

## Case Advocacy

### Introduction

Internal Revenue Code (IRC) § 7803 requires the National Taxpayer Advocate to report to Congress annually on the activities of the Office of the Taxpayer Advocate.<sup>1</sup> Fiscal year (FY) 2007 presented several challenges for TAS case advocacy. Case levels continued to rise, due in part to IRS activities as well as external factors (*e.g.*, new legislation, natural disasters, and the general economic environment). As Table 4.1 illustrates, the largest number of TAS cases (41.5 percent) are referred to us by the IRS business operating divisions (BODs).

**TABLE 4.1, FY 2007 TAS Case Intake By Volume And Percentage<sup>2</sup>**

How TAS Received Each Case	Servicewide	Servicewide
ASK TAS-1(A) <sup>3</sup>	532	0.2%
Correspondence (C)	34,800	14.0%
NTA Toll-Free (N) <sup>4</sup>	75,080	30.3%
Taxpayer Calls TAS (P)	16,464	6.6%
Referral from Function (R)	102,857	41.5%
Referred at Taxpayer Request (S)	4,185	1.7%
Walk-in (W)	4,142	1.7%
Congressional to Function (X)	500	0.2%
Congressional to TAS (Y)	9,279	3.7%
<b>Totals</b>	<b>247,839</b>	<b>100.0%</b>

In addition to working individual taxpayer issues, TAS continually examines taxpayer needs to ensure TAS awareness and accessibility. Changes to IRS policies and procedures continue to dramatically impact taxpayers' need for TAS intervention, thus causing a downstream impact on our workload. TAS continued to reach out to and assist taxpayers, including clarifying TAS acceptance criteria and offering a public interface through marketing and outreach campaigns.

<sup>1</sup> IRC § 7803(c)(2)(B)(ii).

<sup>2</sup> Taxpayer Advocate Management Information System (TAMIS) data, obtained from Business Performance Management System (BPMS) (Sept. 30, 2007).

<sup>3</sup> The ASK TAS-1 toll-free telephone number (1-877-275-8271) is printed on TAS marketing materials and publications used in outreach efforts directed at target markets. Calls coming in through this number are answered by TAS employees.

<sup>4</sup> The NTA toll-free telephone number (1-877-777-4778) is answered in six call sites, and is staffed by Wage and Investment Division (W&I) employees. The designated assistors answer calls, discuss the problem with the taxpayer, research IRS and TAS systems, and try to resolve the issue during the call while talking with the taxpayer. If the case can not be resolved and meets TAS criteria, a TAS case is added to TAMIS and immediately transferred to the appropriate office to be resolved.

### Case Criteria

TAS case acceptance criteria are designed to make certain TAS successfully fulfill its mission,<sup>5</sup> protect taxpayer rights, prevent burden, and ensure the equitable treatment of taxpayers. The case criteria fall into four main categories:

- Economic Burden;
- Systemic Burden;
- Best Interest of the Taxpayer; and
- Public Policy.

Table 4.2 provides a breakdown of TAS case receipts by criteria code.

**TABLE 4.2, TAS Case Acceptance Criteria Receipts<sup>6</sup>**

Economic Burden Case Receipts for FY 2007			
Criteria Code	Description	Number of Cases	Percentage of Cases
1	The taxpayer is experiencing economic harm or is about to suffer economic harm.	54,774	22.1%
2	The taxpayer is facing an immediate threat of adverse action.	17,698	7.1%
3	The taxpayer will incur significant costs if relief is not granted (including fees for professional representation).	7,108	2.9%
4	The taxpayer will suffer irreparable injury or long-term adverse impact if relief is not granted.	6,681	2.7%
<b>Total Economic Burden Case Receipts</b>		<b>86,261</b>	<b>34.8%</b>

Systemic Burden Case Receipts for FY 2007			
Criteria Code	Description	Number of Cases	Percentage of Cases
5	The taxpayer has experienced a delay of more than 30 days to resolve a tax account problem.	57,851	23.3%
6	The taxpayer has not received a response or resolution to their problem or inquiry by the date promised.	28,350	11.4%
7	A system or procedure has either failed to operate as intended, or failed to resolve the taxpayer's problem or dispute within the IRS.	75,034	30.3%
<b>Total Systemic Burden Case Receipts</b>		<b>161,235</b>	<b>65.1%</b>

Best Interest of the Taxpayer Case Receipts for FY 2007			
Criteria Code	Description	Number of Cases	Percentage of Cases
8	The manner in which the tax laws are being administered raises considerations of equity, or have impaired or will impair taxpayers' rights.	257	0.1%

<sup>5</sup> The TAS mission statement reads, "As an independent organization within the IRS, we help taxpayers resolve problems with the IRS and recommend changes to prevent the problems."

<sup>6</sup> TAMIS data obtained from BPMS (Sept. 30, 2007).

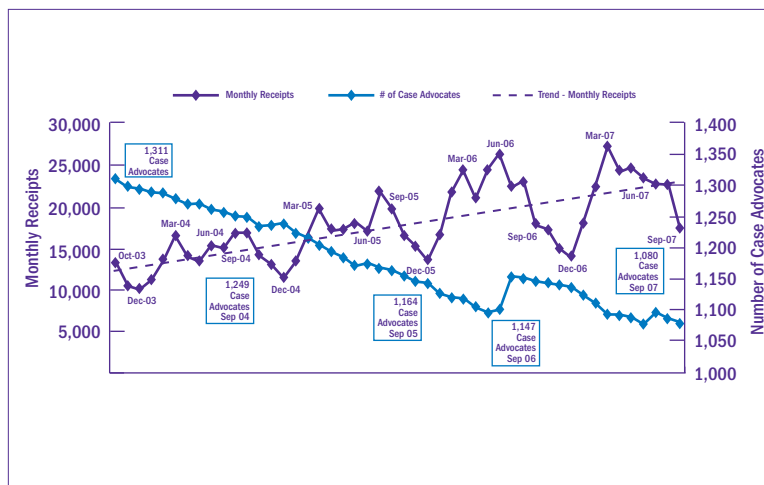
Case Advocacy

Public Policy Case Receipts for FY 2007			
Criteria Code	Description	Number of Cases	Percentage of Cases
9	The National Taxpayer Advocate determines compelling public policy warrants special assistance to an individual or group of taxpayers.	86	0.0%
<b>Total Case Receipts</b>		<b>247,839</b>	<b>100%</b>

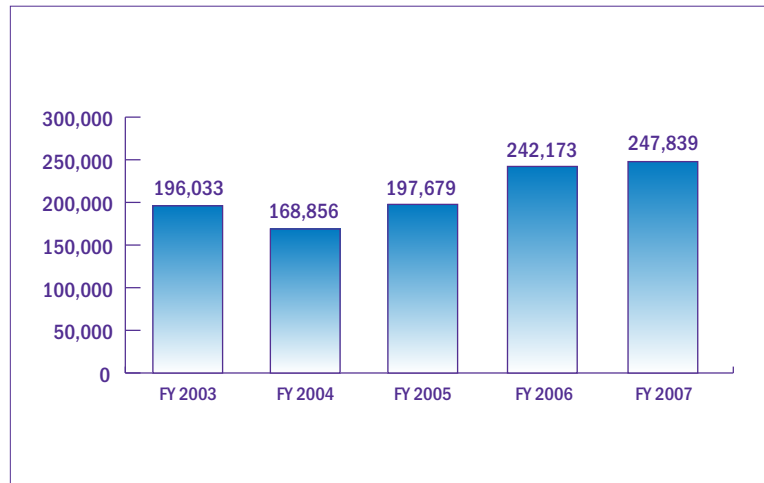
**Case Receipts**

TAS continues to experience an upward trend in receipts. Chart 4.3 below illustrates how receipts have risen since the beginning of FY 2004, while the number of case advocates needed to work these cases has steadily declined. TAS is conducting a major hiring initiative in FY 2008 and hopes to bring in an additional 240 case advocates.

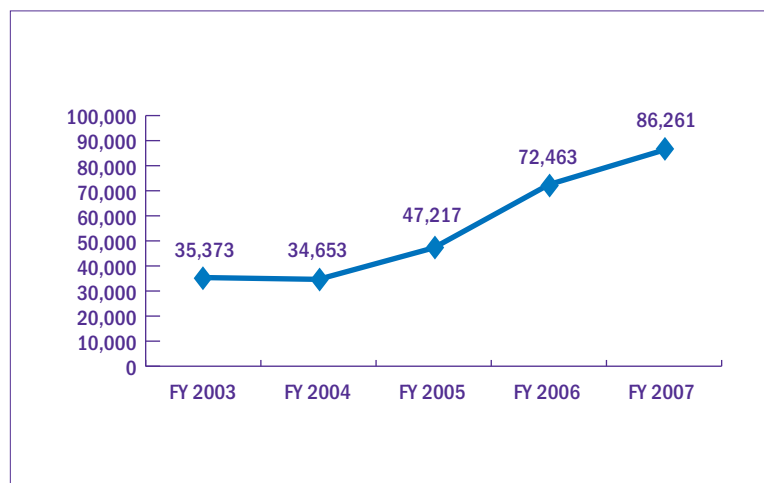
**CHART 4.3, Monthly TAS Case Receipts and the Number of Case Advocates from October 2003 to September 2007<sup>7</sup>**



<sup>7</sup> TAMIS receipts and number of Case Advocates obtained from BPMS (Sept.30, 2007).

**CHART 4.4, Total TAS Case Receipts<sup>8</sup>****Economic Burden**

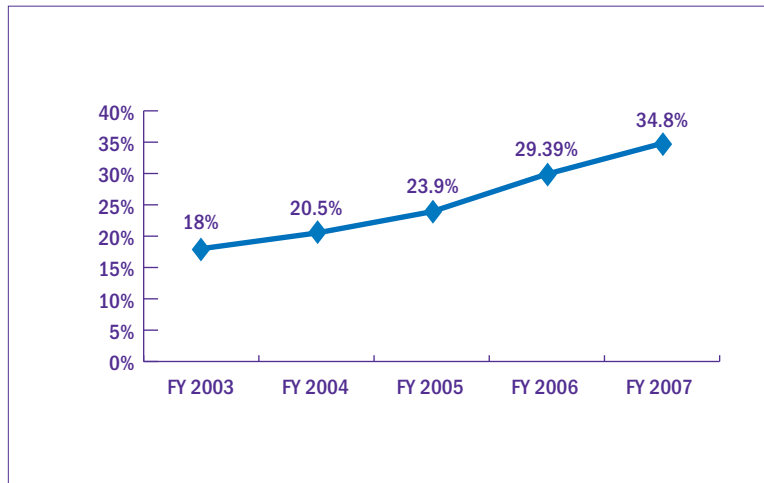
The percentage of economic burden case receipts has increased one and a half times over the last three fiscal years. TAS procedures require case advocates to respond immediately to the taxpayer's request for assistance in economic burden cases.<sup>9</sup> The trend of growing requests for relief from economic burden will likely persist as the IRS continues its enforcement initiatives.

**CHART 4.5, TAS Economic Burden Case Receipts<sup>10</sup>**

<sup>8</sup> TAMIS data obtained from BPMS (Sept. 30, 2007).

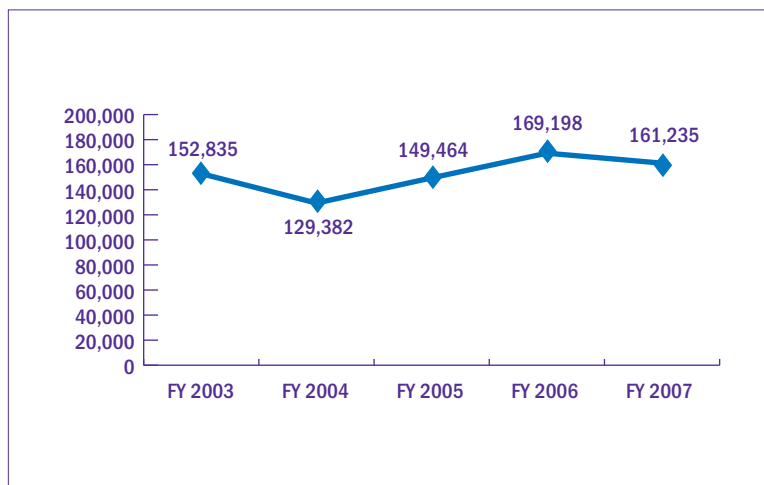
<sup>9</sup> IRM 13.1.18.3(1) (July 23, 2007) Initial contact with taxpayers involving economic burden (TAS Case Acceptance Criteria 1-4) must be initiated within three workdays of the date TAS receives the taxpayer's inquiry.

<sup>10</sup> TAMIS data obtained from BPMS (Sept. 30, 2007).

**CHART 4.6, TAS Economic Burden Receipts as a Percentage of Total Receipts<sup>11</sup>**

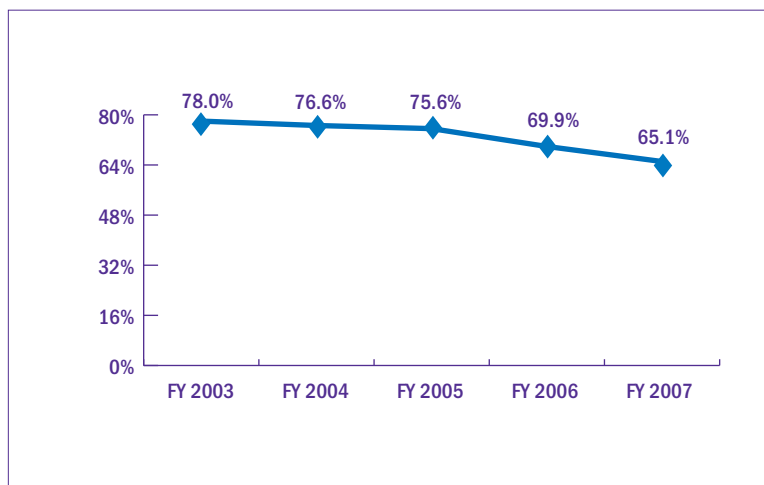
### Systemic Burden

The majority of taxpayers who contact TAS do so because they are experiencing a systemic burden caused by a process, procedure, or system within the IRS that either failed to operate as intended or failed to resolve the taxpayer's problem. As shown in Chart 4.7, the number of systemic burden cases decreased slightly in FY 07, after rising in two previous fiscal years.

**CHART 4.7, Systemic Burden Case Receipts<sup>12</sup>**

<sup>11</sup> TAMIS data obtained from BPMS (Sept. 30, 2007).

<sup>12</sup> *Id.*

**CHART 4.8, Systemic Burden Receipts As A Percentage Of Total Receipts<sup>13</sup>****Best Interest of the Taxpayer**

TAS accepts cases in situations where the manner in which the tax laws are being administered raises considerations of equity, has impaired, or will impair taxpayer rights. Acceptance of these cases ensures that taxpayers receive fair and equitable treatment, and protects their rights in situations where no other criterion applies. TAS received 257 cases in this category in FY 2007. The majority, 75 percent, related to IRS compliance and enforcement activities; for example, audits, criminal investigations, levies, liens, etc.<sup>14</sup> This percentage represents an increase from 67 percent in FY<sup>15</sup> 2006.<sup>16</sup>

**Public Policy**

TAS accepts cases under this category when the National Taxpayer Advocate determines compelling public policy warrants assistance to an individual or group of taxpayers due to the implementation of new tax programs or initiatives. TAS accepts cases under the Public Policy criterion only when the taxpayer's situation does not fall under any other case acceptance criteria. In FY 2006, the National Taxpayer Advocate designated cases related to the IRS's Private Debt Collection (PDC) initiative as warranting assistance under public policy. During FY 2007, TAS received 86 cases under this criterion.<sup>17</sup>

<sup>13</sup> TAMIS data obtained from BPMS (Sept. 30, 2007).

<sup>14</sup> *Id.*

<sup>15</sup> Criteria 8 was re-defined in January of 2006 as "the manner in which the tax laws are being administered raise considerations of equity, or have impaired or will impair the taxpayer's rights." Therefore, cases meeting this definition that were received in FY 2006 prior to January would not be included in the count of total Criteria 8 receipts.

<sup>16</sup> See National Taxpayer Advocate 2006 Annual Report to Congress 641.

<sup>17</sup> TAMIS data obtained from BPMS (Sept. 30, 2007).

### Sources of TAS Casework

TAS uses primary and secondary issue codes to identify and track issues that lead taxpayers to seek TAS assistance. These issues are often indicators of the downstream impact of IRS initiatives. Table 4.9 illustrates the top 15 issues taxpayers face when seeking TAS assistance. For example, TAS is experiencing a significant increase in Combined Annual Wage Reporting (CAWR)<sup>18</sup> and Federal Unemployment Tax Account (FUTA)<sup>19</sup> cases.

**TABLE 4.9, Top 15 Issues Received In TAS (FY 2007)<sup>20</sup>**

Rank	Description of Issue	FY 06 Cases	FY 07 Cases	% Change
1	Levies (including the Federal Payment Levy Program)	18,800	18,665	-0.72%
2	Processing Amended Returns	17,140	16,267	-5.09%
3	Earned Income Tax Credit (EITC) - Revenue Protection Strategy Claims	12,769	16,081	25.94%
4	Reconsideration of Substitute for Return under IRC § 6020(b) <sup>21</sup> and Audits <sup>22</sup>	10,005	12,331	23.25%
5	Criminal Investigation	21,395	11,846	-44.63%
6	Expedite Refund Request	10,070	9,627	-4.40%
7	Processing Original Returns	10,398	9,290	-10.66%
8	Automated Underreporter Examination Completed <sup>23</sup>	7,706	9,125	18.41%
9	Open Audit	6,934	8,729	25.89%
10	Injured Spouse Claim	11,599	8,295	-28.49%
11	Combined Annual Wage Reporting (CAWR) and Federal Unemployment Tax Account (FUTA)	4,223	7,123	68.67%
12	Copies of Returns, Transcripts of Accounts, Audit Reports, or Information Requested under the Freedom of Information Act	5,753	6,056	5.27%
13	Liens (including original filing, release, withdrawal, subordination, and discharge)	6,065	5,309	-12.46%
14	Refunds Returned to the IRS or Refunds That Were Stopped	2,856	5,117	79.17%
15	Failure to File (FTF) and Failure to Pay (FTP) Penalties	4,190	5,076	21.25%

<sup>18</sup> CAWR is a document-matching program that compares the federal income tax withheld, advance Earned Income Tax Credit (EITC), Medicare wages, Social Security wages, and Social Security tips reported to the IRS against that reported to the Social Security Administration (SSA).

<sup>19</sup> FUTA provides for cooperation between state and federal governments in the establishment and administration of unemployment insurance. Under this dual system, the employer is subject to a payroll tax levied by the federal and state governments. The FUTA Certification program is the method the IRS uses to verify with the states that the credit claimed on IRS forms was actually paid into the states' unemployment funds.

<sup>20</sup> TAMIS data obtained from BPMS (Sept. 30, 2007).

<sup>21</sup> IRC § 6020(b) provides: "If any person fails to make any return required by any internal revenue law or regulation made there under at the time prescribed therefore, or makes, willfully or otherwise, a false or fraudulent return, the Secretary shall make such return from his own knowledge and from such information as he can obtain through testimony or otherwise.

<sup>22</sup> Reconsideration of a tax assessment resulting from an IRS examination, or an income or employment tax return prepared by the IRS under IRC § 6020 (b)."

<sup>23</sup> The Automated Underreporter (AUR) program matches taxpayer income and deductions submitted by third parties against amounts reported on the individual income tax return. See Most Serious Problem, *Automated Underreporter*, *supra*.

## Trends In Case Advocacy

A variety of factors influence TAS workload volumes, including new IRS initiatives, changes in legislation or IRS practices, consolidation and centralization of IRS work processes, and increased IRS emphasis on compliance activities. The following issues illustrate the downstream effect of such activities on TAS receipts.

### Effect of the Delinquent Return Refund Hold Program on TAS Case Receipts

The Delinquent Return Refund Hold (RH) program delays issuing a taxpayer's refund while the IRS investigates why a return has not been filed. RH inventory begins when the IRS holds individual income tax refunds where a current year refund return is filed and the taxpayer's account has at least one unfiled return within the five years prior to the RH tax year.<sup>24</sup> In 2006, TAS reported a surge in case receipts<sup>25</sup> resulting from Taxpayer Delinquency Investigations (TDIs)<sup>26</sup> and Substitutes for Return (SFR) under IRC § 6020(b)<sup>27</sup> over the same timeframe in FY 2005. During FY 2005, TAS received 2,173 TDI/SFR cases, but in FY 2006, TAS received 5,083 TDI/SFR cases – an increase of 133 percent. Many of these cases involved taxpayers whose refunds the RH program was holding. The Wage and Investment (W&I) division, working with TAS, made improvements that led to the RH program freezing 116,705 fewer refunds through June of 2007 than for the same period in 2006.<sup>28</sup> For example, W&I did not freeze refunds for taxpayers with delinquent returns that would have resulted in either an overpayment or a zero balance due situation. Consequently, TAS received 1,102 fewer cases involving TDIs in FY 2007,<sup>29</sup> a decrease of 21.7 percent over FY 2006.

<sup>24</sup> IRM 25.12.1.1(1) (June 1, 2007).

<sup>25</sup> National Taxpayer Advocate 2006 Annual Report to Congress 643-645.

<sup>26</sup> TDIs help identify taxpayers who are required to file a return.

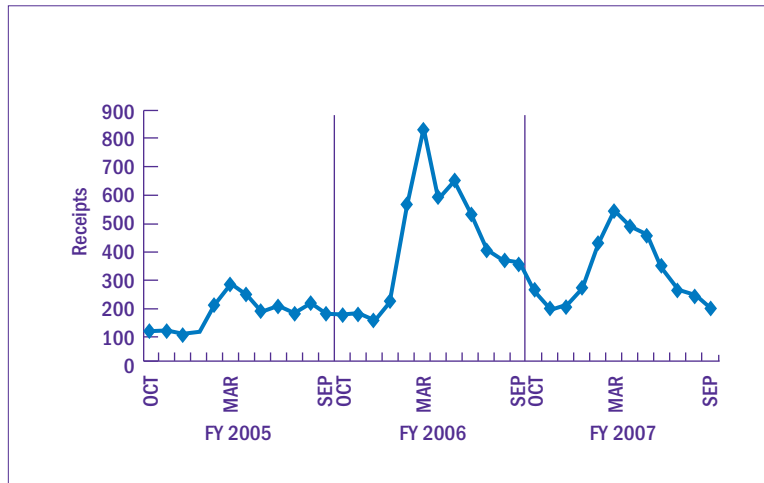
<sup>27</sup> IRC § 6020(b) provides: "If any person fails to make any return required by any internal revenue law or regulation made there under at the time prescribed therefore, or makes, willfully or otherwise, a false or fraudulent return, the Secretary shall make such return from his own knowledge and from such information as he can obtain through testimony or otherwise."

<sup>28</sup> Wage & Investment, *Business Performance Review* 26 (August 9, 2007).

<sup>29</sup> TAMIS data obtained from BPMS (Sept. 30, 2007).



**CHART 4.10, TAS Case Receipts Resulting from TDIs and SFRs Under IRC § 6020(B), FY 2005 – FY 2007<sup>30</sup>**



**Effect of Criminal Investigation Cases on TAS Case Receipts**

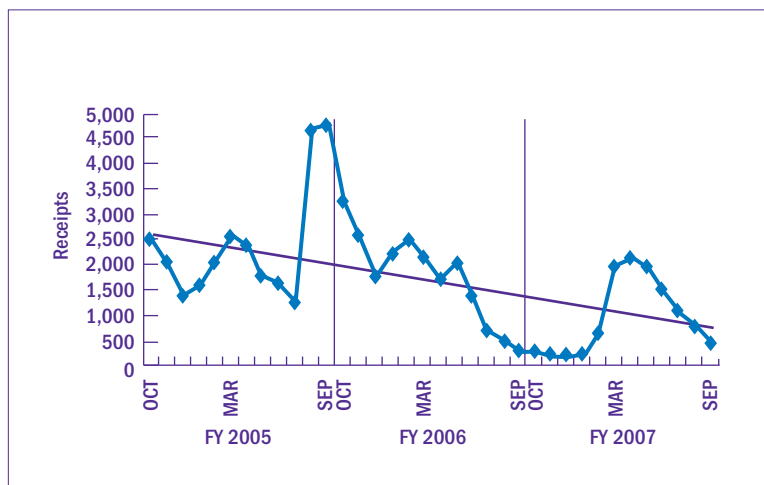
The IRS significantly changed its Questionable Refund Program (QRP) in response to the issues identified by the National Taxpayer Advocate in her 2005 Annual Report to Congress.<sup>31</sup> These changes led to a dramatic decrease in TAS cases related to the QRP in FY 2006 compared to FY 2005. The QRP freezes taxpayers’ refunds when the IRS Criminal Investigation (CI) Division makes a determination that the refund claim may be fraudulent. During FY 2007, TAS received 11,694 cases involving CI freezes, a decline of 42.9 percent from FY 2006, when TAS received 20,492 CI cases.<sup>32</sup> However, as discussed elsewhere in this report, the QRP still has structural problems that burden taxpayers and compromise effective tax administration.<sup>33</sup>

<sup>30</sup> TAMIS data obtained from BPMS (Sept. 30, 2007).

<sup>31</sup> National Taxpayer Advocate 2005 Annual Report to Congress 25-55.

<sup>32</sup> TAMIS data obtained from BPMS (Sept. 30, 2007).

<sup>33</sup> See Status Update, *Questionable Refund Program*, *supra*.

**CHART 4.11, TAS Criminal Investigation Case Receipts for FY 2005 – FY 2007<sup>34</sup>**

### Effect of the Combined Annual Wage Reporting (CAWR) Program and Federal Unemployment Tax Act (FUTA) Certification Program on TAS Case Receipts

In FY 2006 and FY 2007, the IRS consolidated the CAWR<sup>35</sup> and FUTA<sup>36</sup> programs at three campuses (processing centers), with the Cincinnati campus handling cases from taxpayers in 27 states. This large volume of receipts at one location created processing backlogs in the CAWR/FUTA program.<sup>37</sup> TAS saw the impact following the consolidation, as CAWR/FUTA receipts increased 68.7 percent over FY 2006.<sup>38</sup>

The majority of TAS CAWR/FUTA cases (88.4 percent) are categorized as systemic burdens (*i.e.*, delays of more than 30 days or no response or resolution by the date promised), a clear indication that the consolidated CAWR/FUTA units are unable to handle the workload with the current level of resources. After reviewing and forwarding the taxpayers' correspondence and supporting documentation to the IRS, TAS obtained relief for the taxpayers in 86.1 percent of these cases, compared to a 73.1 percent relief rate for all TAS cases.<sup>39</sup>

The IRS's Small Business/Self Employed (SB/SE) division reported that the CAWR backlog caused approximately 15,000 cases to be moved prematurely into Automated Collection System (ACS) inventory. This action subjected the taxpayers, who were waiting for the

<sup>34</sup> TAMIS data obtained from BPMS (Sept. 30, 2007).

<sup>35</sup> Combined Annual Wage Reporting (CAWR) is a document-matching program that compares the Federal Income Tax (FIT) withheld, advance Earned Income Tax Credit (EITC), Medicare wages, Social Security wages, and Social Security Tips reported to the IRS against that reported to the Social Security Administration (SSA).

<sup>36</sup> The Federal Unemployment Tax Act (FUTA) provides for cooperation between state and federal governments in the establishment and administration of unemployment insurance. Under this dual system, the employer is subject to a payroll tax levied by the federal and state governments. The FUTA Certification program is the method IRS uses to verify with the states that the credit claimed on IRS forms was actually paid into the states' unemployment funds.

<sup>37</sup> Small Business /Self Employed Division, *Business Performance Review 35* (August 13, 2007).

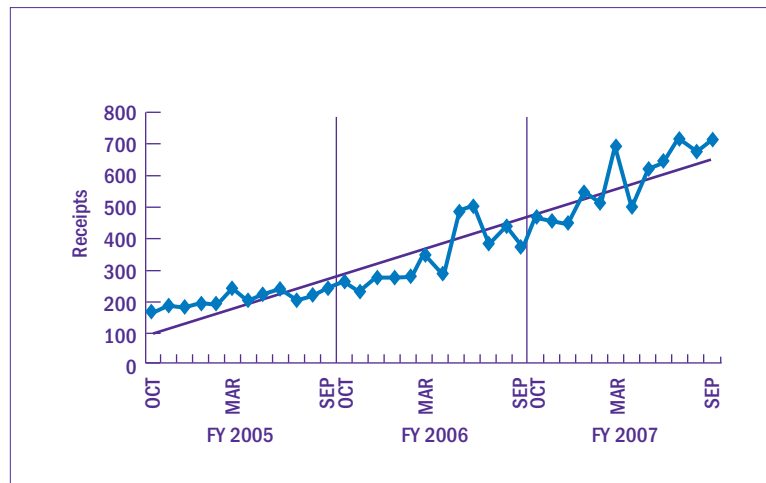
<sup>38</sup> TAMIS data obtained from BPMS (Sept. 30, 2007).

<sup>39</sup> *Id.*

IRS to respond to their correspondence, to levy action.<sup>40</sup> SB/SE worked to suspend collection activity on the impacted cases and continues to monitor CAWR inventory to prohibit inappropriate account transfers to ACS. SB/SE also reported it was working aggressively to reduce open CAWR and FUTA inventory and aged cases by the end of 2007.<sup>41</sup>

TAS identified several concerns with the CAWR programs and in March 2007 convened a task force comprised of representatives from SB/SE, the Large and Mid-Size Business (LMSB) division, and TAS to work these issues. TAS and SB/SE will continue to study the problems and will present their findings to the IRS Oversight Board.

**CHART 4.12, TAS CAWR/FUTA Receipts, FY 2005 – FY 2007<sup>42</sup>**



### Effect of the Individual Taxpayer Identification Number Application Processing Changes on TAS Case Receipts

The campus unit that processes Individual Taxpayer Identification Number (ITIN) applications was also impacted by IRS workload realignment. An ITIN is a tax processing number the IRS issues to individuals who are required to have a U.S. taxpayer identification number but who do not have, and are not eligible to obtain, a Social Security number (SSN). The IRS issues ITINs regardless of immigration status because both resident and non-resident aliens may have U.S. tax return and payment responsibilities under the Internal Revenue Code.<sup>43</sup> Individuals must have a filing requirement and file a valid federal tax return to receive an ITIN.

<sup>40</sup> Small Business /Self Employed Division, *Business Performance Review* 35 (August 13, 2007).

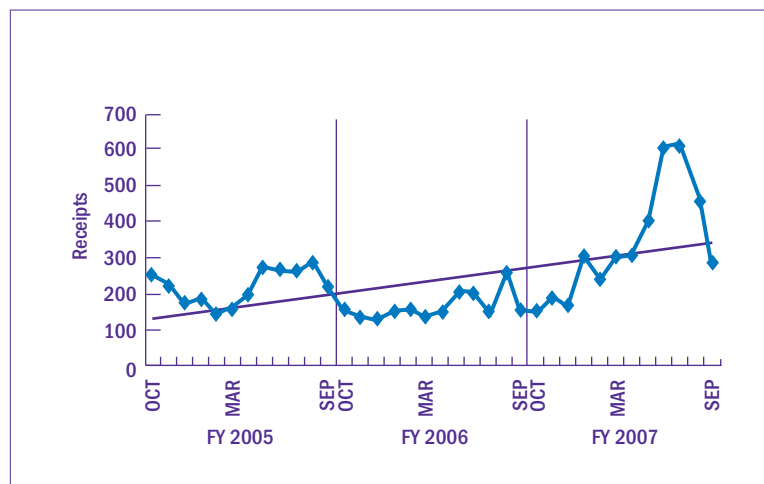
<sup>41</sup> *Id.*

<sup>42</sup> TAMIS data obtained from BPMS (Sept. 30, 2007).

<sup>43</sup> IRC §§ 6012 and 6109.

In July 2006, the IRS began to move its centralized ITIN processing operation from the Philadelphia campus to the Austin campus, which handled all applications received after January 1, 2007. The IRS also implemented a new system for ITIN processing (the ITIN Real-time System) in FY 2007 to improve customer service and processing cycle time. Programming problems with the new system created situations where assigned ITINs were not registering on the Integrated Data Retrieval System (IDRS).<sup>44</sup> These problems resulted in frozen refunds, disallowed dependents, and delays in return processing. TAS experienced a surge in ITIN-related case receipts after the conversion to the new system. During FY 2006, TAS received 1,958 cases involving Form W-7 ITIN Applications, but in FY 2007, TAS received 3,975 cases – an increase of 103.1 percent over FY 2006. The IRS resolved the programming problems and taxpayers should not be adversely impacted during the 2008 filing season.

**CHART 4.13, TAS ITIN Case Receipts, FY 2005 – FY 2007<sup>45</sup>**



#### Effect of Compliance Programs on TAS Case Receipts

Despite the decline in receipts involving CI freezes, TAS inventory continued to rise in FY 2007, with the largest increases impacted by growing IRS activity in key compliance initiatives. For example, both W&I and SB/SE reported increases in audit closures involving the Earned Income Tax Credit (EITC).<sup>46</sup>

<sup>44</sup> The Integrated Data Retrieval System (IDRS) manages data that has been retrieved from the tax Master File, allowing IRS employees to take specific actions on taxpayer account issues, track status, and post transaction updates back to the Master File.

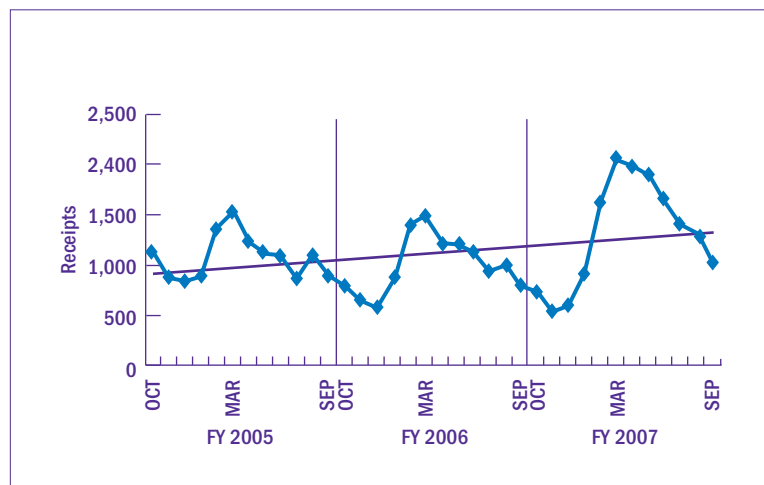
<sup>45</sup> TAMIS data obtained from BPMS (Sept. 30, 2007).

<sup>46</sup> The Earned Income Tax Credit (EITC), sometimes called the Earned Income Credit (EIC), is a refundable federal income tax credit for low-income working individuals and families. To qualify, taxpayers must meet certain requirements and file a tax return, even if they did not earn enough money to be obligated to file a tax return. When the EITC exceeds the amount of taxes owed, it results in a tax refund to those who claim and qualify for the credit.

**TABLE 4.14, EITC Audit Activity For W&I and SB/SE, Through June 30, FY 2006 and FY 2007**

		FY 2006 10/01/05 - 06/30/06	FY 2007 10/01/06 - 06/30/07	% Change
<b>SB/SE</b>	EITC Audit Closures	100,316	112,542	12.2% <sup>47</sup>
<b>W&amp;I</b>	EITC Returns Examined	246,960	250,005	1.2% <sup>48</sup>
<b>W&amp;I</b>	AUR Closures - EITC	196,832	260,584	32.4% <sup>49</sup>

TAS received 16,081 cases involving EITC issues in FY 2007 as compared to 12,769 receipts during FY 2006—an increase of 25.9 percent over FY 2006.<sup>50</sup>

**TABLE 4.15, TAS EITC Receipts, FY 2005 - FY 2007<sup>51</sup>**

Taxpayers who claim EITC are by definition low income, and as such are more likely to face economic burdens and need TAS assistance when the IRS examines or reduces their anticipated refunds.<sup>52</sup>

The IRS also reported increased activity in non-EITC correspondence examinations during FY 2007.<sup>53</sup>

<sup>47</sup> SB/SE, *Business Performance Review* 27-28 (August 13, 2007).

<sup>48</sup> W&I, *Business Performance Review* 30-32 (August 9, 2007).

<sup>49</sup> *Id.*

<sup>50</sup> TAMIS data obtained from BPMS (Sept. 30, 2007).

<sup>51</sup> *Id.*

<sup>52</sup> For tax year 2006, the EITC income thresholds ranged from \$12,120 for a single taxpayer with no qualifying children to \$38,348 for a married couple filing jointly with two or more qualifying children. IRS, *EITC Thresholds and Tax Law Updates*, at <http://www.irs.gov/individuals/article/0,,id=150513,00.html>.

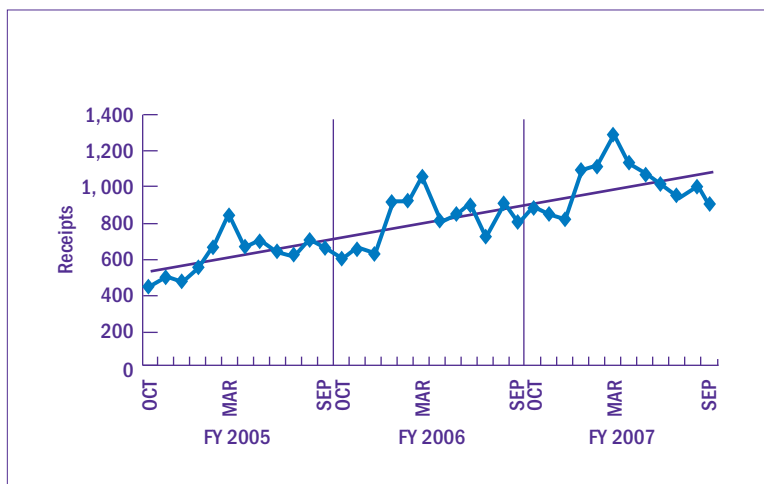
<sup>53</sup> SB/SE, *Business Performance Review* 28 (Aug. 13, 2007), W&I, *Business Performance Review* 30 (Aug. 9, 2007).

**TABLE 4.16, Closed Correspondence Examinations (Non-EITC) for W&I and SB/SE, Through June 30, FY 2006 and FY 2007**

		FY 2006 10/01/05 Through 06/30/06	FY 2007 10/01/06 Through 06/30/07	% Change
SB/SE	Total (Non-EITC) Closures	202,354	288,984	43% <sup>54</sup>
SB/SE	Reconsideration Closures <sup>55</sup>	40,857	68,467	68% <sup>56</sup>
W&I	Exam Non-EITC Audit Closures	137,299	186,542	36% <sup>57</sup>

TAS received 12,331 cases involving audit reconsiderations in FY 2007 as compared to 10,005 cases in FY 2006, an increase of 23.3 percent. Cases involving open audits also rose, as TAS received 8,729 cases in FY 2007 and 6,934 in FY 2006 – an increase of 25.9 percent.

**CHART 4.17, TAS Audit Reconsideration Receipts, FY 2005 – FY 2007<sup>58</sup>**



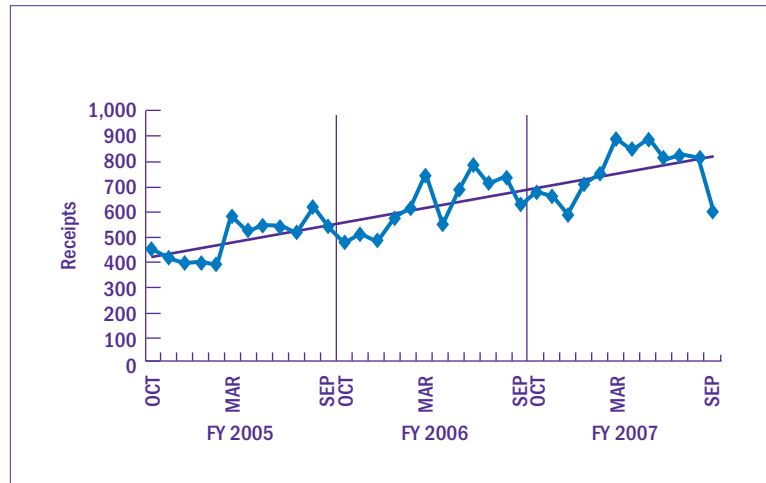
<sup>54</sup> SB/SE, *Business Performance Review 28* (Aug. 13, 2007).

<sup>55</sup> Reconsideration of a tax assessment resulting from an IRS examination, or an income or employment tax return prepared by the IRS under IRC § 6020(b). See Most Serious Problem, *Audit Reconsiderations*, *supra*.

<sup>56</sup> SB/SE, *Business Performance Review 28* (Aug. 13, 2007).

<sup>57</sup> W&I, *Business Performance Review 30* (August 9, 2007).

<sup>58</sup> TAMIS data obtained from BPMS (Sept. 30, 2007).

**CHART 4.18, TAS Open Audit Receipts, FY 2005 – FY 2007<sup>59</sup>**

W&I reported a 33 percent increase in Automated Substitute for Return (ASFR)<sup>60</sup> case closures for the first three quarters of FY 2007 as compared to the same period in FY 2006.<sup>61</sup> In addition, a 2005 W&I study of audit reconsiderations submitted for assessments made under the ASFR program noted that 61 percent of the requests for reconsideration were submitted by taxpayers more than 300 days after the required response date.<sup>62</sup> The triggering events that most often preceded the filing of requests for reconsiderations were refund holds and offsets, Automated Collection System (ACS)<sup>63</sup> activity, and enforced collection activity (*i.e.*, filing of a lien or issuance of a levy).

This data suggests that as IRS assessments under the SFR programs increase, requests for reconsideration can be expected to follow, with the majority of them coming more than 300 days after the assessment was made. The factors prompting taxpayers to file audit reconsideration requests coincide with some of TAS's case criteria: economic harm or an immediate threat of adverse action.

<sup>59</sup> TAMIS data obtained from BPMS (Sept. 30, 2007).

<sup>60</sup> The Automated Substitute For Return application facilitates case processing of taxpayers who do not voluntarily file returns timely (*i.e.*, are past the due date of the return).

<sup>61</sup> W&I, *Business Performance Review* 30 (August 9, 2007).

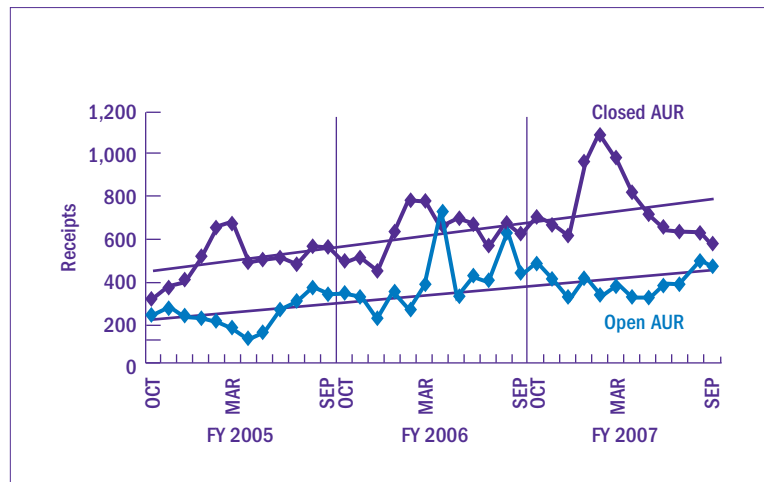
<sup>62</sup> W&I, *ASFR, Reconsideration Analysis Report* 5 (February 2005).

<sup>63</sup> Automated Collection System (ACS) controls Integrated Data Retrieval System (IDRS) balance due and non-filer cases requiring telephone contact for resolution. The system uses Automated Call Distributors (ACDs) to handle automated scheduling and follow-ups of incoming and outgoing calls, and generates levies and correspondence.

### Effect of the Automated Underreporter Program on TAS Case Receipts

The Automated Underreporter Program (AUR) program matches taxpayer income and deductions submitted by third parties against amounts reported on the individual income tax returns.<sup>64</sup> Impacted taxpayers may come to TAS while the examination is still open, or after the IRS has made an additional assessment to their accounts. TAS tracks cases involving AUR separately, depending on whether the AUR inquiry is open (additional assessment proposed, but not yet assessed) or closed (additional assessment has been made by AUR) at the time the taxpayer contacts TAS. TAS received 9,125 cases involving closed AUR issues in FY 2007 as compared to 7,706 in FY 2006, an increase of 18.4 percent. Receipts involving open AUR issues declined 1.6 percent from FY 2006, as TAS received 4,645 cases during FY 2007 and 4,718 in FY 2006.<sup>65</sup>

**CHART 4.19, TAS AUR Receipts, FY 2005 – FY 2007<sup>66</sup>**



<sup>64</sup> See Most Serious Problem, *Automated Underreporter*, *supra*.

<sup>65</sup> TAMIS data obtained from BPMS (Sept. 30, 2007).

<sup>66</sup> *Id.*



### Congressional Casework

TAS independently reviews all tax account inquiries sent to the IRS by members of Congress. TAS received 9,777 such inquiries in FY 2007, approximately ten percent fewer than in FY 2006.<sup>67</sup> Table 1.4.20 below highlights the top ten issues in congressional cases.

**TABLE 4.20, Top Ten Issues In Congressional Cases<sup>68</sup>**

Issue	Number
Levies (including the Federal Payment Levy Program)	944
Application for Exempt Status (Form 1023/1024)	511
Failure to File Penalty (FTF) / Failure to Pay Penalty (FTP)	444
Account/Notice Inquiry	370
Liens (including original filing, release, withdrawal, subordination, and discharge)	361
Reconsideration of Substitute for Return under IRC § 6020(b) <sup>69</sup> and Audits	361
Open Audit (Not Revenue Protection Strategy or Earned Income Tax Credit)	334
Other Collection Issues	323
Copies of Returns, Transcripts of Account, Audit Reports, Information Requests under the Freedom of Information Act (FOIA)	315
Automated Underreporter Examination in Process	313

<sup>67</sup> TAMIS data obtained from BPMS (Sept. 30, 2007).

<sup>68</sup> *Id.*

<sup>69</sup> IRC § 6020(b): If any person fails to make any return required by any internal revenue law or regulation made there under at the time prescribed therefore, or makes, willfully or otherwise, a false or fraudulent return, the Secretary shall make such return from his own knowledge and from such information as he can obtain through testimony or otherwise.

### Case Closures

In FY 2007, TAS closed 245,467 cases received in the 2007 fiscal year or prior years, providing full relief or partial relief to the taxpayer in 73.3 percent of these cases. The number of cases closed increased 4.6 percent over FY 2006, largely because of the similar overall growth (2.3 percent) in case receipts.<sup>70</sup> Table 4.21 shows the disposition of cases closed in FY 2007.

**TABLE 4.21, TAS Case Dispositions For FY 2007<sup>71</sup>**

Type of Relief	Number	%
<b>Relief Provided to Taxpayer</b>	<b>179,928</b>	<b>73.30%</b>
Full Relief	169,082	68.88%
Partial Relief	10,823	4.41%
TAO Issued - IRS Complied	17	0.01%
TAO Issued - IRS Appealed; TAO Sustained	6	0.00%
<b>No Relief Provided to Taxpayer</b>	<b>65,539</b>	<b>26.70%</b>
TAO Issued - IRS Appealed; TAO Rescinded	4	0.00%
No Relief (no response from taxpayer)	34,406	14.02%
Relief provided prior to Taxpayer Advocate Service intervention	12,995	5.29%
Relief not required (taxpayer rescinded request)	3,172	1.29%
No relief (hardship not validated)	637	0.26%
Relief not required (hardship not related to internal revenue laws)	1,164	0.47%
No relief (tax law precluded relief)	1,490	0.61%
Other	11,672	4.76%
<b>Total TAS Cases Closed</b>	<b>245,467</b>	<b>100.00%</b>
Total Taxpayer Assistance Orders (TAOs) Issued <sup>72</sup>	27	0.01%

<sup>70</sup> TAMIS data obtained from BPMS (Sept. 30, 2007).

<sup>71</sup> Of the 27 TAOs issued during FY 2007, 13 remained open at the end of the fiscal year. There were 12 TAOs issued in FY 2006 on cases that closed in FY 2007. Total TAO relief closures will not match TAOs issued.

<sup>72</sup> *Id.*

### Operations Assistance Requests (OARs)

TAS uses Operations Assistance Requests (OARs) to obtain assistance from an IRS BOD or function to complete an action when TAS does not have the statutory or delegated authority to take the action(s) required to resolve taxpayers' problems. Table 4.22 highlights the OARs issued and closed during FY 2007 and the average number of days it took the IRS to complete the OAR(s).

**TABLE 4.22, OAR Activity For FY 2007<sup>73</sup>**

Operating Division/Function	OARs Issued	OARs Rejected <sup>74</sup>	OARs Completed <sup>75</sup>	Average Age of Completed OARs (Days) <sup>76</sup>
Appeals	1,201	304	1,027	51.1
Criminal Investigation	10,970	582	10,198	18.8
Large/Mid-Size Business	92	14	101	47.7
Small Business/Self-Employed	88,608	13,062	75,693	17.9
Tax Exempt/Government Entities	1,143	114	1,065	33.6
Wage & Investment	94,847	10,944	84,447	17.7
<b>Total</b>	<b>196,861</b>	<b>25,020</b>	<b>172,531</b>	<b>31.1</b>

### Taxpayer Assistance Orders

IRC § 7811 authorizes the National Taxpayer Advocate to issue a Taxpayer Assistance Order (TAO) when a taxpayer is suffering or about to suffer a significant hardship as a result of the manner in which the tax laws are being administered. A TAO may be issued to direct the IRS to take an action, cease an action, or refrain from taking an action in a case.<sup>77</sup> A TAO may order the IRS to expedite consideration of a taxpayer's case, reconsider its determination in a case, or review the case at a higher level of the organization.

Upon receipt of a TAO, the responsible IRS official can either agree to take the action directed or appeal the order. TAS issued 27 TAOs during FY 2007, compared to 46 in FY 2006. The following table summarizes the issues:

<sup>73</sup> TAMIS data obtained from BPMS (Sept. 30, 2007).

<sup>74</sup> An OAR may be rejected for more than one reason. Examples include OARs routed to the wrong IRS function or location, incomplete OARs, OARs lacking sufficient documentation to support the recommended action, the recommended action is not clear, or the IRS disagrees with the recommended action.

<sup>75</sup> Completed OARs do not include OARs that were rejected, but may include OARs that were issued in a prior fiscal year.

<sup>76</sup> The Average Age is the number of days to complete an OAR divided by the number of OARs completed.

<sup>77</sup> The terms of a TAO may require the Secretary within a specified time period to release property of the taxpayer levied upon, or to cease any action, take any action as permitted by law, or refrain from taking any action, with respect to the taxpayer under chapter 6 (relating to collection), subchapter B of chapter 70 (relating to bankruptcy and receiverships), chapter 78 (relating to discovery of liability and enforcement of title), or any other provision of law which is specifically described by the National Taxpayer Advocate in such order.

**TABLE 4.23, Taxpayer Assistance Orders Issued in FY 2007<sup>78</sup>**

Issue Description	Number
Expedite Refund Request	1
Refund Statute Expiration Date	1
Processing Amended Returns	3
Injured Spouse Claim	1
Stolen Identity	1
Application for Tax Exempt Status	2
Open Audit	2
Request for Reconsideration of Audit/Substitute for Return or IRC § 6020(b) assessment	4
Other Exam	2
Levy	5
Unable to Pay - Currently Not Collectible	1
Offer in Compromise - Effective Tax Administration	2
Offer in Compromise - Appeals	2

The IRS complied with 17 TAOs issued. TAS rescinded four TAOs after negotiating further with the IRS to resolve the taxpayers' problems. Six TAOs remained open and were pending resolution at the end of FY 2007.

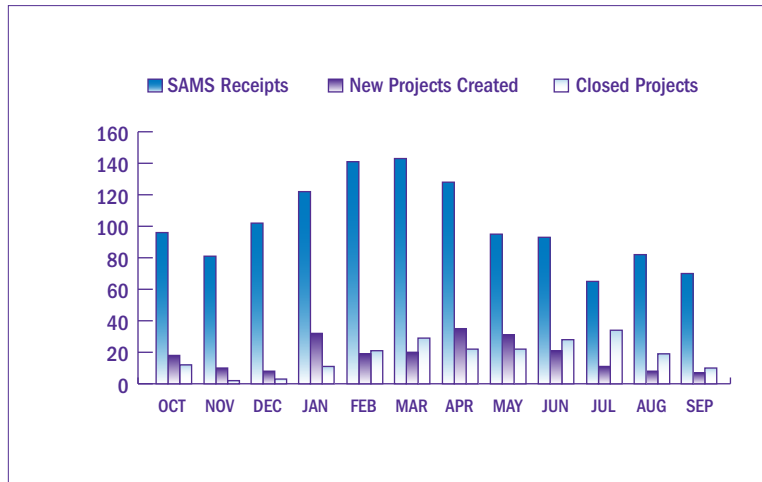
### Systemic Advocacy Receipts and Projects

The TAS Office of Systemic Advocacy receives, reviews, assigns, and tracks advocacy work through the Systemic Advocacy Management System (SAMS), a web-based application available to IRS employees and the public.<sup>79</sup> Systemic Advocacy employees review and evaluate all issue submissions and apply criteria that categorize and develop the issues into projects when appropriate, or assimilate new issues into existing projects.

Table 4.24 illustrates SAMS monthly issue receipts, new advocacy projects created from receipts, and closed projects for fiscal year 2007.

<sup>78</sup> TAO information is manually tracked by TAS National Headquarters staff.

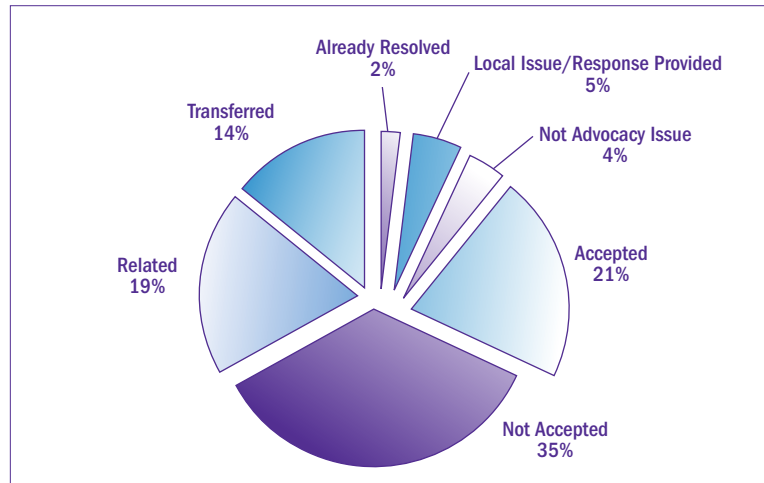
<sup>79</sup> SAMS is a database of advocacy issues submitted to TAS by IRS employees and the public, and the advocacy projects created from issues. The Internet version of SAMS is available through the Systemic Advocacy pages of the TAS website at <http://www.irs.gov/advocate>.

**TABLE 4.24, FY 2007 SAMS Receipts, New Projects, and Closed Projects**

From October 1, 2006 through September 30, 2007, Systemic Advocacy received 1,223 issues on SAMS, an increase of approximately one percent from the previous fiscal year. Most of the submissions came to TAS during and immediately after the filing season and during the summer months when TAS conducted most of its outreach. The public (taxpayers, academics, and tax professionals) submitted approximately 35 percent (425) of all systemic advocacy issues received, which represents a decrease of 13 percent from the number (487) submitted via the public Internet in fiscal year 2006. TAS and other IRS employees submitted the remaining issues directly into SAMS using the IRS intranet.

Advocacy issue submissions have increased in every fiscal year since Systemic Advocacy put SAMS online in FY 2003. Heightened awareness of Systemic Advocacy and SAMS, made possible by internal and external outreach, may be responsible for this growth.

Systemic Advocacy does not consider all submissions for development into projects. Some are individual taxpayer account issues, tax law or procedural questions, matters that have already been or are being resolved, or matters that relate to other federal agencies or state tax agencies. These issues are marked accordingly on SAMS, but are not elevated for project consideration. The following chart illustrates the disposition of FY 2007 issues by percentage.

**CHART 4.25, FY 2007 Closing Disposition of SAMS Receipts<sup>80</sup>**

Systemic Advocacy reviews all issue submissions using established criteria to prioritize inventory and develop advocacy projects. SAMS program managers first rank the issues, then forward their recommendations to the Directors of Immediate Interventions and Advocacy Projects for their concurrence. This three-tiered review enhances the likelihood that Systemic Advocacy is using its resources to work the most important projects. Even though most submissions do not become projects, Systemic Advocacy continually assesses all submissions to identify trends and gain a comprehensive understanding of problems.

<sup>80</sup> *Related* issues are those for which a project already exists or is under consideration. *Transferred* issues are sent to other TAS departments for consideration and resolution. This category includes taxpayer account issues or TAS casework policy issues. Issues marked as *Already Resolved* are those for which a procedural fix is in place or the National Taxpayer Advocate has already proposed a legislative recommendation. Issues for which a quick response can be given, directing the submitter to the answer to his or her question, are designated as *Response Provided*. Issues that are not systemic or lie outside the jurisdiction of TAS or the IRS are marked as *Not Advocacy Issue*.

During FY 2007, Systemic Advocacy developed approximately 19 percent of submissions into new projects.<sup>81</sup> Chart 4.26 illustrates the top categories of new projects, which account for 115 of the 232 total projects created in FY07. Systemic Advocacy closed 221 projects during this period.

**CHART 4.26, FY 2007 Top Systemic Advocacy Project Categories**

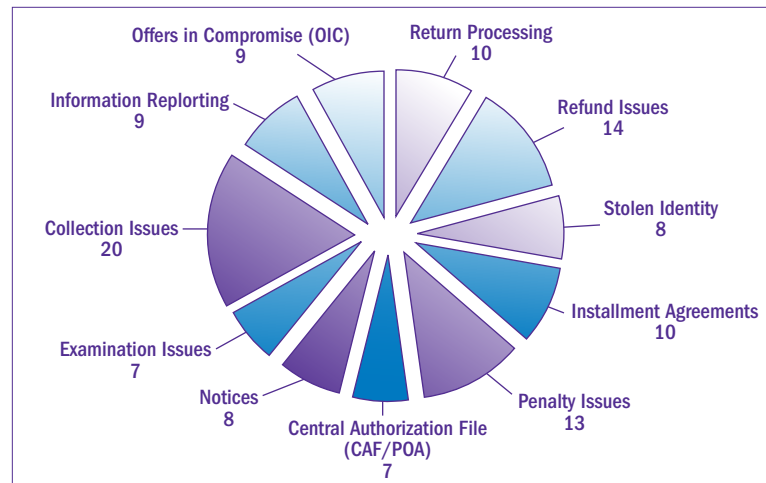


Table 4.27 outlines the Top 25 systemic issue topics in SAMS by Major Issue (MI) codes that correspond to tracking on TAMIS, the TAS database of individual taxpayer cases. Some of the advocacy issues do not directly match with TAMIS MI Codes because cases usually relate to problems with customer service or problems with taxpayer accounts. For example, no TAMIS MI code exactly matches the SAMS key word “Notices”, which usually deals with notice clarity. Systemic issues often address problems with tax law interpretation, lack of published guidance,<sup>82</sup> or difficulty (either by IRS or by taxpayers) in applying tax law.

<sup>81</sup> Some advocacy issues accepted in FY 2007 were not yet developed into projects by the end of the fiscal year resulting in the difference in percentage between issues accepted (21 percent) and projects created (19 percent).

<sup>82</sup> Published guidance includes Treasury Regulations, Revenue Rulings and Procedures, and Notices.

**TABLE 4.27, Top 25 Issues Received on SAMS in FY 2007**

Core Issue Code	Description	FY07 Advocacy Receipts
000-090	Refund Issues <sup>83</sup>	78
111	Notices	52
751	Installment Agreements	46
425	Stolen Identity	45
N/A	Case Processing	41
780	Offers in Compromise (OIC)	40
600	Examination Issues	37
500	Penalty Issues	37
310	Return Processing <sup>84</sup>	36
100	Service	36
N/A	Form or Publication Issue	33
200	Payments/Account Credits	33
390	Information Reporting	31
700	Collection Issues	27
190	Employment Tax Issues	26
450	ITIN (Form W-7)	25
N/A	Navigating the IRS	25
N/A	Central Authorization File (CAF/POA)	23
720	Lien	23
150	Copies of Tax Returns/ Transcripts	22
710	Levy	21
N/A	Free Filing	21
390	Extension to File	16
N/A	Credits (Tax)	16
675	Combined Annual Wage Reporting (CAWR/FUTA)	14

Five of the top ten advocacy issues from fiscal year 2006 remain in the top ten this year, including Refund Issues, Notices, Case Processing, Examination Issues, and Service. Forms and Publications and Collection Issues dropped from the top ten, but remain frequently reported issues at 11<sup>th</sup> and 14<sup>th</sup> respectively.

<sup>83</sup> All refund issue key words were consolidated and include refund freezes, offsets, and direct deposits. "Refund Issues" also includes lost or stolen refunds, erroneous refunds, and issues pertaining to the Refund Statute Expiration Date (RSED) or statute of limitations.

<sup>84</sup> Key words "Return Processing" and "Original Return" were combined to create one issue referring to the processing of original tax returns.



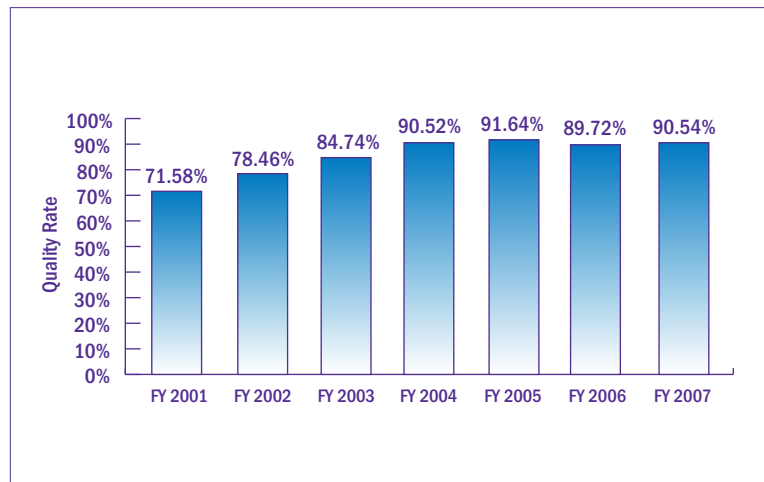
## TAS Quality Standards And Measurements

### TAS Closed Case Quality

Since its inception, TAS has measured the quality of the assistance it provides to taxpayers. This measure generally includes accuracy, timeliness of actions, and communications.<sup>85</sup> TAS case quality results increased from 71.6 percent in FY 2001 to 91.6 percent in FY 2005. In FY 2006, the cumulative case quality rate remained high at 89.7 percent, but fell below the goal of 91.5 percent.

As shown in Chart 4.28, TAS achieved a 90.5 percent case quality rate for FY 2007. This figure represents an increase from FY 2006, and is just below the FY 2007 goal of 91 percent.

**CHART 4.28, TAS Case Quality – FY 2001 Through 2007**



Rising case receipts, the growing complexity of case issues, and reduced staffing have all made TAS's drive for continuous quality improvement more challenging. TAS is enhancing inventory management, improving the OAR/TAO process, and completing attrition hiring in critical locations to meet this challenge.

<sup>85</sup> TAS Quality Standards are:

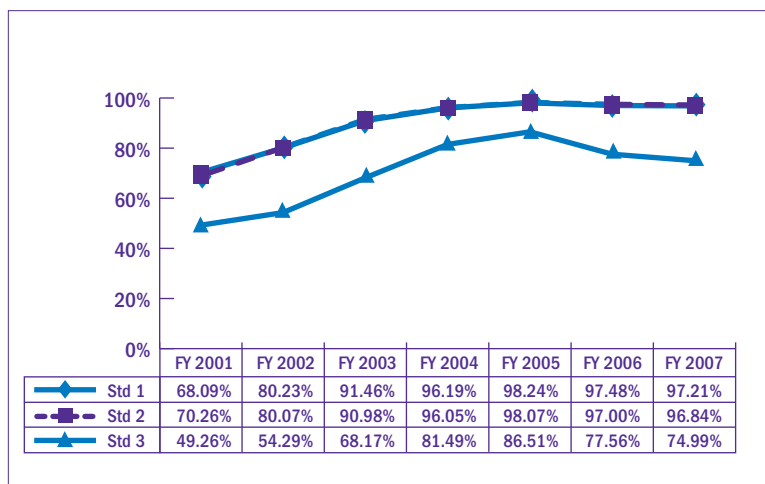
1. Did TAS make timely contact with the taxpayer?
2. Did TAS take initial action/request information within the specified time frame?
3. Did TAS take all subsequent actions timely from the time action could have been taken?
4. Did TAS resolve all taxpayer issues?
5. Did TAS address all related issues?
6. Were all actions taken by TAS and the IRS operations/functional divisions technically and procedurally correct?
7. Did TAS give the taxpayer a clear, complete, correct explanation at closing?
8. Did TAS educate the taxpayer regarding any of his/her actions that contributed to the problem?

TAS has experienced steady attrition among the case advocates who handle taxpayer inquiries, with the number of advocates falling from 1,345 to 1,080 between FY 2002 and September 2007. TAS is planning on hiring 240 case advocates in FY 2008. Because of this and future hiring initiatives, TAS expects an improved operating environment in FY 2008 and FY 2009.

From FY 2004 through FY 2007, case receipts rose 47 percent and open inventory increased by 63 percent. At the same time, TAS experienced an 18 percent decrease in the number of case advocates available to work those cases and average inventory per case advocate rose from 23.6 to 46.8 cases.

A major focus of TAS's quality system is taking timely actions as measured by quality standards one through three, shown in Chart 4.29 below. TAS continues to perform strongly in initial contact and taking timely initial actions (standards one and two, respectively). Performance has declined in quality standard three, timely subsequent actions, with TAS scoring 75 percent in FY 2007 compared to 77.6 percent a year earlier.

**CHART 4.29, TAS Quality Timeliness Standards<sup>86</sup>**



**New Case Quality Standards**

Efforts are underway to redesign and enhance TAS's quality measurement standards, which do not address all the changes in casework and processing that have occurred since TAS began work in 2000. TAS leadership has asked all employees for recommendations regarding the future quality standards and is currently reviewing these comments.

<sup>86</sup> There are three case quality timeliness standards – Standard 1: Timely initial contact; Standard 2: Timely initial actions; and Standard 3: Timely subsequent actions

### TAS Systemic Advocacy Product Quality

In October 2006, TAS began evaluating the quality of closed Intermediate Interventions and Advocacy Projects through monthly reviews that assess 20 specific attributes for timeliness, accuracy, and communication.<sup>87</sup> These attributes include such items as timely issuance of a comprehensive action plan and project charter, appropriate proposed resolution, and outreach or education if required. The information from the FY 2007 baseline year will serve to develop FY 2008 goals and improve systemic advocacy work.

As shown in the following chart, the cumulative quality rate for Systemic Advocacy is increasing. The quality rate for the first quarter of the fiscal year was 51.3 percent. The upward trend continued throughout the year. The FY 2007 cumulative quality rate was 66.4 percent.

<sup>87</sup> The quality attributes are:

#### Timeliness

- T1. Did SA analyst contact the submitter in a timely manner?
- T2. Did SA analyst make all subsequent contacts to the submitter in a timely manner?
- T3. Was the initial action plan issued timely?
- T4. Were the due dates met or updated?
- T5. Were closing letter and executive summary e-mailed to the manager in a timely manner?
- T6. Were all substantive actions taken on the project in such a way to progressively move it toward resolution?

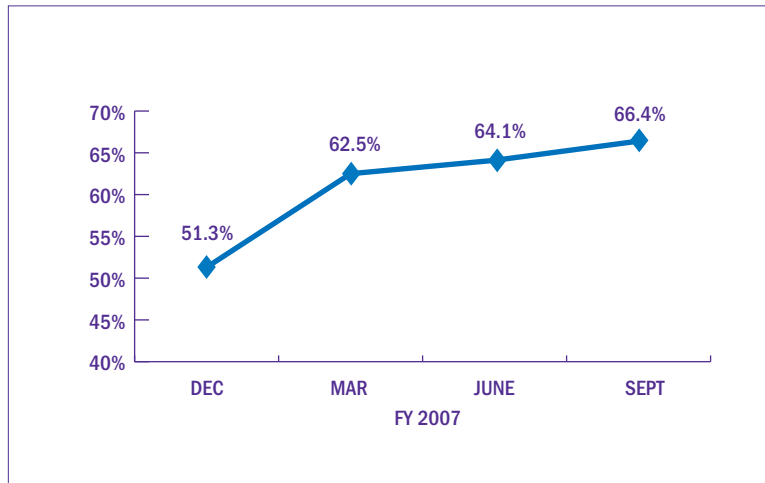
#### Accuracy

- A1. Was the issue behind this project systemic and was a project properly created?
- A2. Does the action plan contain all required information?
- A3. Was the scope of the project appropriate based on the issue submitted?
- A4. Was the project charter complete?
- A5. Was managerial concurrence of the action plan noted?
- A6. Was the proposed remedy appropriate?
- A7. Were project completion requirements followed?
- A8. Does data analysis support the conclusion?
- A9. Were tax laws and IRM/IRS procedures correctly applied and interpreted?
- A10. Were all related issues correctly addressed?

#### Communication

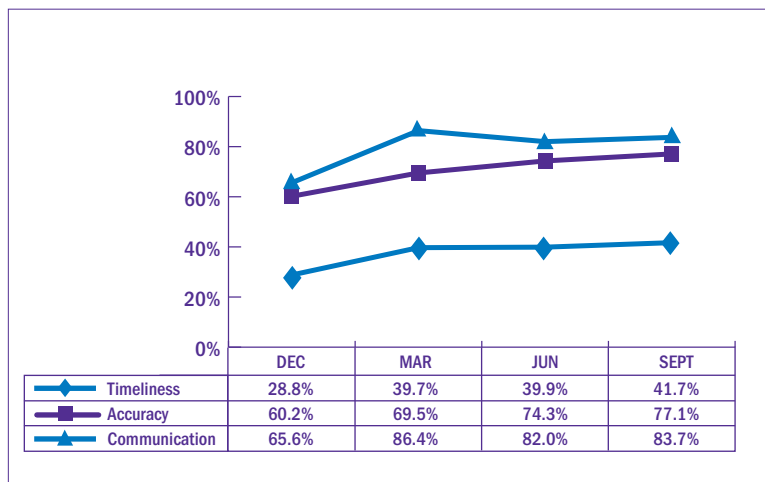
- C1. Were substantive updates provided to the submitter on the initial contact and on all subsequent contacts?
- C2. Was there contact and coordination with the appropriate internal and external stakeholders as required by the project?
- C3. Did written communications follow the IRS Correspondence Manual and were they grammatically correct?
- C4. If the project requires outreach or education, were the appropriate actions taken?

**CHART 4.30, Systemic Advocacy Quality - FY 2007**



The quality rate for each of the three broad categories of Timeliness, Accuracy, and Communication within Systemic Advocacy has improved significantly since the review began in October 2006. The following chart shows the quality rates for the three categories based on the ending month of the quarter. The Accuracy and Communication attributes started with quality rates in the 60 percent range, but improved throughout the fiscal year to end with a 77.1 percent rate for Accuracy and an 83.7 percent rate for Communication. The Timeliness measurements have the greatest potential for improvement with a September FY 2007 rate of 41.7 percent.

**CHART 4.31, Systemic Advocacy Quality Rate By Category - FY 2007**



## Low Income Taxpayer Clinics (LITC)

The Low Income Taxpayer Clinic (LITC) grant program is now in its tenth year of operation (for fiscal year 2008). IRC § 7526 authorizes the program to award matching grant funds of up to \$100,000 per year to qualifying organizations that represent low income taxpayers involved in controversies with the IRS, and to organizations that provide education and outreach on the taxpayer rights and responsibilities of individuals who speak English as a second language (ESL). Clinics must provide services for free or for no more than a nominal fee. The organizations may be:

1. A clinical program at an accredited law, business or accounting school in which students represent low income taxpayers in controversies with the IRS; or
2. An organization described in IRC § 501(c) and exempt from tax under IRC § 501(a).

LITCs reduce taxpayer uncertainty and errors by clarifying tax law responsibilities and representing low income taxpayers who cannot afford to pay for assistance in meeting their tax obligations. The LITCs provide the help that low income taxpayers need, while ensuring their rights are protected and preserved. Through outreach and ESL educational efforts, the LITCs also offer effective communication to low income taxpayers and education to the underserved ESL population.

### LITC Grant Awards

When awarding LITC grants for 2007, the National Taxpayer Advocate wanted to ensure that each state, the District of Columbia, Puerto Rico, and Guam had a clinic. The LITC Program Office received 195 applications and awarded almost \$8 million in grants to 155 non-profit organizations and accredited academic institutions.

Since no applications had been received from Colorado, TAS announced a 2007 supplemental application period focused on that state. After contacting congressional offices, accredited law schools, business schools and other § 501 (c) organizations, the LITC Program Office identified several qualifying organizations and TAS awarded funding to two clinics in Colorado. With the supplemental application period completed, TAS accomplished its FY 2007 goal of maintaining at least one clinic in every state

TAS continues to market the LITC Program in states that are still underserved by LITCs to identify organizations that may be interested in operating clinics. As part of this effort, the LITC Program Office continues to visit the offices of members of Congress whose districts are underrepresented by clinics. Local Taxpayer Advocates (LTAs) in these states also identify organizations that may be interested in operating an LITC Program.

TAS is also working to address concerns raised by clinics and by the Treasury Inspector General for Tax Administration (TIGTA), and continues to improve the administration and oversight of the program. Specifically, TAS has:

- Clarified the program standards and guidelines to make them easier for applicants to understand and eliminated requests for duplicate information, thereby streamlining the application process;
- Emphasized the importance of face-to-face contact as the primary means of educating taxpayers, while still recognizing the value of using pamphlets, brochures, and other advertisements so long as those outreach efforts include substantive information; and
- Incorporated the Tax Information Authorization form to help the Program Office identify whether each applicant is in compliance with all federal tax obligations.

For the 2008 grant cycle, TAS revised Publication 3319, Low Income Taxpayer Clinic Grant Application Package. The improvements include:

- Clarifying the definition of an educational outreach program;
- Clarifying the circumstances in which a clinic may engage in lobbying activities;
- Clarifying how a clinic should handle media requests to interview clients; and
- Providing guidance in the Interim and Annual reports allowing a clinic to describe any additional activities through which it contributed to the community or improved services for low income and ESL taxpayers.

TAS remains committed to achieving maximum access to representation for low income taxpayers under the terms of the grant program. In awarding 2008 LITC grants, TAS will continue to work towards the following program goals:

- Ensuring that each state (plus the District of Columbia, Puerto Rico, and Guam) continues to be served by at least one clinic;
- Expanding coverage in states that do not have both controversy representation and ESL education and outreach; and
- Ensuring grant recipients demonstrate that they are serving the geographic areas and populations that are eligible for and require LITC services.

#### LITC Grant Awards

TAS periodically performs on-site assistance visits to selected LITCs to ensure they fulfill their obligations. Each new clinic can expect to receive a visit during its first year of operation. TAS has developed a weighted criteria list to help identify which returning and continuing clinics should be visited each year and will implement the criteria in 2008. The list includes information taken from interim and annual reports, Local Taxpayer Advocate observations, timeliness of revised program plans and budgets, and other criteria. During calendar year 2007:

- Each new clinic funded in 2007 received an on-site assistance visit from the LITC Program Office;

- Almost every clinic funded in 2007 was visited by the LTA in the state where the clinic is based; and
- The LITC Program Office completed in-depth on-site assistance visits to at least 25 percent of the clinics funded in 2007.

Altogether, the LITC Program Office completed 66 in-depth on-site assistance visits in 2007.

### Annual LITC Conference

TAS held the 2007 Annual LITC Conference in December 2006. All 155 organizations granted funds in 2007 participated, including the 18 newly selected organizations, and had 257 total participants in attendance. The conference enables TAS to educate clinics about clinic operating guidelines, as well as substantive tax administration issues affecting low income taxpayers, and allows experienced clinics to share best practices with newer ones. The agenda included technical tax topics on problems faced by low income and ESL taxpayers in areas such as:

- Representing the disabled taxpayer;
- Private Debt Collection;
- Resolving Identity Theft cases; and
- Changes to Collection Alternatives.

In separate plenary sessions, TAS emphasized the value and importance of developing a relationship with the U.S. Tax Court and provided information about the Questionable Refund Program (QRP).<sup>88</sup> The National Taxpayer Advocate, IRS operating division executives, and Director of the LITC Program Office delivered key addresses to the 257 conference participants.

### Compliance Reviews

TAS has established procedures to check for federal tax compliance before awarding LITC grants. Prior to awarding the 2007 LITC grants, TAS verified that each grantee was compliant with all federal tax obligations. TAS conducted follow up compliance checks during the 2007 grant cycle. TAS works closely with the Office of Chief Counsel to develop formal procedures so that no unauthorized disclosure of return information occurs when TAS needs to contact a clinic regarding noncompliance. This procedure includes the development of a Tax Information Authorization form that allows each clinic to designate an authorized official whom TAS can contact to discuss noncompliance with federal tax issues.

<sup>88</sup> See Status Update, *Questionable Refund Program*, *supra*.

### Performance Measures

TAS is establishing goals and performance measures for the LITC Program to assist Congress and the IRS in evaluating the success of the program. TAS will communicate the general expectations to prospective clinics during the application process and reinforce the measures to grant recipients at the Annual LITC Conference and during site assistance visits.

The LITC Program Office will work with the LITCs to capture statistical and anecdotal information about LITC casework and outreach activities. TAS has developed a new form that each clinic must submit with its interim and annual reports that will assist in consistently reporting the number and types of cases worked and taxpayers served throughout the year. The new form will also facilitate the recording of this information on the LITC database.

### LITC Communication

The LITC Program Office has publicized the awarding of the grants for the 2007 calendar year through an IRS press release that was carried by major news outlets and local papers. The offices began publicizing the open grant application in mid-May via another press release, articles in an IRS publication geared for practitioners, and on the IRS website. In addition, the LITC Office is aggressively using local media in select cities that are underrepresented by clinics.

TAS is also establishing an LITC website at IRS.gov where the Program Office can share important events with the LITCs, best practices, frequently asked questions, and examples of brochures, customer satisfaction surveys, and other clinic items. The site should be operational in early 2008.

### Taxpayer Advocacy Panel: Town Hall Meetings

The National Taxpayer Advocate partnered with the Taxpayer Advocacy Panel (TAP) again in 2007 to afford taxpayers an opportunity to voice concerns and make suggestions to improve taxpayer service and satisfaction. The TAP hosted a series of Town Hall meetings in a forum environment that allowed attendees to focus on customer service needs and how the IRS should address them. The objectives of the meetings were to:

- Conduct outreach for TAP and educate citizens on the value of advisory committees;
- Gather timely suggestions for changes based on current and future customer service needs;
- Solicit potential grassroots issues based on products that could be improved; and
- Validate the current overall level of taxpayer satisfaction.



The Town Halls took place in three cities elected to draw maximum participant turnout and diversity of the taxpayer population. Locations were selected based on scheduled TAP member meetings, taxpayer ease of access and public facilities frequented by all citizens. Locations for the events were:

**TABLE 4.32, TAP Town Hall Meetings 2007**

City	Location	Date	Attendance
Brooklyn, NY	Borough Hall	March 6, 2007	40
Omaha, NE	University of Nebraska-Omaha	March 22, 2007	80
Phoenix, AZ	University of Arizona	March 29, 2007	75

The meetings gave taxpayers an opportunity to engage in conversation with the National Taxpayer Advocate and TAP members on a variety of tax issues that impact their lives. Meetings included introductions of TAP members, an overview of the program, recruitment, and success stories. The National Taxpayer Advocate served as the keynote speaker, explaining the role of the Advocate and the office. Participants then were asked questions concerning service, their level of satisfaction, and how to improve service. After the session, attendees were invited to participate in focus groups hosted by TAP members to solicit potential grassroots issues that the panel could explore and present to the IRS.

With this being the second year of the TAP Town Halls, feedback and attendance were varied, but the response from attendees was consistent: the IRS should remain true to the focus of providing quality customer service and making improvements in a variety of areas. Participants value the time afforded them to have a dialogue with the National Taxpayer Advocate on issues that impact them. TAP members feel these meetings have been an excellent venue to perform outreach and solicit issues and the National Taxpayer Advocate has committed to making Town Halls a priority so that taxpayers' voices can be heard and action taken.

### **TAP Taxpayer Assistance Center Survey**

In January 2006, the Taxpayer Assistance Center (TAC) Issue Committee was established to assess customer service as viewed by TAC customers and employees. This venture was supported by W&I executives, the National Taxpayer Advocate, and the acting Commissioner of Internal Revenue. As a result of the partnership, two surveys were administered during the winter and early spring of 2007 to obtain the views of taxpayers who use TACs and the employees who serve them.

The customer survey was administered to over 1,100 taxpayers nationwide, while the employee survey was given online to all Field Assistance employees. TAP members asked customers who were exiting TACs about their views of services that TACs provide and

whether impediments to the services existed. Employees were asked similar questions to determine if there was a correlation between the respondents.

While obstacles have been encountered in the administration and delivery of the results of the initial survey, it is deemed by all to be the tip of the iceberg in determining the future structure and service offerings for TACs. The TAC Issue Committee presented its report to TAP members and executives at the TAP Annual Meeting in December 2007.<sup>89</sup>

<sup>89</sup> The TAC Issue Committee findings will be posted in 2008 on the TAP website at <http://www.improveirs.org>. For more information about TAC issues, see Most Serious Problem, *Service at Taxpayer Assistance Centers*, *supra*.