



Highlights of [GAO-03-486](#), a report to Chairman and Ranking Member of the Senate Committee on Finance

## TAX ADMINISTRATION

# IRS Should Reassess the Level of Resources for Testing Forms and Instructions

### Why GAO Did This Study

Taxpayers rated the Internal Revenue Service's (IRS) ability to provide clear and easy-to-use forms and instructions among the lowest of 27 indicators of service in 1993. Due to continuing concerns about unclear forms and instructions, GAO was asked to determine

- whether and how often IRS tests the clarity of new and revised individual income tax forms and instructions;
- the benefits, if any, of testing forms and instructions for clarity prior to their use; and
- whether any factors limit IRS's ability to do more tests and if so, how they can be addressed.

### What GAO Recommends

This report makes a series of recommendations that, if fully implemented, would improve IRS's annual process for creating and revising individual income tax forms and instructions by helping to ensure that its scarce testing resources are consistently applied to the highest priorities, impediments to testing are lessened, and appropriate information is developed so IRS management can better ensure that adequate resources are available to support testing in view of the potential benefits to taxpayers and IRS.

IRS agreed with our recommendations and plans to implement all but one of them in time for the 2004 forms development cycle.

[www.gao.gov/cgi-bin/getrpt?GAO-03-486](http://www.gao.gov/cgi-bin/getrpt?GAO-03-486).

To view the full report, including the scope and methodology, click on the link above. For more information, contact Michael Brostek at (202) 512-9110 or [brostekm@gao.gov](mailto:brostekm@gao.gov).

### What GAO Found

IRS used taxpayers and its employees to test revisions to five individual income tax forms and instructions from July 1997 through June 2002. According to IRS officials, they revised about 450 tax forms and instructions in 2001, many of which were for individual income tax returns.

Testing forms and instructions can help ensure their clarity and thereby benefit taxpayers and IRS by, for instance, reducing taxpayers' time to understand and complete tax forms, reducing calls to IRS for assistance, and reducing taxpayer errors. Due to similar benefits, federal agencies we contacted that routinely collect information from the public test their questionnaires. Quantifying benefits due to testing is difficult, but IRS's experience in revising and testing Earned Income Credit and Child Tax Credit forms and instructions suggests that benefits of testing in some cases can considerably exceed the cost of testing. If taxpayers who did their own tax returns needed 1 less minute to understand these two credits due to testing, their time saved, valued at the minimum wage, would be worth \$1.2 million; IRS's contracting cost for the two tests was \$56,000.

Although IRS officials recognized that testing could be beneficial, they cited tight time frames and constrained resources as limiting their ability to do more tests. While IRS faces time constraints when making some changes to forms and instructions due to the passage of new laws, not all changes are time constrained. IRS does not have procedures specifying which versions of draft forms and instructions should be tested with taxpayers or when in its annual forms development process testing should occur. Resources currently available for testing are limited but the office responsible for testing has not developed data on missed testing opportunities and has limited data on the benefits that have been realized when testing occurred. IRS's planning and budgeting process uses such data to support resource allocation decisions.

#### Potential Benefits If Testing Helps Ensure Clarity of Tax Forms and Instructions

IRS's benefits	Taxpayers' benefits
<ul style="list-style-type: none"> <li>• Fewer errors needing correction</li> <li>• Fewer audits due to clarity-related taxpayer errors</li> <li>• Less demand for assistance at local IRS offices may allow IRS to provide better service to other taxpayers</li> <li>• Less demand for IRS's toll-free telephone assistance may enable IRS to answer some calls that currently go unanswered</li> <li>• Knowledge gained from testing may lead to clearer forms and instructions in the future</li> </ul>	<ul style="list-style-type: none"> <li>• Reduction in time and expenses to prepare tax returns</li> <li>• Reduced burden from not having to deal with IRS notices, such as reduced time to                             <ul style="list-style-type: none"> <li>-open and read IRS's notices</li> <li>-decide what to do</li> <li>-research tax records</li> <li>-prepare response to IRS</li> <li>-copy and mail response, if necessary, to IRS</li> <li>-call IRS for assistance</li> </ul> </li> </ul>

Source: GAO