p>	<p>The IRS is exploring efforts that could improve administration of the current</p>	<p>No</p>	<p>Although the IRS has expressed that they are working with TAS to explore</p>

NTA Recommendation	IRS Response	IRS Addressed Yes/No/Partial (TAS's Assessment)	TAS Explanation (if any)
<p>the IRS into their return preparation software.</p>	<p>filing process. Current efforts are aimed at studying the feasibility of more timely matching of information return data, such as W-2 wage information, received from third parties. We believe that these efforts will reduce taxpayer burden and improve compliance, including reduction of fraud, in the existing tax filing process. We believe that improvements in our current tax filing process are necessary and appropriate before there can be consideration of a more fundamental change in filing process. The IRS recognizes that taxpayer rights must be preserved in any changes that may take place. While it is premature to speculate on the specifics of any future state or to address each of the recommendations, the IRS will continue to ensure that taxpayer rights are respected. We look forward to working with the National Taxpayer Advocate in this</p>		<p>possible implementation strategies, no definite commitment to implementation has been stated. TAS will continue to work with the IRS to further develop issues identified amidst current budget constraints.</p>

NTA Recommendation	IRS Response	IRS Addressed Yes/No/Partial (TAS's Assessment)	TAS Explanation (if any)
	effort.		
6. Develop a pre-populated return option for taxpayers.	The IRS has no plans to implement a pre-populated tax return option for taxpayers. See response to 10-1, above, for our current efforts.	No	
7. Track corrected information reports, by count, dollar amount, and percentage of total reports by type as well as the rate of abatements for AUR assessments. In addition, track the abatement rate for any new assessments arising from real-time matching.	The IRS is exploring efforts that could improve administration of the current filing process. Current efforts are aimed at studying the feasibility of more timely matching of information return data, such as W-2 wage information, received from third parties. We believe that these efforts will reduce taxpayer burden and improve compliance, including reduction of fraud, in the existing tax filing process. We believe that improvements in our current tax filing process are necessary and appropriate before there can be consideration of a more fundamental change in filing process. The IRS recognizes that taxpayer rights must be preserved in any changes	No	Response does not address the recommendation.

NTA Recommendation	IRS Response	IRS Addressed Yes/No/Partial (TAS's Assessment)	TAS Explanation (if any)
	<p>that may take place. While it is premature to speculate on the specifics of any future state or to address each of the recommendations, the IRS will continue to ensure that taxpayer rights are respected. We look forward to working with the National Taxpayer Advocate in this effort.</p>		

2012 ARC – MSP Topic #11 – OVEREXTENDED IRS RESOURCES AND IRS ERRORS IN THE AUTOMATIC REVOCATION AND REINSTATEMENT PROCESS ARE BURDENING TAX-EXEMPT ORGANIZATIONS

Problem

Over the past 18 months, the IRS notified more than 440,000 organizations that their tax-exempt status had been automatically revoked because they failed to file returns for three consecutive years. More than 18,000 organizations have applied for reinstatement of exempt status, yet the increased workload is being handled by fewer IRS employees. It now takes nine months for the IRS to assign a Form 1023, *Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code*, to a reviewer, and the application process is unnecessarily burdensome. Moreover, the IRS erroneously treated thousands of organizations as having had their exempt status revoked, and has no administrative review system that might avert or lessen the impact of these errors.

NTA Recommendation	IRS Response	IRS Addressed Yes/No/Partial (TAS's Assessment)	TAS Explanation (if any)
<p>1. If TE/GE adopts the Advisory Committee's recommendation that it not develop a Form 1023-EZ, it should work with the National Taxpayer Advocate, the Advisory Committee, and appropriate state agencies and IRS functions to implement the committee's recommendations that it redesign Form 1023 to include a short core form with supplemental supporting schedules, and develop more educational tools about the form. The redesigned form should</p>	<p>The IRS agrees with the National Taxpayer Advocate that it could be beneficial to taxpayers to redesign the Form 1023 as an electronic short core form with supplemental supporting schedules, as recommended by the Advisory Committee on Tax Exempt and Government Entities (ACT) in its report released in June 2012. This type of total redesign would, however, require resources from many parts of the IRS, including information technology. Because the IRS must balance a number of competing needs, we cannot presently predict when we</p>	<p>Yes</p>	

NTA Recommendation	IRS Response	IRS Addressed Yes/No/Partial (TAS's Assessment)	TAS Explanation (if any)
<p>be interactive, have plain-language questions, and specify the documents and schedules the applicant needs to attach.</p>	<p>can undertake the full redesign. However, to more immediately address the issue, the IRS asked the ACT to suggest steps to assist taxpayers with the application process in the interim. In response, the ACT suggested that the IRS post previously developed educational information on the IRS website to assist applicants. The IRS is going one step further, and is in the process of incorporating that previously developed information into an interactive web-based version of the existing Form 1023 that applicants can prepare online and then print and send into the IRS for review. We expect to make the interactive form available during the next calendar year.</p>		

NTA Recommendation	IRS Response	IRS Addressed Yes/No/Partial (TAS's Assessment)	TAS Explanation (if any)
<p>2. TE/GE should augment existing electronic databases with a smaller electronic file or "addendum" that can be updated more frequently than once a month.</p>	<p>The IRS understands that organizations and their contributors often wish to use IRS's online resources, rather than a letter, to confirm tax-exempt status. For that reason, the IRS has been taking steps to increase the speed at which information about the tax-exempt status of organizations is updated on its publicly available resources. To provide the public with more timely information about the tax-exempt status of organizations, in January, 2011, the IRS began updating its publicly available online resources on a monthly rather than quarterly basis. Adding more frequent updates or creating a smaller electronic file or "addendum" would require additional programming and resources, which will have to be balanced with other competing IRS needs and systems limitations.</p>	<p>No</p>	

NTA Recommendation	IRS Response	IRS Addressed Yes/No/Partial (TAS's Assessment)	TAS Explanation (if any)
<p>3. TE/GE should provide for administrative review of an organization's claim that it was, or is about to be, erroneously treated as no longer tax exempt.</p>	<p>Under the PPA, automatic revocation of exemption occurs by operation of law. Because the IRS makes no determination regarding the automatic revocation, there is no IRS conclusion or determination to review. Automatic revocations are generated from data within the IRS BMF, which indicates the organizations that have failed to meet their filing requirements for three consecutive years. When passing the PPA, Congress recognized that the taxpayer information in the IRS systems may no longer be correct and that the new filing requirements could assist the IRS in updating this information and ensuring the accuracy of IRS systems going forward. Because the IRS also recognizes that automated systems can produce mistaken results, either because of programming issues or because of faulty data, the IRS has told organizations to</p>	<p>No</p>	

NTA Recommendation	IRS Response	IRS Addressed Yes/No/Partial (TAS's Assessment)	TAS Explanation (if any)
	notify the IRS if they believe they have been erroneously included on the Automatic Revocation List. The IRS will correct any mistakes.		
4. TE/GE should seek additional staffing for review of applications for exempt status and reinstatements, and for phone assistance to bring its service at least back to pre-revocation levels if not better.	EO has put forth a proposed initiative to reorganize the Determinations process, including a request for additional staffing in EO Rulings & Agreements to work applications.	Yes	

2012 ARC – MSP Topic #12 – THE IRS TELEPHONE AND CORRESPONDENCE SERVICES HAVE DETERIORATED OVER THE LAST DECADE AND MUST IMPROVE TO MEET TAXPAYER NEEDS

Problem

The IRS mission statement — “[p]rovide America’s taxpayers top quality service by helping them understand and meet their tax responsibilities and enforce the law with integrity and fairness to all” — reflects the obligation of the agency to provide the means for all taxpayers to meet their tax obligations. When the IRS cannot adequately answer taxpayers’ telephone calls or correspondence, and sets declining expectations for performance, it cannot execute its mission.

NTA Recommendation	IRS Response	IRS Addressed Yes/No/Partial (TAS’s Assessment)	TAS Explanation (if any)
<p>1. Conduct studies (such as the TAS Dependent Taxpayer Identification Number Math Error study) to identify unnecessary “action required” correspondence and act to minimize taxpayer burden and delays caused by this correspondence.</p>	<p>In an effort to reduce taxpayer burden and better understand the taxpayer decision-making process of contacting the IRS in response to Information Only (IO) notices, W&I Research and Analysis (WIRA) identified eight high-impact, high-volume notices that do not require a response from the taxpayer. WIRA conducted twelve focus groups with taxpayers and IRS Customer Service Representatives (CSRs) in May and June 2012. WIRA found that a taxpayer’s main motivation for calling the IRS in response to IO notices is to obtain information. WIRA obtained a number of suggestions for improving the notices.</p>	<p>Partial</p>	<p>The IRS's study only addresses a small portion on notices, and focuses on notices that do not require a response. TAS is recommended at looking at all notices, including those that require the taxpayer to take an action.</p>

NTA Recommendation	IRS Response	IRS Addressed Yes/No/Partial (TAS's Assessment)	TAS Explanation (if any)
<p>2. Use data the IRS has collected and analyzed to make taxpayer service decisions and resource allocations through an overall service strategy.</p>	<p>The IRS currently collects an extensive suite of telephone and correspondence performance metrics. The data collected is used to assess taxpayer needs and identify improvement actions. Although there is currently an extensive suite of correspondence metrics in place which effectively track volume, timeliness, and case priority, the IRS is constantly striving to improve the customer experience. The IRS has tools in place to monitor cycle time, average days to close correspondence, weekly overage work and priority inventory, and track closed cases compared to the overall inventory. We also utilize the Embedded Quality Review System timeliness measure to evaluate whether caseworkers took timely case action. The IRS places high importance on customer service and will continue to review, update, and augment the current suite of metrics for</p>	<p>No</p>	<p>Although the IRS utilizes multiple tools to analyze business measure at a functional level, no tools nor strategy exist to allow the service to make taxpayer service level decisions based on overall levels of service within the IRS.</p>

NTA Recommendation	IRS Response	IRS Addressed Yes/No/Partial (TAS's Assessment)	TAS Explanation (if any)
	the correspondence program, as needed.		
<p>3. Commit to using the jointly-developed ranking tool in all decisions about taxpayer service policy, including the taxpayer value measures proposed by TAS; to completing the research necessary to fully populate the tool's data fields, and to extending the methodology to enable scoring of changes to the way covered services are delivered including increases or decreases in the level of service or available service hours for a service activity.</p>	<p>The IRS is pleased to partner with TAS on the Service Priority Project, which will quantify the value of service tasks by service channel (i.e., face-to-face, assisted and automated telephone, and online), based on government and taxpayer value criteria. The service tasks are defined at a broad level, e.g., providing general tax law assistance and information and providing tax account assistance. The ranking tool is still under development. The IRS plans to use the ranking tool as guidance along with other relevant information when making decisions about changes to taxpayer services. Additionally, as data become available, the IRS plans to incorporate the three criteria proposed by TAS into the ranking tool. In the meantime, information available about these criteria will be included as addenda to the service</p>	Yes	

NTA Recommendation	IRS Response	IRS Addressed Yes/No/Partial (TAS's Assessment)	TAS Explanation (if any)
	<p>task score sheets, and will be used with the ranking tool during the decision-making process. While any modifications will be constrained by budget considerations, the IRS plans to modify existing surveys in order to collect data that will populate the data gaps in the current model. For example, an increased sample size necessary to collect the detailed data for the model will increase the survey cost, a change that may not be feasible with the available budget. The ranking tool is not designed to provide information about the impact of specific changes in service attributes (e.g., hours of operation, wait time, etc.). If funds become available, the IRS will evaluate the cost-effectiveness of conducting research that would quantify such changes.</p>		

2012 ARC – MSP Topic #13 – THE IRS HAS FAILED TO MAKE FREE RETURN PREPARATION AND FREE ELECTRONIC FILING AVAILABLE TO ALL INDIVIDUAL TAXPAYERS

Problem

The IRS has not developed a comprehensive plan to give *all* individual taxpayers the option to prepare and e-file their returns for free, despite the existing array of return filing options currently available to “eligible” taxpayers. Taxpayer Assistance Centers (TACs) increasingly turn away taxpayers seeking return preparation assistance, directing them to Volunteer Income Tax Assistance (VITA) and Taxpayer Compliance for the Elderly (TCE) sites and online products offered by the Free File Alliance. The IRS relies on VITA for return preparation but continues to give taxpayers inaccurate or incomplete information about site locations. The IRS also provides tax software to volunteer preparers embedded with a costly a commercial debit card product.

NTA Recommendation	IRS Response	IRS Addressed Yes/No/Partial (TAS’s Assessment)	TAS Explanation (if any)
<p>1. Develop a government-provided electronic version of the Form 1040 that allows taxpayers to e-file all 1040 series forms and schedules, with computational capability and with links to forms, instructions, related worksheets, and publications.</p>	<p>The IRS already provides Free File Fillable Forms through its public and private partnership with the Free File Alliance. Free File Fillable Forms which is accessed from the irs.gov provides an electronic version of the paper Form 1040. IRS publications and instructions are included with the Free File Fillable Forms program. Free File Fillable Forms, which is offered for free to taxpayers regardless of income, imposes no costs to federal government for software development and maintenance.</p>	<p>No</p>	<p>The existing system needs improvement. It does not support electronic filing for all forms and schedules in the 1040 series; it is not available year-round; it does not leverage the computational capability of today's computers, with fillable fill worksheets that could transfer computations to the fillable forms; and it is not currently available to 100 percent of U.S. taxpayers. The IRS should make the improvements needed to make it possible for all taxpayers, not just "qualified" taxpayers, to file their return electronically for free.</p>

NTA Recommendation	IRS Response	IRS Addressed Yes/No/Partial (TAS's Assessment)	TAS Explanation (if any)
<p>2. Develop a portal to a government-controlled database from which taxpayers can import third-party data.</p>	<p>The IRS recognizes the value in developing a portal to a government-controlled database allowing taxpayers to import third-party data. Security and resource challenges exist in full implementation of this goal. While the IRS has simple forms of authentication for specific functions which do not contain highly sensitive data, our systems currently do not support more sophisticated forms of authentication that would be required to provide taxpayers with the ability to access a government-controlled database to import third-party data.</p>	<p>No</p>	<p>The IRS has not taken significant steps to install the necessary safeguards to ensure the privacy of taxpayer information since the Congress mandated the development of an online portal in RRA 98. Electronic access would greatly simplify return filing by allowing taxpayers to import third-party information directly into a government-provided electronic 1040 or tax preparation software of their choice. The government-provided form could also offer an additional safeguard against identify theft by limiting access to sensitive third-party information through a single, secure portal, rather than the multiple portals maintained by the third parties. This would limit the taxpayers' exposure to a breach and reduce the risk of hackers stealing their personal information. Providing taxpayers with direct access to their data would also improve the</p>

NTA Recommendation	IRS Response	IRS Addressed Yes/No/Partial (TAS's Assessment)	TAS Explanation (if any)
			accuracy of their returns, freeing up increasingly scarce IRS resources for more return preparation assistance at TAC sites.
3. Allow taxpayers to make appointments for return preparation at TACs, and accommodate walk-in customers.	The IRS took a comprehensive look at TACs and determined there was a need to modify some of its services beginning in FY 2012. While we added services such as VSD, the IRS must constantly monitor the menu of existing services offered. In FY 2012, IRS began offering year round return preparation two to three days per week, determined by staffing and workload for each TAC. Appointments are available when a taxpayer has special needs, such as those with disabilities. Appointments may also be provided at local management's discretion but generally, return preparation is offered on a first-come, first-serve basis. Scheduling appointments for return preparation reduces resources available to provide	No	The IRS has concluded that it cannot afford to schedule appointment at the TACs for taxpayer who ask the IRS for help in preparing their returns. The IRS has chosen to serve only a limited number of taxpayers because to do otherwise would reduce the resources available for taxpayers who need "other" services that "only the IRS can provide." The implication here seems to be that delinquent taxpayers with balance due accounts and taxpayer who have not filed delinquent returns are more important to the IRS than those who are compliant and are trying to remain compliant. The IRS is struggling to reach as many taxpayer as it can, with limited resources, and that "in extreme or emergency circumstances, Group

NTA Recommendation	IRS Response	IRS Addressed Yes/No/Partial (TAS's Assessment)	TAS Explanation (if any)
	services to taxpayers who are awaiting other more complex services.		Managers will have discretion to authorize the preparation of returns." This approach is shortsighted and counterproductive. A better approach would be to allocate more resources to helping compliant taxpayers prepare their returns, by providing appointments for those who request them, and by offering return preparation to walk-in taxpayers. Assisting taxpayers who seek help computing their tax liabilities and preparing their return should be a central component of taxpayer service, and the IRS needs to do more to satisfy the needs of these taxpayers.
4. Accelerate the deployment of FSA terminals to TACs, and encourage more VITA and TCE sites to use them.	The IRS is adding Facilitated Self-Assistance (FSA) to many TAC locations and also piloting Virtual Service Delivery. The expansion to self-help options allows IRS to provide quick and accurate answers to many taxpayers and can free up our live customer service resources to address taxpayers' inquiries	Partial	The IRS has indicated that it will continue to seek funding to expand FSAs to additional TACs. Despite the reported success of FSAs at volunteer sites, the GAO, in a report published in December 2011, reported that the IRS had installed FSA capability at only 37 of its 401 TACs. The IRS needs to do more to

NTA Recommendation	IRS Response	IRS Addressed Yes/No/Partial (TAS's Assessment)	TAS Explanation (if any)
	<p>that require personal interaction. In a limited resource environment, this model can provide expanded access to additional taxpayers at minimal cost to the IRS. The IRS will continue to seek funding to expand FSAs to additional TACs. For FY 2012, all 50 states were provided access to software for an FSA site. The IRS has developed a partnership with the Department of Education to promote and provide outreach to an estimated five million college students, parents, and educators on FSA. Additionally, the IRS is collaborating with other federal agencies, the military, and educational and faith-based institutions to promote FSA. The targeted audience is for taxpayers that meet VITA requirements but cannot access a traditional site or do not need one-on-one assistance. Through April 3, 2013, 57,282 returns have been prepared at 874 VITA</p>		<p>improve the services at its TACs. Taxpayers who visit a TAC should receive the same benefit the IRS and taxpayers are realizing at some VITA/TCE sites (i.e., the ability to help more taxpayers prepare returns, reduced wait times, access to free software, fast internet connections, and help from experienced IRS employees).</p>

NTA Recommendation	IRS Response	IRS Addressed Yes/No/Partial (TAS's Assessment)	TAS Explanation (if any)
	FSA sites, which more than triples the 15,000 returns prepared at 465 VITA FSA sites this same time last year.		
5. Continually reassess procedures for maintaining VITA site information and ensuring that telephone assistors provide the information callers need to access services, and implement measures to improve accuracy, including requiring IRS phone assistors to use the VITA Site Locator and monitoring accuracy through quality review and contact recording.	The IRS has reassessed procedures for maintaining VITA site information and for ensuring assistors provide the information callers need to improve services and accuracy. In 2012, the IRS released the VITA locator available on irs.gov. This tool, which has been shared with IRS phone assistors, allows assistors and taxpayers to locate available VITA sites within the taxpayer's community. The tool is updated twice per week to ensure that new information is recorded in a timely manner. The Centralized Quality Review System (CQRS), monitors IRS telephone accuracy using a statistically valid sample of telephone calls captured through the Contact Recording system.	Partial	The IRS has not addressed the finding from TAS's evaluation of the services provided by telephone assistors, which revealed that in 2012 assistors failed to provide site accessibility information in 90 percent of the calls, and failed to provide language availability at VITA sites nearly 60 percent of the time. While updating the system is critical, it is not enough. Assistors responding to callers must convey the information as well, and it seems clear that they are not using the new locator tool correctly. The IRS should make it a requirement to use the locator, and use the contact recordings to make certain assistors are providing complete and correct information. The IRS has not addressed this failure in its response.

2012 ARC – MSP Topic #14 – THE IRS IS STRIVING TO MEET TAXPAYERS’ INCREASING DEMAND FOR ONLINE SERVICES, YET MORE NEEDS TO BE DONE

Problem

Taxpayers increasingly use online services to perform financial transactions (and other tasks) in their daily lives. The IRS is striving to meet this demand by developing more online products. We applaud the IRS and its Office of Online Services (OLS) for developing popular self-assist tools and using a research-based strategy. However, we believe the IRS still has a long way to go, albeit with limited resources, to provide the type of services taxpayers demand and are accustomed to receiving from other sources, such as online account access. While such projects would involve upfront development and implementation costs, the IRS would realize savings in the short term from decreased call volume and in the long term from improved tax compliance and a reduction in costly enforcement contacts for basic issues.

NTA Recommendation	IRS Response	IRS Addressed Yes/No/Partial (TAS’s Assessment)	TAS Explanation (if any)
<p>1. Develop an online account program to allow taxpayers to view the status of their accounts as well as interact with the IRS by responding to notices, scanning documents, etc.</p>	<p>The IRS recognizes the value in the delivery of account or account-like services to taxpayers and has taken some preliminary steps in that direction. Most notably, the IRS recently developed this type of account functionality in a limited way through discrete applications on the website to allow taxpayers to access various account-related functions. At present, taxpayers can do status checks via Where’s My Refund, What Was My Stimulus Payment, and Where’s My Amended Return. In addition, taxpayers can direct transcripts to be sent to</p>	<p>Partial</p>	<p>The IRS is moving toward utilizing more online self-service tools, but barriers exist at this point in time in regards to the ability to authenticate users and prevent disclosure.</p>

NTA Recommendation	IRS Response	IRS Addressed Yes/No/Partial (TAS's Assessment)	TAS Explanation (if any)
	<p>their bank. The IRS is working toward allowing taxpayers to view their online Record of Account transcript and allowing taxpayers to make payments online. Online account capability may ultimately be part of the suite of services provided to taxpayers. Nonetheless, security and resource challenges exist in full implementation of this goal. Authentication is key to any online service strategy. As the information or services provided and the transactions involved increase in terms of sensitivity, the level of certainty about the identity of the individual who has logged on to perform the tasks grows. While the IRS has simple forms of authentication for specific functions which do not contain highly sensitive data (Where's My Refund), our systems currently do not support more sophisticated forms of authentication that would be required to provide taxpayers with the ability to</p>		

NTA Recommendation	IRS Response	IRS Addressed Yes/No/Partial (TAS's Assessment)	TAS Explanation (if any)
	access and resolve account issues online.		
2. Review online service offerings of foreign and state tax administrations to identify those that might translate well and quickly to the IRS environment.	The IRS continually stays aware of online service offerings of foreign and state administrations to identify those that might translate well and quickly to the IRS environment. We have reviewed the online service offerings of several foreign and state tax administrations. It is important to mention that the U.S. taxpayers are afforded important protections which may not exist in other areas. As a result, the best practices of other taxing entities often must be adjusted to fit the needs of IRS' customers. We do consider these sources to be informative and will consider aspects of these services along with other IRS priorities in future online strategies. The IRS, along with its business and technology partners, will continue to research, develop, and implement new self-service transactional web applications	Yes	

NTA Recommendation	IRS Response	IRS Addressed Yes/No/Partial (TAS's Assessment)	TAS Explanation (if any)
	<p>to meet the continuously evolving needs of taxpayers. IRS is in the process of developing an application that will provide taxpayers online view/print/download capability for tax account transcripts. The application will be similar to a secure tool currently available from the State of California Franchise Tax Board.</p>		

2012 ARC – MSP Topic #15 – CHALLENGES PERSIST FOR INTERNATIONAL TAXPAYERS AS THE IRS MOVES SLOWLY TO ADDRESS THEIR NEEDS

Problem

In recent years, the IRS has devoted substantial resources to improving international tax administration and responding to the challenges of globalization. However, the IRS continues to focus on stepped-up enforcement without adequate coordination and with no corresponding increase in service to millions of individual international taxpayers. While international taxpayers grapple with compliance challenges and inadequate service, the IRS has been slow in taking specific steps to meet their needs and ease their compliance burdens, saving scarce enforcement resources to address egregious noncompliance. Problems include delays in developing specific recommendations to improve international taxpayer service; the lack of a strategic plan to address persistent compliance challenges; the absence of a timeline to implement recommendations from a 2012 IRS research study; the insufficient use of technology as a more efficient method of delivering services and providing information (including virtual face-to-face (VFTF) assistance and online services); and the lack of simplified filing and self-correction options for international taxpayers.

NTA Recommendation	IRS Response	IRS Addressed Yes/No/Partial (TAS's Assessment)	TAS Explanation (if any)
1. Make the IITA team permanent, with a formal charter and a responsibility to provide periodic written reports and formal recommendations to the IRS Services Committee, including items for the IRS Strategic Plan and Servicewide Approach to International Tax Administration.	The IRS continues to recognize the importance of a team focused on international taxpayers and welcomes the opportunity to continue working with NTA. In June 2012, a cross-functional International Individual Taxpayer Assistance Team was formed to better coordinate and develop international taxpayer service initiatives. This team consists of LB&I, W&I, ACCI, TAS, and Online Services. The IRS recognizes the need and importance of having a team	No	IRS does not commit to making the team permanent.

NTA Recommendation	IRS Response	IRS Addressed Yes/No/Partial (TAS's Assessment)	TAS Explanation (if any)
	<p>focused on international taxpayers operating in a complex global tax environment. The IITA is currently in its pilot stage, and its effectiveness will need to be evaluated and measured. After the completion of this evaluation, the IRS will consider whether the IITA should become permanent with a formal charter.</p>		
<p>2. Develop a systematic and structured plan for implementing the 2012 WIRA Research Study recommendations and informing the public about the timeline.</p>	<p>To facilitate the aforementioned recommendation, Wage and Investment Research & Analysis (WIRA) has shared the recommendations from the 2012 Research Study with Large Business & International (LB&I). An important strategic goal of the Office of the Deputy Commissioner, International, is to improve taxpayer service to U.S. taxpayers who work, live, and conduct business abroad. As such, representatives from WIRA as well as other W&I organizations have and continue to provide support to</p>	<p>No</p>	<p>IRS does not commit to develop a plan, other than share WIRA study and serve on IITA pilot.</p>

NTA Recommendation	IRS Response	IRS Addressed Yes/No/Partial (TAS's Assessment)	TAS Explanation (if any)
	<p>the leadership within the Office of the Deputy Commissioner, International. Additionally, several W&I representatives serve on the cross-functional International Individual Taxpayer Assistance (IITA) team which under the leadership of LB&I is working to evaluate the feasibility and potential implementation of WIRA recommendations.</p>		
<p>3. Reinstate mailing of forms and publications to international taxpayers who lack Internet access, and to U.S. embassies and consulates, and allow easy online ordering of international forms and publications through IRS.gov.</p>	<p>The process used to provide forms and publications to international taxpayers is not substantially different than the process used in the United States for domestic taxpayers. Both international and domestic taxpayers can go to irs.gov to request forms and publications. The International Program is designed to make tax-filing materials available to many U.S. taxpayers traveling or stationed abroad. The International Program provides bulk tax products to United States embassies, consulates, and various</p>	<p>No</p>	

NTA Recommendation	IRS Response	IRS Addressed Yes/No/Partial (TAS's Assessment)	TAS Explanation (if any)
	<p>military legal assistance offices worldwide. Annually, the various organizations are provided with a Form 14004, International Program Order Form, and Publication 4605, International Program Quick Reference Guide which is used to order up to 81 different IRS Tax Products to provide the necessary level of service for their geographic area. For taxpayers who live outside the United States, the IRS has full-time permanent staff in four U.S. embassies and consulates located in Frankfurt, London, Paris and Beijing. These offices have tax forms and publications and can help with account problems, and answer questions about notices and bills. Taxpayers can visit or contact these offices by phone.</p>		
<p>4. Accelerate electronic filing of 1040NR series returns and ITIN applications for nonresident alien taxpayers, at least for those not claiming a</p>	<p>IRS will explore the feasibility of accelerating the electronic filing of the Form 1040NR U.S Nonresident Alien Income Tax Return. Form 1040NR has already been identified as</p>	<p>Partial</p>	<p>IRS rejected e-filing of ITIN applications, does not commit to e-filing Forms 1040NR or 8938.</p>

NTA Recommendation	IRS Response	IRS Addressed Yes/No/Partial (TAS's Assessment)	TAS Explanation (if any)
<p>refund; and extend free file fillable ability to Form 8938.</p>	<p>a candidate form for electronic filing. A number of factors such as budget, resource availability, and performance improvement releases must be taken into account in determining the sequence of new electronic filing. In addition, the IRS will assess the usage of Form 8938, Statement of Specified Foreign Financial Assets, and based on that determination will explore the feasibility with its partner, Free File Inc., of including Form 8938, in the Free File Fillable Forms program. As with all potential form additions, negotiations must first take place and an agreement with Free File Inc., must be reached, before any actions can be taken. The IRS does not plan to pursue electronic filing of the ITIN application. Form W-7, Application for IRS Individual Taxpayer Identification Number (ITIN), is not a candidate form for electronic filing for the following reasons: 1. Modernized e-</p>		

NTA Recommendation	IRS Response	IRS Addressed Yes/No/Partial (TAS's Assessment)	TAS Explanation (if any)
	<p>File (MeF) is unable to accept both the W-7 and associated tax return(s) in the same transaction. Taxpayers are required to include their original, valid tax return(s) for which the ITIN is needed. 2. MeF requires a valid Taxpayer Identification Number (TIN) at the time the return is submitted for processing. The tax returns submitted with the W-7 applications do not have a TIN when the return is submitted to IRS. 3. Taxpayers must also submit documentation that supports the information provided on the Form W-7. The applicant can submit original documents or certified copies from the issuing agency. Attaching a pdf version of the supporting documentation will not allow IRS to authenticate the documents per IRM 3.21.263.</p>		

NTA Recommendation	IRS Response	IRS Addressed Yes/No/Partial (TAS's Assessment)	TAS Explanation (if any)
5. Develop a method of simplified tax and information reporting online, modeled after the new online FBAR form for taxpayers incurring foreign taxes higher than the U.S. effective tax rate - resulting in no tax liability.	All taxpayers with an AGI equal to or less than \$57,000 are eligible for free tax return preparation services and can file electronically without charge, even with an address outside the United States. Many taxpayers with any level of AGI can electronically file without charge using Free Fillable Forms, even with an address outside the United States. The IRS in June 2012 issued IR 2012-65 to provide for streamlined filing of certain tax returns. These new Streamlined Procedures apply to non-resident, non-filers whose returns constitute "low risk." A return will be determined to be "low risk" if it is a simple return with tax due below \$1,500. To qualify, taxpayers must file returns for their three most recent delinquent tax years.	No	IRS does not explicitly agree to simplified filing for taxpayers incurring foreign taxes at rates higher than U.S. effective tax rate.
6. Establish a voluntary compliance program for individual international taxpayers, including a combination of simplified filing and relief from all	As stated in response to MSP 8-1 above, to address feedback from taxpayers and stakeholders, including practitioners and organizations representing	No	IRS rejected specific qualifier for taxpayers who pay foreign tax rates higher than U.S. effective tax rates.

NTA Recommendation	IRS Response	IRS Addressed Yes/No/Partial (TAS's Assessment)	TAS Explanation (if any)
<p>penalties for nonfilers and taxpayers in countries with tax at rates higher than the U.S. effective tax rate.</p>	<p>taxpayers located overseas, the IRS provided a new option--the Streamlined Filing Compliance Procedures--effective September 1, 2012, to help some nonresident U.S. taxpayers who have not been filing tax returns or FBARs come into compliance. Under the streamlined procedures, taxpayers presenting low compliance risk will undergo an expedited review and the IRS will not assert penalties or pursue follow-up actions. In August 2012, the IRS issued instructions for the streamlined procedures, including submission instructions and a description of factors that, if present, suggest an increase in compliance risk level and therefore ineligibility for streamlined examination. On February 28, 2013, the IRS issued new Frequently Asked Questions (FAQ's) to clarify some aspects of the streamlined procedures about which questions had been</p>		

NTA Recommendation	IRS Response	IRS Addressed Yes/No/Partial (TAS's Assessment)	TAS Explanation (if any)
	<p>raised. The new Streamlined Filing Compliance Procedures accomplish the establishment of a voluntary compliance program for international individuals, including a combination of simplified filing and relief from all penalties for taxpayers who have no liability.</p>		

NTA Recommendation	IRS Response	IRS Addressed Yes/No/Partial (TAS's Assessment)	TAS Explanation (if any)
<p>7. Increase the threshold for the Streamlined Nonresident Filing Initiative from \$1,500 of tax due to \$5,000.</p>	<p>As the National Taxpayer Advocate points out, according to the 2010 WIRA research study, more than 80 percent of U.S. taxpayers abroad had no U.S. tax liability. The IRS continues to monitor feedback from stakeholders, including practitioners and groups representing U.S. taxpayers living abroad. As a result of this feedback, on February 28, 2013, the IRS issued several Frequently Asked Questions one of which clarified the significance of the \$1,500 tax due threshold. A number of factors have been considered in setting the threshold amount including equity and fairness to taxpayers living in the United States as well as compliance risk. We will continue to monitor feedback and review the threshold amount as necessary and appropriate.</p>	<p>No</p>	

2012 ARC – MSP Topic #16 – IRS PROCESSING FLAWS AND SERVICE DELAYS CONTINUE TO UNDERMINE FUNDAMENTAL TAXPAYER RIGHTS TO REPRESENTATION

Problem

Taxpayers generally have a right to representation before the IRS and use Form 2848, *Power of Attorney and Declaration of Representative*, to appoint certified public accountants (CPAs), attorneys, enrolled agents (EAs), or other authorized persons to act on their behalf. The IRS receives the forms by mail, fax, or electronic submission and processes them in various departments or the Centralized Authorization File (CAF) units. However, if the CAF units do not timely process Forms 2848, systems and employees that generate notices to taxpayers cannot send these notices to the right representatives or addresses. IRS employees also may assume the taxpayer is unrepresented and contact him or her directly, or disclose information to an unauthorized representative, both of which violate taxpayers’ fundamental rights to representation and privacy. When the IRS fails to process Form 2848 properly, it effectively shuts the door to the right to representation set forth in the Code.

NTA Recommendation	IRS Response	IRS Addressed Yes/No/Partial (TAS’s Assessment)	TAS Explanation (if any)
1. The IRS implement a comprehensive system to record, track, and automatically update the CAF and the IDRS to shorten Form 2848 processing time to two or three calendar days or less.	CAF sites increased staffing to reduce cycle time. Cycle time has averaged 3 to 4 days since January 1, 2013. Inventory levels by site are being closely monitored to ensure equitable distribution. Accounts Management has submitted a work request for an on-line system POA application, which would replace DA and allow the request to be directly loaded into CAF.	Partial	While TAS believes the IRS is attempting to reduce cycle time through its regular manual process and equitable distribution of inventory, TAS does not believe that the IRS will achieve true efficiencies in the CAF system until a systemic process is developed to allow POA applications to be directly entered, tracked, and verified on the system. We look forward to learning more about the work request submitted by Accounts Management, the timing of the improvements, and the

NTA Recommendation	IRS Response	IRS Addressed Yes/No/Partial (TAS's Assessment)	TAS Explanation (if any)
			process that will be used.
<p>2. The CAF units timely acknowledge the processing of all Form 2848 authorizations to prevent costly rework when a representative cannot determine if the IRS processed his or her request in a reasonable time.</p>	<p>The IRS has invested time and resources to reduce processing time and the CAF units continue to reduce the number of days needed to process Form 2848 and 8821 applications. Since January 1, 2013, processing time has averaged 3 to 4 days. Limited CAF resources are better utilized in processing the applications and maintaining the current reduced processing time frames.</p>	No	<p>The IRS's response fails to address the findings of Accounts Management's review of the cause of the CAF Units' duplicate receipts and other rework. While eliminating duplicate submissions and rework would benefit the CAF units, it would also fulfill the requirement to provide acceptable customer service to taxpayers and POAs. The IRS expects taxpayers to be responsive when a taxpayer receives an IRS notice, but does not hold the same when it receives correspondence from a POA. Despite resource issues good customer service in the form of acknowledgements would benefit the CAF units in more ways than just eliminating unnecessary rework of duplicate submissions.</p>

NTA Recommendation	IRS Response	IRS Addressed Yes/No/Partial (TAS's Assessment)	TAS Explanation (if any)
<p>3. The IRS encourage practitioners to electronically file Form 2848 authorizations and retrain some of its employees to implement e-Service controls.</p>	<p>We encourage practitioners to electronically file Form 2848, and have taken steps to encourage more qualified practitioners to take advantage of the e-Services products available to them. IRS continues to work with the IRSAC regarding other options for filing third party authorizations. Electronic Products and Services Support is coordinating with W&I Communications and Liaison and the practitioner community on a comprehensive e-Services marketing plan to expand the promotion of e-Service capabilities, through multi-media and print methods.</p>	<p>Partial</p>	<p>The IRS's response fails to address whether it is retraining any of its employees to review and verify Form 2848 data entered by practitioners through its e-Service portals. While it is promising that the IRS is encouraging practitioners to use e-Services, checks and balances need to be present to protect taxpayers and to promote the data integrity of the CAF system.</p>
<p>4. The IRS reinstate the CAF unit help lines, along with quality controls and the ability to transfer calls in and out, to enable representatives to update addresses and fix processing problems, and provide taxpayers the ability to make verbal authorizations.</p>	<p>CSRs on the Toll-Free lines are trained to assist taxpayers with CAF related issues such as address changes, processing problems and completing verbal authorizations. Resources previously used to staff the CAF Help Line have been redirected to process third party applications. This</p>	<p>No</p>	<p>Redirecting of resources from phone lines used to help practitioners ask questions and track down POA forms to enter forms may have a short term benefit for processing these forms. However, the practitioners' inability to speak to CAF unit employees will eventually lead to more rework and duplicate POA</p>

NTA Recommendation	IRS Response	IRS Addressed Yes/No/Partial (TAS's Assessment)	TAS Explanation (if any)
	redirection of resources has contributed to improved processing time that has been recognized by our customers.		submissions, because these practitioners will have no direct line to verify proper submission of forms and requests to the CAF unit. While CSRs on the toll-free lines may be well trained, they will further compound the problem of duplicate submissions when they cannot confirm that an action requested by the practitioner has been completed by the CAF unit. Permitting employees of the CAF units to stick their heads in the proverbial sand and to avoid contact with practitioners will further erode any accountability for data integrity and customer service in the CAF units.

NTA Recommendation	IRS Response	IRS Addressed Yes/No/Partial (TAS's Assessment)	TAS Explanation (if any)
<p>5. The IRS revise its e-Services system to allow submission of LITC student Form 2848 authorizations and LITC student representation substitutions.</p>	<p>The e-Services suite of products is designed for practitioners to help them communicate electronically with the IRS about their clients' issues. LITC students are unlicensed individuals who, because of special appearance authorizations, are permitted to practice before the IRS. The students have not completed the training and background checks that other Circular 230 practitioners have undergone to obtain their licenses.</p>	<p>No</p>	<p>The IRS's response shows a complete disregard for the needs of low income taxpayers and their representatives. LITC student representatives are in all respects of the law licensed under the authority and supervision of a licensed practitioner. Further, the licensed representative supervising the student would likely be responsible for submitting the POA authorization paper work. Moreover, to infer that LITC clinics are somehow dishonest and likely to commit fraud without any evidence of such activity is libelous, defies all logic, and is discriminatory to low income taxpayers.</p>

NTA Recommendation	IRS Response	IRS Addressed Yes/No/Partial (TAS's Assessment)	TAS Explanation (if any)
6. The IRS work with the National Taxpayer Advocate to increase awareness of the student representation program among IRS operating divisions to help ensure that student representatives are appropriately recognized.	The importance of LITCs is widely understood within the IRS. The IRS has invested in training and guidance to ensure proper recognition for student representatives for many years, including revisions to the Form 2848, its instructions, and CAF processes, as well as numerous changes to relevant IRM sections.	Partial	While TAS accepts that the IRS is trying to do more to recognize student representatives, the IRS needs to work with the National Taxpayer Advocate to coordinate efforts to recognize and promote LITCs.
7. The IRS gather and track taxpayer and practitioner complaints about direct contact POA bypass violations.	The IRS has significant policies and procedures in place to mitigate the risk of inappropriate bypass. With our continued efforts to ensure our employees adhere to the established policies and procedures, a dedicated system to gather and measure complaints is not necessary. We will continue to provide guidance to our contact employees on the rules regarding adherence to POA procedures and continue to solicit feedback from our external stakeholders for improvement opportunities. We will continue to monitor and	No	The IRS's response fails to address the recommended action, which is to gather and track complaints regarding POA bypasses. If the IRS wants to ensure that it has created an effective policy to guide employees in the area of POA bypass, the only logical step is to gather and track complaints. Otherwise, employees will not be held accountable if they do not follow the POA bypass rules.

NTA Recommendation	IRS Response	IRS Addressed Yes/No/Partial (TAS's Assessment)	TAS Explanation (if any)
	consider feedback from practitioners.		
8. The IRS collaborate with TAS to provide mandatory annual training for all contact employees on how to avoid direct contact POA bypass violations.	The IRS provides training portals, including some training which is mandatory, for employees and managers to make sure they have appropriate guidance. We update the IRM and issue guidance memoranda to reinforce the importance of adhering to the processes designed to recognize taxpayer representation. We emphasize taxpayer rights with respect to direct contact provisions in training The SBSE Campus Compliance Services (CCS) reviewed Correspondence Exam and AUR CPE training material for their contact employees to ensure it includes information on how to avoid direct contact POA bypass violations and found it is covered in both new hire training and CPE. The CCS will also review CPE training material for collection contact employees to ensure it includes information on how to avoid	No	While TAS has never questioned that the IRS provides training for POA bypass, TAS is concerned that failure to annually remind employees that bypassing the POA is a violation to taxpayers' fundamental rights to representation may lead to violations. If the IRS is truly concerned about taxpayer rights to representation, it would not balk at the idea of having a limited annual training on the POA bypass. Further, if the IRS training was completely successful, TIGTA would not be finding instances of POA bypass violations in IRS cases.

NTA Recommendation	IRS Response	IRS Addressed Yes/No/Partial (TAS's Assessment)	TAS Explanation (if any)
	direct contact POA bypass violations. We believe our efforts in this area provide the appropriate guidance for our employees and additional mandatory annual training for all contact employees is not warranted.		
9. The IRS form a workgroup with TAS to address improper systemic bypasses of taxpayers' representatives, provide taxpayer remedies for bypass violations, and specifically correct problems that deny taxpayers their fundamental right to representation.	The IRS is committed to protecting taxpayers' rights to representation. We will continue to monitor the issue and will work with TAS on improvement efforts when areas of deficiency are identified in our operations.	Yes	

2012 ARC – MSP Topic #17 – THE IRS LACKS A SERVICEWIDE STRATEGY THAT IDENTIFIES EFFECTIVE AND EFFICIENT MEANS OF DELIVERING FACE-TO-FACE TAXPAYER SERVICES

Problem

Taxpayer Assistance Centers (TACs) provide the main means by which taxpayers interact in person with IRS employees. While technological advances begin to allow taxpayers to interact in a virtual face-to-face platform with the IRS, the IRS knows that a segment of taxpayers will always need to receive IRS services in a face-to-face environment. In addition, access to these advances or an unwillingness to try these service delivery methods ensure that the IRS must maintain in person services through TACs. The taxpayers who are least likely to use these types of services, and to have any Internet access overall, constitute extremely vulnerable groups that most need face-to-face services.

NTA Recommendation	IRS Response	IRS Addressed Yes/No/Partial (TAS's Assessment)	TAS Explanation (if any)
<p>1. Continue to study taxpayer needs and preferences and work with TAS to update the surveys done in coordination with the 2006 Taxpayer Assistance Blueprint by addressing service delivery options through traditional channels and emerging technologies.</p>	<p>The Internal Revenue Service (IRS) welcomes continued partnership with the Taxpayer Advocacy Panel (TAP) in addressing taxpayer needs and preferences. During 2010, the IRS conducted the Customer Expectation Survey in part, to address the concerns of the TAP and the Treasury Inspector General for Tax Administration. The IRS is planning to conduct a similar survey in FY 2013 to keep up with emerging taxpayer needs and to match them with the limited resources available. The IRS has also enhanced the Field Assistance Customer Survey Card for 2013 to include</p>	<p>Partial</p>	<p>TAS would like the IRS to partner not only with TAP, but also with SA to review TAB results and go forward.</p>

NTA Recommendation	IRS Response	IRS Addressed Yes/No/Partial (TAS's Assessment)	TAS Explanation (if any)
	<p>questions regarding alternative service channels. In addition, the TAP panel is planning to administer another survey of taxpayer preferences.</p>		
<p>2. Commit to using the W&I and TAS ranking tool in making changes in taxpayer service policies and offerings, including the three taxpayer value criteria proposed by TAS; to completing the research necessary to fully populate the tool's data fields; to extending the methodology to enable scoring of changes to the way covered services are delivered (e.g., increases or decreases in the level of service or available service hours for a service activity); and to including a broad array of TAS and IRS senior leadership in the actual ranking of service offerings and to timely discussing this ranking at the IRS Services Committee.</p>	<p>The ranking tool is still under development. Once operational, the IRS plans to use the ranking tool as a guide, along with other relevant information, in making decisions about changes to taxpayer services. If budget constraints allow it, the IRS plans to modify existing surveys in order to collect data that will populate the data gaps in the current model. For example, an increased sample size necessary to collect the detailed data for the model will increase the survey cost and may not be feasible within the IRS's budget. As more reliable data becomes available, the IRS will consider incorporating additional criteria into the ranking tool. Meanwhile, the project team has proposed</p>	<p>Yes</p>	

NTA Recommendation	IRS Response	IRS Addressed Yes/No/Partial (TAS's Assessment)	TAS Explanation (if any)
	<p>that information available about these criteria be included as addenda to the service task score sheets. Preliminary scores of the draft ranking tool were used to assess the proposed 2013 taxpayer service changes, and the scores supported the proposed changes. The Services Committee was briefed on the status of the ranking tool at its February 2013 meeting. The ranking tool is not designed to provide information about the impact of specific changes in service attributes (e.g., hours of operation, wait time, etc.).</p>		
<p>3. Partner with TAS to study and rigorously analyze the downstream consequences of changes in taxpayer service policy and their impact on different taxpayer groups.</p>	<p>The IRS conducts strategic research on an ongoing basis, such as the TAC Expectations Survey, to get a measure of the face-to-face customer base and needs. Our research has indicated that it is difficult to measure the downstream consequences of particular service changes and their impact on different taxpayer groups.</p>	<p>No</p>	<p>IRS has indicated that they can't measure the downstream consequences of particular service changes and their impact on different taxpayer groups. Therefore, they can't accomplish this recommendation.</p>

NTA Recommendation	IRS Response	IRS Addressed Yes/No/Partial (TAS's Assessment)	TAS Explanation (if any)
<p>4. Reinstate the policy of allowing taxpayers to make appointments at TACs for tax return preparation during filing season and throughout the year.</p>	<p>The IRS took a comprehensive look at TACs and determined there was a need to modify some of its services beginning in FY 2012. We added services such as Virtual Service Delivery (VSD). The IRS also began offering year round return preparation two to three days per week, determined by staffing and workload for each TAC. Generally, return preparation is offered on a first-come, first-serve basis, but appointments may be provided at local management's discretion for taxpayer's with special needs. Scheduling appointments for return preparation reduces resources available to provide services to taxpayers who are awaiting other more complex services.</p>	<p>Partial</p>	<p>The IRS will schedule appointments at the TAC supervisor's discretion if a need exists. Otherwise, they feel their return preparation services are best offered on a first come, first serve basis. The IRS has indicated that this is the best way to spread their resources and provide return preparation or other services to as many taxpayers as possible.</p>

2012 ARC – MSP Topic #18 – THE IRS IS SUBSTANTIALLY REDUCING BOTH THE AMOUNT AND SCOPE OF ITS DIRECT EDUCATION AND OUTREACH TO TAXPAYERS AND DOES NOT MEASURE THE EFFECTIVENESS OF ITS REMAINING OUTREACH ACTIVITIES, THEREBY RISKING INCREASED NONCOMPLIANCE

Problem

The IRS’s commitment to its outreach and education programs, Stakeholder Partnerships, Education and Communication (SPEC) and Stakeholder Liaison, has eroded since the agency’s congressionally-mandated reorganization in 1998. Neither program was ever fully staffed, and neither one has the geographic presence originally envisioned. SPEC devotes most of its resources to return preparation and provides outreach that is not directly related to return filing only if another IRS division agrees to provide the funding. Stakeholder Liaison now has only about 150 field employees, and has no stakeholder liaisons in 12 states. Less than a third of its outreach is targeted directly to small businesses.

NTA Recommendation	IRS Response	IRS Addressed Yes/No/Partial (TAS’s Assessment)	TAS Explanation (if any)
1. Collaborate with TAS and Compliance employees (e.g., Revenue Officers and Revenue Agents) to design research initiatives to measure the effect of education and outreach methods on specific taxpayer populations or with respect to specific issues.	In the past, SB/SE and W&I have worked closely with contractors and our research functions to measure the effect of education and outreach on taxpayer compliance. While isolating the impact of education and outreach from the many other potential behavioral influences on compliance has proven to be virtually impossible, our organizations have ways to ensure we hear and address outreach needs identified across the country. For example, to reach the estimated 57 million small business owners, Stakeholder Liaisons (SLs) maintain	No	

NTA Recommendation	IRS Response	IRS Addressed Yes/No/Partial (TAS's Assessment)	TAS Explanation (if any)
	<p>relationships with 5,969 industry partners and 1,749 payroll and practitioner organizations. Annual communication plans are developed for each of the SB/SE compliance functions which line up with Servicewide goals and include detailed messaging and delivery on compliance issues and new legislation directed to the small business community. These topics are presented during stakeholder events with the information provided at those events further disseminated to organization members through meeting minutes, newsletters, website postings, and social media. We work with these stakeholders to ensure the events and discussions meet their individual needs. In addition, the topics are highlighted in tax centers, a series of links to irs.gov specific to tax professionals or a particular industry, which are posted on partner websites. The Issue</p>		

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	<p>Management Resolution System (IMRS) puts the finishing touches on this vibrant, nationwide two-way communication.</p> <p>Issues/concerns identified by our stakeholders are elevated to the appropriate business owner for resolution. A trend analysis is performed on the IMRS issues to determine additional topics to deliver through education and outreach, thereby completing the loop with our partners in tax administration.</p>		

NTA Recommendation	IRS Response	IRS Addressed Yes/No/Partial (TAS's Assessment)	TAS Explanation (if any)
2. Suspend current plans to reduce in-person outreach and education to practitioners pending the outcome of such research.	As stated in response to recommendation 18-1, because our experience indicates it is virtually impossible to isolate the impact of education and outreach from the many other potential behavioral influences on compliance, we do not plan to use our limited resources to conduct research initiatives to measure this impact. Therefore, we have no plans to suspend further implementation of our current business model pending such research.	No	
3. Adjust the distribution of outreach and education staff over geographic areas in light of research findings about taxpayer characteristics in those areas.	The ability to use technology alternatives to provide presentations and information eliminates the need to have personnel physically present in each state. This approach enables us to have the technical experts participate in these events regardless of location. Our leveraged model, equipping our partners with educational and informational products and materials for their distribution	No	

NTA Recommendation	IRS Response	IRS Addressed Yes/No/Partial (TAS's Assessment)	TAS Explanation (if any)
	<p>to taxpayers, reaches far more taxpayers than IRS could reach alone. Additionally, the IRS will continue to use highly recognized social media venues, such as YouTube, Twitter, and Tumblr to reach on a continuous basis taxpayers across the country.</p>		
<p>4. Suspend the current policy of not offering outreach and education, beyond the narrow list of topics the IRS identifies, unless other government agencies or organizations agree to pay the cost.</p>	<p>SPEC's priority is preparation of free federal tax returns for America's lower wealth underserved populations (including limited English speaking, persons with disabilities, seniors and Native Americans). Achievement of this goal requires expenditure of the majority of SPEC's resources. Actions supporting this goal include maintenance of existing partnerships with over 3,000 community based organizations, oversight of more than 13,000 VITA/TCE sites and 93,000 volunteers to deliver free return preparation to over 3 million taxpayers. Development of alternative</p>	<p>No</p>	

NTA Recommendation	IRS Response	IRS Addressed Yes/No/Partial (TAS's Assessment)	TAS Explanation (if any)
	<p>business models promoting return preparation and virtual face to face relationship management, training of staff and partners and remote program oversight are ongoing operational priorities. Within remaining resources, SPEC identifies, develops and strategically delivers outreach priorities. These prioritized outreach topics are delivered throughout the year based on seasonal cycles – pre-filing season, filing season and post-filing season. We develop the messages with the support of the W&I Communications and Liaison (C&L) Office and actually deliver the information on the selected topics through our partners.</p>		

2012 ARC – MSP Topic #19 – A PROACTIVE APPROACH TO DEVELOPING A GOVERNMENT ISSUED DEBIT CARD TO RECEIVE TAX REFUNDS WILL BENEFIT UNBANKED TAXPAYERS

Problem

At least 17 million U.S. adults are unbanked, lacking any type of bank account, while 51 million others are underbanked. The unbanked have no free option to receive their tax refunds electronically. The Treasury Department attempted to address this problem in the 2011 filing season when it launched a debit card pilot program to issue refunds via prepaid cards to more than 800,000 unbanked or underbanked taxpayers. After analyzing preliminary results, Treasury ended the program due to low participation rates. However, the National Taxpayer Advocate believes it is in the best interest of taxpayers and tax administration to make a government-sponsored tax refund debit card available nationwide. The IRS should evaluate the methodology of the pilot, with particular focus on the findings and conclusions in a report by the Urban Institute, to develop a more effective strategy. In addition, the National Taxpayer Advocate raised concerns about the incorporation of the Western Union MoneyWise prepaid card into the TaxWise preparation software used at most volunteer tax preparation sites. In response, the IRS has committed to block the product in the software during the 2013 filing season and prohibit any future incorporation in the 2014 contract with CCH.

NTA Recommendation	IRS Response	IRS Addressed Yes/No/Partial (TAS's Assessment)	TAS Explanation (if any)
<p>1. In collaboration with the Department of Treasury and the Office of the Taxpayer Advocate, establish a task force to evaluate the results of the Treasury debit card pilot, with a particular focus on the Urban Institute report, to design a more effective future nationwide program. The team should review the feasibility of incorporating the application process into the tax-filing process</p>	<p>We do not believe that a study of this nature would be the most prudent use of IRS resources at this time. We remain willing to assist Treasury as necessary and appropriate.</p>	<p>No</p>	

NTA Recommendation	IRS Response	IRS Addressed Yes/No/Partial (TAS's Assessment)	TAS Explanation (if any)
as well as distribution of the cards through the post office and financial institutions, and should confer with the private and nonprofit sectors about security and consumer protection issues.			
2. Provide the National Taxpayer Advocate with a complete copy of the agreement with CCH concerning the TaxWise product used in the VITA program, and any forthcoming Requests for Proposals pertaining to VITA software procurement, prior to public announcement.	The National Taxpayer Advocate (NTA) received a copy of the TaxWise contract. The IRS will provide the Request for Proposals pertaining to VITA software procurement after the public announcement.	Yes	
3. If the IRS wants the software it provides to VITA/TCE sites to include a debit card product, explicitly state that requirement in its Request for Proposal and separately negotiate terms for debit card services.	The IRS is not pursuing a requirement to include a debit card product. Beginning with the 2015 software for the 2014 tax filing year, the contract will include a prohibition on offering a debit card product in software purchased by the IRS.	Yes	Although we would have preferred the prohibition to include the 2013 TY software contract, we are pleased that the 2014 TY software contract will have a prohibition against including commercial refund products.
4. Undertake an aggressive public awareness campaign to educate	We have found it most helpful to communicate realistic refund delivery time to	Partial	We acknowledge that the IRS has an interest in communicating realistic

NTA Recommendation	IRS Response	IRS Addressed Yes/No/Partial (TAS's Assessment)	TAS Explanation (if any)
<p>taxpayers about the reduced return processing time, as well as its impact on refund turnaround times, for government-sponsored refund options. This campaign should inform taxpayers about actual turnaround times during the previous filing season and advise taxpayers to ask certain questions about card features before purchasing a commercial refund product, such as a debit card.</p>	<p>taxpayers. In 2013, we implemented consumer messaging, setting a general expectation for refunds in less than 21 days, and directing taxpayers to the Where's My Refund tool where they will see information about their own personal refund instead of a generic, estimated date. The IRS has considered stakeholder feedback and is committed to working together with stakeholders to set expectations for refund communications and implement suggested changes to Where's My Refund. This year, taxpayers are able to start checking on the status of their return with 24 hours (instead of 72) after the IRS has received an e-filed return. Also in 2013, Where's My Refund has a tracker that displays a return's progress through the following three states: (1) Return Received, (2) Refund Approved and (3) Refund Sent. The IRS expects that each of these initiatives will</p>		<p>refund turnaround times to reduce taxpayer calls to the IRS. However, we believe that taxpayers would benefit from IRS-provided communications stating actual average turnaround times experienced in previous filing seasons. This knowledge would allow the taxpayer to make a more informed decision when choosing the type of refund delivery method. We also believe taxpayers would benefit from IRS communications that suggest questions to ask about product features when choosing a commercial product.</p>

NTA Recommendation	IRS Response	IRS Addressed Yes/No/Partial (TAS's Assessment)	TAS Explanation (if any)
	<p>improve the taxpayer's ability to understand their refund status. The IRS will also continue to deliver messaging during filing season that the fastest way to get a tax refund is to use free file or e-file to ensure an accurate tax return in addition to promoting the direct deposit option. While the IRS works hard to issue refunds as quickly as possible, some tax returns take longer to process than others for many reasons, including when a return has errors, is incomplete or needs further review. We will ensure that taxpayers are informed as to realistic expectations.</p>		

2012 ARC – MSP Topic #20 – THE DIMINISHING ROLE OF THE REVENUE OFFICER HAS BEEN DETRIMENTAL TO THE OVERALL EFFECTIVENESS OF IRS COLLECTION OPERATIONS

Problem

An imbalanced focus within the IRS Collection operation on automation, centralization, and enforcement has undermined the service and compliance-oriented components of the field-based Revenue Officer job. The IRS does little to identify segments of the taxpayer population that would benefit from timely, face-to-face contacts with skilled collectors, specifically trained to address their problems in a service-oriented manner. Particularly with tax debts involving small business taxpayers, the Revenue Officer’s skill set should be recognized as critical to case resolutions that are in the best interests of the taxpayers and the United States.

NTA Recommendation	IRS Response	IRS Addressed Yes/No/Partial (TAS’s Assessment)	TAS Explanation (if any)
<p>1. Use direct assignments to the CFf for the cases most likely to be fully resolved in the field environment, with particular emphasis on in-business taxpayers with employment tax delinquencies.</p>	<p>We have engaged our Research organization in developing a resource model to assist in maximizing coverage of our inventory, as budget resources become available. In March 2013 the IRS had over 1.4 million cases in the queue, of which 32% (456,000) were BMF. Of these, over 143,000 of the BMF cases were considered “high risk” which by definition means most owe payroll taxes. Considering the average number of closures per RO over the past two years (128.8), this volume of work would require over 1100 ROs to work just the BMF work or an additional 2400</p>	<p>No</p>	<p>The IRS response is disappointing, but not surprising. Once again, the IRS has taken the position that the Collection operation does not have the resources to address the growing inventory of delinquent taxpayer cases, but continues to base this assumption on a continuation of "business as usual." TAS does not agree with the IRS position. Unless significant changes are made in the manner in which the IRS responds to tax delinquencies, assigns work, and allocates resources, IRS accounts receivable will continue to age, millions of taxpayers will not receive the</p>

NTA Recommendation	IRS Response	IRS Addressed Yes/No/Partial (TAS's Assessment)	TAS Explanation (if any)
	<p>ROs to work all of the high risk work. In addition to the capacity of the agency to increase its' staffing by this volume, our current budget posture warrants a different approach. As such, routing cases first to ACS, and then to the queue to await assignment to CFf is the most efficient and practical solution. Although ACS may not be able to resolve all cases, they are able to resolve a portion of the cases, provide service to some taxpayers and collect a portion of the outstanding liabilities. However, there are certain circumstances under which a case may bypass ACS. For example, an employment tax account with a total balance due over \$10,000 or an individual account with a total balance due over \$250,000.</p>		<p>assistance needed to get back into compliance, and billions of dollars of revenue will be lost to the government every year.</p>

NTA Recommendation	IRS Response	IRS Addressed Yes/No/Partial (TAS's Assessment)	TAS Explanation (if any)
<p>2. Reevaluate and redesign the Collection Queue concept, including the assignment of accountability for the overall Queue inventory to a specific Collection executive. While it may be practical to maintain temporary "secondary inventories" at the Collection Area or group levels, specific CFf managers should be accountable to the taxpayers assigned to these inventories.</p>	<p>Field Collection currently has 400 groups that work general program work. With over 1.4 million cases in the queue, this averages over 3500 cases per group. We believe that it would provide a disservice to all taxpayers to expect a single CFf manager to be responsible for this inventory since the manager would not be able to respond timely to inquiries or correspondence received on these cases, while still providing oversight and direction on the active cases being worked by his or her employees. Conversely, by utilizing a corporately-managed queue, taxpayer inquiries and correspondence can be easily routed to the appropriate function.</p>	<p>No</p>	<p>The IRS continues to view the astonishing growth of the Collection Queue as a matter beyond its control. TAS believes the extraordinary growth of the Queue is more attributable to questionable case creation and assignment practices than to a simple lack of resources. TAS has seen no evidence that taxpayers who find themselves assigned to the Queue are "easily routed to the appropriate function" when attempting to obtain personal service to resolve their accounts. Rather, TAS has noted a significant amount of taxpayer cases systemically routed to and from the queue in a manner that appears to be highly ineffective in resolving taxpayer delinquency problems.</p>
<p>3. Empower all Revenue Officers to evaluate offer in compromise applications and recommend the acceptance of OICs.</p>	<p>The Offer in Compromise program is unique in that it allows the government to settle the tax liability for less than is legally owed. Offer specialists receive specialized</p>	<p>No</p>	<p>The IRS response is inadequate and inaccurate. The knowledge, skills and case actions required to evaluate an offer in compromise are not</p>

NTA Recommendation	IRS Response	IRS Addressed Yes/No/Partial (TAS's Assessment)	TAS Explanation (if any)
	<p>training related to the analysis and processing of this type of case. The number of offers received in the field is consistently monitored, and additional specialists are aligned to the program as needed. This approach ensures taxpayers are receiving the best customer service from employees with appropriate knowledge and training. Given the nature of this authority and the need to ensure the fair and equitable treatment of all taxpayers, it is in the best interest of taxpayers and the IRS to continue to centralize this program. We are, however, revising Form 657 to provide the revenue officer more input into the offer decision process, including the ability to provide input on the viability of the taxpayer's offer and input prior to final recommendation. In addition, the IRM will be revised so the investigating offer specialist or offer examiner must contact the revenue officer</p>		<p>materially different that those required for the consideration of other payment options, e.g. CNC, IA, PPIA. The vast majority of revenue dollars reported as CNC are never collected, yet any RO can initiate these actions. On the other hand, the large volume of aged collection cases within the IRS collection inventories continues to grow. Virtually any collection operation faced with similar challenges use the "settlement" option as a routine tool in resolving delinquent accounts. The IRS resistance to optimizing the use of the OIC appears to be detrimental to its efforts to improve taxpayer compliance and revenue collection.</p>

NTA Recommendation	IRS Response	IRS Addressed Yes/No/Partial (TAS's Assessment)	TAS Explanation (if any)
	and explain the reason the offer is not being recommended for acceptance if the RO had recommended acceptance.		

NTA Recommendation	IRS Response	IRS Addressed Yes/No/Partial (TAS's Assessment)	TAS Explanation (if any)
<p>4. Revise the delegated authority for issuance of lien withdrawals so that any Revenue Officer who can independently file an NFTL also can issue a lien withdrawal.</p>	<p>In May 2012 Revenue Officer Group Managers were given the authority to withdraw a NFTL for situations where the NFTL was premature or the lien has already been released. Authority to issue a withdrawal was also expanded to Advisors/Reviews and CCP managers in specific situations. This expanded authority provides our taxpayers with additional avenues to pursue a withdrawal while still ensuring a separation of duties between those responsible for filing the NFTL and those authorized to issue a withdrawal.</p>	<p>Partial</p>	<p>Although the IRS response indicates that RO group managers have been authorized to approve lien withdrawals in limited situations, this corrective action is inadequate to address the concerns addressed by the TAS recommendation. Most ROs can file NFTLs with no higher-level review and approval. The NFTL is simply a collection tool, which should only be used by the IRS to facilitate collection of delinquent revenue. ROs are also frequently in the best position to determine if a lien withdrawal is appropriate, based on the taxpayer's circumstances. TAS does not agree that the "separation of duties" concept is a critical factor in this area. However, the degree of separation that exists by requiring review and approval by Tech Services for most lien withdrawals is excessive, and can be detrimental to taxpayer service.</p>

NTA Recommendation	IRS Response	IRS Addressed Yes/No/Partial (TAS's Assessment)	TAS Explanation (if any)
<p>5. Develop and implement measures for the Collection operations that accurately represent the outcomes the IRS is trying to achieve. In addition to measures reflecting the recovery of delinquent revenue, along with new measures to track revenue protected (e.g., project the reduction of lost revenue tied to the prevention of the pyramiding of liabilities), the most critical needs are for measures illustrating the short and long-term compliance benefits of Collection treatments. We suggest that the IRS track and evaluate:</p> <ul style="list-style-type: none"> • The number and percentage of taxpayer entities brought into full compliance at the conclusion of specific collection treatments (short-term compliance); and • The long-term effectiveness of collection 	<p>We agree that Collection programs should assess results in promoting both short-term and long-term compliance. We are already pursuing research along these lines and will continue to do so. Developing an understanding of taxpayer compliance trends and the differential impact of available collection treatments require detailed analysis of historical compliance data (often over extended timeframes). We believe that this is better achieved initially through rigorous research of the kind we are already undertaking rather than through additional measures reported in our management information systems. Once analysis of that research is completed is when additional measures will be considered.</p>	<p>No</p>	<p>The IRS response is an inadequate and inaccurate dismissal of the MSP recommendation. Although requested by TAS on many occasions, we have seen almost no evidence of any "rigorous research" conducted by the IRS to assess the compliance impact of its Collection treatments. In the meantime, Collection measures appear to promote the continuation of case creation and assignment practices that are detrimental to taxpayer compliance, taxpayer service and revenue collection.</p>

NTA Recommendation	IRS Response	IRS Addressed Yes/No/Partial (TAS's Assessment)	TAS Explanation (if any)
<p>treatments on taxpayer compliance, e.g., the number and percentage of taxpayers that remain in compliance for the five years following the collection treatment (long-term compliance).</p>			

2012 ARC – MSP Topic #21 – THE AUTOMATED COLLECTION SYSTEM MUST EMPHASIZE TAXPAYER SERVICE INITIATIVES TO RESOLVE COLLECTION WORKLOAD MORE EFFECTIVELY

Problem

The Automated Collection System (ACS) is a computerized inventory system and group of telephone call centers. It routinely issues levies and files Notices of Federal Tax Lien to generate taxpayer contact, rather than initiating personal contact with taxpayers before taking enforcement action. In fact, ACS spends just two percent of its time on outgoing calls. ACS's success at collecting outstanding tax liabilities is limited. In fiscal year (FY) 2012, ACS collected only seven percent of its \$42.7 billion inventory and closed only 41 percent of its inventory. (This includes full pay accounts, installment agreements accounts, and accounts that have been placed in Currently Not Collectable status.) Further, the ACS transfers more taxpayer accounts to other IRS functions than it resolves. In FY 2012, the ratio of delinquent tax dollars transferred to the Queue, a holding place for cases the IRS is not working, to the amount actually collected by ACS was 4 1/2 to one. That is, ACS collected \$2.8 billion but transferred 1.17 million cases valued at \$12.9 billion to the Queue.

NTA Recommendation	IRS Response	IRS Addressed Yes/No/Partial (TAS's Assessment)	TAS Explanation (if any)
1. Revise ACS collection strategy to use more outgoing calls prior to enforcement activity.	Processes are already in place to address NTA recommendations. When a telephone number is not available, we strive to conduct research to obtain a valid and current number for the taxpayer. If a number is found, we make an attempt to reach the taxpayer through an outgoing call. We do not agree with the recommendation as written; however, we are partnering with Research to test the value of using the PD prior to the issuance of the LT11 (Final Notice -- Notice of	Partial	TAS is pleased that a testing of using predictive dialer prior to taking enforcement action (sending the LT 11 Notice of Intent to Levy) is being conducted. However, we disagree that current ACS procedures adequately focus on making contact with the taxpayer prior to sending collection notices, especially since only about two percent of ACS time is making outgoing calls. Also, the IRS response is somewhat vague in regard to when pre-enforcement telephone contacts are actually

NTA Recommendation	IRS Response	IRS Addressed Yes/No/Partial (TAS's Assessment)	TAS Explanation (if any)
	intent to levy and your notice of a right to a hearing).		attempted by ACS. It is TAS's understanding that in cases where the IRS identifies a potential levy source, the LT-11s are issued prior to any outcall activity, and if the taxpayer does not adequately respond to the LT-11 notice, a levy is the next action. Consequently, very little effort is made to personally contact taxpayers prior to enforcement.
2. When ACS uses the predictive dialer, rather than simply leaving callback messages, as the current predictive dialer does, it should actually connect an answered call to a live assistor.	Processes are already in place to address the recommendation. The ACS runs two types of Predictive Dialer (PD) campaigns: 1) Manned - If the call is answered by a person, the call is transferred to an ACS Assistor or if an answering machine is reached, a message is left; and 2) Unmanned - A message is left whether the call is answered by a person or an answering machine. We have made a determination of which outcalls are more appropriate for unmanned versus manned campaigns.	Partial	TAS is pleased that manned predictive dialer campaigns are a part of ACS's efforts to reach the taxpayer, as that is the most effective approach. However, TAS believes that it is just as important, if not more so, to use manned predictive dialer when attempting to make one last contact with the taxpayer prior to collection action. Further, the IRS's response confirms that current practices involving the use of the predictive dialer technology is astonishingly ineffective in actually making contact with taxpayers. TAS remains

NTA Recommendation	IRS Response	IRS Addressed Yes/No/Partial (TAS's Assessment)	TAS Explanation (if any)
	<p>Unmanned campaigns are run on cases where the final demand has been sent and ACS is making one last attempt to contact the taxpayer prior to enforcement action. We are also partnering with Research to test expanding the use of the PD to contact taxpayers.</p>		<p>concerned that although pre-enforcement attempts at personal contacts with delinquent taxpayers should be considered a critical component of taxpayer service, the IRS's efforts in this area remain perfunctory in nature. Rather than a simple exercise in "checking the box" that a contact has been attempted, the IRS needs to invest more research and effort into using the predictive dialer technology more effectively.</p>
<p>3. Once contact has been established, assign each ACS case to one employee, who will work with the taxpayer throughout the process.</p>	<p>Over the years, ACS has evolved from an organizationally segmented processing approach (contact, research, and investigation) to a team approach that maximizes our resources in order to provide more efficient and effective service to taxpayers. Managing the ACS workload requires a balance between phones and inventory processing to achieve the best possible service to the maximum number of</p>	<p>No</p>	<p>TAS understands the need to manage ACS's workload by balancing inventory processing and phones. However, we disagree that it is not possible, or critical, to provide taxpayers with the option of working with the same ACS employee throughout their case. Ideally, ACS should strive to resolve as many calls as possible with one contact resolutions. However, in those instances where ACS has determined the need for additional</p>

NTA Recommendation	IRS Response	IRS Addressed Yes/No/Partial (TAS's Assessment)	TAS Explanation (if any)
	<p>taxpayers. To assign each ACS case to one employee to work through the process would adversely impact our ability to effectively manage corporately and present barriers in our efforts towards efficient resolution and effective service to our taxpayer base.</p>		<p>contacts, TAS has seen no evidence that ACS's current procedures result in "more efficient and effective service to taxpayers."</p>
<p>4. Review and revise the Customer Satisfaction Measurement process in conjunction with TAS Research, revising the questions to elicit the taxpayer's perception of how reasonably and fairly ACS handled the case.</p>	<p>The delivery of ACS customer survey is the most effective means of securing feedback on the taxpayer's actual telephone experience. Completed in real time, thereby ensuring the timeliest, reliable, and accurate feedback, the survey is conducted and verified by an independent third party, Pacific Consulting Group. The PCG uses statistically valid sampling to ensure the survey is unbiased and representative of the ACS customer base. Survey questions encompass the entire experience, from the automated telephone routing system, to account processing questions, to</p>	<p>No</p>	<p>TAS is encouraged that the IRS is working more closely with research on the customer satisfaction survey, but believes efforts to include more taxpayers into the survey need to be made. the survey sample does not include ACS cases where an IRS employee never speaks to the taxpayer. It omits cases where ACS only sends out notices, such that the case may end up in the Queue, which may skew the results to more satisfied taxpayers. Additionally, ACS needs to include a specific question on if the taxpayer agrees that the case was resolved and if it was resolved satisfactory.</p>

NTA Recommendation	IRS Response	IRS Addressed Yes/No/Partial (TAS's Assessment)	TAS Explanation (if any)
	<p>numerous questions regarding the service provided by the actual collection representative who handled the call. The taxpayer is able to directly rate their overall satisfaction and indicate whether we met their expectations during their call. Key areas for improvement are identified through the survey. These areas are identified in the survey report as the Top Improvement Priorities for ACS Customers and Top Improvement Priorities for Customer Service Representatives. We concentrate on these key areas as we monitor call site performance.</p>		
<p>5. Develop a way to identify and review lapsed installment agreements and contact taxpayers prior to default.</p>	<p>The defaulted installment agreement issue is an area that is scheduled to be addressed as a part of the PD outcall tests. We are in the process of testing the expanded use of the PD on installment agreement accounts with missing payments.</p>	<p>Partial</p>	<p>TAS is pleased that the Letter 4458C is currently being used to reach out to taxpayers who missed a payment on their installment agreement (IA). TAS is also encouraged that ACS is attempting to incorporate into its predictive dialer a mechanism that will permit it to easily contact</p>

NTA Recommendation	IRS Response	IRS Addressed Yes/No/Partial (TAS's Assessment)	TAS Explanation (if any)
			<p>taxpayers who have missed a payment on their IA, rather than placing the case back in ACS normal inventory once default has occurred. However, the IRS response does not acknowledge the substantial amounts of rework and wasted resources involved in the current process used to reach out and address potential defaults. TAS remains concerned that the corrective actions mentioned in the IRS response – a revised notice and possibly an attempted contact via the predictive dialer – do not vary significantly from the IRS current practices.</p>
<p>6. Revise the Collection Strategy to send to ACS only cases that data has shown ACS can readily resolve, such as newer Queue cases or cases involving relatively low-dollar W&I taxpayers and place more emphasis on “initial contact” actions by making a measure for</p>	<p>The IRS continuously evaluates the collection strategy for case routing, selection, and prioritization. Many factors are considered during the evaluation process including the availability of resources to work cases and the most effective treatment. The IRS's Inventory Delivery System (IDS) applies</p>	<p>No</p>	<p>TAS understands the IRS's need to prioritize its inventory so it can most effectively use its limited resources. However, we disagree that the appropriate analytics are being applied to the Inventory Delivery System, especially since IRS reports have suggested that the most productive cases are in fact</p>

NTA Recommendation	IRS Response	IRS Addressed Yes/No/Partial (TAS's Assessment)	TAS Explanation (if any)
initial contact resolutions.	analytics to all cases routed through IDS that includes predictive models for collection potential. The results of this modeling are used by the IRS to prioritize inventory within ACS so optimal results are achieved given the limited resources to work cases. The business rules for routing cases to ACS take into consideration the authority and tools necessary to resolve each case. While some cases may not get fully resolved in ACS, there are benefits to ACS initially working the case instead of assigning directly to the collection queue. The IRS collects money and secures delinquent returns on many of these accounts while assigned to ACS. While the case is assigned to ACS, taxpayers may receive important information that can help them resolve their accounts. However, there are certain circumstances under which a case may bypass ACS. For example, an		not being assigned appropriately. TAS has seen no evidence of a data-driven analytical approach to determining which taxpayer cases are best served by the ACS treatment. On the contrary, even though an analysis of the results obtained by the SBSE ACS sites would seem to indicate that current practices are not effective in resolving many small business taxpayer cases, the IRS continues to increase the assignment of these accounts to ACS call sites. TAS acknowledges that ACS collects a certain amount of revenue on BMF cases; however, the IRS continues to ignore the substantial amounts of revenue that is lost by initially assigning the majority of these accounts to ACS.

NTA Recommendation	IRS Response	IRS Addressed Yes/No/Partial (TAS's Assessment)	TAS Explanation (if any)
	employment tax account with a total balance due over \$10,000 or an individual account with a total balance due over \$250,000.		

2012 ARC – MSP Topic #22 – ALTHOUGH THE IRS “FRESH START” INITIATIVE HAS REDUCED THE NUMBER OF LIENS FILED, THE IRS HAS FAILED TO DETERMINE WHETHER ITS LIEN-FILING POLICIES ARE CLEARLY SUPPORTED BY INCREASES IN REVENUE AND TAXPAYER COMPLIANCE

Problem

In 2011, the IRS announced a new effort to help financially struggling taxpayers get a “fresh start,” which included several positive changes in how it files and withdraws NFTLs. While the initiative has had a significant impact on the number of NFTL filings and withdrawals, the IRS still has not evaluated the effectiveness of its lien policies in terms of collected revenue or impact on future compliance. The IRS continues to file most Notices of Federal Tax Liens (NFTLs) based on an arbitrary dollar threshold of the unpaid liability, rather than on a thorough analysis of the taxpayer’s individual circumstances and financial situation. While NFTLs establish the priority of the government’s interest in a taxpayer’s property, they are generating significant downstream costs for the government, often without attaching to any tangible or intangible assets. These policies continue to unnecessarily harm the financial viability of taxpayers, especially those experiencing hardship.

NTA Recommendation	IRS Response	IRS Addressed Yes/No/Partial (TAS’s Assessment)	TAS Explanation (if any)
1. Include TAS in the ongoing review of DPCs initiated in response to the National Taxpayer Advocate and TIGTA reports.	We are presently analyzing the utilization of DPC codes to determine their usefulness. As previously agreed, we will involve TAS in this effort.	Yes	TAS understands the IRS’s need to properly track the effectiveness of its’ enforcement actions to measure the programs’ effectiveness. TAS welcomes the opportunity to be a member of the team that reviews the DPC program. Please let us know when this team is forming so that we can provide appropriate assistance.
2. In consultation with TAS and IRS Research functions, revise current DPCs and TCs to categorize each	A DPC cannot presume the taxpayer’s motivation for making a payment nor can it attribute multiple factors to individual credits on a	Partial	TAS understands the IRS’s need to properly track the effectiveness of its’ enforcement actions to measure the programs’

NTA Recommendation	IRS Response	IRS Addressed Yes/No/Partial (TAS's Assessment)	TAS Explanation (if any)
<p>subsequent payment to a filed NFTL, where applicable.</p>	<p>taxpayer's account. A taxpayer's reason for taking any actions regarding their federal tax debt can be based on any number of reasons that are directly or indirectly attributable to the NFTL. To credit the influence of the NFTL only to those payments with DPCs specifically notated as lien-related does not provide a complete picture as the Federal Tax lien exists whenever a tax debt is owed, and the NFTL, or potential for it, is always present. So, while movement can be made with the DPC application to better track the most immediate event leading to the payment, DPCs can never capture the total impact of the NFTL effectiveness as essentially every collection action can be attributed, at least in part, to the NFTL. After analysis of the results of our DPC study, we will implement changes as necessary.</p>		<p>effectiveness. While the DPCs may not be able to pinpoint the exact reason for the payments, it is a good indicator. TAS welcomes the opportunity to be a member of the team that reviews the DPC program. Please let us know when this team is forming so that we can provide appropriate assistance.</p>

NTA Recommendation	IRS Response	IRS Addressed Yes/No/Partial (TAS's Assessment)	TAS Explanation (if any)
<p>3. Collaborate with the National Taxpayer Advocate and TAS Research on the ongoing SB/SE lien study of the effectiveness of NFTLs in CNC situations and in the next phase of the TAS lien study on using NFTLs to best improve future compliance.</p>	<p>The research of the NFTL CNC situations has been completed and the results previously shared with TAS. Discussions continue on collaborating with continued research in this area. We look forward to TAS affording us the opportunity to participate in the parameters and methodology stage with any future TAS research studies regarding NFTLs.</p>	<p>No</p>	<p>TAS understands the IRS's need to protect the Government's interests, but disagrees with this position and some of the conclusions of the study. We have asked that SB & TAS work together on taking a closer look at the issues and refine those conclusions. The long-term negative impacts of the NFTL on credit reports/scores for those taxpayers needs to be more closely reviewed in the post 2009 financial environment, especially on low dollar and CNC taxpayers.</p>
<p>4. In collaboration with the National Taxpayer Advocate, develop a risk-scoring algorithm based on thorough review of objective factors, discussed above.</p>	<p>The IRS is unlike a private sector creditor who can extend or deny credit based on a risk scoring algorithm. Given that the debt has already been incurred (in essence the credit extended), there is limited benefit to using that model as a determinate for a notice of lien filing. Many factors come into play before a NFTL filing decision is made. IRS employees have discretion to</p>	<p>No</p>	<p>TAS understands the IRS's need to protect the Government's interests on the IRS debt. We agree that many factors come into play before a NFTL filing decision is made. While IRS employees have discretion to not file a NFTL if it will hamper collection of the taxes owed, there is doubt as to the liability, or forthcoming information could lead to either of the above, we see a</p>

NTA Recommendation	IRS Response	IRS Addressed Yes/No/Partial (TAS's Assessment)	TAS Explanation (if any)
	<p>not file a NFTL if it will hamper collection of the taxes owed, there is doubt as to the liability, or forthcoming information could lead to either of the above. The taxpayer's filing and payment compliance, along with their financial viability, are considered when the non-filing or deferring of a notice of Federal Tax Lien is being determined. Additionally, an NFTL determination is not required on Guaranteed/Streamlined Installment Agreements or In-Business Trust Fund Express Agreements, but NFTLs may be filed at the discretion of the revenue officer to protect the government's interest (such as a pending bankruptcy or other exigent circumstances). The TAS has been, and continues to be, an integral part of the review process when the IRS sets policy regarding factors impacting NFTL determinations and filing.</p>		<p>systemic effort to file the NFTL rather than not file. Although the taxpayer's filing and payment compliance, along with their financial viability, should be considered, the long term negative credit impacts of the NFTL should also be included in the determination of financial viability. However, we disagree that the appropriate analytics are being applied to the Inventory Delivery System, especially since IRS reports have suggested that the most productive cases are in fact not being assigned appropriately.</p>

NTA Recommendation	IRS Response	IRS Addressed Yes/No/Partial (TAS's Assessment)	TAS Explanation (if any)
<p>5. Replace the current IRS policy of automatically filing NFTLs based on a dollar threshold of the unpaid tax liability with NFTL filing determinations based on the risk-scoring algorithm, and develop training for all Collection employees on the new qualitative determination procedures, including the use of collection alternatives such as OICs and IAs in lieu of NFTL filings.</p>	<p>As stated in response to recommendation 22-4, we do not have plans to implement the recommended risk-scoring algorithm. Instructions to staff are updated when NFTL policy changes are made. NFTL issues have been, and remain, a regular part of the yearly Collection training cadre of topics. Collection remedies such as OICs and IAs are an integral part of the collection process, not necessarily an “alternative” to filing a NFTL. Recent changes affording the taxpayer the ability to have the NFTL “withdrawn” provide the taxpayer additional alternatives and incentives to resolving tax liabilities.</p>	<p>No</p>	<p>TAS understands the IRS’s need to protect the Government’s interests on the IRS debt. We agree that many factors come into play before a NFTL filing decision is made. While IRS employees have discretion to not file a NFTL if it will hamper collection of the taxes owed, there is doubt as to the liability, or forthcoming information could lead to either of these, we see a systemic effort to file the NFTL rather than not file. Although the taxpayer’s filing and payment compliance, along with financial viability, should be considered, the long term negative credit impacts of the NFTL in the determination of financial viability should also be considered. However, we disagree that the appropriate analytics are being applied to the Inventory Delivery System, especially since IRS reports have suggested that the most productive cases are in fact</p>

NTA Recommendation	IRS Response	IRS Addressed Yes/No/Partial (TAS's Assessment)	TAS Explanation (if any)
			not being assigned appropriately. We strongly believe a risk-based algorithm would be beneficial to the IRS and taxpayers and welcome the opportunity to discuss and pilot a test.
6. Immediately increase the NFTL filing threshold to \$50,000, both for ACS and ROs, as recommended by the IRS Collection Process Study.	The IRS recently raised the lien filing threshold. We will continue to monitor whether additional changes are appropriate. Further increasing the thresholds would require a comprehensive risk-based analysis of the impact in order to avoid a negative impact on collection for the government. Both GAO and TIGTA have commented that the IRS needs to adequately protect the government's interest in regards to delinquent taxes. The IRS is currently developing and implementing statistical analyses to observe the influence of the Fresh Start lien filing threshold increase relative to other factors.	No	TAS understands the IRS's need to properly protect the Government's interests. We believe the algorithm would be a useful method to determine the best scenario to file an NFTL and would welcome a pilot study to measure its effectiveness. Although as TIGTA and GAO cite, it is important to protect the Governments' interests, we have stated that future compliance of the taxpayer, negatively impacted by the NFTL should also be considered. Additionally, if and when arbitrary dollar amounts are used, we strongly urge the use of the CPI in making a fair measure of that number.

NTA Recommendation	IRS Response	IRS Addressed Yes/No/Partial (TAS's Assessment)	TAS Explanation (if any)
7. Immediately replace the mandatory NFTL filing on CNC-hardship taxpayers and taxpayers with no assets with a system of subsequent filing determinations based on periodic monitoring of whether the taxpayers have acquired assets or their financial situations have improved.	An NFTL filing does not prevent the taxpayer from obtaining financing to acquire assets. Multiple reviews to determine if the taxpayer has acquired assets on which the government has already lost the opportunity of being a secured creditor is not an effective way to protect the government's interest. Additional reviews revisiting NFTL filing decisions would add significant costs while relying on arbitrary timeframes for performing the subsequent reviews, neither of which is efficient or effective. A taxpayer who has acquired assets may file bankruptcy and the government claim will not be protected. However, a taxpayer can contact the IRS to discuss payment alternatives at any time.	No	TAS understands the IRS's need to protect the Government's interests, but disagree with this position and some of the conclusions of its' study. We have asked that SB & TAS work to review this issue closer and to refine the study's conclusions. The long-term negative impacts of the NFTL on credit reports/scores for those taxpayers needs to be more closely reviewed in the post 2009 financial environment, especially on low dollar and the CNC taxpayers with liabilities greater than \$10,000.
8. Require managerial approval for NFTL filing in cases involving CNC (Unable to Pay-Hardship) taxpayers and cases in which no personal contact	The IRS has determined appropriate levels for managerial approval of NFTL filing and under what conditions approval is needed. The TAS and IRS	No	TAS understands the IRS's need to protect the Government's interests, but disagrees with this position and some of the conclusions of its' study. We have asked

NTA Recommendation	IRS Response	IRS Addressed Yes/No/Partial (TAS's Assessment)	TAS Explanation (if any)
has been made with the taxpayers.	research both concluded that IRS collected more dollars with CNC hardship taxpayers when an NFTL is filed than when one has not been filed.		that SB & TAS work together to look at this issue closer in an attempt to refine the study's conclusions. The long-term negative impacts of the NFTL on credit reports/scores for those taxpayers needs to be more closely reviewed in the post 2009 financial environment, especially on low dollar and CNC taxpayers. As far as the managerial approval chain, it should give the employee genuine latitude not to file a lien.
9. Expand NFTL withdrawal authority to all ROs and ACS employees who are authorized to file NFTLs.	The delegated authority to approve an NFTL withdrawal was expanded, with the concurrence of TAS, in May 2012 to certain positions outside Advisory and Insolvency management, based on situational factors. Procedures for the expanded authority should be implemented by Spring, 2013.	Partial	TAS understands the IRS's need to monitor and control the authority to issue withdrawals of NFTLs. However, we disagree that the expanded authority goes far enough. We will monitor the new procedures as they roll out and provide further comment.

2012 ARC – MSP Topic #23 – EARLY INTERVENTION, OFFERS IN COMPROMISE, AND PROACTIVE OUTREACH CAN HELP VICTIMS OF FAILED PAYROLL SERVICE PROVIDERS AND INCREASE EMPLOYMENT TAX COMPLIANCE

Problem

Most payroll service providers (PSPs) are trustworthy and play an important role helping taxpayers comply with their payroll tax responsibilities. Although rare, PSP failures can result in grave financial harm to multiple clients that may be required to pay the amount of their payroll taxes twice, once to the PSPs and again to the IRS with interest and penalties. Some small businesses may not be able to recover from these setbacks and may be forced to cease operations and lay off their employees. The IRS made significant progress in addressing the related issues identified in previous Annual Reports to Congress. Still, serious problems persist, including the absence of early detection and timely intervention in PSP delinquencies, ambiguous policies and procedures that limit the use of Effective Tax Administration (ETA) offers in compromise (OICs) as a viable collection alternative for victims of PSP failures, and ineffective communications and outreach about the risks of outsourcing payroll tax obligations.

NTA Recommendation	IRS Response	IRS Addressed Yes/No/Partial (TAS's Assessment)	TAS Explanation (if any)
1. Develop the business case for programming that can systemically link the PTIN of a PSP with EINs of its clients, track the number of employers associated with the PSP, and implement a pilot program to estimate the number of affected employers and impact to the public fisc.	The IRS agrees to develop a business case for systemically linking a PSP with its clients. However, we believe the use of a PSP's PTIN may not be the best method of linking the PSP to its clients to get the information needed at the least cost. Reporting Agents, acting as a PSP are not required to have a PTIN and a PSP intent on committing fraud could avoid providing an accurate PTIN. The IRS is committed to establishing a team of stakeholders to identify economical and	Partial	The IRS agrees that tracking the number of employers associated with a PSP has value, and has agreed to develop a business case for systemically linking a PSP with its clients. However it has not yet agreed to commit the funding needed to establish the capability. Rather, it has assumed, without any basis in fact, that establishing such a linkage "may not be feasible due to the extensive programming costs for cross-referencing employers' accounts and the relatively small number of

NTA Recommendation	IRS Response	IRS Addressed Yes/No/Partial (TAS's Assessment)	TAS Explanation (if any)
	efficient alternatives to link PSPs with their clients.		impacted accounts." The failure of a single PSP and cause irreparable harm to thousands of employers that must effectively pay their taxes twice. The team of key stakeholders the IRS has created to search for economical, and efficient alternatives to linking PSPs with their clients should estimate the programming costs for cross-referencing employers' accounts with the PSP account using PTINs, and should pilot the systemic linkage to estimate the number of employers. It can then estimate the amount of revenue at risk if the identified PSPs go out of business and Collection does not take swift action.
2. Develop programming that can systemically select a PSP for a Revenue Officer examination when the number of delinquent employment tax returns of clients of a PSP exceeds an established threshold.	While the IRS agrees with the spirit of this recommendation, until the IRS has completed the action as outlined in Recommendation 23-1 above, we are unable to develop programming to select a PSP for a Revenue Officer Examination when the	Partial	The adoption of this recommendation is predicated on establishing the employer/PSP linkage discussed in recommendation 23-1 above. However, while the IRS has committed to studying the issue, and has established a team to do so, it

NTA Recommendation	IRS Response	IRS Addressed Yes/No/Partial (TAS's Assessment)	TAS Explanation (if any)
	<p>number of delinquent employment tax returns of clients of a PSP exceeds an established threshold. When the IRS has completed the action as outlined in Recommendation 23-1 above, we will consider how to develop such programming. In the interim, we will continue to rely on the Federal Tax Deposit alert process to assist with our compliance efforts.</p>		<p>has yet to commit the funds needed to program its systems in establishing the linkage, and has discounted a programming fix, citing cost concerns.</p>

NTA Recommendation	IRS Response	IRS Addressed Yes/No/Partial (TAS's Assessment)	TAS Explanation (if any)
3. Develop a competency exam for preparers of employment tax returns with a vigorous ethics component.	As acknowledged by the National Taxpayer Advocate in her 2011 Annual Report to Congress, establishing a testing program is an extensive undertaking. Due to the size and vulnerability of the individual taxpayer population, the IRS focused initially on one return preparer examination, starting with the Form 1040 series returns. Full implementation of this one examination has yet to be achieved and the time frame for that implementation has been put into question by current litigation. Until such time as 1040 series testing can be successfully implemented, its impact can be assessed and the costs and benefits determined, proceeding with the development of any additional examinations is not feasible.	No	The IRS's ability to adopt this recommendation has been delayed by the injunctive and declarative relief in the Sabina Loving case (Loving, No. 1:12-cv-00385-JEB (D.C. Cir. 3/27/13)). The District Court's decision is preventing the IRS from enforcing the new preparer regulations. The appeals court has since denied the IRS's motion to stay the injunction. Consequently, the IRS may not reinstate the return preparer program until the appeals court rules on the case. In the meantime, the IRS can require preparers to register and obtain a PTIN, but it cannot compel a preparer to take an examination or continuing professional education.
4. Establish ascertainable timeframes for beginning the use of dual address change letters alerting employers that a PSP has initiated a change of	The IRS - SBSE Specialty Tax is continuing its efforts to complete implementation actions associated with a prior NTA Annual Report to Congress recommendation	Partial	The IRS should protect the victims of PSP fraud by issuing dual confirmation notices whenever an employer requests a change of address. Limiting the

NTA Recommendation	IRS Response	IRS Addressed Yes/No/Partial (TAS's Assessment)	TAS Explanation (if any)
<p>address, including email or text message notifications to taxpayers who so consent in a special field on employment tax returns.</p>	<p>regarding issuance of dual address change letters. To date, IRS has researched the feasibility of implementing change of address notices to all business taxpayers that use a PSP and considered several options. Specific recommendations for the implementation of a dual address change include:</p> <ol style="list-style-type: none"> 1) Establish the address on the income tax return as the official mailing address for each BMF taxpayer or IMF Schedule C taxpayer with a Form 941 or 944 filing requirement. 2) Change the official mailing address of BMF taxpayers only when the taxpayer files Form 8822-B, Change of Address – Business. An exception can be made if the taxpayer sends other correspondence, followed up with a confirmation letter to the taxpayer at the old and new addresses. 3) Consider the feasibility of sending notification of address changes via email or 		<p>notification to the times when an employer files and income tax return with a different address, which will update a taxpayers address of record to reflect the address of record on the return, may not provide ample notice to head off the irreparable harm that a PSP fraud can cause to the affected employers, that effectively must pay the amount of the tax twice (i.e., once to the PSP and again to the IRS).</p>

NTA Recommendation	IRS Response	IRS Addressed Yes/No/Partial (TAS's Assessment)	TAS Explanation (if any)
	text message, including an assessment of security and disclosure concerns. The IRS will continue pursuing a successful and cost effective implementation subject to the availability of adequate funding. Due to these complexities, we are hoping to implement a pilot solution by 1/1/2016. However, options involving email or text messaging will take additional time to consider due to consideration of security and disclosure concerns.		
5. In consultation with TAS, revise the IRM and training materials to promote the use of ETA OICs as a viable collection alternative for victims of failed PSPs, including compromising the amount of tax in appropriate instances.	To promote the use of ETA OICs as a viable collection alternative for victims of failed PSPs, the IRS has revised the IRM to specifically state that the amount of tax may be compromised in appropriate instances. We also developed training materials for employees. Other planned actions include: 1) Conducting training in the recognition of ETA economic hardship and non-economic hardship situations with all offer examiners and offer	Yes	

NTA Recommendation	IRS Response	IRS Addressed Yes/No/Partial (TAS's Assessment)	TAS Explanation (if any)
	<p>specialists who investigate OICs during the first quarter of FY 2013;</p> <p>2) Developing an ETA and Non-economic Hardship (NEH) ETA training course for field revenue officers for inclusion in CPE for FY 2013;</p> <p>3) Completing a revision to IRM 5.8.11, Effective Tax Administration, during FY 2013, which will include additional examples of situations where acceptance of an offer under public policy or equity may be appropriate, and note that the amount of tax may be compromised when appropriate.</p>		
<p>6. As a part of a comprehensive outreach strategy, use modern technology, such as text messaging and email alerts to educate employers about the risks inherent to outsourcing payroll.</p>	<p>The IRS agrees with the recommendation to utilize modern technology as part of their comprehensive outreach strategy to educate employers about the risks inherent to outsourcing payroll.</p>	<p>Yes</p>	

2012 Status Update Topic #1 – UNDERFUNDING OF IRS INITIATIVES TO MODERNIZE ITS TAXPAYER ADDRESS SYSTEMS UNDERMINES TAXPAYERS’ STATUTORY RIGHTS AND IMPEDES EFFICIENT RESOURCE ALLOCATION

Problem

The National Taxpayer Advocate reported in the 2010 Annual Report to Congress that over 19 million pieces of mail each year, or about ten percent of all correspondence the IRS sends to taxpayers, are returned as “undeliverable as addressed.” The problem is even worse for taxpayers with international addresses, because nearly two out of every three mailings do not conform to the receiving country’s address standards. Nevertheless, many important taxpayer rights have time limits that begin to run when the IRS *sends* a notice or letter to the taxpayer, regardless of whether the taxpayer actually *receives* it. Also, taxpayers may not receive timely refunds or make timely payments if correspondence to them is returned as undeliverable, which leaves them liable for interest and penalties that could have been avoided. Undelivered mail is also expensive for the IRS — wasted printing and postage alone cost the IRS \$57.9 million in 2009.

NTA Recommendation	IRS Response	IRS Addressed Yes/No/Partial (TAS’s Assessment)	TAS Explanation (if any)
1. Fully fund and implement all phases of FSIMB.	All phases of FSIMB have been fully funded, with full implementation expected in February of 2014.	Yes	
2. Update IRS databases to allow them to accommodate international addresses.	IRS has already started an Enterprise Lifecycle Project to address this issue. We are currently in the process of articulating and documenting consistent requirements to implement international addresses in all IRS databases. Once requirements have been finalized, we will submit a work request to make the necessary changes.	Yes	

NTA Recommendation	IRS Response	IRS Addressed Yes/No/Partial (TAS's Assessment)	TAS Explanation (if any)
<p>3. Identify an enterprise-level organization to oversee modernization and maintenance of IRS mail systems.</p>	<p>The Return Integrity and Correspondence Services (RICS) organization in Wage & Investment Division serves as the enterprise-level organization for oversight of modernization and maintenance of IRS mail systems. Note that the ownership, use, and efforts to modernize these systems is a shared responsibility among many business users across IRS and modernization and maintenance efforts require extensive coordination among these stakeholders.</p>	<p>No</p>	<p>The RICS organization within W&I is not an enterprise-level organization with the necessary reach to coordinate among affected business units.</p>

2012 Status Update Topic #2 – FEDERAL TAX QUESTIONS CONTINUE TO TROUBLE DOMESTIC PARTNERS AND SAME-SEX SPOUSES

Problem

Domestic partners and same-sex spouses face unique federal tax challenges, while the legal landscape rapidly evolves. The IRS has addressed some pertinent questions the National Taxpayer Advocate raised in her 2010 Annual Report to Congress, but in the meantime, several new issues have emerged. Some questions stem from IRS treatment of community property, such as subjecting a proprietor’s same-sex partner who does not work in the business to self-employment tax. Additionally, the IRS has rejected e-filed returns that reflect withholding in excess of that on Form W-2 (Wage & Tax Statement), but has confirmed that domestic partners allocate withholding credit to the partner taxed under community property.

NTA Recommendation	IRS Response	IRS Addressed Yes/No/Partial (TAS’s Assessment)	TAS Explanation (if any)
1. The IRS publish clarifying guidance, rules, and regulations when taxpayers need answers.	The IRS has published and continues to update a comprehensive list of "frequently asked questions" and answers on IRS.gov that provide guidance on tax issues of domestic partners and same-sex spouses. The IRS has met regularly with tax practitioners who prepare same-sex partner returns in an effort to determine areas in which further guidance is needed. The IRS has modified forms, publications, and FAQs in response to practitioner recommendations.	Yes	

2012 Status Update Topic #3 – THE IRS’S RELIANCE ON AUTOMATED “ENFORCEMENT ASSESSMENTS” HAS DECLINED SIGNIFICANTLY, BUT CONCERNS REMAIN

Problem

The IRS’s wholesale use of automated “enforcement assessments” such as the Automated Substitute for Return (ASFR) program leads to artificially-inflated assessments and low collection percentages, which results in wasted IRS resources. In fiscal year (FY) 2012, the IRS’s use of ASFR assessments has decreased dramatically from prior years. The number of assessments fell by 50 percent from FY 2011, while dollars assessed declined 54 percent. In this Status Update, we will explore possible reasons for the decrease.

NTA Recommendation	IRS Response	IRS Addressed Yes/No/Partial (TAS’s Assessment)	TAS Explanation (if any)
<p>1. Reinstate the policy of not making automated enforcement assessments without confirming the taxpayer’s address of record is valid, and require use of Form 4759, Postal Tracer, to confirm addresses prior to assessments in all “unagreed – no contact” situations.</p>	<p>The ASFR process has been updated to ensure that no identified unable to locate inventory is accepted. Steps have been added to perform additional address and telephone number research before inventory is moved to ASFR. The NCOA database is used to update taxpayer addresses. When a module has been selected for ASFR inventory and is started, a return is filed for the taxpayer, indicated by TC 150. Once the return is filed for the taxpayer, a filing liability has been established and the ASFR will continue. ASFR takes steps to include modules with valid addresses. In some instances ASFR</p>	<p>No</p>	

NTA Recommendation	IRS Response	IRS Addressed Yes/No/Partial (TAS's Assessment)	TAS Explanation (if any)
	cannot identify that a taxpayer has not updated an address prior to starting a case.		
2. Revise ASFR processing procedures to emphasize the completion of telephonic, personal contacts with the affected taxpayers in all potentially "unagreed" ASFR cases prior to assessment.	In January 2013 the ASFR program implemented CP 518 for all Select Code 13 modules which increases address and telephone number research. This also creates the potential for possible future inclusion in the predictive dialer program. Toll-free services are provided for taxpayer concerns.	Yes	
3. Allocate adequate resources to the ASFR reconsideration process to ensure adjustments are initiated and completed in a timely manner.	The ASFR program realigned resources to work Reconsiderations in FY 2011 and FY 2012. The goal is to work ASFR Reconsiderations within 45 days of receipt.	Yes	

NTA Recommendation	IRS Response	IRS Addressed Yes/No/Partial (TAS's Assessment)	TAS Explanation (if any)
<p>4. Apply a pre-assessment collectability determination to all potential ASFR assessments, including consideration of potential "unable to locate" and "little or no tax due" situations, and the potential for economic hardship based on the taxpayer's income level. Consider the taxpayer's last-filed return information in making this determination.</p>	<p>The ASFR program currently prioritizes inventory based on tax year, and total tax due. ASFR processes referrals from other programs, such as the collection balance due treatment stream, TDI, FERDI, and Refund Hold. The Nonfiler treatment stream determines which assessments will be pursued for each program. The taxpayer's last filed return may have been more than 1 year prior to the delinquent year requested, and may not reflect the taxpayer's current situation.</p>	<p>No</p>	

2012 Status Update Topic #4 – THE IRS SHOULD EXPAND VIRTUAL FACE-TO-FACE SERVICE TO MEET TAXPAYER NEEDS AND IMPROVE COMPLIANCE

Problem

Virtual face-to-face (VFTF) service delivery enables taxpayers to interact directly with IRS employees over videoconferencing equipment. While video will not replace traditional face-to-face service, it can supplement and expand existing service and 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 currently offers only automated service or correspondence. However, lack of strategy and congressional directive may affect the IRS’s ability to focus on investing in the proper technology in the face of competing priorities, preventing a more robust use of VFTF and limiting the types of services provided.

NTA Recommendation	IRS Response	IRS Addressed Yes/No/Partial (TAS’s Assessment)	TAS Explanation (if any)
1. The IRS continue to study and propose areas where VFTF delivery options would benefit taxpayers.	Building on positive customer and employee feedback received in Fiscal Year 2012, the IRS will continue deploying video communications technology in approximately 20 new sites in Fiscal Year 2013. During this deployment, additional services will be added to the suite of services being provided to taxpayers. The new services include support for taxpayers resolving issues through the correspondence examinations and Innocent Spouse Programs. Discussions have started for the multi-year plan focused on expanding available services, a web-based	Yes	

NTA Recommendation	IRS Response	IRS Addressed Yes/No/Partial (TAS's Assessment)	TAS Explanation (if any)
	integrated solution, and additional sites.		
2. The IRS immediately identify international locations for VFTF sites and expand VFTF to taxpayers abroad.	An International Individual Taxpayer Assistance Project with the Online Services Organization is exploring the use of SKYPE/Face Time and/or similar technology to improve services for international taxpayers and American taxpayers living abroad to include the military.	Partial	The IRS did not agree to immediately place VFTF stations abroad. They state they will study the possibility of using VFTF technology abroad. The National Taxpayer Advocate continues to recommend the immediate use of VFTF to reach 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.	N/A – Congressional Recommendation	N/A – Congressional Recommendation	N/A – Congressional Recommendation

NTA Recommendation	IRS Response	IRS Addressed Yes/No/Partial (TAS's Assessment)	TAS Explanation (if any)
4. The IRS pursue strategic solutions that would allow taxpayers to interact with IRS employees on their home computers or mobile devices.	The Service anticipates using technology to enable taxpayers to receive assistance using their personal computers from their home and/or business. A future solution concept is being considered that will create a secure communication portal for a taxpayer and employee web application, digital document transfer and management, and unified communication to enable online chat, voice, and video. Some taxpayers will always need face to face services and the IRS needs to continue to fund and staff brick and mortar TACs.	Yes	

2012 Status Update Topic #5 – THE IRS HAS IMPROVED TRAINING AND PROCEDURES TO ACCOUNT FOR COLLECTION STATUTE EXPIRATION DATES

Problem

By statute, the IRS generally has ten years from the assessment of a tax to collect it before the statutory period expires, unless the taxpayer extends the period by waiver or a statute suspends the period. The IRS has improved its training and tools for employees to account for the collection statute expiration dates (CSEDs) provided by law, is developing new methods for calculating CSEDs, and is attempting to resolve accounts with CSED waivers of more than six years, which is the current time limit on extensions. However, the Treasury Inspector General for Tax Administration determined that over 20 percent of accounts subject to IRS collection hearings in fiscal year (FY) 2011 had inaccurate CSEDs.

NTA Recommendation	IRS Response	IRS Addressed Yes/No/Partial (TAS's Assessment)	TAS Explanation (if any)
<p>1. Coordinate its CSED training and case reviews to reinforce and reward the verification and correction of CSEDs.</p>	<p>CSED verification and correction is part of all case workers responsibility and should not be rewarded separately for performing their assigned duties. In FY12, the Collection Statute Expiration Date (CSED) Calculator (aka CCalc) was made available to all employees who work with CSEDs to enable them to identify and resolve problematic CSED issues. The CCalc is an Excel-based tool for validating current CSEDs and/or calculating new CSEDs for non-estate cases only. Formal training for the computation of CSEDs for estate and gift tax cases was delivered to the ATAT</p>	<p>No</p>	<p>The IRS's response to this recommendation fails to acknowledge that misstatements of the collection statute harms the government's interests when the collection period is erroneously understated, and harms the taxpayers' interests when the collection statute is overstated. If quality reviews and employee evaluations do not take into account the significance of verifying the calculation of account CSEDs, IRS employees will not take the extra time to verify CSEDs and will rely on the system-generated CSED whether it is correct or not.</p>

NTA Recommendation	IRS Response	IRS Addressed Yes/No/Partial (TAS's Assessment)	TAS Explanation (if any)
	Revenue Officers who work these cases for Field Collection during July & August 2012.		
2. Organize a centralized CSED office to refine training, create and maintain CSED tools, and oversee programs such as the MULTICSED unit.	WI Payment Compliance trained employees in WI ACS Support and WI CSCO, 2 in SBSE ACS Support, 2 in SBSE CSCO and one TAS representative to calculate and correct CSEDs in December 2012. W&I employees take referrals from all areas of the campus, TAS and elsewhere on CSED issues identified through taxpayer correspondence and in normal work processed. Also, ACS Support employees work cases identified by Support, call site and TAS CSED OARs. WI also uses Ccalc and monitors it accuracy. This tool is monitored and kept updated by BMO. CCS consolidated the CSED transcripts in Philadelphia CSCO, and are currently preparing to roll out the training course to select individuals.	No	The IRS's response fails to address TAS concerns regarding decentralized administration of CSEDs. While the IRS identifies the Wage & Investment Division (W&I) and its many different functions to address CSED issues, the lack of a centralized office means that not one function is responsible for CSED issues. The IRS's decision to orphan CSED issues to any takers in W&I will proliferate CSED problems for years to come, and may lead to wasted resources when CSED issues are not resolved in a timely manner.

2012 Status Update Topic #6 – THE COMBINED ANNUAL WAGE REPORTING PROGRAM CONTINUES TO IMPOSE A BURDEN ON EMPLOYERS DESPITE IRS IMPROVEMENTS

Problem

Under the Combined Annual Wage Reporting (CAWR) program, the IRS and the Social Security Administration (SSA) process and reconcile wage and tax data employers report to both agencies. In prior reports, the National Taxpayer Advocate raised concerns about problems employers encountered with the IRS’s reconciliation process. The IRS has since significantly improved the CAWR program, however, problems still exist. The CAWR program continues to experience delays in the IRS responding to employers’ correspondence within established timeframes. The IRS continues to see a high “no response” rate from employers to their discrepancy notices. In 2012, the IRS closed 52 percent of CAWR cases because it did not receive responses from the employers. The IRS has not determined if penalty assessments for late filing or non-filing of employment returns have effected compliance.

NTA Recommendation	IRS Response	IRS Addressed Yes/No/Partial (TAS’s Assessment)	TAS Explanation (if any)
1. Evaluate the late-response and no-response cases to determine if the current timeframe for employer response is reasonable and whether response would improve if employers could designate a dedicated address for employment tax notices.	CAWR provides the employers with an initial 45 day response time frame in the 98C and 99C letters. Additionally, CAWR allows another 36 days systemic window for the employer to respond prior to no reply classification (and assessment). CAWR averages a 35% initial response rate. The CAWR/TAS combined study found the employers generally do not respond until the CP504 notice is mailed. Given these facts, CAWR feels the time frames given are adequate. CAWR cases	No	The low response rate should compel the IRS to evaluate why taxpayers do not respond timely to CAWR notices. Part of the problem maybe the taxpayers receive notices from the Social Security Administration and then the IRS. These letters are sent two to three years after the taxpayer has filed employment tax returns and wage and tax statements. Another part of the problem is CAWR is largely a correspondence driven program. Taxpayers cannot contact the CAWR units to discuss the discrepancies and

NTA Recommendation	IRS Response	IRS Addressed Yes/No/Partial (TAS's Assessment)	TAS Explanation (if any)
	<p>are comprised primarily of small business owners operating out of one location. The CAWR program does pursue discrepant cases for large employers however, they often use payroll services which receive copies of all notices/letters through the CAF/RAF interface.</p>		<p>resolve them. TAS recommends the IRS reconsider this recommendation. If taxpayers respond early in the process they can avoid unnecessary assessments of tax and penalties that are later abated after the case moves into the Collection stream. Improving the response rate would save IRS resources downstream and improve customer service.</p>
<p>2. Study the reasons for the low employer response to CAWR notices and develop approaches to improve that rate.</p>	<p>The low response rates tend to be a trend IRS program wide. CAWR has published communiqués on Irs.gov educating the taxpayer on what to do if they receive a notice from us. We also engaged the reporting agent community during the reporting agent forums. CAWR is currently partnering with the Office of Taxpayer Communications (OTC) to redesign the initial contact notices for use with the IRDM platform.</p>	<p>No</p>	<p>As stated in response to Recommendation SU-6-1, the low response rate should compel the IRS to study the reasons why taxpayers do not respond and take actions to improve the rate. To simply say the low response rate is a trend in all IRS programs is a cope out. While information on Irs.gov is helpful and engaging reporting agents, the IRS obviously does not recognize the downstream consequences and costs when the taxpayers do reply. The IRS must do more to improve low response rates to</p>

NTA Recommendation	IRS Response	IRS Addressed Yes/No/Partial (TAS's Assessment)	TAS Explanation (if any)
			its notices. CAWR's partnership with the Office of Taxpayer Correspondence to redesign the initial notices may have a significant impact on the low response rate if it done using plain language and stresses the importance of responding. TAS will continue to work with CAWR to find ways to improve the response rate.
3. Continue research to determine whether the assessment of Failure to Timely File Information Returns penalty and the Intentional Disregard penalty increase employer compliance.	CAWR is currently in discussions with SBSE Research to expand the study and add additional tax years.	Yes	TAS recommends CAWR continue this important research about penalties and compliance.
4. Establish a toll-free operation dedicated to the CAWR units.	The IRS had previously initiated steps to implement a toll free line in CAWR; however, due to budgetary constraints, we have been unable to secure funding. We will review the opportunity to request funding for this effort during the next cycle of initiative funding submissions.	Yes	Establishing a toll-free telephone operation in the CAWR units is paramount to improving customer service.

NTA Recommendation	IRS Response	IRS Addressed Yes/No/Partial (TAS's Assessment)	TAS Explanation (if any)
5. Launch a redesigned and improved CAWR Program as part of the IRDM in FY 2014, as planned.	The CAWR Automated Program (CAP) system is scheduled to be moved into the IRDM platform in November, 2014.	Yes	While IRS agrees that it plans to move the CAWR program to the IRDM platform in 2014. TAS remains concerned that the IRS continues to change the date of implementation. Initially the move was planned for April 2014. Now the move is planned for November 2014.