

**2021 National Taxpayer Advocate Annual Report to Congress
Most Serious Problems Encountered by Taxpayers
Administrative Recommendations: IRS and TAS Responses**

MSP #1: PROCESSING AND REFUND DELAYS: EXCESSIVE PROCESSING AND REFUND DELAYS HARM TAXPAYERS

During 2021, tens of millions of taxpayers were forced to wait extraordinarily long periods of time for the IRS to process their tax returns, issue their refunds, and address their correspondence. More than 75 percent of individual income tax return filings resulted in refunds that millions of taxpayers rely on to pay their basic living expenses. Therefore, processing delays caused financial hardships for some taxpayers and extreme frustration for many more. At the close of the 2021 filing season, the IRS had 35.3 million returns awaiting manual processing. As the IRS is preparing to begin the 2022 filing season, it is poised to carry over millions of unprocessed returns and millions of pieces of taxpayer correspondence, resulting in even longer delays for taxpayers who have been patiently waiting for far too long. To add complexity, when taxpayers file their 2021 tax returns, millions who received Advance Child Tax Credit payments will have to reconcile the monthly advanced payments they received with the amounts for which they are eligible. Similarly, eligible taxpayers who did not receive some or all of the third round of stimulus payments, as authorized by the American Rescue Plan Act, will have to claim them as credits on their returns. Thus, the unprecedented processing and refund delays taxpayers experienced in 2021 could be as bad, and potentially worse, in 2022 if taxpayers do not file electronically or do not properly reconcile their monthly Advance Child Tax Credit payments or the third stimulus payment with their 2021 returns.

TAS Recommendation	[1-1] Provide weekly filing season reports on IRS.gov about the status of return processing timeframes so taxpayers know what to expect when they file their returns.
IRS Response	IRS agrees to implement TAS recommendation in full.
IRS Action	The IRS is in the process of launching a “Filing Season Processing Times” page on IRS.gov to regularly provide updated information for the most commonly filed individual and business tax return types, letters, notices, and other forms. Viewers will be able to check average processing times for individual and business returns as well as amended return submissions. It will also provide links to tools, such as Online Account, Where’s My Refund? and Where’s My Amended Return? that allow taxpayers to check their specific refund status, determine the status of their amended return, and contact information for reaching the IRS directly. Taxpayers will also find links to filing season alerts and COVID-19 processing-related information.

<p style="text-align: center;">TAS Response</p>	<p>The National Taxpayer Advocate is pleased that the IRS agrees with this recommendation and is in the process of launching a “Filing Season Processing Times” page on IRS.gov. It is disappointing that this page was not operational in time for the 2022 filing season, however. We will keep this recommendation open until this page gets launched.</p>
<p style="text-align: center;">TAS Recommendation</p>	<p>[1-2] Improve online resources to provide taxpayers with specific information about the cause of the taxpayer’s refund delay, what information the taxpayer needs to provide, and a reasonable estimate regarding when the IRS expects to issue the refund.</p>
<p style="text-align: center;">IRS Response</p>	<p>IRS agrees with TAS recommendation but cannot implement it currently due to funding limitations.</p> <p>The IRS agrees with the TAS recommendation to improve online resources and provide taxpayers with specific information about the cause of the refund delay, what information the taxpayer needs to provide, and a reasonable estimate regarding when the refund is expected to be issued. The IRS plans to implement the recommendation (in full or part) if additional resources/funding are made available.</p> <p>Where’s My Refund? (WMR) is an online resource that provides taxpayers with a refund status as early as within 24 hours of receipt of an e-filed return, or generally within four weeks after a paper return has been mailed. It has the most up-to-date information about taxpayer refunds providing an intuitive tracker for most refund statuses at the top of the screen – “return received,” “refund approved,” or “refund sent.” WMR also provides explanations about math errors and adjustments.</p> <p>On January 3, 2022, the IRS implemented changes to WMR to improve messaging for taxpayers whose refunds are held or delayed by additional processing activities and provide improved messaging on returns in processing for extended periods. The IRS is currently assessing multiple tax year functionality for WMR, allowing most taxpayers to access refund information for the last two tax years.</p> <p>The IRS plans to integrate refund status information into Online Account in the future. When this occurs, we expect the WMR tool will remain available outside of Online Account to serve taxpayers who may not have created an Online Account. The IRS will conduct a research effort during 2022 to further review specific taxpayer needs and expectations regarding online information of refund status. We will use the research findings to help implement informed updates to WMR.</p>
<p style="text-align: center;">IRS Action</p>	<p>January 3, 2022, implemented WMR messaging for refund delays. Additional features will be deployed as funding permits.</p>

<p style="text-align: center;">TAS Response</p>	<p>The National Taxpayer Advocate is encouraged that the IRS has made incremental improvements to the WMR tool to expand the messaging, including the June 2022 change to Where’s My Refund? that expanded refund information to cover the 2021, 2020, and 2019 tax years. Recognizing that the more taxpayers can use self-service options online to inquire about the status and timing of their refunds, the fewer calls the IRS will need to answer, it is imperative that the IRS prioritize funding of the additional improvements mentioned in the IRS response.</p>
<p style="text-align: center;">TAS Recommendation</p>	<p>[1-3] Implement electronic amended return processing to eliminate the delays caused by traditional paper processing.</p>
<p style="text-align: center;">IRS Response</p>	<p>IRS agrees to implement TAS recommendation in full.</p>
<p style="text-align: center;">IRS Action</p>	<p>The IRS agrees with the TAS recommendation to implement electronic amended return processing to eliminate the delays caused by traditional paper processing. The IRS has implemented the recommendation by eliminating paper processing receipt in electronic format, eliminating the paper processes of extraction, batching, transcription, and routing of certain cases to other areas.</p> <p>In August 2020, the IRS implemented the acceptance of electronically filed amended returns for Form 1040, <i>U.S. Individual Income Tax Return</i>. The initial implementation only allowed submission of electronic Tax Year (TY) 2019 amended returns for taxpayers who filed their TY 2019 original returns electronically. Beginning in January 2022, amended returns for TY 2019, TY 2020, and TY 2021 can be filed electronically.</p> <p>In June 2022, Forms 1040-NR, <i>U.S. Nonresident Alien Income Tax Return</i>; 1040-SS, <i>U.S. Self-Employment Tax Return (Including the Refundable Child Tax Credit for Bona Fide Residents of Puerto Rico)</i>; and 1040-PR, <i>Self-Employment Tax Return - Puerto Rico</i>, will also be available for electronic filing. The Form 1040-X process to automate simple adjustment back-end processing is in the research phase for potential future implementation.</p>
<p style="text-align: center;">TAS Response</p>	<p>The National Taxpayer Advocate is pleased that the IRS has taken steps to allow the electronic filing of amended tax returns by individuals. We believe that this will result in significant reduction in processing time as well as elimination of transcription errors.</p>

TAS Recommendation	[1-4] Immediately develop and issue guidance for the processing of Forms 941-X claiming COVID-19 employment tax relief.
IRS Response	IRS agrees to implement TAS recommendation in full.
IRS Action	<p>The IRS agrees with the TAS recommendation to develop and issue guidance for the processing of Forms 941-X, <i>Adjusted Employer's Quarterly Federal Tax Return or Claim for Refund</i>, claiming COVID-19 employment tax relief. The IRS has implemented the recommendation.</p> <p>The temporary guidance to hold cases related to processing Forms 941-X was lifted as updated guidance has been published. From November 16, 2021, through February 9, 2022, four Internal Revenue Manual (IRM) Procedural Updates (IPU) were issued to update IRM 21.7.2, <i>Employment and Railroad Tax Returns</i>, subsections to provide additional processing guidelines.</p>
TAS Response	The National Taxpayer Advocate appreciates the way the IRS was able to address this time-sensitive issue by developing and issuing this much-needed guidance for processing Forms 941-X claiming COVID-19 employment tax relief.

TAS Recommendation	[1-5] Create a dedicated team to process Forms 1139 and 1045 within 90 days of filing.
IRS Response	IRS agrees to implement TAS recommendation in part.

IRS Action	The IRS increased the number of employees trained to process Form 1139, <i>Corporation Application for Tentative Refund</i> , and will ensure a sufficient number of employees are trained on both Forms 1139 and Form 1045, <i>Application for Tentative Refund</i> , but cannot commit to process all forms within 90 days of filing. There are several factors that impact workload delivery throughout each year. The receipts of these forms can be erratic because of legislative changes. The IRS is facing unprecedented inventory levels this year due to the pandemic and is applying its limited resources across all programs. The IRS will continue to make this program a priority, along with our other most critical programs.
TAS Response	The National Taxpayer Advocate acknowledges that the IRS is in the unenviable position of having to make tough choices in allocating resources and appreciates that the IRS has made efforts to decrease the time needed to process Forms 1139 and 1045.

TAS Recommendation	[1-6] Authorize the use of secure email within the campuses for return processing issues, taxpayer questions, or follow up with taxpayers.
IRS Response	<p>IRS agrees with TAS recommendation but cannot implement it currently due to funding limitations. The IRS plans to implement the recommendation (in full or part) if additional resources/funding are made available.</p> <p>The IRS is actively exploring opportunities to establish secure email service channels such as a Taxpayer Digital Communications option related to math error notices. Continued development is dependent on securing funding, addressing authentication standards, and identifying appropriate workstreams for both the taxpayers and the business.</p>
IRS Action	N/A
TAS Response	The National Taxpayer Advocate is encouraged that the IRS agrees with our recommendation that secure email communication with taxpayers is worthy of pursuit. We understand that there are competing needs for IRS resources, but world-class customer service requires the IRS to expand the channels through which it communicates to taxpayers. Expanded use of secure email communications should be a priority for the IRS.

TAS Recommendation	[1-7] Expand current online account offerings to allow taxpayers to upload documents necessary to resolve any issues associated with their tax returns.
IRS Response	<p>IRS agrees with TAS recommendation but cannot implement it currently due to funding limitations.</p> <p>The Office of Online Services (OLS) has worked with IT on an Engineering Study with the goal of establishing solutions to make Taxpayer Digital Communications (TDC) eGain functionality – including secure messaging with document upload – available within our Web Apps such as Online Account (OLA). We completed the study in February 2022, and IT has confirmed readiness to move forward with related implementation work following approved funding and prioritization. An American Rescue Plan (ARP) funded task has been approved to make existing TDC functionality, such as use of secure-messaging and document upload to resolve a tax return issue such as a Corresponding Exam, made available in OLA. The specific use case to be delivered must still be finalized by IT and the business based on feasibility and priority. Target delivery is anticipated by December 2023.</p>
IRS Action	N/A
TAS Response	The National Taxpayer Advocate is pleased that the IRS is actively making progress in its efforts to allow taxpayers to upload documents. The results from the Engineering Study are encouraging. We will follow up in December 2023 to revisit the status of this recommendation and see if it has been fully implemented.

TAS Recommendation	[1-8] Suspend all automated collection notices until the IRS is current on processing original and amended returns and unprocessed correspondence.
IRS Response	IRS agrees to implement TAS recommendation in part.

IRS Action	To provide better service to taxpayers in the current environment, IRS paused the progression of balance due amounts through the automated notice stream, effectively suspending automated collection notices, on February 5, 2022. ¹ We agree that pausing these notices temporarily is beneficial to taxpayers during this unprecedented time and recognize that many taxpayers rely on these notices to understand and meet their tax responsibilities. IRS will continue to monitor the situation to ensure the continued pause will not prevent taxpayers from receiving necessary communications to understand their balances, options available for resolution, the consequences of non-payment, or ways to seek clarification or contact the IRS for more information. We will make data driven decisions to determine when to resume the normal progression of the automated notice stream.
TAS Response	The National Taxpayer Advocate gives credit to the IRS for taking action to suspend automated collection notices in February 2022. The IRS’s willingness to implement temporary solutions to address potential taxpayer harm resulting from the unprecedented backlog of tax return processing is encouraging.

¹ <https://www.irs.gov/newsroom/irs-statement-providing-meaningful-assistance-to-taxpayers-in-the-current-environment>.

MSP #2: IRS RECRUITMENT, HIRING, AND TRAINING: THE LACK OF SUFFICIENT AND HIGHLY TRAINED EMPLOYEES IMPEDES EFFECTIVE TAX ADMINISTRATION

The IRS’s budget was reduced by about 20 percent in inflation-adjusted dollars from 2010 to 2021. Between fiscal year (FY) 2010 and FY 2020, the IRS lost over 33,000 full-time personnel. Over the past year, the IRS has faced several staffing-related challenges. In FY 2021, largely due to the pandemic, the IRS saw the lowest telephone Level of Service on record, which it must address through a combination of measures, including additional online capabilities and personnel. Staffing challenges also impacted the filing season backlogs. As the IRS Commissioner affirmed, “the status quo is untenable.” If the IRS is not adequately funded, it will face challenges in not only maintaining the status quo but also in attracting talent and training its employees. As the single agency responsible for generating approximately 95 percent of the gross revenue for the federal government, the IRS’s ability to attract, hire, and train employees is critical to maintaining operations, providing quality service, and protecting taxpayer rights.

TAS Recommendation	[2-1] HCO explore opportunities around developing a process to qualify an applicant for a specific job series periodically, e.g., only once every year, which allows applicants to update their information as needed while meeting the requirements of the series. Once qualified for that specific job series, the applicant can be placed on a “prequalified” list for that series that will expire after a set time period, instead of going through the qualification process repeatedly for positions in that series.
IRS Response	<p>IRS does not agree to implement TAS recommendation.</p> <p>While this recommendation appears helpful, there are several complexities involved. The IRS has evaluated the pre-qualification concept; however, a pre-qualification process is not sustainable because each application is a unique package, and applicants must be considered based on the application package they submit to each individual announcement. Additionally, each announcement requires a technical assessment related to specific duties of the position. The responses to those assessment questions result in an overall score used to rate/rank applicants as best qualified. Many of the benefits that TAS seeks to obtain can be achieved through the use of roster and enterprise job announcements. The IRS regularly uses these announcements, which include multiple locations and grades and allow for applicants to apply to a single announcement. Rosters/Enterprise announcements are open for up to one year and the IRS need only qualify applicants on the one announcement.</p>
IRS Action	N/A

TAS Response	<p>TAS understands the IRS’s response, but we disagree, and we believe that the IRS misunderstood our position. We would like to ask for clarification as to what the IRS studied and evaluated to come to this decision. While rosters and enterprise job announcements are helpful, what TAS is recommending is something different. Under TAS’s proposal, once a person is qualified for a position, that potential candidate can be placed on a “prequalified” list for that position. While each application package may be unique, there are a set of standard qualifications. Under this proposal, the Human Capital Office (HCO) will not have to do all of the qualifications again in a given time period. This would help reduce the time HCO spends on having to qualify applicants.</p>
---------------------	--

TAS Recommendation	<p>[2-2] HCO continue to seek critical pay authority for additional positions beyond IT.</p>
IRS Response	<p>IRS agrees to implement TAS recommendation in part.</p>
IRS Action	<p>The IRS is currently seeking to expand use of Streamlined Critical Pay beyond IT and increase the number of positions designated for Critical Position Pay for use beyond IT. The request has been submitted to the Department of the Treasury for the U.S. Office of Personnel Management (OPM) and Congressional consideration.</p>
TAS Response	<p>It is encouraging that the IRS agrees to implement this recommendation. We are optimistic that the Department of the Treasury, the U.S. Office of Personnel Management (OPM), and other stakeholders will see the benefits of expanding Streamlined Critical Pay beyond Information Technology (IT) and increasing the number of positions designated for Critical Pay for use beyond IT. We are hopeful that the IRS will be able to get some traction in these areas, as it would be beneficial both to taxpayers and the IRS if the IRS is better able to recruit and hire for critical positions.</p>

TAS Recommendation	<p>[2-3] HCO continue to seek direct-hire authorities for critical positions to meet the demand of the hiring surge expected in FY 2022 and beyond, under the administration’s proposal.</p>
---------------------------	---

IRS Response	IRS agrees to implement TAS recommendation in part.
IRS Action	On February 24, 2022, the U.S. Office of Personnel Management (OPM) granted IRS direct hiring authority to address immediate hiring needs critical to the success of the 2021 – 2023 filing seasons for Wage and Investment (Accounts Management and Submission Processing). This authority expires on December 31, 2023. The IRS is still pursuing direct hiring authority from OPM for certain IT positions. If approved, this authority will enable the IRS to target and hire individuals through various venues, events, and systems to deliver applicants with the necessary skill sets. Efforts are also underway to pursue legislative changes to allow the Secretary of the Treasury (or the Secretary’s delegate) to use funds as they deem necessary to administer the Internal Revenue Code of 1986, including using DHA to recruit and appoint qualified applicants directly to positions in the competitive service.
TAS Response	TAS is encouraged that the IRS received direct hiring authority to address immediate hiring needs. We are optimistic that the IRS will receive the additional direct hiring authority from OPM and hopes that the IRS will continue to request direct hiring authority when the current authority expires. We also hope that with the significant wave of IRS hiring on the horizon, HCO will be ready to deal with the influx of hiring activity under this authority.

TAS Recommendation	[2-4] HCO and IRS Next prepare and submit OPM Form 1397, Special Salary Rate Request Form, to request that OPM establish higher rates of basic pay or special rates for a group or category of GS positions.
IRS Response	IRS agrees to implement TAS recommendation in part.
IRS Action	Special Salary Rates (SSR) are available for IRS business units to provide a higher salary for positions that have been identified as difficult-to-fill (<i>e.g.</i> , Information Technology). Currently, the IRS utilizes special salary rates for IT Management (GS-2210) and General Engineer (GS-0801) positions. HCO engaged the Department of the Treasury to seek options, and no other options exist aside from the U.S. Office of Personnel Management (OPM) Form 1397. Currently, we are developing a roadmap that will include the necessary documentation and justification required for IRS business units’ submission of OPM Form 1397 for targeted GS series. IRS NEXT to be involved in an advisor capacity to HCO when filling out the form.

TAS Response	TAS commends HCO and IRS Next in their efforts to develop a roadmap that will include the necessary documentation for submission of OPM Form 1397 for targeted GS series positions. Setting more appropriate rates of pay to match the current labor market for certain groups or categories of GS positions will better help the IRS in becoming more competitive in recruiting and hiring a skilled workforce. We hope the IRS will share their roadmap with TAS so we can better advocate and help the IRS with this effort.
---------------------	---

TAS Recommendation	[2-5] HCO improve its communications strategy with BODs and with successful applicants to keep both informed of which activities have been completed and which remain for that applicant, throughout the hiring process.
IRS Response	<p>IRS agrees to implement TAS recommendation in full.</p> <p>The USA Staffing Hiring Manager Dashboard has recently been upgraded to include more data points on hiring progress throughout the hiring process. Business units have access to detailed reports that reflect which activities have been completed throughout the hiring process. Additionally, the standard IRS business process is to copy the selecting official on all job offers. Applicants receive 4 touchpoints throughout the application process: (1) Application received; (2) Self-assessment eligibility received; (3) Applicant Referred/Not Referred on a certificate; and (4) Tentative Job offer if selected or non-selection notice if not selected. The tentative job offer includes an estimated timeframe for starting work dependent on when the applicant completes his/her onboarding steps. After accepting the tentative job offer, the applicant receives an email to schedule a fingerprinting appointment, as well as a firm job offer once Personnel Security has deemed him or her suitable for federal employment.</p>
IRS Action	IRS has already implemented this recommendation.
TAS Response	While the additional data points provided automatically by the new system may be helpful, we believe that more personal, more detailed communication between the applicant and HCO and between HCO and the business units should be considered. The IRS should have more clear options for personalized communication, including who to contact to follow up.

TAS Recommendation	[2-6] HCO, in consultation with the IRS Next Office and other relevant IRS offices, develop a plan to use data analytics to improve IRS recruitment efforts.
IRS Response	<p>IRS agrees to implement TAS recommendation in full.</p> <p>The Strategic Talent Analytics & Recruitment Solutions Office (STARS) currently uses data analytics from announcement and social media platforms for IRS recruitment efforts. The analytics from announcements provide recruitment sources that applicants identify as providing their first notice of the job and allows us to determine the actual return-on-investment from that particular type of recruitment, location, etc. The analytics from social media provide information on how many hits a particular post received. The data received from these sources enable STARS to craft recruitment strategies for the fiscal year, which are incorporated into the Recruitment Playbook. We have gathered data from recent surveys and interviews to identify opportunities to improve the overall approach to recruitment, and the IRS NEXT Office, working with STARS, has engaged Research, Applied Analytics & Statistics (RAAS) to identify additional data analytics opportunities.</p>
IRS Action	IRS has already implemented this recommendation.
TAS Response	TAS is encouraged that HCO and IRS NEXT Office have engaged Research, Applied Analytics & Statistics (RAAS) to identify additional data analytics opportunities. We hope that incorporation of this data will dramatically improve the IRS recruitment strategy. We hope that the results of those additional data analytic methods the IRS NEXT Office and HCO are developing with RAAS will be shared with TAS so that we can better understand what will be implemented.

TAS Recommendation	[2-7] HCO STARS supply more additional logistical support to BODs for recruitment events than is already being provided, including more agencywide recruitment events and access to additional professional branding and marketing materials (i.e., hiring booth display items and materials to distribute to applicants).
IRS Response	IRS agrees to implement TAS recommendation in full.

IRS Action	The Human Capital Office’s Strategic Talent Analytics & Recruitment Solutions Office (HCO STARS) hired 10 additional recruiters in 2021, with plans to hire an additional 15 recruiters in 2022, if funding is approved. STARS collaborates directly with business units in recruitment efforts to coordinate on information sessions, career fairs, creating/distributing flyers, developing marketing videos, and utilizing social media platforms. In collaboration with the IRS NEXT Office, STARS recently developed and launched the Strategic Recruitment website, a central hub of communication and knowledge-sharing between STARS and the business units that provides access to resources such as branding and marketing materials. Working collaboratively with the business units and IRS NEXT through monthly forum discussions, we will continue to refine the website, providing more information, resources, and tools that the business units identify as needed and useful in support of their recruiting needs.
TAS Response	We are optimistic that hiring additional recruiters and the creation of the new Strategic Recruitment website will improve the IRS’s recruitment efforts significantly. However, we believe more should be done to provide additional Servicewide recruitment opportunities. TAS stands ready to assist with these efforts where we can. We will continue to advocate for more resources for the IRS on these fronts.

TAS Recommendation	[2-8] HCO STARS collaborate with BODs to improve their external-facing career pages geared toward applicants to describe agency functions, job responsibilities, division roles, potential career ladders, and employee testimonials or spotlights.
IRS Response	Human Capital Office’s Strategic Talent Analytics & Recruitment Solutions Office (HCO STARS) team plans to improve the external facing careers pages geared towards applicants. The team will work with Office of Online Services to link to agency functions, job responsibilities, and division roles on the IRS.gov website and ensure consistent information about the business units.
IRS Action	IRS agrees to implement TAS recommendation in full.
TAS Response	We hope that enhancing these external facing career pages will dramatically improve the IRS recruitment strategy. We hope that HCO will share the results of these additional efforts so that we can see the results and assess improvements made.

TAS Recommendation	[2-9] HCO periodically administer short surveys (“pulse surveys”) to employees to help ensure HCO is building the partnership it needs with other parts of the IRS to improve its hiring processes and successfully implement its new training strategy.
IRS Response	IRS agrees to implement TAS recommendation in part.
IRS Action	On February 1, 2022, we sent the Human Capital Experience Customer Survey to all IRS employees. This is part of a larger Service-wide effort to measure the effect employee engagement has on customer satisfaction. The survey included questions about hiring process experiences for managers and employees. Questions included: (1) “Please rate your experience with the Human Capital Office related to Hiring (searching and/or applying for a job, receiving a job offer, getting hired, onboarding);” (2) “Were you able to find the information you needed (e.g. forms, policy or guidance) to support your experience with the Human Capital Office from above;” (3) “Please describe the specific services (hiring) you experienced and why you gave them the above rating;” and (4) “Based on your role as a customer of the Human Capital Office, please rate your satisfaction with the following: Ease of transactions, Knowledge level of service providers, General satisfaction with interactions, and General experience as a customer.”
TAS Response	It is encouraging that the IRS agrees to implement this recommendation in part, and TAS hopes to see the results of this data better inform HCO hiring and training strategy.

TAS Recommendation	[2-10] The IRS continue to work with OPM to maximize IRS hiring capacity by ensuring systemic capabilities will meet demand (in OPM’s capacity as owner of the USAS program); by providing a full range of hiring authorities and flexibilities (as allowed under OPM statutory authority); and by advocating with OPM for electronic signature approval for health benefit forms.
IRS Response	IRS agrees to implement TAS recommendation in part.

IRS Action	The Human Capital Office (HCO) is currently partnering with the U.S. Office of Personnel Management (OPM) to pursue system enhancements to USA Staffing, including enhancing bulk functionality. Additionally, HCO is working with Department of the Treasury and OPM to interconnect USA Staffing and HR Connect to allow applicant data flow to and from each system to decrease pre-screening timelines. IRS leverages a full range of hiring authorities and flexibilities, including but not limited to merit promotion, delegated examining, Veterans' and Schedule A appointing authorities, reemployed annuitants, Pathway Recent Graduates and Presidential Management Fellows, transfers and reinstatement. The current COVID-19 Evacuation Order allows for temporary electronic signature. Once the order is lifted, all forms revert back to standard wet signature forms. In February 2022, Human Resources Shared Services submitted a request to OPM to implement electronic signatures permanently.
TAS Response	We hope that these efforts will help maximize IRS's hiring capacity and ensure systemic capabilities will be able to meet the IRS's hiring demand, and that HCO continue monitoring these efforts and assess improvements made. We also hope that HCO will share the results of these continuing efforts so that we can see the results and assess improvements made.

TAS Recommendation	[2-11] The IRS continue to work with Treasury to advocate for a Department of Homeland Security policy change to allow agencies to permanently inspect I-9 documents virtually rather than in person.
IRS Response	IRS agrees to implement TAS recommendation in full.
IRS Action	Due to precautions associated with COVID-19, the Department of Homeland Security (DHS) announced that it would defer the physical presence requirements associated with the Employment Eligibility Verification (Form I-9) under section 274A of the Immigration and Nationality Act. This policy only applies to employers and workplaces that are operating remotely. DHS extended this policy until December 31, 2021. IRS submitted a request to DHS through the Department of the Treasury to continue with virtual inspection of Form I-9 permanently.
TAS Response	We hope that DHS accepts the request to continue with virtual inspection of Form I-9 permanently rather than in person, to help streamline the IRS hiring processes.

TAS Recommendation	[2-12] The IRS continue to request Congress provide permanent funding to increase HCO’s authorized staffing plan to cover workload throughout the entire employment lifecycle, including securing funding to dual encumber positions to transfer knowledge from employees scheduled to retire, when needed.
IRS Response	IRS agrees to implement TAS recommendation in part.
IRS Action	In Fiscal Year 2021, Human Capital Office (HCO) was given the authority to hire an additional 250 employees in anticipation of increased hiring activities due to possible increased funding levels at the IRS. HCO is working closely with the Chief Financial Officer (CFO) to identify critical staffing needs related to hiring, has submitted needs through the existing exception hiring process and expects those resources to be made available in FY 2022. Department of the Treasury released its FY 2023 Congressional Justification budget request, which includes 49 additional positions for HCO.
TAS Response	It is encouraging that HCO agrees to implement this recommendation and will work closer with the CFO to identify critical staffing needs and that it will continue its request for permanent funding. TAS stands ready to assist with these efforts where we can. We will continue to advocate for additional funding and resources for the IRS on these fronts, as the issues are important and need to be meaningfully and quickly addressed.

TAS Recommendation	[2-13] The IRS, in developing its training program, work with outside accounting firms, law firms, and other large organizations to learn best practices.
IRS Response	IRS agrees to implement TAS recommendation in full.
IRS Action	If funding permits, the IRS will engage with outside stakeholders, accounting firms, law firms, and other large organizations, to obtain best practices for development into IRS training programs when applicable.

TAS Response	<p>We hope that HCO will be able to acquire the needed funding to learn about these best practices. We believe some of these activities, particularly reaching out to outside organizations to learn from them, can still be done without the need for additional funding. When the IRS does engage in these efforts, we hope it will share the results with TAS.</p>
-------------------------	---

MSP #3: TELEPHONE AND IN-PERSON SERVICE: TAXPAYERS FACE SIGNIFICANT CHALLENGES REACHING IRS REPRESENTATIVES DUE TO LONGSTANDING DEFICIENCIES AND PANDEMIC COMPLICATIONS

Taxpayers and practitioners must have reliable access to telephone assistance to obtain quick, easy, and accurate answers to their inquiries. In most years, taxpayers have difficulty reaching IRS customer service representatives (CSRs) to obtain the help they need, but this past year was worse than usual, as call volume nearly tripled and only 11 percent of calls reached a CSR. In addition, the pandemic curtailed in-person access to IRS Taxpayer Assistance Centers (TACs), making it even harder to get assistance. Without support, taxpayers are disadvantaged and frustrated, and tax compliance is jeopardized.

TAS Recommendation	[3-1] Implement and increase callback technology capacity across all taxpayer-facing telephone lines.
IRS Response	IRS agrees to implement TAS recommendation in full.
IRS Action	In 2022, IRS increased the number of lines Customer Callback (CCB) is offered on from 16 to 31, adding 15 more telephone lines or applications. This includes the IRS’s most popular 1040 toll-free line as well as additional Spanish applications. Last year, we served over 7 million taxpayers with CCB and saved them 3 million hours of hold time. We will upgrade the platform for CCB, with the first iteration planned for December 2022, starting with the set of 31 toll-free applications currently offering a callback. The upgrade deployment process will include a review of what has changed in the call center regarding different telephone applications since we base-lined this service in 2019. The review will include all business units that have phone operations. Future releases of the callback system throughout 2023 and 2024 will continue to add toll-free applications from these business units to reach the goal of offering a CCB option to 95% of viable assistor services demand by 2024. With the 2022 deployment of the 15 additional applications, we reached 70% of the 95% goal.
TAS Response	TAS commends the IRS for its progress in expanding the availability of CCB on many of its highly utilized phone lines. Likewise, we appreciate the IRS’s goal of expanding CCB coverage to 95% of viable assistor services demand by 2024. This comprehensive coverage will greatly assist taxpayers in obtaining the telephone support from the IRS that taxpayers need to resolve account inquiries and facilitate tax compliance. Although this 95% target falls slightly short of “all taxpayer-facing telephone lines,” as recommended by TAS, it represents the substantial equivalent of full implementation.

TAS Recommendation	[3-2] Prioritize the rollout of a comprehensive ECM system, which is a prerequisite for meeting the IRS’s goal of a robust concierge support system.
IRS Response	IRS agrees to implement TAS recommendation in part.
IRS Action	Per the recommendation, Enterprise Case Management’s (ECM’s) work is already prioritized through a well-defined and transparent governance process led by the ECM Executive Steering Committee (ESC) and other subordinate governance boards. In providing its sequencing guidance, the ESC has considered ECM’s current capacity to migrate legacy processes and address the related technology enablers. The ECM Roadmap envisions capacity to support Accounts Management processes in the future; however, because IRS Toll-Free Level of Service is influenced by a variety of factors, it is difficult to project the effect of ECM on future levels of service. ECM is proud to be at the forefront of developing technology that when fully delivered will improve the taxpayer experience.
TAS Response	TAS agrees that a comprehensive ECM system will not be a panacea for all of the phone service challenges experienced by taxpayers. It will, however, help increase the quality of services provided by phone assistors, decrease taxpayer wait time to reach those assistors, and more efficiently allocate IRS resources. Accordingly, TAS is gratified that the IRS is making development of ECM a significant priority.

TAS Recommendation	[3-3] Implement flexible hiring and training strategies for CSRs to reach and maintain a telephone LOS of at least 85 percent.
IRS Response	IRS agrees to implement TAS recommendation in part.

<p style="text-align: center;">IRS Action</p>	<p>The IRS partially agrees with the TAS recommendation to implement flexible hiring and training strategies for Customer Service Representatives (CSRs) but is unable to agree to maintain a telephone Level of Service (LOS) of at least 85 percent because the LOS is dependent on funding.</p> <p>The IRS has a long and successful history of applying flexible hiring and training strategies for our CSR workforce. The IRS is committed to servicing as many customers as supported by the budget and resources available and set hiring targets that align with projected customer demand to the extent possible. To make the best use of our resources, training is tailored to specific work assignments and focuses on the required skill sets.</p> <p>The IRS is unable to agree with the recommendation to maintain a telephone LOS of at least 85 percent because our LOS is dependent on Congressional appropriations. The main component of the LOS calculation is the budget allocation, reduced by costs associated with hiring and training. The IRS must also balance resources allocated to telephone and inventory workloads. In addition to challenges with the varying budget allocation and resource balancing, several potential and often unknown variables, such as new legislation, Federal Emergency Management Agency support, and hiring challenges beyond our control, influence the LOS. Historical data shows planning for an LOS over 80 percent results in increased assistors waiting to receive calls during periods of lower telephone demand, while during peak periods the customer demand far exceeds staffing levels and other dedicated resources.</p>
<p style="text-align: center;">TAS Response</p>	<p>The IRS and TAS appear to agree that taxpayers should be accorded higher-quality phone service than that demonstrated by the 23% LOS provided during the recently concluded 2022 filing season. TAS acknowledges that “staffing up” will lead to inefficient utilization during slack periods and may still not enable ideal coverage during peak periods. Nevertheless, the IRS can double or even triple LOS before the question of fine-tuning even arises. Importantly, though, the IRS does embrace the idea of adequately servicing taxpayers and hiring the requisite staff to do so. Taxpayers are entitled to a significant improvement in the quality of phone service, but this will require a long-term funding increase from Congress, and we urge Congress to act accordingly.</p>
<p style="text-align: center;">TAS Recommendation</p>	<p>[3-4] Engage with outside parties to conduct a study to identify private industry or government best practices and how they might improve IRS phone systems.</p>

IRS Response	<p>IRS does not agree to implement TAS recommendation.</p> <p>The IRS has conducted various benchmark studies, the most recent in 2016. The conclusion of that study is that IRS is comparable with industry standards relating to measuring and monitoring telephone performance as well as implementing telephone assistance technology. As recently as 2019, the IRS reviewed telephone measures with the Treasury Inspector General for Tax Administration and determined the current measures used are the best indicator of assistor performance. The IRS has also shared best practices with other government agencies, including the Department of the Treasury, Social Security Administration, and the United States Postal Service. If the IRS sees the need to conduct a new benchmark study in the future, funding would be needed to complete the effort.</p>
IRS Action	N/A
TAS Response	<p>Industry standards and best practices with respect to telephone assistance and customer service technology have evolved substantially since 2016. In particular, private industry and some government agencies were forced by the pandemic to develop and implement significant innovations as a matter of practical survival. By failing to adequately inform itself regarding this evolution, the IRS is turning away from insights that could benefit taxpayers through improved customer service. TAS urges the IRS to recognize the importance of updating its knowledge base by setting aside the funding for a new study and proceeding accordingly.</p>

TAS Recommendation	<p>[3-5] Conduct a postmortem study to identify specific challenges faced during the last two filing seasons to improve the responsiveness and quality of information provided to taxpayers and practitioners calling its phone lines.</p>
IRS Response	<p>IRS agrees to implement TAS recommendation in full.</p>

IRS Action	<p>The IRS agrees with the TAS recommendation to conduct a postmortem review to identify specific challenges faced during filing seasons to improve the responsiveness and quality of information provided to taxpayers and practitioners calling its phone lines.</p> <p>The IRS continually assesses the services provided to taxpayers and tax practitioners to monitor the quality of information delivered through the telephone lines. Several tools have been implemented to help address issues in real time, which include the Customer Early Warning System (CEWS) and Contact Analytics.</p> <p>The CEWS program allows front-line assistors to elevate customer concerns as they are encountered, such as the processing issues with Advance Child Tax Credit payments that were identified by this system in 2021. These concerns were rapidly brought to the attention of senior leadership and forwarded to compliance operations for investigation.</p> <p>Using Contact Analytics, call trends can be identified on multiple topics by searching key words or phrases contained within telephone interactions. Contact Analytics is also used to validate and/or determine the scope of a concern raised through the CEWS process. These processes are used to update internal guidance for telephone assistors.</p> <p>The IRS conducts pre-filing season program planning and develops an extension plan to execute the filing season. This process is led by an executive steering committee and closely monitors implementation of planned actions to achieve a successful filing season.</p> <p>In partnership with the Treasury Inspector General for Tax Administration and the Government Accountability Office, the IRS has participated in multiple in-depth reviews over the past two filing seasons. These reviews document both the views of the auditors and of the IRS about the results of the filing season and the improvements planned for the following filing season.</p>
TAS Response	<p>TAS applauds the IRS’s use of real-time filing season analytics, along with its participation in the Treasury Inspector General for Tax Administration (TIGTA) and Government Accountability Office (GAO) audits of past filing seasons. We hope that the IRS will pay particular attention to its own studies of the 2020 and 2021 filing seasons, as well as the feedback of TAS, TIGTA, and the GAO, to help ensure that in the future, taxpayers receive high quality phone service, even under anomalous circumstances.</p>

TAS Recommendation	[3-6] Conduct a pilot program for “pop-up” mobile TACs, with stakeholders and community partners, to travel to underserved communities and reach vulnerable taxpayers, to determine the viability and benefit of this program to taxpayers.
IRS Response	The IRS agrees to implement the TAS recommendation in full, dependent upon current Centers for Disease Control and Prevention (CDC) and local health guidance updates.
IRS Action	In 2020, the IRS planned to have face-to-face Community Assistance Visits (CAV) in six locations throughout the country to reach low-income and under-served taxpayers. During these events, the Taxpayer Assistance Center (TAC) employees would offer low-income and under-served taxpayers tax law and account assistance, Taxpayer Protection Program (TPP) verifications, and services for transcripts and forms. Holdrege, Nebraska was the location for the first event, which was planned for March 24 and 25, 2020. However, due to the COVID-19 pandemic, all six outreach events were cancelled. The IRS plans to continue with the initial plan to have six face-to-face CAV in the second quarter of FY 2023 if circumstances allow.
TAS Response	TAS and the IRS agree regarding the benefits of mobile CAVs. TAS encourages the IRS to expand this initiative as public health and budgetary limitations allow.

MSP #4: TRANSPARENCY AND CLARITY: THE IRS LACKS PROACTIVE TRANSPARENCY AND FAILS TO PROVIDE TIMELY, ACCURATE, AND CLEAR INFORMATION

The COVID-19 pandemic has highlighted the need for the IRS to proactively release critical information to taxpayers in real time. During the past two filing seasons, taxpayers and tax professionals were exasperated by the lack of information on the processing of returns and refunds and correspondence delays. The IRS provided only limited information on delays, and what was available was vague and did not provide the specifics taxpayers needed. Taxpayers faced compounding frustration when trying to locate information on IRS.gov, which is difficult to navigate. The National Taxpayer Advocate believes that many of these problems existed long before the pandemic.

TAS Recommendation	[4-1] Create a filing season dashboard and provide weekly information on the filing season, including the total number of returns in inventory, number of returns beyond normal processing times, number of returns in suspense status, and the anticipated timeframes for working through them, while acknowledging that the situation is fluid and timeframes may change along with circumstances.
IRS Response	IRS agrees to implement TAS recommendation in full.
IRS Action	The IRS is in the process of launching a “Filing Season Processing Times” page on IRS.gov to regularly provide updated information for the most commonly filed individual and business tax return types, letters, notices, and other forms. Viewers will be able to check average processing times for individual and business returns as well as amended return submissions. It will also provide links to tools, such as Online Account Where’s My Refund? and Where’s My Amended Return? that allow taxpayers to check their specific refund status, determine the status of their amended return, and contact information for reaching the IRS directly. Taxpayers will also find links to filing season alerts and COVID-19 processing-related information.
TAS Response	The National Taxpayer Advocate is pleased that the IRS is developing a “Filing Season Processing Times” page on IRS.gov and looks forward to seeing what information is provided and how it is presented. Providing taxpayers with as much information as possible regarding the IRS’s progress in processing returns and other forms is a critical part of ensuring taxpayers are informed and able to receive information as to when they can expect their refunds, potentially reducing the number of calls made to the IRS.

<p style="text-align: center;">TAS Recommendation</p>	<p>[4-2] Improve Where’s My Refund?, IRS2Go, or online accounts by providing taxpayers specific information about the cause of their refund delay and an estimated date when the IRS might issue their refund.</p>
<p style="text-align: center;">IRS Response</p>	<p>IRS agrees with TAS recommendation but cannot implement it currently due to funding limitations.</p> <p>The IRS agrees with the TAS recommendation to improve Where’s My Refund? (WMR), IRS2Go, or online resources by providing taxpayers specific information about the cause of their refund delay and an estimated date when the IRS will issue their refund. The IRS plans to partially implement the recommendation.</p> <p>On January 3, 2022, the IRS implemented changes to improve WMR messaging for taxpayers whose refunds are held or delayed and provide improved messaging on returns in processing for extended periods. The IRS is currently working to implement WMR multiple tax year functionality, allowing most taxpayers to access refund information for the last two tax years.</p> <p>Pending approval of funding requests, the IRS plans to incorporate more detailed status messaging to meet taxpayer needs and add capabilities in WMR to include: extracting Error Resolution System (ERS) data; providing more specific messages based on the ERS status code; extracting data for certain Taxpayer Protection Program (TPP) delays; and allowing direct deposit recipients or married filing joint taxpayers to self-initiate a refund trace.</p> <p>The IRS is conducting a research effort in early 2022 to further review specific taxpayer needs and expectations regarding online reporting of refund status. We will use the outcomes of this research to help implement informed updates to WMR and the Where’s My Amended Return? application.</p>
<p style="text-align: center;">IRS Action</p>	<p>January 3, 2022, implemented WMR messaging added for refund delays. Additional features will be deployed as funding permits.</p>
<p style="text-align: center;">TAS Response</p>	<p>The National Taxpayer Advocate is encouraged that the IRS recognizes the need for Where’s My Refund? tools that provide taxpayers exact and precise information regarding the status of their refund. Further, the National Taxpayer Advocate can appreciate how funding limitations may affect the implementation of this recommendation. However, TAS encourages the IRS to make this a high priority when determining how to best utilize its funds, as more information will help taxpayers better understand when they may receive their refund and may also result in a reduction of phone calls to the IRS, relieving an already strained phone system.</p>

TAS Recommendation	[4-3] Revise math error notices to identify the exact adjustment the IRS is correcting and the time period for requesting abatement, all in the first paragraph of the notice, and include the date by which a taxpayer must request an abatement at the very top of the notice.
IRS Response	<p>The IRS disagrees with the TAS recommendation to revise math error notices to identify the exact adjustment the IRS is correcting and the time period for requesting abatement, all in the first paragraph of the notice, and include the date by which a taxpayer must request an abatement at the very top of the notice.</p> <p>The IRS issues millions of math error notices each year for both individual and business taxpayers. The flow of the notice is purposely designed starting with the cause of the math error and the changes made to the taxpayer’s account. To add a different date to each notice is not feasible from a systemic or resource perspective. Math error notices already include a detailed explanation of required taxpayer actions, including the timeframe, details on payment methods, steps to take if the taxpayer disagrees, and contact details. When applicable, notices also explain taxpayer appeal rights.</p>
IRS Action	N/A
TAS Response	IRS math error notices contain critical information, and taxpayers must contest the math error assessment within 60 days from the date of the notice being issued, or they forfeit their right to petition the assessment in U.S. Tax Court. It is critical that up front, in the notice, taxpayers understand the exact error being corrected and the timeframe in which they must respond to contest the assessment. Currently, math error notices provide taxpayers with several possible errors that were identified, and it is left to the taxpayer to discern what exact error the IRS corrected. These notices would be more informative and transparent if they provided precise information early on in the notice.

TAS Recommendation	[4-4] Send all math error notices to taxpayers by certified or registered mail.
-------------------------------	--

<p style="text-align: center;">IRS Response</p>	<p>IRS does not agree to implement TAS recommendation.</p> <p>Using certified or registered mail services for issuing math error notices is cost prohibitive and does not guarantee customers will receive them faster. The Internal Revenue Code (IRC) requires certified mailing for certain types of taxpayer correspondence. Math error notices are not included in the correspondence as outlined in the IRC.</p> <p>Sending mail as certified does not provide faster delivery because it travels the same path as regular first-class mail under the same United States Postal Service delivery standards. Certified mail can be tracked to confirm delivery; however, the IRS is implementing the Taxpayer Correspondence Delivery Tracking initiative later this year that will provide the same service for all mail without any cost.</p> <p>The IRS issues millions of math error notices each year and using certified mail would automatically add a \$3.75 fee per notice and reduce the pre-sort postage savings because any newly certified mail pieces must be processed separately from the rest of the first-class mail. Registered mail, which is only used for foreign addressees, is even more cost prohibitive with a \$17.15 fee per notice.</p>
<p style="text-align: center;">IRS Action</p>	<p>N/A</p>
<p style="text-align: center;">TAS Response</p>	<p>The National Taxpayer Advocate understands that there is no statutory requirement for sending math error notices via certified or registered mail, and giving these notices this mailing status would result in additional expenses.</p> <p>However, these notices contain critical information, such as the assessment having to be contested within 60 days from the date the notice was issued. Thus, using certified mail would give these notices the same level of importance as other time-sensitive notices and would be another way for the IRS to emphasize their importance.</p>
<p style="text-align: center;">TAS Recommendation</p>	<p>[4-5] Revise Letter 4464C to include more details about the items the IRS is reviewing and when the IRS will release the refund.</p>
<p style="text-align: center;">IRS Response</p>	<p>IRS agrees to implement TAS recommendation in part.</p>

<p style="text-align: center;">IRS Action</p>	<p>The IRS review process associated with the 4464C letter is primarily automated and refunds are systemically released as soon as the Form W2 is received by the IRS and return has been verified. The 4464C letter is provided for informational purposes to advise the taxpayer of the refund delay and expected timeframes. There is no action required of the taxpayer if they receive a 4464C letter. If the IRS is unable to verify the income or withholding and there is a discrepancy confirmed by an IRS employee, additional correspondence is issued to request specific documentation required as part of the applicable compliance treatment stream. Most of these cases are resolved systemically with no action required by the taxpayer and/or manual action by the IRS.</p> <p>The letter is currently in process of a language update informing the taxpayer to allow the applicable review timeframes before contacting the IRS. We do not want to encourage the taxpayer to contact their employer unnecessarily. In addition, we do not want to alert thieves to IRS intentions, increasing the chance for refund fraud by arming unscrupulous entities with internal data.</p>
<p style="text-align: center;">TAS Response</p>	<p>The National Taxpayer Advocate appreciates that the IRS is making modifications to the letter and will provide taxpayers more information about timeframes for verifying certain information on their returns. Further, TAS understands the balance between providing taxpayers useful information while not providing too much information that could be misused by bad actors. However, TAS still believes that more information could be provided to taxpayers, such as informing them that the data on one or more W-2s are currently being verified and that there is no need to contact their employer as the IRS can typically resolve these discrepancies without taxpayer involvement.</p>

<p style="text-align: center;">TAS Recommendation</p>	<p>[4-6] Include a roadmap feature on taxpayers’ online accounts that will show where a taxpayer’s return is in the tax administration process (i.e., Collection or Exam).</p>
<p style="text-align: center;">IRS Response</p>	<p>IRS agrees with TAS recommendation but cannot implement it currently due to funding limitations.</p> <p>The IRS is developing requirements for a ‘View My Audit Status’ tool that will provide taxpayers the ability to view the status of their audit case within their Online Account. Once funded and launched, this will allow transparency into important information related to their audit case and any specific deadlines for action. The implementation date is to be determined and is dependent on funding, resources, and Service-wide prioritization of digitalization efforts.</p>
<p style="text-align: center;">IRS Action</p>	<p>N/A</p>

TAS Response	The National Taxpayer Advocate is pleased that the IRS is taking steps to provide taxpayers with more information as to where their case is at in the maze of tax administration. TAS understands funding limitations don't allow for the immediate implementation of this recommendation but urges the IRS to give this recommendation a high priority as giving taxpayers more information about the status of their case will likely reduce the need for taxpayers to call the IRS.
---------------------	--

TAS Recommendation	[4-7] When extending filing deadlines, ensure taxpayers have the option to e-file their returns.
---------------------------	---

IRS Response	IRS agrees to implement TAS recommendation in full.
---------------------	---

IRS Action	<p>The recommendation benefits the IRS, taxpayers, and tax preparers. It potentially reduces the number of paper tax returns the IRS receives, easing the burden on IRS systems, processes, and employees. In addition, the recommendation ensures taxpayers have the option to e-file and potentially helps reduce unnecessary processing delays that can accompany paper filed returns.</p> <p>The Disaster Policy Office will update their desk guide with policy and procedures to avoid extending deadlines when the e-file program is unavailable. In addition, the Disaster Program Office will update Internal Revenue Manual 25.16.1, "Program Guidelines," to formalize the policy for external/internal audiences.</p> <p>The Desk Guide will be updated by 05/31/2022. The IRM will be updated by 05/31/2023.</p>
-------------------	---

TAS Response	The National Taxpayer Advocate is pleased that the IRS agreed to TAS's recommendation.
---------------------	--

TAS Recommendation	[4-8] Develop internal procedures for how the IRS will store, use, and safeguard data collected by AI-run programs and publicly provide this information on its website.
---------------------------	---

IRS Response	IRS agrees to implement TAS recommendation in full.
IRS Action	<p>The IRS stores and safeguards data collected by Artificial Intelligence (AI)-run programs in the same manner it stores and safeguards all other IRS data. The IRS does not differentiate our responsibilities to safeguard data based on the manner in which the data is collected. In addition, the IRS must comply with the E-Government Act of 2002, Section 208, which established the requirement for agencies to conduct privacy impact assessments for electronic information systems and collections. All IRS systems, including those that utilize data collected by AI-run programs, are subject to a Privacy and Civil Liberties Impact Assessment (PCLIA). This assessment evaluates privacy controls in information systems and documents assurance that privacy issues have been identified and adequately addressed. To promote transparency, the IRS posts the PCLIA's to the IRS.gov IRS Privacy Policy page (https://www.irs.gov/privacy-disclosure/irs-privacy-policy).</p> <p>The PCLIA's explain in plain language how and why data, including a taxpayer's personally identifiable information (PII), may be obtained, used, and securely stored in a system – and for how long. Furthermore, the Privacy Act requires IRS to publish a System of Records Notice (SORN) in the Federal Register that describes the categories of PII collected, maintained, and used in an automated system. Each PCLIA cross-references any applicable SORN, and the SORNs are also available on the IRS.gov IRS Privacy Policy page (https://www.irs.gov/privacy-disclosure/irs-privacy-policy).</p>
TAS Response	The National Taxpayer Advocate is pleased that the IRS agreed to TAS's recommendation.

MSP #5: FILING SEASON DELAYS: MILLIONS OF TAXPAYERS EXPERIENCED DIFFICULTIES AND CHALLENGES IN THE 2021 FILING SEASON

The 2021 filing season was the textbook perfect storm and one of the worst filing seasons experienced by tens of millions of taxpayers. Millions did not receive refunds timely or updates or adequate information regarding their delays, and it was extremely difficult to reach a customer service representative on the toll-free lines for assistance. For many taxpayers and their families, refunds provide financial stability for the entire year. For the 2021 filing season, the COVID-19 pandemic illuminated serious problems with the IRS’s reliance on antiquated systems and processes, which stymied tax administration and produced historically low Levels of Service. On May 17, 2021, the postponed filing season due date, over 35 million returns were awaiting manual processing causing refund delays. The delays caused confusion and frustration, infringed on taxpayer rights, and eroded taxpayer trust and confidence in our tax system.

TAS Recommendation	[5-1] Utilize 2-D barcoding and/or optical character recognition technology to improve the accuracy and efficiency of processing of paper tax returns.
IRS Response	The IRS agrees to implement the TAS recommendation in part as written as 2-D barcoding and optical character recognition (or similar) technology may not apply inclusively to all tax forms.

IRS Action

To improve the efficiency and accuracy of processing paper tax returns, there are several ongoing efforts that the IRS is leading for potential expansion of the use of optical character recognition (OCR) or 2-D barcoding, namely the 2-D barcode Pilot, OCR Pilot, and a five-year forms modernization initiative.

IRS has developed an iterative approach to investigate implementing 2-D barcodes on IRS forms, which has resulted in several initial successes; one of those successes is the perspective of how the application of 2-D barcodes could affect taxpayers and industry partners. When 2-D barcoded forms are processed, data from the barcodes are quickly extracted with 100% accuracy and do not require validation, significantly reducing processing time. The approach to implementing effective barcodes was developed and enhanced by lessons learned as high-data volume quick response (QR) codes were implemented on Form 8918 and tested in a controlled environment. The barcoded version of Form 8918 went into production in December 2021, and results are forthcoming as IRS begins to receive the form from filers through mail and eFax. 2-D barcodes were also added to Form 8886, which is slated to move into production by the end of March 2022. In a test environment, the project team reached its goals of 100% barcode readability for mailed samples and 100% data accuracy for all scanned barcodes. As an outcome of the pilot, a scalability readiness report was released in January 2022 that will help initiate adding 2-D barcodes to other IRS-owned forms. However, implementation at a larger scale is dependent upon access to adequate resources, the careful application of lessons learned and best practices, robust partnership with preparers and the software industry, and support from key internal partners.

Starting within the third quarter of fiscal year 2022, the IRS is pursuing a broader forms' modernization initiative in which forms will be redesigned over the next five years, providing taxpayers adaptive online forms. Scaling of 2-D barcodes on IRS forms will generally follow the five-year modernization effort timeline, beginning with forms selected for the Minimum Viable Product (MVP) phase occurring within calendar year 2022.

IRS is currently evaluating OCR solutions for their ability to extract machine-readable data, especially out of low-resolution and poor-quality digital images. As a test set, three vendors have been asked to demonstrate their ability to extract machine-readable data from Form 990, as that information is publicly available. The vendor's OCR solution will then be evaluated on its ability to learn and improve performance since previous challenges. Based on vendor evaluation results and the anticipated return on investment (ROI), IRS will decide to what extent funding will continue to be provided to the OCR firms. An effective OCR solution also provides a back-up function to 2-D barcoded forms that are received by IRS in poor quality and cannot be successfully scanned for automatic data extraction.

	<p>As we look to scale OCR, 2-D barcoding, or other technology solutions to address IRS business challenges, selection/implementation decisions will be made using systematic evaluation and prioritization criteria, further based on available resources and prospective ROI for the respective pilot project. It is important to note that the IRS does not have sufficient information to make a blanket statement that all forms and processes would benefit from the application of a 2-D barcode.</p> <p>A significant caution about the expected benefit from barcodes or QR codes is in order. While requiring software providers to include such codes in printed forms seems an easy answer, IRS experience teaches that when Congress changes the tax law shortly before the filing season or, as happened recently, during the filing season, IRS and software vendors' ability to respond and produce accurate forms may preclude timely inclusion of bar or QR codes, resulting in more submissions without useable codes.</p>
TAS Response	<p>The National Taxpayer Advocate is pleased to learn the IRS will be conducting pilot programs for 2-D barcoding and OCR and is recommending the IRS implement scanning technologies for the next filing season. On March 29, 2022, The National Taxpayer Advocate issued a Taxpayer Advocate Directive (TAD) directing the IRS to implement scanning technology by the start of the 2023 filing season so that paper tax returns can be machine-read and employees will not have to keystroke each digit on the return into IRS systems. After obtaining an extension for responding, the IRS's answer to the TAD is now due on Monday, June 27. We are optimistic that the IRS will find both of these processes will provide the IRS and taxpayers with significant benefits and look forward to working with the IRS to implement filing season scanning capabilities as soon as possible. We will consider this recommendation as partially adopted and follow up once the pilot programs are completed and the TAD response is received.</p>

TAS Recommendation	<p>[5-2] Set a goal of having all correspondence replying to notices resolved or the merits responded to within 45 days of receipt. When the IRS falls short of hitting this target in any of its workstreams, it should ensure that no related compliance or collection actions are taken until the IRS has fairly considered and responded to the merits of the taxpayer's position stated in his or her correspondence.</p>
IRS Response	<p>The IRS partially agrees with the TAS recommendation to set a goal of having all correspondence replying to notices resolved or the merits responded to within 45 days of receipt and ensuring that no related compliance or collection actions are taken until the IRS has fairly considered and responded to the merits of the taxpayer's position stated in his or her correspondence.</p>

IRS Action	<p>Although the IRS is committed to resolving notice and correspondence issues as efficiently as possible within available resources and workload fluctuations, we cannot always commit to achieving a 45-day completion goal. The number of receipts is affected by factors such as legislative changes and peak filing periods throughout the year.</p> <p>The IRS agrees that taxpayers should be protected from collection actions while there is a claim (<i>e.g.</i>, amended return) or correspondence still under consideration, and there are procedures in place designed to fully resolve correspondence before moving forward with the collection process. For instance, Small Business/Self-Employed (SB/SE) Examination’s procedures as outlined in Internal Revenue Manual 4.19.13.10.2, Evaluating Taxpayer Responses, requires that taxpayers’ written responses are evaluated within 30 days. If the IRS is unable to complete the evaluation in 30 days, an interim letter is issued to the taxpayer informing them the IRS is still processing their reply. The receipt of the taxpayer’s correspondence stops any further actions by Exam until the correspondence is evaluated.</p>
TAS Response	<p>The National Taxpayer Advocate is disappointed that the IRS cannot commit to setting a goal of responding to taxpayer correspondence within 45 days. While it may be true that there may be extenuating circumstances that will prohibit the IRS from meeting this goal in every instance, we believe it is still appropriate for the IRS to articulate such a goal.</p> <p>We are pleased, however, that in February 2022, the IRS suspended automated notices and plans to suspend collection action during any delays in responding to taxpayer correspondence.</p>

TAS Recommendation	<p>[5-3] Implement and increase callback technology capacity across all taxpayer-facing telephone lines.</p>
IRS Response	<p>IRS agrees to implement TAS recommendation in full.</p>

IRS Action	In 2022, IRS increased the number of lines Customer Callback (CCB) is offered on from 16 to 31, adding 15 more telephone lines or applications. This includes the IRS’s most popular 1040 toll-free line as well as additional Spanish applications. Last year, we served over 7 million taxpayers with CCB and saved them 3 million hours of hold time. We will upgrade the platform for CCB, with the first iteration planned for December 2022, starting with the set of 31 toll-free applications currently offering a callback. The upgrade deployment process will include a review of what has changed in the call center regarding different telephone applications since we base-lined this service in 2019. The review will include all business units that have phone operations. Future releases of the callback system throughout 2023 and 2024 will continue to add toll-free applications from these business units to reach the goal of offering a CCB option to 95% of viable assistor services demand by 2024. With the 2022 deployment of the 15 additional applications, we reached 70% of the 95% goal.
TAS Response	The National Taxpayer Advocate commends the IRS for increasing the use of callback technology as a way to improve taxpayer satisfaction. When taxpayers are being asked to spend a half hour on hold, this option to receive a callback from the IRS will be appreciated.

TAS Recommendation	[5-4] Develop a dedicated automated phone line where taxpayers can enter their information and upon proper identity authentication, may retrieve specific details about their tax accounts, including but not limited to the amount of AdvCTC and EIPs received.
IRS Response	IRS agrees with TAS recommendation in part but cannot implement it currently due to funding limitations.

<p style="text-align: center;">IRS Action</p>	<p>The IRS plans to partially implement this recommendation if additional resources are made available. The IRS partially agrees with the TAS recommendation to develop a dedicated automated phone line where taxpayers can enter their information and, upon proper identity authentication, may retrieve specific details about their tax accounts, including but not limited to the amount of AdvCTC and EIPs received.</p> <p>Unauthenticated voicebots provide general information to frequently asked questions (FAQ) and reduce the demand for live assistance. The IRS proactively deployed the less complex unauthenticated voicebots on May 4, 2021, for Economic Impact Payment (EIP) general and procedural responses. On September 21, 2021, the IRS added Spanish translations to the EIP voicebot. The IRS deployed an unauthenticated voicebot and chatbot on January 6, 2022, to provide one-time payment and notice FAQ assistance for the Small Business/Self-Employed (SB/SE) Collection function. On February 18, 2022, the IRS added an unauthenticated voicebot to provide general and procedural responses on the Advanced Child Tax Credit line and is in the process of developing a Spanish translation. In June of 2022, Collections will be implementing authenticated bots to assist with setting up or modifying a payment plan. The IRS is also developing other voicebot and chatbot use cases for deployment in 2022.</p> <p>The IRS is modernizing toll-free telephone applications by implementing cloud-based natural language processing technology for conversational voice self-service and authentication that integrates with IRS taxpayer data platforms and customer requests. The current toll-free environment deployed voicebots on the existing phones lines used for live assistance. The long-term strategy is to move these services to a single telephone number.</p>
<p style="text-align: center;">TAS Response</p>	<p>The National Taxpayer Advocate is encouraged to learn of the IRS’s commitment to modernizing its toll-free telephone applications. Natural language processing and voice self-service technology will improve the IRS’s ability to serve its taxpayers. We encourage IRS leadership to make this a priority when it makes budgeting decisions. Until the funding is secured and allocated to these efforts, we will consider this recommendation as open.</p>
<p style="text-align: center;">TAS Recommendation</p>	<p>[5-5] Accelerate permanent implementation allowing for the use of e-signatures and secure email of documents by end of fiscal year 2022.</p>

IRS Response	<p>IRS agrees with TAS recommendation but cannot implement it currently due to funding/resource limitations.</p> <p>The IRS allowed the flexibility to exchange encrypted documents with taxpayers and their representative during certain compliance interactions using email. This guidance was extended through October 31, 2023, knowing that during this time the IRS will be able to offer more advanced options for communicating electronically. Before the permanent implementation of e-signatures may be deployed, technologies and related protocols for digitalization of forms are required. Additionally, business identity proofing must be perfected and deployed to ensure the person signing electronically and sending secure email for a business is not only identity proofed but that they also have the authority to act for the business. This activity will not be finalized by the end of fiscal year 2022.</p>
IRS Action	N/A
TAS Response	The National Taxpayer Advocate is encouraged that the IRS is making progress and taking discrete steps to accelerate implementation of e-signatures and encrypted documents via email. We understand that the IRS has extended its target timeframe for implementation to October 31, 2023. As such, we will revisit this recommendation at the end of fiscal year 2023.

TAS Recommendation	[5-6] Conduct a postmortem 2021 filing season review of ERS delays to identify potential reasons for the extended delays and proposed solutions.
IRS Response	The IRS agrees to implement the TAS recommendation in full.

<p style="text-align: center;">IRS Action</p>	<p>The IRS continually assesses and adjusts return processing functions including Error Resolution System (ERS) fall out, inventories, and delays in real time. For example, during the 2021 filing season, the IRS discovered that significant ERS fallout was due to legislation allowing taxpayers to use their Tax Year 2019 earned income to calculate their tax year 2020 Earned Income Tax Credit and Additional Child Tax Credit. To address this processing delay, the IRS expanded programming to add prior year earned income fields. Other ERS fall out occurred because of discrepancies in the taxpayer’s reconciliation of Recovery Rebate Credits (RRC) and inclusion of their Economic Impact Payments (EIPs). As a result, the IRS developed an Integrated Data Retrieval System (IDRS) tool in filing season 2021 for fast and accurate processing of the RRC reconciliation errors. This tool has proven to be very successful in quickly closing ERS cases in five key categories.</p> <p>As a proactive measure for filing season 2022, the IRS developed the Integrated Automation Technologies FixERS tool to automate the resolution of the five highest volume errors projected for processing year 2022.</p> <p>The IRS conducts pre-filing season program planning and develops an extension plan to execute the filing season. This process is led by an executive steering committee and closely monitors implementation of planned actions to achieve a successful filing season.</p> <p>In partnership with the Treasury Inspector General for Tax Administration and the Government Accountability Office, the IRS has participated in multiple in-depth reviews over the past two filing seasons. These reviews document both the views of the auditors and of the IRS about the results of the filing season and the improvements planned for the following filing season.</p>
<p style="text-align: center;">TAS Response</p>	<p>The National Taxpayer Advocate is pleased that the IRS agrees with this recommendation and was encouraged with the favorable results from the 2022 filing season.</p>

<p style="text-align: center;">TAS Recommendation</p>	<p>[5-7] Program systemic reconciliation capabilities for refundable credits such as the RRC, ACTC, CTC, and systemic lookback capabilities to prior year modified AGI where a taxpayer claims eligibility for tax credits that are based on prior year AGI, such as the EITC lookback rule, and any future tax benefits of similar nature and impact that have potential to delay tax return processing and eliminate the need for manual reviews for computational adjustments.</p>
--	--

<p style="text-align: center;">IRS Response</p>	<p>IRS agrees to implement TAS recommendation in full.</p>
--	--

<p style="text-align: center;">IRS Action</p>	<p>The IRS agrees with the TAS recommendation to program systemic reconciliation capabilities for refundable credits, systemic lookback capabilities to prior year modified Adjusted Gross Income, and any future tax benefits of similar nature and impact that have potential to delay tax return processing and eliminate the need for manual reviews for computational adjustments.</p> <p>The IRS continually assesses and adjusts return processing functions including Error Resolution System (ERS) fall out, inventories, and delays in real time. During the 2021 filing season, the IRS discovered that significant ERS fallout was due to legislation allowing taxpayers to use their Tax Year 2019 earned income to calculate their tax year 2020 Earned Income Tax Credit and Child Tax Credit (CTC). To address this processing delay, the IRS expanded programming to add prior year earned income fields. Other ERS fall out occurred because of discrepancies in the taxpayer’s reconciliation of Recovery Rebate Credits (RRCs) and inclusion of their Economic Impact Payments. As a result, the IRS developed an Integrated Data Retrieval System (IDRS) tool in filing season 2021 for fast and accurate processing of the RRC reconciliation errors.</p> <p>In January 2022, the IRS the created an ERS tool that automated the correction of RRC and CTC reconciliation errors. To address delays in processing the returns with prior year earned income, the IRS expanded programming to add prior year earned income fields, preventing the returns from falling out to ERS for manual review.</p> <p>Programming updates allowing the systemic recognition of prior year earned income were implemented in January of 2022. As a proactive measure for filing season 2022, the IRS developed the Integrated Automation Technologies FixERS tool to automate the resolution of the five highest volume errors projected for processing year 2022. The FixERS tool was released in a testing mode in January 2022 and placed into full production in early February 2022.</p>
<p style="text-align: center;">TAS Response</p>	<p>The National Taxpayer Advocate appreciates the IRS’s efforts to automate the reconciliation process for certain refundable credits and was encouraged with the favorable results from the 2022 filing season. In addition to providing improved taxpayer service, we believe the investment in such programming will save IRS resources on the back end.</p>
<p style="text-align: center;">TAS Recommendation</p>	<p>[5-8] Create a filing season dashboard and provide detailed weekly information on the filing season, including the total amount of return inventory, number of returns beyond normal processing times, number of returns in suspense status, and the anticipated timeframes for working through them, while acknowledging that the situation is fluid and timeframes may change along with circumstances.</p>

IRS Response	IRS agrees to implement TAS recommendation in full.
IRS Action	The IRS is in the process of launching a “Filing Season Processing Times” page on IRS.gov to regularly provide updated information for the most filed individual and business tax return types, letters, notices, and other forms. It will also provide links to tools that allow taxpayers to check their refund status, determine the status of their amended return, and contact information for reaching the IRS directly. Viewers will be able to check processing times for individual and business returns as well as amended return submissions. Links to Online Account and Where’s My Refund will be provided on the page as resources for taxpayers to research their personalized return information. Taxpayers will also find links to IRS telephone numbers, filing season alerts, and COVID-19 processing-related information.
TAS Response	The National Taxpayer Advocate is encouraged that the IRS agrees with this recommendation to create a filing season dashboard. While it is commendable that the IRS is in the process of developing such a page, we will consider this recommendation as open until this filing season dashboard is active and accessible by taxpayers on IRS.gov.

MSP #6: ONLINE ACCOUNTS: IRS ONLINE ACCOUNTS DO NOT HAVE SUFFICIENT FUNCTIONALITY AND INTEGRATION WITH EXISTING TOOLS TO MEET THE NEEDS OF TAXPAYERS AND PRACTITIONERS

In its current state, the IRS’s Online Account application provides individual taxpayers some limited functionality focused on payments and compliance but falls short of providing what taxpayers and tax professionals want, need, and expect for service. The severe disruption in IRS operations resulting from the COVID-19 pandemic forced the IRS to quickly deploy several online services with specific functionality. Unfortunately, many of these services were designed as standalone portals – the IRS has yet to develop and adopt a one-stop solution for online and digital services. A robust IRS online account system would transform tax administration.

TAS Recommendation	[6-1] Prioritize Tax Pro Account updates to enable practitioners to upload documents and request transcripts on behalf of clients.
IRS Response	IRS agrees to implement TAS recommendation in part.
IRS Action	A Single Sign On (SSO) link from Tax Pro Account to the Transcript Delivery System has been prioritized for FY 2023 delivery. Enabling practitioners to upload documents from within the Tax Pro Account is currently on the Tax Pro Account 5-year roadmap but is not yet funded or prioritized for development. This item is dependent on the IRS completing the Tax Pro Account Release 3 which includes the delivery of the foundational capabilities such as Claim a CAF and Enable Tax Professionals to View their Clients list and info. Implementation of these foundational capabilities will enable us to expand Tax Pro Account functionality to offer authorized representatives additional features like integration with messaging and documents upload.
TAS Response	The National Taxpayer Advocate is pleased that the IRS has made it more convenient for practitioners to access the Transcript Delivery System from within Tax Pro Account. Allowing tax professionals more capabilities within Tax Pro Account, such as uploading documents on behalf of clients, is essential to improving the adoption rate of Tax Pro Account among practitioners. The National Taxpayer Advocate encourages the IRS to prioritize the funding of Tax Pro Account Release 3 and other updates to expand the functionality of Tax Pro Account. We will consider this recommendation as partially addressed and keep it open until these expanded capabilities are implemented.

TAS Recommendation	[6-2] Prioritize and expedite efforts to deliver BOLA to business taxpayers by the end of FY 2023.
IRS Response	IRS agrees to implement TAS recommendation in part. The IRS has prioritized business online account (BOLA) development by the end of FY23. However, this development is now entirely dependent on the organization’s ability to secure appropriate funding and IT development resources in FY22. The IRS is very dedicated to developing an online account for business taxpayers. Over the past year, the Office of Online Services (OLS) has conducted extensive customer research with over 2,000 small business owners and tax professionals via online surveys, in-person interviews and focus groups and concept design workshops. Our objective is to understand business taxpayer challenges and develop customer facing digital products/solutions that enable these taxpayers to ‘self-serve’ in managing their federal tax obligations.
IRS Action	Assuming funding and IT resources are available, OLS is committed to developing BOLA with an initial set of product features that will allow business taxpayers to make, schedule, cancel and view tax payments online.
TAS Response	Congress allocated increased funding to the IRS for FYs 2022 and 2023, but the fact that the investment in BOLA is still contingent on the allocation of funding and IT resources belies that the IRS has “prioritized” BOLA development. The National Taxpayer Advocate would like IRS senior leadership to make a firm commitment to rolling out BOLA by the end of FY 2023.
TAS Recommendation	[6-3] Expand IRS2Go mobile app functionality, such as displaying account payment information and IRS notices.

<p style="text-align: center;">IRS Response</p>	<p>IRS agrees with TAS recommendation but cannot implement it currently due to funding limitations.</p> <p>Due to funding limitations, work to expand digital services is currently focused on building transactional online experiences on the web that are mobile friendly (e.g., responsive design), which will allow us to better support all taxpayers regardless of device. Mobile-friendly web applications are optimized to be just as functional as an app and can be accessed from any mobile, tablet, or desktop device without needing app downloads, installations, or updates.</p> <p>Enhancing services on the web provides more value to all taxpayers than simply placing existing features into a mobile app. When specific problems are later identified where a mobile app can provide a unique solution or benefit to taxpayers, we will review a mobile app-based approach for prioritization at that time.</p>
<p style="text-align: center;">IRS Action</p>	<p>N/A</p>
<p style="text-align: center;">TAS Response</p>	<p>The National Taxpayer Advocate understands the reality that the IRS has to make choices on how to stretch its IT budget. If the IRS makes a business decision to not prioritize optimizing the IRS2Go app (which had 11.9 million active users as of April 2022), then it should at least make sure its mobile-friendly web applications are able to deliver what taxpayers need. For example, taxpayers should be able to log on to Online Account (OLA) through IRS2Go and view recently filed tax returns, view notices, upload documents, make payments, and have access to all OLA features and capabilities on mobile devices.</p>

<p style="text-align: center;">TAS Recommendation</p>	<p>[6-4] Add links to relevant IRS.gov content and videos where appropriate to allow taxpayers easy access to self-help information and personalized guidance based on their usage of their Online Account.</p>
<p style="text-align: center;">IRS Response</p>	<p>IRS agrees to implement TAS recommendation in part.</p>

<p style="text-align: center;">IRS Action</p>	<p>In December 2021, the IRS updated the individual Online Account to include a "Help" link in the header so that users can access relevant Frequently Asked Questions (FAQs) from anywhere within the application. We iteratively update those FAQs based on user feedback and add or update links to relevant IRS.gov content from within the application to enable easy access to self-help information. We're unable to personalize IRS.gov content based on usage of Online Account since outside of the applications users of the website are not authenticated, and we don't store their personally identifiable information. We do, however, provide links from different pages within Online Account to relevant content based on what they were viewing there.</p>
<p style="text-align: center;">TAS Response</p>	<p>Taxpayers have different preferences on how to navigate IRS.gov. Some prefer to go directly to the IRS.gov site, while others may prefer to log on to Online Account first and then navigate to a particular page on IRS.gov. Regardless of taxpayer preference, it is critical that the IRS post relevant FAQs and links so that taxpayers can access those without having to take any extra steps. Taxpayers are entitled to this level of convenience, and it should not be cost-prohibitive for the IRS to ensure relevant content is available to taxpayers both within and outside of Online Account.</p>
<p style="text-align: center;">TAS Recommendation</p>	<p>[6-5] Prioritize the development and deployment of more personalized status updates for Where's My Refund? and Where's My Amended Return? online tools.</p>

<p style="text-align: center;">IRS Response</p>	<p>IRS agrees with TAS recommendation but cannot implement it currently due to funding limitations.</p> <p>The IRS agrees with the TAS recommendation to prioritize the development and deployment of more personalized status updates for Where’s My Refund? (WMR) and Where’s My Amended Return? online tools. Future implementation will be contingent upon the availability of funding/resources and prioritization with other programming needs.</p> <p>On January 3, 2022, the IRS implemented changes to improve WMR messaging for taxpayers whose refunds are held or delayed and provide improved messaging on returns in processing for extended periods. The IRS is currently working to implement WMR Multiple Tax Year Functionality, allowing most taxpayers to access refund information for the last two tax years.</p> <p>Pending approval of funding requests, the IRS plans to incorporate more detailed status messaging to meet taxpayer needs to add capabilities in WMR to include: extracting Error Resolution System (ERS) data; providing more specific messages based on the ERS status code; extracting data for certain Taxpayer Protection Program (TPP) delays; and allowing direct deposit recipients or married filing joint taxpayers to self-initiate a refund trace.</p> <p>The IRS is conducting a research effort in 2022 to further review specific taxpayer needs and expectations regarding online updates of refund status. We will use the outcomes of this research to help inform updates to WMR and the Where’s My Amended Return application.</p>
<p style="text-align: center;">IRS Action</p>	<p>January 3, 2022 (implemented) WMR messaging added for refund delays. Additional features will be deployed as funding permits</p>
<p style="text-align: center;">TAS Response</p>	<p>The National Taxpayer Advocate is encouraged that the IRS has made incremental improvements to the WMR tool, including the June 2022 change to Where’s My Refund? that expanded refund information to cover the 2021, 2020, and 2019 tax years. Recognizing that the more useful taxpayers find WMR, the fewer calls the IRS needs to answer, it is imperative that the IRS prioritize funding of the additional improvements mentioned in the IRS response.</p>
<p style="text-align: center;">TAS Recommendation</p>	<p>[6-6] Expand the current displays and updates for refund status to include “additional delays in processing” (or similar language) in addition to the current “accepted,” “approved,” or “sent” statuses.</p>

IRS Response	<p>IRS agrees with TAS recommendation but cannot implement it currently due to funding limitations.</p> <p>The IRS agrees with the TAS recommendation to expand the current displays and updates for refund status to include “additional delays in processing” (or similar language) in addition to the current “accepted,” “approved,” or “sent” statuses. Future implementation will be contingent upon the availability of funding/resources and prioritization with other programming needs.</p> <p>On January 3, 2022, the IRS implemented changes to improve Where’s My Refund? (WMR) messaging for taxpayers whose refunds are held or delayed and provide improved messaging on returns in processing for extended periods.</p> <p>Pending approval of funding requests, the IRS plans to incorporate more detailed status messaging to meet taxpayer needs to add capabilities in WMR to include: extracting Error Resolution System (ERS) data; providing more specific messages based on the ERS status code; extracting data for certain Taxpayer Protection Program (TPP) delays; and allowing direct deposit recipients or married filing joint taxpayers to self-initiate a refund trace.</p>
IRS Action	<p>January 3, 2022 (implemented) WMR messaging added for refund delays. Additional features will be deployed as funding permits.</p>
TAS Response	<p>We intended this recommendation to provide more detailed messaging for the WMR tool as a stopgap measure that could be implemented rather quickly (<i>i.e.</i>, for the 2022 filing season) while it develops more long-term improvements. The National Taxpayer Advocate is pleased that the IRS was able to implement changes to the WMR messaging in early January 2022.</p>

TAS Recommendation	<p>[6-7] Include Publication 1 in the Online Account application and provide links to TAS, LITCs, VITA, and TCE on the main landing page and the top banner of the IRS.gov main page.</p>
IRS Response	<p>IRS agrees to implement TAS recommendation in part.</p>

<p style="text-align: center;">IRS Action</p>	<p>Publication 1 outlines the Taxpayer Bill of Rights, which is also outlined in a more user-friendly way on our IRS.gov site. Every page on IRS.gov links to the Taxpayer Bill of Rights and to the TAS site using links in the footer. The top banner and main landing page content on IRS.gov are determined based on analytics of what users most need and are looking for. We will continue to evaluate user needs, however at this time cannot commit to adding those links there. Links to Low Income Tax Clinics, Volunteer Income Tax Assistance and Tax Counseling for the Elderly are available on the Let Us Help You page, and we'll look for ways to make them more accessible. We will explore ways to incorporate the Taxpayer Bill of Rights and TAS links into Online Account (OLA) using a consistent user experience. For now, taxpayers can access those from the OLA Frequently Asked Questions page.</p>
<p style="text-align: center;">TAS Response</p>	<p>Taxpayers have different preferences on how to navigate IRS web content. Some prefer to go to the IRS.gov site, while others may prefer to log on to Online Account first and view IRS web content from within that application. Regardless of taxpayer preference, it is critical that the IRS post information about the Taxpayer Bill of Rights, TAS, Low Income Taxpayer Clinics (LITCs), Volunteer Income Tax Assistance (VITA) sites, and Tax Counseling for the Elderly (TCE) sites so that all taxpayers can easily access that language without having to take any extra steps. Taxpayers are entitled to this level of convenience, and it should not be cost-prohibitive for the IRS to ensure this information is available to taxpayers both within and outside of Online Account.</p>

MSP #7: DIGITAL COMMUNICATIONS: DIGITAL COMMUNICATION TOOLS ARE TOO LIMITED, MAKING COMMUNICATION WITH THE IRS UNNECESSARILY DIFFICULT

The COVID-19 pandemic combined with new programs the IRS was directed to administer has led to historically low levels of telephone service and forced the IRS to limit in-person appointments, frustrating taxpayers and leaving them searching for any available way to communicate with the IRS. The IRS had been taking steps to expand digital communication with taxpayers and their representatives before the pandemic struck, but the experience of the last year highlights the urgency of accelerating the implementation and expansion of digital communication options to help taxpayers and their representatives receive the help they need.

TAS Recommendation	[7-1] Prioritize and expand digital communications to expedite the deployment of taxpayer-facing features by three months from the current Taxpayer Experience Roadmap schedule.
IRS Response	IRS agrees to implement TAS recommendation in part.
IRS Action	The IRS plans to prioritize and expand digital communications, but its ability to expedite deployments ahead of the Taxpayer Experience Roadmap schedule is limited. The IRS currently offers secure, two-way messaging in several taxpayer-facing areas and has prioritized new areas that would benefit from digital communications for future secure messaging installations. The IRS is currently planning secure messaging integration with tools such as online account, which will offer a new and important avenue through which to engage taxpayers in digital communications, as well as the new electronic case management system, which will enable IRS personnel to conduct communications more efficiently. Those integrations are planned to take place in two phases, by the first quarter of FY23 and third quarter of FY23, respectively. While critical for long-term taxpayer experience improvements, the technical capacity to deliver additional new and expanded secure messaging installations is restricted by limited personnel and funding. Additionally, the IRS is planning to upgrade the platform through which the IRS offers secure messaging because of needed security and functionality enhancements. During the upgrade, new digital communication offerings will necessarily halt, which may affect the IRS’s ability to meet the Taxpayer Experience Roadmap schedule.

TAS Response	TAS commends the IRS on creating the Taxpayer Experience Roadmap and its planned implementation of new digital communication tools. While we acknowledge that the IRS faces limitations on personnel and funding, the IRS demonstrated during the COVID-19 pandemic that it is possible to accelerate implementation timelines when the business needs for new technology demand it. Taxpayers need new and upgraded digital communication tools now, and the IRS should continue to seek to accelerate its implementation.
---------------------	---

TAS Recommendation	[7-2] Develop expanded transactional data-based metrics to determine if taxpayers are completing transactions successfully when choosing a digital channel for service.
---------------------------	--

IRS Response	IRS agrees with TAS recommendation but cannot implement it currently due to funding limitations.
---------------------	--

IRS Action	<p>The IRS is continuously adding data sources and improving data quality and analysis techniques. Each IRS digital feature has its own set of metrics that are monitored regularly. As new digital features launch, the IRS includes data collection and conducts analysis for each feature. In 2021, the IRS launched the options for taxpayers to create a short-term payment plan, make a payment, and set their preferences for email notifications or going paperless in Online Account, each with corresponding data collection and metrics. We regularly review data on user success rates, progression through the transactions, and customer satisfaction to identify any pain points or opportunities for improvement.</p> <p>As directed by Office of Management and Budget (OMB) A-11 Section 280 and the Customer Experience (CX) Executive Order, the IRS has also been adding new CX surveys and updating existing surveys to be compliant with OMB A-11 guidelines. These surveys provide direct taxpayer feedback to view alongside transactional and other operational data. The IRS plans to continue to improve integration and correlation between transactional metrics and CX surveys to provide deeper insights into users' experience across digital channels.</p> <p>The IRS also plans to expand access to transactional metrics by training individual business units to create and gain access to certain analytical reports pertaining to secure messaging. This effort will standardize reporting activities and involve the business units more directly with the data. Dependent on funding availability, the IRS may also automate processes to store transactional data in a secure IRS environment that will allow for more reporting automation and scripting of data inquiries, increasing the speed of reporting and allowing for more programmatic analysis of secure messaging case activity.</p>
-------------------	---

TAS Response	Transactional data metrics provide valuable information on discreet digital features, but as the IRS embraces an omnichannel service strategy, it should also gather data that compares taxpayers’ choices between different service channels.
---------------------	--

TAS Recommendation	[7-3] Develop new tools that will satisfy the requirements for electronic signatures and secure document exchange by end of FY 2022.
---------------------------	---

IRS Response	IRS agrees with TAS recommendation but cannot implement it currently due to funding limitations. To achieve the Taxpayer Experience Roadmap goals for a full digital experience, the IRS must develop tools and processes that fully support electronic signatures and secure document exchanges. Before the permanent implementation of e-signatures may be deployed, technologies and related protocols for business identity proofing must be perfected and deployed to ensure the person signing electronically and sending secure email for a business is not only identity proofed, but that they also have the authority to act for the business. Although work is under way, it will not be completed by the end of FY 2022 due to competing priorities and resource limitations.
---------------------	---

IRS Action	N/A
-------------------	-----

TAS Response	TAS and the IRS agree that the IRS must develop tools and processes that fully support electronic signatures and secure document exchanges for taxpayers to have a full digital experience. While we acknowledge that the IRS faces limitations on personnel and funding, the IRS demonstrated during the COVID-19 pandemic that it is possible to accelerate implementation timelines when the business needs for new technology demand it. Establishing a permanent solution that supports electronic signatures and secure document exchanges should be a top priority.
---------------------	--

TAS Recommendation	[7-4] Continue to expand DUT service to other functions within the agency to receive correspondence from taxpayers, including issue resolution documentation from taxpayers for math errors by end of FY 2022 and additional correspondence audit, examination, and AUR notices by end of FY 2023.
---------------------------	---

IRS Response	IRS agrees with TAS recommendation but cannot implement it currently due to funding limitations. The IRS cannot implement this recommendation currently due to funding limitations. The Documentation Upload Tool (DUT) service was first deployed into production in March 2021 to support the Automated Questionable Credit program. Since then, the tool has been extended to support more functions, including the Taxpayer Advocate Service, Campus Correspondence Exam, Information Referrals and the Human Capital Office. We are continuing to review, assess, and prioritize new opportunities to expand DUT based on resource and funding availability.
IRS Action	N/A
TAS Response	DUT has been a popular choice with taxpayers who have been given the opportunity to use it, and it provides mutual benefits to the IRS and taxpayers. While we acknowledge that the IRS faces limitations on personnel and funding, the IRS demonstrated during the COVID-19 pandemic that it is possible to accelerate implementation timelines when the business needs for new technology demand it. Expanding DUT to other functions should be a high priority.

TAS Recommendation	[7-5] Educate taxpayers about digital options such as TDC SM and permit taxpayers to request access in lieu of the current invite-only strategy by end of Quarter 1, FY 2023.
IRS Response	IRS agrees to implement TAS recommendation in part.

<p style="text-align: center;">IRS Action</p>	<p>The IRS agrees to continue efforts to educate taxpayers about expanded digital options such as secure messaging, and to allow more taxpayers to participate. For example, taxpayer notices about specific exam functions may include invitations to use secure messaging, as well as high-data volume quick response (QR) codes that make accessing secure messaging more convenient. The IRS plans to increase the percentage of taxpayers receiving invitations to use secure messaging. The IRS educates taxpayers whenever new secure messaging options are introduced, using a variety of means, including within the actual notice or letter, IRS.gov, and pamphlets or flyers, such as Large Business & International’s Publication, 5425, Taxpayer Digital Communications Secure File Sharing – Secure Messaging, which is a flyer providing information on the functionality and how to sign up for Taxpayer Digital Communications Secure File Sharing – Secure Messaging (TDC SFS-SM).</p> <p>The IRS currently offers secure messaging for certain functions that could allow any eligible taxpayer to engage in those functions using secure messaging rather than traditional channels. However, there are hurdles to offering secure messaging to all taxpayers. Additional programming is required to ensure proper routing and inventory management procedures are in place before the IRS can effectively expand TDC SFS-SM to all taxpayers. This programming is dependent on funding and available resources.</p> <p>In addition to the above noted programming and funding challenges, the IRS will also need to engage with the National Treasury Employee Union to negotiate this change in work practice before any further expansion of the program.</p> <p>The IRS will submit requests to secure funding that will allow further expansion of TDC SFS-SM to other examination programs.</p>
<p style="text-align: center;">TAS Response</p>	<p>TAS commends the IRS on the plans to increase the percentage of taxpayers receiving invitations to use secure messaging. While the IRS notes the personnel, programming, and funding challenges to further expansion of secure messaging, it does not dispute that further expansion would benefit more taxpayers. Permitting taxpayers to request access to secure messaging should be the long-term goal in lieu of the current invite-only strategy.</p>
<p style="text-align: center;">TAS Recommendation</p>	<p>[7-6] Partner with additional CSPs before the retirement of Secure Access eAuth and full implementation of SADI and do not rely on a single CSP.</p>

IRS Response	IRS agrees to implement TAS recommendation in full.
IRS Action	The IRS is very interested in working with additional Credential Service Providers (CSPs). We began assessing vendors in 2019 and continue to engage the Government Services Administration to determine when login.gov will meet IRS security and service requirements. IRS Cybersecurity continues to revisit the marketplace for new and emerging CSPs that have developed a mature solution that aligns with NIST 800-63-3 and other industry certifications. Note: the implementation will depend on the readiness of the CSPs, not the readiness of the IRS. The IRS is ready to partner with additional CSPs; it is the CSPs who are not yet equipped to provide the number of transactions per second the IRS requires.
TAS Response	TAS commends the IRS on agreeing to implement this recommendation in full. Partnership with additional CSPs will be essential to providing taxpayers with continuous and uninterrupted service through the Secure Access Digital Identity (SADI) platform.

TAS Recommendation	[7-7] Establish a process for taxpayers living outside the United States and taxpayers with ITINs to authenticate their identities in SADI or another platform that meets NIST requirements by December 31, 2022.
IRS Response	IRS agrees to implement TAS recommendation in full.
IRS Action	The IRS is working with a Credential Service Provider (CSP) to explore options for identity proofing taxpayers living outside the United States and taxpayers with Individual Tax Identification Numbers. Once an option is identified that supports international identity proofing, we will work with partners to prioritize work needed to expand access to international user groups.
TAS Response	TAS commends the IRS on agreeing to implement this recommendation in full.

TAS Recommendation	[7-8] Prioritize adding predefined virtual assistants to non-authenticated chat sessions for more digital communication services, such as helping taxpayers determine the best way to resolve a tax liability, including collection alternatives such as offers in compromise, installment agreements, and currently not collectible status by end of FY 2022.
IRS Response	IRS agrees to implement TAS recommendation in full.
IRS Action	<p>The IRS agrees with the TAS recommendation to prioritize adding predefined virtual assistants to non-authenticated chat sessions for more digital communication services, such as helping taxpayers determine the best way to resolve a tax liability, including collection alternatives such as offers in compromise, installment agreements, and currently not collectible status by end of fiscal year 2022. Future implementation will be contingent upon the availability of funding/resources and prioritization with other programming needs.</p> <p>The IRS is developing a series of chatbots that provide general information to taxpayers through unauthenticated digital channels available 24 hours per day, seven days per week. Users have the ability during the unauthenticated chat to escalate to live chat to an IRS assistor depending on time of day.</p> <p>The IRS will work to implement this recommendation pending funding and prioritization with other live assistance (or voicebot/chatbot) use cases.</p>
TAS Response	TAS commends the IRS on agreeing to implement this recommendation in full. The IRS should prioritize adding predefined virtual assistants to non-authenticated chat sessions for more digital communication services.

TAS Recommendation	[7-9] Expand non-authenticated and authenticated Text Chat (with Virtual Assistant) beyond ACS to all taxpayer-facing functions and transactional tools and incorporate expansion plans into Web Services planning and the Taxpayer Experience strategy.
IRS Response	IRS agrees with TAS recommendation but cannot implement it currently due to funding limitations.

<p style="text-align: center;">IRS Action</p>	<p>The IRS partially agrees with the TAS recommendation to expand non-authenticated and authenticated Text Chat (with Virtual Assistant) beyond Automated Collection System to all taxpayer-facing functions and transactional tools and incorporate expansion plans into web services planning and the Taxpayer Experience strategy. Future implementation will be contingent upon the availability of funding/resources and prioritization with other programming needs.</p> <p>The IRS is targeting deployment in December 2023 for a modernized “agent desktop” to all contact center agents to provide a foundational framework for multi-channel capabilities and to allow for a seamless transition of services to taxpayers (e.g., live chat, click to voice call with a live agent) into a converged single agent desktop solution with voice, text, and other omnichannel technologies.</p> <p>The IRS Information Technology (IT) division is currently working on a feasibility and solutions study to make the live chat platform available within our authenticated and unauthenticated Web Apps. Once established, chat features within Web Apps will have to go through funding approval and prioritization for implementation.</p> <p><i>This response is based on plans for the IRS contact center environment, which may not include other taxpayer-facing functions and transactional tools for other IRS business units.</i></p>
<p style="text-align: center;">TAS Response</p>	<p>TAS supports the IRS’s plans to create a single agent desktop solution with voice, text, and other omnichannel technologies. While we acknowledge that the IRS faces limitations on personnel and funding, incorporating these technologies into web services and the Taxpayer Experience strategy should be a critical component of future planning.</p>

<p style="text-align: center;">TAS Recommendation</p>	<p>[7-10] Prioritize and focus on expansion of virtual face-to-face and self-service kiosks or similar technology to enable taxpayers with limited to no broadband access to interact virtually with the IRS by end of Quarter 1, FY 2023.</p>
<p style="text-align: center;">IRS Response</p>	<p>IRS agrees to implement TAS recommendation in full.</p>

IRS Action	Due to the COVID-19 pandemic, the IRS has not expanded the Virtual Service Delivery (VSD) program. The IRS tested a Web Service Delivery (WebSD) pilot in February 2020. WebSD is a digital communication tool allowing the IRS to offer virtual Taxpayer Assistance Center (TAC) appointments to taxpayers from their home or office. During the pilot, the number of assistors doubled from eight to sixteen, Alaska and Hawaii were added to the original four continental time zones, and the pilot was extended to May 2021 to coincide with the revised filing season date. Beginning March 15, 2022, the IRS will launch WebSD Phase 2 with the goal of deploying a sustainable long-term program via internet conferencing without having to travel to a TAC. This project will extend geographic coverage to include the Puerto Rico time zone. The pilot will run for approximately one year, with the exact end date dependent on funding. The goal of deploying a sustainable long-term program will also depend on the success of the pilot and funding.
TAS Response	TAS commends the IRS on agreeing to implement this recommendation in full. Creating a sustainable long-term program via internet conferencing that does not require taxpayers to travel to a TAC is critical to serving taxpayers that want or need personal assistance from the IRS.

TAS Recommendation	[7-11] Make all existing applications mobile-ready so that all web content and assets are accessible, viewable, and usable across all devices. Going forward, standardize the application development process and testing to include mobile-ready access into newly developed applications by end of FY 2022.
IRS Response	IRS agrees with TAS recommendation but cannot implement it currently due to funding limitations.
IRS Action	Consistent with the 21st Century Integrated Digital Experience Act legislation, the IRS has aligned and offers mobile-ready experiences that can be accessed today by the current IRS user community. IRS continues to have the goal of making all existing applications mobile-ready so that all web content and assets are accessible, legible, and usable across all devices where legislative timelines and funding or other resource constraints can align. In addition, the IRS offers the IRS2Go mobile application to check your refund status, make payments, and provide information on tax tips and preparation. All new IRS online account applications go through the standard development process to baseline user experience and usability, which includes mobile readiness. Applications that utilize a mobile user interface are all tested through the standard IRS testing procedures.
TAS Response	TAS supports the IRS’s goal of making all existing applications mobile-ready so that all web content and assets are accessible, legible, and usable across all devices. While we acknowledge that the IRS faces limitations on personnel and funding, mobile-ready access is a key component of making IRS applications available to all taxpayers that wish to use them.

MSP #8: E-FILING BARRIERS: ELECTRONIC FILING BARRIERS INCREASE TAXPAYER BURDEN, CAUSE PROCESSING DELAYS, AND WASTE IRS RESOURCES

The inability to electronically file (e-file) tax forms, schedules, attachments, and other documents negatively impacts both taxpayers and the IRS. Paper returns require manual processing, which leads to processing delays and potential transcription errors. E-filing significantly benefits taxpayers due to reduced transcription errors and quicker return processing and refund turnaround times. And it takes fewer resources for the IRS to process e-filed returns, which frees up employees to perform other filing season processing tasks, including processing paper returns filed by taxpayers who do not have the ability or desire to e-file. The IRS should remove barriers and provide all taxpayers the option to e-file their returns.

TAS Recommendation	[8-1] Evaluate the overall need to reject an e-filed “imperfect tax return” and determine the feasibility of accepting the imperfect tax return upon filing and directing it to a treatment stream for further review.
IRS Response	<p>IRS does not agree to implement TAS recommendation.</p> <p>The IRS disagrees with the TAS recommendation to evaluate the overall need to reject an e-filed “imperfect tax return” and determine the feasibility of accepting the imperfect tax return upon filing and directing it to a treatment stream for further review.</p> <p>Business rules in the e-file system reject fraudulent or duplicate returns. The top five rules mentioned in Figure 2.8.2 of the National Taxpayer Advocate’s Annual Report to Congress are part of the Security Summit, a collaboration between the IRS and members of private industries, the states, and financial institutions, to alleviate fraud from occurring and protecting taxpayers. Additionally, the IRS works with external partners to educate them on the top error rejection codes during various industry calls.</p>
IRS Action	N/A
TAS Response	We acknowledge that many of the most frequently broken business rules reject fraudulent and duplicate returns. However, the IRS should evaluate the business rules that ultimately result in a significant number of taxpayers paper filing their rejected returns. In such cases, the IRS is in no better position than it would have been accepting the e-filed questionable returns and directing them to a treatment stream for further review. We encourage the IRS to discuss this issue with the various members of the Security Summit to determine a solution that would reduce paper filing of rejected returns and still prevent identity theft and fraud.

TAS Recommendation	[8-2] Work closely with the tax return preparation software industry to ensure that the software provides the taxpayers and preparers the necessary upfront opportunity to correct any potential errors before e-filing that would currently result in an e-file rejection.
IRS Response	IRS agrees to implement TAS recommendation in full.
IRS Action	<p>The IRS agrees with the TAS recommendation to work closely with the tax return preparation software industry to ensure that software provides the taxpayers and preparers the necessary upfront opportunity to correct any potential errors before e-filing that would currently result in an e-file rejection. The IRS has implemented this recommendation, employing multiple communication channels with external partners.</p> <p>During these collaborations, we provide updates including top error rejection codes, legislative initiatives, and updates to the Modernized e-File (MeF) platform. At the start of the filing season, various industry calls are held multiple times each week. For the remainder of the filing season, the call frequency continues as weekly, biweekly, monthly, then quarterly after the filing season. In addition, legislative changes affecting electronic filing software are communicated by Quick Alerts to notify partners of technical issues, the status of the MeF program, and schema/business rule availability through the Secure Object Repository mailbox.</p>
TAS Response	Close communications between the IRS and the tax return preparation software industry are key to minimize the occurrence of e-file rejections. Taxpayers and return preparers are best positioned to avoid e-file rejections if they receive the necessary information directly from the tax return preparation software to address any potential issues before or during the e-filing process.

TAS Recommendation	[8-3] Meet with tax return preparation software industry representatives to determine how to minimize the paper filing of software-prepared tax returns that include attachments. The goal of such discussions should be to devise a workable solution that permits taxpayers to e-file returns.
IRS Response	IRS agrees to implement TAS recommendation in full.

IRS Action	<p>The IRS agrees with the TAS recommendation to meet with tax return preparation software industry representatives to determine how to minimize the paper filing of software-prepared tax returns that include attachments. The IRS has implemented this recommendation.</p> <p>Modernized e-File allows filers to attach some IRS forms and documentation such as statements and appraisals, that cannot be submitted in extensible markup language (XML) format, as Portable Document File (PDF) or binary files to the tax return. Additionally, the IRS works with external partners to educate them on the importance of accepting PDF or binary files for electronic returns during various industry calls.</p>
TAS Response	<p>It is encouraging that the IRS has committed to work with external partners on the importance of accepting attachments for e-file. Taxpayers and preparers who prefer to e-file should not be prevented from doing so merely because their returns include a required IRS form or attachment that is not supported by IRS MeF.</p>

TAS Recommendation	<p>[8-4] Meet with tax return preparation software industry representatives to determine how to minimize the paper filing of software-prepared returns with overrides of some prepopulated fields. The goal of such discussions should be to devise a workable solution that permits the e-filing of these returns.</p>
IRS Response	<p>The IRS disagrees with the recommendation to meet with tax return preparation software industry representatives to determine how to minimize the paper filing of software-prepared returns with overrides of some prepopulated fields.</p> <p>Some software products are designed to pre-populate fields to prevent the user from changing entries. For example, software could prevent the taxpayer’s return from being rejected due to an incorrect value.</p> <p>The IRS provides software developers schemas and business rules to implement. Software companies can provide feedback to the IRS through various communication channels. Identified issues are discussed during various external working group meetings with the software providers.</p>
IRS Action	<p>N/A</p>
TAS Response	<p>We acknowledge that many pre-populated fields are designed to prevent the user from entering an incorrect value. This is certainly the case for those pre-populated fields that compute or carry over numbers. However, in other types of fields, well-informed taxpayers and preparers should have the ability to override a pre-populated field, after receiving sufficient warnings from the software, if they are confident in the accuracy of the override.</p>

TAS Recommendation	[8-5] Conduct comprehensive research to determine the reasons individual and business taxpayers and their preparers, broken down by demographics, continue to paper file and whether they would convert to e-file if they are more informed about the benefits of e-file. The IRS can use the findings of this research to conduct a data-driven outreach campaign to address taxpayers' concerns.
-------------------------------	---

IRS Response	<p>IRS does not agree to implement TAS recommendation.</p> <p>A comprehensive research study of paper return filers is possible but may not be a fruitful endeavor when comparing the potential benefits to the resources needed for the study. Those choosing to file on paper are a small group and have not been responsive to past invitations to participate in research. Further, breakdowns by demographics of this group increase the sample size needed for the research and increase the resources required for the service to support the project. The likelihood of finding reasons for paper filing amenable to IRS outreach campaigns may not be high enough to justify the research effort.</p> <p>The recent MITRE report “Understanding Taxpayer Motivation for Filing Method Selection to Improve Customer Service” (MITRE Report) noted the difficulty in reaching those filing a paper return and gaining their participation in surveys. The same reasons for choosing to file on paper, such as lack of access to technology or resistance to share information online, also make conducting research more challenging.</p> <p>The second part of the recommendation assumes filers would migrate to e-file if given the information relevant to their concerns. However, the first part of the recommendation tries to establish the possibility of taxpayers converting to e-file when given information about its benefits. The availability of e-file is well established and current research suggests the possibility the population still choosing to file on paper are not interested in changing their method.</p> <p>The recent MITRE Report is based on a survey conducted by MITRE of federal tax return filers to improve the understanding of how taxpayers consider and make their decision about preparation and filing. While this research overlaps with the TAS recommendation, the MITRE study covered the broader population of all filers. The sample included 84 paper filers out of 1,282 total respondents, most of whom reported filing on paper after the IRS rejected their e-filed return. The limited number of respondents who filed on paper prompts caution about generalizing their survey responses to the entire population of paper filers. The low number of these respondents also highlights the difficulty in reaching this population with an online survey following a mailed invitation, which is a typical method of collecting data from a large sample representative of all paper filers.</p> <p>The MITRE survey found taxpayers need a motivation to change their preparation and/or filing method. Once taxpayers find a method that works for them, they are unlikely to change without significant motivation. The MITRE survey found 60% of all respondents report keeping their same filing method for at least the past 10 years. Among all the paper filers in the sample, both those choosing to file on paper and those forced to use paper due to a rejected e-file return, 17 percent stated they would always use their current method and not switch. Further, just under one third of respondents who filed on paper had always filed on paper. This and other</p>
---------------------	--

	IRS research suggests there may be no viable incentives IRS might introduce to move paper filers to e-file.
IRS Action	N/A
TAS Response	<p>We acknowledge the difficulty reaching taxpayers who file by paper. However, we disagree with the IRS’s rationale for not conducting the recommended research. The MITRE Corporation’s online survey included 84 paper filers, and 17 percent of the paper filers indicated that they would not switch their filing method. To reach this population, the IRS should consider designing the research so that it does not rely solely on online surveys. For example, it could conduct a mail or telephone survey or focus group interviews (for more in-depth information not representative of the target audience).</p> <p>Alternatively, if conducting research of the paper-filing population is cost prohibitive, the IRS can provide targeted outreach and education to address the concerns raised by this population in previously conducted studies. For example, as discussed in the Most Serious Problem, IRS studies conducted in 2010, 2015 and 2020 have consistently found that security and confusion were top concerns that prevented taxpayers and preparers from e-filing. The IRS can conduct an outreach campaign to dispel these main concerns.</p>

TAS Recommendation	[8-6] Meet with tax return preparation software industry representatives to determine how to minimize any barriers to incorporating 2-D barcode technology into electronically prepared returns that are printed and filed on paper.
IRS Response	IRS agrees to implement TAS recommendation in full.

<p style="text-align: center;">IRS Action</p>	<p>The IRS is in the process of standing up an advisory committee that will include members of the Council of Electronic Revenue Communication Advancement (CERCA) and the National Association of Computerized Tax Processors (NACTP). The NACTP regulates industry form design standards that are agreed on by industry members and followed in good faith, though not enforced. After testing multiple types of barcodes, the IRS proposes to amend form design standards for 2-D barcodes to include the high-data volume quick response (QR) code. Adding the high-data volume QR code will open the barcode capability to more forms regardless of their length and depth.</p> <p>Furthermore, the IRS will propose that form design standards specify a universal data schema, with extensible markup language (XML) as preference. This update will provide more consistency in the data structure and efficiency in data ingestion. Both amendments to the current standards will ensure that whether taxpayers use tax products directly from the IRS or through their preferred tax professional, IRS form processing is easy, and taxpayers are treated with the rapid service they deserve.</p> <p>The IRS understands that certain changes to the standards may require up-front investment in time or resources. The IRS will work with industry members to overcome obstacles, determine the support needed, ensure that initial return-on-investment estimates remain applicable when all perspectives are considered, and capitalize on the benefits (<i>e.g.</i>, improved taxpayer and employee experience).</p> <p>A significant caution about the expected benefit from barcodes or QR codes is in order. While requiring software providers to include such codes in printed forms seems an easy answer, IRS experience teaches that when Congress changes the tax law shortly before the filing season or, as happened recently, during the filing season, IRS and software vendors' ability to respond and produce accurate forms may preclude timely inclusion of bar or QR codes, resulting in more submissions without useable codes.</p>
<p style="text-align: center;">TAS Response</p>	<p>We commend the IRS for standing up an advisory committee to address the implementation of scanning technology. Working with industry members to provide support and assist in overcoming obstacles will improve the experience for taxpayers, the IRS, and our industry partners.</p>
<p style="text-align: center;">TAS Recommendation</p>	<p>[8-7] Utilize 2-D barcoding and optical character recognition (or similar) technology to improve the accuracy and efficiency of processing of paper tax returns.</p>

**IRS
Response**

The IRS agrees to implement the TAS recommendation in part as written as 2-D barcoding and optical character recognition (or similar) technology may not apply inclusively to all tax forms.

IRS Action	<p>To improve the efficiency and accuracy of processing paper tax returns, there are several ongoing efforts that the IRS is leading for potential expansion of the use of optical character recognition (OCR) or 2-D barcoding, namely the 2-D Barcode Pilot, OCR Pilot and a five-year forms modernization initiative.</p> <p>The IRS has developed an iterative approach to investigate implementing 2-D barcodes on IRS forms, which has resulted in several initial successes; one of those successes is the perspective of how the application of 2-D barcodes could affect taxpayers and industry partners. When 2-D barcoded forms are processed, data from the barcodes are quickly extracted with 100% accuracy and do not require validation, significantly reducing processing time. The approach to implementing effective barcodes was developed and enhanced by lessons learned as high-data volume quick response (QR) codes were implemented on Form 8918 and tested in a controlled environment. The barcoded version of Form 8918 went into production in December 2021, and results are forthcoming as IRS begins to receive the form from filers through mail and eFax. 2-D barcodes were also added to Form 8886, which is slated to move into production by the end of March 2022. In a test environment, the project team reached its goals of 100% barcode readability for mailed samples and 100% data accuracy for all scanned barcodes. As an outcome of the pilot, a scalability readiness report was released in January 2022 that will help initiate adding 2-D barcodes to other IRS-owned forms. However, implementation at a larger scale is dependent upon access to adequate resources, the careful application of lessons learned and best practices, robust partnership with preparers and the software industry, and support from key internal partners.</p> <p>Starting within the third quarter of fiscal year 2022, the IRS is pursuing a broader forms modernization initiative in which forms will be redesigned over the next five years providing taxpayers adaptive online forms. Scaling of 2-D barcodes on IRS forms will generally follow the five-year modernization effort timeline, beginning with forms selected for the Minimum Viable Product phase occurring within calendar year 2022.</p> <p>The IRS is currently evaluating OCR solutions for their ability to extract machine-readable data, especially out of low-resolution and poor-quality digital images. As a test set, three vendors have been asked to demonstrate their ability to extract machine-readable data from Form 990, as that information is publicly available. The vendor's OCR solution will then be evaluated on its ability to learn and improve performance since previous challenges. Based on vendor evaluation results and the anticipated return on investment (ROI), the IRS will decide to what extent funding will continue to be provided to the OCR firms. An effective OCR solution also provides a back-up function to 2-D barcoded forms that are received by IRS in poor quality and cannot be successfully scanned for automatic data extraction.</p> <p>As we look to scale OCR, 2-D barcoding, or other technology solutions to address IRS business challenges, selection/implementation decisions will be made using</p>
-------------------	--

	<p>systematic evaluation and prioritization criteria, further based on available resources and prospective ROI for the respective pilot project. It is important to note that the IRS does not have sufficient information to make a blanket statement that all forms and processes would benefit from the application of a 2-D barcode.</p> <p>A significant caution about the expected benefit from barcodes or QR codes is in order. While requiring software providers to include such codes in printed forms seems an easy answer, IRS experience teaches that when Congress changes the tax law shortly before the filing season or, as happened recently, during the filing season, IRS and software vendors' ability to respond and produce accurate forms may preclude timely inclusion of bar or QR codes, resulting in more submissions without useable codes.</p>
TAS Response	<p>We commend the IRS's commitment to explore the implementation of scanning technology. We look forward to reviewing the results of the 2-D barcode pilots using Forms 8918 and 8886 as well as the OCR tests on Form 990. We acknowledge resource constraints; however, we believe this issue warrants top prioritization to minimize any future backlogs and to generally improve the accuracy and efficiency of processing the millions of the paper filings the IRS will continue to receive in the foreseeable future. While we acknowledge that the IRS has included this in the five-year forms modernization initiative, it must strive to achieve widescale expansion of scanning technology long before the planned five year timeline.</p>

TAS Recommendation	<p>[8-8] Collaborate with ETAAC to set a new long-term electronic filing rate goal. Any implementation of e-file mandates to achieve these goals must be coupled with a fair hardship waiver process to accommodate taxpayers and preparers who cannot comply.</p>
IRS Response	<p>The IRS disagrees with the recommendation to collaborate with the Electronic Tax Administration Advisory Committee (ETAAC) to set a new long-term electronic filing rate goal. The original goals were established by Congress and have been achieved. Over the last five years, over 86 percent of individual income tax returns were electronically filed.</p>
IRS Action	<p>N/A</p>
TAS Response	<p>The IRS has surpassed the 80 percent e-file rate goal set by Congress in 1998. However, the agency still receives and manually processes millions of paper individual and business tax returns. A revision of a long term e-file rate goal is not only necessary, but it is also long overdue.</p>

MSP #9: CORRESPONDENCE AUDITS: LOW-INCOME TAXPAYERS ENCOUNTER COMMUNICATION BARRIERS THAT HINDER AUDIT RESOLUTION, LEADING TO INCREASED BURDENS AND DOWNSTREAM CONSEQUENCES FOR TAXPAYERS, IRS, TAS, AND THE TAX COURT

In fiscal year (FY) 2019, more than half of the taxpayers subject to correspondence audits had total positive incomes below \$50,000, and most of these low-income taxpayers claimed the Earned Income Tax Credit (EITC). These taxpayers often face particular challenges navigating the correspondence audit process. The IRS correspondence audit process is structured to expend the least amount of resources to conduct the largest number of examinations – resulting in the lowest level of customer service to taxpayers having the greatest need for assistance.

Correspondence audits produce the lowest agreement rate, the highest no-response rate, and the highest volume of cases assessed by default. The resulting high volume of unagreed cases leads to use of downstream resources for resolution activities that include audit reconsideration, appeals, litigation, and involvement of other IRS functions such as TAS and Collection. By devoting additional resources at the beginning of the correspondence audit process, the IRS could provide appropriate levels of customer service during the audit, avoiding unnecessary downstream costs and reducing the burden on our nation’s least affluent and most vulnerable taxpayers. More importantly, by providing sufficient service to the population having the greatest need of assistance, the IRS could resolve these low-income audits earlier, preventing future compliance issues.

TAS Recommendation	[9-1] Assign the case to an individual examiner who can serve as the taxpayer’s point of contact once a taxpayer contacts the IRS in response to his or her initial correspondence audit contact letter and provide the examiner’s direct phone number.
-------------------------------	--

IRS Response	<p>IRS does not agree to implement TAS recommendation.</p> <p>The IRS relies heavily on correspondence examinations as an efficient means to address taxpayers with suspected underreporting of tax liabilities. As previously outlined in responses to the National Taxpayer Advocate’s Annual Report to Congress in 2014, 2018, and 2021, correspondence examinations are processed through the Automated Correspondence Examination (ACE) system. Automation is key to achieve efficiencies.</p> <p>In fiscal year (FY) 2021, the IRS initiated 515,612² correspondence examinations with approximately 1,433³ tax examiners. Initial contact letters are sent systemically on a weekly basis. Only cases where the IRS has received a written response from the taxpayer are assigned to a tax examiner and worked outside the automated process until the next step. The tax examiner will send a response letter that identifies them by name and includes Examination’s toll-free telephone number. By calling the toll-free number at their convenience, taxpayers reach the next available examiner. All tax examiners are trained and experienced phone assistants who have access to the taxpayer’s case history and can work with the taxpayer toward case resolution. However, if a taxpayer responds to an examination letter with correspondence and later calls the toll-free line and is not satisfied at the end of the call, they have the option to request the assigned tax examiner return their call.⁴</p> <p>The IRS has other options for taxpayers to reach examiners and submit documentation. Taxpayers who enroll in Taxpayer Digital Communications (TDC) can send secure messages and upload documents. In general, like with paper correspondence, messages and documentation are directed back to the tax examiner who last worked their case. The IRS has also implemented the Document Upload Tool (DUT), which allows any taxpayer to upload documents to be viewable by examiners on the toll-free line.</p> <p>Limiting the taxpayer to a single point of contact throughout the entire examination severely limits the IRS’ ability to resolve examinations timely. The taxpayer should have access to the next available tax examiner who can answer the phone and review their correspondence. Examinations should not be delayed because a single point of contact is not available to personally review correspondence or speak to the taxpayer. We believe our current procedures appropriately balance taxpayer service with sound tax administration within our current resource constraints.</p>
---------------------	--

² Audit Information Management System (AIMS). Excludes pass through entities.

³ IRS Human Resources Reporting Center as of September 25, 2021.

⁴ Internal Revenue Manual 4.19.10.1.7.1(6), *Correspondence Examination Letters*. Letters mailed on cases in the corporate inventory will include the appropriate business unit corporate toll-free number, "Tax Examiner" as person to contact, and the site-specific identification number. If the letter sent is in reply to taxpayer correspondence, the letter, case history, and all letter attachments must identify the originating tax examiner to provide information for any subsequent contact, if needed.

IRS Action	N/A
TAS Response	<p>The IRS noted that in FY 2021, 515,612 correspondence examinations were initiated by approximately 1,433 tax examiners. Though the IRS uses its Enterprise Planning Scenario Tool (EPST) to determine the number of audits it will conduct based on the number of full-time equivalent (FTE) employees assigned to correspondence audit programs, the IRS continues to cite its planned audit volume as a barrier for altering its existing approach.</p> <p>TAS acknowledges that absent a reduction in audits or the allocation of additional resources, incorporating personal contact and assigning cases to an examiner that can serve as the taxpayer’s point of contact would be a heavy lift – but these actions are necessary from a customer service perspective. Limited personal interaction is particularly impactful to low-income taxpayers who must rely solely on the IRS’s correspondence audit toll-free telephone services to speak with an IRS employee for answers to their audit and tax-related questions. Currently, only a portion of the calls made to the correspondence audit toll-free phone lines reach an examiner. This is primarily because IRS correspondence audit resources cannot service the volume of inquiries generated from the volume of audits conducted. Assigning cases to an examiner that would serve as the taxpayer’s single point of contact would require the IRS to more appropriately balance correspondence audit resources between taxpayer service and compliance activities.</p>
TAS Recommendation	<p>[9-2] Increase phone staffing to deliver an 80 percent minimum correspondence audit toll-free telephone Level of Service.</p>

IRS Response	<p>IRS does not agree to implement TAS recommendation.</p> <p>Tax examiners are trained in all aspects of the examination process including answering the toll-free line, reviewing taxpayer correspondence, making tax determinations, and responding to taxpayers. Shifting resources to increase the toll-free phone Level of Service (LOS) has the negative effect of reducing the number of examiners available to review correspondence, which could delay case resolution. Our staffing model considers the resources needed from the beginning to the end of the examination process to provide quality service to taxpayers both on the phone lines and responding to correspondence.</p> <p>The IRS has taken the following actions or implemented tools to improve LOS and reduce call volume:</p> <ul style="list-style-type: none"> • Small Business/Self-Employed (SB/SE) and Wage & Investment (W&I) implemented pre-recorded phone prompts to provide information on claiming various credits, documentation to support credits, instructions on finding information on IRS.gov and submitting supporting documents through the Document Upload Tool (DUT). • In 2016, SB/SE began piloting Taxpayer Digital Communications (TDC), Secure Messaging, in two campus locations for Correspondence Exam. As of the end of FY 2021, all five SB/SE campus locations utilize TDC. W&I is working on implementing TDC, scheduled to roll out in FY 2023. • In January 2021, the IRS implemented a Fast-Track option line for taxpayers responding to a W&I correspondence examination who only want to know if the IRS received their documentation. • The Customer Callback feature that was implemented in January 2022 allows taxpayers to choose between waiting on the line or receiving a returned call when a phone assistor becomes available. • W&I is working to create other avenues for the taxpayer to receive answers more expeditiously, such as the “Where’s My Audit Tool,” which is currently in development.
IRS Action	N/A

<p style="text-align: center;">TAS Response</p>	<p>Taxpayers call the IRS to learn more about their audits, yet they cannot get that information easily. In FY 2019, W&I devoted 96 percent of its correspondence audit resources to completing correspondence audits <i>but devoted only four percent of its resources to responding to the telephone inquiries these audits generated</i>. Similarly, SB/SE applied 95 percent of its resources toward audit completion <i>and five percent to responding to caller inquiries</i>. The IRS formulates the telephone LOS its staff will deliver and allocates its resources accordingly. Given that the W&I and SB/SE resources applied toward fielding correspondence audit toll-free phone inquiries has consistently produced about 40 and 60 percent Levels of Service, respectively, a minimum increase of six percent and three percent in full-time employees would achieve a more appropriate level of telephone service for correspondence audit toll-free phone lines. Absent the allocation of additional phone resources, corresponding reductions in correspondence audits would be necessary to achieve Levels of Service that would more realistically meet taxpayer needs and protect their <i>right to be informed</i>.</p> <p>Though IRS has implemented various automated tools such as Online Account, customer callback, TDC, and DUT to positively complement the correspondence audit process, they are not substitutes for personal interactions that could increase low-income taxpayer participation in the audit process, build trust, and engage and educate low-income taxpayers. Further, should these tools successfully reduce call volume as the IRS anticipates, resulting increases in LOS would only occur if the IRS chose to allocate any resource gains recognized from these automated tools toward caller inquiries, rather than shifting these resources toward additional audit completion.</p>
<p style="text-align: center;">TAS Recommendation</p>	<p>[9-3] Implement additional external resources to locate taxpayers whose correspondence audit-related mail has been returned undeliverable, similar to resources the IRS uses in its field examinations.</p>

IRS Response	<p>IRS does not agree to implement TAS recommendation.</p> <p>The IRS has implemented several measures that aid in the improvement of the accuracy of taxpayer addresses by allowing taxpayers to securely update their addresses over the phone, in-person, and by mail. Reducing undelivered mail continues to be a goal of the IRS. Allowing taxpayers more opportunities to update their addresses has had a significant impact on the undelivered mail.</p> <p>The current undeliverable mail procedures are sufficient and adequate for the Correspondence Examination Program.⁵ If mail is returned undeliverable, research is conducted to determine the taxpayer’s current address on file with IRS.⁶ The Service exercises due diligence to find and use the taxpayer’s last known address, which is the address on the most recently filed and properly processed tax return unless the taxpayer has clearly and concisely notified the IRS of a change of address.⁷ The Service must issue the statutory notice of deficiency to the last known address, regardless of if we find another address for the taxpayer using alternate sources.⁸ In addition, the IRS also updates the taxpayer’s address of record by using the United States Postal Service’s (USPS) National Change of Address database (NCOA).⁹ Undeliverable mail is given priority to ensure that letters are timely sent to the taxpayer’s correct address.</p> <p>SB/SE and W&I utilize a Correspondence Examination Undeliverable Research Tool (URT) to assist with researching and processing undelivered or unclaimed mail.¹⁰ The URT introduces automation to research undeliverable and unclaimed examination mail eliminating manual research.</p> <p>Field Examination must use additional tools such as postal tracers, summonses, credit bureau contacts, local telephone directories, etc.¹¹ because they have the responsibility to locate the taxpayer to conduct a face-to-face examination. Their research may not result in a change to the last known address. These tools are not appropriate in Correspondence Examination due to differing business processes and the systemic nature of correspondence examinations.</p>
IRS Action	N/A

⁵ Internal Revenue Manual (IRM) 4.19.13.14, Undeliverable Mail.
⁶ IRM 4.19.21.2.3, Open Case Undeliverable Mail.
⁷ Treas. Reg. Section 301.6212-2(a).
⁸ IRC Section 6212(b).
⁹ Treas. Reg. Section 301.6212-2.
¹⁰ IRM 4.19.21.2.3, Open Case Undeliverable Mail.
¹¹ IRM 4.10.2.8.4, Undeliverable Initial Contacts

TAS Response	<p>The IRS has stated that “[a]utomation is key to achieve efficiencies.” The IRS utilizes the automated Correspondence Examination Undeliverable Research Tool (URT) to assist with researching and processing undelivered or unclaimed mail. Though this system incorporates information provided by the United States Postal Service’s (USPS) National Change of Address database, it does not consider other external sources for potential address information.</p> <p>Low-income taxpayers tend to be more transitory – a factor that negatively affects the taxpayer’s ability to receive and respond to IRS correspondence in a timely manner. When a taxpayer does not send a written reply to IRS correspondence, the IRS automatically processes correspondence audit cases from creation to statutory notice to closing without any tax examiner (or taxpayer) involvement. To increase the opportunity for low-income taxpayers to receive correspondence and participate in the correspondence audit process, the IRS should use additional external resources to locate taxpayers whose correspondence audit-related mail has been returned undeliverable.</p>
---------------------	---

TAS Recommendation	<p>[9-4] Implement a personal contact attempt to reach non-responsive taxpayers and taxpayers whose mail has been returned undeliverable.</p>
---------------------------	--

IRS Response	<p>IRS does not agree to implement TAS recommendation.</p> <p>When the IRS audits a taxpayer via correspondence, we rely on the most up-to-date address provided by the taxpayer. Knowing the IRS has limited resources, it is unrealistic to personally contact each non-responsive taxpayer or those taxpayers whose mail was returned undeliverable.</p> <p>In fiscal year (FY) 2021, Correspondence Examination initiated 515,612 cases, of which, 225,435¹² were non-responsive taxpayers, and 19,718¹³ came back as undeliverable mail. These numbers represent 47% of our correspondence audits. Implementing a personal contact procedure into the correspondence audit process would require the IRS to extract those cases from the automated process and assign them to an individual tax examiner. Taking that action would impede the automated process and its efficiencies. In addition, this would divert our tax examiners from assisting taxpayers on the toll-free line and reviewing taxpayer correspondence, thereby delaying resolution on those cases where taxpayers are engaged with us.</p> <p>Taxpayers who respond to our notices have the option to provide contact numbers during the examination process. Conversely, we would not have phone numbers for non-responsive taxpayers that would allow us to make a personal contact. The IRS agrees with the Pew Research cited in TAS’ report indicating eight out of ten Americans won’t answer their cellphones for unknown callers, which, if the IRS did attempt a personal contact, would most likely result in expending resources with limited to no results.</p>
IRS Action	N/A

¹² Audit Information Management System (AIMS).

¹³ Audit Information Management System (AIMS).

TAS Response	<p>As stated, the IRS automatically processes correspondence audit cases from creation to statutory notice to closing without any tax examiner involvement when a taxpayer does not send a written reply to IRS correspondence. TAS finds it concerning that almost half (47 percent) of the IRS’s FY 2021 correspondence audit contacts went unanswered. TAS also notes, however, that this lack of taxpayer response fully eliminated the need for the use of IRS tax examiner resources on 47 percent of the IRS’s correspondence audit cases. Still, the IRS has cited a lack of resources for its inability to initiate a single taxpayer contact to reach these taxpayers. The IRS states “knowing the IRS has limited resources, it is unrealistic to personally contact each non-responsive taxpayer or those taxpayers whose mail was returned undeliverable.” Yet, realistically, had these taxpayers responded, the IRS would have had to possess and utilize an even greater level of resources to conduct these audits.</p> <p>TAS believes that incorporating procedures that would require correspondence examiners to consult some select information outside of IRS systems to locate taxpayers whose mail has been returned as undeliverable, and by requiring at least one constructive follow-up attempt to reach unresponsive taxpayers or taxpayers whose mail has been returned as undeliverable, the IRS may see an increase in low-income taxpayer audit participation and a corresponding decline in no-response cases, audit reconsideration cases, and cases petitioned to the U.S. Tax Court. Acknowledging that current procedures render it difficult for the IRS to reach taxpayers, TAS has recommended that the IRS explore additional methods for locating and contacting unresponsive taxpayers.</p>
---------------------	--

TAS Recommendation	<p>[9-5] Add a consent mechanism to Form 1040, U.S. Individual Income Tax Return, that would allow taxpayers to authorize the IRS to leave telephone messages or make email contacts to reach taxpayers.</p>
IRS Response	<p>The IRS disagrees with the TAS recommendation to add a consent mechanism to Form 1040, U.S. Individual Income Tax Return, that would allow taxpayers to authorize the IRS to leave telephone messages or make email contacts to reach taxpayers.</p> <p>IRS employees reach out to a taxpayer if the taxpayer has first contacted the IRS by telephone or correspondence. We have procedures in place for leaving generic voice mail messages for active cases. The consent field would not bypass the need for authentication procedures before disclosing any account information. Finally, capturing and transcribing consent information is not an efficient use of already limited resources.</p>

IRS Action	N/A
TAS Response	<p>Since 1998, the IRS has provided an area within the signature section of Form 1040, U.S. Individual Income Tax Return, for taxpayers to voluntarily provide a phone number. Starting with the 2019 Form 1040, the IRS requested a taxpayer’s email address. Because cell phone numbers and email addresses generally do not change when taxpayers change their physical address, this information could provide a productive and efficient means to reach unresponsive taxpayers or locate taxpayers whose correspondence audit notifications are returned undeliverable. Although taxpayers may provide this helpful information, it is rarely used by correspondence examiners to resolve undeliverable mail issues or contact unresponsive taxpayers.</p> <p>Correspondence audits produce the lowest agreement rate, the highest no-response rate, and the highest volume of cases assessed by default. TAS recommended that IRS explore ways to use taxpayer provided phone numbers and email addresses to engage non-responsive taxpayers in the interest of reducing no-response rates and encouraging taxpayer audit participation. TAS understands that the IRS will reach out to taxpayers that contact the IRS first; however, making contact with “active” cases does little to reduce the significant rate of no-response cases the IRS’s correspondence audit programs produce.</p>
TAS Recommendation	<p>[9-6] In collaboration with TAS, establish a working group to explore the root causes that contribute to the low response rates of low-income taxpayers undergoing the correspondence audit process and implement a pilot program to decrease the high default and non-response rates.</p>
IRS Response	IRS agrees to implement TAS recommendation in part.

<p style="text-align: center;">IRS Action</p>	<p>We agree to collaborate with TAS to gather and analyze data on the response rates of low-income taxpayers. If the data supports a difference in response rates compared to other taxpayer segments, we will establish a working group with TAS to investigate the root causes contributing to low response rates of low-income taxpayers.</p> <p>While there are many reasons why taxpayers do not respond to examination letters, the IRS has taken specific actions to assist low-income taxpayers and taxpayers with limited English proficiency. In December 2020, the IRS revised the Initial Contact Letters in the Letter 566 series to include instructions on how to contact a Low-Income Tax Clinic (LITC) (http://publish.no.irs.gov/cat12.cgi?request=CAT2&itemtyp=L&itemb=566&items=*). Taxpayers who cannot afford representation can contact a LITC to obtain representation. Letter 566 also includes guidance for taxpayers with limited English proficiency and instructions on how to contact the Taxpayer Advocate Service. In addition, interpreter services are available to taxpayers while on the toll-free line.</p> <p>Wage & Investment (W&I) has an interactive Earned Income Tax Credit (EITC) Assistant on IRS.gov that helps taxpayers determine if they've met the eligibility requirements for the EITC. W&I hosts an annual EITC Awareness Day that strives to provide eligibility information, decrease erroneous payments and improve the accuracy of filed returns. W&I also conducts stakeholder summits, tax forums, webinars, and satisfaction surveys on the effectiveness of tools and products in reaching specific audiences to increase awareness.</p> <p>The IRS will collaborate with TAS to work to gather and analyze data on the response rates of low-income taxpayers.</p>
<p style="text-align: center;">TAS Response</p>	<p>TAS looks forward to collaborating with the IRS to determine the root causes of the low correspondence audit response rates of low-income taxpayers. Once these causes are identified, TAS encourages the IRS to address identified causes, implementing pilot programs as needed to study the results.</p>
<p style="text-align: center;">TAS Recommendation</p>	<p>[9-7] Conduct a proof-of-concept project that would assign correspondence audit cases to an examiner who could serve as the taxpayer's single point of contact once the taxpayer sends in correspondence or reaches a correspondence audit assistor by phone. This project should involve data collection to determine if the IRS-perceived barriers to correspondence audit case assignment are valid, while also measuring customer satisfaction and responsiveness results.</p>

<p style="text-align: center;">IRS Response</p>	<p>IRS does not agree to implement TAS recommendation.</p> <p>As noted in our response to MSP Recommendation 9-1, the IRS relies heavily on automation to efficiently administer our correspondence examination programs, where conducting a proof of concept in this manner is problematic. The system utilized for correspondence examinations has limitations that will not allow the IRS to segment the inventory to allow for some cases to be assigned to a sole tax examiner while others continue through the normal systemic process. Because of this limitation, conducting a proof of concept would require the IRS to extract and manually work the cases assigned to a sole examiner, creating another challenge of managing this inventory without our systemic processes and thereby hinder or eliminate any efficiencies in the program. The manual processing would also require a higher level of resources to monitor and resolve cases, reducing the level of resources answering the phones or reviewing correspondence for those cases going through the systemic process.</p> <p>IRS has continued to implement virtual tools that help taxpayers quickly resolve examination issues. IRS has begun to scan correspondence so that all examiners can view correspondence regardless of the IRS site receiving the mail. IRS has also implemented the Document Upload Tool (DUT) that allows the taxpayer to upload records to be viewable by any examiner on the toll-free line. IRS also uses Taxpayer Digital Communications (TDC) where the taxpayer can send secure email messages and documentation.</p> <p>We believe our current operational structure appropriately balances taxpayer service with sound tax administration within our current resource constraints. In addition, assignment to one examiner will delay the case resolution for many taxpayers. The taxpayer should have the right to work with the next available tax examiner who can answer the phone, review their correspondence, and resolve their case.</p>
<p style="text-align: center;">IRS Action</p>	<p>N/A</p>
<p style="text-align: center;">TAS Response</p>	<p>The IRS's current operational structure allows the IRS to limit the Level of Service it provides on correspondence audit toll-free phone lines to accommodate planned audit volume completion. Assigning correspondence audit cases to an examiner who could serve as the taxpayer's single point of contact would ensure a balance between audit completion and taxpayer service activities. Though temporary processing deviations may be necessary, a proof-of-concept project would present a valuable opportunity to capture the level of responsiveness, customer satisfaction, and reduced downstream resource utilization achieved from more closely balancing compliance and taxpayer service activities. Providing increased access to service and integrating personal interactions during the correspondence audit process provides for overall efficiency.</p>

TAS Recommendation	[9-8] Implement the use of new Online Account features such as text chat, document upload, and address change options in the correspondence audit programs.
IRS Response	IRS agrees with TAS recommendation but cannot implement it currently due to funding limitations.

IRS Action	<p>Information Technology (IT), On-Line Services (OLS), Wage & Investment (W&I), and Small Business/Self-Employed (SB/SE) continually collaborate to explore the use of Online Account (OLA) features and to procure funding, prioritize, and implement new features and capabilities. Some features are in progress or planned, but we cannot fully implement all features currently due to funding and resource capacity limitations.</p> <p>An address change capability within OLA is under development and is on target to be released in June 2022. OLS has worked with IT on an Engineering Study with the goal of establishing solutions to make TDC eGain functionality – including secure messaging with document upload, live chat, and virtual assistant (chatbot) – available within our Web Apps such as OLA. The study was completed in February 2022 and IT has confirmed readiness to move forward with related implementation work following approved funding and prioritization.</p> <p>Both W&I and SB/SE Examination are exploring options that use OLA features. Currently, SB/SE submitted a request for both live text chat and a chat BOT feature for secure real-time communication with taxpayers, and W&I requested an on-line application that will allow taxpayers to check on the status of their audit and eliminate the need to call the toll-free number. OLS is working to fund and prioritize the live chat and chatbot feature implementation in OLA. Our requests are dependent on funding; therefore, we do not have a firm timeline for implementation.</p> <p>IRS is committed to pursuing and implementing new OLA features for the correspondence examination programs. Since 2016, SB/SE Correspondence Exam has offered taxpayers and their authorized representatives the use of Secure Messaging within Taxpayer Digital Communications (TDC). With TDC, taxpayers and their representatives can sign up and submit requested documents online and ask questions and/or request clarification from the examiner working their case through Secure Messaging. This can be accomplished without waiting in a telephone queue, at their convenience, and on their own schedule. In 2021, IRS moved to a new platform, which allows more taxpayers to successfully verify their identity, which is a requirement for TDC. An American Rescue Plan (ARP) funded task has been approved to make existing TDC functionality, such as use of Secure Messaging to respond to a correspondence exam, be made available in OLA. The specific use case to be delivered must still be finalized by IT and the business based on feasibility and priority. The target delivery date is by December 2023.</p> <p>As of September 2021, both W&I and SB/SE correspondence examination programs use the Document Upload Tool (DUT), which enables taxpayers and their representatives to securely upload requested documents to www.irs.gov instead of mailing or faxing them. The DUT is available to any taxpayer in a correspondence examination. IRS has continued efforts to digitize case files by scanning some taxpayer correspondence and uploading it to the electronic case file.</p>
-------------------	---

	<p>Although transparent to taxpayers, digitized cases improve customer service by increasing the visibility of case information. Telephone assistors can electronically view correspondence previously sent in by the taxpayer, regardless of the IRS site receiving the correspondence. Although there are currently no plans to implement a DUT within OLA, the features to deliver TDC secure messaging in OLA will enable the user to upload documentation to respond to the case, including correspondence exam.</p> <p>We will continue to submit requests to secure funding to implement new online tools and processes when appropriate. Implementation of any corrective action is contingent upon limited IT funding and resources for various IRS priorities and legislative implementation.</p>
<p>TAS Response</p>	<p>TAS understands that the IRS cannot fully implement all new Online Account features immediately due to funding and resource capacity limitations. We look forward to the implementation of features currently in process, as well as those features the IRS has prioritized for implementation when resources become available.</p>

MSP #10: COLLECTION: IRS COLLECTION POLICIES AND PROCEDURES NEGATIVELY IMPACT LOW-INCOME TAXPAYERS

Many taxpayers have difficulty paying their tax liabilities. Low-income taxpayers in particular struggle to balance paying their tax debts with paying their basic living expenses. The IRS offers collection alternatives for financially struggling taxpayers, but the alternatives are underutilized. Some taxpayers seeking installment agreements (IAs) do not receive the relief from user fees Congress intended because IRS procedures for identifying low-income taxpayers are flawed. Requests for offers in compromise (OICs) have declined in seven of the past eight years. Currently not collectible (CNC)-Hardship status and offset bypass refund (OBR) relief are unnecessarily difficult to obtain. The IRS continues to issue automated collection notices despite backlogs in processing taxpayer correspondence and amended returns, and some taxpayers are surprised to learn they cannot dispute the merits of their underlying liabilities at a collection due process (CDP) hearing because IRS collection notices do not adequately explain their rights.

TAS Recommendation	[10-1] Defer collection activity until 45 days after the IRS addresses the merits of a taxpayer’s request or response to an adjustment, an assessment, or proposed liability.
IRS Response	IRS does not agree to implement TAS recommendation. Processing all correspondence in a timely manner is always our goal. We agree that taxpayers should be protected from collection actions while there is a claim or correspondence still under consideration, and we have procedures in place that are designed to fully resolve correspondence before moving forward with the collection process. In addition, as part of ongoing efforts to provide additional help for people during this period of historic backlogs, the IRS has temporarily paused automated collection notices normally issued when a taxpayer owes additional tax or has no record of filing a tax return. (See also our responses to MSP 1-8 and 5-2).
IRS Action	N/A
TAS Response	The IRS’s pause on automated collection notices is a welcome development, especially as the IRS’s processing backlog persists. However, even in a post-pandemic environment, when the processing backlog is reduced or eliminated, automated collection notices should be suspended for enough time not only to allow the IRS to process taxpayer correspondence, but also to allow taxpayers to receive and react to the IRS’s response to their return or correspondence.

TAS Recommendation	[10-2] If requested, provide a six-month hold on collection matters while the taxpayer’s correspondence, amended return, or other request is pending.
IRS Response	<p>IRS does not agree to implement TAS recommendation.</p> <p>Processing all correspondence in a timely manner is always our goal. We agree that taxpayers should be protected from collection actions while there is a claim or correspondence still under consideration, and we have procedures in place that are designed to fully resolve correspondence before moving forward with the collection process. Moreover, in the event that collection action is begun prematurely, there are established procedures throughout the Internal Revenue Manual (IRM) to delay collection activity. For instance, IRM 5.19.1.4.3(4)¹⁴ instructs Collection employees to input a stay on the account if the employee determines the tax liability is questionable. This stay will suspend further notices for 45 days while the inquiry is being resolved. In addition, as part of ongoing efforts to provide additional help for people during this period of historic backlogs, the IRS has suspended automated collection notices normally issued when a taxpayer owes additional tax or has no record of filing a tax return. (See also our responses to MSP 1-8, 5-2 and 10-1).</p>
IRS Action	N/A
TAS Response	This maximum hold periods on collection notices or enforcement provided in the IRM is nine weeks, which is inadequate based on the extended processing delays experienced by taxpayers. For some taxpayers, the maximum hold period may also be insufficient post-pandemic, once the IRS is current in processing taxpayer correspondence, and these taxpayers should be able to request a six-month hold.
TAS Recommendation	[10-3] Wait for 120 days (rather than 105 days) after issuing a notice of deficiency before assessing additional tax (i.e., amend the IRM to extend the suspension period from 15 days to 30 days).

¹⁴ <http://serp.enterprise.irs.gov/databases/irm.dr/current/5.dr/5.19.dr/5.19.1.dr/5.19.1.4.3.htm>.

IRS Response

IRS does not agree to extending the suspension period after the issuance of a notice of deficiency an additional 15-days to complete assessment processing. Although data are not available to systemically determine whether, or not, extending the suspension period would reduce the volume of premature assessments, the IRS has several procedures in place to prevent premature assessments. When unforeseen events occur, for example the pandemic or a backlog in the U. S. Tax Courts, standard procedures are adjusted to ensure we continue to prevent premature assessments.

Due to the pandemic and the resulting closure of the U.S. Tax Court, temporary guidance was issued during 2020-2021 to decrease the number of premature assessments. Below is some of the guidance issued.

Per the Temporary Relief for Taxpayers – Postponement of Certain Compliance Activity During the COVID-19 Pandemic memo, Technical Services (TS) was instructed to pause the default/closure of cases to Centralized Case Processing (CCP) until the United States Tax Court reopened. The only exception were default cases with imminent statutes (60 days or less from expiration) where a quick assessment was required to protect the government interest.

To temporarily prevent premature assessments on cases where a taxpayer’s timely filed petition with the U.S. Tax Court had not been timely processed, “Temporary Interim Guidance on Petitioned Cases without a Docket Number” memorandum was issued. The memo provides guidance to TS on how to identify defaulted protested cases identified by Counsel in Master File. Counsel updated the protested taxpayer’s module with a freeze and transaction code. TS holds these cases until a docket number is assigned by the U.S. Tax Court. We plan to keep this guidance in place until we are assured the courts are current.

When a taxpayer files a valid protest after the statutory notice of deficiency has been issued, TS refers the case to the Office of Appeals per Internal Revenue Manual (IRM) 4.8.9.23, Protests, Correspondence and Waivers Received After Issuance of Notice of Deficiency. TS must ensure Internal Revenue Code Section 7803(e)(5), Limitation On Designation of Cases As Not Eligible For Referral To Independent Office Of Appeals is followed.

When TS becomes aware a taxpayer has petitioned the U.S. Tax Court after the statutory notice of deficiency defaulted, the case was closed to CCP but not yet assessed, TS follows IRM 4.8.9.25.6, Unlocatable Docketed Case Files. Once the case is located, TS puts a freeze on the taxpayer’s module to prevent a premature assessment.

Per IRM 4.8.9.26, Defaulted Notices, TS has a process to ensure the taxpayer has not petitioned U.S. Tax Court prior to closing the case to CCP for assessment.

	The Service plans to continue the above interim procedures until it is determined the U.S. Tax Court is caught up in processing petitions. In addition, we will continue the standard practice of issuing a deviation when events occur that warrant deviating from the standard procedures to prevent premature assessments.
IRS Action	N/A
TAS Response	The National Taxpayer Advocate applauds the IRS for working with her to develop procedures to reverse the premature assessments and to prevent continued premature assessments caused by the Tax Court’s backlog. However, the IRS’s response does not address the fact that premature assessments existed pre-pandemic. The National Taxpayer Advocate takes exception to the IRS’s observation that “data are not available to systemically determine whether, or not, extending the suspension period would reduce the volume of premature assessments” in view of the data TAS presented that shows increasing the suspense period from 15 to 30 days would have prevented 90 percent of the premature assessments identified in FY 2020.

TAS Recommendation	[10-4] Revise Notice CP 15 and any other correspondence to taxpayers that in the IRS’s view constitutes “an opportunity to dispute such liability” for purposes of IRC § 6330(c)(2)(B) to include detailed information about taxpayers’ rights and consequences of an administrative appeal, to explain that the notice constitutes their only “opportunity to dispute” the liability, and to explain that the taxpayer will not be permitted to dispute the merits of the liability at a future CDP hearing or before the U.S. Tax Court.
---------------------------	---

<p style="text-align: center;">IRS Response</p>	<p>The IRS does not agree with the recommendation to revise CP15/CP215 or other related notices of penalty assessment with the suggested language. As required for a notice of penalty under Internal Revenue Code (IRC) Section 6751(a), the CP15/CP215 contains the name of the penalty, the section under which it was imposed, and an explanation of how it was calculated.</p> <p>Programming for the CP15/CP215, or other related notices of penalty assessment, have certain hard coded paragraphs for each penalty reference number (PRN) which explains appeal rights available for that specific penalty assessment. Depending on the type of penalty assessed, the notice gives options for requesting penalty relief for reasonable cause, protesting the penalty for other reasons, and next steps if the IRS denies a claim. The CP15/CP215 is the first notice of penalty assessment and is not proposing enforced collection action; therefore, language regarding CDP hearings is best included in related notices referencing enforced collection action (<i>i.e.</i>, lien, levy). The IRS continuously updates Notices, publications, and form instructions to address penalty relief and options available if a taxpayer disagrees with the penalty. In addition, for fiscal year 2022, the Office of Servicewide Penalties (OSP) is working on a project to revise penalty relief pages in IRS.gov to give more guidance and information about the penalty relief process.</p> <p>OSP understands the importance of ensuring taxpayers are timely and well informed of their appeal rights specific to the penalty being assessed and will continue notice improvements. For example, OSP is currently working to standardize timeframes for responses to penalty assessments in the CP15 notice. Review of the Programming Requirements Package (PRP) for current penalty notices will continue, which will allow OSP to identify and make needed changes to ensure the text is informative and accurate for each penalty type.</p>
<p style="text-align: center;">IRS Action</p>	<p>N/A</p>
<p style="text-align: center;">TAS Response</p>	<p>The National Taxpayer Advocate appreciates the efforts the IRS is making to improve notices of penalty assessments. While the CP 15 and similar notices are not proposing enforced collection action, by the time the IRS proposes enforced collection action of these assessable penalties, it will be too late for the taxpayer to obtain administrative review of the assessment, and Tax Court review is unavailable. For this reason, the CP 15 and similar notices should more explicitly explain taxpayers’ options in response to the notice.</p>

TAS Recommendation	[10-5] Adopt procedures that allow the IRS to consider changes in taxpayers’ circumstances when determining the applicable IA user fee, similar to procedures in place for considering whether a taxpayer qualifies for an OIC fee waiver.
IRS Response	<p>IRS does not agree to implement TAS recommendation.</p> <p>The requirements in the Bipartisan Budget Act of 2018 specify the tax return indicator (Adjusted Gross Income) to use as the deciding factor for the low-income decision for installment agreements. Keeping the low-income determination as it is for installment agreements, based on a simple return indicator, allows IRS to provide better service to taxpayers and does not require the IRS to collect financial information to make a subsequent determination. Adopting the recommendation would require resources to be redirected that are currently used to help provide service to other taxpayers.</p>
IRS Action	N/A
TAS Response	<p>In relevant part, IRC § 6159(f)(2) provides for a fee waiver “In the case of any taxpayer with an <i>adjusted gross income, as determined for the most recent year for which such information is available</i>, which does not exceed 250 percent of the applicable poverty level (as determined by the Secretary).” (Emphasis added.) The statute does not specify or require the IRS to use any “tax return indicator.” The IRS’s insistence on using a tax return indicator, which may not reflect a taxpayer’s current economic condition, although more convenient for the IRS, undermines Congress’s intent in providing for relief from installment agreement user fees. Moreover, the IRS interprets a virtually identical statute differently. IRC § 7122(c)(2)(3) provides for a fee waiver for offers in compromise “with respect to a taxpayer who is an individual with <i>adjusted gross income, as determined for the most recent taxable year for which such information is available</i>, which does not exceed 250 percent of the applicable poverty level (as determined by the Secretary).” (Emphasis added.) For offers in compromise, the IRS allows taxpayers to demonstrate eligibility for a fee waiver with current financial information. See IRM 5.19.7.2.1.1(3), OIC Application Fee (July 9, 2020) (explaining that a taxpayer whose gross monthly income multiplied by 12 months falls at or below 250 percent of the Federal Poverty Level does not need to pay an OIC user fee). See also IRM 5.8.2.4.1(3), Determining Processability (Sept. 22, 2020) (explaining the taxpayer may qualify for an OIC fee waiver under two different methods: AGI or under monthly income and household size).</p>

TAS Recommendation	[10-6] Change IAs to incorporate user fees into the agreed-upon payments over the life of the agreement rather than requiring taxpayers to pay the user fee in the first month.
IRS Response	IRS agrees to implement TAS recommendation in part.
IRS Action	<p>An installment agreement will not default for an unpaid user fee regardless of a taxpayer’s income level. IRS already has options for low-income taxpayers to mitigate the potential financial burden of the user fee, including user fee waivers, reductions, and/or reimbursements. However, we will work with the Taxpayer Advocate Service to explore this concept further.</p> <p>The IRS will collaborate with the Taxpayer Advocate Service to explore whether it is feasible administratively and would provide substantial relief to a population of taxpayers to spread installment agreement user fees over the life of the agreement.</p>
TAS Response	The National Taxpayer Advocate appreciates the IRS’s willingness to work with us to explore this change in the way user fees are collected. We note that a Direct Debit Installment Agreement may default if there are not enough funds available to cover the fee upon the first draft. For example, if a taxpayer with a DDIA agrees to a monthly payment of \$50 and the user fee is \$107, the IRS will attempt to withdraw \$107 from the taxpayer’s bank account in the first month of the agreement. If the funds are insufficient, the bank will reject the draft. According to IRM procedures (IRM 5.14.11.3(2), Reasons for Proposing Termination (Defaulting) of Installment Agreements (Jan. 1, 2015)), non-receipt of the installment payment is grounds for proposing default. We welcome the opportunity to explore this concept further.

TAS Recommendation	[10-7] Allow taxpayers to request CNC-Hardship consideration either online or by submitting a standardized form.
-------------------------------	---

IRS Response	<p>IRS does not agree to implement TAS recommendation.</p> <p>Procedures already exist for the taxpayer to contact us if they are unable to pay their tax liability. The best way for a taxpayer to achieve an appropriate resolution of their tax liability is for them to engage with us with regard to their financial condition and ability to pay. The IRS will work collaboratively with the taxpayer to find the case disposition method that most appropriately fits their circumstances. A currently not collectible determination is temporary, allows interest and penalties to continue to accrue, and does not in itself provide a path toward resolution. The IRS offers a variety of payment options that result in the liability eventually being paid in full, and our employees are skilled at helping the taxpayer work through those options.</p>
IRS Action	N/A
TAS Response	It has been almost impossible for taxpayers to “engage with” the IRS – meaning speak to an IRS representative by phone – in recent years, yet taxpayers need relief from collection action, even if the relief is temporary. In many other areas of tax administration, the IRS seeks to move taxpayers to online channels. The National Taxpayer Advocate is puzzled by the IRS’s insistence that taxpayers must request CNC-Hardship status by calling the IRS, when allowing them to submit a form or make the request online would likely be more efficient and thus conserve resources.

TAS Recommendation	[10-8] Analyze information from submitted OICs and develop a more nuanced outreach to encourage low-income taxpayers to consider OICs when appropriate.
IRS Response	IRS agrees to implement TAS recommendation in part.
IRS Action	<p>We agree to collaborate with the Taxpayer Advocate Service (TAS) to develop an outreach project to encourage potentially qualifying low-income taxpayers to consider an offer in compromise (OIC). In conjunction with the TAS, we determined the most effective way to identify and proactively engage the low-income audience is to utilize compliance data warehouse information and allowable living expenses in lieu of using previously submitted offers in compromise data.</p> <p>The IRS will collaborate with TAS to develop an outreach project to encourage potentially qualifying low-income taxpayers to consider an OIC by analyzing data warehouse information and allowable living expenses.</p>

TAS Response	The National Taxpayer Advocate welcomes the IRS’s willingness to collaborate with TAS in exploring ways to encourage low-income taxpayers to consider offers in compromise.
-------------------------	---

TAS Recommendation	[10-9] Continue the practice of processing OICs when the IRS has not yet processed a required return when the taxpayer sends a copy of the return while the COVID-19 processing challenges linger and until the IRS returns to a normal level of inventory backlog.
-------------------------------	--

IRS Response	IRS agrees to implement TAS recommendation in part.
-------------------------	---

IRS Action	<p>On December 22, 2021, the IRS reissued Interim Guidance Memorandum Extension of Temporary Deviation on Offers in Compromise (OICs) Involving Delayed Processing of Individual Master File (IMF) & Business Master File (BMF) Tax Returns. The guidance states that if a Tax Year 2020 IMF or BMF return is not located, the offer will be processed. Our decision as to when this temporary deviation should end will be based on our determination that doing so is justified to promote the efficient and effective operation of the program.</p> <p>The Interim Guidance Memo described above expires on April 30, 2022. We will evaluate the need to extend this guidance further prior to its expiration.</p>
-----------------------	---

TAS Response	The National Taxpayer Advocate commends the IRS for extending the Interim Guidance Memo referenced above to September 30, 2022 by issuing Memo SBSE-05-0422-0025.
-------------------------	---

TAS Recommendation	[10-10] Allow IRS employees to freeze refunds while a taxpayer’s request for an OBR is under consideration.
-------------------------------	--

IRS Response	<p>The IRS disagrees with the TAS recommendation to allow IRS employees to freeze refunds while a taxpayer’s request for an Offset Bypass Refund (OBR) is under consideration.</p> <p>For original returns, an OBR must be issued before the posting date of the original return for which the overpayment was claimed. Current programming would release any refund freeze input by an assistor once the return posts, resulting in a release of the overpayment. As such, the recommendation is not viable and would provide no benefit to taxpayers.</p>
IRS Action	N/A
TAS Response	<p>The IRS is correct, as our Most Serious Problem narrative explains, that the timeframe within which OBRs can be obtained is short, and current programming does not allow the IRS to freeze refunds while it considers an OBR request. Additional programming would be needed to implement our recommendation; the IRS does not explain what impedes it from making this adjustment, especially where freezing the claimed refund would allow the taxpayer and the IRS more time to make a considered decision.</p>

TAS Recommendation	<p>[10-11] Make OBRs systemically available to taxpayers to the extent their allowable EITC claims exceed the current year’s tax liability where the taxpayer has only federal tax liabilities.</p>
IRS Response	<p>The IRS disagrees with the TAS recommendation to make Offset Bypass Refunds (OBR) systemically available to taxpayers to the extent their allowable Earned Income Tax Credit (EITC) claims exceed the current year’s tax liability where the taxpayer has only federal tax liabilities.</p> <p>Taxpayers receiving an EITC may prefer to apply any overpayment on a return to an existing Federal tax liability debt rather than receive a refund. Systemically bypassing an offset does not eliminate the debt owed and penalty and interest will continue to accrue, which could cause harm.</p>
IRS Action	N/A
TAS Response	<p>The IRS is correct that a taxpayer may prefer to apply an overpayment to an existing tax liability, but a taxpayer can opt to do so whether or not the IRS issues a refund. While interest and penalties continue to accrue on unpaid tax debts, the National Taxpayer Advocate believes that taxpayers are harmed more when they are deprived of the economic assistance Congress intended them to receive.</p>