

BACKGROUND

The Internal Revenue Service Restructuring and Reform Act of 1998 requires the National Taxpayer Advocate to submit semiannual reports to the House Ways and Means Committee and the Senate Finance Committee.¹ The reports must be submitted directly to the Committees without any prior comment from the Commissioner of Internal Revenue, the Secretary of the Treasury, any other Treasury officer, the Oversight Board, or the Office of Management and Budget. The first report, to be submitted by June 30 of each year, must identify the objectives of the Taxpayer Advocate Service for the fiscal year beginning in that calendar year.

In my Fiscal Year 2002 Objectives Report to Congress, I identified five questions that the Taxpayer Advocate Service (TAS) would explore during fiscal year 2002 and thereafter. They are:

- What does it mean to be a taxpayer advocate within the Internal Revenue Service?
- What is the extent of the National Taxpayer Advocate's (and her delegates') authority to resolve taxpayer problems?
- What is the appropriate composition of TAS inventory according to hardship criteria?
- What standards of practice should TAS employees be held to?
- What is the appropriate measure of the Taxpayer Advocate Service's performance and success?

The Taxpayer Advocate Service made significant progress in answering these questions during fiscal year 2002. This report both describes that progress and identifies the activities and objectives planned by the Office of the National Taxpayer Advocate for fiscal year 2003 to further achieve its goals.

INTRODUCTION

The functions of the Office of the Taxpayer Advocate are set out in Internal Revenue Code section 7803(c):

1. To assist taxpayers in resolving problems with the Internal Revenue Service;
2. To identify areas in which taxpayers have problems in dealings with the Internal Revenue Service (IRS);
3. To the extent possible, propose changes in the administrative practices of the IRS to mitigate those identified problems; and
4. To identify potential legislative changes which may be appropriate to mitigate such problems.

¹ Internal Revenue Restructuring and Reform Act of 1998, Pub. Law 105-206.

Whether a Taxpayer Advocate Service employee works on individual or systemic taxpayer problems, or analyzes data about TAS's case quality, or designs outreach initiatives for taxpayers, that employee must understand the concept of "advocacy" in order to fulfill the office's functions.

Advocacy is best illustrated by three interrelated concepts that are fundamental to the operations of the Taxpayer Advocate Service – independence, impartiality, and confidentiality. As the National Commission on Restructuring the Internal Revenue Service noted,

Taxpayer Advocates play an important role and are essential for the protection of taxpayer rights and to promote taxpayer confidence in the integrity and accountability of the IRS. To succeed, the Advocate must be viewed, both in perception and reality, as an independent voice for the taxpayer within the IRS.²

The employees of the Taxpayer Advocate Service advocate on behalf of taxpayers. They represent a point of view that is independent of the function currently exercising direct and substantive control of the taxpayer's case or, on a systemic level, of the programs' policy and procedures. Given the size and complexity of the IRS, with its approximately 100,000 employees, its hundreds of programs and initiatives, its multiple overseers and its daunting task of administering a tax law that is astoundingly complex, it is not surprising that a single taxpayer's case is overlooked or that a discrete but important procedure does not receive the development it deserves.

It is the role of Taxpayer Advocate Service employees to give voice to those concerns. This is particularly important when the Service as a whole has decided to act and move forward, corporately, with respect to a policy or procedure. Once a decision has been made to run with a program, other IRS employees must implement that program to the best of their abilities. TAS employees, on the other hand, are charged by Congress with identifying the problems such programs generate, *from an independent perspective and irrespective of any corporate decision to proceed*. This independence is enhanced by the direct requirement that the NTA submit two annual reports to Congress and by the direct reporting structure of TAS employees to the National Taxpayer Advocate.

Thus, it is inherent in the role of an advocate that one should be critical, whether that pertains to a specific case or program. Of course, an advocate should be thoughtful and polite in that criticism, as well as persistent. If, in a specific case, the advocate has reached a dead end, he or she should consider, from a systemic viewpoint, whether the case warrants a change in either administrative procedures or the tax law. The TAS employee's job is not done when he or she closes out a particular

² Report of the Commission on Restructuring the Internal Revenue Service: *A Vision for a New IRS: Report of the National Commission on Restructuring the Internal Revenue Service*, June 25, 1997, at p. 43.

case. Taxpayer Advocate Service employees have, as part of their statutory job description, the responsibility to think systemically about that case.

Independent, critical thinking on behalf of taxpayers does not mean blind acquiescence to a taxpayer's or group of taxpayers' demands. Critical thinking does not require the advocate to be critical only of the IRS. A Taxpayer Advocate Service employee must be true to his or her foundation as an ombudsman.³ The advocate must provide an *impartial assessment* of the situation and determine the appropriate course of action, free from influence of both the IRS and the taxpayer. The Taxpayer Advocate owes a duty to the tax system, in addition to his or her duty to the IRS and the taxpayer. It is only through impartiality that the advocate is able to balance these three competing interests.

Impartiality enhances the credibility of Taxpayer Advocate Service employees. If a TAS employee determines that an IRS procedure is being incorrectly applied with respect to a taxpayer, the employee's position is strengthened because both the taxpayer and the IRS know that it was reached after an impartial analysis of the available information. The IRS cannot dismiss the advocate's recommendation, because it is the result of an objective analysis. The taxpayer can respect the advocate's analysis because he or she knows that it was conducted in an impartial and independent manner. Impartiality and independence are particularly important if TAS ultimately says "no" to the taxpayer.

As the taxpayer's voice within the system, Taxpayer Advocate Service employees must be able to protect taxpayer confidences from disclosure to the rest of the IRS in appropriate instances. *Independence and impartiality alone will not bring taxpayers in to TAS if taxpayers cannot have free and confidential conversations about their concerns without fear of exposure and repercussions.* It is interesting to note that each of the taxpayer focus groups, conducted as part of TAS's outreach research over the last fiscal year, identified lack of confidential communication as a potential barrier to utilizing the Taxpayer Advocate Service.

Congress recognized the important role confidentiality plays in the Taxpayer Advocate Service's ability to resolve taxpayer problems by granting Local Taxpayer Advocates the discretion to withhold from the rest of the IRS the fact that the taxpayer called TAS or any information provided to TAS by the taxpayer.⁴ It should be noted, however, that TAS's statutory confidentiality is discretionary – the Local Taxpayer Advocate determines whether to disclose any information provided by the taxpayer.

³ Some commentators have questioned whether TAS employees are ombudsmen or advocates. These terms are not mutually exclusive. The American Bar Association's Standards for the Establishment and Operation of Ombuds Offices states that one of the functions of an ombuds' office is "advocating on behalf of affected individuals or groups when specifically authorized by charter."

⁴ IRC § 7803(c)(4)(A)(iv).

In fiscal year 2003, the Taxpayer Advocate Service will begin to implement the confidentiality provisions under IRC § 7803. We are developing an analytical approach that will assist Local Taxpayer Advocates and their employees in deciding what taxpayer-provided information should be disclosed to the IRS. We will conduct an intensive case-study training program for all of our employees based on this analytical model. The training will occur within the employees' work groups, in their posts of duty, so that it is incorporated into their day-to-day activities and taxpayer contact.

TAS SYSTEMIC ADVOCACY

The Taxpayer Advocate Service's Office of Systemic Advocacy identifies, analyzes, and prescribes treatments for the broad procedural or operational problems that negatively impact upon taxpayers. In addition, under the direction of the National Taxpayer Advocate, the Office of Systemic Advocacy is responsible for delivering the National Taxpayer Advocate's Annual Report to Congress, which identifies, as of December 31st each year, the twenty most critical issues faced by taxpayers, examines the ten most litigated issues, and proposes possible legislative remedies for consideration.

Systemic advocacy is not the sole domain of the Office of Systemic Advocacy. Employees throughout TAS and the IRS regularly identify problems that cause administrative nightmares and impose time or expense burdens on taxpayers. The experiences, observations, and suggestions of taxpayers, practitioners, and professional organizations are invaluable sources of improvement ideas, both with respect to tax law and tax administration.

The National Taxpayer Advocate is required by Congress to develop both administrative and legislative proposals that mitigate taxpayer problems. In furtherance of this requirement, the National Taxpayer Advocate must submit two independent, annual reports to the tax writing committees of Congress "in order to ensure that the Congress is systematically made aware of recurring and unresolved problems and difficulties taxpayers encounter in dealing with the IRS."⁵ The National Taxpayer Advocate must ensure that her recommendations do not "merely tend to highlight ongoing IRS corrective efforts with little in the way of recommendations that focus attention on issues that the IRS either is doing nothing or its efforts are inadequate."⁶

The Office of Systemic Advocacy, then, must provide the National Taxpayer Advocate with an independent and impartial assessment of the merits of existing procedures and proposals, whether they originate with IRS or non-IRS sources.

⁵ Joint Committee on Taxation, *General Explanation of Tax Legislation Enacted in the 104th Congress* (JCS-12-6), December 18, 1996, p. 20.

⁶ Report of the Commission on Restructuring the Internal Revenue Service: *A Vision for a New IRS: Report of the National Commission on Restructuring the Internal Revenue Service*, June 25, 1997, p. 43.

This goal is especially important for Systemic Advocacy employees who must fairly and accurately gauge the impact of proposed or implemented practices on both individual taxpayers and the tax system itself. Our goal is to be neither apologists for, nor antagonists of the system. We must, however, maintain a critical eye toward practices and provisions that impose burden on taxpayers or raise questions about complexity, fundamental fairness, and equitable treatment.

The National Taxpayer Advocate's Annual Report to Congress is the end result of advocacy initiatives undertaken throughout the year. Employees of the Office of Systemic Advocacy must identify, develop, and work issues on a continuing basis. Many problems require administrative, not legislative, solutions – and those should be highlighted and addressed promptly. Where an administrative solution is not available or feasible, the TAS advocate should begin to develop the case for a legislative proposal, measuring it against the need to lessen taxpayer burden, achieve simplification, maintain or enhance administrability, efficiency, and equity, and minimize the revenue impact. Only after the legislative proposal has survived this analysis will it be considered for inclusion in the Annual Report.

It is expected that many of the advocacy initiatives and proposals internally developed by TAS employees will drop by the wayside during this rigorous process. That is not a bad thing – in the course of exploring a failed proposal, new solutions may appear, including ones that can be achieved administratively. Independent analysis – colored by experience – will result in meaningful recommendations. In the Office of Systemic Advocacy, such analysis is somewhat protected from the day-to-day pressures of workloads and inventories. Instead, the guidestars are problem solving and taxpayer rights.

General Initiatives

The Office of Systemic Advocacy will focus on the following broad initiatives between now and September 30, 2003:

- Expand the internal and external sources of advocacy projects. Although the suggestions received from TAS employees are invaluable, they must be coupled with substantive proposals from other internal and external stakeholders, academic and research institutions, and private sector sources.
- Cultivate viable relationships with outside sources such as the Taxpayer Advocacy Panel, private and public sector groups, and other governmental entities, so that we profit from their experience and ideas.
- Develop and implement an effective tracking system to manage advocacy projects, and to provide status updates to originators. The inefficiencies of the current process, which uses a variety of database systems, must be eliminated.

- Recruit employees with strong professional backgrounds in Examination, Collection, and Accounts Management who can apply their technical expertise to identifying, analyzing and resolving complex systemic tax issues.
- Strengthen the Annual Report to Congress by developing sound mechanisms for weighing taxpayer burden, sizing the negative impact of problems, and the economic consequences of proposals.
- Enhance the independence of advocacy employees' thought and analysis. Although we are positioned within the Internal Revenue Service, our function, and those who serve it, must be able to think and act with the best interest of the taxpayer foremost in our minds, and with a spirit of innovation that will promote a new sense of what can be achieved.
- Preserve the confidentiality of transactions with individuals and stakeholder groups as essential to establishing and maintaining open lines of communication. All parties must feel free to surface concerns or perceived problems without fear of retribution. This requirement is a continuing priority for the advocacy function.

Advocacy Initiatives

Since the beginning of the fiscal year, employees from all components of the Taxpayer Advocate Service have been involved in several Internal Revenue Service task forces and teams. These efforts address programs that can create taxpayer problems, including Collection Due Process, the Earned Income Tax Credit, the Federal Payment Levy Program, Collection Contract Support, the National Research Program, and the Automated Collection System.

The full extent of the Taxpayer Advocate Service's advocacy efforts cannot be recorded here. Each day, TAS employees identify problems, small and large, and work to resolve them, whether they arise in a specific case, or during a meeting, or in a task force. Although the Office of Systemic Advocacy within TAS is charged with the development of specific advocacy initiatives, all TAS employees are expected to advocate on behalf of positive systemic change.

The National Taxpayer Advocate has identified the following programs and issues that the Taxpayer Advocate Service will work on during fiscal year 2003.

Earned Income Tax Credit – The National Taxpayer Advocate continues to be concerned about the level of overclaims for the Earned Income Tax Credit (EITC). She is also concerned that the Service's current approach to EITC/Filing Status/Dependency Exemption examinations does not result in the correct determination of tax liability in a disturbing number of cases. The National Taxpayer Advocate and members of her staff discuss these issues in monthly conference calls with the Director of Compliance of the Wage and Investment Operating Division and

her staff and have agreed to work cooperatively on improvements to the EITC program.

TAS is currently examining both the accuracy of math error notices and the taxpayer's response to those notices. We are exploring the Service's acceptance of probative documentation in establishing eligibility for the EITC, filing status and dependency exemptions. We are looking into the clarity of EITC notices with respect to correspondence audits, including the use of a "combination letter," which simultaneously advises the taxpayer of the Service's denial of the credit, the opportunity to submit additional evidence to the examination function, and the opportunity to request an independent administrative appeal.

In May 2002, the National Taxpayer Advocate convened a roundtable discussion with over 30 representatives from Low Income Taxpayer Clinics and the Director of Exam Strategy and Selection for Wage & Investment Division (W&I). The participants discussed the problems that taxpayers and taxpayer representatives encounter at all points of the EITC examination process. As a result of this meeting, W&I has convened an internal working group to develop additional guidelines for substantiation of EITC, filing status, and dependent eligibility requirements. TAS will participate in this working group.

During the 2002 filing season, the IRS received almost twice the number of tax returns with EITC recertification forms than it originally projected. The Taxpayer Advocate Service and W&I Compliance are jointly reviewing a sample of these returns to ascertain the reason for the change in status. We are particularly interested in learning if current year EITC eligible taxpayers were denied the EITC in prior years because of lack of documentation or failure to respond to IRS inquiries.

The National Taxpayer Advocate is serving as a member of the Joint IRS-Treasury EITC Steering Committee, which oversees the EITC Task Force. The Commissioner of Internal Revenue convened this committee to develop recommendations to make it easier for people to comply with the EITC. The Steering Committee will report on its findings and recommendations in July 2002.

Paid tax return preparers prepared 60 percent of 1999 tax returns claiming the EITC. Over half of the 1999 EITC overclaim errors were attributable to commercially prepared returns. The NTA's office is currently conducting research into the impact of registration, licensure, and continuing professional education on the error rates of commercially prepared returns. The National Taxpayer Advocate recently convened a cross-functional team to explore the feasibility of requiring annual certification and professional education for all commercial preparers who are not currently covered by Treasury Department Circular 230 (31 C.F.R. Part 10).

Recent partnering activities between TAS, the IRS Wage and Investment Operating Division (W&I), and the IRS Small Business/Self-Employed Operating Division (SB/SE) are resulting in the resolution of outstanding, prior year EITC Cases. We

participate on monthly conference calls to discuss current issues and concerns. In addition, in April of 2002 we met with representatives from both SB/SE and W&I regarding TAS cases, hardships, and EITC program enhancements.

Both SB/SE and W&I have agreed to develop a joint memorandum of understanding with TAS to define the roles and responsibilities of all parties as well as expectations of each with regard to working TAS EITC cases. In addition to the memorandum, the W&I and SB/SE divisions have agreed to work with TAS to identify all open Revenue Protection Strategy examinations that are in the TAS inventory. Once identified, both divisions committed to resolving these cases within 60 days.

Collection Due Process (CDP) - The Taxpayer Advocate Service maintains an on-going project to monitor this statutory program. The Taxpayer Advocate Service is represented on the Dynamic Project Team that is responsible for the revision of the "Notice of Intent to Levy." We attend monthly working group meetings with Appeals, Counsel, and SB/SE regarding issues surrounding CDP. Discussions in these meetings involve changes in Internal Revenue Manuals (IRMs), notices and letters to taxpayers and practitioners, the Internal Revenue Code, tax regulations and other possible changes that may impact taxpayer's rights. Issues involving individual taxpayer cases are also discussed to give possible guidance to the field in clarifying actions surrounding CDP.

National Research Program (NRP) - The NRP is the key component of the Service's ongoing effort to help ensure fairness for America's taxpayers. The program is designed to measure tax compliance while minimizing the need to contact taxpayers during the process. The program is designed to be far less intrusive and burdensome to taxpayers than previous studies. The NRP's three key measurement focuses are filing compliance, payment compliance, and reporting compliance.

TAS has been involved from the beginning of this project - both on the executive steering committee as well as in working group meetings to review the procedures and letters used in the NRP. We will continue to be a participant in the process to ensure the program minimizes burden on taxpayers. The National Taxpayer Advocate has specifically requested that unrepresented low income taxpayers selected for NRP examination be advised of the availability of representation by Low Income Taxpayer Clinics receiving funding under Internal Revenue Code § 7526. Taxpayer representation is particularly important during the NRP audits, since the information developed by this program will guide future audit selection. We have also requested that taxpayers be advised of their right to contact the Taxpayer Advocate Service with respect to the NRP examination.

Collection Contract Support Group - A representative of the Taxpayer Advocate Service is participating in the IRS team that is exploring the feasibility of contracting out certain collection accounts to private collection agencies. Both TAS and the IRS are working to clearly define the role, duties, and obligations of private agencies if they are authorized to collect federal tax debt. Chief among the Taxpayer Advocate

Service's concerns are the protection of taxpayer rights; the extent of authority and discretion granted to the contractors; the selection criteria for referral to private collection agencies; the existence of processes that will refer cases promptly back to the IRS for resolution; the education about and referral to the Taxpayer Advocate Service for assistance; and the application of RRA § 1203 and balanced measures to the contractors.

Offer in Compromise Program – The Taxpayer Advocate Service continues to be concerned about the implementation of the offer in compromise program. A TAS representative is currently serving on an SB/SE team that is redesigning the centralized offer in compromise program, located in two IRS campuses (formerly known as service centers).

We are committed to working with SB/SE to develop procedures that will enable the large volume of routine, non-complex offers to be worked quickly and correctly. We are concerned, however, that because the campus environment does not lend itself to negotiations with the taxpayer, the process may result in returns or rejections of potentially valid offers.

The National Taxpayer Advocate and her staff will continue to hold monthly conference calls with the Director of Compliance of Small Business/Self-Employed and her staff to discuss the offer in compromise program and other compliance matters. The National Taxpayer Advocate is also working closely with SB/SE and the Office of Chief Counsel to provide guidance to the field on Effective Tax Administration offers involving hardship, equity, or public policy considerations.

The Taxpayer Advocate Service will continue to monitor the offer in compromise cases that come in to TAS for resolution. We are reviewing these cases to identify inconsistent results, inappropriate positions, training needs, and opportunities for guidance and clarification. We will share our findings with SB/SE for systemic improvement. Where appropriate, TAS case advocates will issue Taxpayer Assistance Orders, requesting reconsiderations of offers in the field, campus, and Office of Appeals locations.

Federal Payment Levy Program (FPLP) – The Taxpayer Advocate Service will continue to monitor the impact of levies of taxpayer's social security benefits for payment of tax liabilities. TAS is tracking FPLP cases that enter our inventory; we are also tracking the results of Collection Due Process Hearings triggered by the FPLP social security initiative. Local Taxpayer Advocates continue to discuss this program during their outreach meetings with practitioner and other external groups.

Math Error Notices – The National Taxpayer Advocate is concerned about the Service's tendency to rely on math error notices as an efficient means of resolving taxpayer disputes. The Taxpayer Advocate Service is and will continue to monitor the accuracy of math error notices and the reversal of previously defaulted or agreed upon adjustments through the audit reconsideration process. We will examine both

the clarity of these notices as well as attempt to define criteria for the appropriate programmatic use of math error notices.

Oral Agreement Authority – The Internal Revenue Service is considering whether to increase its reliance on oral agreements by taxpayers in various processes. The National Taxpayer Advocate believes that the use of oral agreements in matters that involve the assessment of tax or the waiver of substantive taxpayer rights is inappropriate. Accordingly, TAS will evaluate each proposed expansion on its merits, particularly with respect to taxpayer rights and the vulnerability of the taxpayer population most likely impacted by the proposal.

Automated Collection System (ACS) Task Force – TAS is a member of the W&I ACS Internal Revenue Manual (IRM) Rewrite Team. The purpose of the team is to rewrite in whole or in part IRM 5.19 (Liability Collection) and incorporate parts of W&I IRM 21 (Accounts Management) to provide direct and procedural guidance. TAS will provide guidance to and consultation with the rewrite team, ensuring that taxpayer burden issues, taxpayer rights including the Appeals process, and the priority of and procedures for processing TAS cases are addressed.

Office of Burden Reduction – The Office of Systemic Advocacy will partner with the Office of Burden Reduction in SB/SE to identify programs and processes that impose undue burden on taxpayers. Once the burden impact of a particular program is measured, TAS will work with the program owners to make changes that will lessen taxpayer burden.

Small Business Taxpayers – With the establishment of the Office of Business Advocacy, the Taxpayer Advocate Service can now focus on specific advocacy issues relating to small business and self-employed taxpayers. Small business problems can be related to IRS processes, communications, policies, training, or the underlying tax law. The National Taxpayer Advocate will continue to comment on proposed and final regulations impacting small business taxpayers. The Office of Business Advocacy will work with the Small Business Administration and other outside stakeholders to identify small business concerns with the IRS, partner in various operational taskforces that address process improvements, and make recommendations on changes to taxpayer correspondence.

Low Income Taxpayer Clinics – The Taxpayer Advocate Service will continue to support the activities of Low Income Taxpayer Clinics that receive grant funds under IRC § 7526. In particular, the National Taxpayer Advocate and the Office of Systemic Advocacy will seek opportunities for the clinics to have input on IRS procedures and policies impacting low income taxpayers, before the IRS makes decisions. Local Taxpayer Advocates will continue to work with clinics at the local level with regard to specific cases and systemic problems.

TAS CASEWORK ADVOCACY

Taxpayer Advocate Service Authorities

The National Taxpayer Advocate's Fiscal Year 2002 Objectives Report to Congress discussed in detail the scope and extent of the NTA's authority, both statutory and delegated. In summary, the National Taxpayer Advocate possesses certain statutory authorities that enable her to assist taxpayers who are experiencing or are about to experience a significant hardship. The Commissioner of Internal Revenue has also delegated to the NTA numerous authorities relating to procedural resolution of taxpayer problems.

The National Taxpayer Advocate's statutory authority includes the authority to issue a Taxpayer Assistance Order (TAO). A TAO may order the IRS to take an action or to cease an action (a "direct" TAO); it may also order the IRS to review a decision already or about to be made (a "review" TAO). Taxpayer Assistance Orders may be issued by the NTA, TAS Area Advocates, and Local Taxpayer Advocates. They are reviewable by the National Taxpayer Advocate, the Commissioner and the Deputy Commissioner.

The Commissioner has delegated to the National Taxpayer Advocate the authority to issue a Taxpayer Advocate Directive (TAD), which addresses a system-wide administrative or procedural problem affecting many taxpayers. The TAD must address a process or procedure that creates undue burden, infringes upon the rights of taxpayers, or results in inequitable treatment of taxpayers. The National Taxpayer Advocate has the sole authority to issue a TAD. Taxpayer Advocate Directives are reviewable by the Commissioner and Deputy Commissioner of Internal Revenue.

On January 17, 2001, the Commissioner delegated additional "accounts management" authorities to the National Taxpayer Advocate. These authorities were redelegated to appropriate Taxpayer Advocate Service employees on October 1, 2001, following a 32-hour training program. The authorities enable TAS employees to perform many of the accounts management/customer service related actions on routine cases. The authorities do not involve substantive decisions and will provide more efficient service to taxpayers.

After nine months of experience with the authorities, we will now evaluate the need for the delegated authorities and the liabilities that accompany them. For example, TAS now has the authority to allow or disallow claims; allow or reject installment agreements; and accept or deny requests for abatement of penalties due to reasonable cause. These types of authorities tend to undermine the independence, impartiality, and confidentiality of the Taxpayer Advocate Service. In each of these three instances, TAS may decide not to grant relief, and the taxpayer may appeal the Taxpayer Advocate's decision to the Office of Appeals. This sequence of events turns on its head the statutory authority of the Taxpayer Advocate Service, with its limited levels of review. Further, these "quasi-substantive" authorities differ

significantly from the routine accounts management authorities previously delegated to the TAS.

The National Taxpayer Advocate will convene a team to revisit the issue of its delegated authority. This team will consist solely of TAS employees and will develop recommendations for the IRS Senior Leadership Team about the appropriate balance of TAS delegated authorities. The team will be specifically charged with considering the desirability of (1) rescinding the delegation of certain “substantive” authorities and (2) delegating additional “accounts management” authorities, including the ability to enter certain account adjustments after the appropriate IRS function has made the substantive decision in the case. These latter authorities will speed the closure of TAS cases without compromising TAS’s independence or impartiality.

The Authorities team will report back to the National Taxpayer Advocate in early fiscal year 2003. The NTA will then seek a consensus with the IRS senior leadership about changes in the Taxpayer Advocate Service’s delegated authorities. The revisiting of TAS delegated authorities was contemplated by the Commissioner, the NTA, and IRS senior leadership in January, 2001, when the Commissioner delegated these authorities to the NTA.

In addition, a revised Taxpayer Advocate Service Internal Revenue Manual was issued in September of 2001. This revision includes the new delegated authorities and enhancements to case processing guidelines that will improve service to the taxpayer.

Improving Customer Service and Case Processing

Over the last year, the Taxpayer Advocate Service conducted several studies and reviews of its case processing and how we can respond better to the taxpayers’ needs. For the first six months of fiscal year 2002, over 86 percent of our case receipts originated from procedural or systemic delays; only 13 percent were attributable to economic or financial hardship. Further, 11,648 of the 44,000 cases in TAS inventory as of May 30, 2002, had been in TAS for over 100 days. (See the discussion beginning on page 15 and Appendix V for a discussion of Taxpayer Advocate Service casework, including an analysis of case receipts and closures.)

While many TAS cases are expeditiously handled, a significant number take many months to resolve. Some cases are inherently complex, and even with the dedicated attention of a TAS employee, the cases require a period of time to untangle and accomplish all the steps necessary to bring about resolution. Other cases could be resolved quickly but are delayed because of IRS’s failure to act on TAS’s recommendations.

The National Taxpayer Advocate identified processing delays as the most serious customer service problem for the Taxpayer Advocate Service. During fiscal year 2002, the Office of the Taxpayer Advocate developed two initiatives (described

below) that should have a significant and positive impact on the processing of TAS cases.

TAS Inventory Study

The Taxpayer Advocate Service is working with liaisons from the IRS Wage and Investment and Small Business/Self-Employed Operating Divisions to examine how their inventories, policies, and practices affect IRS rework, as represented by TAS case receipts. We are institutionalizing the process of sharing TAS workload analyses with all Operating Divisions/Functions to identify issues that contribute to taxpayer problems and burden.

We share our analysis of TAS closed cases with each Operating Division on a quarterly basis. These reports demonstrate what programs or processes generate the most cases in TAS for the particular type of taxpayer. They also show what impact TAS had in the resolution of the cases. (See Appendix VI for Operating Division reports for fiscal year 2002.)

For fiscal year 2002, as of March 31, 2002, 33 percent of TAS significant hardship closed cases involved an SB/SE taxpayer. Approximately 92 percent of these cases came into TAS because of procedural delays. TAS and SB/SE Compliance have agreed to sample TAS cases involving major issues in which (1) procedural delays were the most common reason for TAS involvement and (2) TAS brought about a change in result. We will attempt to identify procedures and issues that caused those cases to come in to TAS. We will also work with SB/SE Taxpayer Education and Communication (TEC) to identify problems that could be minimized through a taxpayer education initiative, either through TEC or the Small Business Administration.

TAS is taking a similar approach with the Wage and Investment (W&I) Operating Division in regard to EITC audit reconsideration cases. W&I Compliance is working with TAS to sample TAS cases, and analyze the causes of cases coming to TAS and why TAS achieved a different resolution of the problem from that of the Operating Division. The findings from this research will also assist TAS and W&I in developing guidance about acceptable and probative documentation of EITC eligibility.

National Service Level Agreements

Over half of the Taxpayer Advocate Service's cases involve sending Operations Assistance Requests (OARs) to the operating divisions or the Office of Appeals to take the necessary action to resolve taxpayer issues. Currently, the originating TAS office prepares an OAR and forwards it to one of our TAS offices co-located where the action needs to take place. That office in turn passes the OAR along to the operating/functional office to take action. We are instituting interim procedures to minimize the hand-off and response time on OARs. In fiscal year 2003, all cases will

be worked at point of contact with the originating TAS employee working directly with the operating/functional office employee to resolve the taxpayer's issues.

Presently, Operations Assistance Requests often languish in the receiving offices because of a lack of resources to work the TAS cases or a failure to grant priority to TAS cases. The Taxpayer Advocate Service's inability to bring about prompt resolution of a taxpayer's problem when the solution has been identified is a continuing source of frustration for the taxpayer and TAS employees.

During fiscal year 2002, the National Taxpayer Advocate negotiated and entered into National Service Level Agreements with the Commissioner of each operating division and the National Chief, Appeals. The key elements of these agreements are as follows:

- The Operating Divisions/Appeals will respond within one (1) day of receipt of an OAR on a TAS case involving economic and financial hardship criteria, providing TAS the name and phone number of the IRS employee assigned to work the case. The Operating Divisions/Appeals will respond within three (3) days of receipt of that OAR with a relief/no relief decision. (Note: the details of the exact nature of relief to be granted may take longer to work out.)
- The Operating Divisions/Appeals will respond within three (3) days of receipt of an OAR on a TAS case involving systemic or procedural hardship criteria, providing TAS the name and phone number of the IRS employee assigned to work the case. The TAS employee will then negotiate with the IRS employee assigned the case as to a reasonable timeframe within which to achieve resolution.
- The Operating Divisions/Appeals have designated a liaison in each office that receives Operations Assistance Requests from TAS. The Taxpayer Advocate Service has designated one person in each TAS office to serve as a liaison with the Operating Divisions and Appeals. These liaisons will track and facilitate the handling of OARs.
- The TAS Area Advocates will meet at least quarterly with the Operating Division/Appeals Liaisons to identify trends and problems in the processing of TAS cases. It is expected that these discussions will assist the IRS in addressing procedures or resource allocations that cause taxpayer problems, including delays.
- The Operating Divisions/Appeals agree to provide TAS with opportunities to train their employees about the role of the Taxpayer Advocate Service, TAS significant hardship criteria, and the appropriateness of case referrals to TAS.

- The Operating Divisions/Appeals agree to work with the TAS Executive Director of Systemic Advocacy to identify opportunities for systemic improvement.
- The Taxpayer Advocate Service will convene a cross-functional team to monitor the implementation of the National Service Level Agreements during fiscal year 2003 and recommend revisions or process improvements.

The National Service Level Agreements are effective on September 1, 2002. These agreements are a significant recognition on the part of the entire IRS that TAS cases are a corporate responsibility. They also acknowledge that those cases that fall out to TAS as a result of procedural delays deserve priority treatment by the rest of the IRS. These agreements represent a meeting of the minds between TAS and the IRS; they provide an avenue not just for the resolution of taxpayer cases but also for the identification and resolution of systemic problems within the IRS.

Taxpayer Assistance Orders (TAOs)

The Taxpayer Advocate Service issued four (4) Taxpayer Assistance Orders from October 1, 2001 through March 31, 2002. Three were complied with and one was appealed. The Taxpayer Advocate rescinded the appealed TAO, because we determined that the action could be taken without the issuance of the Order. The Taxpayer Assistance Orders were issued on the following types of cases: Release of Levy Proceeds (1), Earned Income Tax Credit (2), and Offset Bypass Refund (1).

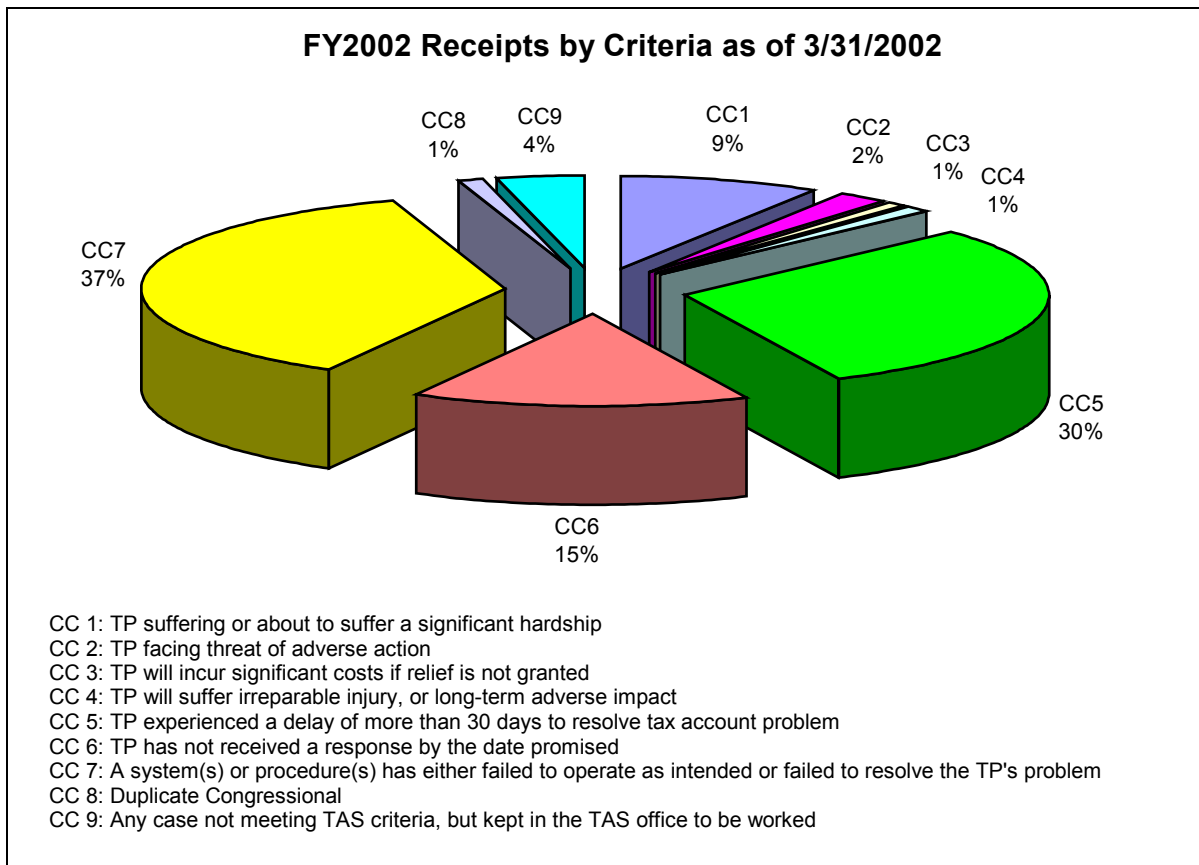
In late May, 2002, the National Taxpayer Advocate requested each Local Taxpayer Advocate to conduct an ongoing review of all cases in his or her inventory that had been in TAS inventory for over 100 days. She requested each office to determine the reasons for the age of the case. Where the case is currently awaiting action by an Operating Division or the Office of Appeals, the Local Taxpayer should discuss the delay with the Operating Division/Appeals employee. The Local Taxpayer Advocate should determine whether the case can be resolved promptly. If he or she is not successful in achieving such resolution quickly through informal discussions and negotiations, the Local Taxpayer Advocate should issue a Taxpayer Assistance Order.

The National Taxpayer Advocate expects that TAS inventory will be positively impacted by the National Service Level Agreements' OAR processing guidelines and the ongoing review of 100-day-old TAS cases. Taxpayers with cases meeting TAS's significant hardship criteria should see the concrete results of these initiatives in the first half of fiscal year 2003.

Taxpayer Advocate Service Inventory

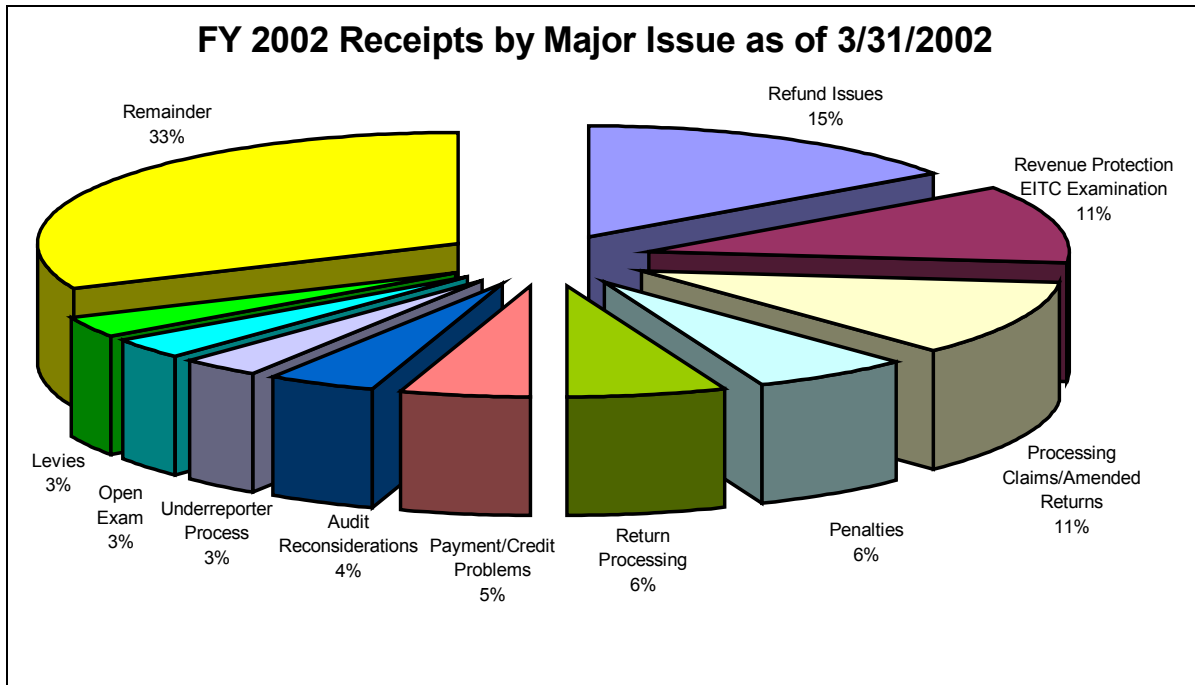
The Taxpayer Advocate Service in fiscal year 2002 as of March 31, 2002 received 107,809 new taxpayer cases. Over 95 percent (102,836) of the new cases were accepted as meeting TAS criteria. Only 13.3 percent of the receipts met significant

hardship criteria as defined in Internal Revenue Code section 7811(a)(2)(A), (C), and (D), more commonly referred to as economic or financial hardship. The following chart illustrates receipts by criteria:



This data indicates that most taxpayers continue to contact the Taxpayer Advocate Service as a result of systemic or procedural problems (including delays) and not because of financial or economic hardships they are experiencing.

Of the 102,836 new cases meeting TAS criteria, 49 percent were the result of a few key program areas of the Internal Revenue Service. These areas include: refund issues (lost/stolen, expedited request, etc.), Earned Income Tax Credit examinations due to the Revenue Protection Strategy, processing of claims or amended returns (including Injured Spouse claims), penalty adjustments, and the initial processing of original paper or electronic individual returns. The following chart illustrates receipts by major issue:



As in years past, refund issues continue to be the number one source of Taxpayer Advocate Service casework. This year, refund issues included a significant number of cases related to the Immediate Tax Relief that was passed into law in June of 2001. We began tracking taxpayer cases related to tax relief in the beginning of August 2001, and as of March 31, 2002, we received over 3300 cases. These taxpayers contacted us regarding issues surrounding notice clarity, amount of refund, inability to reach a representative on the toll-free lines, and questions about the law. In addition, we received many complaints from taxpayers who were eligible for the advanced refund, but did not receive it because the Internal Revenue Service was unable to issue refunds after December 31, 2001. The date was established in the legislation and left the Internal Revenue Service with no opportunity to refund monies to taxpayers even in situations where the Internal Revenue Service made processing errors.

The Earned Income Tax Credit Examinations and processing claims and amended returns also continue to be a significant source of Taxpayer Advocate Service casework.

For the period October 1, 2001, to May 31, 2002, TAS received 5,185 new cases involving levy issues. This compares to 2,567 during the same period last year. While we have no hard data, we believe some of the increase is a result of the implementation of the Federal Payment Levy Program. We will continue to monitor these cases and analyze the source of the problem.

Additional information and analyses are presented in Appendix V.

REACHING THE TAXPAYER ADVOCATE SERVICE

Taxpayers can reach the Taxpayer Advocate Service through various means. The IRS Restructuring and Reform Act of 1998 mandated that phone numbers of Local Taxpayer Advocates be listed in the local phone books of taxpayers served by that office. IRS employees are trained to identify and refer cases that meet TAS's significant hardship criteria and that cannot otherwise be resolved. Taxpayers and their representatives can either request that a case be transferred to TAS or can apply for TAS assistance via the Application for Taxpayer Assistance Order (Form 911). Finally, taxpayers or their representatives can contact the National Taxpayer Advocate Toll-free Hotline [1-877-777-4778].

As a result of marketing efforts, the majority of calls from taxpayers seeking TAS assistance are received on the NTA Toll-free number. Calls to this number are screened by Operating Division Customer Service Representatives (CSRs) for eligibility under TAS significant hardship criteria. Based on the CSR's assessment of the information provided, the taxpayer's case will either be resolved on-line, transferred to one of the Business Operating Divisions, or, if it meets significant hardship criteria, transferred to a Local Taxpayer Advocate for resolution.

The National Taxpayer Advocate has several concerns regarding the operation of the NTA Toll-free number. Approximately one out of every ten calls to this number results in a TAS case. Many of the NTA Toll-free calls involve non-TAS matters and are often the result of the taxpayers growing weary of waiting on other IRS toll-free lines. During fiscal year 2003, the Taxpayer Advocate Service will explore methods of reducing this inappropriate usage of the NTA Toll-free number. One approach may be to develop new menus, or more detailed introductory messages, advising taxpayers of the appropriate use of the number.

The second concern relates to inappropriate usage. Taxpayers who already have a case in the Taxpayer Advocate Service often cannot afford long distance charges incurred in reaching their TAS case advocate. Many taxpayers use the NTA Toll-free line and ask to be transferred to their TAS case advocate. This practice ties up IRS toll-free lines for an inappropriate length of time and prevents other taxpayers from receiving needed assistance.

In response to this problem, TAS conducted a test during fiscal year 2002, to provide TAS taxpayers with toll-free service to their case advocates. This is a customer-driven solution that emerged from customer focus group interviews. Customers indicated their expectation of being able to resolve their tax-related problems without incurring the financial burden of making toll calls to their case advocate.

Toll-free service is especially important for customers of TAS for whom standard IRS procedures in the operating divisions have failed or proven inadequate. Since TAS's customers are the dissatisfied clientele of the operating divisions, fast and complete resolution of their problems potentially salvages customer opinions of IRS.

Initial results of TAS customer satisfaction surveys indicate that the ability of TAS to effectively and timely respond to customer issues has a flow-through positive impact on opinions of customers who have used our services. This type of service is especially critical for taxpayers in the lower income brackets, who may be reticent to call the case advocate because of long distance telephone charges, thereby impeding both communications and taxpayer confidence in the tax administration process. Given this background, it is in the best interests of the IRS to ensure that there are no communication impediments for taxpayers at this stage of their problem-solving experience.

The toll-free test included providing toll-free facsimile numbers for TAS customers in the test sites. This expansion was based on the premise that TAS customers face as great a burden in transmitting documentation to TAS as they do in having to make toll calls to their case advocates.

The toll-free test enabled TAS to evaluate and anticipate operational and cost-related issues that would come into play in the event that a decision was made to expand this service to all 74 TAS offices having direct contact with taxpayers and their representatives. Based on the taxpayer, employee, and managerial response to the test, TAS will provide toll-free access to all of its case advocates by the end of fiscal year 2003.

The third concern with the NTA Toll-Free line relates to the Taxpayer Advocate Service's ability to exercise its discretion to hold taxpayer information confidential from the IRS. Since the NTA Toll-Free line is staffed by non-TAS employees, over whom the National Taxpayer Advocate has no direct authority, the Local Taxpayer Advocate ultimately assigned the case will not be able to hold confidential any taxpayer information disclosed on the NTA Toll-Free line. Once TAS implements the confidentiality provisions of IRC § 7803(c), taxpayers may not use the NTA Toll-free line.

During fiscal year 2003, the Deputy National Taxpayer Advocate will convene a team to explore this issue. This team will be charged with proposing a cost-effective solution that will provide a toll-free entry point to the Taxpayer Advocate Service without compromising the Local Taxpayer Advocate's discretion to not disclose taxpayer-provided information to the rest of the IRS.

IDENTIFYING AND REACHING THE TAXPAYER ADVOCATE SERVICE CUSTOMER BASE

One of the most frequently heard complaints about the Taxpayer Advocate Service is that it is the "best kept secret" in the IRS. In fiscal year 2002, TAS initiated a research project to improve its awareness with the public and ensure that our efforts and resources are focused to reach those most in need of our services.

Prior data suggests that the Taxpayer Advocate Service has two major research issues to address:

1. Define the under-served population of taxpayers in need of its services and describe their demographic and psychographic characteristics in order to increase the level and quality of service to these groups.
2. Learn practitioner perceptions of TAS, especially their understanding of TAS referral criteria, to ensure that they are referring appropriate cases to TAS.

In order to appropriately address these issues, TAS hired an outside research firm during the first half of fiscal year 2002 to determine those markets where taxpayers are most in need of our services and to learn what practitioners know about our referral criteria. The research firm has conducted the first phase of the study and will submit final results at the end of fiscal year 2002.

During Phase 1 of the study, a national telephone survey was conducted on individual taxpayers. The results of this phase yielded information regarding taxpayers' attitudes toward tax problems and preparer understanding of TAS referral criteria. The results of this phase were used to establish benchmark levels and assist in analyzing the data gathered in Phase 2.

Phase 2 consisted of the research firm conducting focus group sessions to refine the information gathered during Phase 1 and to develop a definitive profile of those who most need TAS services. Another telephone survey using refined questions will be conducted and final results compiled. (During the IRS National Tax Forums, taking place over the summer months, additional focus groups will be conducted with the tax practitioner community. These results will also be used to refine the data previously gathered.)

The initial findings tell us a great deal about how taxpayers view their interactions with the IRS when they are attempting to resolve problems. TAS will use the results from the research project to develop training for our case advocates as well as to guide future outreach, marketing and communications efforts. During fiscal year 2003, the Taxpayer Advocate Service will design a revised marketing campaign based upon the research results and will plan and initiate a focused outreach strategy. It is the National Taxpayer Advocate's expectation that by the end of fiscal year 2003, the Taxpayer Advocate Service will no longer be the IRS's best kept secret.

The following are key findings from the research project to date:

- Lack of awareness of TAS is clearly a part of the underutilization problem, with only 3 percent of the Total Ever Underserved aware of TAS without being prompted by the interviewer (unaided) and only 16 percent in total aware of TAS (after prompting). Awareness is similarly low among taxpayers generally (2% unaided and 13% total awareness).

- As expected, the level of Underserved is substantial. The research is further defining the estimated number of Underserved taxpayers.
- Contrary to original expectations, the composition of the Underserved is not skewed to one language or socio-economic class. Instead, the Underserved include a mix of incomes and personal circumstances (e.g., the median household income of the Current Underserved is similar to other taxpayers, 25 percent are small business owners and 49 percent have used government programs/services). However, one defining characteristic is that two-thirds of the Current Underserved have experienced a recent personal/financial loss or illness, which left fully one-quarter of them unable to pay taxes.
- The study shows that taxpayers can be segmented both in terms of demographics, filing behavior and personal situations, and attitudinally. TAS can use this segmentation information in both targeting, and communicating with, the Underserved.
- The Underserved segments covered in this study were generally not satisfied with the problem resolution process offered by the IRS Customer Service.
- Although few of the members of the focus groups were aware of TAS going into the groups, their overall reaction to the TAS concept was quite positive. However, their exposure to the TAS concept left them with many unanswered questions about the Taxpayer Advocate Service and how it works
- In addition to low awareness of TAS the research showed that participants had many questions about TAS -- even after hearing the description of it, including:
 - *What is TAS' relationship with the IRS? Is TAS truly independent of the IRS? Does TAS treat its taxpayer information confidentially, or does it share info with other divisions of the IRS? How much authority does TAS have over IRS decisions regarding a specific problem?*
 - *Does TAS apply as much to small businesses as to individual taxpayers?*
 - *What does it take to meet the TAS definition of "financial hardship"?*

TAXPAYER ADVOCATE MANAGEMENT INFORMATION SYSTEM (TAMIS)

The Taxpayer Advocate Management Information System (TAMIS) is the major source of taxpayer data from which the Taxpayer Advocate Service can determine how and why taxpayers come into TAS for assistance, the sources and nature of

their problems, and the manner and length of time required to resolve their cases. TAMIS in its current state is not particularly user friendly or designed to easily retrieve the information necessary to conduct meaningful analysis of TAS cases.

Throughout fiscal year 2002, a design team, comprised of eleven TAS employees from all levels of the organization, has worked to redesign TAMIS. The team has designed screens that will capture data about the taxpayer, the taxpayer issues, the case issues, and the results of actions taken by TAS. The team also established a method to ensure the taxpayer's information is only available to TAS employees. This will enable TAS to treat taxpayer-provided information as confidential in appropriate cases, as directed by IRC 7803(c)(4)(A)(iv). Only TAS employees will have the ability to view TAS cases.

The TAMIS redesign team also looked at enhancing the system in a way that will improve the quality of the data being input as well as providing enhancements that will assist in improving the quality of casework provided to the taxpayer. To ensure the new system was user-friendly, two usability tests were conducted during the development of the screens.

Some of the major changes to TAMIS are:

- There will be three separate major issue codes and one sub-issue code. The first major issue code (MI code) identifies the taxpayer problem based on the taxpayer's perception. Another MI code identifies the most significant tax issue, policy, or process that is at the heart of the taxpayer's problem, from the perspective of the TAS employee working the case. The TAS case advocate may change this code while he or she is working the case. Upon closing the case, the TAS case advocate will enter a final MI code and sub-issue code, which will identify both the primary and secondary issues, policies, or processes presented by case, from an overall perspective. These codes have been categorized in a manner that will assist the employee with the correct designation of the issue code.
- TAS will have the ability to identify the true count of hardship cases received by TAS and the ability to ascertain the disposition of these cases, whether relief from the hardship was provided, and if not, whether TAS otherwise assisted the taxpayer with resolving his or her problem.
- Outreach codes have been implemented to identify how the taxpayer found out about TAS. This will allow TAS to identify which outreach and communication efforts are working thereby improving and focusing outreach to the public.
- TAS will also have the ability to obtain specific information about the assistance provided by the Operating Divisions. This information will be shared with the Operating Divisions in an effort to reduce the burden on the taxpayer by improving their processes or policies.

It is anticipated that the revised TAMIS will be implemented early in the second quarter of fiscal year 2003. Training material was developed along with a web-based training (WBT) module for the new system, which will be provided to all employees during the first quarter of fiscal year 2003. This material covers the use of the new system including new fields, along with emphasizing the importance of the accuracy of the data, and it covers instruction on changes to casework procedures. The new instructions on the use of the new system and changes to casework were also developed and will be incorporated into the next revision of the Taxpayer Advocate Handbook, Internal Revenue Manual (IRM 13) to be distributed to all TAS employees in December 2002.

The Taxpayer Advocate Service created a TAMIS Advisory Board with seven TAS members. The board meets quarterly to discuss proposed enhancements and any significant TAMIS issues. The proposed enhancements may come from any part of the TAS organization. This group assists in the development and testing of any future changes to be made to TAMIS. Specific drivers for the board's recommendations will be: (1) legislative change and its impact on TAS; (2) TAS case processing, advocacy, and reporting priorities and requirements; and (3) technology modernization, improvements and innovation.

The coming revisions to TAMIS and the creation of a standing TAMIS Advisory Board should result in a database program that is better designed for the employees who use it both for case management and data analysis purposes. TAMIS contains a wealth of information regarding taxpayer problems which is extremely valuable in addressing systemic issues.

TAXPAYER ADVOCACY PANEL

The Taxpayer Advocacy Panel (TAP), formerly known as the Citizen Advocacy Panel (CAP), was established under the Federal Advisory Committee Act in June 1998 as a way of improving IRS responsiveness to taxpayer needs and monitoring the quality of taxpayer service. The panel offered a unique opportunity for citizens to participate in the improvement of both the American tax administration system and the organization of the IRS. Four pilot panels were established throughout the nation in South Florida, Brooklyn, Midwest (Iowa, Nebraska, and Wisconsin) and Pacific-Northwest (Alaska, Hawaii, Oregon, and Washington). Although scheduled to complete their initial two-year terms in early 2001, many members of the original four panels offered to serve an additional year. All panels have now completed their terms.

The Department of the Treasury recognized that the panels are valuable partners for the IRS and provide an effective forum for direct citizen input into IRS programs and procedures. Faced with the expiration of the current four panels, Treasury recommended nationwide expansion in November 2002.

In designing the nationwide panel structure, the Taxpayer Advocate Service and the IRS Operating Divisions, in conjunction with Treasury, wanted to provide an improved network and process for taxpayers to raise concerns to the IRS. Key representatives from the Wage & Investment Operating Division, the Small Business/Self-Employed Operating Division, the Communications and Liaison Office, the Department of the Treasury, and the National Treasury Employees Union worked with the National Taxpayer Advocate to create a new advocacy panel that represents the entire United States and links directly to the operating divisions. The new design was approved in April 2002.

The Panel was renamed the Taxpayer Advocacy Panel in order to emphasize the focus on “taxpayer” participation in the process. The TAP will serve as one panel with approximately 100 members. The panel will be demographically “balanced” with representatives based on the taxpaying population (with minimally one representative per state). The National TAP panel will be divided into area boards based on the Taxpayer Advocate Service’s geographic divisions. Local Taxpayer Advocates will serve as designated officials for the local board.

The new TAP will continue to act as a two-way conduit. Each panel member will serve on two sub-committees with one focusing on local geographic issues and the second focusing on “national” initiatives or issues that cut across all geographic boundaries. The IRS will ask for input on strategic initiatives that will benefit from taxpayer input. Issue committees will be formed to address these initiatives. The panel will also identify and capture grass-root level issues. The geographic area boards will serve as “listening posts” for these comments and elevate any issues that are national in scope.

In May of 2002, the Taxpayer Advocate Service sought applications for 95 vacancies on the Taxpayer Advocacy Panels. TAS published the applications in the Federal Register, in newspapers, with various businesses and organizations throughout the country, and through IRS stakeholder contacts. The response to this request for applications was overwhelming --- over 1,350 taxpayers applied to serve! The applications were screened and TAS is currently conducting interviews across the nation with approximately 425 taxpayers.

The National Taxpayer Advocate will recommend and the Secretary of the Treasury will select the new TAP members by September 30, 2002. All Taxpayer Advocate Panel members will attend an orientation in October 2002, which is being held simultaneously with the Internal Revenue Service’s Annual Business Meeting. We expect to invite many of the IRS executives to meet with the TAP during this time. Thus, IRS management will learn about the TAP and the important role it can play in tax administration.

The Director of the Taxpayer Advocacy Panel will report directly to the National Taxpayer Advocate. The director will supervise a small staff of analysts who will support the TAP and work with analysts in the Operating Divisions to ensure that the

TAP's viewpoint is sought before decisions are made about relevant programs. The Taxpayer Advocacy Panel represents the best of government, allowing for direct citizen comments and participation.

TAS PERSONNEL AND STAFFING

National Office

During fiscal year 2002, the National Taxpayer Advocate reorganized the Office of the Taxpayer Advocate and TAS's executive structure in Washington, DC, to better fulfill the mission of the Taxpayer Advocate Service. The National Taxpayer Advocate created two Senior Advisor Positions that will serve as resources to the entire TAS organization. The first position, Senior Advisor to the National Taxpayer Advocate (Research), will serve as the Taxpayer Advocate Service's liaison to the IRS research function. This advisor will not only coordinate all research conducted for the NTA's Annual Report to Congress but also all research requested by the Office of Systemic Advocacy, TAS Communications and Liaison, the Taxpayer Advocacy Panel, and other TAS offices. Although TAS itself does not have research staff, the TAS liaison will enable TAS to avail itself of research resources located elsewhere in the IRS. The Senior Advisor (Research) will also serve as the National Taxpayer Advocate's representative on IRS research councils or teams.

The Senior Advisor to the National Taxpayer Advocate (Annual Report to Congress) will assist the National Taxpayer Advocate with ongoing advocacy initiatives and with preparing the Annual Report to Congress due on December 31st of each year. This Report identifies the top twenty taxpayer problems and the ten most litigated issues, and proposes legislative recommendations to mitigate those problems and issues. The Senior Advisor (ARC) will work with TAS employees who are analyzing these issues and problems, providing them with a legal and historical perspective on both administrative and legislative proposals. The Senior Advisor (ARC) will also represent the NTA on various IRS task forces involving tax administration issues, and will assist the NTA in her communications with external stakeholders, including tax professional groups and members of Congress.

The Senior Advisor to the National Taxpayer Advocate (Annual Report to Congress) was designed as a complement to position of the Counsel to the National Taxpayer Advocate. As an executive in the Office of Chief Counsel, the Counsel to the National Taxpayer Advocate cannot participate in or direct the development of issues addressed in the NTAs Annual Report to Congress.

It is anticipated that both Senior Advisor positions will be filled by the end of fiscal year 2002. The Senior Advisors will be on board in time to have a positive impact on the NTA's 2002 Annual Report to Congress.

Office of Systemic Advocacy

During fiscal year 2002, the National Taxpayer Advocate reorganized and completed staffing of the Office of Systemic Advocacy, which is charged with identifying, analyzing, and developing systemic trends of taxpayer problems and the root causes of those problems. The Office of Systemic Advocacy is now headed by an Executive Director of Systemic Advocacy. Two Directors of Advocacy report directly to the Executive Director; field advocacy analysts report to the Directors of Advocacy. The Office of Systemic Advocacy currently consists of 57 full-time employees.

The Executive Director of Systemic Advocacy oversees two project managers in addition to the Directors of Advocacy. One project manager is responsible for the day-to-day production of the NTA Annual Report to Congress, due December 31st of each year. The manager must ensure that deadlines are met, teams have the tax law and research support they require, and necessary and productive contacts with the Operating and Functional Divisions take place on a timely basis.

The second project manager is responsible for the advocacy initiative tracking system. The TAS Office of Systemic Advocacy receives administrative and legislative proposals from a multitude of sources, both internal and external to the IRS. The Advocacy Tracking Manager will ensure that advocacy proposals are properly developed, forwarded to the appropriate program owner, and responded to in a timely and meaningful fashion. The tracking manager will work with the National Taxpayer Advocate and her Senior Advisors, along with the Executive Director of Systemic Advocacy and the Directors of Advocacy, to identify advocacy proposals that should be assigned to advocacy analysts for further development. The tracking manager will also oversee the design and implementation of a database that will provide information about the status of advocacy proposals in TAS and the individual or group that submitted the original proposal. This system will be complete and functioning in fiscal year 2003.

The Office of Systemic Advocacy is now divided into two branches – one branch focuses on individual taxpayer issues and the other focuses on business taxpayer issues. Although the Director of Individual Advocacy (DIA) had been operating since TAS “stood up” in March of 2000, the Director of Business Advocacy (DBA) was only hired in November of 2001. Since that time, the DBA has hired staff analysts with backgrounds in small business and self-employed, tax exempt and government entities, and large and mid-size business tax administration. The establishment of the Office of Business Advocacy is vitally important to TAS’s advocacy mission, since almost one-half of TAS’s cases involve business taxpayers.

Local Taxpayer Advocates and Case Advocates

Internal Revenue Code section 7803(c) requires the National Taxpayer Advocate to locate at least one Local Taxpayer Advocate in each state. Thus, the Taxpayer Advocate Service is one of the few functions of the IRS that have an office in each

state. Presently, there are 74 Local Taxpayer Advocates, ten of whom are located in the ten IRS campuses. The 74 Local Taxpayer Advocates (LTAs) are divided between nine areas (seven areas are geographic based; one covers W&I campuses; the other covers SB/SE campuses). Case advocates (senior and associate) report to the Local Taxpayer Advocates and do the actual work on TAS cases. Case advocates are supported by Revenue Officer Technical Advisors (ROTAs) and Revenue Agent Technical Advisors (RATAs), who provide technical guidance on specific cases. At present, the Case Advocacy function of the Taxpayer Advocate Service consists of 2,036 full time employees. The number of full-time equivalents (FTEs) in the Case Advocacy function today is consistent with the number of FTEs working problem resolution cases prior to RRA 98.

Approximately seven percent of case advocate's time is spent answering phone calls that are unrelated to Taxpayer Advocate Service cases. Many of these calls come in on TAS local lines because taxpayers are unable to reach a local IRS office or get through on the IRS toll-free number. TAS employees are pulled off of their case work to answer questions involving the location and hours of IRS walk-in offices; mailing addresses for tax returns; and the availability of account transcripts. These interruptions take a toll on TAS case advocates, who are trying to work on cases that involve taxpayers who experience significant hardship and thus require priority and/or expedited treatment.

The National Taxpayer Advocate has authorized the hiring, during fiscal year 2003, of a new position for the Local Taxpayer Advocate offices of a particular size. This new "Intake Advocate" position will be an entry-level position into the Taxpayer Advocate Service. It will provide an opportunity for TAS to recruit from outside the IRS and train employees to "think like an advocate" from their first day in the IRS. The Intake Advocate will handle all phone traffic into the local offices, screen cases for eligibility under the significant hardship criteria, load accepted cases on TAMIS, and even resolve simple "same day closure" cases. This new position should enable our case advocates to work on their cases with minimal interruptions. The Intake Advocate position will be filled from our current staffing allocation through attrition and will require no new full-time equivalents.

The Advocacy Liaison is the second new position that will be established in Local Taxpayer Advocate offices during fiscal year 2003. This employee will serve as the liaison between each Local Taxpayer Advocate office of a certain size and the Office of Systemic Advocacy. Advocacy Liaisons will be responsible for gathering, developing, and monitoring advocacy proposals that arise at the local office level. They will receive advocacy proposals from TAS and IRS employees, from local external stakeholder groups, including Congressional offices. The Advocacy Liaison will make sure that the proposal, prior to submission to the Office of Systemic Advocacy, is clearly articulated. Finally, the Advocacy Liaison will follow up with the Office of Systemic Advocacy to make sure that the proposal was received, assigned, and responded to. The Advocacy Liaison will also respond to the person or group that submitted the proposal.

TRAINING

Taxpayer Advocate Service employees receive cases and systemic issues involving all aspects of tax administration. They must have an extensive and solid understanding of IRS organization and procedures as well as of tax law. Employees entering the Taxpayer Advocate Service from other IRS functions usually have a strong background in one area (e.g., accounts management, examination, or collections). In order to effectively serve taxpayers, the new TAS employee must receive “gap training” in other areas of tax law and procedure. Veteran TAS employees must receive update training as well as expert training in more advanced or technical topics, so that they can serve as resources to other TAS employees as well as enhance their career path through TAS and the IRS.

During fiscal year 2002, TAS has focused on developing and executing a corporate approach to training and education. This effort incorporates strategic and tactical training initiatives and ensures that TAS employees are provided the skills necessary for performing their duties. The effort includes promotion of employee professional development and career progression opportunities both within TAS and the IRS.

The quality of service TAS provides to taxpayers is inherently linked to the quality of our employees and their ability to fulfill our priorities and mission. To explore ways of enhancing the skills and abilities of our employees, TAS contracted with an outside vendor to provide assistance and expertise in the development of a four-year, strategic training plan. The strategic plan is designed to not only identify training and development needs to respond to taxpayer issues (systemic and case-related) but also allow TAS to recruit and retain employees through an organizational commitment to employees’ professional and personal development.

The Taxpayer Advocate Service’s annual training plan, on the other hand, addresses our immediate technical and program needs and represents our “core” training curriculum. The annual training plan includes courses developed in response to legislation, executive direction, organizational changes, and other requests from local offices. The fiscal year 2002 annual training plan includes the All TAS Employee CPE (Advocacy in Action), Delegated Authority Training, Being an Advocate and Your Authorities, Partnering, Integrated Case Processing, TAMIS, as well as technical training delivered through interactive video and computer-based training designed to cover the basic TAS competencies.

In summary, the TAS Four Year Strategic Training Plan will provide an integrated plan for TAS training needs. The Annual Training Plan will consist of courses from the Strategic Plan to be delivered during the current fiscal year. An annual training needs assessment of all TAS offices is also factored in to the current year’s training plan.

The National Taxpayer Advocate desires to deliver substantive and meaningful training to her employees while working within the Taxpayer Advocate Service's budgetary constraints. With this in mind, the Taxpayer Advocate Service has determined that employee training will be delivered in a number of ways. These training initiatives are designed to minimize travel requirements throughout the year and emphasize case-studies and a work-group based approach to problem-solving and learning.

All TAS Employee Annual CPE Program: Each year, beginning in fiscal year 2002, TAS will hold an annual all employee continuing professional education program. Delivered over a two-week period, one half of the TAS workforce will attend each week. During the one-week session, each TAS employee will develop a curriculum based on his or her job category. TAS employees will attend plenary sessions in addition to smaller mandatory classes designed for their particular positions. TAS employees will also select elective classes that are designed to meet each employee's professional goals. TAS will deliver 46 different courses during its 2002 all employee CPE program.

Work-group Based Training and Case Studies: The Taxpayer Advocate Service has adopted the case study approach for its most significant training initiatives. Local Taxpayer Advocates are trained to be the trainers of their workgroups in a particular topic. The Local Taxpayer Advocates then deliver the course to their managers and employees. The technical aspects of the course are reinforced through the use of actual case studies, which require all participants to identify and analyze taxpayer issues, propose alternative solutions to the taxpayer's problem, understand the role of the taxpayer advocate in resolving the case, and identify any systemic advocacy issues.

The Taxpayer Advocate Service adopted this approach for its fiscal year 2002 course, "Being An Advocate and Your Authorities." This course covers issues relating to the scope and implementation of authorities, both statutory and delegated, and continues our exploration of how we can effectively advocate for taxpayers and help them resolve their problems with the IRS. Each local workgroup manager is working with his or her group through various case studies, which are the primary teaching tool. The cases are drawn from actual TAS cases, many of which landed on the National Taxpayer Advocate's desk because taxpayers or employees were frustrated with the results. What can we learn from these cases, both technically and in terms of being a better advocate?

We believe that one effective method of advocacy training occurs at the small workgroup level, tackling case studies and discussing issues vigorously among ourselves, following a detailed training module developed specifically for TAS employees. We will also use this approach for a fiscal year 2003 course on the effective use of Taxpayer Assistance Orders.

Interactive Video Transmission (IVT) Programs. IVT programs lend themselves to topics that can be covered in approximately 2 hours. During fiscal year 2003, the Taxpayer Advocate Service will deliver technical training to all of its employees through this medium. Topics will include Tax Law Update, Statute of Limitations Periods, Impact of Bankruptcy on Tax Liabilities, and Taxpayer Assistance Orders. These programs will often be accompanied by case studies that will be worked at the local office in smaller groups.

Computer-based and E-learning: TAS is currently conducting a review to determine which existing TAS courses are appropriate for delivery through E-learning. Online tools will strengthen the TAS employee's immediate access to job-related expertise and broaden their knowledge, skills, and ability to provide expert taxpayer assistance and customer service. For fiscal year 2003, TAS is currently developing a web-based training course and support system to assist employees in learning and improving their skills on the Taxpayer Advocate Management Information System (TAMIS).

TAS – NTEU PARTNERSHIP COUNCIL

The TAS-NTEU Partnering Council serves as an advisor to the National Taxpayer Advocate and the Deputy National Taxpayer Advocate on programs, issues and decisions that directly affect TAS employees. With TAS Directors and NTEU representatives working together and meeting quarterly, the Council models the "partnering" vision that has become a meaningful structure for problem resolution. This relationship affords TAS-NTEU leadership opportunities to discuss employees' concerns at the earliest stages of decision-making. As a result, there are fewer issues to formally bring to the bargaining table.

In fiscal year 2002, the Partnering Council continued to advise TAS senior leadership on key TAS issues, such as: Balancing Inventories; Delegation of TAS Authorities; the TAS Strategic Planning process; the TAS External Customer Satisfaction Survey; the use of the Integrated Case Processing System; and Management Oversight on the TAS Technical Advisor Position. The Council also worked with the Gallup organization in developing Climate Survey questions specific to TAS.

The Council provided oversight and suggestions regarding follow up meetings to the Employee Satisfaction Survey of Fiscal Year 2001. The Council determined that TAS needs to focus on first-line managers as "key communicators," and advised management on how TAS can support the process and keep first-line managers engaged. Additionally, The Partnering Council has become a champion of the President's Quality Award (PQA)/Baldrige Excellence assessment process. The Council reviewed the top eleven PQA Opportunities for Improvement assigned to TAS Directors for implementation.

For the remainder of fiscal year 2002, the Council will test the concept of having employees confer directly with Council members through Town Hall meetings at various locations in the country. Meetings with local employees will be held to share examples of effective partnering and to secure information on key issues. Having developed an Interactive Video Training vehicle, the Council will work with TAS Training to ensure all TAS managers and NTEU officers and stewards receive Partnering Training during the summer of 2002.

In fiscal year 2003, the Partnering Council will formulate initiatives based on External Customer Satisfaction Survey results. The Council will maintain its focus on Employee Satisfaction as it monitors efforts to have positive impact on employee issues. The Council will continue partnering on key issues, such as balancing inventories and delegated authorities. The Partnering Council will also give more attention to the linkage of PQA, the TAS Strategic Plan, Customer Satisfaction, Employee Satisfaction, and Business Results.

TAXPAYER ADVOCATE SERVICE COMMUNICATIONS STRATEGY

During fiscal year 2002, the Taxpayer Advocate Service developed a national communications strategy to support its overall strategic objectives. The national communications plan included increasing awareness among internal/external partners of TAS's advocacy role, communicating actions taken to address the top 20 taxpayer problems identified in the National Taxpayer Advocate's Annual Report to Congress, and inviting comments and building appreciation for the Annual Report. We also updated our current marketing materials and printed these materials in Spanish.

Local Taxpayer Advocates continued outreach efforts by developing local outreach plans which supported our national communications objectives. Local outreach included presentations at continuing professional education classes, meetings, and training classes about the evolving role of the Taxpayer Advocate Service in the IRS. Local advocates also continued partnering efforts with Low Income Tax Clinics, local stakeholder and practitioner groups, and non-English speaking groups. They also continued to build their relationships with local congressional staffs through scheduled visits and liaison meetings. Many of the local advocates have received positive media coverage regarding the role of the Taxpayer Advocate, particularly during the last filing season.

The Taxpayer Advocate Service increased awareness of its advocacy role through the National Taxpayer Advocate's FY 2001 Annual Report to Congress. This report received major attention in the media. In the days, weeks, even months, after release of the report, the NTA spoke with numerous reporters from the print, radio and television media. She participated in interviews with the Associated Press, Washington Post, several major tax publications, Forbes magazine, CNN, and ABC. She also gave numerous interviews with local newspapers and publications. As a result of this national coverage, the Office of the Taxpayer Advocate has received

many tax simplification and administrative improvement proposals from taxpayers around the United States.

The National Taxpayer Advocate continued to conduct town hall meetings with both TAS and IRS employees to discuss the role of the Taxpayer Advocate Service. To date, she has visited 16 IRS offices during fiscal year 2002. She has participated on several panel discussions at major stakeholder conferences and has spoken at practitioner events throughout the country. She has met with numerous members of Congress regarding the Annual Report's legislative proposals, other IRS initiatives, and specific taxpayer concerns.

The National Taxpayer Advocate is committed to continuing these activities in fiscal year 2003. Communications and outreach are a vital part of ensuring open and straight-forward discussion regarding issues that impact taxpayers and the mission of the Taxpayer Advocate Service.

CONCLUSION

As the Taxpayer Advocate Service matures as an independent organization within the IRS, its employees face additional challenges for fiscal year 2003. They must continue to develop their advocacy and technical skills on behalf of taxpayers and systemic change. They must maintain cooperative working relationships with their peers in the IRS, while implementing new confidentiality procedures. They must demonstrate to already disgruntled taxpayers that TAS provides an independent and impartial assessment of their problem. All of this must occur in an environment of constantly shifting inventory and issues relating to any and all aspects of tax law and tax administration. Finally, they must make sure U.S. taxpayers know about the availability of their services and they must deliver quality service.

I, for one, believe that the Taxpayer Advocate Service can meet these challenges. Thank you for the opportunity to report on the Taxpayer Advocate Service's fiscal year 2003 objectives. I look forward to reporting on its fiscal year 2003 success.



Nina E. Olson
National Taxpayer Advocate
27 June 2002

APPENDIX I: EVOLUTION OF THE OFFICE OF THE TAXPAYER ADVOCATE

The Office of the Taxpayer Ombudsman was created by the Internal Revenue Service in 1979 to serve as the *primary advocate*, within the IRS, for taxpayers. This position was codified in the Taxpayer Bill of Rights 1 (TBOR 1), included in the Technical and Miscellaneous Revenue Act of 1998, Pub. L. 100-647. In TBOR 1, Congress granted the Ombudsman the statutory authority to issue a Taxpayer Assistance Order (TAO) if, “in the determination of the Ombudsman, the taxpayer is suffering or about to suffer a significant hardship as a result of the manner in which the IRS is administering the internal revenue laws.”⁷ Further, the Taxpayer Ombudsman and the Assistant Commissioner (Taxpayer Services) were directed to jointly make an annual report about the quality of taxpayer services provided by the IRS. This report was made directly to the Senate Finance Committee and the House Committee on Ways and Means.⁸

The Taxpayer Bill of Rights 2 (TBOR 2) replaced the Office of the Taxpayer Ombudsman with the Office of the Taxpayer Advocate.⁹ The Joint Committee on Taxation set forth the following reasons for change:

To date, the Taxpayer Ombudsman has been a career civil servant selected by and serving at the pleasure of the IRS Commissioner. Some may perceive that the Taxpayer Ombudsman is *not an independent advocate* for taxpayers. In order to ensure that the Taxpayer Ombudsman has the necessary stature within the IRS to represent fully the interests of taxpayers, Congress believed it appropriate to elevate the position to a position comparable to that of the Chief Counsel. In addition, in order to ensure that the Congress is systematically made aware of recurring and unresolved problems and difficulties taxpayers encounter in dealing with the IRS, the Taxpayer Ombudsman should have the authority and responsibility to make independent reports to the Congress in order to advise the tax-writing committees of those areas.¹⁰

In TBOR 2, Congress not only established the Office of the Taxpayer Advocate but also described its functions:

1. To assist taxpayers in resolving problems with the Internal Revenue Service;
2. To identify areas in which taxpayers have problems in dealings with the Internal Revenue Service;

⁷ **Technical and Miscellaneous Revenue Act of 1998, Section 6230, Conference Committee Report.**

⁸ **Technical and Miscellaneous Revenue Act of 1988, Pub. L. 100-647, Title VI, Sec. 6235(b), Nov. 10, 1988, 102 Stat. 3737.**

⁹ **Pub. Law 104-168, Sec. 101, July 30, 1996.**

¹⁰ Joint Committee on Taxation, *General Explanation of Tax Legislation Enacted in the 104th Congress* (JCS-12-6), December 18, 1996, p. 20.

3. To the extent possible, propose changes in the administrative practices of the IRS to mitigate those identified problems; and
4. To identify potential legislative changes which may be appropriate to mitigate such problems.

Congress did not provide the Taxpayer Advocate with direct line authority over the regional and local Problem Resolution Officers (PROs) who handled cases under the Problem Resolution Program. At the time of the enactment of TBOR 2, Congress believed that it was sufficient to require that “all PROs should take direction from the Taxpayer Advocate and that they should operate with sufficient independence to assure that taxpayer rights are not being subordinated to pressure from local revenue officers, district directors, etc.”^{11 12}

TBOR 2 also replaced the joint Assistant Commissioner—Taxpayer Advocate report to Congress with two annual reports to Congress issued directly and independently by the Taxpayer Advocate. The first report is to contain the objectives of the Taxpayer Advocate for the next calendar year. This report is to contain full and substantive analysis, in addition to statistical information and is due not later than June 30 of each year. The second report is on the activities of the Taxpayer Advocate during the previous fiscal year. The report must identify the initiatives the Taxpayer Advocate has taken to improve taxpayer services and IRS responsiveness, contain recommendations received from individuals who have the authority to issue a Taxpayer Assistance Order (TAO), describe in detail the progress made in implementing these recommendations, contain a summary of at least 20 of the most serious problems which taxpayers have in dealing with the IRS, include recommendations for such administrative and legislative action as may be appropriate to resolve such problems, describe the extent to which regional problem resolution officers participate in the selection and evaluation of local problem resolution officers, and include other such information as the Taxpayer Advocate may deem advisable. The stated objective of these reports is “for Congress to receive an unfiltered and candid report of the problems taxpayers are experiencing and what can be done to address them. The reports by the Taxpayer Advocate are not official legislative recommendations of the Administration; providing official legislative recommendations remains the responsibility of the Department of Treasury.”¹³

Finally, TBOR 2 extended the scope of the Taxpayer Assistance Order (TAO), by providing the Taxpayer Advocate with broader authority “to affirmatively take any action as permitted by law with respect to taxpayers who would otherwise suffer a

¹¹ **id. at p. 21.**

¹² It is interesting to note that the proposed Revenue Bill of 1992 proposed that all problem resolution officers be part of the Office of Taxpayer Advocate within the IRS and be under the supervision and direction of the Taxpayer Advocate. (Revenue Act of 1992, H.R.11, 101 Cong. § 5001, Establishment of Position of Taxpayer Advocate within Internal Revenue.)

¹³ Joint Committee on Taxation, *General Explanation of Tax Legislation Enacted in the 104th Congress* (JCS-12-6), December 18, 1996, p. 21.

significant hardship as a result of the manner in which the IRS is administering the tax laws.”¹⁴ For the first time, the TAO could specify a time period within which the IRS must act on the TAO. The statute also provided that only the Taxpayer Advocate, the IRS Commissioner or the Deputy Commissioner could modify or rescind a TAO; and that any official who so modifies or rescinds a TAO must respond to the Taxpayer Advocate with his or her reasons for such action.

Thus, as a result of TBOR 2 changes, the Taxpayer Advocate was a career position within the IRS. Problem Resolution Officers and field employees who worked Problem Resolution cases did not report to the Taxpayer Advocate. In 1997, The National Commission on Restructuring the Internal Revenue Service called the Taxpayer Advocate the “voice of the taxpayer.” In its discussion of the office of the Taxpayer Advocate, the Commission noted:

Taxpayer Advocates play an important role and are essential for the protection of taxpayer rights and to promote taxpayer confidence in the integrity and accountability of the IRS. To succeed, the Advocate must be viewed, both in perception and reality, as an independent voice for the taxpayer within the IRS. Currently, the national Taxpayer Advocate is not viewed as independent by many in Congress. This view is based in part on the placement of the Advocate within the IRS and the fact that only career employees have been chosen to fill the position.¹⁵

In response to these concerns, in the IRS Restructuring and Reform Act of 1998, Congress renamed the Taxpayer Advocate as the National Taxpayer Advocate and mandated that the NTA could not be an officer or an employee of the IRS for two years preceding or five years following his or her tenure as the NTA. (Service as an employee of the Office of the Taxpayer Advocate is not considered IRS employment under this provision.)

The Restructuring and Reform Act provided for Local Taxpayer Advocates to be located in each state, and mandated a direct reporting structure of local taxpayer advocates to the National Taxpayer Advocate. As indicated in IRC § 7803(c)(4)(A), each Local Taxpayer Advocate must have phone, facsimile, electronic communication, and mailing address separate from those of the IRS. The Local Taxpayer Advocate must advise taxpayers at their first meeting of the fact that “the taxpayer advocate offices operate independently of any other Internal Revenue Service office and report directly to Congress through the National Taxpayer Advocate.” Congress also authorized the Local Taxpayer Advocates, at their discretion, to not disclose the fact that the taxpayer contacted the Office of the Taxpayer Advocate or any information provided by the taxpayer to that office.

¹⁴ *id.* at p. 22.

¹⁵ **Report of the Commission on Restructuring the Internal Revenue Service: A Vision for a New IRS: Report of the National Commission on Restructuring the Internal Revenue Service, June 25, 1997, p. 43.**

The definition of “significant hardship” in IRC § 7811 was expanded in 1998 to include four specific circumstances: (1) an immediate threat of adverse action; (2) a delay of more than 30 days in resolving taxpayer account problems; (3) the taxpayer’s incurring of significant costs (including professional services fees) if relief is not granted; and (4) the taxpayer will suffer irreparable injury or a long-term adverse impact. The committee reports make clear that this list is a non-exclusive list of what constitutes significant hardship.¹⁶

¹⁶ H.R. Conf. Rep. No. 105-599, at 26, 28 (1998).

APPENDIX II: TAXPAYER ADVOCATE SERVICE SIGNIFICANT HARDSHIP CRITERIA

1. Taxpayer is suffering or about to suffer a significant hardship.
2. Taxpayer is facing an immediate threat of adverse action.
3. Taxpayer will incur significant costs if relief is not granted.
4. Taxpayer will suffer irreparable injury, or long term adverse impact.
5. Taxpayer experienced a delay of more than 30 calendar days in resolving an account-related problem or inquiry.
6. Taxpayer did not receive a response or resolution by the date promised.
7. A system or procedure has either failed to operate as intended or failed to resolve the taxpayer problem.

APPENDIX III: TAXPAYER ADVOCATE SERVICE FISCAL YEARS 2002-2003 STRATEGIC PLAN

TAS Strategy and Program Plan Table of Contents

- I. TAS Strategic Plan
 - A. TAS Description
 - TAS Mission and Vision
 - TAS Strategic Goals
 - TAS Customer Segments
 - TAS Organizational Structure
 - B. TAS Major Strategies and Related Operating Priorities

- II. TAS Program Plan – Program Information
 - A. Summary of Programs Narrative
 - TAS Program Matrix
 - TAS Resource/Workload Matrix
 - B. Individual Program Summaries Program Description and Critical Measures
 - TAS General Management and Administration (PAC 5A)
 - Taxpayer Advocacy (PAC 1J)
 - Taxpayer Advocate Case Processing (PAC 7M)
 - Earned Income Tax Credit (PAC 7M)
 - C. Improvement Projects
 - 1. TAMIS (Taxpayer Advocate Management Information System)
 - 2. Toll-free Telephone for TAS Caseworkers
 - D. Management Challenges and High Risk Areas

- III. Program Plan – Budget Requirements Summary
 - FY 2002
 - FY 2003
 - A. Cross-Cutting Coordination Issue Summary
 - B. Summary of FY 2003 Increases and Decreases by Program Activities
 - MCLs
 - Program Increases
 - Realignment

**TAXPAYER ADVOCATE SERVICE (TAS)
Strategy and Program Plan**

I. TAS STRATEGY PLAN

A. TAS Organizational Description

TAS Mission

***We help taxpayers solve problems with the Internal Revenue Service (IRS)
and recommend changes that will prevent problems.***

TAS Vision

We encourage resolution of all taxpayer issues at the point of first contact. While providing excellent service to each taxpayer is paramount, we are committed to encouraging overall service improvement at the IRS which will reduce the demand for our services.

1. TAS Mission

The mission of the Taxpayer Advocate Service is to independently represent and protect taxpayer rights within the Internal Revenue Service. We do this by assisting individual taxpayers with tax account problems that have not been resolved through the taxpayer's dealings with IRS Operating Divisions. We also do this by advocating change to resolve problems for large groups of taxpayers by identifying areas in which taxpayers have problems dealing with the IRS; proposing changes in IRS administrative practices to mitigate problems; and identifying potential legislative changes to mitigate problems.

2. TAS Strategic Goals

The three IRS strategic goals include top quality service to each taxpayer in every interaction; service to all taxpayers through fair and uniform application of the law and productivity through a quality work environment. The mission and strategic goals of TAS coincide with each of the three IRS strategic goals.

First, we provide independent assistance to individual taxpayers seeking relief from hardship or help in resolving tax problems. We do this through 74 local offices staffed with caseworkers whose mission is to intervene in behalf of taxpayers to resolve on-going tax problems. If possible, we attempt to resolve issues at the point of first contact, although we may have to coordinate resolution of problems with the

Operating Divisions. Our caseworkers come from backgrounds in customer service, examination and collection.

Second, we provide first quality service by identifying, then proposing corrective action for systemic, procedural, and legislative problems that burden large groups of taxpayers. We do this by working directly with the Operating Divisions to identify and solve systemic and procedural problems. We also do this by identifying areas of the tax law that require changing to reduce taxpayer burden and increase equity. We advocate these changes within the appropriate committees during the legislative process and through recommendations to Congress presented in the Annual Report to Congress.

Third, we work to increase productivity among our employees by providing an enabling work environment. We are redesigning our work processes to conform to the new IRS organizational structure. We are improving the technology used by our employees to do their work. This will make it easier for them to open, work the technical and procedural aspects and close cases more efficiently. We have created a career path for employees choosing to make a career within TAS. To ensure we create a corps of highly professional advocates for taxpayers rights within the IRS, we are developing a four-year comprehensive training program to provide top-notch technical, procedural and advocacy skills to TAS employees at all levels within the organization. These combined efforts will increase productivity and provide higher quality customer service.

TAS has developed 10 balanced performance measures to assist in determining how successful we are at meeting our goals and objectives. We baselined four measures in FY 2000 including employee satisfaction; casework quality index; closed cases and cycle time. During FY 2001 we moved responsibility for goals for the qualitative measures for casework quality index and cycle time down to the local level. Two measures, immediate interventions and number of advocacy projects, are number counts only.

During FY 2001, we baselined three measures including external customer satisfaction; outreach resources spent versus planned and outreach effectiveness results. One measure, internal customer satisfaction, is on hold pending negotiation of National Service Level Agreements with other organizational units. We also utilize three diagnostic tools. They are TAS receipts, TAS closures to receipts ratio and TAS ending inventory.

3. Customer Base

Taxpayers, Tax Practitioners, the President, Congress, Treasury and the IRS Oversight Board are customers of the Taxpayer Advocate Service. Each wants TAS to fulfill its mission to help taxpayers solve problems with the IRS and to recommend changes that will prevent problems. TAS encourages resolution of all taxpayer problems at the point of first contact. While providing excellent service to each taxpayer is paramount, TAS is committed to encouraging overall service improvement at the IRS that will reduce the demand for TAS services.

4. TAS Organizational Structure

By law, the Taxpayer Advocate Service is an independent office within the IRS organizational structure. The National Taxpayer Advocate reports directly to the Commissioner of Internal Revenue. She is required by law to provide two reports to Congress each year that are not subject to prior review by IRS or Treasury officials. They are a June 30 fiscal year objectives report for the fiscal year beginning in that calendar year and a December 31 Annual Report to Congress. The Annual Report must address those responsibilities Congress has mandated that TAS perform. These include (1) identifying initiatives taken by TAS to improve taxpayer services and IRS responsiveness, as well as actions taken to resolve problems and the results; (2) summarizing at least 20 of the most serious problems encountered by taxpayers; (3) identifying the 10 top litigated issues for each category of taxpayer and recommending changes to mitigate such disputes; (4) determining the number of Taxpayer Assistance Orders issued and those not honored in a timely manner; (5) recommending administrative, procedural, systemic and legislative actions to resolve problems encountered by taxpayers; and (6) identifying areas of tax law that impose significant compliance burdens on taxpayers or the IRS with specific recommendations for remedying these problems. TAS is responsible for ensuring that taxpayer rights and interests are represented within the IRS and TAS employees are true taxpayer advocates irrespective of their job classification and responsibilities.

The immediate office of the National Taxpayer Advocate includes a headquarters staff of executive assistants and six directorates providing staff services for Citizen Advocacy Panels, Communication and Liaison; Equal Employment Opportunities and Diversity; Financial Operations; Program Planning and Quality; Strategic Human Resources; and Taxpayer Account Operations. The Office of Chief Counsel provides several legal advisors and a Technical Advisor on staff advises on the more technical and procedural problems with which TAS deals.

The field organization is led by nine Area Taxpayer Advocate Directors, seven of whom oversee casework by Local Taxpayer Advocates within their geographic area and two of whom are responsible for casework from Center Campus Advocates. The Area Directors report directly to the National Taxpayer Advocate. As of early FY 2002, there will also be an Operating Division Taxpayer Advocate (ODTA) Executive who reports directly to the National Taxpayer Advocate. This executive will be responsible for two ODTA Directors who are responsible for systemic analysis and advocacy within the Operating Divisions.

TAS customers are served through two primary activities, casework and advocacy.

a. Casework - Helping Resolve Individual Taxpayer Problems

TAS works directly with individual taxpayers who have not been able to resolve their account problems through interactions with other IRS organizational units.

Approximately 1,335 Associate Advocates and Senior Associate Advocates, supplemented by Technical Advisors (Revenue Agents and Revenue Officers) and Program Analysts, handled approximately 300,000 cases in FY 2000.

As mandated by Internal Revenue Code Section 7803, as amended by the IRS Restructuring and Reform Act of 1998, at least one local taxpayer advocate office is located in each state. There are a total of 74 local offices with caseworkers who work directly with individual taxpayers to resolve their tax account problems. Although the primary focus of TAS caseworkers is to assure that taxpayers' rights are protected when dealing with the IRS, they also participate in outreach and education programs that help taxpayers understand their tax obligations in advance of filing returns. Local and area offices develop their own outreach programs that reflect the specific needs of their local taxpayer and practitioner customer populations.

The majority of TAS cases deal with individual taxpayers, including those who are self-employed. As a result, TAS has significant interactions with Wage and Investment and with Small Business/Self-Employed, the Operating Divisions that 'own' these taxpayer returns. The vast majority of cases are from the W&I customer segment. As of June 2001, the Taxpayer Advocate Management Information System (TAMIS) will be able to identify and track each TAS case based upon its Operating Division ownership source.

Cases are accepted into TAS based on criteria established by Internal Revenue Code Section 7811, as amended by RRA 98. TAS closed 237,885 criteria cases in FY 2000. Of those cases, only 14% fell into the truly "significant hardship" category. These include cases where the taxpayer is suffering or is about to suffer a significant hardship such as eviction; is facing an immediate threat of adverse action such as a property seizure; will incur significant costs such as fees for professional representation; or will suffer irreparable injury if relief is not granted. Eighty-six percent of the cases received represent processing or systemic procedural problems that were not resolved in the Operating Divisions. These reflect cases where the taxpayer received no response or no response within 30 days of normal processing time limits or where the system failed. We worked an additional 18, 528 cases, although they did not meet any of the TAS criteria, because employees believed it was in the best interest of the taxpayer to work the case in TAS under our one-stop service concept. Cases received for the first 6 months of FY 2001 reflect a similar composition.

TAS experiences continual turnover and attrition as our employees apply for higher graded positions in the ODs or retire. In spite of continuously hiring to backfill, at mid-year FY 2001, we only increased our number of caseworkers by 19 over the number employed at the end of FY 2000. Hiring plans for FY 2002 and 2003 will continue to address attrition. When backfill authority is received, we will determine where best to place employees based upon inventory workload trends.

We intend to develop a comprehensive, multi-year training program for all TAS employees. The program will be structured to provide each class of employees with the technical and procedural skills and knowledge to perform their current jobs and to move them forward within the TAS career path. The program will include a focus on specific skills taxpayer advocates need such as how to advocate; how to communicate with the public as part of an outreach program; and how to resolve problems through the use of negotiation and conflict management. We also plan to develop a comprehensive continuing professional education program (CPE) in cooperation with the ODs that have similar needs for continuing professional education.

b. The Advocacy Program - Stopping Problems before They Start

The advocacy role is the primary responsibility of the Operating Division Taxpayer Advocates (ODTA). In conjunction with internal and external stakeholders, the ODTAs address trends that cause taxpayer hardship.

Field Advocacy Analysts are co-located with Operating Division employees in offices throughout the nation. They identify and investigate issues in order to prevent or reduce taxpayer burden. In addition, they represent taxpayer interests during IRS decision-making processes to improve customer service and address inequitable treatment of taxpayers.

The analysts deal with two kinds of activities that focus on groups of taxpayers, rather than individual taxpayers. The first are immediate interventions where actions are taken within 7 to 10 days of problem identification. This might include such actions as putting a freeze on erroneous refunds about to be released to a group of taxpayers. The second are longer-term advocacy projects that identify problems impacting a significant group of taxpayers. Analysts study the causes of problems and propose solutions that may impact one or more operating divisions and their taxpayers. Many of their projects are multi-year projects. As required by RRA98, TAS advocacy projects are reported on annually in the Annual Report to Congress.

Supplementing the advocacy role of the ODTA are the four Citizen Advocacy Panels, an external stakeholder group that provides advice and counsel to TAS on issues of concern to taxpayers. The current panels are located in Brooklyn, Ft. Lauderdale, Seattle and Milwaukee. The initial panel members are being replaced over a two-year cycle. The geographic areas the panels represent are being expanded in FY 2001 to cover a wider area. A number of changes have been proposed by the CAPs including the limited power of attorney added to the Form 1040 series in 2000.

There are two ODTAs. One is responsible for W&I and TE/GE. The other is responsible for SB/SE and LMSB. The latter position was only filled in June 2001. We also plan to hire an ODTA executive who will devote full-time to TAS' advocacy function. This executive will report directly to the National Taxpayer Advocate. The

hiring process will continue through early FY 2002 and should significantly strengthen this portion of our program mandate for FY 2002 and FY 2003.

B. TAS Major Strategies and Related Operating Priorities

TAS was assigned four major strategies for FY 2002-2003.

Advocate Changes in Tax Law or Procedures That Reduce Taxpayer Burden and Improve IRS Effectiveness

This strategy incorporates the mandate of Internal Revenue Code Section 7803. The National Taxpayer Advocate is responsible for advocating changes in tax law to reduce taxpayer burden; identifying ways the service can improve taxpayer services and IRS effectiveness; and recommending systemic change to resolve problems encountered by taxpayers. The Operating Division Taxpayer Advocates (ODTA) have primary responsibility for this strategy. It is addressed on a continual basis by the advocacy projects analysts identify and manage to propose resolution to systemic problems often caused by attempts to implement complex tax law provisions. TAS is also required to submit an Annual Report to Congress that identifies the most serious problems faced by taxpayers in dealing with the IRS.

Trends, Issues and Problems.

The 1999 and 2000 Annual Reports to Congress cite tax complexity as the biggest problem facing taxpayers. Since 1993, complex returns have increased by 63% while IRS staffing has dropped by 17, 000 FTEs. Complicated phase-outs, formulas and schedules requiring math computations create significant opportunity for taxpayer errors, particularly among the less educated and foreign-born. Approximately 60% of low-income wage earners find it necessary to use paid preparers to file Earned Income Tax Credit returns due to the complex qualifications rules and instructions. Taxpayers who do not understand the tax system are less likely to file accurate returns and may become distrustful of the tax system, diminishing IRS's ability to administer it.

The reorganized IRS is devoting increased numbers of resources to education and outreach to taxpayers and tax practitioners, to systems process improvements and simplification of forms and notices. Electronic filing of tax returns reduces the potential for taxpayer error; approximately 40 million taxpayers have filed electronic individual returns for 2000. These actions help to counterbalance complexity.

The trend toward increased complexity continues every time tax provisions are changed. These changes put a burden on the IRS to modify forms, create new forms and revise instructions on a regular basis. They also place significant burden on taxpayers who must become aware of new tax rules and try to understand how they impact their tax obligations. Legislation approved toward the end of the year

creates particularly tight time frames for IRS revisions and increases the potential for errors that will impact large groups of taxpayers.

TAS will continue to be a focal point for simplification advocacy. We will review and revise the format of the Annual Report to Congress to clearly define problems and to raise information technology and privacy implications of legislation proposed.

Operational Priorities.

- **TAS will systematically analyze the inventory of advocacy projects to improve overall IRS service to taxpayers and to reduce the number of taxpayer cases coming into TAS.**

We will use our management information system to analyze the source of our inventory by Business Operating Division. We will look at the processes that generate specific kinds of inventory, such as Earned Income Tax Credit, adjustments, underreporter systems and innocent spouse issues, to identify patterns that may lead to systemic improvements. We will conduct root cause analysis, utilizing process analysis tools and techniques, to determine the underlying causes for systemic errors, failures to respond and reasons for hardships. When warranted, we will recommend changes in processes within the Operating Divisions as a result of our analysis.

- **TAS will report to Congress the most serious problems facing taxpayers.**

The ODTAs, in cooperation with the TAS' Technical Advisor and analysts in the area offices, will research administrative and process issues that impact taxpayers. They will also address how these issues interact with tax law to create taxpayer burden. This approach will be used to identify for Congress those problems significantly impacting the average taxpayer's ability to comply with the tax law.

- **TAS will develop and recommend legislative proposals to address complexity, equity and taxpayer burden.**

The National Taxpayer Advocate will play a proactive role in addressing the need for tax law simplification before the appropriate committees in Congress. Staff will develop and recommend a "critical few" legislative proposals that will reduce burden for large groups of taxpayers.

- **TAS will advise the Congressional committees on the complexity of legislation being considered.**

TAS will provide comments, recommendations for additional simplification options, and alternative proposals for legislation being considered by Congress. We will continue to work with the ODs and with members of Congress to achieve less burdensome processes in key areas of the tax law such as EITC, innocent spouse and offers-in-compromise. The ODTAs will focus advocacy improvement projects on burdensome processes that cause significant numbers of TAS cases. Where administrative burden is combined with tax law complexity, such as in EITC cases, we will work with members of Congress and the Operating Divisions to address both issues simultaneously.

- **We will assist the ODs in simplifying forms and instructions.**
TAS will be involved in efforts to simplify forms and instructions, whether in connection with law changes or in connection with routine revisions.
- **We will partner with Headquarters Research and W&I on a study of the most significant errors on individual income, small business income and employment tax returns.**
Each year, the IRS provides a list of the most significant errors made by taxpayers on their tax returns. We will conduct a study, in partnership with W&I and Research, to determine the underlying causes of these errors. If we can jointly prevent a significant number of these errors, we will reduce taxpayer burden significantly.

Benefits of Strategy.

Every time TAS and an OD are able to impact an IRS process positively, a large group of taxpayers have their tax burden reduced. For example, for Forms 1040 filed during 2000, the taxpayer can authorize a limited power of attorney for the preparer of the return. As a result, IRS personnel can contact the preparer regarding routine processing problems and questions that can potentially be resolved without taxpayer involvement. This change was suggested by one of the Citizen Advocacy Panels. As TAS and the ODs become more proficient in addressing systemic problems in a modernized IRS systems environment, we should be able to positively impact ever larger numbers of taxpayers. The 1998 revision of forms and publications related to the Earned Income Tax Credit is a good example of this. For years after 1998, the number of errors on returns claiming the EITC have significantly declined; however, there is still significant complexity to this credit due to the complex provisions of Internal Revenue Code Section 32. As a result, 60% of taxpayers who claim the Earned Income Tax Credit still feel they must use a paid preparer and a significant portion of TAS casework involves the EITC.

Improve TAS' Ability to Identify and Respond to Taxpayer Concerns

TAS is responsible for representing taxpayer interests and rights within the IRS. In order to do this properly, we need to know the significant concerns taxpayers have in dealing with the IRS. During FY 2001 TAS focused on customer satisfaction as one of many ways to identify taxpayer concerns. Under a contract with the Gallup organization, a random sample of taxpayers, whose cases were recently worked and closed by TAS, are contacted. The taxpayers participate in a telephone survey that measures their satisfaction with TAS and the IRS as a whole. The first quarterly report was issued in June 2001. Data was shared with each area office for purposes of developing action plans to address deficiencies. The survey will be continued in FY 2002 and 2003. Other means of identifying and responding to taxpayer concerns are addressed below.

Trends, Issues and Problems.

TAMIS is used, in part, to assist in compiling the Top 20 Problems affecting taxpayers. TAS cases are becoming less reflective of the full range of taxpayer

concerns as they are heavily weighted toward W&I issues resulting from processing delays. The ODTAs are responsible for compiling the Annual Report to Congress for the National Taxpayer Advocate. In addition, some IRS strategic plans and resource allocations are based upon the problems identified by the report. As a result, we need additional, statistically valid tools to assure that the Top 20 Problems truly represent the vast majority of taxpayers.

Operating Priorities.

- **Increase public awareness of TAS.**

We need to increase the public's awareness of TAS and the services we provide. We will focus on those taxpayers who may have a true "significant hardship," but who do not want to contact the Operating Divisions or who are afraid of contacting the IRS. Their inaction can have disastrous personal and financial results. We need to assure that these taxpayers know about TAS. Given our independent status within IRS and our unique mission, it is very important for us to publicize TAS on a continual basis. We will implement a national communication program to market TAS to taxpayers, focusing on our core mission of assisting taxpayers with hardships. This program will include advertising in print media, TV and radio. It will also include distribution of marketing brochures as part of our locally-developed outreach programs. We will advertise the existence of the Citizen Advocacy Panels which serve as one source of referrals of taxpayers to TAS.

- **Seek resource support through Headquarters Research to develop an improved process for gathering and analyzing data to report to Congress on the top 20 taxpayer concerns.**

TAS does not have a dedicated research staff schooled in the analytical techniques required to create a statistically valid model for determining the best way to identify the top 20 taxpayer concerns. We will partner with Research to identify alternative methods which rely less on TAMIS and more on focus groups and interviews with taxpayers and practitioners and other data-gathering techniques. We will also hire an outside contractor to prepare survey instruments and conduct focus groups to help identify taxpayer concerns.

- **Develop supporting information for legislative and administrative recommendations that address the underlying causes of workload.**

In previous years, TAS has proposed legislative changes to simplify the tax law. We have also conducted advocacy projects to identify problems with IRS administrative and systems processes. We plan to blend these two functions together by investigating the underlying causes of TAS casework. We will do this in cooperation with the ODs. We will continue to conduct inventory studies to monitor the effect of OD workload on our inventories. Where we identify significant causes of that inventory, we will cooperate with the OD owner of the workload to implement changes to their processes.

- **Conduct focused outreach to practitioners and community liaisons.**

We plan to conduct focused outreach to practitioners and community liaisons in cooperation with the ODs and Communication and Liaison to assist them with tax issues of local interest and impact. A significant portion of this outreach will be to

lower-income taxpayers who cannot afford paid representation before the IRS and who may be afraid to contact other parts of the IRS to resolve long-standing problems causing hardships.

- **Ensure that TAS employees have the authorities necessary to resolve taxpayer problems.**

On January 17, 2001, the Commissioner delegated specific authorities to the National Taxpayer Advocate. Training on these authorities began in July 2001.

The authorities will be re-delegated to caseworkers at the end of FY 2001.

These authorities will permit caseworkers to complete a wide variety of cases that now must be referred back to the ODs for specific actions. Based on our experience using these authorities, we may need to secure additional authorities to resolve a broader variety of cases. We will monitor the use of authorities in the next two years to ensure that caseworkers have the authorities they need to resolve their taxpayer problems.

- **Review/revise case criteria guidelines to ensure that TAS workload is focused on taxpayers with hardships.**

TAS uses nine different criteria to determine whether a taxpayer's case will be accepted. Four of the criteria address significant financial hardship. Three address internal IRS process failures because the original division assigned the case failed to resolve the case within 30 days of normal processing times, or failed to respond or systemic problems prevented solution. The remaining two tally duplicate cases from Congressional sources and cases worked by TAS in the best interests of the taxpayer. We will review case acceptance criteria. If necessary, we will ask Congress to change the criteria to refine the definition of "significant hardship."

- **Conduct a quality assessment of center campus casework to determine why the Casework Quality Index scores of the campuses are so much lower than other offices.**

Based upon a quality assessment of center campus casework, TAS will develop an action plan to increase center campus accuracy and quality to help assure that the taxpayer's last resort for help in resolving problems with the IRS results in technically correct and timely processed cases. Where training issues are identified, training will be provided on a targeted basis to the campus or campuses needing specific technical and/or procedural guidance.

- **TAS will work with W&I, SB/SE and Counsel to review audit procedures and guidance on the Earned Income Tax Credit to assure effective implementation of pre-filing, filing and post-filing initiatives.**

Taxpayers eligible for the EITC are increasingly represented by minorities, many of whom have limited English skills and limited experience using the banking system and other forms of written documentation of their personal and financial transactions. We need to assure compliance audit procedures consider this in any revisions that may be made to guidelines.

- **Train staff on the Taxpayer Advocate Management Information System (TAMIS) and Vision Query.**

TAMIS is used to control casework inventory, analyze inventory, provide data that may identify the need for advocacy projects and accumulates information for

various performance measures to gauge how well TAS is meeting our budget-driven goals. Staff will be trained as TAMIS is upgraded and redesigned to help assure data input is accurate, and to assure analysts understand how to use the new standardized reports and how to extract data from the database which is unique to the needs of their office and function.

Improvement Projects.

- **Taxpayer Advocate Management Information System (TAMIS).** The TAS management information system was originally designed and still operates in a non-Windows operating environment. During FY 2002-2003, there will be a major redesign and upgrade of TAMIS based on a Windows environment. The screens will have pop-up windows; the input fields will be placed more logically; duplicate input on multiple screens will be eliminated and the entire system will be easier for all staff to use. New standardized reports are being developed to facilitate data analysis. The redesign will improve our ability to perform trend analysis and capture relational data for root cause analysis.
- **Toll-free telephone access to TAS caseworkers.** To assist taxpayers who contact TAS about a tax account problem, we conducted a pilot in late FY 2001 to determine whether providing taxpayers with toll-free access to their caseworkers reduces burden and helps resolve cases quicker. If successful, new toll-free numbers will be rolled out to all TAS caseworkers during FY 2002 and FY 2003.

Benefits of the Strategy.

Our improvement projects will increase customer and employee satisfaction by permitting caseworkers to complete cases faster and with improved efficiency by using a redesigned TAMIS and by giving taxpayers toll-free telephone access to their caseworkers. It will help improve business results for cases closed and cycle time. Our operational initiatives focusing on taxpayer concerns will address the problems of individual taxpayers through the analysis of the causes of TAS casework. The focus of the analysis will be to find underlying reasons for the problems and solving them so as to reduce the number of future cases coming to TAS. We will also address the problems of large groups of taxpayers through the advocacy projects we champion. These projects will focus on reducing taxpayer burden that will benefit the average taxpayer, whether or not they ever call on TAS for assistance. They will positively impact large groups of taxpayers and help overall levels of compliance.

<p style="text-align: center;">Identify Significant Sources of TAS Casework and Work with Operating Divisions on Strategies to Reduce Inappropriate TAS Workload</p>

As the Taxpayer Advocate Management Information System (TAMIS) is upgraded and enhanced, new features are being brought on-line. As of June 25, 2001, TAMIS had the ability to track the Business Operating Division for all cases input to the

database. As a result, we will be able to identify the owner of business processes that are causing TAS casework.

Trends, Issues and Problems. The mix of TAS cases is increasingly drifting away from hardship casework toward cases impacted by Operating Division processing timeframes, responsiveness and other access or systemic issues. Our ability to assist taxpayers facing true hardship situations is compromised when hardship cases, Criteria 1 through 4, are combined with significant numbers of non-hardship cases, Criteria 5 through 9. During FY 2000, 86% of TAS cases fell into these categories. Only 14% of our taxpayer customers were faced with hardships requiring quick intervention. This situation may be exacerbated in FY 2002 and 2003 when the ODs plan to increase compliance activities significantly. Recent studies on TAS inventory indicate there is a direct correlation between certain types of OD inventory and increases in TAS workload. This includes the issuance of statutory notices from the automated underreporter program and adjustments and EITC inventory. The shifting mix of cases appears the result of several factors including staffing shortfalls in the ODs, mentioned in several current OD strategic assessments, and inconsistent application of Criteria 5, dealing with cases not resolved within “30 days.” The service’s objectives of meeting the specific needs of taxpayers, reducing taxpayer burden and achieving one-stop service are not met when excessive workloads in the ODs create barriers to resolving account problems.

Operational Priorities.

- **Plan/implement outreach efforts to taxpayers.**

TAS will develop outreach plans for the national, area and local levels with a primary goal of reaching low-income taxpayers who cannot afford paid representation before the IRS, but who need assistance in pursuing their rights as taxpayers. We will focus our messages on the special mission of TAS to intervene with the Operating Divisions in cases of significant hardship, potential criteria 1-4 cases. Based upon a recent Research study, EITC cases represent about 20% of TAS case inventory. We will conduct joint outreach with W&I’s Stakeholder Partnerships, Education and communications organization on the Earned Income Tax Credit. Our efforts will focus on identifying taxpayer populations eligible for the credit, but which are not aware it exists. We will also address how to comply with the rules in reporting the credit.

- **Propose content for operating division procedures manuals and training that leverages TAS experience.**

TAS touches approximately 300,000 different taxpayer cases each year representing taxpayers belonging to all four Operating Divisions. As we gain experience with a wide assortment of issues, we will suggest areas where employees of the ODs require additional training to address the repetitive issues represented in their cases that are reworked by TAS. We will also propose content changes for various Internal Revenue Manual sections based on our casework experience, as well as our advocacy project results.

- **Joint educational outreach efforts with Small Business/Self-Employed to address rising trend of unreported income by sole proprietors.**

A major strategy of SB/SE for FY 2002 is to increase compliance among sole proprietorships. Sixty-four percent of the income tax gap is estimated to be attributable to sole proprietors. We will partner with SB/SE's Taxpayer Education and Communication organization to conduct outreach to address compliance issues among the self-employed. We will address issues such as non-filing; non-payment of debts owed to the IRS; the proper reporting of income among cash intense industries and the availability of small business workshops for start-up business to learn up front how to responsibly handle their finances for tax purposes.

- **Examine the sources of TAS casework to determine whether work being performed is in accord with TAS' legislative mandate.**

Using the new capabilities of TAMIS, we will analyze the sources of TAS casework by Operating Division. We will use the case acceptance criteria as the initial filter and then attempt to analyze the root cause of the cases ending up in TAS inventory by looking at the processes and specific organizational units within the processes which caused the problems. We will determine whether work is being improperly referred to TAS and the reasons behind the referrals. We will continue to educate Operating Division employees on how to apply Criteria 5, 6 and 7 correctly and how to identify taxpayers with true hardships, criteria 1 through 4.

- **Partner with ODs to analyze underlying causes of TAS workload.**

We will partner with W&I and SB/SE, the largest contributors of TAS cases. We will conduct joint workload studies to try to pinpoint the reasons for the cases ending up in TAS inventory. Once the underlying causes are identified, we can jointly work on making changes to the operating division processes which cause the problems. The ODTAs will be involved in identifying processes that need changing. Additional advocacy projects may be proposed as a result.

Benefits of the Strategy.

The benefits of this strategy are two fold. First, we will reduce the number of cases coming to TAS as a result of customer service failures in the Operating Divisions. This will reverse the current situation where TAS is becoming a mere shadow organization for the IRS as a whole. We are working too many overflow inventory cases, rather than addressing the true hardship cases TAS was specifically mandated by Congress to address. Second, we will see improvements in Operating Division processes that will reduce or prevent the problems that result in TAS inventory. This should improve the overall satisfaction of taxpayers with the IRS.

<p style="text-align: center;">Ensure that the HR Component of TAS is Adequate to Meet its Workload Demands</p>
--

The Federal government is facing an imminent and critical manpower shortage. TAS needs to be proactive in assuring that our workforce is adequately sized, trained and supported to retain those valuable employees already serving the IRS as taxpayer advocates.

Trends, Issues and Problems.

TAS has a limited ability to transfer its budgeted funds between labor and non-labor categories and we do not have the flexibility to realign staff to areas where work was not anticipated. As a result, there is a workload imbalance between the center campus sites and local offices and among some local offices within an area. When TAS stood up, casework employees were hired from customer service, examination and collection personnel. They require extensive cross-functional training to be fully useful as caseworkers. TAS is a small organization and does not have a dedicated staff of instructors. We must rely, in part, on the W&I and SB/SE to assist us in cross-functional training for special types of cases such as offers-in-compromise.

Operational Priorities.

- **Assure that the human resources component of the TAS organization is adequately sized, trained and supported.**

The TAS Strategic Human Resources will address the continuing issue of providing timely replacements for employees who leave TAS to retire, quit the service or promote to other divisions. We will attempt to fill positions in locations where workload has expanded beyond expectations and where they will best address our current needs.

- **Revisit the staffing model study.**

Prior to TAS stand-up, a design team created a staffing model as to how TAS would be organized. Previous reviews of the staffing model have concluded no changes should be made. Next year we will have two years of experience upon which to base our evaluations of the model. Early in FY 2002 a task force will address this issue again to assure we have the right people in the right locations doing the appropriate work. In connection with this operational priority, we will request a review of TAS position descriptions to assure caseworkers are properly classified for the broad variety of cases they are expected to work.

- **Complete the hiring process to ensure that TAS is able to adequately address taxpayer problems and systemic issues.**

Late in FY 2001, we hired the ODTA for SB/SE and LMSB. During FY 2002 we will hire an ODTA Executive who will be responsible for the advocacy function. This will permit us to focus more extensively on identifying, working and completing projects which may resolve some of the significant process failures occurring in the Operating Divisions.

- **Design and implement a comprehensive, multi-year training program for TAS.**

Under Internal Revenue Code §7803, the National Taxpayer Advocate is responsible for creating a career path for employees choosing a career in TAS. In order to make this career path meaningful, we will develop a comprehensive 4-year training program to create our corps of advocates. TAS Human Resources will partner with Headquarters Human Resources to develop a program providing cross-functional technical and procedural training, as well as training in advocacy skills such as negotiating and conflict management. Since caseworkers also participate in outreach activities, public speaking techniques will also be covered.

We will utilize existing outside vendor contracts, where applicable, in developing the curriculum. Our employees require some of the most broad-based training in the IRS. Our caseworkers must be prepared to deal with any kind of case from collection matters such as offers-in-compromise to examination matters as complex as valuation issues and TEFRA procedures. TAS employees were recruited from throughout the service. As a result, they may only have experience in one area, such as collections. Once they are cross-trained, they will be expected to work all types of cases. We vision a four-year plan for our employees. During the first two years they will receive basic training. During the second two years they will receive expert training, ideally for college credit. We will coordinate implementation of this program with the Operating Divisions who have large numbers of technical instructors to assist in cross-training TAS and OD employees during formal training sessions. TAS employees will need 60 hours of training per year to obtain a desired competency level. These hours will be broken down to 40 hours of off-site training for everyone; 10 hours for local and cross training issues; and 10 hours for individualized, media-based training. TAS and OD employees must interact in resolving the cases of their mutual taxpayers. It is important they be trained to similar levels of expertise so they are on an equal playing field when conducting business together. We will also implement a TAS knowledge portal, in the form of an enhanced TAS intranet, that will allow access to a wide-variety of technical and procedural resources from one location. The portal will allow for computer-based training which will significantly reduce the cost of delivering training. It will also improve internal communications within TAS.

- **Coordinate with Operating Divisions to cross-train TAS and OD employees during formal training sessions and CPE.**

TAS is a relatively small division. We need the assistance of the Operating Divisions, specifically W&I and SB/SE, to help train our employees in cross-functional processes and legal issues. We will partner with them to cross-train our employees together with their employees during formal classroom training. We will also partner with them in developing continuing professional education (CPE) programs which will help maintain the technical skills of both sets of employees.

Benefits of the Strategy.

By creating a fully trained, professional cadre of taxpayer advocates, TAS will be able to address the broad array of taxpayer issues which come to TAS with confidence. We will retain our employees over a longer period of time as the training program is expected to be a 4-year program. If and when employees leave TAS for higher graded positions in other organizational units, they will provide an advocacy presence within that unit. The re-examination of the staffing model may result in changes to staffing patterns as vacancies occur and are filled. This should make the case processing function within TAS work more efficiently and with higher employee and customer satisfaction.

APPENDIX IV: TAXPAYER ADVOCATE SERVICE BALANCED MEASURES

TAS is applying its balanced measures program for evaluating organizational performance to ensure the effective achievement of its legislative mandate. Over the first two years of its existence, quantifiable measures were established for employee satisfaction, customer satisfaction and for specific business results (quality and quantity of casework, outreach measures) which are discussed below. We are building upon our initial experience to revisit some of these measures to better align them with organizational goals.

Employee Satisfaction

TAS has completed both a census survey of all employees and a more focused 'climate' survey involving a sample of its employees. The results of these surveys are being shared at the workgroup level and local offices are developing specific action plans in conjunction with their employees with the objective of improving baseline results.

Customer Satisfaction

During calendar year 2001, TAS began a continuous process of soliciting opinions from its customers about the timeliness and quality of its services. The Gallup Organization, a leader in customer opinion surveys, has been contracted to conduct telephone surveys of taxpayers or their powers of attorney employing a comprehensive questionnaire developed by TAS with the participation of the National Treasury Employees Union. This survey process has begun to provide TAS with customer feedback that we believe will be actionable at both the local office and national levels.

At this time, we have received the first two quarterly reports and plan to roll out the annual reports for local offices during fiscal year 2002. Our strategy is to engage frontline workers to look at work processes and customer relations from the perspective of the customer, and to integrate customer satisfaction survey findings with data from the other balanced measures in mapping out plans for improvement. Since the customers serviced by TAS emanate from the other IRS operating divisions, our strategy also involves working with those operating divisions to promote IRS' objective of one-stop customer service so that most taxpayers will have their problems resolved by the primary organization that services their account.

Business Results (Quantity)

Closed Cases - Although the number of closed cases was established as an organizational performance measure, we have had difficulty justifying establishing goals for this measure, which may be more appropriately characterized as a "diagnostic tool" that should be considered in conjunction with case receipts as a workload indicator. For this reason, a better indicator of organizational productivity

might be the closure to receipt ratio, which is being used this year as a goal. That is, having a goal of achieving a 100% closure to receipt ratio would more effectively contribute to better caseload inventory management than a one dimensional measure of closed cases.

Outreach Measures - Our outreach plans were completed in the middle of the last fiscal year, causing a delay in the baselining of the two outreach measures – "outreach resources spent versus planned" and "outreach effectiveness."

After using the "outreach effectiveness" measure for nine months, we decided that it does not provide an accurate picture of the effectiveness of our internal and external outreach efforts. We have been using direct receipts (i.e., cases received as a result of a taxpayer or practitioner specifically requesting TAS assistance) as a percentage of total receipts. However, there is no direct correlation between these cases and our external outreach activities. It also does not take into account any internal outreach.

During the next several months we will be reviewing the "outreach effectiveness" measure and will be determining how we can better assess our internal and external outreach efforts. Consequently, there will not be a local goal for this measure in fiscal year 2002. We are currently reporting both the volume and the ratio in the monthly Business Performance Measurement report. For the "outreach resources spent versus planned" measure, a local goal of 100 percent for our outreach resources spent has been established.

Business Results (Quality)

The individual quality standards are actually "diagnostic tools" that are used to assist us in determining improving our overall quality rates. The quality review database is presently being reprogrammed to reflect refinements to the original statistical calculations that comprise the quality standards. Quality to our customers will remain a significant part of our focus for the future.

APPENDIX V: TAXPAYER ADVOCATE SERVICE CASEWORK

Source of Taxpayer Advocate Casework

The following is a comparison of the top sources of casework for fiscal years 2000 and 2001 and fiscal year to date 2002.

SOURCE OF CASEWORK	RANKING			PERCENT OF TOTAL OF RECEIPTS		
	FY-02 thru 3/02	FY-01	FY-00	FY-02 thru 3/02	FY-01	FY-00
Refund issues	1	1	1	15%	12%	16%
EITC Revenue Protection Strategies Examination	2	2	4	11%	13%	7%
Processing of claims and amended returns	3	3	2	11%	11%	10%
Abatement of penalties	4	5	5	6%	6%	5%
Processing of original individual returns	5	4	3	6%	8%	7%
Payment/Credit problems	6	6	7	5%	4%	4%
Audit reconsiderations	7	8	6	4%	3%	5%
Underreporter process	8	10	9	3%	3%	2%
Examination of tax return prior to assessment	9	7	8	3%	3%	3%
Levies	10	14	30	3%	2%	1%
SS4 application and entity changes	11	9	11	2%	3%	2%

As the chart above depicts, cases received because of levy issues have dramatically increased from fiscal year 2000 to fiscal year 2002. While TAS does not have any hard data at this time that would link the increase of levy cases to the Federal Payment Levy Program, we will continue to monitor these cases and analyze the source of the problem.

Disaster Relief Efforts- The Taxpayer Advocate Service continues to support the IRS in addressing issues and questions raised as a result of the September 11, 2001, terrorist attacks. The Taxpayer Advocate Service supports the Killed in Terrorist Action program. This unique program provides upfront assistance to families of individuals who were killed in the terrorist attacks on September 11, 2001.

As of March 31, 2002, 201 taxpayers contacted the Taxpayer Advocate Service for assistance who were directly affected by the September 11, 2001, terrorist attacks. Twenty-four percent of the taxpayers were experiencing a financial or economic hardship. This compares to approximately 13 percent for all Taxpayer Advocate Service cases.

The following chart depicts the 201 cases by criteria:

Criteria	Volume	Percent
1) Taxpayer suffering or about to suffer significant hardship.	27	13%
2) Taxpayer is facing an immediate threat of adverse action.	6	3%
3) Taxpayer will incur significant costs if relief not granted.	7	3%
4) Taxpayer will suffer irreparable injury, or long term adverse impact.	8	4%
5) Taxpayer experienced delay of more than 30 calendar days in resolving an account-related problem or inquiry.	61	30%
6) Taxpayer did not receive a response or resolution by the date promised.	16	8%
7) A system or procedure has either failed to operate as intended or failed to resolve the taxpayer problem.	76	38%
Total	201	100.00%

The issues present in these cases were somewhat representative of the entire Taxpayer Advocate Service inventory. The following chart depicts the top 10 issues in the cases that resulted from the September 11, 2001 terrorist attacks:

Issue	Volume
Refund issues	36
Processing of claims and amended returns	22
EITC Revenue Protection Strategy Examinations	16
Examination of tax return prior to assessment	13
Processing of original individual returns	10
Offer In Compromise	9
Unable to pay	8
Problems w/payments and credits	7
Penalties	7
Levies	6

The Taxpayer Advocate Service commends the Internal Revenue Service for its response to the September 11 terrorist attacks. Within a day of the terrorist attacks, the Internal Revenue Service established the Technical Issues Group. This group had representatives from the Operating Divisions and Functional Units, including the

Taxpayer Advocate Service and Chief Counsel. The group continues to meet and discuss all issues related to the disaster relief efforts of the Internal Revenue Service.

Federal Payment Levy Program (FPLP)- The Internal Revenue Service began levying social security benefits in February of 2002, in accordance with provisions of the Debt Collection Improvement Act of 1996 and the Taxpayer Relief Act of 1997. After surveying local taxpayer advocates, TAS identified approximately 150 new cases that resulted from the FPLP. The majority of these cases involved senior citizen taxpayers whose social security benefits were their only source of income. These cases were financial or economic hardship cases; taxpayers requested the levy be released and the levy proceeds be returned. In order to better track TAS FPLP cases, we will be implementing a new code on the Taxpayer Advocate Management Information System (TAMIS) specifically designed to capture taxpayer hardships that result from the FPLP.

Manual Refunds – The Taxpayer Advocate Service continues to receive a significant number of calls every filing season from taxpayers who are seeking manual refunds. TAS is currently developing procedures and guidance for its employees to educate taxpayers who use TAS as a means to circumvent the normal refund process on a repetitive basis. These procedures include appropriate education of “repeat customers” about the need to file early, the availability of direct deposit, and the need to change withholding to avoid large refunds. For certain taxpayers who repetitively seek manual refunds and are not heeding TAS education efforts, TAS is developing guidance about not accepting these cases into TAS.

Closures

The Taxpayer Advocate Service resolved 119,015 taxpayer cases through March 31, 2002 of fiscal year 2002. The following chart depicts the resolution of these cases:

Application for Taxpayer Assistance Order (ATAO) Disposition	Volume	Percent of Total
Relief Granted- Including Taxpayer Assistance Orders	80,368	67.53%
No Relief Granted-Advocate does not deem relief appropriate.	22,738	19.10%
No Relief Granted- No response from taxpayer.	8,660	7.27%
No Relief Granted- Hardship not validated or documentation/verification that the Advocate deems necessary not provided by taxpayer.	1,944	1.63%
No Relief Granted- Advocate determined relief appropriate, but current law prevents granting relief.	926	.78 %

Application for Taxpayer Assistance Order (ATAO) Disposition	Volume	Percent of Total
Advocate Relief Not Required- Relief provided by Operations prior to receipt of ATAO or relief determination.	3,556	3.00%
Advocate Relief Not Required- Taxpayer rescinds ATAO, no longer requires Advocate relief.	682	.57%
Advocate Relief Not Required- Taxpayer hardship did not involve in any way the administration of internal revenue laws.	141	.12%
Total	119,015	100.00%

Suspension of Statute of Limitations Periods

In 1988, Congress enacted Section 7811 of the Internal Revenue Code to help ensure taxpayers uniform access to IRS administrative procedures. Subsection (d) mandates that the Taxpayer Advocate Service (TAS) suspend the running of certain periods of limitation from the date an Application for Taxpayer Assistance Order is received under IRC § 7811(a) to the date TAS makes a decision with respect to the application. Although this section of the Code was effective in January of 1989, the Service did not take action to implement the requirements of subsection (d) until October of 2001. TAS is experiencing much difficulty in legally applying IRC § 7811(d) due to the lack of computer databases to support the actions that must be taken.

The Integrated Data Retrieval System (IDRS) currently in place cannot adequately support actions that must be taken on every account that meets the requirements of IRC § 7811(d). For example, if a request for TAS assistance is received on a joint account, but the relief pertains to only one spouse, IDRS does not allow the suspension of a statute for only one spouse.

The IDRS transaction codes used to suspend both the assessment statute (ASED) and the collection statute (CSED) are tax year specific, not assessment specific. Each tax assessment carries its own statutory limitation period. If the time frame from the date an application is received in TAS until a decision is made is 7 days, in theory, each statute should be suspended for 7 days. In actuality, because the transaction codes are tax year specific, the Service ends up suspending the first statute for the time remaining on the second statute, plus 7 days. Given the Services' current computer platform, TAS currently has no avenue to implement cleanly the requirements of Section 7811(d).

The regulations pertaining to IRC § 7811(d) state that in the absence of a written application, the statutory limitation period is not suspended, but TAS can still provide relief. In addition, two taxpayers can submit a Form 911 with the exact same

language, but only one of them signs the form. The taxpayer that signed the form is subject to the statute suspension, while the taxpayer that didn't sign the form is not.

The National Taxpayer Advocate will work with the Commissioner of Internal Revenue to address these and other inequities resulting from the application of the IRC § 7811(d) statutory suspension provision.

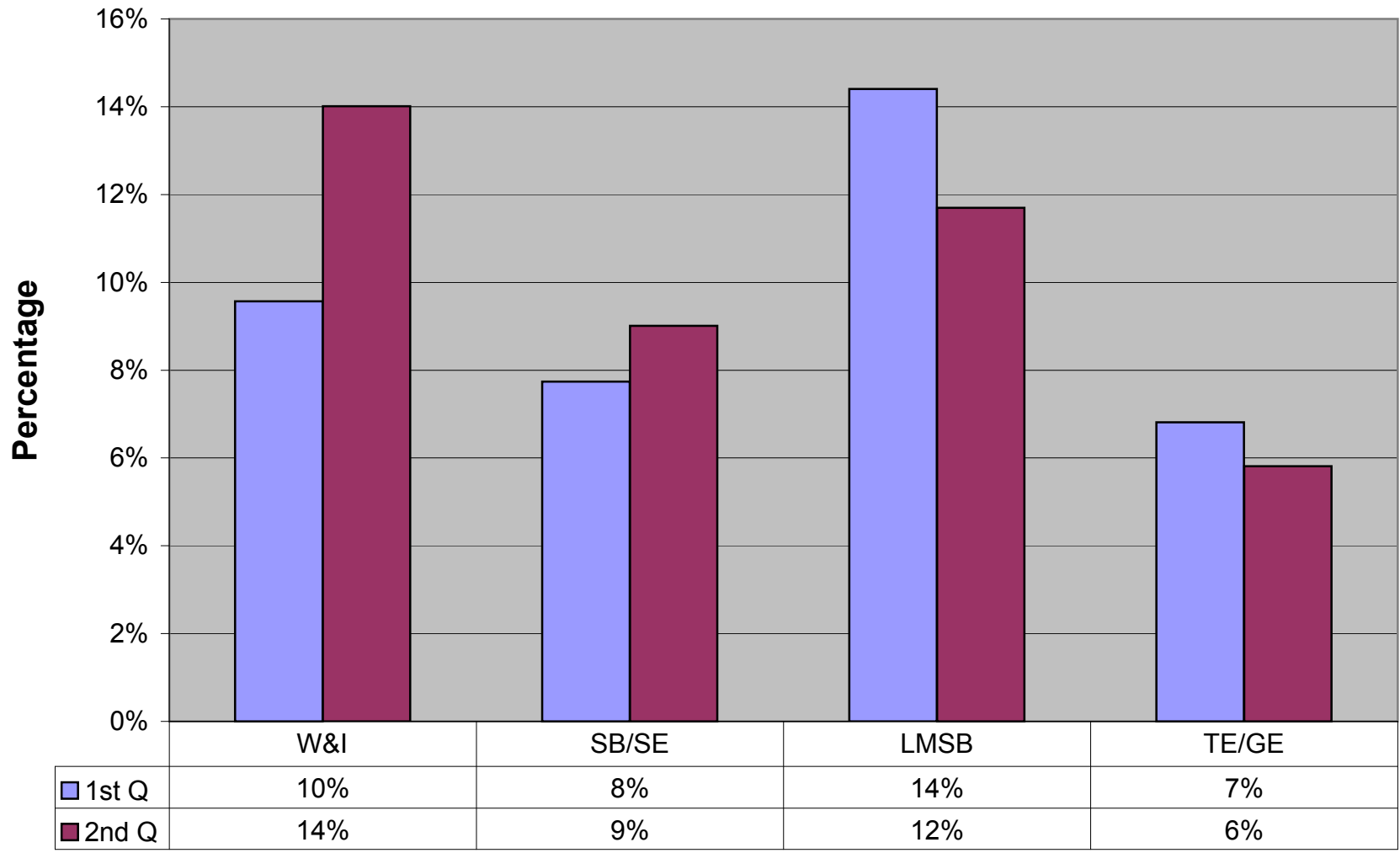
**SUMMARY OF TAS CLOSED CASES BY OPERATING DIVISION
FY 2002 - Quarterly Data through March 2002**

Operating Division	# Closed Cases			% Resolved by Change			% Involving Financial Hardship			% Resolved by Change Financial Hardship		
	1st Q	2nd Q	FY Cum	1st Q	2nd Q	FY Cum	1st Q	2nd Q	FY Cum	1st Q	2nd Q	FY Cum
Wage & Investment	39,537	33,711	73,248	66%	62%	64%	10%	14%	12%	70%	59%	64%
Small Business/Self-Employed	20,245	19,881	40,126	74%	73%	73%	8%	9%	8%	66%	65%	65%
Large & Medium-Sized Business	368	359	727	84%	82%	83%	14%	12%	13%	85%	74%	80%
Tax Exempt & Government Entities	558	568	1,126	77%	80%	79%	7%	6%	6%	82%	79%	80%
TOTALS	60,708	54,519	115,227	69%	66%	68%	9%	12%	10%	69%	60%	64%

**SUMMARY OF TAS CLOSED CASES BY OPERATING DIVISION
FY 2002 - Quarterly Data through March 2002**

Operating Division	# Closed Cases			% Resolved by Change			% Involving Systemic Hardship			% Resolved by Change Systemic Hardship		
	1st Q	2nd Q	FY Cum	1st Q	2nd Q	FY Cum	1st Q	2nd Q	FY Cum	1st Q	2nd Q	FY Cum
Wage & Investment	39,537	33,711	73,248	66%	62%	64%	90%	86%	88%	66%	63%	64%
Small Business/Self-Employed	20,245	19,881	40,126	74%	73%	73%	92%	91%	92%	74%	73%	74%
Large & Medium-Sized Business	368	359	727	84%	82%	83%	86%	88%	87%	84%	83%	83%
Tax Exempt & Government Entities	558	568	1,126	77%	80%	79%	93%	94%	94%	77%	80%	78%
TOTALS	60,708	54,519	115,227	69%	66%	68%	91%	88%	90%	69%	67%	68%

TAS Closed Cases Involving Financial Hardship



TAXPAYER ADVOCATE SERVICE CLOSED CASES - WAGE & INVESTMENT ACCOUNTS

FOR THE PERIOD FROM OCTOBER 1, 2001 THROUGH MARCH 31, 2002

CRITERIA CODE

MAJOR ISSUE DESCRIPTION	1 (Significant Hardship)			2 (Adverse Action)			3 (Significant Cost)			4 (Irreparable Injury)			5 (Delay >30days)			6 (No Response By Date Promised)			7 (Systemic or Procedural Failure)			MI Code - Cum.		
	Av Age	# cases	% of MI	Av Age	# cases	% of MI	Av Age	# cases	% of MI	Av Age	# cases	% of MI	Av Age	# cases	% of MI	Av Age	# cases	% of MI	Av Age	# cases	% of MI	Av Age	#	% of all cases
	HARDSHIP AS DEFINED BY RRA98 (SECT. 7811(a))											OPERATIONAL DELAYS												
Account/Notice Inquiry	33	6	1%	78	8	1%	99	4	0%	86	4	0%	66	208	24%	79	87	10%	63	535	63%	65	852	1%
Audit Reconsiderations	94	77	3%	109	28	1%	87	16	1%	107	21		114	872	32%	110	454	17%	127	1223	45%	118	2691	4%
BMF TIN Merges	~	0	0%	259	1	8%	~	0	0%	~	0	0%	201	3	25%	105	2	17%	104	6	50%	141	12	0%
Backup Withholding	78	14	7%	64	8	4%	116	6	3%	102	8	4%	76	50	26%	77	20	11%	70	83	44%	75	189	0%
Bankruptcy Issues	55	51	12%	55	7	2%	44	8	2%	28	10	2%	78	96	22%	69	58	13%	76	207	47%	71	437	1%
CAWR Issues	~	0	0%	84	2	6%	~	0	0%	~	0	0%	60	10	29%	65	4	12%	70	18	53%	67	34	0%
CP2000 Issues	82	48	2%	86	31	1%	62	12	1%	94	32	1%	84	769	33%	91	323	14%	89	1145	49%	87	2360	3%
Criminal Investigation	56	92	6%	80	12	1%	34	5	0%	80	7	0%	65	506	35%	64	568	39%	66	248	17%	64	1438	2%
Document Requests/Handling	27	29	3%	36	9	1%	34	27	2%	35	21	2%	48	341	31%	54	182	17%	38	477	44%	43	1086	1%
EP/EO Technical Issues	~	0	0%	~	0	0%	66	1	4%	~	0	0%	84	3	13%	45	1	4%	38	19	79%	45	24	0%
FTD Penalty Issues	~	0	0%	92	1	2%	47	1	2%	~	0	0%	97	18	42%	96	5	12%	122	18	42%	106	43	0%
FTD/ES Payment Issues	58	8	2%	18	5	1%	63	5	1%	60	3	1%	75	163	35%	81	59	13%	73	224	48%	74	467	1%
FUTA Issues	~	0	0%	59	1	2%	~	0	0%	~	0	0%	105	22	41%	215	3	6%	80	28	52%	97	54	0%
ITIN-Denial, W-7 or ITIN Requests	24	5	1%	53	4	1%	49	3	0%	73	5	1%	45	390	51%	45	173	22%	50	191	25%	46	771	1%
Innocent Spouse (Form 8857)	153	34	4%	105	12	1%	167	7	1%	274	14	2%	210	256	30%	236	188	22%	194	333	39%	206	844	1%
Installment Agreements	41	33	6%	43	22	4%	69	10	2%	65	15	3%	61	122	21%	68	56	10%	69	315	55%	65	573	1%
Invalid Dependent ITIN/Math Error	85	6	5%	~	0	0%	~	0	0%	~	0	0%	82	40	35%	73	19	17%	87	50	43%	83	115	0%
Invalid Primary SSN/TIN Merge	77	14	13%	57	3	3%	68	1	1%	128	2	2%	82	43	39%	109	25	23%	105	22	20%	92	110	0%
Levy Issues	53	588	49%	67	147	12%	74	29	2%	67	83	7%	75	54	4%	67	30	2%	71	281	23%	62	1212	2%
Lien Issues	63	92	14%	80	33	5%	49	25	4%	79	54	8%	61	62	9%	64	42	6%	64	366	54%	65	674	1%
Lost or Stolen Refunds	40	235	7%	56	20	1%	55	24	1%	66	10	0%	49	1110	33%	48	904	27%	52	1023	31%	49	3326	5%

TAXPAYER ADVOCATE SERVICE CLOSED CASES - WAGE & INVESTMENT ACCOUNTS

FOR THE PERIOD FROM OCTOBER 1, 2001 THROUGH MARCH 31, 2002

CRITERIA CODE

MAJOR ISSUE DESCRIPTION	1 (Significant Hardship)			2 (Adverse Action)			3 (Significant Cost)			4 (Irreparable Injury)			5 (Delay >30days)			6 (No Response By Date Promised)			7 (Systemic or Procedural Failure)			MI Code - Cum.		
	Av Age	# cases	% of MI	Av Age	# cases	% of MI	Av Age	# cases	% of MI	Av Age	# cases	% of MI	Av Age	# cases	% of MI	Av Age	# cases	% of MI	Av Age	# cases	% of MI	Av Age	#	% of all cases
Lost/Misapplied Payment Issues	65	34	1%	38	8	0%	95	17	1%	47	10	0%	67	952	35%	71	391	14%	69	1319	48%	69	2731	4%
Math Error EIC Issues	87	63	5%	94	16	1%	88	8	1%	76	8	1%	93	452	39%	93	268	23%	96	350	30%	94	1165	2%
Non-File Issues	47	28	22%	77	5	4%	134	4	3%	21	2	2%	51	14	11%	83	16	12%	90	60	47%	75	129	0%
Offers in Compromise Issues	102	50	4%	130	19	2%	82	15	1%	133	23	2%	92	238	21%	67	143	13%	87	634	57%	88	1122	2%
Offsets	33	239	24%	26	30	3%	51	17	2%	65	15	1%	83	148	15%	89	100	10%	66	455	45%	62	1004	1%
Open Audits	71	134	5%	67	23	1%	65	8	0%	104	15	1%	101	1109	41%	98	757	28%	91	636	24%	96	2682	4%
Other	71	35	4%	27	8	1%	77	12	1%	33	6	1%	71	240	24%	67	101	10%	58	598	60%	62	1000	1%
Other Collection Issues	49	19	3%	60	13	2%	103	7	1%	90	35	6%	78	100	18%	78	72	13%	92	298	55%	85	544	1%
Other Entity Changes	35	16	3%	25	6	1%	68	2	0%	31	5	1%	74	182	31%	53	88	15%	63	293	49%	64	592	1%
Other Examination Determinations	146	5	2%	164	3	1%	65	4	2%	158	4	2%	115	52	23%	123	31	13%	126	132	57%	123	231	0%
Other Interest Issues	~	0	0%	82	1	0%	105	2	1%	117	4	1%	86	101	28%	61	43	12%	79	212	58%	79	363	0%
Other Penalty Issues	50	38	2%	99	11	1%	72	11	1%	69	15	1%	65	823	37%	60	270	12%	72	1027	47%	68	2195	3%
Processing BMF Returns	12	1	1%	106	2	2%	16	2	2%	~	0	0%	99	32	36%	115	14	16%	86	39	43%	94	90	0%
Processing Claims/Amended Returns	55	719	8%	64	88	1%	78	57	1%	84	31	0%	79	2896	34%	78	1897	22%	77	2839	33%	76	8527	12%
Processing IMF Returns	49	490	9%	55	49	1%	78	45	1%	81	39	1%	75	1849	34%	78	798	15%	78	2233	41%	74	5503	8%
Processing Other Returns/Documents	83	9	2%	67	5	1%	143	2	0%	81	6	1%	65	190	35%	56	76	14%	50	261	48%	57	549	1%
RPS - Exam Project Cases	72	992	7%	75	128	1%	83	70	0%	98	76	0%	99	6570	43%	102	4945	32%	97	2451	16%	98	15232	21%
Refund Inquiry/Request	35	1575	20%	32	173	2%	41	63	1%	54	82	1%	56	1884	24%	53	1159	14%	46	3079	38%	47	8015	11%
Release Refund - Invalid SSN	83	15	13%	~	0	0%	23	2	2%	19	1	1%	71	38	32%	79	16	13%	69	47	39%	72	119	0%
Restricted Interest Issues	~	0	0%	~	0	0%	120	2	3%	~	0	0%	145	13	18%	68	11	15%	130	46	64%	123	72	0%
SFR/ASFR/6020b Assessments	97	60	5%	104	29	3%	65	15	1%	110	12	1%	105	345	31%	105	152	13%	104	515	46%	104	1128	2%

TAXPAYER ADVOCATE SERVICE CLOSED CASES - WAGE & INVESTMENT ACCOUNTS
FOR THE PERIOD FROM OCTOBER 1, 2001 THROUGH MARCH 31, 2002

CRITERIA CODE

MAJOR ISSUE DESCRIPTION	1 (Significant Hardship)			2 (Adverse Action)			3 (Significant Cost)			4 (Irreparable Injury)			5 (Delay >30days)			6 (No Response By Date Promised)			7 (Systemic or Procedural Failure)			MI Code - Cum.		
	Av Age	# cases	% of MI	Av Age	# cases	% of MI	Av Age	# cases	% of MI	Av Age	# cases	% of MI	Av Age	# cases	% of MI	Av Age	# cases	% of MI	Av Age	# cases	% of MI	Av Age	# cases	% of all cases
SS-8 Determinations	102			~			~			29			40			30			100			67		
Sale of Seized Property Issues	~			~			~			~			~			~			36			36		
Scrambled SSN	137			151			143			165			133			154			139			140		
Seizure Issues	63			42			~			~			~			~			67			60		
Subchapter S Corp (F. 2553)	~			~			~			~			80			86			50			69		
TDI Notices	57			43			36			62			67			89			84			76		
TP Request for Tech/Proc Explanation	39			~			100			50			50			46			51			50		
Taxpayer Treatment	7			~			123			84			55			88			57			58		
Trust Fund Recovery Penalty (TFRP) Issues	131			117			52			162			154			97			121			128		
Unable to Pay Issues	52			67			72			54			83			71			68			67		
Undelivered Refunds	31			53			14			58			44			48			35			38		
Unprocessed Return Math-Error-ITIN	38			33			~			21			60			60			60			59		
AVERAGE	53.3			64.6			70.2			81.2			83.2			85			77.2			78.5		
	6121	8%		1050	1%		576	1%		760	1%		24040	33%		14867	20%		25834	35%		73248	100%	

total of operational delay categories (practical definition): **88%**

TAXPAYER ADVOCATE SERVICE CLOSED CASES - WAGE & INVESTMENT ACCOUNTS
FOR THE PERIOD: OCTOBER 1, 2001 THROUGH MARCH 31, 2002

DESCRIPTION	ATAO CODE (CLOSURE ACTION)																	
	(5) NO CHANGE			(6) CHANGE			(7) ATA0 ISSUED; OPERATIONS PERFORMED SPECIFIED ACTION			(14) NO CHANGE WITH RELIEF			(15) LAW PREVENTS CHANGE			TOTAL COUNT		
	Aver Age	# cases	% of MI Code	Aver Age	# cases	% of MI Code	Aver Age	# cases	% of MI Code	Aver Age	# cases	% of MI Code	Aver Age	# cases	% of MI Code	Aver Age	# cases	% of All Cases
Account/Notice Inquiry	73	252	30%	64	571	67%	0	0	0%	29	25	3%	53	4	0%	65	852	1%
Audit Reconsiderations	100	1325	49%	138	1320	49%	0	0	0%	70	40	1%	161	6	0%	118	2691	4%
BMF TIN Merges	69	1	8%	148	11	92%	0	0	0%		0	0%		0	0%	141	12	0%
Backup Withholding	65	35	19%	80	148	78%	0	0	0%	20	6	3%		0	0%	75	189	0%
Bankruptcy Issues	59	113	26%	79	296	68%	0	0	0%	34	19	4%	24	9	2%	71	437	1%
CAWR Issues	102	6	18%	60	27	79%	0	0	0%	47	1	3%		0	0%	67	34	0%
CP2000 Issues	87	633	27%	90	1653	70%	0	0	0%	31	64	3%	26	10	0%	87	2360	3%
Criminal Investigation	53	752	52%	78	658	46%	0	0	0%	27	23	2%	8	5	0%	64	1438	2%
Document Requests/Handling	61	214	20%	40	818	75%	0	0	0%	29	51	5%	121	3	0%	43	1086	1%
EP/EO Technical Issues	55	6	25%	44	17	71%	0	0	0%	6	1	4%		0	0%	45	24	0%
FTD Penalty Issues	113	12	28%	103	31	72%	0	0	0%		0	0%		0	0%	106	43	0%
FTD/ES Payment Issues	64	68	15%	77	380	81%	0	0	0%	51	17	4%	39	2	0%	74	467	1%
FUTA Issues	44	7	13%	106	45	83%	0	0	0%	88	2	4%		0	0%	97	54	0%
ITIN-Denial, W-7 or ITIN Requests	52	304	39%	43	447	58%	0	0	0%	34	19	2%	8	1	0%	46	771	1%
Innocent Spouse (Form 8857)	155	259	31%	240	516	61%	0	0	0%	78	33	4%	217	36	4%	206	844	1%
Installment Agreements	80	155	27%	63	383	67%	0	0	0%	16	33	6%	122	2	0%	65	573	1%
Invalid Dependent ITIN/Math Error	126	20	17%	75	88	77%	0	0	0%	55	6	5%	14	1	1%	83	115	0%
Invalid Primary SSN TIN Merge	85	41	37%	99	66	60%	0	0	0%	50	3	3%		0	0%	92	110	0%
Levy Issues	62	326	27%	64	813	67%	0	0	0%	32	66	5%	31	7	1%	62	1212	2%
Lien Issues	73	265	39%	61	366	54%	0	0	0%	50	30	4%	43	13	2%	65	674	1%
Lost or Stolen Refunds	47	856	26%	52	2271	68%	0	0	0%	30	148	4%	32	51	2%	49	3326	5%
Lost/Misapplied Payment Issues	68	339	12%	70	2285	84%	0	0	0%	43	99	4%	88	8	0%	68	2731	4%
Math Error EIC Issues	92	483	41%	97	656	56%	156	1	0%	21	22	2%	103	3	0%	94	1165	2%
Non-File Issues	83	45	35%	72	81	63%	0	0	0%	59	3	2%		0	0%	75	129	0%
Offers in Compromise Issues	78	395	35%	95	664	59%	0	0	0%	77	56	5%	40	7	1%	88	1122	2%
Offsets	46	266	26%	75	602	60%	0	0	0%	42	44	4%	24	92	9%	62	1004	1%
Open Audits	91	1232	46%	102	1366	51%	0	0	0%	76	81	3%	96	3	0%	96	2682	4%
Other	57	366	37%	67	583	58%	0	0	0%	48	33	3%	44	18	2%	62	1000	1%
Other Collection Issues	76	206	38%	94	315	58%	0	0	0%	52	15	3%	57	8	1%	85	544	1%
Other Entity Changes	60	75	13%	68	475	80%	0	0	0%	24	40	7%	4	2	0%	64	592	1%
Other Examination Determinations	107	91	39%	138	132	57%	0	0	0%	74	5	2%	22	3	1%	123	231	0%
Other Interest Issues	78	115	32%	82	227	63%	0	0	0%	18	6	2%	71	15	4%	79	363	0%

TAXPAYER ADVOCATE SERVICE CLOSED CASES - WAGE & INVESTMENT ACCOUNTS
FOR THE PERIOD: OCTOBER 1, 2001 THROUGH MARCH 31, 2002

DESCRIPTION	ATAO CODE (CLOSURE ACTION)																	
	(5) NO CHANGE			(6) CHANGE			(7) ATAO ISSUED; OPERATIONS PERFORMED SPECIFIED ACTION			(14) NO CHANGE WITH RELIEF			(15) LAW PREVENTS CHANGE			TOTAL COUNT		
	Aver Age	# cases	% of MI Code	Aver Age	# cases	% of MI Code	Aver Age	# cases	% of MI Code	Aver Age	# cases	% of MI Code	Aver Age	# cases	% of MI Code	Aver Age	# cases	% of All Cases
Other Penalty Issues	71	516	24%	68	1586	72%	0	0	0%	39	82	4%	80	11	1%	68	2195	3%
Processing BMF Returns	75	6	7%	96	83	92%	0	0	0%	34	1	1%		0	0%	94	90	0%
Processing Claims/Amended Returns	83	1657	19%	75	6477	76%	0	0	0%	54	345	4%	53	48	1%	76	8527	12%
Processing IMF Returns	69	750	14%	77	4472	81%	0	0	0%	46	259	5%	42	22	0%	74	5503	8%
Processing Other Returns/Documents	68	98	18%	54	434	79%	0	0	0%	68	15	3%	57	2	0%	57	549	1%
RPS - Exam Project Codes	96	7854	52%	101	7155	47%	295	2	0%	74	209	1%	64	12	0%	98	15232	21%
Refund Inquiry/Request	41	1795	22%	52	5539	69%	0	0	0%	22	519	6%	27	162	2%	47	8015	11%
Release Refund - Invalid SSN	65	14	12%	72	100	84%	0	0	0%	85	4	3%	51	1	1%	72	119	0%
Restricted Interest Issues	129	16	22%	118	52	72%	0	0	0%	14	1	1%	217	3	4%	123	72	0%
SFR/ASFR/6020b Assessments	93	290	26%	108	821	73%	0	0	0%	45	12	1%	92	5	0%	104	1128	2%
SS-8 Determinations	105	11	44%	37	14	56%	0	0	0%		0	0%		0	0%	67	25	0%
Sale of Seized Property Issues	50	1	50%		0	0%	0	0	0%	21	1	50%		0	0%	36	2	0%
Scrambled SSN	110	80	15%	148	454	82%	0	0	0%	71	13	2%	131	4	1%	140	551	1%
Seizure Issues	50	2	25%	43	5	63%	0	0	0%	161	1	13%		0	0%	60	8	0%
Subchapter S Corp (F. 2553)	44	2	9%	69	19	86%	0	0	0%	125	1	5%		0	0%	69	22	0%
TDI Notices	88	31	27%	74	79	69%	0	0	0%	27	3	3%	18	1	1%	76	114	0%
TP Request for Tech/Proc Explanation	48	145	188%	54	269	349%	0	0		26	17	4%	40	9	2%	50	440	1%
Taxpayer Treatment	57	44	57%	64	25	32%	97	1	0%	18	4	5%	69	3	4%	58	77	0%
Trust Fund Recovery Penalty (TFRP) Issues	101	67	8%	154	91	11%	0	0	0%	15	4	2%	110	2	1%	128	164	0%
Unable to Pay Issues	64	284	77%	70	536	146%	0	0	0%	31	31	4%	53	2	0%	67	853	1%
Undelivered Refunds	40	36	11%	39	312	98%	0	0	0%	23	17	5%	8	3	1%	38	368	1%
Unprocessed Return Math-Error-ITIN	65	54	17%	58	248	78%	0	0	0%	48	17	5%	0	0	0%	59	319	0%
AVERAGE	81	23016	31%	80	47082	64%	211	4	0%	43	2547	3%	52	599	1%	79	73248	100%

TAXPAYER ADVOCATE SERVICE CLOSED CASES - SMALL BUSINESS & SELF-EMPLOYED ACCOUNTS

FOR THE PERIOD FROM OCTOBER 1, 2001 THROUGH MARCH 31, 2002

CRITERIA CODE

	1 (Significant Hardship)			2 (Adverse Action)			3 (Significant Cost)			4 (Irreparable Injury)			5 (Delay >30days)			6 (No Response By Date Promised)			7 (Systemic or Procedural Failure)								
	HARDSHIP AS DEFINED BY RRA98 (SECT. 7811(a))									OPERATIONAL DELAYS									MI Code - Cum.								
MAJOR ISSUE DESCRIPTION	Av	#	% of	Av	#	% of	Av	#	% of	Av	#	% of	Av	#	% of	Av	#	% of	Av	#	% of	Av	#	% of	Av	#	% of all
	Age	cases	MI	Age	cases	MI	Age	cases	MI	Age	cases	MI	Age	cases	MI	Age	cases	MI	Age	cases	MI	Age	cases	MI	Age	#	cases
Account/Notice Inquiry	59			107			27			51			82.4			66			74			75			802		2%
		8	1%		6	1%		1	0%		4	0%		211	26%		78	10%		494	62%						
Audit Reconsiderations	150			127			150			145			137			132			142			139			968		2%
		16	2%		10	1%		5			7	1%		318	33%		155	16%		457	47%						
BMF TIN Merges	151			108			67						103			102			95			98			268		1%
		1	0%		3	1%		5	2%		0	0%		90	34%		32	12%		137	51%						
Backup Withholding	50			45			46			53			67.9			62			67			63			161		0%
		16	10%		7	4%		4	2%		5	3%		45	28%		11	7%		73	45%						
Bankruptcy Issues	32						29			44			85.1			99			95			88			229		1%
		13	6%		0	0%		1	0%		9	4%		39	17%		33	14%		134	59%						
CAWR Issues	57			103			132			59			63.4			54			70			66			422		1%
		3	1%		5	1%		3	1%		3	1%		198	47%		45	11%		165	39%						
CP2000 Issues	74			99			29			125			82.6			91			81			83			1068		3%
		16	1%		13	1%		5	0%		12	1%		431	40%		137	13%		454	43%						
Criminal Investigation	31			46									57.6			48			67			53			353		1%
		23	7%		3	1%		0	0%		0	0%		114	32%		155	44%		58	16%						
Document Requests/Handling	36			14			53			65			44			50			46			46			677		2%
		14	2%		10	1%		16	2%		10	1%		206	30%		123	18%		298	44%						
EP/EO Technical Issues				5			83			67			77.9			82			61			65			155		0%
		0	0%		1	1%		6	4%		5	3%		21	14%		11	7%		111	72%						
FTD Penalty Issues	66			63			102			50			60.1			75			70			67			1147		3%
		3	0%		6	1%		4	0%		6	1%		431	38%		125	11%		572	50%						
FTD/ES Payment Issues	66			69			42			43			73.2			80			83			78			1382		3%
		25	2%		12	1%		13	1%		11	1%		535	39%		150	11%		636	46%						
FUTA Issues	72			44			47			33			79			89			97			87			604		2%
		1	0%		5	1%		1	0%		1	0%		282	47%		87	14%		227	38%						
ITIN-Denial, W-7 or ITIN Requests	62									70			48.7			80			45			61			113		0%
		1	1%		0	0%		0	0%		1	1%		36	32%		47	42%		28	25%						
Innocent Spouse (Form 8857)	341			260			38			217			157			254			184			197			235		1%
		14	6%		4	2%		2	1%		4	2%		74	31%		39	17%		98	42%						
Installment Agreements	62			83			24			86			82.3			64			72			74			529		1%
		23	4%		29	5%		4	1%		16	3%		142	27%		55	10%		260	49%						
Invalid Dependent ITIN/Math Error				134									59			54			47			53			72		0%
		0	0%		1	1%		0	0%		0	0%		21	29%		9	13%		41	57%						

TAXPAYER ADVOCATE SERVICE CLOSED CASES - SMALL BUSINESS & SELF-EMPLOYED ACCOUNTS

FOR THE PERIOD FROM OCTOBER 1, 2001 THROUGH MARCH 31, 2002

CRITERIA CODE

	1 (Significant Hardship)			2 (Adverse Action)			3 (Significant Cost)			4 (Irreparable Injury)			5 (Delay >30days)			6 (No Response By Date Promised)			7 (Systemic or Procedural Failure)					
	HARDSHIP AS DEFINED BY RRA98 (SECT. 7811(a))															OPERATIONAL DELAYS						MI Code - Cum.		
MAJOR ISSUE DESCRIPTION	Av Age	# cases	% of MI	Av Age	# cases	% of MI	Av Age	# cases	% of MI	Av Age	# cases	% of MI	Av Age	# cases	% of MI	Av Age	# cases	% of MI	Av Age	# cases	% of MI	Av Age	# cases	% of all cases
Invalid Primary SSN/TIN Merge	96												98.1			115			128			110		
		2	6%		0	0%		0	0%		0	0%		15	47%		4	13%		11	34%		32	0%
Levy Issues	54			60			46			55			95.4			73			78			63		
		413	42%		160	16%		41	4%		75	8%		44	4%		27	3%		227	23%		987	2%
Lien Issues	50			60			48			61			86.4			63			64			63		
		75	11%		51	8%		41	6%		82	12%		78	12%		35	5%		313	46%		675	2%
Lost or Stolen Refunds	48			57			40			35			54.4			49			60			54		
		46	5%		7	1%		5	1%		1	0%		290	31%		285	30%		316	33%		950	2%
Lost/Misapplied Payment Issues	44			56			66			84			74.4			76			75			75		
		31	1%		14	0%		17	1%		7	0%		991	35%		387	14%		1389	49%		2836	7%
Math Error EIC Issues	97									61			71.2			79			84			78		
		4	1%		0	0%		0	0%		3	1%		105	35%		58	19%		128	43%		298	1%
Non-File Issues	20						39			71			122			102			89			93		
		5	14%		0	0%		1	3%		1	3%		14	40%		7	20%		7	20%		35	0%
Offers in Compromise Issues	142			67			93			169			101			86			100			101		
		36	4%		30	3%		9	1%		18	2%		183	20%		108	12%		526	58%		910	2%
Offsets	43			37			41			21			67.1			45			65			59		
		40	14%		5	2%		4	1%		5	2%		55	19%		20	7%		154	54%		283	1%
Open Audits	87			50			31			52			94.8			102			85			92		
		36	3%		6	1%		10	1%		13	1%		477	42%		244	21%		355	31%		1141	3%
Other	99			88			36			62			70.7			92			58			66		
		14	2%		8	1%		9	1%		14	2%		213	24%		94	11%		535	60%		887	2%
Other Collection Issues	50			59			63			53			93.6			96			92			88		
		21	4%		17	3%		12	2%		16	3%		100	18%		44	8%		359	63%		569	1%
Other Entity Changes	14			17			24			32			39.9			32			41			37		
		59	4%		18	1%		20	1%		23	1%		497	32%		385	25%		553	36%		1555	4%
Other Examination Determinations	55			101			81			87			113			125			111			111		
		3	1%		3	1%		3	1%		2	1%		43	20%		14	7%		143	68%		211	1%
Other Interest Issues	54									74			90.6			100			82			86		
		1	0%		0	0%		0	0%		3	1%		123	34%		37	10%		201	55%		365	1%
Other Penalty Issues	81			77			67			95			63.3			66			66			65		
		27	1%		21	1%		24	1%		18	0%		1584	43%		430	12%		1593	43%		3697	9%
Processing BMF Returns	66			107			85			81			86			93			88			88		
		10	1%		9	1%		5	0%		8	1%		435	40%		133	12%		497	45%		1097	3%

TAXPAYER ADVOCATE SERVICE CLOSED CASES - SMALL BUSINESS & SELF-EMPLOYED ACCOUNTS

FOR THE PERIOD FROM OCTOBER 1, 2001 THROUGH MARCH 31, 2002

CRITERIA CODE

	1 (Significant Hardship)			2 (Adverse Action)			3 (Significant Cost)			4 (Irreparable Injury)			5 (Delay >30days)			6 (No Response By Date Promised)			7 (Systemic or Procedural Failure)								
	HARDSHIP AS DEFINED BY RRA98 (SECT. 7811(a))									OPERATIONAL DELAYS									MI Code - Cum.								
MAJOR ISSUE DESCRIPTION	Av	#	% of	Av	#	% of	Av	#	% of	Av	#	% of	Av	#	% of	Av	#	% of	Av	#	% of	Av	#	% of	Av	#	% of all
	Age	cases	MI	Age	cases	MI	Age	cases	MI	Age	cases	MI	Age	cases	MI	Age	cases	MI	Age	cases	MI	Age	cases	MI	Age	#	cases
Processing Claims/Amended Returns	56			85			75			85			82.2			83			87			83			83		
		179	4%		31	1%		23	1%		20	0%		1495	36%		837	20%		1534	37%					4119	10%
Processing IMF Returns	65			90			70			44			69.2			81			71			72			72		
		100	4%		15	1%		10	0%		8	0%		779	35%		361	16%		956	43%					2229	6%
Processing Other Returns/Documents	11			27			36			45			57.1			52			33			41			41		
		7	1%		1	0%		8	1%		11	1%		208	25%		83	10%		529	62%					847	2%
RPS - Exam Project Cases	72			82			91			114			101			103			94			99			99		
		114	5%		15	1%		5	0%		9	0%		817	39%		762	36%		397	19%					2119	5%
Refund Inquiry/Request	37			47			40			54			52.3			84			47			54			54		
		316	12%		46	2%		25	1%		22	1%		618	23%		509	19%		1140	43%					2676	7%
Release Refund - Invalid SSN	62												81.1			59			80			76			76		
		4	11%		0	0%		0	0%		0	0%		17	46%		4	11%		12	32%					37	0%
Restricted Interest Issues										56			119			97			113			112			112		
		0	0%		0	0%		0	0%		1	1%		13	19%		7	10%		48	70%					69	0%
SFR/ASFR/6020b Assessments	129			141			209			133			115			101			107			113			113		
		18	5%		5	1%		6	2%		7	2%		119	32%		46	13%		167	45%					368	1%
SS-8 Determinations	60									40			33.7			31			32			34			34		
		2	8%		0	0%		0	0%		1	4%		7	27%		5	19%		11	42%					26	0%
Sale of Seized Property Issues										60												60			60		
		0	0%		0	0%		0	0%		1	###		0	0%		0	0%		0	0%					1	0%
Scrambled SSN	106						173			95			91.8			127			128			116			116		
		4	4%		0	0%		1	1%		2	2%		32	28%		13	12%		61	54%					113	0%
Seizure Issues	28			125						10									22			49			49		
		10	36%		7	25%		0	0%		3	11%		0	0%		0	0%		8	29%					28	0%
Subchapter S Corp (F. 2553)	47			171			12			176			73.9			65			74			73			73		
		2	0%		2	0%		5	1%		1	0%		208	47%		63	14%		163	37%					444	1%
TDI Notices	44			78			9			95			80.9			67			87			80			80		
		4	4%		3	3%		1	1%		1	1%		32	32%		13	13%		47	47%					101	0%
TP Request for Tech/Proc Explanation	32			1			18			33			77.8			48			52			58			58		
		7	3%		1	0%		4	1%		5	2%		83	30%		29	11%		146	53%					275	1%
Taxpayer Treatment				72						357			64.2			101			69			81			81		
		0	0%		1	2%		0	0%		2	4%		5	10%		3	6%		41	79%					52	0%
Trust Fund Recovery Penalty (TFRP) Issues	121			59			137			137			114			88			93			100			100		
		6	3%		2	1%		4	2%		5	2%		50	23%		19	9%		136	61%					222	1%

TAXPAYER ADVOCATE SERVICE CLOSED CASES - SMALL BUSINESS & SELF-EMPLOYED ACCOUNTS

FOR THE PERIOD FROM OCTOBER 1, 2001 THROUGH MARCH 31, 2002

CRITERIA CODE

	1 (Significant Hardship)			2 (Adverse Action)			3 (Significant Cost)			4 (Irreparable Injury)			5 (Delay >30days)			6 (No Response By Date Promised)			7 (Systemic or Procedural Failure)					
	HARDSHIP AS DEFINED BY RRA98 (SECT. 7811(a))															OPERATIONAL DELAYS						MI Code - Cum.		
MAJOR ISSUE DESCRIPTION	Av	#	% of	Av	#	% of	Av	#	% of	Av	#	% of	Av	#	% of	Av	#	% of	Av	#	% of	Av	#	% of all
	Age	cases	MI	Age	cases	MI	Age	cases	MI	Age	cases	MI	Age	cases	MI	Age	cases	MI	Age	cases	MI	Age	#	cases
Unable to Pay Issues	75			80			106			89			93.5			59			77			79		
		61	14%		27	6%		5	1%		36	8%		67	16%		36	8%		197	46%		429	1%
Undelivered Refunds	38			15			53			11			52.5			33			32			37		
		10	10%		1	1%		1	1%		1	1%		21	21%		14	14%		52	52%		100	0%
Unprocessed Return Math-Error-ITIN	12						12			8			53.5			58			60			55		
		3	2%		0	0%		1	1%		1	1%		72	46%		19	12%		62	39%		158	0%
AVERAGE/TOTALS/%	58	1847	5%	69	621	2%	58	370	1%	73	520	1%	76	13084	33%	80	6427	16%	75	17257	43%	75	40126	100%

total of operational delay categories (criteria 5 through 7):

92%

**DISPOSITION OF TAXPAYER ADVOCATE SERVICE CLOSED CASES -SMALL BUSINESS & SELF EMPLOYED ACCOUNTS
FOR THE PERIOD OF: OCTOBER 1, 2001 THROUGH MARCH 31, 2002**

MAJOR ISSUE (MI) DESCRIPTION	ATAO CODE (CLOSURE ACTION)																	
	(5) NO CHANGE			(6) CHANGE			(7) ENFORCED TAO COMPLIED			(14) NO CHANGE WITH RELIEF			(15) LAW PREVENTS CHANGE			TOTAL COUNT		
	Aver Age	# cases	% of MI Code	Aver Age	# cases	% of MI Code	Aver Age	# cases	% of MI Code	Aver Age	# cases	% of MI Code	Aver Age	# cases	% of MI Code	Aver Age	# cases	% of All Cases
Account/Notice Inquiry	84	199	25%	74	572	71%	0	0	0%	32	29	4%	67	2	0%	75	802	2%
Audit Reconsiderations	123	403	42%	152	541	56%	0	0	0%	115	21	2%	118	3	0%	139	968	2%
BMF TIN Merges	81	27	10%	103	232	87%	0	0	0%	26	8	3%	176	1	0%	98	268	1%
Backup Withholding	50	36	22%	70	118	73%	0	0	0%	37	6	4%	1	1	1%	63	161	0%
Bankruptcy Issues	76	71	31%	98	145	63%	0	0	0%	43	9	4%	31	4	2%	88	229	1%
CAWR Issues	89	52	12%	65	349	83%	0	0	0%	28	21	5%		0	0%	66	422	1%
CP2000 Issues	83	222	21%	85	809	76%	0	0	0%	49	34	3%	16	3	0%	83	1068	3%
Criminal Investigation	44	205	58%	67	139	39%	0	0	0%	75	5	1%	10	4	1%	53	353	1%
Document Requests/Handling	58	109	16%	44	536	79%	0	0	0%	17	29	4%	201	3	0%	46	677	2%
EP/EO Technical Issues	64	36	23%	68	110	71%	0	0	0%	44	5	3%	41	4	3%	65	155	0%
FTD Penalty Issues	65	199	17%	67	904	79%	0	0	0%	55	41	4%	101	3	0%	67	1147	3%
FTD/ES Payment Issues	77	205	15%	80	1118	81%	0	0	0%	38	53	4%	56	6	0%	78	1382	3%
FUTA Issues	97	78	13%	86	509	84%	0	0	0%	70	17	3%		0	0%	87	604	2%
ITIN-Denial, W-7 or ITIN Requests	67	36	32%	58	77	68%	0	0	0%		0	0%		0	0%	61	113	0%
Innocent Spouse (Form 8857)	168	67	29%	214	144	61%	0	0	0%	132	10	4%	209	14	6%	197	235	1%
Installment Agreements	87	153	29%	72	336	64%	0	0	0%	37	36	7%	51	4	1%	74	529	1%
Invalid Dependent ITIN/Math Error	29	6	8%	57	63	88%	0	0	0%	7	3	4%		0	0%	53	72	0%
Invalid Primary SSN TIN Merge	109	20	63%	113	12	38%	0	0	0%		0	0%		0	0%	110	32	0%
Levy Issues	58	306	31%	69	610	62%	101	1	0%	30	65	7%	13	5	1%	63	987	2%
Lien Issues	63	238	35%	68	374	55%	0	0	0%	30	47	7%	55	16	2%	63	675	2%
Lost or Stolen Refunds	52	174	18%	56	736	77%	0	0	0%	28	28	3%	30	12	1%	54	950	2%
Lost/Misapplied Payment Issues	75	363	13%	76	2376	84%	0	0	0%	47	94	3%	43	3	0%	75	2836	7%
Math Error EIC Issues	84	97	33%	78	192	64%	0	0	0%	20	5	2%	26	4	1%	78	298	1%
Non-Filer Issues	117	8	23%	90	25	71%	0	0	0%	41	2	6%		0	0%	93	35	0%
Offers in Compromise Issues	96	319	35%	109	531	58%	0	0	0%	55	51	6%	61	9	1%	101	910	2%
Offsets	51	77	27%	65	191	67%	0	0	0%	26	5	2%	25	11	4%	59	284	1%
Open Audits	89	353	31%	95	751	66%	0	0	0%	52	34	3%	40	3	0%	92	1141	3%

**DISPOSITION OF TAXPAYER ADVOCATE SERVICE CLOSED CASES -SMALL BUSINESS & SELF EMPLOYED ACCOUNTS
FOR THE PERIOD OF: OCTOBER 1, 2001 THROUGH MARCH 31, 2002**

MAJOR ISSUE (MI) DESCRIPTION	ATAO CODE (CLOSURE ACTION)																	
	(5) NO CHANGE			(6) CHANGE			(7) ENFORCED TAO COMPLIED			(14) NO CHANGE WITH RELIEF			(15) LAW PREVENTS CHANGE			TOTAL COUNT		
	Aver Age	# cases	% of MI Code	Aver Age	# cases	% of MI Code	Aver Age	# cases	% of MI Code	Aver Age	# cases	% of MI Code	Aver Age	# cases	% of MI Code	Aver Age	# cases	% of All Cases
Other	58	250	28%	71	578	65%	0	0	0%	45	42	5%	60	17	2%	66	887	2%
Other Collection Issues	85	237	42%	95	306	54%	0	0	0%	35	20	4%	68	6	1%	88	569	1%
Other Entity Changes	54	116	7%	38	1224	79%	0	0	0%	21	214	14%	35	1	0%	37	1555	4%
Other Examination Determinations	116	79	37%	111	124	59%	0	0	0%	22	5	2%	93	3	1%	111	211	1%
Other Interest Issues	87	99	27%	89	237	65%	0	0	0%	44	9	2%	80	20	5%	86	365	1%
Other Penalty Issues	66	737	20%	66	2801	76%	0	0	0%	49	128	3%	44	31	1%	65	3697	9%
Processing BMF Returns	79	112	10%	90	954	87%	0	0	0%	42	29	3%	57	2	0%	88	1097	3%
Processing Claims/Amended Returns	90	655	16%	83	3262	79%	0	0	0%	59	176	4%	76	26	1%	83	4119	10%
Processing IMF Returns	72	262	12%	72	1883	84%	0	0	0%	57	80	4%	43	4	0%	72	2229	6%
Processing Other Returns/Documents	45	68	8%	41	743	88%	0	0	0%	23	35	4%	7	1	0%	41	847	2%
RPS - Exam Project Codes	98	1071	51%	100	1022	48%	0	0	0%	71	23	1%	119	3	0%	99	2119	5%
Refund Inquiry/Request	65	501	19%	55	1988	74%	0	0	0%	22	149	6%	16	38	1%	54	2676	7%
Release Refund - Invalid SSN	80	2	5%	78	34	92%	0	0	0%	17	1	3%		0	0%	76	37	0%
Restricted Interest Issues	143	15	22%	101	51	74%	0	0	0%	157	2	3%	75	1	1%	112	69	0%
SFR/ASFR/6020b Assessments	120	89	24%	112	269	73%	0	0	0%	72	10	3%		0	0%	113	368	1%
SS-8 Determinations	41	7	27%	33	18	69%	0	0	0%	4	1	4%		0	0%	34	26	0%
Sale of Seized Property Issues	60	1	100%		0	0%	0	0	0%		0	0%		0	0%	60	1	0%
Scrambled SSN	129	17	15%	115	92	81%	0	0	0%	73	3	3%	168	1	1%	116	113	0%
Seizure Issues	42	13	46%	86	9	32%	0	0	0%	8	4	14%	2	2	7%	49	28	0%
Subchapter S Corp (F. 2553)	84	75	17%	72	355	80%	0	0	0%	21	13	3%	141	1	0%	73	444	1%
TDI Notices	98	19	19%	78	77	76%	0	0	0%	43	5	5%		0	0%	80	101	0%
TP Request for Tech/Proc Explanation	64	80	29%	58	179	65%	0	0	0%	24	14	5%	2	2	1%	58	275	1%
Taxpayer Treatment	78	24	46%	88	26	50%	0	0	0%	33	1	2%	39	1	2%	81	52	0%
Trust Fund Recovery Penalty (TFRP) Issues	85	91	41%	113	125	56%	0	0	0%	40	5	2%	9	1	0%	100	222	1%
Unable to Pay Issues	78	175	41%	86	234	55%	0	0	0%	21	19	4%	3	1	0%	79	429	1%

**DISPOSITION OF TAXPAYER ADVOCATE SERVICE CLOSED CASES -SMALL BUSINESS & SELF EMPLOYED ACCOUNTS
FOR THE PERIOD OF: OCTOBER 1, 2001 THROUGH MARCH 31, 2002**

MAJOR ISSUE (MI) DESCRIPTION	ATAO CODE (CLOSURE ACTION)																	
	(5) NO CHANGE			(6) CHANGE			(7) ENFORCED TAO COMPLIED			(14) NO CHANGE WITH RELIEF			(15) LAW PREVENTS CHANGE			TOTAL COUNT		
	Aver Age	# cases	% of MI Code	Aver Age	# cases	% of MI Code	Aver Age	# cases	% of MI Code	Aver Age	# cases	% of MI Code	Aver Age	# cases	% of MI Code	Aver Age	# cases	% of All Cases
Undelivered Refunds	30	8	8%	36	86	86%	0	0	0%	72	5	5%	7	1	1%	37	100	0%
Unprocessed Return Math- Error-ITIN	61	23	15%	55	126	80%	0	0	0%	35	9	6%		0	0%	55	158	0%
SUMMARY	80	8885	22%	76	29303	73%	101	1	0%	41	1660	4%	59	278	1%	75	40127	100%

TAS CLOSED CASES - LARGE & MEDIUM SIZED BUSINESSES

FOR THE PERIOD OF:

1ST QUARTER FY 2002 - OCTOBER 1, 2001 THROUGH DECEMBER 31, 2001

	TAS CRITERIA CODE														TOTAL COUNT	
	1		2		3		4		5		6		7			
	#	%	#	%	#	%	#	%	#	%	#	%	#	%		
	Significant Hardship		Adverse Action		Significant Cost		Irreparable Injury		Delay > 30days		No Response by Date Promised		Systemic or Proced. Failure			
HARDSHIP AS DEFINED BY STATUTE																
MAJOR ISSUE:																
									OPERATIONAL DELAYS					#	%	
Account/Notice Inquiry	0	0%	0	0%	0	0%	0	0%	0	0%	3	50%	3	50%	6	2%
Audit Reconsiderations	0	0%	0	0%	0	0%	0	0%	1	50%	0	0%	1	50%	2	1%
BMF TIN Merges	0	0%	0	0%	0	0%	0	0%	1	50%	0	0%	1	50%	2	1%
Backup Withholding	0	0%	1	20%	0	0%	0	0%	3	60%	0	0%	1	20%	5	1%
Bankruptcy Issues	1	100%	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%	1	0%
CAWR Issues	0	0%	0	0%	0	0%	0	0%	2	67%	0	0%	1	33%	3	1%
CP2000 Issues	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%	2	100%	2	1%
Criminal Investigation	0	0%	0	0%	0	0%	0	0%	1	100%	0	0%	0	0%	1	0%
Document Requests/Handling	0	0%	0	0%	0	0%	0	0%	4	50%	2	25%	2	25%	8	2%
EP/EO Technical Issues	0	0%	0	0%	1	25%	0	0%	2	50%	0	0%	1	25%	4	1%
FTD Penalty Issues	0	0%	0	0%	0	0%	0	0%	14	58%	4	17%	6	25%	24	7%
FTD/ES Payment Issues	0	0%	1	4%	0	0%	0	0%	10	43%	0	0%	12	52%	23	6%
FUTA Issues	0	0%	0	0%	0	0%	0	0%	2	40%	1	20%	2	40%	5	1%
Installment Agreements	0	0%	0	0%	1	100%	0	0%	0	0%	0	0%	0	0%	1	0%
Levy Issues	1	50%	0	0%	0	0%	0	0%	0	0%	0	0%	1	50%	2	1%
Lost or Stolen Refunds	0	0%	0	0%	0	0%	0	0%	1	50%	0	0%	1	50%	2	1%
Lost/Misapplied Payment Issues	1	5%	0	0%	0	0%	0	0%	4	21%	3	16%	11	58%	19	5%
Math Error EIC Issues	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%	2	100%	2	1%
Offers in Compromise Issues	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%	1	100%	1	0%
Offsets	0	0%	0	0%	0	0%	0	0%	2	100%	0	0%	0	0%	2	1%
Open Audits	0	0%	0	0%	0	0%	2	10%	11	52%	2	10%	6	29%	21	6%
Other	1	11%	0	0%	1	11%	0	0%	3	33%	2	22%	2	22%	9	2%
Other Collection Issues	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%	2	100%	2	1%
Other Entity Changes	0	0%	0	0%	0	0%	0	0%	3	75%	0	0%	1	25%	4	1%
Other Examination Determinations	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%	4	100%	4	1%
Other Interest Issues	0	0%	0	0%	0	0%	0	0%	5	36%	1	7%	8	57%	14	4%
Other Penalty Issues	0	0%	0	0%	0	0%	0	0%	22	54%	3	7%	16	39%	41	11%
Processing BMF Returns	3	13%	0	0%	3	13%	1	4%	8	33%	1	4%	8	33%	24	7%
Processing Claims/Amended Returns	9	18%	4	8%	1	2%	2	4%	12	24%	8	16%	15	29%	51	14%
Processing IMF Returns	1	20%	0	0%	0	0%	0	0%	0	0%	1	20%	3	60%	5	1%
Processing Other Returns/Documents	1	9%	0	0%	2	18%	0	0%	4	36%	1	9%	3	27%	11	3%
RPS - Exam Project Cases	1	7%	1	7%	0	0%	1	7%	10	71%	1	7%	0	0%	14	4%
Refund Inquiry/Request	6	18%	1	3%	1	3%	3	9%	7	21%	2	6%	14	41%	34	9%
Restricted Interest Issues	0	0%	0	0%	0	0%	1	13%	2	25%	3	38%	2	25%	8	2%
Scrambled SSN	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%	2	100%	2	1%

TAS CLOSED CASES - LARGE & MEDIUM SIZED BUSINESSES

FOR THE PERIOD OF:

1ST QUARTER FY 2002 - OCTOBER 1, 2001 THROUGH DECEMBER 31, 2001

	TAS CRITERIA CODE														TOTAL COUNT	
	1		2		3		4		5		6		7			
	#	%	#	%	#	%	#	%	#	%	#	%	#	%		
	Significant Hardship	Adverse Action	Significant Cost	Irreparable Injury	Delay > 30days	No Response by Date Promised	Systemic or Proced. Failure									
	HARDSHIP AS DEFINED BY STATUTE											OPERATIONAL DELAYS		#	%	
MAJOR ISSUE:												#	%			
Subchapter S Corp (F. 2553)	0	0%	0	0%	0	0%	0	0%	2	50%	1	25%	1	25%	4	1%
TP Request for Tech/Proc Explanation	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%	3	100%	3	1%
Unable to Pay Issues	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%	1	100%	1	0%
Undelivered Refunds	0	0%	0	0%	0	0%	0	0%	0	0%	1	100%	0	0%	1	0%
COUNT	25	7%	8	2%	10	3%	10	3%	136	37%	40	11%	139	38%	368	100%

14%

86%



TAXPAYER ADVOCATE SERVICE CLOSED CASES - LARGE & MEDIUM SIZED BUSINESS
FOR THE PERIOD OF: 1ST QUARTER FY 2002 - OCTOBER 1, 2001 THROUGH DECEMBER 31, 2001

DESCRIPTION	ATAO CODE (CLOSURE ACTION)										TOTAL COUNT	
	NO CHANGE (04)		CHANGE (05)		ENFORCED TAO COMPLIED (07)		NO CHANGE WITH RELIEF (14)		LAW PREVENTS CHANGE (15)			
Account/Notice Inquiry	2	33%	3	50%	0	0%	1	17%	0	0%	6	2%
Audit Reconsiderations	0	0%	2	100%	0	0%	0	0%	0	0%	2	1%
BMF TIN Merges	0	0%	2	100%	0	0%	0	0%	0	0%	2	1%
Backup Withholding	0	0%	4	80%	0	0%	1	20%	0	0%	5	1%
Bankruptcy Issues	0	0%	1	100%	0	0%	0	0%	0	0%	1	0%
CAWR Issues	1	33%	2	67%	0	0%	0	0%	0	0%	3	1%
CP2000 Issues	2	100%	0	0%	0	0%	0	0%	0	0%	2	1%
Criminal Investigation	0	0%	1	100%	0	0%	0	0%	0	0%	1	0%
Document Requests/Handling	1	13%	7	88%	0	0%	0	0%	0	0%	8	2%
EP/EO Technical Issues	1	25%	2	50%	0	0%	1	25%	0	0%	4	1%
FTD Penalty Issues	3	13%	21	88%	0	0%	0	0%	0	0%	24	7%
FTD/ES Payment Issues	4	17%	19	83%	0	0%	0	0%	0	0%	23	6%
FUTA Issues	1	20%	4	80%	0	0%	0	0%	0	0%	5	1%
Installment Agreements	0	0%	1	100%	0	0%	0	0%	0	0%	1	0%
Levy Issues	1	50%	1	50%	0	0%	0	0%	0	0%	2	1%
Lost or Stolen Refunds	0	0%	2	100%	0	0%	0	0%	0	0%	2	1%
Lost/Misapplied Payment Issues	1	5%	18	95%	0	0%	0	0%	0	0%	19	5%
Math Error EIC Issues	0	0%	2	100%	0	0%	0	0%	0	0%	2	1%
Offers in Compromise Issues	1	100%	0	0%	0	0%	0	0%	0	0%	1	0%
Offsets	0	0%	2	100%	0	0%	0	0%	0	0%	2	1%
Open Audits	4	19%	16	76%	0	0%	0	0%	1	5%	21	6%
Other	2	22%	7	78%	0	0%	0	0%	0	0%	9	2%
Other Collection Issues	0	0%	2	100%	0	0%	0	0%	0	0%	2	1%
Other Entity Changes	0	0%	4	100%	0	0%	0	0%	0	0%	4	1%
Other Examination Determinations	0	0%	4	100%	0	0%	0	0%	0	0%	4	1%
Other Interest Issues	3	21%	10	71%	0	0%	0	0%	1	7%	14	4%
Other Penalty Issues	4	10%	35	85%	0	0%	2	5%	0	0%	41	11%
Processing BMF Returns	0	0%	23	96%	0	0%	1	4%	0	0%	24	7%
Processing Claims/Amended Returns	1	2%	49	96%	0	0%	1	2%	0	0%	51	14%

TAXPAYER ADVOCATE SERVICE CLOSED CASES - LARGE & MEDIUM SIZED BUSINESS
FOR THE PERIOD OF: 1ST QUARTER FY 2002 - OCTOBER 1, 2001 THROUGH DECEMBER 31, 2001

DESCRIPTION	ATAO CODE (CLOSURE ACTION)										TOTAL COUNT	
	NO CHANGE (04)		CHANGE (05)		ENFORCED TAO COMPLIED (07)		NO CHANGE WITH RELIEF (14)		LAW PREVENTS CHANGE (15)			
Processing IMF Returns	1	20%	4	80%	0	0%	0	0%	0	0%	5	1%
Processing Other Returns/Documents	1	9%	10	91%	0	0%	0	0%	0	0%	11	3%
RPS - Exam Project Codes	8	57%	6	43%	0	0%	0	0%	0	0%	14	4%
Refund Inquiry/Request	1	3%	29	85%	0	0%	3	9%	1	3%	34	9%
Restricted Interest Issues	1	13%	7	88%	0	0%	0	0%	0	0%	8	2%
Scrambled SSN	0	0%	2	100%	0	0%	0	0%	0	0%	2	1%
Subchapter S Corp (F. 2553)	0	0%	4	100%	0	0%	0	0%	0	0%	4	1%
TP Request for Tech/Proc Explanation	1	33%	2	67%	0	0%	0	0%	0	0%	3	1%
Unable to Pay Issues	0	0%	1	100%	0	0%	0	0%	0	0%	1	0%
Undelivered Refunds	1	100%	0	0%	0	0%	0	0%	0	0%	1	0%
TOTAL COUNT	46	13%	309	84%	0	0%	10	3%	3	1%	368	100%

TAS CLOSED CASES - TAX EXEMPT & GOVERNMENT ENTITIES																
FOR THE PERIOD OF: 1ST QUARTER FY 2002 - OCTOBER 1, 2001 THROUGH DECEMBER 31, 2001																
	TAS CASE CRITERIA														TOTAL COUNT	
	1		2		3		4		5		6		7			
	#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%
	Significant Hardship	Adverse Action	Significant Cost	Irreparable Injury	Delay > 30days	No Response by Date Promised	Systemic or Proced. Failure									
MAJOR ISSUE:	HARDSHIP AS DEFINED BY STATUTE											OPERATIONAL DELAYS		#	%	
	Account/Notice Inquiry	0	0%	0	0%	0	0%	0	0%	5	63%	0	0%	3	38%	8
Audit Reconsiderations	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%	1	100%	1	0.2%
BMF TIN Merges	0	0%	0	0%	0	0%	0	0%	1	14%	2	29%	4	57%	7	1.3%
Backup Withholding	0	0%	0	0%	0	0%	0	0%	1	20%	0	0%	4	80%	5	0.9%
CAWR Issues	0	0%	0	0%	0	0%	0	0%	1	25%	0	0%	3	75%	4	0.7%
Document Requests/Handling	0	0%	0	0%	0	0%	1	20%	1	20%	1	20%	2	40%	5	0.9%
EIC Issues	0	0%	0	0%	0	0%	0	0%	1	100%	0	0%	0	0%	1	0.2%
EP/EO Technical Issues	1	1%	0	0%	1	1%	3	4%	15	22%	2	3%	47	68%	69	12.4%
FTD Penalty Issues	0	0%	0	0%	1	2%	1	2%	18	36%	5	10%	25	50%	50	9.0%
FTD/ES Payment Issues	1	4%	0	0%	1	4%	0	0%	8	30%	1	4%	16	59%	27	4.8%
FUTA Issues	0	0%	0	0%	0	0%	0	0%	1	50%	0	0%	1	50%	2	0.4%
Innocent Spouse Issues	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%	1	100%	1	0.2%
Installment Agreements	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%	1	100%	1	0.2%
Levy Issues	2	25%	3	38%	1	13%	0	0%	0	0%	0	0%	2	25%	8	1.4%
Lien Issues	0	0%	2	50%	0	0%	0	0%	1	25%	0	0%	1	25%	4	0.7%
Lost or Stolen Refunds	0	0%	0	0%	0	0%	0	0%	1	50%	1	50%	0	0%	2	0.4%
Lost/Misapplied Payment Issues	0	0%	0	0%	0	0%	0	0%	9	47%	2	11%	8	42%	19	3.4%
Offers in Compromise Issues	0	0%	0	0%	0	0%	0	0%	2	100%	0	0%	0	0%	2	0.4%
Offsets	0	0%	0	0%	0	0%	0	0%	1	50%	1	50%	0	0%	2	0.4%
Open Audits	0	0%	0	0%	0	0%	0	0%	2	33%	0	0%	4	67%	6	1.1%
Other	0	0%	0	0%	1	6%	0	0%	2	13%	3	19%	10	63%	16	2.9%
Other Collection Issues	0	0%	0	0%	0	0%	0	0%	1	25%	0	0%	3	75%	4	0.7%
Other Entity Changes	0	0%	1	7%	0	0%	1	7%	6	43%	1	7%	5	36%	14	2.5%
Other Interest Issues	0	0%	1	25%	0	0%	0	0%	0	0%	0	0%	3	75%	4	0.7%
Other Penalty Issues	2	1%	3	2%	0	0%	1	1%	71	37%	22	11%	94	49%	193	34.6%
Processing BMF Returns	0	0%	1	4%	0	0%	1	4%	9	36%	0	0%	14	56%	25	4.5%
Processing Claims/Amended Returns	2	6%	0	0%	0	0%	0	0%	14	45%	4	13%	11	35%	31	5.6%
Processing IMF Returns	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%	2	100%	2	0.4%
Processing Other Returns/Documents	0	0%	1	5%	0	0%	0	0%	7	37%	2	11%	9	47%	19	3.4%
RPS - CI ATAO	0	0%	0	0%	0	0%	0	0%	1	100%	0	0%	0	0%	1	0.2%

TAS CLOSED CASES - TAX EXEMPT & GOVERNMENT ENTITIES																		
FOR THE PERIOD OF: 1ST QUARTER FY 2002 - OCTOBER 1, 2001 THROUGH DECEMBER 31, 2001																		
	TAS CASE CRITERIA														TOTAL COUNT			
	1		2		3		4		5		6		7					
	#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%		
	Significant Hardship	Adverse Action	Significant Cost	Irreparable Injury	Delay > 30days	No Response by Date Promised	Systemic or Proced. Failure											
MAJOR ISSUE:	HARDSHIP AS DEFINED BY STATUTE											OPERATIONAL DELAYS					#	%
	RPS - PRP Case	0	0%	0	0%	0	0%	1	20%	4	80%	0	0%	0	0%	5	0.9%	
Refund Inquiry/Request	2	22%	0	0%	0	0%	0	0%	2	22%	0	0%	5	56%	9	1.6%		
Release Refund - Invalid SSN	0	0%	0	0%	0	0%	0	0%	1	100%	0	0%	0	0%	1	0.2%		
Restricted Interest Issues	0	0%	0	0%	0	0%	0	0%	1	100%	0	0%	0	0%	1	0.2%		
SFR/ASFR/6020b Assessments	0	0%	0	0%	0	0%	0	0%	1	50%	0	0%	1	50%	2	0.4%		
SS-8 Determinations	0	0%	0	0%	0	0%	0	0%	1	100%	0	0%	0	0%	1	0.2%		
Sale of Seized Property Issues	1	100%	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%	1	0.2%		
TDI Notices	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%	2	100%	2	0.4%		
TP Request for Tech/Proc Explanation	1	100%	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%	1	0.2%		
Taxpayer Treatment	0	0%	0	0%	0	0%	0	0%	0	0%	1	50%	1	50%	2	0.4%		
COUNT	12	2%	12	2%	5	1%	9	2%	189	34%	48	9%	283	51%	558	100%		

7%

93%



TAXPAYER ADVOCATE SERVICE CLOSED CASES - TAX EXEMPT/GOVT ENTITIES										
FOR THE PERIOD OF:		1ST QUARTER FY 2002 - OCTOBER 1, 2001 THROUGH DECEMBER 31, 2001								
ATAO CODE (CLOSURE ACTION)										
DESCRIPTION	NO CHANGE		CHANGE		NO CHANGE WITH RELIEF		LAW PREVENTS CHANGE		TOTAL COUNT	
Account/Notice Inquiry	2	25%	6	75%	0	0%	0	0%	8	1%
Audit Reconsiderations	1	100%	0	0%	0	0%	0	0%	1	0%
BMF TIN Merges	1	14%	5	71%	1	14%	0	0%	7	1%
Backup Withholding	0	0%	4	80%	0	0%	1	20%	5	1%
CAWR Issues	1	25%	3	75%	0	0%	0	0%	4	1%
Document Requests/Handling	0	0%	5	100%	0	0%	0	0%	5	1%
EIC Issues	0	0%	1	100%	0	0%	0	0%	1	0%
EP/EO Technical Issues	18	26%	48	70%	1	1%	2	3%	69	12%
FTD Penalty Issues	9	18%	40	80%	1	2%	0	0%	50	9%
FTD/ES Payment Issues	1	4%	25	93%	1	4%	0	0%	27	5%
FUTA Issues	0	0%	1	50%	1	50%	0	0%	2	0%
Innocent Spouse Issues	0	0%	1	100%	0	0%	0	0%	1	0%
Installment Agreements	0	0%	1	100%	0	0%	0	0%	1	0%
Levy Issues	0	0%	8	100%	0	0%	0	0%	8	1%
Lien Issues	2	50%	2	50%	0	0%	0	0%	4	1%
Lost or Stolen Refunds	0	0%	2	100%	0	0%	0	0%	2	0%
Lost/Misapplied Payment Issues	4	21%	14	74%	1	5%	0	0%	19	3%
Offers in Compromise Issues	1	50%	1	50%	0	0%	0	0%	2	0%
Offsets	1	50%	1	50%	0	0%	0	0%	2	0%
Open Audits	3	50%	3	50%	0	0%	0	0%	6	1%
Other	5	31%	10	63%	1	6%	0	0%	16	3%
Other Collection Issues	0	0%	4	100%	0	0%	0	0%	4	1%
Other Entity Changes	3	21%	10	71%	1	7%	0	0%	14	3%
Other Interest Issues	0	0%	4	100%	0	0%	0	0%	4	1%
Other Penalty Issues	28	15%	150	78%	14	7%	1	1%	193	35%
Processing BMF Returns	5	20%	20	80%	0	0%	0	0%	25	4%
Processing Claims/Amended Returns	2	6%	27	87%	1	3%	1	3%	31	6%
Processing IMF Returns	0	0%	2	100%	0	0%	0	0%	2	0%
Processing Other Returns/Documents	2	11%	16	84%	1	5%	0	0%	19	3%
RPS - CI ATAO	0	0%	1	100%	0	0%	0	0%	1	0%

TAXPAYER ADVOCATE SERVICE CLOSED CASES - TAX EXEMPT/GOVT ENTITIES										
FOR THE PERIOD OF:		1ST QUARTER FY 2002 - OCTOBER 1, 2001 THROUGH DECEMBER 31, 2001								
ATAO CODE (CLOSURE ACTION)										
DESCRIPTION	NO CHANGE		CHANGE		NO CHANGE WITH RELIEF		LAW PREVENTS CHANGE		TOTAL COUNT	
	RPS - PRP Case	2	40%	3	60%	0	0%	0	0%	5
Refund Inquiry/Request	2	22%	6	67%	0	0%	1	11%	9	2%
Release Refund - Invalid SSN	0	0%	1	100%	0	0%	0	0%	1	0%

TAXPAYER ADVOCATE SERVICE CLOSED CASES - TAX EXEMPT/GOVT ENTITIES										
FOR THE PERIOD OF:		1ST QUARTER FY 2002 - OCTOBER 1, 2001 THROUGH DECEMBER 31, 2001								
ATAO CODE (CLOSURE ACTION)										
DESCRIPTION	NO CHANGE		CHANGE		NO CHANGE WITH RELIEF		LAW PREVENTS CHANGE		TOTAL COUNT	
	Restricted Interest Issues	0	0%	1	100%	0	0%	0	0%	1
SFR/ASFR/6020b Assessments	1	50%	1	50%	0	0%	0	0%	2	0%
SS-8 Determinations	0	0%	1	100%	0	0%	0	0%	1	0%
Sale of Seized Property Issues	0	0%	0	0%	1	100%	0	0%	1	0%
TDI Notices	0	0%	2	100%	0	0%	0	0%	2	0%
TP Request for Tech/Proc Explanation	0	0%	1	100%	0	0%	0	0%	1	0%
Taxpayer Treatment	0	0%	1	50%	0	0%	1	50%	2	0%
TOTALS	94	17%	432	77%	25	4%	7	1%	558	100%