WRITTEN STATEMENT OF

NINA E. OLSON

NATIONAL TAXPAYER ADVOCATE

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BEFORE THE

SUBCOMMITTEE ON FINANCIAL SERVICES AND GENERAL GOVERNMENT

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Chairman Boozman, Ranking Member Coons, and distinguished Members of this Subcommittee:

Thank you for inviting me to submit this statement regarding the proposed budget of the Internal Revenue Service for FY 2016.[1]

In my 2014 Annual Report to Congress, I designated inadequate taxpayer service as the #1 most serious problem for our nation's taxpayers. This year, taxpayers are receiving the worst levels of taxpayer service since at least 2001, when the IRS implemented its current performance measures.

I do not think it is hyperbolic to say we are facing a crisis in taxpayer service. Many metrics bear this out, but to cite the most obvious: From January 1 through February 21, the IRS answered only 40 percent of the calls it received from taxpayers seeking to speak with a customer service representative, and those who managed to get through waited on hold for an average of about 26 minutes.[2] By comparison, 76 percent of taxpayers got through and waited on hold an average of about 11 minutes during the same period last year.[3]

The proposition that the government should provide taxpayers with high quality service may seem obvious, but it is worth considering why taxpayer service is so important. In my view, there are two related but independent reasons.

First, good service is, very simply, the right thing for the government to provide for its taxpayers. The requirement to file a return and pay taxes is generally the most significant burden a government imposes on its citizens. The government therefore has a duty to make compliance as simple and painless as possible.

Second, it is in the government's self-interest to facilitate voluntary compliance, because voluntary compliance is far more cost-effective than enforced compliance. For context, more than 98 percent of all tax revenue collected by the government is paid voluntarily and timely. Less than two percent is collected through enforcement action.[4] If the IRS

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[1] The views expressed herein are solely those of the National Taxpayer Advocate. The National Taxpayer Advocate is appointed by the Secretary of the Treasury and reports to the Commissioner of Internal Revenue. However, the National Taxpayer Advocate presents an independent taxpayer perspective that does not necessarily reflect the position of the IRS, the Treasury Department, or the Office of Management and Budget. Congressional testimony requested from the National Taxpayer Advocate is not submitted to the IRS, the Treasury Department, or the Office of Management and Budget for prior approval. However, we have provided courtesy copies of this statement to both the IRS and the Treasury Department in advance of this hearing.

[2] IRS Joint Operations Center, *Snapshot Reports: Enterprise Snapshot* (week ending Feb. 21, 2015).

[3] *Id.*

[4] In FY 2014, the IRS collected total tax revenue of about $3.1 trillion. Of that amount, it collected $57.1 billion through enforcement actions. Government Accountability Office (GAO), GAO-15-173, *Financial Audit: IRS's Fiscal Years 2014 and 2013 Financial Statements* 29 (Nov. 2014), *at* http://www.gao.gov/assets/670/666863.pdf.

were to collect 10 percent less in enforcement revenue, tax revenue would decline by less than $6 billion. If voluntary tax payments were to drop by 10 percent, tax revenue would decline by more than $300 billion.

There are three factors that explain why the IRS is unable to meet taxpayer needs:

1. **Tax-Law Complexity**. The complexity of the tax code as it stands today is overwhelming, making compliance difficult for taxpayers and enforcement difficult for the IRS. With a simpler tax code, taxpayers would not need as much help complying, and the IRS could deliver on its revenue-collection mission with a smaller budget. For purposes of this hearing, I will not discuss tax reform in detail, but I continue to believe it should be a top priority.[5]

2. **Resource Constraints and Increasing Workload**. Because of a combination of sequestration and concerns about IRS management practices, Congress has been cutting the IRS's budget, and IRS funding now stands about 17 percent lower on an inflation-adjusted basis than in FY 2010. At the same time, the IRS's workload has been increasing in recent years due to a variety of factors, including implementation of basis reporting and merchant-card reporting laws, the Patient Protection and Affordable Care Act, and the Foreign Account Tax Compliance Act. In short, the combination of more work and reduced resources has produced declining performance.

3. **Questionable Resource-Allocation Decisions**. While I believe the IRS requires more funding, I also believe it is incumbent on the IRS to spend the resources it has as effectively and efficiently as possible. The IRS must be able to demonstrate that it is making responsible decisions in allocating its existing resources; that it is basing these decisions on research data that is comprehensive, not just on what is convenient for the IRS; and that it has a strategic and creative vision for the future – one that considers the needs of taxpayers even as it tries to go about doing its work efficiently. For example, the IRS has substantially stopped providing answers to tax-law questions by phone and in its walk-in offices. It decided to answer only "simple" questions during the filing season and to answer no questions at all after the filing season, despite the

[5] I have written and testified extensively about the need for comprehensive tax reform. *See* National Taxpayer Advocate 2012 Annual Report to Congress 3-23 (Most Serious Problem: *The Complexity of the Tax Code*); Testimony of Nina E. Olson, National Taxpayer Advocate, at *Hearing on Fundamental Tax Reform Before H. Comm. On Ways and Means,* 112th Cong. (2011), *at* http://waysandmeans.house.gov/calendar/eventsingle.aspx?EventID=219701; National Taxpayer Advocate 2010 Annual Report to Congress 3-14 (Most Serious Problem: *The Time for Tax Reform Is Now*); National Taxpayer Advocate 2010 Annual Report to Congress 365-372 (Legislative Recommendation: *Enact Tax Reform Now*); National Taxpayer Advocate 2005 Annual Report to Congress 375-380 (Key Legislative Recommendation: *A Taxpayer-Centric Approach to Tax Reform*); Presentation of Nina E. Olson, National Taxpayer Advocate, at Public Meeting of the President's Advisory Panel on Federal Tax Reform (Mar. 3, 2005) *at* http://www.taxreformpanel.gov/meetings/meeting-03032005.shtml. Over the past decade, the National Taxpayer Advocate's annual reports have contained dozens of additional proposals to simplify particular sections or areas of the tax code.

fact that about 15 million taxpayers obtain proper extensions or otherwise file later in the year. One would think that answering tax-law questions would be viewed as a core function the federal tax agency should perform, yet I do not believe the IRS undertook a comprehensive analysis comparing the cost savings associated with curtailing answers to tax-law questions against other ways of achieving equivalent savings.

Overall, I believe the solution to the crisis in taxpayer service is a combination of more funding and better resource-allocation decisions in the near term and comprehensive tax reform over the longer term.

In my testimony today, I will elaborate on the following key points:

1. The IRS is currently failing to meet taxpayer needs, which erodes taxpayer trust in the system and undermines voluntary compliance.

2. The IRS is making resource-allocation decisions without hard data to show that its decisions are the best ones to drive voluntary compliance and collect revenue in an effective and efficient manner.

3. Understanding the taxpayer base is key to providing effective taxpayer service and to maintaining and enhancing voluntary compliance.

4. IRS compliance initiatives are often based on outdated or unproven assumptions and can generate significant volumes of rework for the IRS and tremendous burden for taxpayers.

5. The IRS is undertaking a review of its approach to tax compliance and service delivery, but greater transparency and Congressional oversight would improve taxpayers' confidence and trust in the tax system.

6. The IRS requires funding to acquire modern IT systems, particularly case management systems, in order to meet taxpayer needs and improve productivity.

I. The IRS Is Currently Failing to Meet Taxpayer Needs, Which Erodes Taxpayer Trust in the System and Undermines Voluntary Compliance.

The tax code as it stands today is overwhelming in its complexity and thus poses a significant compliance barrier for taxpayers. Large numbers of taxpayers contact the IRS for assistance. In addition to publishing forms and instructions, the IRS now typically receives more than 100 million telephone calls,[6] 10 million letters,[7] and five million visits from taxpayers each year.[8]

[6] IRS, Joint Operations Center, *Snapshot Reports*: *Enterprise Snapshot* (final week of each fiscal year for FY 2008 through FY 2014).

The IRS reached its high-water mark in providing taxpayer service in fiscal year (FY) 2004, when it answered 87 percent of the calls it received from taxpayers seeking to speak with an assistor and hold times averaged 2.5 minutes;[9] it responded to a wide range of tax-law questions from taxpayers both on its toll-free lines and in its roughly 400 walk-in sites; it prepared nearly 500,000 tax returns for taxpayers who requested help, particularly low income, elderly, and disabled taxpayers;[10] and it maintained a robust outreach and education program, estimating that its outreach efforts touched 72 million taxpayers.[11]

By comparison, the IRS's service expectations for FY 2015 are as follows:

- The IRS is unlikely to answer even 50 percent of the telephone calls it receives.[12]
- For taxpayers who manage to get through, wait times are expected to be at least 30 minutes on average[13] and will run considerably longer during peak periods.
- The IRS will answer far fewer tax-law questions than it used to. During the filing season, it will not answer any questions except "basic" ones. After the filing season, it will not answer any tax-law questions at all, leaving the roughly 15 million taxpayers who file later in the year unable to get any answers to their questions by calling or visiting IRS offices.[14]
- The IRS has eliminated return preparation.[15]
- The IRS has reduced its training funds by 83 percent since FY 2010, leaving employees less equipped to do their jobs properly.[16]

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[7] IRS, Joint Operations Center, *Adjustments Inventory Reports*: *July-September Fiscal Year Comparison (FY 2008 through FY 2014).*

[8] IRS Wage & Investment Division, Business Performance Review 7 (4th Quarter – FY 2014, Nov. 6, 2014).

[9] IRS, Joint Operations Center, *Snapshot Reports*: *Enterprise Snapshot* (Sept. 30, 2004).

[10] This data was provided to TAS by the IRS Wage & Investment Division in connection with the National Taxpayer Advocate 2007 Annual Report to Congress 162-182 (Most Serious Problem: *Service at Taxpayer Assistance Centers*). TAS does not have data on tax-law questions asked outside the filing season for more recent years.

[11] IRS Data Book, FY 2004, Table 23.

[12] Email from Commissioner Koskinen to All Employees, *Fiscal Year 2015 Funding* (Dec. 17, 2014).

[13] *Id.*

[14] IRS, e-News for Tax Professionals – Issue Number 2013-49, Item 4, *Some IRS Assistance and Taxpayer Services Shift to Automated Resources* (Dec. 20, 2013), *available at* http://www.irs.gov/uac/Some-IRS-Assistance-and-Taxpayer-Services-Shift-to-Automated-Resources. These restrictions were implemented in 2014.

[15] *Id.*

The following chart shows the IRS's performance in handling telephone calls from January 1 – February 14, 2015, and the comparable period during 2014:

IRS Telephone Performance – Jan. 1–Feb. 21, 2015[17]

January 1, 2015 – February 21, 2015										
	2014				2015				2014 to 2015 Change	
Line	Net Attempts (includes calls answered by automation)	Assistor Calls Answered	Customer Service Rep LOS	Avg Speed of Answer (Minutes)	Net Attempts (includes calls answered by automation)	Assistor Calls Answered	Customer Service Rep LOS	Avg Speed of Answer (Minutes)	LOS Change (Percentage Point)	ASA Change (Minutes)
Accounts Management	22,044,858	4,594,021	76%	11	20,570,926	3,131,536	40%	26	-36%	15
Individual Income Tax Line TAX-1040	3,046,235	819,409	83%	9	3,986,631	498,914	26%	22	-57%	13
Refund Hotline (1954)	10,241,288	33,499	52%	8	6,947,594	26,008	33%	23	-19%	15
W&I Individual Customer Response Line	819,733	312,061	74%	9	910,023	179,356	34%	23	-40%	14
NTA (4778)	86,146	36,023	58%	10	143,049	36,281	34%	27	-24%	18
Practitioner Priority Line (PPS)	268,689	166,960	73%	21	257,793	99,570	45%	56	-28%	35

The official measure of IRS telephone performance is based on calls made to the "Accounts Management" telephone lines. So far this year, the IRS has answered only 40 percent of calls from taxpayers seeking to speak with a telephone assistor, and wait times for those who got through averaged 26 minutes.[18] That is an extraordinary decline from last year, when the IRS answered about 76 percent of its calls, with an average wait time of 11 minutes for the comparable period. The other rows on the chart show important telephone lines that are subsets of the Accounts Management total.

As the filing season has kicked into higher gear, the IRS's telephone performance has dropped below the year-to-date average. For the week ending February 7, the IRS

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[16] IRS Chief Financial Officer, Corporate Budget.

[17] IRS, Joint Operations Center, *Snapshot Reports*: *Enterprise Snapshot* (week ending Feb. 14, 2015).

[18] The percentage of calls answered from taxpayers seeking to speak with a customer service representative is referred to as the Customer Service Representative Level of Service, which is abbreviated as "Customer Service Rep LOS" on the above chart. The wait time for callers who get through to a customer service representative is referred to as the Average Speed of Answer, which is abbreviated as "Avg Speed of Answer (Minutes)" on the above chart. In both cases, we have rounded to the nearest whole numbers, but the LOS change and ASA change columns were computed using decimals and therefore do not all total exactly.

answered 34 percent of its calls.[19] For the week ending February 14, it answered 36 percent.[20] And for the week ending February 21, it answered 31 percent.[21]

The IRS's ability to timely process taxpayer correspondence has also been declining. The following chart shows open inventory levels and the percentage of the inventory that was not handled within established timeframes for two key programs run by the Accounts Management function:

IRS Correspondence Performance – Jan. 1–Feb. 21, 2015[22]

Accounts Management Correspondence Inventories (Weeks ending 02/22/2014 and 02/21/2015)								
	2014			2015			2014 to 2015 Change	
Key AM Programs	Total	Overage	Percentage Overage	Total	Overage	Percentage Overage	Overage Change	Overage Change (Percentage Point)
Individual Taxpayer Correspondence	177,504	82,083	46%	247,699	162,141	65%	80,058	19%
Amended Return/ Duplicate Filing	126,901	65,833	52%	158,618	107,419	68%	41,586	16%

In both programs, at least 65 percent of the inventories are overage (*i.e.,* have not been handled within established timeframes), which represents a substantial increase over last year's already-high levels. These lengthy backlogs in processing taxpayer correspondence often lead to adverse taxpayer impact. For a taxpayer who owes additional tax, interest charges and penalties generally will continue to accrue. For a taxpayer who has overpaid, a delay in processing correspondence may translate into a delay in receiving a refund.

Overall, the decline in the IRS's taxpayer service levels results from a combination of more work and reduced resources. On the workload side, the IRS is receiving 11 percent more returns from individuals,[23] 18 percent more returns from business entities,[24] and 70 percent more telephone calls (through FY 2013) than a decade ago.[25]

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[19] IRS, Joint Operations Center, *Snapshot Reports*: *Enterprise Snapshot* (week ending Feb. 7, 2015).

[20] IRS, Joint Operations Center, *Snapshot Reports*: *Enterprise Snapshot* (week ending Feb. 14, 2015).

[21] IRS, Joint Operations Center, *Snapshot Reports*: *Enterprise Snapshot* (week ending Feb. 21, 2015).

[22] IRS, Customer Account Services Accounts Management Paper Inventory Reports, *Inventory Age Report – All Programs* (week ending Feb. 21, 2015).

[23] *See* IRS Data Books, Table 2 (showing return totals for FY 2005 through FY 2013). Data for FY 2014 are projections made by the IRS Office of Research, Analysis, and Statistics; *see* IRS Publication 6292, Fiscal Year Return Projections for the United States 2014-2021, at 4 (Fall 2014).

[24] *Id.*

Implementation of the Patient Protection and Affordable Care Act[26] during the current filing season will add considerable new work.

On the funding side, the IRS's budget has been reduced by about 17 percent in inflation-adjusted terms since FY 2010.[27] As a consequence, the IRS has already cut its workforce by nearly 12,000 employees,[28] and projects it will have to cut several thousand additional positions during FY 2015.[29]

I believe the IRS, like any agency, can operate more effectively and efficiently in certain areas. However, I do not see any substitute for sufficient personnel if the IRS is to provide high-quality taxpayer service. The only way the IRS can assist the tens of millions of taxpayers seeking to speak with an IRS employee is to have enough employees to answer their calls. The only way the IRS can timely process millions of taxpayer letters is to have enough employees to read the letters and act on them. And the only way the IRS can meet the needs of the millions of taxpayers who visit its walk-in sites is to have enough employees to staff them.

I believe that Congress and the IRS have a shared responsibility to ensure that the taxpayers who pay our nation's bills receive the assistance they need when they seek to meet their tax obligations. As I wrote in my recent report, I do not think it is acceptable for the government to tell millions of taxpayers who seek help each year, in essence, "We're sorry. You're on your own."

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[25] The majority of the additional calls were handled by automation. The increase in calls seeking to speak with a customer service representative was 23 percent. *See* IRS, Joint Operations Center, *Snapshot Reports*: *Enterprise Snapshot* (final week of fiscal years 2005 and 2013) (indicating that the number of calls seeking to reach a representative on the Account Management telephone lines increased from about 40.4 million to about 49.8 million). The percentage increase in calls seeking to reach an assistor likely would have been considerably higher absent IRS policies that have increasingly restricted personal service options.

[26] Pub. L. No. 111-148, 124 Stat. 119 (2010).

[27] In FY 2010, the agency's appropriated budget stood at $12.1 billion. In FY 2015, its budget was set at $10.9 billion, a reduction of about 9.9 percent. Inflation over the same period is estimated at about 9.4 percent. Adjusting for the interactive effects of these cuts and the impact of the federal pay freeze, we estimate the inflation-adjusted reduction in funding was about 17 percent.

[28] IRS Chief Financial Officer, Corporate Budget. This reduction represents actual full-time equivalent employees realized through appropriated dollars.

[29] Email from Commissioner Koskinen to All Employees, *Fiscal Year 2015 Funding* (Dec. 17, 2014). The IRS anticipates it can make these reductions through attrition.

Recommendations

I recommend that Congress:

- Over the short term, carefully monitor taxpayer service trends and ensure that the IRS receives the oversight and funding it requires to meet the needs of U.S. taxpayers.

- Over the longer term, enact comprehensive tax reform to reduce the complexity of the Internal Revenue Code and reduce compliance burdens on taxpayers and the IRS alike.

II. The IRS Is Making Resource-Allocation Decisions Without Hard Data to Show That Its Decisions Are the Best Ones to Drive Voluntary Compliance and Collect Revenue in an Effective and Efficient Manner.

While I believe the IRS requires more funding, I also believe it is incumbent on the IRS to spend the resources it has as effectively and efficiently as possible. Doing so is always important, but in light of Congress's concerns about IRS management decisions, it is particularly important now for the IRS to demonstrate that it is a good steward of the funding it is given. Funding reductions, even significant ones, do not provide a blanket justification for service reductions. Reductions in service always should be made with the goal of minimizing the impact on taxpayers and performance. The IRS has had to make difficult choices and it is trying hard, but I am not convinced it is making the right choices for taxpayers or for itself. I question the decisions to substantially stop providing answers to tax-law questions by phone or in its walk-in offices. One would think that answering tax-law questions would be seen as a core function the federal tax agency should perform, and I do not believe the IRS undertook a comprehensive analysis, comparing the cost savings associated with curtailing answers to tax-law questions, against other ways of achieving equivalent savings.

Another concern is the IRS's decision to cut back the availability of the forms and publications taxpayers require to prepare their returns. Not only has the IRS reduced the number and types of forms, instructions, and publications that it will print and distribute this year, but it is delaying the delivery of those documents to its Taxpayer Assistance Centers (TACs) and its Tax Form Outlet Partners (TFOPs), including libraries and post offices. Forms will not be available at these sites until February 28, almost halfway through the filing season.[30] Moreover, the IRS ordered fewer forms this year than in previous years and decided not to stock Form 1040EZ in its own walk-in sites. Once a TAC or TFOP runs out of forms or publications, it cannot order more.

[30] IRS, *Talking Points About IRS Forms Availability* (Feb. 10, 2015).

In an alert to all employees on February 10, 2015, the IRS acknowledged that these changes have "created questions and concerns from taxpayers."[31] The IRS has advised its employees that they should not give out the 1-800 number for ordering tax forms and publications unless the taxpayer affirmatively states that he or she does not have a computer or Internet access or otherwise presses the IRS employee about ordering by telephone.[32]

The IRS has also decided to cease widespread distribution of Publication 17, *Your Federal Income Tax for Individuals,* which consolidates information about individual tax issues into one helpful document. The IRS based this decision on the fact that taxpayers could obtain Publication 17 content through other publications,[33] thus imposing on taxpayers the burden of locating information dispersed throughout multiple publications and instructions. Each TFOP will receive one copy of Publication 17; taxpayers will have to pay to make photocopies. The IRS has advised its employees that when asked about Publication 17, they are not to tell the taxpayer about limitations on availability but instead remind the taxpayer that he or she can access the publication online or through the Government Printing Office (GPO). Taxpayers can attempt to purchase Publication 17 for $23 from the GPO, but there is no guarantee of success. When a TAS employee recently placed an order for Publication 17 through the GPO, she received a postcard advising her that her order was cancelled and her check would be returned. As best we can tell, the IRS did not order sufficient copies to meet the demand of taxpayers willing to pay $23 for help in complying with the tax laws.

The reductions in service on the phones go beyond taxpayers trying to call in. Tax professionals who are acting on behalf of clients in attempting to resolve problems with the IRS are reporting long wait times on the Practitioner Priority Service (PPS) hotline. In recent weeks, practitioners have reported to the National Taxpayer Advocate about hold times of up to six hours. One practitioner reported she used her office phone to dial the PPS hotline first thing in the morning so she could get in the queue, and conducted other client business on her cell phone while waiting on hold. Once she got through to the IRS and completed her business for that taxpayer, she would immediately re-dial the PPS hotline to get in the queue for her next case. Another practitioner, who had information prepared to resolve issues for six different taxpayers, reported reaching a live assistor and being told she would have to hang up and call back after the first two cases were resolved because the call had exceeded the permitted time.

Taxpayers (and practitioners) call and write the IRS not only to get answers to tax-law questions, refund status, or transcripts, but also to request penalty abatements, respond to math error notices, and make payment arrangements. The IRS faces an impossible choice in deciding which of these services is more important than the others – all are

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[31] *Id.*

[32] IRS SERP Alert 15A0052, *Forms and Pubs in Taxpayer Assistance Centers* (revised Feb. 10, 2015).

[33] IRS SERP Alert 15A0052, *Forms and Pubs in Taxpayer Assistance Centers* (revised Feb. 10, 2015).

essential and necessary for a tax system based on self-assessment and reliant on voluntary compliance. An erosion of any of these services impairs taxpayers' ability to comply with the tax laws. The current state of affairs also violates essential taxpayer rights, including *the right to be informed, the right to quality to service, the right to pay no more than the correct amount of tax, the right to challenge the IRS's position and be heard,* and *the right to a fair and just tax system*.

The IRS's Rationale and Methodology for Making Specific Cuts in Taxpayer Service Are Unclear.

It is difficult to ascertain exactly how the IRS made its resource-allocation decisions with respect to taxpayer service or on what data it relied. For years, the IRS had been reducing taxpayer services in its TACs, including the availability of return preparation for low income, disabled, elderly, and limited English proficiency taxpayers. Having made it harder and harder for taxpayers to obtain these services, it is disingenuous for the IRS to cite the declining utilization of tax return preparation assistance as a justification for cutting these services outright. The deliberate downward trend became a self-fulfilling proposition.

Unfortunately, the measures stakeholders often apply to the IRS do not acknowledge the importance of service delivery. The typical focus is on reducing the tax gap through enforcement efforts, or improving efficiency as measured by return on investment (ROI). These are, of course, measures of fundamental importance, but they tell us nothing about the level of service the IRS is providing to taxpayers, nor do they tell us anything about the taxpayer's experience from the taxpayer's perspective. In fact, a focus on these measures to the exclusion of a meaningful set of service delivery measures ensures that the IRS will not provide a reasonable level of service to taxpayers.

Given budget constraints, the IRS's service activities inevitably compete with its enforcement programs for funding. It is relatively easy to measure the ROI of enforcement programs – just track the dollars collected attributable to an audit or a wage levy, as compared to the various costs (including employee time) associated with that audit or levy. By contrast, while research shows that taxpayer service contributes to voluntary compliance,[34] measuring the impact of service on compliance (*i.e.,* the ROI of IRS services) is at best very difficult, and should not be the basis for funding IRS service delivery. If we acknowledge that quality taxpayer service is an integral component of the IRS's mission, then funding for the Taxpayer Services account should

[34] The classic economic model of compliance – that compliance depends upon the risk (or perception of risk) of being caught and the cost (punishment) if caught – does not adequately explain our high compliance rate in the tax system. Research shows that other factors, such as taxpayers' attitudes about government and their perception that they are being treated fairly by the tax system, also influence taxpayer compliance decisions. Many researchers refer to these factors collectively as "tax morale." For an introduction to the concept of tax morale, *see* National Taxpayer Advocate 2007 Annual Report to Congress vol. 2, 138-182 (*Normative and Cognitive Aspects of Tax Compliance: Literature Review and Recommendations for the IRS Regarding Individual Taxpayers*).

be based on service measures and set at a level that ensures the IRS will be able to provide an adequate level of service to the nation's taxpayers.

The IRS Needs Better Taxpayer Service Measures that Incorporate Both the Government and Taxpayer Perspectives.

The IRS should develop and publish a comprehensive suite of service measures that can serve as the basis for funding decisions, while holding the IRS accountable for efficient service delivery.

I have elsewhere offered detailed guidelines for the creation of a portfolio of measures that would enable both the IRS and external stakeholders to evaluate the effectiveness of IRS service delivery.[35] These measures would also enable the IRS to identify performance gaps that could guide the creation of performance improvement goals. A principal feature of this proposed framework is the inclusion of the following types of measures for each of the IRS's service delivery channels (*i.e.,* telephone, face-to-face, online, and correspondence):

- Access – level of service, wait time (including, where applicable, time waiting for service and time waiting for a response).
- Customer satisfaction.
- Accuracy.
- Issue resolution (*i.e.,* did the IRS completely resolve the taxpayer's problem(s)?).

The IRS currently provides a level of service measure for telephone service, but it does not provide comparable access measures for other channels: Internet, correspondence, and walk-in assistance.

Stakeholders are also keenly interested in how well the IRS is delivering each of its major services (*e.g.,* return preparation, refund inquiries, tax law inquiries). I have recommended that the IRS report select service delivery measures for each of its major service activities:[36]

- Taxpayer awareness of the availability of the various service types by channel.
- Customer satisfaction with each service type by channel.
- Issue resolution for each service type by channel.
- Access for limited English proficiency and disabled taxpayers for each service type by channel.

[35] *See* IRS Pub. 4701, *Annual Report to Congress: Progress on the Implementation of the Taxpayer Assistance Blueprint* (April 2009 to September 2010) 54-57.

[36] *Id.*

- Number of returns prepared by Taxpayer Assistance Centers and by the Volunteer Income Tax Assistance (VITA) and Tax Counseling for the Elderly (TCE) programs.

Implementation of the Service Priorities Initiative Will Provide a Clear Rationale for Taxpayer Service Budgetary Allocation Decisions.

In response to my concerns about the erosion of taxpayer service delivery, the Wage & Investment (W&I) Division and TAS are collaborating on the development of a ranking methodology for the major taxpayer service activities offered by W&I. The new methodology will take taxpayer needs and preferences into account while balancing them against the IRS's need to conserve limited resources, thus enabling the IRS to make resource allocation decisions that will optimize the delivery of taxpayer service activities given resource constraints.[37] Congress will also be able to use the results of this methodology to determine whether it is adequately funding core taxpayer service activities.

The methodology measures "value" by using separate sets of criteria for taxpayers and the IRS. This is necessary because taxpayers and the IRS have different priorities. The IRS is concerned with conserving resources, especially in a tight budget environment. Taxpayers need services that will enable them to understand their tax obligations, prepare their returns, and resolve problems without undue burden. Frequently, these needs are best met by personal services that are more costly to the IRS than automated services, such as Internet-based services.

Limitations imposed by the lack of available data have delayed this initiative, and it is unclear whether the IRS will devote the resources necessary to complete development of the methodology. In the absence of this or a similar methodology, the IRS will continue to make difficult resource-allocation decisions based on limited data and gut instinct rather than through comprehensive analytic rigor.

Recommendations

I recommend that Congress:

- Encourage the IRS to continue the work it has done to date on developing a meaningful portfolio of to develop a more comprehensive suite of performance measures in the area of taxpayer service, consistent with the guidelines I have recommended.

[37] We use the word "optimize" to mean that the ranking methodology will provide the IRS with a rigorous way to select the combination of competing taxpayer service initiatives that maximizes the "value" of service delivery given available resources.

- Encourage the IRS to complete the ranking process for the Service Priorities Project with newly available tax year 2013 data and identify all steps needed to fully populate and implement the ranking tool.

Effective measures will help the IRS determine where it needs to improve and will assist the Appropriations Committees in determining where the IRS requires additional resources.

III. Understanding the Taxpayer Base is Key to Providing Effective Taxpayer Service and to Maintaining and Enhancing Voluntary Compliance.

In order to provide taxpayer service in an effective and efficient manner, the IRS needs to understand its taxpayer base. While in the current budget environment it may be tempting to migrate taxpayer service toward low-cost self-assistance options, such efforts may ultimately be a wasted and costly effort if the IRS does not properly address taxpayers' actual service needs.

Comprehensive Studies Demonstrate that Low Income and Other Vulnerable Taxpayer Populations Need Person-to-Person Assistance to Comply With Their Federal Tax Obligations.

To adequately address these needs and, as a result, maximize voluntary compliance, the IRS should take into consideration the following data points:

- In 2013, nearly 133 million people had incomes below 250 percent of the federal poverty level (FPL), which Congress has determined to be the income level at which taxpayers are eligible for assistance from Low Income Taxpayer Clinics (LITCs).[38] This is an increase of almost 16 million people since 2007.

- The percentage of persons below the 250 percent FPL threshold rose from 39.2 percent to 42.5 percent between 2007 and 2013.[39]

- For tax year 2013, more than 63 million tax returns, or about 45 percent of the tax returns filed, reported incomes below 250 percent of the FPL.[40]

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[38] At least 90 percent of the taxpayers represented by an LITC must have incomes that do not exceed 250 percent of the FPL. *See* IRC § 7526(b)(1)(B)(i). The U.S. Department of Health and Human Services publishes yearly poverty guidelines in the Federal Register each year, which are used to establish the 250 percent FPL thresholds. For the 2015 FPL thresholds, see 80 F.R. 3236 (Jan. 22, 2015).

[39] U.S. Census Bureau, *Current Population Survey, Annual Social and Economic Supplement, Age and Sex of All People, Family Members and Unrelated Individuals Iterated by Income-to-Poverty Ratio and Race, Below 250% of Poverty* (2013 and 2007 poverty data, *available at* http://www.census.gov/hhes/www/poverty/data/incpovhlth/2013/index.html.

In 2014, the Taxpayer Advocate Service, as the organization that oversees and administers the LITC program for the IRS, commissioned a survey by Russell Research to better understand the needs and circumstances of taxpayers eligible to use the clinics.[41] The program provides representation to low income individuals who need help resolving tax problems with the IRS. The "LITC-eligibles" survey had the following pertinent findings:

- A significant percentage (approximately nine percent) of LITC-eligibles has less than a high school education. Almost 30 percent of Spanish-speaking LITC-eligibles had only an elementary school education.

- Fifteen percent of LITC-eligibles reported receiving notices from the IRS. In response, 55 percent called the IRS, 29 percent replied by letter, 24 percent contacted their preparers, and nearly 20 percent did nothing. (More than one response was allowed in the survey).

- A majority of all LITC-eligibles used return preparers, as did approximately 75 percent of Spanish-speaking eligibles. However, a significant percentage of these preparers did not satisfy the very basic statutory requirements established for commercial tax return preparation under IRC § 6695(a) and (b).[42] More than 15 percent of the time, for example, the preparer either did not sign the return or did not give the taxpayer a copy. This percentage rose to more than 30 percent of Spanish-speaking eligibles.

In addition, the Pew Research Center conducted several surveys to determine the percentage of adult individuals who are offline (not using the internet or email). The following shows the categories of individuals found by the surveys to have the highest *offline* rates in 2013:[43]

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[40] IRS Compliance Data Warehouse, Individual Returns Transaction File (Tax Year 2013) (computation based on "total positive income" for income and number of exemptions for household size and includes returns filed through Oct. 2014 and based on 250 percent of HHS poverty levels for 2013).

[41] This Random Digit Dialed (RDD) telephone survey utilized both cell phone numbers and landline numbers to reach participants. This approach was used to make sure all groups of the LITC-eligibles were represented in the survey. The survey included more than 1,100 individuals and gathered information on eligible taxpayers' awareness and use of LITC services, the types of issues for which they would consider using clinic services, and other items including demographic information. See National Taxpayer Advocate 2014 Annual Report to Congress vol. 2, 1-26 (Research Study*: Low Income Taxpayer Clinic Program: A Look at Those Eligible to Seek Help from the Clinics*).

[42] IRC § 6695(a) imposes a penalty on a tax return preparer for failure to provide a copy of the return to the taxpayer, unless the failure is due to reasonable cause and not to willful neglect. IRC § 6695(b) imposes a penalty on a tax return preparer for failure to sign a return when required by regulation to do so, unless the failure is due to reasonable cause and not to willful neglect.

[43] Pew Research Center's Internet & American Life Project, *Who's Not Online and Why?* (Sept. 2013) (Phone survey conducted in 2013); see also Pew Research Center, *Older Adults and Technology Use:*

- Senior citizens (aged 65+): 44 percent offline;
- Adults with less than a high school education: 41 percent offline;
- Adults with high school diploma: 22 percent offline;
- Living in households earning less than $30,000 per year: 24 percent offline;
- Living in rural areas: 20 percent offline;
- Hispanics: 24 percent offline; and
- African Americans: 20 percent offline (rising to 25 percent offline if household income is less than $30,000 and to 37 percent for those with no high school diploma).

Finally, a 2014 online survey by Forrester Research found interesting data about the use of certain devices to conduct some transactions online. While this study was conducted online and thus excluded responses from individuals who were offline or had limited online capabilities, there were some noteworthy findings:[44]

- On average, only 19 percent of adults search for government services and policies with a personal computer or laptop. This rate drops to 11 percent when using personal tablets and to four percent when using a mobile phone.
- With very few exceptions, the lower income brackets used all the devices to conduct online financial transactions less frequently than the national average.
- On average, 21 percent of adults use their mobile phones to check financial statements. Only 13 percent use their mobile phones to pay bills or transfer money between accounts.

I believe the LITC-eligibles survey and the Pew and Forrester findings support the need for the IRS to design a taxpayer service strategy based on the actual needs of the taxpayer population rather than focusing on short-term resource savings. For example, while online self-help tools address the needs of many taxpayers in a low-cost manner, the IRS is harming those offline taxpayers when it significantly decreases the provision of face-to-face and person-to-person telephone services. In addition, the LITC-eligibles

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Adoption is Increasing, but Many Seniors Remain Isolated from Digital Life (April 2014) (Phone survey conducted in 2013); Pew Research Center's Internet Project July 18 to September 30 Tracking Survey, *African Americans and Technology Use: A Demographic Portrait* (Jan. 2014).

[44] Because this survey was conducted online, the reported usage rates may be higher than for the general population. Forrester, *North American Consumer Technographics Online Benchmark Survey,* Part 2 (2014).

survey findings raise questions about the appropriateness of relying on preparers as intermediaries for the low income population, especially the Spanish-speaking population within this category, and particularly with respect to the unregulated return preparer population.

The Lack of a Geographic Presence of Key IRS Personnel, Including Appeals Personnel, Limits the Effectiveness of IRS Taxpayer Service and Compliance Initiatives.

The Internal Revenue Service Restructuring and Reform Act of 1998 (RRA 98) required the IRS to replace its geographic-based structure with organizational units serving groups of taxpayers with similar needs.[45] While the new taxpayer-based structure has produced some benefits, the elimination of a functional geographic presence, with IRS employees understanding the needs and circumstances of a specific geographic economy, may harm taxpayers and erode compliance. Maintaining a local presence in both service and enforcement operations is important because such presence enables the IRS to:

- Better understand local economic, social, and cultural conditions and tailor initiatives accordingly to maximize voluntary compliance;
- Identify local variations of nationwide compliance problems;
- Identify and address significant local compliance problems that are unique to a particular region and do not show up nationwide; and
- Put a local, human face on the IRS organization through the presence of employees who live in the communities and interact with taxpayers on a day-to-day basis.

When designing an outreach campaign, the IRS should give significant attention to local culture and how different messages will be received across geographic lines. Instead, IRS localized outreach and education have all but disappeared, and front-line local compliance personnel have been significantly reduced. For example:

- The Small Business/Self-Employed Division (SB/SE), which serves approximately 65 million taxpayers, has no outreach and education employees in 13 states, plus the District of Columbia.[46]

[45] Internal Revenue Service Restructuring and Reform Act of 1998 (RRA 98), Pub. L. No. 105-206, §§ 1001(a)(1)-(3), 112 Stat. 685, 689 (1998).

[46] IRS, Individual Returns Transaction File, IRS Compliance Data Warehouse (Tax Year 2013 returns filed through Oct. 2014); IRS Human Resources Reporting Center, Report of SB/SE Job Series 0526, Stakeholder Liaison Field Employees as of November 1, 2014 (Nov. 19, 2014). The 13 states are Alaska, Delaware, Hawaii, Kentucky, Mississippi, Montana, North Dakota, Nebraska, New Hampshire, South Dakota, Vermont, West Virginia, and Wyoming.

- The W&I Division, which is responsible for helping approximately 126 million individuals understand and comply with their tax obligations, devotes only about six percent of its outreach and education budget to activities that involve face-to-face contact with taxpayers.[47]

- IRS personnel in densely-populated Manhattan have decreased by 34 percent between 2001 and 2014, although filings of Forms 1040, 1120, 1120S, and 1065 increased by almost 14 percent in Manhattan between tax years (TY) 2000 and 2013.[48]

- In sparsely-populated Wyoming, total tax filings increased by 22 percent between TYs 2001 and 2013, while IRS staffing dropped by more than 50 percent.[49]

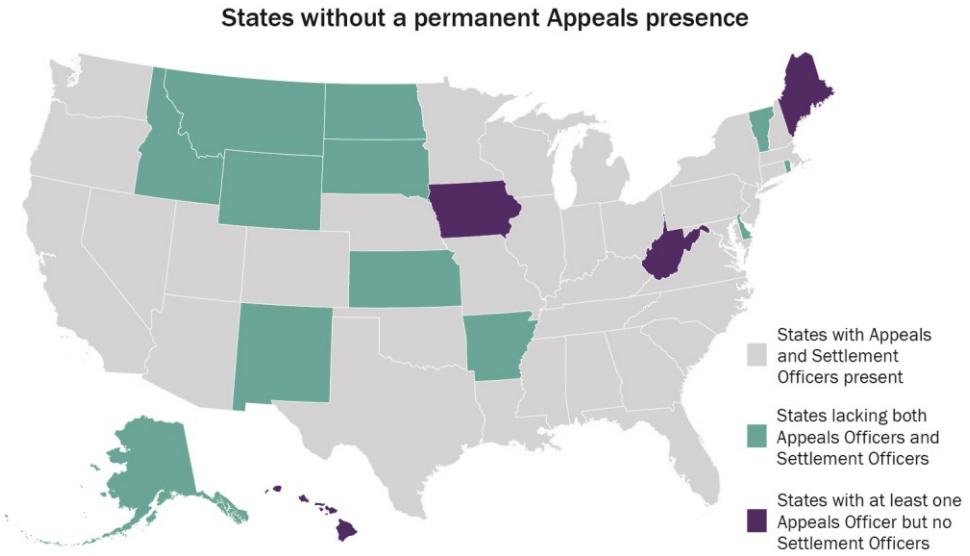
Almost one quarter of the states (12 out of 50) have no permanent presence by the IRS Office of Appeals, and this number of states lacking a permanent field office has increased by 33 percent, from nine to 12, since 2011.[50]

[47] *See* National Taxpayer Advocate 2012 Annual Report to Congress 319-333 (Most Serious Problem: *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*). The six percent figure was as of FY 2011. Due to recent budget reductions, the percentage now may be lower.

[48] IRS Compliance Data Warehouse, Individual Returns Transaction File and Business Returns Transaction File (Tax Years 2000, 2007, and 2013).

[49] Filing data from IRS Databooks for 2001, 2008, 2013, rounded to the nearest thousand. Filing data for 2014 will not be available until March 2015.

[50] National Taxpayer Advocate 2014 Annual Report to Congress 46; IRS, Human Resources Reporting Center. The following states lack both Appeals Officers and Settlement Officers: Alaska, Arkansas, Delaware, Idaho, Kansas, Montana, North Dakota, New Mexico, Rhode Island, South Dakota, Vermont, and Wyoming. The following states have at least one Appeals Officer but no Settlement Officer (to handle appeals on collection matters): Hawaii, Iowa, Maine, and West Virginia. The territory of Puerto Rico has also lacked a permanent Appeals office during this time.



Not only are states without an Appeals post of duty increasing, but the number of Appeals Officers and Settlement Officers located in existing field offices has diminished. Between the summer of 2010 and the summer of 2014, these Appeals personnel, who also comprise the group capable of traveling to states without a permanent field office (referred to as "riding circuit"), have dropped by approximately 27 percent, from 817 to 593.[51] Unsurprisingly, the overall number of Appeals cases closed via circuit riding likewise has progressively fallen in each of the last four years.[52]

Even where geographic coverage eventually is achieved through circuit riding, taxpayers are disadvantaged. Circuit riding Appeals cases often take an additional six months or more to resolve and have significantly lower levels of agreement than face-to-face Appeals cases conducted in field offices.[53] Congress desired better for taxpayers, and more from the IRS, when it passed RRA 98 § 3465(b) to require that an Appeals Officer be "regularly available" within each state.[54]

Recommendations

I recommend that Congress direct the IRS to:

- Re-staff local outreach and education positions to achieve an actual presence in every state, the District of Columbia, and Puerto Rico.

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[51] National Taxpayer Advocate 2014 Annual Report to Congress 49; *see* user data from on-rolls listing, comparing personnel data from Aug. 23, 2010 with personnel data from Aug. 23, 2014.

[52] *Id*. at 50; Appeals response to TAS information request (Aug. 5, 2014).

[53] National Taxpayer Advocate 2014 Annual Report to Congress 52, Figures 3 and 4.

[54] Pub. L. No. 105-206, § 3465(b), 112 Stat. 685, 768 (1998).

- Provide face-to-face service with mobile vans and satellite offices in each state.
- Expand Appeals duty locations in a way that ensures that at least one Appeals Officer and one Settlement Officer are permanently stationed within every state, the District of Columbia, and Puerto Rico.
- Reinvigorate local compliance initiatives by increasing local staffing and research in outreach and education, Exam, Collection, and Appeals.

The Elimination of Face-to-Face Services Abroad Increases Compliance Challenges for International Taxpayers and Erodes Trust in the Fairness of the U.S. Tax System.

Despite the growth of the international taxpayer base, the IRS has announced plans to eliminate all IRS tax attaché posts abroad, citing the multi-year decrease in funding.[55] As a result, over 7.5 million U.S. taxpayers living abroad,[56] over 300,000 U.S. military personnel and their families,[57] and hundreds of thousands of students and foreign taxpayers with U.S. tax obligations[58] who benefitted from the Taxpayer Assistance Centers overseas are left with the options of obtaining all their information from IRS.gov pages or calling the IRS telephone number in the United States with only about a 50 percent chance of reaching a live assistor after 30 minutes or more of wait time – and having to pay country-to-country long-distance charges for the call.[59] The elimination of overseas posts could not come at a worse time as taxpayers abroad are facing unique

[55] On November 30, 2014, the IRS closed its Beijing office. Memorandum from Acting Deputy Commissioner, International (LB&I), Beijing Post Closure (Oct. 16, 2014). The IRS has also announced the closure of the remaining attaché offices in U.S. Embassies in London and Paris, and the consulate in Frankfurt. Memorandum from Deputy Commissioner, International (LB&I), Post Closures of Frankfurt, London and Paris (transmitted on Feb. 18, 2015). The IRS has stated the closures will save about $4 million a year. *See* David Kocieniewski, *IRS Will Shut Last Overseas Taxpayer-Assistance Centers*, Bloomberg (Jan. 14, 2015).

[56] The Department of State estimates that 7.6 million U.S. citizens live abroad and more than 70 million U.S. citizens travel abroad annually. U.S. Department of State, Bureau of Consular Affairs (May 2014), *available at* http://travel.state.gov/content/dam/travel/CA%20Fact%20Sheet%202014.pdf (last visited on Jan. 19, 2015). The number of U.S. citizens overseas increased by more than 50 percent in just five years. National Taxpayer Advocate 2013 Annual Report to Congress 205-213 (Most Serious Problem: *International Taxpayer Service: The IRS is Taking Important Steps to Improve International Taxpayer Service Initiatives, but Sustained Effort will be Required to Maintain Recent Gains*).

[57] U.S. Department of Defense, *Active Duty Military Personnel*, *Strength by Regional Area and by Country* (Mar. 31, 2011).

[58] National Taxpayer Advocate 2011 Annual Report to Congress 129-272. Since 2011, the National Taxpayer Advocate has recommended establishing international LTA offices at the IRS's four tax attaché offices abroad. *See also* National Taxpayer Advocate 2013 Annual Report to Congress 213.

[59] *See* IRS, *Contact My Local Office Internationally*, *available at* http://www.irs.gov/uac/Contact-My-Local-Office-Internationally. *See also* National Taxpayer Advocate 2013 Annual Report to Congress 205-213 (Most Serious Problem: *International Taxpayer Service*: *The IRS Is Taking Important Steps to Improve International Taxpayer Service Initiatives*, *but Sustained Effort will be Required to Maintain Recent Gains*).

challenges complying with their obligations under the Foreign Account Tax Compliance Act (FATCA),[60] the Foreign Bank and Financial Accounts (FBAR) reporting requirements,[61] and the Affordable Care Act (ACA).[62] The inability of international taxpayers to access IRS services from abroad contributes to growing confusion and frustration about U.S. tax administration and undermines voluntary compliance.

In addition to keeping the remaining four IRS tax attaché offices open, it would be helpful to establish international Local Taxpayer Advocate (LTA) offices abroad. TAS is statutorily required to assist taxpayers in resolving their problems with the IRS, to identify areas in which taxpayers are experiencing systemic problems with the IRS, and to the extent possible, to propose changes in the administrative practices of the IRS to mitigate the problems identified.[63] TAS is the only IRS function exclusively devoted to resolving taxpayer problems with the IRS.[64] The provision of basic service to taxpayers abroad would promote the taxpayer rights *to be informed*, *to quality service*, and *to a fair and just tax system,* as described in the Taxpayer Bill of Rights (TBOR) adopted by the IRS.[65] Establishing Local Taxpayer Advocate offices abroad would ensure that the IRS's international policies, processes, and procedures protect the rights granted to taxpayers by the TBOR and encourage future compliance by taxpayers dealing with the complexity and procedural burden of the international tax rules.

Recommendations

I recommend that Congress:

- Require the IRS to retain and provide funding for its four tax attaché offices abroad.

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[60] FATCA was enacted as part of the Hiring Incentives to Restore Employment Act, Pub. L. No. 111-147, §§ 501(a), 511(a), 124 Stat, 71, 97, 109 (2010) (adding Internal Revenue Code (IRC) §§ 1471-1474 & 6038D). *See also* National Taxpayer Advocate 2013 Annual Report to Congress 238-248 (Most Serious Problem: *Reporting Requirements: The Foreign Account Tax Compliance Act Has the Potential to be Burdensome, Overly Broad, and Detrimental to Taxpayer Rights*).

[61] *See* 31 U.S.C. §§ 5314, 5321; 31 C.F.R. §§ 1010.350, 1010.306(c); FinCEN Form 114, Report of Foreign Bank and Financial Accounts (FBAR), *available at* http://www.fincen.gov/forms/bsa_forms. *See also* National Taxpayer Advocate 2014 Annual Report to Congress 79-93 (Most Serious Problem: *Offshore Voluntary Disclosure (OVD): The OVD Programs Initially Undermined the Law and Still Violate Taxpayer Rights*).

[62] The Patient Protection and Affordable Care Act of 2010 (ACA), Pub. L. No. 111-148, 124 Stat. 119 (2010) (codified as amended in scattered sections of the U.S. Code), as amended by the Health Care and Education Reconciliation Act of 2010, Pub. L. No. 111-152, 124 Stat. 1029 (2010).

[63] IRC § 7803(c)(2)(A)(i)- (iii).

[64] *See generally* IRC §§ 7803; 7811. *See also* IRS Pub. 1, *Your Rights as a Taxpayer*. The law requires that there be at least one LTA for each state. *See* IRC § 7803(c)(2)(D)(i)(I). International taxpayers cannot access TAS or IRS personnel toll-free from abroad.

[65] IRS, *Taxpayer Bill of Rights*, *at* http://www.irs.gov/Taxpayer-Bill-of-Rights.

- Provide funding for and require the IRS to establish Local Taxpayer Advocates in each of those cities.

IV. IRS Compliance Initiatives Are Often Based on Outdated or Unproven Assumptions and Can Generate Significant Volumes of Rework for the IRS and Tremendous Burden for Taxpayers.

There is general agreement that the IRS is supposed to collect the correct amount of tax. This implies that the IRS has a responsibility to ensure that taxpayers do not pay *more* taxes than they owe. Further, there is general recognition that the IRS must weigh the burden it imposes on taxpayers against its mission to collect the taxes owed. Few believe, for example, that it would be acceptable for the IRS to conduct extensive audits of every taxpayer every year. Besides being far too intrusive, such an approach would place an unreasonable financial burden on the vast majority of honest taxpayers.

The U.S. tax system is based on self-assessment, but the tax laws are complicated and become more so each year. Computing the correct amount of tax poses a daunting challenge for many taxpayers, and they frequently require assistance, which some can readily afford but millions cannot. For these taxpayers, paying for tax assistance creates a significant financial burden.

Millions of low and middle income taxpayers are "touched" annually by IRS programs that propose additional assessments, such as correspondence audits and our math error and automated underreporter (AUR) programs. Other programs hold refunds that IRS filters have identified as questionable or potentially fraudulent. These proposed additional assessments and refund holds are not always correct, but taxpayers frequently need help understanding IRS notices and other communications in order to challenge IRS positions.

In some programs, the IRS fails to use data available internally to resolve return discrepancies without contacting the taxpayer, and it thereby burdens hundreds of thousands of taxpayers a year unnecessarily. In other programs, the IRS's reliance on outdated data, processes, or assumptions, and its failure to evaluate the results of its programs from the perspective of taxpayers as well as dollars collected, leads to significant delays, increased phone calls and correspondence, and ineffective compliance policies.

In this section, I provide examples of programs in which I believe the IRS can utilize its resources more effectively and efficiently. These examples include: (1) math error processes; (2) identity theft; (3) the automated substitute for return program; (4) early intervention in collection cases; and (5) audit selection.

IRS Math Error Processes Create Significant IRS Rework and Unnecessary Taxpayer Burden.

In my 2011 Annual Report to Congress, TAS reported on a research study that reviewed IRS accuracy with respect to math error adjustments related to dependents claimed on Forms 1040. For tax year 2009, nearly 300,000 returns contained errors with dependent taxpayer identification numbers (TINs). During math error processing, the IRS disallowed over $200 million of credits claimed on these returns, but it subsequently reversed at least part of its dependent TIN math errors on 55 percent of them. Ultimately, about 150,000 taxpayers had their refunds restored. On average, the IRS allowed nearly $2,000 per return after the initial disallowance, with a delay of nearly three months.[66] Furthermore, analysis of a sample of taxpayers who did not contest these assessments showed that about 40,000 taxpayers were denied refunds they were probably entitled to receive.[67]

In this example, the IRS not only imposed significant burden and caused anxiety for these taxpayers, but it created significant rework for itself. TAS research identified about 55 percent of the abated math errors that could have been resolved if the IRS had used internally available data.[68] Thus, a modest investment of time to research IRS databases prior to issuing math error assessments would have eliminated the need to send out about 28 percent of the math error notices, the related phone calls and correspondence from taxpayers, and the employee time spent abating the assessments and processing later refunds.

Recommendation

I recommend that Congress:

- Ensure the IRS reviews its math error processes to identify opportunities to resolve apparent discrepancies with internally and externally available data before issuing math error notices to taxpayers.

Despite Improvement, IRS Identity Theft Processes Continue to Burden Victims and Drive Multiple Contacts and Incomplete Case Resolution.

In my 2014 Annual Report to Congress, I included the results of a case review conducted by the Taxpayer Advocate Service that analyzed a statistically significant sample of identity theft (IDT) cases closed by the IRS. The results from this review not

[66] The total restored to taxpayers was about $292 million. This amount exceeds the amount of credits that were initially disallowed, because it includes both restored credits and related tax reductions (*e.g.,* taxpayers received the benefit of exemptions that were initially disallowed when the credits were disallowed). *See* National Taxpayer Advocate 2011 Annual Report to Congress vol. 2, 116-20 (*Math Errors Committed on Individual Tax Returns – A Review of Math Errors Issued on Claimed Dependents).*

[67] *Id.*

[68] *Id.* at 119.

only confirmed my suspicion that IDT cases are complex – requiring the victim to interact with multiple IRS assistors – but also revealed glaring inefficiencies in current IRS procedures. For example:

- Overall, about two-thirds (67 percent) of all IDT cases reviewed in our sample were either (1) worked in more than one function or (2) reassigned to another assistor within a function.[69]

- When a case is transferred or reassigned, it delays resolution and adds to the frustration experienced by the victim. We found that 42 percent of the cases analyzed in our sample had periods of inactivity (*i.e.*, times when no work was performed on the case for more than 30 days).

- For those cases with periods of inactivity, the average period of inactivity was 78 days.

For complex IDT cases that require the victim to deal with multiple IRS functions, I have recommended that the IRS designate a sole contact person with whom the victim can interact for the duration of the case. I believe that this approach not only will put the victim more at ease, but it will also reduce instances where IDT cases fall through the cracks, require more work, and add to cycle time.

Another finding from this IDT case review was that the IRS's global account review procedures are ineffective. Before an IDT case is closed, the IRS completes an account review to ensure that all related issues have been fully addressed. *Yet in 22 percent of the cases in our sample, the IRS had closed an IDT case without taking the appropriate steps to fully resolve the victim's account.* In these closed IDT cases, there remained unaddressed account issues – for example, a victim had not yet received a refund or the IRS failed to update the victim's address to receive an Identity Protection personal identification number. Projecting this error rate to the population of nearly 270,000 identity theft returns of this type closed in FY 2014 suggests that almost 60,000 taxpayers would face additional burden because the IRS prematurely closed their cases. Clearly, the global account review process is not working as it should, which leads to rework when the taxpayer contacts the IRS again to address the lingering IDT-related issues.

Recommendations

I recommend that Congress:

- Require the IRS to conduct comprehensive global account reviews upon receipt of an IDT case to determine whether the case involves multiple issues or years.

[69] For a detailed discussion of this study, *see* National Taxpayer Advocate 2014 Annual Report to Congress vol. 2, at 43 (*Identity Theft Case Report: A Statistical Analysis of Identity Theft Cases Closed in June 2014)*.

- Assign IDT victims with multiple issues to a sole IRS contact person who will interact with them throughout the pendency of the case and oversee its resolution, regardless of how many different IRS functions need to be involved behind the scenes.

- Conduct a comprehensive global account review prior to closing an IDT case to ensure all issues and years relating to IDT have been fully resolved.

The Automated Substitute For Return (ASFR) Program Artificially Inflates Accounts Receivables, Produces Questionable Business Results, and Needlessly Increases the Demand on IRS Collection Resources, While Creating Unnecessary Burden on Taxpayers.

The Automated Substitute for Return (ASFR) program is the key program used by the IRS to address the "non-filer" population – those taxpayers who have not filed tax returns but appear to have incurred a tax liability. The ASFR program matches third-party information returns and other data, including Forms W-2 and Forms 1099 for Miscellaneous, Brokerage, Interest, Dividend, and Cancellation of Debt income, to determine whether a taxpayer who has not filed a return has a filing requirement based on the income reported. Because the ASFR program generally treats the taxpayers as single (or married filing separately where there is evidence the taxpayer is married) with no dependents, and only allows a standard deduction (even where there is a larger mortgage interest statement on file with the IRS), these "substitutes for returns" almost always overstate the person's tax liability. The rationale is that when the taxpayer sees the liability proposed by the IRS, the taxpayer will file a correct return.

The IRS always has more information on taxpayers than it has resources to handle, so it is very important that the IRS utilize that information in a way that drives compliance and does not generate unnecessary work for itself and taxpayers. Unfortunately, just the opposite is happening in the ASFR program.

In practice, as I discussed in my 2011 and 2012 Annual Reports to Congress, most taxpayers do not respond to proposed ASFR assessments with voluntarily filed returns, nor are these assessments paid early in the collection notice process.[70] Consequently, most become delinquent collection accounts. In FY 2014, the IRS collected (through both refund offsets and enforcement actions) approximately $934 million in delinquent ASFR assessments. However, the IRS abated more than $2 billion of these

[70] For more detailed discussions of the National Taxpayer Advocate's concerns and recommendations regarding the ASFR program, see National Taxpayer Advocate 2011 Annual Report to Congress 93-108 (Most Serious Problem: *Automated "Enforcement Assessments" Gone Wild: IRS Efforts to Address the Non-Filer Population Have Produced Questionable Business Results for the IRS, While Creating Serious Burden for Many Taxpayers);* National Taxpayer Advocate 2012 Annual Report to Congress 456-461 (Status Update: *The IRS's Reliance on Automated "Enforcement Assessments" Has Declined Significantly, but Concerns Remain).*

assessments, and it reported another $5.3 billion as Currently Not Collectible (CNC).[71] That is, in FY 2014, the IRS abated or CNC'd almost eight times the amount of ASFR dollars it actually collected.

Each time a taxpayer calls the IRS to request an abatement or be put into CNC status, an employee has to work the case. (Sometimes more than one employee must get involved, because TAS receives its fair share of these cases.) Someone has to open the taxpayer's correspondence and read the letter objecting to the assessment. Someone then must make the necessary adjustments to the taxpayer's account. I believe it would be a far more efficient use of resources to better identify the correct ASFR cases up front. Similarly, I believe that by placing more emphasis on personal contacts during the proposed assessment process, the IRS would significantly reduce the "downstream" costs it currently incurs to adjust these accounts.

ASFR is an example of a program I would immediately halt in its present form.[72] Although the IRS has substantially scaled back the number of new ASFR assessments since I first reported on it in 2011, recent business results do not indicate that the reduced volumes of ASFR assessments have been the result of productive program changes (*i.e.,* in FY 2014, 58 percent of the closed ASFR accounts were reported as CNC and more than $2 billion was abated).[73] I am concerned that the reduction in ASFR assessments has been driven primarily by a lack of resources and reflects a trend that would be reversed in the future if more resources become available. That would be an unfortunate development, because even at current activity levels, further investments in the ASFR program would not appear to be a prudent use of resources. For the rest of the fiscal year, I would only use ASFR authority for those returns where there is an extremely high level of unreported income. I would simultaneously assign five or six employees (including IRS Research staff and a TAS representative) to examine the case selection rules and samples of past inventory to determine how better to screen cases for true nonfiling and design an assessment process that will result in more collected revenue and fewer abatements.

There is no doubt the IRS must devote resources to combat non-filing, and it may turn out that aspects of the ASFR program are effective. But the high rate of abatements and the large percentage of cases placed into CNC status indicate there are significant opportunities to achieve efficiencies and a higher return-on-investment if the IRS can refine its case-selection criteria to weed out the unproductive cases.

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[71] IRS, Collection Activity Report, NO-5000-242, *Type Assessment Report* (Sept. 2014).

[72] Placing a temporary pause on this program will not impair the government's ability to assess tax against these taxpayers in the future, because there is no time limit for assessing tax where a return has not been filed.

[73] IRS, Collection Activity Report, NO-5000-242, *Type Assessment Report* (Sept. 2014).

Recommendation

I recommend that Congress:

- Encourage the IRS to use this fiscal year to take a pause, scrutinize some programs, and improve them from the perspective of IRS rework, taxpayer burden, and promoting voluntary taxpayer compliance.

The Taxpayer Delinquent Account Collectibility Curve Can Provide a Roadmap for How to Prioritize the Collection of Tax Debts.

A Taxpayer Delinquency Account (TDA) is a case assigned to or awaiting assignment to Collection personnel. In past Annual Reports to Congress, I have noted that many of the TDAs in the IRS Automated Collection Branch and the Collection Field function are delinquencies that have existed for several years. The following statistics highlight the age of the IRS TDA inventory:[74]

- Overall, 53 percent of the IRS Individual Master File (IMF) TDA inventory has been in the IRS function assigned to handle the delinquency for at least 10 months (the delinquency may have been in TDA status much longer).

- More than 70 percent of the IMF TDAs in IRS inventory at the end of 2014 are Tax Year 2010 and prior liabilities (*i.e.,* they are at least four years old).

- More than 20 percent of the TDAs have less than four years remaining on the collection statute, meaning that the delinquency has existed for more than six years.

TAS Research examined the Individual Master File (IMF) Accounts Receivable Dollar Inventory (ARDI) to determine how dollars collected fluctuate as time elapses. We looked at delinquencies that originated in each of six years (2005 to 2010) and analyzed those delinquencies for the next three years. This analysis showed the following:

- Dollars collected decrease by over 50 percent from the first year to the second year and an additional 30 percent from the second year to the third year. In other words, collections are over twice as much during the first year as in the following year and over three times the collections in the third year.

- Even within that first year, collections decreased by about one-third after every three-month period elapsed.

[74] IRS Collection Activity Report 5000-2 (Oct. 3, 2014).

- Not only do raw collections decrease, but the percent of the balance due collected declines as time progresses, with only about eight percent collected in the third year.

- Meanwhile, although the balance of tax due continues to decrease slightly, the amount of assessed and accrued penalties and interest continue to rise.

Budgetary constraints will make the efficient collection of delinquencies paramount. The IRS should use data on the practical delinquency collection "window" to form the basis for its Collection policies. Good information on the time available to effectively collect various delinquencies will assist the IRS in determining what liabilities should be collected first and whether it makes sense to focus on collection of smaller, more current liabilities rather than older, larger liabilities. Furthermore, this research may provide significant insights into which delinquencies are placed in the Collection TDA queue and which delinquencies are shelved. Finally, the collection curve can help demonstrate which delinquencies are able to be resolved early through collection alternatives rather than being left to fester until they become essentially unresolvable.

Recommendation

I recommend that Congress:

- Direct the IRS to revise its collection strategy to acknowledge and address the findings of the collectability curve data. Specifically, the IRS should (1) provide timely, effective interventions for emerging collection problems; (2) place more emphasis on case resolutions during the initial contacts with taxpayers; and (3) offer reasonable payment alternatives, such as installment agreements and offers in compromise, much earlier in the collection process.

Incorporating an Understanding of Taxpayer Behavior into IRS Audit Selection Will Increase the Effectiveness of Audits.

In addition to rebuilding trust through taxpayer service, the IRS can foster trust through its audit selection techniques if the IRS:

- Engages in social science and behavior research to better understand taxpayer behavior and the causes of tax noncompliance; and

- Designs compliance initiatives, including audit selection, in light of its research findings.

The IRS recognizes the importance of a more holistic approach to compliance, but it has not carried out the necessary research.[75] It continues to base compliance initiatives

[75] As the IRS Fiscal Year 2015 Budget Request notes: "Social science research reveals that the traditional deterrence theory, fear of detection and/or punishment, contributes a portion to actual

primarily, if not exclusively, on tax data such as returns and third-party information reports. Proceeding on the basis of social science research findings would instead allow the IRS to adopt the least intrusive enforcement measure necessary in light of known taxpayer behaviors and motivators, thereby protecting taxpayers' right to privacy. It would also allow the IRS to take into account taxpayers' facts and circumstances, thereby protecting their right to a fair and just tax system. Demonstrating that the IRS selects returns for audit in the light of relevant research and in ways that enhance taxpayer rights would help rebuild trust in the IRS.

Other tax authorities, such as the United Kingdom (UK), have made more progress in incorporating research into audit selection processes. In 2012, for example, the UK tax authority's external research program examined why small and medium-sized businesses enter and operate in the hidden economy, identified six hidden economy "typologies," and provided insights about how to reach each group and advice on what messages to avoid for each group.[76] The UK also seeks to prevent tax noncompliance in ways that involve the tax authority only indirectly, for example by working with private industry regulators to make tax compliance a condition of retaining an operating license.[77]

Recommendations

I recommend that Congress direct the IRS to:

- Incorporate applied and behavioral research into all of its compliance initiatives.
- Fund or activate compliance initiatives only pursuant to an overall strategy that establishes how the IRS will use education, outreach, partners, assistance, non-invasive compliance touches, and enforcement touches to increase compliance and how it will test the initiative, measure its success, and adjust to continuing research findings and trends.

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compliance rates. Recent studies indicate that social norms, personal values, and attitudes may have a large impact on compliance decisions. Market segmentation approaches—behavioral, psychographic, and attitudinal, are widely used in commercial marketing to develop, design, and position products and services towards the right customer base. The knowledge gained from both social science and marketing research can assist the IRS with appropriate identification and alignment to the proper taxpayer." Internal Revenue Service FY 2015 Budget Request, Congressional Budget Submission 187, *available at* http://www.treasury.gov/about/budget-performance/CJ15/10.%20-%2015.%20IRS%20CJ.pdf.

[76] HM Revenue & Customs, Business Customer & Strategy, Behavioural Evidence & Insight Team, *Understanding key problems for SMEs: Hidden Economy Levers, Ghosts and Moonlighters: Identifying effective levers to reduce entrants into, and encourage SMEs out of the Hidden Economy* (May 2012), *available at* https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/344827/report208.pdf.

[77] *See* Security Industry Authority (SIA), Approval Conditions, *available at* http://www.sia.homeoffice.gov.uk/Pages/business-conditions.aspx.

V. The IRS Is Undertaking a Review of Its Approach to Tax Compliance and Service Delivery, But Greater Transparency and Congressional Oversight Would Improve Taxpayers' Confidence and Trust in the Tax System.

The best way for Congress to hold the IRS accountable for how it allocates resources and makes decisions is through active, consistent oversight of the agency. After Congress passed the IRS Restructuring and Reform Act of 1998, it held annual joint hearings to review, among other things, the IRS's progress in meeting its objectives and improving taxpayer service and compliance.[78] Each hearing was conducted jointly by majority and minority members of the House Committees on Ways and Means, Appropriations, and Government Reform and Oversight and the Senate Committees on Finance, Appropriations, and Governmental Affairs. However, the hearings were discontinued because the legislation only required them to be held for five years.

I believe it would be helpful for Congress to resume these joint oversight hearings – not just on the issue *du jour,* but on the routine work the IRS does. Focusing on current tax administration challenges, these hearings could address issues such as how the IRS is making decisions related to taxpayer service, whether the IRS is effectively using existing resources to collect past due liabilities, whether the IRS's administration of penalties promotes voluntary compliance, and whether IRS employees have appropriate training to deal with diverse taxpayer populations. The hearings would provide a useful vehicle for multiple committees of Congress to review the IRS's progress, examine whether the IRS is meeting the needs of particular taxpayer segments and protecting taxpayer rights, gain a better understanding of potential problem areas, and help the IRS by passing legislation or providing additional funding where the IRS can demonstrate sufficient need.

The IRS is currently developing its Concept of Operations (CONOPS) for the type of tax administration it wants to transform itself into over the next few years. Thus, now is the appropriate time for Congress to conduct oversight to ensure that the IRS is creating a plan that not only works for itself, but also for taxpayers – the full diversity of our taxpayer base. Conducted in a respectful way, in full recognition of the important service the IRS provides to this nation and the serious challenges its employees face every day in fulfilling the IRS mission, the hearings can help restore trust and foster a shared sense of purpose between the IRS and Congress, and thus enhance the confidence of taxpayers as well.

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[78] *See* Pub. L. No. 105-206, § 4001, 112 Stat. 685, 783 (1998). The statute refers to a "joint review [to] be held at the call of the Chairman of the Joint Committee." The legislative history, however, makes clear that there was to be "one annual joint hearing" before June 1 of each of the succeeding five calendar years. H.R. Rep. No. 105-599, at 328 (1998) (Conf. Rep.).

Recommendation

I recommend that Congress:

- Reinstate joint oversight hearings to review the IRS's progress in meeting its objectives and improving taxpayer service, enforcing the tax laws, and promoting voluntary compliance.

VI. The IRS Requires Funding to Acquire Modern IT Systems, Particularly Case Management Systems, in Order to Meet Taxpayer Needs and Improve Productivity.

I have outlined in the preceding sections several areas in which I believe the IRS can achieve greater effectiveness and productivity by analyzing its current processes and reassessing its preconceived notions about what influences compliance behavior. While these improvements mostly require an investment of time and creativity, in other areas of tax administration there must also be an investment of funding to permit real improvements and productivity gains. The need for this type of investment is most pressing in the area of information technology and, in particular, for case management systems.

I use the term "case management" in a comprehensive sense to refer to electronic recordkeeping systems the IRS uses to keep track of information about interactions with respect to taxpayers' tax returns or other tax-related matters. These systems include case records for audits and collection matters for individuals and large, medium-size, and small businesses, exempt organization determinations, whistleblower claims, automated substitute for returns (discussed above), the automated underreporter (AUR) program, criminal investigations, and the Taxpayer Advocate Service.

Today, the IRS has approximately 80 case management systems. Few of these systems talk with one another. None provide a virtual substitute for the paper case file (*i.e.,* there are reams of paper supplementing whatever records are included in the electronic system). The IRS's current case management system structure requires employees to retrieve data from many systems manually, maintain both paper and electronic records, transcribe or otherwise import information from paper and other systems into their own case management systems, and ship, mail, or fax hundreds of thousands, if not millions, of documents annually for management approval or quality review.

Within my own organization, the wastefulness of these processes is apparent in how TAS employees must conduct and record their work. Taxpayers who come to TAS for assistance all have a "significant hardship" as a result of the way the Internal Revenue laws are being administered. That is, their cases are among the most urgent in the IRS. TAS employees must access many of the specialized IRS case management systems to do their jobs, including the Automated Lien System, Account Management Services,

Automated Offer in Compromise, Correspondence Exam Automation Services, Correspondence Imaging Services, Employee User Portal, Integrated Automation Technologies, Integrated Collection System, Online Retrieval System, Return Request Display, Remittance Transaction Research, and Treasury Check Information System.

None of this access is automated. That is, the employee must log in to the specific system each time he or she needs access to files. In some instances, because the IRS does not have enough licenses for a particular system, the TAS employee must request system information from a designated TAS liaison who has access to that system, thus involving two people in the simple act of obtaining taxpayer information. In other instances, TAS does not have access to a system, and the TAS employee must send a request (known as an "Operations Assistance Request" or OAR) to the related IRS function to retrieve and send us the information. All of these actions involve significant manual and clerical work, cause time delays in case resolution that can harm taxpayers, and waste valuable employee time (which is TAS's and the IRS's greatest resource).

It is this state of affairs that led TAS leadership several years ago to design a replacement for our current case management system, the Taxpayer Advocate Management Information System, or TAMIS. TAMIS is a version of the original case management system created in the 1980's for TAS's predecessor, the Problem Resolution Program. Thus, TAS decided to develop a system that would integrate into a single environment all of the systems TAS employees use on a regular basis. This new system is called the Taxpayer Advocate Service Integrated System, or TASIS. One of the principal components of TASIS is a new case management system, which will replace TAMIS. The Senate Appropriations Committee has included TASIS on its list of six "major information technology project activities" about which it directed the IRS to submit quarterly status reports.[79]

We designed TASIS from the ground up. With respect to the case management aspect of TASIS, we asked our case advocates, intake advocates, and their managers what drove them crazy about the current system, and what tools and capabilities they would like to have in a new system. We asked them to think about all the manual tasks they have to perform in a day that waste their time. Based on those submissions, and my own "wish list" of items, we developed over 4,000 business requirements for our new case management system. These requirements formed the basis of TASIS Release 1 and 2. Here are some of the things the new case management system will include:

- Fully virtual case files, in which all documentation (whether IRS or taxpayer-generated) will be scanned or received digitally into an electronic case file.

- Electronic access to almost all other IRS case-management systems so that automatic retrieval of taxpayer information is programmed into the system and

[79] *See* S. Rep. No. 113-80, at 34 (2013) (committee report relating to IRS FY 2014 appropriation). The draft committee report relating to the IRS FY 2015 appropriation also contained this provision, but the full committee did not vote on the FY 2015 funding bill so the draft report was not adopted.

TAS employees will no longer have to obtain and import the information manually.

- Electronic submission and tracking of OARs (including receipt, acknowledgement, assignment, and response), whereby TAS sends requests, with supporting documentation, to IRS functions to take actions on cases, thereby eliminating delays and time-wasting manual tracking.

- Full access to all virtual case information for purposes of management and quality review, eliminating the delay and cost associated with transporting files.

- Taxpayer ability to submit Form 911, *Request for Taxpayer Advocate Service Assistance,* electronically.

- Taxpayer ability to submit documentation electronically.

- TAS and taxpayer ability to communicate digitally, through email and text messages, including both substantive case information and reminder notices that help move the case along timely.

- Taxpayer (and representative) ability to electronically check the status of a case in TAS and what actions have been taken or are underway.

- An electronic case assignment system that matches, in real time, the complexity and direct time associated with the case with the skills and available direct time associated with each case advocate in any given office, taking into account an employee's unavailability because of annual leave, sick leave, administrative leave for training, or on-the-job instruction. This approach eliminates delays in case assignment and minimizes the need to transfer cases.

As this short list of functions demonstrates, TASIS will significantly increase the productivity of TAS case advocates because they will no longer spend their valuable time tracking down paper documents and inputting information on multiple systems. Moreover, taxpayers will be able to communicate more quickly with us and electronically (and quickly) send us information and documents that are key to their cases. This functionality will enable our case advocates to spend their time advocating for taxpayers, rather than performing manual input and tracking of documents and IRS actions.

Because TAS has a working knowledge of almost all the other IRS case management systems, we designed our new system to serve as the basic unit upon which other IRS divisions could add modules and functionality to meet their specific needs. Thus, the time, planning, development, and programming that TAS and IRS Information Technology (IT) have invested in TASIS will benefit all of the IRS.

Unfortunately, because of the demands on the IRS IT function, all IT activity on TASIS has come to a halt.[80] To date, about $20 million has been invested in TASIS Release 1, and about two-thirds of the programming is complete. We are ready to begin the final programming as soon as funds are available. It is estimated that $12 million will be needed to complete Release 1 programming, testing, and launch, with another $4 million for operation and maintenance. At this time, despite the demonstrated savings of TASIS and its benefits for all of the IRS, no funds are allocated to TASIS.[81]

I believe that the design and implementation of TASIS is critical not only for TAS but to the IRS's ability to move forward and begin to harness the savings and burden reduction that a sophisticated case management system promises. For that to happen, the IRS requires sufficient IT funding to invest in new systems that have great promise. TASIS is one such program.

VII. Conclusion

The Federal government is currently failing badly to meet the service needs of its taxpayers. To address this problem, the IRS will need more resources to answer taxpayer telephone calls, process and respond to taxpayer correspondence, and assist taxpayers who seek assistance in its walk-in sites. The IRS can also take steps to improve its resource-allocation decisions and achieve greater efficiencies.

To be blunt, several incidents over the last few years have reduced the confidence of many Members of Congress in the leadership of the IRS. The IRS has undergone several leadership changes since that time, and I believe it is critical that Congress and the IRS now work together to find a better way forward. The IRS must take steps to rebuild congressional trust and Congress must respond by providing the IRS with the funding it needs to do its important work of helping taxpayers meet their tax obligations and collecting the revenue on which the rest of government depends. In this testimony, I have tried to offer some recommendations to help in this regard.

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[80] The case management component of TASIS was originally scheduled to "go live" in December 2014. However, on March 1, 2014, the IRS placed a moratorium on all programming (with limited exceptions) not impacting the 2015 filing season or implementation of the Affordable Care Act and FATCA.

[81] In the meantime, TAMIS, the legacy TAS case management system, is woefully inadequate for the work TAS does. Because there is no resumption or completion date for TASIS Release 1, TAS staff is exploring what can be done to shore up TAMIS in order to meet our 21st century business needs. But this is throwing good money and time after bad, since TAMIS will be unsupported and obsolete in a few years.