

IRS News Release

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National Taxpayer Advocate Releases Report to Congress; Identifies Priority Challenges and Issues for Upcoming Year

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WASHINGTON — National Taxpayer Advocate Nina E. Olson today delivered a report to Congress that identifies the priority issues the Office of the Taxpayer Advocate will address in the coming fiscal year. Among the key areas of focus will be improving taxpayer services, ensuring that taxpayer rights are protected in the IRS's private debt collection initiative, and making the IRS's offer-in-compromise program more accessible for taxpayers who are unable to pay their tax debts in full.

The report also addresses the challenges the IRS is facing because of pressure to close the tax gap quickly. The tax gap represents the difference between the amount of tax owed and the amount of tax collected. "For fiscal year 2008, both the IRS and the Taxpayer Advocate Service (TAS) face similar challenges," Olson wrote. "The IRS is under scrutiny for its efforts to close the tax gap, while TAS is struggling to address taxpayer difficulties that arise as a result of these very efforts."

In prior reports to Congress, Olson has identified the tax gap as one of the most serious challenges in tax administration, and she has advanced numerous proposals to help address it. At the same time, she has expressed concern that the IRS may ramp up enforcement excessively and begin to "cut corners" in its treatment of taxpayers if it is pressured to do too much too quickly.

She emphasized that Congress can play an important role in helping to achieve an appropriate balance. "IRS oversight should not just be limited to urging the IRS to collect more tax revenue," Olson wrote. "Even as Congress directs the IRS to address specific areas of noncompliance, Congress should require the IRS to adopt a long-term research strategy that focuses not only on "closing the tax gap" but also on understanding what it takes to encourage taxpayers to be voluntarily compliant and how to change taxpayer behavior."

The Advocate's report, which is required by law, sets out the objectives of the Office of the Taxpayer Advocate for the upcoming fiscal year and provides substantive analysis of issues as well as statistical information. The report identifies three areas for particular emphasis in FY 2008:

1. Improve Taxpayer Services. In April 2007, the IRS published a strategic plan detailing its taxpayer service priorities for the next five years. The report, known as the Taxpayer Assistance Blueprint or “TAB,” was developed in response to an Appropriations directive. Olson was a participant in the development of the TAB, and she generally praised the product. She notes, however, that the TAB is only a “first step” because the IRS still faces challenges in implementing the plan. She urges the IRS to conduct further research on taxpayer needs and preferences and to maintain a commitment to providing face-to-face service for taxpayers who need it. Working with the IRS to implement the TAB will be a top TAS priority in FY 2008.

2. Ensure that Taxpayer Rights Are Protected in the IRS’s Private Debt Collection Initiative. In 2006, the IRS began to use private debt collection agencies to collect certain tax debts. Olson has previously stated her opposition to the initiative, citing risks to taxpayer privacy and confidence in the federal tax system. However, her office has worked closely with the IRS to ensure that taxpayer rights are protected to the maximum extent possible. Her office will continue to work closely with the IRS toward this end in the coming year.

3. Make the IRS’s Offer In Compromise Program Accessible for Appropriate Taxpayers. A taxpayer who is unable to pay his or her tax liability in full may seek to compromise the debt by submitting an “offer in compromise.” The offer program is a good deal for both the government and the taxpayer. The government benefits because it frequently collects more than it would in the absence of the program and the taxpayer is induced to pay taxes on time and in full in the future; a taxpayer whose offer is accepted must remain fully compliant for five years or face reinstatement of the compromised tax debt. The taxpayer benefits because he or she is able to make a fresh start. Legislation enacted in 2006 requires taxpayers who submit “lump sum” offers to make a down payment of 20 percent of the amount of the offer with the submission. To determine the impact of this requirement on bona fide offers, TAS reviewed a sample of 414 offers that the IRS accepted prior to the enactment of the down-payment requirement. In about 70 percent of those cases, the taxpayer did not have access to sufficient liquid funds to make the required down payment. The National Taxpayer Advocate will work with the IRS and the Treasury Department to try to improve the accessibility of the offer program.

The report includes an update on a review the Office of the Taxpayer Advocate conducted on IRS compliance with Freedom of Information Act (FOIA) and related transparency guidelines. The results of the review were published in the National’s Taxpayer Advocate’s 2006 year-end report to Congress. In the current report, the National Taxpayer Advocate states that the IRS has made major strides toward improving the transparency of its procedures.

The report also describes the challenges TAS itself is facing due to rapidly growing case inventories and staffing declines. By statute, TAS is required to maintain at least one office in every state, and it currently maintains 75 offices. TAS assists taxpayers who either are experiencing significant economic harm or are having difficulty resolving their problems through normal IRS processes. From FY 2004 through FY 2006, TAS’s case receipts have grown by 43 percent, while the number of case advocates available to work those cases has declined by 8 percent. The report states that TAS has been

making process changes to achieve efficiencies but faces significant challenges in the next few years to continue to deliver high quality taxpayer service to help taxpayers resolve their tax problems.

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The National Taxpayer Advocate is required by statute to submit two annual reports to the House Committee on Ways and Means and the Senate Committee on Finance. The statute requires these reports to be submitted directly to the Committees without any prior review or comment from the Commissioner of Internal Revenue, the Secretary of the Treasury, the IRS Oversight Board, any other officer or employee of the Department of the Treasury, or the Office of Management and Budget. The first report is submitted mid-year and must identify the objectives of the Office of the Taxpayer Advocate for the fiscal year beginning in that calendar year. The second report, due on December 31 of each year, must identify at least 20 of the most serious problems encountered by taxpayers, discuss the 10 tax issues most frequently litigated in the courts during the prior year, and make administrative and legislative recommendations to resolve taxpayer problems.

About the Taxpayer Advocate Service

The Taxpayer Advocate Service is an independent organization within the IRS that assists taxpayers who are experiencing economic harm, who are seeking help in resolving tax problems that have not been resolved through normal channels, or who believe that an IRS system or procedure is not working as it should. Taxpayers may be eligible for assistance if:

- They are experiencing economic harm or significant cost (including fees for professional representation);
- They have experienced a delay of more than 30 days to resolve a tax issue; or
- They have not received a response or resolution to their problem by the date promised by the IRS.

The service is free, confidential, tailored to meet taxpayers' needs, and available for businesses as well as individuals. There is at least one local taxpayer advocate in each state, the District of Columbia and Puerto Rico.

Taxpayers can contact the [Taxpayer Advocate Service](#) by calling its toll-free case intake line at 1-877-777-4778 or TTY/TTD 1-800-829-4059 to determine whether they are eligible for assistance. They can also call or write to their local taxpayer advocate, whose phone number and address are listed in the local telephone directory and in Publication 1546, The Taxpayer Advocate Service of the IRS - How to Get Help With Unresolved Tax Problems, which is available on the IRS website at IRS.gov.

Links:

- National Taxpayer Advocate's 2008 Objectives Report to Congress — <http://www.irs-tas.com>.

- Taxpayer Advocate Service — <http://www.irs.gov/advocate/index.html>