

Annual Report to Congress



The Taxpayer Assistance Blueprint

Taxpayer Service Improvements

Fiscal Year 2014: October 2013 to September 2014

May 28, 2015

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EXECUTIVE SUMMARY

In April 2007, the IRS, working with the National Taxpayer Advocate (NTA) and the IRS Oversight Board, delivered the final report of the Taxpayer Assistance Blueprint (TAB) to the Congress. The TAB was a two-phase project that studied the service needs and preferences of individual taxpayers and produced a five year strategic plan for taxpayer services. Based on extensive research of the taxpayer perspective, the TAB developed a strategic direction for the IRS that incorporated taxpayer and partner needs into its service improvement decisions.

Since the completion of the TAB project, the Appropriations Committees have requested annual reports on the IRS's efforts in improving taxpayer services. These reports summarized progress made to improve taxpayer service, highlighted key service challenges, and provided details of research efforts to understand taxpayer needs, preferences, and behavior. This report describes the accomplishments of the IRS for fiscal year (FY) 2014 (October 1, 2013 to September 30, 2014) in delivering taxpayer services. This report does not describe the significant decline in taxpayer service experienced in the period that followed September 30, 2014, including the 2015 filing season. The service decline experienced during this time will be covered in the next annual report.

FY 2014 Taxpayer Service Improvements

To use the right mix of technology, employees, and IRS partners to best serve the taxpayers, the IRS implemented the FY 2014 Service Approach, which educated taxpayers about virtual service channels and reserved face-to-face assistance for taxpayers who needed it. This initiative enabled the IRS to reinvest critical resources and allowed the IRS to reserve person-to-person service for those who had issues that only the IRS can help resolve. During the shortened 2014 filing season, the IRS answered 13 million assistor calls and 33.1 million automated calls, and assisted nearly 3.4 million taxpayers in the Taxpayer Assistance Centers.

In FY 2014, the IRS released the Taxpayer Bill of Rights (TBOR), which takes the existing taxpayer rights that are embedded in the tax code and groups them into 10 broad categories. The TBOR provides the nation's taxpayers with a better understanding of their rights and makes their rights more visible and easier to find online. With the adoption of the TBOR, the IRS published an updated version of Publication 1, *Your Rights as a Taxpayer*, and its Spanish counterpart, which is available on IRS.gov and in IRS Taxpayer Assistance Centers (TACs).

The IRS continues to assess taxpayer behaviors and preferences. Based on data collected annually since the IRS issued the TAB Phase 2 report in 2007, taxpayers' use of available service channels has remained relatively consistent. Taxpayers are more likely to contact the IRS using IRS.gov, followed by calling our toll-free telephone line. They reported a greater inclination to use the IRS website for information-gathering activities that require minimal in-person assistance (e.g., obtaining a form or publication) than for problem-solving activities that require some degree of in-person interpretation or judgment to successfully complete the task (e.g., responding to a notice).

Taxpayers' attitudes towards using IRS.gov have changed--for many tasks, the proportion of taxpayers who have indicated a likelihood of using the IRS website has increased in recent years. For example, taxpayers who said they would be somewhat to very likely to set up a payment plan using IRS.gov nearly doubled between tax year (TY) 2011 and TY 2013, from 15

percent to 27 percent. This information, along with numerous other research studies, informs the IRS's taxpayer service decisions.

The IRS's FY 2014 activities that expanded service options for taxpayers continue the principles of the TAB and support the IRS Strategic Plan, including expanding online taxpayer assistance options and improving services to make voluntary compliance easier. During FY 2014, the IRS released its Direct Pay and Get Transcript Online applications. Direct Pay is a new payment option available to individual taxpayers through IRS.gov, and the Get Transcript Online application allows individual taxpayers to go online to view and print copies of their account transcripts in one computer session, saving both time and effort. (See page 12 for a discussion of recent events regarding the Get Transcript Online application.) The IRS also reengineered the IRS2Go application and enhanced the Online Payment Agreement (OPA) system to permit more taxpayers to enter into installment agreements through the OPA webpage.

The IRS also developed a web application that allows taxpayers who receive an Identity Protection Personal Identification Number (IP PIN) to get a replacement PIN online. An IP PIN is a unique identifier that authenticates a return filer and provides an additional layer of protection against identity theft. In 2014, an option that provides the opportunity for a select group of taxpayers to proactively get an IP PIN to protect their accounts was tested. Results from this test will drive future decisions in how IRS continues to address tax-related identity theft.

Driven by customer demand for online tools, the IRS created a web-based application and payment process for the renewal of enrolled actuaries' registration, which had been a paper-intensive process since 1974. The online submissions can be processed more quickly and contain fewer errors, such as incomplete information or missing payments.

In FY 2014, the IRS implemented numerous changes to improve the tax-exempt application process, providing more timely service to the taxpayer and reducing their burden. For example, the agency streamlined the determination process for tax-exempt status applications. When the application cannot be closed on its initial merit, the applicant is directed to provide additional information and sign attestations guaranteeing truthfulness. The IRS also improved the content of information-request letters through the use of standardized questions for particular issues.

The IRS continued to improve information available on IRS.gov. For example, the IRS continued to improve the Foreign Account Tax Compliance Act (FATCA) webpage in FY 2014, including developing dedicated landing pages for each of the four groups likely to access this webpage (individuals, U.S. and foreign financial institutions, and governments), adding links to relevant forms and publications, and redesigning the Form 8938, *Statement of Specified Foreign Financial Assets*, webpage so it is easier to navigate. The IRS also redesigned the International Taxpayer landing webpage on IRS.gov to be more useful to the taxpayer. The various international pages are organized into one of six categories: Taxpayers Living Abroad, Resident Aliens, Non-resident Aliens, Foreign Students and Scholars, Territory Residents, and Other.

Continuing the process that began in FY 2010, the IRS improved the clarity, accuracy, and effectiveness of taxpayer correspondence by adding 47 new and redesigned notices in FY 2014. As of August 2014, the IRS had 233 redesigned notices in production, accounting for over 70 percent of the more than 190 million notices the IRS sends out each year. To address the needs of limited English Proficient (LEP) taxpayers, the IRS placed translated copies of high-volume notices on IRS.gov for the five most common foreign languages. These translations contain the standardized portions of the notice that will aid LEP taxpayers in understanding the basic purpose of the notice and the steps they should take in response.

The IRS used various methods, including social media tools, to share the latest information on tax changes, initiatives, products and services to help taxpayers better understand their tax responsibilities. These efforts included creating a web-first strategy for Affordable Care Act (ACA) tax-related information via IRS.gov/ACA, maintaining web content in both English and Spanish. The IRS also displayed more than 200 filing season Tax Tips videos on the IRS YouTube channels and issued more than 4,000 tweets to the corporate Twitter accounts and 620 Tumblr posts.

The IRS implemented an electronic filing (e-File) strategy for business tax returns. To increase the number of e-filed business returns, a new Modernized e-File (MeF) release was deployed for the 2014 filing season which allowed electronic filing for two new business filer programs: Estates and Trusts and Employment Taxes.

Understanding the Taxpayer Perspective

The IRS research organizations continually study taxpayer needs and preferences and how the IRS can serve taxpayers better. Based on data collected since the IRS issued the TAB Phase 2 report in 2007, overall awareness and use of various tax resources and services have remained relatively consistent. Taxpayers are more likely to contact the IRS using IRS.gov, followed by calling our toll-free telephone line.

While the percentage of taxpayers who are aware of IRS.gov has been consistent since TAB Phase 2, their awareness of the services that are available on IRS.gov is growing. For many tasks, the proportion of taxpayers who have indicated a likelihood of using the IRS website has increased in recent years. In general, taxpayers reported a greater inclination to use the IRS website for information-gathering activities that require minimal in-person assistance (e.g., obtaining a form or publication) than for problem-solving activities that require some degree of in-person interpretation or judgment to successfully complete the task (e.g., responding to a notice).

In addition to updating its understanding of the taxpayer perspective, IRS research organizations also provide information that will help the IRS improve service to make voluntary compliance easier. In FY 2014, areas of research included: workload, compliance, and taxpayer service issues related to the ACA; taxpayer burden; Earned Income Tax Credit-eligible taxpayers; taxpayers living abroad, taxpayers who receive paper checks instead of using direct deposit for their refunds, and taxpayer preferences for digital communication options related to compliance tasks.

INTRODUCTION

In April 2007, the IRS, working with the National Taxpayer Advocate (NTA) and the IRS Oversight Board, delivered the final report of the Taxpayer Assistance Blueprint (TAB) to the Congress.¹ The TAB was a two-phase project that studied the service needs and preferences of individual taxpayers and produced a five-year strategic plan for taxpayer services. Based on extensive research of the taxpayer's perspective, the TAB developed a strategic direction for the IRS that incorporated taxpayer and partner needs into its service improvement decisions.

After the TAB project was completed, the Appropriations Committees requested annual progress reports on the implementation of the five-year TAB Strategic Plan. These reports, covering April 2007 to September 2013, summarized progress made to improve taxpayer service, highlighted key service challenges, and provided details of research efforts to understand taxpayer needs, preferences and behavior.²

With the end of the five-year plan, the Appropriations Committees continue to request updates to the TAB identifying any changes to its current strategic plan for taxpayer service, including the results of any new research and relevant findings. This report describes the accomplishments of the IRS for fiscal year (FY) 2014—October 1, 2013 to September 30, 2014—in furthering our understanding of taxpayer needs and delivering taxpayer services.

§1. UPDATED INFORMATION ABOUT TAXPAYER NEEDS AND BEHAVIORS

A cornerstone of the IRS's efforts to deliver excellent service and a more seamless experience for taxpayers is to have and apply a thorough knowledge of taxpayer needs and preferences. The IRS continues to study taxpayers' perspective through various research efforts, most notably the W&I Taxpayer Experience Survey (TES), which collects data about taxpayer service performance expectations, delivery preferences, and behavior.

Based on data collected since the IRS issued the TAB Phase 2 report in 2007, overall percentages related to awareness and use of various tax resources and services have remained relatively consistent. For example, in FY 2014, 41 percent of individual taxpayers who responded to the tax year (TY) 2013 TES stated that they contacted the IRS within the past 12 months, compared to 43 percent as reported in the TAB Phase 2 report published in 2007.³

¹ Internal Revenue Service, *The 2007 Taxpayer Assistance Blueprint Phase 2*, April 11, 2007.

The TAB Phase 1 report, delivered to Congress in April 2006, included a baseline of current taxpayer services and outlined key strategic improvement themes. The results of the first phase of the TAB are presented in *The 2006 Taxpayer Assistance Blueprint Phase 1* (April 24, 2006).

² Internal Revenue Service, Report to Congress: Progress on the Implementation of the Taxpayer Assistance Blueprint, April 2007 to February 2008, April 2008; Internal Revenue Service, Report to Congress: Progress on the Implementation of the Taxpayer Assistance Blueprint, 2008-2009, October 2009; Internal Revenue Service, Annual Report to Congress: Progress on the Implementation of the Taxpayer Assistance Blueprint, April 2009 to September 2010, May 2011; Internal Revenue Service, Annual Report to Congress: Progress on the Implementation of the Taxpayer Assistance Blueprint, April 2010 to September 2011, March 2012; Internal Revenue Service, Annual Report to Congress: Progress on the Implementation of the Taxpayer Assistance Blueprint, Five-Year Progress Report: FY 2008 - FY 2012, April 2013; Internal Revenue Service, The Taxpayer Assistance Blueprint, Taxpayer Service Improvements, October 2012 to September 2013, March 2014.

³ Pacific Consulting Group, *W&I Market Segment Survey 2006*, July 2006; as reported in *The 2007 Taxpayer Assistance Blueprint Phase 2*, pg. 29.

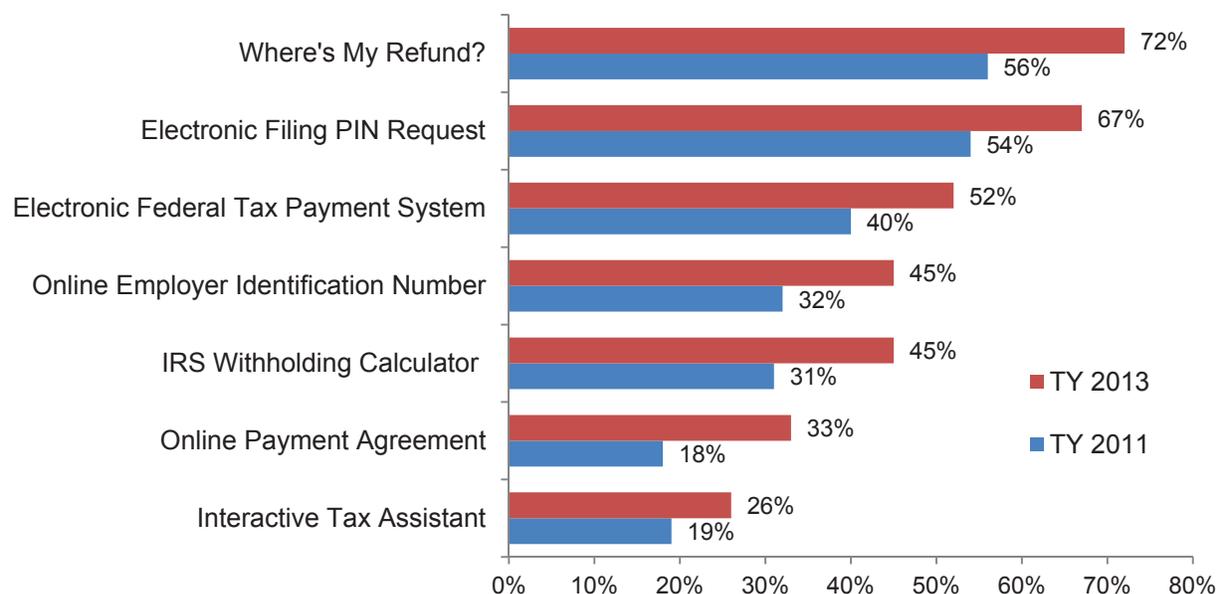
Using IRS resources and services is conditional on taxpayers' awareness—taxpayers cannot use a service if they are not aware it exists. For the most part, service channel awareness among taxpayers has been generally consistent since the TAB, as shown in Table 1. Notable exceptions are the increases in awareness for Volunteer Income Tax Assistance (VITA) services and for the new service channel, the IRS2Go application. The data in the following tables and figures in Section 1 is based on the TES.

Table 1. Awareness of Service Channel

IRS Channel	TY 2007	TY 2008	TY 2009	TY 2011	TY 2013
IRS.gov	82%	82%	84%	84%	83%
Toll-Free Line	80%	81%	79%	74%	77%
Written Correspondence	59%	60%	61%	59%	54%
Local IRS Office	61%	59%	60%	56%	58%
VITA	45%	42%	58%	54%	57%
E-mail	51%	50%	49%	48%	48%
IRS2Go Application	N/A	N/A	N/A	12%	19%

Taxpayers' awareness of an IRS service channel is not always comparable to the specific resources available through that channel. For example, while the percentage of taxpayers who are aware of IRS.gov has been consistent—between 82 and 84 percent—their awareness of specific services available on IRS.gov is growing (see Figure 1). The increases in awareness for specific online services indicate the IRS is succeeding at educating taxpayers about what tasks they can perform online.

Figure 1. Awareness of Select Online Services, TY 2013 & TY 2011



Taxpayer Use of IRS Services

Taxpayers' use of available service channels has remained relatively consistent since the TAB was published in 2007. As shown in Table 2, taxpayers are more likely to contact the IRS using IRS.gov, followed by calling our toll-free telephone line.

Table 2. Use of Service Channel, TY 2007-2013

IRS Channel	TY 2007	TY 2008	TY 2009	TY 2011	TY 2013
IRS.gov	34%	30%	34%	32%	32%
Toll-Free Line	21%	20%	18%	18%	18%
Written Correspondence	7%	8%	10%	9%	6%
Local IRS Office	5%	6%	6%	5%	6%
VITA	3%	4%	5%	5%	6%
E-mail	3%	3%	2%	3%	4%
IRS2Go Application	N/A	N/A	N/A	1%	4%

Taxpayers contact the IRS for various reasons. Survey data presented in Table 3 show that the most prevalent reason taxpayers contact the IRS is to inquire about a refund, followed by getting a form or publication. A few years ago, these top reasons were reversed—getting forms and publications was the most frequent service interaction, followed by refund inquiries. Possible explanations for this change in interactions are the addition of the IRS2Go application, which makes it convenient for taxpayers to check on the status of their refunds, and the growth in electronic filing, which eliminates the need to get tax forms and publications.

Table 3. Service Interactions by Issue, TY 2007-2013

Issue	TY 2007	TY 2008	TY 2009	TY 2011	TY 2013
Refund Information	14%	24%	21%	30%	21%
Get Form or Publication	23%	26%	26%	19%	12%
Notice	11%	14%	13%	12%	6%
Tax Law Question while Preparing a Return	6%	8%	9%	10%	6%
Return Preparation Assistance	10%	10%	8%	9%	7%
Payment Information	5%	6%	5%	5%	7%
Obtain Prior Year Tax Return	6%	6%	5%	4%	8%
Obtain Tax Identity (ID) Number	2%	3%	2%	2%	7%
Tax Law Information after Filing Return	n/a	n/a	3%	3%	2%
Make a Payment	n/a	n/a	4%	6%	7%
Tax-Related Calculations	n/a	n/a	n/a	n/a	5%
Identity Theft	n/a	n/a	n/a	n/a	2%
Affordable Care Act Information	n/a	n/a	n/a	n/a	2%
Other	23%	3%	4%	10%	4%

Taxpayers' service needs influences the method they use to contact the IRS. Table 4 presents taxpayer-reported issue by service channel initially used for resolution in the past 12 months. With the notable exception of obtaining Affordable Care Act (ACA) information, taxpayers report using IRS.gov most often to address their service needs.

Table 4. Service Interactions by Issue and Channel, TY 2013

Service Task	Resolution Method Used									
	IRS Forms/ Instruction Booklets	IRS Website	Healthcare. gov	IRS2GO App	IRS Automated Phone System	IRS Phone Assistor	Written Mail with IRS	Tax Software	Other IRS*	Other Non-IRS
Get a form or publication	10%	74%				4%			5%	8%
Obtain transcripts or prior year tax return information		58%				10%			17%	15%
Get help with tax law while preparing my return	9%	60%						9%	8%	13%
Get tax return preparation help	10%	50%						10%	8%	23%
Get information or assistance about an IRS notice		35%				21%			21%	23%
Make a payment	8%	38%				12%	13%		7%	22%
Get information about making payments	10%	54%				14%	6%		7%	10%
Get information about a refund	2%	58%		8%	7%	4%		4%	2%	16%
Get information about the ACA		32%	38%						10%	20%

Note: Percentages may not add to 100% due to rounding.

* "Other IRS" includes local IRS office, IRS e-mail, and Volunteer Income Tax Assistance (VITA).

Taxpayer behaviors vary by age, income, and education of the taxpayer. For example, as shown in Table 5, taxpayers with lower household incomes reported higher use of non-web-based IRS service channels than taxpayers in higher income households (\$35,000 or more).

Table 5. Use of IRS Service Channels by Household Income, TY 2013

Percent Taxpayers Who Used Service Channel in Past 12 Months*	Household Income			
	Less than \$15K	\$15K to less than \$25K	\$25K to less than \$35K	\$35K or more
IRS.gov	26%	30%	30%	35%
Toll-Free Line	21%	25%	22%	15%
Local IRS Office	12%	8%	6%	4%
Written Correspondence	4%	8%	6%	6%
E-mail	4%	4%	5%	3%
IRS2Go Application	8%	7%	6%	3%
VITA	12%	11%	7%	3%

* Taxpayers could report using multiple channels to contact the IRS during the 12-month period.

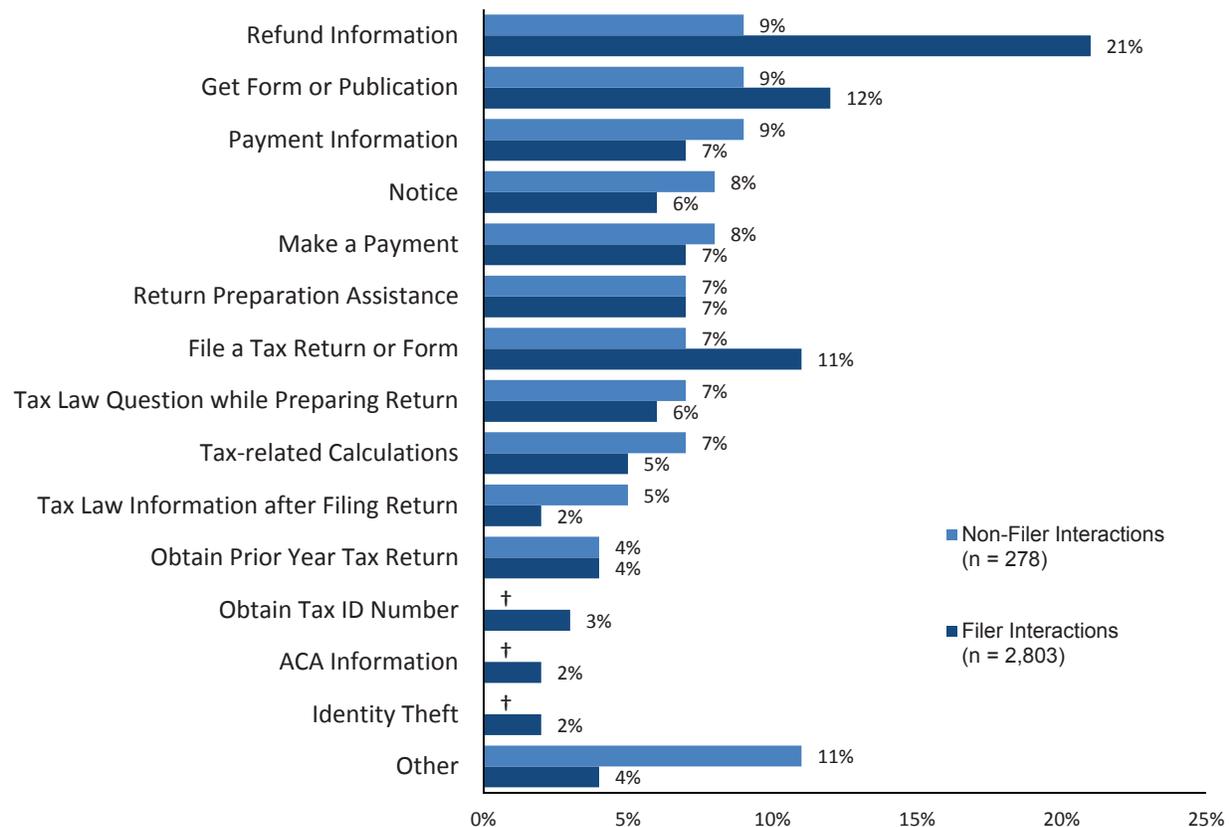
In the most recent TES, a subset of questions was administered to adults who said they did not file a TY 2013 tax return. The rationale for this decision was that non-filers had not been surveyed in prior years, but they also contact the IRS for service. Information on non-filers' channel awareness, use, preferences and demographics was collected. Table 6 shows non-filers had correspondingly lower awareness and use of IRS.gov and the toll-free telephone line than filers. For other channels, awareness and use were comparable between filers and non-filers.

Table 6. Awareness and Use of Service Channel by Whether a Return was Filed, TY 2013

IRS Channel	Channel Awareness		Channel Use	
	Non-Filers TY 2013	Filers TY 2013	Non-Filers TY 2013	Filers TY 2013
IRS.gov	64%	83%	12%	32%
Toll-Free Line	66%	77%	13%	18%
Written Correspondence	55%	54%	5%	6%
Local IRS Office	62%	58%	5%	6%
VITA	57%	57%	6%	6%
E-mail	46%	48%	3%	4%
IRS2Go Application	23%	19%	3%	4%

Fewer non-filers reported contacting the IRS in the past 12 months (22%), compared with filers (41%). By issue, most non-filers reported contacting the IRS for a reason not listed on the survey (see Figure 2). Further analyses determined that non-filers who chose "Other" were most commonly getting information about filing requirements. The next most common reason for non-filers to contact the IRS was obtaining refund information or getting forms or publications.

Figure 2. Service Interaction by Whether 2013 Return was Filed, TY 2013



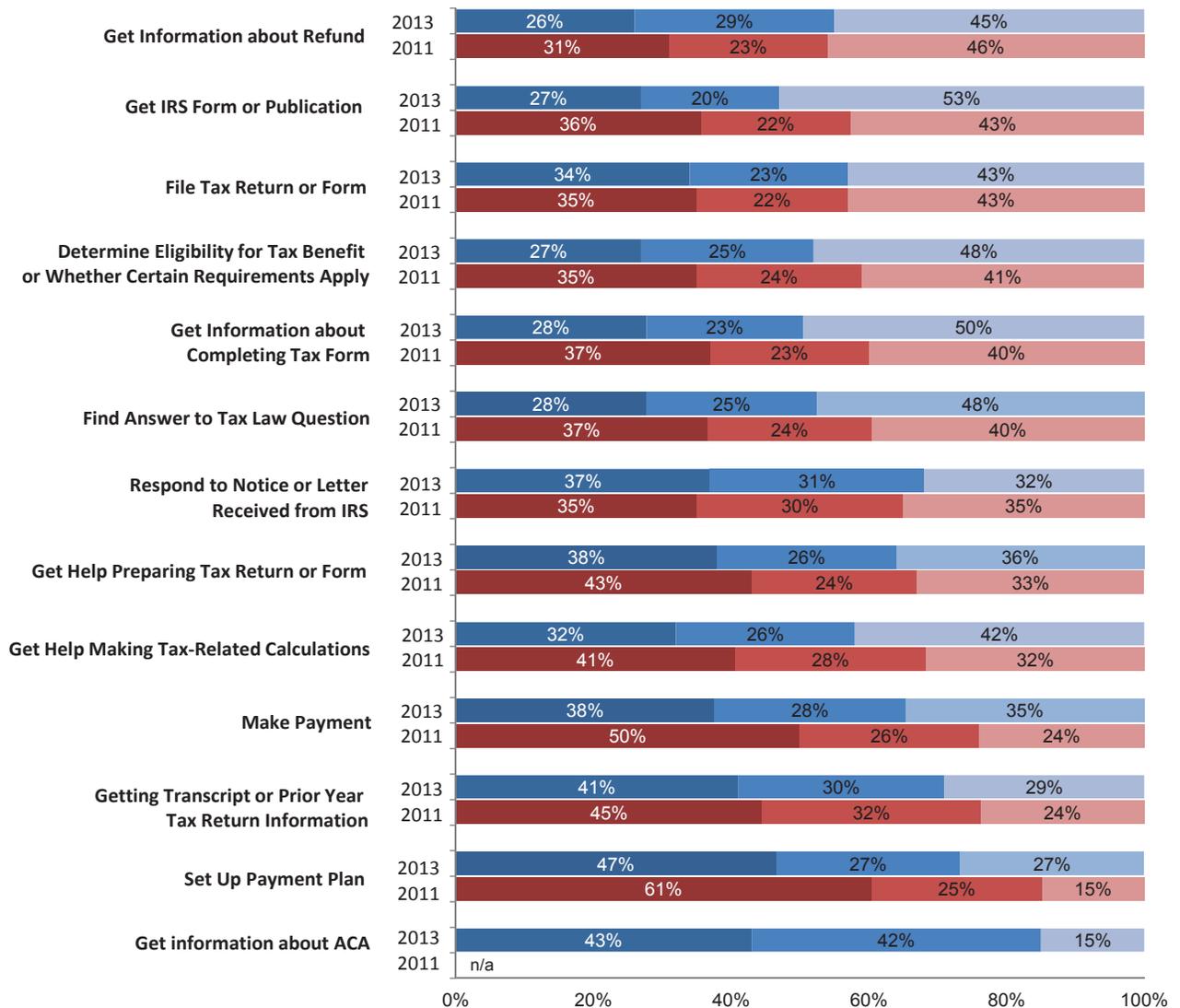
† Percentages not reported for respondent counts less than 10.

Taxpayer Preferences

One of the five areas for service improvement identified in the TAB is the migration of taxpayers who are willing and able to use specific services the IRS delivers most effectively and efficiently through the electronic channel. To move towards this goal, the IRS continues to learn about taxpayer preferences when using the IRS website.

When surveyed about using IRS.gov to perform select tax-related activities, taxpayers reported a greater inclination to use the IRS website for information-gathering activities that require minimal in-person assistance (e.g., obtaining a form or publication) than for problem-solving activities that require some degree of in-person interpretation or judgment to successfully complete the task (e.g., responding to a notice). Taxpayers’ attitudes towards using IRS.gov have changed between TY 2011 and TY 2013. As presented in Figure 3, for many tasks, the proportion of taxpayers who have indicated a likelihood of using the IRS website has increased from TY 2011 to TY 2013. For example, taxpayers who said they would be somewhat to very likely to set up a payment plan using IRS.gov nearly doubled between TY 2011 and TY 2013, from 15 percent to 27 percent.

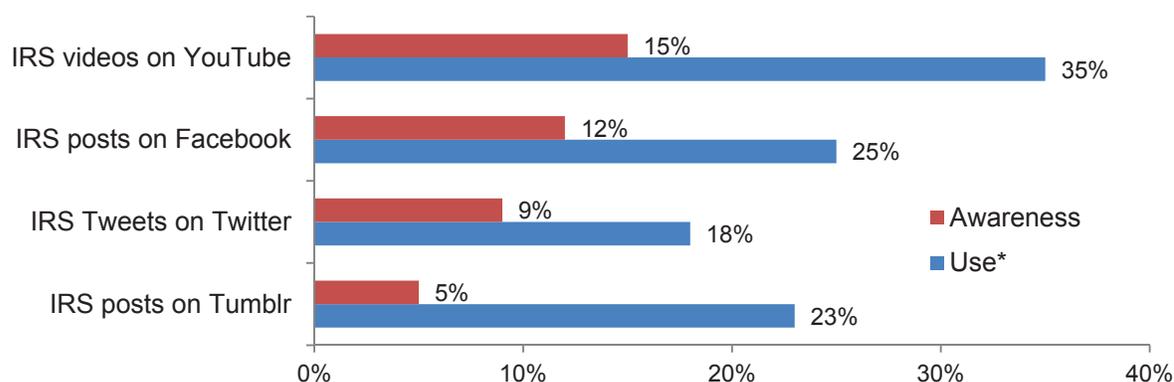
Figure 3. Likelihood to Perform Tax-Related Activities Using IRS.gov in the Future, TY 2011 & TY 2013



Key: Dark shade somewhat to very unlikely to use IRS.gov for task
 Medium shade neither likely nor unlikely to use IRS.gov for task
 Light shade somewhat to very likely to use IRS.gov for task

IRS Social Media Channels

With the ever-growing use of social media, the IRS has expanded its service offerings by posting general tax information on YouTube, Facebook, and Twitter. To continue to understand taxpayers' behaviors, the most recent TES inquired about taxpayers' awareness and use of these channels. As shown in Figure 4, awareness is generally low about the IRS's communications on social media, but use of social media by taxpayers who are aware is encouraging.

Figure 4. Awareness and Use of IRS Social Media Channels, TY 2013

* Only taxpayers who were aware of a channel were asked about use of the channel.

§2. IRS STRATEGIC PLAN FY 2014-2017

One of the objectives of the TAB was to ensure that the IRS considers taxpayer and partner needs, preferences, and behavior in its service delivery decisions. Since the TAB Phase 2 report was released in 2007, the IRS has effectively embedded the TAB into its working culture and its service delivery models. In FY 2014, the IRS released its strategic plan for 2014-2017, and like the strategic plan for 2009-2013, incorporating taxpayer perspectives into IRS taxpayer service improvements continues to be an important part of IRS strategic planning and is included in the *IRS Strategic Plan 2014-2017* (the Plan).

The IRS wove the priorities of the TAB thoroughly into the Plan by incorporating the taxpayer perspective into service improvement decisions and embedding the concept of improving service in every taxpayer interaction.⁴ To that end, the Plan established the following goals and foundations to guide the IRS in achieving its mission to provide America's taxpayers top-quality service by helping them understand and meet their tax responsibilities and to enforce the law with integrity and fairness to all:

- **Goal 1: (Service)** Deliver high quality and timely service to reduce taxpayer burden and encourage voluntary compliance.
- **Goal 2: (Enforcement)** Effectively enforce the law to ensure compliance with tax responsibilities and combat fraud.
- **Strategic Foundation for Organizational Excellence:** Invest in our workforce and the foundational capabilities necessary to achieve our mission and deliver high performance for taxpayers and stakeholders.

For each strategic goal, the IRS developed objectives that will move the agency towards achieving it and provide broad categories for planning and resource allocation. To illustrate how the agency is working towards its strategic goals, this report presents the FY 2014 service improvements organized by strategic objectives.

⁴ See Appendix A for a description of how the TAB guiding principles are integrated into the IRS Strategic Plan for 2014-2017.

§3. FY 2014 SERVICE IMPROVEMENTS BY STRATEGIC OBJECTIVES

As noted, delivering top quality taxpayer service is a goal of the IRS. Assisting taxpayers with their tax questions before they file their returns prevents inadvertent noncompliance and reduces burdensome post-filing notices and other correspondence from the IRS.

The IRS delivered a successful filing season in 2014, which had a delayed start due to the October 2013 government shutdown. During the shortened filing season, the IRS received approximately 131.2 million total individual returns, nearly one million more than in the previous year. Electronically filed (e-File) returns accounted for nearly 116 million of these returns (88%), nearly 3.3 million more than last year (3%). The IRS answered 13 million assistor calls and 33.1 million automated calls, and assisted nearly 3.4 million taxpayers in TACs.

The FY 2014 Service Approach—which educated taxpayers about virtual service channels and reserved face-to-face assistance for taxpayers who needed it—allowed IRS employees to assist those taxpayers with issues that required personal contact. The Service Approach allowed the agency to use the right mix of technology, employees, and IRS partners to best serve customers in the face of changing resources. It allowed the IRS to reserve person-to-person service for those who had issues that only the IRS can help resolve.

The six components of the FY 2014 Service Approach were: Practitioner Priority Services (PPS), Employer Identification Number (EIN), Requests for Transcripts, Tax Return Preparation, Tax Law Assistance, and Tax Refund Inquiries. Comprehensive engagement and communication efforts helped both employees and taxpayers migrate towards alternative self-service channels, and savings from these initiatives were reinvested into improving service on the phones and at walk-in sites. The IRS estimates that with this reinvestment of hours, approximately 326,000 taxpayers that may otherwise have been turned away were assisted in TACs. Wait time for assistance also improved with the change in services with fewer taxpayers waiting more than 30 minutes for service.

Additionally, in FY 2014, the IRS provided millions of taxpayers with valuable service while making it easier for them to participate in the tax system. The IRS:

- Assisted nearly 61,000 customers through Facilitated Self-Assistance (FSA) kiosks and over 10,000 through Virtual Service Delivery.
- Processed 18.6 million transcripts through the Get Transcript application on IRS.gov.
- Registered over 101,900 Foreign Financial Institutions.
- Produced 108 Tax Tips (including 81 Spanish translations) reaching 589,069 online subscribers.

This section describes some of the IRS's taxpayer service accomplishments for FY 2014.⁵

⁵ For information about additional FY 2014 service improvements, see Appendix B.

3.1. Design tailored service approaches with a focus on digital customer service to meet taxpayer needs, preferences and compliance behaviors in order to facilitate voluntary compliance.

Providing taxpayers top-quality service and helping them understand and meet their tax obligations remain top priorities for the IRS. Assisting taxpayers with their tax questions before they file their returns prevents inadvertent noncompliance and reduces burdensome post-filing notices and other correspondence from the IRS.

Using the information it gathers about taxpayer needs and preferences, the IRS delivered tailored assistance, education and services to taxpayers in FY 2014. This information is collected from a variety of sources including surveys, quality assurance programs, taxpayer issue programs, the IRS Oversight Board, the IRS Advisory Council, the NTA, the Taxpayer Advocacy Panel, focus groups, and indirectly from IRS employee feedback and operational data. The IRS uses this information to identify gaps in service performance and opportunities for improvement as well as preferences in service offerings.

Taxpayer expectations and behaviors indicate a growing preference towards online self-service. As taxpayers' desire for improved self-service tools has increased, the IRS has enhanced online self-service offerings. The IRS developed and executed programs to achieve and maintain quality online content including new applications to improve customer satisfaction, increase self-service, and drive compliance online. For example, in FY 2014, the IRS developed and launched several web and mobile tools allowing taxpayers and third parties to transact with the agency including:

- Electronic authentication (eAuthentication) provides secure access to IRS online tools and applications. Since the January 2014 launch, almost 5.8 million knowledge-based authentications have occurred.
- The re-engineered IRS2Go application provides a *Where's My Refund?* tracker and a locator for volunteer tax assistance sites on a re-engineered mobile tool. Since its January 2014 release, IRS2Go has been downloaded more than 2.9 million times.
- Payment Mix Comparison Tool enables preparers, on behalf of the business taxpayer community, to compare the portion of gross receipts from card receipts the business plans to report to results of similar businesses from prior years. This tool will encourage accurate reporting by payment recipients according to Forms 1099-K, *Payment Card and Third Party Network Transactions*, and help close the tax gap.

Additionally, the IRS rewrote web content in plain language and customized page designs to better meet the needs of online audiences. These efforts reduced the number of web pages, simplified content to key information, and improved the user experience.

IRS Direct Pay

In FY 2014, the IRS launched Direct Pay, a new payment option available to individual taxpayers through IRS.gov. It is a free and secure service that allows taxpayers to make electronic payments directly to the IRS from their checking or savings accounts in a single-session online. The development and launch of Direct Pay was motivated by the desire to bring IRS payment options more in line with industry standards. The adoption rate of electronic payments among individual taxpayers has remained low because of the limitations of existing payment options: Electronic Federal Tax Payment System (EFTPS) is free for taxpayers to use but requires pre-registration; payments by credit or debit card can be made easily online but

have a fee charged by the processor; and Electronic Funds Withdrawal payments are free and easy but must be submitted at the time a tax return is e-filed.

Direct Pay was developed in partnership with the Bureau of Fiscal Service and piloted with limited marketing from November 2013 to February 2014. The full roll-out and marketing of Direct Pay began in May 2014, after the filing season due to concerns about capacity and the potential impact to other systems. Since the November 2013 pilot through September 2014, 1.2 million payments have been processed using Direct Pay for a total of \$2.6 billion.

The Direct Pay tool gives individual taxpayers a new way to pay their tax bill and make estimated tax payments. Payments are made directly from the taxpayer's checking or savings account and, unlike other e-payment methods, there is no cost, less hassle, and the taxpayer gets immediate confirmation. The IRS does not retain the taxpayer's bank account information.

Additional features of Direct Pay include rescheduling or canceling payments and performing a payment status search. Direct Pay also allows taxpayers to schedule payments up to 30 days in advance and be assured their account will be credited timely, as long as the scheduled pay date is no later than their due date.

The Direct Pay service can currently be used for the following individual tax types (Form 1040 series), with additional payment types for individuals becoming available in future releases:

- Tax Return Payments
- Estimated Tax Payments
- Filing Extension Payments
- Installment Agreement Payments
- Proposed Tax Assessment Payments (e.g., for taxpayers undergoing an audit)
- Amended Return Payments
- Other Form 1040 Series Payments, including those in response to balance due notices

Online Payment Agreement Application

Enhancements to the Online Payment Agreement (OPA) system were successfully implemented in FY 2014 to permit more taxpayers to enter into installment agreements through the OPA webpage. Over 90 percent of taxpayers who enter into an installment agreement are qualified to use the OPA application to establish an agreement, but only about three percent use OPA to do so.

Increased taxpayer and representative use of OPA will reduce taxpayer burden and will deliver high quality, timely service by allowing the taxpayer to establish the agreement online, without having to call, write, or visit an IRS office and without having to provide detailed financial information. In addition, the taxpayer receives immediate notification the agreement has been approved. This benefits both the taxpayer and the IRS—agreements are established quickly and easily online, without the requirement for detailed financial information or IRS employee contact, freeing IRS resources to assist other taxpayers.

After implementation of the OPA enhancements, In-Business Trust Fund (IBTF) taxpayers who owe \$25,000 or less are now able to use the OPA webpage to enter into installment agreements

with the IRS. Other enhancements included revisions to the design of the OPA webpage, making it easier for the online user to navigate the site and establish payment agreements.

Recent outreach and marketing actions for OPA included multiple tweets to IRS Twitter followers, talking points and presentations for use in continuing professional education sessions for IRS employee groups, IRS Newswire stories that included links to the OPA website and a YouTube video, IRS Special Edition Tax Tips, and presentations at Practitioner Liaison meetings. Taxpayer access to the OPA system significantly increased since the implementation of OPA system enhancements on March 30, 2014. There was a 56-percent increase in page views in FY 2014 over FY 2013.

Get Transcript Online Application

The IRS began offering the Get Transcript Online application in January 2014. Get Transcript Online is an online ordering system for individual taxpayer accounts transcripts available through IRS.gov. This application allows individual taxpayers to go online to authenticate, view, and print copies of their account transcripts in one computer session, saving both time and effort. The previous wait time was seven to ten days. The online application is available 24 hours a day, seven days a week and provides two options: Get Transcript Online and Get Transcript by Mail.

The Get Transcript Online application:

- Allows the taxpayer to download in PDF format any of the five transcripts (tax return, tax account, record of account, wage and income, verification of non-filing letter) to view or print.
- Provides the current and three prior tax years for a tax return, record of account and verification of Non-Filing transcript.
- Provides the current and nine prior tax years for a tax account and wage and income transcript.
- Is offered only in English and requires the taxpayer to verify their identity using an authentication process.

Get Transcript by Mail is the existing internet application on IRS.gov formerly known as “Order a Transcript” and:

- Allows the taxpayers to order two types of transcripts—a tax return transcript or a tax account transcript.
- Allows the taxpayers to order the current and three prior tax years.
- Allows the taxpayer access in both English and Spanish.
- Allows the request be sent to the taxpayer's address of record.

In FY 2014, since the January 2014 launch, 18.6 million transcripts were generated through this application, which represents 79 percent of all requests during that time period.

In FY 2015, the IRS experienced unauthorized accesses on the Get Transcript Online application—initially, it appeared that 200,000 attempts to access taxpayer data were made, about half of which were successful. Upon further investigation, it was determined an additional

390,000 attempts to access taxpayer data were made, about 220,000 of these were successful. It was clear that these attempts were made by sophisticated criminals who possessed enough personal information of American citizens to correctly answer authentication questions, including those containing detailed personal financial data. IRS's response was swift, including taking the application offline. Within five days of recognizing the issue, the IRS notified key stakeholders, including the Chairmen and Ranking Members of the tax writing committees. In addition, letters were sent to the affected taxpayers offering free credit monitoring services. While the loss of even one taxpayer's information is unacceptable, the IRS was able to minimize the unauthorized accesses by acting quickly. During the 2015 filing season, more than 23 million taxpayers successfully and correctly accessed their transcripts online and received immediate service.

Foreign Account Tax Compliance Act Website Improvements

Under the provisions of the HIRE Act commonly referred to as the Foreign Account Tax Compliance Act (FATCA), individual taxpayers are required to report information about certain foreign financial accounts and foreign financial assets on Form 8938, *Statement of Specified Foreign Financial Assets*, and attach it to their income tax return if the total value exceeds the applicable reporting threshold. Under FATCA, certain financial institutions are also required to report to the IRS information about certain financial accounts maintained by the financial institutions and held by U.S. accountholders and about certain foreign payees with substantial U.S. owners on Form 8966, *FATCA Report*.

Digital tools are used to facilitate taxpayer service related to FATCA. The FATCA webpage on IRS.gov was revamped and redesigned in FY 2013. Additionally, the following steps were taken to improve it in FY 2014:

- Developed a dedicated landing page for each of the four groups likely to access FATCA information on IRS.gov—individuals, U.S. financial institutions, foreign financial institutions (FFIs), and governments—in order to deliver relevant information to each group.
- Added links to a separate page with FATCA-relevant forms and publications and to the IRS.gov Forms and Publications page.
- Added direct links to related sites such as the Treasury FATCA Resource Center, and FATCA Regulations and Other Guidance.
- Created two Frequently Asked Questions (FAQs) sections, one for individuals and one for financial institutions, to address taxpayer questions and comments. A working group was put in place that meets regularly with stakeholders to identify and develop FAQs and their answers using questions and comments from the public and from within the IRS.
- Redesigned and updated the Form 8938 webpage so it is easier to navigate. The webpage continues to be modified as needed to address taxpayer needs. For example, all material was updated to reflect the change in the form number and submission method for the Report of Foreign Bank and Financial Accounts (FBAR).
- Added an e-mail box on the FFI webpage for general questions which are used to update the FAQ document. The FAQs are updated as needed and provide a vital source of easily accessible information available to taxpayers at any time.

- Created new pages for “FATCA Current Alerts and Other News” and for a summary of FATCA timelines.
- Provided links to International Data Exchange Service information, the final FFI agreement, updated registration pages, and FFI list information.
- Developed and launched the FFI List Search and Download Tool, accessible from the main FATCA landing page and the subpages for financial institutions.
- Created a dedicated web mailbox for government stakeholders to facilitate timely responses to questions and a page containing information on safeguarding data, including a link to the International Data Safeguards & Infrastructure Workbook sent to all reciprocal intergovernmental agreement jurisdictions, prepopulated with the United States responses.

The current FATCA website was designed for its target audiences: individuals, financial institutions, and governments. Individual taxpayers can better understand their compliance obligations for timely filing a complete and accurate Form 8938 with their tax return. Furthermore, financial institutions and withholding agents gain a better understanding of their compliance obligations and are able to access compliance tools such as the registration page more easily.

3.2. Deliver clear and focused outreach, communications and education programs to assist taxpayer understanding of tax responsibilities and awareness of emerging tax laws.

In 2014, the IRS continued to communicate with taxpayers to increase their understanding of their tax responsibilities and reduce their compliance burden campaigns by disseminating information using social media, webinars, and other methods to address taxpayer needs. A common challenge in providing guidance and outreach to taxpayers is ensuring that the communication is clear. Providing targeted tax guidance to a diverse U.S. and international taxpayer base comprised of individuals, businesses, partnerships, nonprofit organizations, and government entities requires identification of manageable segments of taxpayers that have common characteristics and needs. Providing effective outreach requires developing communication that does not simply inform, but also motivates the taxpayer to take the required action and provides the information necessary to do so.

The IRS conducted an extensive communication campaign for the 2014 Service Approach that increased awareness and use of online and partner services while preserving person-to-person service for those who have no other way to get help. The campaign used knowledge gained from extensive stakeholder sessions, including sessions with congressional staffers and the Government Accountability Office (GAO), along with IRS subject matter experts, to produce a series of internal and external communication products and actions that effectively positioned the new approach for great success.

In addition to broad filing season communications that informed the public of available services, the IRS avoided burdening taxpayers by mailing a post card to taxpayers who had their TY 2012 tax return prepared at a TAC. The post card informed them of service changes related to the 2014 Service Approach and advised them of alternative return preparation services for TY 2013. The IRS coordinated with local Volunteer Income Tax Assistance (VITA) and Tax Counseling for the Elderly (TCE) site partners to increase awareness by listing the services each local volunteer site offers. Field Media Relations specialists also supported

efforts to publicize local services and address any local media interest in the 2014 Service Approach.

Taxpayer Bill of Rights

In June 2014, the IRS released its Taxpayer Bill of Rights (TBOR). This document reflects rights contained in existing law already passed by Congress. The TBOR takes the multiple existing rights embedded in the tax code and groups them into 10 broad categories, modeled on the U.S. Constitution's Bill of Rights, making them easier for taxpayers to understand. The TBOR provisions, which can be found on IRS.gov, are:

- The Right to Be Informed
- The Right to Quality Service
- The Right to Pay No More than the Correct Amount of Tax
- The Right to Challenge the IRS's Position and Be Heard
- The Right to Appeal an IRS Decision in an Independent Forum
- The Right to Finality
- The Right to Privacy
- The Right to Confidentiality
- The Right to Retain Representation
- The Right to a Fair and Just Tax System

One of the first successes in implementing the TBOR principles is the revision to the language in Internal Revenue Manual (IRM) 5.11.1, *Background, Pre-Levy Actions, Restrictions on Levy & Post-Levy Actions*, published on August 1, 2014. The language provides additional employee education regarding consideration of a taxpayer's financial condition when determining whether or not to issue a levy. This language emphasizes IRS employees should not issue a levy when facts and circumstances indicate the levy will cause an economic hardship. It also clarifies that a levy issued in such circumstances would be released under IRC §6343(a)(1)(D). The revised language references the newly adopted TBOR, and marks the first reference to the TBOR in the IRM.

Updated Publication 1, Your Rights as a Taxpayer

With the adoption of the TBOR, the IRS published an updated version of Publication 1, *Your Rights as a Taxpayer*, and its Spanish counterpart in June 2014 to include the TBOR provisions. Publication 1 informs taxpayers of their rights, and the processes for examination, appeal, collection and refunds. It is part of a widespread public campaign to convey the importance and priority of taxpayer rights. Translations in Chinese, Korean, Russian and Vietnamese are available online.

To educate and inform the taxpayer public about this outreach effort, the IRS worked to create Publication 5170, *Taxpayer Bill of Rights Brochure*, as well as posters and signs for distribution to TACs and public offices. Publication 5170 may be ordered by taxpayers through the IRS National Distribution Center.

The timing of the updated Publication 1 was critical because the IRS would be in the peak of its correspondence mailing season as taxpayers started to receive follow-up notices from the 2014 filing season. Each year, Publication 1 is sent to millions of taxpayers when they receive IRS

notices on issues ranging from audits to collection. It is also available at IRS TACs and on IRS.gov.

Redesigned Taxpayer Correspondence

In FY 2010, the IRS created the Office of Taxpayer Correspondence (OTC) to address the consistency, clarity, and effectiveness of IRS communications to taxpayers. The OTC focuses on improving the taxpayer service experience through more effective communications, including a complete redesign of computer-generated notices. The IRS formed a service-wide research and analysis team to create a method for evaluating the effectiveness of new and revised notices. This team gathers taxpayer input at a usability lab that conducts web based surveys and assesses taxpayer behavior. They use this information to evaluate taxpayer perception and comprehension of IRS notices and the effect of redesigned notices on issue resolution.

In FY 2014, the IRS continued to improve the clarity, accuracy, and effectiveness of taxpayer correspondence by adding 47 new and redesigned notices, for a total of 233 redesigned notices in production as of August 2014. Redesigned notices account for over 70 percent of the more than 190 million notices the IRS sends each year. The revised notices explain payment options in plain language. To address the needs of limited English Proficient (LEP) taxpayers, the IRS placed translated copies of high-volume notices on IRS.gov. The translations comprise five of the most common foreign languages (Spanish, Chinese, Korean, Vietnamese, and Russian). While none of the notice images on the web include any actual taxpayer data, they contain the standardized portions of the notice that will aid LEP taxpayers in understanding the basic purpose of the notice and the steps they should take in response.

Taxpayer input derived from testing of the redesigned notices continues to show that taxpayers overwhelmingly approve of and prefer the new design. Moreover, comprehension of the key messages of each notice is higher in the redesigned products. With the addition of an IRS.gov component to each notice, taxpayers have the ability to query frequently asked questions without having to call or write to the IRS and many non-English speakers can see a translated version of their notice.

Additional Outreach Efforts

The IRS used various methods, including social media tools, to share the latest information on tax changes, initiatives, and products and services to help taxpayers better understand their tax responsibilities. Additional FY 2014 outreach efforts included:

- Produced 61 Tax Tips for the 2014 filing season, including 49 that were translated into Spanish. Subscriptions to Tax Tips have grown to more than 589,000, a 28-percent increase since last year and an 88-percent increase since the summer of 2012.
- Displayed more than 200 filing season Tax Tips videos on the IRS YouTube channels. Podcasts for each of these videos were also available in English and Spanish for downloading from IRS.gov.
- Issued more than 4,000 tweets to the corporate Twitter accounts and 620 Tumblr posts.
- Developed a Filing Season Update page on IRS.gov to address filing and refund issues that surfaced in social media conversations. Updates on this page were embedded in a number of stakeholder and taxpayer-focused websites throughout the filing season.

- Conducted monthly meetings with the national tax professional organizations where IRS leaders and staff briefed the stakeholders on issues of current interest and delivered messages that the organization representatives communicated to their members.
- Maintained an active e-mail listserv that provides information on policies and procedures in a timely fashion to the same audience and includes the IRS advisory group members. Both information delivered at these meetings and “as it happens” e-mails reach the original audience and there are multiplier effects as groups and individuals post this information on web sites, forward e-mails and communicate through social media.
- Published e-News for Tax Professionals weekly with a current subscriber base of 307,000 tax professionals and organizations.
- Continued IRS efforts to educate taxpayers about the Earned Income Tax Credit (EITC) through EITC Awareness Day events. To help raise awareness, the IRS held two Commissioner’s conference call press events—one with 21 media outlets serving the Spanish-language community and another with 15 English-only media outlets.
- To encourage participation in the EITC program, delivered informational notices about the EITC to individuals who appear to be EITC eligible but have not filed a return for the applicable year.
- Redesigned the Alternative Dispute Resolution (ADR) web page on IRS.gov to ensure awareness of alternative dispute resolution opportunities available to help resolve tax controversies. The IRS also developed an online ADR self-help tool to assist taxpayers and practitioners in identifying the alternative dispute program that best fits their needs.

3.3. Provide timely assistance through a seamless, multichannel service environment to encourage taxpayers to meet their tax obligations and accurately resolve their issues.

Providing timely assistance requires understanding when taxpayers want and need to receive information from the IRS and how they process that information. To become more accessible to today’s taxpayers, the IRS is providing a consistent multichannel experience that includes significantly expanded digital service delivery. The IRS expanded its suite of online services to quickly and reliably address frequent taxpayer requests in a secure manner. Specific areas of focus include international taxpayer assistance, Affordable Care Act (ACA) outreach, social media monitoring, and virtual service delivery.

Improved Assistance to International Taxpayers

For most taxpayers living abroad, the IRS website is not only their preferred channel to obtain tax information, but often their only channel. Therefore, it is important for the IRS website to provide not only useful tax information but to be user-friendly and resourceful, as well. As such, the IRS continued to improve international taxpayer assistance by providing clear, accessible information focused upon the individual living abroad. Adding features to IRS.gov and improving access to information that is of specific interest to the international taxpayer helped taxpayers living outside the United States more easily find answers to questions and access forms and information needed to satisfy their U.S. tax obligations.

The IRS embarked on a cross-divisional project to improve the IRS.gov experience for international taxpayers. The International Individual Taxpayer Assistance (IITA) team was tasked with revamping the international taxpayer homepage, adding useful content and making

the page easier to navigate by improving search capabilities. In June 2014 the IRS launched a redesigned international taxpayer landing webpage that is designed to be more useful to the taxpayer. The IITA team organized the various international pages into one of six categories: taxpayers living abroad, resident aliens, nonresident aliens, foreign students and scholars, territory residents, and other. The international taxpayer landing page shows these six categories with links to separate pages with relevant topics, such as filing requirements, income, deductions, nonresident aliens with a U.S. trade or business, forms, or resources.

Additionally, taxpayer service specialists at our overseas posts expressed concerns about responding correctly and timely to questions about the effect of the ACA on U.S. citizens and resident aliens living outside the United States. As a result, the ACA office designated a point of contact to whom all ACA questions received at the overseas posts can be forwarded.

The IRS also took a number of steps to educate taxpayers with foreign accounts about their filing obligations. Outreach efforts in FY 2014 included:

- Posted information to IRS.gov outlining filing obligations and issued fact sheets and public announcements outlining filing requirements.
- Provided additional information through multiple channels, including the IRS Twitter account, the IRS tax attachés located in U.S. consulates and embassies, and the National Public Liaison's practitioner e-mail distribution list.

Individual Taxpayer Identification Number Authentication

An Individual Taxpayer Identification Number (ITIN) is a tax processing number issued by the IRS to individuals who are required to have a U.S. taxpayer identification number but do not have and generally are not eligible to obtain a Social Security Number.⁶ The ITINs are designed specifically for tax administration purposes and are issued to help individuals comply with their obligations under U.S. tax laws.

The IRS received feedback that ITIN application procedures it implemented in January 2013 could create significant burden and hardship for taxpayers. Namely, on January 1, 2013, the IRS began requiring applicants to include original or certified documentation such as passports and birth certificates with the application form, and notarized or "apostilled" copies of documentation would no longer be accepted. However, taxpayers needed their original documents for other legitimate purposes.

In response to this feedback, the IRS implemented new procedures allowing some TACs to authenticate passports and national identification cards in person. On October 1, 2013, the IRS successfully rolled out the ITIN document authentication procedures to 100 TACs, authenticating passports and national identification cards for more than 53,000 taxpayers. Using the initial implementation as a springboard, ITIN authentication expanded from 100 to 188 TAC locations during the 2014 filing season. In FY 2014, over 106,000 taxpayers took advantage of the added flexibility to file ITIN applications and have their documents authenticated face-to-face. This procedure allows the IRS to process the ITIN application and return the authenticated documents to the applicant before the applicant leaves the TAC, alleviating the need to mail original documents to the IRS.

⁶ Effective June 30, 2014, ITINs will expire if not used on a federal income tax return for any year during a period of five consecutive years

Affordable Care Act Outreach

The ACA Marketplace provisions had limited effect on 2013 individual income tax returns filed in 2014. Following the FY 2014 filing season, the focus shifted to the 2015 filing season to communicate impacts of the Marketplace Provisions for individuals, employers, and insurers in an effort to ensure compliance when filing their 2014 tax returns.

The FY 2014 ACA service efforts included:

- Creating a web-first strategy for ACA tax-related information via IRS.gov/ACA
- Collaborating with other government agencies (e.g. Health and Human Services/Centers for Medicare and Medicaid Services, Small Business Administration) to develop and deliver shared messages
- Using various customer communications channels and multichannel tools, namely:
 - Web (IRS.gov/ACA, questions and answers (Q&As), podcasts, widgets)
 - Distributed Products (Health Care Tax Tips, news releases, brochures, electronic newsletters)
 - Social Media (Twitter, Facebook, YouTube, Tumblr)
 - Events (Congressional webinars, IRS Nationwide Tax Forums)
 - Customer Service (call centers, TACs, Verizon Informational Line)
- Developed, updated, or revised 157 Marketplace and over 330 non-Marketplace products
- Maintained web content (IRS.gov/ACA) in both English and Spanish
- Documented and updated 20 sets of Q&As for individuals and families, employers, and other entities and organizations
- Released 45 e-News items, exempt organizations updates, and guidance releases
- Provided 16 Health Care Tax Tips
- Collaborated with federal partners and the NTA on more than two dozen communications products
- Conducted 182 outreach events, reaching over 70,000 participants from over 100 organizations, including five IRS Nationwide Tax Forums

3.4. Strengthen refund fraud prevention and provide prompt assistance to support victims of identity theft.

Identity (ID) theft tax fraud has emerged as an increasingly prevalent threat. The IRS recognizes the importance of this issue and has dedicated significant resources to address it. The IRS provided specialized outreach and education campaigns to help taxpayers avoid fraud and augmented staffing to provide assistance to taxpayers who have become victims of ID theft. The IRS strengthened its ability to identify and respond to fraud by bolstering analytics capabilities, making full use of existing data sources, and exploring potential new data sources and techniques that allow better identification of anomalies and flagging of suspect accounts.

Outreach and education through social media were key components of the IRS communications strategy on ID theft. The FY 2014 highlights include:

- Produced new YouTube videos showcasing IRS efforts to combat ID theft, providing tips for victims, and making taxpayers aware of how to help prevent their identities from being stolen. These videos were viewed more than 27,000 times.
- Created a series of different posts on Tumblr reinforcing ID theft messages through graphics and links to YouTube videos, with a number of posts translated into Spanish.
- Included a static tab on the IRS Facebook page linking readers to the Identity Protection page on IRS.gov.
- Issued tweets from the IRS Twitter accounts on the topic of ID theft.

Automated Identity Protection Personal Identification Number Process

The Identity Protection Personal Identification Number (IP PIN) is a unique identifier that authenticates a return filer at the time a return is filed. The web application allows taxpayers who receive an IP PIN to get a replacement online and provides the opportunity for a select group of taxpayers to proactively get an IP PIN to protect their accounts.

In January 2014, the IP PIN online web application was released, and its URL was publicized for taxpayers who had received an Identity Theft notice from the IRS. Additionally, taxpayers from high-risk identity theft areas (Florida, Georgia and Washington, DC) who used the Electronic Filing Personal Identification Number were offered the opportunity to participate in a pilot that offered an opt-in to the IP PIN program.

The IP PIN web application leverages the IRS e-Authentication solution to provide a higher level of identity proofing for taxpayers. Once a taxpayer is assigned an IP PIN, it must be included on their tax return, regardless of filing method, for the return to process correctly. The taxpayer must also use an IP PIN in all future years to file a return. Additionally, during FY 2014 the IRS launched an online process so that taxpayers who are victimized by identity theft can retrieve their lost or misplaced IP PINs. In FY 2014, the IRS issued approximately 1.2 million IP PINs to taxpayers with identity theft markers on their accounts.

3.5. Reduce taxpayer burden and increase return accuracy at filing through timely and efficient tax administration processing.

The technology and procedures that the IRS uses to process returns have evolved over the course of many decades. The IRS has invested in the systems required to process electronically-filed returns, expanding the types of returns accepted through this more efficient digital channel. Further, the IRS has increased the efficiency of the filing and payment processes.

New Modernized e-file

The IRS implemented an electronic filing strategy for business tax returns. This strategy outlines the IRS's e-filing goals--increase the e-File rate for business tax returns, improve stakeholder engagement, and improve business policies, processes, tools, and information technology system capabilities. The development of the e-File strategy is the result of Treasury

Inspector General for Tax Administration (TIGTA), GAO, and advisory committee recommendations on options to support the growth of e-File returns.

To increase the number of e-filed business returns, a new Modernized e-File (MeF) release was deployed in January for the 2014 filing season, which included forms for Estates and Trusts (Form 1041) and Employment Taxes (Form 94X), comprising 114 forms and schedules.

In FY 2014, taxpayers submitted more than 231 million individual and business returns (includes both federal and state submissions) through MeF.

3.6. Improve service delivery and support effective tax administration by fostering strong relationships with our tax community and government partners.

The IRS works closely with the tax community to help meet the needs of taxpayers. In FY 2014, the IRS continued to maintain strong relationships and increase dialogue with the tax professional community, including holding monthly meetings with two of the Commissioner advisory groups—the IRS Advisory Council and the Information Reporting Program Advisory Committee. This allowed the IRS to hear about systemic problems when they were newly identified and minor because the stakeholders were seeing outcomes first-hand and were willing to report what they saw that might be a problem. The close relationships also allowed the Service to leverage the knowledge, talents, and skills of the tax professional community for feedback as the IRS considered service or enforcement initiatives and built tools for the taxpayer or the tax professional.

Refundable Credits Outreach

The IRS continues to improve on the delivery of integrated cross-functional strategic outreach initiatives for refundable credits. The goal is to ensure that eligible taxpayers are aware of the credits they deserve and of the qualifications to accurately claim the credits. Partnering across IRS as well as with other agencies, partners and tax preparers is crucial for success.

In FY 2014, the IRS continued to leverage partners to disseminate information. The IRS develops both low-cost electronic publications as well as publications to hand out to increase awareness of eligibility of refundable credits eligibilities, and in turn, to increase participation and compliance.

For the American Opportunity Tax Credit (AOTC), the IRS continues to partner with the Department of Education and others to develop strategies to improve education tax benefits information provided to students and families., The IRS created a new electronic toolkit that includes information for partners and preparers to determine which education benefit is the most advantageous to the student. Strategic communications were enhanced to include more face-to-face interaction to increase awareness and link people back to our tools and resources as a trusted source of information.

The IRS led the effort to deliver the eighth annual nationwide EITC Awareness Day on January 31, 2014. The EITC Awareness Day events included news conferences, news releases, e-mail blasts, newsletters and social media interactions. Over 200 local media events were conducted by IRS partners. English and Spanish radio interviews were held in both local and national markets. National English and Spanish press conferences reached a market of nearly 1.8 million individuals. Social media including Facebook, Twitter, YouTube and Tumblr resulted in

over 10,500 people using these messages to access the EITC IRS.gov website to find EITC information.

Improved Delivery and Timeliness of Volunteer Products

Each year, the IRS develops training and outreach products for volunteers who prepare tax returns at VITA and TCE program sites. More than 150 products are developed or updated annually to support over 12,000 volunteer sites and to train more than 93,000 volunteers which yielded more than 3.6 million volunteer-prepared tax returns in 2014.

The IRS leveraged technology to improve the delivery and timeliness of VITA/TCE training and outreach products for the 2014 filing season:

- Shifted some training products to evergreen by removing date/year references which limited their lifespan. As a result, the evergreen products will require minimal annual updates.
- Implemented an e-Migration strategy which transitions volunteers from printed to electronic products:

Product	Electronic only	Publication (if approved)
Pub. 4491-W, <i>VITA/TCE Problems and Exercises</i>	2015	TBD
Pub. 4491, <i>VITA/TCE Training Kit</i>	2016	2015
Form 6744, <i>Volunteer Assistor's Test/Retest</i>	2017	TBD
Pub. 4961, <i>Volunteer Standards of Conduct (Ethics)</i>	2017	TBD
Pub. 4012, <i>Volunteer Resource Guide</i>	2018	2015
Pub. 4011, <i>Foreign Student and Scholar Volunteer Resource Guide</i>	2018	TBD

- Implemented a process to identify duplicate orders of training material, preventing multiple shipments to volunteers.

3.7. Enhance the quality of tax services by strengthening the outreach, education and tools provided to the tax professional community.

In recent years, the IRS has significantly expanded outreach to the tax professional community, which includes enrolled agents, certified public accountants, attorneys and other tax return preparers. The IRS has registered hundreds of thousands of paid tax return preparers since 2010 and also conducts educational visits and sends educational letters aiming to improve the accuracy of tax returns and heighten awareness of preparer responsibilities.

During FY 2014, the IRS provided news and information to tax professionals through the following:

- A dedicated Twitter channel reaching over 28,000 individuals. The content on Twitter directs tax professionals to more detailed information on IRS.gov.
- The weekly *e-News for Tax Professionals* e-mail newsletter which reached nearly 307,000 tax professionals and organizations.
- Annual IRS Nationwide Tax Forums that reached nearly 11,000 tax professionals, providing updates on changes to tax laws and delivering certified continuing education credits for enrolled agents, certified public accountants, and certified financial planners.

Enrolled Actuary Online Enrollment and Renewal Application

Driven by customer demand for a web-based application, the IRS created in FY 2014 a web-based application and payment process for the renewal of enrolled actuaries' registration, which had been a paper-intensive process since 1974. This initiative benefits our customers, who now have an electronic alternative to paper filing. Also, the online submissions can be processed more quickly and contain fewer errors, such as incomplete or missing payments.

The secure electronic website Pay.gov hosts the application for enrollment and for renewal of enrollment forms for enrolled actuaries. Approximately 60 percent of the 3,772 renewals in FY 2014 were processed through this web-based application. The registration and renewal system experienced very limited downtime and was fully operational for over 99 percent of the renewal season.

Overall, customers who provided feedback indicated that the process was user friendly and that they would use Pay.gov again in the future. We believe that the number of users will increase as customers become comfortable with Pay.gov and trust that the website is secure. We have not had an opportunity to test the application for enrollment but expect that many applicants will choose to use Pay.gov to apply for enrollment.

Enrolled Practitioner Toll-Free Line

In 2014, the IRS implemented a toll-free telephone line for enrolled practitioners. Prior to this service, to get information about the Enrolled Agent/Enrolled Retirement Plan Agent process and to discuss applications in progress assigned to specific Legal Instrument Examiners, customers called a toll line that was shared with other IRS organizations. The toll line allowed callers to leave a message. With this toll line, the examiners could not answer incoming calls nor respond to messages efficiently. Also, there was no real time or historical information available to manage resources, monitor calls or analyze the telephone services currently provided.

Since the toll-free line was implemented, customer service satisfaction has increased. Between November 18, 2014, and August 22, 2014, almost 15,700 calls were handled on this line, with an average handle time of about six minutes. This implementation immediately increased the level of professionalism in the operation, and the IRS now has the ability to baseline its call volume and quality.

Tax Professional PTIN System

The IRS requires all individuals who are required to sign a federal tax return as a paid tax return preparer to register and obtain a preparer tax identification number (PTIN). The IRS continues to make improvements to the Tax Professional PTIN System, which provides online PTIN registration/renewal for return preparers.

The IRS completed a successful fourth open season for PTIN issuance and renewal, which was accomplished through improved system performance and availability resulting in a better user experience and added system security.

- The IRS utilized data obtained from Google Analytics to analyze behavior flow and pursued enhancements and content solutions for user pain points by improving the login process and login self-help functions.
- The infrastructure was maximized to support higher usage volumes. A new system and application monitoring tool was installed and deployed to the system environment. This tool provided the technical & application teams with real time alerts to key system and process issues.
- Processes were put into place to prevent double payments of user fees from occurring. No double payments have been identified since this functionality was implemented.
- The landing page was redesigned to simplify the look and feel of the logon page and provides additional self-help options for FAQs and enhanced YouTube video features.

3.8. Enforce domestic and international compliance by strengthening expertise, adopting innovative approaches and streamlining procedures.

The IRS recognizes that it must act quickly when enforcing the tax laws to reduce the burden to both taxpayers and the agency. Timely enforcement activities combined with educational activities increase compliance by providing clarity and certainty to taxpayers and make IRS resources available to work with other taxpayers.

Audit Improvement Team

The tax law for EITC and child-related issues remains complex. The correspondence examination process can be confusing, intimidating and stressful to taxpayers. To get to the correct audit result, the communications between taxpayers and the IRS must be effective. Many taxpayers responding to an EITC audit notice either call the IRS for clarification of documents required or do not submit all the required documents to prove EITC eligibility during the audit process. The Form 886-H-EIC, *Documents You Need to Send to Claim the Earned Income Credit on the Basis of a Qualifying Child or Children for Tax Year 2014*, is currently sent with the initial audit notification letter to request documentation to prove the taxpayer may claim EITC for the qualifying child.

In FY 2014, the IRS created a cross-functional team that included the TAS to improve communications with taxpayers during a correspondence audit by taking several actions, including:

- Revising Form 886-H-EITC to improve taxpayer understanding of the EITC requirements so they could submit a complete response the first time. Changes were made based on the current state of the examination audit processes, data available to taxpayers, data needed to substantiate claims, and information available from the updated EITC Compliance Study.
- Creating a series of videos to educate taxpayers about the correspondence examination process, based on the communication needs and preferences of the EITC audience.
- Creating a TeleTax topic on the EITC correspondence examination process for the 2015 filing season. The topic addresses items previously identified as issues, such as explanations of the consequences of not responding to the audit letters, of the need to open the audit letters, and of what the audit letters mean. The topics are available on both the phone and the internet.

- Submitting a change request to include an automated message to the existing EITC audit toll-free phone line with similar information as the TeleTax topic with an option to transfer to a live assistor.

The IRS conducts about 500,000 EITC audits a year. The team's outreach efforts are to increase taxpayer participation and to simplify the audit process by providing taxpayers a variety of tools to facilitate the audit process. The goal is to improve taxpayers' understanding of the audit process, assist them in submitting the correct documents the first time, minimize the need for repeat phone calls, and to achieve a quicker resolution to the audit, resulting in reduced cycle time and increased taxpayer satisfaction.

Correspondence Examination Assessment Project

The Correspondence Examination Assessment Project (CEAP) team was assembled in June 2012. The CEAP identified 31 short and long term issues in 16 topical areas. The CEAP scope focused on a subset of the issues: letters and communication; scope and complexity of work; external transfers (Field and Appeals); overall Correspondence Examination process; and long-term program enhancements (e.g., online services, self-help options).

The CEAP improvements in FY 2014 included:

- Taxpayer Digital Communications (TDC) Pilot. The IRS began planning a TDC use case (live test) pilot in Correspondence Examination. The team developed a survey to assist in identifying and prioritizing taxpayer communication preferences.
- Virtual Service Delivery (VSD) Pilot. The IRS conducted a pilot of VSD (a virtual face-to-face-meeting) in Correspondence Examination. The final results of the pilot will be evaluated for potential future application in the program.
- YouTube Video. The team finalized and submitted YouTube video scripts explaining Correspondence Examination notices (EITC and Discretionary). These videos are expected to be produced in FY 2015.
- Publication 3498-A, *The Examination Process (Audits by Mail)*. Publication 3498-A (both English and Spanish versions) with improved language specific to the Correspondence Examination program is available at IRS.gov. As of April 2014, the new version is included with examination notices.
- Low Touch Resolution Pilot. The pilot was conducted between January 14 and April 8, 2014, to improve case resolution efficiency and effectiveness by promoting the fewest number of case touches in the shortest timeframe to effect case closure. The team developed enhanced Professional Decision Making (PDM) training material to empower tax examiners (TEs) to make quicker decisions and to educate employees on available internal and external tools. The findings and recommendations from the pilot were presented in August 2014:
 - *Reemphasize Professional Decision Making.* When TEs are empowered to resolve cases where they have the majority of the case information, the cases move along much quicker.
 - *Encourage Outgoing Phone Use to Clarify Additional Documentation Needed.* Pilot results showed we are more successful in resolving cases when we talk to the taxpayer who did not previously submit the requested information.

New Offers in Compromise Policy Guidance for Victims of Fraud

Section 106 of H.R. 3547, *Consolidated Appropriations Act of 2014*, requires the IRS to give special consideration to an offer in compromise (OIC) from a taxpayer who has been the victim of fraud by a third party payroll service provider. In response, the TAS collaborated with other IRS organizations to revise and clarify the procedures used to evaluate OICs submitted by taxpayers who have been victimized by fraudulent payroll service providers, and on September 16, 2014, the IRS issued *Interim Guidance for Offers in Compromise from Taxpayers when Payroll Service Provider Issues are Present*.

Offers in compromise based on effective tax administration provide the IRS the flexibility to consider the totality of the circumstances that led to a delinquency. The new interim guidance memorandum has been provided to discuss the "special consideration" which shall be given to taxpayers who have been victims of fraud by third party payroll service providers. This newly developed guidance should improve the availability of the OIC as a potential solution for taxpayers who have been victimized in this manner.

Changes to Offshore Filing Compliance Programs

In June 2014, The IRS announced major changes to the offshore voluntary compliance programs, providing new options to help both taxpayers residing overseas or in the United States. The changes included an expansion of the streamlined filing compliance procedures announced in 2012 and important modifications to the 2012 Offshore Voluntary Disclosure Program (OVDP). The IRS website was updated to include information and frequently asked questions relating to these changes.

These changes reflect the thoughtful input of the tax community, given the growing awareness among U.S. taxpayers of their offshore tax obligations. Feedback from the tax community as well as the NTA were considered in making adjustments to provide opportunities for all U.S. taxpayers to come in, including those who are not willfully hiding assets.

Key expansions in the streamlined procedures were made to accommodate wider groups of U.S. taxpayers who had unreported foreign financial accounts. The original streamlined procedures announced in 2012 were available only to non-resident non-filers. Taxpayer submissions were subject to different degrees of review based on the amount of the tax due and the taxpayer's response to a risk questionnaire. The expanded procedures are available to a wider population of U.S. taxpayers living outside the country and, for the first time, to certain U.S. taxpayers residing in the U.S. The changes include:

- Eliminating a requirement that the taxpayer have \$1,500 or less of unpaid tax per year.
- Eliminating the required risk questionnaire.
- Requiring the taxpayer to certify that previous failures to comply were due to non-willful conduct.

As part of a wider effort to stop offshore tax evasion, the OVDP is designed to encourage taxpayers with undisclosed offshore assets to become current with their tax liabilities. The FY 2014 modifications to the OVDP included:

- Requiring additional information from taxpayers applying to the program.

- Eliminating the existing reduced penalty percentage for certain non-willful taxpayers in light of the expansion of the streamlined procedures.
- Requiring taxpayers to submit all account statements and pay the offshore penalty at the time of the OVDP application.
- Enabling taxpayers to submit voluminous records electronically rather than on paper.

Installment Agreement Improvements

In FY 2014, the IRS improved the installment agreement (IA) process. The system interface for the pre-assessed installment agreement tool was modified to facilitate IA processing. With these modifications, the success rate in processing taxpayer IA requests without needing additional assistance has increased, thereby providing faster service to the taxpayer. System modifications resulted in:

- Processing 66,000 more IAs from April - May 2014, a 26% increase, compared to the same period in FY 2013 (319,550 versus 253,522).
- Moving 48,000 IAs electronically between IRS processing sites instead of transferring via bulk mail.
- Increasing the overall IA success rate (without additional assistance) from 51 percent in FY 2013 to 56 percent in FY 2014, reducing the manual IA inputs required.

Additionally, the IRS improved the efficiency in processing manual IA requests. For those IA requests that required manual input, the IRS detailed seasonal employees who input tax return data during the filing season to assist with peak processing of paper IAs after the filing season. These skilled data transcribers input approximately 170,000 IA requests, thereby helping taxpayers establish their installment agreements more expeditiously.

3.9. Build and maintain public trust by anticipating and addressing the tax-exempt sector's need for a clear understanding of its tax-law responsibilities.

In FY 2014, the IRS implemented numerous changes to improve the tax-exempt application process, thereby providing more timely service to the taxpayer and reducing their burden. For example, the agency streamlined the determination process for tax-exempt status applications. When the application cannot be closed on its initial merit, the applicant is directed to provide additional information and sign attestations guaranteeing truthfulness. The IRS also improved the content of information request letters through the use of standardized questions for particular issues.

Simplified Application Form for Tax-Exempt Status

In July 2014, the IRS introduced a new, shorter application form to help small charities apply for Section 501(c)(3) tax-exempt status more easily. The IRS created Form 1023-EZ, *Streamlined Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code*, a three-page version of the 26-page Form 1023, *Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code*, for certain types of smaller organizations applying for tax-exempt status. To qualify to use the Form 1023-EZ, an organization must meet criteria presented as a checklist on the form instructions.

Most small organizations with gross receipts of \$50,000 or less and assets of \$250,000 or less, encompassing as many as 63 percent of all applicants, qualify to use the new streamlined

form. The change will allow the IRS to speed the determination process for smaller groups and free up resources to review applications from larger, more complex organizations while reducing the application backlog. The new form must be filed online, and the form's instructions include an eligibility checklist that organizations must complete before filing the form.

The IRS received 9,534 Form 1023-EZ applications in FY 2014, which represented approximately 45 percent of the overall population of Section 501(c)(3) applications received since the Form 1023-EZ's release. By the end of FY 2014, Form 1023-EZ applications were being processed and closed in an average of about 15 days.

Interactive Form 1023 (i1023)

In FY 2014, of the 74,579 total applications for tax-exempt status received, 55,374 (74%) came in on Form 1023. In an effort to make the application for tax-exempt status easier for the taxpayer, the IRS created *i1023*, an interactive version of Form 1023, which was released to the public on October 1, 2013. The *i1023* assists applicants and ensures more accurate and complete applications through features such as embedded, interactive pop-up information boxes that permit applicants to access IRS educational resources and guidance on what information is needed for a complete Section 501(c)(3) application for tax-exempt status. In addition, the *i1023* provides applicants with a checklist to track the required documentation and sample questions an applicant might be asked before a determination can be made. The interactive guide reduces taxpayer burden, improves the quality and consistency of applications, and results in increased efficiency and reduced processing times in reviewing applications.

Streamlined Processes for Applying for Recognition of Exemption

In June 2013, the IRS reviewed the existing processes to apply for tax-exempt status. The assessment found there were opportunities to streamline the physical flow of work and implement a classification process that efficiently and accurately moves inventory and ensures all resources in the determination process, including the workforce, are developed and deployed appropriately.

Following the assessment, the IRS developed and tested a streamlined application process. On February 28, 2014, the IRS implemented the streamlined process for Form 1023 and Form 1024, *Application for Recognition of Exemption Under Section 501(a)*. The IRS closed 117,540 application cases during FY 2014, a 121-percent increase compared with the previous year. In addition, the IRS closed 91 percent of the applications that were or would have been more than 270 days old at the end of FY 2014. These improvements were the result of applying streamlined processes to all cases regardless of age as well as the addition of two tax examiner groups.

3.10. Invest in innovative, secure technology needed to protect taxpayer data and support taxpayer, partner and IRS business needs.

In FY 2014, the IRS continued to be innovative and modernize its technology systems as taxpayers' needs changed by investing in appropriate technology and information technology (IT) workforce skills to support and improve operations. The IRS committed to bolstering the security of IT systems and enhancing authentication capabilities to broaden digital services to taxpayers and stakeholders, reducing the dependence on manual processing.

The FY 2014 enhancements included:

- Finalized pilot testing for the Estate and Gift Imaging System (EGIS), which will convert estate and gift tax returns filed in paper format to electronic images. The IRS is expecting to realize significant savings on shipping and storage costs of estate and gift tax returns, which are usually larger and require a 75-year retention period. The EGIS will also reduce taxpayer burden by enabling the IRS to quickly retrieve historical returns requested by taxpayers and representatives preparing current year gift and estate tax returns.
- Supported the Department of Health and Human Services in the enrollment of millions of individuals in qualified health plans via the state and federal insurance marketplaces by providing two primary data services: income and family size verification and an advance PTC calculation. The IRS also implemented and successfully operated a new transactional portal to receive and respond to requests in real time, a new coverage data repository, and new applications and computation engines.

Customer Account Data Engine 2 Updates

The IRS system for processing and storing taxpayer data, the Individual Masterfile (IMF), is an outdated, flat file system. Due to the age of this technology, it is increasingly at risk as changes and updates to tax account processing required by new legislation puts strain on the antiquated system.

In January 2014, the Customer Account Data Engine (CADE) 2 database was implemented. This database is a relational database that stores all taxpayer account data currently contained in the IMF. Implementation of a relational database builds the foundation for improvements on many levels, including faster processing and service to the taxpayer, increased data analytics, and up-front issue screening.

The CADE 2 database has been processing alongside the IMF in production since its implementation. Additionally, the CADE 2 database began feeding some downstream systems on June 17, 2014. The CADE 2 database demonstrated sustainable system performance and data assurance maturity (e.g., proven code and data quality, automated testing with statistically sound samples, automated data validation, and data correction tools). It also demonstrated operational readiness, including a smooth filing season launch, processing alongside the IMF which is an integral part of filing season processing.

In FY 2014, CADE 2 also deployed two incremental Penalty & Interest Common Code Base releases to eliminate the differences in programming platforms that caused inconsistent balance due amounts issued on taxpayer notices. The application now calculates penalty and interest on individual and business accounts for taxes not received by the due date, resulting in more accurate notices and better service in helping taxpayers meet their tax obligations.

eAuthentication

The IRS deployed eAuthentication Release 2.0 in January 2014. eAuthentication allows the IRS to perform secure identity verification for online users—namely, it confirms that the individual requesting access is who they say they are—and allows them to establish their profile and access IRS.gov applications with a fast turnaround. The previous system required users to authenticate for each action and application. With the current release, the user can access

available online services once they authenticate and establish a single credential (user ID and password).

The eAuthentication system allows access to the IRS's Get Transcript Online application. As stated earlier, in 2015, the IRS experienced unauthorized accesses to the Get Transcript application by sophisticated criminals who had enough information about American citizens to successfully answer the authentication questions.

§4. RESEARCH INFORMING TAXPAYER SERVICES DECISIONS

In addition to updating and enhancing its understanding of the taxpayer perspective, IRS research organizations (Research) also provide information that will help the IRS improve service to make voluntary compliance easier. The IRS is committed to conducting ongoing research to identify opportunities to improve taxpayer services as well as improvements in education and outreach.

ACA Studies

Research has constructed analogies from current tax administrative data and connected them to emerging issues and potential trends in tax filings with ACA implications. Research projects have analyzed issues and data pertaining to workload and compliance matters related to the ACA. From the filing of an individual tax return claiming the PTC or businesses claiming the Small Business Health Care Tax Credit, ACA research has enhanced the IRS's understanding of all ACA populations and any compliance risks associated with those taxpayers. This body of research is enabling IRS decision makers to move forward with plans and strategies to meet the tax administration challenges of the ACA.

Forecasting Workload Volumes Associated with ACA Implementation

Implementation of the ACA requires the IRS to help taxpayers comply with two major provisions: the PTC and the Shared Responsibility Payment (SRP). Claiming the PTC, making the SRP, and applying for an exemption to the SRP are expected to increase interaction between taxpayers and the IRS above normal levels. Research sought to accurately predict the Filing Season 2015 resource requirements (when PTC and SRP activity starts in earnest) in order to staff and fund this service challenge. They developed forecasts of IRS notice issuances, toll-free telephone traffic, written correspondence received, and TAC demand. These estimates have been used to plan staffing, training, and other system capacity preparations in order to service taxpayers optimally and increase compliance with ACA-related requirements during the 2015 filing season.

ACA Automated Phone Line Usability Testing and Focus Groups

In August 2014, Research conducted testing sessions with approximately 120 taxpayers to gather information about customer satisfaction with the ACA automated phone lines. Findings revealed that satisfaction with the overall automated phone experience was particularly low among individual participants, with all reporting being either "not at all satisfied" or "slightly satisfied" (57% and 43%, respectively). Business participants reported slightly higher satisfaction with the automated phone service; however, the majority (71%) reported being "not at all satisfied" or "slightly satisfied" (15% and 56%, respectively).

Preliminary recommendations included: alleviate undue customer burden by establishing expectations for the toll-free line upfront, provide more information regarding next steps for taxpayers, provide step-by-step directions for locating additional information, enable a function to repeat the most immediate information the taxpayer heard, improve the recording logistics (such as the recorded voice and speed of information delivery), and provide alternative IRS contact channels for taxpayers to utilize.

The IRS crafted and tested new and existing products with a focus on shaping informed taxpayer expectations to increase overall user satisfaction (scripts, routing, etc.), understanding the taxpayer's perspective and needs, and improving the overall taxpayer experience. Several changes were made to the ACA-related phone lines and scripts in early October 2014, such as providing additional specific search terminology to the taxpayer once they have been directed to visit IRS.gov.

Electronic Refund Deposits Project

The Department of the Treasury, Bureau of the Fiscal Service (BFS) has made great strides in reducing the number of non-tax-related paper checks issued by the government. The BFS is interested in reducing the number of paper checks distributed for tax refunds since they remain the single largest contributor to paper checks—in TY 2012, 26 million (24%) tax refunds were issued as paper checks. The BFS asked Research for assistance with developing a strategy to move more individual taxpayers to direct deposit of refunds versus paper checks.

To better understand taxpayers who requested paper check refunds in TY 2012, Research conducted extensive analysis of their characteristics and demographics. The results of the analysis were presented to BFS which helped BFS better understand the types of taxpayers that request paper checks for their tax refunds. For example, in TY 2012, 70 percent of returns with paper refunds were filed electronically, and only 11 percent were self-prepared not using software.

Using this initial analysis, a pilot outreach campaign targeted a select group of taxpayers who received a paper check in TY 2012 but also received electronic benefits from the federal government. Two types of letters, and a follow-up postcard, were tested: one letter emphasized that direct deposit is the safest way to receive a tax refund, and the other letter emphasized that direct deposit gives access to the refund faster than a paper check. The results of the pilot showed that the electronic refund take-up rate for TY 2013 increased by about eight percentage points (from 18% to 26%) for the recipients of the letter emphasizing safety and increased six percentage points (from 18% to 24%) for the recipients of the letter emphasizing quicker refunds.

Taxpayer Burden Research

Research supports burden estimation and burden reduction efforts throughout the IRS, as well as meeting the Office of Management and Budget (OMB) and public taxpayer burden reporting requirements. Research also assists forms implementation teams as they consider taxpayer burden during the form design/update phase by helping understand the trade-off between taxpayer burden and efficient tax administration.

Research provided burden estimates for individual and business tax forms and is developing a timeline to include other tax forms in their estimation methodology. To provide a more holistic view, they conduct taxpayer surveys to gather data on the time and money taxpayers spend

complying with tax filing requirements and resolving post-filing issues. They then use that data to create and update econometric models to estimate taxpayer burden.

As a result of the burden reporting consolidation for business entities, over 70 OMB Control numbers will be retired. In further support of the consolidation effort, Research developed two new burden estimation models, one related to tax-exempt organization pre-filing and filing burden and one related to individual post-filing burden. Research also developed an individual taxpayer tax calculator user interface that complements their burden work by providing an in-house tool to help IRS better understand the potential impact of proposed and passed tax legislation.

EITC Underserved Outreach Project: Nonfilers

The EITC Nonfiler Outreach pilot evaluated the effectiveness of sending informational notices about the EITC to individuals who appear to be EITC eligible but did not file a return for TY 2011 or TY 2012. The outreach pilot studied: (1) using a postcard versus a brochure, and (2) contacting taxpayers once with an early mailing versus contacting taxpayers twice with an early and later mailing. The outreach also evaluated if recipients would file prior-year returns and/or a timely current return and claim the EITC for those years. Preliminary analysis indicates that the outreach had a positive impact on EITC participation. For example, for the TY 2011 sample, the outreach increased the likelihood of filing a Tax Year 2011 returns by more than 20 percent. The control group filed 8,965 Tax Year 2011 returns (5.1%), while the treatment group filed 10,898 Tax Year 2011 returns (6.2%). Conditional on filing, the treatment group was 8 percent more likely to claim EITC than the control group, for a combined impact of a 23 percent increase in the likelihood of claiming the EITC. Because the pilot has shown that outreach can be effective in increasing the EITC participation rate among nonfilers, the IRS is developing a database that will provide zip code location and aggregate characteristics (such as age and income levels) on nonfilers for TY 2005–TY 2013. The database will be made available for use by third-party outreach organizations beginning in early calendar year 2016.

Survey of Individuals Living Abroad

The IRS administered a survey in 2014 that focused on why some individuals living abroad do not file a tax return, their awareness of certain tax provisions and forms specific to international taxpayers, and how the IRS can encourage voluntary compliance among this population. Findings revealed that the majority of respondents who did not file a return reported they did not having a U.S. filing requirement while living abroad, citing not earning enough income as the number one reason for not filing. Meanwhile, nearly all of the survey respondents who reported having a filing requirement while living abroad did file a U.S. federal tax return. Among individuals living abroad, the IRS website had the highest awareness and usage of all the U.S. tax resources presented on the survey.

Compliance Taxpayer Digital Communication Conjoint Study

When the IRS considers new services, Research provides data to inform these decisions. In the Compliance Taxpayer Digital Communication Conjoint Study, Research collected information to better understand taxpayer preferences for digital communication options related to compliance tasks such as submitting documents during a correspondence audit, checking the status of a case, and getting information about a notice. This study determined how changes in service

delivery channels would affect taxpayers' service preferences.⁷ For example, the study found that secure messaging has the highest preference shift for every service for which it is being considered, namely, sign a document, discuss case details, and submit documentation.

This study also prioritized potential digital communication products based on how likely taxpayers are to prefer that service over current services.⁸ The top six new services predicted to have the greatest shift in taxpayer preference all involve getting the status of a case. The top service is sending an automated text to a taxpayer whenever a change to their account occurs—62 percent of taxpayers would shift away from current service options to this new service if it became available. The top six new services and their preference shift are:

Automatic Text Notification <i>for Status of Case</i>	62%
Toll-Free Telephone, Automated <i>for Status of Case</i>	59%
Smartphone Application <i>for Status of Case</i>	58%
Online Chat <i>for Status of Case</i>	50%
Online Tool <i>for Status of Case</i>	48%
Automatic E-mail Notification <i>for Status of Case</i>	48%

§5. TAXPAYER SERVICE MEASURES

To help create a manageable, consistent frame of reference for the condition of, and changes in, the service environment, the TAB recommended developing a set of taxpayer service performance and outcome measures. Performance metrics measure the level of an activity during the service process while outcome measures assess the results of the service activity on the objective, such as changes in taxpayer behavior.

The TAB measures fall into three categories: (1) availability of information, (2) adequacy of services provided, and (3) effectiveness of the IRS in meeting taxpayers' service needs. Using these three elements of taxpayer service, five aggregate outcome measures were developed to assess taxpayer services.

TAB Measures Definitions

Measure	Purpose	Definition
Awareness of Services	Availability of Information	The percentage of taxpayers who are aware of at least one IRS service channel.
Enterprise Level of Service	Availability of Information	The relative success rate of taxpayers that call for toll-free services seeking assistance from an IRS representative.

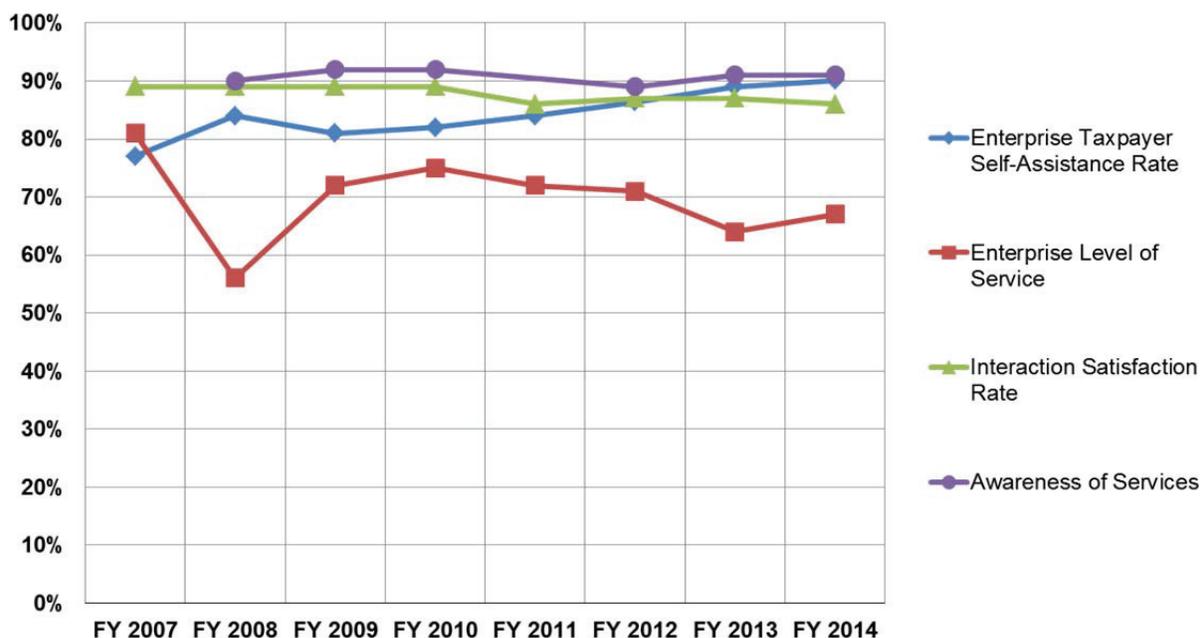
⁷ During a conjoint survey, respondents are not directly asked about the importance or preference of a service. Instead, research participants are asked to make a series of trade-offs from a baseline scenario, thereby revealing the relative importance of service options.

⁸ For this study, a service was defined as a service channel/task combination, e.g., automated text message for getting the status of a case.

Enterprise Taxpayer Self-Assistance Rate	Adequacy of Service	The percentage of taxpayers using self-assistance service channels for their service needs.
Interaction Satisfaction Rate	Adequacy of Service	The percentage of taxpayers satisfied with their interactions with the major IRS programs based on survey responses.
Issue Resolution Rate	Effectiveness of Government	The percentage of taxpayers who had all their questions answered during their interaction with an IRS assistor.

The following figure shows the recent trends for the TAB Measures for which data are available:

Figure 5. Taxpayer Service Outcome Measures, FY 2007–FY 2014



- The Enterprise Assistor Level of Service (LOS) measure is sensitive to changes in taxpayers’ demand for telephone service and the ability to accurately forecast and meet the demand with existing resources. For example, in FY 2008, the Enterprise LOS fell to about 56 percent as the IRS answered an unprecedented number of calls related to the Economic Stimulus Act of 2008.
- The Enterprise Taxpayer Self-Assistance Rate showed a jump between FY 2007 and FY 2008, a result of an increase in web services, including the applications "Where's My Refund" and "How Much Was My Stimulus Payment". As the IRS adds more service offerings to its self-assistance options, this measure suggests that taxpayers are willing to use them.
- The Interaction Satisfaction Rate is a compilation of taxpayer satisfaction scores for service and enforcement interactions.

- The IRS first introduced Awareness of Services in the TAB Phase 2 report. Since 2007, when the IRS published the report, taxpayers' awareness of at least one IRS service channel has been consistent at about 90 percent. (Data were not captured for FY 2011.)
- The Issue Resolution Rate is not currently available. The redesigned customer satisfaction surveys for all the programs have been implemented, and the IRS is currently collecting the first set of data from these surveys.

These measures are not intended to assess enforcement programs, submission processing programs, media and publications content, or individual employee performance, and they do not replace current operational measures or those reported to internal and external stakeholders (e.g., the Congress, GAO, TIGTA, the IRS Oversight Board, and the NTA). Rather, these measures complement existing performance measures and provide a consolidated view of taxpayer service delivery from the perspective of taxpayers, tax professionals, and other partners.

§6. LOW INCOME TAXPAYER CLINICS

In 1998, Congress enacted the Internal Revenue Restructuring and Reform Act of 1998 (RRA), in which it authorized matching grants for Low Income Taxpayer Clinics (LITCs). The purpose of the grants is to increase access to representation for low income taxpayers and taxpayers who speak English as a second language (ESL). The LITCs represent taxpayers in controversies with the IRS, provide education and outreach to ESL taxpayers, and identify and advocate for issues that impact low income taxpayers.

For the 2014 grant year, the IRS awarded funding of \$10 million to 133 grantees to operate clinics located throughout the United States.

During grant year 2013, LITCs represented 20,818 taxpayers in controversy cases. The LITC controversy cases were worked in:

Accounts Management.....	16%
Examination.....	17%
Collection.....	46%
Appeals	6%
Litigation	8%
Other ⁹	7%

In addition, LITCs provided consultation and advice to an additional 24,284 taxpayers. The LITCs worked 1,464 cases in U.S. Tax Court and provided informal consultations to another 485 petitioners at Tax Court calendar calls.

Through educational workshops and outreach activities for ESL and low income taxpayers, clinics provide information to taxpayers and generate awareness of the LITC program among taxpayers who may be in need of assistance. In 2013, LITCs conducted 4,014 outreach activities and 3,521 educational events where information was provided on such topics as taxpayer rights and responsibilities, the EITC, identity theft, worker classification, innocent spouse claims, and collection alternatives. Also, LITCs conducted 2,623 technical assistance

⁹ Includes specialized IRS units such as the identity protection specialized unit, centralized innocent spouse operation, worker classification determination unit, and individual taxpayer identification number operation unit.

consultations, which are discussions with a practitioner or other taxpayer service provider designed to give brief advice about a tax issue.

The LITCs utilize the services of *pro bono* attorneys, certified public accountants, enrolled agents, law and business students, and other volunteers to assist taxpayers. During the 2013 grant year, 1,982 volunteers contributed 67,540 hours of service.

§7. TAXPAYER ADVOCACY PANEL

The IRS continues to receive input and recommendations from the Taxpayer Advocacy Panel (TAP), which is supported by the TAS. The TAP is a federal advisory committee comprised of about 75 citizen volunteers who listen to taxpayers, identify their issues, and make suggestions for improving IRS service and customer satisfaction. During the past year, TAP projects addressed a variety of taxpayer service related issues.

Tax Forms and Publications

The IRS requested help from the TAP Tax Forms and Publications (TFP) Project Committee to review certain forms and publications and to act as a focus group on certain other issues. The TFP Committee reviewed several forms and publications and made recommendations for improvement that have been adopted or under consideration, including:

- Publication 4681, *Canceled Debts, Foreclosures, Repossessions, and Abandonments (for Individuals)* - Recommended changes to reduce frustration by taxpayers and practitioners when looking specifically for the Insolvency Worksheet while using Publication 4681 to help them prepare tax returns.
- Form 1040 series instructions - Recommended a change to the instructions to allow the use of post office boxes (P.O. Box) in the address. For years, the instructions to the Form 1040 series instructed taxpayers not to use a P.O. Box as their address unless their post office does not deliver to their physical address. This can be an inconvenience to taxpayers who use a P.O. Box as a more secure or convenient way to receive their mail. Use of a P.O. Box could also provide more security in the delivery of a tax refund check to anyone concerned about identity theft.
- Form 8586, *Low-Income Housing Credit* - Recommended changes to eliminate confusion and decrease the time spent by taxpayers and practitioners using Form 8586 and Form 3800, *General Business Credit*.
- Alternative Minimum Tax (AMT) Worksheet in Form 1040 Instructions - Recommended to assist taxpayers in computing the AMT by including the AMT Worksheet in the Form 1040 Instructions for line 45 as it was prior to TY 2010.
- Form 3520, *Annual Return to Report Transactions with Foreign Trusts and Receipt of Certain Foreign Gifts*, and its instructions - Reviewed and made 15 recommendations and suggestions to improve the form and make it more understandable and user friendly.

Taxpayer Assistance Centers

From January to August 2014, the TAP TAC Project Committee received and sent the IRS 12 TAC-related comments from taxpayers concerning taxpayer service in the TACs. The comments dealt primarily with:

- Wait time and staffing (6)
- Assistance/Service/Training (2)
- Forms availability (4)

During 2014, the TAP TAC Committee made 14 recommendations to the IRS related to ITIN processing and procedures. Taxpayers seeking ITINs are visiting TACs in greater numbers as a result of changes in IRS procedures and as a consequence of confusing and misunderstood communication.

The TAP TAC Committee proposed numerous recommendations it believes will result in a more effective and efficient system for processing ITIN applications and documents that reduces the need to send original documents and could better detect fraud. The recommendations suggest the IRS should:

- Replace its manual ITIN processing system with state of the art technology and avail itself of other government databases for verification of identity that could in many cases prevent the need to send original documents
- Better communicate with applicants when there are problems in order to save a trip to the TAC or a call on the toll-free line
- Change its mail-handling procedures to strengthen controls and better serve the taxpayer

The IRS responded, agreeing to accept or consider several of the recommendations:

- The IRS will work with Physical Security & Emergency Preparedness, U.S. Government Services Administration and the Department of Homeland Security to determine whether to allow taxpayers without a government or state-issued photo ID into the TACs.
- The IRS will add links on IRS.gov to Publication 4860, *What ITIN is All About*, which contains three inserts: Publication 4857, *Top (10) Reasons Why Your Form W-7 Is Suspended or Rejected*, Publication 4859, *Understanding Your IRS Individual Taxpayer Identification Number (ITIN) Notice*, and Form 14154, *Form W-7 Checklist*. These publications provide information about the ITIN application process that will help taxpayers better understand and navigate the process.
- Less than five percent of ITIN applications are received without a tax return. When appropriate, applicants should be encouraged to apply for an ITIN prior to the filing season under exception processing. The IRS will consider expanding exception processing to non-passive income such as back wages awarded by the Department of Labor or legal action brought against an employer.

Toll-Free Assistance Phone Lines

The Toll-Free Assistance Phone Lines Project Committee made several recommendations during FY 2014, including:

- Improve the “Get-Transcripts” program on IRS.gov. The recommendation includes disclosing to taxpayers the definitions of the error codes that are sometimes displayed when a taxpayer is unable to retrieve a transcript. The error code definitions would provide an instant and clear explanation to the taxpayer as to why they are unable to secure their transcript. Consequently the taxpayer is not left in the dark without any explanation.
- Improve call system prompts. The recommendation suggests moving the prompt that advises taxpayers that there has been a reduction in services to the forefront of the prompts. This would prevent taxpayers from having to listen to the entire message of prompts before they are notified that the IRS has a reduction in services and which services are handled both before and after filing season.
- Improve toll-free services and reduce taxpayer burden in the use of the Free Application for Federal Student Aid (FAFSA) program to obtain transcripts. Two recommendations suggest improvements for the toll-free line services through enhanced technology, and seven recommendations would increase the ease of using the FAFSA to obtain transcripts.

Taxpayer Communications

The Taxpayer Communications (TC) Project Committee worked with the IRS to address methods for improving taxpayer communications and reducing taxpayer burden. The committee completed three recommendations related to creating a retirement account tax facts landing page on IRS.gov and a link to it under the Hot Topics list on the IRS.gov home page. Benefits of implementing the recommendations include making information about the tax consequences of retirement accounts more easily accessible and user friendly, and helping taxpayers avoid costly mistakes due to their lack of understanding of the rules.

The TC Committee also proposed creating an AOTC look-up portal on IRS.gov to provide the history of the type and period of education credits claimed and allowed for a specific social security number. If implemented, the benefit of such an online portal would allow taxpayers to easily verify education credit(s) claimed per qualifying student. Increased accuracy would reduce potential notice inquiries and audits based on rule breaks exceeding the four-year limit.

Notices and Correspondence

The Notices and Correspondence (NC) Project Committee completed seven recommendations for improving Form 886-H-EIC, *Documents You Need to Send to Claim the Earned Income Credit on the Basis of a Qualifying Child or Children for Tax Year 2014*. The recommendations are aimed at helping taxpayers better understand the purpose and correct use of Form 886-H-EIC when dealing with the IRS in matters concerning the EITC.

The NC Committee worked with the IRS to improve IRS Letter 474C, *Math Error Explained (IMF)*, and submitted several suggestions for improving its clarity, purpose and tone. The recommendations would assist taxpayers in understanding the purpose of this letter and instructions as to the course of action to take.

The IRS also asked the NC Committee to review Letter 673C, *Duplicate Returns Filed; Adjustment or Refund Explained*, and to submit recommended improvements. This letter focuses on taxpayers who submit more than one tax return per tax period. The NC Committee believes the current Letter 673C process produces letters that are short, to the point, and effective whenever the taxpayer is due a refund. However, the Committee proposed changes to the process for communicating with taxpayers incurring additional taxes owed.

§8. NATIONAL TAXPAYER ADVOCATE PERSPECTIVE ¹⁰

The annual TAB update is an important report. The Committees on Appropriations originally directed the IRS to develop a Taxpayer Assistance Blueprint in 2005 because they were concerned the IRS did not have a comprehensive, research-driven strategy to meet taxpayer service needs. Since that time, the Committees have required the IRS to provide annual updates on the TAB because they want the IRS to continue to focus on taxpayer service needs, to understand how the IRS is attempting to meet those needs, and to find out where the IRS is succeeding and where it is falling short.

Equally important, the TAB update provides the IRS with a valuable opportunity to educate its appropriators on these issues and explain with specificity where it believes it needs more resources to do its job. It gives the IRS an opportunity to show it has conducted sufficient research to understand how it can do a better job of meeting taxpayer service needs and do so in a cost-effective manner.

While this report is useful as far as it goes, I am concerned it does not provide detailed information about taxpayer service needs, taxpayer service performance levels, and the gap between the two, and does not effectively articulate how the IRS believes it can better meet taxpayer service needs in the future.

This is a Critical Time for IRS Taxpayer Services

Ongoing cuts to the IRS's budget in fiscal years (FY) 2010 – FY 2014 have resulted in an unacceptably poor level of taxpayer service.¹¹ The decline in taxpayer service is evident from the following FY 2014 facts and statistics:¹²

- The IRS was unable to answer 35.6 percent of taxpayer telephone calls;
- The IRS was unable to process more than 50 percent of taxpayer correspondence within the IRS's own established timeframes;
- During the filing season, the IRS limited the scope of tax-law questions it answered to only "basic" ones;
- After the filing season, the IRS assistors – both on the phones and in its taxpayer assistance centers (TACs) – did not answer any tax-law questions, even though about 15 million taxpayers obtained extensions or otherwise filed their returns later in the year; and
- The IRS ended tax return preparation services at its TACs.

This unfortunate state of IRS taxpayer service should be documented in this update report to Congress. It is not.

¹⁰ This report only includes the National Taxpayer Advocate Perspective. The IRS Oversight Board suspended operations; therefore, they did not provide their perspective for the FY 2014 report.

¹¹ For an in-depth discussion of the impact of IRS budget cuts on taxpayer service, see National Taxpayer Advocate 2014 Annual Report to Congress 3-25 (Most Serious Problem: *Taxpayer Service Has Reached Unacceptably Low Levels and Is Getting Worse, Creating Compliance Barriers and Significant Inconvenience for Millions of Taxpayers*).

¹² See National Taxpayer Advocate 2014 Annual Report to Congress viii (Preface) & 27 (Most Serious Problem: *Due to the Delayed Completion of the Service Priorities Initiative, the IRS Currently Lacks a Clear Rationale for Taxpayer Service Budgetary Allocation Decisions*).

The Update Report Is Not Serving Its Intended Purpose

Since 2009, Congress has required the IRS to provide annual updates on its progress toward implementation of the TAB.¹³ In effect, the TAB update should be a progress report on IRS taxpayer services. As such, it should provide a good overview of:

- The current state of IRS taxpayer services, including current problems and challenges;
- Trends in the effectiveness and efficiency of service delivery; and
- Recent initiatives aimed at improving the effectiveness and efficiency of service delivery.

This report does none of these things.

The TAB update should include a discussion of the major cuts the IRS made to taxpayer services in 2014, such as the discontinuation of return preparation and the curtailment of telephone support for tax-law questions, as well as the challenges the IRS confronted in delivering telephone and correspondence services. Unlike earlier reports,¹⁴ however, this report contains no separate section discussing the significant challenges the IRS faced during the 2014 filing season. Also, while the report does contain useful information on taxpayer awareness and usage of services, it contains scant information that would allow a reader to assess the impact of the current unacceptably poor level of IRS service delivery on taxpayers.

As I have stated in prior Perspectives, a relatively small set of high level measures could be used for this purpose.¹⁵ Effective measures would tell the IRS, Congress, and other stakeholders how well the IRS is doing and whether service initiatives designed to meet previously identified service gaps have, in fact, met their stated goals for service improvement.

The measures the IRS includes in this TAB update report lack sufficient scope and detail to enable Congress and other stakeholders to accurately assess how effectively and efficiently the IRS is serving the nation's taxpayers. For example, the IRS currently provides a level of service measure for IRS telephone service, but it does not provide comparable access measures for our other channels: Internet, correspondence, and walk-in assistance. The report also provides no information broken out by the type of service sought (*e.g.*, tax-law questions, assistance with notices, return preparation). Therefore, the reader cannot assess how well taxpayers can use these services to resolve their problems, how difficult it is to access them, or how satisfied taxpayers are with them.

The report is also not useful for evaluating trends in the effectiveness and efficiency of service delivery. Due to the absence of adequate measures, meaningful trends in IRS service delivery performance cannot be tracked.

In addition, while the report contains a thorough discussion of a number of significant service initiatives, the initiatives are not tied to a high level framework that identifies service level goals,

¹³ See, *e.g.*, H. Comm. On Appropriations, 111th Cong., Committee Print on H.R. 1105, Omnibus Appropriations Act, 2009, Division D-Financial Services and General Government, at 959 (2009).

¹⁴ See, *e.g.*, IRS, Taxpayer Assistance Blueprint: Taxpayer Service Improvements 2012-2013, Mar. 2014, FY 2013 Marked by Successful Filing Season, Challenges, pp. 22-23.

¹⁵ In past Perspectives I have urged the IRS to implement meaningful channel (*i.e.*, internet, phones, walk-in sites, and correspondence) and service level (*e.g.*, tax law questions, assistance with notices, return preparation) measures tracking issue resolution, customer satisfaction and taxpayer burden. See IRS, Progress on the Implementation of the Taxpayer Assistance Blueprint 2008-2009, Oct. 2009, National Taxpayer Advocate Perspective, pp. 34-37, and IRS, Progress on the Implementation of the Taxpayer Assistance Blueprint 2010-11, Mar. 2012, National Taxpayer Advocate Perspective, pp. 36-40.

current performance, and significant service gaps. Therefore, the reader cannot ascertain whether the IRS is implementing the right initiatives (*i.e.*, those addressing important service gaps), and since meaningful trends in service delivery cannot be tracked, the effectiveness of prior initiatives cannot be evaluated. Most notably, the IRS has not conducted an extensive review of the service needs of small business taxpayers similar to the research conducted for W&I taxpayers. This should be apparent to the reader, but is not because, as noted, the initiatives are not tied to a meaningful, coherent high level framework.

Conclusion

As the statutory voice of the taxpayer, I feel compelled to speak up about the degradation of taxpayer service provided by the IRS in all aspects of its work, primarily in its pre-filing and filing activities but also in its enforcement activities. This report provides the IRS with a valuable opportunity to provide its appropriators with detailed information about taxpayer service needs, taxpayer service performance levels, and the gap between the two, as well as to articulate how it believes it can better meet taxpayer service needs in the future at different levels of funding. To make this case effectively, the IRS should be able to cite research studies showing taxpayer service needs and articulate its long-term vision for meeting those needs. In other words, it should use this report to show its appropriators it understands how to meet taxpayer service needs and can allocate its resources effectively to do so.

While this report contains some useful information, it does not comprehensively address these issues. As a result, the appropriators will not receive the level of detailed information they are seeking, and the IRS will have squandered an opportunity to make its case for additional resources. Whether in this report or elsewhere, I urge the IRS to do a better job of making that case, and I urge the Appropriations Committees to engage in a dialogue with the IRS about future funding levels. Until more consensus is reached about desirable taxpayer service levels and the resources required to achieve them, I remain deeply concerned that taxpayers will continue to receive dismal levels of service for the foreseeable future.

APPENDIX A. CROSSWALK OF TAB GUIDING PRINCIPLES AND IRS STRATEGIC PLAN, 2014-2017

Integration of TAB Guiding Principles into the IRS 2014-2017 Strategic Plan			
Focus	TAB Guiding Principles	IRS Strategic Objective	IRS Strategy
Improve IRS Efficiency and Productivity	The IRS will enhance its website so that it becomes the first choice of more taxpayers for obtaining the information and services they need to comply with tax obligations.	Provide timely assistance through a seamless, multichannel service environment to encourage taxpayers to meet their tax obligations and accurately resolve their issues.	Expand the availability of digital information and accessibility of digital channels to improve taxpayer interactions.
Make Compliance Easier	The primary goal of service for individual taxpayers is to facilitate compliance with federal tax obligations. Compliance means that taxpayers will pay no more and no less than what they owe.	Design tailored service approaches with a focus on digital customer service to meet taxpayer needs, preferences and compliance behaviors in order to facilitate voluntary compliance.	Incorporate taxpayers' needs, expectations and feedback and leverage return filing data and enforcement results to design more tailored programs and services with focus on digital service options.
Prevent, Minimize, and Correct Errors	A portion of the tax gap is attributable to errors individual taxpayers made. The IRS service programs should prevent, minimize, and correct such errors with due consideration of taxpayer burden.	Reduce taxpayer burden and increase return accuracy at filing through timely and efficient tax administration processing.	Provide taxpayers with online access to their account data to obtain information and facilitate self-identification and resolution of errors.
Emphasize Partners Role	The IRS recognizes the significant role that partners play in tax administration. As such, the IRS will look for opportunities to assist these third parties in helping taxpayers understand and meet their tax obligations.	Enhance the quality of tax services by strengthening the outreach, education and tools provided to the tax professional community.	Provide focused outreach, training and tools for the tax professional community that effectively communicates and increases the awareness of their responsibilities supporting tax administration.
Improve Self-correction and Self-service Tools	The IRS service investments will focus on preventing, minimizing, and correcting taxpayer noncompliance.	Enforce domestic and international compliance by strengthening expertise, adopting innovative approaches and streamlining procedures.	Identify and deploy innovative enforcement approaches that enable greater compliance coverage and enhance the productivity of enforcement efforts.
Proactive Communication is Essential	The IRS must enhance marketing, outreach, and education to targeted populations to improve service awareness, access, and quality.	Deliver clear and focused outreach, communications and education programs to assist taxpayer understanding of tax responsibilities and awareness of emerging tax laws.	Use the most suitable channels to deliver tailored outreach and education campaigns that address the diverse needs of taxpayers and increase their understanding of tax responsibilities.
Expedite Issue Resolution	The IRS will increase support for expedited issue resolution across all channels through improved access to information and decision-making resources.	Provide timely assistance through a seamless, multichannel service environment to encourage taxpayers to meet their tax obligations and accurately resolve their issues.	Use a holistic view of taxpayer interactions to provide a coordinated, consistent experience across all channels.

APPENDIX B. ADDITIONAL FY 2014 SERVICE IMPROVEMENTS BY IRS STRATEGIC OBJECTIVE

FY 2014 Service Improvement	Brief Description
<p>Goal I: Deliver high quality and timely service to reduce taxpayer burden and encourage voluntary compliance</p>	
<p>Objective: Design tailored service approaches with a focus on digital customer service to meet taxpayer needs, preferences and compliance behaviors in order to facilitate voluntary compliance.</p>	
<p>Closing Agreements for Retirement Plans</p>	<p>The IRS provided retirement plan sponsors a standardized way to request closing agreements to resolve certain income or excise tax issues that can't be addressed under the Employee Plans Compliance Resolution System. This will promote the consistent treatment of taxpayers by directing these closing agreement requests to one office in the IRS's Employee Plans function.</p>
<p>Facilitated Self-Assistance</p>	<p>Facilitated Self-Assistance (FSA) serves an important role in educating taxpayers on alternative methods of service. In FY 2014, the FSA was used to introduce and promote the new "Get Transcript" application—the IRS invited taxpayers to use a FSA kiosk, where available.</p> <p>FSA was also used as an offering to educate taxpayers visiting the TACs to make payments using the new electronic payment option called "Direct Pay". This option allows taxpayers to make payments online at IRS.gov.</p> <p>Along with the relocation of three kiosks for optimum usage, these promotions resulted in the highest FSA usage since their implementation. In FY 2014, FSA kiosks provided service to more than 126,000 taxpayers, an increase of 55 percent from last year.</p>
<p>Virtual Service Delivery</p>	<p>Taxpayer usage of Virtual Service Delivery (VSD) continues to increase. This technology allows taxpayers to interact face-to-face with an IRS assistor working at a remote location. In FY 2014, 24,000 taxpayers were assisted via this service vehicle, an increase of 7.5 percent from last year. This increase is due, in part, to the repositioning of support equipment enabling the number of VSD sites to expand from 22 to 30 locations.</p>
<p><i>Where's My Amended Return?</i> Enhancements</p>	<p>In FY 2013, <i>Where's My Amended Return?</i> was deployed, which enables taxpayers to track the status of their Form 1040-X, <i>Amended U.S. Individual Income Tax Return</i>, for the current year and up to three prior years. During the initial deployment, programming defects were identified.</p> <p>In FY 2014, the IRS implemented solutions that significantly increased the number of taxpayers able to successfully use the application. For FY 2014, there was an 82.3% success rate for web requests and a 74% completion rate for requests via the automated telephone application.</p>

<p>Identity Theft and Dual Notices Upon Change of Address</p>	<p>Many employers outsource some or all of their payroll and related tax duties to third-party payroll service providers. Because, in most instances, employers are ultimately the parties responsible for the payment of income tax withheld, the IRS began working on improvements to its change of address notification system. Subsequently, the Consolidated Appropriations Act was passed, mandating the IRS to issue a notice of confirmation of any address change relating to an employer making employment tax payments and mailing it to both the employer's former and new address. Effective January 23, 2015, the IRS will begin to issue dual notices as required by the law. This will protect employers by ensuring they know if their third-party payroll service provider is changing the address of where notices are sent.</p>
<p>Small Business Health Care Tax Credit Estimator</p>	<p>The Small Business Health Care Tax Credit (SBHCTC) Estimator was developed to help small business taxpayers take full advantage of the SBHCTC. In FY 2014, the Estimator was updated to reflect the changes to the credit for 2014 and forward. It automates many of the steps needed to ascertain whether a small employer qualifies for the credit.</p>
<p>Call Optimization in AUR and Exam Operations</p>	<p>After conducting a test that ascertained taxpayer preferences, the IRS developed an optimized process that standardized call greetings and streamlined the collection of contact information and call summaries for Exam and AUR calls. This effort improved the taxpayer experience by removing non-value-added activities and redundancies during telephone contacts. This improvement has positively affected average call handle time and increased customer and employee satisfaction.</p>
<p>Objective: Deliver clear and focused outreach, communications and education programs to assist taxpayer understanding of tax responsibilities and awareness of emerging tax laws.</p>	
<p>Enhancing VITA/TCE Program Usage and Volunteer Recruitment through IRS Social Media</p>	<p>The IRS improved upon their social media efforts for promoting VITA/TCE usage and volunteer recruitment. A strategy was developed for optimizing social media usage specifically related to VITA/TCE and previously used Twitter tweets and Tumblr posts were updated.</p>
<p>Education Credit Outreach</p>	<p>The IRS expanded its outreach associated with education credits by emphasizing eligibility requirements and partnering with the Department of Education and others to further strategic communications. The IRS created a new electronic toolkit that includes information and tools for partners and preparers to determine which education benefit is the most advantageous to the student.</p>
<p>Refundable Credits Preparer Outreach</p>	<p>Recognizing the complexity of the tax law around refundable credits (EITC, Additional Child Tax Credit, and AOTC), the IRS included a seminar on Hot Topics around these credits at the 2014 IRS Tax Forums for preparers. Almost 5,500 preparers, 50 percent of the Tax Forum participants, attended the seminar.</p>
<p>EITC Awareness Day</p>	<p>The IRS delivered the eighth annual EITC Awareness Day reaching large audiences nationwide. Besides regular media events, social media proved to reach more EITC eligible taxpayers on Awareness Day and throughout the season reaching millions of people.</p>

<p>Per Capita Act Guidance</p>	<p>The U.S. Treasury Department and the IRS issued Notice 2014-17. The notice is interim guidance clarifying that, generally, per capita distributions from trust assets held by the Secretary of the Interior for the tribe will not be subject to federal income tax. The notice asked for comments, which were due on September 17, 2014. Based on the comments, Treasury and the IRS will consider revisions to the notice before issuing final guidance.</p>
<p>Customer Early Warning System (CEWS)</p>	<p>In FY 2012, the IRS began an effort of proactive listening through employee and partner feedback loops as well as social media outlets such as Facebook, Twitter and blogs to find out what potential service issues were developing among taxpayers. Listening to our employees and monitoring customer touch points helps us to identify issues as they occur, or begin to develop, instead of reacting later to a potentially larger issue.</p> <p>In FY 2014, through CEWS, the IRS identified issues including:</p> <ul style="list-style-type: none"> • A large number of early filers whose refunds were initially accepted but who suddenly started encountering an issue with <i>Where's My Refund?</i> The issue was elevated and the IRS alerted taxpayers to the problem by posting a statement on the newly-created Filing Season Update page on IRS.gov. • A phone scam involving persons pretending to be from the IRS calling taxpayers and demanding immediate payment. The IRS executed a comprehensive communications plan including a national press release, local press outreach, multiple tax tips, and a number of social media posts to alert taxpayers across the country to the tax scam.
<p>Monitoring Offer In Compromise (MOIC)</p>	<p>The MOIC's Offer Acknowledgment Letter was installed into the Automated Offer In Compromise (AOIC) program on June 28, 2014. It is sent to taxpayers when the offers are accepted into MOIC inventory. The letter will remind the taxpayers where to send their OIC payments, the terms of the agreement, refund recoupment requirements, and associated collateral agreements.</p>
<p>Revision of Form 656, <i>Offer in Compromise</i></p>	<p>The Forms 656, <i>Offer in Compromise</i>, 656-B, <i>Offer in Compromise (Booklet)</i>, 433-A(OIC), <i>Collection Information Statement for Wage Earners and Self-Employed Individuals</i>, and 433-B(OIC), <i>Collection Information Statement for Businesses</i>, were revised to alert taxpayers and tax practitioners to the increase in the Offer in Compromise application fee. The IRS took this opportunity to enhance the clarity and instructions of the forms to reduce taxpayer burden. Instructions were added to address the most common errors identified, thereby reducing the need for additional requests to the taxpayer. The newly revised forms also included the "Fresh Start" allowances for funds in a bank account and the equity of a vehicle so the taxpayer could more easily calculate the amount of an offer that could be considered for acceptance.</p>
<p>Automated Substitute for Return (ASFR) Letter 3219N Rewrite</p>	<p>As a result of a 2013 court case that challenged the ASFR Statutory Notice of Deficiency, the IRS worked to quickly revise and implement a new version of the letter that addressed the court's concerns. The Letter 3219N, <i>Automated Substitute for return (ASFR) 90-Day Letter</i>, was rewritten to emphasize key statements and provide simplified guidance for taxpayer compliance with the Statutory Notice of Deficiency.</p>

<p>Individual Retirement Account (IRA) Compliance Strategy</p>	<p>In order to foster IRA compliance and help taxpayers understand the complexities of IRA requirements on Required Minimum Distributions (RMD) and Excess contributions, the IRS mailed nearly 3,000 soft notices to taxpayers as well as extensive outreach including the following:</p> <ul style="list-style-type: none"> • Updated Tax Tip • Social Media (Twitter message) • Web article for National Tax Professional Group’s newsletter • AARP newsletter • Outreach Corner article to over 56,000 subscriber organizations
<p>Publication 5181, <i>Tax Return Reviews by Mail</i>, Created</p>	<p>The IRS created Publication 5181, <i>Tax Return Reviews by Mail</i>, to assist taxpayers with understanding the tax return review process. The new publication reflects an overview of the Automated Underreporter (AUR) process and provides the taxpayer with more pertinent information about the AUR process.</p>
<p>EITC Automated Message</p>	<p>In an effort to simplify the audit process and improve the taxpayers’ understanding of the audit process, the IRS developed an automated message on EITC-related calls. Taxpayers who have not yet sent in any documents will be given a general explanation of the audit process and then prompted to press a number if they want detailed information about various audit items. The automated message is expected to decrease phone wait time and increase taxpayer satisfaction for callers who only need general information that does not require speaking to a live phone assistant.</p>
<p>OPA Stuffer</p>	<p>The IRS added a stuffer to the CP 503, <i>IMF 2nd Balance Due Notice</i>, which informs taxpayers of the OPA, a self-help option that is available on IRS.gov and allows taxpayers to establish installment agreements online.</p>
<p>Objective: Provide timely assistance through a seamless, multichannel service environment to encourage taxpayers to meet their tax obligations and accurately resolve their issues.</p>	
<p>Assist in Expanding Over-the-Phone Interpreter (OPI) to International Taxpayers</p>	<p>The IRS expanded its OPI service and has begun offering this service to international customers. The OPI facilitates communication with LEP taxpayers by providing interpreting services in over 170 languages. This service greatly enhances the availability of tax-related information to people who understand little or no English and allows the IRS to provide the same level of support that we offer domestically to our international (including U.S. territories) taxpayers in resolving their tax obligations.</p>
<p>Objective: Strengthen refund fraud prevention and provide prompt assistance to support victims of identity theft.</p>	
<p>Identity Theft Telephone Verification Tool</p>	<p>To facilitate complete identity theft case resolution for taxpayers visiting a TAC, the IRS employed the use of the Telephone Verification Tool. As of August 23, 2014, more than 41,000 taxpayers identified in the Taxpayer Protection Program have visited TACs to authenticate their identity. Taxpayers who authenticated their identity totaled 40,000 (98%). Refunds have been released for 52% (21,000 of 41,000) of these taxpayers.</p>

Objective: Reduce taxpayer burden and increase return accuracy at filing through timely and efficient tax administration processing.	
Improved Processing of Separate-to-Joint Form 1040X, <i>Amended U.S. Individual Income Tax Return</i> , filings	The IRS had no mechanism to track and review separate-to-joint Form 1040X filings (i.e., filing a joint return after filing separate returns). As a result, the IRS will create a new category code (SPJT) and Organization Function Program code (40056) for separate-to-joint filing status claims. These enhancements will enable the IRS to perform quality reviews, evaluate error trends and rates, and generally improve processing of all separate-to-joint amended returns.
Integrated Automated Technologies (IAT) Credit Transfer Tool Enhancement	The IRS improved the IAT Credit Transfer Tool to alert users of potential erroneous refund situations. The update to the tool will cause a pop-up alert—the “Erroneous Refund Alert”—to display if the transfer is to an unrelated account, the transfer creates a balance due on the debit module, or there is a refund transaction present on the debit module. The alert notifies the user that there may be an erroneous refund present on the debit module and that additional research may be required using the Erroneous Refund tool.
Objective: Improve service delivery and support effective tax administration by fostering strong relationships with our tax community and government partners.	
Health Coverage Tax Credit Outreach	With the Trade Adjustment Assistance Extension Act legislation ending eligibility for the Health Coverage Tax Credit (HCTC) program on January 1, 2014, IRS outreach ensured that former HCTC participants and stakeholders, including the U.S. Department of Labor and its related state workforce agencies, Pension Benefit Guarantee Corporation, U.S. bank and health plan administrators, were aware of the legislative expiration and filing requirements.
Provide Spanish translation of Form 1098, <i>Mortgage Interest Statement</i> , and its Instructions to the Department of Justice	The Department of Justice’s Civil Rights Division learned of the services the IRS provides to LEP taxpayers and reached out to the IRS for assistance in translating IRS Form 1098 and its instructions into Spanish. The Civil Rights Division was working a discrimination case involving loan institutions and predatory lending practices in the Hispanic community.
Objective: Enhance the quality of tax services by strengthening the outreach, education and tools provided to the tax professional community.	
EITC Paid Preparer Due Diligence Outreach	The IRS held seminars at the 2014 IRS Nationwide Tax Forums to remind preparers of their EITC due diligence requirements and the consequences of noncompliance. Thirty-eight percent of the forum participants, or 4,150 preparers, attended the EITC seminars. Our seminar on “Hot Topics for Refundable Credits” included an EITC due diligence segment. Almost 5,500 preparers, 50% of the Tax Forum participants, attended this seminar. The IRS also made presentations on preparer due diligence at several large tax preparation firm and the Latino Tax Professional Association conventions. The IRS continues to promote its EITC Due Diligence Training Module, available in both English and Spanish. This year over 14,500 certificates of completion for continuing education credit were issued for this training.

Goal 2: Effectively enforce the law to ensure compliance with tax responsibilities and combat fraud	
Objective: Enforce domestic and international compliance by strengthening expertise, adopting innovative approaches and streamlining procedures.	
Appeals Judicial Approach and Culture	The Office of Appeals completed revisions to its policy that clarify its core mission as an independent and impartial forum for both the government and the taxpayer to resolve disputes without litigation. These revisions reinforce that the final administrative appeal process is separate and independent from the compliance activities giving rise to such disputes. In doing so, taxpayers receive service from the appropriate IRS functions and can be confident in Appeals' fairness and objectivity, further promoting voluntary compliance by demonstrating the effectiveness of the tax administration system.
Paperless Collection Appeals Program	The paperless process by which Appeals receives all Collection Appeals Program (CAP) cases was expanded to also move field sourced CAP cases through the entire administrative appeal process electronically. This final expansion represents a 100% paperless environment for this work stream. The CAP cases have a very short response time, and the shift to a completely paperless process has resulted in a significant improvement in efficiency and productivity.
Objective: Address noncompliance by improving data, information and knowledge sharing with tax community and government partners	
EITC Paid Preparer Early Warning for Missing Forms 8867	The completion and submission of Form 8867, <i>Paid Preparer's Earned Income Credit Checklist</i> , is part of the paid preparer due diligence requirements. The IRS developed a warning letter and an electronic acknowledgement alert for preparers who submitted EITC returns without attaching the required Form 8867. The IRS sent almost 6,700 warning letters to preparers of paper returns and over 1,600 electronic acknowledgement alerts to preparers of e-filed returns. This "early warning" reduced the number subsequent EITC returns submitted without the Form 8867, and reduced the number of penalties proposed against paid preparers who failed to comply with the requirement.
Strategic Foundation: Invest in our workforce and the foundational capabilities necessary to achieve our mission and deliver high performance for taxpayers and stakeholders.	
Objective: Implement enterprise-wide analytics and research capabilities to make timely, informed decisions.	
2014 VITA/TCE FSA, Virtual, and FSA Remote Customer Satisfaction Surveys	The IRS administered a customer satisfaction survey to taxpayers who prepared their TY 2013 return through the VITA/TCE FSA, Virtual, or FSA Remote programs. A total of 1,690 survey responses were received for the 2014 season. Findings revealed that FSA, Virtual, and FSA Remote respondents were satisfied with this year's VITA/TCE experience. They reported low wait times prior to beginning the tax preparation process and had positive assistor experiences; 82 percent of all respondents indicated they were confident in the accuracy of their return and 94 percent were willing to utilize VITA/TCE for tax preparation services in the future.

<p>Analysis of Return Preparer Industry</p>	<p>Research examined return preparer dynamics and trends from processing years 2004-2013 to understand how the industry changed over time and its response to the Preparer Initiative. Prior to the initiative research suggests that the market was trending towards larger volume preparers. Preparer regulations seem to have accelerated the consolidation. In addition, preparer counts are less than previously thought, because IRS can now more consistently identify unique preparers. The analysis also suggests that concentration of returns to larger volume preparers appears to have reduced math errors and Automated Underreporter Program mismatches.</p>
<p>ACA Microsimulation Model</p>	<p>Research developed a microsimulation model to produce various statistics on select ACA provisions. It uses IRS data augmented by external survey data and includes estimates of future health insurance status, employer implications, and income dynamics at a tax return level. Results are used in workload planning and outreach efforts.</p>
<p>Identifying Fraudulent Returns</p>	<p>Research identified approaches to increase the efficiency of developing and evaluating ghost preparer cases for treatment. They identified opportunities to use existing data to link records to form network associations and provide supplemental information by querying data sources. The process is currently under evaluation; initial feedback suggests that the methodology will save significant time in developing higher risk cases.</p>

APPENDIX C. TAB MEASURE DEFINITIONS

Measure	Purpose	Definition	Calculation
Awareness of Services	Availability of Information	The percentage of taxpayers who are aware of at least one IRS service channel.	The total number of taxpayers who responded they were aware of at least one IRS service channel divided by the total number of taxpayers who answered the awareness survey question.
Enterprise Level of Service	Availability of Information	The relative success rate of taxpayers that call for toll-free services seeking assistance from an IRS representative.	The number of toll-free callers that either speak to an IRS representative or receive informational messages divided by the total number of attempted calls.
Enterprise Taxpayer Self-Assistance Rate	Adequacy of Service	The percentage of taxpayers using self-assistance service channels for their service needs.	(Automated calls answered + web site visits + IRS2Go visits) divided by (Assistor calls answered + Automated calls answered + web site visits + IRS2Go visits + electronic interactions + customer accounts resolved (paper) + TAC contacts)
Interaction Satisfaction Rate	Adequacy of Service	The percentage of taxpayers satisfied with their interactions with the major IRS programs based on survey responses.	The sum of the weighted average satisfaction score per program survey divided by the total number of taxpayer interactions for all the programs. Calculation: $\frac{\sum wn}{\sum w} = \frac{\text{sum of (weight * avg. score)}}{\text{sum of weights}}$ where w = number of taxpayer interactions per program (i.e., weight) n = average satisfaction score, per program survey
Issue Resolution Rate	Efficiency of Government	The percentage of taxpayers who had all their questions answered during their interaction with an IRS assistor.	n/a

