

## Case Advocacy

### Introduction

Internal Revenue Code (IRC) § 7803 requires the National Taxpayer Advocate to report to Congress annually on the activities of the Office of the Taxpayer Advocate.<sup>1</sup> Fiscal year (FY) 2008 presented several challenges for TAS case advocacy.<sup>2</sup> IRS activities (*e.g.*, enforcement actions such as levies issued or returns selected for audit) as well as external factors (including new legislation, natural disasters, and the general economic environment) affected TAS case levels. Case receipts continued to rise, largely due to an influx of cases related to the Economic Stimulus Act of 2008.<sup>3</sup> While the volume of cases TAS received directly from taxpayers and their representatives increased, the largest number of FY 2008 cases came from referrals from IRS operating divisions and functions (39.9 percent).<sup>4</sup> Table 4.1 below shows the sources of TAS receipts.

**TABLE 4.1, FY 2008 TAS Case Receipts by Volume and Percentage<sup>5</sup>**

How TAS Received Each Case	Service-wide Volume	Service-wide Percentage
Referral from Operating Division / Function	109,380	39.9%
NTA Toll-Free <sup>6</sup>	79,091	28.9%
Correspondence	37,764	13.8%
Congressional to TAS	21,101	7.7%
Taxpayer Calls TAS	14,865	5.4%
Referred at Taxpayer Request	5,543	2.0%
Walk-in	4,230	1.5%
ASK-TAS1 <sup>7</sup>	1,081	0.4%
Congressional to Function	996	0.4%
<b>Totals</b>	<b>274,051</b>	<b>100%</b>

<sup>1</sup> IRC § 7803(c)(2)(B)(ii).

<sup>2</sup> TAS and the IRS operate on a fiscal year. FY 2008 began on Oct. 1, 2007 and ended on Sept. 30, 2008.

<sup>3</sup> Economic Stimulus Act, Pub. L. No. 110-185 (2008).

<sup>4</sup> Taxpayer Advocate Management Information System (TAMIS) data, obtained from the Business Performance Management System (BPMS) (Sept. 30, 2008).

<sup>5</sup> TAMIS data obtained from BPMS (Sept. 30, 2008).

<sup>6</sup> The NTA toll-free telephone number (1-877-777-4778) is answered at six call sites, and is staffed by Wage and Investment (W&I) division employees. These assistors answer calls, discuss problems with the taxpayers, research IRS and TAS systems, and try to resolve the issues while talking with the taxpayers. If the assistor cannot resolve a case and it meets TAS criteria, a TAS case is added to TAMIS and immediately transferred to the appropriate office.

<sup>7</sup> The ASK-TAS1 toll-free number (1-877-275-8271) is printed on TAS marketing materials and publications used in targeted outreach efforts. Calls to this number are answered by TAS employees.

### Case Criteria

TAS structured its case acceptance criteria to allow the organization to fulfill its mission,<sup>8</sup> protect taxpayer rights, prevent burden, and work for the equitable treatment of taxpayers. Case criteria fall into four main categories:

- Economic burden;
- Systemic burden;
- Best interest of the taxpayer; and
- Public policy.

Table 4.2 breaks down TAS case receipts by criteria code.

**TABLE 4.2, FY 2008 TAS Case Receipts<sup>9</sup>**

Economic Burden Receipts			
Criteria Code	Description	Number of Cases	Percentage of Cases
1	The taxpayer is experiencing economic harm or is about to suffer economic harm.	58,409	21.3%
2	The taxpayer is facing an immediate threat of adverse action.	19,957	7.3%
3	The taxpayer will incur significant costs if relief is not granted (including fees for professional representation).	7,011	2.6%
4	The taxpayer will suffer irreparable injury or long-term adverse impact if relief is not granted.	7,033	2.6%
<b>Total Economic Burden Cases</b>		<b>92,410</b>	<b>33.7%</b>
Systemic Burden Receipts			
Criteria Code	Description	Number of Cases	Percentage of Cases
5	The taxpayer has experienced a delay of more than 30 days to resolve a tax account problem.	64,962	23.7%
6	The taxpayer has not received a response or resolution to their problem or inquiry by the date promised.	27,678	10.1%
7	A system or procedure has either failed to operate as intended, or failed to resolve the taxpayer's problem or dispute within the IRS.	88,480	32.3%
<b>Total Systemic Burden Cases</b>		<b>181,120</b>	<b>66.1%</b>
Best Interest of the Taxpayer Receipts			
Criteria Code	Description	Number of Cases	Percentage of Cases
8	The manner in which the tax laws are being administered raises considerations of equity, or has impaired or will impair taxpayers' rights.	484	0.2%

<sup>8</sup> The TAS mission statement is, "As an independent organization within the IRS, we help taxpayers resolve problems with the IRS and recommend changes to prevent the problems."

<sup>9</sup> TAMIS data obtained from BPMS (Sept. 30, 2008).

Case Advocacy

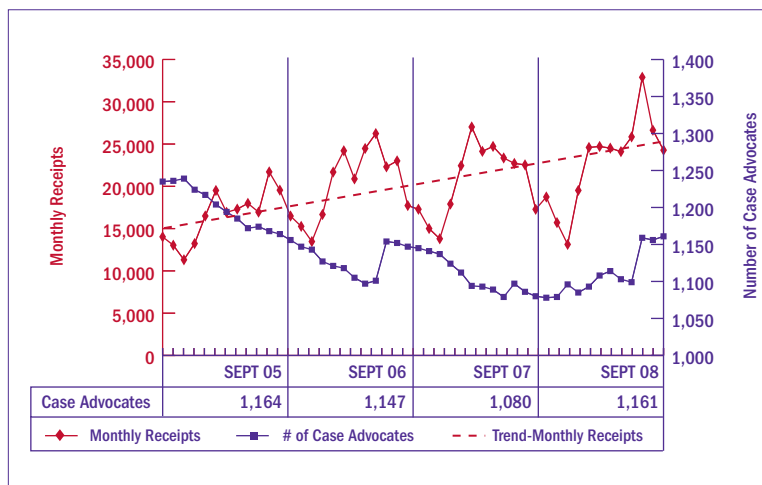
Public Policy Receipts			
Criteria Code	Description	Number of Cases	Percentage of Cases
9	The National Taxpayer Advocate determines compelling public policy warrants assistance to an individual or group of taxpayers.	37	0.01%

Total Case Receipts		
Description	Number of Cases	Percentage of Cases
Total Case Receipts	274,051	100%

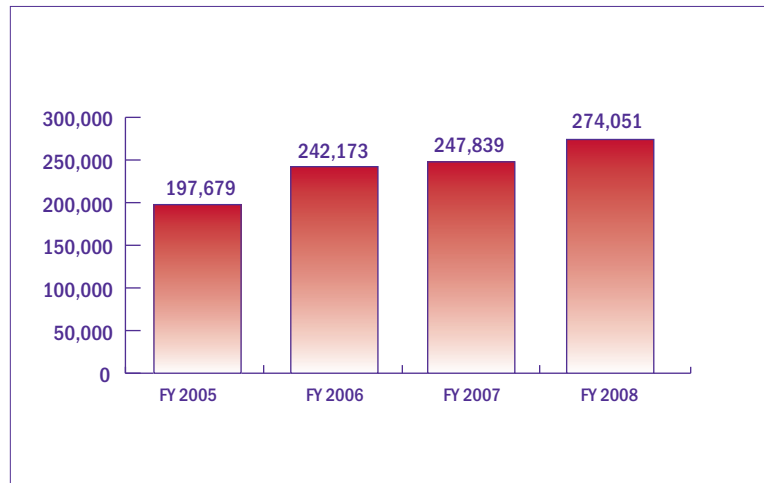
**Case Receipts**

TAS continues to experience an upward trend in receipts. Chart 4.3 below illustrates that receipts have risen 38.6 percent since FY 2005, while the number of case advocates needed to work these cases declined until FY 2008. TAS conducted a major hiring initiative in FY 2008, filling 214 case advocate positions and 43 intake advocate positions, bringing staffing levels close to what they were at the end of FY 2005.

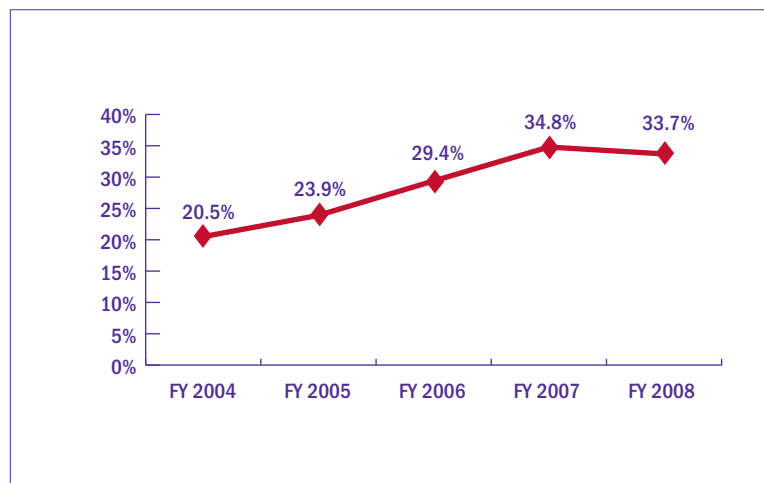
**CHART 4.3, Monthly TAS Case Receipts and the Number of Case Advocates from October 2004 to September 2008<sup>10</sup>**



<sup>10</sup> TAMIS data obtained from BPMS (Sept. 30, 2008).

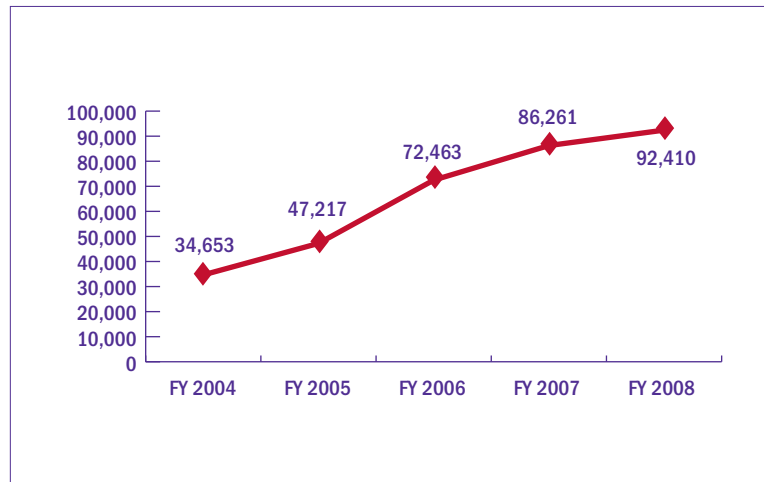
**CHART 4.4, Total TAS Case Receipts<sup>11</sup>****Economic Burden**

Prior to FY 2008, the percentage of economic burden cases increased each year. As shown in Chart 4.5, the percentage of economic burden cases dipped from 34.8 percent in FY 2007 to 33.7 percent in FY 2008, but the volume of cases received in FY 2008 still increased by 6,149, or 7.1 percent, over the previous year. TAS procedures require that case advocates respond immediately to taxpayers' requests for assistance in economic burden cases.

**CHART 4.5, TAS Economic Burden Receipts as a Percentage of Total Receipts<sup>12</sup>**

<sup>11</sup> TAMIS data obtained from BPMS (Sept. 30, 2008).

<sup>12</sup> *Id.*

**CHART 4.6, TAS Economic Burden Case Receipts<sup>13</sup>**

### Systemic Burden

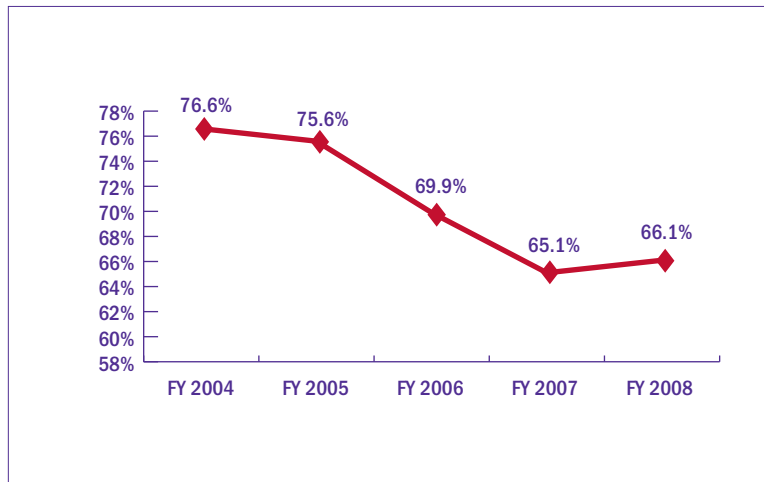
The majority of taxpayers who contact TAS do so because they are experiencing a systemic burden caused by a process, procedure, or system within the IRS that failed to operate as intended or failed to resolve the taxpayer's problem. Systemic burden receipts declined as a percentage of the total volume of TAS cases in the previous three fiscal years, but rose in volume by 19,855 cases in FY 2008. Charts 4.7 and 4.8 below illustrate the growth. The increase is largely due to the influx of cases related to IRS delays in processing economic stimulus payment (ESP) inquiries. In 2008, TAS received 25,759 cases related to ESP issues, of which more than 75 percent involved systemic burden.<sup>14</sup> The Wage and Investment (W&I) division's Accounts Management (AM) operation had to shift resources from working inventory to answering calls related to ESP.<sup>15</sup> The diversion of resources to administer ESPs caused delays in processing time, leading taxpayers to contact TAS for assistance.<sup>16</sup>

<sup>13</sup> TAMIS data obtained from BPMS (Sept. 30, 2008).

<sup>14</sup> Because ESP-related cases can involve a variety of primary issue codes, TAS identified and tracked them with a special case code. Data obtained from TAMIS (Oct. 1, 2008) (including only cases received in FY 2008 and marked as ESP-related as of Oct. 1, 2008). Criteria code data of ESP receipts obtained from TAMIS on Dec. 3, 2008 showed 80 percent of the FY 2008 receipts involved systemic burden.

<sup>15</sup> W&I, *Business Performance Review* 21 (Oct. 30, 2008).

<sup>16</sup> For more details about AM inventories and ESP cases in TAS, see *Trends in Case Advocacy, infra*.

**CHART 4.7, Systemic Burden Receipts as a Percentage of Total Receipts<sup>17</sup>****CHART 4.8, Systemic Burden Case Receipts<sup>18</sup>****Best Interest of the Taxpayer**

TAS accepts cases in situations where the manner in which the tax laws are administered raises considerations of equity, or has impaired or will impair taxpayer rights. Acceptance of these cases provides that taxpayers receive fair and equitable treatment, and protects their rights in situations where no other case acceptance criteria apply. TAS received 484 cases in this category in FY 2008,<sup>19</sup> 81 percent of which related to IRS compliance and

<sup>17</sup> TAMIS data obtained from BPMS (Sept. 30, 2008).

<sup>18</sup> *Id.*

<sup>19</sup> TAMIS data obtained from BPMS (Oct. 1, 2008).

enforcement activities (*e.g.*, audits, criminal investigations, levies, and liens),<sup>20</sup> compared to 75 percent in FY 2007.<sup>21</sup>

### Public Policy

TAS accepts cases in this category when the National Taxpayer Advocate determines compelling public policy warrants assistance to an individual or group of taxpayers because the manner in which the tax laws are being administered raises considerations of equity, and has impaired or will impair taxpayer rights. TAS accepts cases under the public policy standard only when the taxpayer's situation does not fall under any other criteria. In FY 2008, TAS received 37 public policy cases, a decrease of 57 percent from the 86 cases accepted under this criterion in FY 2007.<sup>22</sup> Thirty-six of the FY 2008 cases pertained to the IRS's Private Debt Collection (PDC) initiative,<sup>23</sup> and one related to the Refund Crimes Identity Theft Pilot Program.<sup>24</sup>

### Sources of TAS Casework

TAS uses primary and secondary issue codes to identify and track issues that lead taxpayers to seek TAS assistance. These issues are often indicators of the downstream impact of IRS initiatives. Table 4.9 illustrates the top 15 issues taxpayers faced when seeking TAS assistance in FY 2008.

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<sup>20</sup> Data obtained from TAMIS (Oct. 1, 2008).

<sup>21</sup> See National Taxpayer Advocate 2007 Annual Report to Congress 647.

<sup>22</sup> *Id.*

<sup>23</sup> The American Jobs Creation Act of 2004 allows the IRS to use private collection agencies (PCAs) as an additional resource to help collect delinquent federal taxes. See Status Update, *The IRS's Private Debt Collection Initiative Is Failing in Most Respects*, *supra*.

<sup>24</sup> In 2008, TAS participated in a pilot program with the Criminal Investigation (CI) function and the IRS Office of Privacy, Information Protection and Data Security (PIPDS) for taxpayers identified by the IRS as victims of identity theft. The letters sent to these taxpayers directed them to call the ASKTAS1 telephone line if they had any questions. The National Taxpayer Advocate authorized intake advocates to accept these CI pilot cases into TAS under criterion 9 if the cases did not meet other criteria.

**TABLE 4.9, Top 15 Issues Received in TAS (FY 2008)<sup>25</sup>**

Rank	Description of Issue	FY 08 Cases	FY 07 Cases	% Change
1	Processing Amended Returns	21,963	16,267	35%
2	Levies (including the Federal Payment Levy Program) <sup>26</sup>	17,082	18,665	-8.5%
3	Other Refund Inquiries/Issues	14,817	4,631	220%
4	Injured Spouse Claim	14,238	8,295	71.6%
5	Earned Income Tax Credit (EITC) – Revenue Protection Strategy Claims	13,489	16,081	-16.1%
6	Reconsideration of Substitute for Return under IRC § 6020(b) <sup>27</sup> and Audits <sup>28</sup>	12,419	12,331	0.7%
7	Expedite Refund Request	11,376	9,627	18.2%
8	Criminal Investigation	10,152	11,846	-14.3%
9	Processing Original Return	10,021	9,290	7.9%
10	Automated Underreporter Examination Completed <sup>29</sup>	9,594	9,125	5.1%
11	Open Audit	9,232	8,729	5.8%
12	Combined Annual Wage Reporting (CAWR) <sup>30</sup> and Federal Unemployment Tax Act (FUTA) <sup>31</sup>	8,928	7,123	25.3%
13	Stolen Identity	7,147	3,327	114.8%
14	IRS Offset	6,461	4,836	33.6%
15	Installment Agreements	5,969	5,197	14.9%

### Trends in Case Advocacy

A variety of factors influence TAS's workload, including new IRS initiatives, changes in legislation or IRS practices, consolidation and centralization of IRS work processes, and increased IRS emphasis on compliance activities. TAS experienced an increase in customer service-related issues in FY 2008. While compliance-related cases increased overall, TAS experienced a decrease in certain compliance-related issues, including levies, the Earned Income Tax Credit (EITC), and criminal investigation. This reversal of prior trends is due largely to the impact of stimulus payments on inventories for both the IRS and TAS, as well

<sup>25</sup> TAMIS data obtained from BPMS (Sept. 30, 2007 and Sept. 30, 2008).

<sup>26</sup> The Federal Payment Levy Program (FPLP) is a systemic collection enforcement tool where certain delinquent taxpayers are matched to their federal payments disbursed by Treasury's Financial Management Service (FMS) which are levied. Each week, the IRS creates a file of certain balance due accounts and transmits the file to FMS's Treasury Offset Program. FMS transmits a weekly file back to the IRS listing those that matched. FPLP will subsequently transmit levies on accounts that had matched.

<sup>27</sup> IRC § 6020(b) allows the IRS to prepare a return on behalf of the taxpayer based on its own knowledge and other data, and assess the tax after providing notice to the taxpayer.

<sup>28</sup> Reconsideration of a tax assessment resulting from an IRS examination, or an income or employment tax return prepared by the IRS under IRC § 6020(b).

<sup>29</sup> The Automated Underreporter program matches taxpayer income and deductions submitted by third parties against amounts reported on the taxpayer's return.

<sup>30</sup> CAWR is a document-matching program that compares the federal income tax withheld, advance EITC, Medicare wages, Social Security wages, and Social Security tips reported to the IRS against that reported to the Social Security Administration.

<sup>31</sup> FUTA provides for cooperation between state and federal governments in the establishment and administration of unemployment insurance. Under this dual system, the employer is subject to a payroll tax levied by the federal and state governments. The IRS uses the FUTA Certification program to verify with the states that the credit claimed on IRS forms was actually paid into the states' unemployment funds.



as the shifting of IRS resources from compliance activities to answering ESP-related phone inquiries.<sup>32</sup> The following issues illustrate the downstream effect of such events on TAS receipts.

### Effect of the Economic Stimulus Act of 2008 on TAS Case Receipts

Passage of the Economic Stimulus Act of 2008 in February challenged the IRS to develop and implement programming while simultaneously running a tax filing season.<sup>33</sup> In response to a flood of taxpayer calls,<sup>34</sup> the IRS transferred employees from its Accounts Management and Automated Collection System (ACS) functions to assist in answering these calls. As the IRS was forced to shift employees to help in answering phones, AM experienced a decline in productivity in processing taxpayer correspondence.<sup>35</sup> Correspondence related to accounts more than doubled, creating potentially significant burdens for affected taxpayers.<sup>36</sup> Consequently, more taxpayers waited longer to resolve their issues, which qualified them for TAS help. The backlogs in AM had a significant impact on TAS cases, as TAS received 25,759 cases related to the ESP in FY 2008, which is more than any other issue.<sup>37</sup> Table 4.10 and Chart 4.11 below illustrate the impact on TAS receipts for a variety of issue codes related to ESP.

**TABLE 4.10, TAS Receipts Related to ESP With High Percentage Increases**

Receipts by Issue	FY 2008 Receipts	FY 2007 Receipts	% Change
Other Refund Inquiries/Issues	14,817	4,631	220.0%
Injured Spouse Claim	14,238	8,295	71.6%
Processing Amended Returns	21,963	16,267	35.0%
IRS Offset	6,461	4,836	33.6%
Expedite Refund Request	11,376	9,627	18.2%
<b>Totals</b>	<b>68,855</b>	<b>43,656</b>	<b>57.7%</b>

AM case receipts involving adjustments to taxpayer accounts rose by 1.5 million in FY 2008.<sup>38</sup> To address the increase, AM alerted all IRS employees on August 6, 2008, that due

<sup>32</sup> W&I, *Business Performance Review* 11 (Oct. 30, 2008).

<sup>33</sup> Economic Stimulus Act, Pub. L. No. 110-185 (2008).

<sup>34</sup> In FY 2008, the IRS received 48.9 million “dialed number attempts” on its Rebate Hotline (established Mar. 3, 2008) concerning ESP. The number of “dialed number attempts” that resulted in a conversation with a live assistor was 5.5 million. IRS, Joint Operations Center (JOC), *Snapshot Reports: Product Line Detail: Rebate Hotline (Economic Stimulus Payments) 866-234-2942* (week ending Sept. 30, 2008). About 21.9 million additional callers were assisted through automation. In general, the JOC tracks the IRS’s performance on its toll-free lines based on “net [call] attempts” rather than “dialed number attempts.” The Joint Operations Center report dated September 30, 2008, reported a call volume to Customer Accounts Services of 150.6 million in FY 2008 compared to 67.3 million in FY 2007.

<sup>35</sup> *The Status of Economic Stimulus Payments: Hearing Before the Subcomm. on Oversight and Social Security of the H. Comm. on Ways and Means*, 110th Cong. (June 19, 2008) (testimony of Nina E. Olson, National Taxpayer Advocate).

<sup>36</sup> *Id.*

<sup>37</sup> Because ESP-related cases can involve a variety of primary issue codes, TAS identified and tracked them with a special case code. Data obtained from TAMIS on Oct. 1, 2008 (including only cases received in FY 2008 and marked as ESP-related as of Oct. 1, 2008).

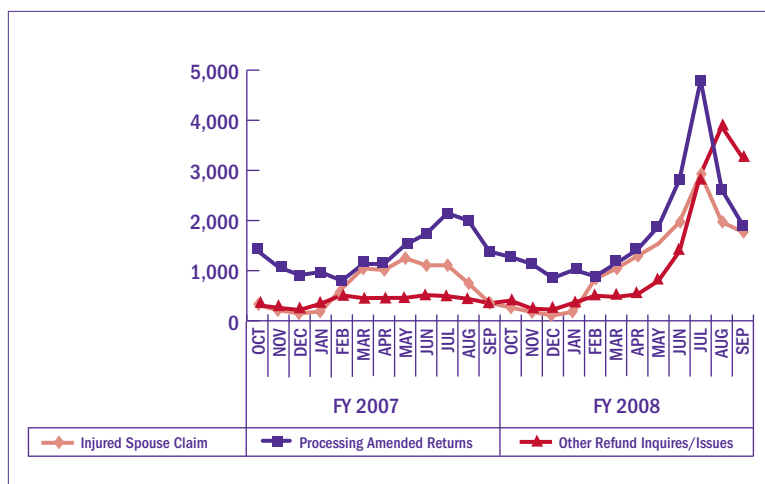
<sup>38</sup> IRS Joint Operations Center, *Adjustments Inventory Report, July-September Fiscal Year Comparison* (including total receipts for both individual and business accounts). In FY 2008, individual adjustment account receipts exceeded FY 2007 levels by 1.3 million.

to the unusually high volume of amended returns and injured spouse claims, the normal processing time of eight to 12 weeks would be extended by four weeks. On September 27, 2008, W&I reported the overall AM adjustments inventory level was 725,943 compared to 480,292 for the same period in 2007.<sup>39</sup>

AM's unexpected volume and increased processing time of amended returns caused an increase in TAS receipts. AM redirected resources to handle call volume, contributing to case processing delays and increased taxpayer burden. In response to AM's announcement of the increased processing time, the NTA toll-free line also began advising taxpayers that the IRS would need an additional four weeks to process their amended returns. TAS amended return receipts began to decline, coinciding with AM's initiatives to handle the volume of work, and AM eventually rescinded the additional processing time on November 20, 2008. Although its ESP receipts peaked in July, TAS is still receiving ESP cases, with more than 9,000 of them coming to TAS since October 1, 2008.<sup>40</sup>

Chart 4.11 below, while demonstrating the same post-filing season peak phenomenon of injured spouse, amended return, and refund inquiry case receipts for both periods, also reflects an increase in these receipts for FY 2008. In particular, the dramatic increase in refund inquiry cases received from June through September reflects the impact of ESP on TAS inventory.

**CHART 4.11, Processing Amended Returns, Injured Spouse Claims, and Other Refund Inquiries/Issues Receipts<sup>41</sup>**



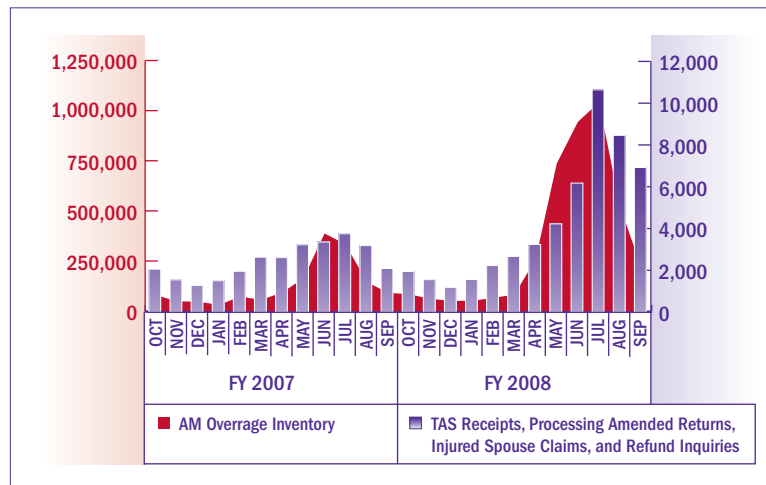
<sup>39</sup> W&I, *Business Performance Review 20* (Oct. 30, 2008).

<sup>40</sup> Data obtained from TAMIS (Nov. 26, 2008).

<sup>41</sup> TAMIS data obtained from BPMS (Sept. 30, 2008).

Chart 4.12 below shows the volume of receipts by month against the number of cases identified by AM as “overage” and not worked timely. TAS received higher volumes of cases during the times when AM overage was highest.

**CHART 4.12, Accounts Management Overage Comparison to TAS Amended Return, Injured Spouse, and Refund Inquiry Receipts, FY 2007- 2008<sup>42</sup>**



AM processing delays added to taxpayer frustration. High inventories of unanswered correspondence and submissions have a negative impact on taxpayers and in the long term may reduce compliance by angry and frustrated taxpayers.<sup>43</sup>

**Congressional Casework**

TAS independently reviews all tax account inquiries sent to the IRS by members of Congress. TAS received 22,097 such inquiries in FY 2008, a 126 percent increase from the previous fiscal year, caused primarily by the Economic Stimulus Act of 2008.<sup>44</sup> Over 46 percent of congressional receipts in FY 2008 involved ESP-related issues.<sup>45</sup> Table 4.13 highlights the top ten issues in congressional cases for FY 2008.

<sup>42</sup> Accounts Management data obtained from IRS Joint Operations Center, *Adjustments Inventory Report, Overage Comparison* FY 2007 through FY 2008. TAS receipt data obtained from BPMS (Sept. 30, 2008) (including total receipts involving Processing Amended Returns, Injured Spouse Claims, and Other Refund Inquiries).

<sup>43</sup> *The Status of Economic Stimulus Payments: Hearing Before the Subcomm. on Oversight and Social Security of the H. Comm. on Ways and Means*, 110th Cong. (June 19, 2008) (testimony of Nina E. Olson, National Taxpayer Advocate).

<sup>44</sup> TAMIS data obtained from BPMS (Sept. 30, 2008).

<sup>45</sup> Data obtained from TAMIS (Oct. 1, 2008) (including only cases that were received in FY 2008 and marked as ESP-related as of Oct. 1, 2008).

**TABLE 4.13, Top Ten Issues in Congressional Cases, FY 2008<sup>46</sup>**

Issue	Number
Other Refund Inquiries/Issues	8,228
Levies (including the Federal Payment Levy Program)	889
Account/Notice Inquiry	842
Expedite Refund Request	751
Processing Original Returns	703
Processing Amended Returns	703
Open Audit (Not Revenue Protection Strategy or EITC)	540
Failure to File Penalty/ Failure to Pay Penalty	502
Reconsideration of Substitute for Return under IRC § 6020(b) and Audits	438
Automated Underreporter Examination in Process	432

Table 4.14 illustrates TAS congressional receipts from FY 2005 to FY 2008 and the number of 2008 ESP congressional cases.

**TABLE 4.14, Congressional Receipts, FY 2005-2008<sup>47</sup>**

	FY 08	FY 07	FY 06	FY 05	%Change FY 07-FY 08	FY 08 ESP Congressional Cases <sup>48</sup>
Congressional Receipts	22,097	9,779	10,873	11,509	126.0%	10,320
Total Case Receipts	274,051	247,839	242,173	197,679	10.6%	
<b>% of Total Receipts</b>	<b>8.1%</b>	<b>3.9%</b>	<b>4.5%</b>	<b>5.8%</b>		<b>46.7%</b>

### Stolen Identity Cases Increase

TAS stolen identity case receipts continued to rise throughout FY 2008, increasing by 114.8 percent over FY 2007.<sup>49</sup> Stolen identity cases can involve a number of issues, including refund inquiries, duplicate return filing conditions, Automated Underreporter, substitute for return (SFR), mixed entities,<sup>50</sup> levies, etc. TAS case advocates use Primary Issue Code 425, Stolen Identity, to code all cases involving tax-related identity theft. Chart 4.15 displays the steady increase in stolen identity cases.

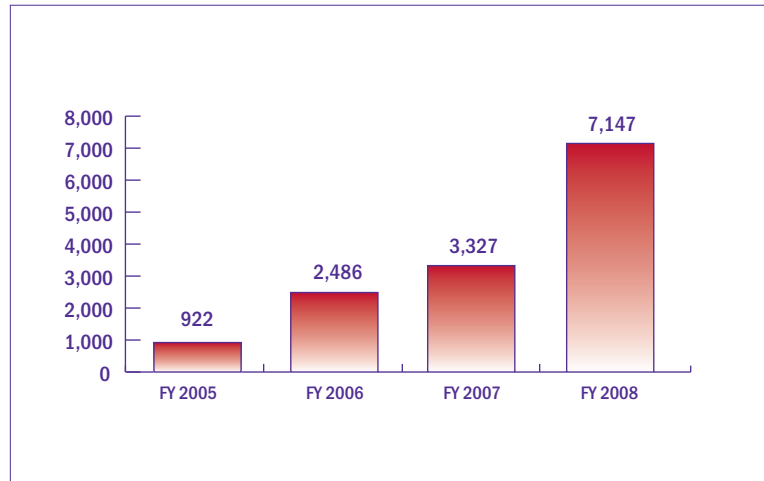
<sup>46</sup> TAMIS data obtained from BPMS (Sept. 30, 2008).

<sup>47</sup> *Id.*

<sup>48</sup> Data obtained from TAMIS (Oct. 1, 2008) (including only cases that were received in FY 2008 and marked as ESP-related as of Oct. 1, 2008).

<sup>49</sup> TAMIS data obtained from BPMS (Sept. 30, 2008).

<sup>50</sup> Cases involving multiple taxpayers using the same Taxpayer Identification Number (TIN) are classified as mixed entity or scrambled SSN cases. See Internal Revenue Manual 21.6.2.4.2 (Jan. 22, 2008).

**CHART 4.15, TAS Stolen Identity Receipts, FY 2005-2008<sup>51</sup>**

The IRS has established an indicator to track the number of taxpayers and accounts affected by this growing problem.<sup>52</sup> From January 1 through September 19, 2008, the IRS placed the identity theft indicator on 17,897 taxpayer accounts.<sup>53</sup> This indicator alerts IRS personnel viewing the account that the taxpayer has substantiated that he or she is a victim of tax-related identity theft. Beginning in January 2009, the IRS will have an additional indicator for taxpayers who have substantiated an identity theft incident, but do not yet have a tax-related consequence.

As recommended in the National Taxpayer Advocate's 2007 Annual Report to Congress, the IRS has taken steps towards being proactive in dealing with taxpayers affected by identity theft.<sup>54</sup> The IRS established an Identity Protection Specialized Unit, as well as a toll-free hotline to assist taxpayers with identity theft issues. The hotline, if properly administered, should reduce the number of taxpayers coming to TAS for help in resolving these issues.<sup>55</sup>

### **Earned Income Tax Credit Cases Decline**

The Small Business Self-Employed (SB/SE) division reported a 6.1 percent reduction in EITC audit closures from October 1, 2007, through June 30, 2008 compared to the same

<sup>51</sup> TAMIS data obtained from BPMS (Sept. 30, 2008).

<sup>52</sup> In 2007, the Federal Trade Commission (FTC) received 258,427 complaints of identity theft, an increase over the 246,124 complaints received in 2006. See FTC website, <http://www.ftc.gov/opa/2008/02/fraud.pdf>.

<sup>53</sup> PIPDS, Identity Theft and Incident Management (ITIM), *Incident Tracking System Report* (Sept. 19, 2008).

<sup>54</sup> National Taxpayer Advocate 2007 Annual Report to Congress 108.

<sup>55</sup> See Most Serious Problem, *IRS Process Improvements to Assist Victims of Identity Theft*, *supra*.

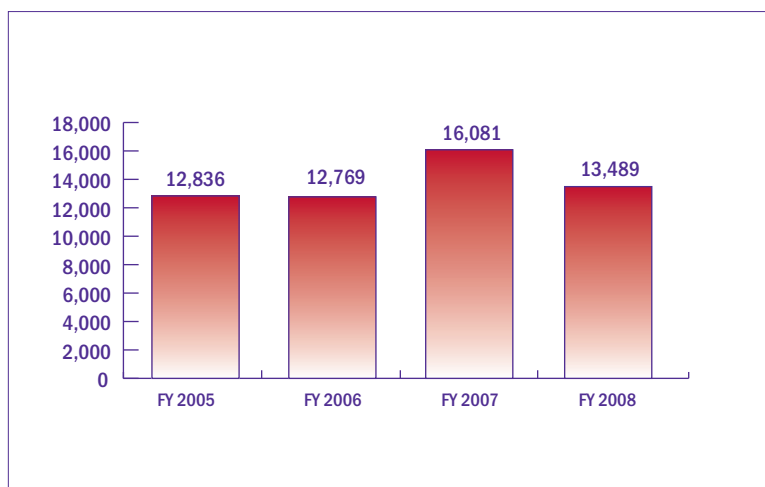
period in FY 2007.<sup>56</sup> W&I reported an 11.3 percent decrease in EITC audits in FY 2008 compared to FY 2007.<sup>57</sup> Table 4.16 below illustrates these trends.

**TABLE 4.16, EITC Audit Activity for W&I and SB/SE, FY 2007 and FY 2008<sup>58</sup>**

		FY 2008 10/1/07–06/30/08	FY 2007 10/01/06–06/30/07	% Change
SB/SE	EITC Audit Closures	105,656	112,478	-6.1%
		FY 2008 10/1/07–09/30/08	FY 2007 10/01/06–09/30/07	% Change
W&I	EITC Returns Audited	313,769	353,958	-11.3%

TAS received 13,489 cases involving EITC in FY 2008 compared to 16,081 in FY 2007, a decrease of 16.1 percent.<sup>59</sup> In FY 2008, TAS provided full or partial relief to taxpayers in 47.2 percent of TAS EITC cases.<sup>60</sup> TAS closed 42.2 percent of these cases in FY 2008 with no relief because the taxpayers could not provide the documentation required by the IRS to substantiate their eligibility for the credit.<sup>61</sup> As discussed in the 2007 Annual Report, many low income taxpayers face significant barriers in obtaining sufficient documentation, and thus cannot prove eligibility.<sup>62</sup> Chart 4.17 illustrates TAS EITC case levels for the last four fiscal years.

**CHART 4.17, TAS EITC Receipts, FY 2005-2008<sup>63</sup>**



<sup>56</sup> SB/SE, *Business Performance Review 28* (Aug. 12, 2008)

<sup>57</sup> W&I *Business Performance Review 25* (Aug. 7, 2008).

<sup>58</sup> W&I, *Business Performance Review 11* (Oct. 30, 2008); SB/SE *Business Performance Review 4* (Aug. 12, 2008).

<sup>59</sup> TAMIS data obtained from BPMS (Sept. 30, 2008).

<sup>60</sup> *Id.*

<sup>61</sup> *Id.*

<sup>62</sup> National Taxpayer Advocate 2007 Annual Report to Congress 225.

<sup>63</sup> TAMIS data obtained from BPMS (Sept. 30, 2008).

### Combined Annual Wage Reporting/Federal Unemployment Tax Act Cases

The IRS and the Social Security Administration (SSA) jointly administer the Combined Annual Wage Reporting (CAWR) document-matching program, which is designed to ensure that employers report the correct amount of wages, pay the proper amount of taxes, and properly credit the individual employee's Social Security account. The Federal Unemployment Tax Act (FUTA) provides for cooperation between state and federal governments in the establishment and administration of unemployment insurance. Under this dual system, the employer is subject to a payroll tax levied by the federal and state governments. The IRS uses the FUTA Certification program to verify with the states that the credit claimed on IRS forms was actually paid into the states' unemployment funds.

TAS receipts related to CAWR and FUTA issues have risen continually since FY 2005. Chart 4.18 below tracks these receipts by month from FY 2005 through FY 2008. While monthly receipts began to decline in the last half of FY 2008, total receipts for FY 2008 (8,928 cases) were 25.3 percent higher than FY 2007 receipts (7,123 cases) and 263.7 percent higher than FY 2005 receipts (2,455 cases).<sup>64</sup> The problems that cause TAS casework include delays in case resolution due to a lack of proper inventory management controls, CAWR notices that are unclear and do not necessarily help employers comply, and improper assessments of penalties.<sup>65</sup> In FY 2008, CAWR ranked as the number one issue in cases closed within TAS for large and midsize businesses, tax-exempt organizations, and government entities.<sup>66</sup> TAS and SB/SE have established a team to study the effect of the CAWR program on TAS receipts, review CAWR processes, identify systemic problems, and discuss potential solutions.<sup>67</sup> TAS identified CAWR as a Most Serious Problem in the 2007 Annual Report and it remains a Most Serious Problem in 2008.<sup>68</sup>

<sup>64</sup> TAMIS data obtained from BPMS (Sept. 30, 2008).

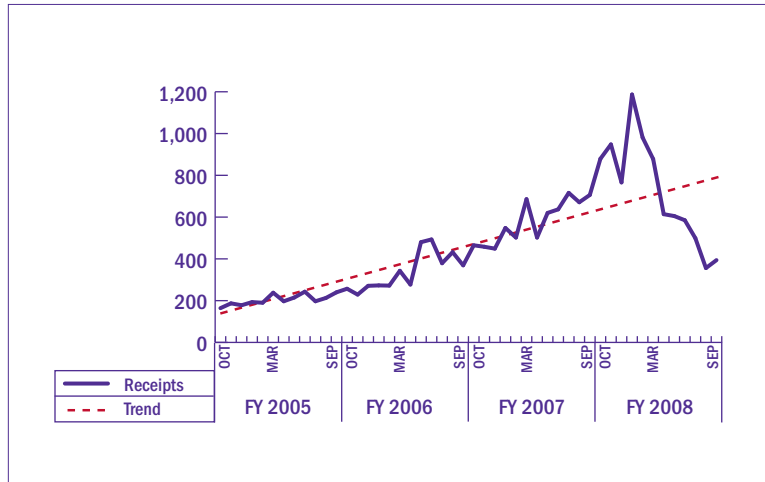
<sup>65</sup> See Most Serious Problem, *Inefficiencies in the Administration of the Combined Annual Wage Reporting (CAWR) Program Impose Substantial Burden on Employers and Waste IRS Resources*, *supra*.

<sup>66</sup> CAWR is the fourth most common issue driving small business employers to TAS. The relief rates in CAWR cases are 82.5 percent for the Large and Mid-Sized Business Division (LMSB), 88.7 percent for TE/GE, and 86.5 percent for SB/SE. See TAS Technical Analysis and Guidance response to research request (Nov. 10, 2008); TAS, *Business Performance Review 4th Quarter FY 2008*.

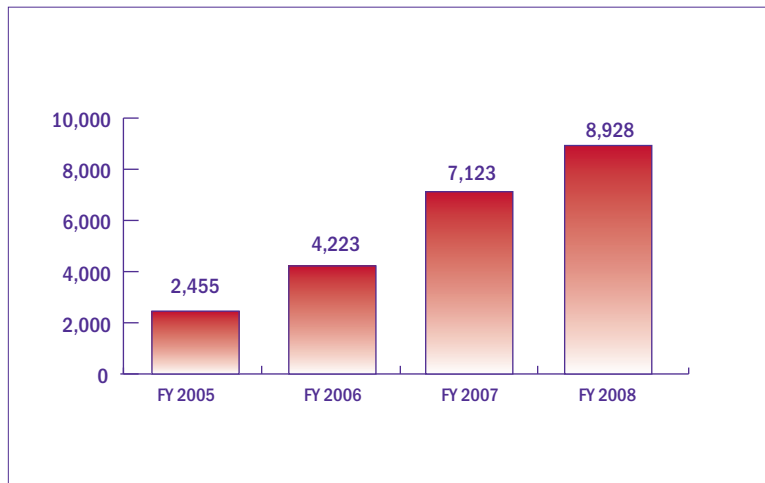
<sup>67</sup> See National Taxpayer Advocate 2007 Annual Report to Congress 651.

<sup>68</sup> See Most Serious Problem, *Inefficiencies in the Administration of the Combined Annual Wage Reporting (CAWR) Program Impose Substantial Burden on Employers and Waste IRS Resources*, *supra*.

**CHART 4.18, TAS CAWR/FUTA Monthly Receipts, FY 2005-2008<sup>69</sup>**



**CHART 4.19, TAS CAWR/FUTA Cumulative Receipts Thru September, FY 2005-FY 2008<sup>70</sup>**



<sup>69</sup> TAMIS data obtained from BPMS (Sept. 30, 2008).

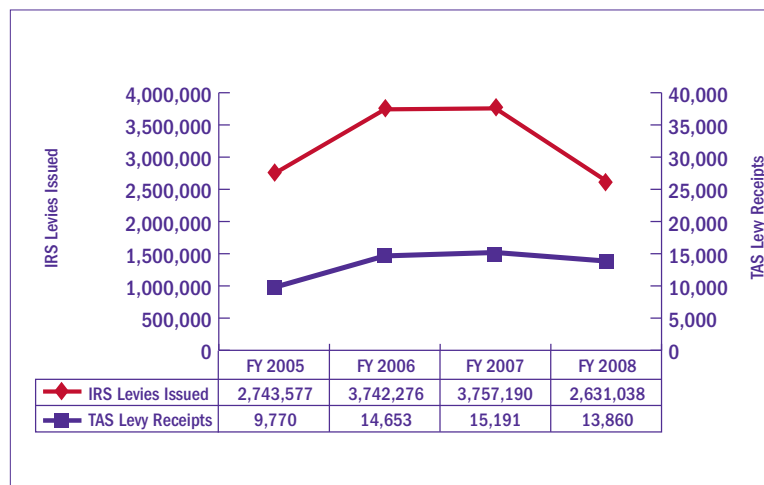
<sup>70</sup> TAMIS data obtained from BPMS (Sept. 30, 2008).



## Levy Cases

In the last four fiscal years, TAS levy case receipts have reflected the numbers of levies issued by the IRS. Chart 4.20 below illustrates this trend.

**CHART 4.20, IRS Levies and TAS Levy Receipts, FY 2005-2008<sup>71</sup>**



During peak filing season weeks in 2008, the ACS “turned off” levies and notices so ACS employees could answer ESP-related calls through July 9, 2008.<sup>72</sup> The IRS reported a 30 percent decrease in levies issued, while TAS experienced an 8.5 percent decrease in total levy cases, receiving 17,082 cases in FY 2008 compared to 18,665 in FY 2007.<sup>73</sup>

The IRS also issues levies systemically through the Federal Payment Levy Program (FPLP). The FPLP is an automated system that matches IRS records against those of the government’s Financial Management Service and allows continuous levies to be issued for up to 15 percent of federal payments due to taxpayers who have unpaid federal tax liabilities. As discussed in the 2007 Annual Report to Congress, the bulk of FPLP levy payments received have historically been related to Social Security benefits. Although the IRS initially used an income filter to systemically exclude from the FPLP those taxpayers with income below a specified threshold, the IRS gradually phased out the filter and eliminated it altogether in January 2006.<sup>74</sup> The law limits FPLP levies to only 15 percent of each Social Security payment, but the remainder may not be enough to avoid a financial hardship, considering that Social Security provides at least half of the total income for 64 percent of beneficiaries

<sup>71</sup> IRS levy data from 2007 IRS Data Book (excluding levies issued through FPLP). TAS data obtained from BPMS (Sept. 30, 2008) (excluding FPLP receipts).

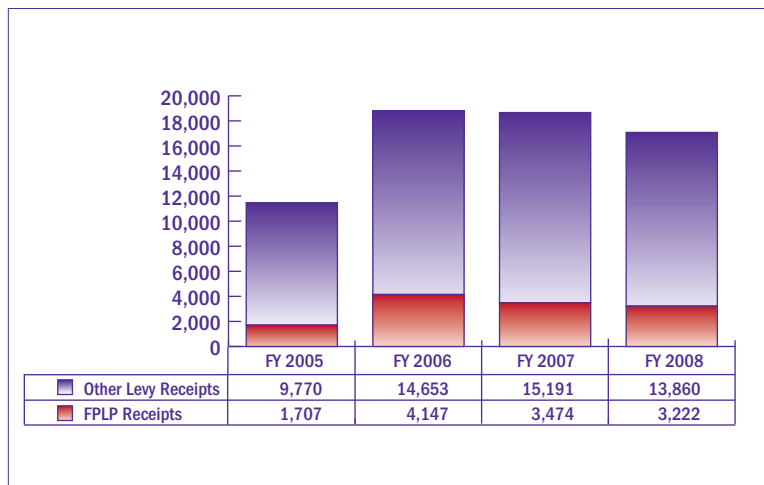
<sup>72</sup> W&I, *Business Performance Review* 16 (Aug. 7, 2008).

<sup>73</sup> TAMIS data obtained from BPMS (Sept. 30, 2008) (including FPLP receipts).

<sup>74</sup> National Taxpayer Advocate 2007 Annual Report to Congress 225.

aged 65 or over.<sup>75</sup> TAS received 3,222 FPLP cases during FY 2008 and 90 percent of them impacted recipients of Social Security benefits.<sup>76</sup> TAS research is developing a mathematical model to filter out taxpayers unlikely to be able to afford the FPLP levy.<sup>77</sup>

**CHART 4.21, Total TAS Levy Case Receipts, FY 2005-2008<sup>78</sup>**



**Case Closures**

In FY 2008, TAS closed 260,439 cases received in FY 2008 or prior years, providing full or partial relief to the taxpayer in 72.6 percent of these cases. The number of cases closed increased 6.1 percent over FY 2007, lagging behind the overall increase (10.8 percent) in cases received.<sup>79</sup> Table 4.22 shows the disposition of cases closed in FY 2008.

<sup>75</sup> Social Security Administration, *Fast Facts & Figures About Social Security 2008* (Sept. 2008).

<sup>76</sup> TAMIS data obtained from BPMS (Sept. 30, 2008).

<sup>77</sup> See *Building a Better Filter: Protecting Lower Income Social Security Recipients from the Federal Payment Levy Program*, Volume II, *infra*.

<sup>78</sup> TAMIS data obtained from BPMS (Sept. 30, 2008).

<sup>79</sup> *Id.*

**TABLE 4.22, TAS Case Disposition Types for FY 2008<sup>80</sup>**

Type of Relief	Number	%
<b>Relief Provided to Taxpayer</b>	<b>189,046</b>	<b>72.59%</b>
Full relief	176,209	67.66%
Partial relief	12,787	4.91%
Taxpayer Assistance Order (TAO) <sup>81</sup> issued - IRS complied	47	0.01%
TAO issued - IRS appealed, TAO sustained	3	0.01%
<b>No Relief Provided to Taxpayer</b>	<b>71,393</b>	<b>27.41%</b>
TAO issued - IRS appealed, TAO rescinded	8	0.01%
No relief (no response from taxpayer)	35,401	13.59%
Relief provided prior to TAS intervention	14,526	5.58%
Relief not required (taxpayer rescinded request)	3,530	1.36%
No relief (hardship not validated)	845	0.01%
Relief not required (hardship not related to internal revenue laws)	1,276	0.01%
No relief (tax law precluded relief)	1,913	0.73%
Other	13,894	5.33%
<b>Total TAS Cases Closed</b>	<b>260,439</b>	<b>100%</b>
<b>TAOs Issued<sup>82</sup></b>	68	0.01% of total closures

### Operations Assistance Requests

TAS uses Operations Assistance Requests (OARs) to obtain assistance from an IRS operating division or function to complete an action when TAS does not have the statutory or delegated authority to take the action(s) required to resolve taxpayers' problems. Table 4.23 highlights the OARs issued and closed in FY 2008 and the average number of days it took the IRS to complete the OARs.

<sup>80</sup> TAOs are only reflected in the Relief/No Relief figures if the case was also closed on TAMIS by Sept. 30, 2008. The table reflects closed cases, and not all TAOs issued in 2008 resulted in closed cases. TAOs may be closed even while the underlying cases remain open until fully resolved. Of the 35 TAOs showing as issued under W&I, four were issued to CI and one to Appeals. They appear under TAOs issued to W&I because they involved W&I taxpayers.

<sup>81</sup> IRC § 7811 authorizes the National Taxpayer Advocate to issue a TAO when a taxpayer is suffering or about to suffer a significant hardship as a result of the manner in which the tax laws are being administered. TAS may issue a TAO to direct the IRS to take an action, cease an action, or refrain from taking an action in a case. A TAO may, among other things, order the IRS to expedite consideration of a taxpayer's case, reconsider its determination in a case, or review the case at a higher level of the organization.

<sup>82</sup> Of the 68 TAOs issued in FY 2008, four remained open at the end of September 2008. Closed TAOs are only reflected in the Relief/No Relief figures if the cases were also closed on TAMIS by Sept. 30, 2008. Total TAO relief closures will not match TAOs issued.

**TABLE 4.23, OAR Activity for FY 2008<sup>83</sup>**

Operating Division/Function	OARs Issued	OARs Rejected	OARs Completed	Average Age of Completed OARs (Days)
W&I	125,514	9,715	110,964	16.5
SB/SE	86,225	10,258	77,445	17.6
Criminal Investigation	12,643	574	11,101	21.5
TE/GE	1,121	89	988	38.7
Appeals	838	117	707	36.3
LMSB	105	11	94	41.8
<b>Total</b>	<b>226,446</b>	<b>20,764</b>	<b>201,299</b>	<b>17.4</b>

### Taxpayer Assistance Orders

IRC § 7811 authorizes the National Taxpayer Advocate to issue a Taxpayer Assistance Order (TAO) when a taxpayer is suffering or about to suffer a significant hardship as a result of the manner in which the tax laws are being administered. TAS may issue a TAO to direct the IRS to take an action, cease an action, or refrain from taking an action in a case.<sup>84</sup> A TAO, among other things, may order the IRS to expedite consideration of a taxpayer's case, reconsider its determination in a case, or review the case at a higher level of the organization.

Upon receipt of a TAO, the responsible IRS official can either agree to take the action directed or appeal the order. If the National Taxpayer Advocate issues, sustains, or amends a TAO, only the Commissioner or Deputy Commissioner can rescind or modify the TAO.<sup>85</sup> TAS issued 68 TAOs during FY 2008, compared to 27 in FY 2007, an increase of 152 percent.<sup>86</sup> Table 4.24 summarizes the issues.

<sup>83</sup> TAMIS data obtained from BPMS (Sept. 30, 2008).

<sup>84</sup> The terms of a TAO may require the Secretary, within a specified time period, to release property of the taxpayer levied upon, or to cease any action, take any action as permitted by law, or refrain from taking any action, with respect to the taxpayer under chapter 64 (relating to collection), subchapter B of chapter 70 (relating to bankruptcy and receiverships), chapter 78 (relating to discovery of liability and enforcement of title), or any other provision of law which is specifically described by the National Taxpayer Advocate in such order.

<sup>85</sup> IRC § 7811(c).

<sup>86</sup> See National Taxpayer Advocate 2007 Annual Report to Congress 660.

**TABLE 4.24, Taxpayer Assistance Orders Issued in FY 2008<sup>87</sup>**

Issue Description	Number
Refund Issues <sup>88</sup>	11
Levy	10
Identity Theft	6
Offer In Compromise - Effective Tax Administration	4
Request for Reconsideration of Audit/Substitute for Return or IRC § 6020 (b) Assessment	4
Seizure & Sale	4
Offer In Compromise - Doubt as to Collectability	3
Other Technical, Procedural or Statute Issues	3
Injured Spouse Claims	2
Lien Release	2
Processing Amended Returns	2
Refund Statute Expiration Date	2
Revenue Protection Strategy (EITC) Claim	2
Application for Exempt Status	1
Bankruptcy	1
Criminal Investigation	1
Exam Appeals	1
Failure to File/ Failure to Pay Penalty	1
Innocent Spouse	1
Installment Agreement	1
Multiple/Mixed Entity	1
Open Audit	1
Other Collection Issues	1
Other Document Processing Issues	1
Trust Fund Recovery Penalty	1
Unable to Pay - Currently not Collectible	1
<b>Total</b>	<b>68</b>

The IRS complied with 53 TAOs, TAS rescinded 11, and four remained open at the close of FY 2008.<sup>89</sup>

<sup>87</sup> TAO information is manually tracked by TAS National Headquarters staff.

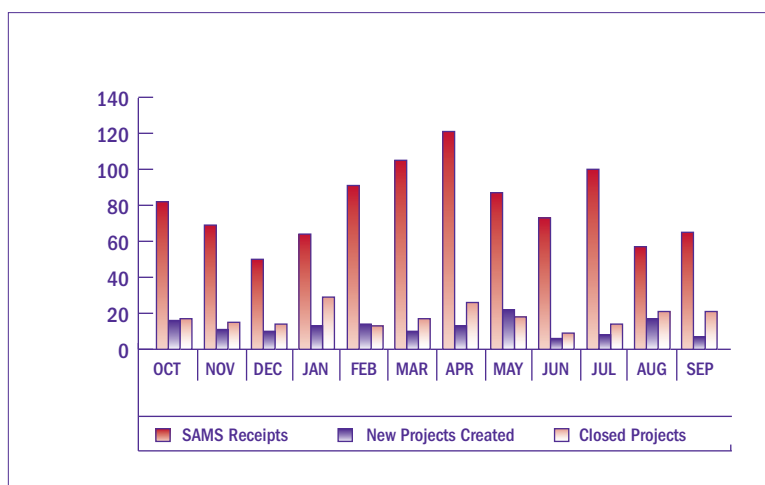
<sup>88</sup> Includes Lost/Stolen Refunds, Expedite Refund Requests, Returned/Stopped Refunds, Direct Deposit, and Other Refund Issues.

<sup>89</sup> Seven of the complied TAOs and three of the rescinded TAOs were issued on cases that are still open in TAS and are not reflected in Table 4.22, TAS Case Dispositions for FY 2008, *supra*.

### Systemic Advocacy Receipts and Projects

The TAS Office of Systemic Advocacy receives, reviews, assigns, and tracks advocacy work through the Systemic Advocacy Management System (SAMS), a web-based application available to IRS employees and the public.<sup>90</sup> Systemic Advocacy employees review and evaluate all issue submissions and apply criteria that categorize and develop the issues into projects when appropriate, or incorporate new issues into existing projects. Table 4.25 illustrates SAMS monthly issue receipts, new advocacy projects created from receipts, and closed projects for fiscal year 2008.

**TABLE 4.25, FY 2008 SAMS Receipts, New Projects, and Closed Projects**



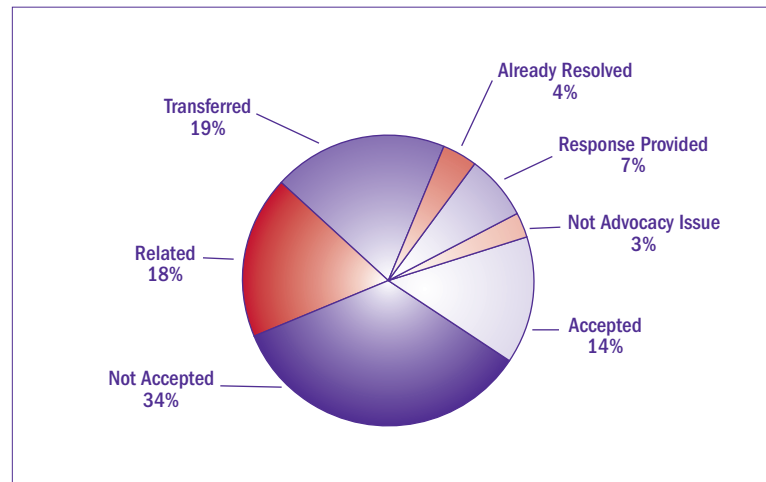
From October 1, 2007 through September 30, 2008, Systemic Advocacy received 964 issues on SAMS, a decrease of approximately 21 percent from the previous fiscal year. Most of the submissions came to TAS during and immediately after the filing season (January through May). The public (taxpayers, academics, and tax professionals) submitted approximately 34 percent (325) of all systemic advocacy issues received in FY 2008, which represents a slight decrease from the 35 percent (425) received via the public Internet in FY 2007. TAS and other IRS employees submitted the remaining issues directly into SAMS using the IRS intranet.

Systemic Advocacy does not consider all submissions for development into projects. Some are individual taxpayer account issues rather than systemic problems, or are tax law or procedural questions, matters that have already been or are being resolved, or that relate to other federal agencies or state tax agencies. These issues are marked accordingly on SAMS,

<sup>90</sup> SAMS is a database of advocacy issues submitted to TAS by IRS employees and the public, and the advocacy projects created from issues. The Internet version of SAMS is available through the Systemic Advocacy pages of the TAS website at <http://www.irs.gov/advocate>.

but are not elevated for project consideration. Chart 4.26 below illustrates the disposition of FY 2008 submissions by percentage.

**CHART 4.26, FY 2008 Closing Disposition of SAMS Receipts<sup>91</sup>**



Systemic Advocacy reviews all issue submissions, using established criteria to prioritize inventory and develop advocacy projects. SAMS program managers rank the issues, then forward their recommendations to the Directors of Immediate Interventions and Advocacy Projects for their concurrence. This three-tiered review enhances the likelihood that Systemic Advocacy is using its resources to work the most important projects. Even though most submissions do not become projects, Systemic Advocacy continually assesses all submissions to identify trends and gain a comprehensive understanding of problems.

During FY 2008, Systemic Advocacy developed approximately 15 percent of submissions into new projects.<sup>92</sup> Chart 4.27 illustrates the top categories of new projects, which account for 72 of the 147 total projects created in FY 2008. Systemic Advocacy also closed 214 projects during this period.

<sup>91</sup> *Related* issues are those for which a project already exists or is under consideration. *Transferred* issues are sent to other TAS departments for consideration and resolution. This category includes taxpayer account issues or TAS casework policy issues. Issues marked as *Already Resolved* are those for which a procedural remedy is in place or the National Taxpayer Advocate has already proposed a legislative recommendation. Issues for which a quick response can be given, directing the submitter to the answer to his or her question, are designated as *Response Provided*. Issues that are not systemic or lie outside the jurisdiction of TAS or the IRS are marked as *Not Advocacy Issue*. The total does not add to 100 percent due to rounding.

<sup>92</sup> Some advocacy issues accepted in FY 2008 were not yet developed into projects by the end of the fiscal year. In addition, some issues accepted in FY 2007 were not made into projects until FY 2008, resulting in the difference in percentage between issues accepted (14 percent) and projects created (15 percent) in FY 2008.

**CHART 4.27, Top Systemic Advocacy Project Categories for FY 2008**

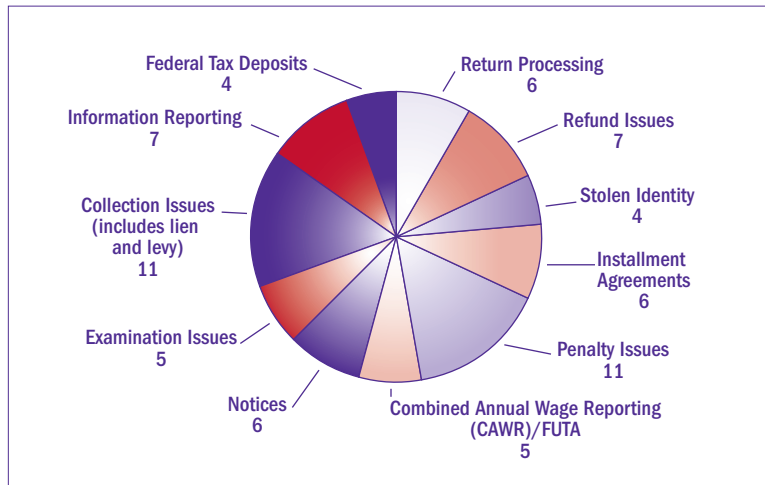


Table 4.28 below outlines the Top 25 systemic issue topics in SAMS by major issue (MI) codes that correspond to tracking on TAMIS, the TAS database of individual taxpayer cases. Some of the advocacy issues do not directly match with TAMIS MI Codes because cases usually relate to problems with customer service or taxpayer accounts. For example, no TAMIS MI code exactly matches the SAMS keyword “Notices,” which usually deals with notice clarity. Systemic issues often address problems with tax law interpretation, lack of published guidance<sup>93</sup> or difficulty (either by the IRS or by taxpayers) in applying tax law.

<sup>93</sup> Published guidance includes Treasury Regulations, Revenue Rulings and Procedures, and Notices.



**TABLE 4.28, Top 25 Issues Received on SAMS in FY 2008**

Core Issue Code	Description	FY 08 Receipts
000-090	Refund Issues <sup>94</sup>	109
600	Examination Issues	53
425	Stolen Identity	52
N/A	Form or Publication Issue	43
500	Penalty Issues	41
990	Access to the IRS	37
310	Return Processing <sup>95</sup>	32
751	Installment Agreements	28
N/A	Case Processing	26
700	Collection Issues	25
110	Notices	25
390	Information Reporting	19
400	Entity Issues	18
100	Service	18
330	Amended Return	17
340	Injured Spouse Claim (Form 8379)	17
N/A	Instructions	17
150	Copies of Tax Returns/ Transcripts	16
720	Lien	16
675	CAWR	14
710	Levy	14
N/A	Credits (Tax)	12
200	Payments/Account Credits	11
190	Employment Tax Issues	10
230	Federal Tax Deposits	10

Eight of the top ten advocacy issues from FY 2007 remain in the top ten this year, including Refund Issues, Examination Issues, Stolen Identity, Penalty Issues, Return Processing, Installment Agreements, Notices, and Case Processing. Refund issues accounted for approximately 11 percent of all advocacy submissions during FY 2008, primarily because those regarding economic stimulus payments, which the government disbursed in 2008, fall into this category.<sup>96</sup>

<sup>94</sup> All refund issue keywords were consolidated and include refund freezes, offsets, and direct deposits. "Refund Issues" also includes lost or stolen refunds, erroneous refunds, and issues pertaining to the Refund Statute Expiration Date or statute of limitations.

<sup>95</sup> Keywords "Return Processing" and "Original Return" were combined to create one issue referring to the processing of original tax returns (*i.e.*, not amended returns).

<sup>96</sup> Eighty-six advocacy submissions concerned the economic stimulus payments and 60 (69.8 percent) were classified as refund issues and had "Refund" as the keyword.

Offers in compromise (OIC) and Service dropped from the top ten, replaced by Collection Issues, Access to the IRS, and Form/Publication Issues.<sup>97</sup> Service remains a frequently reported issue at fourteenth, while OICs dropped from the top 25 issue list completely.

### Low Income Taxpayer Clinics

The Low Income Taxpayer Clinic (LITC) grant program is now in its eleventh year of operation (for fiscal year 2009). IRC § 7526 authorizes the program to award matching grant funds of up to \$100,000 per year to qualifying organizations that represent low income taxpayers involved in controversies with the IRS, and to organizations that provide education and outreach on the rights and responsibilities of individual taxpayers who speak English as a second language (ESL). Clinics must provide services free or for a nominal fee. An organization may be:

1. A clinical program at an accredited law, business, or accounting school in which students represent low income taxpayers in controversies with the IRS; or
2. An organization described in IRC § 501(c) and exempt from tax under IRC § 501(a).

LITCs reduce taxpayer uncertainty and errors by clarifying tax law responsibilities and representing low income taxpayers who cannot afford to pay for assistance in meeting their tax obligations. The clinics provide the help that low income taxpayers need, while protecting and preserving their rights. The LITCs also offer effective communication to low income taxpayers and education to the underserved ESL population.

### LITC Grant Awards

The National Taxpayer Advocate's goal in awarding LITC grants for 2008 was to place a clinic in each state, the District of Columbia, Puerto Rico, and Guam. The LITC Program Office received 191 applications and awarded nearly \$9 million in grants to 154 non-profit organizations and accredited academic institutions. On March 24, 2008, the National Taxpayer Advocate announced the IRS would accept applications for a part-year LITC matching grant from organizations to provide assistance and representation to taxpayers in the underserved target areas of Los Angeles, California; Central Oregon; Boise, Idaho; Minneapolis, Minnesota; Reno and Las Vegas, Nevada; St. Louis, Missouri; Brownsville and Laredo, Texas; Southwest Florida; New Mexico; Colorado; Mississippi; and Northeast Pennsylvania. TAS subsequently awarded grants to seven organizations during this supplemental period.

<sup>97</sup> Collection Issues and Notices tied for tenth on the list, thus 11 issues appear on the list.

### LITC Oversight

TAS is working to address concerns raised by clinics and by the Treasury Inspector General for Tax Administration and continues to improve the administration and oversight of the program. Specifically, TAS has:

- Clarified program standards and guidelines to make them easier for applicants to understand and eliminated requests for duplicate information, thereby streamlining the application process;
- Emphasized the importance of face-to-face contact as the primary means of educating taxpayers, while still recognizing the value of pamphlets, brochures, and other advertisements provided they include substantive information; and
- Developed and implemented procedures for following up with grantees that have not filed required reports.

In 2008, TAS revised the 2009 Publication 3319, *Low Income Taxpayer Clinic Grant Application Package*. The improvements include:

- Clarifying the charging of expenses related to attendance at the annual LITC Conference;
- Clarifying the allowance of refreshment and memorabilia purchases; and
- Eliminating as redundant the requirement to provide a complete financial narrative in the annual report, because clinics already must explain and itemize actual program costs for all expenses.

TAS is working to provide consistent information to clinics by establishing an LITC website on the IRS site (IRS.gov). The site would allow the Program Office to answer frequently asked questions and share important events, best practices, and products such as brochures, intake forms, and customer satisfaction surveys.

### LITC Monitoring and Visits

TAS periodically performs on-site assistance visits to selected LITCs to confirm that they fulfill their grant requirements. Each new clinic will receive a visit during its first year of LITC funding. In calendar year 2008:

- Each new clinic funded received an on-site assistance visit from the LITC Program Office;
- Almost every clinic funded was visited by the Local Taxpayer Advocate in the state where the clinic is based; and

- The LITC Program Office completed on-site assistance visits to roughly 45 percent of the clinics funded, or 68 visits altogether.<sup>98</sup>

### Compliance Reviews

TAS has established procedures to check for federal tax compliance before awarding LITC grants. Before awarding the 2008 grants, TAS verified that each grantee was compliant with all federal tax obligations and conducted follow up checks during the 2008 grant cycle. TAS worked closely with the Office of Chief Counsel to develop formal procedures to prevent unauthorized disclosure of tax information when TAS contacts a clinic regarding noncompliance.

### Performance Measures

TAS is developing performance measures to gauge the success of LITCs in serving eligible low income and ESL populations. Measures to assess customer satisfaction, quality of service, timeliness of service, number of taxpayers assisted, and types of service provided will help TAS and other stakeholders evaluate the benefits provided by the LITC program in comparison to the funds expended.

In FY 2008, the LITC Program Office proposed a set of measures related to the number of taxpayers assisted and customer satisfaction, reflecting the work of a team of TAS and LITC Program Office employees and clinic directors. The National Taxpayer Advocate determined the clinics needed additional measures to assess the types of services provided (*i.e.*, current and emerging needs of the eligible populations), the effectiveness of program plans as they relate to this “needs assessment,” and the quality of services. TAS is working to complete and refine these additional measures.

### Taxpayer Advocacy Panel: Town Hall Meetings

The National Taxpayer Advocate collaborated with the Taxpayer Advocacy Panel (TAP) again in 2008 to afford taxpayers an opportunity to voice concerns and make suggestions to improve taxpayer service and satisfaction. TAP hosted a series of town hall meetings in a forum environment that allowed attendees to focus on customer service needs and how the IRS should address them. All of these events were free and open to the public, with the objectives of:

- Conducting outreach for TAP and educating citizens on the value of advisory committees;
- Gathering timely suggestions for changes based on current and future customer service needs;
- Soliciting potential grassroots issues based on products that could be improved; and

<sup>98</sup> Data taken from the LITC 2008 Database.

- Validating the overall level of taxpayer satisfaction.

The town halls took place in three cities selected to draw maximum turnout and diversity. Table 4.29 below shows these locations and dates.

**TABLE 4.29, TAP Town Hall Meetings 2008**

City	Location	Date
Birmingham, AL	Homewood Public Library	February 21, 2008
Durham, NC	Durham County Public Library	March 13, 2008
Springfield, IL	Lincoln Land Community College	May 6, 2008

The meetings gave taxpayers an opportunity to engage in conversation with the National Taxpayer Advocate and TAP members on a variety of tax issues that affect their lives. Meetings included introductions of TAP members, an overview of the program, recruitment, and success stories. The National Taxpayer Advocate served as the keynote speaker, explaining the role of the office of the Taxpayer Advocate. Participants then were asked about IRS taxpayer service, their level of satisfaction with the service, and how to improve it. After each session, attendees were invited to participate in focus groups hosted by TAP members to solicit potential grassroots issues that the panel could explore and present to the IRS.

The attendance at the town halls varied, but the response from attendees was consistent: the IRS should remain true to the focus of providing quality customer service and making improvements in a variety of areas. Participants value the time afforded them to have a dialogue with the National Taxpayer Advocate on tax issues. TAP members feel these meetings have been an excellent venue to perform outreach and solicit issues, and the National Taxpayer Advocate has committed to making town halls a priority so that taxpayers' voices can be heard and action taken.

### **Examination of Taxpayer Assistance Centers**

In December 2007, the IRS's Director of Field Assistance asked the TAP to continue the Taxpayer Assistance Center (TAC) issue committee for an additional year. The committee, one of several TAP committees that deal with specific issues, was assigned to examine the tax return preparation process in the TACs, including the system of making appointments for return preparation. Taxpayers who qualify for return preparation assistance and come to TACs with all the necessary information must make appointments and return later to have their returns done. This process often poses problems for the customer, the TAC employees, and the IRS.

The committee members visited their local TACs, interviewing the site managers, talking with employees, and familiarizing themselves with the appointment and return preparation processes. These visits covered large, medium, and small sites in several states. The

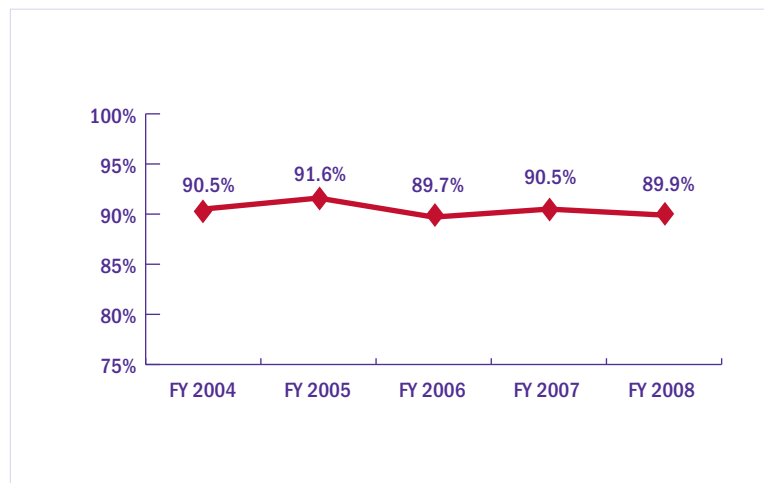
committee delivered a report and recommendations for improvement to the Director of Field Assistance in November 2008.

## TAS Quality Standards and Measurements

### TAS Closed Case Quality

Since its inception, TAS has measured the quality of assistance it provides to taxpayers. The measures include accuracy, timeliness of actions, and communication components. Chart 4.30 illustrates recent quality rates.

**CHART 4.30, TAS Case Quality, FY 2004 – FY 2008**

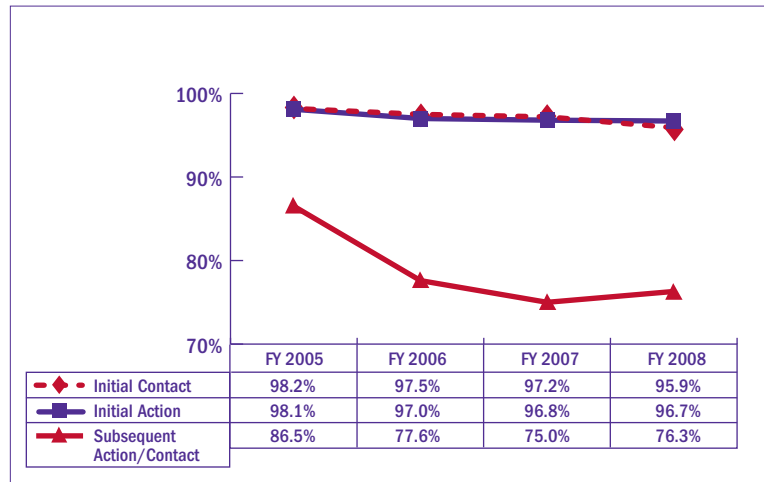


As shown above, TAS's overall quality rate has remained constant, at near 90 percent, for the last five years.<sup>99</sup> Consistently maintaining this level of quality is a remarkable accomplishment considering the significant increase in case receipts, the growing complexity of case issues, and the reduced staffing TAS has experienced over the last several years.

<sup>99</sup> Data obtained from BPMS (Nov. 25, 2008).

A major focus of TAS's quality system is taking timely actions as measured by quality standards one through three, shown in Chart 4.31 below.

**CHART 4.31, TAS Case Quality Timeliness Standards FY 2005 – 2008**



TAS continues to perform strongly in initial contact and taking timely initial actions (standards one and two, respectively) and has seen a small improvement in timely subsequent actions (standard three) during FY 2008.

### New Case Quality Standards

TAS has nearly completed an effort to redesign and enhance case quality measurement standards to address the changes in casework and processing that have occurred since TAS began operating in 2000. TAS leadership solicited all employees for recommendations about the future quality standards and conducted final focus group sessions in September 2008.

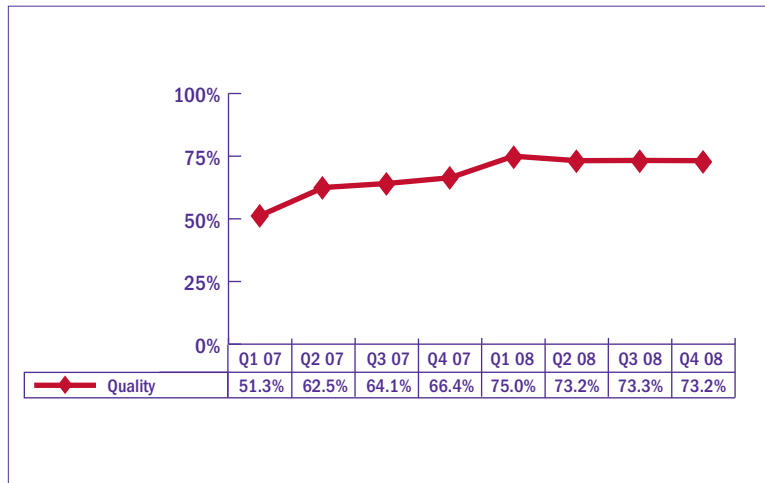
TAS will test the standards, develop a database, create an application guide, and brief employees on the standards in FY 2009. The new quality attributes should be fully implemented in FY 2010.

### TAS Systemic Advocacy Product Quality

In October 2006, TAS began evaluating the quality of Systemic Advocacy products through monthly assessments of timeliness, accuracy, and communication components. As shown in Chart 4.32 below, the cumulative quality rate for Systemic Advocacy increased significantly during FY 2008 as compared to FY 2007, its baseline year.<sup>100</sup>

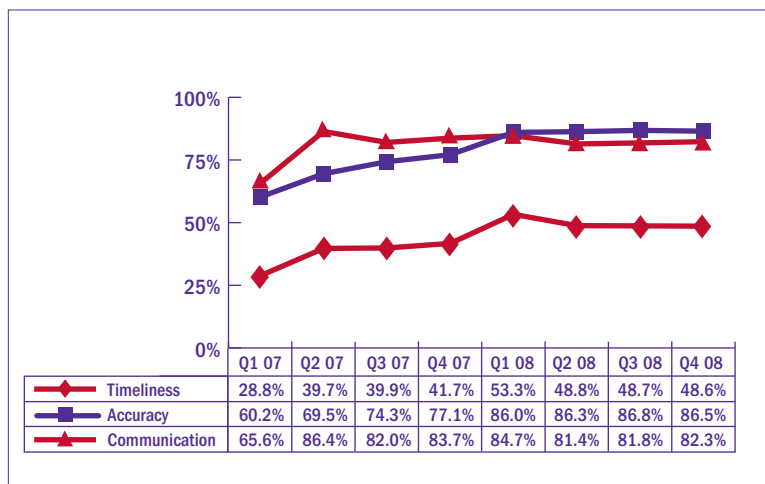
<sup>100</sup> TAS, *Systemic Advocacy Quality Review* (Nov. 25, 2008).

**CHART 4.32, Systemic Advocacy Cumulative Product Quality by Quarter, FY 2007 – 2008**



The quality rate for each of the three broad components of timeliness, accuracy, and communication within Systemic Advocacy has improved significantly since the review began in October 2006, as shown in Chart 4.33 below.

**CHART 4.33, Systemic Advocacy Cumulative Quality Rate by Category, FY 2007 – 2008**



A close alliance between Systemic Advocacy management and the Quality staff, as well as managerial review and involvement in processing Systemic Advocacy work, led to the improvement in FY 2008.