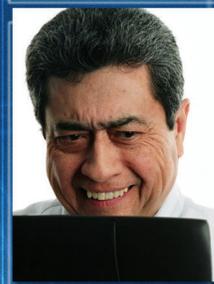
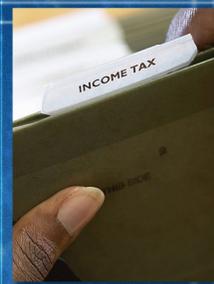
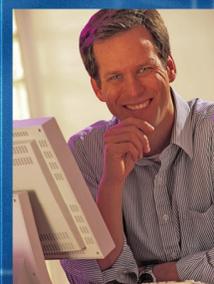


The 2006 Taxpayer Assistance Blueprint

PHASE I

April 24, 2006



"Building on a Solid Foundation"

Taxpayer Assistance Blueprint Prologue

The Taxpayer Assistance Blueprint (TAB) initiative builds on several years of both planned and actual operational improvements. It also addresses Congress's report language requesting that the Internal Revenue Service (IRS) conduct a comprehensive review of its current portfolio of services and develop a five-year plan for taxpayer services. The Congressional language stated the plan should be developed in collaboration with the IRS Oversight Board and the National Taxpayer Advocate (NTA) and should include long-term goals that are strategic and quantitative, and balance enforcement and service.¹

To satisfy the report submission date of April 14, 2006, as defined in the Congressional language,² the TAB initiative is designed as a two-phased process. TAB Phase 1 identifies strategic improvement themes by researching IRS service relative to taxpayers' needs and preferences. TAB Phase 2 validates those themes through further research of taxpayers' service preferences and develops the five-year plan for service delivery.

This report presents the strategic improvement themes developed in TAB Phase 1. They are based upon:

- Current baseline of taxpayer services
- Preliminary understanding of taxpayer needs and preferences based on primary research that was completed to better understand the needs of the taxpayer collected through surveys; focus groups; interviews with stakeholders, employees, and partners; and secondary research gathered through studies, research reports, and literature reviews
- Targeted research and analysis of customer insights from external organizations, including customer service leading practices and impact on business results.

Phase 2 builds on the strategic improvement themes and will produce a five-year plan for preferred service delivery to individual taxpayers within available resources. This plan will include:

- Additional voice of the taxpayer (VOT) research collected through taxpayer survey data, particularly as it relates to service channel preferences
- A process for assessing taxpayer needs and preferences that is integrated with IRS annual budgeting and business and strategic planning processes, including long-term improvement goals
- Customer-centric measures that enable the IRS to deliver taxpayer services efficiently and effectively
- A qualitative approach to establish an inferential link between service and compliance
- Operational recommendations for taxpayer service improvements for the next five years
- Continued stakeholder, partner, and employee engagement.

¹ United States Congress, Conference Report 109-307. *Joint Explanatory Statement of the Committee of Conference: Internal Revenue Service, Processing Assistance, and Management (Including Rescission of Funds)*, <http://www.rules.house.gov/109/text/hr3058cr/109hr3058jes.pdf>.

² United States Congress, Conference Report PL109-115: H.R.3058 – 43. *Transportation, Treasury, Housing and Urban Development, the Judiciary, the District of Columbia, and Independent Agencies Appropriations Act, 2006*, 30 November 2005. (Enrolled as Agreed to or Passed by Both House and Senate), and United States Congress, Conference Report 109-307. *Joint Explanatory Statement of the Committee of Conference: Internal Revenue Service, Processing Assistance, and Management (Including Rescission of Funds)*, <http://www.rules.house.gov/109/text/hr3058cr/>.

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Executive Summary

The Internal Revenue Service (IRS) is an organization of significant size and scope. It administers America's tax laws, and in fiscal year (FY) 2004 collected in excess of \$2 trillion in revenue³ to fund most government operations and public services. Each year the IRS receives more than 133 million⁴ individual income tax returns⁵ and issues 100 million plus refunds totaling more than \$200 billion.⁶ Unlike private industry, which can select the customers it will serve, the IRS Mission is to provide service to a constituency of more than 177 million⁷ individual filers.⁸ Providing quality taxpayer services and continuing to improve those services is a strategic priority for the IRS.⁹ In meeting this priority, the IRS must allocate resources to specific services and delivery channels to ensure taxpayers understand their obligations and benefits and participate in the tax system. Assisting the public to achieve this understanding is the cornerstone of taxpayer compliance and is vital for maintaining public confidence in the tax system.

Since the enactment of the IRS Restructuring and Reform Act of 1998 (RRA '98) and the Modernization of the IRS between 1998 and 2001, the IRS has made significant progress in improving customer service.

- There has been a 26 percent increase in the overall American Customer Satisfaction Index (ACSI) score¹⁰ for all individual tax filers over a 6-year period, increasing from 51 in 1999 to 64 in 2005. This is the largest favorable gain of all federal agencies surveyed by the ACSI during this period.¹¹
- Toll-free level of service, tax law accuracy, and customer satisfaction rates have remained high or noticeably improved in recent years.
 - In FY 2005, the IRS achieved an 83 percent toll-free level of service, showing significant improvement over the 62 percent level achieved in FY 2001.¹²
 - In FY 2005, the IRS achieved an 89 percent toll-free tax law accuracy rate,¹³ well above the 80 percent level achieved in FY 2001.¹⁴
 - In FY 2005, customer satisfaction with the IRS toll-free service reached 95 percent.¹⁵

³ Internal Revenue Service, Statistics of Income (SOI), *IRS Data Book 2004, Table 1-Summary of Internal Revenue Collections and Refunds*, 2005.

⁴ Internal Revenue Service, SOI, *Tax Stats - Filing Year 2005 (Tax Year 2004) Reports*, Week Ending December 30, 2005.

⁵ Approximately 133 million individual (1040 family) tax returns are filed. Because some individual taxpayers are married and file jointly, this number translates into the returns from roughly 177 million taxpayers.

⁶ Internal Revenue Service, *Commissioner Everson Calls for Improvements to Refund Fraud Program*, <http://www.irs.gov/newsroom/article/0,,id=153813,00.html>.

⁷ United States Department of Commerce, U.S. Census Bureau, *2000 Census*, <http://www.census.gov>, and Internal Revenue Service, Electronic Tax Administration Marketing Database (ETA MDB), 2003 Return Information, 2003.

⁸ The 2000 Census reported 281 million individuals live in the United States and IRS records show that 63 percent are currently federal income filers that the IRS actively works to support.

⁹ Internal Revenue Service, *Strategic Plan Fiscal Year 2000-2005*, July 15, 2004, page 12.

¹⁰ The American Customer Satisfaction Index (ACSI), which began in 1994, is a measure of customer satisfaction that covers 7 economic sectors, 40 industries, more than 200 private sector companies, and many governmental agencies. Scores are reported on a 0 to 100 scale based on survey data from consumer households across the nation. The ACSI is produced by the Stephen M. Ross Business School of the University of Michigan, in partnership with the American Society for Quality (ASQ) and the International Consulting Firm, CFI Group.

¹¹ Internal Revenue Service, *Written Testimony of Mark W. Everson, Commissioner of the Internal Revenue Service Before The Joint Congressional Review*, May 19, 2005.

¹² Internal Revenue Service, Statement by IRS Commissioner Mark W. Everson, *IRS Improves Enforcement and Services in 2005*, November 3, 2005, <http://www.irs.gov/newsroom/article/0,,id=150358,00.html>.

¹³ In FY 2003, accuracy measures for the toll-free telephone changed from a pass/fail methodology to a defect per opportunity (DPO) methodology. Despite changes in methodology, continued improvements are noted.

¹⁴ Internal Revenue Service, Statement by IRS Commissioner Mark W. Everson, *IRS Improves Enforcement and Services in 2005*, November 3, 2005, <http://www.irs.gov/newsroom/article/0,,id=150358,00.html>.

- IRS.gov is one of the most heavily visited sites on the Internet, with more than 176 million visits and 1.3 billion page views in FY 2005. IRS.gov visits¹⁶ and page views¹⁷ have increased 72 percent and 84 percent respectively, between FY 2003 and FY 2005.¹⁸
- In 2005, more than half of all individual taxpayer returns (68 million) were filed electronically—a 30 percent increase from FY 2003, and more than 5 million taxpayers filed for free through the Free File Alliance—an 84 percent increase from FY 2003.¹⁹
- In 2002, the Practitioner Priority Service (PPS)²⁰ was expanded to provide nationwide toll-free phone access solely for practitioners. In FY 2004, practitioner account services were expanded to IRS.gov with the release of Electronic Account Resolution (EAR)²¹ for qualifying practitioners.²²
- IRS Stakeholder Partnerships, Education and Communication (SPEC) developed a community-based partnership model that links education and outreach with free return preparation for low-income populations and supports these partnerships through programs such as Volunteer Income Tax Assistance (VITA) and Tax Counseling for the Elderly (TCE). The number of these community partnerships increased from 6 in FY 2000²³ to 290 in FY 2005.²⁴
- Low Income Taxpayer Clinics (LITC), established in 1998, provide free or nominal charge representation for low-income taxpayers in federal tax disputes and tax education and outreach for taxpayers who speak English as a second language.²⁵
- The Taxpayer Advocacy Panel (TAP) was created in 2002, expanding the former Citizen Advocacy Panel (CAP) first established in 1998. The mission of TAP is to help the IRS identify ways to improve customer service and satisfaction.

The increased breadth and quality of services offered through the Internet, telephone, and partnerships, in combination, have enabled the IRS to reach a larger audience in a more efficient and effective manner, for both the IRS and the taxpaying public. Taxpayer satisfaction has increased over the past five years; and today, taxpayers are better positioned to understand their tax obligations and benefits and participate in the tax system. While these accomplishments are impressive, there is still a need for greater efficiency and effectiveness in service delivery based on taxpayer needs and preferences. The

¹⁵ Internal Revenue Service, Statement by IRS Commissioner Mark W. Everson, *IRS Improves Enforcement and Services in 2005*, November 3, 2005, <http://www.irs.gov/newsroom/article/0,,id=150358,00.html>.

¹⁶ A visit is defined as a series of actions that begins when a visitor views his/her first page from the server and ends when the visitor leaves the site (or remains idle beyond the idle-time limit of 30 minutes). It should be noted that any given Web page may be accessed (i.e., viewed) multiple times during a single visit to IRS.gov. This causes the number of page views for any given Web page to be significantly higher than the number of visits recorded for the same page.

¹⁷ Page views is a measurement of the number of times that a Web page is viewed from a Web server. This is a much better metric for measuring Web traffic than hits. Unlike the situation with hits, whenever any given Web page is accessed by a visitor to IRS.gov, it is counted as just one page view.

¹⁸ Internal Revenue Service, WebTrends Database, *Site Traffic*, 2003-2005.

¹⁹ United States Office of Management and Budget, *E-Gov Presidential Initiatives: IRS Free File*, <http://www.whitehouse.gov/omb/egov/c-1-3-IRS.html>. and United States Office of Management and Budget, *Report to Congress on the Benefits of the President's E-Government Initiatives*, January 6, 2006, http://www.whitehouse.gov/omb/infocore/e-gov/e-gov_benefits_report_2006.pdf.

²⁰ Practitioner Priority Service is a toll-free, accounts-related service for all tax practitioners nationwide. It is a practitioner's first point of contact for assistance regarding taxpayers' account-related issues.

²¹ Electronic Account Resolution allows tax professionals to expedite closure on clients' account problems by electronically sending/receiving account-related inquiries. Tax professionals may inquire about individual or business account problems, refunds, installment agreements, missing payments, or notices. Tax professionals must have a power of attorney on file before accessing a client's account. The IRS response is delivered to an electronic secure mailbox within three business days (Internal Revenue Service, *New e-Services Tools Expected to Increase e-filing, Improve Customer Service*, IR-2004-89, July 6, 2004, <http://www.irs.gov/newsroom/article/0,,id=124940,00.html>).

²² Internal Revenue Service, *New e-Services Tools Expected to Increase e-filing, Improve Customer Service*, IR-2004-89, July 6, 2004, <http://www.irs.gov/newsroom/article/0,,id=124940,00.html>.

²³ Internal Revenue Service, Stakeholder Partnerships, Education and Communication, *The Power of Partnerships*, September 2003, page 3.

²⁴ Internal Revenue Service, Stakeholder Partnerships, Education and Communication, *SPEC Business Model*, November 2005, page 6.

²⁵ Internal Revenue Code, Section 7526, *Low-Income Taxpayer Clinics*.

Taxpayer Assistance Blueprint (TAB) represents a cohesive, integrated strategy for providing taxpayer service over multiple channels and will provide the foundation for the next stage in the evolution of taxpayer services.

Taxpayer Assistance Blueprint Overview

In July 2005, the Senate Committee on Appropriations issued report language requesting that the IRS conduct a comprehensive review of its current portfolio of services and develop a five-year plan for taxpayer services. The plan is to outline which services the IRS should provide and how it will improve services for taxpayers.²⁶ Congress asked the IRS, the IRS Oversight Board, and the National Taxpayer Advocate (NTA) to collaboratively develop a plan and deliver it by April 14, 2006.²⁷ All involved parties recognize this as an opportunity to directly influence and shape the design, delivery, and future direction of taxpayer services for years to come.

IRS
<i>"At the IRS, we are committed to providing a balanced program of quality service and equitable enforcement of the law. We strive to provide the most efficient and effective taxpayer services possible while staying within our budget. This Blueprint will provide a solid foundation on which to base decisions about our taxpayer services portfolio."</i>
Mark Everson, Commissioner Internal Revenue Service
IRS Oversight Board
<i>"It is understandable in light of budget reductions that the IRS is looking to funnel taxpayers to the channels that are the least expensive for the IRS to operate. However, taxpayer needs and preferences must also be taken into account. ... The IRS should perform more research to evaluate these issues and develop a strategy that manages its entire portfolio of service channels into the optimum configuration that meets both IRS and taxpayer needs. The resulting research could help the IRS decide which functions were most effectively performed by each service channel—telephone, Internet, e-mail, and in-person—and how to influence taxpayers to use the most appropriate channel for each circumstance."</i> ²⁸
Ray Wagner, Chairman IRS Oversight Board
National Taxpayer Advocate
<i>"The IRS delivers a variety of services through various channels to a diverse group of taxpayers. Although the Service has conducted significant research in this area, additional research is needed to enable the IRS to determine which channels are most effective in delivering each type of service to each segment of the diverse taxpayer population."</i> ²⁹
Nina Olson, National Taxpayer Advocate

The IRS, IRS Oversight Board, and the NTA have worked in partnership to develop this report and will continue to provide experience, knowledge, resources, and the perspective of taxpayers to help establish the key imperatives for taxpayer services in the future. The final product has been cleared through Treasury and the Office of Management and Budget.

The TAB initiative will address the challenges of effectively and efficiently aligning service content, delivery, and resources with taxpayer and partner expectations. The focus of the initiative is on services that support the needs of the individual filer, taxpayers who file or should file Form 1040 series tax returns

²⁶ United States Congress, Senate Report 109-109. *Transportation, Treasury, The Judiciary, Housing and Urban Development, and Related Agencies Appropriations Bill, 2006: Internal Revenue Service, Processing, Assistance and Management, Committee Recommendation*, July 26, 2005, [http://thomas.loc.gov/cgi-bin/cpquery/R?cp109:FLD010:@1\(sr109\)](http://thomas.loc.gov/cgi-bin/cpquery/R?cp109:FLD010:@1(sr109)).

²⁷ United States Congress, Conference Report 109-307. *Joint Explanatory Statement of the Committee of Conference: Internal Revenue Service, Processing Assistance, and Management (Including Rescission of Funds)*, <http://www.rules.house.gov/109/text/hr3058cr/109hr3058jes.pdf>.

²⁸ Internal Revenue Service Oversight Board, *IRS Oversight Board Annual Report 2005*, page 22.

²⁹ National Taxpayer Advocate, *National Taxpayer Advocate's FY 2006 Objectives Report to Congress*, June 30, 2005, page 15.

using their Social Security Number (SSN) or Individual Taxpayer Identification Number (ITIN).³⁰ The TAB scope includes taxpayers with a business income that is directly reported on a Form 1040 series tax return such as self-employed individuals filing Form 1040 - Schedule C and partners whose income passes directly through the partnership entity to Form 1040. Consequently, the TAB scope does not include services that support business filers who file other types of tax returns, such as Form 1120 series corporate returns and Forms 940/941 business series employment tax returns filed using an Employer Identification Number (EIN). Although recognizing that most taxpayers interact with the IRS once a year when submitting their returns and in many cases receive a refund, the TAB scope does not include return processing. Forms and publications content and the development and clarity of notices to taxpayers are also critical elements of taxpayer services and are being addressed by separate improvement programs. TAB Phase 2 will link customer service improvements with these other efforts and with burden reduction initiatives.

To address Congressional, IRS, and stakeholder interests, the TAB initiative was designed to achieve the following objectives:

- Establish a credible taxpayer/partner baseline of needs, preferences and behaviors
- Implement a transparent process for making service-related resource and operational decisions
- Develop a framework for institutionalizing key research, operational, and assessment activities to holistically manage service delivery
- Utilize both short-term performance and long-term business outcome goals and metrics to assesses service value.

To comply with the milestone date defined by Congressional language, the TAB initiative was designed as a two-phased process. This report presents the strategic improvement themes developed in TAB Phase 1. They are based upon:

- Current baseline of taxpayer services
- Preliminary understanding of taxpayer needs and preferences based on primary voice of the taxpayer (VOT) research collected through surveys; focus groups; interviews with stakeholders, employees, and partners; and secondary research gathered through studies, research reports, and literature reviews
- Targeted research and analysis of customer insights from external organizations, including customer service leading practices and impact business results.

Phase 2 builds on the strategic improvement themes and will produce a five-year plan for preferred service delivery to individual taxpayers within available resources. This plan will include:

- Additional primary VOT research collected through taxpayer survey data, particularly as it relates to service channel preferences
- A process for assessing taxpayer needs and preferences that is integrated with IRS annual budgeting and business and strategic planning processes, including short-term performance and long-term business outcome goals and metrics

³⁰ Form 1040 series tax returns include any IRS tax forms that begin with “1040” such as Form 1040, Form 1040-A, Form 1040-EZ, etc.

- Customer-centric performance measures that focus on effective and efficient service delivery
- A qualitative approach to establish an inferential link between service and compliance
- Operational recommendations for taxpayer service improvements for the next five years
- Continued stakeholder, partner, and employee engagement.

Current Taxpayer Services

Taxpayer services are offered by a broad community of providers, including the IRS and private and community-based partners. Each taxpayer service provider offers a wide range of services through a mix of self-assisted and assisted delivery channels.

IRS services are evaluated against a set of balanced measures. While all IRS service channels evaluate performance against the balanced measures categories,³¹ the definition of similar performance metrics such as accuracy differ across channels, as do the availability, collection processes, and quality of the data, which all limit cross-channel comparative analysis. Additionally, there is no specific set of data or a methodology to measure the long-term business outcomes of effective service delivery as it relates to the accomplishment of the IRS's Mission, the impact of a specific event across all channels, or the ultimate impact of service on compliance. While establishing a credible quantifiable link between service and compliance may be unattainable, developing a body of reasonable proxy measures based on reasonable causal inferences is not. Such metrics should reinforce the long-term outcome of supporting compliant taxpayers to remain compliant and provide the means for non-compliant taxpayers to fulfill their tax obligations. In addition, the IRS lacks good information on the cost of providing its various services to taxpayers; prior to FY 2005, it did not have a cost accounting system to accumulate and report the reliable cost information that managers needed to make informed decisions. In FY 2005, the IRS implemented a cost accounting system as part of the first release of its Integrated Financial System (IFS) that will serve as a major building block to help it make informed resource allocation decisions.³²

In addition to performance metrics, volume is often considered when assessing service delivery. While it is recognized that the volume of services delivered by channel does not necessarily reflect a taxpayer's preferred method of communicating with the IRS or the actual demand for services, volume can be indicative of fundamental changes in taxpayer behaviors and in selections and use of specific channels to complete service tasks.

Volume trends indicate that a majority of taxpayers rely on IRS partners to provide filing assistance. Additionally, more people are using electronic means as a way to interact with the IRS. Recent volume trends indicate that use of electronic self-assisted channels is increasing, while that of telephone and in-person channels is declining. It is important to note that access to computers and Internet technology does not necessarily indicate a propensity to use them for certain service tasks; however, market trends indicate more consumers are going online to manage their personal finances.

These trends are similar to those in other government and commercial organizations. Advances in technology, especially the use of the Internet, have allowed many organizations to use standard, self-

³¹ Balanced measures categories include employee satisfaction, customer satisfaction, and business results.

³² Internal Revenue Service, *IRS Exit Fact Sheet on IRS's 2007 Budget Request for the Senate Appropriations Hearing*, March 9, 2006, page 2.

assisted technology solutions to deliver consistent service especially targeted at informational and basic transactional needs. As a result, these organizations have effectively and efficiently delivered service to a large portion of their customer base. Increasing access to service offerings through technology enhancements and adjustments to meet customer demand and expectations are activities that the IRS must continually perform as a service organization.

Taxpayer Understanding

The taxpaying population is broad and constantly changing. The population is growing, the average age of taxpayers is increasing, the population is becoming more ethnically diverse, and the use of technology is increasing. The IRS and its partners have the unique and challenging task of addressing the tax responsibilities of each taxpayer in this diverse and rapidly changing taxpayer base.

Analysis by customer segment (e.g., income, age) provides critical insights into taxpayer filing behaviors. In general, filing behaviors and characteristics are highly dependent on income and generation. Higher income filers and those within older generations are more likely to use a paid preparer and file complex returns and less likely to use electronic filing and receive a refund. Low income and younger generation filers account for the majority of tax filers and are more likely to electronically file a less complex return and receive a refund.

Analysis of taxpayers' expectations for service indicates that there is a basic set of expectations required by all taxpayers—education and awareness, access to service, and quality of experience. Needs and preferences for access to service vary across a set of factors, including the nature of the information or transaction required, the amount of time and likelihood of resolving an issue, permanent or temporary access disadvantages, and special needs of certain taxpayer segments. From the IRS's perspective, some of these factors (e.g., lack of computer skills, natural disasters) are inherently uncontrollable; others, such as the quality of the service experience provided to a taxpayer, can be controlled.

Preliminary findings from both the 2005 Oversight Board Survey and Pacific Consulting Group (PCG) Conjoint Analysis indicate taxpayers as a whole prefer the telephone and Web when making a choice between service channels. The research also found that more than 80 percent of taxpayers indicated that IRS representatives, IRS printed publications, the IRS Web site, and paid tax professionals are valuable sources for receiving tax advice and information.³³ When taxpayers are asked to provide their preference for service, a majority indicates that the telephone, Web, face-to-face, and community-based channels³⁴ are very or somewhat important when no qualifying criteria are applied.³⁵ As qualifying criteria or service attributes, such as distance, wait and response time, or resolution percentage, are introduced into the decision process, the likelihood of use changes significantly.

These findings will help shape how the IRS will interact with taxpayers in the future to support their tax needs. Taxpayer service needs, preferences, and expectations will continue to change. In the future, individuals are expected to continue using the delivery channels they adopted at a younger age while expecting the Government to continually improve and expand current service and delivery options.³⁶

³³ Internal Revenue Service, *IRS Oversight Board, 2005 Taxpayer Attitude Survey*, 2005.

³⁴ Computer terminals and tax assistance vans were found to have a lower importance rating.

³⁵ Internal Revenue Service, *IRS Oversight Board, 2005 Taxpayer Attitude Survey*, 2005.

³⁶ MITRE Corporation, *Citizens' Service-Levels Expectations Final Report Version 1.1*, November 8, 2005.

The challenge for the IRS is to continually identify the service factors most critical to taxpayers, adjust resources and infrastructure to meet those needs, and develop mitigation strategies.

Leading Practices

Leading practices research offered the IRS insight on how top organizations provide, manage, and measure their portfolios of customer services. The analysis resulted in seven implications pertinent to the IRS.

- Expand current services through existing channels, striving for the appropriate alignment between taxpayer expectations and available organizational capacity
- Document and automate services where appropriate
- Incorporate taxpayer preferences into the annual planning process
- Migrate taxpayers to optimal channels considering their needs and preferences
- Increase service accuracy through better access to information and rigorous execution of procedures
- Customize services selectively
- Set service level targets for each channel to support an integrated channel strategy

Further research of external organizations revealed that many find it inherently difficult to establish a relationship between customer service and business results and measure it quantitatively. Similarly, the IRS has not yet developed a quantitative-based methodology to measure the impact of customer service on its business results. The type of data needed to make such a link may not exist.³⁷ Lacking such quantitative data, the IRS must find measures that can act as useful proxies for outcomes where a strong argument can be made for establishing a reasonable causal link between services measured and increasing compliance. It is important that the IRS link short-term performance, service cost, and long-term measures to improve service effectiveness and efficiency.

Looking externally to other organizations and understanding proven methods for delivery will help the IRS provide services more efficiently and effectively and will positively affect taxpayers' experiences when interacting with the IRS.

Strategic Improvement Themes

A review of current trends in taxpayers' services and leading practice observations, in combination with the analysis of a substantial amount of primary and secondary research, resulted in five strategic improvement themes. Primary research comprised taxpayer, employee, and stakeholder surveys; focus groups; interviews; conjoint analysis; taxpayer comment text mining; and review of NTA reports. Secondary research included the review of reports, audits, and studies from the Government Accountability Office (GAO), Treasury Inspector General for Tax Administration (TIGTA), Pew Research Center, Brookings Institute, and the General Services Administration (GSA). A full listing of research sources can be found in the Appendix – TAB Phase 1 Research Overview. These themes will set the strategic direction for Phase 2, during which theme-related questions will be addressed by

³⁷ Internal Revenue Service, *IRS Exit Fact Sheet on IRS's 2007 Budget Request for the Senate Appropriations Hearing*, March 9, 2006, pages 2-3.

planned research and the themes will be refined and validated accordingly. The five strategic improvement themes are:

1 Improve and expand education and awareness activities

Education is a critical component for making taxpayers and practitioners aware of IRS service offerings and delivery channels and ensuring taxpayers are aware of their tax obligations and benefits. Since Modernization, significant efforts have been made to provide more outreach and education to taxpayers, leveraging partners to support these efforts; however, some taxpayer segments may not be receiving sufficient levels of communication about IRS services and channels or about their tax obligations and benefits. Looking forward, efforts to provide more targeted education through communication channels that align with taxpayer preferences need to be expanded. The recent increase in computer and Internet use allows many taxpayers to benefit by receiving service and tax information through established channels, such as tax preparation software and the IRS.gov Web site. Despite increased computer and Internet use, the level of computer and functional literacy can impact taxpayers' ability to access these services successfully; therefore, alternative channels need to be identified to serve them.³⁸ Additionally, established partnerships with commercial preparers, practitioners, and community-based organizations can be leveraged to ensure the appropriate levels of education and outreach are being provided to the taxpaying population. Phase 2 research considerations will include questions such as:

- Do IRS communications or marketing initiatives reach intended target audiences? (Benchmark Survey, Forrester Mail Survey)
- What is taxpayer awareness of IRS services or key messages? (Russell Survey, Forrester Online Omnibus, Benchmark Survey, Customer Segment Survey)
- What is the role of communication in guiding selection of service delivery channel? (Conjoint Analysis II)
- What is the impact of intermediary or partner interaction on message delivery accuracy and consistency? (Empirical Data – Error Codes)
- At what life stage might taxpayers most benefit from specific taxpayer education? (Empirical Data, Forrester Online Omnibus, Customer Satisfaction Surveys, Benchmark Survey)

2 Optimize the use of partner services

IRS partners will continue to play an increasingly critical role in the delivery of taxpayer services. This provides a significant opportunity to improve the level of support and direction provided to these partners, to ensure that they consistently and accurately apply and administer the tax law. To effectively position them to do so, reliable support and information processes need to be developed so that information can be easily customized to their target audience. The IRS should test what information and services can be accurately provided by partners without creating negative downstream consequences and rework for the taxpayer and the IRS. Phase 2 research considerations will include questions such as:

³⁸ Spragens, Janet and Abramowitz, Nancy. "Low-Income Taxpayers and the Modernized IRS: A View from the Trenches," *1407 Tax Notes*, June 13, 2005, pages 1407-1408.

- Why do taxpayers choose to use partners for service delivery? (Benchmark, Conjoint Analysis I&II, Oversight Board Service Channels Survey)
- What mutual benefits bring the IRS and its partners together? (Partner Survey/Poll)
- How are the roles and responsibilities of the IRS and its partners defined, especially around accountability and quality control? (Partner Survey/Poll)
- What is the impact of effective or ineffective partner service delivery on downstream workload and compliance? (Empirical Data – Error Codes, National Research Project)
- How can the IRS best manage the relationship between service and stakeholder capacity? (TBD)

3 Elevate self-service options to meet taxpayer expectations

A continual challenge is to provide consistent service in a manner that meets the needs of a diverse population. Given the inherent complexity of tax law, efforts to simplify and standardize assistance can serve to enhance many taxpayers' ability to accurately comprehend their tax obligations. Providing clear, standard, easily customized, and automated content allows the IRS and its partners to deliver accurate, consistent, and understandable service, which can be aligned to the needs of specific population segments. Great strides have been made in the last several years to expand automated services, but the IRS has the opportunity to continue the process of simplifying, standardizing, and automating services, particularly those focused on delivering information and basic transactions. Phase 2 research considerations will include questions such as:

- What are the key drivers for taxpayer preference for self-assisted versus assisted channels? (Conjoint Analysis I&II, Benchmark Survey, Oversight Board Service Channels Survey)
- Are there certain taxpayer segments that cannot or will not use self-assisted channels? (Russell Survey, Conjoint I&II, Forrester Online Omnibus, Benchmark, Text Mining of Comment Cards, Oversight Board Service Channels Survey)
- Which factors enhance or inhibit taxpayer migration to self-assisted channels? (Russell Survey, Conjoint I&II, Forrester Online Omnibus, Benchmark, Text Mining of Comment Cards, Oversight Board Service Channels Survey)
- What are taxpayers' expectations for effective self-service? (Conjoint I&II, Forrester Online Omnibus, Forrester Mail Survey, Benchmark Survey, Oversight Board Service Channels Survey)

4 Improve and expand training and support tools to enhance assisted services

Taxpayers expect accurate assistance from the IRS, preferably on their first contact.³⁹ However, taxpayers rarely find out about assistance inaccuracies in a timely manner because many errors do not

³⁹ Pacific Consulting Group, *Taxpayer Assistance Blueprint (TAB) Conjoint Study Phase I*, March 2006, page 27.

become apparent until a later date—if at all. Therefore, the IRS needs to be responsible for ensuring that taxpayers get accurate information through whichever channel they use. While automation helps to ensure the accuracy of information through electronic channels, improved accuracy in assisted service is still needed. Preliminary observations indicate that taxpayers may receive inaccurate information through certain assisted channels more than others, especially across the various IRS and partner in-person channels. Ensuring the accuracy of information across all channels can be accomplished by improving and expanding training, technology infrastructure, and support tools for employees, partners, and taxpayers. This may require the update, standardization, and alignment of new or existing information management systems. Phase 2 research considerations will include questions such as:

- How do employees, partners, and taxpayers define support requirements? (Partner Survey/Poll, Empirical Data – Employee Surveys and Focus Groups, Oversight Board Service Channels Survey, TBD)
- Where are the critical gaps and improvement opportunities? (Partner Survey/Poll, Empirical Data – Employee Engagement Surveys and Focus Groups, TBD)
- What is the level of interest for online training and decision tools? (Partner Survey/Poll, Empirical Data – Employee Surveys and Focus Groups, Oversight Board Service Channels Survey, TBD)
- What information tracking systems are required to determine drivers of service demand? How might this information be related to proactive education and awareness strategies? (TBD)

5 Develop short-term performance and long-term outcome goals and metrics

The service environment is constantly changing, and recent trends indicate the increased use of alternative channels (e.g., Internet) for receiving service. The ability to quickly assess and respond to a changing environment necessitates the development of a comprehensive set of short-term performance metrics to evaluate how well the business is meeting taxpayer expectations (education and awareness, access to service, and quality of experience) and how efficiently it is delivering those services (cost and productivity). It is essential to improve the quality and consistency of existing customer-focused and efficiency metrics across all channels and services. The IRS must pursue a greater understanding of the long-term impact of taxpayer service on downstream business⁴⁰ and taxpayer outcomes. It is difficult to establish quantifiable links between service and business impacts;⁴¹ therefore, the IRS must adopt proxy measures where a reasonable causal link can be made with the desired outcome. As a result, operational data, surveys, focus groups, and customer interaction data should be used to develop customer-based outcome measures, creating a reasonable inferential link to business results. Through these improvements, the IRS will be better positioned to manage service delivery more holistically, which will support better alignment of taxpayer services to maximize effectiveness and efficiency of service delivery. Phase 2 research considerations will include questions such as:

- What combination of filing, performance, satisfaction, and efficiency data will serve as effective proxy measures (i.e., establish a causal link between service and compliance)? (TBD)

⁴⁰ “Downstream business” refers to the cost of additional work that the IRS or taxpayers must perform to correct problems or mistakes that result from an IRS action or failure to take an action.

⁴¹ Internal Revenue Service, Taxpayer Assistance Blueprint, *TAB Leading Practices Research*, January 2006, page 27.

- What programs and processes should be implemented to systematically capture and regularly analyze the voice of the taxpayers and partners? (Customer Satisfaction Comment Text Mining, Market Segment Survey)
- What are service performance preferences by taxpayer segment and service task? (Conjoint I&II, Oversight Board Service Channels Survey)
- What performance measures effectively address taxpayers' and partners' needs for awareness/education, access to service, and quality of experience? (TBD)
- What is the cost of service delivery by taxpayer segment and channel? (PCG Model)
- What is the relationship between service cost by channel and service performance by channel? (TBD)

As the TAB initiative moves into Phase 2, the strategic improvement themes, coupled with an improved understanding of taxpayer needs, preferences, and expectations through primary research of taxpayer survey data, will be used to develop a comprehensive road map for improving the delivery of taxpayer services. During Phase 2, a mix of analytics, including follow-on conjoint analysis,⁴² focus groups, and data modeling, will be used to refine the strategic themes.

The primary research will provide additional information to refine and translate the strategic improvement themes into actionable and operational improvement initiatives. Examples of the operational improvement initiatives that may be explored in Phase 2 are:

- Enhanced education and outreach consistent with the taxpayer life cycle
- Taxpayer Assistance Centers (TAC) services, locations, and alternatives for face-to-face service
- Account-related services on the IRS Web site for individual taxpayers
- Range of telephone services and tax law assistance offered.

Additionally, the team will focus on developing a process of continually assessing taxpayers' needs, preferences, and expectations that will be integrated into the annual planning process. Specifically, Phase 2 will:

- Refine the IRS's understanding of taxpayer needs, preferences, and expectations
- Identify and prioritize taxpayer services improvement recommendations
- Develop customer-centric and efficiency service metrics
- Establish an ongoing process to assess customer needs and correlate that assessment with compliance findings from the National Research Program
- Address the challenges of effectively and efficiently aligning service content, delivery, and resources with taxpayers' and partners' expectations.

⁴² TAB conjoint analysis involves respondents being asked to choose between various service scenarios. These scenarios describe the cost or limits attending a variety of service situations by depicting ranges of service attributes. Selections between various constellations of service tasks and attributes show what factors most influence choices about service seeking. For example, someone with a strong preference for face-to-face communication might choose a TAC regardless of travel time to the service site whereas someone who prefers TACs when they are close by, might, for the same task, choose to call when they are 30 minutes travel from a TAC.

As the IRS better understands taxpayers' and partners' needs, preferences, and expectations through Phase 1 and 2 research and institutes a process to continually assess those interests, it will be better positioned to make informed decisions on service delivery within available resources.

