

**The National Taxpayer Advocate Could
Enhance the Management of Systemic
Advocacy Resources**

September 2003

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DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

INSPECTOR GENERAL
for TAX
ADMINISTRATION

September 30, 2003

MEMORANDUM FOR NATIONAL TAXPAYER ADVOCATE

Gordon C. Milbourn III

FROM: Gordon C. Milbourn III
Assistant Inspector General For Audit (Small Business and
Corporate Programs)

SUBJECT: Final Audit Report - The National Taxpayer Advocate Could
Enhance the Management of Systemic Advocacy Resources
(Audit # 200210044)

This report presents the results of our review of the Office of the Taxpayer Advocate's (OTA) management of systemic advocacy resources. Our overall objective was to evaluate the OTA's resource management of systemic advocacy projects. Systemic advocacy projects resolve and prevent recurring taxpayer problems dealing with the Internal Revenue Service (IRS).

In summary, we found systemic advocacy projects were frequently not timely completed, and there were long periods of time without any project activity. As of November 2002, there were 130 open systemic advocacy projects that had been in process for an average of 482 calendar days. For the 164 systemic advocacy projects closed between March 2000 and November 2002, the OTA took an average of 234 calendar days to complete them. We examined a judgmental sample of 37 open systemic advocacy projects and found inactivity delays after the projects were assigned. Specifically, in 23 (62 percent) of the 37 open projects, periods of inactivity ranged between 91 and 365 calendar days, and in 2 (5 percent) of the 37 open projects, there was no activity from 1 to 3 years. We found no major periods of inactivity for 12 (33 percent) of the 37 open projects reviewed.

Systemic advocacy project delays could adversely affect substantial numbers of taxpayers. All of the systemic advocacy projects in our sample supported the OTA's mission of resolving recurring taxpayer problems. Using IRS statistical information, we determined that potentially 16.7 million taxpayers are continuing to be affected by the problems outlined in projects we sampled.

Delays in processing systemic advocacy projects were due to competing priorities and not having either timeliness standards or complete management information. Advocacy analysts devote the majority of their time to systemic advocacy projects for a 4-month period from January to April. Beginning in May, however, these same advocacy analysts are reassigned to work on the National Taxpayer Advocate's (NTA) Annual Report to Congress and discontinue work on their ongoing systemic advocacy projects, often not returning to their initial projects until the following January. The practice of interrupting ongoing systemic advocacy projects to free up staff to work on the NTA's Annual Report to Congress reveals a serious vulnerability.

The OTA had not established timeliness or staff resource standards for conducting systemic advocacy projects. This did not allow systemic advocacy analysts and managers to plan and monitor the delivery of systemic advocacy projects. We believe that the OTA can develop reasonable standards based on its experience to date in conducting projects. In addition, systemic advocacy managers do not have the data necessary to adequately monitor systemic advocacy project activity. The new management information system does not require entry of the estimated number of staff days necessary to complete a systemic advocacy project, the staff days expended to date, or the amount of time elapsed since the project's inception. These limitations do not allow systemic advocacy managers to accurately forecast a project's completion date or the resources being dedicated to the project. We were unable to determine whether the staffing level for the systemic advocacy program was appropriate because no information was available on the staff days expended in working systemic advocacy projects or developing issues for the NTA's Annual Report to Congress.

During discussions, the NTA stated the OTA had taken corrective actions. Quality standards for conducting systemic advocacy projects and a time sheet to track the amount of time that the OTA expends on systemic advocacy projects were proposed. Also, the NTA has begun a project grading system to match the skill levels of the staff with their job expectations, and implemented organizational changes to improve the regional management and oversight of the systemic advocacy analysts. However, the OTA could not demonstrate that actions were implemented or the actual benefit the actions have had on resolving the problems. We believe additional enhancements are needed to further improve the program over and above those enhancements already underway or planned by the NTA.

We recommended that the NTA formalize the policy of concurrently working systemic advocacy projects and assignments in support of the NTA's Annual Report to Congress, and implement a process to manage both operations simultaneously. The NTA should establish timeliness and staff resource standards for conducting systemic advocacy projects based on the experience to date. In addition, the NTA should upgrade the management information system to provide data on systemic advocacy project activities and staff resources to assist managers in monitoring and budgeting systemic advocacy resources.

Management's Response: The NTA concurred with the premise of the recommendations to improve management systems; however, the NTA believes that,

since her appointment to the position in March 2001, substantial improvements have already been implemented, including some recommended in this report. Improvements include creating several new managerial positions, enhancing the skills and training of systemic advocacy analysts, developing a new management information system, developing business and diagnostic indicators, establishing quality standards, and developing timeliness indicators. In addition, the NTA took exception to our finding that project analysts suspend work on systemic advocacy projects to attend to the Annual Report to Congress. She noted that, in principle, all work in the OTA may be considered systemic advocacy in nature and forms the basis for the Annual Report to Congress. The NTA further noted that she has implemented a process whereby the development of advocacy projects forms the basis for recommendations in the Annual Report to Congress. The process will be formalized and shared at future systemic advocacy training sessions.

Lastly, the NTA disagreed that our recommendations would provide a measurable benefit on tax administration by potentially reducing the burden on approximately 16.7 million taxpayers. She stated that their analysis of the 3 specific issues under review showed an impact on approximately 1.9 million taxpayers, 1.7 million of which could be addressed only through a legislative change. Management's complete response to the draft report is included as Appendix VII.

Office of Audit Comment: We attempted to evaluate the actions taken to date by the NTA to improve systemic advocacy projects; however, no measurable benefits could be determined because several actions had not been developed or implemented at the time of our review. Some of these actions were not implemented due to the status of negotiations with the National Treasury Employees Union, as mentioned in the NTA's response to our draft report.

It is unclear how the new process whereby systemic advocacy projects support the recommendations in the Annual Report to Congress overcomes the problem of interrupting ongoing systemic advocacy projects to prepare the Annual Report. Because the process has not yet been formalized, we could not assess its contribution to resolving this matter. As such, we reaffirm our initial recommendation to accomplish both tasks concurrently. Although advocacy work is evident in many aspects of the OTA, the NTA's labeling of all work as systemic advocacy defines away a true management problem; i.e., ensuring specific systemic advocacy projects are completed on time and without interruption. Project delays prevent efficient resolution of problems that burden taxpayers and cause ineffective management of staff resources. Although we disagree with the NTA, we do not plan to elevate the disagreement to the Department of the Treasury for resolution.

The NTA questioned the number of taxpayers potentially burdened by delays in systemic advocacy projects. Although the objective of the audit was not to quantify the numbers of taxpayers who stood to be affected by systemic advocacy, we presented an estimate to illustrate the broad impact of the NTA's work. The NTA indicated that only 1.9 million taxpayers are potentially affected and that solutions to the issues affecting approximately 1.7 million of those 1.9 million taxpayers would require legislative action.

However, this analysis did not include all types of taxpayer burden. By assessing the various ways in which taxpayers may be burdened in the areas under study, we concluded that many more taxpayers could be affected by the delays in the NTA's work. For example, the NTA considered only those taxpayers that obtained extensions to file tax returns and did not consider taxpayers that filed late tax returns without extensions, filed amended tax returns, or could have received a refund earlier in the year if partnership information was provided sooner. We believe that delays in completing systemic advocacy projects adversely affected the NTA's ability to propose legislation to alleviate taxpayer problems with the IRS. For example, the NTA knew about the potential partnership issue in Calendar Year 2001, but at the time of our review of the project in January 2003, the OTA had not conducted any project research to formulate a potential legislative proposal. Therefore, we are not adjusting our outcome measure of a potential 16.7 million taxpayers.

Copies of this report are also being sent to the IRS managers who are affected by the report recommendations. Please contact me at (202) 622-6510 if you have questions or Daniel R. Devlin, Assistant Inspector General for Audit (Headquarters Operations and Exempt Organizations Programs), at (202) 622-8500.

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of Systemic Advocacy Resources**

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Background

In 1996, the Congress created within the Internal Revenue Service (IRS) the Office of the Taxpayer Advocate (OTA) to assist taxpayers in resolving problems with the IRS, identify areas in which taxpayers have problems in dealing with the IRS, and propose changes in the administrative practices of the IRS and potential legislative changes that may reduce those problems. In 1998, the Congress added more structural and reporting requirements to the OTA to help preserve taxpayer rights and resolve and prevent taxpayer problems with the IRS. The resolution and prevention of problems is referred to as systemic advocacy and is discussed by the OTA in its mission,¹ reports to the Congress,² and information to the general public.³

IRS employees, taxpayers, tax practitioners, and other government entities that identify recurring problems with IRS processes or systems are encouraged to submit these issues to the OTA. These issues can cover individual and business tax topics. The OTA organizes the issues to consolidate similar concerns and eliminate duplication of others. The highest priority issues, called systemic advocacy projects, are then selected for review and assigned to advocacy analysts for resolution. Advocacy analysts are required to determine the cause of systemic problems and either recommend solutions to the IRS operating divisions for implementation or propose legislative remedies to the Congress.

Since the OTA began operating in March 2000 as an independent IRS function, it has implemented some major changes to improve the systemic advocacy program. To

¹ The OTA's mission statement: "As an independent organization within the IRS, we help taxpayers resolve problems with the IRS and recommend changes that will prevent the problems."

² Examples include page 386 of the *National Taxpayer Advocate: Fiscal Year 2002 Annual Report to Congress* (Publication 2104; Rev. 12-2002) and page 4 of *The National Taxpayer Advocate Report to Congress: Fiscal Year 2003 Objectives* (Publication 4054; Rev. 6-2002).

³ Examples include page 277 of *Your Federal Income Tax* (Publication 17; Rev. 2002), *The Taxpayer Advocate Service of the IRS* (Publication 1546; Rev 11-2002), and the OTA's web site <http://www.irs.gov/advocate/index.html>.

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address systemic business issues, the OTA created the Director of Business Advocacy in November 2001 and hired advocacy analysts with backgrounds in small business and self-employed, tax exempt and government entities, and large and mid-size business tax administration. In March 2002, the Office of Systemic Advocacy was created with an Executive Director to oversee systemic advocacy in the OTA. In April 2003, the OTA began an outreach program advising IRS employees and the general public on how to submit a systemic advocacy issue through its web site. The OTA is revising and updating the systemic advocacy procedures in the Internal Revenue Manual and plans to issue them by the end of Fiscal Year (FY) 2003.

The OTA put into operation the Systemic Advocacy Management System (SAMS) in February 2003 to address inadequacies in the previous systemic advocacy inventory systems. The SAMS was designed to consolidate all unassigned and assigned systemic advocacy issues and projects into one system, identify duplicate and related items, automatically send acknowledgements to originators of issues, and help identify the “Most Serious Problems” for the National Taxpayer Advocate’s (NTA) Annual Report to Congress.

From March 2000 through September 2002, the OTA received 789 systemic advocacy issues. The 789 issues included some duplicates and related issues. The OTA initiated 294 systemic advocacy projects based on these issues. As of November 2002, the OTA had completed 164 projects, with 130 still open. Advocacy analysts also conducted other systemic advocacy assignments in support of the NTA’s Annual Report to Congress. These assignments included work on the analysis of the top 20 most serious problems encountered by taxpayers, the legislative recommendations, and the most litigated tax issues.

This audit was performed at the Austin, Texas; Dallas, Texas; New Carrollton, Maryland; St. Paul, Minnesota; and Washington, D.C., OTA offices. Our work was performed from November 2002 through March 2003 in accordance with *Government Auditing*

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The Office of the Taxpayer Advocate Did Not Effectively Manage Resources Applied to Systemic Advocacy Projects

Standards. Detailed information on our audit objective, scope, and methodology is presented in Appendix I. Major contributors to the report are listed in Appendix II.

The OTA did not ensure that systemic advocacy projects were completed in a timely manner, which could adversely affect substantial numbers of taxpayers. These delays were caused by competing priorities and not having timeliness standards or complete management information systems. During discussions, the NTA stated the OTA had taken corrective actions. However, the OTA could not demonstrate that actions were implemented or the benefit these actions have had on resolving the problems.

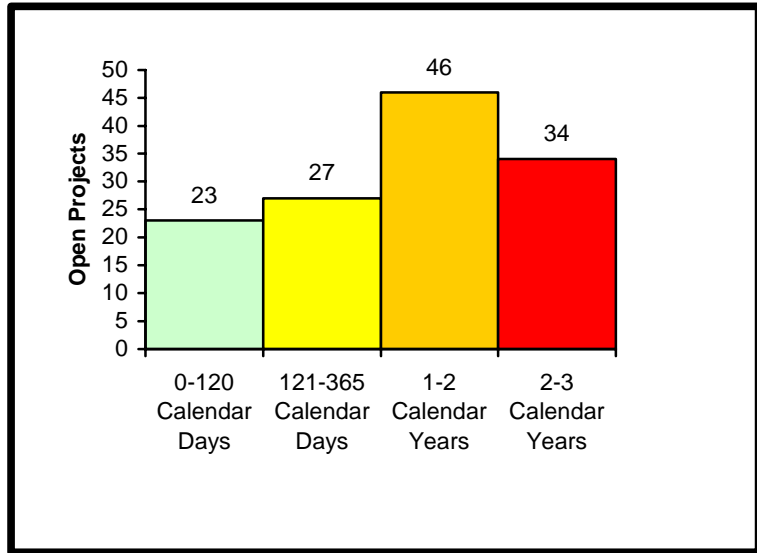
Timeliness

The NTA had no formal time requirement for completing systemic advocacy projects. As a result, we could not assess the timeliness of its work against a true standard. However, considering the significance of the projects' results to the American taxpayers, we deemed the length of time some of these projects remained open to be excessive.

Information on open and closed systemic advocacy projects provided by local OTA management showed that the projects were not timely completed. As of November 2002, there were 130 open projects that had been in process for an average of 482 calendar days. For the 164 projects closed between March 2000 and November 2002, the OTA took an average of 234 calendar days to complete them. The following charts show the number of systemic advocacy projects and age of the open and closed inventory:

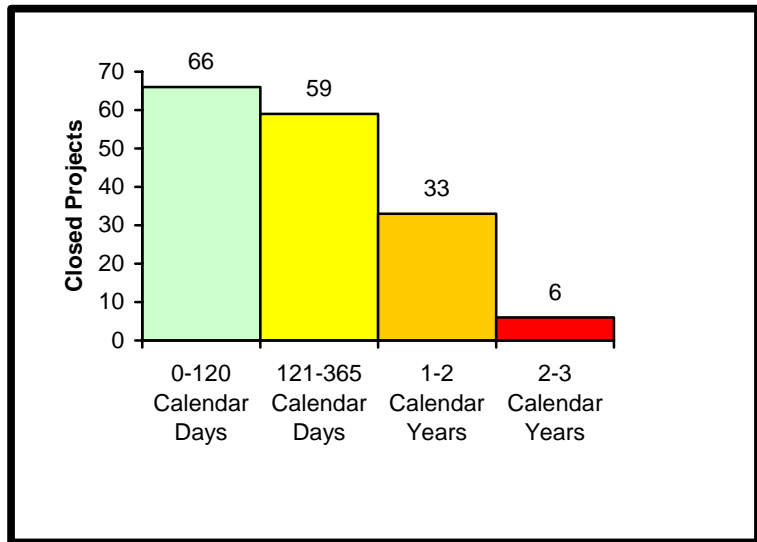
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Time in Process for 130 Open Systemic Advocacy Projects



Source: Physical inventory information provided to the Treasury Inspector General for Tax Administration (TIGTA) by local OTA management on November 26, 2002.

Time to Complete 164 Closed Systemic Advocacy Projects



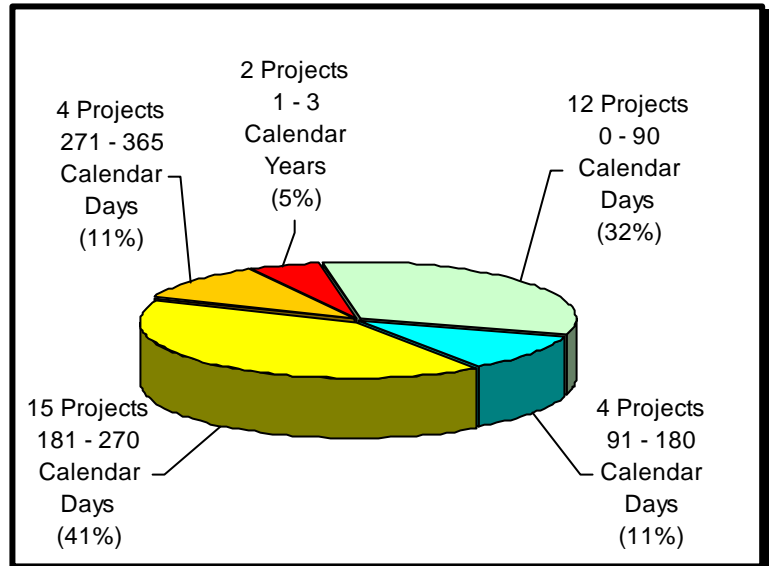
Source: Physical inventory information provided to the TIGTA by local OTA management on November 26, 2002.

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Inactivity

In January 2003, we reviewed a judgmental sample of 37 open systemic advocacy projects and identified inactivity delays after these projects were assigned. See Appendix V for a listing of open systemic advocacy projects reviewed. In our sample, there were 23 (62 percent) projects with periods of inactivity between 91 and 365 calendar days and 2 (5 percent) projects with periods of inactivity from 1 to 3 years. In only 12 (32 percent) projects did we find no major periods of inactivity. The following chart outlines periods of inactivity after the open systemic advocacy projects were initiated:

Periods of Inactivity in the Open Systemic Advocacy Projects



Source: TIGTA sample of open systemic advocacy projects reviewed in January 2003.

We attempted to review a judgmental sample of 51 closed systemic advocacy projects for periods of inactivity, but the OTA did not maintain sufficient documentation in 45 (88 percent) of the closed project folders to allow us to determine when actions were taken by advocacy analysts or when advocacy analysts were temporarily removed for other assignments. See Appendix VI for a listing of closed systemic advocacy projects reviewed.

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During our closing conference, the NTA expressed the view that many of the advocacy analysts do not possess the technical skills required to successfully resolve projects as a contributing factor to the delays and related problems in this area. In reaction, the OTA has begun to match the skill level of analysts with the issues raised in specific projects. Presently, this is under discussion between the NTA and the National Treasury Employees Union (NTEU). In addition, the NTA plans to establish Advocacy Liaisons who will work with the IRS and Local Taxpayer Advocates to address and correct specific problems affecting systemic advocacy.

The NTA shares our concerns about the timeliness and inactivity on its projects and indicated that the OTA had initiated additional actions to accelerate the conduct of these projects. The NTA informed us that the OTA had undertaken the development of quality standards for conducting systemic advocacy projects. The quality standards include expectations for the timely execution of systemic advocacy projects. Presently, these standards are under discussion between the NTA and NTEU. The NTA also proposed the use of a time sheet to track the amount of time that the OTA expends on systemic advocacy projects.

We acknowledge the efforts undertaken to address these concerns, and though we did not formally assess their efficacy, it appears that they will contribute to improving the quality and timeliness of the OTA's work. In our discussion with key executives in the OTA, we requested evidence to gauge the actual improvements in these areas. Despite their expectation that the problems had been resolved, the NTA could not demonstrate improvement in these areas. No information could be provided to show that the length of time expired for open projects, the time expended to complete closed projects, or the frequency and duration of periods of project inactivity had been reduced.

Significance of systemic advocacy projects

Delays in processing systemic advocacy projects could adversely affect substantial numbers of taxpayers. All of the projects in our sample supported the OTA's mission of resolving recurring taxpayer problems. Although only a few

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project files contained data on the number of taxpayers affected by the problems outlined in the projects, we used IRS statistical information to quantify the potential number of taxpayers affected by some of the open projects. The majority of the open projects we sampled focused on the Offer in Compromise and the Federal Payment Levy Programs that potentially affect as many as 168,650 taxpayers per year. In addition, 1 project concerning Partnership Income, Credits, and Deductions could affect 16.5 million taxpayers per year. The following table outlines the potential numbers of taxpayers affected by the systemic advocacy projects and the average numbers of calendar days these projects were open:

Potential Taxpayers Affected

Project Type	Taxpayers Affected Annually	Average Calendar Days Open
Federal Payment Levy Program (9 projects)	52,050	140
Offer in Compromise (16 projects)	116,600	289
Partnership Income (1 project)	16.5 million	890

Source: TIGTA review of open systemic advocacy projects and IRS statistical information.

The OTA did have additional assignments devoted to resolving other taxpayer issues involving the Offer in Compromise and the Federal Payment Levy Programs. The OTA had identified both of these issues in previous Annual Reports to Congress. However, the majority of taxpayer issues discussed in the open systemic advocacy projects were different from the issues raised in the Annual Reports to Congress.

In addition, although the FY 2001 Annual Report to Congress outlined that the OTA would review a Partnership

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Income issue to determine if legislative recommendations were warranted, no actions had been initiated on the Partnership Income systemic advocacy project at the time of our review.

In addition to its current workload, the OTA can expect increased demand for its services. In response to its outreach efforts, the OTA is realizing steady increases in the number and type of problems taxpayers are experiencing with the IRS. From March 2000 through September 2002, the OTA received 789 advocacy issues. However, the OTA anticipates receiving 800 issues in FY 2003 alone. This reaffirms the need for effective management of staff resources by the OTA.

Competing priorities

Delays in completing systemic advocacy projects were due to a number of factors. According to interviews with OTA employees, advocacy analysts devote the majority of their time to systemic advocacy projects for a 4-month period from January to April. Beginning in May, however, these same advocacy analysts are reassigned to work on the NTA's Annual Report to Congress and discontinue work on their ongoing systemic advocacy projects. These same advocacy analysts do not return to their initial systemic advocacy projects until the NTA's Annual Report to Congress is complete, often not until the following January. A review of the 37 open systemic advocacy projects we sampled generally confirmed this situation. In 25 of the open projects, advocacy analysts documented that they were unable to continue work on these projects due to their reassignment between May and December to work on the NTA's Annual Report to Congress.

We believe the practice of interrupting ongoing systemic advocacy projects to free up staff to work on the NTA's Annual Report to Congress reveals a serious vulnerability. Though the OTA is required to complete both systemic advocacy projects and its Annual Report to Congress, the process of issuing the NTA's Annual Report to Congress comes at the expense of the obligation to address systemic weaknesses in the IRS. For the past 7 years, the NTA has issued Annual Reports to Congress. Given the length of

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time that has transpired and the expected lessons learned from producing the Annual Report to Congress each year, we believe that the OTA should have developed an operational approach for preparing its Annual Report to Congress that does not conflict with the timely processing of systemic advocacy projects. In our opinion, the OTA needs to maintain a balance between continuing to process systemic advocacy projects with timely results and producing its Annual Report to Congress.

During discussions of this report, the Executive Director, Systemic Advocacy, informed us that she had instructed systemic advocacy managers early in Calendar Year 2003 to discontinue the practice of interrupting the ongoing systemic advocacy projects to work on the NTA's Annual Report to Congress. We contacted four advocacy analysts at random to determine if they were aware of a new process being implemented. These analysts were assigned Annual Report duties as well as systemic advocacy projects. These analysts stated that they considered this to be more of a goal than an operating expectation and that they had no written guidance or procedures to accomplish it. All of the analysts stated that their perception was that the NTA's Annual Report to Congress was still the priority and came first.

We believe these efforts should be expanded to formalize the policy of concurrently working these projects and the Annual Report assignments and by implementing a process to manage both operations simultaneously. This should include establishing and disseminating procedures, balancing current work load to ensure high-priority systemic advocacy projects and Annual Report assignments are timely completed, and analyzing workload and staffing resources annually for future advocacy efforts.

Standards

The OTA had not established timeliness or staff resource standards for conducting systemic advocacy projects. This did not allow systemic advocacy analysts and managers to plan and monitor the delivery of systemic advocacy projects. Though the NTA now uses a milestone date to prompt management attention to the length of open projects, there was a fundamental difference of opinion among senior

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officials as to whether the milestone date was intended as an expected completion date or more simply as a device to alert project managers. We believe that to manage systemic advocacy projects efficiently, the NTA needs a standard to guide analysts in the conduct of their work and aid managers in their oversight role.

The standards should consider the complexity of many of the OTA's systemic advocacy projects. Many of the issues the OTA undertook for review involve complicated tax law and IRS manual operations that are labor-intensive and subject to error – issues that understandably prompt taxpayers to seek the services of the OTA. We believe that the OTA could develop reasonable standards based on its experience to date in conducting projects that consider such factors as technical complexity.

Management information

In addition, systemic advocacy managers do not have the data necessary to monitor systemic advocacy project activity. The SAMS, implemented in February 2003, did require the entry of estimated start and completion dates for systemic advocacy projects. However, the SAMS automatically calculates a project completion date based on 90 calendar days rather than on the complexity of the systemic advocacy project or the resources necessary to complete it. As discussed above, the Executive Director, Systemic Advocacy, informed us that the 90 calendar days was a prompt for systemic advocacy managers to follow up on the status of projects. We also found the SAMS was not designed to record the estimated number of staff days necessary to complete a project, the staff days expended to date, or the amount of time elapsed since the project's inception. These SAMS limitations did not allow systemic advocacy managers to accurately forecast a project's completion date or the resources being dedicated to the project. Therefore, the SAMS could not be effectively used to identify delays in initiating or completing work on systemic advocacy projects.

Using the SAMS, systemic advocacy managers could not prioritize and budget the available staff resources dedicated to systemic advocacy projects and activities in support of

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the NTA's Annual Report to Congress. The SAMS did not track staff days budgeted or expended on the projects or the activities in support of the NTA's Annual Report to Congress. By capturing and analyzing information on staff days budgeted and expended on systemic advocacy projects and the Annual Report to Congress, the OTA would be able to more readily determine cost and staffing requirements.

We were unable to determine whether the staffing level for the systemic advocacy program was appropriate because no information was available on the staff days expended in working systemic advocacy projects or developing issues for the NTA's Annual Report to Congress. The systemic advocacy program's FY 2003 budget allowed for 60 full-time employees. The total budget in FY 2003 for the entire OTA organization allowed for approximately 2,170 full-time employees.

We believe that the OTA did not develop a system to monitor systemic advocacy project activities and resources because the OTA was focusing its efforts on delivering its Annual Report to Congress and on a number of other priority activities, including the initial development of the SAMS. However, timely and accurate systemic advocacy project information would assist the OTA in managing and prioritizing systemic advocacy projects and activities in support of the NTA's Annual Report to Congress.

Recommendations

1. The NTA should formalize the policy of concurrently working systemic advocacy projects and assignments in support of its Annual Report to Congress and implement a process to manage both operations simultaneously. This should include establishing and disseminating procedures, balancing current workload to ensure high-priority systemic advocacy projects and Annual Report assignments are timely completed, and analyzing workload and staffing resources annually for future advocacy efforts.

Management's Response: The NTA believes the SAMS provides the data necessary to capture project activity and

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time periods. The NTA has established business and diagnostic indicators and is in negotiations with the NTEU on ways to capture employee staff hours.

In addition, the NTA took exception with our finding that project analysts suspend work on systemic advocacy projects to attend to the Annual Report to Congress. She noted that, in principle, all work in the OTA may be considered systemic advocacy in nature and forms the basis for the Annual Report to Congress. The NTA further noted that she has implemented a process whereby the development of advocacy projects forms the basis for recommendations in the Annual Report to Congress. The process will be formalized and shared at future systemic advocacy training sessions.

The NTA disagreed that our recommendations would provide a measurable benefit on tax administration by potentially reducing the burden on approximately 16.7 million taxpayers. She stated that their analysis of the 3 specific issues showed an impact on approximately 1.9 million taxpayers, 1.7 million of which could be addressed only through a legislative change.

Office of Audit Comment: We could not evaluate the established indicators, as they had not been implemented. The NTA needs to formalize the operational approach and disseminate policies and procedures to systemic advocacy analysts to avoid the persistent problems of stopping project work to concentrate on the Annual Report to Congress.

It is unclear how the new process whereby systemic advocacy projects support the recommendations in the Annual Report to Congress overcomes the problem of interrupting ongoing systemic advocacy projects to prepare the Annual Report. Because the process has not yet been formalized, we could not assess its contribution to resolving this matter. As such, we reaffirm our initial recommendation to accomplish both tasks concurrently. Although advocacy work is evident in many aspects of the OTA, the NTA's labeling of all work as systemic advocacy defines away a true management problem; i.e., ensuring specific systemic advocacy projects are completed on time and without interruption. Project delays prevent efficient

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resolution of problems that burden taxpayers and cause ineffective management of staff resources.

The NTA questioned the number of taxpayers potentially burdened by delays in systemic advocacy projects. Although the objective of the audit was not to quantify the numbers of taxpayers who stood to be affected by systemic advocacy, we presented an estimate to illustrate the broad impact of the NTA's work. The NTA indicated that only 1.9 million taxpayers are potentially affected and that solutions to the issues affecting approximately 1.7 million of those 1.9 million taxpayers would require legislative action. However, this analysis did not include all types of taxpayer burden. By assessing the various ways in which taxpayers may be burdened in the areas under study, we concluded that many more taxpayers could be affected by the delays in the NTA's work.

For example, the NTA considered only those taxpayers that obtained extensions to file tax returns and did not consider taxpayers that filed late tax returns without extensions, filed amended tax returns, or could have received a refund earlier in the year if partnership information was provided sooner. We believe delays in completing systemic advocacy projects adversely affected the NTA's ability to propose legislation to alleviate taxpayer problems with the IRS. For example, the NTA knew about the potential partnership issue in Calendar Year 2001, but at the time of our review of the project in January 2003, the OTA had not conducted any project research to formulate a potential legislative proposal. Therefore, we are not adjusting our outcome measure of a potential 16.7 million taxpayers.

2. The NTA should establish timeliness and staff resource standards for conducting systemic advocacy projects based on the experience to date. This should include reasonable time periods and standards that take into account the complexity of the subjects under review.

Management's Response: The NTA believes that our proposals for measuring time are not appropriate. However, she agreed that timeliness is an effective diagnostic tool. The NTA believes they have already taken corrective actions by developing time reporting, case-grading criteria,

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and quality measures, and by hiring additional staff. The NTA stated that these actions have resulted in improved management of resources and projects.

Office of Audit Comment: The actions listed are still in the development and negotiation stage and had not been implemented at the time of our review. Until these actions are fully implemented, the NTA will not be in a position to measure improvements in the management of resources and projects.

3. The NTA should upgrade the SAMS to provide data on systemic advocacy project activities and staff resources to assist managers in monitoring and budgeting systemic advocacy resources. The upgrade should include data on assignments conducted in support of the NTA's Annual Report to Congress. The system should also identify delays in initiating or completing systemic advocacy projects and capture budgeted and expended staff days.

Management's Response: The NTA maintained that the SAMS captures the Annual Report assignments, systemic advocacy project activities, and staff resources. Project leads and Managers track timeliness on the SAMS. Case grading, time reporting, and quality standards features will be implemented within a year of completing NTEU negotiations and testing.

Office of Audit Comment: The NTA has taken some actions to address the recommendation; however, without capturing actual staff resource time expended on projects, the OTA will not be able to monitor and budget staff resources. The SAMS does not have the ability to capture staff hours at this time, and the manual processes listed will not provide adequate means to implement the recommendation.

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Appendix I

Detailed Objective, Scope, and Methodology

The overall objective was to evaluate the Office of the Taxpayer Advocate's (OTA) resource management for systemic advocacy projects. In determining this, we reviewed how the OTA records, monitors, and budgets its staffing resources for systemic advocacy projects. Although we gathered information about and acknowledge the many changes the OTA has implemented to the systemic advocacy program, we did not evaluate the effectiveness of these changes. To accomplish the overall objective, we:

- I. Determined if OTA management was adequately monitoring and allocating staff resources on systemic advocacy projects by discussing the processes used by managers and employees, reviewing systemic advocacy project inventory, determining the age of systemic advocacy projects by reviewing a judgmental sample of 88 (37 open and 51 closed) systemic advocacy projects, and reviewing the current and historical systemic advocacy budgets.
- II. Determined what is generally expected of Internal Revenue Service (IRS) management to monitor and allocate staff resources by reviewing the Internal Revenue Manual and other documents available to managers.
- III. Determined if the OTA had an adequate management information system to help monitor and allocate staff resources for systemic advocacy projects by reviewing the current management information system, the Systemic Advocacy Management System (SAMS).
- IV. Determined if inadequate monitoring and allocation of systemic advocacy staffing delayed or prevented possible protection of taxpayer rights and/or created taxpayer burden by reviewing the judgmental sample of 88 systemic advocacy projects described in Step I. We used a judgmental sample because the systemic advocacy project files were not centrally located and the inventory system did not allow us to verify the population of projects with certainty. For each open project in the sample, determined if there were periods of inactivity or delays.
 - A. To find the potential number of taxpayers affected by delays in Offer in Compromise systemic advocacy projects, computer analyzed the IRS' 1 percent statistical databases for the Individual and Business Master Files.¹
 - B. To find the potential number of taxpayers affected by delays in Federal Payment Levy Program systemic advocacy projects, computer analyzed the IRS' 1 percent statistical database for the Individual Master File.

¹ The IRS database that stores various types of taxpayer account information. This database includes individual, business, and employee plans and exempt organizations data.

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- C. To find the potential number of taxpayers affected by delays in the Partner's Share of Income, Credits, and Deductions, etc. (Form 1065 Schedule K-1) systemic advocacy project, reviewed information provided by the IRS National Office of Research, which compiles the actual number of Form 1065 Schedule K-1s prepared annually with copies sent to the IRS.
- V. Determined if changes to the OTA's inventory systems could be made that would provide information to management that would aid them in allocating and monitoring staff resources by discussing the systems and possible changes with management officials.
- VI. Determined the major changes being implemented for the systemic advocacy program and the potential risks the OTA was attempting to address by discussing and reviewing the capabilities of the SAMS. We discussed and reviewed documentation on an outreach program to educate external sources on how to submit systemic issues to the OTA.

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Appendix II

Major Contributors to This Report

Daniel R. Devlin, Assistant Inspector General for Audit (Headquarters Operations and Exempt Organizations Programs)

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Appendix III

Report Distribution List

Commissioner C
Executive Director, Systemic Advocacy TA:EDSA
Chief Counsel CC
Director, Office of Legislative Affairs CL:LA
Director, Office of Program Evaluation and Risk Analysis RAS:O
Office of Management Controls OS:CFO:AR:M
Audit Liaison: National Taxpayer Advocate TA

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Appendix IV

Outcome Measures

This appendix presents detailed information on the measurable impact that our recommended corrective actions will have on tax administration. This benefit will be incorporated into our Semiannual Report to the Congress.

Type and Value of Outcome Measure:

- Taxpayer Burden – Potential; 16.7 million taxpayers annually due to systemic advocacy project delays (see page 3).

Methodology Used to Measure the Reported Benefit:

Systemic advocacy project delays could adversely affect many taxpayers. All of the systemic advocacy projects in our judgmental sample of 37 open projects supported the Office of Taxpayer Advocate's (OTA) mission of resolving significant recurring taxpayer problems. Although only a few case files contained data on the number of taxpayers affected by the problems outlined in the systemic advocacy projects, we used Internal Revenue Service (IRS) statistical information to quantify the number of potential taxpayers affected for some of the open projects. Due to time and resource constraints, our analysis for potentially affected taxpayers concentrated on 26 of the 37 open systemic advocacy projects reviewed. These projects were categorized into 3 focus groups: Offer in Compromise (16 projects), Federal Payment Levy Program (9 projects), and Partnership Income (1 project). See Appendix V for a complete list of the open systemic advocacy projects sampled and those that make up these three focus groups.

To find the potential number of taxpayers affected by delays in Offer in Compromise systemic advocacy projects, we computer analyzed the IRS' 1 percent statistical databases for the Individual and Business Master Files.¹ From this information, we determined approximately 126,300 and 106,900 taxpayers had filed Offers in Compromise during Calendar Years (CY) 2001 and 2002, respectively. The average is approximately 116,600 taxpayers per year. Although not all the Offer in Compromise systemic advocacy projects will potentially affect this entire population, some, such as the project for sending acknowledgment letters, will potentially affect the entire population. However, as an outcome measure, we counted the annual population only once for all Offer in Compromise systemic advocacy projects we sampled.

To find the potential number of taxpayers affected by delays in Federal Payment Levy Program systemic advocacy projects, we computer analyzed the IRS' 1 percent statistical database for the Individual Master File. From this information, we determined approximately 6,200 and

¹ The IRS database that stores various types of taxpayer account information. This database includes individual, business, and employee plans and exempt organizations data.

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97,900 taxpayers had Federal Payment Levies during CYs 2001 and 2002, respectively. The average is approximately 52,050 taxpayers per year. Although not all the Federal Payment Levy Program systemic advocacy projects will potentially affect this entire population, some, such as the project for a change in computer programming, will potentially affect the entire population. However, as an outcome measure, we counted the annual population only once for all Federal Payment Levy Program systemic advocacy projects we sampled.

To find the potential number of taxpayers affected by delays in the Partner's Share of Income, Credits, and Deductions, etc. (Form 1065 Schedule K-1) systemic advocacy project, we reviewed information provided by the IRS National Office of Research, which compiles the actual number of Form 1065 Schedule K-1s prepared annually with copies sent to the IRS. From this information, we determined approximately 17 million and 16 million Form 1065 Schedule K-1s were prepared during CYs 2001 and 2002, respectively. The average is approximately 16.5 million per year. This systemic advocacy project was to research the possibility of changing the Form 1065 Schedule K-1 due date from April 15 to a date similar to that required for other types of information returns (e.g., Wage and Tax Statement (Form W-2)) to allow taxpayers that receive Form 1065 Schedule K-1s more time to prepare their individual returns that are also due April 15. Potentially, each one of these Form 1065 Schedule K-1s could affect an individual taxpayer.

In total, the Offer in Compromise (116,600 taxpayers); Federal Payment Levy Program (52,050 taxpayers); and Partner's Share of Income, Credits, and Deductions (16.5 million) systemic advocacy projects could annually minimize burden for approximately 16.7 million taxpayers for whom the OTA has yet to resolve the potential taxpayer problem. This is a minimum number because we did not review all open systemic advocacy projects, and we counted the maximum population only once for similar systemic advocacy projects.

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Appendix V

List of Open Systemic Advocacy Projects Reviewed

Open Projects Reviewed	Location	Issue	Potential Taxpayers Burdened per the OTA¹	Date Assigned to Analyst	Date of TIGTA² Review	Project Age (Calendar Days)	Period Over 90 Calendar Days of Inactivity
1	Austin	Cancellation of Debt	Not Documented	12/6/2001	1/21/2003	411	110
2	Austin	Penalty Umbrella Project	Not Documented	3/6/2001	1/21/2003	686	274
3	Austin	Print Consolidation	Not Documented	9/13/2000	1/21/2003	860	275
4	Austin	Refund Offset	Not Documented	7/16/2001	1/21/2003	554	285
5	New Carrollton	Form 2290 – Heavy Vehicle Use Tax	Not Documented	12/4/2002	1/30/2003	57	n/a
6	New Carrollton	Identification Numbers for Mexican Nationals	Not Documented	11/13/2001	1/30/2003	443	189
7	New Carrollton	Incorrect Corporate Interest	Not Documented	3/25/2002	1/30/2003	311	167
8	New Carrollton	Interest on Lost or Stolen Refunds	Not Documented	3/4/2002	1/30/2003	332	332
9	New Carrollton	Partnership Income – Legislative Change to Revise Due Date of Form 1065 Schedule K-1	Not Documented	8/23/2000	1/30/2003	890	890
10	New Carrollton	Revise Head of Household Criteria	Not Documented	12/11/2001	1/30/2003	415	182
11	New Carrollton	Self-employment Tax on Deferred Compensation	Not Documented	3/28/2001	1/30/2003	673	673
12	St. Paul	Collection Due Process – Grant Lien Filing Appeal Rights	Not Documented	3/13/2002	1/28/2003	321	244
13	St. Paul	Federal Payment Levy Program – Levies Cause Hardship to Taxpayers	Not Documented	10/15/2002	1/28/2003	105	n/a
14	St. Paul	Federal Payment Levy Program – Amend Income Requirement	Not Documented	10/15/2002	1/28/2003	105	n/a
15	St. Paul	Federal Payment Levy Program – Change Computer Programming	Not Documented	12/21/2001	1/28/2003	403	244

¹ Office of the Taxpayer Advocate (OTA).

² Treasury Inspector General for Tax Administration (TIGTA).

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Open Projects Reviewed	Location	Issue	Potential Taxpayers Burdened per the OTA	Date Assigned to Analyst	Date of TIGTA Review	Project Age (Calendar Days)	Period Over 90 Calendar Days of Inactivity
16	St. Paul	Federal Payment Levy Program – Levies on Social Security Income	Not Documented	10/15/2002	1/28/2003	105	n/a
17	St. Paul	Federal Payment Levy Program – Revise Notification and Screening Process	Not Documented	7/29/2002	1/28/2003	183	155
18	St. Paul	Federal Payment Levy Program – Revise Procedures for Income Exclusion	Not Documented	10/15/2002	1/28/2003	105	n/a
19	St. Paul	Federal Payment Levy Program – Correct Computer Errors	Not Documented	12/12/2002	1/28/2003	47	n/a
20	St. Paul	Federal Payment Levy Program – Elderly Taxpayers Incorrect Address	Not Documented	10/15/2002	1/28/2003	105	n/a
21	St. Paul	Federal Payment Levy Program – Selection Criteria for the Program	Not Documented	10/15/2002	1/28/2003	105	n/a
22	St. Paul	Offer in Compromise – Computer Paragraph 89 Notice	Not Documented	3/6/2002	1/28/2003	328	244
23	St. Paul	Offer in Compromise – Effective Tax Administration	Not Documented	5/24/2001	1/28/2003	614	244
24	St. Paul	Offer in Compromise – Form Revision	Not Documented	6/14/2002	1/28/2003	228	200
25	St. Paul	Offer in Compromise – Have the IRS ³ Accept Low Offers if Reasonable	Not Documented	6/14/2002	1/28/2003	228	200
26	St. Paul	Offer in Compromise – Refunds Not Issued	2,006	4/4/2001	1/28/2003	664	244
27	St. Paul	Offer in Compromise – Status Codes Causes Refunds to Be Delayed	Not Documented	8/23/2001	1/28/2003	523	244
28	St. Paul	Offer in Compromise – Treatment of Default	Not Documented	11/29/2002	1/28/2003	60	n/a
29	St. Paul	Offer in Compromise – Trust Fund Recovery Penalties	Not Documented	8/12/2002	1/28/2003	169	141
30	St. Paul	Offer in Compromise – Inconsistent Treatment of Defaulted Offers	Not Documented	11/29/2002	1/28/2003	60	n/a
31	St. Paul	Offer in Compromise – Levies While Offer Is in Process	Not Documented	5/20/2002	1/28/2003	253	244
32	St. Paul	Offer in Compromise – Short Time Frames to Provide Additional Information	Not Documented	10/25/2002	1/28/2003	95	n/a
33	St. Paul	Offer in Compromise – Refund Hold on Accepted Offers	700	1/3/2002	1/28/2003	390	244

³ Internal Revenue Service.

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Open Projects Reviewed	Location	Issue	Potential Taxpayers Burdened per the OTA	Date Assigned to Analyst	Date of TIGTA Review	Project Age (Calendar Days)	Period Over 90 Calendar Days of Inactivity
34	St. Paul	Offer in Compromise – Release of Refund Freeze on Defaulted Offers	Not Documented	1/8/2002	1/28/2003	385	244
35	St. Paul	Offer in Compromise – Send Acknowledgment Letter	Not Documented	6/10/2002	1/28/2003	232	204
36	St. Paul	Offer in Compromise – Timely Input of Acceptance Code	Not Documented	11/5/2002	1/28/2003	84	n/a
37	St. Paul	Offer in Compromise – When Is an Offer Processible?	Not Documented	3/20/2002	1/28/2003	314	244

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Appendix VI

List of Closed Systemic Advocacy Projects Reviewed

Closed Projects Reviewed	Location	Issue	Date Assigned to Analyst	Date Closed	Project Age (Calendar Days)
1	Austin	Direct Deposit Refunds	2/7/2000	1/10/2003	1,068
2	Austin	Estimated Tax Penalty on Schedule H	2/5/2001	11/25/2002	658
3	Austin	Liberal Penalty Abatement – First-Time Filers	2/27/2001	11/25/2002	636
4	Austin	Penalty Guidelines	3/12/2001	11/25/2002	623
5	Austin	Suspension of Interest	3/29/2002	11/25/2002	241
6	Dallas	Abatement of Estimated Tax Penalty	2/5/2001	8/9/2001	185
7	Dallas	Automated Collection System & Federal Tax Liens	3/3/2001	9/25/2001	206
8	Dallas	Coordinated Examination Program	3/31/2000	4/11/2001	376
9	Dallas	Credit Offsets Resulting in Balance	9/26/2001	10/11/2001	15
10	Dallas	Disaster Claims	8/8/2001	10/3/2001	56
11	Dallas	Disaster Penalty & Interest – Mississippi	10/12/2001	2/15/2002	126
12	Dallas	Employer Identification Numbers not Shared With Representative	11/22/2000	4/9/2001	138
13	Dallas	Estimated Tax Penalties on Farmers & Fisherman	4/5/2001	8/9/2001	126
14	Dallas	Extend Statute of Limitations for Collection to 20 Years	3/8/2001	4/18/2001	41
15	Dallas	Failure to Pay Tax Penalty – Computation on Refunds	2/5/2001	8/28/2001	204
16	Dallas	Final Notice Too Harsh	11/27/2000	4/11/2001	135
17	Dallas	Form 1040ES with Secondary Social Security Numbers	4/3/2002	5/3/2002	30
18	Dallas	Form 1099-G – Incorrect	10/6/2000	3/12/2001	157
19	Dallas	Incorrect Credit Offsets	1/8/2001	8/28/2001	232
20	Dallas	Incorrect Penalty Assessment	4/9/2001	4/26/2001	17
21	Dallas	Incorrect Telephone Number on Notices	6/4/2001	6/4/2001	0
22	Dallas	Lien Mailing Lists Sold to the Public	Unable to Find	3/19/2001	Not Determined
23	Dallas	Manual Refunds on Decedents	1/4/2001	6/7/2001	154
24	Dallas	Match Forms K-1 with Forms 1040	1/31/2001	4/16/2001	75
25	Dallas	Miscalculation of Child Tax Credit	2/27/2001	5/4/2001	66
26	Dallas	Offer in Compromise – Uncollectible Accounts	12/4/2000	3/19/2001	105

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Closed Projects Reviewed	Location	Issue	Date Assigned to Analyst	Date Closed	Project Age (Calendar Days)
27	Dallas	Offer in Compromise – Perfection Correction	12/4/2000	3/14/2001	100
28	Dallas	Offer in Compromise – Joint Offers	5/10/2001	8/10/2001	92
29	Dallas	Penalties on Form 1120F	4/16/2001	4/9/2002	358
30	Dallas	Penalty Abatements	5/1/2001	7/9/2001	69
31	Dallas	Penalty Disparity	4/10/2000	8/9/2001	486
32	Dallas	Public Disclosure of Delinquent Taxpayers	2/10/2000	1/30/2001	355
33	Dallas	Rejection of Form 2848 for Powers of Attorney	6/2/2000	2/22/2001	265
34	Dallas	Revise Form W-4 for Withholding	11/28/2000	4/16/2001	139
35	Dallas	Offer in Compromise – Revise Internal Revenue Manual	9/27/2000	12/17/2001	446
36	Dallas	Revision to Form 668 to Advise Balance Due	12/4/2000	5/4/2001	151
37	Dallas	Revision to Notice of Federal Tax Lien – Balance Due	12/4/2000	5/4/2001	151
38	Dallas	Script for Automated Collection System Toll-Free Line	2/14/2001	12/13/2001	302
39	Dallas	Seizure & Sale Process	Unable to Find	Unable to Find	Not Determined
40	Dallas	Social Security Number Visible Through Envelope	12/29/2000	5/4/2001	126
41	Dallas	Substitute for Returns	3/21/2000	4/12/2001	387
42	Dallas	Unemployment Indian Tribal Governments	3/22/2000	3/21/2001	364
43	Dallas	Update Form 2210 for Estimated Tax Penalty	2/5/2001	5/4/2001	88
44	Dallas	Use of Bank Address for IRS ¹ Notices	6/2/2000	4/5/2001	307
45	New Carrollton	Closing Letter on Estate Cases	2/13/2001	7/10/2002	512
46	New Carrollton	Collection Due Processing Hearings	2/25/2002	1/25/2003	334
47	New Carrollton	Earned Income Credit Questionnaire	10/30/2001	5/20/2002	202
48	New Carrollton	Offer in Compromise – Partnerships	4/12/2001	4/16/2002	369
49	New Carrollton	Offer in Compromise – Processing	12/21/2001	5/13/2002	143
50	New Carrollton	Tax Liens – Housing and Urban Development Loans	5/11/2000	10/11/2001	518
51	St. Paul	Offer in Compromise – Accounts Under Examination	11/21/2002	1/25/2003	65

¹ Internal Revenue Service.

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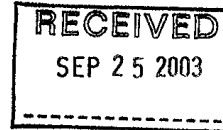
Appendix VII

Management's Response to the Draft Report




National Taxpayer Advocate

SEP 24 2003



MEMORANDUM FOR TREASURY INSPECTOR GENERAL FOR TAX
ADMINISTRATION

FROM: NATIONAL TAXPAYER ADVOCATE 

SUBJECT: Draft Report – The National Taxpayer Advocate Could Enhance
the Management of Systemic Advocacy Resources (Audit #
200210044)

I have reviewed the draft audit report referenced above and concur with the premise of its recommendations to improve the management systems in our Office of Systemic Advocacy (SA). As you know, the Taxpayer Advocate Service (TAS) did not officially stand up as an organization until **March 12, 2000**, and the early management systems used to track TAS's systemic work were deeply flawed. Shortly after I became the National Taxpayer Advocate (NTA) in March 2001, I began to focus on the organization of our systemic advocacy staff, the quality and quantity of its work product, and the management systems in place.

Since May 2001, I have created the Office of Systemic Advocacy within TAS to strengthen our systemic issue work product, created several new management positions, enhanced the skills and training of our analysts, and directed the development of a new management system with substantially enhanced capabilities, the Systemic Advocacy Management System (SAMS). SAMS became operational in March 2003. The audit examined project work from March 2000 through November 2002 – a period during which TAS was using now-obsolete management systems. Substantial improvements have already been implemented since that time, including some recommended by TIGTA in its audit report. However, I welcome and will carefully consider the recommendations you have made, and we will determine whether refinements to SAMS should be made in light of your findings.

There are three aspects of the report to which we wish to respond.

- *First*, the report implies that there is a clear distinction between assignments in support of the NTA's statutorily required annual report to Congress (ARC) and other advocacy projects. In our view, no such distinction does or should exist.
- *Second*, the report states that several projects were not completed in a timely manner. In our view, this finding is unsound because generic evaluation methods

The Office of the Taxpayer Advocate operates independently of any other IRS Office and reports directly to Congress through the National Taxpayer Advocate.

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were applied that do not take into account the unusual nature of TAS's mission and operations.

- *Third*, the report creates the impression that TAS's deficient management systems in the past have negatively affected our work product and hurt taxpayers. In our view, this implication is inaccurate.

I will address each of these issues in greater detail below. I will also address the scope and design of SAMS and discrepancies in the data reviewed by TIGTA and TAS.

Annual Report to Congress and Advocacy Projects

It is incorrect to state that "systemic advocacy projects resolve and prevent recurring taxpayer problems dealing with the Internal Revenue Service (IRS)." The Taxpayer Advocate Service alone cannot accomplish systemic change. Rather, systemic advocacy projects *provide an avenue to analyze and make recommendations* to prevent recurring taxpayer problems. Internal Revenue Code section 7803 requires the Office of the Taxpayer Advocate to make recommendations for administrative and legislative action, as may be appropriate, to resolve problems encountered by taxpayers. The ultimate vehicle for making these recommendations is our statutorily required annual report to Congress. In addition, the statute requires the ARC to include a summary and description of at least 20 of the most serious problems encountered by taxpayers. The statutory mandates, particularly the ARC requirement, drive our focus on advocacy projects.

Overall, the TIGTA draft report fails to recognize the nexus between the activities associated with working advocacy projects and the support provided by Systemic Advocacy in addressing the most serious problems for the ARC. The most serious problems (MSP) section of the FY 2002 ARC identified and described administrative problems and recommended solutions to the Operating Divisions on issues that were, in fact, the subject of advocacy projects.

The report misstates the role of Systemic Advocacy analysts and therefore overstates the assertion of impact to taxpayers. The analysts have four main functions:

- develop assigned projects, with recommendations if appropriate to their management levels;
- represent TAS on working groups;
- address specific issues (shorter term assignments) and report findings; and
- research and prepare summaries on assigned topics for the ARC.

Advocacy work in the TAS is not just a function of the SA analyst. Advocacy is both preventive and reactive and is accomplished by all employees in TAS – *i.e.*, case advocates, advocacy analysts, TAS employees working with Taxpayer Advocacy Panels and the Low Income Taxpayer Clinic program, local taxpayer advocates, the National Taxpayer Advocate, and my immediate staff. The advocacy role is performed daily not only by working on an advocacy project but also through interaction with our

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peers and taking on issues within all of our offices. TAS advocacy work requires partnership with the IRS – constantly negotiating, exchanging information, and refining advocacy perspectives.

The ARC provides a vehicle for publicly raising issues that often can be traced to advocacy project subject matter. For example, the 2002 ARC included 31 recommendations for administrative change involving the EITC. Many other service improvements were agreed to in the interactive process leading up to the issuance of the ARC. This is also true of the offer-in-compromise and federal payment levy program topics addressed in the draft TIGTA report.

During 2002, the Executive Director, Systemic Advocacy (EDSA) designed a process for developing the ARC that clearly integrated advocacy issues and projects with the ARC. The EDSA implemented this process in January 2003, and presented it to SA analysts at a training meeting in February 2003. Further, in January 2003, SA managers devised lists of usable advocacy projects and assigned 2003 ARC work to specific analysts. This approach to project identification and assignment eliminates the disconnect between working an advocacy project and an ARC issue.

While some SA analysts may still believe that advocacy projects are distinct from the ARC process, that is neither my position nor what we have communicated to our analysts. Thus, if analysts are asked to work on a project for the ARC, they are, in fact, working on an advocacy issue that has emerged as a priority issue. Redirecting resources to such a project does not constitute an "interruption" of ongoing projects nor does it represent a "serious vulnerability." Redirecting resources to issues of high impact and immediacy based on vigorous analysis is what systemic advocacy is all about.

In summary, the draft audit report appears to treat ARC activities and work on advocacy projects as mutually exclusive, implying that resource expenditures for one had no impact on delivering on the other, resulting in inactivity. For the reasons discussed, we view work on advocacy projects and work in support of the ARC as inextricably interrelated.

Timeliness of Advocacy Projects

The audit report states that the Office of the Taxpayer Advocate has no formal time requirements for "completing" systemic advocacy projects. We disagree with this finding. In addition, we believe that TIGTA's yardsticks for measuring timeliness are not apt measures for an organization with TAS's mission, operations, or role within the IRS.

The Taxpayer Advocate Service's systemic advocacy with respect to the alternative minimum tax (AMT) illustrates the inadequacy of TIGTA's proposed timeliness measures. The AMT is an ongoing issue that was addressed by a legislative recommendation in the 2001 ARC. I will also address the AMT in the 2003 ARC and may address it in every report over the next ten years. The AMT problem requires a legislative solution, and toward that end, the NTA has testified about the AMT before

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Congress on several occasions. Yet, using TIGTA yardsticks, TAS is failing if the AMT advocacy project remains open in inventory for the length of time it might take to resolve the problem – that is, the length of time it takes Congress to enact a legislative fix.¹

A more appropriate timeliness measure would recognize that it is in the tax system's and taxpayers' best interests that TAS keep open certain issues because they remain serious problems notwithstanding TAS's best efforts. Thus timeliness measures should focus on milestones in an advocacy project's development. Did TAS timely acknowledge receipt of the advocacy suggestion? Was it promptly assigned to the appropriate analyst for review? Was the initial analysis completed within a reasonable period of time? Did TAS send it to the program owner (IRS, Congress, or Treasury) promptly once the issue was properly researched and developed? Did the program owner timely respond and did TAS promptly follow up with the program owner on missed deadlines for responses? Finally, did TAS keep the original submitter of the advocacy issue advised of its progress?

I am working with the Office of Systemic Advocacy to develop and implement these timeliness measures. Some are already incorporated into our new database system and others will be incorporated over the coming year following completed negotiations.

We agree that prior to the appointment of the Executive Director, Systemic Advocacy little managerial scrutiny was applied to project application and completion. In fact, I identified this lack of managerial oversight as a problem early in 2001, and largely for this reason, created and developed the Office of Systemic Advocacy. During the course of my review of our systemic advocacy projects, I found that most analysts did not have the support or training that they needed in research, statistics, regulatory and legislative processes, or writing skills to successfully accomplish TAS's mission.

TIGTA fails to acknowledge many of the steps and initiatives we already have undertaken to address the underlying issues impacting timeliness. In FY 2002, we initiated efforts to improve training and support for analysts, including dedicated training programs in research, statistics, government and legislative process, problem analysis, and writing skills. We also hired a senior advisor for research. In June 2002, the Executive Director, Systemic Advocacy reviewed all projects assigned to both business and individual advocacy analysts, eliminated redundant or moot issues, and focused the organization's resources on projects that were identified for inclusion in the 2002 ARC. Finally, as noted above, in January 2003 the process for developing the ARC was completely revised to integrate advocacy issues and projects to feed into the ARC. This process included timeframes for measuring progress. This process not only removes any disconnect from working on a project and working on the ARC but ensures that advocacy analysts are timely working on issues of immediacy, relevance, and significant impact.

¹ In Recommendation 2 of its report, TIGTA states that revised timeliness standards should "take into account the complexity of the subjects under review." However, the analysis in the report focuses exclusively on the number of days a project remained open and reflects no consideration of the complexity of the subjects that TIGTA reviewed.

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TAS Management Systems and Impact on Taxpayers

The draft audit report creates an inaccurate impression that TAS's inadequate management systems in the past have negatively affected our work product and hurt taxpayers. The draft audit report describes three SA advocacy issues – offers-in-compromise, the Federal Payment Levy Program, and partnership income – as examples where delays had adversely impacted taxpayers. In fact, I elevated two of these programs, and the projects aligned with them, to my office for my direct involvement. We have undertaken significant and continuous work activity on the three projects identified in the charts. This activity was conducted by all levels of TAS, including Systemic Advocacy, the Local Taxpayer Advocates, and the National Taxpayer Advocate. During the course of this audit, TAS provided the audit team with specific documentation on the extensive advocacy that occurred in each of these areas. (See Appendix 1)

The TIGTA draft report states that systemic advocacy delays "could adversely affect substantial numbers of taxpayers" and that "potentially 16.7 million taxpayers are continuing to be affected by the problems outlined in projects we sampled." The TIGTA memo transmitting the draft report repeats: "Our recommendations will provide a measurable benefit on tax administration by potentially reducing the burden on approximately 16.7 million taxpayers." *Based on our analysis of the specific issues highlighted in your report, the issues affect approximately 1.9 million taxpayers, and solutions to the issues affecting approximately 1.7 million of those 1.9 million taxpayers would require Congressional action.*

ISSUE	Taxpayers Potentially Impacted	Average Calendar Days Open
FPLP	31,807	120
OIC	83,878	418
Partnership Income	1,748,893	151
Total TP Potentially Impacted	1,864,578	230

Information unavailable on 1 FPLP project and 1 OIC project.

(See Appendix 2 for a complete analysis of taxpayers impacted by the three projects identified.)

The most extreme overstatement of taxpayer impact is attributable to TIGTA's finding that 16.5 of the 16.7 million taxpayers referenced were potentially affected by a single

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project. TIGTA describes this project as "the possibility of changing the Form 1065 Schedule K-1 due date from April 15 to a date similar to that required for other types of information returns (e.g., Wage and Tax Statement, Form W-2) to allow taxpayers that receive Forms 1065 Schedule K-1 more time to prepare their individual returns that are also due April 15." Leaving aside the fact that TAS's calculations indicate that 1.7 million taxpayers could be affected by this proposal, for TIGTA to state that TAS may have "adversely affect[ed]" 16.5 million taxpayers on this issue is misleading for the following reasons:

- The current deadlines are set by statute. See IRC §§ 6072 and 6031(b). Therefore, the sole method for changing the due date is to persuade Congress to change the statute. Internal advocacy is irrelevant.
- The NTA was aware of the proposal and specifically listed it as an item she was considering in her FY 2001 ARC, so any deficiencies in TAS's management systems obviously did not prevent the proposal from receiving high-level attention.
- The NTA each year sifts through a significant number of proposals before ranking them and determining which ones to present in her annual report. Among the factors considered are the number of taxpayers affected, the significance of the impact, potential negative consequences that will result if the proposal is enacted, and the likelihood that the proposal will be enacted. In the case of the proposal to change the partnership-filing deadline, the NTA determined that it did not rise to the top of her priority list for purposes of the FY 2001 and 2002 reports.

As it happens, the NTA is considering the issue for purposes of the FY 2003 report but has not yet decided whether to include a proposal. It is not an easy issue and the likelihood that the proposal would be enacted is questionable at best. Unlike other information returns like W-2s, K-1s cannot be prepared until the partnership return to which they relate is completed. To create a filing deadline earlier than April 15 would put greater pressure on partnerships and their accountants and would not necessarily be welcomed. It is also significant to note that partners are the owners of a partnership, so they generally have the ability to push to get the partnership tax return prepared and the K-1s distributed in enough time to enable themselves to file their personal returns by April 15. Yet more than 25% of partnerships file their returns after the April 15th due date (CRIS BFM TY01). Finally, this is an issue already in the public domain that has been debated for years.

For these reasons, we disagree with the implication in the audit report that the Office of the Taxpayer Advocate has failed to address the offers-in-compromise, Federal Payment Levy Program, and partnership income issues and thereby harmed taxpayers.

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Systemic Advocacy Management System (SAMS)

The draft TIGTA report does not address the steps TAS has already taken to improve the management and monitoring of systemic advocacy projects, including:

- Management analysis of resource application issues and actions to address them.
- Management acknowledgement of the need to create a framework for a reorganized SA and its decision to devise and implement controls, standards, and quality measurements.²
- Management commitment to change. For example, the EDSA furnished the audit team with her 2003 objectives (developed in September 2002), and her subsequent mid-year self-assessment, which addressed our progress in these areas and gave specific implementation dates.

TAS management had extensive conversations with the TIGTA audit team regarding original management concerns and completed actions, including the development of quality standards, project grading guidelines, skills assessments and changes in the ARC process. The audit team also was informed about my decision in May of 2002 to cease tracking projects on the existing SWAP and APTS systems. I made this decision because I believed that the SWAP and APTS systems were inadequate for TAS's purposes and had decided to replace them with SAMS and because in light of the pending introduction of SAMS, I concluded that training employees on the soon-to-be-discontinued SWAP and APTS systems would have been wasteful. Despite TIGTA's awareness of this information, the audit focused on inventories tracked on the SWAP and APTS systems and manually prepared reports, rather than on inventories tracked on the new SAMS system that is now in use. Accordingly, the usefulness of the audit's findings as a diagnostic tool for TAS managers on a going-forward basis is limited.

When we initially met with TIGTA in November of 2002, our SA staff was in the midst of developing the new system. There appears to be a misunderstanding about the new system and the systemically generated timeframes identified in the Vision and Strategy Report. By that time, we established two systemically generated dates on the SAMS, the new TAS inventory system. The first date manages initial assignment within 30 calendar days; the second date provides management with an indicator of projects that are over 90 calendar days old.

The new system allows for management to generate an over-age report for individual project review. At that time, the manager applies review and quality standards and determines the appropriate timeframes for resolution based on complexity. Managers

² We note that during the audit, TAS provided TIGTA with a copy of the Vision and Strategy Report that lays out this strategy and implementation in steps.

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use monthly activity reports and on-going communication with their staffs to track projects and provide guidance to analysts.

The system criteria allow us now to rank and prioritize issues. Although all suggestions and issues received will be logged onto our system, some will not rise to the level of viable projects. We apply ranking criteria that include a number of factors, such as taxpayer burden, impact on taxpayer rights, and the number of taxpayers affected by the issue. In addition, Systemic Advocacy conducted a thorough review of all pending systemic advocacy issues contained in the old system in October 2002. At that time, we completed a clean up of the pending items in the old database.³

Finally, when discussing the issue of timeliness, it is important to consider the type of work involved. Many of the issues may require regulatory or legislative action. Others involve long-term advocacy as TAS monitors the impact of changes to IRS procedures and seeks to persuade the IRS to implement additional program improvements. Some solutions depend on the delivery of information technology that is scheduled some time in the near or distant future. As discussed above, TAS holds projects open until the issues have been resolved.

In the NTA's FY 2002 annual report to Congress, the statutory vehicle for elevation of advocacy issues, we discussed 22 of the most serious problems encountered by taxpayers. Many of these are continuing problems that result from the complexity of the tax laws, the lack of sufficient resources available to the IRS, and/or administrative practices that require improvement. The top problems involved navigating the IRS, (*i.e.*, taxpayer difficulty in locating the right person or division to answer a question or help resolve a problem), the offers-in-compromise program, IRS use of math error authority, the IRS Information Reporting Program, processing of claims for refund, and the administration of the earned income tax credit. The report also included 11 recommendations for legislative change, including recommendations to regulate Federal income tax preparers, simplify the taxation of children's income, and exempt unincorporated businesses owned by married couples from the requirement of filing a partnership tax return. In the NTA's report, we also recommended that the six different definitions of a qualifying child in the Code be unified and that the alternative minimum tax (AMT) for individuals be repealed or limited. Many of these proposals affected large numbers of taxpayers. For example, approximately 54 percent of individual taxpayers use paid tax preparers, so our proposal to regulate paid preparers could substantially benefit more than 60 million taxpayers. Similarly, the AMT is already affecting a significant number of taxpayers, and in the absence of changes in law, it is likely to affect approximately 35 million taxpayers by 2010. For additional details on the subjects discussed in the ARC and their estimated impact on taxpayers, see Appendix 3.

³ In response to questions from the TIGTA audit team, TAS recently completed a follow-up analysis of our SA inventory and determined that we have created 753 projects since March 2002. Of that total, 382 projects have since been closed and an additional 54 projects are pending closure.

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RECOMMENDATIONS 1

The NTA should formalize the policy of concurrently working systemic advocacy projects and assignments in support of its Annual Report to Congress, and implement a process to manage both operations simultaneously. This should include: establishing and disseminating procedures, balancing current workload to ensure high-priority systemic advocacy projects and Annual Report assignments are timely completed, and analyzing workload and staffing resources annually for future advocacy efforts.

CORRECTIVE ACTION(S): The current Systemic Advocacy Management System provides the means to capture specific project activity and timeframes. We have established key business and diagnostic indicators and specific fields to capture assignments conducted in support of the Annual Report to Congress. We are in the process of pursuing options and negotiating with NTEU on ways to capture staff hours per project through a mutually agreeable process. The NTA has established timeliness indicators and identified the types of skill sets needed to accomplish advocacy projects. TAS has developed and provided training for current employees and hired four Revenue Agents, two new technical front-line managers, and two new senior managers. Managers are expected to make assignments based on their expertise and technical knowledge of the project, the existing inventory, and their employees' skills.

Approved revisions to the new management system will be made upon conclusion of NTEU negotiations and implementation.

Management does not agree with TIGTA's recommendation relating to the perceived dichotomy between advocacy projects and annual report to Congress assignments. Management has already implemented a process whereby the development of advocacy projects forms the basis for ARC recommendations. Management will continue to monitor the implementation of this process. The process will be formalized and shared at future Systemic Advocacy Training sessions.

IMPLEMENTATION DATE: June 30, 2004. However, implementation is subject to the completion of negotiations with the NTEU. If the negotiations continue beyond December 31, 2003, we will implement agreed changes within six months from the completion of the negotiations.

RECOMMENDATION 2

The NTA should establish timeliness and staff resource standards for conducting systemic advocacy projects based on the experience to date. This should include reasonable time periods and standards that take into account the complexity of the subjects under review.

CORRECTIVE ACTION(S): TIGTA's proposals for measuring timeliness are not appropriate in light of the Taxpayer Advocate Service's mission and operations. However, management agrees that timeliness is an effective diagnostic tool for ensuring that certain milestones in project analysis and development are accomplished. Toward

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that end, TAS has developed new business and diagnostic indicators and quality standards, including timeliness indicators.

We agree with audit comments that the standards should consider the complexity of the issue and we therefore will not establish unrealistic timeframes for resolving projects. An issue will remain open until the underlying problem is resolved. As noted previously, a more appropriate timeliness measure would recognize that it is in the tax system's and taxpayers' best interests that TAS keep open issues as long as they remain serious problems, notwithstanding TAS's best efforts. Thus timeliness measures should focus on milestones in an advocacy project's development. TAS has already taken action in this area by developing time reporting, case-grading criteria, and quality measures and by hiring additional technical staff and management. These actions have resulted in improved management of resources and projects.

IMPLEMENTATION DATE: June 30, 2004. However, implementation is subject to the completion of negotiations with the NTEU. If the negotiations continue beyond December 31, 2003, we will implement agreed changes within six months from the completion of the negotiations.

RECOMMENDATION 3

The NTA should upgrade the SAMS to provide data on systemic advocacy project activities and staff resources to assist managers in monitoring and budgeting systemic advocacy resources. The upgrade should include data on assignments conducted in support of its Annual Report to Congress. The system should also identify delays in initiating or completing systemic advocacy projects and capture budgeted and expended staff days.

CORRECTIVE ACTION(S):

Effective March 2003, SAMS captures ARC assignments, systemic advocacy project activities, and staff resources. Project leads and managers are able to track timelines (i.e., delays) under the Milestone Tab within the project management portion of SAMS. Case grading, time reporting, and quality standard features will be implemented within one year of completed NTEU negotiations and testing. See attachment 4 listing all items the system can presently track.

IMPLEMENTATION DATE: December 31, 2004. However, implementation is subject to the completion of negotiations with the NTEU and testing. If the negotiations or testing continue beyond December 31, 2004, we will implement agreed changes within one year of completion of those steps.

RESPONSIBLE OFFICIAL(S)

National Taxpayer Advocate/Executive Director, Systemic Advocacy.

If you have any questions or concerns, please call me at (202) 622-6100.

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The draft report states that systemic advocacy delays "could adversely affect substantial numbers of taxpayers" and that "potentially 16.7 million taxpayers are continuing to be affected by the problems outlined in projects we sampled. TAS analysis of the three issues indicated an opportunity to impact approximately 1.9 million of which 1.7 million can only be addressed through a legislative change. These issues continue to be addressed by the NTA or her designees. The following represents our analysis of each of the projects highlighted in the report.

Federal Payment Levy Program (FPLP)

TAS activity on FPLP in general:

TIGTA has marginalized the timeliness, scope and extent of the Taxpayer Advocate Service's systemic advocacy with regard to the Federal Payment Levy Program. The National Taxpayer Advocate (NTA) personally became involved with this project and has been working directly with the appropriate Operating Division executives since the summer of 2001. The NTA discussed the FPLP in the last three reports to Congress.¹ The reports and references were provided to the TIGTA audit team.

The FPLP began in July 2000. However, at the NTA's request, the Commissioner delayed the program's implementation and the issuance of Notices of Levy to attach Social Security benefits until January 2002. The NTA expressed concerns about the potential adverse impact of such levies on low income elderly and disabled persons. The NTA was also concerned about the absence of any screening mechanism for economic hardship, and the inadequacy of the IRS communication strategy to impacted populations.

The NTA prevailed upon the IRS to institute a screening process into the levy program designed to filter out inappropriate actions against Social Security recipients based on total positive income reported on the last filed return. At that time, both the National Taxpayer Advocate and the IRS acknowledged that this filter was a second-best solution, and the IRS committed to design a more accurate filter. We are currently working with Wage and Investment program owners to design a more accurate filtering approach.

FPLP Systemic Advocacy Projects:

Once the FPLP was implemented to include taxpayers who receive Social Security benefits, the NTA asked Systemic Advocacy to monitor the program to ensure the income filter procedure was working correctly. TAS Case Advocates also submitted issues to Systemic Advocacy describing specific examples of systemic problems with FPLP. The majority of the systemic problems noted focused on taxpayers receiving Social Security benefits. The current FPLP projects were initiated from these issues.

¹ Cite to each page of each report where we discuss the issue of FPLP.

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Five of nine Federal Payment Levy Program (FPLP) projects identified in the draft TIGTA report relate to the filter issue. The NTA's ongoing involvement with this issue, working with the senior executive program owners, is appropriate, given the nature of the program. Concurrent with the NTA's involvement, an analyst was assigned to monitor the program and the advocacy projects. The FPLP projects are all assigned to a DIA analyst in Detroit.

As a direct result of the Systemic Advocacy analyst's work on these projects, FPLP will be highlighted in the Most Serious Problems Encountered by Taxpayers section of the 2003 Annual Report to Congress. The report will address specific problems with the current system, as well as address potential recommendations to improve how this program is delivered. The recommendations will focus on mitigating adverse impact to taxpayers with a financial hardship.

FPLP Issue 1 – IRS/NTA agreed to implement a filtering procedure in the Federal Payment Levy Program (FPLP) that would eliminate taxpayers who rely on Social Security benefits for basic living expenses to avoid potential economic hardships from occurring.

In the fall of 2001, the NTA, SB/SE, and MITS agreed on a filter to screen out taxpayers who might be adversely impacted economically by the FPLP. However, some taxpayers who should have been removed from the potential recipient list received Collection Due Process (CDP) notices. The NTA requested Systemic Advocacy to monitor the ultimate outcome for taxpayers and particularly for those who requested a hearing.

The initial mailing of CDP Notice CP90 was sent to more than 260,000 taxpayers,² all of which had a tax delinquency and received Social Security Benefits. At the time of the initial mailing, computer programming had not been completed to eliminate taxpayers whose latest filed tax return showed a total positive income of \$20,000 or less. Wage and Investment Operations manually captured data to determine how many taxpayers requested a CDP hearing who would not have received the notice had the filter been in place.

The Wage and Investment CDP Operations Report, shows that approximately 1,100 taxpayers requested a CDP hearing, of which 577 would not have received the notice, were the filters in place³. Thus, TIGTA significantly overstated the

² National Report of Weekly Notice Volumes by Calendar Year For All Product Lines CP90, actual count for 2001 cycles 40 –52 = 261,289, <http://gatekeeper.no.irs.gov>.

³ CDP Hearing Requests on CP90s – FPLP SSA recipients, Wage & Investment CDP Operations Report, List compiled February 2002. The report shows 1103 total taxpayers. Checking TINs for activity and hearing requests manually compiled the list. This data was collected by manually monitoring all of the hearing requests and checking those against the TIN list of the 2001 (Sept – Dec) CP90 recipients. These operations numbers suggest that a very small proportion of CP90 recipients actually request a hearing.

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number of taxpayers impacted by the delay in working the Systemic Advocacy Project referring to the FPLP filtering process.

Finally, there is no delay regarding this issue because the project is open until such time as the IRS makes determinations in the CDP cases. Some of these cases may result in litigation, which may not be quickly resolved. Therefore, TIGTA is incorrect in stating that there is a delay in the project or that it is inactive.

FPLP Issue 2 – This issue revolves around the IDRS status code being incorrect on an account. TIGTA suggests this issue impacts all taxpayers with FPLPs or approximately 53,000 filers per year. We disagree with this statement.

The IDRS status code is manually input in the Automated Collection System (ACS) section of the IRS campuses. ACS places the necessary Action Codes on the account indicating the taxpayer is not eligible for the levy program. There is no evidence to suggest that procedures are not being followed or that training is needed in this area. It appears this problem may be a result of human error. While we were unable to quantify the number of filers adversely affected by this condition, it is highly improbable that the IDRS status code adversely affected every FPLP filer.

Since the issue involves human error, the project was kept open to monitor whether it was corrected through training or continues to surface as a problem, requiring TAS's intervention. Thus, TIGTA is incorrect in stating that there is a delay in the project or that the project is in inactive status.

FPLP Issue 3 – This issue revolves around the limitations of IRS databases for taxpayer addresses, particularly taxpayers who receive Social Security Benefits. TIGTA estimates this problem may impact as many as 53,000 taxpayers per year.

Although many of the Social Security/FPLP taxpayers do not have a current filing requirement, some percentage of these taxpayers will live at the same address that is on record with the IRS. Moving patterns remain relatively constant over time based on data from the Census Bureau (Census 2000, Summary File3). Census data show that about 50% of household members lived at the same address for the last four years and about 35% of household members lived at the same location for the last ten years⁴.

Tenure by Year Householder Moved into Unit⁵

⁴ Census 2000, Summary File 3, Detailed Table H38, www.census.com. Years were interpreted as the most current year data-representing year 1, the next most current – year 2, etc.

⁵ Census 2000, Summary File 3, Detailed Table H38, www.census.com

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	United States Counts	United States Percentages
Total Households:	105,480,101	100%
Moved in 1999 to March 2000	21,041,090	19.95%
Moved in 1995 to 1998	30,479,848	28.90%
Moved in 1990 to 1994	16,948,257	16.07%
Moved in 1980 to 1989	16,429,173	15.58%
Moved in 1970 to 1979	10,399,015	9.86%
Moved in 1969 or earlier	10,182,718	9.65%

U.S. Census Bureau, Summary File 3, Detailed Table H38

Because many addresses will still be correct, we disagree with TIGTA's statement that about 52,000 taxpayers will be adversely affected by the delay in working the systemic advocacy project. The actual number will be determined by the moving patterns of SS benefit recipients and the date of their address on file with the IRS. At most, 50 percent or 26,000 taxpayers could be impacted.

TAS's advocacy during the initial implementation of the FPLP for social security beneficiaries resulted in the IRS and TAS developing a comprehensive communication strategy. The subsequent communication plan disseminated information about the program – and exceptions for hardship – through agencies and third parties who have contact with the impacted populations. This word-of-mouth strategy was an effective and immediate solution to the systemic problem of not having the taxpayer's current address.

This issue is still open. TAS is currently working with W&I management, the new FPLP program owners, to identify ways to update addresses. The project is not untimely or inactive.

FPLP Issues 4 - 7 –These issues relate to the filtering process in the FPLP to try to reduce the impact of levying payments on people whose sole income is derived from Social Security payments. One project deals with the fact that some who actually should qualify for exclusion from FPLP are actually included because the last time they were required to file a tax return, their income was more than \$20,000. Another project relates to this and suggests that the elderly are more likely to miss being filtered out from the FPLP because they do not meet the criteria for filing tax returns any longer. Another project suggest that Social Security Payment Recipients may be overlooked by the filters and consequently be included in the Federal Payment Levy Program.

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The March 2003 GAO Report on FPLP estimates that only 10% of Notice CP90 recipients qualify for a hardship⁶. This would lead us to believe that at most, 10 %, or 26,129 of the notice recipients were affected by the delay in working these Systemic Advocacy FPLP projects.

The GAO Report was talking about Notices sent from Oct - Dec 2001. The spreadsheet below shows that 261,289 notices were sent the last 12 cycles of 2001.

Ten percent of the 261,289 is 26,129. This was the quarter when FPLP started up and CP 90s were sent to all qualified taxpayers to start the program. The numbers drop off dramatically in future years. (There is data for 4 yrs in the attached spreadsheet).



The NTA and her staff are currently working with W&I to develop a more accurate screening mechanism. Thus, this issue is not untimely or inactive.

OIC Issue 1 – Number of OIC Cases with ACS Levies by Campus if possible

TAS could not derive a number of active OIC cases that were subject to ACS levies, although from our case advocacy function and discussion with practitioners, we know this does occur. However, this issue should involve only a small portion of the total OIC cases. This number would be further reduced since the specific problem was found only in the Memphis Campus. Consequently we disagree with the assessment that more than 116,000 taxpayers are adversely affected by this action as reported by TIGTA. This project is currently open, but the team is in the process of preparing closing letters. New procedures, guidelines and IRMS, are in place, which would ensure levies, are released. This will be monitored by TAS once closed.

OIC Issue 2 – TAMIS OIC Cases Receipt and Closed, FY 2001 & 2002⁷

TIMEFRAME	TOTAL TAMIS RECEIPTS	TOTAL TAMIS CLOSURES	TOTAL TAMIS OIC RECEIPTS
FY 2002	226,707	244,000+	4,435
FY 2001	270,400	272,000	4,412

⁶ GAO Report on IRS Federal Payment Levy Program, GAO-03-356, pages 8 and 25.

⁷ NTA FY2002 Annual Report to Congress, pages 389, 402

NTA FY2001 Annual Report to Congress, pages 229, 231, 250

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TIGTA infers that all OIC submitters were adversely affected by TAMIS delays. This issue would affect at most 4,419 taxpayers if we used TIGTA's average methodology.

A closing letter is in the pipeline for the Executive's signature on this project. The team looked at IRM 13 and closing procedures for TAS cases where there is an OIC. The team reviewed IRM 13 and discussed with LTA Liaison. A decision was made that IRM 13 was clear regarding closing procedures for OIC TAS cases.

OIC Issue 3 – Send acknowledgement letter to all taxpayers who submit OICs.

We disagree with TIGTA's assessment that more than 116,000 taxpayers are harmed by the fact that the IRS did not send an acknowledgement letter to filers who submitted an OIC. While this impacts all who submit an OIC, the lack of a notice does not in itself cause the OIC to be rejected or returned. This is solely a customer service issue. While this sounds like a simple suggestion to implement, it involves redirecting information technology resources to achieve it.

OIC Issue 4 – Number of OIC filers who were notified that they should provide additional information and how many asked for more time to get the information back to IRS.

The additional information sought could range from people forgetting to sign a form, to needing documentation or a letter from a bank, to other types of information needed. There are a large number of possibilities in terms of different information needed and time allowed to obtain the documentation. Information on requested documentation and time allowances are not captured in IRS databases.

Certainly, all of the 116,000 OIC filers are not impacted by the amount of time allowed to supporting documentation. If more documentation were needed, the OIC would have been returned to the taxpayer. At most, the number of taxpayers affected would be the number of OICs returned because of an unanswered or inadequate request for additional information. The AOIC database showed that Brookhaven Campus returned approximately 5,300 OICs in CY2001 and 32,000 in CY2002⁸.

Another data source, the National Collection Report of Monthly Reports of Offer in Compromise Activity NO-5000-108, shows that 40,206 offers were returned in FY02 and 40,149 for FY03⁹. To be conservative in our estimates, we will err on

⁸ Numbers as shown in AOIC database for Brookhaven Campus for CY2001 and CY2002. The differences in quantities in CY2002 are a result of CY2001 quantities including only November and December data.

⁹ National Collection Report, Monthly Reports of Offer in Compromise Activity NO-5000-108.

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the side of overstating impact, in the range of 40,000 offers. All of the returned offers would not have an issue impacting the amount of time the taxpayer has to provide the relevant information and thus we disagree with TIGTA's assessment of 116,000 OIC filers are negative impacted by this issue.

This issue has received significant attention from the NTA and her staff and is the subject of ongoing review and discussions with SB/SE. Thus it is not untimely nor is it inactive.

OIC Issue 5 – This issue pertains to offers that are returned to taxpayers (in error) because returns were not filed for all years. This issue actually relates to how workers in the Memphis Campus handle OICs. Workers appear to have overlooked some sources for finding information on filed returns and returned the offer to the taxpayer in error. Database Training is probably needed to assure that workers know which sources to use to verify taxpayer information.

We disagree with TIGTA's estimate that this issue may impact 116,000 taxpayers. At most, a portion of those taxpayers whose offers were returned would be the impacted number and in reality these types of cases would be a small portion of returned OICs. The AOIC database showed that Brookhaven Campus returned approximately 5,300 OICs in CY2001 and 32,000 in CY2002¹⁰. Another data source, the National Collection Report of Monthly Reports of Offer in Compromise Activity NO-5000-108, shows that 40,206 offers were returned in FY02 and 40,149 for FY03¹¹. To be conservative in our estimates, we will err on the side of overstating impact and use the total number of offers returned, or approximately 40,000. The OIC team recently discussed this issue with LTA Liaison who suggested this project be closed. Updated procedures, as well as the IRM have been in use by Memphis since this issue was submitted for consideration. A closing letter is being prepared for the Executive's signature.

OIC Issue 6 –In general this issue addresses the amount of time required to get a Y freeze released once an offer is accepted and paid in full. This specific case addresses a problem in offers filed more recently than 1997. In this case because the Y freeze was not released timely, the IRS holds a refund that it is not entitled to keep.

A Y freeze is input on a taxpayer's account when an OIC is submitted to IRS. The freeze prevents the taxpayer from receiving future refunds until the offer has been worked. Once a determination is made on the OIC, the Y freeze should be removed.

¹⁰ Numbers as shown in AOIC database for Brookhaven Campus for CY2001 and CY2002. The differences in quantities in CY2002 are a result of CY2001 quantities including only November and December data.

¹¹ National Collection Report, Monthly Reports of Offer in Compromise Activity NO-5000-108.

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TIGTA's estimate of 116,000 taxpayers being impacted by this issue is greatly overstated. At most, this issue would be limited to accepted offers and realistically would be a very small portion of the accepted offers. The AOIC database shows that Brookhaven Campus accepted approximately 68 OICs in CY2001 and 1,977 in CY2002¹². Another data source, the National Collection Report of Monthly Reports of Offer in Compromise Activity NO-5000-108, shows that about 24,000 offers were accepted in FY02 and 18,000 for FY03¹³. To be conservative in our estimates, we will err on the side of overstating impact we will use the total number of accepted offers, between 18,000 to 24,000 offers.

OIC Issue 7 – Issue 7 is very similar to issue 6 except that it involves only cases worked in Memphis. In general, this issue addresses the amount of time required to release a Y freeze once an offer is accepted and paid in full. This specific case addresses a problem in offers filed more recently than 1997. In this case because the Y freeze was not released timely, the IRS holds a refund that it is not entitled to keep.

Again, TIGTA significantly overstates the number of taxpayers to be impacted by this issue. At most, this issue would be limited to accepted offers and realistically would be a small portion of the accepted offers and only those processed in Memphis. The AOIC database shows that Brookhaven Campus accepted approximately 68 OICs in CY2001 and 1,977 in CY2002¹⁴ (figures for Memphis were not available). Another data source, the National Collection Report of Monthly Reports of Offer in Compromise Activity NO-5000-108, shows that about 24,000 offers were accepted in FY02 and 18,000 for FY03¹⁵. To be conservative in our estimates, we will err on the side of overstating impact we will use the total number of accepted offers, or 18,000 to 24,000, rather than the 116,000 TIGTA proposes.

A closing letter is being prepared for this issue as well as OIC Issue 6. The team discussed both projects with the LTA Liaison and decided this is a diminishing problem due to MFT 31 implementation. TEBB alerts have also been issued regarding this issue. Once closed, this project will be monitored.

OIC Issue 8 – This specific project involves defaulted OICs (because the taxpayer did not adhere to the terms of the offer) who receive refunds because the account was not frozen (or the Y freeze was erroneously removed).

¹² Numbers as shown in AOIC database for Brookhaven Campus for CY2001 and CY2002. The differences in quantities in CY2002 are a result of CY2001 quantities including only November and December data.

¹³ National Collection Report, Monthly Reports of Offer in Compromise Activity NO-5000-108.

¹⁴ Numbers as shown in AOIC database for Brookhaven Campus for CY2001 and CY2002. The differences in quantities in CY2002 are a result of CY2001 quantities including only November and December data.

¹⁵ National Collection Report, Monthly Reports of Offer in Compromise Activity NO-5000-108.

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While we were not able to obtain a number for defaulted OICs in which the taxpayer erroneously received a refund, we disagree with TIGTA's assumption that this issue potentially affects 116,000 taxpayers. Offers must have been previously accepted to be defaulted upon, so at most the total number of affected taxpayers cannot exceed the number of offers accepted. The AOIC database shows that Brookhaven Campus accepted approximately 68 OICs in CY2001 and 1,977 in CY2002¹⁶ (figures for Memphis were not available). Another data source, the National Collection Report of Monthly Reports of Offer in Compromise Activity NO-5000-108, shows that about 24,000 offers were accepted in FY02 and 18,000 for FY03¹⁷.

To be conservative in our estimates, we will err on the side of overstating impact and we will use the total number of accepted offers. In reality the number of defaulted OICs is a small number because the IRS tries to obtain all of the money offered when accepting the OIC. This number would be further reduced to include only taxpayers whose accounts had a freeze mistakenly removed (human error). Thus, the number of offers affected may be nominal and is substantially less than the 116,000 TIGTA asserts.

A closing letter is being prepared for this issue. The team discussed the project with their LTA Liaison and decided this is a diminishing problem due to IRM changes and procedure updates. Once closed, this project will also be monitored.

OIC Issue 9 – This issue deals with a limited number of defaulted OIC's – those in which the taxpayer asked for additional time to make the OIC payment, and more specifically with the differences in the amount of time the IRS allows different taxpayers to make missed payments.

We were not able to obtain a number for defaulted OIC's in which the taxpayer had a payment agreement and requested additional time to pay. Offers must have been previously accepted to be defaulted upon, so at most, the total number of affected taxpayers cannot exceed the number of offers accepted. The AOIC database shows that Brookhaven Campus accepted approximately 68 OIC's in CY2001 and 1,977 in CY2002¹⁸ (figures for Memphis were not available). Another data source, the National Collection Report of Monthly Reports of Offer in Compromise Activity NO-5000-108, shows that about 24,000 offers were accepted in FY02 and 18,000 for FY03¹⁹. To be conservative in our

¹⁶ Numbers as shown in AOIC database for Brookhaven Campus for CY2001 and CY2002. The differences in quantities in CY2002 are a result of CY2001 quantities including only November and December data.

¹⁷ National Collection Report, Monthly Reports of Offer in Compromise Activity NO-5000-108.

¹⁸ Numbers as shown in AOIC database for Brookhaven Campus for CY2001 and CY2002. The differences in quantities in CY2002 are a result of CY2001 quantities including only November and December data.

¹⁹ National Collection Report, Monthly Reports of Offer in Compromise Activity NO-5000-108.

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estimates, we will err on the side of overstating impact and we will use the total number of accepted offers. In reality the number of defaulted OICs is a small number because the IRS tries to obtain all of the money offered when accepting the OIC. Thus, the number of offers affected may be nominal and is substantially less than the 116,000 TIGTA asserts.

The OIC team is preparing a closing letter. Again, this is a diminishing issue due to updated IRM and procedures.

OIC Issue 10 – This issue deals with OIC offers accepted by Appeals. The estimate of 116,000 taxpayers impacted by this issue is overstated.

This issue is specific to the input of acceptance closing codes for OIC's when the OIC is accepted in Appeals. The team has discussed this issue with their LTA Liaison and they are working with the Appeals liaison in getting data regarding this issue. This project is currently open and active.

The AOIC database²⁰ shows that Brookhaven Campus Appeals did not accept any OIC offers for CY2001 and accepted 12 OIC offers for 2002. Assuming that the quantities were similar in the Memphis Campus this issue would affect no more than 25 taxpayers.

OIC Issue 11 – This issue relates to OIC offers that were rejected because of extremely small offer amounts, for example an offer of \$5.

The AOIC database²¹ shows that Brookhaven Campus rejected 1 OIC offer for CY2001 and rejected 3,281 OIC offers for 2002. Another data source, the National Collection Report of Monthly Reports of Offer in Compromise Activity NO-5000-108, shows that about 13,000 offers were rejected in FY02 and 23,000 for FY03²². To be conservative in our estimates, we will err on the side of overstating impact we will use the total number of accepted offers, or 23,000. The number of taxpayers impacted by this issue would be a very small portion of this amount.

The team will suggest a change be made to the IRM to more clearly state the procedures OIC's and amounts of the offer. A closing letter will issued after the suggestion has been made to the OD regarding the procedure change and then the project will be monitored after closing.

²⁰ Numbers as shown in AOIC database for Brookhaven Campus for CY2001 and CY2002. The differences in quantities in CY2002 are a result of CY2001 quantities including only November and December data.

²¹ Numbers as shown in AOIC database for Brookhaven Campus for CY2001 and CY2002. The differences in quantities in CY2002 are a result of CY2001 quantities including only November and December data.

²² National Collection Report, Monthly Reports of Offer in Compromise Activity NO-5000-108.

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OIC Issue 12 – In general this issue addresses the amount of time required to get a Y freeze released once an offer is accepted and paid in full.

This specific case addresses a problem in offers filed prior to 1995 (non master file account). We believe the 116,000 taxpayers TIGTA estimates to be impacted by this issue are greatly overstated. At most, this issue would be limited to accepted offers and realistically would be a very small portion (prior to 1995) of the accepted offers. The AOIC database shows that Brookhaven Campus accepted approximately 68 OICs in CY2001 and 1,977 in CY2002²³. Another data source, the National Collection Report of Monthly Reports of Offer in Compromise Activity NO-5000-108, shows that about 24,000 offers were accepted in FY02 and 18,000 for FY03²⁴. To be conservative in our estimates, we will err on the side of overstating impact we will use the total number of accepted offers. Thus, the number of offers affected may be nominal and is substantially less than the 116,000 TIGTA asserts.

Again, due to updated procedures and IRM, the OIC team with the concurrence of their LTA Liaison is in the process of preparing the closing letters for this project. The project will be monitored once closed.

OIC Issue 13 – This issue involves the Service's policy regarding the trust fund recovery penalty in the context of OICs submitted by either a limited partnership or corporation and that owe employment taxes.

Since this particular issue affects only those limited partnerships or corporations who submitted an OIC and owed employment taxes, which is an extremely small number of taxpayers, TIGTA's estimate of 116,000 taxpayers affected is significantly overstated.

This project was closed in April 2002 and was resolved by an IRM change that addressed the issue.

OIC Issue 14 – This issue impacts very few taxpayers and involves the determination of whether the taxpayer submitting the OIC has a financial hardship that would keep him/her from being able to pay taxes, if collecting the tax would not be conducive to effective tax administration, or if public policy warrants accepting the offer. Currently a cross-functional IRS task force is working on this issue.

²³ Numbers as shown in AOIC database for Brookhaven Campus for CY2001 and CY2002. The differences in quantities in CY2002 are a result of CY2001 quantities including only November and December data.

²⁴ National Collection Report, Monthly Reports of Offer in Compromise Activity NO-5000-108.

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While we are unable to quantify the impact of this issue on taxpayers, realistically very few taxpayers face this issue and not nearly the 116,000 suggested by TIGTA. However, the issue is being timely and actively addressed.

OIC Issue 15 – This issue involves a proposal that a warning be placed on the OIC form to draw their attention to the fact that a lien may be filed on taxpayers' property even though they have submitted an OIC.

TIGTA states that because this is a form change it would impact all 116,000 OIC filers. While it would change the form, the only OIC filers that would be impacted are those who do not have a lien filed on their property (assuming the change is made in a manner that does not make the form more difficult to negotiate). It is likely that many OIC filers already have liens against their property and would not be impacted by this issue. Thus, this issue would impact considerably fewer taxpayers than TIGTA implies. The suggestion was timely referred to Media and Publications for action.

This project was closed in May 2003, after the team submitted a suggestion for a change to Form 656. The project will be monitored after closing to ensure the forms change occurs.

OIC Issue 16 – This issue is the OIC umbrella project and includes all OIC issues above. It is open, ongoing, and receiving considerable attention by the NTA and Systemic Advocacy.

The above statement regarding OIC Issue 16 is incorrect. This project was the "umbrella" project used under the old SWAP system to control OIC projects. It was converted to SAMS, but in SAMS you do not need to leave the original "parent" or "umbrella" project open in order to work related or "child" projects. This project was closed after SAMS was implemented and the "child" projects for OIC were created.

Form 1065 Schedule K-1 Issue

The Form 1065 Schedule K-1 issue cited by TIGTA pertains to the date on which a partnership is required to provide Schedule K-1 to partners impacting the partner's ability to file its own tax returns timely. A partnership is required to file its return by the 15th day of the fourth month following the close of its tax year, and that date is also the deadline for providing the partners with Forms K-1. See IRC §§ 6072(a) and 6031(b). For the majority of partnerships that operate on a calendar-year basis, this means that the filing deadline is April 15. A Form K-1 lists, among other items, the amount and character of partnership income that a partner must report on an individual tax return. Therefore, if a partner does not receive a K-1 until just prior to April 15, the partner almost certainly will need to request an extension of time to file his or her individual income tax return.

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TIGTA states that the project concerning Partnership Income, Credits, and Deductions could potentially affect 16.5 million taxpayers per year. We disagree with this statement and TIGTA's underlying analysis.

Analysis of the CRIS BFM TY01²⁵ shows that approximately 2.19 million Forms 1065 were filed for tax year 2001, of which 2.16 million (or 98.6 %) had an April 15th due date (the other 1.4 % file a partnership return that is based on a fiscal year). Of the partnerships with a due date of April 15th, 1.6 million or 74.7 % filed their Forms 1065 timely (on or before April 15) and 548,000 or 25.3 % filed their Forms 1065 after the due date. If we assume all partners of the partnerships filing their Forms 1065 after the due date received their Form 1065 Schedules K-1 too late to file their own tax returns, then 5.6 million individual taxpayers with partnership loss or income would not have the income information needed to complete their tax return by April 15.

Looking at one additional data source, the Electronic Tax Administration (ETA) Business Master File (BMF) Marketing Database for calendar year 2002²⁶, we find that approximately 588,000 partnerships, involving 5.9 million partners, file their Forms 1065 after April 15. Consequently, we assume that, at most, 5.9 million taxpayers receive their Form 1065 Schedules K-1 too late to file their individual tax return by April 15.

When using the estimate from either the CRIS or ETA data, we assume that partnerships did not send K-1s prior to filing the partnership return and that the date the K-1 was received was the sole factor in determining when K-1 taxpayers filed their returns. It is highly likely that these are not the only factors involved in the determination of when a taxpayer needs additional time to file a return. These numbers most likely overstate the impact of the issue and should be considered the upper bound for the number of taxpayers affected by the legislation setting partnership forms due dates. For example, the partnership may have sent out the K-1s prior to filing their F1065 or the taxpayers had sufficient information to accurately estimate their income. Further, partners may have other income, deductions, or credit sources that necessitate filing late.

In fact, an analysis of tax year 2001 1040 filers who were recipients of K-1s shows that only 1,748,893 taxpayers filed extensions (CRIS IFM TY01). We believe this to be a better estimate of the number of impacted taxpayers.

Leaving aside whether TIGTA's numbers are overstated, the suggestion that TAS may have "adversely affect[ed]" taxpayers on this issue is misleading for several reasons. First, regardless of what TAS's now-obsolete management system

²⁵ Compliance Research Information System (CRIS), Business Filers Model (BMF), Custom Query TY2001.

²⁶ Electronic Tax Administration Business Master File (BMF) Marketing Database 2002, Custom Query BMF-2003-075.CD.

The National Taxpayer Advocate Could Enhance the Management of Systemic Advocacy Resources

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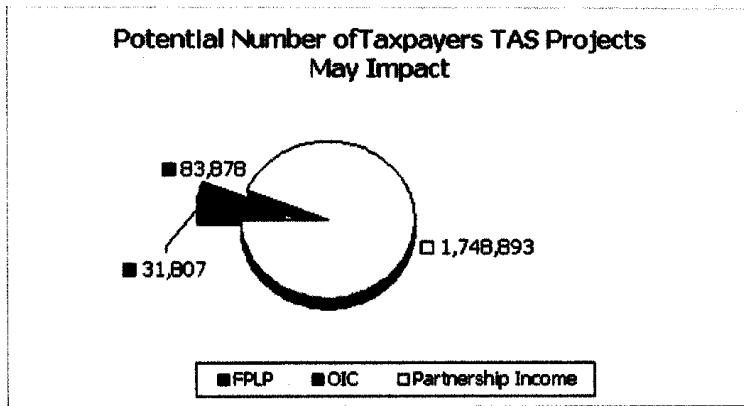
showed, the NTA was aware of the proposal and specifically listed it as an item she was considering in her FY 2001 ARC, so the issue did, in fact, receive high-level attention. Second, the issue is extremely complex, and the likelihood that the proposal would be enacted is questionable at best. Unlike other information returns like W-2s, K-1s cannot be prepared until the partnership return to which they relate is completed. To create a filing deadline earlier than April 15 would put greater pressure on partnerships and their accountants and would not necessarily be welcomed. Third, partners are the owners of a partnership, so at least collectively, they have the ability to push to get the partnership tax return prepared and the K-1s distributed in enough time to enable themselves to file their personal returns by April 15. Yet more than 25% of partnerships choose to file their returns after the April 15th due date (CRIS BMF TY01). Fourth, the current deadlines are set by statute. See IRC §§ 6072(a) and 6031(b). Therefore, the sole method for changing the due date is to persuade Congress to change the statute, and internal advocacy is irrelevant.

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Attachment 2

FPLP	31,807	120
OIC	83,878	418
Partnership Income	1,748,893	151
Total TP Potentially Impacted	1,864,578	230

Information unavailable on 1 FPLP and 1 OIC projects.



Potential Number of TP Impacted	Reason for 0 quantity, calculations
577	
0	unquantifiable but negligible
26,025	50% of 52,050
5,205	10% of 52,050
0	same as issue 4
0	same as issue 4
0	same as issue 4
31,807	

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Attachment 2

OIC ISSUE	FY02	FY03	Reason for 0 quantity
1	0	0	Unquantifiable but negligible
2	4,435	4,435	
3	0	0	Unquantifiable but negligible
4	40,206	40,149	
5	0	0	same as 4
6	24,479	18,153	
7	0	0	same as 6
8	0	0	same as 6
9	0	0	same as 6
10	25	25	
11	12,905	22,944	
12	0	0	same as 6
13	0	0	Unquantifiable but negligible
14	0	0	Unquantifiable but negligible
15	0	0	same as all issues
16	0	0	same as all issues
Total OIC taxpayers impacted	82,050	85,706	
Average Impacted for FY02 and FY03	83,878		

of taxpayers filing an extension with their F1040 & Sch K-1

CRIS IMF TY01	1,748,893
# of taxpayers filing an extension with their F1040 & Sch K-1	1,748,893

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Attachment 3

Key Legislative Recommendations		
Recommendation	Impact on Taxpayers	ARC yr/page
Married Couples as Business Co-owners	Review of 1999 1040 shows that over 2,130,000 joint tax returns w/schedule C were filed on which one spouse reported no wages.	2002 p178
Math Error Authority	There are approximately 35 million errors identified in the Error Resolution Section each year, resulting in the generation of 7 million Individual Master File and 2 million Business Master File math error notices.	2002 p195
Regulation of Federal Tax Preparers	54 percent of all individual taxpayers who file tax returns are paying a tax preparer to determine their tax obligation.	2002 p224
Uniform Definition of a Qualifying Child	Out of 7.6 million error notices sent to taxpayers in 1999, 1.35 million concern the basic filing status and dependency exemption	2001 p.77
Means-Tested Public Assistance and other Government benefits	1.4 million adults and children could not be claimed as dependents for calendar year 1999 because of receiving public benefits	2001 p.103
Eliminate the Age Restriction for Taxpayers Claiming the EITC w/out a Qualifying Child	The current age restrictions for Taxpayers claiming the EITC without a qualifying child results in the inequitable treatment. We estimate that an additional 1.5 million individuals under the age of 25 would be eligible for the credit.	2001 p.119
Expansion of Head of Household Filing Status	This proposal could impact up to 4.1 million taxpayers. Under current law the head of household filing status is not available for noncustodial parents. However, many noncustodial single or separated parents provide some measure of assistance to their children.	2001 p.124
Repeal Alternative Minimum Tax	As many as 35.5 million taxpayers may be subject to the AMT by 2010.	2001 p166
Index the individual AMT Exemptions to current dollars	If in 1983 AMT exemptions amounts had been indexed for inflation and applied to 1998 tax returns 552,016 taxpayers would have not have had an AMT liability in 1998.	2001 p172
Interest Abatement on Erroneous Refunds	For Tax Year 1999, this proposal would have allowed the abatement of interest on approximately 200 cases with refunds greater than \$50,000.	2001 p.186
Home-based Service Workers	The Bureau of Labor Statistics estimates that 300,500 individual were employed as personal and home care providers in 1999. In 1999 IRS received only 4,326 stand alone schedule H's. The small number of stand alone Schedule H's indicate the possibility of non-compliance with employment tax filing requirements.	2001 p199

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Most Serious Problems		
Processing OIC Cases	The program must balance the efficient processing of over 113,700 offers received per year.	2002 p15
IRS Information Reporting Program (IRP)	The IRP contacted more than 2.5 million taxpayers in FY 2001 and assessed total of 3.88 billion. A significant number of these assessments will be subsequently abated when the IRS acts on taxpayer correspondence, processes amended returns or receives corrected W-2 and forms 1099. TIGTA attributed 81,000 or 76% of all abatements to assessments made through ASFR or AUR programs which are part of the IRP.	2002 p33
IRS Oversight of Return Preparers can be improved	In tax year 1999, paid preparer returns accounted for 33% of math errors related to EITC.	2002 p 69
Language and culture Barriers Impact Taxpayer Compliance	U.S. Census noted a significant growth in the non-English speaking or multilingual population over the past decade. Census highlighted the increase in Hispanic/Latino sector, now id the fastest growing U.S. minority.	2002 p 88
Access to ACS	In FY 2002, approximately 1.7 million of the 4.2 million calls to ACS did not reach an IRS employee	2002 p 104
Awareness and Understanding of Federal Tax Deposit Requirements	For FY 2001, TAS resolved 5,761 cases involving problems with the payments of FTDs.	2002 p 116
Determining EITC Eligibility	1,471,611 taxpayers of all EITC claimants either had their credit recomputed or were denied EITC for tax year 1999.	2001 p14
EITC Examinations	As of September 2000, Service Center Exam had opened 229,331 cases for tax year 1999 Pre-Refund EITC exams. On March 31, 2001, over 72,000 cases were still open in Exam.	2001 p 26
Obtaining an EIN	Every year more than 3 million taxpayers need EIN.	2001 p43
Misapplied payments	In FY 2000 the IRS received 38,000 payments, including cash, money orders and checks without sufficient information to determine the taxpayer's identity.	2001 p.46
Computing the AMT	Taxpayer filed 124 million returns in 1998. of that total 6.4 million returns required computation of Form 6251; however 4.4 million actually filed the form. Over 3.4 million taxpayers included the form 6251 to demonstrate they did not owe AMT.	2001 p 56
AUR Tax Abatements	35,000 or 33% of a total of 106,000 reconsideration abatements cases were AUR cases.	2001 p 65

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Attachment 4

Project Information

- Project Number
- Issue Number
- APTS Number
- Created By
- Date Created
- Projected Start/End (system generated)
- Actual start/end (input by management)
- Title
- Description
- Status
- Closed Status
- Closed Status Detail
- ARC indicator
- Project FBU
- Project Director
- Project Manager
- Project Leader
- Parent Project leader (if applicable)
- Priority
- New/Duplicate/Related
- Related to parent project (if applicable)
- Source (research sources)
- Source, other (text field)

Project Charter

- Statement
- Constraints
- Risk/Rewards
- Objectives
- Customers
- Impact Statement
- Resolution
- Environmental
- Opportunities
- Financial Plan
- Key Issues

Team

Identifies Staff and their role in working aspects of the project

Milestones

- Title
- Description
- Duration
- Constraints
- Actual start/end
- Staff name

Resources

- Name of Resource
- Cost
- Start/End
- Type of Resource
- Software, if applicable

Contacts

- Name
- Description
- Contacted By
- Contacted datetime (calendar)
- Contact Information

Research

- Date
- Researched By
- Source
- Findings