

**Taxpayers That Visited Taxpayer Assistance  
Centers During September and October 2002  
Received More Correct Answers to Tax Law  
Questions Than in Prior Months**

**December 2002**

**Reference Number: 2003-40-040**

**This report has cleared the Treasury Inspector General for Tax Administration disclosure review process and information determined to be restricted from public release has been redacted from this document.**



DEPARTMENT OF THE TREASURY  
WASHINGTON, D.C. 20220

INSPECTOR GENERAL  
for TAX  
ADMINISTRATION

December 30, 2002

MEMORANDUM FOR COMMISSIONER, WAGE AND INVESTMENT DIVISION

*Gordon C. Milbourn III*

FROM: Gordon C. Milbourn III  
Acting Deputy Inspector General for Audit

SUBJECT: Final Audit Report - Taxpayers That Visited Taxpayer Assistance Centers During September and October 2002 Received More Correct Answers to Tax Law Questions Than in Prior Months (Audit # 200240071)

This report presents the results of our review to determine if the Internal Revenue Service (IRS) provides accurate and timely responses to taxpayers' tax law questions. In addition, Treasury Inspector General for Tax Administration (TIGTA) auditors who made anonymous visits to the Taxpayer Assistance Centers (TAC) assessed whether IRS employees were professional and courteous and if the correct office hours were posted in the TACs.

This review was conducted as a result of an amendment to the Treasury spending bill<sup>1</sup> for Fiscal Year (FY) 2002 proposed by Senator Byron Dorgan (Democrat-North Dakota), Chairman of the Subcommittee on Treasury and General Government. The amendment requires the TIGTA to conduct visits to all TACs and report to the Congress on whether taxpayers are provided correct and prompt answers to their questions. The TIGTA is conducting anonymous visits to all TACs over a 2-year period. This is the fifth in a series of bi-monthly reports that the TIGTA is issuing in response to the amendment to the Treasury spending bill.

In summary, during September and October 2002, TIGTA auditors made 62 anonymous visits to 31 TACs. The auditors asked 124 tax law questions and determined that IRS employees provided correct answers to the majority of the questions. For example, IRS employees:

- Correctly answered 87 (70 percent) of 124 questions.

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<sup>1</sup> Treasury and General Government Appropriations Act of 2002, Pub. L. No. 107-67.

- Incorrectly answered 30 (24 percent) of 124 questions.
- Referred the auditor to IRS publications and generally advised the auditor to do his or her own research to find the answer to 7 (6 percent) of 124 questions.

In addition, auditors observed the following during visits to the TACs:

- Office hours for 15 (48 percent) of the 31 TACs that had office hours posted on the Internet were not the same as the hours posted at the TAC.
- The addresses posted at all 31 TACs matched the addresses listed on the Internet.
- IRS employees were professional and courteous to the TIGTA auditors in 61 (98 percent) of the 62 visits.
- Wait time for service was 1 hour or less for all of the 62 visits.

This report is to advise IRS management of the results of our review. Formal recommendations will not be made to the IRS in the bi-monthly reports. However, the TIGTA plans to issue a second semiannual trend report during the second quarter of FY 2003 that may include appropriate recommendations to help ensure taxpayers are provided accurate responses to their tax law questions. Auditors will continue making visits to the TACs throughout Calendar Years 2002 and 2003. The TIGTA will also continue to issue bi-monthly reports on the results to the IRS and the Congress.

Management's Response: The IRS continues to disagree with our method of reporting referrals to publications and service denied when computing the accuracy rate. However, management is continuing to take steps to improve the quality and accuracy in the TACs. Specific actions include delivering a job aid to employees that describes step-by-step effective communication skills and the use of the publication method, addressing employee confusion of Tax Year 2001 and 2002 tax law, and updating office hours on the *Digital Daily*.

Management's complete response to the draft report is included as Appendix V. We do not intend to elevate our disagreement concerning the method of reporting referrals and service denied to the Department of Treasury for resolution.

Copies of this report are also being sent to the IRS managers who are affected by the report results. Please contact me at (202) 622-6510 if you have questions or Michael R. Phillips, Assistant Inspector General for Audit (Wage and Investment Income Programs), at (202) 927-0597.

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## **Taxpayers That Visited Taxpayer Assistance Centers During September and October 2002 Received More Correct Answers to Tax Law Questions Than in Prior Months**

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### **Background**

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The Senate Committee on Appropriations was deeply concerned about the findings in a Treasury Inspector General for Tax Administration (TIGTA) audit report on the Internal Revenue Service's (IRS) Taxpayer Assistance Centers (TAC).<sup>1</sup> This report showed that auditors did not receive accurate or sufficient answers to 73 percent of their tax law questions posed during anonymous visits to the TACs during January and February 2001. Based on the results of this review, Senator Byron Dorgan (Democrat-North Dakota), Chairman of the Subcommittee on Treasury and General Government, proposed an amendment to the Treasury spending bill<sup>2</sup> for Fiscal Year (FY) 2002. The amendment requires the TIGTA to conduct visits to all TACs and report to the Congress as to whether taxpayers are provided correct and prompt answers to their questions. As a result, auditors are conducting anonymous visits to all TACs over a 2-year period.

The IRS' Field Assistance (FA) office in the Wage and Investment (W&I) Division has overall responsibility for the TACs. The TACs exist primarily to serve taxpayers who choose to seek help from the IRS in person. The IRS employees<sup>3</sup> who work in the TACs provide assistance in interpreting tax laws and regulations, preparing some tax returns, resolving inquiries on taxpayer accounts, and providing various other services designed to minimize the burden on taxpayers in satisfying their tax obligations.

There are currently no statistics on the percent of time spent by employees in the TACs on the various services provided. The FA office is using FY 2002 as a baseline to establish standards and other management information in this area.

There are 414 TACs located throughout the United States (U.S.) including Washington, DC. According to the IRS,

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<sup>1</sup> *Letter Report: The Internal Revenue Service Continues to Give Incorrect Tax Law Information in Taxpayer Assistance Centers* (Reference Number 2001-40-077, dated May 2001).

<sup>2</sup> Treasury and General Government Appropriations Act of 2002, Pub. L. No. 107-67.

<sup>3</sup> IRS employees who work in the TACs are called Tax Resolution Representatives.

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the TACs served approximately 6.3 million taxpayers between January and June 2002.<sup>4</sup> Approximately 1.3 million of these taxpayers visited the TACs for assistance with the tax law.

In addition to the anonymous visits being performed by TIGTA auditors, the IRS hired an outside contractor to anonymously visit its TACs and ask two tax law questions per visit. The IRS provided the contractor with four questions to choose from the following topics:

- Earned Income Tax Credit
- Education Credits
- Social Security Benefits
- Dependents

The anonymous visits were to be performed monthly during the period October 2001 through September 2002. However, in May 2002, the IRS decided to terminate the contract because of concerns identified by TIGTA auditors with the method of reporting results. This action left the IRS without reliable data to measure the quality of assistance provided in its TACs. The IRS decided to use the TIGTA's Calendar Year 2002 results as a baseline for measuring the quality of assistance being provided in its TACs.

TIGTA auditors performing anonymous visits to the TACs also ask two questions during each visit. Auditors can choose from the questions the IRS provided to its contractor or those the TIGTA developed.

TIGTA questions relate to 22 tax law topics that are within the scope of topics that TAC employees should have been trained to answer. TIGTA questions were designed to cover a wide range of tax law topics in order to provide an overall assessment of whether taxpayers are receiving correct answers to questions that an individual taxpayer<sup>5</sup> might ask when he or she visits a TAC. In May 2002, auditors

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<sup>4</sup> We did not validate the accuracy of the statistics provided by the IRS on the number of taxpayers that visited the TACs.

<sup>5</sup> Individual taxpayers are non-business taxpayers who file United States (U.S.) Individual Income Tax Returns (Forms 1040, 1040A, or 1040EZ).

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changed the scope of the questions or added additional scenarios that were more applicable to the types of questions taxpayers ask subsequent to the filing season.<sup>6</sup>

This report is the fifth in a series of bi-monthly reports that the TIGTA will issue on the results of the visits to the TACs. The review was conducted in the IRS' Customer Assistance, Relationships, and Education office in the W&I Division in September and October 2002. TIGTA auditors anonymously visited 31 TACs in 8 states. See Appendix IV for the specific states visited.

This review was conducted in accordance with *Government Auditing Standards*. However, we did not determine the cause and effect for the findings, and will not make formal recommendations in the bi-monthly reports. We will issue a semiannual trend report during the second quarter of FY 2003 that will contain these elements. Detailed information on the objective, scope, and methodology of this review is presented in Appendix I. Major contributors to the report are listed in Appendix II.

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**Taxpayers Received Correct  
Answers to a Majority of the  
Tax Law Questions**

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As of June 30, 2002, the TIGTA auditors received incorrect answers to 126 (27 percent) of the 470 questions that were asked. The IRS has taken actions to improve the quality of service in the TACs based on detailed results of our monthly visits and the results reported in the previous bi-monthly reviews.

While the TIGTA has not specifically measured the impact these actions are having on the quality of service provided in the TACs, taxpayers that visited TACs in September and October 2002 received more correct answers to their questions than in prior months.

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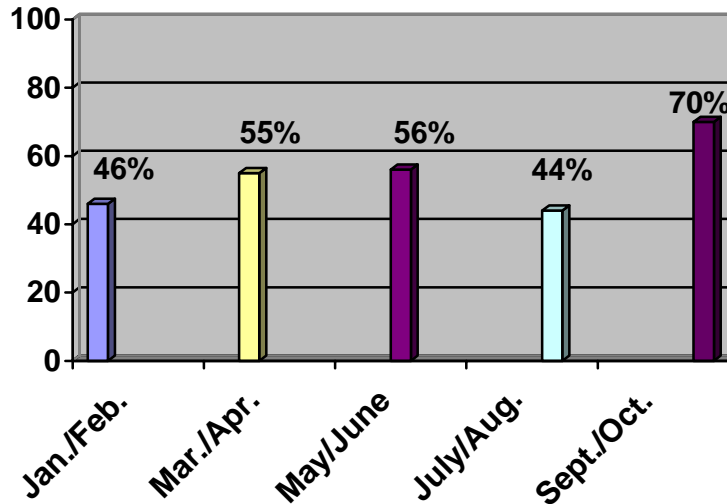
<sup>6</sup> In general, the IRS defines the filing season as the first half of each calendar year, when individuals file their tax returns.

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The chart below shows the year-to-date accuracy rates.

**Bi-Monthly Accuracy Rates to TIGTA Questions  
January Through October 2002<sup>7</sup>**



Source: TIGTA reviews conducted during January - October 2002.

The results for the 124 tax law questions asked during September and October 2002 were as follows:

- Eighty-seven (70 percent) of the 124 questions were correctly answered. In 15 of the 87 questions, however, the IRS employee provided a correct answer without asking all of the required questions outlined in the tax law instructions and publications. For example, the IRS employee stated that child support did not have to be included as taxable income. However, the IRS employee did not ask auditors if the payments received were specifically designated as child support in a divorce agreement. In order to exclude child support from taxable income, the payments must be designated as child support in a divorce agreement.
- Thirty (24 percent) of the 124 questions were incorrectly answered. For example, an IRS employee provided an

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<sup>7</sup> The accuracy rates presented in the chart include correct and correct but incomplete responses.



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incorrect answer to a question on whether the auditor, as a single taxpayer with a child, could claim the Earned Income Credit (EIC). The IRS employee did not ask the auditor if the child had a valid Social Security Number (SSN). In order to claim the EIC, a qualifying child must have a valid SSN. By not using available resources to ask all required questions, IRS employees are making assumptions and providing answers without considering relevant facts to ensure the answer given is correct.

- Seven (6 percent) of the 124 questions resulted in the IRS employee referring the auditors to a publication and generally advising the auditors to do their own research to find the answer to the question. For example, two auditors arrived at a TAC and noticed there was a sign at the counter that stated, “Due to limited staffing today, you may experience an extremely lengthy wait. If you can return on another day, it would be extremely appreciated.” Although there was only one other taxpayer waiting for assistance, the IRS employee referred the auditors to a publication for all four questions asked by the auditors.

The table below provides a complete breakdown of the accuracy of questions answered.

Tax Law Questions (124 questions asked)					
	Correct	Correct but Incomplete	Incorrect	Ref. to Pub.	Service Denied
<b>Responses</b>	72	15	30	7	---
<b>Percentages</b>	58%	12%	24%	6%	---

*Source: Anonymous visits performed by TIGTA auditors.*

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**IRS employees may be confusing Tax Year 2001 and 2002 tax law**

We asked the IRS employees whether the auditor, as a single taxpayer, could claim the EIC for a nephew that was living in the home. On 10 occasions, the IRS employee provided the correct answer but gave the wrong reason. The context of the scenario presented by auditors was that they had not filed their tax return for 2001 or were considering filing an amended return for 2001.

IRS employees stated that a nephew could not be claimed as a qualifying child for the EIC because the nephew did not stay in the home for more than 6 months. However, in order to claim the EIC for a nephew in 2001, the child must stay in the home for the whole year. For 2002, the tax law was changed to allow the EIC if the child stayed in the home for more than 6 months.

Auditors also assessed the quality of assistance provided by IRS employees, including whether they were professional and courteous, the wait time for service, and whether employees' names were given or visible. Auditors generally had positive experiences. The table below shows a breakdown of the quality of assistance results.

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**Auditors Generally Had Positive Experiences When They Visited Taxpayer Assistance Centers**

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Quality of Assistance (31 TACs visited, 2 auditors per site)		
	Occurrences	Percent
<b>Employee Professional/Courteous</b>	61	98
<b>Wait Time for Service Less Than 1 Hour</b>	62	100
<b>Employee Wore Required Name Tag Displaying Name and ID Number</b>	36	58
<b>Employee Name Provided When Requested</b>	61	98

*Source: Anonymous visits performed by TIGTA auditors.*

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**Taxpayers May Continue to Have  
a Difficult Time Finding the  
Office Hours of Taxpayer  
Assistance Centers**

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Taxpayers can access the IRS' Internet and follow the appropriate links to obtain the address and office hours of the TACs located in their state. During visits, TIGTA auditors determined if the TAC address and office hours obtained from the Internet matched the information at the TAC. Auditors found the following:

- Office hours for all 31 TACs were listed on the Internet.
- Office hours for 15 (48 percent) of the 31 TACs that had office hours listed on the Internet did not match the office hours that were posted at the TAC.
- The addresses posted at all 31 TACs matched the addresses listed on the Internet.

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**Appendix I**

**Detailed Objective, Scope, and Methodology**

The overall objective of the review was to determine if the Internal Revenue Service (IRS) provides accurate and timely responses to taxpayers' tax law questions. In addition, Treasury Inspector General for Tax Administration auditors who made anonymous visits to the Taxpayer Assistance Centers (TAC) limited their scope to assess whether IRS employees were professional and courteous and if the correct office hours were posted in the TACs.

To achieve this objective, auditors performed the following tests:

- I. Determined if the IRS provided quality service and accurate responses to tax law inquiries at the 31 TACs visited during September and October 2002. During 62 anonymous visits, auditors asked 124 tax law questions that an individual taxpayer<sup>1</sup> might ask. Auditors developed questions based on the training provided to Tax Resolution Representatives (TRR) during the fall of 2001 and the scope of services for tax law assistance prescribed in the Fiscal Year 2002 Field Assistance Operating Procedures.
- II. Determined the quality of service provided by the TRRs.

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<sup>1</sup> Individual taxpayers are non-business taxpayers who file United States Individual Income Tax Returns (Forms 1040, 1040A, or 1040EZ).

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**Appendix II**

**Major Contributors to This Report**

Michael R. Phillips, Assistant Inspector General for Audit (Wage and Investment Income Programs)  
Kerry Kilpatrick, Director  
Deborah Glover, Audit Manager  
Russell Martin, Audit Manager  
Tanya Boone, Senior Auditor  
Pamela DeSimone, Senior Auditor  
Charles Ekunwe, Senior Auditor  
Robert Howes, Senior Auditor  
Frank Jones, Senior Auditor  
Edie Lemire, Senior Auditor  
Robert Baker, Auditor  
Roberta Fuller, Auditor  
Andrea Hayes, Auditor  
Kathy Henderson, Auditor  
Mary Keyes, Auditor

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**Appendix III**

**Report Distribution List**

Acting Commissioner N:C

Director, Customer Assistance, Relationships, and Education W:CAR

Director, Field Assistance W:CAR:FA

Director, Strategy and Finance W:S

Chief Counsel CC

National Taxpayer Advocate TA

Director, Legislative Affairs CL:LA

Director, Office of Program Evaluation and Risk Analysis N:ADC:R:O

Office of Management Controls N:CFO:F:M

Audit Liaison:

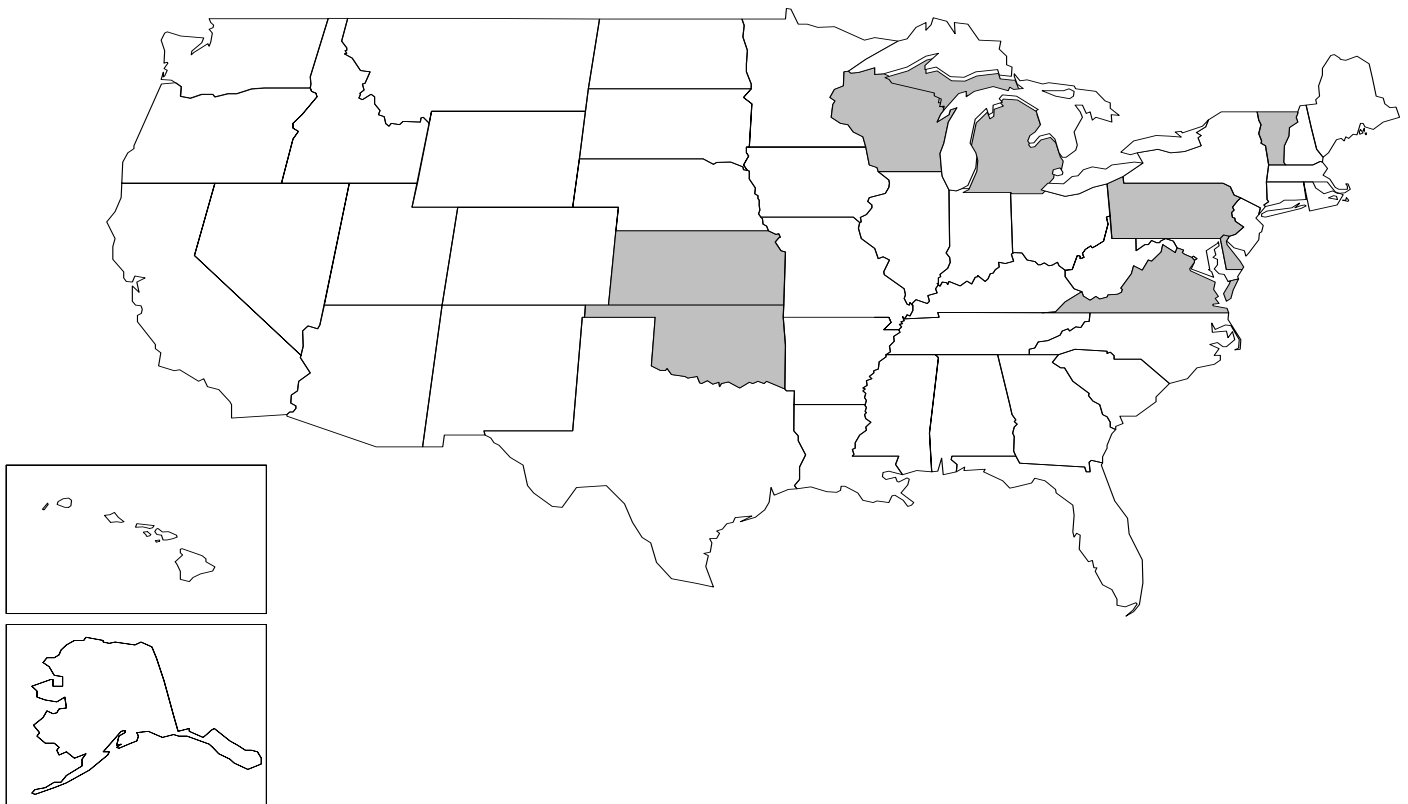
Program/Process Assistant Coordinator, Wage and Investment Division W:HR

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**Appendix IV**

**States Visited During September and October 2002**



The eight states visited include: Delaware, Kansas, Michigan, Oklahoma, Pennsylvania, Vermont, Virginia, and Wisconsin.

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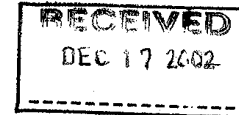
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Appendix V

**Management's Response to the Draft Report**

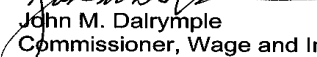


DEPARTMENT OF THE TREASURY  
INTERNAL REVENUE SERVICE  
ATLANTA, GA 30308



December 16, 2002

MEMORANDUM FOR TREASURY INSPECTOR GENERAL FOR TAX  
ADMINISTRATION

FROM:   
John M. Dalrymple  
Commissioner, Wage and Investment Division

SUBJECT: Draft Audit Report – Taxpayers that Visited Taxpayer Assistance  
Centers During September and October 2002 Received More  
Correct Answers to Tax Law Questions than in Prior Months  
(Audit # 200240071)

I reviewed your draft report for September and October. I want to update you on our latest efforts to improve the accuracy of responses to taxpayers' tax law questions at the IRS Taxpayer Assistance Centers (TAC).

As I noted in my prior responses to your reviews of our TACs, I disagree with including referrals to publications and service denied when computing the accuracy rate. When recomputing the accuracy rate using only answers to tax law questions that were technically correct or incorrect, the accuracy rates are 71 percent for September and 77 percent for October. The 2-month average becomes 74 percent instead of the 70 percent you reported.

We are continuing to take steps to address quality and accuracy in our TACs.

**Delivering Job Aid – The Complete, Correct Contact Process**

Employees attending continuing professional education (CPE) courses receive a laminated copy of the job aid *Quality Customer Care using the Complete, Correct Contact (CCC) Process*. The job aid describes step-by-step effective communication skills and the use of the publication method. All employees will complete the CPE by January 15, 2003.

In addition, an IRS-NTEU Publication Team (including Media and Publications and Field Assistance) continues to develop decision tools and flow charts on specific tax law topics that Field Assistance employees can use.



## Taxpayers That Visited Taxpayer Assistance Centers During September and October 2002 Received More Correct Answers to Tax Law Questions Than in Prior Months

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### **Addressing Employee Confusion of Tax Year 2001 and 2002 Tax Law**

We took action to address the confusion of tax year 2001 and 2002 tax law noted in your September and October visits. The scenario the auditors presented relates to tax year 2001. You reported IRS employees stated the nephew could not be claimed as a qualifying child for the earned income credit (EIC) because he did not live in the home for more than 6 months. However, to claim the EIC for a nephew in 2001, the child must have lived in the home for the whole year. For 2002, the tax law changed to allow the EIC if the child lived in the home for more than 6 months. The employees provided the correct answer but gave the wrong reason.

Field Assistance identified this error as an issue while preparing reference materials for the 2003 filing season. A job aid was prepared to incorporate the differences in the 2001 and 2002 tax law for EIC, dependency exemptions, and the child tax credit. We forwarded the job aid to Area offices for distribution to IRS field personnel.

### **Updating Office Hours**

We updated the hours of operation for our TAC offices on the *Digital Daily*. An update to the *irs.gov* software caused a posting of erroneous hours. We made changes to *irs.gov* that will allow TAC offices to change their hours of operation at the Area level. We arranged software training for Area personnel for delivery by February 2003 so that they can timely update changes to TAC hours of operation.

If you have any questions or need additional information about this response, please contact Jerry Heschel, Director, Field Assistance, W&I Customer Assistance, Relationships, and Education, at (404) 338-7141.