

Executive Summary

Taxpayer Assistance Blueprint Overview

The Taxpayer Assistance Blueprint (TAB) is the joint response of the Internal Revenue Service (IRS), the IRS Oversight Board, and the National Taxpayer Advocate to a Congressional mandate for development of a five-year plan for taxpayer service.³ The TAB team worked to create and incorporate recommendations for specific, research-based service initiatives into the entire scope of budgeting and strategic planning for the IRS. The completed Blueprint includes the TAB Phase 1 Report (delivered in April 2006) and this TAB Phase 2 Report. The five-year plan for taxpayer service, referred to as the TAB Strategic Plan, is detailed in this report.

The TAB team includes representatives from throughout the IRS, the IRS Oversight Board, and the Taxpayer Advocate Service. Additionally, an Executive Steering Committee (ESC)⁴ was formed to provide general oversight and to review and approve substantive recommendations. The ESC consisted of representatives from the IRS Commissioner's Office, IRS operating and support divisions, IRS Legislative Affairs, the IRS Oversight Board, and the National Taxpayer Advocate.

The focus of the Blueprint is on individuals who file (or should file) a Form 1040 series tax return using their Social Security Number, or Individual Taxpayer Identification Number. The team also considered ideas designed to better serve partners⁵ and IRS employees who support taxpayers.

To address Congressional and stakeholder⁶ interests, the entire Blueprint effort was designed to achieve the following objectives:

1. Establish a credible taxpayer and partner baseline of needs, preferences, and behaviors;
2. Implement a transparent process for making service-related resource and operational decisions;
3. Develop a framework for institutionalizing key research, operational, and assessment activities to holistically manage service delivery; and
4. Utilize both short-term performance and long-term business outcome goals and metrics to assess service value.

The TAB Phase 2 Report begins with a discussion of the background and scope of the Blueprint project and the evolution of Phase 1 into Phase 2. A significant portion of the report covers the extensive results of the research projects conducted and analyzed for the Blueprint. This research data forms the critical foundation for all decisions related to taxpayer service and the creation of the TAB Strategic Plan.

Given the objectives and potential scope of the project, the Blueprint does not include a review of IRS return processing procedures; clarity and comprehension of IRS Forms, Publications, and Notices; or

³ United States Congress, Conference Report 109-307. *Joint Explanatory Statement of the Committee of Conference: Internal Revenue Service, Processing Assistance, and Management (Including Rescission of Funds)*, page 2-6. <http://www.rules.house.gov/109/text/hr3058cr/109hr3058jes.pdf>.

⁴ A complete list of current members of the Executive Steering Committee (ESC) is included in the Appendix (see *Acknowledgements*).

⁵ For the purposes of the Blueprint, partners include commercial preparers, practitioners, return preparation software vendors, and community-based partners.

⁶ For the purposes of the Blueprint, stakeholders include any interested parties in tax administration—for example, taxpayers, partners, the federal government, oversight and advisory bodies, etc.

specific training needs of IRS employees. The TAB team recommends further study of self-employed taxpayer and partner needs, preferences, and behaviors.

The TAB Strategic Plan outlines several areas for service improvement identified after careful analysis of research. Taxpayers currently receive assisted and/or self-assisted services (i.e. return preparation assistance, answers to tax law questions, account resolution, etc.) through any or all of the four major channels – telephone, face-to-face, electronic, and written correspondence. Examining taxpayer service needs necessitates an understanding that different individuals prefer different services at different times. The TAB team analyzed *services sought and used* to comply with federal tax obligations when examining needs. The team analyzed the *channels through which a taxpayer receives or would like to receive services* when examining preferences. The IRS and its partners provide a mix of channels to deliver taxpayer services.

Improvement suggestions align with opportunities to enhance the value of IRS service delivery while balancing government value when making resource decisions. These identified areas of improvement and considerations of value led to formation of the TAB Guiding Principles, which informed all decisions in the creation of the TAB Strategic Plan. The plan is also integrated with the U.S. Department of Treasury’s Comprehensive Strategy for Reducing the Tax Gap.⁷ The tax gap is the difference between taxpayers’ true tax liability under the tax law and the amount they pay on time. The TAB team considered related components of Treasury’s tax gap strategy when designing the TAB Strategic Plan.

Details of the TAB Strategic Plan comprise the second half of this report. After describing the performance measures developed to ensure success, the report moves into a discussion of specific service improvement initiatives. This includes an evaluation of the current state of service delivery channels, as well as recommended initiatives to drive IRS service to an improved future state. The TAB Strategic Plan provides recommendations to expand, simplify, standardize, and automate services and to improve and expand technology infrastructure and support for employees, partners, and taxpayers. The service improvement recommendations are described as currently planned or as new initiatives, and implications for implementation are clarified. Service improvement initiatives for Taxpayer Assistance Centers (TACs) are detailed separately from those for the other IRS service channels.

Implementation details for the TAB Strategic Plan conclude the body of the report. The Implementation Strategy includes a recommendation for ongoing and additional research on taxpayer service. It also addresses the need for careful program management to ensure that the significant effort of the Blueprint project is used in IRS-wide strategic planning and budgeting processes in the future.

The TAB Strategic Plan has been designed to provide effective alignment between taxpayer, partner, and government value; compliance considerations; and tax administration priorities. The IRS is now much more knowledgeable about the needs, preferences, and behaviors of taxpayers, partners, and IRS employees. This knowledge has informed the creation of a multi-year plan and an iterative process focused on ongoing performance assessment and refinement of the recommended strategies. The work started with the Blueprint will continue as the IRS expands and refines its knowledge, and continues its commitment to balancing quality service with effective enforcement to maximize compliance.

⁷ United States Department of the Treasury, Office of Tax Policy, *A Comprehensive Strategy for Reducing the Tax Gap*, September 26, 2006. This strategy is referred to as the “tax gap strategy” throughout this report.

Summary of Service Insights and Improvement Opportunities

As the foundation for the Blueprint project, the team conducted extensive research to help the IRS better understand service from the taxpayer perspective. This was the first large-scale attempt to gain a comprehensive picture of the needs, preferences, and behaviors of taxpayers as they work to comply with their federal tax obligations. Much of the new understanding detailed in this report was developed from responses to the following four major surveys conducted during 2006:

- The **Taxpayer Customer Service and Channel Preference Survey**⁸ (referred to as the *Oversight Board Survey*);
- The **TAB Conjoint II Study**⁹ (referred to as the *Conjoint II Study*);
- The **Opinion Survey of Taxpayer Resources and Services**¹⁰ (referred to as the *Benchmark Survey*); and
- The **2006 W&I Market Segment Survey**¹¹ (referred to as the *Market Segment Survey*).

The comprehensive research effort focused on enhancing the profile of taxpayer segments; identifying the key factors influencing return preparation; improving the IRS's understanding of taxpayer service needs, preferences, and behaviors; and defining the key factors that influence taxpayer behavior. The results presented in this report are subject to limitations and are not all-inclusive; they are used to present baselines, trends, and tendencies. However, they do offer the opportunity to use the available data in an attempt to better understand the impact of taxpayer service.

Key findings about the **current taxpayer service environment** include the following:¹²

- Age, income, and education can represent key segmentation factors, and may be correlated in some ways when examining implications on taxpayer behavior.
- Life events (such as marriage or divorce, the birth of a child, the purchase of a home, a major medical event, retirement, or the death of a spouse) may result in changing service needs.
- Taxpayers receive assisted and/or self-assisted services through telephone, face-to-face, electronic, and/or written correspondence channels.
- Service options external to the IRS include commercial preparers, practitioners, software vendors, and community-based partners.
- The majority of taxpayers use paid preparers or software rather than self-preparing tax returns by hand.
- Limited English Proficiency (LEP), disabled, and elderly taxpayers have somewhat different tax return preparation behaviors than the general population.

⁸ The Oversight Board survey was conducted by Roper Public Affairs and Media and fielded between March 19 and April 13, 2006. Internal Revenue Service Oversight Board, *Taxpayers' Service Channel Study (Final)*, May 17, 2006.

⁹ The Conjoint II Study was conducted by the Pacific Consulting Group (PCG) and IRS, W&I Research. Survey was conducted between June 23 and July 5, 2006. Internal Revenue Service, *Taxpayer Assistance Blueprint (TAB) Conjoint II Study Final Report*, Issued October 30, 2006, appendix H-3.

¹⁰ The Benchmark Survey was conducted by W&I Research between June and August 2006. Internal Revenue Service, Wage and Investment Office of Research, *Opinion Survey of Taxpayer Resources and Services*, August 2006.

¹¹ The Market Segment Survey was conducted by the Pacific Consulting Group (PCG) in July through August, 2006. Pacific Consulting Group, *W&I Market Segment Survey National Report*, Issued December 2006, page 6.

¹² These summary listings of research findings are based on data discussed in detail throughout Section 2 of this report.

- Low income taxpayers prepare returns by hand and use other preparers (e.g., Volunteer Income Tax Assistance, Tax Counseling for the Elderly) at modest, but somewhat higher rates than other income segments.
- Choice of return preparation method is most influenced by taxpayer perception of the method that will lead to the least amount of tax under the law.
- Based on three of the four major TAB surveys, an estimated 41 percent of all taxpayers (roughly 55 million) reported that they contacted the IRS for help over a one- to two-year period.
- IRS data suggest that the IRS receives about 4.4 contacts on average from each taxpayer who seeks assistance.

The TAB team identified three different approaches to meeting **taxpayer needs**: assisting taxpayers in complying with their federal tax obligations, satisfying demand for services, and removing barriers to service use.

Key findings associated with taxpayer needs include the following:

- The overall voluntary compliance rate for Tax Year (TY) 2001 was estimated by the National Research Program (NRP) at 83.7 percent. This estimate, however, does not take into account taxes that were paid voluntarily but paid late or recoveries from IRS enforcement activities. Taking these activities into account the net compliance rate is 86.3 percent.
- Noncompliance may result from tax law complexity, confusion, and inadvertent errors.
- Electronically-filed returns have the lowest late filing, underpayment, and math error rates of all returns filed.
- Underreporting dollars tend to be higher among taxpayers with income that is not subject to withholding or information reporting by third parties.
- The telephone and the IRS Web site channels account for almost 85 percent of all taxpayer contacts with the IRS for common service tasks surveyed. Of these common tasks, requests for post-filing services exceed requests for pre-filing or filing services.
- Examples of the barriers taxpayers face in attempting to access IRS services include limited reading and writing skills, tax law complexity, and challenges faced by groups with special needs.

For the purposes of the Blueprint, **taxpayer preferences** reflect the service channels that taxpayers use or would choose to use to obtain the assistance and information they need to comply with their federal tax obligations. The team examined three measures of taxpayer channel preference: unqualified preference, qualified preference, and use preference.

Implications resulting from taxpayer preference data include:

- Across all three measures of preference, taxpayers generally prefer self-assisted services, such as those found on the IRS Web site, most often for transactional tasks like getting a form or a publication. Taxpayers prefer assisted services, such as those available through telephones or Taxpayer Assistance Centers (TAC)s, most often for more complex interactive tasks like responding to a notice.
- Channel use preferences among special populations reflect that:

- Low income, LEP, and elderly taxpayers tend to report a somewhat higher preference for the TAC channel and a lower preference for the electronic channel than the majority of taxpayers as a whole.
- Disabled taxpayers report visiting TACs at a somewhat lower rate than the all-taxpayer average.
- LEP and low income taxpayers report using the telephone channel more than the overall taxpaying population.
- Qualified taxpayer preferences change when channel performance attributes change (either improving or deteriorating).
- Taxpayers report using IRS Internet services more frequently than telephone lines for four of the eight service tasks surveyed (tasks considered transactional in nature).
- Several factors influence which channel taxpayers prefer across all three measures of preference, including specific type of service sought, demographic characteristics, channel awareness, channel access, taxpayer attitudes, and previous behavior.
- Overall, nine in ten taxpayers who used the IRS Web site, telephone line, or TACs for service in 2005 reported that they would use the same channel again in the future.

Since cost is an important factor to consider when making service delivery decisions, research for the Blueprint project also evaluated budgetary implications. Costs associated with taxpayer service include both IRS budget costs and taxpayer burden costs. IRS taxpayer service spending is designed to help taxpayers understand their tax filing, reporting, and payment obligations. Taxpayer burden costs include out-of-pocket expenses, such as payments for commercial tax publications, preparers, tax software, and electronic filing. Burden time includes all of the hours a taxpayer spends learning about tax obligations, keeping necessary records, getting answers to specific tax law questions, preparing returns, and filing returns with the IRS. Taxpayers who are unable to obtain the information or services they need to comply with federal tax laws—or who are unable to resolve their issue on their first attempt—can generate additional costs for the IRS and for themselves. The TAB team recommends further study and analysis of the cost implications of service initiatives.

Analysis of the research in the context of strategic challenges faced by the IRS reveals opportunities for improvement in service value. Strategic challenges include:

- Complexity and changes to the tax code;
- Need for additional data on the causes of noncompliance;
- Expanding use of third parties;
- Scope and diversity of the taxpaying population; and
- Keeping pace with technology and taxpayer expectations.

Although the causes of these strategic challenges are often beyond the direct control of the IRS, acknowledging them enhances the agency's ability to better position its service resources.

The Blueprint identifies the following five areas for improvement of IRS service delivery within the strategic environment to increase value to all stakeholders:

1. Channel and Service Capability

Goal: Align service tasks and channels with the most effective and efficient methods of delivery possible.

2. Channel and Service Performance

Goal: Strengthen performance across services and channels by improving first contact resolution, promptness of service, and accuracy of information.

3. Channel and Service Awareness

Goal: Improve awareness of services and channels to taxpayers and partners to facilitate their choice of the most effective and efficient service delivery options.

4. Burden Reduction

Goal: Reduce burden to taxpayers and partners by improving the effectiveness and efficiency of service delivery.

5. Migration to the Electronic Channel and Services

Goal: Enhance stakeholder value by helping to move taxpayers and partners who are willing and able to specific services that are most effectively and efficiently delivered through the electronic channel.

Development of Guiding Principles

The TAB Phase 1 strategic improvement themes,¹³ combined with additional findings from 39 new research projects,¹⁴ ongoing tax administration considerations, and IRS-wide priorities, led to the formulation of the following Guiding Principles for TAB Phase 2:

1. The primary goal of service for individual taxpayers is to facilitate compliance with federal tax obligations.
2. A portion of the tax gap is attributable to errors by individual taxpayers. IRS service programs should be designed to prevent, minimize, and correct such errors with due consideration of taxpayer burden.
3. IRS service investments will focus on preventing, minimizing, and correcting taxpayer noncompliance.
4. Enhance the IRS Web site so that it becomes the first choice of more taxpayers for obtaining the information and services needed to comply with tax obligations.
5. The IRS recognizes the significant role that partners play in tax administration. As such, the IRS will look for opportunities to assist these third parties in helping taxpayers understand and meet their tax obligations.

These Guiding Principles provided the groundwork for development of the TAB Strategic Plan, which represents the objectives and operational priorities recommended to govern service investment decisions for the next five years.

¹³ See Section 1.2, Summary of TAB Phase 1, for a list of the strategic improvement themes. Internal Revenue Service, *The 2006 Taxpayer Assistance Blueprint: Phase 1*, April 24, 2006, page 61.

¹⁴ Reference Appendix 2.0, TAB Related Research Studies, for additional detail.

TAB Strategic Plan Overview

The TAB Strategic Plan is the five-year vision for IRS taxpayer service delivery. TAB research findings regarding taxpayer and partner needs, preferences, and behaviors—as well as findings on cost implications—were used to inform all of the recommended improvements in the Strategic Plan. Key components of the plan include the Performance Measures Portfolio, the Service Improvement Portfolio, and the Implementation Strategy, which contains a Multi-year Research Portfolio.

The Performance Measures Portfolio

The Performance Measures Portfolio contains a series of metrics designed to evaluate the effectiveness of service delivery. This portfolio will allow for accountability within the service strategy by providing clear and comprehensive parameters for studying and improving taxpayer service. The TAB Strategic Plan defines a hierarchy of three major Outcome Categories, five Outcome Measures, and seven Performance Measures, as follows:¹⁵

- **The Compliance Outcome Category** covers the three key components of compliance defined by the National Research Program (NRP)—filing, reporting, and payment compliance. This category focuses IRS efforts on preventing, minimizing, and correcting errors by taxpayers.
 - The Outcome Measure for Compliance is the **NRP Voluntary Compliance Rate**. The NRP compliance rate is the combined rates of payment, filing, and reporting compliance for all taxpayers.
 - The Performance Measures for Compliance are the Filing Compliance Rate (the number of required returns that are filed on or before the filing deadline, including legitimate extensions) and the Voluntary Payment Compliance Rate (the percent of reported tax liability on timely-filed returns that is paid in a timely manner). Filing and payment compliance measures are in various stages of modification and are subject to change. They serve as placeholders until research can better identify the specific causes of inadvertent noncompliance that can be effectively mitigated by service delivery. At this point, there is no specific performance measure for reporting compliance. The IRS is now planning for more frequent NRP data collection, which will allow for the development and refinement of all compliance measures in the future.
- **The Taxpayer and Partner Value Outcome Category** covers the three critical taxpayer expectations of taxpayer service defined in TAB Phase 1—awareness and education, access to service, and quality of experience. This category focuses on making the IRS measures for self-assisted services as strong as those for assisted services.
 - The Outcome Measures for Taxpayer and Partner Value include Taxpayer Burden, First Contact Resolution Rate, and Customer Satisfaction. Taxpayer Burden is the time and money that taxpayers spend to comply with their federal tax obligations. First Contact Resolution Rate is the percentage of taxpayers and partners reporting that their issues were accurately and completely resolved upon first contact with the IRS. Customer Satisfaction is measured using the American Customer Satisfaction Index (ACSI).¹⁶

¹⁵ Refer to Section 5.0, Performance Measures Portfolio, for a full discussion of all categories and measures.

¹⁶ Since 1994, the American Customer Satisfaction Index has been a national indicator of customer evaluations of the quality of goods and services available to U.S. residents. It is the only uniform, cross-industry/government measure of customer satisfaction. American Customer Satisfaction Index, Electronic Filers, Internal Revenue Service, Department of Treasury, *Customer Satisfaction Study Final Report*, November 2006, page 3.

- The Performance Measures for Taxpayer and Partner Value are the Percentage Aware of Channels and Services (percentage of taxpayers and partners responding affirmatively in survey questions relating to awareness of IRS channels and services) and the Partner Satisfaction Percentage (aggregate percentage of overall partner satisfaction with IRS support services).
- **The Government Value Outcome Category** covers the four basic components of operational performance defined by the TAB team during Phase 2—workload, resources, productivity, and quality. Emphasis is placed on making the IRS measures for self-assisted services as strong as those for assisted services.
 - The Outcome Measure for Government Value is the Percentage Of Taxpayer Service Contacts Delivered Through The Electronic Channel. Some taxpayers have indicated both willingness and preference to consider using electronic alternatives for certain tasks, which are the most efficient service options from a business perspective.¹⁷
 - The Performance Measures for Government Value are Level of Service (the relative success rate of taxpayers who seek assistance from a customer service representative), Accuracy Percentage (the percentage of customer inquiries accurately addressed by the IRS within each service delivery channel), and Taxpayer Self-Assistance Rate (the percentage of contacts in the assistance category resolved by automated calls answered plus Internet services completed).

The Performance Measures Portfolio includes existing and modified IRS measures, as well as new measures based on TAB research. To take maximum advantage of the Performance Measures Portfolio, the IRS will integrate the measures into its strategic planning and budgeting process. In the future, the portfolio of measures and associated targets must be based on current and future research, as well as the projected impact on performance resulting from the full set of service improvements to be carried out by the IRS.

The Service Improvement Portfolio

The Service Improvement Portfolio is a series of recommended improvement initiatives designed to enhance taxpayer service.¹⁸ The initiatives address services offered by the IRS directly to taxpayers, as well as services provided to partners. The TAB team used a step-by-step process to ensure that the development of the Service Improvement Portfolio was rigorous, objective, and sound.

The TAB team created five service improvement categories, and identified the current state of service delivery related to each category. Improvement initiatives were then designed to help the IRS reach the desired future state for service delivery. The service improvement categories are listed below, including the objective and an overview of recommendations for each.

1. Electronic Interaction Enablement

Objective: Maximize the taxpayer and partner value of the IRS Web site, making the electronic channel the first choice of taxpayers and partners for obtaining the information and services they need to comply with their tax obligations.

¹⁷ At least four in ten (42 percent) of TAC users would consider contacting the IRS online to get the desired information. IRS Oversight Board Taxpayers' Service Channel Study, Executive Summary, May 23, 2006, Slide 25.

¹⁸ Refer to Section 6.0, Service Improvement Portfolio, for additional detail.

Recommendations: The recommended initiatives for the Electronic Interaction Enablement category address services governance, content management, end-to-end portal and application monitoring, Web site design and usability, online support tools, publication search capability, evaluation of Frequently Asked Questions, and authentication for account-related tools.

2. Telephone Service Enhancements

Objective: Improve telephone service efficiencies and enhance technologies to maximize the user experience on the telephone channel.

Recommendations: The recommended initiatives for the Telephone Service Enhancements category address contact center infrastructure and telephone technology improvements.

3. Partner Services

Objective: Maximize assistance provided to tax practitioners, commercial preparers, community-based partners, and return preparation software vendors who are helping taxpayers understand and meet their tax obligations.

Recommendations: The recommended initiatives for the Partner Services category address training and resources; tax practitioner, commercial preparer, and community-based partner collaboration; electronic and telephone resources; community coalition support; and coordination with federal agencies.

4. Outreach and Education

Objective: Enhance outreach to targeted populations and maximize opportunities to educate taxpayers, partners, and IRS employees.

Recommendations: The recommended initiatives for the Outreach and Education category address research, campaigns and products, Limited English Proficiency (LEP) segments, educational resources, partner training resources, and IRS employee education.

5. Marketing and Promotion

Objective: Improve marketing of channel alternatives—specifically the electronic channel—and associated services and capabilities to targeted taxpayers and partners.

Recommendations: The recommended initiatives for the Marketing and Promotion category address a comprehensive marketing approach to improve awareness of services delivery channels and capabilities.

Taxpayer Assistance Center Initiatives

The TAB team handled analysis of and recommendations for Taxpayer Assistance Centers (TACs) separately from the rest of the Service Improvement Portfolio.¹⁹ The team conducted research-based analysis of service delivery within and the geographic footprint²⁰ of the TACs. The team incorporated empirical data and stakeholder feedback for all service channel considerations, including those related to

¹⁹ Refer to Section 7.0, Taxpayer Assistance Centers, for additional detail.

²⁰ Geographic footprint refers to the locations of all existing TACs throughout the United States, including Puerto Rico.

TACs. Unique to TACs is a discussion of the analysis used to understand the current geographic footprint, and recommendations for future decisions regarding TAC locations.

Based on research findings about the needs, preferences, and behaviors of those taxpayers who contact the IRS for assistance, the TAB Strategic Plan includes changes to both service delivery within and to the geographic footprint of TACs. Research indicates taxpayer preference for receiving transactional services²¹ through electronic and telephone channels, and for receiving interactive services²² through face-to-face channels. Additionally, some special population segments of taxpayers are more likely to use TACs than the taxpaying population as a whole.²³ Therefore, the TAB Strategic Plan includes a migration strategy to help move those taxpayers who indicate a preference for and a willingness to use electronic and telephone channels away from the TAC channel. Findings demonstrate that taxpayers are most concerned about resolving an issue during their first contact with the IRS, and about limiting wait time for receiving service.²⁴ The migration strategy would help to mitigate these concerns by freeing TAC assistors to focus on those interactive activities and services that taxpayers tend to prefer to receive in person.

As a starting point for the migration strategy, the IRS will implement a Facilitated Self-assistance Model (FSM) in 15 TACs²⁵ during 2007. Recognizing that many TAC users seek assistance in a TAC for services they could access via telephone or Web, the FSM will provide TAC customers with the option to use a self-assisted service to resolve their issue. Self-assistance workstations with computers and phones will be configured in the initial 15 TAC locations, and TAC employees will provide assistance to taxpayers using the FSM workstations. This limited implementation of the FSM will provide valuable data to further clarify the TAC user profile and the feasibility of migrating willing TAC users to alternative channels.

In addition to the migration strategy for improving service delivery, the TAB Strategic Plan includes a step-by-step process for future decisions about the TAC geographic footprint. The TAC geographic analysis revealed that a number of TACs are currently not well situated for the most effective service delivery. These TACs show low or redundant population coverage; a high volume of transactional contacts (for services taxpayers as a whole indicate a preference to receive via telephone or Web); or a low number of contacts per Full Time Equivalent²⁶ compared to TAC national averages. The Strategic Plan identifies opportunities to gain efficiencies in the TAC geographic footprint on a prioritized basis, using 26 taxpayer and government value criteria²⁷ and a three-phase process for evaluating TAC effectiveness. The recommended decision-making process includes engagement with appropriate stakeholders; mitigation of potential negative impact on taxpayers, IRS employees, and partners; and continued evaluation of TACs beyond the phases laid out in the TAB Strategic Plan.

The TAC improvement initiatives respond to taxpayer needs, preferences, and behaviors and to technological advances, and will help to deliver efficient, quality service through the channels that taxpayers use and prefer.

²¹ Refer to the glossary in the appendix for a definition of transactional services.

²² Refer to the glossary in the appendix for a definition of interactive services.

²³ According to the Oversight Board Survey, among taxpayers who used IRS services in the past two years, the low income, Limited English Proficiency (LEP), and elderly segments tend to have a somewhat higher preference for TAC channels and a lower preference for web channels than the majority taxpayers as a whole. Internal Revenue Service Oversight Board, *Taxpayer Customer Service and Channel Preference Survey*, April 2006, question 17.

²⁴ Refer to Section 2.6.4, Figure 2-22: Relative Attribute Indices of Importance by Service Need.

²⁵ In choosing the initial 15 TACs, the team considered adequate staffing, space, technological infrastructure, demographic and geographic diversity, and potential impact on taxpayers, employees, filing season operations, and management oversight. For a full discussion, see Section 7.4.1

²⁶ Refer to Section 7.5, TAC Geographic Footprint Current State, for a detailed discussion.

²⁷ Reference Appendix 7.0, Taxpayer and Government TAC Evaluation Criteria, for a complete list of research projects.

Strategic Plan Implementation Strategy

The Service Improvement Portfolio and TAC Initiatives are influenced by the Performance Measures Portfolio, which will be employed along with current and future research to inform the prioritization and selection of initiatives. New service initiatives must be selected, funded, and evaluated based upon their projected and actual impact on these measures of success.

The Strategic Plan Implementation Strategy²⁸ is a process for incorporating the work of Blueprint and the elements of the resulting strategy into the IRS's current day-to-day operations. Implementation includes a Multi-year Research Portfolio, which identifies research projects to begin or continue as the IRS refines and reevaluates various services and the resulting impact on taxpayers. The team evaluated the current strategic planning, budgeting, and project management processes of the IRS to ensure that the service-related investment decision-making process effectively balances government value with taxpayer and partner needs, preferences, and behaviors.

The recommended Implementation Strategy includes the following six step investment decision-making process:

Step 1: Evaluate Research Findings

Review research focused on the needs, preferences, and behaviors of taxpayers and partners to inform the development of initiatives targeted to improve services for these groups.

Step 2: Identify Improvement Opportunities

Examine gaps between key research findings and the services currently provided by the IRS to identify service improvement opportunities.

Step 3: Gather Initiative Ideas and Identify Solutions

Gather improvement ideas from key stakeholder groups and identify solutions that address the gaps identified in Step 2.

Step 4: Develop Initiatives

For identified solution(s), detail improvement initiatives including specific objectives and solution components to improve service.

Step 5: Perform Business Analysis

Utilize the Blueprint's comprehensive set of evaluation criteria in conducting a business analysis to evaluate initiatives based on five components: Strategic Alignment, Compliance Impact, Taxpayer and Partner Value, Government Value, and Operational Feasibility.

Step 6: Score and Prioritize Initiatives

Prior to the funding or implementation, score and prioritize each initiative according to the outcome of the business analysis. This prioritization provides a roadmap for implementation and allows IRS leadership to optimize the use of funds in a given year.

²⁸ Refer to Section 8.0, Implementation Strategy, for additional information on the Strategic Plan Implementation Strategy.

In addition to this decision-making process, implementation of the Strategic Plan involves the Multi-year Research Portfolio and use of an IRS governance body for future service decisions.

Multi-year Research Portfolio

To facilitate the development of research that iteratively and holistically addresses taxpayer and partner needs, preferences, and behaviors, the TAB team developed a Multi-year Research Portfolio. This portfolio also acknowledges the Treasury Department's tax gap strategy, which calls for studies to better understand the impact of service on compliance. The Multi-Year Research Portfolio includes a diverse set of research projects that seeks to offer the highest payoff in enhancing the IRS's understanding of taxpayer, partner, and government value. Much of the proposed work will build on specific research products currently under development by IRS researchers.

Four criteria were considered in selecting the specific analytic products that were included in the portfolio:

- Expected improvement in the Outcome Measures recommended by the team;
- Well-defined technical methodology to conduct the analysis;
- Anticipated impact of research on planning and budgeting decisions; and
- Cost of conducting the research.

Recommended studies for the Multi-year Research Portfolio cover the following topics:

- Taxpayer Needs, Preferences, and Behaviors;
- Taxpayer Burden;
- Impact of Service on Compliance;
- Inadvertent, Unintentional Noncompliance;
- Channel Migration Strategy;
- Outcome and Performance Measures;
- Facilitated Self-assistance Model;
- Self-employed Taxpayers;
- Outreach and Education;
- IRS Employee Training;
- Community-based Partners;
- Commercial Preparers;
- Taxpayer Service Costs; and
- New Types of Research Treatments.

These research initiatives will go through evaluation and prioritization with others that arise from the Treasury Department's tax gap strategy and from other business unit proposals to obtain annual funding.

To ensure that taxpayers, partners, and the IRS benefit from the entire Blueprint effort, it is critical that the TAB Strategic Plan be institutionalized. Recommended service enhancements include formalizing an integrated service investment decision-making process; developing service evaluation criteria that align with the TAB Performance Measures Portfolio; and incorporating an understanding of taxpayer and partner needs, preferences, and behaviors into the IRS-wide strategic planning and budgeting processes. Work is already underway to develop a governance body and process: resource and implement a TAB Program Management Office (PMO); and begin integrating the TAB Strategic Plan into existing business units planning, budgetary, and assessment activities. In early 2007, the TAB team participated in cross-functional e-Services and Contact Center Summits. These and future summits are designed to plan strategies and initiatives that will improve future service delivery based on the TAB Strategic Plan. In addition, select service improvement initiatives and future research projects identified by the TAB Strategic Plan were incorporated into the FY08 Budget Submission. Specifically, the President's FY08 Budget Request for the IRS includes \$10 million for implementing TAB Strategic Plan recommendations. This \$10 million is broken into \$3.5 million for Contact Analytics and \$375,000 for Estimated Wait Time technology on the telephone channel; as well as \$5.699 million for expanded Tax Law Support Tools and \$426,000 for the creation of Spanish "Where's My Refund?" on the electronic channel. The FY08 Budget Request includes an additional \$5 million for research on the effect of service on taxpayer compliance (part of the Multi-year Research Portfolio recommendations). These first steps of implementation demonstrate the IRS's commitment to using the comprehensive results of the entire Blueprint effort for future service decisions.

Future Vision for IRS Service Delivery

The Performance Measures Portfolio, Service Improvement Portfolio and TAC Initiatives, and Strategic Plan Implementation Strategy together comprise the TAB Strategic Plan for taxpayer service in the next five years. Each element represents a dynamic set of factors that must be considered together when examining taxpayer service as a whole. The TAB Strategic Plan is also integrated with the Treasury Department's tax gap strategy, which calls for combining enforcement activities with quality taxpayer service. Another component of the strategy is enhanced taxpayer service based on the recognition that service is important in helping taxpayers avoid unintentional errors. The TAB Strategic Plan addresses these concerns by outlining a multi-year commitment to research, including conducting research on the impact of taxpayer service on compliance to help the IRS better target taxpayer services and develop programs that can improve voluntary compliance.

The TAB Strategic Plan is focused on the use of relevant data to make well-informed investment decisions. However, the IRS's ability to improve the delivery of services is also dependent on a number of variables that may contribute to the constant evolution of the five-year plan, including tax legislation, the IRS budget, technology, and the public marketplace. Given the importance of incorporating the TAB Strategic Plan with the IRS's entire budgeting, business, and strategic planning process, it is not possible to set further time-based specifics for implementation within the five-year period. Instead, the Strategic Plan provides specific actions to improve taxpayer service in subsequent years, and strategic direction thereafter. Extensive research and analysis provide a strong rationale for proposed service initiatives, metrics, and implementation.

The Taxpayer Assistance Blueprint contains valuable information for the future of service delivery over the next five years. The IRS can now use empirical data for service investment decisions that balance taxpayer and partner needs, preferences, and behaviors with Service-wide priorities and resource allocation.

IRS

“Within the framework of this Blueprint, we have conducted significant research and gained vital knowledge about our current services and the taxpayers and partners who use them. We have developed a strategic plan for taxpayer service that balances service delivery needs with resource realities. The use of empirical analysis solidifies our vision of the future of taxpayer service at the IRS, and reinforces our mission of combining quality service and enforcement to ensure compliance.”

Mark Everson, Commissioner Internal Revenue Service

IRS Oversight Board

“The Taxpayer Assistance Blueprint takes a long-range, systemic, and data-driven approach to customer service that will enable the IRS to get the most out of its customer service resources while maintaining a watchful eye on whether taxpayers' needs are being met, especially those taxpayers who have special needs. The performance measures in the TAB will provide the IRS, the Board, and others the ability to assess how successfully the IRS achieves its customer service goals. The Board is also pleased that its own research on taxpayers' needs has been so productively used by the IRS in designing its long range plan for customer service.”

Paul Jones, Chair IRS Oversight Board

National Taxpayer Advocate

“The IRS now has at its disposal more information about the needs, preferences, and willingness of taxpayers to use taxpayer service than it has ever had. The Taxpayer Assistance Blueprint five-year strategic plan is research-based, and outlines recommended improvements to enhance the delivery of taxpayer service. The ongoing question for the IRS is whether it will use this information to maintain or improve quality taxpayer service, and reinvest its savings from increased efficiency and productivity into taxpayer service initiatives and improvements. The Blueprint provides the IRS a vehicle to ensure that taxpayer needs and preferences, including the need for face-to-face assistance, are not sacrificed to mere administrative convenience. I commend the IRS on its efforts to improve customer service and look forward to working with the IRS and the IRS Oversight Board on the Blueprint's implementation and additional research.”

Nina Olson, National Taxpayer Advocate

