

**Annual Report to Congress**



**The Taxpayer Assistance Blueprint**

**Taxpayer Service Improvements**

**Fiscal Year 2015: October 2014 to September 2015**

**April 2017**

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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 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) 2015 (October 1, 2014 to September 30, 2015) in delivering taxpayer services.

### FY 2015 Taxpayer Service Improvements

Data collected on taxpayer expectations and behaviors indicate continuing preference for online self-service. The IRS has continued to invest in and prioritize online services to meet taxpayer demand for anytime, anywhere, any device access to their personal tax information. In FY 2015, the IRS launched several new online products and enhanced existing products to better meet taxpayers' needs, including IRS2Go Mobile Version 5, Online Payment Agreement (OPA) Release 2, IRS Direct Pay Release 3, and a Directory of Federal Tax Return Preparers with Credentials and Select Qualifications.

As part of the move to digital access, the IRS created the Service on Demand digital service strategy.<sup>1</sup> A cross-functional team conceptualized, developed, and socialized this multi-channel<sup>2</sup> customer service strategy to help IRS leaders reimagine the future of taxpayer service. The Service on Demand team identified transformative improvements that could take place over the next five years to provide better service to taxpayers and deliver taxpayer service more efficiently. The IRS also established a process and a dedicated program office, the Excellence through Productivity Improvement and Quality office, to conduct short-term and long-term strategic planning for a web-first strategy.

In FY 2015, in addition to web and multi-media messaging, the IRS promoted the web-first strategy across all channels. The office developed a multi-year strategy for service delivery, focusing on reducing demand for assistor-based services and increasing use of web-based services. The program office also served as the catalyst, positioning the Service to be on the forefront of transformational changes, proactively identifying and developing opportunities for migrating taxpayer services to a user-friendly and cost-effective customer service channel, and improving the overall taxpayer experience, while gaining operational efficiency and productivity.

In March 2015, IRS Commissioner John Koskinen convened an unprecedented Security Summit with public and private tax administration leaders to discuss common challenges and

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<sup>1</sup> In early 2015, the Service on Demand strategy was folded into the IRS Concept of Operations Initiative, now known as the IRS Future State.

<sup>2</sup> The IRS provides customer service through various channels, including online, toll-free telephone, face-to-face, and written correspondence.

ways to combat tax-related identity theft. The IRS officials, the chief executive officers of the leading tax preparation firms, software developers, payroll and tax financial product processors, and state tax administrators were among the participants. The Summit participants agreed to commit their leadership and resources to work together to combat this growing problem, and to that end, the group agreed to form a public-private partnership committed to protecting the nation's taxpayers and the tax system from identity theft refund fraud.

In FY 2015, the IRS continued its successful Content Upgrade Projects (CUP) program, a strategic online content upgrade initiative to make meaningful improvements to IRS.gov content. Small teams of web specialists completed 17 CUPs that analyzed and improved key web pages covering critical online needs of U.S. taxpayers, including the Affordable Care Act (ACA), payments, filing, forms and publications, refunds, transcripts, Earned Income Tax Credit (EITC) and other individual credits and deductions, and Spanish content, as well as pages geared toward tax professionals. The IRS has also improved the IRS.gov experience for international taxpayers. For most taxpayers living abroad, the IRS website is their preferred, and sometimes only, channel for tax information.

The implementation of the ACA is one of the most significant challenges to face taxpayers in recent memory with new requirements, forms, and terminology. The Taxpayer Advocate Service (TAS) anticipated the need for tools to help taxpayers estimate the new Premium Tax Credit (PTC), Individual Shared Responsibility Payment, and Small Business Health Care Tax Credit. To help taxpayers estimate their ACA-related credits and payments, TAS developed tools which allow taxpayers to estimate their payment or credit to help ensure they pay no more than the correct amount of tax to the IRS.

Additionally, the IRS leveraged telephone data to redesign ACA telephone scripts allowing for automated assistance while effectively directing callers to assistors that could answer their questions. Changes to announcements and call routing were critical to support voluntary compliance by taxpayers, as well as ensuring that taxpayers get to an assistor who has the knowledge to provide the appropriate service. For the ACA informational line, upfront messaging was changed to inform callers that the line provides pre-recorded messaging and alerts the caller to be ready to write down information. In addition to the telephone scripting, the IRS also developed effective scripting for assistors and interactive tools for the public via the internet.

In order to further educate taxpayers about tax issues, the TAS undertook a complete redesign of its public-facing website, with a new focus on customer self-help. Knowing that an increasing number of taxpayers use a mobile device for their primary internet connection, creating a mobile-first design became a priority, combined with presenting the information in a plain-language, user-focused way that emphasizes the taxpayer's rights, TAS's advocacy, and a self-help approach.

During the 2015 filing season, the IRS began providing face-to-face service by appointments in select Taxpayer Assistance Centers (TACs). Typically, TACs serve taxpayers on a first-come, first-served basis, a service model which cannot guarantee when, or if, taxpayers receive assistance and sometimes results in taxpayers waiting in long lines or leaving without receiving service. The appointment service pilot was an effort to serve more taxpayers, reduce lines at TACs, and reduce frustration for taxpayers and the IRS employees wanting to assist them. Appointment schedulers promoted the web-first strategy by educating taxpayers on alternative ways to obtain service, which led to many taxpayers' issues being resolved without scheduling an appointment. For those taxpayers still needing face-to-face service, the appointment

process allows them to know in advance when they will receive service, as well as what to bring to facilitate issue resolution.

In 2015, the IRS centralized the Identify Theft Victim Assistance program to more efficiently serve victims of identity theft. A new headquarters policy group with blended expertise was created to provide identity theft policy oversight, while field operations and caseworkers were realigned to consolidate identity theft victim assistance skills within a single organization. Its core objectives are to gain end-to-end accountability and focused oversight of identity theft victim assistance activities. As a result, fewer identity theft victims will need to interact with multiple IRS organizations as their case is being resolved.

For the 2015 filing season, the IRS launched a major consumer education campaign, in partnership with tax professional organizations, to help taxpayers choose tax return preparers wisely and understand the different categories of tax return preparers. The IRS released multiple communications including a fact sheet titled “Understanding Who You Pay to Prepare Your Tax Return,” and a video titled “Choose a Tax Preparer Wisely.”

The IRS uses social media tools to share the latest information on tax changes, initiatives, products, and services to help taxpayers better understand their tax responsibilities. In FY 2015, the IRS displayed more than 100 filing season Tax Tips videos on the IRS YouTube channels. Podcasts for each of these videos were also available in English and Spanish as MP3 file downloads on IRS.gov. The IRS also issued more than 4,900 tweets to the corporate Twitter accounts, and more than 325 Tumblr posts.

## **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 specific 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).

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 IRS research organization collected data about taxpayers' awareness and use of these channels. While awareness is generally low about the IRS's communications on social media, use of social media by those taxpayers who are aware is encouraging. For example, of taxpayers aware of the IRS channel on YouTube, almost half had viewed the videos.

In addition to furthering its understanding of the taxpayer perspective, the IRS research organizations provided information that will help the IRS improve service to make voluntary compliance easier. In FY 2015, studies included:

- ACA Reconciliation Analysis: studied the impact on taxpayers who opted to receive an advance payment of the PTC.
- Taxpayer Digital Communication Conjoint Study: collected information to better understand taxpayer preference for digital communication options for compliance tasks.
- Compliance Burden Research: gathered data about the time and money taxpayers spend to comply with their filing and tax payment requirements or to amend or resolve issues with an already-filed return.
- Identity Theft Analytics: collaborated with industry representatives to prioritize opportunities to create added identity theft protection as early as possible with new data elements.

## §1. UPDATED INFORMATION ABOUT TAXPAYER NEEDS AND BEHAVIORS

A thorough knowledge of taxpayer needs and preferences is a cornerstone of the IRS's efforts to deliver excellent service and a more seamless experience for taxpayers. The IRS continues to study taxpayer perspective through various research efforts, most notably the Wage and Investment (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 use of IRS service channels has remained relatively consistent. For example, in FY 2015, 44 percent of individual taxpayers who responded to the tax year (TY) 2014 TES<sup>3</sup> stated they contacted the IRS within the past 12 months, compared with 43 percent as reported in the TAB Phase 2 report published in 2007.<sup>4</sup>

Using IRS resources and services is conditional on a taxpayer's knowledge of those resources and services. Since 2007, taxpayers' awareness has increased for some service channels but decreased for others, as shown in Table 1 (all results presented in this section are from the TES).

**Table 1. Awareness of Service Channels, TY 2007- 2014**

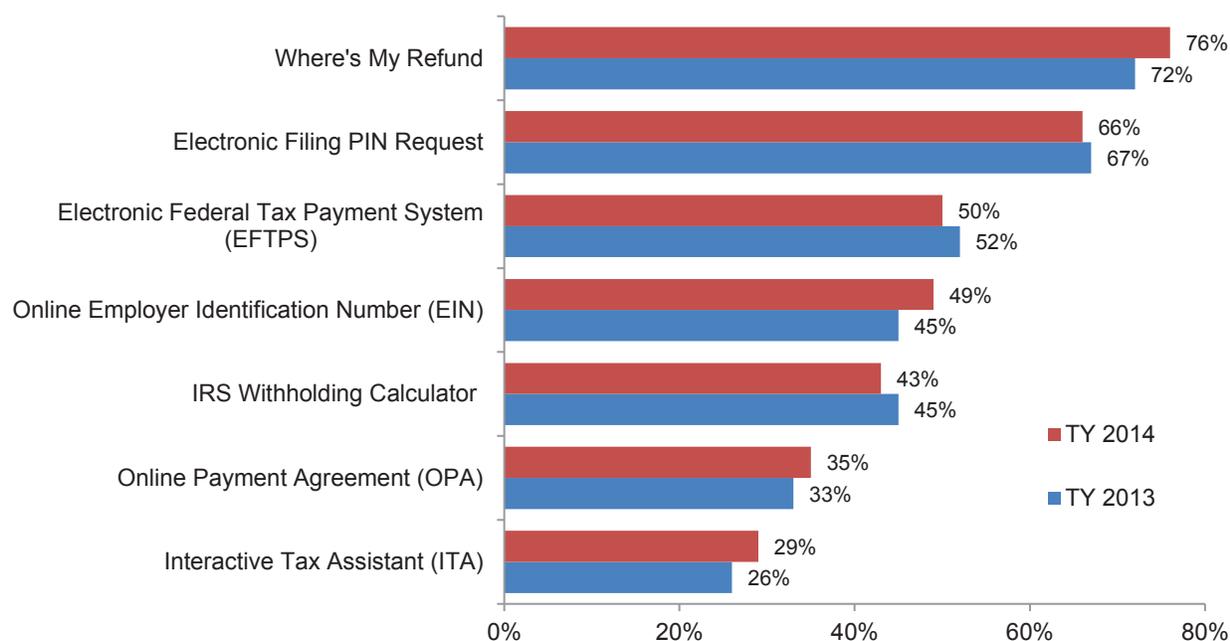
IRS Channel	TY 2007	TY 2008	TY 2009	TY 2011	TY 2013	TY 2014
IRS.gov	82%	82%	84%	84%	83%	80%
Toll-Free Line	80%	81%	79%	74%	77%	72%↓
Written Correspondence	59%	60%	61%	59%	54%	53%↓
Local IRS Office	61%	59%	60%	56%	58%	57%↓
Volunteer Income Tax Assistance (VITA)	45%	42%	58%	54%	57%	54%↑
E-mail	51%	50%	49%	48%	48%	45%↓
IRS2Go Application	n/a	n/a	n/a	12%	19%	24%

Note: Arrows indicate statistically significant differences in proportions between TY 2007 and TY 2014.

A taxpayer's awareness of an IRS service channel is not always synonymous with awareness of specific resources available from the channel. For example, while the percentage of taxpayers who are aware of IRS.gov has been consistent—between 80 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.

<sup>3</sup> TES is administered using an online panel and a random digit dial phone sample of non-internet users. Respondents are individuals who filed a Form 1040.

<sup>4</sup> Pacific Consulting Group, W&I Market Segment Survey 2006, July 2006; *The 2007 Taxpayer Assistance Blueprint Phase 2*, describes the surveys and their methodology, including how taxpayers were selected: <https://www.irs.gov/pub/irs-pdf/p4579.pdf>.

**Figure 1. Awareness of Select Online Services, TY 2014 & TY 2013**

### Taxpayer Use of IRS Services

Use of specific IRS service channels among taxpayers has fluctuated slightly since 2007, as shown in Table 2. Taxpayers are most likely to contact the IRS using IRS.gov, followed by calling our toll-free telephone line. Use of the IRS2Go application for iOS or Android mobile devices has steadily increased since its introduction.

**Table 2. Use of Service Channels, TY 2007- 2014**

IRS Channel	TY 2007	TY 2008	TY 2009	TY 2011	TY 2013	TY 2014
IRS.gov	34%	30%	34%	32%	32%	35%
Toll-Free Line	21%	20%	18%	18%	18%	19%
Written Correspondence	7%	8%	10%	9%	6%	6%
Local IRS Office	5%	6%	6%	5%	6%	6%
VITA	3%	4%	5%	5%	6%	8%
E-mail	3%	3%	2%	3%	4%	5%
IRS2Go Application	n/a	n/a	n/a	1%	4%	8%

Note: Differences in channel use between TY 2013 and TY 2014 may be the result of a change in weighting methods used by the data collection vendor in TY 2014, and not real differences.

Taxpayers contact the IRS for various reasons. Survey data presented in Table 3 show the most common reason taxpayers contacted the IRS in 2015 (TY 2014) was 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 reversal 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- 2014**

Issue	TY 2007	TY 2008	TY 2009	TY 2011	TY 2013	TY 2014
Refund Information	14%	24%	21%	30%	21%	18%
Get Form or Publication	23%	26%	26%	19%	12%	9%
Responding to IRS Notice	11%	14%	13%	12%	6%	6%
Tax Law Question while Preparing a Return	6%	8%	9%	10%	6%	7%
Return Preparation Assistance	10%	10%	8%	9%	7%	6%
Payment Information	5%	6%	5%	5%	7%	6%
Obtain an Identity Protection Personal Identification Number (IP PIN)	n/a	n/a	n/a	n/a	n/a	6%
Obtain Prior Year Tax Return	6%	6%	5%	4%	8%	5%
Obtain Tax Identification Number	2%	3%	2%	2%	7%	4%
Tax Law Information after Filing Return	n/a	n/a	3%	3%	2%	3%
Make a Payment	n/a	n/a	4%	6%	7%	6%
Tax-Related Calculations	n/a	n/a	n/a	n/a	5%	4%
Identity Theft	n/a	n/a	n/a	n/a	2%	2%
ACA Information	n/a	n/a	n/a	n/a	2%	4%
Other	23%	3%	4%	10%	4%	2%

Note: Taxpayers could report contacting the IRS for multiple reasons during the 12-month period.

Taxpayers' service needs influence the channels they use to contact the IRS. Table 4 presents taxpayer-reported issues by service channel initially used for resolution in the past 12 months. Taxpayers report using IRS.gov most often to address their service needs.

**Table 4. Service Interactions by Issue and Channel Initially Used, TY 2014**

Service Task	Resolution Method Used									
	IRS Forms/ Instruction Booklets	IRS Website	Health- care.gov	IRS2GO App	IRS Auto- mated Phone System	IRS Phone Repre- sentative	Written Mail with IRS	Tax Soft- ware	Other IRS*	Other Non- IRS
Get a form or publication	12%	66%							8%	14%
Obtain transcripts or prior year tax return information		59%				7%			18%	16%
Get help with tax law while preparing my return	9%	52%						11%	14%	14%
Get tax return preparation help	9%	49%						7%	13%	22%
Get information or assistance about an IRS notice	7%	43%				21%	6%		7%	15%
Make a payment		41%				13%	8%	7%	15%	16%
Get information about making payments	10%	44%				13%			10%	23%
Get information about a refund	3%	61%		10%	8%	3%		3%	4%	9%
Get information about the ACA	6%	42%	27%						8%	17%

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

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

Which channel taxpayers use tends to vary by age, income, and/or education of the taxpayer. For example, as shown in Table 5, taxpayers who reported a household income of under \$15,000 reported slightly higher usage of the IRS toll-free line when compared with taxpayers who reported higher incomes. Taxpayers from the lowest income group also reported higher usage of the IRS2Go application.

**Table 5. Use of IRS Service Channels by Household Income, TY 2014**

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	35%	34%	36%	35%
Toll-Free Line	24%	21%	22%	16%
Local IRS Office	9%	6%	7%	5%
Written Correspondence	8%	6%	7%	5%
E-mail	5%	4%	6%	5%
IRS2Go Application	14%	9%	6%	5%
VITA	13%	10%	8%	4%

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

In TY 2013 and TY 2014, a subset of questions was administered to adults who said they did not file a tax return for that corresponding year (self-identified non-filers). The rationale for this decision was that non-filers had not been surveyed in prior years, but they also contact the IRS

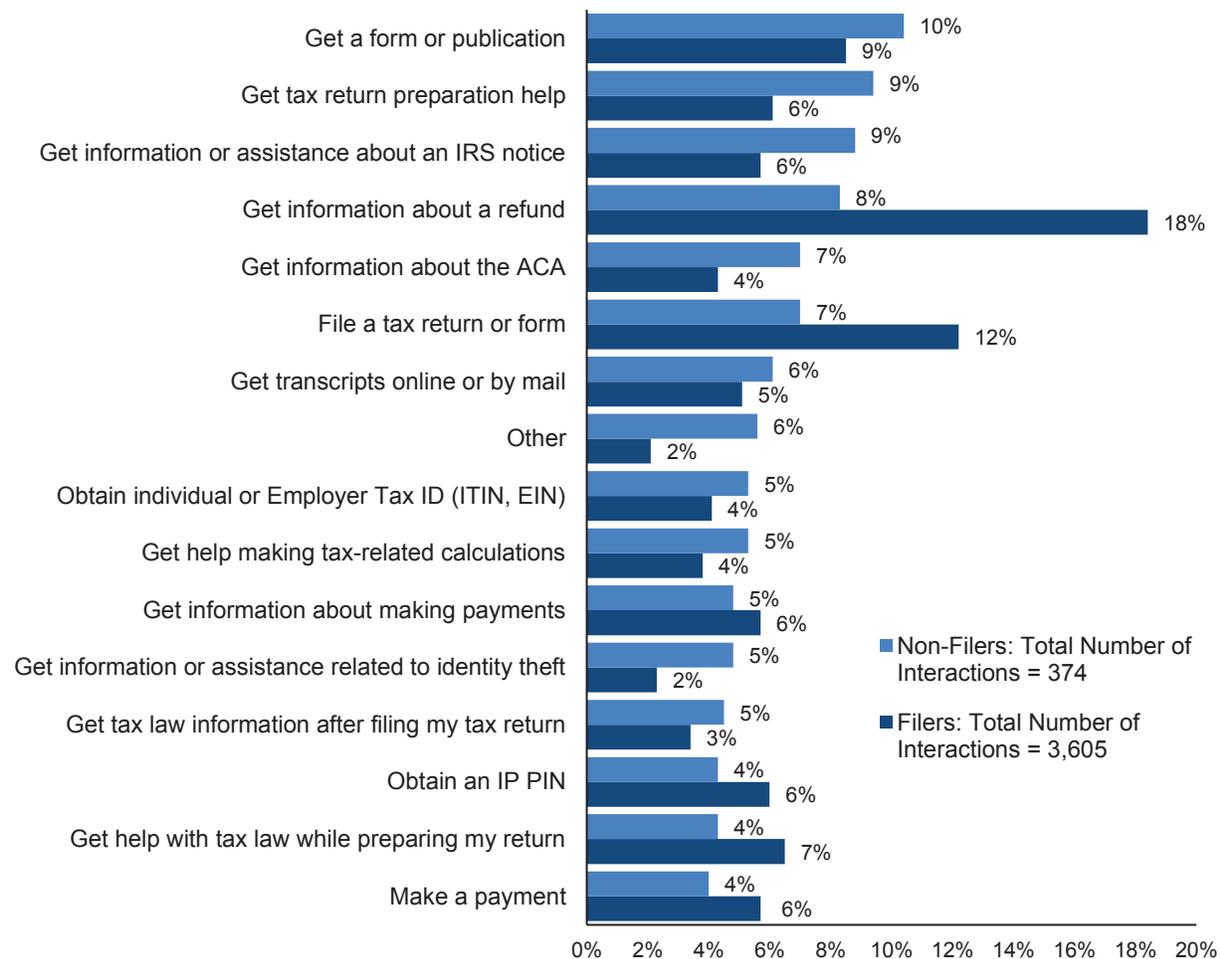
for service. Information on non-filers' channel awareness, use, preferences, and demographics was collected. Table 6 shows non-filers had correspondingly lower awareness and use of IRS.gov and the toll-free telephone line than filers. For other channels, awareness and use were comparable between filers and non-filers.

**Table 6. Awareness and Use of Service Channel by Whether a Return was Filed, TY 2014**

IRS Channel	Channel Awareness		Channel Use	
	Non-Filers TY 2014	Filers TY 2014	Non-Filers TY 2014	Filers TY 2014
IRS.gov	70%	80%	17%	35%
Toll-Free Line	67%	72%	13%	19%
Written Correspondence	52%	53%	5%	6%
Local IRS Office	58%	57%	7%	6%
VITA	56%	54%	7%	8%
E-mail	43%	45%	5%	5%
IRS2Go Application	22%	24%	4%	8%

In TY 2014, fewer non-filers reported contacting the IRS in the past 12 months (25%), compared with filers (44%). 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 reasons for non-filers to contact the IRS were to obtain refund information or get forms or publications.

**Figure 2. Service Interactions by Whether 2014 Return was Filed, TY 2014**

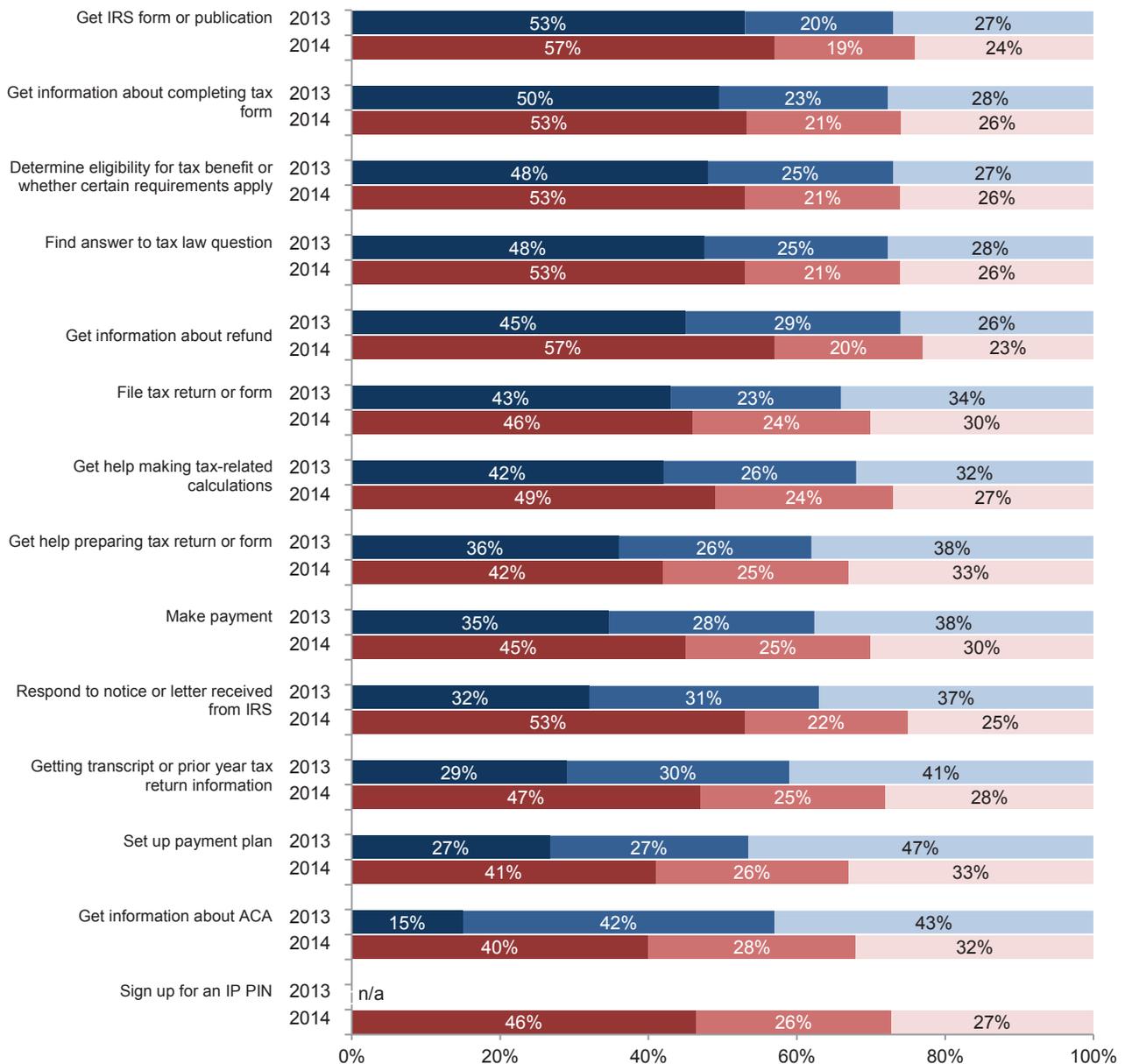


**Taxpayer Preferences**

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 and experiences when using the IRS website.

When asked 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 interpretation or judgment to successfully complete the task (e.g., responding to a notice). As presented in Figure 3, taxpayers’ likelihood of using IRS.gov remains constant between TY 2013 and TY 2014.

**Figure 3. Likelihood to Perform Tax-Related Activities Using IRS.gov in the Future, TY 2013 & TY 2014**



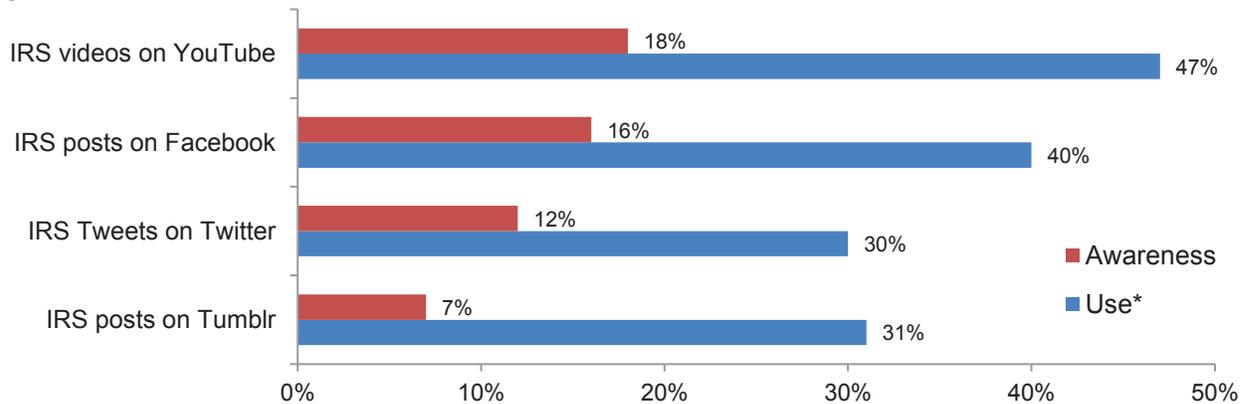
Key: Dark shade..... somewhat to very likely to use IRS.gov for task  
 Medium shade ..... neither likely nor unlikely to use IRS.gov for task  
 Light shade ..... somewhat to very unlikely to use IRS.gov for task

**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 2014**



\* Taxpayers who were aware of a channel were asked about use of the channel.

## §2. HIGHLIGHTS OF THE 2015 FILING SEASON

The IRS delivered another successful filing season in 2015, opening the season on schedule despite significant budgetary challenges. In preparing for filing season, the IRS prepared for new provisions of the Foreign Account Tax Compliance Act (FATCA) and the Premium Tax Credit (PTC) and Individual Shared Responsibility Payment (SRP) provisions of the Affordable Care Act (ACA). Additionally, the IRS updated its systems, tax forms, and instructions in response to tax extender legislation passed in December 2014. The IRS processed tax returns and refunds timely, as evidenced by the fact that the IRS issued 9 out of 10 refunds in less than 21 days.

Results of the 2015 filing season include:<sup>5</sup>

- Published more than 90 percent of the 700 revised or newly created individual and business tax products prior to the start of filing season.
- Received more than 139.2 million individual returns, of which 87 percent were filed electronically.
- Answered more than 9.7 million assistor calls and 29.2 million automated calls.
- Processed more than 3.6 million returns from volunteer return preparation sites.
- Completed 16.9 million transcript requests through the *Get Transcript* tool (January 20 - April 15).

<sup>5</sup> The 2015 filing season started January 20, 2015. Unless otherwise noted, these statistics represent cumulative filing season data through May 29, 2015.

Through April 18, 2015, our toll-free level of service (LOS) was 37.3 percent for the filing season.<sup>6</sup> With increased demand for telephone services and limited port capacity to meet that demand, we issued 8.8 million disconnects, compared to 545,000 in the prior year. However, the average speed of answer was 23 minutes, well below the forecasted wait time of up to 58 minutes.

As stated by Commissioner Koskinen in his testimony to the House Ways and Means Committee, Subcommittee on Oversight, at the end of the 2015 filing season, “[o]ur level of customer service during the 2015 filing season was unacceptably low, both in person and on the phone, despite the best efforts of the employees. Our low service levels were the result of the budget cuts we have had to absorb. Funding for the agency has been reduced by \$1.2 billion over the last five years, dropping to \$10.9 billion in Fiscal Year (FY) 2015.”<sup>7</sup>

## Taxpayer Service Facts

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. Accordingly, the IRS provided year-round assistance to millions of taxpayers through many sources, including outreach and education programs, issuance of tax forms and publications, rulings and regulations, toll-free call centers, IRS.gov, Taxpayer Assistance Centers (TAC), and Volunteer Income Tax Assistance (VITA) and Tax Counseling for the Elderly (TCE) sites.

In FY 2015, the IRS provided valuable services to millions of taxpayers while making it easier for them to participate in the tax system. The IRS:

- Assisted over 217,000 customers with return preparation at VITA sites through Facilitated Self-Assistance (FSA) and 30,000 using Virtual VITA.
- Prepared about 3.8 million tax returns at 12,057 VITA/TCE sites.
- Launched the Free File campaign at the beginning of the 2015 filing season and received more than 650,000 visits in the first week.
- Completed evaluations and onsite visits for 61 jurisdictions with a signed or agreed-in-substance intergovernmental agreement (IGA) to determine a jurisdiction’s ability to safeguard taxpayer information to be exchanged pursuant to those IGAs, in accordance with FATCA guidelines.
- Produced 117 Tax Tips (110 with Spanish translations) reaching more than 632,000 e-mail subscribers.
- Issued 109.4 million refunds to individuals totaling \$306 billion through December 25, 2015.
- Completed more than 234.7 million *Where’s My Refund?* web transactions.

Our strategy to assist more taxpayers by providing access to self-service tools continued, with taxpayers utilizing services across multiple channels. Through September 26, 2015, web service completions increased by 59.6 million over the prior year. Use of *Where’s My Refund?*

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<sup>6</sup> Toll-free LOS is the relative success rate of taxpayers that call for assistance from an IRS customer service representative (CSR). In other words, 37.3 percent of taxpayers who called the IRS were able to speak to a CSR.

<sup>7</sup> Written testimony of John A. Koskinen, Commissioner, Internal Revenue Service, before the House Ways and Means Committee, Subcommittee on Oversight, on the 2015 Tax Filing Season, April 22, 2015.

represents 79 percent of all web self-service completions, with the Transcript Delivery System-Integrated Enterprise Portal (IEP) application as the second highest in utilization.

The *Get Transcript* online tool provided a current digital display and print of an individual's tax record across five transcript types using enterprise-wide authentication. During the 2015 filing season, an incident occurred involving the *Get Transcript* web application where criminals used taxpayer-specific personal information obtained from non-IRS sources to gain unauthorized access to information in approximately 124,000 tax accounts. These criminals gained sufficient taxpayer information which allowed them to clear the application's multi-step authentication process, including several personal verification questions that typically are only known by the taxpayer. In the immediate aftermath of this incident, the *Get Transcript* application was suspended and the IRS provided free credit monitoring services for approximately 100,000 taxpayers whose accounts were accessed. Following this incident, the IRS conducted an extensive review to assess whether other suspicious activity occurred. The IRS identified over 224,000 total attempts to access data and notified all of these taxpayers about the incident.

The IRS mailed letters to about 220,000 taxpayers where there were instances of possible or potential access to *Get Transcript* taxpayer account information. As an additional protective step, the IRS also mailed letters to approximately 170,000 other households alerting them that their personal information could be at risk even though identity thieves failed in efforts to access the IRS system. Additionally, a wide variety of other actions to protect taxpayers were taken, including offering taxpayers free credit protection, as well as Identity Protection PINs.

The *Get Transcript* application was re-launched in June 2016 using more secure authentication. The IRS recently created a new position, the IRS Identity Assurance Executive, to lead in the development of our service-wide approach to authentication. We are also working with the U.S. Digital Service, which uses the best of product design, engineering practices, and technology professionals to build effective, efficient, and secure digital channels to transform the way government works for taxpayers.

### **§3. FY 2015 SERVICE IMPROVEMENTS BY STRATEGIC OBJECTIVES**

One of the TAB's objectives 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. 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 throughout the Plan by incorporating the taxpayer perspective into service improvement decisions and embedding the concept of improving service in every taxpayer interaction.<sup>8</sup> 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:

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<sup>8</sup> See Appendix A for a description of how the TAB guiding principles are integrated into the IRS Strategic Plan for 2014-2017.

- *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 to 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 2015 service improvements organized by strategic objectives.<sup>9</sup>

### **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.**

Taxpayer expectations and behaviors indicate continuing preference for online self-service. The IRS has continued to invest in and prioritize online services to meet taxpayer demand for anytime, anywhere, any device access to their personal tax information. These improvements to online content, products, and performance help taxpayers navigate a complex tax system and understand and meet their tax obligations in an efficient and effective manner for both the taxpayer and for the IRS.

In FY 2015, the IRS launched several new products and enhanced existing products to better meet taxpayers' needs, including:

- **IRS2Go Mobile, Version 5** updates enable taxpayers to make electronic payments as well as select a map view for the VITA Site Locator. The app also now adapts to the different screen sizes of various mobile devices, and comes with an improved look and feel for Android and iOS platforms. Version 5.0 launched on January 31, 2015. In FY 2015 (including all versions), IRS2Go was downloaded more than 2.3 million times and had over 3.8 million active users.
- **Third Party Data Services Pilot** enabled IRS to share refund status data with third parties (tax preparation firms, tax preparation software, and state and federal agencies) that require individual taxpayer information. All information sharing requires prior taxpayer consent and is conducted via Application Programming Interface (API).
- **Online Payment Agreement (OPA), Release 2** launched on March 2, 2015. Updates improved the user experience for a number of functions, including login and authentication, setting up direct debit, and providing better access for business users. During FY 2015, more than 360,000 OPA agreements were completed, representing over \$1.4 billion in revenue from web transactions.
- **IRS Direct Pay, Release 3** added responsive design and enhancements for guest users (those taxpayers who do not create a username and password); email confirmations of payments, cancellations, or reversals; and a Spanish version. Since

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<sup>9</sup> For information about additional FY 2015 service improvements, see Appendix B.

the November 2013 launch, the IRS has collected \$21.6 billion through this application (\$18.9 billion in FY 2015).

- **Directory of Federal Tax Return Preparers with Credentials and Select Qualifications** provided a lookup tool to find credentialed return preparers by location. Only Attorneys, Certified Public Accountants (CPAs), Enrolled Agents, Enrolled Retirement Plan Agents, Enrolled Actuaries, and Annual Filing Season Program (AFSP) participants with valid preparer tax identification numbers (PTIN) for 2015 are included in this directory. The directory is updated weekly. Since its launch in January 2015, more than 280,000 searches were performed.

### Service on Demand Strategy

As part of the move to digital access, the IRS created the Service on Demand digital service strategy. A cross-functional team conceptualized, developed, and socialized this multi-channel customer service strategy to help IRS leaders reimagine the future of taxpayer service.<sup>10</sup> The Service on Demand team identified transformative improvements that could take place over the next five years to provide better service to taxpayers and deliver taxpayer service more efficiently. The strategy has four phases:

- Phase 1—Aggregate data and research to evaluate current state and define future state channel mixes, and identify 16 clusters of taxpayer service needs.
- Phase 2—Develop blueprints for the future-state taxpayer experience, supporting business capabilities and processes, and approximate information technology (IT) costs for over 160 recommendations aimed at improving customer satisfaction and overall efficiency.
- Phase 3—Aggregate, prioritize, and sequence project groupings of recommended projects based on expected benefits and cost to implement, as well as develop conceptual solution architecture and assess impacts to people, processes, technology, and policies to create a detailed roadmap future delivery and investment.
- Phase 4—Begin implementing new service capabilities aligned to six Service on Demand programs: Online Account, Taxpayer Digital Communications, Third Party Services, Taxpayer Analytics, Payments, and Forms and Publications.

Work has begun on projects within each program. Successful execution of the Service on Demand pillar projects is expected to transform the IRS's ability to design tailored service approaches with a focus on digital customer service to meet taxpayer needs and preferences.

### FY 2015 Web-First Strategy

The IRS vision to deliver top quality service to America's taxpayers incorporates a future-based concept that leverages technology to allow taxpayers to obtain service promptly and seamlessly in a digital environment. The strategy is not designed to eliminate face-to-face service, but to facilitate access for taxpayers to connect to the service channel that is most convenient and efficient.

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<sup>10</sup> The IRS provides customer service through various channels, including online, toll-free telephone, face-to-face, and written correspondence.

The IRS established a process and a dedicated program office, the Excellence through Productivity Improvement and Quality office, to conduct short-term and long-term strategic planning for a web-first strategy. In FY 2015, in addition to web and multi-media messaging, the IRS promoted the web-first strategy across all channels. The dedicated program office acted as a liaison between project teams and functions and assessed impacts to work processes to drive necessary changes in the service delivery model.

The office developed a multi-year strategy for service delivery, focusing on reducing demand for assistor-based services and increasing use of web-based services. The program office also served as the leader in helping the Service identify and develop opportunities for migrating taxpayer services to a user-friendly and cost-effective customer service channel, and improving the overall taxpayer experience, while gaining operational efficiency and productivity. This was accomplished through continuous analysis and prioritization of high-impact initiatives, including the study of industry standards and benchmarks, as well as the implementation of best practices.

The IRS also expanded the use of Quick Response (QR) code technology, which directs taxpayers to products and services available on IRS.gov. The QR codes allow users to access IRS web sites for information quickly and to view and download a published item with content to their mobile device (smartphone or tablet). In the TACs, placards with QR codes were inserted in the slot for Form 1040EZ, *Income Tax Return for Single and Joint Filers with No Dependents*, or out-of-stock forms, directing taxpayers to IRS.gov for the Form 1040 EZ and to IRS Free File. The QR code directs the taxpayer to the IRS.gov location of the electronic product.

#### IRS.gov Content Upgrade Projects

The IRS website serves a wide audience of individual taxpayers, businesses, and third parties such as tax professionals, government agencies, and software providers. Since its inception as the Digital Daily in the 1990s, IRS.gov now has over 140,000 pieces of content. While the site consists of both digital applications and online content, visits to content alone account for over half of IRS.gov usage.

In 2014, the IRS launched a strategic Online Content Upgrade initiative to begin making meaningful improvements to IRS.gov content. The IRS continued its successful Content Upgrade Projects (CUP) program in FY 2015. Small teams of Web specialists completed 17 CUPs that analyzed and improved key web pages covering critical online needs of U.S. taxpayers, including the Affordable Care Act (ACA), payments, filing, forms and publications, refunds, transcripts, Earned Income Tax Credit (EITC) and other individual credits and deductions, and Spanish content, as well as pages geared toward tax professionals.

After upgrades to pages viewed more than one billion times by visitors to IRS.gov during FY 2015, post-project traffic analysis shows a number of measurable improvements to the user experience on IRS.gov, including the following highlights:

- Increase in form and publication downloads directly from the Forms and Publications page, as well as faster sessions for users who downloaded files.
- Decrease in repeated clicking from the Refunds page to *Where's My Refund?* tool, reducing potential load on the application.
- Evidence of clearer understanding of available e-file options, including decline in traditional Free File returns.

- Reduction in users seeking help options (e.g., Help or contact pages) from targeted pages.
- More users going to electronic payment methods from Payments page, rather than seeking information about mail or in-person methods.

### Non-English Content Upgrade Project

Limited English Proficient (LEP) taxpayers may not always know about the resources specifically available to help them fulfill their taxpayer responsibilities. To assist the LEP taxpayers in finding the information they require and seek, the IRS inserted internet links in English versions of tax publications to our non-English websites (Spanish, Russian, Vietnamese, Korean, and Chinese).

In early 2015, the Service identified that the available Spanish IRS web content was not at the same level of quality as the English content, and that Russian and Asian pages needed updating as well. The IRS developed a plan to improve Spanish IRS web content to mirror as much as possible current English content. A CUP was initiated in May 2015 with the launching of new and improved pages. The Spanish web pages update involved redesigning high traffic pages with the goal of improving the format and functionality, page search capability, and compliance with Section 508 of the Rehabilitation Act of 1973.

As of September 30, 2015, 80 publications have been updated with links to promote and inform about the five non-English websites. Publications will continue to be updated to include the links as they are revised. The updating of the LEP websites is an on-going process as well.

### Website Improvements for International Taxpayers

The IRS has also improved the IRS.gov experience for international taxpayers. For most taxpayers living abroad, the IRS website is their preferred, and sometimes only, channel for tax information. Enhancements include:

- A redesigned international taxpayer landing web page organized roughly 260 pages for international individuals into one of six categories (Taxpayers Living Abroad, Resident Aliens, Nonresident Aliens, Foreign Students and Scholars, Territory Residents, and Other). Each category links to a separate landing page with additional links in relevant categories (such as Filing Requirements, Income, Deductions, Credits, Withholding, Nonresident Aliens with a U.S. Trade or Business, Forms, or Resources).
- The Help and Resources section on the international taxpayer landing web page provides easy access to other relevant pages such as FBAR (Report of Foreign Bank and Financial Accounts), FATCA (Foreign Account Tax Compliance Act), and Streamlined Procedures. Links were added to the *Directory of Federal Tax Return Preparers with Credentials and Select Qualifications* and *Streamlined Filing Compliance Procedures* to address concerns raised by U.S. Embassies and taxpayers around the world.
- A new web page, *Affordable Care Act (ACA) and the International Taxpayer*, provides information on Individual Shared Responsibility, Additional Medicare Tax, Net Investment Income Tax, and links to topics on the ACA page that are relevant to international individual taxpayers.

- A new web page, *Helpful Tips for Effectively Receiving a Tax Refund for Taxpayers Living Abroad*, helps overseas taxpayers receive their tax refunds in a timely manner.
- Six YouTube videos demonstrate navigating international web pages on [www.irs.gov](http://www.irs.gov), providing guidance to international individual taxpayers to determine their filing requirements and filing status, their need for an ITIN, and their qualifications for foreign tax credits and the foreign earned income exclusion.

The IRS has also added two new international tax topics to Tax Trails, the agency's interactive online tool that helps taxpayers get answers to their general tax questions. The new topics are:

- Am I Required to File a U.S. Individual Income Tax Return (for U.S. Citizens/Resident Aliens Living Abroad and Nonresident Aliens)?
- Filing Status of a U.S. Citizen or Resident Alien Married to a Nonresident Alien

### Publication Strategy for Mobile Devices

Technology trends indicate that people are moving toward using their mobile devices for accessing the web for most of their information needs. Portable Document Format (PDF), the traditional format for viewing publications on laptops, is difficult for users because it is an exact replica of the printed version and requires zooming and scrolling on mobile devices. The ePub format, eBooks, provides accessibility for visually impaired users, capability to display content to fit the screen size of various devices (tablets, eReaders, smartphones), and the ability for taxpayers to personalize IRS products saved on their devices (add notes, bookmarks, etc.).

The IRS developed a multi-year strategy to convert many tax publications and instructions into the user-friendly ePub electronic format. This digital publishing standard adapts traditional paper formats into a format readable by mobile devices such as tablets, e-readers, and smartphones and meets accessibility requirements.

As of September 30, 2015, 29 tax publications are available as eBooks on [irs.gov](http://irs.gov), including Publication 17, *Your Federal Income Tax (For Individuals)*. From January 1, 2015, to September 30, 2015, there have been 84,213 ePub downloads, of which 41,715 of those were for Publication 17, *Your Federal Income Tax*.<sup>11</sup>

### Improvements to ACA Toll-Free Line

In August 2014, IRS Research studied the ACA automated telephone information line to identify possible improvements to the toll-free line to better meet taxpayer expectations and needs. After conducting testing sessions with approximately 120 taxpayers to gather information about customer satisfaction and ease of use with the ACA automated phone lines, findings revealed that satisfaction with the overall automated phone experience was particularly low among individual participants—all reported being either “not at all satisfied” or “slightly satisfied” (57 percent and 43 percent, respectively). Business participants reported slightly higher satisfaction with the automated phone service; however, the majority (71 percent) reported being “not at all satisfied” or “slightly satisfied” (15 percent and 56 percent, respectively).

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<sup>11</sup> An additional 70 publications are expected to be available in eBook format in FY 2016. These products can be found at: <http://www.irs.gov/Forms-&-Pubs/eBooks>.

As a result of the study, several changes were proposed for the ACA-related phone lines and scripts, such as providing additional specific search terminology to the taxpayer once they have been directed to visit IRS.gov. In January 2015, the changes were implemented and the improved products were offered to taxpayers. Following implementation of the revised scripts, analysis of telephone data from December 2014 to February 2015 showed that the percentage of callers who ended their calls before completion of the upfront messaging increased from eight percent to 26 percent. With the IRS's toll-free telephone environment programmed to block calls when the queue reaches a defined threshold (i.e., the taxpayer receives a recorded announcement to call back at a later time), the increase in the percentage of calls dropped during the upfront messaging frees up circuits within the system allowing the IRS to provide service to more taxpayers.

### Improvements to TAS Public-Facing Website

In order to support taxpayers in being more educated about tax issues, the TAS undertook a complete redesign of its public-facing website, with a new focus on customer self-help. Knowing that an increasing number of taxpayers use a mobile device for their primary internet connection, creating a mobile-first design became a priority, combined with presenting the information in a plain-language, user-focused way that emphasized the taxpayer's rights, TAS's advocacy, and a self-help approach.

The site—which went live in January 2015—was redesigned using a responsive, mobile-first methodology. The site is search-driven with “I need Help with --” being the focus of the landing page. The information on the home page is categorized into Common Issues and Common Situations and has an expanded Get Help menu with a longer list of issues. Videos were added to the site to accompany certain tax issue pages to communicate the various complicated issues in a visual and aesthetically pleasing way that is approachable and simply presented.

Several usability studies were conducted during FY 2015 to better understand the navigability and accessibility of the website. User feedback was generally positive, especially around searchability and design. However, the tests uncovered challenges associated with site branding and comprehensive content that will be addressed in FY 2016.

### Online ACA-related Estimator Tools

The implementation of the ACA is one of the most significant challenges to face taxpayers in recent memory with new requirements, forms, and terminology. The TAS anticipated the need for tools to help taxpayers estimate the new Premium Tax Credit (PTC), Individual Shared Responsibility Payment (SRP), and Small Business Health Care Tax Credit (SBHCTC).

To help taxpayers estimate their ACA-related credits and payments, TAS developed tools which allow taxpayers to estimate their payment or credit to help ensure they pay no more than the correct amount of tax to the IRS. Located on IRS.gov, the PTC Change Estimator was launched in September 2014, the SRP Estimator was launched in March 2015, and the SBHCTC estimator was launched in May 2015.

From July to September, 2015, the PTC Change Estimator had 8,052 page views, and the SRP Estimator had 7,747 page views.

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

The IRS continued to communicate with taxpayers to reduce their compliance burden and increase understanding of their tax responsibilities through outreach and education campaigns, including social media, to reach key taxpayer segments, which include the underserved, multilingual, international, and tax-exempt communities. 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.

For the 2015 filing season, the IRS launched a major consumer education campaign, in partnership with tax professional organizations, to help taxpayers choose tax return preparers wisely and understand the different categories of tax return preparers. The IRS released multiple communications including a fact sheet titled “Understanding Who You Pay to Prepare Your Tax Return” and a video titled “Choose a Tax Preparer Wisely.” The IRS also unveiled [IRS.gov/chooseataxpro](http://IRS.gov/chooseataxpro), a page that explains the different categories of professionals, and a new partner page on [IRS.gov](http://IRS.gov) that provides links to the web sites of national non-profit tax professional groups, which can help provide additional information for taxpayers seeking a specific type of qualified help.

The IRS used social media tools to share the latest information on tax changes, initiatives, products, and services to help taxpayers better understand their tax responsibilities. Some FY 2015 highlights include:

- Issued 67 Tax Tips and three “Special Edition” Tax Tips for the 2015 filing season in both English and Spanish. Subscriptions to Tax Tips have grown to more than 632,000 subscribers, a 7% increase compared to last fiscal year.
- Displayed more than 100 filing season Tax Tips videos on the IRS YouTube channels. Podcasts for each of these videos were also available in English and Spanish as MP3 file downloads on [IRS.gov](http://IRS.gov).
- Issued more than 4,900 tweets from the corporate Twitter accounts and more than 325 Tumblr posts.

Additional outreach efforts included the following:

- Conducted monthly meetings with the national tax professional organizations where IRS leaders briefed stakeholders on current issues and delivered messages that the organizations’ representatives communicated to their members.
- Maintained an active email listserv that provided current information on policies and procedures to tax professional organizations and the IRS advisory group.
- Published *e-News for Tax Professionals* weekly with a current subscriber base of more than 300,000 tax professionals and organizations.
- Announced the opening of Free File and conducted interviews with 23 radio networks (resulting in a total reach of 658 stations nationwide) and TV interviews with 29 network affiliates, including four in the top 10 English media markets and eight in the top 10 Spanish media markets.

- Provided free tax preparation to approximately 3.8 million taxpayers at more than 12,000 Volunteer Income Tax Assistance/Tax Counseling for the Elderly (VITA/TCE) sites in FY 2015. To support VITA/TCE partners and volunteers, the IRS conducted and leveraged over 1,100 ACA outreach events and activities nationwide, which included weekly partner calls, webinars, and ACA facilitator sessions to answer partner-related questions. In addition, the IRS recorded an ACA webinar covering the ACA impacts to Form 1040, *U.S. Individual Income Tax Return*, including new Form 8965, *Health Coverage Exemptions*, and Form 8962, *Premium Tax Credit*.
- Developed Publication 5157, *VITA/TCE Affordable Care Act*, as a training resource for partners and volunteers. The IRS posted a modified version, Publication 5187, *The Health Care Law: What's New for Individuals and Families*, on IRS.gov. This publication was used as a tool for IRS outreach staff and relationship managers and was shared with the tax professional community and Congressional staff members.
- Redesigned the Appeals Alternative Dispute Resolution (ADR) web page on IRS.gov to be less technical, more visual, and user-friendly to help taxpayers better understand the ADR program options.

### ACA Customer Service

During 2015, the IRS implemented a web-first strategy for ACA via IRS.gov/aca. New content was published and distributed online first, then in hard copy (paper) form, to communicate impacts of the Marketplace Provisions for individuals, employers, and insurers, in an effort to ensure compliance when filing their TY 2014 tax returns.

Some FY 2015 ACA highlights include:

- Created awareness of the web-first strategy and the PTC and individual SRP communication priorities through the Contact Center Forum (CCF). The CCF is a group of key partner companies with whom we regularly exchange information we each can use in our call center operations and social media vehicles to effectively respond to customers. We oriented the CCF to IRS.gov/aca, the PTC, and individual SRP Interactive Tax Assistants, and other PTC and individual SRP key message and communication products, asking them for feedback and soliciting their partnership in using this information to serve or refer their customers.
- Developed 151 Marketplace external communication products.
- Created Questions and Answers (Q&A) for Form 1095-A, *Health Insurance Marketplace Statement*, and announcements regarding emerging issues, including 1095-A penalty relief, amended returns, consumer alerts, and proof of coverage on the newly created What's Trending page.
- Updated eight sets of Q&As for individuals and families, employers, and insurers and updated major web pages as new areas of emphasis were identified, such as the requirement for applicable large employers and providers with more than 250 information returns to file electronically.
- Collaborated 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.

- Conducted more than 1,100 outreach events, reaching more than one million participants from more than 500 organizations.
- Issued 13 items of published guidance on ACA provisions, including final regulations on information reporting of minimum essential coverage and applicable large employers, shared responsibility for employers regarding health care coverage and final rules establishing the Basic Health Program.

Through the use of Contact Analytics,<sup>12</sup> the IRS leveraged telephone data to redesign ACA telephone scripts allowing for automated assistance while effectively directing callers to assistors who could answer their questions. Changes to announcements and call routing were critical to support voluntary compliance by taxpayers, as well as ensuring that taxpayers reach an assistor who has the knowledge to provide the appropriate service. For the ACA informational line, upfront messaging was changed to inform callers that the line provides pre-recorded messaging and alerts the caller to be ready to write down information. These changes were implemented to reduce taxpayers' hold time, decrease circuitry costs, and provide an enhanced customer experience.

In addition to the scripting for recorded telephone messages, the IRS also developed effective scripting for assistors and interactive tools for the public via the internet. Furthermore, the IRS successfully maintained the internal ACA Resource page to reflect the most current information on trending topics related to all provisions of the ACA, including highly visible emerging issues.

In FY 2015, total ACA demand was 1.6 million with 527,000 ACA assistor calls answered. In addition, ACA services were provided through 17,000 automated calls answered and 588,000 calls transferred to the ACA information line.

### 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 them. Collaborating across IRS as well as with other agencies, partners, and tax preparers is crucial for success.

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, schools, and return preparers. The IRS presented webinars and tax forum seminars to inform schools, students, parents, and tax practitioners of their responsibilities in filing correct claims. Over 1,900 attended the webinars and almost 5,500 preparers, 52 percent of tax forum attendees, attended the seminars. 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.

For the Earned Income Tax Credit (EITC), the IRS led the effort to deliver the ninth annual nationwide EITC Awareness Day on January 30, 2015. The IRS and partners used events and social media to increase awareness of this important credit that benefits workers and their families. Events included news conferences, news releases, e-mail blasts, newsletters, and social media interactions. Over 280 local events were held. Both the IRS Commissioner and

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<sup>12</sup> Contact Analytics is a business intelligence and performance management tool used to evaluate recorded audio for the purpose of identifying opportunities for improving the customer experience.

the W&I Commissioner attended local events with interviews with the press. Radio and TV interviews were held throughout the nation with over 450 English-affiliated radio and TV stations and Skype. National English and Spanish coverage reached an audience of over five million. The IRS and its partners tweeted 110 English tweets that reached over 65,000 Twitter followers and yielded over 1.4 million touches on individuals' Twitter timelines during Awareness Day.

#### “Appeals: Overview of Recent Policy Changes” Webinar

In late FY 2014, the IRS reinforced some of its policies with respect to ensuring an impartial Office of Appeals and as a result, needed to communicate to taxpayers and tax practitioner changes in the way cases are worked. To address this need, in FY 2015 the IRS created a webinar that covered information on the changes that occurred in FY 2014. The webinar included an introduction to the Office of Appeals, including a history and overview of the changes for Examination and Collection cases, which reinforced Appeals' independence, and reminders about the importance of taxpayer cooperation with Compliance prior to coming to Appeals.

Between the initial webinar on December 10, 2014, and subsequent archival viewings from the IRS Video Portal through the end of FY 2015, there have been more than 4,400 individuals impacted by the webinar. In addition, in the week following the broadcast, more than 2,600 certificates were issued to qualified participants, with 2,300 PTIN upload records sent to the Return Preparer Office.

In preparing materials for the webinar, the IRS noted that improvements were needed to Appeals' public-facing portion of the IRS.gov website. Updates to the website included a link to our “Office of Appeals” web page under the bottom-of-the-page resource heading “Resolve an Issue.” Additionally, we added content to the web page to stress Appeals' independence and provide additional information on the impact of the FY 2014 policy changes.

#### Crosswalk of Taxpayer Bill of Rights and Statutory Provisions

The IRS's adoption of the Taxpayer Bill of Rights (TBOR) was a great step forward in improving taxpayers' awareness of their rights. A 2012 survey conducted for TAS found that only 46 percent of taxpayers believed they had rights before the IRS and only 11 percent said they knew what their rights were. To help taxpayers use the TBOR as a starting point to guide them to the specific statutory rights, TAS created a “crosswalk” on its website that links the specific statutory provisions which underlie the TBOR with the fundamental principles. Under each fundamental right is a list of the relevant statutory provisions with plain language descriptions of what those specific rights mean. The descriptions also include links to resources where taxpayers can find more information. For example, the crosswalk includes relevant IRS publications as well as links to the U.S. Tax Court's website, where applicable. In addition to statutory provisions, the crosswalk includes some regulations that provide taxpayer rights. Beyond helping taxpayers understand what their rights mean, the crosswalk is also useful in outlining what remedies taxpayers may have under the law. Creating the crosswalk helped TAS identify what rights do not have sufficient, actionable remedies, which in turn has led to the development of specific legislation and administrative recommendations.

When the TBOR was adopted, each fundamental right on the TBOR crosswalk included only a handful of examples of statutory provisions. During early 2015, TAS substantially expanded the number of provisions included. The crosswalk at the end of FY 2015 included almost 90

different plain language descriptions of statutory rights, in addition to links to IRS resources, publications, and, in a few instances, administrative provisions.

### Foreign Account Tax Compliance Act Web Page 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*.

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. The following steps were taken to improve it in FY 2015:

- Continued to develop the dedicated landing pages 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 as a means of providing taxpayers with the most recent version of the form or publication.
- Redesigned the FATCA Regulations and Other Guidance page, grouping guidance by category (e.g., Financial Institutions, Individual Taxpayers) for quicker access to the desired information.
- Continued updates to all Frequently Asked Questions (FAQ) pages (General, FFI List, Registration, International Data Exchange Service (IDES), and Form 8938) and added new FAQs for the International Compliance Management Model (ICMM).
- Redesigned and updated each of the FATCA FAQ pages, aligning all categories at the top of the page and linking to the answer at the bottom to help taxpayers locate information more easily and quickly.
- Added a new IDES comments application for FFIs, direct reporting non-financial foreign entities, and host country tax administrations to contact IRS with technical questions.
- Added a new ICMM comments application for FFIs, direct reporting non-financial foreign entities, and host country tax administrations filing Forms 8966 electronically to contact IRS with technical questions about systemic error notifications they have received.
- Added several updates to the “FATCA Current Alerts and Other News” page.
- Added several new pages relating to IDES information, FATCA registration, and FFI list information.

- Created a new web area and presence for ICMM, including new FAQs, a FATCA Reports ICMM Notification XML Schema User Guide, and a FATCA Reports ICMM Notifications User Guide.

### **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, social media monitoring, and virtual service delivery:

- International and offshore compliance is an area of strategic importance to the IRS. The Offshore Voluntary Disclosure Program (OVDP) and the Streamlined Filing Compliance Procedures are integral components of the overall offshore strategy. The program provides new options to help individual taxpayers, both those residing overseas and those residing in the United States with compliance failures resulting from non-willful acts. Since the revision of the Streamlined Filing Compliance Procedures in June 2014, more than 20,000 taxpayers either filed delinquent returns or corrected returns to reflect unreported income from foreign sources.
- The IRS monitored Twitter and Facebook daily as part of the Customer Early Warning System initiative, an effort to quickly identify emerging systemic issues affecting taxpayers.<sup>13</sup> Identified issues included:
  - “Where’s My Refund?” and reporting of the Shared Responsibility Payment as an offset. Within 48 hours, the issue was reported to the IRS, real-world examples were pulled from social media, the problem was identified, and a solution was found.
  - Tweets from a major payroll services provider that were directing taxpayers to call the IRS for missing Forms W-2 during the peak President’s Day weekend. The issue was elevated and the IRS worked with the payroll provider to adjust the tweet language to direct taxpayers to call the IRS after the peak call period.
- The IRS 2015 Service Approach focused on a web-first strategy and promoted alternative service channels. This year’s approach supported the IRS’s effort to “Go Green” by reducing the number and quantity of paper products stocked in TACs and promoted no-cost options for making payments. Taxpayers were encouraged to view and download forms from IRS.gov or to file their tax returns electronically instead of picking up paper copies at TACs or outlet partners. Taxpayers making payments (cash and non-cash) in TACs were educated and encouraged to use online and other payments options rather than coming into a TAC.

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<sup>13</sup> The Customer Early Warning System (CEWS) identifies emerging taxpayer issues as early as possible to help determine proper action or resolution. It uses three existing information sources: Hear Me! to collect anecdotal trends and issues that customer service representatives hear from callers, social media (e.g., Facebook and Twitter), and Contact Analytics to analyze call content across the agency and provide details necessary to determine proper action or resolution.

- Employees in TACs with Facilitated Self-Assistance (FSA) kiosks helped taxpayers understand the use of online services. For the 2015 calendar year, kiosk use to obtain forms increased 28 percent over last year and nearly 7,000 Direct Pay transactions were performed on FSA kiosks. As taxpayers become more familiar with electronic filing and using IRS.gov to meet their service needs, they will rely less on visits to TACs for these services. This will result in taxpayers spending less time traveling to a TAC or waiting for service. The IRS will also benefit by reducing costs for printing, shipping, and stocking paper tax products and increasing its capacity to handle more complex account issues.

### Taxpayer Assistance Center Appointment Service Test

Typically, TACs serve taxpayers on a first-come, first-served basis. This service model cannot guarantee when, or if, taxpayers receive assistance and sometimes results in taxpayers waiting in long lines or leaving without receiving service. To use the expertise of employees in TACs more effectively, the IRS began providing face-to-face service by appointments in select locations during the FY 2015 filing season.

The appointment service test was an effort by the IRS to serve more taxpayers and, at the same time, reduce lines at many TACs to alleviate frustration for taxpayers and the IRS employees. The IRS began testing face-to-face service delivery by appointment in 44 select TACs during the challenging 2015 filing season. Within a few months, the IRS developed criteria, procedures, and an appointment scheduling tool, re-established telephone messaging capabilities in the TACs, and trained employees to schedule appointments. Customer service representatives (CSR) assisted with scheduling appointments using a dedicated toll-free line for three TACs participating in the test. For the remaining test TACs, taxpayers contacted the site directly to schedule their appointment, either by leaving a telephone message or sending an e-mail.

Appointment schedulers promoted the web-first strategy by educating taxpayers on alternative ways to obtain service, which led to many taxpayers' issues being resolved without scheduling an appointment. For those taxpayers still needing face-to-face service, the appointment process allows them to know in advance when they will receive service, as well as what to bring to facilitate issue resolution.

The test findings show that taxpayers benefited from appointments by receiving service with minimal wait times. The percentage of customers waiting more than 30 minutes to receive service significantly declined at test TACs—17 percent in 2015, down from 32 percent in 2014. Most taxpayers who called an IRS assistor for an appointment had their issue quickly resolved on the telephone or chose to use an automated service upon learning about it. During FY 2015, nearly 221,000 appointments were scheduled at TACs. The use of an alternative service channel resulted in reduced foot traffic, which allowed TAC employees to assist those taxpayers who needed face-to-face service, and ultimately the IRS was able to serve more taxpayers.

With the success of the appointment service test, the IRS decided to expand the appointment service model to all TACs. Using a prioritization model created by IRS Research, the order in which TACs would be phased in to the appointment model was established. Five major factors

were used in the ranking: taxpayer experience, demographic coverage, building priority, availability of other work streams, and potential real estate savings.<sup>14</sup>

Additionally, the appointment service test conducted during the 2015 filing season indicated that using CSRs and the dedicated live phone service to set appointments was the most effective option tested. As a result, all 44 TAC sites in the original test were transitioned to that model in August 2015.

### Direct Pay Enhancements

In FY 2014, the IRS launched Direct Pay, a free online payment application for individual taxpayers that is easy to use and allows users to make tax payments from their checking account and receive immediate status information. With the Direct Pay application, users can authenticate and make a payment from their bank account in a single session online. They can schedule payments in advance and use the application 24 hours a day, seven days a week.

In FY 2015, the third release of the Direct Pay application included the following enhancements:

- In March 2015, we delivered the first part of Direct Pay's third release and introduced responsive design to optimize the application across various browsers, smartphones, and tablets. Responsive design uses style sheets to ensure proper display on different mobile devices without recoding. For example, a payment page will display in an easy to read format on an iOS or Android smartphone, as well as on a tablet or laptop.
- In March 2015, we added the ability for the taxpayer to modify payment information, such as change the date or amount of payment after submission.
- In March 2015, we added the capability to pay Form 5329, *Additional Taxes on Qualified Plans (Including IRAs) and Other Tax-Favored Accounts*, ACA individual SRP, and tax type.
- In June 2015, we added outage messaging. This alerts the user of upcoming system outages. When a user accesses Direct Pay, the opening window advises of any upcoming system outages and explains the period of time the system will be down. Also, additional information was added that alerts the user of the remaining time before the system shuts down.
- In August 2015, we added input validation functionality. This allows the input fields to recognize special characters in a taxpayer's name or address. Adding this functionality reduces the number of errors that prevent the taxpayer-proofing process.

Since its inception in November 2013 through the end of FY 2015, approximately 6.9 million payments have been processed using Direct Pay, with approximately \$21.6 billion associated with those payments. To market Direct Pay, the prioritization of payment methods was revised in tax publications and instructions to promote the use of electronic payment methods with emphasis on Direct Pay. In FY 2015 alone, 5.6 million payments valued at over \$18.9 billion were processed using Direct Pay.

As a result of Direct Pay's success, in its first full year, the IRS exceeded its payment strategy goal to increase individual electronic payments by 15 percent year-over-year.

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<sup>14</sup> In January 2016, the appointment process was expanded to 81 additional TACs and two partner locations. The IRS will resume the phased expansion after the filing season, with the remainder of the TACs seeing taxpayers by appointment by November 2016.

- Individual electronic payments increased from 26.7 million in FY 2014 to 33.9 million in FY 2015, a 27 percent increase in the volume of electronic payments.
- The dollars collected electronically for individual tax payments increased from \$66.4 billion in FY 2014 to \$96.4 billion in FY 2015, an increase of 45 percent.

Additionally, results of an online survey on the application indicate that users generally like the convenience of making a payment quickly versus sending a paper check. The survey asks questions to gauge the experience users have in the areas of look and feel, site performance, navigation, site information, and task/transaction completion. The survey has an average response rate above 61 percent of those offered the survey, with an average customer satisfaction score of 80 percent.

#### Online Payment Agreement Outreach Initiative

In FY 2014, only about three percent of IRS streamlined payment agreements were established online via the Online Payment Agreement (OPA) application. In March 2015, enhancements to the OPA system simplified the authentication process for individual taxpayers. The OPA process reduces taxpayer burden and provides high quality service by allowing taxpayers to establish an agreement online without having to call, write, or visit an IRS office or provide detailed financial information. The average time to complete an online agreement was 12 minutes.

To increase awareness and use of OPA through a multi-faceted outreach strategy, the IRS designed an outreach campaign that would drive taxpayers to the OPA landing page and determine the impact of focused outreach on the number of OPAs established. The OPA information was delivered via E-News for Tax Professionals, E-News for Small Businesses, IRS Newswire, W&I Outreach Corner, news releases, and was an ongoing topic at Stakeholder Liaison outreach events.

The OPA page views on IRS.gov increased to 8.8 million in FY 2015, with over half of individual taxpayers interested in setting up payment plans via OPA. Significant technology improvements and an eight-month outreach campaign positioned OPA to record approximately 14 percent of all streamlined payment agreements online, resulting in over 360,000 completions.

#### IRS2Go Application Enhancements

The IRS2Go mobile app was originally created in 2011 to give individual taxpayers quick, easy access to check the status of their tax refund from their smartphones. Between 2012 and 2014, additional features, such as the ability to find free tax preparation assistance, were added to the application. Providing a mobile app to taxpayers puts IRS information and services at taxpayers' fingertips, supporting the White House's Digital Government strategy of making government services available anytime, anywhere, and on any device.

In FY 2015, various enhancements were made to the IRS2Go application:

- In January 2015, a new version of IRS2Go was released with a redesign for both iOS and Android devices. This redesign featured an improved user interface, making it easier for taxpayers to navigate the application and find the information they want.
- In May 2015, an update was released to give taxpayers more detailed information related to their refund status. This feature brings information to taxpayer mobile devices

via an inexpensive digital channel, deflecting calls from the more expensive refund status telephone number.

- In August 2015, an update was released to give taxpayers access to Direct Pay's mobile-friendly payment solution and IRS-approved credit/debit card payment processors, enabling secure and quick individual tax payments right from the application.

Nearly four million users accessed IRS2Go in FY 2015.

### Employee Retirement Plans Determination Process Improvements

In FY 2015, the IRS made changes to its Employee Plans Determinations procedures for incomplete determination letter applications. Prior to the process improvement, agents and tax law specialists spent a large amount of time perfecting incomplete submissions of determination letter applications from a small number of employee plan sponsors/practitioners. This caused a delay in the processing of all submissions.

The process change gives 30 days for plan sponsors/practitioners to submit the information necessary to complete the application. If the information is not submitted within 30 days, the case is closed until the plan sponsors/practitioners can resubmit a complete application. This change for incomplete submissions was favorably received by the Retirement Plans Community. We are currently analyzing the impact on cycle time for determination letter applications.

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

Identity (ID) theft tax fraud is an increasingly prevalent threat to taxpayers. 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 assist 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. FY 2015 highlights include:

- Continued efforts during filing season to educate taxpayers about a pervasive phone scam involving criminals impersonating IRS agents, including issuing numerous Tax Tips and news releases warning taxpayers about the phone scam and featuring it as one of this year's "Dirty Dozen" tax scams. The IRS also issued a national news release spotlighting a new YouTube video, featuring tips for how to avoid being victimized by the scam. The IRS employees teamed with local law enforcement personnel to expand taxpayer awareness of the phone scam by holding press conferences.
- Updated five rotating spotlight sections on the home page of IRS.gov throughout the year with the latest information on scams and resources taxpayers can use if they become a victim of ID theft. There have been over 70 Tumblr posts, two different

Facebook tabs, and more than 400 tweets from the corporate Twitter accounts directing viewers to content on IRS.gov.

### Centralized Identify Theft Victim Assistance Program

While the IRS is making strides in preventing the release of refunds to fraudulent filers, it is also trying to reduce the burden on the victims of ID theft. When a taxpayer's Social Security Number (SSN) has been used by a fraudulent filer, the true SSN-holder can be subject to significant delays in receiving a refund.

In 2015, the IRS centralized the Identify Theft Victim Assistance program to more efficiently serve victims of ID theft. A new headquarters policy group with blended expertise was created to provide ID theft policy oversight, while field operations and caseworkers were realigned to consolidate ID theft victim assistance skills within a single organization. Its core objective is providing a centralized program focused on helping taxpayers.

As a result, fewer ID theft victims will need to interact with multiple IRS organizations as their case is being resolved. While the reorganization is showing some immediate benefits, the IRS and TAS are working jointly to re-engineer the process for resolving taxpayer accounts. This effort is ongoing, and we expect it will further benefit victims of ID theft through reduced resolution time and less taxpayer burden.

### Security Summit

In recent years, the IRS, various state revenue agencies (States), and the tax industry (Industry) have adopted strategies focused on prevention, detection, and victim assistance. These strategies have led to many notable improvements for taxpayers. Despite these improvements, as the 2015 tax filing season progressed, it became clear that ID theft refund fraud would continue to present significant challenges. Individual taxpayers, tax professionals, tax software companies, and payroll and tax financial product providers joined a growing chorus of stakeholders concerned about the increasing volume and sophistication of attempts to monetize stolen identity information through attacks on the tax system.

In March 2015, IRS Commissioner John Koskinen convened an unprecedented Security Summit with public and private tax administration leaders to discuss common challenges and ways to combat tax-related ID theft. The IRS officials, the chief executive officers of the leading tax preparation firms, software developers, payroll and tax financial product processors, and state tax administrators were among the participants.

The Summit participants agreed to commit their leadership and resources to work together to combat this growing problem, and to that end, the group agreed to form a public-private partnership committed to protecting the nation's taxpayers and the tax system from ID theft refund fraud. Several specialized working groups were established from the Summit, with members from the IRS, States, and Industry co-chairing and serving on each group. They came together quickly to find areas of consensus and identify solutions for protecting taxpayers in 2016 and subsequent tax filing seasons. Three work groups were established during the Summit:

- **Authentication Work Group:** Authentication was the fundamental starting point as participants agreed to do more to verify the authenticity of the taxpayer and the tax return at the time of filing. For the 2016 tax season, there will be new standards for

logging onto all tax software products, such as minimum password requirements, new security questions, and standard lockout features. The software industry will provide more than 20 additional data elements from the tax return submission to the IRS and, in turn, to the states to help identify fraudulent returns.

- **Strategic Threat Assessment & Response Work Group:** Tax industry participants agreed to align with the IRS and the states under the National Institute of Standards and Technology (NIST) cybersecurity framework to promote the protection of Information Technology (IT) infrastructure.
- **Information Sharing Work Group:** All parties agreed to share information on a weekly basis to help quickly identify and adjust to new and emerging tax-related fraud schemes. Participants also agreed that there is a need to create an Information Sharing and Analysis Center. In June 2015, the **Information Sharing and Analysis Center Sub-Group** was created to centralize, standardize, and enhance data compilation and analysis to facilitate sharing actionable data and information.

Subsequent to the March 2015 meeting, participants recognized the need for additional teams to enhance and expand collaborative efforts. In June 2015, three new work groups were established:

- **Financial Services Work Group:** The group will work to examine and explore additional ways to prevent and deter criminals from potentially accessing tax-time financial products, deposit accounts, and pre-paid debit cards. By identifying best practices, this could assist government and industry in preventing ID theft and combating stolen identity refund fraud.
- **Communication and Taxpayer Awareness Work Group:** The group aims to increase awareness among individuals, businesses, and tax professionals on the need to protect sensitive tax and financial information. The work group will conduct a coordinated media campaign to increase taxpayer awareness.
- **Tax Professional Work Group:** Initial Security Summit efforts focused on tax software and tax issues surrounding the do-it-yourself taxpayer to identify immediate changes for 2016. However, all Summit participants recognize the critical role that the nation's tax professionals play within the tax industry, in both the federal and state arenas. This work group will examine how new requirements will affect tax preparers who use professional software, how the preparer community will be affected by the overall data capture and reporting requirements, and how the preparer community can contribute to the prevention of ID theft and refund fraud.

#### Identity Protection Personal Identification Number Pilot

In January 2014, the IRS launched the Identity Protection Personal Identification Number (IP PIN) online service tool. The tool provided taxpayers with the ability to visit IRS.gov (*Get an IP PIN* site) to authenticate their identity (by answering a number of personal, financial, and tax-related questions) and secure an IP PIN. The use of the tool was limited to taxpayers who had lost or misplaced their IP PIN after receiving a notice, or who had filed their TY 2013 return with an address in Florida, Georgia, or the District of Columbia, and successfully obtained an electronic filing PIN through the Electronic Filing PIN tool available on IRS.gov.

In January 2015, IRS expanded the initial pilot population, allowing all taxpayers who filed their TY 2014 return in Florida, Georgia, or the District of Columbia to get an IP PIN. The IP PIN Opt-

in Pilot Program Effectiveness Study focused on processing year (PY) 2014 taxpayers who opted to secure an IP PIN using the *Get an IP PIN* tool. The study was intended to:

- Identify the filing characteristics of the PY 2014 IP PIN opt-in population;
- Evaluate the PY 2014 IP PIN opt-in pilot's effectiveness by assessing its performance, benefits, costs, and risks;
- Quantify the revenue protected using assumptions and methodology tied to ID theft; and
- Outline additional risks and considerations.

As of December 2014, there were approximately 11,400 individuals who opted into the IP PIN pilot, which represented approximately 9,300 federal returns. This includes returns where either the primary or the secondary taxpayer opted into the program. Most of the returns were filed as single or married filing jointly (84%), fell in the age range of 25 to 64 (72%), had an adjusted gross income between \$1 and \$40,000 (51%), and filed electronically (81%).

An estimated \$4.2 million in revenue was protected in PY 2014 from ID theft for approximately 1,500 (13%) of 11,400 taxpayers participating in the pilot, whose identities were used in an attempt by identity thieves to file a fraudulent tax return. Only 700 of those returns would have been stopped by other ID theft model filters.

The IRS has completed a comprehensive program review of the initial pilot. Analysis of the IP PIN opt-in population demonstrates that the IP PIN was effective in protecting taxpayers' identities for returns filed in PY 2014. Analysis shows that program participants were impacted by ID theft at a rate of 13 percent; however, recognizing that a single effort will not deter or improve ID theft trends, the IRS is leading multiple initiatives to address this growing threat and ensure that the IP PIN program is secure. Realizing it is only one stakeholder in the battle against ID theft, the IRS is working with its partners through the Security Summit group to identify additional opportunities to address ID theft refund fraud. This unprecedented group is the first public-private partnership of its kind, with the goal of putting new and innovative safeguards in place to protect taxpayers. The IRS has also increased its efforts to authenticate or validate third-party data by implementing an accelerated Form W-2 process which will be in place during the 2016 filing season.

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

The technology and procedures used 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 increased the efficiency of the filing and payment processes. The ongoing strategy to assist more taxpayers by providing access to self-service tools continues, with taxpayers utilizing services across multiple channels.

Web service completions increased by 59.6 million over the prior year. Use of the "*Where's My Refund?*" application represents 79 percent of all web self-service completions, with Transcript Delivery Service being the second most-used application.

The IRS successfully integrated the ACA within its work processes by addressing program oversight, training, quality, stakeholder engagement, coordination, and communications. The IRS issued guidance and developed scripts to ensure employees use consistent messaging, provide correct responses, and promote the use of alternative service options. A referral process was also developed to elevate questions or issues for expeditious handling. The IRS also created and launched an ACA web page to serve as a centralized location to access all ACA references.

### **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 meet the needs of taxpayers. In cooperation with other U.S. governmental entities and foreign nations, the IRS worked to ensure correct application of tax laws and to achieve the IRS mission. The growing frequency of cross-border business transactions required close collaboration with foreign governments to ensure fair tax administration, while legislative mandates required significant new interactions with foreign governments and financial institutions.

The IRS has also maintained strong relationships and increased dialogue with the tax professional community, including holding monthly meetings with two of the Commissioner advisory groups – the Internal Revenue Service Advisory Council and the Information Reporting Program Advisory Committee. This allowed the IRS to hear about newly identified systemic problems because the stakeholders were seeing outcomes first hand and reporting potential problems. These close relationships also allowed the IRS to leverage the knowledge, talents, and skills of the tax professional community for feedback as it considered service or enforcement initiatives and built tools for taxpayers and tax professionals.

In September 2014, Commissioner Koskinen said the agency's Office of Professional Responsibility (OPR) can prohibit tax return preparers from “limited practice before the IRS” based on preparing and signing tax returns, even if they are not otherwise tax practitioners under Circular 230. Treasury Circular 230 prescribes the rules that apply to attorneys, certified public accountants, and enrolled agents in their representation of clients with tax matters before the IRS. The Commissioner authorized OPR to enforce revenue procedures which, for example, prohibit representation of taxpayers by preparers who use false or misleading advertising, misrepresent information to clients or the IRS, or have been convicted of a federal tax crime. Enforcement includes making determinations (after notice and an opportunity to respond) that a preparer is no longer eligible to represent any taxpayers.

#### Schedule C Expansion at VITA and TCE Sites

The IRS provides oversight of the VITA and TCE program. In 2015, almost 3.8 million federal tax returns were prepared at over 12,000 VITA/TCE sites by over 90,000 volunteers.

To determine the effectiveness of allowing tax law issues or topics relating to small business owners into the VITA/TCE program, the IRS initiated a Schedule C, *Profit or Loss From Business*, pilot. Under this pilot, participating sites were allowed to prepare for taxpayers Schedule C returns with expenses that fell within the following parameters: business expenses up to \$25,000, expenses for business use of home, depreciation expenses, Section 179 expensing in lieu of depreciation, and business losses confined to a single year. Sites not participating in the pilot were allowed to prepare business returns under Schedule C limitations of up to \$10,000 in expenses.

Results from the pilot showed that the demand for preparing the Schedule C returns falling within the expanded parameters mentioned above were very low at the pilot sites. Findings included:

- The majority (86% of Schedule C returns) had total deductions of \$5,000 or less.
- Less than two percent of Schedule C returns had total deductions of \$25,000 or more.
- More than half (55%) of Schedule C returns at pilot sites claimed EITC, compared to 42 percent of Schedule C returns at non-pilot sites.
- Nearly 25 percent of Schedule C returns at pilot sites that received a refund opted for a paper check.

In an effort to expand services and increase voluntary compliance, beginning with the 2016 filing season, the IRS will increase scope to allow all volunteer sites to prepare returns with Schedule C expenses up to \$25,000 (previously, up to \$10,000). Under the traditional Schedule C parameters, about 2.8 million taxpayers qualify for VITA/TCE tax return preparation assistance; with the expanded parameters, an additional 1.3 million taxpayers would qualify for free tax preparation at VITA/TCE sites.

#### Refund Status Application Programming Interface Pilot Project

A taxpayer's expectation of their ability to access data stored at the IRS has increased dramatically. Taxpayers now expect this data to be available immediately and via numerous channels (e.g., website, mobile application, e-mail, telephone). Traditionally, IRS data has been delivered to taxpayers directly by IRS systems, many of which are manually executed. With the expansion of taxpayer demand and the budget contraction, the IRS must look for innovative solutions to this challenge. One possible solution is to share the communications effort with organizations outside the IRS, commonly referred to as "third parties," as authorized by the taxpayer.

As a first attempt at sharing responsibilities, the IRS created a pilot project to use tax preparation firms to communicate with taxpayers. This pilot project would test the concept and operation of a system to deliver IRS data securely using an application programming interface (API). Refund status data was chosen as the test area due to a thorough understanding of the topic, a low impact to the IRS if the project was not successful, and a very low risk that taxpayer data would be compromised.

The Refund Status API Pilot Project process began with taxpayers authorizing the IRS to discuss their tax return, including the status of a refund with respect to the return, with a third party designee such as their tax preparer. This is accomplished by the taxpayer completing the Third Party Designee area on their Form 1040 during electronic filing. Once authorized, the third parties polled the IRS on a nightly basis for the refund status of their customers using an IRS-provided web service (i.e., an API). The third parties then communicated these statuses with the taxpayer using a variety of channels and methods as mutually agreed upon by the third parties and the taxpayer.

The 2015 pilot project was executed by the IRS and seven volunteer tax preparation firms. Participation in this project was governed by a Memorandum of Understanding that was signed individually by the volunteers, and covered the use of IRS data and expectations for technology and service interactions. This small number of third parties allowed the governance of the

project to be done manually, reducing the costs and complexity of the project. Further, the pilot project was limited to a maximum of 50,000 refund status requests per day by the combined volunteers. The pilot project ran from February 23, 2015, to May 31, 2015.

During the pilot, over 70,000 taxpayers provided third party authorization, and approximately 915,000 API transactions were executed, of which nearly 700,000 were successful (76%). No security breaks or violations were detected during the pilot, and there was no increase in telephone support calls by taxpayer participants. Most of the taxpayers in the pilot had not used the *Where's My Refund?* (WMR) website tool in prior years. This pilot appeared to reach a new group of taxpayers. Of those taxpayers in the pilot who had used WMR last year, the vast majority did not use it again this year, suggesting that they received the information they needed in a manner that fit their needs.

The IRS received extremely positive feedback from volunteer participants. As a result of this pilot project's success, many new web services (APIs) have been requested for future years on based on the low cost of delivery, efficiency, and reusability of the solution.

### Federal, State, and Local Government Service Improvements

In order to stay responsive to its taxpayers' information needs, the IRS's Federal, State, and Local Governments unit (FSLG) in the Tax Exempt/Government Entities Division has made significant changes in how it provides outreach and assistance to its customers—federal, state, and local governments.

To reduce the number of calls to IRS call sites that were redirected to FSLG personnel, call site employees were trained to answer taxpayers' calls instead of referring them elsewhere. The FSLG unit reviewed common questions and the various paths taxpayer inquiries followed when they were directed to FSLG. Using this information, the guidance for call site staff was revised so that these calls were addressed and resolved by call site staff or referred to FSLG's website tools and products.

The FSLG unit issued a bi-annual newsletter with articles of interest to government entities, but many of the articles were dated by the time the newsletter was issued. To improve the timeliness and relevance of this information, the unit discontinued its bi-annual newsletter and began posting web articles and alerts to its website.

The FSLG unit conducted virtual and face-to-face outreach. With the need to enhance efficiency, the unit has shifted away from group-level virtual and face-to-face outreach events to national virtual webinars that reach more taxpayers and use fewer examiner resources. They have also begun developing more self-help tools. For example, it developed a short-segment podcast to provide answers to basic employment tax questions in a succinct 4-5 minute video.

These initiatives enabled the unit to timely respond to taxpayers' questions and provide them with information through web articles and national virtual outreach. The FSLG unit was thus able to reach more than 25,000 participants (exceeding FY 2014 outreach by 1,000 participants) with fewer resources.

### **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 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 2015, the IRS provided news and information to tax professionals through the following:

- A dedicated Twitter channel reaching more than 35,000 individuals. The content on Twitter directs tax professionals to more detailed information on IRS.gov.
- A weekly *e-News for Tax Professionals* email newsletter, which reached more than 300,000 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. The IRS Nationwide Tax Forums Online (NTFO) uploaded 15 additional seminars during the fiscal year. The number of NTFO registered users increased by 20 percent to more than 7,500 and the website issued approximately 300 certified continuing education credits.
- An expanded IRS.gov web page for tax professionals with information specifically on the ACA.

The IRS remains strongly committed to educating the tax professional community about their duties and restrictions under Treasury Department Circular No. 230, *Regulations Governing Practice before the Internal Revenue Service*, and their ethical obligations to taxpayers and to tax administration. The IRS educated tax professionals (mainly tax return preparers) about relevant Circular 230 provisions during five IRS Nationwide Tax Forums and filmed a new webinar, *Practicing Before the IRS – Circular 230 A to Z*, to address key provisions of Circular 230 with emphasis on proposed amendments. In FY 2015, IRS reached more than 41,000 tax professionals and IRS employees during 90 events, including in-person, telephone, and electronic media.

#### Annual Filing Season Program Record of Completion

The Annual Filing Season Program is a voluntary program created in response to the recognized need for greater return preparer education and improved knowledge of tax law and filing season responsibilities. Generally, paid tax return preparers who obtain 18 hours of continuing education from IRS-approved providers for a specific tax year receive an Annual Filing Season Program record of completion from the IRS and are listed for that tax year in the Directory of Federal Tax Return Preparers with Credentials and Select Qualifications

Directory). For 2015, more than 44,000 preparers are included in the Directory as having received an Annual Filing Season Program record of completion.<sup>15</sup>

### PTIN Helpline Web Chat

Anyone who prepares, or assists in preparing, federal tax returns for compensation is required to have a PTIN issued by the IRS. All PTINs must be renewed annually, and PTIN applications and renewals may be submitted online or by paper. Almost 720,000 people had PTINs at the end of FY 2015.<sup>16</sup>

A toll-free PTIN helpline provides customer service to PTIN applicants, potential applicants, and existing PTIN holders. In FY 2015, the PTIN helpline received almost 124,000 calls and had a level of service of 88 percent.

In July 2015, the IRS launched a PTIN helpline web chat option for general, non-account related questions. Significant actions were taken to ensure all Federal Information Security Management Act security requirements were followed. Standard language was developed to answer almost 200 potential questions, and customer service representatives were trained in how to respond to web chat inquiries.

By the end of FY 2015, over 1,300 chats were handled in less than three months. Feedback from stakeholders has been extremely positive with appreciation expressed for a second option for PTIN customer assistance. Many stakeholders advised that web chat is their preferred method of contact for situations that do not involve account-related issues.

### **3.8. 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 2015, 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.

The IRS also streamlined processes to better serve taxpayers. One example is the streamlined Voluntary Closing Agreement Program (VCAP). Announcement 2015-02, *Tax-Exempt Bonds (TEB) Voluntary Closing Agreement Program: Relief from violation of qualified ownership and use requirements for qualified 501(c)(3) bonds*, describes a streamlined process for bond issuers to resolve violations and allows organizations to participate whose exempt status was revoked and then reinstated. The IRS plans to expand this service approach to other challenges facing tax-exempt bond issuers.

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<sup>15</sup> The Annual Filing Season Program was introduced following the decision of the D.C. Court of Appeals determining the IRS was without authority to mandate testing and continuing education for paid tax return preparers. The Annual Filing Season Program is an interim program designed to encourage non-credentialed return preparers to improve their understanding of and overall tax law knowledge. Increased oversight of paid tax return preparers as a permanent measure to strengthen tax administration is included as a legislative proposal in the FY 2017 budget. On August 31, 2016, the AICPA filed an appeal challenging the August 3, 2016, decision of the U.S. District Court for the District of Columbia dismissing the AICPA's suit against the Annual Filing Season Program.

<sup>16</sup> The IRS's authority to impose and collect PTIN user fees is currently the subject of a class action lawsuit. See *Steele v. U.S.*, Case No. 14-cv01523-RCL, USDC for the District of Columbia.

The IRS receives and processes thousands of requests and applications related to employee plans each fiscal year. The IRS developed new operational procedures to standardize and streamline the determinations process for Individually Designed Plans (IDP) and termination applications. These procedures included:

- Requiring a complete application checklist. If the application is incomplete, the applicant is requested to provide additional information within 30 days or the case is closed.
- Providing a reference list that applicants can use to confirm that the IDP followed all of the Cumulative List amendments.
- Standardizing case management procedures and response deadlines.
- Developing new and revised letters to applicants.
- Refining procedures for resubmitting incomplete applications.

#### **§4. RESEARCH INFORMING TAXPAYER SERVICES DECISIONS**

The IRS has been conducting research on behavioral responses to IRS service changes over the last several years. These efforts allow the IRS to gather pertinent information on various segments of the taxpayer population and develop and test products and services, such as redesigned notices and forms, to improve the tax preparation process.

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, education, and outreach.

##### Affordable Care Act Reconciliation Analysis

In order to measure the impact on taxpayers who opted to receive an advanced payment of the Premium Tax Credit (PTC), Research started a thorough analysis of the tax returns of taxpayers who had an obligation to reconcile the advanced portion of their PTC against the amount of PTC to which the taxpayer was entitled.

Using data through July 2, 2015, Research identified over 4.5 million tax households that met any combination of the following conditions: filed a return with a Form 8962, *Premium Tax Credit*, attached; filed a return with a value in either Line 46, (Excess Advance Premium Tax Credit Repayment) or Line 69 (Net Premium Tax Credit); or have at least one member with a Form 1095-A, *Health Insurance Marketplace Statement*. Research then conducted a preliminary analysis of these households for TY 2014 to review taxpayer behavior. They reviewed the amount of tax credit households reported on their returns (Forms 1040 and 8962) and compared that amount to what they should have reported based on their information return (i.e., Form 1095-A).

In general, the reconciliation of the advanced PTC (APTC) to the PTC will result in either: the taxpayer owing back a portion of the advanced credit, an additional PTC being owed to the taxpayer, or a break-even situation. Research quantified the households that: (1) appear to

have correctly and completely reconciled their PTC, (2) appear to have correctly reconciled APTC on Form 8962 but did not carry over the amount to Form 1040, and (3) have tax returns that will require more analysis.

Preliminary results based on data through July 2015 showed that:

- Over four million households were identified as having an obligation to reconcile their APTC to their PTC, but just over three million did. Of those who did, most did so correctly.
- Just over one million tax households that had an obligation to reconcile did not do so properly. For the most part, these tax households failed to file Form 8962.
- The residual households either were not required to reconcile, the data needed further study, or more data was needed to make a determination (for example, no Form 1095-A was present in the database as of June 2015).

These results informed the IRS on the scope of their follow-up outreach, including Correspondence and Compliance workload. The results of the analysis will also be used to inform IRS management on actions that can be taken to better inform taxpayers on the reconciliation process when filing their tax return and the impact the reconciliation process will have on the IRS and taxpayers.

#### Nonfiler Earned Income Tax Credit (EITC) Outreach

The IRS has an ongoing research project to understand the population who is eligible for the EITC but fails to claim it and how to increase participation. Based on the latest Census/IRS EITC participation rate estimate (TY 2013), the participation rate in the EITC program is 80 percent of eligible taxpayers.<sup>17</sup> The project's major hypothesis is that EITC participation by the non-participating 20 percent can be improved by increasing awareness and salience through outreach.

In FY 2014 and FY 2015, IRS conducted pilot studies on the use of outreach methods designed to encourage nonfilers who appear to be eligible for the EITC to file a tax return. The pilots demonstrated that generic informational postcards could influence filing behaviors among these nonfilers. The FY 2014 study results demonstrated small (less than one percentage point) but statistically significant positive impacts on filing rates and the EITC claim rates. Variations in format (postcard vs. brochure) did not result in meaningful response rates within the test group. Importantly, the increased participation does not appear to have resulted in increased noncompliance.

The FY 2015 pilot tested variations in the language used as well as variations on the timing of those notifications and tested persistence of behavioral response to prior treatment. No significant difference was detected between the messaging or timing variations. The study showed that individuals from the FY 2014 sample who filed a return after receiving the FY 2014 outreach did not have a higher likelihood to file the next year. However, the study also showed that a follow-up reminder can positively impact filing, with a three-percent increase in filing among taxpayers who had a refund in the prior year and five-percent increase in filing among taxpayers who had no refund or a balance due in the prior year.

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<sup>17</sup> Internal Revenue Service, *ACS Match-Center for Administrative Records Research and Applications*, <https://www.eitc.irs.gov/EITC-Central/Participation-Rate> (last visited December 9, 2016).

The research indicates information burden and inattention are challenges faced by these taxpayers and outreach can help overcome these barriers. Because outreach to nonfilers who are apparently eligible for EITC can increase the EITC participation and voluntary filing, it could increase the voluntary filing rate and the EITC participation rate.

### Field Assistance Appointment Service Test

Typically TACs offer assistance to taxpayers on a first-come, first-served basis. This service model cannot guarantee when, or if, taxpayers receive assistance and sometimes results in taxpayers waiting in long lines, sometimes with wait times lasting over an hour. In an effort to improve service by educating taxpayers and directing them to IRS.gov or other alternative channels, the IRS conducted an appointment service test during the FY 2015 filing season. At 44 TACs nationwide, taxpayers were able to schedule an appointment to receive in-person assistance.

Ten large TACs started the appointment service test on February 17, 2015, and the remaining TACs started the test on March 2, 2015. Exceptions to scheduling appointments were made for payments and dropping off documents. The TAC managers used different strategies to deal with payments and tax return drop off, including accepting throughout the day, accepting payments from 2:30 pm to 4:00 pm, or scheduling time at the end of the day for these service tasks. For 41 of the 44 TACs, taxpayers either called the local TAC phone number and left a message with their preferred date and time for service, or they sent an email to schedule an appointment. The TAC employees responded to the phone messages and emails to schedule the appointment within three days of the taxpayer contact. For the remaining three TACs, appointments were scheduled using a dedicated phone line answered by customer service representatives (CSR). These CSRs were instructed to transfer any non-appointment calls to the appropriate phone line. For appointment-related calls, CSRs were instructed to first try and provide service to the taxpayer to resolve the issue; if that was not possible or the taxpayer insisted on an appointment, they would then schedule an appointment.

During the test, test sites were compared to the prior year and to control sites that were identified for statistical comparative purposes. As anticipated, appointments benefited the taxpayer by providing service with minimal wait. The proportion of TAC customers waiting more than 30 minutes to receive service declined at the test TACs, from 32 percent in 2014 to 17 percent in 2015, a significant improvement in waiting times. At the control TACs, the proportion of TAC customers waiting more than 30 minutes increased from 2014 (32%) to 2015 (39%). Test TACs had a lower proportion waiting more than 30 minutes (17%) than the control TACs (39%) for 2015. This suggests that wait time improvements can be attributed to the appointment service test.

The web-first strategy was successful as many taxpayers chose to use IRS.gov instead of setting an appointment. While in the process of scheduling appointments with taxpayers who later indicated that there was no need for one, data collected by TAC employees indicated that 14 percent went to the web for service. Furthermore, in those TACs supported by the dedicated phone line, CSRs provided assistance to between 44 percent and 60 percent<sup>18</sup> of taxpayers who called, eliminating the need for taxpayers to visit a TAC..

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<sup>18</sup> A range is presented because two different data sources were used to calculate how many taxpayers received assistance on the phone.

Research collected and analyzed data during the test to determine the success of this approach and to recommend improvements to the appointment model. The results from the customer service comment card indicate a positive impact for taxpayers from the appointment service test. Taxpayer overall satisfaction levels were slightly higher for appointment TACs during filing season than in control site TACs for the same period. Overall satisfaction for the appointment TACs was 84 percent satisfied with a mean of 4.37 (on a 5-point scale), compared to 82 percent with a mean of 4.32 for the control sites, a small but statistically significant difference.

### Taxpayer Digital Communication Study

In 2011, Research conducted a study to investigate taxpayers' preferences among options for contacting the IRS to resolve tax-related issues. The data collected in this project was used to create the Taxpayer Choice Model, which allows the IRS to run "what if" scenarios to understand how service channel changes affect taxpayer preference and value.

In this follow-up study, Research worked to understand taxpayer preference for digital communication options for taxpayers related to compliance tasks, such as those involved in completing a correspondence audit. Specifically, the data was used to predict potential use of new services and determine how to best design new online services to maximize their use.

Research used a choice-based conjoint survey for this study. During a conjoint survey, respondents are not directly asked about the importance of service channel features or their preference. Instead, respondents are asked to choose a service channel to use based on different scenarios. The survey was administered in May 2014, and a total of 2,303 respondents completed the survey with each respondent seeing two service need scenarios. Service channels for each service need were chosen based on current offerings and service channels being considered for development.

In FY 2015, based on the results of this survey in conjunction with other research results, Research provided recommendations in three categories—new products, product features, and marketing—that are being used to prioritize and design new services :

#### *New Products*

- Create alternative service channels for getting the status of a case or transaction because taxpayers prefer to use alternative methods instead of calling.
- Pilot secure messaging so that taxpayers who need post-filing contact can contact their IRS representative directly.
- Investigate an online tool for requesting an extension to respond to a notice.

#### *Product Features*

- Provide confirmation of receipt to taxpayers that the IRS received their materials.
- Continue with preliminary plans for creating an online account for taxpayers. Most respondents report a preference for having an account that allows them to go through the authentication process once and them being able to use the account in the future.

#### *Marketing*

- Increase awareness of new digital communication products using tax software/Free File websites, notice language, and notice inserts.

### Compliance Burden Research

Research is building an end-to-end view of compliance costs of federal income tax, including individual, business, tax-exempt, and information reporting as well as pre-filing, filing, and post-filing. The burden models are used to estimate “what-ifs” for various program changes and form changes.

The taxpayer compliance burden surveys gather data about the time and money taxpayers spend to comply with their filing and tax payment requirements, as well as amending or resolving issues with an already-filed return. Conducting these surveys is costly and they are limited by the budget. Each fiscal year, experiments are conducted to find ways to encourage responses without sacrificing data quality. Streamlined survey instruments and providing web and paper Spanish-language completion options (rather than just a phone option) for individual taxpayer surveys are examples of survey protocol changes that have been made as a result of these experiments.

The pre-filing and filing compliance burden research is being used to support form design and Paperwork Reduction Act reporting for IRS’s Media and Publications and business unit form owners, as well as taxpayer burden reduction efforts and policy analysis support for Treasury’s Office of Tax Analysis.

In 2015, the IRS extended its compliance burden modeling capability to include the post-filing burdens associated with the notice, exam, collection, penalty, and appeals processes. Taken together with the existing compliance burden modeling capability for pre-filing, filing, and amended return activity, this provides the IRS with an end-to-end view of the taxpayer experience. The model was used in 2015 to inform the campus exam plan as well as the design and analysis of nonfiler treatments.

### Identity Theft Analytics

One of the key outcomes of the Security Summit is the demand for enhanced information sharing, including several new data elements related to return filings.

The IRS collaborated with industry representatives to prioritize opportunities to create added identity theft protection as early as possible with new data elements. The IRS and industry began by testing a sample of prior year returns with the additional data elements; this test identified two elements that could most rapidly be integrated into the IRS’s ID theft prevention approaches. The IRS built new ID theft prevention filters with these data elements and coded them into the appropriate return processing systems in time for the 2016 filing season.

The collaboration between the IRS and industry resulted in the use of new data elements to protect taxpayers. Unlike previous approaches where there was a one-year lag in applying data, the data will be used the first year they will be available, contributing to a much more agile ability to respond to evolving ID theft techniques.

A new filter that incorporated one of these data elements is projected to detect between 8,000 and 12,000 previously undetected ID theft returns, representing over \$32 million in revenue protected. The second data element will be directly integrated into existing models and filters. The additional value provided by this data element will be quantified after the 2016 filing season.

A full report on the characteristics and value of the new data elements was presented at a Security Summit meeting in May 2016.

#### Development of Drivers of Customer Satisfaction Analyses

Prior to 2014, Employee Plans (EP) and Exempt Organizations (EO) Examination regional customer satisfaction reports were created by a consulting firm. In 2014, the creation of the customer satisfaction regional report was brought in-house. As part of the analysis of customer satisfaction data, Research combined data mining and text mining efforts to create a ranking of the drivers of customer satisfaction. This also enabled the IRS to identify the most frequent statements reflective of taxpayers' attitudes toward the service we provided them. This was similar in intent, but different in approach to the previous vendor's goal.

During FY 2015, the analyses were performed for ten regional reports (five each for Employee Plans and Exempt Organizations) and were shared with the EP and EO managers and executives in charge of the audit process in the field. The analyses identified elements of the audit process that have the greatest impact on customer satisfaction with the overall way we conduct audits. The analysis also pointed out where additional IRS employee attention or training is needed to improve taxpayer satisfaction with the audit process in the future.

#### Usability Testing of the eBook Version of Publication 17

With the November 2014 decision to not print Publication 17, *Your Federal Income Tax*, (Pub. 17) for the 2015 filing season, the online and eBook versions became the primary sources for comprehensive information regarding Form 1040. While prior research had demonstrated that a majority of taxpayers are willing to access IRS.gov for forms and publications, a chief concern with the eBook version of the Pub. 17 was that the document had not been evaluated for taxpayer feedback.

In order to directly assess the navigational features of the eBook version of the Pub. 17 and determine the process individuals would use to locate tax-related information, Research conducted usability testing in June 2015. During the testing sessions, participants completed three scenarios requiring them to answer tax-related questions with information found in Pub. 17, and subsequently use the eBook navigation to make a note, place a bookmark, and access embedded tables.

Findings showed that participants' ability to complete the testing scenarios and successfully navigate within the Pub. 17 eBook was primarily dependent on prior experience with eBooks or eReader applications. This superseded prior knowledge of tax law or experience with the print version of Pub. 17. Novice eBook users had difficulty with basic navigation. The persistence of these difficulties despite the functionality review that occurred prior to completion of the scenarios is an indication that much of the navigation within the eBook version of Pub. 17 was not intuitive.

These results informed the IRS that changes could be implemented to improve the taxpayer experience with the Pub. 17 eBook. For example, developing easily accessible job aids containing pictures and graphics about the search and navigational functions of the eBook version of the Pub. 17 could address this concern.

### EITC Eligibility Instructions Focus Groups

Research conducted focus groups at the 2015 IRS Nationwide Tax Forums with tax preparers to develop suggestions for more robust EITC instructions and guidance that would better inform taxpayers regarding credit eligibility. The data collected in this project was used to provide greater specificity to help taxpayers determine whether they qualify to take the credit based on the four tests for qualifying child: relationship, age, residency, and joint return.

Participants suggested wording revisions to the IRS definitions to provide clarification to the taxpayer and provided specific examples for special tax situations to demonstrate ineligibility of the credit. Findings were used to inform the IRS of suggested changes to EITC questionnaires within tax-preparation software, the EITC Assistant on IRS.gov, and other sources of EITC eligibility information.

## **§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.

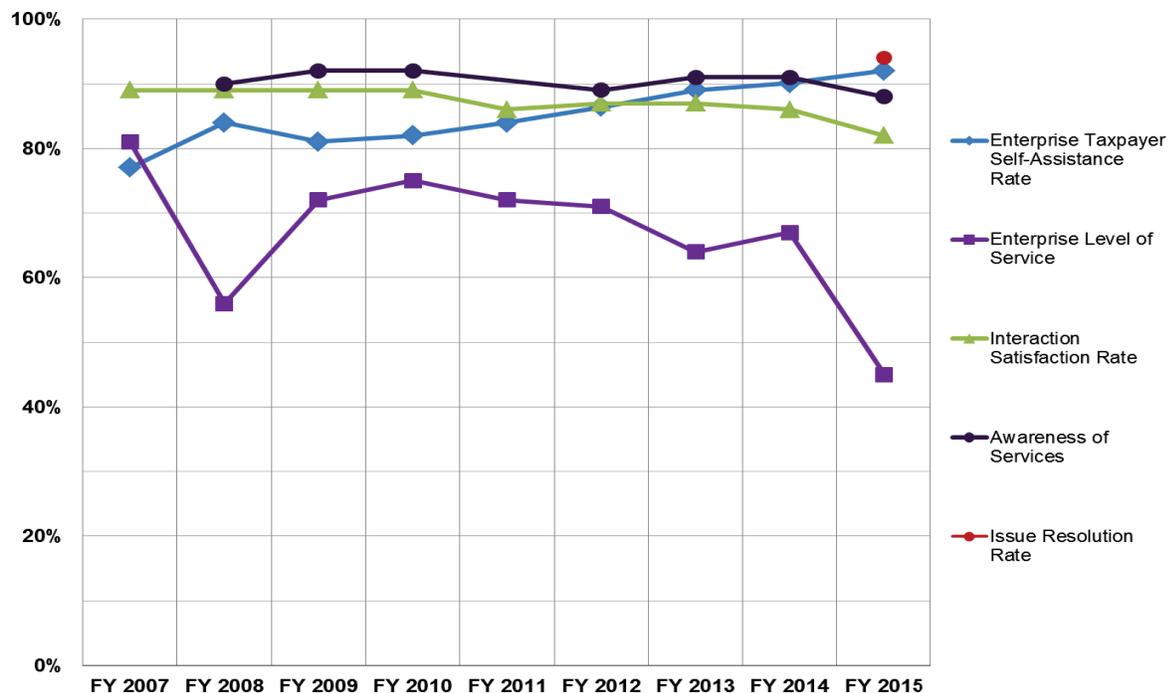
The TAB measures fall into three categories: (1) availability of information, (2) adequacy of services provided, and (3) effectiveness of the IRS in meeting taxpayers' service needs. Using these three elements of taxpayer service, five aggregate outcome measures were developed to assess taxpayer services.

### **TAB Measures Definitions**

<b>Measure</b>	<b>Purpose</b>	<b>Definition</b>
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.
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 2015**



**Note:** The IRS redesigned its customer satisfaction surveys and began collecting consistent data that allows us to assess issue resolution for assistor services. Fiscal year 2015 was the first year we had data on issue resolution for assistor services from all our programs.

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 (for example, Congress, the Government Accountability Office (GAO), the Treasury Inspector General for Tax Administration (TIGTA), 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 (LITC). 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 2015 grant year, IRS awarded funding of \$10.25 million to 132 grantees to operate clinics located throughout the United States.

During grant year 2014, LITCs represented 19,882 taxpayers in controversy cases. The LITC controversy cases were worked in:

Accounts Management .....	14%
Examination .....	16%
Collection .....	50%
Appeals.....	6%
Litigation .....	7%
Other <sup>19</sup> .....	7%

In addition, LITCs provided consultation and advice to an additional 18,810 taxpayers. The LITCs worked 1,307 cases in U.S. Tax Court and provided informal consultations to another 489 petitioners at Tax Court calendar calls. As a result of these efforts, LITCs helped their low-income clients to secure more than \$4.3 million in refunds and to eliminate more than \$62 million in proposed or outstanding tax liabilities, penalties, and interest.

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 2014, LITCs conducted 4,065 outreach activities and 3,046 educational events where information was provided on such topics as taxpayer rights and responsibilities, tax recordkeeping, the earned income tax credit and other refundable credits, identity theft, worker classification, innocent spouse claims, and collection alternatives. Also, LITCs conducted 2,718 technical assistance 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 2014 grant year, 1,752 volunteers contributed 54,164 hours of service.

## §7. TAXPAYER ADVOCACY PANEL

The Internal Revenue Service 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.

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<sup>19</sup> 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.

### Notices and Correspondence

The Notices and Correspondence Committee continues in their partnership with the IRS to review, update, and improve IRS correspondence and communications regarding notices and forms. Through November 1, 2015, the committee submitted three referrals as detailed below.

- The committee submitted two recommendations for improving CP 87-D, *Please Help Us Confirm Your Dependent*. The purpose of the notice is to give the taxpayer the opportunity to take the initiative in correcting what in many cases is a serious error on their return involving a claimed dependency and earned income tax credit to which they may not be entitled. In this category of returns the claimed “dependent” is also claimed on another return as the spouse of another taxpayer. The recommendations clarify what steps a taxpayer needs to take in this situation.
- The second referral involves clarifying the instructions for Form 4868, *Application for Automatic Extension of Time to File U.S. Individual Income Tax Return*. The two recommendations, if implemented, explain when a paper extension needs to be filed along with payment.
- The third referral involves the CP 2000, *Request for Verification of Unreported Income, Payments, or Credits*. This referral includes three recommendations for clarifying the purpose of the CP 2000. In its current form, the CP 2000 is often mistaken for a bill by many taxpayers that are not familiar with the IRS process of reconciling the taxpayer’s tax return with the tax information reported to the IRS. The revised CP 2000 makes it clear that the IRS is looking to reconcile its information with that of the taxpayer, rather than a bill. In addition, the revised CP 2000 places information regarding the taxpayer’s right to appeal on the same page as the information explaining the process if the taxpayer chooses not to appeal the matter.

### Special Projects

The Special Projects Committee was established in January 2015 to work on unique issues such as U.S. taxpayers working and living abroad, reducing taxpayer burden regarding ID theft, and issues affecting taxpayers regarding the implementation of the ACA. An international member of the Taxpayer Advocacy Panel also serves on this committee.

Of the estimated 8.7 million American citizens overseas, 1.5 million filed an individual tax return for 2013 (U.S. Department of Treasury, 2015). Through various outreach efforts, the committee found that many international taxpayers desire to get their tax information through electronic methods. The goal of their referral is to identify specific improvements that the IRS can implement to increase international taxpayers’ access to, and awareness of, information about their tax obligations. The committee also looked at ways to reach out to the international community to make more taxpayers aware of their responsibility to file and pay U.S. taxes, even when living and working outside the United States. The committee made four recommendations which include:

- Make basic international tax information available in a maximum two-page written summary format at all U.S. embassies and consulates.
- Create a quick reference publication similar to the retired Publication 4732, *Federal Tax Information for U.S. Taxpayers Living Abroad*, that gives information about accessing the IRS website, getting tax forms, and telephone numbers for contacting the IRS.

- Establish agreements with the U.S. Department of State for notifying international taxpayers of their tax obligation.
- Encourage organizations that communicate with Americans who live abroad to distribute tax-related information.

The Special Projects Committee made recommendations to address “Quality of Service” issues faced by taxpayers desiring to give feedback (either positive or constructive) to a telephone assistor’s manager. With the reduction in IRS staffing and services in TACs, taxpayers that cannot afford or do not seek a paid tax professional are increasingly expressing difficulty in getting their tax questions answered on the toll-free lines or obtaining access to an assistor’s manager when they have concerns. The committee prepared five recommendations regarding this Taxpayer Bill of Rights issue.

### Taxpayer Communications

The Taxpayer Communications Committee continued their partnership with the IRS to address methods for improving taxpayer communications and reducing taxpayer burden. Through November 1, 2015, the committee has submitted the following referrals to the IRS:

- The committee conducted a comprehensive review of the Interactive Tax Assistant (ITA) functionality. The ITA tool, available on IRS.gov, is a tax law resource that takes an individual through a series of questions and provides responses to tax law questions. The committee provided seven recommendations that addressed general concerns with the program, such as strategically pointing out the tool to taxpayers, especially during filing season, and increasing the font size in the program for visually impaired individuals. Other more specific recommendations addressed potential tax questions that may come up as the ITA is being used.
- The committee submitted a recommendation with a goal of providing low-cost outreach and education to Schedule C and potential Schedule C filers who may not be aware of their filing and payment responsibilities. The committee designed a double-sided, one-page brochure that could be used in a variety of outreach events and communities.
- The committee submitted a recommendation with the goal of providing constructive feedback and offering recommendations for Form 433-F, *Collection Information Statement*, to make it easier to complete and reduce taxpayer burden. This form allows the IRS to make a collectability determination.

### Tax Forms and Publications

The IRS Media and Publications organization requested assistance from the Tax Forms and Publications (TFP) Committee to review certain forms and publications. The TFP Committee reviewed several forms and publications and made recommendations for improvement. These included:

- Form 8621, *Return by Shareholder of a Passive Foreign Investment Company, or Qualified Electing Fund*, and instructions;
- Form 1139, *Corporation Application for Tentative Refund*, and instructions; and
- Form 4797, *Sale of Business Property*, and instructions.

In addition, the TFP Committee also participated in focus groups initiated by the IRS. These included:

- The TFP Committee members provided input on how to facilitate taxpayer interaction with the IRS through more efficient, convenient channels (i.e., move to online from phone or walk-in service). The focus group will continue through 2016.
- Committee members participated in a focus group utilizing iPads, iPhones, and laptops to access the online version of Publication 17, *Your Federal Income Tax (For Individuals)*, IRS.gov, and the eBook version.
- Committee members participated in a focus group, working the computations on Form 8965, *Health Coverage Exemptions*, and Form 8962, *Premium Tax Credit*, and discussed potential issues with the forms and their instructions.

### Taxpayer Assistance Centers

During 2015, the TAC Committee submitted eight recommendations to the IRS related to sustainability and enhancement of VITA/TCE sites, and four recommendations addressing taxpayer wait times within the TACs. The TAC Committee is awaiting IRS responses to the recommendations.

The TAC Committee advised the IRS to:

- Provide updated recruitment guidelines and update Publication 4883, *Grant Resource Guide*;
- Develop an advertising campaign to run public service announcements on national media promoting the value of VITA/TCE volunteerism at free tax preparation sites in their local area as a means of helping taxpayers;
- Engage Stakeholder Partnerships, Education and Communication (SPEC) relationship managers to make local recruiting of VITA/TCE volunteers a priority among tax professionals, businesses, and other groups;
- Update the Internal Revenue Manual with specific language ensuring adequate support guidance and treatment of grant partners by SPEC management; and
- Return to live, face-to-face, hands-on training for first and second year tax volunteers on both tax software and law.

The committee also advised the IRS to provide better information resources to enable IRS staff to educate and assist taxpayers about ways to resolve most issues without resorting to face-to-face contact. They also recommended that the IRS:

- Create a one-page “Hate to Wait/Save Time without the Lines” English/Spanish publication to serve as an “EZ” version to the current IRS Publication 5136, *IRS Services Guide*, that provides taxpayers with self-help alternatives to costly and time-consuming face-to-face assistance at TACs.
- Distribute the publication at various locations in the TAC office such as the front door, Q-matic ticket location, and TAC receptionist desk.

The TAC Committee was asked by the IRS to address the large volume of individuals who frequent the TACs and make recommendations to assist the taxpayers who come into the

TACs, while dealing with dwindling resources. One of the ideas the committee discussed was the use of interns in the TACs. The IRS agreed to update the Intern page on its IRS Careers website to streamline information specific to internships so that one link brings the user to Internships/Student programs. From that link, each program should be briefly defined. The user would then be able to find additional information (e.g., eligibility requirements, how to apply) on the programs that interest him/her.

#### Toll-Free Assistance Phone Lines

The IRS partnered with the Toll-Free Improvement Committee to review an automated telephone messaging system for the EITC audit process prior to implementation. The automated messages will walk taxpayers through the audit process, covering each audit issue. Some of the features will instruct taxpayers on what enclosures are related to which EITC audit issue, along with providing examples of documents needed to prove their claim.

Recommendations to alter the telephone script and menu included:

- Provide the taxpayer with access to the available information during times now designated as “Office Closed” (e.g., hours after 8:00 pm and holidays); and
- Provide a message informing the caller that a live examiner is not available until regular office hours for further information or unanswered questions.

## §8. NATIONAL TAXPAYER ADVOCATE PERSPECTIVE <sup>20</sup>

### Introduction

For the last two years, the IRS has been developing a “Future State” plan that envisions how the agency will operate in five years and beyond. I strongly support aspects of the plan and the IRS’s commitment to long-range strategic planning, which is vital to ensure the agency achieves its objectives as effectively and efficiently as possible. I am concerned, however, that the web-based focus of the plan is largely driven by two factors:

1. The Service’s goal to save money in light of recent budget cuts.
2. Its implicit assumption that web-based self-service will significantly reduce taxpayer demand for telephone and face-to-face assistance.

Significant reductions in the IRS’s budget since FY 2010 have forced the agency to scale back its activities in almost every area and to rethink its priorities.<sup>21</sup> I have been recommending against significant reductions in the IRS’s budget because reductions of this magnitude have been harming taxpayers. It is worth noting, however, that because U.S. taxpayers are extremely law abiding, in FY 2015, the IRS was able to collect about \$3.3 trillion on a budget of \$10.945 billion, which translates to a return-on-investment of about 300:1.<sup>33</sup>

I remained concerned, however, by IRS’s apparent assumption that new web-based self-service options will significantly reduce taxpayer demand for telephone and face-to-face assistance. By proposing to add new services and continuing to emphasize the impact of funding constraints, the IRS is implicitly acknowledging that many existing services will be reduced or eliminated, or shifted to the private sector, where taxpayers will have to pay for services previously provided free of charge by the IRS.

### Online Accounts and the Demand for Personal Services

There is no doubt that secure online taxpayer accounts will be a positive development for both taxpayers and the IRS. But the IRS’s own experience with technology improvements suggests online accounts are unlikely to reduce taxpayer demand for telephone and face-to-face service substantially. Moreover, states that recently

Ever since Congress enacted the IRS Restructuring and Reform Act of 1998, the IRS has been speaking about harnessing technology to improve efficiency and reduce the need for personal service. In fact, the IRS has succeeded in dramatically increasing the percentage of taxpayers who file their returns electronically, it has vastly expanded its website to provide more information to taxpayers, and it has launched “Where’s My Refund?” to reduce telephone calls.

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<sup>20</sup> This report only includes the National Taxpayer Advocate Perspective, which came directly from the National Taxpayer Advocate. The IRS Oversight Board has suspended operations; therefore, they did not provide their perspective for this report.

<sup>21</sup> Since FY 2010, the IRS budget has been reduced by about 19 percent in inflation-adjusted terms. In FY 2010, the agency’s appropriated budget stood at \$12.1 billion. For FY 2016, its budget has been set at \$11.2 billion, a reduction of nearly 8 percent over the six-year period. Inflation over the same period is estimated at nearly 11 percent. See Office of Management and Budget, Fiscal Year 2016 Budget of the U.S. Government, *Historical Tables* (230-31), Table 10.1, available at <https://www.whitehouse.gov/sites/default/files/omb/budget/fy2016/assets/hist.pdf> (showing Gross Domestic Product (GDP) and year-to-year increases in the GDP). In addition, the IRS has had to implement the statutory requirements of the Patient Protection and Affordable Care Act and the Foreign Account Tax Compliance Act during this time, causing a further drain on its resources.

The hope and expectation was that these measures would have substantially reduced taxpayer demand for personal service by phone or in person.

In fact, taxpayer demand for personal service has *increased* over time. The number of calls the IRS received on its Accounts Management lines over the past decade has risen from about 64 million in FY 2006 to about 102 million in FY 2015, an increase of about 59 percent.<sup>22</sup>

Taxpayer demand for face-to-face service at the IRS's walk-in sites has also remained high — above 5.6 million visits in FY 2015 — despite IRS service reductions, such as directing employees to refrain from answering tax-law questions except during filing season and discontinuing the preparation of tax returns.<sup>23</sup>

I believe that these trends will continue and that online accounts are unlikely to dramatically reduce taxpayer demand for telephone and face-to-face interaction. This is true for a number of reasons, including:

- Millions of taxpayers do not have broadband Internet access at home.<sup>24</sup> For high-speed Internet access they would need to use computers in public places, such as libraries and coffee shops, increasing the risk of identity theft;
- Millions of taxpayers with Internet access do not feel comfortable trying to resolve important financial matters over the Internet;<sup>25</sup>
- Security issues have caused the IRS to implement such stringent identification procedures that many taxpayers have been unable to access secure online applications. As of the end of August 2016, the pass rate to gain access to the IRS online IP PIN and Get Transcript applications was about 27%; and
- Many taxpayer problems are not “cookie cutter,” thus requiring a degree of back-and-forth discussion that is better suited for conversation and that taxpayers will insist upon.

Moreover, not every activity can or should be done online. Many activities relating to tax compliance require a conversation. Online accounts will not provide for the kind of discussion

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<sup>22</sup> IRS, Joint Operations Center, *Snapshot Reports: Enterprise Snapshot* (final week of each fiscal year for FY 2006 through FY 2015). The majority of the additional calls were handled by automation. The increase in calls seeking to speak with an IRS customer service representative (CSR) was 20 percent. The IRS's Snapshot Reports do not specify the number of calls routed to CSRs, but that number can be roughly computed by dividing the number of calls answered by CSRs by the percentage of calls answered by CSRs (known as the “CSR Level of Service”). The number of calls routed to CSRs on the Account Management telephone lines increased from about 39.8 million in FY 2006 to about 47.9 million in FY 2015. The percentage increase in calls seeking to reach a CSR likely would have been considerably higher absent IRS policies designed to limit the scope of CSR-eligible subjects, such as sharply restricting the scope of tax-law questions CSRs may answer.

<sup>23</sup> IRS Wage & Investment Division, Business Performance Review 7 (4th Quarter – FY 2015, Nov. 2, 2015). The change to appointments-only will only harm vulnerable taxpayers more. We have received reports of taxpayers and representatives being told of next available appointments two to four weeks in advance and being turned away when they show up without an appointment to make a payment of tax. This policy seems incomprehensible to taxpayers and undermines their trust in government and the tax agency.

<sup>24</sup> A Pew Research Center study published in 2015 found that about one third of American adults either have no Internet access or have only dial-up access. See Andrew Perrin & Maeve Duggan, Pew Research Center, *American's Internet Access: 2000-2015* (June 26, 2015).

<sup>25</sup> According to a Forrester Research study published in 2015, 37 percent of survey respondents said they do not trust the federal government to secure their personal data, and the majority uses non-digital channels more than digital ones. See Rick Parrish, Forrester Research, *Washington Must Work Harder to Spur the Public's Interest in Digital Government: Federal Agencies Are Spending Millions on Digital CX That Customers May Not Want* (Apr. 28, 2015).

necessary to ensure the IRS understands the details of the taxpayer's circumstances or whether the taxpayer understands what the IRS is telling him or her. Taxpayers with account-specific problems, in particular, often want to speak with an IRS employee so they can ask questions and ensure they fully understand their situation. Similarly, taxpayers whose refunds have been delayed will want to resolve the problem directly with an IRS employee so they know, when the call ends, whether they need to take any action and when they can expect to receive their refund.

It is not realistic to expect that taxpayers who are told they owe more tax or whose refunds have been significantly delayed are going to be satisfied resolving their problems with the IRS exclusively through an online account. A high percentage of taxpayers in this situation will want to speak with an IRS employee so they can be certain they understand the source of the problem and what more they need to do — and try to obtain reassurance about when they can expect a final resolution. Alternatively, a taxpayer presented with limited options in an online account may agree to an assessment out of fear, where a personal conversation with a knowledgeable IRS employee would elicit facts that would reduce or eliminate the assessment. Therefore, the open question is whether, and to what extent, online accounts will allow the IRS to achieve costs savings without leaving taxpayer needs unmet.

### **Reduction in Personal Services**

The Concept of Operations (CONOPS) and associated "Future State" planning documents speak of contemplated changes in very positive tones. Nowhere in the CONOPS is there a statement that the IRS plans to reduce telephone service or close walk-in sites. But the IRS acknowledges the likelihood of continuing funding constraints. In the absence of increased funding for the proposed new services, exiting services will inevitably need to be reduced or eliminated.

The IRS appears to replace traditional IRS employee-to-taxpayer interaction with online and third-party interactions. That is, the vision would substantially reduce IRS-taxpayer personal interactions except in the context of enforcement actions. I am concerned that this reduction in core taxpayer services will result in increased taxpayer costs and security risks created by relying more on tax return preparers and other third parties for assistance and interacting with the IRS.

Furthermore, taxpayers who have neither the expertise, the time, nor the resources to navigate online service options will be especially affected. These taxpayers are highly reliant on the IRS for personal services. They will make mistakes with self-help; they will agree to assessments and adjustments they never should agree to; and they will forfeit significant due process protections like the right to an administrative appeal, or to go to the United States Tax Court or have a Collection Due Process hearing — all because they can't talk with an IRS employee about their situation or because they can't afford to pay someone to help them. It is incumbent upon the IRS to address these concerns and to be much more specific about how much personal taxpayer assistance it expects to provide in its "future state."

### **Preparers**

The IRS recognizes that not all taxpayers will be able to resolve problems through online accounts. To address the needs of these taxpayers, the IRS envisions giving tax practitioners, non-credentialed preparers, and tax software companies access to additional taxpayer information so they can assist taxpayers without the need for direct IRS involvement. That may work in some instances, but we have two reservations about this approach.

1. Offloading work to third parties will substantially increase compliance costs for many taxpayers who now work directly with the IRS. Taxpayers deserve better. Having written a tax code so widely and rightly criticized for its complexity, the government has a practical and moral obligation to help taxpayers comply. It should not withdraw existing taxpayer service to the point where taxpayers have to incur additional compliance costs just to file their returns and pay their taxes.
2. Tax return preparers are currently unregulated. Anyone, including individuals with no tax background and even individuals with criminal convictions, can obtain a Preparer Tax Identification Number from the IRS and hang out a shingle as a tax return preparer. Many are competent and conscientious, but as Government Accountability Office (GAO) and Treasury Inspector General for Tax Administration (TIGTA) studies have shown, others are not.<sup>26</sup> The IRS should not even consider giving tax return preparers access to taxpayer account information until it is able to establish minimum standards for competence, to suspend preparers who engage in improper conduct, and to conduct background checks to weed out preparers with criminal records. To grant all preparers access to taxpayer accounts is to put taxpayers' confidential tax information at risk.

Referring taxpayers to third party providers raises important issues — both policy issues regarding the role government should play in assisting taxpayers who are trying to comply with their tax obligations and practical issues regarding data security. These issues deserve a thorough public discussion before the IRS begins to downsize its existing taxpayer service operations and outsource taxpayer assistance to third parties, which will have the effect of introducing a third-party intermediary between the IRS and taxpayers, and increasing taxpayers' compliance costs.

## Transparency

For any vision of the future to work, the IRS needs to engage taxpayers in the process. Taxpayers, in turn, need to speak up, articulate their needs and preferences, and hold the IRS accountable for responding. They need to contact their representatives in Congress and explain to them in real terms what it is like to interact with the IRS — the good and the bad. Tax professionals need to insist on a dialogue with the tax agency and push for greater transparency. They need to explain to their elected representatives why the current trajectory in tax administration is bad for tax compliance and just what it means for the representatives' constituents. Most importantly, Congress needs to assert its oversight authority and insist that the IRS explain the specifics of its future state vision and the trade-offs it is contemplating.

Hearings should include representatives of taxpayer segments as well as tax professionals. It is important that these hearings be kept separate from the hearings Congress has conducted in recent years on actual or perceived IRS shortcomings. Developing a consensus about the

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<sup>26</sup> See GAO, GAO-14-467T, Paid Tax Return Preparers: In a Limited Study, Preparers Made Significant Errors (Apr. 2014); TIGTA, Ref. No. 2008-40-171, Most Tax Returns Prepared by a Limited Sample of Unenrolled Preparers Contained Significant Errors (Sept. 2008); GAO, GAO-06-563T, Paid Tax Return Preparers: In a Limited Study, Chain Preparers Made Serious Errors (Apr. 2006).

future state vision for our nation's tax system requires a single-minded focus on assessing the objectives of the tax system, what taxpayers need to comply with their tax obligations, and how to balance competing objectives.

Finally, because the Future State plans will be transformational for taxpayer service, I believe the IRS should publish its proposed plans and seek public comments and suggestions before it adopts any proposals and before any of these proposals becomes a fait accompli. U.S. taxpayers pay the bills for our government, so U.S. taxpayers deserve a say in how the tax collection agency will treat them.

## Public Forums

In my 2015 Annual Report,<sup>27</sup> I announced that over the next year I would be holding Public Forums on Taxpayer Needs and Preferences throughout the country, some co-hosted by some Members of Congress, particularly those serving on committees actively engaged in IRS oversight. It has been my great privilege to host eight of these Public Forums to date, and we have several more planned through the end of the calendar year.<sup>28</sup> Our Congressional co-hosts were actively engaged in the planning and promotion of the Forums as well as attending and participating in them. I am deeply grateful to Congressmen Roskam, Serrano, Meadows, Renacci, Becerra, and Doggett and Senators Casey, Grassley, Cardin, and Wyden for their generous support and personal commitment to this important endeavor.

What we heard at the Public Forums were the voices of real taxpayers and their real representatives. They are compelling, articulate, and clear about what they need in order to comply with the tax laws. The concerns about the IRS Future State plans that I discuss above also consistently arose in the Public Forums. These are covered in excerpts from the forums that are organized by topic and published in my Preface to the National Taxpayer Advocate Fiscal Year 2017 Objectives Report to Congress. The topics I identified are as follows:

- IRS engagement with taxpayers and practitioners and how to increase trust in the tax agency.
- Building a Future State before the IRS current state of taxpayer service is fixed.
- The taxpayer experience as told by taxpayers.
- The continuing trend away from person-to-person and face-to-face taxpayer service and compliance activities, including audit, collection, and appeals, as well as a declining geographic IRS presence and increased centralization.
- The benefits and limitations of online accounts.
- Doing digital right.
- The lack of clarity around what will be offered as self-service online options, and the legal and due process implications of "self-corrections."

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<sup>27</sup> See National Taxpayer Advocate 2015 Annual Report to Congress XV (Preface: *Introductory Remarks by the National Taxpayer Advocate*).

<sup>28</sup> To date, we have held two Public Forums in Washington DC, and others in Glen Ellyn, IL; Bronx, NY; Hendersonville, NC; Harrisburg, PA; Red Oak, IA; Baltimore, MD; Parma, OH; Portland, OR; Los Angeles, CA; and San Antonio, TX.

- The implications of online accounts for taxpayers with limited online access or digital expertise, and the impact of security concerns on taxpayer online account usage.
- The implications of granting access to taxpayers' online accounts to unregulated return preparers.
- The increasing workload for VITA sites and the compression of the filing season for professional tax preparers.
- The IRS Mission — what should the IRS be focusing on in the 21st century.

My Preface provides an overview of some of the important discussions that arose on the above topics during the public forums held to date.<sup>29</sup> Full transcripts of all of the Public Forums are available online.<sup>30</sup> They are worth reading in their entirety.

## Conclusion

The IRS's future state plan has been driven by two considerations. First, long-range strategic planning is always important to ensure an organization achieves its objectives as effectively and efficiently as possible. Second, significant reductions in the IRS's budget since FY 2010 have forced the agency to look for ways to scale back its operations in order to deliver on its tax-collection mission more cheaply.

In this environment of more work and inadequate funding, trade-offs are inevitable if new services are to be developed and rolled out. I continue to be concerned that the IRS's design for the Future State ignores or dismisses the significant body of data that shows large portions of the taxpaying public either unable or unwilling to engage with government online services for anything other than the most routine tasks, if those.

Therefore, I believe it is critical that the IRS share its plans in greater detail with Congress and outside stakeholders and then engage in a dialogue about the extent to which it intends to curtail or eliminate various categories of telephone service and face-to-face service, whether it will provide sufficient support for taxpayers—and how—as it transitions to its future state, and whether it has an adequate "Plan B" if taxpayer demand for telephone and face-to-face service remains higher than the IRS anticipates.

The future state vision of the IRS needs to be designed around the needs of the people. If it is, it will be effective and efficient. Most importantly, it will be trusted by the people. Considerable research data shows that higher levels of trust in the tax system produce higher levels of voluntary tax compliance. And ultimately, maximizing voluntary tax compliance should be the overriding goal of the tax administrator.

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<sup>29</sup> See National Taxpayer Advocate Fiscal Year 2017 Objectives Report to Congress 1-52 (Preface: National Taxpayer Advocate's Introductory Remarks, Including an Update on the National Taxpayer Advocate Public Forums on Taxpayer Needs and Preferences).

<sup>30</sup> Transcripts for the public forums are available at:  
<http://taxpayeradvocate.irs.gov/news/national-taxpayer-advocate-public-forum-transcripts?category=Tax News>

## 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
<b>Improve IRS Efficiency and Productivity</b>	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.
<b>Make Compliance Easier</b>	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.
<b>Prevent, Minimize, and Correct Errors</b>	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.
<b>Emphasize Partners' Role</b>	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 in supporting tax administration.
<b>Improve Self-Correction and Self-Service Tools</b>	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.
<b>Proactive Communication Is Essential</b>	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.
<b>Expedite Issue Resolution</b>	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 2015 SERVICE IMPROVEMENTS BY IRS STRATEGIC OBJECTIVE**

FY 2015 Service Improvement	Brief Description
<p><b>Goal 1: Deliver high quality and timely service to reduce taxpayer burden and encourage voluntary compliance.</b></p>	
<p><b>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.</b></p>	
<p>FY 2015 Service Approach - Payment Strategy</p>	<p>The Payment Strategy component of the FY 2015 Service Approach focused on a web-first strategy and the promotion of alternative service channels to free up employees in TACs to assist taxpayers most in need of face-to-face service. Taxpayers were educated about the availability of electronic payment services such as Direct Pay as an alternative to making payments by cash, check, or money order. Where available, taxpayers were offered the use of a Facilitated Self-Assistance (FSA) kiosk to obtain quick and easy access to online payment options. As a result of these efforts, nearly 7,000 taxpayers took the opportunity to use Direct Pay at the kiosk.</p>
<p>FY 2015 Service Approach - Forms Strategy</p>	<p>The 2015 Service Approach Forms Strategy component also focused on a web-first strategy and promoting alternative service channels. This year's approach supported the IRS's effort to "Go Green" by reducing the number and quantity of paper products stocked in TACs and promoted no-cost options for making payments. Instead of picking up tax forms and publications at TACs or outlet partners, taxpayers were encouraged to view and download forms from IRS.gov or to file their tax returns electronically. Employees in TACs with FSA kiosks helped taxpayers understand the use of online services. For the calendar year, kiosk usage to obtain forms reached nearly 57,000, an increase of 28 percent over last year.</p>
<p>ACA Outreach and Product Development</p>	<p>To support partners and volunteers on the ACA, the IRS conducted and leveraged 617 ACA outreach events nationwide in FY 2015. This included engaging national and local partners on ACA training for filing season readiness, conducting "live" ACA webinars, participating in outreach events, hosting weekly ACA facilitator sessions, and monthly national partner meetings. In addition, an ACA webinar was recorded in January 2015, covering the ACA impacts to Form 1040, including new Form 8965, <i>Health Coverage Exemptions</i>, and Form 8962, <i>Premium Tax Credit</i>. The webinar was shared with partners and is available on IRS.gov.</p> <p>The IRS developed a new product for the VITA/TCE program, Publication 5157, <i>VITA/TCE Affordable Care Act</i>, as a training resource for partners and volunteers. Since its release, this product has been widely recognized for its clarity and presentation. In December 2014, a modified version, Publication 5187, <i>The Health Care Law: What's New for Individuals and Families</i> was posted on IRS.gov. This publication was used as a tool for IRS outreach staff and relationship managers and was shared with the general tax professional community.</p>

<p>Testing the ACA Toll-Free Line Ensuring Effective Service Delivery and Optimal (limited) Routing</p>	<p>In August 2014, IRS Research conducted testing sessions with approximately 120 taxpayers to gather information about customer satisfaction and ease of use 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).</p> <p>As a result of the study, IRS Research crafted and tested new and existing phone products with a focus on shaping taxpayer expectations to increase overall user satisfaction (scripts, routing, etc.), understanding the taxpayer perspective and needs, and improving the overall taxpayer experience. Several changes were proposed for the ACA-related phone lines and scripts, such as providing additional specific search terminology to the taxpayer once they have been directed to visit IRS.gov. In January 2015, the changes were implemented and the improved products were being offered to taxpayers.</p>
<p>Business and Specialty Tax Toll-Free Line Testing</p>	<p>This research is aimed at improving the toll-free line to better meet taxpayer expectations and needs while also working within strict budget constraints. IRS Research administered a survey to taxpayers who call the Business and Specialty Tax toll-free line to gain insight into their experience as well as collect their recommendations for scripting and routing changes. In August 2015, 11 telephone focus groups were held with over 60 CSRs at the Ogden, Oakland, and Cincinnati campus locations. The CSR feedback was used to design the second phase of testing which took place in Ogden, UT, in September 2015. Research analysts “double-jacked” with four selected CSRs and listened to 40 telephone calls. Observational data was collected from the 40 calls, in addition to CSR feedback. Nine taxpayer callers were surveyed at the end of their call experience. A final deck outlining the results from both phases of the project will be presented to the customer in FY 2016.</p>
<p>Refund Ecosystem</p>	<p>In order to explore the intricacies of the refund ecosystem and taxpayer usage of the <i>Where’s My Refund?</i> (WMR) online tool, Research conducted usability testing and structured interviews with experienced and novice tool users in September and October 2014. The testing sessions employed a new research tool called the Tobii X2-60 eye tracker, which recorded participants’ eye movements while they use the WMR online tool. Findings from the eye-tracking suggest that taxpayers find the WMR tool easy to locate and use, but that small changes such as additional information and logistical improvements could be beneficial to the taxpayer WMR experience.</p> <p>Results from the satisfaction questionnaire revealed that 85 percent of participants were extremely satisfied or satisfied with the WMR online tool, 98 percent of participants are willing to use the tool in the future, and 73 percent of participants indicated the tool met their expectations.</p>

<p>Optimizing Social Media for VITA/TCE Program Promotion: Partner Pilot Project</p>	<p>The Partner Pilot Project, aimed at increasing the visibility of the VITA/TCE Program, its awareness and use of various IRS-sponsored free tax preparation methods, began in January 2015 with goals of measuring the impact of increased social media promotion on current program marketing and establishing baselines for relevant social media measures. The Partner Pilot Project leveraged the social media presence of select IRS partners to optimize the use of various channels to increase promotion of the VITA/TCE Program.</p> <p>This project utilized the following recommendations provided in the previous project: (1) incorporate themes specific to the target audience, (2) craft messages promoting free tax preparation options outside of traditional VITA/TCE locations and the locator option on the IRS2Go mobile application, (3) provide measureable links that direct the audience to additional information or to a website to perform the action described in the message, and (4) ensure integration of social media vernacular into messages.</p>
<p><b>Objective: Deliver clear and focused outreach, communications, and education programs to assist taxpayer understanding of tax responsibilities and awareness of emerging tax laws.</b></p>	
<p>Revised EITC Telephone Scripts</p>	<p>To improve service to taxpayers by providing self-help information without requiring them to talk to a phone assistor to receive information on EITC examinations, the IRS revised EITC telephone scripts in January 2015:</p> <ul style="list-style-type: none"> <li>• Taxpayers calling about what to send to support certain EITC requirements, such as residency, were prompted to select the requirement they were calling about. They were then forwarded to a detailed recorded message which explained what types of supporting documentation they could send. They were also given the option to speak to a live assistor.</li> </ul> <p>Taxpayers were systemically asked if they were calling about mail/ documentation they recently sent. If they responded affirmatively, they would be forwarded to a message that requested that the taxpayer please give us 10 days to update their mail from the time it was mailed and 60 days to evaluate it before calling, to give us time to review it.</p> <p>The new scripting has moved about 4.5 percent of calls that would have been routed to an assistor. Since the scripting changes were implemented, about 46,300 calls have been forwarded to these informational messages.</p>
<p>IRS Plain Writing Initiative</p>	<p>The IRS worked to simplify tax products and communications using easy-to-understand language and terminology. Several publications and forms and <i>The Tax Forms &amp; Publications Style Writing Guide</i> were updated to incorporate Plain Writing Act tenets. Document 12687, <i>Getting your information published at the IRS</i>, which describes the IRS publishing process, and related roles and responsibilities, and advises product originators to adhere to Plain Writing standards, was updated as well.</p>
<p>International Individual Taxpayer Assistance</p>	<p>In an effort to provide new sources of taxpayer assistance to foreign-located taxpayers, the IRS established the International Individual Taxpayer Assistance (IITA) program. This program has been charged with creating alternative methods of offering taxpayer assistance to foreign-located taxpayers utilizing cost efficient taxpayer assistance and taxpayer outreach delivery methods. The program has had many operational successes; however, the lack of a sufficient and stable budget continues to create implementation challenges.</p>

<p>Help and Resources links</p>	<p>The IRS added links on IRS.gov to the Directory of Overseas Federal Tax Return Preparers and a new link to the Streamlined Filing Compliance Procedures.</p>												
<p>Foreign Electronic Payment Web Page</p>	<p>A new link was placed in the “Make a Payment” main page that navigates to a newly developed web page, <i>Foreign Electronic Payments</i>, containing instructions on how to make electronic payments via a foreign bank account for taxpayers living abroad who no longer have a U.S. bank account.</p>												
<p>Created ACA and the International Taxpayer Web Page</p>	<p>The IRS created web pages to provide information on individual Shared Responsibility, Additional Medicare Tax, and Net Investment Income Tax, with links to each topic on the ACA page and a reference to the question number on that ACA page that is relevant to international individual taxpayers. This link is posted on the International Taxpayers landing page.</p>												
<p>Created YouTube videos</p>	<p>The IRS created YouTube videos to demonstrate how to navigate IRS.gov as well as providing guidance to international individual taxpayers to determine their filing requirements and filing status, their need for an Individual Taxpayer Identification Number (ITIN), and their qualifications for foreign tax credits and the foreign earned income exclusion.</p>												
<p><b>Objective: Provide timely assistance through a seamless, multichannel service environment to encourage taxpayers to meet their tax obligations and accurately resolve their issues.</b></p>													
<p>Deployment of Form 8962, <i>Premium Tax Credit (PTC)</i>; Form 8965, <i>Health Coverage Exemption</i>; and Centralized Data Repository (CDR) Search Tools</p>	<p>The initiative provided a manner for end users of the Account Management Services (AMS) application to compute the PTC using Form 8962 data, update health coverage exemptions with Form 8965, and provide a means to search the centralized data repository to verify taxpayer ACA related information.</p> <p>The AMS ACA tools have been increasingly utilized since their inception in January 2015. A comparison of the tool’s usage for FY 2015 and for FY 2016 through April 23, 2016, follows:</p> <table border="1" data-bbox="553 1163 1370 1289"> <thead> <tr> <th></th> <th style="text-align: center;">FY 2015</th> <th style="text-align: center;">FY 2016</th> </tr> </thead> <tbody> <tr> <td>Form 8962, <i>Premium Tax Credit (PTC)</i></td> <td style="text-align: center;">163,018</td> <td style="text-align: center;">304,599</td> </tr> <tr> <td>Form 8965, <i>Health Coverage Exemptions</i></td> <td style="text-align: center;">17,817</td> <td style="text-align: center;">75,016</td> </tr> <tr> <td>Search Centralized Data Repository (CDR)</td> <td style="text-align: center;">96,979</td> <td style="text-align: center;">332,843</td> </tr> </tbody> </table>		FY 2015	FY 2016	Form 8962, <i>Premium Tax Credit (PTC)</i>	163,018	304,599	Form 8965, <i>Health Coverage Exemptions</i>	17,817	75,016	Search Centralized Data Repository (CDR)	96,979	332,843
	FY 2015	FY 2016											
Form 8962, <i>Premium Tax Credit (PTC)</i>	163,018	304,599											
Form 8965, <i>Health Coverage Exemptions</i>	17,817	75,016											
Search Centralized Data Repository (CDR)	96,979	332,843											
<p>Deployment of Shared Responsibility Payment (SRP) Tool</p>	<p>This initiative provided a manner for end users of AMS application to compute the SRP fee assessed for non-compliance of health coverage.</p> <p>The AMS ACA SRP tool has been in use since September 2015. During FY 2015, 864 calculation requests were submitted. Through April 23, 2016, a total of 29,051 calculation requests were received during FY 2016.</p>												
<p>Update to Publication 3920, <i>Tax Relief for Victims of Terrorist Acts</i></p>	<p>The IRS updated Publication 3920, <i>Tax Relief for Victims of Terrorist Acts</i>, to notify recipients of disability payments related to the 9/11 attacks that their disability payments were non-taxable and they could possibly receive retroactive and current tax relief. The revised publication posted to IRS.gov on September 11, 2015.</p>												
<p>IRS.gov Redesign</p>	<p>Using solicited stakeholder feedback, the IRS redesigned the IRS.gov notices, letters, and penalty landing pages. New features include: creating a format that will drive taxpayers to answers and solutions utilizing new content; creating a new search function for locating notices and letters; and directing taxpayers to call and use fax options rather than writing.</p>												

<p>Improve the IRS.gov Experience Regarding Penalties</p>	<p>To provide information and resources to help taxpayers and tax professionals understand their options for penalty relief and how to apply for relief, if warranted, IRS developed the “Penalties at a Glance” web page on IRS.gov, detailing the types of penalty relief available. This includes reasonable cause, administrative waiver, statutory exception, and first-time abatement. The pages were launched on IRS.gov on September 9, 2015.</p>
<p><b>Objective: Reduce taxpayer burden and increase return accuracy at filing through timely and efficient tax administration processing.</b></p>	
<p>ACA Training</p>	<p>The IRS delivered training to IRS assistors on two major tax law provisions of the ACA impacting FY 2015—the Individual Shared Responsibility Payment and the Premium Tax Credit. Subject matter experts (SMEs) developed course material and developed a new training paradigm, using face-to-face train-the-trainer sessions taught by these same SMEs in a virtual setting.</p> <p>Through these efforts, employees in TACs provided service to nearly 13,000 taxpayers for ACA-related topics. Issues regarding Shared Responsibility Payment and the Premium Tax Credit reflect 39 percent and 61 percent of this traffic, respectively.</p>
<p>Service Level Agreement with Small Business Administration’s (SBA) Disaster Program Office</p>	<p>The IRS completed a one-year project with the SBA to execute a Disaster Service Level Agreement. The agreement allows federal disaster victims to electronically sign and use IRS Form 4506-T, <i>Request for Transcript of Tax Return</i>, to request expedited Disaster Transcripts when applying for SBA Federal Disaster loan and grant assistance. This reduces taxpayer burden since the IRS transcript form was the only document in the grant application that required a physical signature. It also reduces SBA processing time because the entire grant application package can be signed electronically.</p>
<p><b>Objective: Enhance the quality of tax services by strengthening the outreach, education, and tools provided to the tax professional community.</b></p>	
<p>Offshore Voluntary Disclosure and Streamlined Programs Outreach Events</p>	<p>During the annual IRS Nationwide Tax Forums, the IRS provided information and updates on the Offshore Voluntary Disclosure and Streamlined Programs. The topics included the Foreign Tax Credit for Individuals, Form 8938, <i>Statement of Foreign Financial Assets</i>, FinCEN Form 114, <i>Report of Foreign Bank and Financial Accounts (FBAR)</i>, and the Offshore Voluntary Disclosure and Streamlined Programs.</p>
<p>Refundable Credits Preparer Outreach</p>	<p>Recognizing the complexity of the tax law around refundable credits, the IRS developed four presentations on the Premium Tax Credit, Education Credits, Earned Income Tax Credit Due Diligence, and Identity Theft at the 2015 IRS Tax Forums. Over 50 percent of tax professionals in attendance at the forums participated in these seminars.</p>

<p>EITC Paid Preparer Due Diligence Outreach</p>	<p>The IRS continued to provide outreach and education on preparer EITC due diligence. Over 6,600 preparers attended our English and Spanish webinars on EITC due diligence. The IRS held seminars at the 2015 IRS Nationwide Tax Forums to remind preparers of their EITC due diligence requirements and the consequences of noncompliance. Almost half of the forum participants, or 5,150 preparers, attended the EITC seminars. The IRS also made presentations on preparer due diligence at several large tax preparation firms 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 nearly 13,900 certificates of completion for continuing education credit were issued for this training.</p>
<p>Small Business Week Campaign</p>	<p>In conjunction with SBA's Small Business Week, the IRS delivered a successful no-cost Small Business Week campaign. Based on the success of prior year efforts, we delivered a much more extensive 2015 campaign designed to provide small business audiences with available tools and help them understand and meet their tax obligations. Outreach outcomes will serve as a baseline for measuring the effectiveness of future campaigns.</p>
<p><b>Goal 2: Effectively enforce the law to ensure compliance with tax responsibilities and combat fraud</b></p>	
<p><b>Objective: Deter and promptly resolve noncompliance by protecting revenue from refund fraud and ensuring appropriate revenue collection.</b></p>	
<p>EITC Preparer Strategy</p>	<p>The EITC Preparer Strategy to educate preparers on their due diligence requirements continued in FY 2015. Over 700 pre-filing season due diligence visits were started, 94 "Knock and Talk" visits were successfully completed, and 21,345 pre-filing season compliance and educational letters were sent. Over 277 filing season due diligence visits were initiated and 19,982 filing season compliance and educational letters were sent.</p>
<p>Third Party Payer: Dual Notice - Address Change Initiative</p>	<p>Notices of confirmation of any address change relating to employment tax payments were sent to both the employer's former and new addresses. The initiative helps identify and correct situations where an employer's address may have been changed without their consent. This initiative addresses a legislative mandate included in the Consolidated Appropriations Act, 2014, H.R. 3547. Notices were first issued on January 23, 2015.</p>
<p><b>Objective: Identify trends, detect high-risk areas of noncompliance, and prioritize enforcement approaches by applying research and advanced analytics.</b></p>	
<p>Individual Retirement Account (IRA) Compliance Strategy</p>	<p>An IRA Compliance Strategy was initiated in 2013 as a result of a TIGTA audit that found taxpayers were not taking their Required Minimum Distributions (RMDs) and were contributing excess amounts to their IRAs. The IRA strategy included mailing notices to taxpayers required to take RMDs and those that made excess contributions to their IRAs. Part of the strategy included education and outreach initiatives. Educational news articles and Tax Tips were delivered and IRS resources were updated to provide clearer and improved information. In TY 2013, TY 2014, and TY 2015, informational notices were mailed to taxpayers. Overall, the notices appear to change taxpayer behavior in taking their RMDs. The results of the excess contribution notices are being evaluated.</p>

<b>Objective: Address noncompliance by improving data, information, and knowledge-sharing with tax community and government partners.</b>	
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 continued issuing warning letters and electronic acknowledgement alerts for preparers who submitted EITC returns without attaching the required Form 8867. The IRS sent over 15,000 warning letters to preparers of paper returns and over 770 electronic acknowledgement alerts to preparers of e-filed returns. This "early warning" reduced the number of 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.
<b>Strategic Foundation: Invest in our workforce and the foundational capabilities necessary to achieve our mission and deliver high performance for taxpayers and stakeholders.</b>	
<b>Objective: Realize operational efficiencies and effectively manage costs by improving enterprise-wide resource allocation and streamlining processes.</b>	
Generalized IDRS Interface (GII) Batch Runs	Integrated Automation Technologies (IAT) supports the Service's need to quickly meet legislative changes and expedite processing by implementing GII batch runs. For example, during October and November 2014, the IRS needed to send letters on 1.8 million accounts to taxpayers to verify their identity so their returns could be processed. In addition, all accounts had to be researched and employee controls closed on accounts that no longer needed to be worked. It took IAT 44 hours to develop the GII run and train the users. In the past, a run of that size (i.e., 1.8 million accounts) took approximately 4,000 hours to complete.
<b>Objective: Invest in innovative, secure technology needed to protect taxpayer data and support taxpayer, partner, and IRS business needs.</b>	
Customer Account Data Engine (CADE) 2 Database	The CADE 2 Database ran in production for 2015, feeding downstream systems. In support of the transition from the legacy system to the CADE 2 Database as the authoritative source for individual taxpayer data, initiatives undertaken this year included the successful implementation of End of Year/Beginning of Year changes and robust data validation activities to ensure confidence in the accuracy of the data. Data validation was completed on 7.5 million tax modules with no critical defects identified.

**APPENDIX C. TAB MEASURE DEFINITIONS**

Measure	Purpose	Definition	Calculation
<b>Awareness of Services</b>	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.
<b>Enterprise Level of Service</b>	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.
<b>Enterprise Taxpayer Self-Assistance Rate</b>	Adequacy of Service	The percentage of taxpayers using self-assistance service channels for their service needs.	(Automated calls answered + website visits + IRS2Go visits) divided by (Assistor calls answered + Automated calls answered + website visits + IRS2Go visits + electronic interactions + customer accounts resolved (paper) + TAC contacts)
<b>Interaction Satisfaction Rate</b>	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 customer satisfaction 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
<b>Issue Resolution Rate</b>	Efficiency of Government	The percentage of taxpayers who had all their questions answered during their interaction with an IRS assistor.	The sum of the weighted average issue resolution score per program customer satisfaction 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 issue resolution score, per program survey

