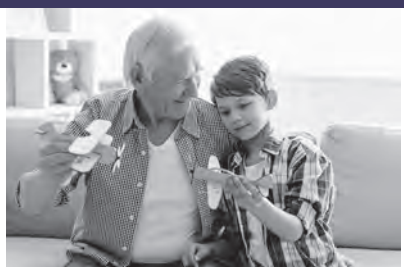


National Taxpayer Advocate

OBJECTIVES REPORT TO CONGRESS

Fiscal Year 2024



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National Taxpayer Advocate’s Introductory Remarks

What a difference a year makes!

Beginning with the COVID-19 pandemic in 2020, taxpayers experienced the worst service in memory from the IRS. Among other problems, tens of millions of taxpayers suffered from delays that at times exceeded ten months to get their returns processed and receive their refunds; millions of taxpayers who responded to IRS notices waited an average of more than six months for the IRS to process or otherwise address their correspondence; and only about 13 percent of taxpayers who collectively placed more than 500 million telephone calls to the IRS were able to reach a telephone assistant.

Not much had changed by this time last year. When I released my mid-year report to Congress in June 2022, I wrote, “It’s Groundhog Day.”

THE 2023 FILING SEASON

In submitting this report, I’m finally able to deliver some good news: The taxpayer experience vastly improved during the 2023 filing season. The IRS caught up in processing paper-filed original Forms 1040 for individuals and various business returns; refunds were generally issued quickly; and taxpayers calling the IRS were much more likely to get through – and with substantially shorter wait times. Overall, the difference between the 2022 filing season and the 2023 filing season was like night and day.

Despite the improvement, some problems carried over and others are inevitable in a tax system as large as ours. Several stand out. The most significant involves delays in the processing of amended tax returns and taxpayer correspondence. A brief explanation: Customer service representatives (CSRs) in the IRS’s Accounts Management (AM) function perform two roles – they answer telephone calls, and they process taxpayer correspondence and cases, including amended returns. Due to several factors, including internal information technology (IT) system limitations, CSRs can’t do both at the same time, so it’s a zero-sum game. Every day an employee spends answering the telephones is a day the employee isn’t processing amended returns or taxpayer correspondence, and vice versa.

In light of the stinging criticism of the IRS’s telephone service over the past three years, the Treasury Department directed the IRS to achieve at least an 85 percent “Level of Service” (LOS) in answering telephone calls this filing season. The IRS succeeded in achieving this target LOS, and wait times were generally short. But assigning enough CSRs to the phone lines to handle peak call periods meant that CSRs were often idle when call volumes were low. Due to antiquated technology and certain other factors, CSRs assigned to answer the phones currently cannot perform other tasks while waiting for calls to come in. As a result, CSRs were idle 34 percent of the time they were assigned to answer the phones, meaning they were neither assisting taxpayers on the phone nor processing amended tax returns and taxpayer correspondence.¹ Therefore, while the LOS achievement was commendable – and it benefited millions of taxpayers – it could only be accomplished by prioritizing the phones over other IRS operations, and it resulted in greater delays in the processing of paper correspondence.²

The Filing Season Review in this report contains a detailed summary and evaluation of the filing season, but I will summarize the key points here.

¹ IRS, Ready Agent Hours Report (Jan. 1–Apr. 22, 2023).

² From December 2022 through the filing season, the inventory of amended tax returns more than doubled from 1.5 million to 3.4 million, and the inventory of taxpayer responses to IRS notices and other AM cases awaiting processing increased from 4.9 million to 5.0 million. IRS, Wage and Investment (W&I) data (weeks ending Dec. 23, 2022, and Apr. 22, 2023).

Processing of Original Tax Returns

Figure 1.1 shows that the IRS reduced its backlog of unprocessed paper tax returns from 13.3 million at the end of the 2022 filing season to 2.6 million at the end of the 2023 filing season. That represents a reduction of 80 percent and marks a return to pre-pandemic levels.

FIGURE 1.1, Status of Unprocessed Original Paper Tax Returns Comparing Weeks Ending April 22, 2022, and April 22, 2023³

| Filing Season | Individual | Business | Not Specified | Total |
|---------------|------------|-----------|---------------|------------|
| 2022 | 6,200,000 | 5,200,000 | 2,000,000 | 13,300,000 |
| 2023 | 1,200,000 | 500,000 | 900,000 | 2,600,000 |

It is worth noting that processing delays primarily involve tax returns filed on paper. During the pandemic, more than 90 percent of taxpayers e-filed their returns, and for the most part, the IRS processed e-filed returns without any errors normally, with associated refunds issued timely. But the IRS has been slow to deploy scanning technology to machine-read paper-filed returns, which means that IRS employees still must keystroke each digit from a paper-filed return into IRS systems.⁴ The IRS received 17 million paper-filed Forms 1040 in 2021, 14 million paper-filed Forms 1040 in 2022, and as of April 21, 2023, over five million paper-filed Forms 1040 in 2023.⁵ So, while paper returns represent a small percentage of return filings, the absolute numbers are high.

Processing of Amended Tax Returns

In contrast to the 80 percent reduction in the backlog of paper-filed original tax returns, Figure 1.2 shows that the backlog of amended returns declined from 3.6 million to 3.4 million, a reduction of only six percent between last April and this April.

FIGURE 1.2, Status of Unprocessed Amended Paper Tax Returns Comparing Weeks Ending April 22, 2022, and April 22, 2023⁶

| Filing Season | Individual | Business | Total |
|---------------|------------|-----------|-----------|
| 2022 | 2,600,000 | 1,100,000 | 3,600,000 |
| 2023 | 1,700,000 | 1,700,000 | 3,400,000 |

3 IRS, W&I data (weeks ending Apr. 22, 2022, and Apr. 22, 2023). The 2022 total is slightly less than the sum of the numbers in the row due to rounding.

4 See Erin M. Collins, Getting Rid of the Kryptonite: The IRS Should Quickly Implement Scanning Technology to Process Paper Tax Returns, NATIONAL TAXPAYER ADVOCATE BLOG (Mar. 30, 2022), <https://www.taxpayeradvocate.irs.gov/news/nta-blog-getting-rid-of-the-kryptonite-the-irs-should-quickly-implement-scanning-technology-to-process-paper-tax-returns>. The IRS is running several pilot programs to test alternative technologies to automate the processing of paper-filed tax returns, and it is aiming to develop the capability to scan all paper-filed Forms 1040 by the 2024 filing season.

5 IRS, Filing Season Statistics (weeks ending Dec. 31, 2021; Dec. 30, 2022; Apr. 21, 2023). The number of paper-filed returns is derived by subtracting the number of e-filed returns received from the number of total returns received. For 2023, the number of paper-filed returns reported is just for the filing season and will increase as more complex returns are filed later in the year. Notably, the number had risen to nearly eight million by May 12 – just three weeks after the April 21 filing season report. See IRS, Filing Season Statistics (week ending May 12, 2023).

6 IRS, W&I data (weeks ending Apr. 22, 2022, and Apr. 22, 2023). The 2022 total is slightly less than the sum of the numbers in the row due to rounding.

Although the IRS accepts Forms 1040-X (amended individual income tax returns) electronically, it still relies on manual processing for these returns. This creates delays in both data intake and the issuance of refunds. As of the end of the filing season, it was taking the IRS about seven months to process Forms 1040-X.⁷ As noted above, the continuing amended return backlog is attributable primarily to the IRS's decision to prioritize telephone service over paper processing in its AM function.

On the business side, a large portion of the delay in processing amended returns is attributable to Employee Retention Credit (ERC) claims. The ERC is a refundable credit that Congress authorized to encourage employers to retain employees during the COVID-19 pandemic. Employers may receive up to \$26,000 per employee if they meet certain conditions. The ERC is most frequently claimed on Form 941-X, Adjusted Employer's Quarterly Federal Tax Return or Claim for Refund. The IRS believes that most ERC claims are legitimate, but a significant percentage are "along the spectrum of very aggressive to fraudulent."⁸ The IRS has placed promoter claims involving the ERC on its "Dirty Dozen" list of tax scams and has announced it is "actively auditing and conducting criminal investigations related to these false claims."⁹ As a result, the processing of these claims has been relatively slow.

The influx of fraudulent claims has put the IRS between a rock and a hard place. As of the end of May, there was a backlog of an estimated 800,000 ERC claims the IRS was working through, and more Forms 941-X continue to arrive.¹⁰ If the IRS pays out claims quickly without taking the time to review them individually, it will be making some payments to individuals potentially engaged in fraud. If it takes the time to review claims individually, legitimate businesses who need the funds Congress authorized to help them stay afloat may not receive them in time.

Processing of Taxpayer Correspondence and Other Accounts Management Cases

In addition to answering telephone calls and processing amended tax returns, AM employees process taxpayer responses to IRS notices and many types of taxpayer requests, such as applications for Employer Identification Numbers, a high percentage of Identity Theft Victim Assistance cases, and tax return preparer authorizations.

Figure 1.3 compares the AM inventory, excluding amended tax returns, at the close of the 2022 and 2023 filing seasons.

FIGURE 1.3, Status of Unprocessed Taxpayer Correspondence and Accounts Management Cases Comparing Weeks Ending April 22, 2022, and April 22, 2023¹¹

| Filing Season | Individual | Business | Not Specified | Total |
|---------------|------------|-----------|---------------|-----------|
| 2022 | 2,200,000 | 1,000,000 | 2,100,000 | 5,300,000 |
| 2023 | 1,900,000 | 900,000 | 2,200,000 | 5,000,000 |

7 IRS, Accounts Management Research, Analysis, and Data Reports, Form 1040-X (week ending Apr. 22, 2023).

8 Richard Rubin & Ruth Simon, *The Pandemic-Era Tax Break Keeping the IRS Up at Night*, WALL ST. J. (May 20, 2023) (quoting Doug O'Donnell, Deputy Comm'r, Internal Revenue), <https://www.wsj.com/articles/the-pandemic-era-tax-break-keeping-the-irs-up-at-night-f139e439?page=1>.

9 IRS News Release, IR-2023-49, IRS Opens 2023 Dirty Dozen With Warning About Employee Retention Credit Claims; Increased Scrutiny Follows Aggressive Promoters Making Offers Too Good to Be True (Mar. 20, 2023).

10 See IRS, IRS Operations: Status of Mission-Critical Functions (as of May 24, 2023), <https://www.irs.gov/newsroom/irs-operations-status-of-mission-critical-functions>; see also Doug Sword, *Employee Retention Credit Backlog Under 1 Million*, Werfel Says, 179 TAX NOTES FED. 854 (May 1, 2023).

11 IRS, W&I data (weeks ending Apr. 22, 2022, and Apr. 22, 2023).

Because of the Treasury Department's decision to prioritize telephone service over paper processing, the IRS has not made much progress in reducing its paper AM inventories over the past year. The inventory is just six percent lower than at the same time last year. In April, it was taking the IRS 130 days to process its adjustments cases.¹² That's a substantial improvement from the 214 days it was taking last year, but it's still well above the IRS's standard processing time of 45 days.

For victims of identity theft, the delays have been particularly long and frustrating. The average cycle time for Identity Theft Victim Assistance cases closed in April 2023 was 436 days – nearly 15 months. That's about three months *longer* than the 362-day cycle time in April 2022.¹³

Telephone Service

The IRS made considerable progress in its telephone service this filing season. It answered more calls, answered a substantially higher percentage of calls, and significantly reduced wait times, as shown in Figure 1.4.

FIGURE 1.4, IRS Enterprise Telephone Results Comparing Weeks Ending April 23, 2022, and April 22, 2023¹⁴

| Filing Season | Calls Received | Number of Calls Answered by an IRS Employee | Percentage of Calls Answered by an IRS Employee | Time on Hold |
|---------------|----------------|---|---|--------------|
| 2022 | 73 million | 7.5 million | 10% | 29 minutes |
| 2023 | 32 million | 11.0 million | 35% | 8 minutes |

The IRS reached the Treasury Department's goal of an 85 percent LOS on the IRS's AM telephone lines. However, it is worth explaining how IRS employees could answer only 35 percent of incoming calls and still achieve an 85 percent LOS. The LOS measure excludes 73 percent of the taxpayer calls the IRS received. Specifically, the IRS computation only includes calls directed to its AM telephone lines (so it excludes 7.2 million calls directed to compliance and other telephone lines); it excludes 8.5 million calls in which taxpayers hung up before being placed into a calling queue; and it excludes about 6.9 million calls that were routed to receive automated responses. Thus, its LOS measure reflects that telephone assistants answered 7.7 million out of 9.3 million taxpayer calls routed to them (rather than 11 million out of the 31.9 million calls the IRS received).¹⁵

Even taking the 85 percent LOS measure at face value, taxpayers calling certain telephone lines experienced substantially worse service. The IRS reports an LOS of 51 percent on calls from 3.2 million taxpayers facing collection action to its consolidated Automated Collection System (ACS) telephone lines, with an average wait time of 20 minutes.¹⁶ It reports an LOS of 46 percent on calls from 2.6 million taxpayers to its Installment Agreement/Balance Due line,¹⁷ and 48 percent on calls from 2.1 million taxpayers to its Return Integrity Compliance Services (RICS) line.¹⁸

12 IRS, Correspondence Imaging System, Fiscal Year (FY) 2023 Cycle Time Report (Adjustments Total).

13 IRS, Correspondence Imaging System, FY 2023 Cycle Time Report (Identity Theft Total).

14 IRS, Joint Operations Center (JOC), Snapshot Reports: Enterprise Snapshot, Enterprise Total (weeks ending Apr. 23, 2022, and Apr. 22, 2023).

15 For additional information, see *Filing Season Review*, *infra*.

16 IRS, JOC, Snapshot Reports: Enterprise Snapshot, Consolidated ACS (week ending Apr. 22, 2023).

17 IRS, JOC, Snapshot Reports: Product Line Detail, Installment Agreement/Balance Due (week ending Apr. 22, 2023).

18 IRS, JOC, Snapshot Reports: Enterprise Snapshot, Return Integrity Compliance Services (RICS) (week ending Apr. 22, 2023).

Despite these areas of relative weakness, the big picture shows taxpayers had a much easier time reaching the IRS this filing season, reducing the need for repeat calls and lengthy wait times – a welcome relief for millions of taxpayers.

TECHNOLOGY, TECHNOLOGY, TECHNOLOGY: INFLATION REDUCTION ACT FUNDING AND THE IRS'S STRATEGIC OPERATING PLAN

Most of the challenges taxpayers experienced over the last few years have resulted from antiquated technology. The COVID-19 pandemic was obviously an unexpected development, but if the IRS had been using technology to automate the processing of paper-filed tax returns prior to the pandemic, processing delays and consequent refund delays would have been minimal. If the IRS had deployed sophisticated chatbots and better communications tools, far fewer taxpayers would have needed to call the IRS, making it easier for those who needed personal assistance to reach an employee. If all taxpayers had broadly functional online accounts, they could have obtained transcripts and most necessary information online, without the need to call. If taxpayers could have downloaded notices and responded online, employees who were not permitted to come into the office due to COVID-19-related social distancing restrictions could have processed the responses from their telework locations.

In a blog posted in March, I wrote:

Large U.S. banks spend between \$10 billion and \$14 billion a year on technology, often more than half on new technology systems.

Yet in fiscal year (FY) 2022, Congress appropriated just \$275 million for the IRS's Business Systems Modernization (BSM) account. That's less than five percent of what the largest banks are spending on new technology each year, and the IRS serves far more people and entities than any bank.

This comparison isn't exactly apples-to-apples because there are differences in the components of the banks' technology accounts and the IRS's BSM account. But overall, the comparison tells you everything you need to know to understand why the IRS is still using antiquated information technology (IT) systems, some dating to the 1960s, and why taxpayer service has been abysmal in recent years.¹⁹

Last August, Congress tried to address part of the problem by giving the IRS about \$79 billion over the next ten years through the Inflation Reduction Act of 2022 (IRA) as a supplement to the funding it receives through the annual appropriations process.²⁰ Congress funds the IRS through four accounts, and slightly more than half the IRA-provided funding (\$45.6 billion) was allocated for the Enforcement account. That portion of the funding has been extremely controversial. But I am pleased that support for funding the other accounts – Taxpayer Services, BSM, and Operations Support – has been strong.²¹

19 Erin M. Collins, National Taxpayer Advocate Urges Congress to Maintain IRS Appropriations But Re-Direct Some Funds Toward Taxpayer Service and Information Technology Modernization, NATIONAL TAXPAYER ADVOCATE BLOG (Mar. 16, 2023), <https://www.taxpayeradvocate.irs.gov/news/nta-blog-nta-urges-congress-to-maintain-irs-appropriations-but-re-direct-some-funds-toward-taxpayer-service-and-it-modernization>.

20 Pub. L. No. 117-169, § 10301, 136 Stat. 1818, 1831-1833 (2022). As part of the Fiscal Responsibility Act of 2023 and a related side agreement, IRA funding is expected to be reduced by about \$21 billion. Pub. L. No. 118-5, § 251. See also Fatima Hussein & Kevin Freking, *Debt Limit Bill Gives Republicans IRS Cuts, But Democrats Say They Expect Little Near-Term Impact*, WASH. POST (June 1, 2023), https://www.washingtonpost.com/business/2023/06/01/irs-debt-ceiling-budget-x-date-yellen/0786e2b8-0032-11ee-9eb0-6c94dcb16fcf_story.html.

21 The IRA provided \$3.2 billion for the Taxpayer Services account, \$4.8 billion for the BSM account, and \$25.3 billion for the Operations Support account. IRA, Pub. L. No. 117-169, § 10301, 136 Stat. 1818, 1831-1833. According to the IRS's Chief Financial Officer, the majority of Operations Support dollars supports taxpayer services and IT modernization (including hiring and training, rent, computers, and maintenance of existing technology systems).

To date, the IRS has used nearly \$1 billion of the IRA funding to hire more employees to process paper-filed tax returns, answer taxpayer telephone calls, and process taxpayer correspondence.²² The strong improvement in taxpayer services this filing season is mostly due to this increased staffing.

But to achieve and sustain transformational improvement over the longer term, the IRS must focus like a laser beam on IT. The IRS must give taxpayers robust online accounts that are comparable to accounts provided by banks and other financial institutions. It must make it possible for *all* taxpayers to e-file tax returns. It must limit the number of rejected electronic tax returns. It must provide faster relief for victims of identity theft. It must make it possible for taxpayers to receive and submit responses to information requests electronically in all interactions with the agency. For taxpayers who prefer to submit returns or correspondence by mail, it must digitize all paper upon receipt. It must replace its 60 discrete case management systems that currently have limited ability to communicate with each other with an integrated, agency-wide system. And it must complete the modernization of its Individual Master File and Business Master File, which were originally deployed in the 1960s and are the repository for official taxpayer records. It must transform the way it performs its tax administration mission and become a responsive and trusted agency. Improved IT is imperative to achieving that goal.

In April, the IRS released a Strategic Operating Plan (SOP) that details how it intends to spend the IRA funding.²³ The SOP outlines an ambitious set of objectives that, if effectively implemented, will be a game changer for taxpayers and tax administration. My main concern is with the large number of ambitious goals and projects described in the SOP. The IRS's leadership will need to set priorities and provide focus to ensure the most important projects are completed and the agency doesn't tackle more projects than it can reasonably handle.

Lastly, an update about TAS's advocacy efforts. We released our Annual Report to Congress in December 2022, in which we made 46 administrative recommendations to the IRS. I am pleased to report that the IRS has agreed to implement 38 of them. Read the IRS's detailed responses on our website at www.taxpayeradvocate.irs.gov/arc-recommendations-tracker.

CONCLUSION

I began my service as the National Taxpayer Advocate on March 30, 2020 – just as the COVID-19 pandemic was erupting and then-Commissioner Rettig was ordering all IRS offices across the country to close and most employees to convert to telework. It has been a difficult time for tax administration. For millions of taxpayers, interacting with the IRS during the last three years has been a miserable experience. This year, for the first time, the clouds are beginning to part, and I can see some blue sky. I am optimistic that the paper processing backlog is coming to an end, taxpayers who need to reach the IRS are generally able to do so, Congress has given the IRS funding to bring its technology into the 21st century, and IRS leaders have been working hard to develop and execute plans to transform the IRS for the better.

Transitions can be difficult, and recognizing there may be growing pains, the first TAS Systemic Advocacy Objective I set out in this report is to “protect taxpayer rights as the IRS implements its strategic operating plan.” But with adequate funding, leadership prioritization, and appropriate oversight from Congress, I believe the IRS will make considerable progress in the next three to five years in helping taxpayers comply with their tax obligations as painlessly as possible. A key goal of the SOP is to improve compliance by encouraging and helping taxpayers to do the right thing on the front end. That is the most efficient approach – much cheaper and more effective than trying to audit our way out of the tax gap one taxpayer at a time

22 See Jacob Bogage, *The IRS Braces for the Unthinkable: A Normal Tax Season*, WASH. POST (Mar. 3, 2023), <https://www.washingtonpost.com/business/2023/03/03/irs-taxes-biden-law>.

23 IRS, Pub. 3744, IRS Inflation Reduction Act Strategic Operating Plan (Apr. 2023).

on the back end. The success of IT is instrumental to accomplishing the SOP's objectives of improving compliance and providing better service. Like many Americans, I have high aspirations and expectations for the agency. I am eager to see the enhancements to improve IT and ultimately taxpayer service, and I am excited to be a part of the journey.

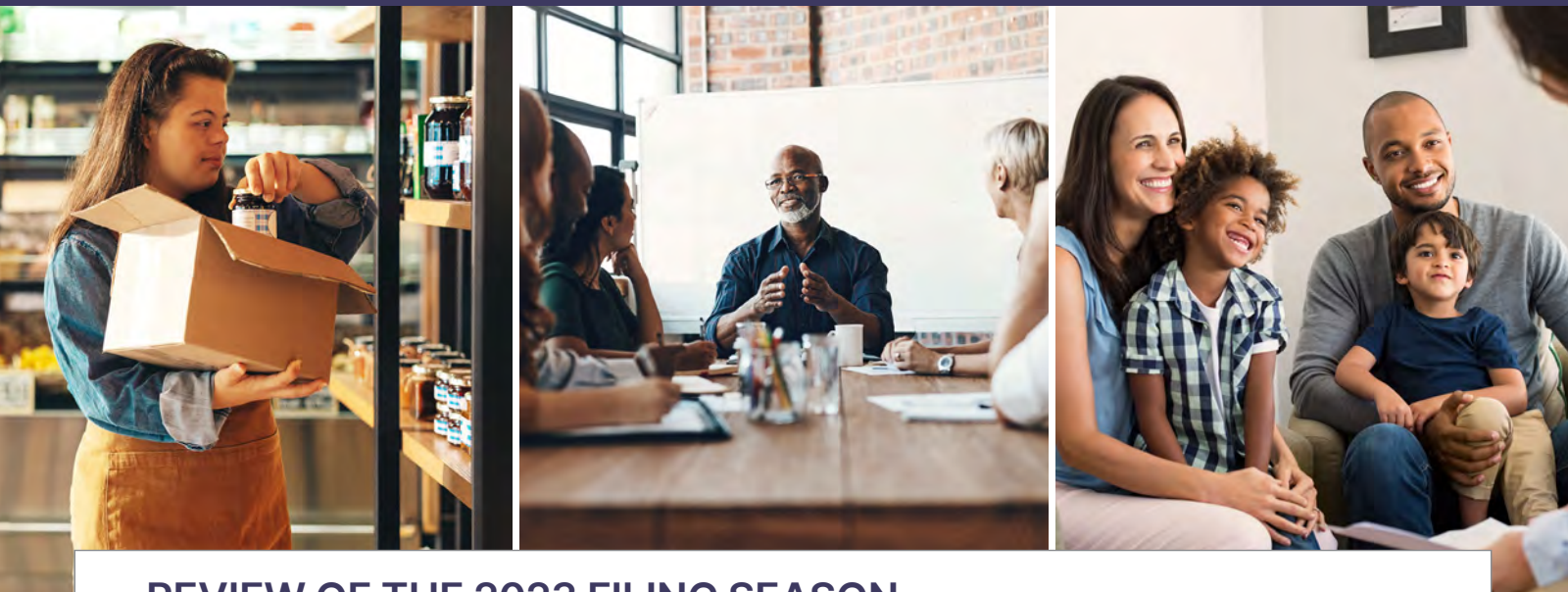
I look forward to working with the IRS and Members of Congress to help transform the taxpayer experience.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Erin Collins", written over a light gray rectangular background.

Erin M. Collins
National Taxpayer Advocate
June 21, 2023

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REVIEW OF THE 2023 FILING SEASON

INTRODUCTION

The last several years were challenging filing seasons. The IRS processing of tax returns was backlogged, taxpayers had to wait months for their refunds, and the IRS struggled to provide service on the phones and in person. During Filing Season (FS) 2023, most taxpayers did not experience any issues, as the IRS's overall operations significantly improved when compared to FS 2022. This was due in no small part to the IRS working through nearly all the backlogged individual original filed returns before starting FS 2023, meaning that for the first time since COVID-19 began, the IRS was not starting the filing season at a deficit with original individual filed returns. However, at the start of the year, it still had a sizable carryover of amended returns, business returns, correspondence, and returns identified with potential errors, all awaiting processing.

As of April 21, 2023, the IRS received 137,144,000 individual income tax returns.¹ Out of these, the IRS processed 134,649,000, or 98 percent, and issued 85,935,000 refunds totaling roughly \$236.62 billion.² However, as of April 22, 2023, there were still 2.6 million original individual and business paper income tax returns awaiting processing.³ In addition, there were 5.9 million individual and business electronic and paper-filed income tax returns that the IRS suspended for various reasons (error resolution cases, processing rejects, unpostable returns, and potential identity theft cases), including returns suspended from the previous filing season.⁴

During FS 2023, the IRS improved not only its processing of original returns but also the performance on its Accounts Management (AM) phone lines compared to recent years, achieving a Level of Service (LOS) of about 85 percent compared to an LOS of about 15 percent in FS 2022.⁵ But this improvement came with an expected cost – creating a new paper backlog in amended returns and taxpayer correspondence.

1 See IRS, Filing Season Statistics for Week Ending April 21, 2023, <https://www.irs.gov/newsroom/filing-season-statistics-for-week-ending-april-21-2023> (last visited May 31, 2023).

2 *Id.*

3 IRS, Wage and Investment (W&I) Inventory Report (week ending Apr. 22, 2023).

4 *Id.*

5 IRS, Joint Operations Center (JOC), Snapshot Reports: Enterprise Snapshot (week ending Apr. 22, 2023).

In September 2022, Treasury instructed the IRS to achieve a high LOS (85 percent) on the general toll-free phone lines, which the IRS accomplished by reallocating its resources.⁶ The IRS instructed AM customer service representatives (CSRs) to primarily focus on answering key phone lines, resulting in them largely abandoning their other tasks of processing amended returns and taxpayer correspondence. Due to the IRS's antiquated information technology (IT) systems, it was unrealistic to expect these employees to work the paper inventory (process amended returns and correspondence) and still achieve a high LOS on IRS phone lines during core working hours. Thus, prioritizing phone duties for AM CSRs resulted in IRS phone lines having a higher LOS and shorter wait times, which was a welcome relief for millions of taxpayers, but it came at the cost of processing delays.

January 23, 2023 – Opening of the Filing Season

The IRS began accepting tax year (TY) 2022 returns for processing on January 23, 2023, and the filing season closed on April 18, 2023 (April 15 was a Saturday, and the District of Columbia's Emancipation Day holiday was celebrated on April 17). FS 2023 was the most normal filing season since 2019. The IRS processed returns, issued refunds, and answered most calls it received from taxpayers, but there is still room for improvement.

FILING SEASON PERFORMANCE

Figure 2.1 presents an overview of returns processed and refunds issued during FY 2023 and two of the past four filing seasons. Because the 2020, 2021, and 2022 filing seasons were such an aberration due to the impact of COVID-19, we compare FS 2023 data to FS 2019 data, where available. However, we also look at FY 2022 data and compare it to the FY 2023 data to show the improvement the IRS has made over the last year.

FIGURE 2.1, Comparing Filing Season Weeks Ending April 19, 2019; April 22, 2022; April 21, 2023⁷

| | | 2019 | 2022 | 2023 | Percent Change 2019-2023 | Percent Change 2022-2023 |
|-------------------------------|-------------------|-------------|-------------|-------------|--------------------------|--------------------------|
| Individual Income Tax Returns | Total Receipts | 137,233,000 | 138,942,000 | 137,144,000 | -0.1% | -1.3% |
| | Total Processed | 130,775,000 | 133,773,000 | 134,649,000 | 3.0% | 0.7% |
| E-Filing Receipts | Total E-Filing | 126,264,000 | 133,410,000 | 132,009,000 | 4.5% | -1.1% |
| | Tax Professionals | 70,476,000 | 70,509,000 | 70,492,000 | 0.0% | 0.0% |
| | Self-Prepared | 55,788,000 | 62,900,000 | 61,517,000 | 10.3% | -2.2% |
| Total Refunds | Number | 95,737,000 | 88,667,000 | 85,935,000 | -10.2% | -3.1% |
| | Amount | \$260.9 bil | \$267.0 bil | \$236.6 bil | -9.3% | -11.4% |
| | Average Refund | \$2,725 | \$3,012 | \$2,753 | 1.0% | -8.6% |

Continued on next page.

6 Janet L. Yellen, Sec'y of the Treasury, Remarks at the IRS Facility in New Carrollton, Maryland (Sept. 15, 2022), <https://home.treasury.gov/news/press-releases/jy0952>.

7 IRS, Filing Season Statistics for Week Ending April 21, 2023, <https://www.irs.gov/newsroom/filing-season-statistics-for-week-ending-april-21-2023> (last visited May 31, 2023); IRS, Filing Season Statistics for Week Ending April 22, 2022, <https://www.irs.gov/newsroom/filing-season-statistics-for-week-ending-april-22-2022> (last visited May 31, 2023); IRS, Filing Season Statistics for Week Ending April 19, 2019, <https://www.irs.gov/newsroom/filing-season-statistics-for-week-ending-april-19-2019> (last visited May 31, 2023).

| | | 2019 | 2022 | 2023 | Percent Change 2019-2023 | Percent Change 2022-2023 |
|------------------------|---|-------------|-------------|-------------|--------------------------|--------------------------|
| Direct Deposit Refunds | Number | 83,249,900 | 83,891,000 | 81,799,000 | -1.7% | -2.5% |
| | Amount | \$238.4 bil | \$260.0 bil | \$231.3 bil | -3.0% | -11.0% |
| | Average Refund | \$2,863 | \$3,099 | \$2,827 | -1.3% | -8.8% |
| Web Usage | Visits to IRS.gov | 421.5 mil | 609.1 mil | 488.1 mil | 15.8% | -19.9% |

Figure 2.1 shows relatively consistent data from year to year, but FS 2023 brought a couple of noticeable changes. For example, between FS 2022 and FS 2023, the average refund amount for individuals was \$3,012 in 2022 and \$2,753 in 2023. This reduction may be due in part to no stimulus payments during TY 2022; taxpayers who don't itemize but take the standard deduction are not able to deduct their charitable contributions;⁸ and certain refundable credits were reduced as part of COVID-19 relief.⁹ For example, in TY 2021, there was an increase in the Child and Dependent Care Tax Credit from \$3,000 to \$8,000 for one qualifying individual and from \$6,000 to \$16,000 for two or more qualifying individuals.¹⁰ In TY 2022, the amount of the Child and Dependent Care Tax Credit reverted to the lower amounts. The Child Tax Credit (CTC) was reduced from a maximum of up to \$3,600 for qualifying children under the age of six and \$3,000 for other qualifying children under the age of 18 during TY 2021 to just \$2,000 per qualifying child under the age of 17 in TY 2022.¹¹ One other notable difference between FS 2023 and the most recent filing seasons, specifically 2020 and 2021, is the continued decrease in the number of taxpayer visits to [IRS.gov](https://www.irs.gov).¹² This continued decline is most likely due to the absence of stimulus payments or other COVID-19 relief provided during TY 2022, meaning taxpayers were not searching [IRS.gov](https://www.irs.gov) for information on how to claim these benefits or when to expect receipt.

Over 5.1 Million Paper Tax Returns Required Manual Processing¹³

The National Taxpayer Advocate has called paper tax returns the IRS's Kryptonite, as they use far more resources than electronically filed returns to process.¹⁴ Although the vast majority of taxpayers file electronically, millions of taxpayers still file their tax returns on paper, some by choice and some by necessity; these paper returns tie up IRS resources because of the manual processing they require. This year, the IRS received 5.1 million paper returns¹⁵ but was far more efficient in processing them, largely because of more staff manually inputting paper returns onto IRS systems, increased use of tools designed to improve the IRS's Error Resolution System, and a decrease in the number of carryover returns from the previous year.

8 See IRS, Pub. 526, Charitable Contributions 1 (Feb. 2022); IRS News Release IR-2021-219, IRS Provides Tax Inflation Adjustments for Tax Year 2022 (Nov. 10, 2022).

9 IRS News Release IR-2022-203, Get Ready Now to File Your 2022 Federal Income Tax Return (Nov. 22, 2022).

10 IRC § 21. The American Rescue Plan Act of 2021 (ARPA) increased the eligible amounts for 2021. ARPA, Pub. L. No. 117-2, § 9631, 135 Stat. 4, 159.

11 ARPA, Pub. L. No. 117-2, § 9611, 135 Stat. 4, 145; see also IRC § 24(h)(A).

12 IRS, Filing Season Statistics for Week Ending April 21, 2023, <https://www.irs.gov/newsroom/filing-season-statistics-for-week-ending-april-21-2023> (last visited May 31, 2023); IRS, Filing Season Statistics for Week Ending April 22, 2022, <https://www.irs.gov/newsroom/filing-season-statistics-for-week-ending-april-22-2022> (last visited May 31, 2023); IRS, Filing Season Statistics for Week Ending May 21, 2021, <https://www.irs.gov/newsroom/filing-season-statistics-for-week-ending-may-21-2021> (last visited May 31, 2023); IRS, Filing Season Statistics for Week Ending July 17, 2020, <https://www.irs.gov/newsroom/filing-season-statistics-for-week-ending-july-17-2020> (last visited May 31, 2023); Filing Season Statistics for Week Ending April 19, 2019, <https://www.irs.gov/newsroom/filing-season-statistics-for-week-ending-april-19-2019> (last visited May 31, 2023).

13 Submission Processing (SP) Program Management/Process Assurance (PMPA) Branch Filing Season Statistics Report (Apr. 22, 2023). The actual number is 5,135,000.

14 Erin M. Collins, Getting Rid of the Kryptonite: The IRS Should Quickly Implement Scanning Technology to Process Paper Tax Returns, NATIONAL TAXPAYER ADVOCATE BLOG (Mar. 30, 2022), <https://www.taxpayeradvocate.irs.gov/news/nta-blog-getting-rid-of-the-kryptonite-the-irs-should-quickly-implement-scanning-technology-to-process-paper-tax-returns/> (last visited May 16, 2023).

15 SP PMPA Branch Filing Season Statistics Report (Apr. 22, 2023). The actual number is 5,135,000.

FIGURE 2.2, Status of Inventory Requiring Manual Processing, Comparing Filing Seasons 2023 and 2022¹⁶

| Filing Season (as of April 22, 2023) | Individual | Business | Not Specified | Total |
|--|------------------|------------------|------------------|-------------------|
| Paper Returns Awaiting Processing | | | | |
| Received in Calendar Year 2022 | 0 | 0 | 0 | 0 |
| Received in Calendar Year 2023 | 1,200,000 | 500,000 | 900,000 | 2,600,000 |
| Total Paper Returns Awaiting Processing | 1,200,000 | 500,000 | 900,000 | 2,600,000 |
| Paper and Electronic Returns – Processing Suspended | 4,000,000 | 1,800,000 | 0 | 5,900,000 |
| Amended Returns Inventory | 1,700,000 | 1,700,000 | 0 | 3,400,000 |
| Total Unprocessed Returns | 6,900,000 | 4,000,000 | 900,000 | 11,900,000 |
| Correspondence/Accounts Management Cases (Excluding Amended Returns) | 1,900,000 | 900,000 | 2,200,000 | 5,000,000 |
| Total Inventory Requiring Manual Processing | 8,800,000 | 4,900,000 | 3,100,000 | 16,900,000 |

| Filing Season (as of April 22, 2022) | Individual | Business | Not Specified | Total |
|--|-------------------|------------------|------------------|-------------------|
| Paper Returns Awaiting Processing | | | | |
| Received in Calendar Year 2021 | 1,600,000 | 700,000 | 0 | 2,300,000 |
| Received in Calendar Year 2022 | 4,600,000 | 4,500,000 | 2,000,000 | 11,000,000 |
| Total Paper Returns Awaiting Processing | 6,200,000 | 5,200,000 | 2,000,000 | 13,300,000 |
| Paper and Electronic Returns – Processing Suspended | 5,300,000 | 1,600,000 | 0 | 6,800,000 |
| Amended Returns Inventory | 2,600,000 | 1,100,000 | 0 | 3,600,000 |
| Total Unprocessed Returns | 14,100,000 | 7,900,000 | 2,000,000 | 23,800,000 |
| Correspondence/Accounts Management Cases (Excluding Amended Returns) | 2,200,000 | 1,000,000 | 2,100,000 | 5,300,000 |
| Total Inventory Requiring Manual Processing | 16,300,000 | 8,900,000 | 4,100,000 | 29,100,000 |

This filing season, the IRS allocated more resources to ensure it processed returns and issued refunds timely, which taxpayers noted and appreciated. However, behind the scenes, this reallocation of resources resulted in a backlog of clerical and administrative tasks that must take place after the IRS has processed a return and issued a refund. The IRS still needs to close and file these returns. These back-end actions are necessary for taxpayers and the IRS to have a complete administrative record. This backlog makes it more challenging for Examination and Appeals to obtain administrative files and respond to some taxpayer inquiries.

As for paper returns, there is anticipated good news for future filing seasons. During FS 2023, the IRS scanned about 500,000 returns and forms, primarily Form 940, Employer's Annual Federal Unemployment

¹⁶ IRS, W&I data (weeks ending Apr. 22, 2022, and Apr. 22, 2023). Row totals and column totals may differ because of rounding.

(FUTA) Tax Return; Form 941, Employer's Quarterly Federal Tax Return; and Form 1040, U.S. Individual Income Tax Return, where certain schedules were attached. According to the IRS, the scanning technology was accurate about 95 percent of the time, and the need to manually transcribe the information on the forms and returns was rare. The IRS plans to expand the use of this technology in FS 2024, but there are many factors to consider, and it is unclear as of now to what extent the IRS will use this technology.¹⁷

Improved Level of IRS Telephone Service – But at What Cost?

In light of the stinging criticism of the IRS's telephone service over the last three years, the Treasury Department directed the IRS to achieve at least an 85 percent LOS in answering telephone calls this filing season. To achieve this goal, the IRS worked with Treasury, the Office of Personnel Management, and the National Treasury Employees Union to secure Direct-Hire Authority to onboard over 5,000 AM employees to assist with FS 2023.¹⁸ The addition of these CSRs largely succeeded, and wait times were significantly shorter when compared to FS 2022. But adding CSRs to answer the phones during peak call periods meant that CSRs were often idle when call volumes were low. Due to antiquated technology and certain other factors, CSRs assigned to answer the phones currently cannot perform other tasks while waiting for calls to come in. As a result, CSRs were idle 34 percent of the time they were assigned to answer the phones, meaning they were neither assisting taxpayers on the phone nor processing amended tax returns and taxpayer correspondence.¹⁹ Therefore, while the LOS achievement was commendable – and it benefited millions of taxpayers – the IRS could only accomplish it by prioritizing the phones over other IRS operations, resulting in greater delays in the processing of paper correspondence.²⁰

Figure 2.3 shows the CSR LOS and Average Speed of Answer (ASA) for FS 2023 on some of the IRS's busiest phone lines.²¹

FIGURE 2.3, Key IRS Phone Lines LOS and ASA, 2022 and 2023 Filing Seasons

| | 2022 | 2022 | 2023 | 2023 |
|--|------------------|-----------------------------------|------------------|-----------------------------------|
| | Level of Service | Average Speed of Answer (Minutes) | Level of Service | Average Speed of Answer (Minutes) |
| Refund Hotline 800-829-1954 | 6% | 39 minutes | 96% | 1 minute |
| Individual Income Tax Services 800-829-1040 | 14% | 26 minutes | 91% | 2 minutes |
| Installment Agreement/Balance Due | 25% | 45 minutes | 46% | 24 minutes |
| Taxpayer Assistance Center Appointment Line 844-545-5640 | 14% | 20 minutes | 72% | 5 minutes |
| Business & Specialty 800-829-4933 | 26% | 30 minutes | 83% | 6 minutes |

Continued on next page.

17 Email from Project Director, Enterprise Digitalization (May 25, 2023) (on file with TAS).

18 U.S. DEPT OF THE TREASURY, *Filing Season 2023 Report Card: IRS Delivered Significantly Improved Customer Service* (Apr. 17, 2023), <https://home.treasury.gov/news/press-releases/jy1421>.

19 IRS, Ready Agent Hours Report (Jan. 1-Apr. 22, 2023).

20 From December 2022 through the filing season, the inventory of amended tax returns more than doubled from 1.5 million to 3.4 million, and the inventory of taxpayer responses to IRS notices and other AM cases awaiting processing went up from 4.9 million to 5.0 million. IRS, W&I data (weeks ending Dec. 23, 2022; Apr. 22, 2023).

21 IRS, JOC, Snapshot Reports: Product Line Detail (weeks ending Apr. 23, 2022; Apr. 22, 2023). ASA is the time it takes a taxpayer to reach a live customer service representative, including the time needed to respond to any automated prompts.

| | 2022 | 2022 | 2023 | 2023 |
|--|------------------|-----------------------------------|------------------|-----------------------------------|
| | Level of Service | Average Speed of Answer (Minutes) | Level of Service | Average Speed of Answer (Minutes) |
| Taxpayer Protection Program 800-830-5084 | 4% | 47 minutes | 47% | 16 minutes |
| Practitioner Priority Service® 866-860-4259 | 22% | 24 minutes | 89% | 3 minutes |

In addition to improving its LOS, the IRS has continued to modernize its phone lines by providing callback options on 43 applications of its toll-free phone lines.²² After about 15 minutes on hold, this option lets taxpayers provide the system their callback number, hang up, and move on with other activities while awaiting a call back once an assistor becomes available.²³ Because the IRS answered a large number of calls in under 15 minutes, the callback feature was often unnecessary. In January 2023, the IRS switched to a more advanced callback system with the capability of more dynamic features such as text alerts or notifications to taxpayers that the IRS is returning their call.²⁴ The IRS is planning a second callback expansion to 69 additional toll-free applications (for a total of 112) by August 2023.

Despite these improvements, some lines still suffer from a low LOS. The Installment Agreement/Balance Due line received 2.6 million calls during the filing season, of which the IRS answered only 1.2 million, resulting in an LOS of only 46 percent.²⁵ This low LOS is surprising since the IRS just introduced a voicebot feature on this line to assist taxpayers with their collection issues.²⁶ One would suspect the utilization of this bot would free up CSRs to assist more taxpayers on this line and improve its overall LOS. This is a vital line for taxpayers, as the assistors answer questions about balances owed and help taxpayers make payment arrangements. Taxpayers who cannot reach the IRS through this line risk becoming subjects of enforced collection actions, such as bank and wage levies and liens.

The way the IRS calculates and presents LOS data on its phone lines is complex and confusing and does not necessarily reflect the overall experience of taxpayers seeking telephone assistance. The IRS should change its telephone service measure of LOS to better reflect the taxpayer's experience. The IRS should consider measuring whether taxpayers received the information requested, whether they needed to speak with multiple IRS employees, and whether the IRS provided additional information such as links to materials or videos.

When the IRS reports a benchmark LOS, one might assume it reflects the percentage of its calls that IRS telephone assistors answer. That is not the case. First, the benchmark measure reflects only calls directed to the IRS's AM telephone lines. Of the total 31.9 million calls the IRS received, 24.6 million (77 percent)

22 IRS, W&I Business Performance Review (BPR) Q1 Fiscal Year (FY) 2023, at 7 (Feb. 23, 2023). An application is when a taxpayer calls a toll-free line and is presented with multiple options from which he or she can select.

23 IRS, Servicewide Electronic Research Program (SERP), Customer Callback FAQs and Talking Points (Nov. 8, 2022).

24 IRS, W&I BPR Q1 FY 2023, at 7 (Feb. 23, 2023).

25 IRS, JOC, Snapshot Reports: Product Line Detail Snapshot (week ending Apr. 22, 2023).

26 Darren Guillot, IRS Small Bus./Self-Employed Deputy Comm'r, Using Voice and Chat Bots to Improve the Collection Taxpayer Experience (Sept. 29, 2022), <https://www.irs.gov/about-irs/using-voice-and-chat-bots-to-improve-the-collection-taxpayer-experience>.

came in on or were routed to the AM lines.²⁷ Thus, the benchmark measure does not tell us anything about the experience, how the IRS handled the remaining 7.2 million calls outside of AM (such as the compliance phone lines), or whether the taxpayer received an answer to their question.²⁸

Second, the denominator in the IRS's LOS computation is derived from calls routed to telephone assistors rather than from *all* calls to that phone line. Callers to the AM lines are greeted by a phone tree. Depending on the options a taxpayer selects, the phone system determines whether to direct the caller to a live assistor or one of its automated offerings. Automation is not a deliberate caller-selected option. Only 31 percent of the 24.6 million calls answered by the AM lines (about 7.7 million) were routed to assistors, while the remaining taxpayer calls were routed to automation or reflected taxpayer hang-ups.²⁹ While the IRS is reporting a benchmark LOS of 85 percent, as shown in Figure 2.4, *IRS employees answered only 31 percent of the incoming calls on the AM lines.*³⁰ As part of its transformation initiatives, the IRS should focus on measures that more appropriately determine the service received by the taxpayer and the experience they had while working through their issues. LOS is not the appropriate measure for determining the taxpayer telephone experience and how the IRS should strive toward providing quality service in assisting taxpayers with their questions and issues. The IRS needs to revisit its measurement to determine if taxpayers are receiving the service they deserve.

FIGURE 2.4, IRS Telephone Results, Filing Seasons 2019, 2022, and 2023, Comparing Weeks Ending April 20, 2019; April 23, 2022; April 22, 2023³¹

| | 2019 | 2022 | 2023 | Percent Change Between 2019 and 2023 | Percent Change Between 2022 and 2023 |
|-----------------------------------|------------|------------|------------|--------------------------------------|--------------------------------------|
| Enterprise Total | | | | | |
| Calls Received | 40,796,555 | 72,811,503 | 31,871,203 | -22% | -56% |
| Calls Answered by CSRs | 10,082,963 | 7,453,961 | 11,002,546 | 9% | 48% |
| Percent of Calls Answered by CSRs | 25% | 10% | 35% | 40% | 237% |
| CSR Level of Service | 59% | 18% | 72% | 23% | 293% |
| Time on Hold (in Minutes) | 13 | 29 | 8 | -40% | -73% |

Continued on next page.

27 IRS, JOC, Snapshot Reports: Enterprise Snapshot for Enterprise Total, Accounts Management, and Consolidated Automated Collection Service data (weeks ending Apr. 20, 2019; Apr. 23, 2022; Apr. 22, 2023); IRS, JOC, Snapshot Reports: Product Line Detail for Form 1040 data (weeks ending Apr. 20, 2019; Apr. 23, 2022; Apr. 22, 2023). For 2020, the last day of the JOC planning period including the filing season is June 30, although the 2020 filing season was extended to July 15. Percentage of Calls Answered by CSRs reflects the number of calls answered by CSRs divided by the number of calls received. CSR LOS is an IRS performance measure that reflects the number of calls answered by CSRs divided by the number of calls directed to CSRs (i.e., it excludes primary abandons, taxpayers who encounter busy signals or are disconnected, and calls routed for automated responses). The Percent Change column is computed based on actual numbers, not rounded numbers. All numbers in Figure 2.3 are rounded; however, the percentage change is calculated on the actual numbers.

28 IRS, JOC, Snapshot Reports: Enterprise Snapshot (week ending Apr. 22, 2023).

29 *Id.*

30 *Id.*

31 IRS, JOC, Snapshot Reports: Enterprise Snapshot for Enterprise Total, Accounts Management, and Consolidated Automated Collection Service data (weeks ending Apr. 20, 2019, Apr. 23, 2022; Apr. 22, 2023); IRS, JOC, Snapshot Reports: Product Line Detail for Form 1040 data (weeks ending Apr. 20, 2019, Apr. 23, 2022; Apr. 22, 2023). Percent Change column computed based on actual numbers and not rounded numbers.

| | 2019 | 2022 | 2023 | Percent Change Between 2019 and 2023 | Percent Change Between 2022 and 2023 |
|---|------------|------------|------------|--------------------------------------|--------------------------------------|
| Accounts Management | | | | | |
| Calls Received | 34,382,805 | 60,036,799 | 24,630,593 | -28% | -59% |
| Calls Answered by CSRs | 8,059,818 | 4,641,053 | 7,671,193 | -5% | 65% |
| Percent of Calls Answered by CSRs | 23% | 8% | 31% | 33% | 303% |
| CSR Level of Service | 67% | 15% | 85% | 27% | 451% |
| Time on Hold (in Minutes) | 9 | 28 | 3 | -64% | -88% |
| Form 1040 Line | | | | | |
| Calls Received | 7,316,757 | 15,317,600 | 5,380,423 | -26% | -65% |
| Calls Answered by CSRs | 1,903,012 | 1,161,185 | 1,806,896 | -5% | 56% |
| Percent of Calls Answered by CSRs | 26% | 8% | 34% | 29% | 343% |
| CSR Level of Service | 67% | 14% | 91% | 38% | 554% |
| Time on Hold (in Minutes) | 9 | 26 | 2 | -82% | -94% |
| Consolidated Automated Collection System Lines | | | | | |
| Calls Received | 3,741,588 | 5,038,973 | 3,185,939 | -15% | -37% |
| Calls Answered by CSRs | 1,098,111 | 1,641,744 | 1,544,789 | 41% | -6% |
| Percent of Calls Answered by CSRs | 29% | 33% | 48% | 65% | 49% |
| CSR Level of Service | 33% | 34% | 51% | 54% | 48% |
| Time on Hold (in Minutes) | 41 | 36 | 20 | -52% | -45% |

Figure 2.4 provides a more complete picture of the taxpayer experience when calling the IRS. In most cases, the percent of calls answered by CSRs is far less when compared to the IRS's calculation of CSR LOS – but even that has improved compared to past years. Both Figures 2.3 and 2.4 provide useful information and should be considered when evaluating the IRS's overall success in providing customer service to taxpayers on its phone lines. One undisputable and consistent improvement in Figure 2.4 shows how long taxpayers waited on hold, in one case falling from 28 minutes in FS 2022 to three minutes in FS 2023.

Delays in Processing Taxpayer Correspondence and Amended Returns

The significant improvements achieved on the phone lines came at a cost, namely delays in processing amended returns and taxpayer correspondence. The IRS sent millions of notices to taxpayers during FS 2023, including math error notices,³² and notices requesting a taxpayer authenticate his or her identity (where IRS security filters flagged a return as potentially filed by an identity thief). Many of these notices asked taxpayers to substantiate an item claimed on their return or request abatement of a math error assessment if they do not agree. During FS 2023, the IRS was behind in processing responses to IRS correspondence. Figure 2.5 shows

32 See, e.g., IRS, Math Error Report for Calendar Year (CY) 2023 (cycle 16).

the accumulation of taxpayer correspondence and amended returns still awaiting processing because CSRs were primarily devoted to answer incoming calls on IRS phone lines.

FIGURE 2.5, Filing Season 2023, IRS Processing of Taxpayer Correspondence³³

| Correspondence and Amended Return Processing | Individual | Business | Other | Total |
|---|----------------|----------------|----------------|----------------|
| Accounts Management Adjustment and Correspondence Cases | 551,000 | 750,000 | n/a | 1.3 mil |
| Amended Returns | 1.7 mil | 1.7 mil | n/a | 3.4 mil |
| Internal Account Maintenance (includes Employer Identification Number applications, refund inquiries, Identity Theft Victim Assistance forms, tax preparer authorizations, and other written taxpayer correspondence) | 1.3 mil | 155,000 | 2.2 mil | 3.7 mil |
| Total | 3.6 mil | 2.6 mil | 2.2 mil | 8.4 mil |

In situations where the IRS needs a taxpayer response to move forward, but the IRS has not yet processed that response, its automated processes could take adverse action, such as moving forward with collection actions or not releasing the refund claimed on the return. Another example of when delays in processing correspondence impact taxpayers is when the IRS holds a taxpayer refund because a dependent's taxpayer identification number (TIN) has been determined to be invalid. The taxpayer responds to the notice by timely sending in documents to verify the dependent's TIN, but the IRS doesn't process the taxpayer's response for weeks or months, further delaying the issuance of the taxpayer's refund. Therefore, to prevent harm to taxpayers, it is critical that the IRS devote more resources to processing amended returns and correspondence during the remainder of 2023.

Identity Verification

The IRS evaluates all tax returns claiming refunds through a variety of filters, models, and rules that flag returns for potential identity theft or refund fraud. When the filters detect possible identity theft or refund fraud, the IRS will suspend the return and hold the refund until it can authenticate the taxpayer's identity or verify the information on the return.

Identity Theft Refund Fraud

The IRS Taxpayer Protection Program (TPP) suspends return processing when returns are selected for potential identity theft. The IRS will send taxpayers one notice requesting that they authenticate their identity by contacting the TPP toll-free telephone number, using an online application on [IRS.gov](https://www.irs.gov), or visiting a Taxpayer Assistance Center (TAC) before processing the return.³⁴ As of April 20, 2023, TPP selected over 2.3 million suspicious tax returns, down 18.2 percent from the 2.8 million suspicious returns selected during FS 2022 through April 21, 2022.³⁵ Taxpayers successfully authenticated their identities for 603,087 returns, an increase of 69 percent compared to 357,471 at this time last year.³⁶ Over the years, the filters have struggled with high false detection rates, and that challenge continued in 2023. For calendar year (CY) 2022,

³³ IRS, W&I Inventory Report (week ending Apr. 22, 2023).

³⁴ Internal Revenue Manual (IRM) 25.25.6.1.7, Taxpayer Protection Program Overview (Oct. 1, 2022).

³⁵ The IRS released an additional 262,380 returns in 2023 and 532,625 returns in 2022 due to receipt of additional Information Return Processing data. IRS, TPP Combined Report 3 (Apr. 24, 2023); IRS, TPP Combined Report 3 (Apr. 25, 2022).

³⁶ *Id.* The IRS has worked with Low Income Taxpayer Clinics to implement an authentication program where the clinics can authenticate a taxpayer's identity and then send that information directly to the IRS, thereby speeding up the authentication process.

the identity theft false detection rate was 47 percent, with 2.5 million returns remaining unresolved.³⁷ Thus, it is likely some returns the IRS is holding are correct taxpayer returns awaiting payment of their refunds. However, beyond sending the initial notice, the IRS makes no further attempts to contact the taxpayer. So, if taxpayers were expecting a refund but have not yet received it, they should contact the IRS to ensure the return is not being held for possible identity theft.

Unfortunately, when taxpayers are directed to the TPP phone line, reaching an assistor will likely not be as easy as it has been on other lines; the LOS for the TPP phone line in 2023 did not reach the LOS other phone lines achieved. However, taxpayers were far more successful getting through to a TPP representative than they were during FS 2022. Specifically, the TPP phone line LOS significantly increased to 47 percent through April 22, 2023, compared to an abysmal four percent during the 2022 filing season and 21 percent in the 2021 filing season.³⁸ The TPP phone assistants answered over 862,902 taxpayer calls compared to 163,437 during last year's filing season.³⁹ This is a significant improvement, but the IRS was essentially not answering any calls on this phone line during the last filing season so there was truly nowhere to go but up. And during FS 2023, more than half of taxpayers who tried to reach an assistor were still unsuccessful. Since the TPP phone line wasn't included in the Treasury Department's goal of reaching an 85 percent LOS for the main phone line, the IRS did not prioritize these calls. Clearly, this is an area the IRS needs to improve.⁴⁰

Non-Identity Theft Refund Fraud

For non-identity theft refund fraud, returns selected by fraud filters will have their refunds frozen until the IRS can verify the income and withholding reported on the return. For FS 2023 through April 19, 2023, the refund fraud filters selected over 608,000 potential fraudulent tax returns, down 61 percent from approximately 1.6 million potential fraudulent returns selected during the same period last year.⁴¹ Out of the 608,077 selected returns, over 197,000 (33 percent) have been verified for release. However, the IRS identity theft and fraud detection programs have a history of high false detection rates. Specifically, in CY 2022, the refund fraud filters had a false detection rate of 66 percent.⁴² Taxpayers whose returns are valid but caught in these filters experience prolonged refund delays, possibly creating a financial hardship for the taxpayer. Delays in processing taxpayer correspondence may lengthen the delay in some circumstances.

Identity Theft Victim Assistance

When the IRS unknowingly processes identity theft returns and issues the associated refunds, the true taxpayer will often discover months after filing that someone else has filed a false return using their identity. Tax-related identity theft has a significant impact on its victims and the IRS; taxpayers in this situation rarely receive their refunds until the IRS resolves their cases. Not only do victims of identity theft have to deal with the IRS, but they also have to address the issue with the Social Security Administration, their bank, credit card companies, etc. Identity theft is an emotional and distressing experience for a taxpayer, and the IRS needs to improve the rate at which it processes these cases.

37 IRS, Identity Theft (IDT) and Integrity & Verification Operations (IVO) Performance Report, End of Year (EOY) False Detection Rate (FDR) 9 (Dec. 31, 2022); IRS, TPP Combined Report 3 (Dec. 27, 2022).

38 IRS, JOC, Weekly TPP Snapshot Report (week ending Apr. 22, 2023).

39 *Id.*

40 See IRS, SERP Alert 23A0124, TPP In-Person Identity Verification Pilot (May 16, 2023). Beginning May 22, the IRS will make available a new In-Person Identity Verification Pilot process to taxpayers selected for the TPP. The In-Person Identity Verification option will provide taxpayers the opportunity to visit a United Parcel Service kiosk location to complete their identity verification and create an ID.me online account for [IRS.gov](https://www.irs.gov).

41 IRS, IDT and IVO Performance Report 3, 8-9 (Apr. 26, 2023); IRS, IDT and IVO Performance Report 3, 8-9 (Apr. 27, 2022).

42 IRS, IDT and IVO Performance Report, EOY FDR 5 (Dec. 31, 2022).

Since the COVID-19 pandemic, the number of identity theft victim assistance cases has increased, and this increase in inventory has surpassed closures, causing a backlog of these cases.⁴³ Figure 2.6 illustrates the extent of this backlog.

FIGURE 2.6, Identity Theft Victim Assistance Combined Inventory, CYs and Filing Seasons (through April) 2021-2023⁴⁴

| | 2021 | 2021 (through April) | 2022 | 2022 (through April) | 2023 (through April) | Percent Change 2022-2023 (through April) |
|---------------------|---------|-------------------------|---------|-------------------------|-------------------------|---|
| Beginning Inventory | 131,381 | 131,381 | 318,738 | 318,738 | 426,336 | 34% |
| Receipts | 325,622 | 115,002 | 306,863 | 72,048 | 84,634 | 17% |
| Closures | 138,265 | 37,350 | 201,010 | 72,888 | 45,979 | -37% |
| Ending Inventory | 318,738 | 209,033 | 426,336 | 317,898 | 464,991 | 46% |

The IRS has acknowledged the increase in the amount of time it takes to resolve these cases. Due to extenuating circumstances caused by the pandemic, identity theft inventories have increased, and as of the end of April 30, 2023, it is taking the IRS on average about 436 days to resolve identity theft cases.⁴⁵ This means these taxpayers are waiting on average 15 months to receive their tax refunds. There are other non-tax issues caused by identity theft that may take even longer to resolve. The pandemic undoubtedly played a big role in delays, but policy decisions have also contributed to the problem. To achieve the 85 percent LOS set out by the Treasury Department, the IRS reassigned AM employees who typically work identity theft cases to answer AM's phone lines, causing harm to taxpayers who were victims of identity theft.⁴⁶ The IRS needs to devote more resources, increase education and awareness, and prioritize assistance to this vulnerable taxpayer population.

Where's My Refund? and Where's My Amended Return? Tools

Each year, millions of taxpayers turn to the IRS's Where's My Refund? and Where's My Amended Return? tools to check the status of their refunds using the most up-to-date information available. Figure 2.7 shows the extent to which taxpayers rely on this critical tool.

FIGURE 2.7, Where's My Refund? Visits, Filing Seasons 2019, 2022, and 2023⁴⁷

| Tool | Visits for January 1 Through April 19, 2019 | Visits for January 1 Through April 22, 2022 | Visits for January 1 Through April 21, 2023 | Percent Change 2019-2023 | Percent Change 2022-2023 |
|--------------------|--|--|--|-----------------------------|-----------------------------|
| Where's My Refund? | 317,417,000 | 334,399,000 | 230,193,000 | -27.5% | -31.2% |

⁴³ IRS, Global ID Theft Report (Apr. 2023).

⁴⁴ *Id.*

⁴⁵ IRS, Correspondence Imaging System, FY 2023 Cycle Time Report (IDT Total).

⁴⁶ Janet L. Yellen, Sec'y of the Treasury, Remarks at the IRS Facility in New Carrollton, Maryland (Sept. 15, 2022), home.treasury.gov/news/press-releases/jy0952.

⁴⁷ IRS, 2020 Weekly Individual Filing Season Report, Cumulative Statistics Comparing April 19, 2019, and April 17, 2020; IRS, 2023 Weekly Individual Filing Season Report, Cumulative Statistics Comparing April 22, 2022, and April 21, 2023.

As shown in Figure 2.7, taxpayers attempted to check the status of their refunds using the Where's My Refund? tool over 230 million times during FS 2023, but for many, Where's My Refund? may not have provided them the information they sought, as it only tells taxpayers:

- The return has been received;
- The return has been processed; or
- The refund has been issued.

Taxpayers whose returns the IRS is reviewing for possible errors or identity theft will not receive any information from Where's My Refund? regarding these processes and possible delays. The tool does not answer the question – rather it will continue to say the return has been received, but no additional information is available. During the filing season, Where's My Amended Return? received over 4.4 million visits but suffered from similar limitations, as it does not explain or provide details on delays in processing.⁴⁸ The IRS's goal is to enhance the type of information that the Where's My Refund? and Where's My Amended Return? tools provide, and it stated in its Inflation Reduction Act Strategic Operating Plan it will use Inflation Reduction Act funding to make enhancements to these tools in an effort to provide taxpayers more real-time updates.⁴⁹ These types of real-time updates are the basic types of service taxpayers need and desire.

Face-to-Face Service at Taxpayer Assistance Centers

The IRS provides face-to-face assistance to taxpayers across the country, the District of Columbia, and Puerto Rico at TACs. Over the past decade, the IRS had reduced the number of TACs from 401 in 2011 to 363 in 2023.⁵⁰ Some TACs were not fully staffed. As of April 17, 2023, the IRS staffed 363 TACs, but due to attrition and resource limitations, it did not staff 26 TACs on a full-time basis.⁵¹ Over the past year, the IRS has reopened 16 TACs that were closed since the beginning of the pandemic, and the IRS opened four new TACs in Puerto Rico and one in Mississippi.⁵² All staffed TACs offer appointments and the ability to walk in, in certain circumstances. In addition to servicing taxpayers in a face-to-face environment, the IRS has begun assisting taxpayers virtually by using video communications (virtual service delivery (VSD)), allowing taxpayers to interact with IRS employees in real-time, as it has established several VSD partner sites.⁵³ Between January 1 and April 18, 2023, 14 VSD partner sites assisted 86 taxpayers.⁵⁴

Recognizing the importance of providing face-to-face assistance to taxpayers outside of normal business hours, the IRS expanded its hours for certain TACs one Saturday a month during filing season.⁵⁵ About 2,100 IRS and TAS employees volunteered to work at 82 TAC locations that participated in the IRS's "Taxpayer Experience Days."⁵⁶ Although a welcome relief for many taxpayers in some cities, taxpayers experienced difficulties due to the high volume of participants and the IRS's inability to timely service these taxpayers, leaving some frustrated. To improve the experience, the IRS must work out multiple logistics as it learns lessons from the problems that occurred during these events. The good news is these Taxpayer Experience Days allowed taxpayers to seek assistance from IRS employees or meet with a TAS Case Advocate without having to schedule an appointment.

48 IRS, JOC, Where's My Amended Return Web Demand Report (week ending Apr. 22, 2023).

49 IRS, Pub. 3744, Inflation Reduction Act Strategic Operating Plan 42 (Apr. 2023).

50 IRS, W&I Inventory Report (week ending Apr. 15, 2023).

51 *Id.*

52 The reopened TAC locations are Casper, WY; Binghamton, NY; West Nyack, NY; Overland Park, KS; Longview, TX; Santa Fe, NM; Queensbury, NY; Charlottesville, VA; La Crosse, WI; Cranberry Township, PA; Colorado Springs, CO; Joplin, MO; Jackson, TN; Augusta, ME; Bellingham, WA; and Trenton, NJ. The new TAC location is Greenville, MS.

53 Partner sites are non-IRS offices where taxpayers can walk in and access equipment to communicate with the IRS virtually.

54 IRS response to TAS information request (May 11, 2023).

55 See IRS, IRS Face-to-Face Saturday Help, <https://www.irs.gov/help/irs-face-to-face-saturday-help> (last visited May 31, 2023).

56 IRS response to TAS information request (May 11, 2023).

In 2023, the IRS continued its policy of requiring taxpayers to schedule an appointment to receive assistance at any of its TACs, in most circumstances.⁵⁷ To schedule an appointment, taxpayers are instructed to call the TAC Appointment line, where an assistor determines the taxpayer's need and directs the taxpayer to resources where they may find answers to their questions.⁵⁸ If the taxpayer cannot resolve their issue, the assistor will assist them with making an appointment at a TAC for face-to-face assistance with an IRS employee. This filing season, there were 572,000 scheduled appointments for face-to-face assistance at TACs, a decrease of 28.4 percent compared to FS 2019.⁵⁹

FIGURE 2.8, Face-to-Face Assistance, Filing Seasons 2019, 2022, and 2023⁶⁰

| | January 1 Through April 19, 2019 | January 1 Through April 22, 2022 | January 1 Through April 21, 2023 | Percent Change 2019-2023 | Percent Change 2022-2023 |
|--|--|--|--|-----------------------------|-----------------------------|
| Total Field Assistance Face- to-Face Contacts | 799,000 | 434,000 | 572,000 | -28.4% | 31.8% |
| Walk-in Exceptions (No Scheduled Appointment) | 87,000 | 6,000 | 4,700 | -94.6% | -21.7% |

In limited instances, the IRS deviated from its appointment policy and let taxpayers receive assistance from a TAC without an appointment, *e.g.*, if the taxpayer was experiencing a hardship or if the TAC was able to accept walk-in appointments without disrupting scheduled appointments. This filing season, 4,700 taxpayers were assisted at TACs without an appointment because of openings in the day's calendar or as staffing permitted, down 94.6 percent from the 2019 filing season.⁶¹ The appointment-only approach can negatively affect taxpayers who need assistance urgently and cannot wait to obtain an appointment.⁶² TAS is pleased that the IRS's guidance to employees includes managerial discretion to assist taxpayers without appointments in certain circumstances and recommends TACs be staffed to provide walk-in assistance and by appointment.⁶³ However, serving taxpayers without appointments remains the exception to the rule, limiting taxpayer access to obtain in-person assistance from the IRS.

Before the COVID-19 pandemic, the IRS began an initiative to virtually assist taxpayers through web-based software. The IRS began Phase 2 of its Web Service Delivery (WebSD) pilot program on March 15, 2022.⁶⁴ Taxpayers may make WebSD appointments to meet virtually with an IRS assistor to discuss such issues as math error notices and refund inquiries. From January 1, 2023, through April 18, 2023, about 4,500 WebSD appointments were scheduled as part of this pilot program, and about 3,500 appointments were completed during this timeframe.⁶⁵ While TAS is pleased the IRS has undertaken this pilot, it should increase availability

57 IRS News Release IR-2019-67, IRS.gov: Best Place to Get Last-Minute Tax Tips and Resources (Apr. 9, 2019).

58 IRM 21.1.1.3, Customer Service Representative (CSR) Duties (Mar. 11, 2021).

59 IRS, 2022 Weekly Individual Filing Season Report (Apr. 22, 2022).

60 IRS, 2020 Weekly Individual Filing Season Report, Cumulative Statistics Comparing April 19, 2019, and April 17, 2020; IRS, 2023 Weekly Individual Filing Season Report, Cumulative Statistics Comparing April 22, 2022, and April 21, 2023.

61 IRS, 2020 Weekly Individual Filing Season Report, Cumulative Statistics Comparing April 19, 2019, and April 17, 2020; IRS, 2023 Weekly Individual Filing Season Report, Cumulative Statistics Comparing April 22, 2022, and April 21, 2023.

62 IRS, W&I BPR Q2 FY 2019, at 15 (Apr. 30, 2019). The IRS will, in some circumstances, "double book" an appointment if the taxpayer has an urgent need. However, this will happen only when the taxpayer is able to explain the need, and the phone assistor is able to recognize the urgency. There are exception criteria for taxpayers who show up at a TAC without an appointment. Likewise, the taxpayer must explain the need, and a TAC employee must recognize the taxpayer should receive service.

63 IRM 21.3.4.2.4.2, TAC Appointment Exception Procedures (June 27, 2022).

64 IRS, SERP Alert 22A0077, Web Service Delivery (WebSD) Virtual TAC (Mar. 9, 2022).

65 IRS response to TAS information request (May 11, 2023).

to meet the needs of a broader segment of taxpayers, giving taxpayers another option through which they can interact with the IRS and get the assistance they need.

Volunteer Tax Return Preparation Services Available to Taxpayers

This filing season, volunteers once again stepped up to provide essential tax return preparation assistance at virtual, over-the-phone, and in-person sites via the Volunteer Income Tax Assistance (VITA) and the Tax Counseling for the Elderly (TCE) programs.⁶⁶ VITA offers free tax return preparation assistance to people who generally make \$60,000 or less annually, people with disabilities, and limited English-speaking taxpayers who need assistance in preparing their own tax returns. TCE provides free tax help for individuals aged 60 and older.⁶⁷ Many taxpayers depend on the services offered by these two programs to meet their income tax return filing requirements and claim refundable credits such as the Earned Income Tax Credit or CTC.

VITA certified more volunteers to assist taxpayers in preparing and filing their returns in FS 2023 than in FS 2022. Specifically, in mid-January 2023, more than 66,000 VITA and TCE volunteers completed online training and were certified for the upcoming filing season⁶⁸. This is a 127.6 percent increase in volunteers over 2022.

FIGURE 2.9, Individual Returns Filed by Volunteers, 2019 to 2023 Filing Seasons⁶⁹

| | Filing Season 2019 (January 1 Through April 19, 2019) | Filing Season 2022 (January 1 Through April 22, 2022) | Filing Season 2023 (January 1 Through April 21, 2023) | Percent Change 2019-2023 | Percent Change 2022-2023 |
|---|---|---|---|-----------------------------|-----------------------------|
| Total Individual Returns Prepared by Volunteers | 3,440,000 | 2,095,000 | 2,432,000 | -29.3% | 16.1% |

The National Taxpayer Advocate recognizes and thanks those individuals who volunteered their time and knowledge this year, as these volunteers assisted taxpayers who filed approximately 2,432,000 returns and provided taxpayers the ability to e-file their returns and speed up the payment of their refunds.⁷⁰ VITA and TCE volunteers are essential in helping low-income taxpayers and the elderly comply with their tax obligations. Millions of taxpayers depend on the generosity and knowledge of the VITA and TCE volunteers, and we should be grateful for their service.

IRS Free File Alliance

The Free File Alliance is a nonprofit coalition of industry-leading tax software companies that have partnered with the IRS to help millions of Americans prepare and e-file their federal returns for free.⁷¹ It is available to taxpayers with an adjusted gross income (AGI) of \$73,000 or less; taxpayers whose income exceeds that

66 IRS, Pub. 5450, VITA/TCE Site Operations. Some VITA sites used an Intake Only Site model that allowed taxpayers to drop off their documents and sign a consent form. Then the communications would take place via phone or computer.

67 IRS, Free Tax Return Preparation for Qualifying Taxpayers, <https://www.irs.gov/individuals/free-tax-return-preparation-for-qualifying-taxpayers> (last visited May 31, 2023); TAS, VITA and TCE, <https://www.taxpayeradvocate.irs.gov/get-help/filing-returns/vita-and-tce/> (last updated Feb. 2, 2023).

68 IRS, W&I BPR Q1 FY 2023 (Feb. 2023).

69 IRS, 2020 Weekly Individual Filing Season Report, Cumulative Statistics Comparing April 19, 2019, and April 17, 2020; IRS, 2023 Weekly Individual Filing Season Report, Cumulative Statistics Comparing April 22, 2022, and April 21, 2023.

70 IRS, 2023 Weekly Individual Filing Season Report (week ending Apr. 21, 2023).

71 Free File Alliance, <https://freefilealliance.org/faq> (last visited May 31, 2023). "May I file my state income tax return for free? Some participating Free File Alliance companies offer free state tax return preparation and e-filing services through partnerships with participating state programs. Other companies charge a fee for state tax return preparation and e-filing."

threshold may choose to complete their tax return using Free File Fillable Forms on [IRS.gov](https://www.irs.gov).⁷² The number of taxpayers that have used this software is similar to the number of taxpayers that avail themselves of VITA and TCE. But the software is underutilized and has not achieved widespread adoption. The IRS needs to do more to advertise the Free File Alliance products and services available to taxpayers and ensure that it is easy for taxpayers to locate on [IRS.gov](https://www.irs.gov).

FIGURE 2.10, Individual Returns E-Filed Using Free File, 2019, 2022, and 2023 Filing Seasons⁷³

| | Filing Season 2019 (January 1 Through April 19, 2019) | Filing Season 2022 (January 1 Through April 22, 2022) | Filing Season 2023 (January 1 Through April 21, 2023) | Percent Change 2019-2023 | Percent Change 2022-2023 |
|----------------------------|---|---|---|-----------------------------|-----------------------------|
| E-Filed Using Free File | 2,681,000 | 2,954,000 | 2,651,000 | -1.1% | -10.3% |

Taxpayers Didn't Always Receive Timely and Clear Guidance From the IRS to Help Them Resolve Tax Reporting Ambiguities⁷⁴

To increase the efficiency and simplicity of the filing season, the IRS must issue clear guidance written in plain language and provide education to taxpayers in a proactive and timely manner. Timely guidance is key to eliminating confusion and frustration for taxpayers and tax professionals, earning the trust of the American people, and providing quality service. Two examples illustrating the IRS's failure to provide taxpayers with timely and clear guidance on critical issues during FS 2023 include:

1. *Federal tax treatment of special state tax refunds or payments to residents of more than 20 states.* States, such as California, believed that its Middle-Class Tax Relief benefits may be taxable and issued recipients of these payments a Form 1099-MISC. The failure of the IRS to work with the states and resolve this issue before the filing season placed taxpayers in a precarious position and left them wondering what, if anything, they needed to do to fully comply with the federal tax laws. TAS recommends the IRS work with the states to prevent similar issues for state payments made during 2023.
2. *Form 1099-K reporting requirements.* Despite nearly two years of lead time, the IRS failed to provide useful guidance implementing the requirement that third-party payment entities issue Forms 1099-K to report payments totaling more than \$600.⁷⁵ On December 23, 2022, largely because of the lack of guidance, the IRS effectively pulled the plug. It issued a notice that created a "transition period" of one year, postponing implementation of the \$600 reporting threshold for third-party settlement organizations until the 2024 filing season.⁷⁶

⁷² See IRS, Free File Fillable Forms, <https://www.irs.gov/e-file-providers/free-file-fillable-forms> (last visited May 31, 2023).

⁷³ IRS, 2020 Weekly Individual Filing Season Report, Cumulative Statistics Comparing April 19, 2019, and April 17, 2020; IRS, 2023 Weekly Individual Filing Season Report, Cumulative Statistics Comparing April 22, 2022, and April 21, 2023.

⁷⁴ Erin M. Collins, The IRS Must Be Proactive in Issuing Timely and Clear Guidance to Resolve Tax Reporting Ambiguities, NATIONAL TAXPAYER ADVOCATE BLOG (Feb. 9, 2023), <https://www.taxpayeradvocate.irs.gov/news/nta-blog-the-irs-must-be-proactive-in-issuing-timely-and-clear-guidance/>.

⁷⁵ ARPA, Pub. L. No. 117-2, § 9674, 135 Stat. 4, 185.

⁷⁶ See IRS Notice 2023-10, 2023-3 I.R.B. 403, Revised Timeline Regarding Implementation of Amended Section 6050W(e).

Ensuring it issues timely guidance to resolve legal ambiguities and making voluntary tax reporting as easy as possible should be high on the IRS's priority list. The IRS's failure to proactively address issues is harmful to taxpayers and creates rework for the IRS that timely guidance would have avoided. Delayed or inadequate guidance may also cause an increase in telephone calls, filing of amended returns, or IRS adjustments, all disrupting the filing season and causing unnecessary taxpayer burdens.⁷⁷

The IRS Is Still Working Through Hundreds of Thousands of Claimed Employee Retention Credits

The Employee Retention Credit (ERC) is a refundable tax credit for businesses that continued to pay employees while shut down due to the COVID-19 pandemic or that had significant declines in gross receipts from March 13, 2020, to September 30, 2021.⁷⁸ Qualified Recovery Startup businesses are eligible for the credit from July 1, 2021, through December 31, 2021.⁷⁹ Business taxpayers who claimed ERC on their original or amended 2020 and/or 2021 employment tax returns are experiencing significant delays in receiving their refunds. Contributing to this backlog is the challenge that due to insufficient IT programming, the IRS must manually process claims received on IRS Form 941-X, Adjusted Employer's Quarterly Federal Tax Return or Claim for Refund. In addition, the IRS is focusing on potential fraudulent or aggressive claims and has received an influx of filings caused largely by "ERC schemes" promoted on the radio and online. These filings are causing delays as the IRS verifies the claims. As of May 24, 2023, the IRS's backlog of ERC claims was estimated at 800,000.⁸⁰ Now that the IRS has completed FS 2023, it plans on devoting resources to work through the ERC backlog and make sure eligible businesses receive the credits to which they are entitled while preventing fraudulent claims.⁸¹

CONCLUSION

Although the IRS has made significant progress in processing returns and answering calls to its toll-free lines, backlogs still persist in amended returns, returns suspended as a result of a possible error, and taxpayer correspondence. Taxpayer correspondence will continue to come into the IRS, and millions of returns will come in toward the end of 2023, as many taxpayers filed for extensions. Thus, it is imperative that the IRS focus a large number of its resources during the rest of 2023 to get caught up with its current backlog, timely process all returns, pay out pending refunds, and prevent carryover of unprocessed returns into 2024 while still providing taxpayer service through its toll-free lines and walk-in centers. The IRS needs to eliminate the word "backlog" from its vocabulary in 2024 by modernizing the processing and scanning of paper returns, focusing on suspended returns, issuing all pending refunds before the close of the year, and starting FS 2024 fresh.

77 IRS News Release IR-2023-77, Early Filers Who Reported Certain State Tax Refunds as Taxable Should Consider Filing Amended Returns (Apr. 11, 2023).

78 IRC § 3134.

79 *Id.*

80 See IRS Operations: Status of Mission-Critical Functions (as of May 24, 2023), <https://www.irs.gov/newsroom/irs-operations-status-of-mission-critical-functions>; see also Doug Sword, *Employee Retention Credit Backlog Under 1 Million*, Werfel Says, 179 TAX NOTES FED. 854 (May 1, 2023).

81 Press Release, Sen. Mark Warner, *Under Questioning from Warner, IRS Commissioner Commits to Doubling Processing for Business Tax Credits*, (Apr. 19, 2023), <https://www.warner.senate.gov/public/index.cfm/2023/4/under-questioning-from-warner-irs-commissioner-commits-to-doubling-processing-for-business-tax-credits>.



TAS SYSTEMIC ADVOCACY OBJECTIVES

INTRODUCTION

IRC § 7803(c)(2)(B)(i) requires the National Taxpayer Advocate to annually submit a report to Congress by June 30 that describes the objectives outlined by the Office of the Taxpayer Advocate for the upcoming fiscal year. This report is known as the Objectives Report to Congress. The following sections present TAS's key goals and planned activities for fiscal year (FY) 2024 in three areas: Systemic Advocacy Objectives, TAS Case Advocacy and Other Business Objectives, and TAS Research Objectives.

Systemic Advocacy Objectives describe the objectives TAS will advocate for with the IRS to improve tax administration on behalf of taxpayers and to address systemic issues causing taxpayer burden, harm, or negative impact on taxpayer rights. Similar to the way Most Serious Problems are identified in the Annual Report to Congress, the National Taxpayer Advocate calls upon a multitude of sources to assist in identifying key Systemic Advocacy Objectives including the experience of TAS staff, trends in advocacy efforts and TAS casework, and interactions with practitioners and external stakeholders.

TAS Case Advocacy and Other Business Objectives describe activities TAS will pursue to advance its advocacy efforts for individual taxpayers through our casework. Local Case Advocates work directly with taxpayers or their representatives on identifying issues, researching solutions, and advocating on taxpayers' behalf within the IRS. TAS's goal is to continuously improve its internal processes and business operations on behalf of taxpayers. This section details planned TAS activities for organizational improvement and promotion of its advocacy efforts.

TAS Research Objectives focus on understanding how IRS procedures affect taxpayers and how taxpayers react to IRS actions. The objectives of TAS Research are to improve IRS operations and assist the IRS with balancing its compliance and enforcement efforts with taxpayer rights while also reducing taxpayer burden. Five new research projects are scheduled for FY 2024.

1. PROTECT TAXPAYER RIGHTS AS THE IRS IMPLEMENTS ITS STRATEGIC OPERATING PLAN

Section 10301 of the Inflation Reduction Act of 2022 (IRA) provided the IRS approximately \$79 billion to modernize technology, improve taxpayer service, enhance enforcement, and cover operational costs between FYs 2022 and 2031.¹ On April 5, 2023, the Treasury Department and the IRS released the IRS IRA Strategic Operating Plan (SOP), a report outlining how the IRS plans to transform tax administration over the next decade.² While the planned taxpayer service initiatives are intended to dramatically improve the delivery of services to the taxpayer population in general, TAS will evaluate the anticipated impact of such planned changes on taxpayers, especially the more vulnerable populations with limited access to online services. The enforcement initiatives in the SOP are intended to quickly resolve taxpayer issues and improve tax compliance, particularly among high-income taxpayers, large businesses, and pass-through entities. TAS will evaluate the implementation of such enforcement initiatives to safeguard taxpayer rights and advocate for a fair and equitable distribution of IRS resources that will benefit all taxpayers.

Of the initial supplemental IRA funding, Congress allocated only \$3.2 billion for Taxpayer Services and \$4.8 billion for Business Systems Modernization (BSM). Combined, such allocations amount to only ten percent of the original funding allocation, with the remaining 90 percent allocated for Enforcement (\$45.6 billion) and Operations Support (\$25.3 billion).³ The SOP includes a discussion on the expected depletion of the IRS Taxpayer Services allocation in less than four years. It also expresses concerns about the adequacy of BSM funding to modernize the agency's antiquated technology.⁴ TAS will continue to advocate for adequate funding for Taxpayer Services, BSM, and operational overhead that enables the IRS to meet the needs of all taxpayers.

Objective 1 for FY 2024 – TAS will evaluate the IRS's implementation of the IRA SOP to maximize protection of taxpayer rights.

- Activity 1: Participate on cross-functional teams implementing the IRS IRA SOP, evaluate planned initiatives, and make administrative recommendations to maximize protection of taxpayer rights and minimize IRS burden imposed on taxpayers.
- Activity 2: Analyze the findings of focus groups conducted at the 2023 IRS Nationwide Tax Forums to understand tax professionals' thoughts, opinions, and concerns on the IRS's plans to implement the IRA funding as outlined by the IRS's SOP and make recommendations based upon our findings.

2. PROTECT TAXPAYER PRIVACY AND ENSURE THE IRS DOES NOT DISCLOSE TAXPAYER INFORMATION WITHOUT CONSENT

Tax return preparers, including tax return preparation software providers, cannot use or disclose tax return information to third parties without taxpayer consent.⁵ Any unauthorized use or disclosure of such information can result in civil or criminal penalties.⁶ Some have raised concerns as to whether tax return preparation software providers shared tax return information with third parties without explicit taxpayer consent.⁷

1 An Act to Provide for Reconciliation Pursuant to Title II of S. Con. Res. 14, Pub. L. No. 117-169, § 10301, 136 Stat. 1818, 1831 (2022) [hereinafter referred to as the "Inflation Reduction Act"]. As part of the Fiscal Responsibility Act of 2023 and related agreements, IRA funding is expected to be reduced by about \$21 billion.

2 IRS, Pub. 3744, IRS Inflation Reduction Act Strategic Operating Plan (Apr. 2023).

3 IRA, Pub. L. No. 117-169, § 10301, 136 Stat. 1818, 1831-1832 (2022).

4 IRS, Pub. 3744, IRS Inflation Reduction Act Strategic Operating Plan 128, 130 (Apr. 2023).

5 IRC §§ 6103(c), 6713, 7216; Treas. Reg. § 301.7216-3.

6 IRC §§ 6713, 7216.

7 Colin Lecher & Simon Fondrie-Teitler, *Meta Sued for Collecting Financial Information Through Tax Filing Websites*, THE MARKUP (Dec. 2, 2022), <https://themarkup.org/pixel-hunt/2022/12/02/meta-sued-for-collecting-financial-information-through-tax-filing-websites>; Class Action Complaint & Demand for Jury Trial, *Doe v. Meta Platforms, Inc.*, No. 3:22-cv-07557 (N.D. Cal. filed Dec. 1, 2022).

It is critical that the IRS, TAS, and other appropriate oversight organizations protect taxpayer rights by conducting regular reviews to ensure third parties are not receiving tax return information without explicit taxpayer consent.⁸ This is especially important due to the limited ability of taxpayers to hold return preparers or the tax return preparation software industry accountable for unauthorized use or disclosure of their tax return information. Specifically, many tax return preparation software products have mandatory arbitration clauses in the “terms of use” boilerplate language, and taxpayers must agree to such terms before using the product. Such arbitration clauses would effectively prevent taxpayers from bringing a civil action against a tax return preparation software company for any unlawful use or disclosure of their tax return information. IRS review of and comment on the providers’ consent language and placement of the consent could help prevent possible IRC §§ 7216 or 6713 violations.

Objective 2 for FY 2024 – TAS (1) will evaluate how the IRS is protecting taxpayers’ right to confidentiality and preventing unlawful uses and disclosures of their tax return information and (2) will advocate to ensure waivers follow IRS rules and regulations; are clear, concise, and written in plain language; and provide taxpayers an avenue by which they can hold parties accountable if their return information is disclosed to a third party without their consent.

- Activity 1: Create a team to review any existing IRS processes for ensuring that return preparers and tax return preparation software companies are in full compliance with the rules and regulations governing taxpayer consent for using and disclosing tax return information; if appropriate, TAS will make recommendations as to how the IRS can strengthen this review process.
- Activity 2: Explore what options are available to taxpayers to hold return preparers and tax return preparation software companies accountable for unauthorized uses or disclosures of their information and research any potential legislative changes that may be necessary to protect tax return information; if appropriate, TAS will make legislative recommendations to Congress in the National Taxpayer Advocate’s Annual Report to Congress.
- Activity 3: Review tax return preparation software companies’ consents to share tax return information and recommend changes to the consent statements to better protect taxpayer rights.
- Activity 4: Review and consider the need for legislation, similar to the California Privacy Rights Act, which added the right to correct inaccurate personal information and the right to limit the use and disclosure of sensitive personal information.

3. IMPROVE CORRESPONDENCE AUDIT PROCESSES, TAXPAYER PARTICIPATION, AND AGREEMENT AND DEFAULT RATES

Taxpayers often face significant challenges navigating the correspondence audit process and are limited to calling a representative on a toll-free phone line for assistance. Issues include difficulties understanding the notice, gathering and providing documentation, responding within the stated deadlines, and having limited options to interact with an IRS employee. The IRS correspondence audit process is designed to expend the least amount of examination resources to conduct the largest number of examinations, often resulting in deficient levels of customer service to taxpayers and the use of costly downstream resources for the IRS.⁹

⁸ See IRC § 7803(a)(3)(H). “Taxpayers have the right to expect that any information they provide to the IRS will not be disclosed unless authorized by the taxpayer or by law. Taxpayers have the right to expect the IRS to investigate and take appropriate action against its employees, return preparers, and others who wrongfully use or disclose taxpayer return information.” *Taxpayer Bill of Rights: The Right to Confidentiality*, TAXPAYER ADVOCATE SERVICE, <https://www.taxpayeradvocate.irs.gov/get-help/taxpayer-rights/>.

⁹ See National Taxpayer Advocate 2020 Annual Report to Congress 105-106 (Most Serious Problem: Correspondence Exams: Taxpayers Encounter Unnecessary Delays and Difficulties Reaching an Accountable and Knowledgeable Contact for Correspondence Audits), https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2021/01/ARC20_MSP_07_Correspondence.pdf. See also IRS, Joint Operations Center (JOC), Snapshot Reports: Product Line Detail (week ending Apr. 22, 2023). As of the week ending April 22, 2023, the Wage and Investment (W&I) Exam phone line reflected a fiscal year Level of Service (LOS) of 42.4 percent.

In FY 2022, correspondence audits continued to produce the lowest agreement rate (20.8 percent), the highest no-response rate (41.6 percent), and the highest volume of cases assessed by default (20.4 percent).¹⁰ The IRS has implemented technology to aid taxpayers in the correspondence audit experience such as customer callback, Taxpayer Digital Correspondence, and the introduction of the Documentation Upload Tool – technology tools that allow taxpayers to request a call back rather than waiting on hold and to electronically submit documentation. The IRS, however, continues to refrain from interjecting any additional human interactions that could serve to assist, educate, and engage taxpayers during the correspondence audit process, and taxpayers are not assigned a specific point of contact responsible for their audit. Increased taxpayer engagement could lead to increased audit agreement rates, reduced taxpayer burden, and reduced IRS resources associated with revisiting completed audits. Instead, the volume of unagreed correspondence audit cases remains high and continues to necessitate the use of costly downstream resolution actions that include audit reconsiderations, appeals, and litigation. These cases also frequently require the involvement of additional offices such as the IRS’s Office of Chief Counsel, the Independent Office of Appeals, IRS Collections, and TAS.¹¹

The IRS must do more to increase taxpayer correspondence audit participation and minimize the delays and burdens associated with its current processes. High no-response, unagreed, and correspondence audit default rates are particularly concerning because a high percentage of the taxpayers subjected to correspondence audits have total positive incomes below \$50,000.¹² Many of these low-income taxpayers claim the Earned Income Tax Credit and will not receive their credit until the conclusion of the audit. Appropriate correspondence audit customer service is necessary to increase taxpayer participation in the audit process, build trust, and engage taxpayers, particularly low-income taxpayers who frequently lack representation and must rely solely on the IRS for audit assistance.¹³

Objective 3 for FY 2024 – TAS will work with the IRS to improve taxpayer correspondence audit participation and agreement and default rates.

- Activity 1: Participate on IRS cross-functional teams designed to analyze IRS procedures and other factors contributing to correspondence audit low response, low agreement, and high default rates.
- Activity 2: Develop strategies from cross-functional team analysis for IRS consideration and implementation.
- Activity 3: Via cross-functional team participation, advocate for increased human interaction, increased education, increased ease and access to taxpayer assistance, and improved service levels on the IRS’s Wage and Investment (W&I) Correspondence Exam assistance telephone line.

10 IRS, Compliance Data Warehouse (CDW), Automated Information Management System Closed Case Data, FY 2022 (Mar. 2023). Correspondence audits include audits closed by campus tax examiners in either the W&I or Small Business/Self-Employed Operating Divisions.

11 See National Taxpayer Advocate 2022 Annual Report to Congress 174, 187 (Most Litigated Issues), https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2023/01/ARC22_MostLitigatedIssues.pdf. Similar to previous years, in FY 2022, 78 percent of the cases petitioned were the product of an audit or review conducted via correspondence.

12 See National Taxpayer Advocate 2020 Annual Report to Congress 102-118 (Most Serious Problem: *Correspondence Exams: Taxpayers Encounter Unnecessary Delays and Difficulties Reaching an Accountable and Knowledgeable Contact for Correspondence Audits*), https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2021/01/ARC20_MSP_07_Correspondence.pdf.

13 *Id.*

4. IMPLEMENT SYSTEMIC FIRST TIME ABATEMENT BUT ALLOW SUBSTITUTION OF REASONABLE CAUSE

The IRS generally offers taxpayers who are subject to failure-to-file, failure-to-pay, or failure-to-deposit penalties an administrative first time abatement (FTA) of those penalties, provided that taxpayers are in compliance and have not utilized FTA within the last three years.¹⁴ This administrative waiver is applied after a manual review generally triggered by a request from the taxpayer for either reasonable cause relief or FTA.¹⁵ The IRS is considering, and TAS supports, systemically applying the FTA as a means of promoting fairness and reducing burdens for both taxpayers and the IRS.

TAS recommends that the IRS apply FTA automatically when it evaluates a given taxpayer for the three covered penalties. The IRS would program its system so that when taxpayers filed their returns, the system would determine eligible taxpayers and grant FTA without the need for taxpayers to request relief. Ineligible taxpayers would receive a penalty and an opportunity to request relief based upon reasonable cause. As things stand now, FTA is generally only granted where taxpayers affirmatively request penalty relief or where the IRS has some other reason to review for FTA eligibility.¹⁶ One of the equitable benefits of a systemic FTA, by contrast, is that it is accessible to everybody, regardless of their level of sophistication. This will result in an equitable application of the administrative waiver. Additionally, because the IRS's computer system would automatically apply the systemic FTA, the IRS can impact the broadest possible range of eligible taxpayers while decreasing personnel costs associated with the program.

The increased reach of systemic FTA is well illustrated by looking to data from tax year 2021. In that year, the IRS granted the FTA to approximately 200,000 taxpayers with respect to the failure-to-file, failure-to-pay, and failure-to-deposit penalties.¹⁷ In comparison, TAS analysis shows that a systemic FTA would have waived penalties for approximately 4.5 million taxpayers.¹⁸ Another way of looking at the data is to consider the number of FTA waivers as a percentage of the total taxpayers assessed failure-to-file, failure-to-pay, and failure-to-deposit penalties. Under the current policy, the IRS abated approximately two percent of these penalties due to FTA, while under a systemic process, TAS estimates that the IRS would abate 50 percent.¹⁹ All of the additional taxpayers who would benefit from systemic FTA are already eligible for FTA; they are simply missing out on relief because they do not know to ask for it. In the upcoming year, TAS will continue to encourage IRS decision-makers to make the policy changes and resource allocations the program needs to move forward.

The IRS applies FTA, when available, prior to considering reasonable cause relief.²⁰ This ordering rule, which is a matter of IRS policy, is applied despite the circumstance that reasonable cause is established by statute and is intended for situations where the taxpayer exercised ordinary business care and prudence.²¹ Even where a taxpayer has reasonable cause, FTA supersedes that relief, thereby eliminating access to FTA for the next

14 Internal Revenue Manual (IRM) 20.1.1.3.3.2.1, First Time Abate (FTA) (Mar. 29, 2023) (providing an administrative waiver from failure-to-file penalties under IRC §§ 6651(a)(1), 6698(a)(1), or 6699(a)(1), failure-to-pay penalties under IRC § 6651(a)(2) and IRC 6651(a)(3), and failure-to-deposit penalty under IRC § 6656). See also IRS, Penalty Relief Due to First Time Abate or Other Administrative Waiver, <https://www.irs.gov/payments/penalty-relief-due-to-first-time-abate-or-other-administrative-waiver#eligible> (last visited May 22, 2023).

15 IRM 20.1.1.3.3.2.1(3), First Time Abate (FTA) (Mar. 29, 2023). IRS personnel can apply FTA unilaterally if they identify taxpayer eligibility on their own initiative.

16 Taxpayers who have requested relief for other reasons may also receive FTA, and if a taxpayer is eligible for FTA relief after all other account discrepancies have been corrected, then the IRS will apply FTA to the remaining penalty. IRM 20.1.1.3.3.2.1(16), First Time Abate (FTA) (Mar. 29, 2023).

17 IRS, CDW, Individual Master File for Tax Year 2021 Returns (Mar. 2023).

18 *Id.*

19 *Id.* The actual number of taxpayers eligible for FTA will vary depending on whether the taxpayer is in payment compliance at the time of the request. Additionally, not all FTA eligibility requirements could be tested.

20 IRM 20.1.1.3.3.2.1(12), First Time Abate (FTA) (Mar. 29, 2023).

21 IRC §§ 6651(a), 6656(a), 6698(a), 6699(a); Treas. Reg. § 301.6651-1(c)(1).

three years.²² To address this situation, TAS has proposed allowing taxpayers who receive FTA and who also have a good case for reasonable cause relief to apply for reasonable cause in lieu of the FTA, thus preserving FTA eligibility for future years. TAS refers to this mechanism as “reasonable cause substitution.” The IRS is philosophically resistant to such a policy change and has also indicated that it might not be a feasible option due to programming limitations. TAS will continue to pursue communication with the IRS in this area and explore ways of moving forward.

Objective 4 for FY 2024 – TAS will collaborate with IRS stakeholders to implement systemic FTA in conjunction with recharacterized reasonable cause relief.

- Activity 1: Provide IRS decision-makers with support via a white paper and follow-up conversations for allocating the requisite information technology funding and moving forward with systemic FTA.
- Activity 2: Conduct a meeting with the IRS Office of Servicewide Penalties aimed at reaching agreement regarding the desirability and feasibility of allowing substituted reasonable cause relief.

5. REDUCE BURDEN ON TAXPAYERS APPLYING FOR AN INDIVIDUAL TAXPAYER IDENTIFICATION NUMBER

The IRS continues to rely on a paper-based system for processing applications for Individual Taxpayer Identification Number (ITIN) applications.²³ Like other paper processing systems at the IRS, processing of paper ITIN applications is subject to backlogs.²⁴ Backlogs harm taxpayers in a variety of ways, including delayed refunds and disallowance of claimed tax benefits.²⁵ When the IRS experiences backlogs processing ITIN applications and paper returns, it can delay taxpayer refunds for months. Taxpayers with expired ITINs can experience further delays in processing their tax returns.²⁶ Because some state agencies calculate benefits based on family size, as reported on a tax return, ITIN delays may impact benefits. If a taxpayer has an eligible dependent but is unable to obtain an ITIN for the dependent, it may result in a reduction of state benefits, increasing taxpayer burden.

In its SOP, the IRS expressed intentions to modernize the ITIN process and expand services for ITIN holders and international taxpayers but did not provide any details.²⁷ To prevent unnecessary delays, encourage voluntary compliance, and reward these individuals for doing the right thing by filing U.S. tax returns, the National Taxpayer Advocate recommended the IRS develop and implement a procedure that allows applicants

²² IRM 20.1.1.3.6.1, RCA and First Time Abate (FTA) Consideration (Mar. 29, 2023).

²³ An ITIN is a unique tax processing number the IRS issues to individuals who need to file a return or have a federal tax reporting obligation but who do not have and are not eligible for a Social Security number from the Social Security Administration. See IRC § 6109; Treas. Reg. § 301.6109-1. All ITIN applications, including renewals, must include a U.S. federal tax return unless the taxpayer meets an exception to the filing requirement. New applicants must apply with a paper tax return if they do not meet one of the narrow exceptions.

²⁴ See, e.g., National Taxpayer Advocate Fiscal Year 2023 Objectives Report to Congress 23-24 (Systemic Advocacy Objective: *Restore Tax Benefits That Were Disallowed Due to Individual Taxpayer Identification Number Renewal Processing Delays*), https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2022/06/JRC23_SAO_SystAdvObjs.pdf; National Taxpayer Advocate 2022 Annual Report to Congress 34-44 (Most Serious Problem: *Processing Delays: Paper Backlogs Caused Refund Delays for Millions of Taxpayers*), https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2023/01/ARC22_MSP_01_Processing-Delays.pdf.

²⁵ See National Taxpayer Advocate Fiscal Year 2023 Objectives Report to Congress 23-24 (Systemic Advocacy Objective: *Restore Tax Benefits That Were Disallowed Due to Individual Taxpayer Identification Number Renewal Processing Delays*), https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2022/06/JRC23_SAO_SystAdvObjs.pdf. When non-citizens seek U.S. citizenship, immigration authorities view compliance with U.S. tax laws favorably. See, e.g., 8 U.S.C. § 1427(a); 8 C.F.R. § 316.10; *Abuhekal v. U.S. Citizenship & Immigr. Servs.*, 2011 WL 2600709, at *5 (D. Minn. June 30, 2011) (“Timely payment of taxes supports a finding of good moral character.... Conversely, failure to file or make timely payment of taxes may support a finding of a lack of good moral character”) (internal citations omitted).

²⁶ See Instructions for Form W-7, Application for IRS Individual Taxpayer Identification Number (Nov. 2021).

²⁷ IRS, Pub. 3744, IRS Inflation Reduction Act Strategic Operating Plan (Apr. 2023).

to apply for an ITIN throughout the year and submit alternate proof of a filing requirement other than an annual tax return.²⁸

Taxpayers must file Form W-7, Application for IRS Individual Taxpayer Identification Number, to apply for or renew an ITIN.²⁹ The IRS does not offer a way to electronically file (e-file) Form W-7 so taxpayers have no option other than to file on paper. The application must be supported by original documents, such as a birth certificate or passport, or copies of original documents that have been certified by the issuing agency that establish, for example, the taxpayer's alien status and identity, foreign status, and residency.³⁰ Taxpayers may mail their Form W-7 and required documents directly to the IRS or receive in-person assistance through an Acceptance Agent (AA).³¹ Taxpayers may also make an appointment at a designated IRS Taxpayer Assistance Center (TAC), which can verify original documents and submit verified copies of those documents to the IRS ITIN Unit, allowing the immediate return of documents to the taxpayer.³²

Another important option that allows taxpayers, including those residing outside of the United States, to apply for an ITIN and retain their identification documents is Certifying Acceptance Agents (CAAs). CAAs are AAs authorized to verify original documentation and certified copies of the documentation from the issuing agency for primary and secondary applicants and their dependents.³³ As of May 11, 2023, there are 7,192 AAs and CAAs in the United States and 347 in 46 countries outside the United States, including 120 in Canada.³⁴ Beginning August 15, 2022, the IRS imposed a moratorium on the Acceptance Agent Program. The moratorium is scheduled to expire in Summer 2023, but the IRS has not provided an exact date.³⁵ The IRS also plans to launch an online portal for AAs and CAAs to submit applications and complete Form W-7 applications. The availability of a robust network of CAAs will reduce the need for taxpayers who need an ITIN to comply with their U.S. tax obligations to surrender important documents for seven to 11 weeks.³⁶

Objective 5 for FY 2024 – TAS will work with the IRS to identify problems and suggest changes to ITIN processing that will reduce delays negatively impacting taxpayers.

- Activity 1: Collaborate on cross-functional teams with the IRS to modernize the ITIN process and expand services for ITIN holders and international taxpayers as referenced in the IRS's IRA SOP.
- Activity 2: Work with the IRS to develop and implement a procedure prior to the 2024 filing season that allows all applicants to apply for an ITIN throughout the year by submitting proof of a filing requirement.
- Activity 3: Collaborate on cross-functional teams with the IRS in the development and rollout of an online portal for AAs and CAAs to submit applications and complete Form W-7 applications.

28 See Erin M. Collins, Most Taxpayers Needing a New ITIN Are Prohibited From Filing Electronically, Causing Unnecessary Refund Delays, NATIONAL TAXPAYER ADVOCATE BLOG (Feb. 6, 2023), <https://www.taxpayeradvocate.irs.gov/news/nta-blog-most-taxpayers-needing-a-new-itin-are-prohibited-from-filing-electronically-causing-unnecessary-refund-delays/>.

29 Spouses and dependents are not eligible for an ITIN or renewal of an ITIN unless they are claimed for an allowable tax benefit, or they file their own return.

30 IRC § 6109(i)(2); Treas. Reg. § 301.6109-1(d)(3)(iii).

31 Treas. Reg. § 301.6109-1(d)(3)(ii), (iv). See also Instructions for Form W-7, Application for IRS Individual Taxpayer Identification Number (Nov. 2021).

32 See IRS, IRS Taxpayer Assistance Centers Providing In-Person ITIN Document Review, <https://www.irs.gov/help/tac-locations-where-in-person-document-verification-is-provided> (last visited June 1, 2023).

33 CAAs cannot verify foreign military identification cards. For dependents, CAAs can only verify passports and civil birth certificates; however, they must send the original or certified copies of all other documents directly to the IRS. IRM 3.21.263.4.1, Acceptance Agent (AA) or Certifying Acceptance Agent (CAA) (Jan. 16, 2020). For a list of acceptable supporting identification document(s), see IRM 3.21.263.5.6(4), ITIN Documentation Requirements (Nov. 12, 2021).

34 See IRS, Acceptance Agent Program, <https://www.irs.gov/individuals/international-taxpayers/acceptance-agent-program> (last visited May 11, 2023).

35 See IRS, How to Become an Acceptance Agent for IRS ITIN Numbers, <https://www.irs.gov/individuals/international-taxpayers/how-to-become-an-acceptance-agent-for-irs-itin-numbers> (last visited Apr. 24, 2023).

36 See Instructions for Form W-7, Application for IRS Individual Taxpayer Identification Number (Nov. 2021). The instructions tell applicants to “[a]llow 7 weeks for the IRS to notify you of your ITIN application status (9 to 11 weeks if you submit the application during peak processing periods (January 15 through April 30) or if you’re filing from overseas).”

6. FORMALIZE 45-DAY RESPONSE TIME FROM ALL IRS FUNCTIONS TO RECOMMENDATIONS MADE BY THE TAXPAYER ADVOCACY PANEL

The Taxpayer Advocacy Panel (TAP), an independent Federal Advisory Committee to the IRS, was established in 2002. TAP helps identify tax issues of importance to taxpayers and provides a taxpayer perspective to the IRS on key programs, products, and services. It also serves as a focus group that makes recommendations to the IRS and the National Taxpayer Advocate. Since its inception, TAP has worked with over 700 civilian volunteers who agree to dedicate 200-300 hours a year for three-year terms. The panel's mission is to listen to taxpayers, identify taxpayer issues, and make suggestions to improve IRS services. It operates under the authority of the Federal Advisory Committee Act and is guided by TAS, which provides staff to assist TAP and facilitate consideration of its recommendations. During the first 20 years of TAP's existence, it made more than 2,200 recommendations to improve the IRS's taxpayer service, products, and procedures.³⁷ Some examples include implementation of customer callback technology on IRS phone lines, creation of the taxpayer online portal, and various improvements to the Volunteer Income Tax Assistance program.

TAP submitted 201 recommendations to the IRS in 2022. Of those submitted, 133 (66 percent) were still awaiting IRS response at the end of the year.³⁸ Unlike other TAS functions, TAP does not have an established process with the IRS Business Operating Divisions (BODs) for working the recommendations it submits. TAP currently works primarily with W&I; however, as the panel continues to evolve and broaden its work to additional IRS functions, a negotiated Service Level Agreement (SLA) or standard operating procedure for working TAP recommendations is necessary to ensure TAP receives timely and complete IRS responses.

Objective 6 for FY 2024 – TAS will work with the IRS BODs to develop procedures for the IRS in reviewing and responding to TAP recommendations, and if necessary, establish steps to reach an SLA or mutually agreed upon standard operating procedure for considering TAP recommendations.

- Activity 1: Review and analyze the current SLAs between TAS and BODs for working Case Advocacy Operations Assistance Requests to identify best practices transferable to the recommendation process.
- Activity 2: Review and analyze the processes used by other administrative bodies that work with the IRS, such as the Internal Revenue Service Advisory Council and the Electronic Tax Administration Advisory Committee, to identify best practices.
- Activity 3: Conduct an analysis of the current workflow processes and evaluate their effectiveness and timeliness for functional replies. TAP will look into developing a more effective post-recommendation dialogue process that considers the age, priority status, and number of times a recommendation is transferred between functions.

7. ELIMINATE SYSTEMIC ASSESSMENTS AND OFFER A FIRST TIME ABATEMENT WAIVER FOR INTERNATIONAL INFORMATION RETURN PENALTIES

Taxpayers who have certain foreign financial interests and cross-border business activities are subject to a range of U.S. reporting requirements. Many of these requirements come with significant penalty potential when a filing is late, incomplete, or inaccurate, even if the information report itself does not relate to any income. In particular, TAS is concerned about the international information return (IIR) penalty regime contained within Title 26, Subtitle F, Chapter 61, Subchapter A, Part III.³⁹ The IRS's position regarding these penalties is that

³⁷ IRS, Pub. 4444, Taxpayer Advocacy Panel 2022 Annual Report 1 (Mar. 2023).

³⁸ *Id.* at 8.

³⁹ See, e.g., National Taxpayer Advocate 2020 Annual Report to Congress 119-131 (Most Serious Problem: *International: The IRS's Assessment of International Penalties Under IRC §§ 6038 and 6038A Is Not Supported by Statute, and Systemic Assessments Burden Both Taxpayers and the IRS*), https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2021/01/ARC20_MSP_08_International.pdf.

they are not subject to deficiency procedures and are immediately assessable, which means that taxpayers do not have access to prepayment judicial review in the U.S. Tax Court. The National Taxpayer Advocate's position, recently corroborated by the U.S. Tax Court in *Farhy v. Commissioner*,⁴⁰ is that these penalties neither contain nor cross-reference any language authorizing the IRS to treat them as assessable.⁴¹ Instead, under *Farhy*, collection of these penalties would fall to the U.S. Department of Justice.⁴²

Most of these penalties are assessed systemically, at the time the IRS receives a late information return, which causes substantial inequities and inefficiencies in tax administration. As an example, between processing years (PYs) 2014 and 2022, there were an average of 9,800 IRC § 6038 penalties systemically assessed per year.⁴³ Of those penalties, the mean abatement rate was 69 percent per year, with a minimum rate of 48 percent (as of March 2023) and a maximum rate of 88 percent.⁴⁴ These systemic assessments totaled an average of \$354 million per year, of which \$281 million was abated on average – an abatement rate of 80 percent per year by dollars.⁴⁵ By contrast, the number of manual assessments averaged only 685 per year from PYs 2014 to 2022, with an average abatement rate of 23 percent per year.⁴⁶ In terms of dollars, the average aggregate manual penalty assessment per year was \$36 million, of which 19 percent was abated.⁴⁷

These high abatement rates demonstrate that the systemic regime burdens taxpayers with the need to provide documentation to fight unjustified penalties approximately half the time. However, a more taxpayer-favorable approach is possible. If the IRS stopped systemically assessing these penalties and Congress made them subject to deficiency procedures, taxpayers would have access to full prepayment administrative and judicial review prior to the assessment of the penalties. IIR penalties are abated for a variety of reasons, including that the underlying income tax return received the FTA waiver.⁴⁸ Nevertheless, these penalties should be directly eligible for FTA, ideally the systemic FTA, for which the National Taxpayer Advocate has broadly advocated.⁴⁹ Offering an IIR-specific FTA waiver would help extend equitable treatment to taxpayers and bring administrative efficiency in this area to the IRS. For example, it would ensure that taxpayers with new IIR reporting obligations do not slip through the cracks simply because their underlying returns were on time and are therefore not eligible for FTA.

40 *Farhy v. Comm'r*, 160 T.C. 6 (2023).

41 The National Taxpayer Advocate and a number of commentators have long held this position. See, e.g., Erin Collins & Garrett Hahn, *Foreign Information Reporting Penalties: Assessable or Not?*, TAX NOTES, July 9, 2018, at 211; Robert S. Horwitz, *Can the IRS Assess or Collect Foreign Information Reporting Penalties?*, TAX NOTES, Jan. 21, 2019, at 301; Frank Agostino & Phillip J. Colasanto, *The IRS's Illegal Assessment of International Penalties*, TAX NOTES, Apr. 8, 2019, at 261; National Taxpayer Advocate 2020 Annual Report to Congress 119-131 (Most Serious Problem: *International: The IRS's Assessment of International Penalties Under IRC §§ 6038 and 6038A Is Not Supported by Statute, and Systemic Assessments Burden Both Taxpayers and the IRS*), https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2021/01/ARC20_MSP_08_International.pdf.

42 *Farhy v. Comm'r*, 160 T.C. 6 (2023).

43 IRS, CDW, Individual Master File, PY 2014-2022, (Mar. 2023); IRS, CDW, Business Master File, PY 2014-2022, (Mar. 2023).

44 *Id.*

45 *Id.* We note that because of broad penalty relief provided by the IRS with respect to certain late filing penalties for 2019 and 2020 returns in Notice 2022-36, 2022-36 I.R.B. 188, we cannot differentiate which abatements were due to the broad penalty relief for those tax years, but we believe that the initiative contributed to a higher abatement rate for those years and consequently a higher average abatement rate for the period of 2014-2022.

46 IRS, CDW, Individual and Business Master File (Mar. 2023).

47 *Id.*

48 See, e.g., National Taxpayer Advocate 2020 Annual Report to Congress 119-131 (Most Serious Problem: *International: The IRS's Assessment of International Penalties Under IRC §§ 6038 and 6038A Is Not Supported by Statute, and Systemic Assessments Burden Both Taxpayers and the IRS*), https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2021/01/ARC20_MSP_08_International.pdf.

49 For a more detailed discussion on this topic, see Systemic Advocacy Objective: *Implement Systemic First Time Abate But Allow Substitution of Reasonable Cause*, *supra*.

Objective 7 for FY 2024 – TAS will advocate to end systemic assessment of international information return penalties and to develop an FTA waiver specific to these penalties.

- Activity 1: TAS subject matter experts will meet with the IRS to discuss the possibility of ending the systemic assessment regime for Chapter 61 IIR penalties.
- Activity 2: TAS subject matter experts will meet with the IRS Office of Servicewide Penalties to discuss the possibility of developing an FTA waiver for Chapter 61 IIR penalties.

8. MODERNIZE IRS PAPER PROCESSING PROCEDURES

Since the 2020 filing season, millions of taxpayers have experienced significant delays waiting for the IRS to process paper-filed tax returns and taxpayer correspondence.⁵⁰ The unprecedented paper processing and refund issuance delays caused taxpayers to experience financial hardship and confusion regarding the status of their cases and filings. During the final months of 2022, the IRS made substantial strides in reducing the backlog of paper-filed tax returns. Despite this progress, the IRS still started Filing Season 2023 with significant paper inventories, including an inventory of about 4.9 million pieces of taxpayer correspondence and about 1.5 million amended returns.⁵¹ The IRS ended Filing Season 2023 with a similar inventory of paper taxpayer correspondence (about five million) and about 3.4 million amended returns (an increase of nearly 127 percent).⁵²

The IRS relies on outdated manual practices to process paper-filed tax returns, amended returns, and paper correspondence. In its IRA SOP, the IRS indicated plans to “scan and digitalize all incoming paper forms, returns, and communications.”⁵³ Implementation of scanning technology and digitalization will modernize paper processing procedures and reduce taxpayer burden by decreasing processing times and refund turnaround times. As part of the IRS’s Digital Intake scanning initiative, the IRS began scanning some forms, including Forms 940, 941, and 1040.⁵⁴

Objective 8 for FY 2024 – TAS will work with the IRS as it implements plans to modernize paper processing procedures to streamline the processing of paper-filed returns and correspondence.

- Activity 1: Monitor the IRS implementation of scanning technology and digitalization to process paper-filed IRS forms and correspondence and make administrative recommendations, as needed, to minimize taxpayer burden.

50 National Taxpayer Advocate 2022 Annual Report to Congress 34-48 (Most Serious Problem: *Processing Delays: Paper Backlogs Caused Refund Delays for Millions of Taxpayers*), https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2023/01/ARC22_MSP_01_Processing-Delays.pdf.

51 IRS, W&I, Status of Unopened Mail and Backlog Inventory (Dec. 30, 2022) (showing data as of Dec. 23, 2022); Email from W&I (Jan. 3, 2023) (on file with TAS).

52 IRS, W&I, Wage and Investment Inventory Report (Apr. 29, 2023) (as of Apr. 22, 2023).

53 IRS, Pub. 3744, IRS Inflation Reduction Act Strategic Operating Plan 22 (Apr. 2023).

54 The IRS also has two scanning initiatives underway: Digital Intake with Lockbox and Digital Intake with Industry Partners. IRS News Release IR 2023-41, IRS Begins New Digital Initiative; Form 940 Scanning Process Off to Strong Start; Other Forms to Start Soon (Mar. 8, 2023).

9. CONTINUE TO PROPOSE SIMPLIFICATION OF THE TAX CODE AND IRS PROCEDURES TO REDUCE TAXPAYER COMPLIANCE BURDEN

The complexity of the U.S. tax laws and IRS procedures burdens taxpayers and negatively impacts voluntary compliance. Due to such complexity, preparing and filing tax returns is time-consuming and often involves costly tax return preparation fees. Individual taxpayers who claim social benefits through the tax system and small businesses face significant burdens trying to follow the rules. The Internal Revenue Code (the Code) has many antiquated provisions that do not reflect modern life with changing family structures and evolving business models. Simplifying the Code and eliminating complexities in the IRS's procedures would reduce taxpayer compliance burdens by making it easier for taxpayers to understand their filing and payment obligations, and it would also make it easier for the IRS to administer the tax laws. Thus, simplification is essential to the integrity of the U.S. tax system and will enhance voluntary compliance.

Objective 9 for FY 2024 – TAS will continue to propose legislative and administrative changes to reduce taxpayer compliance burdens by making the process of preparing and filing tax returns less complicated.

- Activity 1: Through public-facing communications, such as discussions in the Annual Report to Congress, Objectives Report to Congress, National Taxpayer Advocate blogs, and congressional testimony and speeches, if applicable, recommend that the IRS enhance the online account system to provide taxpayers broader access and the ability to download their wage and income transcript information in time to prepare their tax returns.
- Activity 2: Provide training to Local Taxpayer Advocates on simplification-related legislative proposals in the Purple Book and encourage them to discuss these proposals with congressional members and staff during their outreach events.
- Activity 3: Explore ways to simplify the Earned Income Tax Credit to increase taxpayer compliance and reduce burden and make any necessary administrative and legislative recommendations.
- Activity 4: Monitor the IRS rollout of taxpayer guidance, education, and compliance efforts for Forms 1099-K, Payment Card and Third Party Network Transactions, provided to small businesses for the payment of income received through third-party payment systems, with particular focus on the resulting level of taxpayer confusion, math error notices, and audit notices.

10. IMPROVE IRS HIRING, RECRUITMENT, AND TRAINING STRATEGIES

On April 6, 2023, the IRS unveiled its SOP⁵⁵ in response to the additional funding provided in the IRA signed into law in August 2022. In this plan, the IRS stated in broad terms that it plans to “implement fast, streamlined hiring processes that address challenges known today” and “use data to match candidates to the right jobs.”⁵⁶ It also stated that the IRS seeks to “create hiring and training programs to build a data-savvy workforce... to serve taxpayers and meet mission goals more effectively.”⁵⁷ TAS welcomes these efforts and hopes that they will come to fruition soon.

Until it implements this plan, the IRS will continue to experience significant challenges with timely recruiting, hiring, and training employees to effectively carry out its mission. As illustrated in the National Taxpayer Advocate 2022 Annual Report to Congress, Direct-Hire Authority (DHA) has improved the time

⁵⁵ IRS, Pub. 3744, IRS Inflation Reduction Act Strategic Operating Plan (Apr. 2023).

⁵⁶ *Id.* at 106.

⁵⁷ *Id.* at 114.

it takes to hire new employees, but the timeframes have not improved much for non-DHA position hires.⁵⁸ TAS encourages the IRS to continue to request that Congress and the Office of Personnel Management provide the IRS DHA and additional hiring flexibilities. To reduce delays in the hiring process attributable to personnel security and background checks, the IRS has brought on contractors to assist with this effort and has procured WebABIS, which will automate some of the Personnel Security work. They are working with IRS Information Technology on developing a timeline for implementation.⁵⁹ Automation should streamline the process and reduce manual workload. Additionally, the IRS needs to reduce employee turnover rates to better improve employee retention rates, especially among younger age employees. Finally, the IRS should invest in IRS University (IRSU) by providing a dedicated operational budget for implementation and operationalization of the program.

Objective 10 for FY 2024 – TAS will continue to advocate for improvements in IRS hiring, recruitment, employee retention, and employee training processes.

- Activity 1: Recommend strategies to improve the efficiency and proficiency of hiring actions and recruitment efforts by human resources personnel, including virtual recruitment events.
- Activity 2: Request that the IRSU implementation team better communicate with all operating divisions and functions.
- Activity 3: Explore potential improvements to IRS employee retention strategies to recommend to the IRS.

11. IMPROVE TAXPAYER ACCESS TO TELEPHONE AND FACE-TO-FACE ASSISTANCE

Taxpayers and tax professionals rely on the ability to reach an IRS employee for account actions and answers to their inquiries. During 2022, prior and current year processing backlogs caused the demand for telephone and in-person service to remain high while customer service levels remained unacceptably low.⁶⁰ Despite its efforts to increase staffing and implement technology to improve the customer experience, the IRS did not staff TACs to meet taxpayers' needs, and only 13 percent of the calls to IRS telephone lines reached live assistance.⁶¹

TAS has historically recommended the IRS increase TAC office staffing and improve telephone customer service, a goal the IRS sought to achieve during the 2023 filing season.⁶² Though the IRS increased staffing and made progress on its commitment to increase telephone service, it must also devote adequate resources

58 National Taxpayer Advocate 2022 Annual Report to Congress 59, 64 (Most Serious Problem: *IRS Hiring and Training: Weaknesses in the Human Capital Office's Hiring, Recruitment, and Training Programs Are Undermining the IRS's Efforts to Achieve Appropriate Staffing to Meet Taxpayer Needs*), https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2023/01/ARC22_MSP_03_Recruitment.pdf.

59 Conversation with Human Capital Office (Apr. 11, 2023) (on file with TAS).

60 National Taxpayer Advocate 2022 Annual Report to Congress 74-87 (Most Serious Problem: *Telephone and In-Person Service: Taxpayers Continue to Experience Difficulties and Frustration Obtaining Telephone and Face-to-Face Assistance to Resolve Their Tax Issues and Questions*), https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2023/01/ARC22_MSP_04_Telephone.pdf.

61 IRS, JOC, Snapshot Reports: Enterprise Snapshot, Enterprise Total (week ending Sept. 30, 2022). "Enterprise total" refers to all calls across all IRS phone lines; National Taxpayer Advocate 2022 Annual Report to Congress 74-87 (Most Serious Problem: *Telephone and In-Person Service: Taxpayers Continue to Experience Difficulties and Frustration Obtaining Telephone and Face-to-Face Assistance to Resolve Their Tax Issues and Questions*), https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2023/01/ARC22_MSP_04_Telephone.pdf.

62 National Taxpayer Advocate 2021 Annual Report to Congress 66-75 (Most Serious Problem: *Telephone and In-Person Service: Taxpayers Face Significant Challenges Reaching IRS Representatives Due to Longstanding Deficiencies and Pandemic Complications*), https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2022/01/ARC21_MSP_03_Telephone.pdf; Erin M. Collins, Update on IRS Progress in Working Through Its Backlog of Paper-Filed Tax Returns and Correspondence, NATIONAL TAXPAYER ADVOCATE BLOG (Nov. 10, 2022), <https://www.taxpayeradvocate.irs.gov/news/nta-blog-update-on-irs-progress-in-working-through-its-backlog-of-paper-filed-tax-returns-and-correspondence-part-3/>; see IRS, Pub. 5530, Budget in Brief Fiscal Year 2023, at 11-12 (Mar. 2022). The budget requests additional resources for Taxpayer Services to increase the FY 2023 LOS target to 85 percent.

toward return and correspondence processing.⁶³ Customer service representatives (CSRs) divide their time between two key roles during the filing season: (1) answering calls and (2) assisting with the processing of amended returns and paper correspondence. They can't do both at the same time so it's essentially a zero-sum game. CSRs answering the telephones aren't processing taxpayer correspondence, and CSRs processing returns or taxpayer correspondence aren't answering the telephones. If the IRS assigns too many CSRs to the telephone lines to increase telephone service, it risks creating a new processing backlog.

The IRS should prioritize working through the carryover of prior year and current year unprocessed amended returns and correspondence. And, with the increase in business amended returns and correspondence, the IRS should reallocate and train more CSRs on business returns and issues. Processing delays directly translate to refund delays and are a big driver of telephone and TAC office demand. Although the IRS should accomplish both – elimination of backlogs and a high percentage of calls answered – a balanced approach is necessary. The IRS should not aim to achieve the highest level of telephone service if it comes at the cost of creating processing backlogs.

Taxpayers can be significantly impacted by IRS processes and the way the IRS uses its resources. In addition to its hiring and technology initiatives, the IRS must also explore opportunities to alter processes that unnecessarily result in increased telephone call volume and TAC office visits. Currently, taxpayers seeking TAC office assistance are required to first call the IRS's struggling TAC appointment line, a process that increases call volume, limits TAC appointments due to telephone service constraints, and creates additional burden for taxpayers. Similarly, taxpayers unable to complete Taxpayer Protection Program (TPP) identity verification online or by telephone (a process implemented to combat identity theft) must authenticate in person at one of the IRS's TAC offices. This process not only adds to TAC office visits but also increases call volume from taxpayers who must first schedule the necessary TAC office appointments by telephone.

The IRS should provide taxpayers with options. Electronic appointment scheduling, alternative TPP verification options, expanded virtual appointment services, and extended TAC office hours would reduce telephone calls and TAC office volume while significantly improving the taxpayer experience.

Objective 11 for FY 2024 – TAS will work with the IRS to improve taxpayer access to telephone and in-person assistance.

- Activity 1: Monitor telephone service and amended return and correspondence inventories with an emphasis on business returns and issues.
- Activity 2: Promote expanded TAC hours of operation and provide staffing support to Taxpayer Experience Day and Community Assistance Visit events.
- Activity 3: Support Low Income Taxpayer Clinic participation, TAS assistance as needed, or other TPP identity verification actions that will promote higher levels of TPP telephone service and increased taxpayer service location options.

63 IRS, JOC, Snapshot Reports: Enterprise Snapshot, Accounts Management (AM) (planning period, week ending Apr. 22, 2023). The Weekly Enterprise AM report reflected an LOS of 85.23 percent.

12. INCREASE ACCESSIBILITY AND IMPROVE FUNCTIONALITY OF DIGITAL SERVICES FOR INDIVIDUAL AND BUSINESS TAXPAYERS AND TAX PROFESSIONALS

When taxpayers can quickly communicate with the IRS to resolve issues and receive answers to their questions simply and securely, it has a positive effect on the taxpayer experience, which in turn raises taxpayers' overall satisfaction and trust in the IRS. TAS held focus groups during the 2022 IRS Tax Forums to gather ideas from tax professionals about taxpayers' needs and preferences for online services. Participants expressed feeling frustrated, exasperated, disappointed, and angry with their inability to effectively communicate with the IRS.⁶⁴ A 2022 TAS research report compared online accounts and the digital services available on [IRS.gov](https://www.irs.gov) to more than 41 state taxing authority websites and the Canadian, Australian, and United Kingdom's taxing authority websites.⁶⁵ The report identified three areas where the IRS website lacks features commonly found on other taxing authority websites: 1) full online filing options; 2) the ability to receive and respond to most notices online; and 3) robust in-person and digital contact options.⁶⁶ In addition to serving the needs of taxpayers, tools that enable taxpayers to digitally communicate and transmit documents will reduce demand for phone service and paper processing – two service channels in which the IRS has struggled to provide quality service.⁶⁷

Online Account for Individuals

Since the IRS introduced Online Account in 2016, user volume has grown slowly, as has functionality. Online Account allows individual taxpayers to view basic account information and arrange payments, and 19 notices are currently available for taxpayers to view and download.⁶⁸ The IRS plans to add six additional notices before the end of July 2023.⁶⁹ About 20 million unique users accessed their Online Account in 2022. The IRS prioritized offering payment options in the development of Online Account, and taxpayers made 6.25 million payments worth \$42.8 billion through Online Account in 2022.⁷⁰

Online Account lacks one-stop access to digital services and capabilities, essential to improving the taxpayer self-service experience and access. The IRS “has prioritized 72 additional notices” for inclusion into Online Account in FY 2024.⁷¹

Tax Pro Account for Tax Professionals

The IRS introduced Tax Pro Account in 2021 for use by tax professionals. It allows tax professionals to perform limited functions, such as initiating a representation authorization and viewing a client transcript. These limited features have limited user growth; there have only been 10,835 completed power of attorney requests since the tool launched in July 2021.⁷² Practitioners want to request, receive, and terminate a power

64 National Taxpayer Advocate 2022 Annual Report to Congress 222-242 (Research Report: A Review of Online Accounts and Web Services Offered by U.S. State and Foreign Country Taxing Authorities), https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2023/01/ARC22_CA_Online-Accounts.pdf.

65 *Id.*

66 *Id.*

67 National Taxpayer Advocate 2022 Annual Report to Congress 90-103 (Most Serious Problem: Online Access for Taxpayers and Tax Professionals: Inadequate Digital Services Impede Efficient Case Resolution and Force Millions of Taxpayers to Call or Send Correspondence to the IRS), https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2023/01/ARC22_MSP_05_Online-Access.pdf.

68 IRS response to TAS information request (May 2, 2023).

69 *Id.*

70 IRS response to TAS information request (Nov. 1, 2022).

71 National Taxpayer Advocate 2022 Annual Report to Congress 90-103 (Most Serious Problem: Online Access for Taxpayers and Tax Professionals: Inadequate Digital Services Impede Efficient Case Resolution and Force Millions of Taxpayers to Call or Send Correspondence to the IRS), https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2023/01/ARC22_MSP_05_Online-Access.pdf; IRS, Pub. 3744, IRS Inflation Reduction Act Strategic Operating Plan 52 (Apr. 2023).

72 IRS response to TAS information request (May 2, 2023) (as of Apr. 22, 2023).

of attorney through Tax Pro Account without the need for their client to establish their own online account.⁷³ Tax professionals should have the ability to access each of their client's accounts in one location for ease of assisting clients with IRS issues, as requested by participants in the Tax Forum focus groups.⁷⁴ Because practitioners are key to a successful tax administration, the IRS should move quickly in this space.

Business Online Account

The IRS expects to launch an early version of Business Online Account (BOLA) during 2023; however, it will only have basic functionality that will allow business taxpayers to make and view tax payments, view tax balance(s) due, and manage business information on a profile page.⁷⁵ The IRS SOP describes numerous features, including several TAS has recommended, that could be available in the near future (2024-2026), such as reminders explaining tax credits and deductions for which a taxpayer may be eligible, chatbot and callback features, refund tracking, and real-time alerts about return errors with the ability to fix the errors online.⁷⁶ These features would make BOLA a highly useful tool to attract new users.

In-Person Identity Proofing

The IRS must ensure the security of taxpayer data when offering access to sensitive taxpayer data. Taxpayers can have difficulty completing the identity proofing process required for Online Account access for many reasons, including having unacceptable documents or being former victims of identity theft. The IRS SOP described success as “credentialing service providers for identity-proofing expanded, more services made available to authenticated taxpayers, and access expanded for certain types of taxpayers, such as ITIN [Individual Taxpayer Identification Number] holders and international taxpayers” but did not provide specific dates for implementation.⁷⁷ The IRS must maintain the security of taxpayer information but also strive to improve the taxpayer experience for those who need additional assistance accessing online tools. The IRS is launching an in-person innovation study to offer alternatives for in-person identity proofing and obtaining credentials for future access to IRS online applications that require secure access.⁷⁸

Objective 12 for FY 2024 – TAS will work with the IRS to improve access to digital tools for individual and business taxpayers and tax professionals.

- Activity 1: Provide recommendations for the development, rollout, and education supporting digital services or products relating to individual and business taxpayers and tax professionals.
- Activity 2: Recommend TAS be recognized as an interested business partner during the development, implementation, education, and upgrades of taxpayer-facing digital services and products and be granted an opportunity to provide input throughout each process.
- Activity 3: Provide recommendations for the development of an in-person identity proofing process for taxpayers to obtain credentials for future access to IRS online applications that require identity proofing.

73 National Taxpayer Advocate 2022 Annual Report to Congress 222-242 (Research Report: *A Review of Online Accounts and Web Services Offered by U.S. State and Foreign Country Taxing Authorities*), https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2023/01/ARC22_CA_Online-Accounts.pdf.

74 *Id.*

75 IRS, Pub. 3744, IRS Inflation Reduction Act Strategic Operating Plan 27 (Apr. 2023); IRS response to TAS information request (May 2, 2023).

76 IRS, Pub. 3744, IRS Inflation Reduction Act Strategic Operating Plan 27 (Apr. 2023).

77 *Id.* at 44.

78 IRS, Authentication, Authorization, and Access Executive Government Board (Apr. 27, 2023).

13. IMPROVE TAX RETURN PROCESSING BY ELIMINATING BARRIERS TO E-FILEING

Taxpayers who file paper returns are subject to return processing delays, longer refund delivery times, and potential transcription errors made by IRS employees as they manually enter return information into IRS systems. Transcription errors can also trigger unwarranted compliance actions, which lead to unnecessary correspondence and increased work for both the taxpayer and the IRS. During FY 2024, TAS will continue working with the IRS to remove obstacles to electronic filing (e-filing) and improve the frequency with which individuals and businesses e-file.

E-file rates by individual and business taxpayers are generally high. During PY 2022, over 90 percent of individual taxpayers e-filed;⁷⁹ over 13 million individual paper returns were filed in 2022.⁸⁰ Almost 70 percent of businesses e-filed.⁸¹ The IRS's administrative efficiency and the well-being of taxpayers require that the IRS successfully implement strategies to increase these e-filing rates. Taxpayers choose to paper file for a variety of reasons. For example, security concerns may lead some taxpayers to paper file. The IRS can allay those fears by educating taxpayers on how the IRS protects their data while also explaining the benefits of e-filing. Expanding software into languages beyond English will improve accessibility to taxpayers not comfortable with the English language. The IRS may also need to provide additional training and support to make e-file a comfortable option for taxpayers who have minimal digital literacy skills. High-quality e-file options that address the needs of all taxpayers will streamline the filing process, encourage compliance, and help prevent the future paper return backlogs that bedevil the IRS.

One of the IRA initiatives is to prioritize digitalization technology to allow taxpayers to transmit documents and IRS forms that are currently ineligible for e-filing. Investment in this technology will enable more taxpayers to e-file. TAS will continue to monitor this progress and provide recommendations during the execution of this initiative to expand e-file access to taxpayers, regardless of the forms they are attaching.⁸²

Many individual taxpayers use commercial tax return preparation software. Overall, this software is effective, but it does occasionally carry hidden costs and varying functionality, depending on the product of choice. The IRS should continue working with the Free File Alliance to ensure that eligible taxpayers have the option of high-quality commercial tax return preparation software for free and to increase public awareness of this program through search engine optimization and improved IRS publicity.⁸³ One step that would help taxpayers e-file more smoothly would be to provide them with downloadable copies of their tax information that they can upload to the software product of their choosing.

Where e-filing rates are concerned, the biggest opportunity for improvement exists with respect to businesses. Just over 30 percent of all business returns are still paper-filed, along with 42 percent of all employment tax returns.⁸⁴ The reasons for these lower e-file rates vary; some taxpayers simply are in the habit of paper filing these returns, and others object to the additional costs required to e-file, which for employment tax returns can only be done through a payroll provider.⁸⁵ If the IRS enabled employment tax returns to be e-filed

79 These numbers reflect the e-file rates for PY 2022. IRS, Filing Season Statistics Weekly Report (week ending Dec. 31, 2022).

80 IRS, Filing Season Statistics Weekly Report (week ending Nov. 26, 2022).

81 IRS, Filing Season Statistics Weekly Report (week ending Dec. 31, 2022).

82 See National Taxpayer Advocate 2022 Annual Report to Congress 104, 108 (Most Serious Problem: *E-File and Free File: E-Filing Barriers and the Absence of a Free, Easy-to-Use Tax Software Option Cause Millions of Taxpayers to Continue to File Paper Tax Returns*), https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2023/01/ARC22_MSP_06_FilingDelays.pdf.

83 See Memorandum from Staff of the Permanent Subcomm. on Investigations, to the Senate Comm. on Homeland Sec. and Governmental Affairs (June 9, 2020), https://www.carper.senate.gov/wp-content/uploads/archives/PSI%20Staff%20Memo_Free%20File.pdf (last visited May 23, 2023).

84 IRS, Filing Season Statistics Weekly Report (week ending Dec. 31, 2022).

85 See National Taxpayer Advocate 2022 Annual Report to Congress 104-115 (Most Serious Problem: *E-File and Free File: E-Filing Barriers and the Absence of a Free, Easy-to-Use Tax Software Option Cause Millions of Taxpayers to Continue to File Paper Tax Returns*), https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2023/01/ARC22_MSP_06_FilingDelays.pdf.

directly with the agency, as is the case for Forms 1099, the e-file rates for these types of returns would likely improve.

As mandated by the IRA, the IRS recently released its report on the feasibility of establishing an agency-run, free, direct e-file tool.⁸⁶ The report identifies taxpayer interest in the establishment of such a system but acknowledges operational challenges and complexities that it would have to overcome. These obstacles, however, are not insignificant, and considering the IRS's aggressive SOP,⁸⁷ applying the necessary resources in 2024 may require prioritization over other necessary improvements and modernization efforts. The IRS will need to address the impact of its direct file tool's inability to file state tax returns and potential negative consequences to state tax authorities. Additionally, it will need to build configuration-driven software; update the software to keep pace with tax law changes; and ensure taxpayer information is private, secure, and protected from fraud. The IRS will also need to devote substantial customer service and support for its e-file tool.⁸⁸ While the feasibility of a free, direct e-file tool is still open to question, TAS will work with the IRS to provide comment and recommendations.

Objective 13 for FY 2024 – TAS will collaborate with the IRS to identify and implement strategies for increasing e-file rates for individual and business taxpayers.

- Activity 1: Meet with the IRS to discuss the feasibility of providing taxpayers with access via an online account to their tax information in a downloadable format that taxpayers can upload to the tax return software of their choice. Explore and consider the benefits and burdens of a legislative recommendation to move up the March 15 information e-filing deadline that would allow the IRS to include Form 1099 information in a taxpayer's online account earlier in the filing season.
- Activity 2: Form a working group with the IRS to develop strategies for removing barriers, both behavioral and systemic, that contribute to the decision of many business and individual taxpayers to paper file.
- Activity 3: Meet with representatives of the Free File Alliance to better understand the offerings and make recommendations to the IRS about how to improve the Free File webpage on [IRS.gov](https://www.irs.gov) so that taxpayers have access to high-quality information about their free tax return filing options.
- Activity 4: Work with the IRS as it continues to explore building an agency-run, free, direct e-file tool for taxpayers and provide comments.

14. IMPROVE IRS TRANSPARENCY

Transparency, including providing taxpayers with accessible information, is key to a fair and effective tax system that relies on voluntary compliance through self-assessment. Taxpayers, tax professionals, and Congress are entitled to clear communication, timely information, and increased access to IRS operations, procedures, and legal and administrative positions to build trust and voluntary compliance.

Several recent situations affecting the IRS have reinforced the importance of transparency to taxpayers: (1) a commitment of increased funding to the IRS through the IRA;⁸⁹ (2) delays in issuing refunds for tax years 2021 and 2022 due to a backlog in processing returns; and (3) backlogs in processing other forms and correspondence. Although the IRS provides taxpayers with some easily accessible information, there is room for improvement. For example, on April 6, 2023, the IRS issued the IRA SOP,⁹⁰ which provides a useful roadmap as to how the IRS plans to use IRA funds, but the report is light on details. The IRS needs

⁸⁶ IRA, Pub. L. No. 117-169, § 10301(1)(B), 136 Stat. 1818, 1832 (2022).

⁸⁷ IRS, Pub. 3744, IRS Inflation Reduction Act Strategic Operating Plan (Apr. 2023).

⁸⁸ IRS, Pub. 5788, IRS Report to Congress: Inflation Reduction Act § 10301(1)(B) IRS-Run Direct E-File Tax Return System 20 (May 2023).

⁸⁹ IRA, Pub. L. No. 117-169, § 10301(1)(B), 136 Stat. 1818, 1832 (2022).

⁹⁰ IRS, Pub. 3744, IRS Inflation Reduction Act Strategic Operating Plan (Apr. 2023).

to provide regular updates about what enhancements to services, technology, and other operations it will make, when it will implement them, and how it will measure their success. One key aspect of demonstrating transparency is the IRS providing stakeholders an opportunity to work with it on its transformation and to comment throughout this process.

During the past two years, the IRS has provided taxpayers scant information regarding the status of its backlogs and its progress in working through them. During this time, the National Taxpayer Advocate recommended and the IRS agreed to create a dashboard providing information to taxpayers about its overall status in working through these backlogs – especially the backlog in processing returns.⁹¹ The IRS does provide information about processing of returns on its website, but this information is not in an easy-to-read format, and taxpayers must visit multiple sections of the webpage to get a complete picture of where the IRS stands in processing tax returns. TAS will continue to advocate for the IRS to provide taxpayers with more specifics regarding the processing of their returns and any refunds and the status of IRS processing of returns, forms, and correspondence more generally.

Objective 14 for FY 2024 – TAS will continue to advocate for the IRS to be fully transparent and provide specific details as to how it uses the additional funds appropriated through the IRA, the level of detail it provides to taxpayers regarding delays on its Where's My Refund? tool, and the status of processing of returns, forms, collection notices, correspondence, and other relevant data.

- Activity 1: Encourage the IRS to make all plans transparent to the public, including specific deadlines as to when it will meet objectives, metrics that will allow for the evaluation of outcomes, and regular updates on its objectives and milestones.
- Activity 2: Regularly review the information provided to the public on the IRS's processing of returns, forms, and correspondence to ensure this information is accurate, complete, and available on [IRS.gov](https://www.irs.gov). Additionally, TAS will continue to encourage the IRS to give taxpayers more details on the processing of returns and any refunds.
- Activity 3: Use internal meetings, blogs, and Reports to Congress to encourage the IRS to provide taxpayers information that is accessible and set forth in an easy-to-understand format.

15. IDENTIFY DATA TO SUPPORT MINIMUM COMPETENCY STANDARDS FOR PAID RETURN PREPARERS OF FEDERAL TAX RETURNS

Taxpayers and the tax system depend heavily on the ability of return preparers to prepare accurate tax returns.⁹² Taxpayers are ill-equipped to navigate the complicated tax laws and must seek the assistance of return preparers to prepare and file their tax returns. For example, 54 percent of tax year (TY) 2021 individual income tax returns were prepared by a return preparer through March 2023.⁹³

Anyone can hold themselves out to be a return preparer. Return preparers without professional credentials are not required to pass any competency tests or take any educational courses on tax return preparation, and they are not subject to any ethical rules. Low-income and elderly taxpayers are particularly vulnerable to harm caused by incompetent or unscrupulous non-credentialed paid return preparers. For example, of the 2020 individual income tax returns with Schedule EIC (Form 1040), Earned Income Credit, prepared by a

91 National Taxpayer Advocate 2021 Annual Report to Congress, TAS Recommendations and IRS Responses, MSP #4, <https://www.taxpayeradvocate.irs.gov/news/directory-entry/2021-msp-04-transparency-and-clarity/>.

92 National Taxpayer Advocate 2022 Annual Report to Congress 128-140 (Most Serious Problem: *Return Preparer Oversight: Taxpayers Are Harmed by the Absence of Minimum Competency Standards for Return Preparers*), https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2023/01/ARC22_MSP_08_RtnPrepOversight.pdf.

93 IRS, CDW, Individual Returns Transaction File Table (IRTF) TY 2021 (Mar. 2023).

paid return preparer, 79 percent were prepared by non-credentialed paid return preparers.⁹⁴ Further, of those prepared returns with Schedule EIC that were subject to audit, over 92 percent of the total audit adjustments (in dollars) occurred on returns prepared by non-credentialed paid return preparers.⁹⁵ To protect taxpayers from the harm caused by untrained or unscrupulous paid return preparers, it is crucial that Congress provide the IRS the authority to impose minimum competency standards on paid return preparers.

Objective 15 for FY 2024 – TAS will continue to advocate for the need to provide the IRS authority to impose minimum competency standards on paid return preparers of federal tax returns.

- Activity 1: Meet with congressional members and staff throughout the year, including at TAS's Congressional Affairs Program conference, to discuss the Purple Book legislative recommendation authorizing the IRS to establish minimum competency standards for paid return preparers.
- Activity 2: Conduct research to identify additional statistical data supporting the need for minimum competency standards for paid return preparers.

16. IMPROVE THE STAFFING AND CULTURE OF THE IRS INDEPENDENT OFFICE OF APPEALS

A review by the IRS Independent Office of Appeals (Appeals) represents taxpayers' last, and often best, chance to settle their cases administratively within the IRS. However, case delays, inflexible policies, inexperienced Appeals Officers (AOs), and a perceived lack of independence are hampering this process.⁹⁶ A timely appeal in a fair and unbiased forum, carrying the perception and reality of independence, is an essential aspect of taxpayer rights and quality tax administration. During FY 2024, TAS will continue working with Appeals as it attempts to address its staffing and training issues and better safeguard its independence.

Appeals has struggled with increasing cycle times⁹⁷ for years: from FY 2017 to FY 2022, cycle times have increased 103 percent, and this trend was already occurring before the COVID-19 pandemic exacerbated existing inefficiencies.⁹⁸ Appeals' overall staffing fell by approximately 40 percent from FY 2010 to FY 2017, which has left remaining personnel overwhelmed with heavy caseloads and, at the same time, cost Appeals substantial expertise.⁹⁹ A case arriving at Appeals sits for approximately 48 days before Appeals even assigns it to an AO; during that interim period, taxpayers have no point of contact who can update them about the status of their cases.¹⁰⁰ Appeals has been working hard to reverse these trends, and they do seem to be slowing, but it will take a significant effort to bring staffing levels back up and cycle times back down, as well as to provide training and experience for their new employees.

While Appeals can address these issues over time, it can and should deal more directly and expeditiously with those policies that cause taxpayers to question the office's objectivity. Appeals must be free from interference or influence from other parts of the IRS, including examination and collection functions. Appeals must have the authority, real and perceived, to make independent decisions without fear of retribution or retaliation and must be transparent with taxpayers about the basis for those decisions.

94 IRS, CDW, IRTF TYs 2018-2021; IRS, CDW, Preparer Tax Identification Number Table TYs 2018-2021; IRS, CDW, Audit Information Management System Table TYs 2018-2021 (Sept. 2022).

95 *Id.*

96 National Taxpayer Advocate 2022 Annual Report to Congress 141-156 (Most Serious Problem: *Appeals: Staffing Challenges and Institutional Culture Remain Barriers to Quality Taxpayer Service Within the IRS Independent Office of Appeals*), https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2023/01/ARC22_MSP_09_Appeals.pdf.

97 "Cycle time" refers to the amount of time between Appeals opening and closing a case.

98 IRS response to TAS information request (Aug. 24, 2022); IRS response to TAS request for fact check (Nov. 25, 2022).

99 Government Accountability Office (GAO), GAO-18-6549, *Tax Administration: Opportunities Exist to Improve Monitoring and Transparency of Appeal Resolution Timeliness* 22 (2018), <https://www.gao.gov/assets/gao-18-659.pdf>.

100 IRS response to TAS information request (Aug. 24, 2022).

Currently, at the conclusion of some cases, Appeals will draft an Appeals Case Memorandum (ACM), which sets forth the reasoning for and implications of the settlement.¹⁰¹ Appeals sends the ACM to Compliance, and on some occasions, Appeals will hold a post-settlement conference with Compliance as well.¹⁰² Appeals does not give taxpayers access to the ACM or the post-settlement conference, even though they specifically address the taxpayer's own case. TAS will keep pressing Appeals to provide taxpayers with the ACMs whenever they are drafted and to invite taxpayers to post-settlement conferences, even if in the capacity of an observer.

In addition to providing taxpayers with clear and concise explanations of Appeals decisions, Appeals should work with the IRS to help ensure that tools, such as coordination of issues and the designation of cases for litigation, are used in only the most essential of situations. As a practical matter, these mechanisms limit the discretion of assigned AOs and can be extremely frustrating for taxpayers and practitioners. Rather than receiving the unbiased and objective case review they seek, taxpayers are left with the impression that their cases are being controlled, and sometimes decided by, the same institution with which they have already disagreed. This perceived lack of independence also arises when AOs invite Counsel and Compliance to participate in large-case Appeals conferences. Appeals can facilitate this participation, even against the wishes of taxpayers. In FY 2024, TAS will continue to urge Appeals to revise this practice to better fulfill its role as an independent decision-maker.

Objective 16 for FY 2024 – TAS will advocate for improvements and increased independence within Appeals.

- Activity 1: TAS-Appeals liaisons will hold a meeting with Appeals to advocate for providing taxpayers with the ACMs whenever they are drafted and inviting taxpayers to post-settlement conferences, even if in the capacity of an observer.
- Activity 2: TAS-Appeals liaisons will hold a meeting with Appeals to reiterate to Appeals the negative impact on independence of including Counsel and Compliance in Appeals conferences without taxpayer consent.
- Activity 3: TAS-Appeals liaisons will hold a meeting with Appeals to encourage Appeals to collect and analyze data, such as settlement percentages and cycle times, that it can use to create fair and transparent Appeals policies and to ensure that these policies are consistently applied.
- Activity 4: TAS subject matter experts will offer to review Appeals' IRMs and training materials to assess potential recommendations for improving Appeals' independence.
- Activity 5: TAS-Appeals liaisons will hold a meeting with Appeals to encourage Appeals to provide service to the taxpayer in a reasonable timeframe and to give TAS cases priority.

17. REDUCE COMPLIANCE BARRIERS FOR OVERSEAS TAXPAYERS

Overseas taxpayers face numerous and significant challenges complying with their U.S. tax obligations.¹⁰³ This population of taxpayers includes U.S. citizens and resident aliens residing abroad in addition to foreign individuals and businesses with U.S.-source income or operations. The challenges these taxpayers face include difficulty understanding applicable tax laws, meeting their filing and payment obligations, accessing online resources, and interacting with the IRS. For example, overseas taxpayers face barriers in obtaining Taxpayer Identification Numbers, electronically filing tax and information returns, and receiving mailed correspondence from the IRS. Moreover, there is only one telephone line for taxpayers abroad, and it is not toll-free. To protect taxpayer rights and improve voluntary compliance for this population, it is essential that the IRS

¹⁰¹ IRM 8.6.2.2, Introduction to Appeals Case Memos (ACMs) (Aug. 17, 2017).

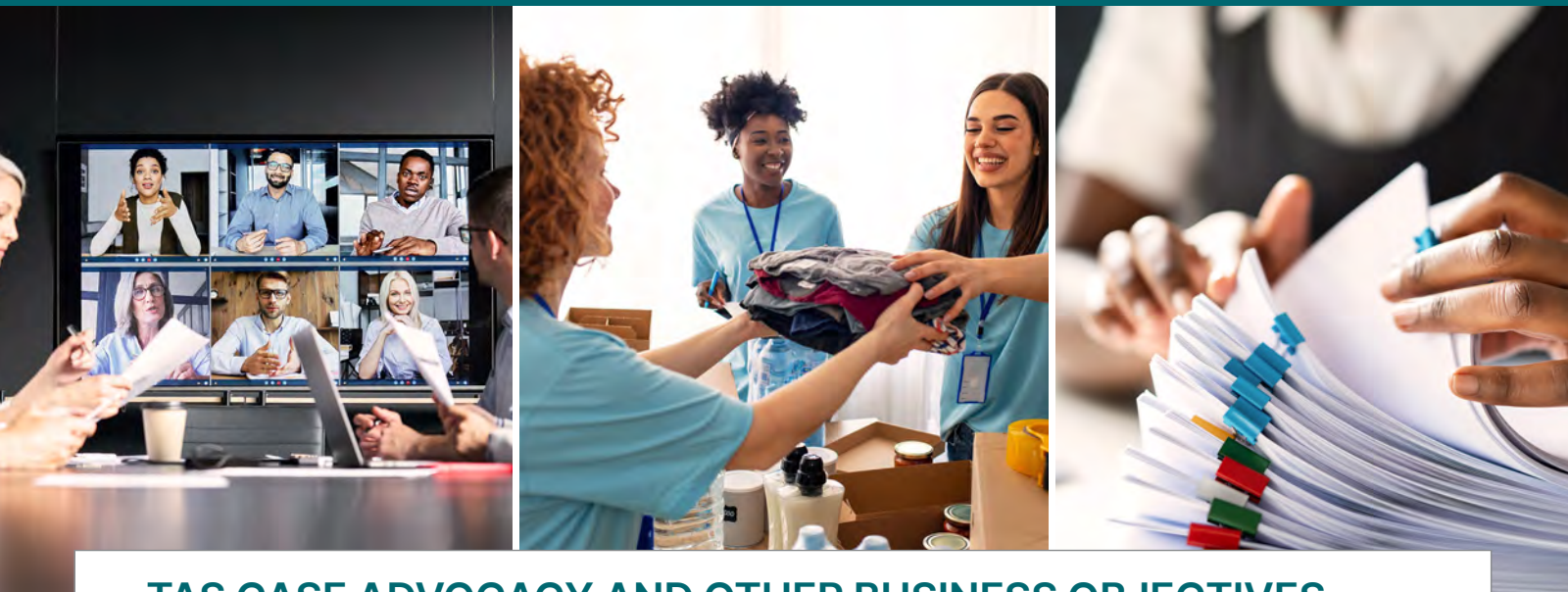
¹⁰² IRM 8.1.10.4.1.4, Post-Settlement Conferences (June 21, 2012).

¹⁰³ National Taxpayer Advocate 2022 Annual Report to Congress 157-173 (Most Serious Problem: *Overseas Taxpayers: Taxpayers Outside of the United States Face Significant Barriers to Meeting Their U.S. Tax Obligations*), https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2023/01/ARC22_MSP_10_Overseas.pdf.

improve customer service options for international taxpayers, reduce barriers for them to meet their filing and payment obligations, and minimize the burdens imposed on this population by enforcement procedures.

Objective 17 for FY 2024 – TAS will identify compliance barriers for overseas taxpayers and make administrative recommendations to minimize the burdens imposed on this population.

- Activity 1: Review content on [IRS.gov](https://www.irs.gov) directed at U.S. taxpayers residing or doing business overseas and provide specific suggestions to the IRS about how to improve that content, including filing and paying taxes from abroad; dealing with foreign tax issues such as the foreign tax credit, foreign earned income exclusion, and reporting requirements for foreign financial accounts and foreign assets; utilizing online accounts or other tools; and resolving tax disputes to make content more transparent and useful to taxpayers living abroad.
- Activity 2: Meet with representatives and stakeholders for international taxpayers to better understand the challenges they face in complying with their U.S. tax obligations and make administrative recommendations to reduce such compliance burdens.
- Activity 3: Review Internal Revenue Manual provisions and IRS correspondence products to identify circumstances where the IRS should revise its procedures to provide international taxpayers additional time to respond.



TAS CASE ADVOCACY AND OTHER BUSINESS OBJECTIVES

A fundamental component of TAS's mission is to protect taxpayer rights and help taxpayers (*e.g.*, individuals, business owners, and exempt organizations) resolve tax-related issues they could not resolve on their own through normal IRS channels. Our Case Advocates work directly with taxpayers or their representatives by identifying issues, researching solutions, and advocating within the IRS on behalf of taxpayers to resolve the issues. TAS also identifies potential challenges and larger systemic problems that may affect a specific group of taxpayers or taxpayers at large and works proactively with the IRS to alleviate unnecessary burden for taxpayers. Our goal is to continuously improve our internal processes and advocacy efforts to work more efficiently and effectively for taxpayers.

1. BROADEN RELATIONSHIPS WITH TAXPAYERS THROUGH PROACTIVE OUTREACH

Many taxpayers may face financial hardships, experience economic burdens due to IRS action or inaction, or have difficulty resolving their issues directly with the IRS and need a helping hand. TAS is their safety net to resolve these issues. TAS assists taxpayers in resolving problems with the IRS through our casework and outreach. Our casework not only resolves issues for individuals and businesses but also provides TAS the opportunity to keep a pulse on current tax issues facing taxpayers and the IRS's response to these issues, and affords us the ability to continuously make recommendations to resolve or prevent issues. In addition to our casework, TAS uses data analytics to identify trends and develop outreach products and events that raise awareness about common tax issues.

TAS's relationships with internal and external stakeholders are critical to the success of our outreach. Between October 1, 2022, and March 31, 2023, TAS leveraged our relationships with stakeholders to complete 1,083 community events and 250 Problem Solving Days.¹ Our Local Taxpayer Advocates (LTAs) partnered with IRS Customer Assistance, Relationships, and Education; professional organizations; Low Income Taxpayer Clinics; Taxpayer Advocacy Panel volunteers; local congressional offices; radio stations; homeless shelters; local housing authorities; domestic violence shelters; the Salvation Army; libraries; high schools; colleges; universities; legal aid providers; and veterans-service organizations to inform taxpayers and practitioners about TAS services, eligibility for valuable tax credits, taxpayer rights, available tax resources, and how to address

¹ Data obtained from TAS Outreach Database (Mar. 31, 2023). Problem Solving Days provide TAS the opportunity to meet with taxpayers and their representatives to discuss unresolved IRS tax issues and provide education on the Taxpayer Bill of Rights, tax benefits and credits, and emerging issues.

unresolved tax issues. In addition, our LTAs participated in community resource fairs to raise awareness about TAS and assisted taxpayers in resolving problems with the IRS. Through our casework, TAS observed that taxpayers continue to suffer the residual effects of service interruptions and processing delays brought on by COVID-19 and continuously worked with our IRS counterparts to make recommendations throughout the year that mitigated the effects.

In fiscal year (FY) 2024, we aspire to broaden our relationships with underserved communities who face significant barriers when engaging with the IRS and who are suffering from financial hardships or systemic issues. Our focus on underserved populations will primarily include Native American communities, members of the military, taxpayers with disabilities, taxpayers with limited English proficiency, low-income taxpayers, taxpayers living in rural communities, taxpayers living abroad, and the elderly. Every LTA and their local office will examine their community's unique needs to develop an initiative that will focus their outreach efforts on a specific underserved population within their community. We will utilize real-time products to ensure equity by informing taxpayers about TAS services, tax law, and procedural changes. In FY 2024, TAS will help taxpayers resolve IRS issues through our partnerships with the IRS, including events such as the Saturday Taxpayer Experience Days. During these Taxpayer Experience Days, taxpayers can discuss their tax issues with an IRS or TAS employee who will help taxpayers resolve issues, understand their rights, and understand their eligibility for refundable credits.

In support of expanding TAS outreach endeavors, TAS commissioned an in-depth study of current outreach plans and activities to identify new and innovative ways to partner with internal and external stakeholders to better serve taxpayers and their representatives. The results will inform and direct our future outreach strategies and activities to educate and support underserved communities and emerging issues.

Objective 1 for FY 2024 – TAS will continue using proactive outreach to broaden relationships with taxpayers.

- Activity 1: Develop and communicate simple, customer-centric information to taxpayers about emerging tax issues, trends, and benefits.
- Activity 2: Partner with the IRS during Saturday Taxpayer Experience Days to assist taxpayers facing financial hardships or adverse impacts resulting from IRS action or inaction.
- Activity 3: Collaborate with internal and external stakeholders to expand our local offices' presence within underserved communities.
- Activity 4: Increase awareness of the TAS website and self-help resources through outreach and social media.

2. OPTIMIZE THE EXPERIENCE OF TAS CUSTOMERS

Assisting taxpayers is the core of everything we do in TAS and is the heart and soul of our employees. Throughout the year, we adjust the way we do business depending on the needs of taxpayers. Although some taxpayers prefer traditional methods of communication (*e.g.*, phone and mail), many want TAS to provide digital services like those provided by the private sector. In response to customer feedback, in FY 2023, TAS adopted digital service options and expanded taxpayers' ability to determine their eligibility for TAS services electronically via their mobile device or computer and completed testing of a functionality known as the Documentation Upload Tool (DUT). DUT is a digital solution that allows taxpayers and/or their representatives to submit case-related documents to TAS using a mobile device or computer through a secure portal. Due to the success of this DUT pilot, we are optimizing our customers' experience by expanding this tool to all congressional offices and tax professionals so they may submit case-related documents to their assigned TAS office digitally.

Enhancing our customers' experience includes providing accurate information and timely services to taxpayers and their authorized third parties. In FY 2023, we made it a priority to improve taxpayers' experience and identify opportunities to enable efficient and effective operations as we put our backlog behind us. TAS analyzed case receipts and initiated phone gating for local offices. This gating allowed TAS to provide a tailored, quick response to taxpayers seeking information regarding IRS notices and tax return processing rather than requiring the taxpayer to wait on hold to speak with one of our Intake Advocates. From October 1, 2022, to March 26, 2023, 90 percent of taxpayers selected one of the tailored messages instead of requesting to speak with a TAS Intake Advocate.² In addition, TAS launched a virtual assistant on our website, which expanded self-help channels for taxpayers. The TAS virtual assistant is a chatbot that provides a guided path to TAS web content. In FY 2023, the chatbot assisted taxpayers in evaluating their eligibility for TAS services. In FY 2024, TAS will continue to conduct a trend analysis of case receipts and utilize the TAS virtual assistant and phone gating to provide the most up-to-date information to our customers. TAS will also expand the TAS virtual assistant to include tax topics and hyperlinks where taxpayers can launch a specific topic's web page for more information. TAS will dedicate resources to examine current policies, procedures, available digital services, and our case management system to streamline our services. TAS will start a pilot for using email as an additional avenue of communication with taxpayers. Our goal is to expand our customer-centric approach and eliminate parts of our processes that hinder advocacy and pose unnecessary administrative burdens.

Objective 2 for FY 2024 – TAS will optimize the experience of our customers.

- Activity 1: Analyze case receipts and use phone messaging options to efficiently address common tax issues taxpayers face.
- Activity 2: Assess case processing guidance and TAS's case management system to identify efficiencies, streamline case processing, and reduce inefficiencies.
- Activity 3: Implement efficiencies to case processing identified in assessment of case processing guidance and TAS's case management system.
- Activity 4: Leverage technology to improve TAS's interactions with taxpayers and their authorized third parties, from case initiation to resolution, through the development of new case communication pathways. This may include expansion of the TAS virtual assistant and creation of automated case updates as well as enhancements to the Systemic Advocacy Management System.

3. CONTINUE NEGOTIATING UPDATES TO SERVICE LEVEL AGREEMENTS

TAS understands that time is of the essence in resolving taxpayers' tax issues. TAS and the IRS use Service Level Agreements (SLAs), which are nationally negotiated agreements between TAS and each IRS Business Operating Division (BOD) or function, that outline procedures and responsibilities for processing TAS casework when the authority to complete transactions rests outside of TAS. In FY 2023, TAS and the BODs collaborated to publish updated SLAs with the IRS Independent Office of Appeals into the Internal Revenue Manual (IRM) to make it easier to update and keep current moving forward.³ TAS also negotiated updates to the SLA IRMs with the Tax-Exempt/Government Entities BOD, the Chief Financial Officer, and the Criminal Investigation BOD.⁴

² Data obtained from TAS Local Intake Calls Report (Apr. 29, 2023).

³ See IRM 25.30.2, Service Level Agreement Between the IRS Independent Office of Appeals and the Taxpayer Advocate Service (Dec. 28, 2022).

⁴ See IRM 25.30.7, Service Level Agreement Between the Tax Exempt & Government Entities Division and the Taxpayer Advocate Service (Nov. 30, 2022); IRM 25.30.3, Service Level Agreement Between the Chief Financial Officer Division and the Taxpayer Advocate Service (Dec. 12, 2022); IRM 25.30.4, Service Level Agreement Between the Criminal Investigation Division and the Taxpayer Advocate Service (Nov. 3, 2022).

In FY 2024, TAS will continue to protect taxpayers' *right to quality service* by redefining how TAS and the IRS will resolve disagreements and obtain requisite approvals to publish updates more efficiently to the IRM during the SLA negotiation process.

Objective 3 for FY 2024 – TAS will continue to update existing SLAs.

- Activity 1: Collaborate with the Large Business and International BOD and the Small Business/Self-Employed (SB/SE) BOD to replicate their SLAs into unique sections within the IRM.
- Activity 2: Continue to negotiate with the Wage and Investment (W&I) and SB/SE BODs to centralize Operations Assistance Request routing, where practical.

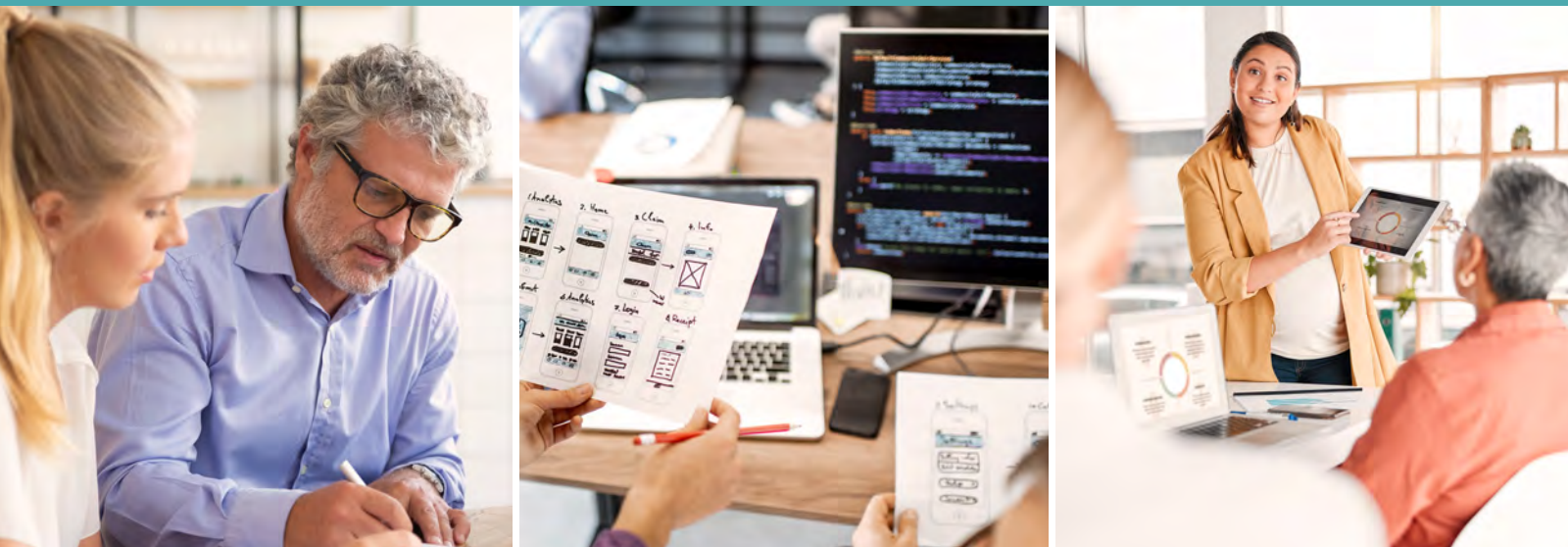
4. IDENTIFY INTAKE PROCESSING EFFICIENCIES

Taxpayers and authorized third parties have multiple ways to access TAS services. They can phone, fax, or correspond with a local TAS office or TAS's Centralized Case Intake function. They can also call the IRS and National Taxpayer Advocate toll-free phone lines, and an IRS employee can electronically refer the taxpayer or authorized third party to TAS. For most taxpayers, TAS Intake Advocates are their first point of contact. The Intake Advocate works with the taxpayer and determines if they meet our case acceptance criteria. If not, the Intake Advocate will provide the taxpayer with information about who they need to contact within the IRS. During COVID-19 and the resulting IRS backlogs, TAS struggled to manage the volume of new requests for TAS assistance, control the distribution of intake work across the TAS organization, and maintain adequate intake resources to assist taxpayers promptly. When taxpayers were unable to reach the IRS, they turned to TAS for assistance. For our challenges in timely serving taxpayers, the National Taxpayer Advocate apologizes, and together with our leadership, TAS will work to improve our services so that we will be the trusted advocate for those in need. As our inventory levels are reaching manageable numbers and new technology develops, we will continue to review our current processes to identify intake efficiencies that will improve our ability to timely assist taxpayers.

In FY 2024, TAS will continue to protect taxpayers' *right to quality service* by evaluating the TAS case intake process to make our intake process more efficient.

Objective 4 for FY 2024 – TAS will continue to comprehensively analyze the intake process with emphasis on identifying ways to enhance customer intake.

- Activity 1: Partner with the W&I Lean Six Sigma organization to identify and map our intake process steps to improve process efficiencies and effectiveness.
- Activity 2: Identify which efficiencies identified as part of the Lean Six Sigma evaluation should be started and develop an implementation plan.
- Activity 3: Identify and address the impact of COVID-19 on our work processes, including:
 - Exploring new ways to address electronic referrals of taxpayers made by IRS employees using the Accounts Management System, and
 - Ensuring taxpayer referrals meeting TAS case acceptance criteria are loaded onto the Taxpayer Advocate Management Information System quickly.
- Activity 4: Explore new technology and intake streams, such as a digital pathway for submitting Form 911, Request for Taxpayer Advocate Service Assistance (And Application for Taxpayer Assistance Order), allowing Intake Advocates to assist the most vulnerable taxpayers at the earliest opportunity.



TAS RESEARCH OBJECTIVES

TAS conducts a variety of research to detect systemic problems, improve IRS procedures to administer the tax laws, and formulate legislative recommendations with the goal of enhancing the efficiency of tax administration and reducing taxpayer burden. TAS believes it is important for the IRS to leverage technology to enable taxpayers to avail themselves of more robust digital self-service opportunities. However, the IRS must also provide effective traditional services to taxpayers, including access to the IRS through telephone, in-person, mobile, and correspondence channels without long wait times. A significant portion of the funding provided to the IRS through the Inflation Reduction Act (IRA) will provide the funding necessary to offer taxpayers both additional digital services and more responsive traditional services.¹

TAS's fiscal year (FY) 2023 research projects on IRS online accounts and the high non-response rate to correspondence audits may continue into FY 2024.² TAS plans to begin five additional research studies in FY 2024.

1. STUDY IRS INITIATION OF THE TWO-YEAR BAN FOR CLAIMING THE EARNED INCOME TAX, ADDITIONAL CHILD TAX, AND AMERICAN OPPORTUNITY TAX CREDITS TO ENSURE THE PROTECTION OF TAXPAYER RIGHTS

The IRC authorizes the IRS to ban taxpayers from claiming certain refundable credits (the Earned Income Tax Credit (EITC), the Additional Child Tax Credit (ACTC), or the American Opportunity Tax Credit (AOTC)) for two years if it determines that the taxpayer claimed the credit recklessly or with intentional disregard of rules and regulations.³ The IRS is required to establish that the taxpayer claimed these credits intentionally disregarding the required eligibility rules for the indicated credit. TAS has looked at this issue twice in the past, publishing results in the National Taxpayer Advocate's 2013 and 2019 Annual Reports to Congress.⁴

1 An Act to Provide for Reconciliation Pursuant to Title II of S. Con. Res. 14 (commonly referred to as the "Inflation Reduction Act of 2022"), Pub. L. No. 117-169, 136 Stat. 1818 (2022).

2 TAS continues to study taxpayer needs and preferences for IRS online account services as well as the authentication requirements that taxpayers believe they can successfully complete to establish these accounts. We also continue to explore why so many taxpayers never respond to IRS correspondence audits and what steps the IRS might take to improve the response rate.

3 IRC §§ 32(k)(1)(B)(ii), 24(g)(1)(B)(ii), and 25A(b)(4)(A)(ii)(II).

4 National Taxpayer Advocate 2013 Annual Report to Congress 103-115 (Most Serious Problem: *Earned Income Tax Credit: The IRS Inappropriately Bans Many Taxpayers from Claiming EITC*), https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2020/08/2013-ARC_VOL-1_S1-MSP-9.pdf; National Taxpayer Advocate 2019 Annual Report to Congress vol. 2, at 239-256 (Research Studies: *Study of Two-Year Bans on the Earned Income Tax Credit, Child Tax Credit, and American Opportunity Tax Credit*), https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2020/08/ARC19_Volume1_TRRS_02_EITCban.pdf).

Although the IRS's administration of the two-year bans showed some increased adherence with the internal procedures for imposing the ban designed to ensure that it meets the statutory requirements, our most recent review of a sample of two-year ban cases still found significant problems, including:⁵

- In 53 percent of the cases, required managerial approval for imposing the ban was not secured;
- In 82 percent of the cases, the IRS did not adequately explain to the taxpayer why the ban was imposed, as required;
- In 61 percent of the cases in which the auditor was required to speak to the taxpayer before imposing the ban, no such conversation took place; and
- In 54 percent of the cases in which taxpayers submitted documents, it appeared from the documents submitted that the taxpayers believed they qualified for the credit.

This FY 2024 study will again review the IRS's recent imposition of these two-year bans to determine how often the IRS is complying with the requirements necessary to impose the bans.

Objective 1 for FY 2024 – TAS will determine how often the IRS is meeting its procedural guidance for implementing bans preventing a taxpayer from claiming EITC, ACTC, or AOTC for two years and report the results to the National Taxpayer Advocate.

- Activity 1: Analyze IRS data to determine the number of two-year bans the IRS imposed.
- Activity 2: Determine how often the IRS imposed bans even though the taxpayer did not participate in the audit or mail to the taxpayer was undeliverable.
- Activity 3: Determine how often the IRS fails to follow its own internal procedures for implementing two-year bans for claiming EITC, ACTC, or AOTC.

2. STUDY TAXPAYERS WHO DO NOT RESPOND TO IRS LETTERS REQUESTING IDENTITY AND RETURN VERIFICATION

In 2021, the IRS estimated that its identity theft filters prevented it from releasing about \$1.6 billion of illegitimate refunds.⁶ While the IRS originally selected 4.1 million returns as suspected to involve identity theft, it subsequently determined that 55 percent were false detections.⁷ Each year, TAS receives numerous inquiries from legitimate taxpayers who never received their refunds because the IRS had suspended processing the return, suspecting it was a product of identity theft. Oftentimes, the taxpayer claims to have not received the IRS letter containing the notification about the suspended refund return and informing the taxpayer to verify their identity and the return before the IRS can complete processing of the return. In other cases, taxpayers' circumstances prevented them from contacting the IRS, and considerable time elapsed before the taxpayers inquired about the refund.

The IRS presumes identity thieves submitted all suspected illegitimate returns if taxpayers do not respond to the suspended refund return notice.⁸ However, when examining the accounts of these suspended refund returns, TAS finds that the taxpayer often files a refund return in the following year, which the IRS allows, suggesting that the frozen return was legitimate. Some taxpayers have indicated to TAS that they never received an IRS notice about suspension of the refund return, while other taxpayers may be afraid to respond

5 National Taxpayer Advocate 2019 Annual Report to Congress vol. 2, at 239-256 (Research Studies: *Study of Two-Year Bans on the Earned Income Tax Credit, Child Tax Credit, and American Opportunity Tax Credit*), https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2020/08/ARC19_Volume1_TRRS_02_EITCban.pdf.

6 All returns where at least 204 days have elapsed since the letter was mailed requesting the taxpayer authenticate his or her identity are presumed illegitimate returns and removed from the Individual Returns Transaction File (IRTF). IRS, Identity Theft (IDT) and Integrity & Verification Operations (IVO) Performance Report (Dec. 2022).

7 IRS, Wage and Investment Business Performance Review First Quarter FY 2023, at 13 (Feb. 2023).

8 All returns where at least 204 days have elapsed since the letter was mailed requesting the taxpayer authenticate his or her identity are presumed illegitimate returns and removed from the IRTF. IRS, IDT and IVO Performance Report (Dec. 2022).

to the IRS or presume the IRS disallowed the refund for some other reason.⁹ The study will attempt to quantify the number of suspended refund returns without a taxpayer response that are legitimate, the amount of legitimate refunds the IRS did not pay out, and why the taxpayer never responded to the IRS notice.

Objective 2 for FY 2024 – TAS will provide a report to the National Taxpayer Advocate estimating the volume and amount of legitimate tax year (TY) 2020¹⁰ refund returns still held by the IRS because of taxpayer non-response with a goal of advocating for the IRS to implement additional procedures to release legitimate refund claims to taxpayers.

- Activity 1: Estimate the number and amount of likely legitimate refund returns the IRS still has suspended.
- Activity 2: Estimate the number and amount of legitimate TY 2020 refund returns the IRS is holding by contacting a sample of these taxpayers to determine if they can successfully show their TY 2020 refund claim was valid.

3. ASSESS THE ACCESSIBILITY OF PARTICIPATION IN TAX PROGRAMS DESIGNED TO IMPROVE THE ECONOMIC CIRCUMSTANCES OF TAXPAYERS AND THEIR CHILDREN AS WELL AS THE BARRIERS TO PARTICIPATION IN THESE PROGRAMS

In conjunction with another taxpayer rights agency, TAS will measure access to programs designed to assist financially struggling taxpayers and their children, such as the EITC or ACTC. The study will explore the types of barriers to access taxpayers faced, whether the barriers are more prevalent among certain demographic groups, and steps the IRS could initiate to reduce or eliminate these barriers. TAS plans to conduct a nationwide survey of affected individuals about their awareness of these tax benefits and their willingness to engage with the IRS to receive these benefits. The survey will also address digital literacy and accessibility, preference of service delivery channels, sources of tax information and assistance relating to tax benefit programs, tax return filing experiences, and dispute resolution with the IRS.

The sample population will include first-time filers claiming the credits and likely eligible non-filers. Another part of the survey group will be taxpayers who have claimed the EITC, ACTC, or another credit designed to assist financially disadvantaged taxpayers who were recently audited or had credits disallowed subject to math error processes or who were required to file on paper because someone else claimed the children. TAS is particularly interested in the experiences of these taxpayers in navigating the IRS's audit, fraud, and error detection systems and the impact of these systems on their willingness to file future returns as well as attitudes toward the IRS and the benefits it administers.

Objective 3 for FY 2024 – TAS will conduct and report the findings of a survey along with additional qualitative data from subsequent focus groups to IRS stakeholders that assess the accessibility of tax credits designed to improve the financial circumstances of taxpayers, particularly those with children, and identify the barriers that increase the difficulty or even prevent taxpayers from claiming these credits.

- Activity 1: Survey taxpayers claiming these credits to measure the accessibility of these credits, barriers to claiming these credits, and their experiences dealing with the IRS about their eligibility for these credits.
- Activity 2: Survey non-filers likely eligible for these credits to assess their barriers to claiming these credits.

⁹ Comments from TAS's Focus Groups at the 2022 IRS Nationwide Tax Forums, *Responding to IRS Notices* (Oct. 2022) (on file with TAS).

¹⁰ TY 2020 is the most recent tax year where the IRS has archived suspected identity theft returns.

- Activity 3: Conduct focus groups or interviews with taxpayers regarding their experiences with claiming various tax credits designed for economically disadvantaged taxpayers.

4. REVIEW THE TELEPHONE OPERATIONS, METRICS, AND GOALS OF ENTITIES WITH LARGE INCOMING CALL OPERATIONS TO BETTER EVALUATE IRS TELEPHONE SERVICES AVAILABLE TO TAXPAYERS

The IRS provided very low levels of telephone service to taxpayers in FYs 2021 and 2022, with the IRS calculating its Level of Service (LOS) for these years at about 19 percent and 17 percent, respectively.¹¹ However, the 2023 filing season saw a marked increase in IRS telephone service, with its Accounts Management lines achieving an LOS of over 85 percent.¹² Average wait times decreased from 21 minutes in FY 2021 and 26 minutes in FY 2022¹³ to only slightly over three minutes in the 2023 filing season.¹⁴

However, the question remains as to what constitutes good telephone service for taxpayers. Even though the IRS achieved an 85 percent LOS on its Accounts Management lines during the 2023 filing season, live assistants answered only 31 percent of the telephone calls.¹⁵ Moreover, questions exist about how the IRS should calculate its LOS. For instance, it generally excludes calls answered by automation and calls where the taxpayer hangs up in the call tree before the system routes him or her to a customer service representative.¹⁶ The IRS's typically reported LOS metric only includes calls from certain lines, while calls to compliance lines are excluded from its measure. For the 2023 filing season, the IRS LOS including all of its lines was only 72 percent. Overall, through the week ending April 22 in the 2023 filing season, about 8.5 million hang-up calls occurred.¹⁷ It is unknown if the taxpayer was unable to complete the call for some reason or if the taxpayer became frustrated either by the call tree or because he or she was routed to automation and decided to terminate the call.

This review proposes to research the telephone service provided by entities with large incoming call operations, including the metrics used and the results expected to ensure quality customer service. TAS will use this information to better evaluate the effectiveness of the IRS's toll-free telephone services and recommend changes to its telephone operations, including what metrics it should use to evaluate its telephone operations and the goals for these measures.

Objective 4 for FY 2024 – TAS will review the operations, metrics, and results of other large incoming call telephone service providers through both direct and indirect means to develop recommended metrics and goals for IRS consideration.

- Activity 1: Review public information available for several large incoming call services, particularly focusing on their operations, metrics, and results.
- Activity 2: Contact entities with large incoming call telephone services to obtain unpublished details of their operations, metrics, and results.
- Activity 3: Review IRS operations, metrics, and results of their toll-free telephone service.
- Activity 4: Compare and contrast the operations, metrics, and results of IRS toll-free telephone operations to those of other large entities with large incoming call services.

11 IRS, Joint Operations Center (JOC), Snapshot Reports: Enterprise Snapshot for Enterprise Accounts Management FY 2021 and 2022.

12 IRS, JOC, Snapshot Reports: Enterprise Snapshot for Enterprise Accounts Management (week ending Apr. 22, 2023).

13 IRS, JOC, Snapshot Reports: Enterprise Snapshot for Enterprise Accounts Management (FYs 2021 and 2022).

14 IRS, JOC, Snapshot Reports: Enterprise Snapshot for Enterprise Accounts Management (week ending Apr. 22, 2023).

15 *Id.*

16 IRS, JOC, FY 2022 Snapshot & ELS Reporting Guidelines (Oct. 2021).

17 IRS, JOC, Snapshot Reports: Enterprise Snapshot for Enterprise Total (week ending Apr. 22, 2023).

5. ANALYZE PAST COLLECTION DATA TO DETERMINE THE CIRCUMSTANCES UNDER WHICH THE IRS SHOULD GENERALLY NOT INITIATE ENFORCEMENT ACTION ON A DELINQUENT TAX LIABILITY

During FY 2022, the IRS issued thousands of levies and filed thousands of Notices of Federal Tax Liens (NFTLs).¹⁸ The number of these enforced collection actions was even higher in FY 2019 before the pandemic delayed many collection actions.¹⁹ Enforced collection actions can certainly be necessary to bring certain taxpayers into paying compliance; however, the IRS has also issued levies solely to get unresponsive taxpayers to contact the IRS, and it may file NFTLs even when the taxpayer has no substantive assets. Taxpayers are often fearful of opening letters from the IRS and may not be aware that they need to respond to IRS collection notices. The IRS should consider alternative options and attempt to contact taxpayers by telephone, email, or text before initiating enforced collection actions. Furthermore, although it is certainly important for taxpayers to contact the IRS to resolve their tax delinquencies, initiating enforcement actions against taxpayers when systemic data indicates the likelihood that the taxpayers' expenses exceed their income and no assets are detected is burdensome to taxpayers, third parties, and the IRS.

As part of its efforts to transform its operations, the IRS is planning to implement targeted treatments based on the specific circumstances of the taxpayer. To this end, TAS will explore characteristics of taxpayer delinquencies that indicate the IRS should generally refrain from taking enforcement actions that may cause a significant burden to taxpayers and/or result in unproductive work for the IRS.

Objective 5 – TAS will explore past IRS collection data and outcomes to recommend guidelines to the IRS for determining under what circumstances it should generally not initiate enforcement actions such as issuing a levy or filing a lien.

- Activity 1: Determine the proceeds generated from previous IRS levies and whether levies issued to taxpayers with certain systemically detectable financial situations (*e.g.*, likely allowable living expenses exceeding income) are often unproductive.
- Activity 2: Determine the proceeds generated from previous IRS liens and whether liens issued to taxpayers with certain systemically detectable financial situations (*e.g.*, a lack of significant assets) are often unproductive.²⁰

18 IRS, Collection Activity Report 5000-24, Levy and Seizure Report (Oct. 2019). During FY 2022, IRS collection personnel issued 273,286 levies and filed 157,323 NFTLs; IRS, Collection Activity Report 5000-25, Liens Report (Oct. 2019).

19 During FY 2019, IRS collection personnel issued 782,735 levies and filed 543,604 NFTLs. IRS, Collection Activity Report 5000-24, Levy and Seizure Report (Oct. 2022); IRS, Collection Activity Report 5000-25, Liens Report (Oct. 2022).

20 Previous studies have reached different conclusions on the effectiveness of filing liens. *See, e.g.*, IRS, Pub. 1500, IRS Research Bulletin 12-29 (June 2016) (featuring papers from the Sixth Annual Joint Research Conference on Tax Administration); National Taxpayer Advocate 2012 Annual Report to Congress vol. 2, at 107-130 (*Investigating the Impact of Liens on Taxpayer Liabilities and Payment Behavior*), <https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2020/08/Research-Studies-Investigating-the-Impact-of-Liens-on-Taxpayer-Liabilities-and-Payment-Behavior.pdf>.

Evolution of the Office of the Taxpayer Advocate

The Office of the Taxpayer Ombudsman was created by the IRS in 1979 to serve as the primary advocate, within the IRS, for taxpayers. This position was codified in the Taxpayer Bill of Rights (TBOR 1), included in the Technical and Miscellaneous Revenue Act of 1988 (TAMRA).¹

In TBOR 1, Congress added IRC § 7811, granting the Ombudsman (now the National Taxpayer Advocate) the statutory authority to issue Taxpayer Assistance Orders (TAOs) if, in the determination of the Ombudsman, a taxpayer is suffering or is about to suffer significant hardship because of the way the Internal Revenue laws are being administered by the Secretary.² Further, TBOR 1 directed the Ombudsman and the Assistant Commissioner (Taxpayer Services) to jointly provide an Annual Report to Congress (ARC) about the quality of taxpayer services provided by the IRS. This report was delivered directly to the Senate Committee on Finance and the House Committee on Ways and Means.³

In 1996, the Taxpayer Bill of Rights 2 (TBOR 2) amended IRC § 7802 (the predecessor to IRC § 7803), replacing the Office of the Taxpayer Ombudsman with the Office of the Taxpayer Advocate.⁴ The Joint Committee on Taxation set forth the following reasons for change:

To date, the Taxpayer Ombudsman has been a career civil servant selected by and serving at the pleasure of the IRS Commissioner. Some may perceive that the Taxpayer Ombudsman is not an independent advocate for taxpayers. To ensure that the Taxpayer Ombudsman has the necessary stature within the IRS to represent fully the interests of taxpayers, Congress believed it appropriate to elevate the position to a position comparable to that of the Chief Counsel. In addition, to ensure that the Congress is systematically made aware of recurring and unresolved problems and difficulties taxpayers encounter in dealing with the IRS, the Taxpayer Ombudsman should have the authority and responsibility to make independent reports to the Congress in order to advise the tax-writing committees of those areas.⁵

In TBOR 2, Congress not only established the Office of the Taxpayer Advocate but also described its functions:

- To assist taxpayers in resolving problems with the IRS;
- To identify areas in which taxpayers have problems in dealings with the IRS;
- To the extent possible, propose changes in the administrative practices of the IRS to mitigate those identified problems; and
- To identify potential legislative changes that may be appropriate to mitigate such problems.⁶

Congress did not provide the Taxpayer Advocate with direct line authority over the existing regional and local Problem Resolution Officers (PROs) who handled cases under the Problem Resolution Program, the predecessor to the Office of the Taxpayer Advocate. At the time of the enactment of TBOR 2, Congress believed it sufficient to require that “all PROs should take direction from the Taxpayer Advocate and that they should operate with sufficient independence to assure that taxpayer rights are not being subordinated to pressure from local revenue officers, district directors, etc.”⁷

¹ Pub. L. No. 100-647, Title VI, § 6230, 102 Stat. 3342, 3733 (Nov. 10, 1988).

² *Id.*

³ Pub. L. No. 100-647, Title VI, § 6230, 102 Stat. 3373 (Nov. 10, 1988).

⁴ Pub. L. No. 104-168, § 101, 110 Stat. 1452, 1453-1456 (July 30, 1996).

⁵ J. Comm. on Tax'n, *General Explanation of Tax Legislation Enacted in the 104th Congress*, JCS-12-96, 20 (Dec. 18, 1996).

⁶ Pub. L. No. 104-168, § 101(a), 110 Stat. 1452, 1453-1454 (July 30, 1996).

⁷ J. Comm. on Tax'n, *General Explanation of Tax Legislation Enacted in the 104th Congress*, JCS-12-96, 21 (Dec. 18, 1996).

TBOR 2 also replaced the joint Assistant Commissioner/Taxpayer Advocate Report to Congress with two annual reports issued directly and independently by the Taxpayer Advocate to the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate.⁸ The first report, the Objectives Report to Congress, is to contain the objectives of the Office of the Taxpayer Advocate for the fiscal year beginning in that calendar year. This report is to provide full and substantive analysis in addition to statistical information and is due no later than June 30 of each calendar year.

The second report is on the activities of the Office of the Taxpayer Advocate during the fiscal year ending during that calendar year. Section 7803(c)(2)(B)(ii) of the IRC, as amended by the Taxpayer First Act (TFA), requires the National Taxpayer Advocate to submit this report each year and to include in it, among other things, a description of the ten most serious problems encountered by taxpayers as well as administrative and legislative recommendations to mitigate those problems. The report must:

- Identify the initiatives the Office of the Taxpayer Advocate has taken on improving taxpayer services and IRS responsiveness;
- Contain recommendations received from individuals with the authority to issue a TAO;
- Contain a summary of the ten most serious problems⁹ encountered by taxpayers, including a description of the nature of such problems;
- Contain an inventory of initiatives and recommendations for which action has been taken and the result of such action;
- Contain an inventory of initiatives and recommendations for which action remains to be completed and the period of time these items have been in the inventory;
- Contain an inventory of initiatives and recommendations for which there has been no action, an explanation for the lack of action, and the responsible official;
- Identify any TAO or Taxpayer Advocate Directive (TAD)¹⁰ that was not honored by the IRS in a timely manner;
- Contain recommendations for legislative or administrative action that will resolve taxpayer problems;
- Identify areas of the tax law that impose significant compliance burdens on taxpayers or the IRS, including specific recommendations for remedy;
- Identify the ten most litigated issues for each category of taxpayers, including recommendations for mitigating such disputes;
- With respect to any statistical information included in such report, include a statement of whether such statistical information was reviewed or provided by the Secretary under IRC § 6108(d) and, if so, whether the Secretary determined such information to be statistically valid and based on sound statistical methodology; and
- Include other such information as the National Taxpayer Advocate may deem advisable.

The stated objective of these two reports is for Congress to receive an unfiltered and candid report of the problems taxpayers are experiencing and what can be done to address them. While both reports are to include statistical information, the TFA created a requirement whereby the National Taxpayer Advocate must coordinate research with the office of the Treasury Inspector General for Tax Administration (TIGTA). The National Taxpayer Advocate is now precluded from reporting statistical information that is included in a TIGTA report.¹¹

8 Pub. L. No. 104-168, § 101(a), 110 Stat. 1452, 1453-1454 (July 30, 1996).

9 As originally enacted, TBOR 2 required a summary of at least 20 of the most serious problems. In July 2019, the TFA reduced the required number of most serious problems to ten. See Pub. L. No. 116-25, § 1301(b)(1), 133 Stat. 981, 992 (July 1, 2019).

10 A TAD mandates that functional areas make certain administrative or procedural changes to improve a process or grant relief to groups of taxpayers (or all taxpayers). TADs are used to protect the rights of taxpayers, prevent undue burden, ensure equitable treatment, or provide an essential service to taxpayers. Internal Revenue Manual 13.2.1.6.3, Taxpayer Advocate Directives (Sept. 29, 2020).

11 IRC § 7803(c)(2)(B)(iv).

Both the Annual Report to Congress and the Objectives Report are not subject to review by the IRS, Department of Treasury, or Office of Management and Budget, giving TAS a unique opportunity to directly provide information to Congress. “The reports by the Taxpayer Advocate are not official legislative recommendations of the Administration; providing official legislative recommendations remains the responsibility of the Department of Treasury.”¹²

Finally, TBOR 2 amended IRC § 7811, expanding the scope of a TAO by providing the Taxpayer Advocate “with broader authority to affirmatively take any action as permitted by law with respect to taxpayers who would otherwise suffer a significant hardship as a result of the manner in which the IRS is administering the tax laws.”¹³ For the first time, the TAO could specify a time period within which the IRS must act on the order. The statute also provided that only the National Taxpayer Advocate, the IRS Commissioner, or the Deputy Commissioner could modify or rescind a TAO, and that any official who so modifies or rescinds a TAO must respond in writing to the National Taxpayer Advocate with his or her reasons for such action.¹⁴

In 1997, the National Commission on Restructuring the Internal Revenue Service called the Taxpayer Advocate the “voice of the taxpayer.” In its discussion of the Office of the Taxpayer Advocate, the Commission noted:

Taxpayer Advocates play an important role and are essential for the protection of taxpayer rights and to promote taxpayer confidence in the integrity and accountability of the IRS. To succeed, the Advocate must be viewed, both in perception and reality, as an independent voice for the taxpayer within the IRS. Currently, the [N]ational Taxpayer Advocate is not viewed as independent by many in Congress. This view is based in part on the placement of the Advocate within the IRS and the fact that only career employees have been chosen to fill the position.¹⁵

In response to these concerns, in the IRS Restructuring and Reform Act of 1998 (RRA 98), Congress amended IRC § 7803(c), renaming the Taxpayer Advocate as the National Taxpayer Advocate and mandating that the National Taxpayer Advocate could not be an officer or an employee of the IRS for two years preceding or five years following his or her tenure as the National Taxpayer Advocate (service as an employee of the Office of the Taxpayer Advocate is not considered IRS employment under this provision).¹⁶

RRA 98 provided for Local Taxpayer Advocates (LTAs) to be located in each state and mandated a reporting structure for LTAs to report directly to the National Taxpayer Advocate.¹⁷ As required by IRC § 7803(c)(4)(A)(iii), the LTA must advise taxpayers at their first meeting of the fact that “the taxpayer advocate offices operate independently of any other Internal Revenue Service office and report directly to Congress through the National Taxpayer Advocate.”¹⁸

Congress also granted the LTAs discretion to not disclose to the IRS the fact that the taxpayer contacted the Office of the Taxpayer Advocate, or any information provided by the taxpayer to that office.¹⁹ RRA 98 also expanded the definition of “significant hardship” in IRC § 7811 to include four specific circumstances:

1. An immediate threat of adverse action;
2. A delay of more than 30 days in resolving taxpayer account problems;

¹² J. Comm. on Tax'n, *General Explanation of Tax Legislation Enacted in the 104th Congress*, JCS-12-96, 21 (Dec. 18, 1996).

¹³ *Id.*

¹⁴ Pub. L. No. 104-168, § 102(b), 110 Stat. 1452, 1456 (July 30, 1996).

¹⁵ Report of the National Commission on Restructuring the Internal Revenue Service, *A Vision for a New IRS* 48 (June 25, 1997).

¹⁶ Pub. L. No. 105-206, § 1102(a), 112 Stat. 685, 699 (July 22, 1998).

¹⁷ Pub. L. No. 105-206, § 1102(a), 112 Stat. 701 (July 22, 1998).

¹⁸ IRC § 7803(c)(4)(A)(iii).

¹⁹ IRC § 7803(c)(4)(A)(iv).

3. The incurring by the taxpayer of significant costs (including fees for professional representation) if relief is not granted; or
4. Irreparable injury to, or a long-term adverse impact on, the taxpayer if relief is not granted.²⁰

The Committee Reports make clear that this list is a non-exclusive list of what constitutes a significant hardship.²¹

Prior to 2011, Treasury Regulation § 301.7811-1 had not been updated since it was first published in 1992. Consequently, after Congress expanded the definition of “significant hardship” in the statute in 1998, the definition in the regulation was inconsistent. However, on April 1, 2011, the IRS published in the Federal Register final regulations under IRC § 7811 that contain a definition of significant hardship consistent with existing law and practice.²²

The National Taxpayer Advocate advocated for many years that the IRS establish a TBOR. In June 2014, the IRS adopted the TBOR – a set of ten fundamental rights that taxpayers should be aware of when dealing with the IRS.²³ One of those ten rights is the *right to a fair and just tax system*, which gives taxpayers the right to receive assistance from the Office of the Taxpayer Advocate if they are experiencing financial difficulty or if the IRS has not resolved their tax issues properly and timely through its normal channels. In December 2015, Congress enacted IRC § 7803(a)(3), which requires the Commissioner to ensure that employees of the IRS are familiar with and act in accord with taxpayer rights, including the *right to a fair and just tax system*.²⁴ The TBOR, as enacted, lists rights that already existed in the Code, putting them in simple language and grouping them into ten fundamental rights.

The passing of the TFA in July 2019 codified the timeframes surrounding issuance of TADs. Now, the IRS must respond to a TAD no later than 90 days after its issuance.²⁵ If the IRS decides to modify or rescind the TAD, the National Taxpayer Advocate may appeal that decision to the Commissioner of the IRS within 90 days. The Commissioner then has 90 days to either ensure compliance with the TAD or provide reasons to the National Taxpayer Advocate for the modification or rescission of the TAD. Additionally, the National Taxpayer Advocate must report on any TADs that were not honored in a timely manner in the activities report.²⁶

²⁰ IRC § 7811(a)(2).

²¹ See, e.g., H.R. REP. NO. 105-599, at 215 (1998) (Conf. Rep.).

²² Treas. Reg. § 301.7811-1(a)(4)(ii); 76 Fed. Reg. 18,059, 18,060-18,061 (Apr. 1, 2011).

²³ See IRS, IR-2014-72, IRS Adopts “Taxpayer Bill of Rights,” 10 Provisions to be Highlighted on [IRS.gov](https://www.irs.gov/newsroom/irs-adopts-taxpayer-bill-of-rights-10-provisions-to-be-highlighted-on-irs.gov-in-publication-1), in Publication 1 (June 10, 2014), <https://www.irs.gov/newsroom/irs-adopts-taxpayer-bill-of-rights-10-provisions-to-be-highlighted-on-irs.gov-in-publication-1>.

²⁴ See Consolidated Appropriations Act, 2016, Pub. L. No. 114-113, Division Q, § 401, 129 Stat. 2242, 3117 (Dec. 18, 2015).

²⁵ IRC § 7803(c)(5)(A).

²⁶ IRC § 7803(c)(2)(B)(viii).

Case Acceptance Criteria



As an independent organization within the IRS, TAS helps taxpayers resolve problems with the IRS and recommends changes to prevent future problems. TAS fulfills its statutory mission by working with taxpayers to resolve problems with the IRS.¹

TAS case acceptance criteria fall into four main categories:

ECONOMIC BURDEN

Economic burden cases are those involving a financial difficulty to the taxpayer: an IRS action or inaction has caused or will cause negative financial consequences or have a long-term adverse impact on the taxpayer.²

- CRITERIA 1** The taxpayer is experiencing economic harm or is about to suffer economic harm.
- CRITERIA 2** The taxpayer is facing an immediate threat of adverse action.
- CRITERIA 3** The taxpayer will incur significant costs if relief is not granted (including fees for professional representation).
- CRITERIA 4** The taxpayer will suffer irreparable injury or long-term adverse impact if relief is not granted.

SYSTEMIC BURDEN

Systemic burden cases are those in which an IRS process, system, or procedure has failed to operate as intended, and as a result the IRS has failed to timely respond to or resolve a taxpayer issue.³

- CRITERIA 5** The taxpayer has experienced a delay of more than 30 days to resolve a tax account problem.
- CRITERIA 6** The taxpayer has not received a response or resolution to the problem or inquiry by the date promised.
- CRITERIA 7** A system or procedure has either failed to operate as intended, or failed to resolve the taxpayer's problem or dispute within the IRS.

BEST INTEREST OF THE TAXPAYER

TAS acceptance of these cases will help ensure that taxpayers receive fair and equitable treatment and that their rights as taxpayers are protected.⁴

- CRITERIA 8** The manner in which the tax laws are being administered raises considerations of equity, or has impaired or will impair the taxpayer's rights.

PUBLIC POLICY

Acceptance of cases into TAS under this category will be determined by the National Taxpayer Advocate and will generally be based on a unique set of circumstances warranting assistance to certain taxpayers.⁵

- CRITERIA 9** The National Taxpayer Advocate determines compelling public policy warrants assistance to an individual or group of taxpayers.

¹ IRC § 7803(c)(2)(A)(i).

² See Internal Revenue Manual (IRM) 13.1.7.3.1, TAS Case Criteria 1–4, Economic Burden (Sept. 21, 2021). For calendar year 2023, TAS changed its case acceptance criteria to not accept current tax year cases involving Pre-Refund Wage Verification Hold (PRWVH) issues between January 1 and June 30 (unless referred to TAS by a congressional office). In congressional referral cases, TAS will not accept PRWVH cases between January 1 and March 15. In addition, TAS temporarily changed its case acceptance criteria to not accept non-congressional cases (Criteria 1–4 and 8) for current and prior year individual and business original and amended paper returns mailed (or sent via private delivery service) to the IRS. See Interim Guidance Memo (IGM) TAS-13-0123-0002, Interim Guidance on Changes to TAS Case Acceptance Criteria for Calendar Year 2023 (Jan. 19, 2023).

³ TAS changed its case acceptance criteria to generally stop accepting certain systemic burden issues. See IRM 13.1.7.3.2, TAS Case Criteria 5–7, Systemic Burden (Sept. 21, 2021) and IRM 13.1.7.3.4, TAS Case Criteria 9, TAS Public Policy (Sept. 21, 2021).

⁴ See IRM 13.1.7.3.3, TAS Case Criteria 8, Best Interest of the Taxpayer (Sept. 21, 2021).

⁵ See IGM TAS-13-0123-0001, Interim Guidance on Accepting Cases Under TAS Case Criteria 9, Public Policy (Jan. 23, 2023).

List of Low Income Taxpayer Clinics

Low Income Taxpayer Clinics (LITCs) represent individuals whose income is below a certain level and who need to resolve tax problems with the IRS, such as audits, appeals, and tax collection disputes. LITCs can represent taxpayers in Tax Court as well as with the IRS. In addition, LITCs can provide information about taxpayer rights and responsibilities in different languages for individuals who speak English as a second language. LITCs provide services for free or a small fee. Although LITCs receive partial funding from the IRS, the clinic staff and volunteers work independently of the IRS to assist and advocate for taxpayers.

Low-income taxpayers who need help in resolving tax disputes with the IRS and cannot afford representation may qualify for free or low-cost assistance from an LTC. Using poverty guidelines published annually by the Department of Health and Human Services, each LTC decides if an individual meets the income eligibility guidelines and other criteria before it agrees to provide representation. Eligible taxpayers must generally have income that does not exceed 250 percent of the poverty guidelines. Figure 6.1 shows the income ceilings for 2023.

FIGURE 6.1, LTC Income Guidelines (250 Percent of the Federal Poverty Guidelines)

| Size of Family Unit | 48 Contiguous States, Puerto Rico, and D.C. | Alaska | Hawaii |
|---------------------------------|--|-----------|-----------|
| 1 | \$36,450 | \$45,525 | \$41,925 |
| 2 | \$49,300 | \$61,600 | \$56,700 |
| 3 | \$62,150 | \$77,675 | \$71,475 |
| 4 | \$75,000 | \$93,750 | \$86,250 |
| 5 | \$87,850 | \$109,825 | \$101,025 |
| 6 | \$100,700 | \$125,900 | \$115,800 |
| 7 | \$113,550 | \$141,975 | \$130,575 |
| 8 | \$126,400 | \$158,050 | \$145,350 |
| For each additional person, add | \$12,850 | \$16,075 | \$14,775 |

Figure 6.2 lists the LITCs receiving federal funding for the 2023 calendar year that are run by nonprofit organizations or academic institutions. Contact information for clinics may change, so please check for the most recent information at <https://www.taxpayeradvocate.irs.gov/LITC>.

FIGURE 6.2, 2023 LITCs and Contact Information

| State | City | Clinic Name | Public Phone Number | Languages Served in Addition to English |
|-------|-----------------|--|------------------------------|--|
| AK | Anchorage | Alaska Business Development Center LITC | 800-478-3474 907-562-0335 | All languages through interpreter services |
| AL | Montgomery | Legal Services Alabama LITC | 334-832-4570 334-223-0232 | Spanish and other languages through interpreter services |
| AR | Little Rock | UA Little Rock Bowen School of Law LITC | 501-916-5492 | Spanish |
| | Springdale | Legal Aid of Arkansas LITC | 800-967-9224 870-972-9224 | Spanish and Marshallese |
| AZ | Phoenix | Community Legal Services LITC | 800-852-9075 602-258-3434 | Spanish and other languages through interpreter services |
| | Tucson | Southern Arizona Tax Clinic | 520-622-2801 | Spanish and other languages through interpreter services |
| CA | Granada Hills | The Taxpayers Help Center LITC | 818-488-1388 | Spanish, Arabic, Armenian, Hindi, and Urdu |
| | Los Angeles | Bet Tzedek Legal Services Tax Clinic | 323-939-0506 | Spanish, Russian, and other languages through interpreter services |
| | Los Angeles | KYCC Low Income Taxpayer Clinic | 213-365-7400 | Spanish and Korean |
| | Los Angeles | Pepperdine LITC | 213-673-4831 | Spanish |
| | Los Angeles | Bookstein Low Income Taxpayer Clinic | 818-677-3688 | Spanish, Armenian, and Korean |
| | Orange | Chapman University Tax Law Clinic | 877-242-7529 714-628-2535 | Spanish and Vietnamese |
| | Riverside | Inland Counties Legal Services LITC | 888-245-4257 951-368-2555 | Spanish and other languages through interpreter services |
| | San Diego | Legal Aid Society of San Diego LITC | 877-534-2524 | Spanish, Vietnamese, Tagalog, Arabic, Farsi, and Somali |
| | San Diego | University of San Diego LITC | 619-260-7470 | Spanish and other languages through interpreter services |
| | San Francisco | Chinese Newcomers Service Center | 415-421-2111 | Chinese, Cantonese, Mandarin, Vietnamese, and Toisanese |
| | San Francisco | Justice and Diversity Center of the Bar Association of San Francisco | 415-782-8978 | Spanish |
| | San Francisco | UC College of Law LITC | 415-703-8287 | Spanish |
| | San Gabriel | Herald Community Center | 626-286-2600 | Mandarin and Cantonese |
| | San Luis Obispo | Cal Poly Low Income Taxpayer Clinic | 877-318-6772 805-756-2951 | Spanish and other languages through interpreter services |
| | Santa Ana | Public Law Center | 888-230-3741 714-541-1010 | Spanish, Vietnamese, Tagalog, Chinese, Arabic, Farsi, and Mandarin |
| CO | Denver | Colorado Legal Services LITC | 844-440-4848 303-837-1313 | Spanish and other languages through interpreter services |
| | Denver | Denver Asset Building Coalition LITC | 303-388-7030 | Spanish and other languages through interpreter services |
| | Denver | University of Denver LITC | 303-871-6331 | Spanish |

Appendix 3: List of Low Income Taxpayer Clinics

| State | City | Clinic Name | Public Phone Number | Languages Served in Addition to English |
|-------|-----------------|---|------------------------------|--|
| CT | Hamden | Quinnipiac University School of Law LITC | 203-582-3238 | Spanish and other languages through interpreter services |
| | Hartford | UConn Law School Tax Clinic | 860-570-5165 | Spanish, Mandarin, Chinese, French, and other languages through interpreter services |
| DC | Washington | The Catholic University of America LITC | 202-319-6788 | Spanish and other languages through interpreter services |
| | Washington | American University Washington College of Law, Janet R. Spragens Tax Clinic | 202-274-4144 | All languages through interpreter services |
| DE | Georgetown | DCRAC LITC | 877-825-0750 302-690-5000 | Spanish, Italian, and Hindi |
| FL | Ft. Myers | Florida Rural Legal Services Low Income Taxpayer Clinic | 888-582-3410 863-688-7376 | All languages through interpreter services |
| | Gainesville | University of Florida Levin College of Law LITC | 352-273-0800 | All languages through interpreter services |
| | Miami | Legal Services of Greater Miami Community Tax Clinic | 866-686-2760 305-576-0080 | Spanish and Haitian Creole |
| | Orlando | A New Start: Financial & Social Services Inc. | 855-496-6476 408-300-5993 | Spanish, Haitian Creole, Tagalog, Cantonese, Mandarin, Bahasa, Malay, Bengali, Korean, Hindi, and other languages through interpreter services |
| | Plant City | Bay Area Legal Services Inc. LITC | 813-752-1335 | Spanish and Haitian Creole |
| | Plantation | Legal Aid Services of Broward and Collier Counties | 954-736-2477 | Spanish and Haitian Creole |
| | St. Petersburg | Gulfcoast Legal Services LITC | 727-821-0726 | Spanish, French, and other languages through interpreter services |
| | Tallahassee | Legal Services of North Florida | 850-385-9007 | Spanish, Chinese, French, and other languages through interpreter services |
| | West Palm Beach | Legal Aid Society of Palm Beach County LITC | 800-403-9353 561-655-8944 | Spanish and Haitian Creole |
| GA | Atlanta | The Philip C. Cook Low Income Taxpayer Clinic | 404-413-9230 | Spanish |
| | Hinesville | JCVision and Associates, Inc. | 866-396-4243 912-877-4243 | Spanish |
| | Lawrenceville | North Georgia Low Income Taxpayer Clinic | 888-267-6891 678-646-5661 | Spanish |
| IA | Des Moines | Iowa Legal Aid LITC | 800-532-1275 515-243-2151 | Spanish and other languages through interpreter services |
| ID | Boise | University of Idaho LITC | 877-200-4455 208-364-6166 | All languages through interpreter services |
| | Twin Falls | La Posada Tax Clinic | 208-735-1189 | Spanish |

Appendix 3: List of Low Income Taxpayer Clinics

| State | City | Clinic Name | Public Phone Number | Languages Served in Addition to English |
|-------|---------------|--|------------------------------|---|
| IL | Des Plaines | Center of Concern LITC | 847-823-0453 | Spanish and other languages through interpreter services |
| | Chicago | Ladder Up Tax Clinic | 312-630-0242 | Spanish and Polish |
| | Chicago | Legal Aid Chicago LITC | 312-341-1070 | All languages through interpreter services |
| | Chicago | Loyola Federal Income Tax Clinic | 312-915-7176 | All languages through interpreter services |
| | Wheaton | Prairie State Legal Services LITC | 855-829-7757 630-690-2130 | All languages through interpreter services |
| IN | Bloomington | Indiana Legal Services, Inc. LITC | 800-822-4774 812-339-7668 | All languages through interpreter services |
| | Indianapolis | Neighborhood Christian Legal Clinic | 317-429-4131 | Spanish, French, Arabic, Burmese, Hakha Chin, Kinyarwanda, Maya, Swahili, Chinese, Zophei, Falam, and other languages through interpreter services |
| KS | Kansas City | Kansas Legal Services, Inc. LITC | 800-723-6953 913-621-0200 | Spanish, French, German, Russian, Vietnamese, Polish, Croatian, and other languages through interpreter services |
| KY | Covington | The Center for Great Neighborhoods LITC | 859-547-5542 | Spanish |
| | Louisville | Legal Aid Society Low Income Taxpayer Clinic | 800-292-1862 502-584-1254 | All languages through interpreter services |
| | Richmond | AppalRed Low Income Taxpayer Clinic | 800-477-1394 859-624-1394 | Spanish and other languages through interpreter services |
| LA | New Orleans | Southeast Louisiana Legal Services LITC | 877-521-6242 504-529-1000 | Spanish, Vietnamese, and other languages through interpreter services |
| MA | Boston | AACA LITC | 617-426-9492 | Chinese, Vietnamese, French, Haitian Creole, Gujarati, Hindi, Urdu, Punjabi, and Swahili |
| | Boston | Greater Boston Legal Services LITC | 800-323-3205 617-317-1234 | All languages through interpreter services |
| | Jamaica Plain | Legal Services Center of Harvard Law School LITC | 866-738-8081 617-390-1729 | Spanish and other languages through interpreter services |
| | Lawrence | Northeast Legal Aid LITC | 800-336-2262 978-458-1465 | Spanish, Khmer, Portuguese, Bulgarian, Thai, Polish, French, Arabic, Hebrew, Italian, Luganda, Swahili, Hindi, Urdu, and other languages through interpreter services |
| MD | Baltimore | Maryland Volunteer Lawyers Service LITC | 800-510-0050 410-547-6537 | All languages through interpreter services |
| | Baltimore | University of Baltimore LITC | 410-837-5706 | All languages through interpreter services |
| | Baltimore | University of Maryland Carey School of Law LITC | 410-706-3295 | All languages through interpreter services |
| ME | Bangor | Pine Tree Legal Assistance Inc. LITC | 207-942-8241 | All languages through interpreter services |

Appendix 3: List of Low Income Taxpayer Clinics

| State | City | Clinic Name | Public Phone Number | Languages Served in Addition to English |
|-------|--------------|--|------------------------------|---|
| MI | Ann Arbor | University of Michigan LITC | 734-936-3535 | All languages through interpreter services |
| | Detroit | Accounting Aid Society | 866-673-0873 313-556-1920 | Spanish and Arabic |
| | East Lansing | Alvin L. Storrs Low Income Taxpayer Clinic | 517-432-6880 | All languages through interpreter services |
| | Grand Rapids | West Michigan Low Income Taxpayer Clinic (Legal Aid of Western Michigan) | 800-442-2777 616-774-0672 | Spanish and other languages through interpreter services |
| MN | Minneapolis | Mid-Minnesota Legal Aid Tax Law Project | 800-292-4150 612-334-5970 | Spanish, Somali, Hmong, Arabic, Oromo, Amharic, and other languages through interpreter services |
| | Minneapolis | University of Minnesota LITC | 612-625-5515 | Somali, Spanish, Hmong, Karen, and other languages through interpreter services |
| MO | Kansas City | Legal Aid of Western Missouri LITC | 800-990-2907 816-474-6750 | Spanish and other languages through interpreter services |
| | Kansas City | UMKC School of Law LITC | 816-235-6201 | All languages through interpreter services |
| | St. Louis | Washington University School of Law LITC | 314-935-7238 | All languages through interpreter services |
| MS | Oxford | Mississippi Taxpayer Assistance Project | 888-808-8049 622-234-2918 | All languages through interpreter services |
| NC | Asheville | Pisgah Legal Services | 800-489-6144 828-253-0406 | Spanish and other languages through interpreter services |
| | Charlotte | North Carolina Low Income Taxpayer Clinic | 800-438-1254 704-376-1600 | Spanish and other languages through interpreter services |
| NE | Lincoln | Legal Aid of Nebraska LITC | 800-742-7555 402-435-2161 | All languages through interpreter services |
| NH | Concord | 603 Legal Aid Low Income Taxpayer Project | 603-224-3333 | All languages through interpreter services |
| NJ | Edison | Legal Services of New Jersey Tax Legal Assistance Project | 888-576-5529 732-572-9100 | Spanish, Haitian Creole, Portuguese, Hindi, and Arabic |
| | Jersey City | Northeast New Jersey Legal Services LITC | 201-792-6363 | Spanish, Korean, Hindi, Urdu, Hebrew, Arabic, Portuguese, Tagalog, and other languages through interpreter services |
| | Newark | Rutgers Federal Tax Law Clinic | 973-353-1685 | Spanish |
| NM | Albuquerque | New Mexico Legal Aid Low Income Taxpayer Clinic | 866-416-1922 505-243-7871 | All languages through interpreter services |

Appendix 3: List of Low Income Taxpayer Clinics

| State | City | Clinic Name | Public Phone Number | Languages Served in Addition to English |
|-------|------------|--|------------------------------|---|
| NY | Albany | Legal Aid Society of Northeastern New York LITC | 833-628-0087 518-462-6765 | All languages through interpreter services |
| | Bronx | Bronx Legal Services | 917-661-4500 | Spanish and other languages through interpreter services |
| | Brooklyn | Brooklyn Legal Services Corporation A LITC | 718-487-2300 | Spanish and other languages through interpreter services |
| | Brooklyn | Brooklyn Low-Income Taxpayer Clinic | 917-661-4500 | Spanish, Russian, American Sign Language, and other languages through interpreter services |
| | Buffalo | Erie County Bar Association Volunteer Lawyers Project LITC | 800-229-6198 716-847-0662 | All languages through interpreter services |
| | Hempstead | Hofstra Law School Federal Tax Clinic | 516-463-5934 | Spanish and other languages through interpreter services |
| | Jamaica | Queens Legal Services LITC | 917-661-4500 | Spanish, Mandarin, Cantonese, Fuzhounese, Korean, Hindi, Bengali, Urdu, French, Haitian Creole, Croatian, Malayalam, and other languages through interpreter services |
| | New York | Fordham Law School | 212-636-7353 | Spanish and other languages through interpreter services |
| | New York | Mobilization for Justice | 212-417-3839 | Spanish, Chinese, French, Haitian Creole, Urdu, Tagalog, Tamil, Persian, and other languages through interpreter services |
| | New York | The Legal Aid Society LITC | 212-426-3013 | Spanish and other languages through interpreter services |
| | Syracuse | Syracuse University College of Law LITC | 888-797-5291 315-443-4582 | All languages through interpreter services |
| OH | Akron | Community Legal Aid Services LITC | 800-998-9454 | Spanish and other languages through interpreter services |
| | Cincinnati | The Legal Aid Society of Greater Cincinnati LITC | 800-582-2682 513-241-9400 | All languages through interpreter services |
| | Cleveland | The Legal Aid Society of Cleveland LITC | 888-817-3777 216-861-5500 | All languages through interpreter services |
| | Columbus | The Legal Aid Society of Columbus LITC | 877-224-8374 614-224-8374 | Spanish, Somali, Arabic, Nepali, and other languages through interpreter services |
| | Columbus | Southeastern Ohio Legal Services LITC | 844-302-1800 740-354-7563 | All languages through interpreter services |
| | Toledo | Toledo Tax Controversy Clinic | 419-684-8822 | Arabic and other languages through interpreter services |
| OK | Tulsa | Legal Aid Services of Oklahoma LITC | 833-284-6227 918-236-9572 | All languages through language line services |
| OR | Portland | Legal Aid Services of Oregon LITC | 503-224-4086 | Spanish, Mandarin, Japanese, and other languages through interpreter services |
| | Portland | Lewis & Clark Low Income Taxpayer Clinic | 503-768-6500 | Spanish and other languages through interpreter services |
| | Portland | Oregon Law Center LITC | 800-672-4919 | All languages through interpreter services |

Appendix 3: List of Low Income Taxpayer Clinics

| State | City | Clinic Name | Public Phone Number | Languages Served in Addition to English |
|-------|--------------|---|------------------------------|---|
| PA | Philadelphia | Philadelphia Legal Assistance Taxpayer Support Clinic | 215-981-3800 | Spanish, Arabic, French, and other languages through interpreter services |
| | Philadelphia | Temple Law School LITC | 215-204-8948 | Spanish and other languages through interpreter services |
| | Pittsburgh | University of Pittsburgh School of Law LITC | 412-648-1300 | Spanish and French |
| | Villanova | Villanova Federal Tax Clinic | 888-829-2546 610-519-4123 | Spanish and other languages through interpreter services |
| | Washington | Southwestern Pennsylvania Legal Services LITC | 800-846-0871 724-225-6170 | All languages through interpreter services |
| | Williamsport | Susquehanna Legal Aid for Adults and Youth | 570-884-4174 | Spanish and other languages through interpreter services |
| | York | MidPenn Legal Services Low Income Taxpayer Clinic | 844-675-7829 | Spanish and other languages through interpreter services |
| RI | Providence | Rhode Island Legal Services LITC | 401-274-2652 | Spanish and other languages through interpreter services |
| SC | Greenville | South Carolina Legal Services LITC | 888-346-5592 | Spanish and other languages through interpreter services |
| SD | Vermillion | University of South Dakota School of Law Federal Tax Clinic | 844-366-8866 605-658-3531 | All languages through interpreter services |
| TN | Memphis | Memphis Area Legal Services | 901-523-8822 | All languages through interpreter services |
| | Nashville | Tennessee Taxpayer Project | 866-481-3669 865-483-8454 | Spanish and other languages through interpreter services |
| TX | Fort Worth | Legal Aid of Northwest Texas LITC | 800-955-3959 817-336-3943 | Spanish and other languages through interpreter services |
| | Fort Worth | Texas A&M University School of Law, Tax Dispute Resolution Clinic | 817-212-4123 | Spanish and other languages through interpreter services |
| | Houston | Houston Volunteer Lawyers LITC | 713-228-0735 | Spanish, Vietnamese, and other languages through interpreter services |
| | Houston | Lone Star Legal Aid LITC | 800-733-8394 713-652-0077 | Spanish, Vietnamese, and other languages through interpreter services |
| | Houston | South Texas College of Law LITC | 800-646-1253 713-646-2922 | All languages through interpreter services |
| | Lubbock | Texas Tech School of Law LITC | 800-420-8037 806-742-4312 | Spanish |
| | San Antonio | Texas Taxpayer Assistance Project | 833-329-8752 210-212-3747 | Spanish and other languages through interpreter services |
| UT | Provo | Centro Hispano LITC | 801-655-0258 801-691-5259 | Spanish, Portuguese, and other languages through interpreter services |

Appendix 3: List of Low Income Taxpayer Clinics

| State | City | Clinic Name | Public Phone Number | Languages Served in Addition to English |
|-------|------------|--|------------------------------|--|
| VA | Fairfax | Legal Services of Northern Virginia LITC | 866-534-5243 703-778-6800 | Spanish and other languages through interpreter services |
| | Lexington | Washington and Lee University School of Law Tax Clinic | 540-458-8918 | All languages through interpreter services |
| | Richmond | The Community Tax Law Project | 800-295-0110 804-358-5855 | Spanish and other languages through interpreter services |
| VT | Burlington | Vermont Low Income Taxpayer Clinic | 800-889-2047 802-863-5620 | All languages through interpreter services |
| WA | Seattle | University of Washington Federal Tax Clinic | 866-866-0158 206-685-6805 | Spanish, Russian, Mandarin, and Korean |
| | Spokane | Gonzaga University Federal Tax Clinic | 800-793-1722 509-313-5791 | All languages through interpreter services |
| WI | Milwaukee | Legal Action of Wisconsin LITC | 855-502-2468 414-274-3400 | All languages through interpreter services |
| WV | Morgantown | West Virginia University College of Law Legal Clinic | 304-293-0819 | All languages through interpreter services |
| WY | Laramie | University of Wyoming LITC | 833-719-2490 307-766-6114 | All languages through interpreter services |

Glossary of Acronyms

| Acronym | Definition |
|----------|--|
| AA | Acceptance Agent |
| ACM | Appeals Case Memorandum |
| ACS | Automated Collection System |
| ACTC | Additional Child Tax Credit |
| AGI | Adjusted Gross Income |
| AM | Accounts Management |
| AO | Appeals Officer |
| AOTC | American Opportunity Tax Credit |
| ARC | Annual Report to Congress |
| ARPA | American Rescue Plan Act |
| ASA | Average Speed of Answer |
| BOD | Business Operating Division |
| BOLA | Business Online Account |
| BPR | Business Performance Review |
| BSM | Business Systems Modernization |
| CAA | Certifying Acceptance Agent |
| CDW | Compliance Data Warehouse |
| COVID-19 | Coronavirus Disease of 2019 |
| CSR | Customer Service Representative |
| CTC | Child Tax Credit |
| CY | Calendar Year |
| DHA | Direct-Hire Authority |
| DUT | Documentation Upload Tool |
| EIC | Earned Income Credit |
| EITC | Earned Income Tax Credit |
| ELS | Executive Level Summary |
| EOY | End of Year |
| ERC | Employee Retention Credit |
| ETAAC | Electronic Tax Administration Advisory Committee |
| FAQ | Frequently Asked Questions |
| FDR | False Detection Rate |
| FS | Filing Season |
| FTA | First Time Abatement |
| FUTA | Federal Unemployment Tax Act |
| FY | Fiscal Year |
| GAO | Government Accountability Office |
| IDT | Identity Theft |

| Acronym | Definition |
|---------|--|
| IGM | Interim Guidance Memorandum |
| IIR | International Information Return |
| IRA | Inflation Reduction Act |
| IRC | Internal Revenue Code |
| IRM | Internal Revenue Manual |
| IRP | Information Return Processing |
| IRS | Internal Revenue Service |
| IRSAC | Internal Revenue Service Advisory Council |
| IRSU | IRS University |
| IRTF | Individual Returns Transaction File |
| IT | Information Technology |
| ITIN | Individual Taxpayer Identification Number |
| IVO | Integrity and Verification Operations |
| JCS | Joint Chiefs of Staff |
| JOC | Joint Operations Center |
| LITC | Low Income Taxpayer Clinic |
| LOS | Level of Service |
| LTA | Local Taxpayer Advocate |
| MSP | Most Serious Problem |
| NFTL | Notice of Federal Tax Lien |
| PMPA | Program Management Process Assurance |
| PRO | Problem Resolution Officer |
| PRWVH | Pre-Refund Wage Verification Hold |
| PY | Processing Year |
| RRA 98 | IRS Restructuring and Reform Act of 1998 |
| SAO | Systemic Advocacy Objective |
| SB/SE | Small Business/Self-Employed (Operating Division) |
| SERP | Servicewide Electronic Research Program |
| SLA | Service Level Agreement |
| SOP | Standard Operating Procedure or Strategic Operating Plan |
| SP | Submission Processing |
| TAC | Taxpayer Assistance Center |
| TAD | Taxpayer Advocate Directive |
| TAMRA | Technical and Miscellaneous Revenue Act |
| TAO | Taxpayer Assistance Order |
| TAP | Taxpayer Advocacy Panel |

| Acronym | Definition |
|---------|---|
| TAS | Taxpayer Advocate Service |
| TBOR | Taxpayer Bill of Rights |
| TCE | Tax Counseling for the Elderly |
| TFA | Taxpayer First Act |
| TIGTA | Treasury Inspector General for Tax Administration |
| TIN | Taxpayer Identification Number |
| TPP | Taxpayer Protection Program |
| TY | Tax Year |
| UPS | United Parcel Service |
| VITA | Volunteer Income Tax Assistance |
| VSD | Virtual Service Delivery |
| WebABIS | Web Automated Background Investigation System |
| WebSD | Web Service Delivery |
| W&I | Wage and Investment (Operating Division) |



YOUR VOICE AT THE IRS



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