

# IRS News Release

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## **National Taxpayer Advocate Releases Report to Congress, Cites Need for Aggressive Protection of Taxpayer Rights**

IR-2004-88, July 6, 2004

WASHINGTON — National Taxpayer Advocate Nina E. Olson has delivered a report to Congress that calls for enhanced protection of taxpayer rights by tax administrators and improvements in the offer-in-compromise, collection due process and tax e-filing programs.

The report, which is required by law, sets out the objectives of the Office of the Taxpayer Advocate for the upcoming fiscal year and provides substantive analysis of issues as well as statistical information.

“This year’s Objectives Report focuses on the protection of taxpayer rights as a mandatory component of tax administration,” said Olson. “Aggressive enforcement of taxpayer rights assures taxpayers that the IRS’ aggressive enforcement of the tax laws will be balanced and fair.”

The report identifies three measures to bolster the protection of taxpayer rights:

1. Preparation of a Taxpayer Rights Impact Statement for New IRS Enforcement Initiatives. The IRS often implements new procedures, guidelines or requirements that further its enforcement or administrative goals but may place a significant burden on the time, rights or privacy of taxpayers. In 1998, Congress strengthened the Office of the Taxpayer Advocate and created the Taxpayer Advocate Service (TAS) to act as a safety valve when institutional tendencies within the IRS do not adequately take account of taxpayer rights. Beginning immediately, the report states that the Office of the Taxpayer Advocate will prepare a Taxpayer Rights Impact Statement (TRIS) on major initiatives to help the IRS incorporate an awareness of taxpayer rights into its program planning and implementation. If requested, the TRIS will be prepared prior to program finalization and implementation. If the IRS does not request a TRIS prior to program implementation, TAS will analyze the program on its own accord, if and when appropriate.

2. Improved IRS Employee Training. Over the next few years, the IRS will be hiring thousands of new employees as part of its initiatives to strengthen its enforcement of the tax laws. For these employees to pursue tax non-compliance aggressively, yet fully respect taxpayer rights, the report states that they require training in the foundational, technical and behavioral aspects of tax administration, including

training in the importance of customer service and respect for taxpayer rights. During FY 2005, the Office of the Taxpayer Advocate will study key aspects of the IRS training program for new employees and make recommendations consistent with its objectives.

3. Increased Awareness of TAS. Other functions of IRS generally are and should remain the first point of contact for taxpayers needing assistance with their problems, but taxpayers must be better informed that TAS is available as a safety valve when regular IRS procedures fail, the report says. A recent study commissioned by the IRS indicates that approximately 1.5 million taxpayers at any given time meet the statutory “significant hardship” test and thereby qualify for TAS assistance. As part of IRS employee training, employees should be educated about existing guidelines for referring cases to TAS, the report recommends. In addition, the study found that approximately 43 percent of taxpayers who qualify for TAS assistance at any given time report that they feel intimidated by the IRS. They therefore are unlikely to call the IRS to obtain assistance and are in danger of becoming habitually noncompliant. The Office of the Taxpayer Advocate has developed an outreach strategy to inform this taxpayer population about TAS and its ability to assist these taxpayers in resolving their tax problems.

The report also focuses on the following IRS programs:

- Offers in Compromise. An offer in compromise is a collection alternative under which the IRS accepts payment for less than the amount owing, typically due to a taxpayer’s inability to pay the full tax debt or other special circumstances. The objective of the program is to bring closure to the case, enable the IRS to collect the agreed amount, and give the taxpayer a “fresh start.” Although a 1998 House-Senate conference report stated that “the IRS should be flexible in finding ways to work with taxpayers who are sincerely trying to meet their obligations [and] should make it easier for taxpayers to enter into offer-in-compromise agreements,” the Advocate’s report concludes that the procedural requirements for obtaining full consideration of an offer are excessive and that too many offers are rejected.

- Collection Due Process. In 1998, Congress gave taxpayers subject to liens or levies the right to obtain an independent review of their cases to ensure that the IRS collection action achieves the appropriate balance between the government’s and the taxpayer’s interests, and that the IRS has adhered to any applicable legal and administrative requirements. However, many taxpayers and their representatives find the process confusing and frustrating, the report says, and they are often unclear about fundamental items such as what a CDP hearing is, when the process starts and is completed, and what the hearing is meant to achieve. During FY 2005, the Office of the Taxpayer Advocate will work with the Office of Appeals to try to improve communications with affected taxpayers and program implementation.

- Electronic Filing of Tax Returns. Congress and the IRS have set goals of substantially increasing the numbers of taxpayers who file their returns electronically. However, while taxpayers may file paper returns without incurring any return

preparation and filing costs (except a postage stamp), taxpayers who file electronically generally must pay to purchase a commercial software or Internet-based product and must pay separately to file their returns. The IRS has an agreement with private software companies that, by its terms, ensures that free e-filing service are provided to at least 60 percent of taxpayers. However, the report calls on the IRS to make a template available on its website that would allow all taxpayers to file their returns electronically without incurring costs. The template would provide taxpayers with the ability to fill in the lines on the Internet-based return, just as with a paper return, but would not contain the added features built into commercial software products and thus would not be intended to compete with private industry.

The Taxpayer Advocate Service, an independent function within the IRS, helps individuals solve ongoing tax problems with the IRS and recommends changes to mitigate taxpayer problems. The Taxpayer Advocate Service, with a workforce of more than 2,100 employees, is available to assist both individuals and businesses. At least one taxpayer advocate's office is located in each state.

You may qualify for the assistance of a taxpayer advocate if:

- You are facing a significant hardship due to an action taken by IRS;
- Your case has gone through all established systems without being resolved;
- You are on the second attempt to resolve a problem; or
- You have not been contacted by the date promised.

To request the assistance of a taxpayer advocate, call 1-877-777-4778 (a toll-free call).

The National Taxpayer Advocate's Fiscal Year 2005 Objectives Report to Congress is available on the IRS Web site at [www.irs.gov/advocate](http://www.irs.gov/advocate).