

NATIONAL
TAXPAYER
ADVOCATE

Report to Congress

FISCAL YEAR 2010
OBJECTIVES



Department of the Treasury
Internal Revenue Service

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June 30, 2009

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I. Introduction

The Internal Revenue Code requires the National Taxpayer Advocate to submit two annual reports to the House Committee on Ways and Means and the Senate Committee on Finance.¹ The National Taxpayer Advocate is required to submit these reports directly to the Committees without any prior review or comment from the Commissioner of Internal Revenue, the Secretary of the Treasury, the IRS Oversight Board, any other officer or employee of the Department of Treasury, or the Office of Management and Budget. The first report, due by June 30 of each year, must identify the objectives of the Office of the Taxpayer Advocate for the fiscal year beginning in that calendar year.

Fiscal year 2010 brings the ten year anniversary of the “stand up” of the Taxpayer Advocate Service in March 2000. Any such anniversary prompts reflection on where we have been and where we need to be with respect to achieving our mission. The issues discussed in this report demonstrate that TAS has covered a great deal of ground since 2000, but both TAS and the IRS are facing significant challenges in the next five years, not least of which is collecting the federal revenue while increasing numbers of taxpayers have difficulty paying their daily living expenses.²

Since 2001, one of the key endeavors of TAS has been to “integrate advocacy” on behalf of the taxpayer throughout all of our activities. By statute, TAS advocates for taxpayers in specific cases (we received 274,051 cases in FY 2008) and advocates systemically to mitigate problems affecting groups of taxpayers. Our focus on integrating both types of advocacy is essential because of the natural tendency, in TAS and in the IRS alike, to focus only on the task immediately at hand without thinking about how that task relates to others or how the insights obtained from one task might help in performing other tasks more effectively. This tendency – which some call “stovepiping” – has no place in TAS or the IRS. Given TAS’s mission, not only to help taxpayers solve their specific problems with the IRS but also to address the causes of those problems for the benefit of all taxpayers, TAS employees must think about taxpayer problems from a broad, comprehensive perspective.

Thus, in this report, for each subject we discuss, we have attempted to integrate all aspects of TAS activities. The process of producing this report, in fact, has furthered the actual integration of advocacy in TAS. As part of a team of writers and subject matter experts, employees from different functions within TAS were required to describe how their specific activities related to those of other TAS employees. This approach has heightened awareness of how all of TAS’s work impacts TAS’s success in advocating for the taxpayers’ perspectives.

¹ IRC § 7803(c)(2)(B).

² National Taxpayer Advocate 2008 Annual Report to Congress 15-38 (Most Serious Problem; *The IRS Needs to More Fully Consider the Impact of Collection Enforcement*); Tax Compliance Challenges Facing Financially Struggling Taxpayers: *Hearings Before the Subcommittee on Oversight, Committee on Ways and Means, U.S. House Of Representatives, 111th Cong. (Feb. 26, 2009)* (testimony of Nina E. Olson, National Taxpayer Advocate).

As TAS becomes more effective in advocating for taxpayers, however, it runs the risk of being viewed as the first point of contact for taxpayers with problems, thereby relieving the IRS of its responsibility to solve problems itself. That is a result we must work to prevent, because notwithstanding TAS's mission, the IRS has the primary and core responsibility for resolving taxpayer problems and improving its systems. Over time and because of increasing demands on the IRS to deliver more initiatives not connected with its core mission of collecting federal revenue, the IRS has all too often let TAS pick up the slack in entire areas of tax administration. For example, until October 2008, TAS was the point of contact for identity theft issues.³

During the last few years, with the encouragement of the IRS Oversight Board, TAS has focused on identifying areas where it has functioned as the re-work center for cases that the IRS should have resolved at the point of contact. Our joint TAS-IRS projects on Amended Returns and CAWR-FUTA (Combined Annual Wage Reporting-Federal Unemployment Tax) and ongoing studies of TAS case processing conducted by MITRE⁴ are examples of these initiatives.⁵ In addition to these efforts, TAS is exploring with the IRS ways in which IRS employees “shrug” cases on to TAS i.e., send them to TAS for action instead of resolving the taxpayers' problems themselves. Examples of “shrugging” include:

FIGURE I-1 EXAMPLES OF INAPPROPRIATE CASE REFERRALS TO TAS

| Issue | Description of Inappropriate Case Referrals |
|---|---|
| Expedite Return of Levy Proceeds | When contacted by a taxpayer suffering an economic hardship, Compliance employees prepare a referral to TAS to expedite the return of levy proceeds. Upon receipt, TAS then sends an Operations Assistance Request to Compliance, which allows the employees to issue the refund immediately. |
| Use of Computer Code to Halt Notice Issuance | Phone assistants are referring cases to TAS when there is a balance due showing on the account and a pending adjustment to tax or payment will satisfy the balance due. |
| Identity Theft Cases Involving Audit Reconsideration with Only One Filer Involved | Campus Audit Reconsideration (Examination) contends it does not have the account experience to fully resolve these cases and instead only addresses the audit issue. Accounts Management contends the Examination function is responsible for taking all actions and refuses to accept referrals from Examination to address other related issues. As a result, Examination is referring these cases to TAS for resolution. TAS is accepting these referrals and working these cases in the best interest of the taxpayer but TAS does not have the delegated authority to adjust these accounts. TAS is sending these cases to Accounts Management for resolution. Accounts Management is working the cases and completing the adjustments per TAS's requests. |
| Offset Bypass Refunds | Under certain hardship circumstances, the IRS may issue manual refunds of excess credits without first satisfying an IRS outstanding balance. IRS policy mandates that the IRS issue these refunds prior to the official posting date. The referral to TAS can cause the taxpayer to miss this deadline. |

³ See *IRS Needs to Fine Tune Identity Theft Procedures*, *infra*; National Taxpayer Advocate 2008 Annual Report to Congress, 79–94 (Most Serious Problem, *IRS Process Improvements to Assist Victims of Identity Theft*).

⁴ MITRE Corporation is a federally funded research and development center.

⁵ See *CAWR/FUTA TAS-IRS-Rework Study, TAS is Studying Sources of Rework to Reduce Systemic Burden Case Receipts, and IRS Needs to Implement Improvements to Amended Return Processing*, *infra*.

The reasons for this “shrugging” of cases are myriad – lack of training, lack of processes, lack of priority or attention. In many instances, the IRS employee is truly concerned about the taxpayer and wants to get him or her the correct resolution. From that perspective, referring the case to TAS may be the right thing to do. But such referrals mask the real problem: the IRS sometimes does not consider downstream consequences of its actions in developing its procedures, delivering training, and allocating resources. To become a world class tax administrator, the IRS must move beyond the perennial debate about the balance between service and enforcement and think holistically about its activities. The nature of TAS casework is a measure of the IRS’s success at eliminating stovepipes.

In almost all instances where the IRS refers a case to TAS, the case meets the technical eligibility for acceptance into TAS. But in surprisingly many instances, the cases TAS receives from the IRS could as easily, and sometimes more easily, be resolved by the IRS employees themselves.⁶

The IRS has recently partnered with TAS to identify the types of cases that the IRS can successfully resolve without referral to TAS. Aligning TAS’s inventory properly may not reduce inventory levels, because a study conducted for TAS shows that between 8,200,000 and 12,600,000 taxpayers currently qualify for TAS assistance.⁷ But eliminating these areas of rework will free up TAS resources to address cases that TAS is uniquely equipped or best positioned to help resolve – those that stovepiped IRS functions fail to resolve, those in which the IRS does not agree with the taxpayer’s position, and those in which actions must be taken quickly to prevent economic harm or permanent impairment of taxpayer rights. These are the cases for which Congress created TAS – not the cases that the IRS has the ability to work for itself.

As important as TAS’s casework is, TAS is also charged with addressing recurring taxpayer problems systemically. As TAS tries to work with the IRS to identify and resolve such problems, the news is mixed. We are pleased with the Commissioner’s focus on “walking in the taxpayer’s shoes.”⁸ The comprehensive review of the clarity of IRS notices undertaken by the Taxpayer Communications Taskgroup (TACT) has the potential to significantly reduce taxpayer burden and increase taxpayer understanding, communication, and compliance.⁹ Similarly, the offer in compromise (OIC) review has the potential to lessen barriers to getting an offer into the program, and perhaps restore confidence in a program that has been gutted in recent years.¹⁰

⁶ When a case is referred to TAS, TAS updates its case management system, contacts the taxpayer, conducts research on the issue, usually sends the case to the IRS function charged with taking the substantive action on the case, monitors the case to ensure the IRS takes that action, receives the case back from the IRS, discusses the result with the taxpayer, and either continues to advocate for the taxpayer or closes the case if the result resolves the problem to the extent possible under the law.

⁷ Russell Research, Report Of Findings From 2007 Market Research For The Taxpayer Advocate Service (Sept. 6, 2007).

⁸ Prepared Remarks of Doug Shulman, Commissioner of Internal Revenue, Before the National Press Club (Apr. 13, 2009).

⁹ The Commissioner of the IRS chartered the TACT to study and improve the clarity, accuracy and effectiveness of written communications to taxpayers.

¹⁰ See Areas of Emphasis, *TAS Will Continue to Advocate to Make the Offer in Compromise Program More Accessible to Appropriate Taxpayers*, *infra*.

However, the IRS faces a great challenge in delivering on these programs. We already are seeing some retrenching with respect to the recently established “second-look” unit for real estate values in the OIC program.¹¹ We are also concerned that the IRS has not yet established a comprehensive, strategic, and cross-functional approach to taxpayer service, notwithstanding the important work embodied in the Taxpayer Assistance Blueprint (TAB).¹² And the IRS is likely to face additional challenges as it shifts resources to administer new refundable credits and other income-based social benefits while at the same time continuing to perform its core mission of helping taxpayers comply with their tax obligations as it raises federal revenue. To wit, the IRS has lowered its goal for level of service (LOS) on its toll-free assistor lines for FY 2010 to 71.2 percent,¹³ down from an achieved level of 87 percent in FY 2004 and 82 percent in FY 2007.¹⁴ This degradation of service does not bode well for taxpayer compliance.

Thus, as TAS enters its tenth year, both we and the IRS face a difficult environment for achieving what is, in essence, the same mission – ensuring that the IRS treats taxpayers fairly and identifying ways to increase voluntary compliance while addressing noncompliance. This report describes both what TAS has accomplished and what it intends to accomplish in the next fiscal year. Because the next few years are critical for TAS in terms of speaking up for and protecting taxpayers, aligning its inventory, and revamping its systems, TAS must act as a whole – by integrating its case-specific and systemic advocacy activities – in order to achieve its goals. The mission is critical. The work is rewarding. And I am confident the Taxpayer Advocate Service will rise to the challenge.

Respectfully submitted,



Nina E. Olson

National Taxpayer Advocate

30 June 2009

¹¹ See Areas of Emphasis, *TAS Will Continue to Advocate to Make the Offer in Compromise Program More Accessible to Appropriate Taxpayers*, *infra*.

¹² See Areas of Emphasis, *The IRS Should Revive the Taxpayer Assistance Blueprint and Strengthen the Cross Functional Governance Structure for Taxpayer Service*; and *TAS Will Continue to Advocate for a More Robust Return Preparer Strategy*, *infra*.

¹³ IRS, Wage and Investment Division (W&I), *Business Performance Review 23* (May 19, 2009).

¹⁴ See IRS, *Fiscal Year 2008 Enforcement Results*, Slide 7, available at http://www.irs.gov/pub/irs-news/2008_enforcement.pdf. In FY 2008, the level of service dropped to 53 percent, largely due to the spike in telephone calls generated by the Economic Stimulus legislation.

II. Areas of Emphasis

A. The IRS Should Revive the Taxpayer Assistance Blueprint and Strengthen the Cross-Functional Governance Structure for Taxpayer Service

In its fiscal year 2006 appropriations report, Congress directed the IRS, the IRS Oversight Board, and the National Taxpayer Advocate to develop a five year strategic plan for taxpayer service.¹⁵ In September 2005, the IRS formed the Taxpayer Assistance Blueprint (TAB) team, with employees from several IRS functions, including the Taxpayer Advocate Service, in response to this directive. In support of the TAB, the IRS, TAS, and IRS Oversight Board conducted in-depth studies, including surveys, to enhance understanding of the needs and preferences of individual taxpayers. The TAB originated an approach to planning and structuring IRS research efforts on taxpayer service, forming a methodology for the IRS to follow to ensure a cohesive research structure that would complement and build on previous findings. Because of the TAB studies and additional research conducted by TAS, the IRS now knows more than ever about taxpayer needs and preferences, including the willingness of taxpayers to try new methods of service delivery.¹⁶ However, the work of the TAB was just a first step. The implementation and continuation of the initial TAB efforts remain critical to improving taxpayer services. From its inception, the TAB was envisioned as an iterative process, reflecting over time the changing taxpayer population and the evolution of IRS's own understanding of that population. Congress itself has reinforced this aspect of the TAB by asking for updates.¹⁷

In describing the governance and implementation of the TAB report, the IRS also emphasized the importance of continuing the work of the TAB. It stated:

¹⁵ H. R. Conf. Rep. No. 109-307, at 209 (2005). See also S. Rep. No. 109-109 at 134 (2005). The Senate Appropriations Committee Report provides further detail on the content of the five-year plan, directing the IRS to:

undertake a comprehensive review of its current portfolio of taxpayer services and develop a 5-year plan that outlines the services it should provide to improve services for taxpayers. This plan should detail how it [IRS] plans to meet the service needs on a geographic basis (by State and major metropolitan area), including any proposals to realign existing resources to improve taxpayer access to services, and address how the plan will improve taxpayer service based on reliable data on taxpayer service needs.

As part of this review, the Committee strongly urges the IRS to use innovative approaches to taxpayer services, such as virtual technology and mobile units. The IRS also should expand efforts to partner with State and local governments and private entities to improve taxpayer services.

¹⁶ See National Taxpayer Advocate 2006 Annual Report to Congress vol. 2, 1-15 (Research Study: *Study of Taxpayer Needs, Preferences, and Willingness to Use IRS Services*).

¹⁷ H.R. 1105 Omnibus Appropriations Act, 2009, Division D-Financial Services and General Government at 9 (2009). The conference explanatory statement states:

The IRS, the IRS Oversight Board and the National Taxpayer Advocate are directed to submit annually to the House and Senate Committees on Appropriations an update to the Taxpayer Assistance Blueprint, detailing its implementation status and identifying any changes to the strategic plan for taxpayer service, including the results of any new research and relevant findings, and any open issues requiring additional research. The first update shall be submitted 120 days after enactment of this Act.

To ensure taxpayers, partners, and the IRS benefit from the work of the Taxpayer Assistance Blueprint (TAB) project, it is essential that implementation recommendations be institutionalized. IRS has taken a critical step toward this goal by establishing a program management office and a corporate governance body to facilitate strategic service-wide investment decisions, strategic management of TAB initiatives, and assessment of TAB's impact.¹⁸

With the passage of time, however, the National Taxpayer Advocate is concerned that the momentum to implement and refine the TAB recommendations has abated. For example, the IRS formed a corporate governance body consisting of the heads of IRS functions involved with taxpayer service, but this Services Committee did not meet at all between August 11, 2008, and June 26, 2009. This is significant because the Services Committee played a crucial role in the governance of the TAB and taxpayer service within the IRS. The senior executives from each operating division and most functions met to discuss and coordinate what their organizations were doing in the taxpayer service realm, keep up to date on the status of the cross-functional TAB efforts, and make decisions about the future direction of taxpayer service. The IRS recognized the importance of a senior executive-level steering committee for the TAB when defining the governance structure of the TAB: "The Services Committee serves as the governing body for major service investment and management decisions at the IRS. It will provide senior executive oversight related to all major taxpayer service processes, initiatives, and decisions related to IRS-wide strategic planning and budgeting."¹⁹

The taxpayer service efforts in support of the TAB must be coordinated at the senior level and continue to be cross-functional. At this time, the National Taxpayer Advocate is concerned that without regular Services Committee meetings, the IRS is not working in a coordinated manner to achieve the goals of the TAB. The National Taxpayer Advocate will continue to work with other IRS executives to try to revive and sustain the committee and ensure that governance of the TAB remains cross-functional.

The National Taxpayer Advocate is also concerned that the focus of the TAB has remained on Wage & Investment (W&I) taxpayers. In directing the creation of a five-year taxpayer service strategic plan, the House and Senate Appropriations Committees were focusing on taxpayer service issues generally. The W&I division deals with individual taxpayers who are not engaged in a trade or business, and it is, of course, important that they be served. But small business taxpayers who fall under the jurisdiction of the Small Business/Self Employed (SB/SE) division and tax-exempt organizations that fall under the jurisdiction of the Tax Exempt/Governmental Entities (TE/GE) division also require taxpayer service from the IRS – because of the complexity of the laws, they need it more in some cases – and the TAB should be expanded to cover the taxpayers those divisions serve. The National

¹⁸ IRS, TAB governance and implementation, available at <http://www.irs.gov/individuals/article/0,,id=177934,00.html> (last visited May 26, 2009).

¹⁹ *Id.*

Taxpayer Advocate has made this recommendation in prior reports to Congress,²⁰ and continues to urge the IRS to expand the TAB to a broader range of taxpayers. Although both SB/SE and TE/GE have conducted some research into aspects of their taxpayer population, neither operating division has undertaken the comprehensive and rigorous approach that distinguished the TAB. Absent that disciplined approach, neither unit will adequately understand or meet the service needs of their respective taxpayer population.

The work of the TAB is critical to the future of taxpayer service at the IRS. Congress has continued to express its support for the efforts of the TAB and routinely requests updates on the progress made. The TAB does not need to be reframed; it is a living, breathing document that has not outlived its purpose at this time. The National Taxpayer Advocate looks forward to working with the IRS to maintain and expand the work of the TAB at a senior and cross-functional level.

B. TAS Will Continue to Advocate for a More Robust Return Preparer Strategy

Tax return preparers prepare about 62 percent of all individual income tax returns²¹ and therefore play a critical role in facilitating tax compliance. The IRS relies on preparers to educate taxpayers about tax laws, facilitate electronic filing, and reduce the stress and anxiety often associated with the tax filing season.²² The IRS also relies on preparers to prepare accurate tax returns. The IRS has acknowledged the critical role preparers play and attempted on several occasions in recent years to develop a comprehensive Service-wide Return Preparer Strategy. In June of 2009, the IRS announced a new effort to undertake a review of tax preparers.²³

Aside from the IRS's authority to assess and collect penalties against return preparers, however, there is virtually no current federal oversight over "unenrolled" preparers, who constitute the majority of tax return preparers today. "Shopping visits" conducted by the Government Accountability Office (GAO), the Treasury Inspector General for Tax Administration (TIGTA), and others suggest that a high percentage of preparers prepares inaccurate returns, fails to perform sufficient due diligence, and even takes positions that they know are not supportable.²⁴ This conduct usually results in understatements of tax (reducing federal tax revenue and potentially subjecting taxpayers to enforcement actions)

²⁰ See, e.g., National Taxpayer Advocate 2008 Annual Report to Congress 97, 105; IRS, *Report to Congress Progress on the Implementation of The Taxpayer Assistance Blueprint April 2007 to February 2008*, 46; and National Taxpayer Advocate 2007 Annual Report to Congress viii, 37-38, 209.

²¹ IRS, *Statistics of Income, Tax Year 2006: Taxpayer Usage Study* (Oct. 26, 2007).

²² See Leslie Book, *The Need to Increase Preparer Responsibility, Visibility and Competence*, in National Taxpayer Advocate 2008 Annual Report to Congress, vol. 2, 74-116; Leslie Book, *Study of the Role of Preparers in Relation to Taxpayer Compliance with Internal Revenue Laws*, in National Taxpayer Advocate 2007 Annual Report to Congress, vol. 2, 44-74.

²³ See IRS News Release, *IRS Launches Tax Return Preparer Review; Recommendations to Improve Compliance Expected by Year End* (June 4, 2009).

²⁴ See GAO, GAO-06-563T, *Paid Return Preparers: In a Limited Study, Chain Preparers Made Serious Errors* (Apr. 4, 2006); TIGTA, Ref. No. 2008-40-171, *Most Tax Returns Prepared by a Limited Sample of Unenrolled Preparers Contained Significant Errors* (Sept. 3, 2008). See also Tom Herman, *New York Sting Nabs Tax Preparers*, Wall Street Journal (Nov. 26, 2008) (reporting that the New York State Department of Taxation and Finance conducted 85 shopping visits and found evidence of fraud in about 40 percent of the cases).

and sometimes results in overstatements of tax (causing taxpayers to pay more than they owe). Both to protect taxpayers and the tax system, the National Taxpayer Advocate plans to continue to focus on the IRS's return preparer strategy in FY 2010. There are three steps we believe the IRS should take.

First, we believe the IRS should work with the Treasury Department to recommend enactment of legislation to regulate federal tax return preparers. The National Taxpayer Advocate has been proposing this course of action since 2002.²⁵ Given the role that preparers play in guiding taxpayers through our complex tax laws, it is incumbent on the IRS to register and identify unenrolled preparers and administer a basic examination to ensure at least a minimum level of competency among paid preparers. Moreover, an ongoing continuing professional education (CPE) requirement would help to keep preparers current on tax law changes and help them learn from the most common mistakes.

In the 110th Congress, two separate bills included proposals to regulate return preparers - S. 1219, the Taxpayer Protection and Assistance Act of 2007, and H.R. 5716, the Taxpayer Bill of Rights Act of 2008.²⁶ In the 108th Congress, the full Senate passed legislation to regulate return preparers, and in the 109th Congress, the Senate Finance Committee again approved the legislation.²⁷ In 2005, the House Ways and Means Subcommittee on Oversight held a hearing at which representatives of five outside organizations testified in support of regulating return preparers.²⁸ We believe this is an idea whose time has finally come.

Second, we recommend that the IRS step up enforcement actions directed at return preparers who fail to perform due diligence or, worse, consciously facilitate noncompliance.²⁹ A review conducted by our office two years ago found that the IRS rarely imposed penalties on tax preparers and collected penalties in only a small percentage of cases in which penalties were imposed.³⁰ Just as the IRS amplifies the impact of enforcement actions it takes

²⁵ See National Taxpayer Advocate 2008 Annual Report to Congress 423-28; National Taxpayer Advocate 2006 Annual Report to Congress 197-221; National Taxpayer Advocate 2005 Annual Report to Congress 223-37; National Taxpayer Advocate 2004 Annual Report to Congress 67-88; National Taxpayer Advocate 2003 Annual Report to Congress 270-301; National Taxpayer Advocate 2002 Annual Report to Congress 216-30; *Fraud in Income Tax Return Preparation: Hearing Before the Subcomm. on Oversight of the H. Comm. on Ways & Means*, 109th Cong. (2005) (statement of Nina E. Olson, National Taxpayer Advocate). Based on continual discussions with internal and external stakeholders, the National Taxpayer Advocate's recommendation has evolved since originally proposed. The first proposal called for an initial exam and annual refresher exams. After discussing the issue with various stakeholder groups, we still firmly believe that an initial examination is essential to an effective program. Upon registration renewals, however, we believe preparers should be given the option of completing either a refresher exam or a continuing professional education (CPE) requirement.

²⁶ S. 1219, § 4, (110th Cong.); H.R. 5716, § 4, (110th Cong.).

²⁷ See H.R. 1528 (incorporating S. 882) (108th Cong.); S. 1321 (incorporating S. 832) (109th Cong.).

²⁸ The organizations were the American Bar Association, the American Institute of Certified Public Accountants, the National Association of Enrolled Agents, the National Society of Accountants, and the National Association of Tax Professionals. See *Fraud in Income Tax Return Preparation: Hearing Before the Subcomm. on Oversight of the H. Comm. on Ways & Means*, 109th Cong. (2005).

²⁹ In her 2003 Annual Report to Congress, the National Taxpayer Advocate encouraged Congress to enact a more stringent compliance and penalty regime to deter reckless disregard of the rules or negligence by paid preparers. See National Taxpayer Advocate 2003 Annual Report to Congress 270-301.

³⁰ Key return preparer penalties are contained in IRC § 6694 (understatement of taxpayer's tax liability by tax return preparers) and IRC § 6695 (other assessable penalties with respect to the preparation of tax returns for other persons). Over the six-year period of FY 2002 through FY 2007, the aggregate dollar amount of these assessed penalties averaged less than \$2 million per year, and the IRS collected on 20.56 percent of the penalty dollars assessed. See National Taxpayer Advocate 2007 Annual Report to Congress 141 (citing data from the IRS's Enforcement Revenue Information System).

against tax shelter promoters through publicity, the IRS should publicize cases of preparer noncompliance to deter other preparers from engaging in similar conduct.

Third, TAS was instrumental in persuading the Treasury Department and the IRS to include revised regulations governing the use of tax return preparer identifying numbers on their Guidance Priority List for 2008-2009, and we encourage the IRS to issue new regulations effective for the 2010 filing season. Under existing regulations, preparers may list either their Social Security number (SSN) or Preparer Tax Identification Number (PTIN) on tax returns. Some preparers use SSNs, some use PTINs, and some use SSNs on some returns and PTINs on others. We believe a requirement that preparers use solely a PTIN on all returns would enable the IRS to determine the number of return preparers, make it easier for the IRS to identify return preparers who submit unreasonably high rates of inaccurate returns, and shield the SSNs of return preparers from identity theft. In recommending a PTIN-only requirement, we encourage the IRS to require preparers to specify their preparer category (*i.e.*, unenrolled preparer, enrolled agent, certified public accountant, or attorney), as this information would assist the IRS in conducting more targeted outreach and education campaigns as well as in compliance initiatives.

C. TAS Will Continue to Advocate to Make the Offer in Compromise Program More Accessible to Appropriate Taxpayers

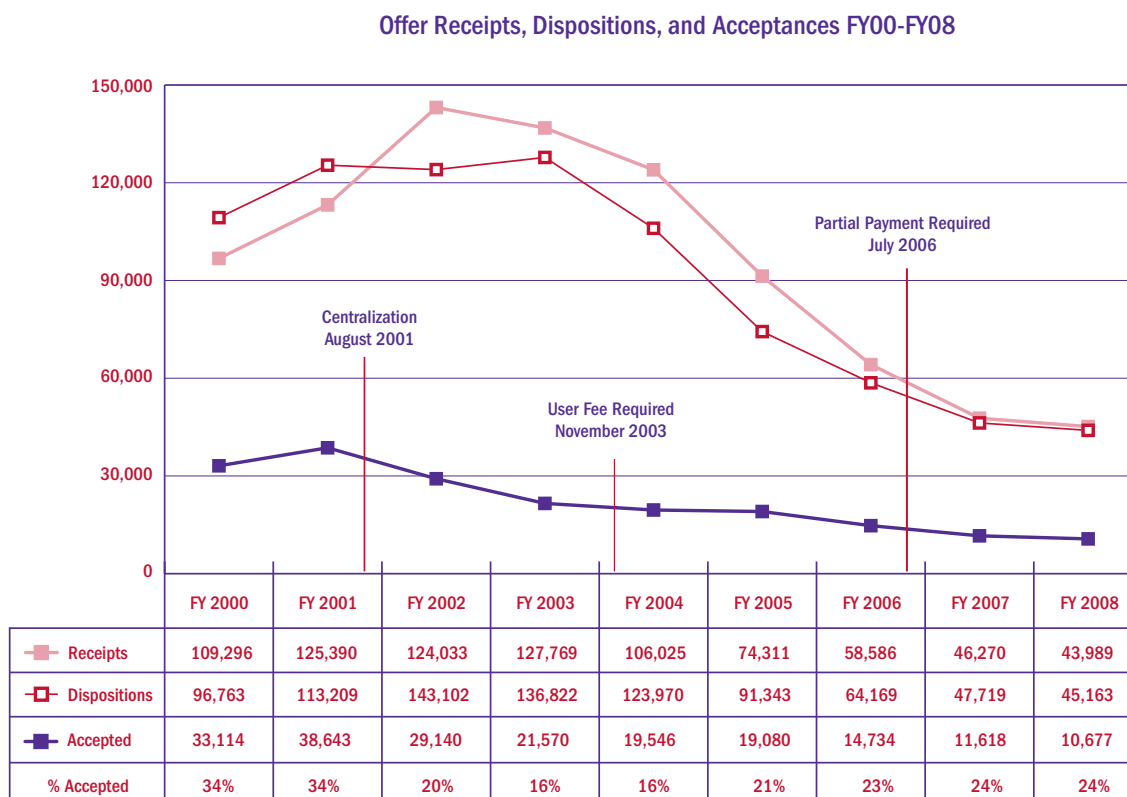
For the past nine years, the National Taxpayer Advocate has expressed concern with the effectiveness of the IRS's OIC program.³¹ Most recently, in February 2009, the National Taxpayer Advocate testified before Congress about the IRS's need to make its collection alternatives more accessible to appropriate taxpayers, and identified OICs as one such viable alternative that has been inexplicably underutilized.³² As illustrated below, IRS data suggest that activity in the OIC program has declined steadily since FY 2003. Further, the number of OICs *accepted* by the IRS decreased by 72 percent, from 38,643 in FY 2001 to 10,677 in FY 2008.³³ The IRS accepted 34 percent of the OICs submitted in FY 2001, while it accepted only 24 percent of the OICs submitted in FY 2008, despite a recent and significant economic downturn.³⁴

³¹ National Taxpayer Advocate 2008 Annual Report to Congress 26-28 (Most Serious Problem, *The IRS Needs to More Fully Consider the Impact of Collection Enforcement Actions on Taxpayers Experiencing Economic Difficulties*); National Taxpayer Advocate 2007 Annual Report to Congress 374-87 (Most Serious Problem, *Offers in Compromise*); National Taxpayer Advocate 2006 Annual Report to Congress 83-109 (Most Serious Problem, *IRS Collection Payment Alternatives*), 507-19 (Key Legislative Recommendation, *Improve Offer in Compromise Program Accessibility*); National Taxpayer Advocate 2005 Annual Report to Congress 270-91 (Most Serious Problem, *Allowable Living Standards for Collection Decisions*); National Taxpayer Advocate 2004 Annual Report to Congress 226-45 (Most Serious Problem, *IRS Collection Strategy*), 311-41 (Most Serious Problem, *Offers in Compromise*), 433-50 (Key Legislative Recommendation, *Offers in Compromise: Effective Tax Administration*); National Taxpayer Advocate 2003 Annual Report to Congress 99-112 (Most Serious Problem, *Offers in Compromise*); National Taxpayer Advocate 2002 Annual Report to Congress 15-24 (Most Serious Problem, *Processing of Offer in Compromise Cases*); National Taxpayer Advocate 2001 Annual Report to Congress 202-15 (Most Serious Problem, *IRS Collection Procedures*); National Taxpayer Advocate 2000 Annual Report to Congress 36-39 (Most Serious Problem, *Offer in Compromise Issues*).

³² *Tax Compliance Challenges Facing Financially Struggling Taxpayers: Hearing Before the Subcomm. On Oversight of the H. Comm. On Ways and Means, 110th Congress (Feb. 26, 2009)* (statement of Nina E. Olson, National Taxpayer Advocate).

³³ SB/SE, Collection Activity Report NO-5000-108 (FY 2000-FY 2008).

³⁴ The percentage of accepted offers is computed by dividing the number of offers accepted by the number of offer dispositions.

FIGURE II-1, IRS OFFER IN COMPROMISE PROGRAM, FY 2000 - FY 2008³⁵

In response to the National Taxpayer Advocate's concerns and testimony, the IRS announced the formation of an OIC Project Team, which includes TAS representation. As part of this project, the IRS has contracted with MITRE Corporation and Porter Novelli Public Strategies to take a closer look at the characteristics of acceptable offer applicants and to increase the number of qualified OIC candidates within the existing process. The National Taxpayer Advocate applauds this initiative and believes that, to be successful, the Team must address the following items:

1. Current OIC Application Process

Determine whether the current forms and application requirements are burdensome for taxpayers, and if so, make appropriate changes to address taxpayer needs, *e.g.*, consider a simplified application and user-friendly waiver of the OIC application fee for low income

³⁵ SB/SE, Collection Activity Report NO-5000-108 (FY 2000-FY 2008).

taxpayers. The forms should be the beginning of the conversation with taxpayers. Forty-six pages of forms and instructions is daunting,³⁶ and requiring taxpayers to attach all sorts of documentation up front - much of which is already available to the IRS - has a chilling effect on taxpayers who are considering OICs. It sends a message that the IRS doesn't want to hear from taxpayers unless they can jump through all these hoops.

2. Amount of Financial Information Required and Timeframes

Streamline the OIC investigation process, *i.e.*, the basic information needed for the IRS to make sound and reasonable decisions regarding the merits of a taxpayer's offer. Establish reasonable periods of time for taxpayers to submit information deemed necessary for an OIC acceptance determination. Improve the case-building process to obtain the appropriate amount of information to *support* an acceptance of the OIC, rather than an investigation seemingly designed to recommend rejections and returns.

3. Communications with Taxpayers

Provide real and meaningful opportunities for taxpayers to interact with the IRS throughout the OIC investigation, including front-end direction and guidance to taxpayers considering the OIC as a potential solution for their tax problems, and require contacts by offer examiners to stimulate two-way personal communication between the IRS and taxpayers as the OIC application is developed and analyzed. The decision to accept or reject a taxpayer's OIC is too complex and important for the IRS to handle through an oversimplified and impersonal evaluation of paperwork. Personal interactions with taxpayers are critical to arriving at sound and reasonable decisions regarding an OIC's merits. Taxpayers should have ample opportunity to provide information to the IRS that could support an acceptance decision. At the conclusion of the process, taxpayers should clearly understand the basis behind the IRS decisions to accept or reject their OICs, and this basis should be personally conveyed to the taxpayer before memorializing it in a determination letter.

4. Clarify and Reinforce the Role of the OIC as a Collection Tool

Determine the appropriate use of the OIC as a tool within the IRS collection process. Any review of IRS collection statistics reveals that significant portions of the IRS collection inventories remain un-worked and unresolved. The inventories of cases reported as "currently not collectible," as well as those residing as inactive in the Collection "queue," continue to grow. Yet, the number of taxpayer cases resolved through OICs continues to decline.

5. Assess Current OIC Staffing

The IRS has relegated OIC decision making to a very limited number of Collection employees, OIC Specialists and Examiners. This "bottleneck" in the collection process appears to be a contributing factor to the underutilization of OICs in collection cases, and also seems to influence the manner in which OICs are evaluated. For example, OIC Process Examiners

³⁶ Form 656-B (Mar. 2009) contains all of the forms and instructions needed to prepare a "complete and accurate" offer in compromise.

tend to perform more as “gatekeepers,” restricting access to the program, rather than as assistors, who help taxpayers navigate their way through the OIC process. We have also noted that very few IRS Collection Field employees have the authority to investigate and accept OICs. Moreover, field-based OIC work is currently performed by revenue officers located in the states of Alabama, Arkansas, California, Florida, Georgia, Louisiana, Mississippi, Oklahoma, Tennessee, and Texas, leaving a significant void for a local presence in many heavily taxpayer populated areas. While Revenue Officers can routinely and independently issue levies, serve liens, and recommend costly suits and seizure actions, they do not have similar authority with respect to OICs. We believe the consequences of this situation are significant.

Although the OIC Project Team is not planning to explore the OIC investigation process (*e.g.*, reasonable collection potential (RCP) and other procedural requirements that may limit the ability of Collection employees to recommend the acceptance of offers),³⁷ the National Taxpayer Advocate strongly urges the Team to review these critical components of OIC processing as phase two of the project. As currently structured, the IRS’s RCP formula is heavily weighted based on assumptions about a taxpayer’s future income earning potential and equity in assets that may be unrealistic. We believe an important prerequisite to attract more “successful” OIC applications is to establish a proven track record of accepting offers in appropriate situations.

We applaud the IRS for recently taking several positive steps toward considering the economic realities of the day, such as relaxing the processability determination for low income taxpayers and conducting a “second level” review of OICs where a pending rejection is due solely to a high RCP based on real property valuations.³⁸ However, it has recently come to TAS’s attention that the IRS Collection leadership has concluded OIC employees may be too lenient in their application of the concept of economic hardship and are incorrectly accepting the taxpayer’s word at face value. The National Taxpayer Advocate is troubled by this observation since it may result in harm for many taxpayers who submitted an OIC in reliance on this new guidance.

The National Taxpayer Advocate remains committed to increasing the viability of the OIC program. She looks forward to working with the IRS and the OIC Project Team to make this important collection alternative accessible to taxpayers.

³⁷ IRM 5.8.1.1.3(1) (Sept. 30, 2008). Reasonable collection potential (RCP) represents the net equity of a taxpayer’s assets plus the amount the IRS could collect from future income.

³⁸ SB/SE, *Interim Guidance for Low Income Processability Procedures* (Feb. 2, 2009); SB/SE, *Interim Guidance for Additional Review of Real Property Valuations in Offer in Compromise Cases* (Feb. 2, 2009).

D. TAS Will Examine the Administrative Challenges Presented by Refundable Credits

The American Recovery and Reinvestment Act of 2009 temporarily increased the refundable portions of the Earned Income Tax Credit (EITC) and the child tax credit and authorized several new refundable credits, including the “Making Work Pay” credit, the “American Opportunity” education tax credit (40 percent is refundable), the first-time home buyer credit (up to \$8,000), and a credit for certain federal and state pensioners.³⁹ While the decision to expand refundable credits is entirely reasonable from a policy standpoint, the administration of refundable credits presents significant challenges for the IRS.

During FY 2010, TAS will examine the tax administration challenges that refundable tax credits present. Among the areas for consideration are the following:

1. Balancing Fraud Prevention with the Timely Payment of Tax Refunds

Because a taxpayer claiming a refundable credit may receive a payment that exceeds the amount of tax paid, refundable credits may create an increased risk of fraud. The main refundable credit in the past has been the EITC. Numerous studies have found that 25 percent or more of EITC payments are attributable to overclaims.⁴⁰ Most recently, the IRS issued an estimated \$10 billion-\$12 billion in erroneous EITC payments out of approximately \$43.7 billion of total EITC claims in tax year 2006.⁴¹ While overclaims do not necessarily indicate the presence of fraud – the complexity of the EITC eligibility rules is also a significant contributing factor⁴² – there is some evidence that the refundable nature of a credit increases the risk of fraud as compared with other tax benefits.⁴³

Refundable credits require the IRS to perform a delicate balancing act. On the one hand, if the IRS does not do enough to detect and prevent fraud, it may pay out billions of dollars as a result of false and fraudulent claims. On the other hand, if the IRS clamps down too tightly, hundreds of thousands and potentially millions of predominately low income taxpayers will not receive timely refunds.

This is not a new issue. The IRS has long maintained a Questionable Refund Program whose principal purpose is to stop the payment of false and fraudulent claims. A central component of the program is an electronic data mining program known as the Electronic Fraud Detection System (EFDS). EFDS screens all tax returns that claim a refund (more

³⁹ Pub. L. No. 111-5, Division B, 123 Stat. 306 (2009).

⁴⁰ See TIGTA, Ref. No. 2009-40-024, *The Earned Income Tax Credit Program Has Made Advances; However, Alternatives to Traditional Compliance Methods Are Needed to Stop Billions of Dollars in Erroneous Payments* (Dec. 31, 2008).

⁴¹ *Id.*

⁴² For discussion about the role complexity plays in overclaims, see National Taxpayer Advocate 2007 Annual Report to Congress, vol. II (Research Report: *IRS Earned Income Credit Audits – A Challenge to Taxpayers*); National Taxpayer Advocate 2004 Annual Report to Congress, vol. II (Research Report: *Earned Income Tax Credit (EITC) Audit Reconsideration Study*).

⁴³ As discussed in the text below, the design of a refundable credit also influences the IRS’s ability to stop fraudulent refund claims without burdening honest taxpayers. If eligibility for the refund is determined on the basis of information that the IRS can immediately verify via automation, the task is much more manageable than if eligibility for the refund is determined on the basis of information that the IRS does not possess or cannot easily verify.

than 100 million each year) and flags those that seem particularly likely to be fraudulent. But accurately distinguishing valid returns from fraudulent returns is not easy, so EFDS inevitably misses some fraudulent returns and mistakenly flags valid ones.

In FY 2005, TAS received more than 28,000 cases from taxpayers who claimed the IRS had improperly held up their refunds. As a result, the TAS Research function designed a study to analyze a statistically representative sample of closed cases to assess what was happening. The study found that 66 percent of taxpayers who sought assistance from TAS because their refunds had been held up ultimately received the full amount of the refund they claimed on their returns, or more. The study found that an additional 14 percent of these taxpayers received a portion of the refund they had claimed on their returns. Thus, fully 80 percent of the taxpayers who sought assistance from TAS because their refunds had been stopped as potentially fraudulent ultimately received all or a portion of the refunds they had claimed.

The hardship these delays caused was significant and disproportionate. Nearly 75 percent of the taxpayers in the TAS cases had claimed the EITC. They reported median adjusted gross income (AGI) of \$13,330, with a median refund of \$3,519. Thus, the refund constituted, on average, more than 26 percent of the taxpayer's AGI for the year. Moreover, the taxpayers were required to wait, on average, more than 8-1/2 months to receive their refunds.

To compound the problem, the IRS was not informing taxpayers that their refunds were being held and was making "conclusive" determinations about whether the taxpayers had committed fraud, without having notified them or having given them an opportunity to submit exculpatory evidence. And as a consequence of the finding of fraud, the IRS was automatically withholding refunds in future years.⁴⁴

After our study was published, numerous Members of the tax-writing committees and other Members of Congress wrote to the Secretary of the Treasury to request that the procedures be changed, and the IRS did make significant changes in the program to protect taxpayer rights.

It was not long, however, before the Treasury Inspector General for Tax Administration began to weigh in from the other side, contending that some changes the IRS had made increased the risks of fraud. In a report issued last September, TIGTA noted an "exponential growth" in fraud from 2006 to 2007, observed that the IRS lacks the resources to handle the current volume of cases (the IRS did not work about half of the potentially fraudulent cases that had been flagged), and recommended that the IRS rescind some of the taxpayer rights protections instituted in response to TAS's report.⁴⁵

⁴⁴ For more information on problems with the Questionable Refund Program and TAS's findings, see National Taxpayer Advocate 2005 Annual Report to Congress 25-54 (Most Serious Problem: *Criminal Investigation Refund Freezes*) and vol. 2 (Research Report: *Criminal Investigation Refund Freeze Study*).

⁴⁵ See TIGTA, Ref. No. 2008-10-172, *An Estimated \$1.6 Billion in Fraudulent Refunds Was Issued During the 2006 and 2007 Filing Seasons* (Sept. 22, 2008); see also TIGTA, Ref. No. 2007-10-076, *Actions Have Been Taken to Address Deficiencies in the Questionable Refund Program; However, Many Concerns Remain, with Millions of Dollars at Risk* (May 31, 2007).

In considering proposals to expand the number and maximum dollar amount of refundable credits, policymakers should be aware of the risk that the number of fraudulent returns likely will increase, perhaps significantly. Absent additional resources, the IRS will have to choose between allowing more fraudulent claims to be paid and resorting to shortcuts that will freeze more fraudulent claims but will also freeze more valid claims filed by low income taxpayers, who then will shoulder the burden of proving their entitlement and face lengthy delays in receiving their refunds. But there are steps policymakers can take (including, as discussed below, establishing eligibility criteria the IRS can verify and accelerating IRS access to third-party information reporting) that would enable the IRS to identify improper claims more accurately, thereby improving tax compliance and reducing the burden on eligible taxpayers.

2. Balancing the Administration of Additional Refundable Credits with the IRS's Core Mission of Collecting Tax Revenue

The IRS's core mission is to collect taxes. It collects about 96 percent of all federal receipts.⁴⁶ In recent years, considerable attention has been focused on the tax gap (*i.e.*, the amount of tax due but not collected), and key Members of Congress in charge of IRS oversight believe the IRS needs to do more to close the tax gap.⁴⁷ If the burden of administering new refundable credits is excessive, the IRS's ability to deliver on its core tax-collection mission could be impaired. It is therefore critical to think through the design and administrative issues associated with refundable credits to ensure that the IRS can administer the credits and has sufficient additional resources to do so.

3. Working with Taxpayers Who Have No Tax Filing Obligation

Refundable tax credits are generally claimed at a higher rate than other forms of social welfare benefits. A key reason is that most adult Americans file tax returns, so the added burden of claiming a credit is low compared with the need to file a separate application for other social welfare benefits. However, some individuals do not have tax filing obligations, and depending on the design of a refundable credit, these individuals either may not qualify for the benefits or may be required to file a tax return solely to claim them. It is important that the IRS identify the population of eligible individuals and develop a targeted outreach and education campaign to ensure that these taxpayers are not overlooked.⁴⁸

⁴⁶ See Department of the Treasury, Budget in Brief FY 2010, at 55.

⁴⁷ See, e.g., *Examining the Administration's Plan for Reducing the Tax Gap: What Are the Goals, Benchmarks and Timetables?: Hearing Before the Senate Committee on Finance, 110th Cong. (2007)* (statement of Senator Max Baucus, Chairman of the Senate Committee on Finance), available at <http://finance.senate.gov/press/Bpress/2007press/prb041807b.pdf>. The IRS's most recent estimate of the voluntary compliance rate is 84 percent. Chairman Baucus urged the IRS to set a goal of achieving a 90 percent voluntary compliance rate by 2017.

⁴⁸ During the presidential election campaign, President Obama proposed that the IRS develop pre-populated returns to enable certain taxpayers to file without having to prepare a return or pay a preparer to do it. At present, a significant limitation is that the IRS does not receive Forms W-2 until the tax-filing season has ended. But as technology improvements enable the IRS to receive and process third-party information reports earlier, pre-populated returns may be one way to help reach eligible individuals who otherwise do not have a filing requirement.

4. Addressing the Burden of Additional Tax Law Complexity

Much has been written – by the National Taxpayer Advocate and many others – about the burdens that the complexity of the tax law imposes on taxpayers and the IRS alike.⁴⁹ About 62 percent of all taxpayers use tax return preparers, and the percentage climbs to about 73 percent for those claiming the EITC.⁵⁰ The eligibility criteria for claiming the EITC can be complex, and depending on the design of additional refundable credits, there is a chance that their complexity may push more taxpayers to use paid tax preparers. In effect, this constitutes a transaction cost on the target population of generally low income individuals.⁵¹ Thus, the need for return preparation, the cost of return preparation, the adequacy of preparer oversight, and taxpayer protection from potentially abusive products such as refund anticipation loans should be assessed in connection with the administration of refundable credits.

5. Accelerating IRS Access to Reliable Third Party Information Reporting

The IRS uses third-party information returns (*e.g.*, Forms W-2, Forms 1099, and Schedules K-1) to verify the accuracy of income tax returns. Significantly, however, the IRS does not receive and process information returns until the tax filing season has ended and most refunds have been issued.

This sequence makes little sense, and consideration should be given to options that would allow the IRS to receive and process information returns before it issues tax refunds. For example, employers are generally required to send Form W-2, *Wage and Tax Statement*, to all employees by January 31 to enable the employees to file tax returns.⁵² Employers are also directed to submit the forms to the government, but under longstanding Treasury regulations, employers are directed to submit the forms to the Social Security Administration (SSA) – not the IRS – and the SSA processes the information and sends it to the IRS later in the year.⁵³ It is worth considering whether employers should also be asked to send Forms W-2 directly to the IRS by January 31 in a format that IRS computers can process immediately.⁵⁴ It may take several years for the IRS and employers to adapt their technology to get to this point, but this seems like a workable solution that would substantially improve tax administration. If the IRS received these third-party information reporting documents before it processes tax returns, it could verify a considerable amount of information by automation before paying out refunds, thereby improving compliance at a relatively low cost.

⁴⁹ Most recently, the National Taxpayer Advocate identified the complexity of the Internal Revenue Code as the most serious problem facing taxpayers. See National Taxpayer Advocate 2008 Annual Report to Congress 3-14 (Most Serious Problem: *The Complexity of the Tax Code*).

⁵⁰ IRS Compliance Data Warehouse, Individual Returns Transaction File (Tax Year 2006).

⁵¹ By comparison, other means-tested federal benefit programs generally do not impose monetary costs on individuals to apply for benefits.

⁵² IRC § 6051(a).

⁵³ See Treas. Reg. § 31.6051-2(a).

⁵⁴ To ensure that both the IRS and the SSA receive the data, arrangements such as a joint processing center could be considered. Most Form W-2 information is submitted electronically, so it should be practical to address routing issues without imposing significant additional burden on employers.

6. Designing Refundable Credits to Be Administrable

As a related point, a main advantage of providing income-based social benefits through the tax code is that the IRS is the federal agency with the best access to income information of potential beneficiaries. In designing refundable credits to minimize the risk of improper claims, however, policymakers should also be aware of the limitations of the IRS's data. For example, many improper claims involving the EITC arise because taxpayers fail to meet the requirement that a "qualifying child" must have lived with the taxpayer for more than one-half of the taxable year.⁵⁵ Although the IRS has done considerable work to develop screening criteria to distinguish claims that are likely to be valid from claims that are more likely to be improper, living arrangements change frequently, and in the absence of an audit, there is no way for the IRS to determine living arrangements. The IRS will be able to minimize the payment of improper claims if eligibility for tax benefits is based on criteria that the IRS can verify – ideally before refunds are paid.

7. Assessing the Impact of IRS Collection Actions on Low Income Taxpayers

Because of the high rate of EITC overclaims, taxpayers who claim the credit are at least twice as likely to be audited as other taxpayers.⁵⁶ Yet because the EITC is a low income tax benefit, taxpayers whose EITC claims are initially paid and then denied on audit often have already spent their refunds and cannot pay them back. IRS collection procedures require that a Notice of Federal Tax Lien be filed whenever a taxpayer with a tax debt of \$5,000 or more is placed in "currently not collectible" status.⁵⁷ This notice badly damages the taxpayer's credit rating. In addition, pursuant to IRC § 6402, the IRS generally will offset the full amount of refunds owed on future tax returns to collect past-due amounts even if the taxpayer remains low income and therefore is otherwise eligible for low income tax benefits. Because the EITC is so complex and inadvertent mistakes are common, the EITC – despite its many benefits – can in some cases become a trap for the unwary or unlucky. In designing additional refundable credits, it is important to minimize the potential for honest taxpayers to fall into this trap and effectively become permanent debtors.

During FY 2010, TAS will examine these issues in more detail and will attempt to develop recommendations to enable the IRS to deliver refundable credits effectively without detracting from its core revenue-collection mission.

⁵⁵ See IRC § 32(c)(3)(A) (incorporating with modifications the definition of a "qualifying child" contained in IRC § 152(c)).

⁵⁶ See IRS Data Book, 2008, Table 9a (showing an average audit rate of slightly more than two percent for taxpayers claiming the EITC as opposed to about one percent for taxpayers overall).

⁵⁷ IRM 5.19.4.5.2(3) (Apr. 26, 2006).

III.

The Statutory Mission of the Taxpayer Advocate Service

Under IRC § 7803(c)(2), the Office of the Taxpayer Advocate has four principal functions:

1. Assist taxpayers in resolving problems with the IRS;
2. Identify areas in which taxpayers are experiencing problems with the IRS;
3. Propose changes in the administrative practices of the IRS to mitigate problems taxpayers are experiencing with the IRS; and
4. Identify potential legislative changes which may be appropriate to mitigate such problems.

To achieve its statutory mission as an independent organization within the IRS, the Taxpayer Advocate Service (TAS) helps taxpayers resolve problems with the IRS and recommends changes that will prevent the problems. TAS employees assist taxpayers who are experiencing economic burden, who are seeking help in resolving tax problems that have not been resolved through normal channels, or who believe that an IRS system or procedure is not working as it should. TAS employees share with all IRS personnel the responsibility to ensure taxpayer rights are considered and protected in all cases. TAS's mission also includes providing taxpayers with access to necessary information and services, and giving them clear, correct responses to inquiries. In addition to helping taxpayers with specific cases and individual problems, TAS studies issues that negatively affect large groups of taxpayers, and where warranted develops proposals for administrative or legislative change. TAS serves as the voice of the taxpayer by providing the taxpayer's viewpoint when the IRS is considering new policies, procedures, or programs. Additionally, TAS is responsible for administering the Low Income Taxpayer Clinic (LITC) Grant Program and overseeing the Taxpayer Advocacy Panel (TAP). LITC workgroups and TAP issue committees work on real-time identification and resolution of systemic problems. TAS expects all of its employees to identify and raise issues and advocate for solutions to taxpayers problems.

IV. **Assisting Taxpayers in Resolving Problems**

A. TAS Identifies Problems and Trends Which Negatively Impact Taxpayers and Advocates to Resolve These Issues

Taxpayers come to TAS when:

- They have experienced a financial hardship or economic burden;
- They have encountered problems trying to resolve their issues directly with the IRS; or
- An IRS action or inaction has caused or will cause long-term adverse impact on the taxpayer.

TAS accomplishes this part of its statutory mission through a combination of casework and outreach activities. Our outreach campaigns are designed to help taxpayers resolve current problems, educate them to avoid future ones, protect taxpayer rights, and reduce taxpayer burden.

Because Congress did not intend TAS to be an alternative to regular IRS channels, TAS has specified criteria for accepting cases. These criteria fall into four main categories:

- Economic Burden – Cases in which a taxpayer is experiencing financial difficulty;
- Systemic Burden – Cases in which an IRS process, system, or procedure has failed to operate as intended, and as a result, the IRS has failed to timely respond to or resolve a taxpayer issue;
- Equitable Treatment or Taxpayer Rights Issues – Cases accepted to ensure that the taxpayers receive fair and equitable treatment and that the taxpayers' rights are protected; and
- Public Policy – Cases accepted when the National Taxpayer Advocate determines that compelling public policy warrants assistance to an individual or group of taxpayers.

Figure IV-1 shows TAS case receipts by criteria for the first six months of fiscal year (FY) 2009:

FIGURE IV-1, TAS CASE RECEIPTS, CLOSURES, AND RELIEF RATES THROUGH MARCH 31, 2009⁵⁸

| | FY 2009 Receipts | FY 2009 Closures | Relief/Assistance Rate ⁵⁹ |
|---|------------------|------------------|--------------------------------------|
| Economic Burden | 49,863 | 40,791 | 66.1% |
| Systemic Burden | 84,137 | 93,342 | 75.6% |
| Equitable Treatment or Taxpayer Rights Issues | 101 | 105 | 65.7% |
| Public Policy | 25 | 19 | 78.9% |
| Total Cases | 134,126 | 134,257 | 72.7% |

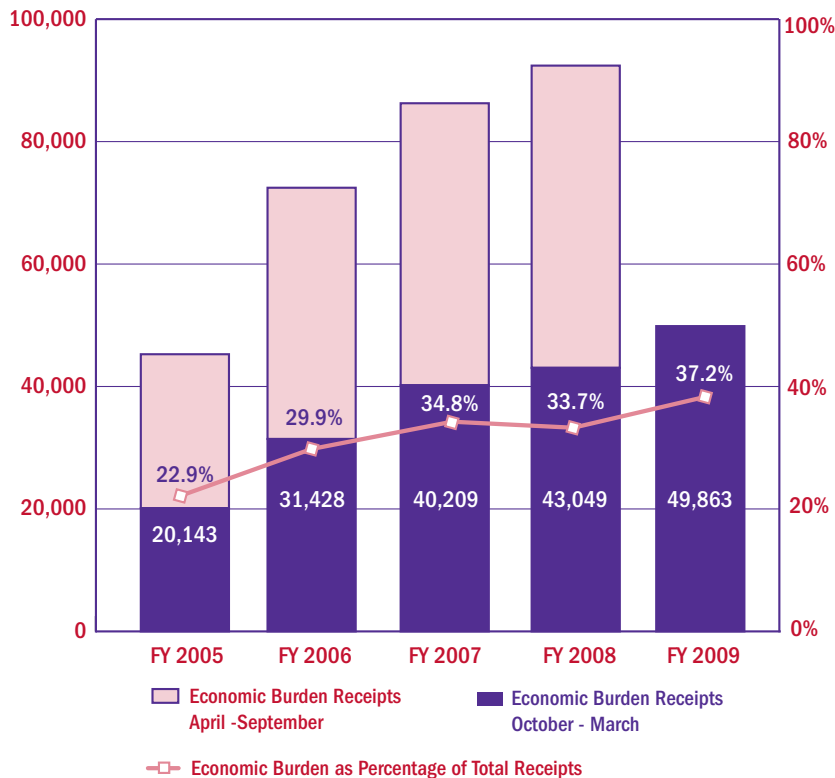
TAS obtained relief for taxpayers 72.7 percent of the time during the first six months of FY 2009. In some instances, TAS fully relieved the taxpayer's problem; in others, TAS obtained partial relief. TAS would not provide full relief in instances where the law does not allow what the taxpayer is asking for, or the taxpayer chooses not to pursue the issue or does not provide required documentation.

1. TAS Assists Taxpayers Experiencing an Economic Burden

Economic burden cases involve instances where taxpayers are experiencing financial difficulty. As shown in the figure below, economic burden case receipts have steadily increased since FY 2005.

⁵⁸ Data obtained from the Taxpayer Advocate Management Information System (TAMIS) using Business Objects. Cases received during one fiscal year may not close in the same fiscal year; therefore receipts and closures may not match.

⁵⁹ TAS tracks resolution of taxpayer issues through codes entered at the time of closing on the TAMIS. Case Advocates are required to indicate the type of relief/assistance provided to the taxpayer. See IRM 13.1.7.10.2.1 (Apr. 1, 2003). The codes reflect full relief, partial relief, or assistance provided. The relief rate is determined by dividing the total number of cases closed with full relief, partial relief or assistance provided by the total number of closures.

FIGURE IV-2, ECONOMIC BURDEN CASE RECEIPTS, FY 2005 - FY 2009⁶⁰

While the *number* of economic burden cases has risen, the *percentage* of economic burden receipts to total receipts peaked in FY 2007 and declined in FY 2008. This percentage decline is the result of the large volume of *systemic* burden cases TAS received in FY 2008 because of difficulties the IRS experienced in administering the Economic Stimulus Payment (ESP) program.⁶¹

Congress passed the Economic Stimulus Act in February 2008 with the goal of strengthening the economy by placing an estimated \$152 billion into the hands of consumers and businesses.⁶² However, the ESP also created new customer service issues for the IRS and taxpayers. Taxpayers' access to the IRS's telephone assistors in 2008 was substantially lower than in 2007 because of an unanticipated increase in call volume triggered by the ESP. Calls to the IRS more than doubled to 118 million as many taxpayers had questions about

⁶⁰ Economic Burden Receipts as a Percentage of Total Receipts was computed using full year data for FY 2005 - FY 2008. For FY 2009, the percentage was computed using data for the first six months of the year.

⁶¹ Economic Stimulus Act of 2008, Pub. L. No. 110-18, 112 Stat. 613 (2008).

⁶² See, e.g., The White House, *Fact Sheet: Bipartisan Growth Package Will Help Protect Our Nation's Economic Health* (Feb. 13, 2008).

the amounts of their stimulus payments or their timing.⁶³ The IRS acted to answer the calls by shifting hundreds of employees from its Automated Collection System (ACS) operations to telephone assistance.⁶⁴ In addition, the IRS brought in Accounts Management employees who work on account adjustments (including taxpayer correspondence, amended returns, responses to math error notices, and injured spouse claims). As a result, Accounts Management's productivity in processing taxpayer correspondence relating to adjustments declined,⁶⁵ and the level of service in ACS decreased.⁶⁶

Implementation of the ESP increased TAS systemic burden case receipts when taxpayers could not obtain IRS telephone assistance concerning their refunds, return processing, or IRS collection activities, and when the IRS was late in responding to taxpayer correspondence related to account adjustments. Most of the ESP-related cases TAS received during FY 2008 involved IRS processing delays, thus increasing the overall number of TAS systemic burden receipts.⁶⁷ When ESP-related cases are excluded, economic burden receipts as a percentage of total TAS receipts continue to increase from 22.9 percent in FY 2005 to 39.8 percent for the first six months of FY 2009, as shown in Figure IV-3.⁶⁸

This year, Congress passed further economic stimulus legislation,⁶⁹ but has elected to deliver the credits via reduced withholding during the balance of 2009. Although, the IRS was called upon to issue revised withholding tables, the amount of work and taxpayer confusion will likely be substantially less than last year.⁷⁰

Overall, the IRS did a good job in handling the economic stimulus legislation last year. However, the need for the IRS to stretch its resources left many taxpayers underserved. Accordingly, TAS intends to study whether the IRS can take steps to prepare for periodic mandates of this nature and meet the challenges without affecting basic functions such as taxpayer service.

⁶³ GAO, GAO-09-146, *IRS's 2008 Filing Season Generally Successful Despite Challenges, Although IRS Could Expand Enforcement During Returns Processing* (Dec. 12, 2008).

⁶⁴ GAO, GAO-09-146, *IRS's 2008 Filing Season Generally Successful Despite Challenges, Although IRS Could Expand Enforcement During Returns Processing* (Dec. 12, 2008).

⁶⁵ *The Status of the Economic Stimulus Payments, Hearing Before the Subcomm. on Oversight and Social Security H. Comm. on Ways and Means*, 110th Cong. at 8 (June 19, 2008).

⁶⁶ ACS personnel answered almost 2.8 million taxpayer calls concerning the Economic Stimulus Initiative while providing 240,000 regular hours and 75,000 overtime hours of support to the effort. ACS concluded its support on August 8, 2008. W&I, *Business Performance Review* 30 (Oct. 30, 2008).

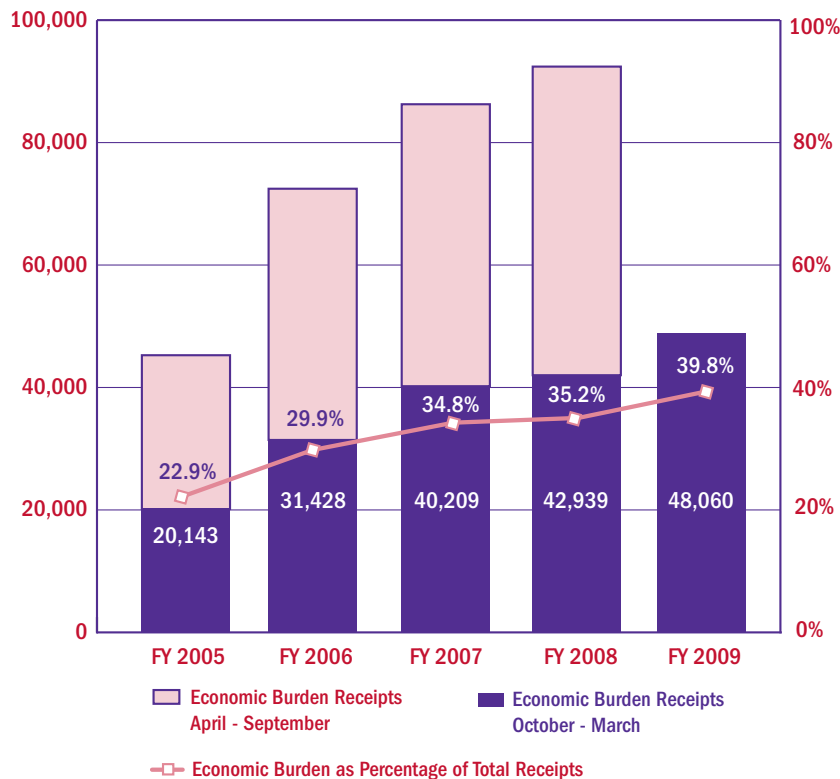
⁶⁷ W&I, *Business Performance Review* 22, 28 (Oct. 30, 2008).

⁶⁸ See *The Impact of ESP Legislation on Tax Administration*, *infra*.

⁶⁹ American Recovery and Reinvestment Act (ARRA), Pub. L. No. 111-5, Division B, §§ 1001, 2201, and 2202 (2009).

⁷⁰ See *The American Recovery and Reinvestment Act of 2009 Will Require a Difficult Balance Between Enforcement and Benefit Delivery*, *infra*.

FIGURE IV-3, ECONOMIC BURDEN CASE RECEIPTS (EXCLUDING ESP CASES) AS A PERCENTAGE OF TOTAL RECEIPTS, FY 2005 - FY 2009⁷¹



TAS anticipates that the number of economic burden case receipts will continue to grow. In a March 6, 2009, e-mail to IRS employees, IRS Commissioner Shulman announced that the FY 2009 budget “would provide the IRS with significant new funding for enforcement initiatives.”⁷² An analysis of FY 2005 and FY 2006 TAS and IRS data performed by the Government Accountability Office (GAO) shows that increases in the TAS caseload correlates with increases in IRS enforcement activities overall and in some specific IRS enforcement programs.⁷³ Additionally, we expect that the economic challenges facing taxpayers during this time of layoffs, foreclosures, bankruptcy filings, and other factors could bring more taxpayers to TAS. Figure IV-4 lists the issues most likely to involve an economic burden.

⁷¹ Economic Burden Receipts as a Percentage of Total Receipts was computed using full year data for FY 2005 – FY 2008. For FY 2009, the percentage was computed using data for the first six months of the year.

⁷² IRS Commissioner Douglas Shulman, *Private Debt Collection Contracts Expire Today* (Mar. 6, 2009).

⁷³ GAO, GAO-07-156, *TAS Caseload Has Grown and Taxpayers Report Being Satisfied, but Additional Measures of Efficiency and Effectiveness Are Needed* (Feb. 22, 2007).

FIGURE IV-4, TOP ISSUES INVOLVING ECONOMIC BURDEN (EB) CASE RECEIPTS, FY 2006 - FY 2008 AND FY 2009 THROUGH MARCH 31

| EB Receipts by Category | FY 2006 EB Receipts | FY 2007 EB Receipts | FY 2008 EB Receipts | % Change FY 2006-FY 2008 | FY 2009 EB Receipts through March 31 | FY 2009 Total Receipts through March 31 | FY 2009 EB % |
|---------------------------------------|---------------------|---------------------|---------------------|--------------------------|--------------------------------------|---|--------------|
| Collection Issues | 24,895 | 25,798 | 24,329 | -2.3% | 13,024 | 21,970 | 59.3% |
| Refund Issues | 14,265 | 17,374 | 20,189 | 41.5% | 14,004 | 28,225 | 49.6% |
| Criminal Investigation Issues | 3,792 | 5,072 | 3,969 | 4.7% | 2,799 | 5,687 | 49.2% |
| Document Processing Issues | 14,369 | 14,314 | 20,705 | 44.1% | 7,641 | 22,554 | 33.9% |
| Audit Issues | 9,082 | 14,789 | 13,591 | 49.6% | 7,005 | 26,884 | 26.1% |
| Entity Issues | 1,581 | 2,720 | 3,790 | 139.7% | 2,541 | 10,236 | 24.8% |
| Payments/Credits Issues | 1,124 | 1,716 | 1,719 | 52.9% | 761 | 3,912 | 19.5% |
| Other Issues | 99 | 107 | 109 | 10.1% | 55 | 285 | 19.3% |
| Appeals Issues | 332 | 380 | 476 | 43.4% | 258 | 1,527 | 16.9% |
| Technical, Procedural, Statute Issues | 1,769 | 1,903 | 1,699 | -4.0% | 841 | 5,325 | 15.8% |
| Penalty Issues | 1,088 | 1,991 | 1,705 | 56.7% | 877 | 6,914 | 12.7% |
| Interest Issues | 67 | 97 | 129 | 92.5% | 57 | 607 | 9.4% |
| Total Issues | 72,463 | 86,261 | 92,410 | 27.5% | 49,863 | 134,126 | 37.2% |

Collection issues generate not only the largest volume, but also the largest percentage of economic burden cases. TAS collection issue cases decreased in FY 2008 when the IRS stopped issuing levies for several months to administer the ESP.⁷⁴ TAS economic burden receipts involving IRS levies fell by 9.3 percent from FY 2007 to FY 2008. Although the IRS levy volume declined by 30.0 percent,⁷⁵ external factors (*e.g.*, the economic downturn) impact TAS levy case receipts.⁷⁶ Taxpayers are more likely to come to TAS when the IRS issues levies in difficult economic times because the levies cause a greater economic burden. Additionally, the IRS did not stop issuing levies under the Federal Payment Levy Program (FPLP), in which levies attach to recipients of SSA benefits and other government payments, during FY 2008.⁷⁷ TAS continued to receive economic burden cases created by FPLP levies on SSA recipients throughout FY 2008.⁷⁸ As the IRS resumes and eventually increases col-

⁷⁴ W&I, *Business Performance Review* 16 (Aug. 7, 2008).

⁷⁵ The IRS issued 2,631,038 levy notices during FY 2008 compared to 3,757,190 in FY 2007. IRS Data Book, Table 16, *Delinquent Collection Activities*.

⁷⁶ National Taxpayer Advocate 2008 Annual Report to Congress 562.

⁷⁷ In July 2000, the IRS, in conjunction with the Department of the Treasury's Financial Management Service (FMS), started the FPLP, a program authorized by IRC § 6331(h), as prescribed by the Taxpayer Relief Act of 1997 § 1024. Through this program, the IRS can collect overdue taxes through a continuous levy on certain federal payments disbursed by FMS.

⁷⁸ TAS received 18,665 levy cases in FY 2007 and 17,082 levy cases in FY 2008, a decline of only 8.5 percent as compared to a 30.0 percent decrease in non-FPLP levies issued by the IRS. Data obtained from TAMIS using Business Objects. See *Validation of Filter Developed for the FPLP*, *infra*.

lection activities (e.g., the issuance of levies), TAS anticipates a growth in levy issue receipts, projecting over 18,500 such cases in FY 2009 and more than 19,000 in FY 2010.⁷⁹

TAS entity issue case receipts had the highest percentage change from FY 2006 to FY 2008. The 139.7 percent increase in TAS entity issue case receipts⁸⁰ is the result of the growing number of stolen identity cases, an issue the National Taxpayer Advocate has identified as a Most Serious Problem in several Annual Reports to Congress.⁸¹ As discussed later in this report, if the IRS Identity Protection Specialized Unit (IPSU) operates effectively, many of these cases should be handled by the IRS, not TAS.⁸²

Some of the increase in cases involving refund issues, particularly those related to refund offsets⁸³ and “held” or stopped refunds⁸⁴ can be attributed to the IRS’s administration of the ESP. However, even when ESP-related cases are removed from the analysis, these issues still show increases. Figure IV-5 shows that the number of receipts with refunds as the primary issue received during FY 2008 increased by 65 percent as compared to FY 2005. The number of refund issue case receipts received during the first six months of FY 2009 increased by 117 percent, as compared to the same period in FY 2005.

⁷⁹ See *The IRS Needs to Make Better Use of Its Collection Toolkit*, *infra*. TAS Research uses a linear regression to produce a model for predicting TAS inventory attributable to IRS general levies. See National Taxpayer Advocate 2006 Annual Report to Congress vol. 2, 32-34.

⁸⁰ Entity issues involve problems related to taxpayers’ identities, including taxpayer identifying numbers (TINs) and taxpayer names. See *TAS and IRS Address Entity Issues*, *infra*.

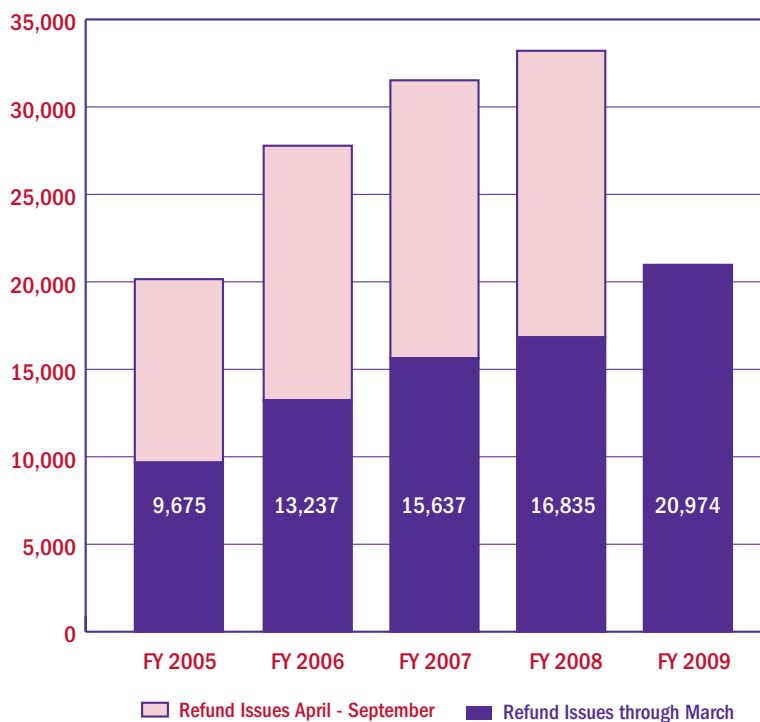
⁸¹ National Taxpayer Advocate 2008 Annual Report to Congress 557-58.

⁸² See *IRS Needs to Fine Tune Identity Theft Procedures*, *infra*.

⁸³ IRC § 6402(a), (c), (d), and (e) require a taxpayer’s overpayment to be applied to any outstanding federal tax obligation prior to crediting the overpayment to a future tax or making a refund. This application of a tax overpayment is called a refund offset. Congress authorized the FMS, which issues IRS tax refunds, to conduct the Treasury Offset Program (TOP). Through this program, refunds or overpayments may be reduced by the FMS and offset to pay any past-due child support, federal agency non-tax debts, or state income tax obligations.

⁸⁴ IRM 21.4.1.3.2(2) (Oct. 1, 2008). A refund may be held if the taxpayer has a delinquent return for a prior year. IRM 21.5.6.4.43(6) (Feb. 19, 2008). A refund may also be held if a taxpayer’s return is being reviewed by the Criminal Investigation Division (CI) to ensure the accuracy of: the income reported on the return; income tax withholding amounts reported on the return; claims for tax credits on the return; or business income reported on the return.

**FIGURE IV-5, REFUND CASE RECEIPTS, FY 2005 - FY 2008 AND FY 2009
CUMULATIVE THROUGH MARCH 31, ESP-RELATED CASES EXCLUDED**



TAS expects this trend to continue as taxpayers affected by the economic downturn file their income tax returns. Those experiencing financial difficulties are likely to consider their refunds a significant and essential contribution to their household income. In fact, a recent Associated Press poll reported that, compared to previous years, a larger percentage of taxpayers are planning on using the refunds they receive in 2009 to pay credit card bills, utility bills, and rent or mortgage payments.⁸⁵

As taxpayers face the impact of the economic downturn, it will be increasingly important for TAS services to be available to those who need them. While the IRS has announced that it is taking steps to assist financially distressed taxpayers, these steps are largely directed at compliance initiatives, such as added flexibility for missed payments, additional review of home values in offer in compromise applications, and postponement of collection actions.⁸⁶ These changes will not affect the predominantly compliant taxpayers who are

⁸⁵ Stephen Ohlemacher, *Hopes for an Economic Boost Fueled by This Year's Tax Refunds Could Be Dashed as Most People Say They Plan to Be Frugal with Their Annual Windfalls*, Associated Press (Apr. 13, 2009).

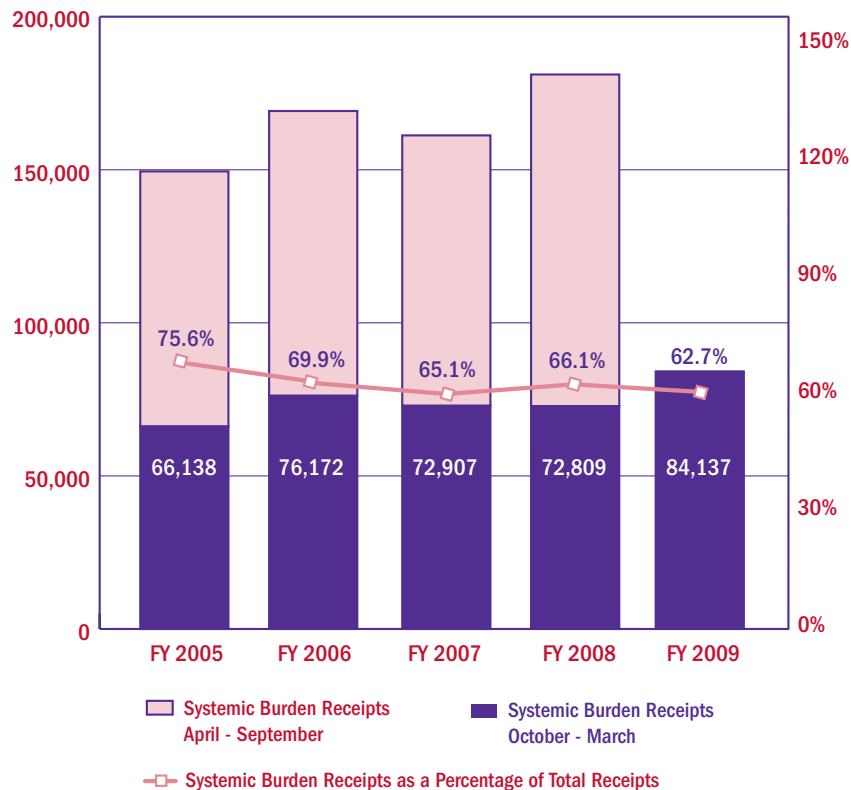
⁸⁶ See IRS News Release, *IRS Begins Tax Season 2009 with Steps to Help Financially Distressed Taxpayers; Promotes Credits, e-File Options* (Jan. 6, 2009).

simply waiting for their refunds; an issue that, along with document processing, is already one of the largest sources of TAS casework.⁸⁷

2. TAS Assists Taxpayers When an IRS Process, System, or Procedure Fails to Operate as Intended

A systemic burden case is one in which an IRS process, system, or procedure failed to operate as intended, and as a result, the IRS has failed to timely respond to or resolve a taxpayer issue. Figure IV-6 reflects the number of systemic burden case receipts from FY 2006 through FY 2009.

FIGURE IV-6, SYSTEMIC BURDEN CASE RECEIPTS AS A PERCENTAGE OF TOTAL RECEIPTS, FY 2005 - FY 2008 AND FY 2009 THROUGH MARCH 31⁸⁸



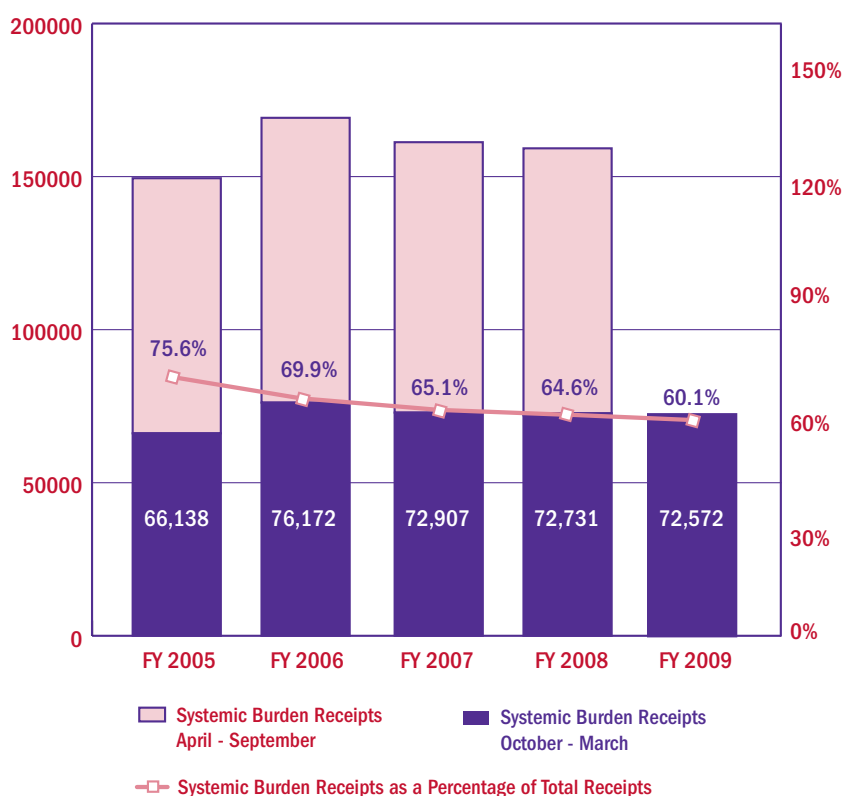
The increase in the number of TAS systemic burden case receipts in FY 2008 and FY 2009 can be attributed to the impact of administering the ESP on IRS correspondence and call

⁸⁷ Through March 31, 2009, refund cases were 21 percent of TAS receipts and document processing cases were 13 percent. Refund and document processing cases ranked first and fourth respectively when categorizing TAS receipts.

⁸⁸ Systemic Burden Receipts as a Percentage of Total Receipts was computed using full year data for FY 2005 - FY 2008. For FY 2009, the percentage was computed using data for the first six months of the fiscal year.

volume receipts and inventories. Systemic burden case receipts, as a percentage of total case receipts, slightly increased in FY 2008. However as shown in Figure IV-7, excluding ESP-related issues, systemic burden case receipts continued to decline as a percentage of total case receipts.

FIGURE IV-7, SYSTEMIC BURDEN CASE RECEIPTS (EXCLUDING ESP), AS A PERCENTAGE OF TOTAL RECEIPTS, FY 2005 - FY 2008 AND FY 2009 THROUGH MARCH 31⁸⁹



a. TAS Is Studying Sources of Rework⁹⁰ to Reduce Systemic Burden Case Receipts

TAS is a limited, specialized resource that cannot continue to take on an increasing volume of cases with each new year, particularly since Congress did not intend TAS to be a second IRS. TAS has established a goal of lowering the percentage of systemic burden cases and,

⁸⁹ Systemic Burden Receipts as a Percentage of Total Receipts was computed using full year data for FY 2005 – FY 2008. For FY 2009, the percentage was computed using data for the first six months of the fiscal year.

⁹⁰ National Taxpayer Advocate 2008 Objectives Report to Congress vii. All cases in TAS inventory belong to the IRS and are part of the IRS workload – generated in response to some IRS action or inaction, or some law that the IRS is charged with administering. When the IRS fails to resolve a taxpayer's problem, TAS has to "rework" the issue to resolve the problem.

together with the IRS, is studying sources of rework in an effort to reduce the flow of cases into TAS. As a part of this effort, TAS is working on collaborative teams with the IRS to study the Amended Return process, the Combined Annual Wage Reporting (CAWR)⁹¹ process, and identity theft issues, all of which generate large numbers of cases.⁹²

TAS receives most of its cases from referrals by IRS employees. Both the W&I and SB/SE operating divisions are working with TAS to review these referrals, as well as the issues, policies, or processes that prevent operating division employees from handling taxpayers' issues when they first contact the IRS. These reviews should lead to initiatives in which the operating divisions treat taxpayers in the same manner as TAS (*i.e.*, by listening to the taxpayer's description of the problem, taking action to resolve the problem, and promising a follow-up contact to advise the taxpayer of the status of his or her request). Such initiatives provide the operating divisions the opportunity to resolve taxpayers' issues at the first point of contact, as well as identifying approaches to fix systemic problems, one taxpayer at a time. Such initiatives could also reduce the number of systemic referrals to TAS, allowing TAS to concentrate its resources on taxpayers who need TAS intervention to resolve problems that truly cannot be addressed through other avenues.

3. TAS Analyzes Economic and Systemic Burden Case Receipts for Process Improvements

By categorizing the issues involved in casework, TAS identifies trends in individual cases that also affect larger groups of taxpayers and uses that information to work with the IRS to resolve issues.⁹³ Figure IV-8 shows the increases and decreases in different types of TAS case receipts since FY 2006.

⁹¹ CAWR is a document-matching program that compares the federal income tax withheld, advance Earned Income Tax Credit (EITC), Medicare wages, Social Security wages, and Social Security tips reported to the IRS against that reported to the SSA.

⁹² National Taxpayer Advocate 2009 Objectives Report to Congress 36-38.

⁹³ See *How TAS Identifies Problems, Works with the IRS to Improve Processes, and Identifies Legislative Change, infra*.

FIGURE IV-8, TAS CASE RECEIPT ISSUES, FY 2006 - FY 2008, and FY 2009 THROUGH MARCH 31

| All Criteria | FY 2006 | FY 2007 | FY 2008 | % Change FY 2006-FY 2008 | FY 2009 thru March 31 |
|-------------------------------------|---------|---------|---------|--------------------------|-----------------------|
| Refund Issues | 27,781 | 31,521 | 46,680 | 68.0% | 28,225 |
| Audit Issues | 47,703 | 59,601 | 60,051 | 25.9% | 26,884 |
| Collection Issues | 43,552 | 43,706 | 42,418 | -2.6% | 21,970 |
| Document Processing Issues | 52,775 | 44,552 | 58,888 | 11.6% | 22,554 |
| Entity Issues | 11,495 | 15,334 | 17,313 | 50.6% | 10,236 |
| Penalty Issues | 12,328 | 15,716 | 13,705 | 11.2% | 6,914 |
| Criminal Investigation Issues | 21,395 | 11,846 | 10,152 | -52.5% | 5,687 |
| Technical/Procedural/Statute Issues | 12,585 | 12,121 | 11,103 | -11.8% | 5,325 |
| Payments/Credits Issues | 8,173 | 9,047 | 9,046 | 10.7% | 3,912 |
| Appeals Issues | 2,618 | 2,498 | 2,841 | 8.5% | 1,527 |
| Interest Issues | 1,029 | 1,249 | 1,235 | 20.0% | 607 |
| Other Issues | 739 | 648 | 619 | -16.2% | 285 |
| Total Issues | 242,173 | 247,839 | 274,051 | 13.2% | 134,126 |

Declines in receipts involving the Criminal Investigation division (CI) are due to improved procedures for CI's Questionable Refund Program (QRP), as reported in the 2006 Annual Report to Congress.⁹⁴ However, the improved procedures also led CI to release control of cases sooner and move them to the Examination function for a determination, leading to an increase in audit issues for TAS.

In analyzing the top issues among individual cases, TAS is working to effect systemic changes in the following areas:

a. Taxpayers Seek TAS Assistance When the IRS Delays Issuing Their Refunds

Background

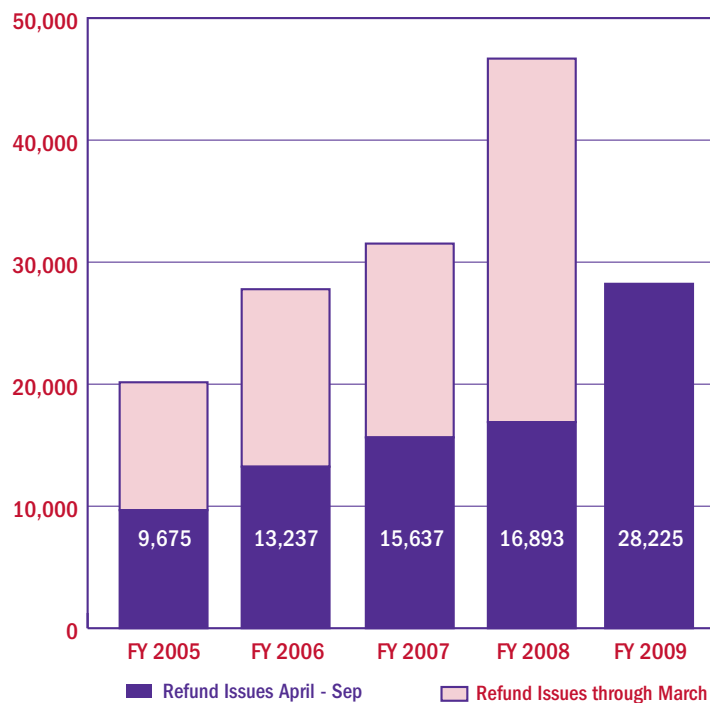
Refund issues involve much more than just financial hardships. When the IRS does not process original returns or amended returns timely and efficiently, it delays the release of refunds to many taxpayers. Taxpayers victimized by identity theft, or who file joint returns with spouses who owe other debts experience additional delays when IRS procedures and backlogs prevent tax accounts from being corrected in a timely fashion. Taxpayers seeking TAS assistance due to systemic problems often have refunds that depend on resolving those problems. While some taxpayers may not be experiencing a financial hardship when they first contact TAS, significant delays created by systemic problems could mean that they will experience a hardship before the issue is resolved. Consequently, TAS anticipates that refund issues will remain a significant source of TAS casework, even if the processing of the refund is not the underlying cause of the taxpayer's problem.

⁹⁴ National Taxpayer Advocate 2006 Annual Report to Congress 408-18.

Case Trends

An analysis of TAS cases that involve refund issues makes it clear that refund issues are a growing trend in TAS casework, as shown in Figure IV-9, below:

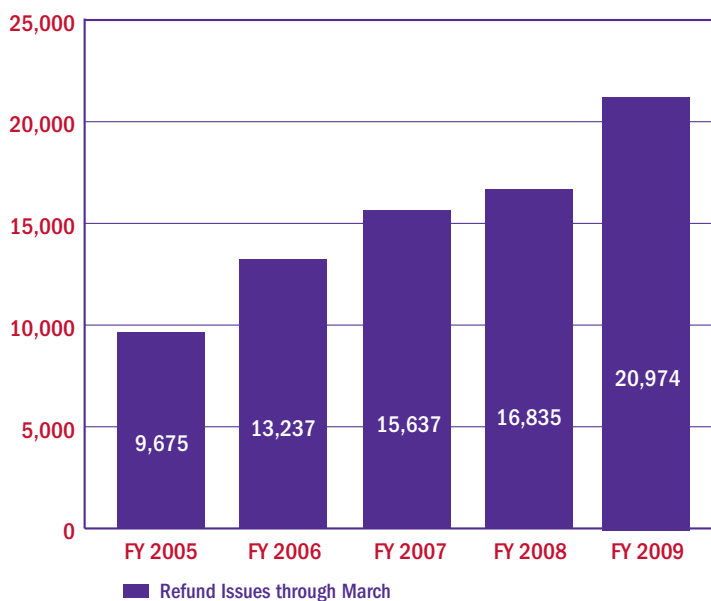
FIGURE IV-9, TRENDS IN REFUND CASE RECEIPTS, FY 2005 - FY 2008 AND FY 2009 THROUGH MARCH 31, INCLUDING ESP-RELATED REFUND ISSUES⁹⁵



During the first six months of FY 2009, TAS received significantly more refund-related cases than in the same period in each of the prior four fiscal years. While many of these cases were ESP-related, data for the first six months of FY 2009 show a 24.5 percent increase over FY 2008 (even when ESP-related cases are excluded), as shown in Figure IV-10, below:

⁹⁵ Data obtained from TAMIS using Business Objects.

FIGURE IV-10, TRENDS IN REFUND CASE RECEIPTS, FY 2005 - FY 2009 THROUGH MARCH 31, EXCLUDING ESP-RELATED REFUND ISSUES⁹⁶



As taxpayers face job, home, and investment losses in a recession, many may rely on income tax refunds for basic living expenses. Systemic problems that hold up those refunds will be detrimental to the taxpayers' view of how the IRS handles their accounts.

Systemic Efforts:

Taxpayers have the opportunity to submit systemic concerns directly to the National Taxpayer Advocate through the Systemic Advocacy Management System (SAMS). TAS assists taxpayers by analyzing trends in SAMS submissions to identify systemic problems that delay refunds. TAS worked with the IRS to resolve a multitude of problems that occurred with both the ESP and the Recovery Rebate Credit (RRC). TAS found that the IRS was not processing ESP payments that qualified for lost, stolen, or destroyed refund processing procedures. The IRS had not updated its systems to show when an ESP check was returned to the IRS as undeliverable. The law prohibited the IRS from issuing a check after December 31, 2008.⁹⁷ TAS worked with the IRS to credit taxpayer accounts for the returned checks, and secured an interpretation of the law from the IRS Office of Chief Counsel that allows the IRS to issue replacement checks in certain instances. TAS is collaborating with the IRS to develop procedures to process and issue refunds for the various credits outlined in the American Recovery and Reinvestment Act of 2009 (ARRA) for taxpayers.

⁹⁶ Data obtained from TAMIS using Business Objects.

⁹⁷ IRC § 6428(g)(3).

b. The IRS Needs to Improve the Correspondence Audit Process

Audits are the IRS's primary tool to address underreporting, which accounts for over 80 percent of the tax gap.⁹⁸ The IRS audit program relies on one-on-one contacts with taxpayers and includes:

- Correspondence audits;
- Audits conducted in IRS offices; and
- Field audits, typically held in a taxpayer's home or place of business.⁹⁹

The scope of these audits ranges from a mailed notice asking for clarification of a single tax return item, to a face-to-face interview and review of the taxpayer's records at the taxpayer's place of business.

Background:

In her 2008 Annual Report to Congress, the National Taxpayer Advocate identified "The Suitability of the Examination Process," and "The IRS Correspondence Examination Program Promotes Premature Notices, Case Closures, and Assessments" among the most serious problems facing taxpayers.¹⁰⁰ Practitioner focus groups conducted by SB/SE at the 2008 IRS Nationwide Tax Forums echoed the concerns noted in the 2008 report.¹⁰¹ The concerns most often shared were:

- General lack of receipt, control, and acknowledgement of taxpayer correspondence;
- Inability to speak to someone knowledgeable about a case;
- Inability to transfer a case to a local office;
- Confusion created by the "Combo Letter";¹⁰²
- Premature issuance of statutory notices of deficiency;¹⁰³ and
- Requests for inappropriate and outdated substantiation.

⁹⁸ Over 80 percent of the tax gap – \$285 billion in 2001 – is attributable to underreported tax liabilities. IRS, *Tax Gap Map for Year 2001* (Feb. 2007), available at http://www.irs.gov/pub/irs-utl/tax_gap_update_070212.pdf. The tax gap is the difference between what taxpayers should have paid and what they actually paid on a timely basis. See IRS News Release 2006-28, *IRS Updates Tax Gap Estimates* (Feb. 14, 2006).

⁹⁹ See *Treas. Reg. §§ 601.105; 301.7605-1*; see also *Statistics of Income (SOI) Tax Stats - IRS Tax Compliance Activities*, available at <http://www.irs.gov/taxstats/compliancstats/article/0,,id=117875,00.html> (last visited Aug. 27, 2008).

¹⁰⁰ See National Taxpayer Advocate 2008 Annual Report to Congress 227-42 (Most Serious Problem: *Suitability of the Examination Process*); National Taxpayer Advocate 2008 Annual Report to Congress 243-59 (Most Serious Problem: *The IRS Correspondence Examination Program Promotes Premature Notices, Case Closures, and Assessments*).

¹⁰¹ SB/SE Research, *Correspondence Exam – How Can We Improve the Process?*, 2008 Nationwide Tax Forum Focus Group Results (Nov. 2008).

¹⁰² The "Combo Letter" was introduced in 1999 when the IRS merged the initial audit contact letter and 30-day letter into a single document. The 30-day letter contains the preliminary audit report, reflecting the tax that will be due if the taxpayer fails to corroborate the issue.

¹⁰³ Under IRC § 6212(a), the Commissioner is authorized to send a notice of deficiency, also called a "statutory notice of deficiency" or "90-day Letter", of a taxpayer's income, estate, gift or certain excise tax deficiencies. The issuance of a statutory notice of deficiency begins the process where a taxpayer who does not agree with the adjustments may file a petition with the Tax Court within 90 days from the notice date (150 days if the notice is addressed to a person outside the United States).

Case Trends:

Correspondence audits are designed to focus on a limited number of specific, clear-cut issues that would not normally require a full-scale office or field audit.¹⁰⁴ Auditing by correspondence is not a new process; what is new is the volume of returns audited through this process.

- In FY 2000, the IRS conducted 617,765 correspondence audits. By FY 2007, this figure more than doubled, with the IRS auditing 1,384,563 individual returns via correspondence.¹⁰⁵
- Audits completed by correspondence accounted for 83 percent of all individual taxpayer audits, with IRS campus offices conducting slightly more than 71 percent of that total.¹⁰⁶
- For FY 2009, the IRS plans to maintain a high level of correspondence audits by initiating 1,122,554 individual audits.¹⁰⁷

Correspondence audits use a batch processing method.¹⁰⁸ There is no paper file and no human involvement until the taxpayer responds and the IRS receives and controls this correspondence. Problems associating correspondence with electronic files are numerous and vary from campus to campus. Consider the following examples:

- The IRS provides a bar-coded envelope for response that is not large enough to accommodate the documentation requested. When taxpayers substitute a bigger envelope, the new envelope does not include the bar code, resulting in delays in receiving and associating correspondence with the electronic file.
- When correspondence is not properly associated with the taxpayer's electronic file, notices and eventually a statutory notice of deficiency are automatically generated by the batch processing system. No paper file is created and the tax is subsequently assessed by default.
- Some campus receipt and control areas have "examination-only" mail procedures that facilitate taxpayer correspondence processing and association with the taxpayer's electronic file, while other locations combine examination mail with all other mail receipts, which can delay the proper association and case creation within the examination unit.

Getting the correspondence to the right person is only the first step in improving the correspondence audit process; personal and competent phone contacts are equally important. According to TIGTA, increased personal interaction with taxpayers would allow

¹⁰⁴ IRM 4.10.3.16 (Mar. 1, 2003) and IRM 4.19.1.2.3 (Oct. 1, 2001).

¹⁰⁵ TIGTA, Ref. No. 2008-30-095, *Trends in Compliance Activities Through Fiscal Year 2007 8* (Apr. 18, 2008).

¹⁰⁶ *Id.* at 7.

¹⁰⁷ IRS, *Enterprise Plan Summary* (June 19, 2008).

¹⁰⁸ For a detailed discussion of the batch processing system utilized for correspondence audits, see National Taxpayer Advocate 2008 Annual Report to Congress 248 (Most Serious Problem: *The IRS Correspondence Examination Program Promotes Premature Notices, Case Closures, and Assessments*).

more taxpayers timely access to the information they need to resolve discrepancies and reach agreement on tax matters.¹⁰⁹ TAS-moderated practitioner focus groups showed that, while practitioners had difficulty contacting IRS auditors, they often successfully resolved outstanding issues after a telephone conversation with the auditor who was familiar with the case.¹¹⁰

Systemic Efforts:

TAS continually looks at the ways the IRS uses its audit resources and assesses the impact on taxpayers. To address these concerns during FY 2009, TAS is participating in taxpayer satisfaction improvement initiatives hosted by SB/SE. These initiatives include reviewing and assessing the correspondence audit and Automated Underreporter program (AUR) processes from the taxpayer's perspective. The goal of these initiatives is to improve processes already in place and offer alternatives for those that simply cannot support the current volume of work.

The Correspondence Audit Taxpayer Satisfaction Initiative, with team members from SB/SE, W&I, and TAS, worked with external consultants to review the correspondence audit process from the taxpayer's point of view. This team developed three focused pilot tests. The National Taxpayer Advocate encourages the IRS to implement these pilot tests and will monitor and provide support if the tests are implemented in FY 2010:

- *Optimizing Phone Use within Examination Units.* Many taxpayers indicated they were simply not getting the service and information needed when they called to speak to a tax examiner.¹¹¹ The pilot will provide for greater telephone usage and service-focused training.
- *Mail Triage.* The IRS installed high-speed scanners in the correspondence audit units in W&I, and plans to do the same in SB/SE. The scanners will image mail onto the Correspondence Imaging System (CIS) and upload the documents directly to the Correspondence Examination Automated System (CEAS). This pilot will share best practices regarding the introduction and use of scanners to associate incoming mail with taxpayer files. The test will also assess the IRS's ability to provide labels, instead of poorly-sized envelopes, to taxpayers for response.
- *Updating Documentation Requirements.* This pilot will update the substantiation guidelines used by tax examiners. The first audit issue to be addressed relates to employee business expenses. Substantiating employee business expenses may require taxpayers to submit numerous pieces of documentation that are not easily copied. The pilot will

¹⁰⁹ TIGTA, Ref. No. 2006-40-138, *The Wage and Investment Division Automated Underreporter Telephone Operations Could Improve Service to Taxpayers* 6 (Sept. 13, 2006).

¹¹⁰ National Taxpayer Advocate, *Findings from the Earned Income Tax Credit (EITC) Examination and Documentation Requirements Focus Groups, IRS Tax Forums, June - September 2005* (Dec. 2005).

¹¹¹ Depending on their area of assignment, tax examiners examine returns as part of the correspondence audit program, analyze and adjust online accounts, resolve complex issues, participate in the enforcement process, and process cases for other functions such as Criminal Investigation and TAS.

determine if the documentation requested by the IRS from the taxpayers is appropriate and will test the viability of verification sampling (so taxpayers do not have to send in every piece of documentation) in completing correspondence audits.

c. The IRS Should Make Better Use of Its Collection Toolkit

Background

For the last eight years, the National Taxpayer Advocate has been urging the IRS to make better use of alternatives to collection enforcement actions.¹¹² TAS has continued to point out that the IRS needs to look no further than its existing collection toolkit to resolve taxpayer cases. The IRS already possesses numerous viable collection alternatives, including installment agreements (IAs) and offers in compromise (OICs). The general premise under which the IRS operates is that taxpayers should pay the full amount of the tax liabilities they owe. While the National Taxpayer Advocate agrees, there are times when taxpayers experience financial difficulties and cannot reasonably pay their tax liabilities in full or at all. This may happen if a taxpayer loses a job, becomes disabled, or experiences some other major financial setback. In these instances, the IRS's goal should be to collect as much of the tax as possible without unduly burdening the taxpayer or the taxpayer's family.

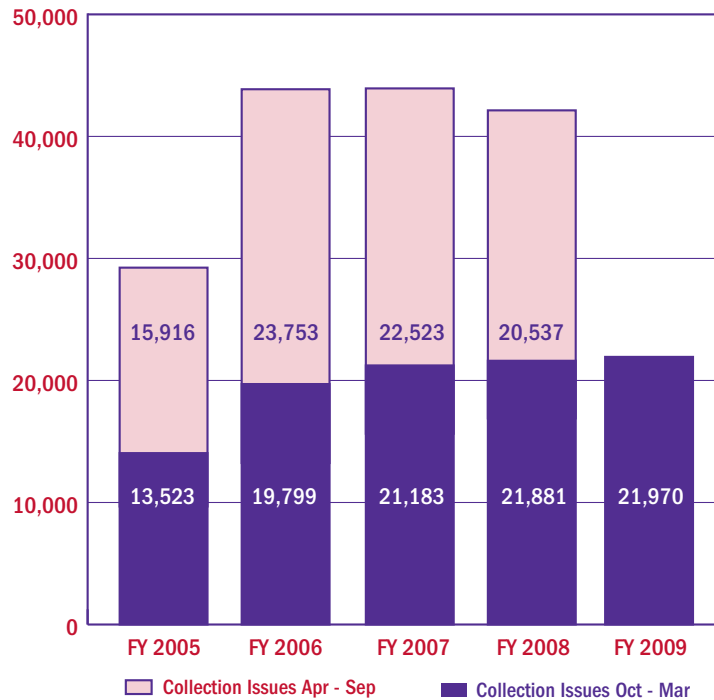
The National Taxpayer Advocate acknowledges that even in times of economic stability, the IRS faces a difficult challenge in balancing its core duties of collecting the nation's primary accounts receivable and simultaneously delivering quality customer service. With the unemployment rates exceeding eight percent¹¹³ and unprecedented levels of foreclosures and bankruptcies, many taxpayers who were formerly able to timely pay their taxes may suddenly find themselves unable to do so.

Case Trends:

As Figure IV-11 illustrates, TAS's FY 2009 case receipts for collection-related issues have increased:

¹¹² See National Taxpayer Advocate 2008 Annual Report to Congress 15-38 (Most Serious Problem: *The IRS Needs to More Fully Consider the Impact of Collection Enforcement Actions on Taxpayers Experiencing Economic Difficulties*); National Taxpayer Advocate 2007 Annual Report to Congress 374-87 (Most Serious Problem: *Offers in Compromise*), 388-94 (Most Serious Problem: *Inadequate Training and Communication Regarding Effective Tax Administration Offers*), 432-47 (Status Update: *IRS Collection Strategy*); National Taxpayer Advocate 2006 Annual Report to Congress 62-82 (Most Serious Problem: *Early Intervention in IRS Collection Cases*), 83-109 (Most Serious Problem: *IRS Collection Payment Alternatives*), 507-19 (Key Legislative Recommendation: *Improve Offer in Compromise Program Accessibility*); National Taxpayer Advocate 2005 Annual Report to Congress 270-91 (Most Serious Problem: *Allowable Expense Standards for Collection Decisions*); National Taxpayer Advocate 2004 Annual Report to Congress 226-45 (Most Serious Problem: *IRS Collection Strategy*), 311-41 (Most Serious Problem: *Offers in Compromise*), 433-50 (Key Legislative Recommendation: *Offers in Compromise: Effective Tax Administration*); National Taxpayer Advocate 2003 Annual Report to Congress 99-112 (Most Serious Problem: *Offers in Compromise*); National Taxpayer Advocate 2002 Annual Report to Congress 15-24 (Most Serious Problem: *Processing of Offer in Compromise Cases*); National Taxpayer Advocate 2001 Annual Report to Congress 202-15 (Most Serious Problem: *IRS Collection Procedures*).

¹¹³ See Bureau of Labor Statistics, <http://www.bls.gov> (last visited Apr. 15, 2009).

FIGURE IV-11, TAS COLLECTION ISSUE RECEIPTS, FY 2005 - FY 2008 AND FY 2009 THROUGH MARCH 31¹¹⁴

The National Taxpayer Advocate commends the IRS Commissioner for acknowledging the challenges facing financially distressed taxpayers and announcing plans to show flexibility in certain collection matters.¹¹⁵ The IRS has always had tools that can help taxpayers, and it must employ these tools appropriately and compassionately. Still, the IRS could avoid many collection problems by focusing on the taxpayer's specific set of facts and circumstances and attempting to make the earliest possible personal contact rather than rely on more intrusive enforcement actions (e.g., liens and levies). By recognizing and then seeking ways to remove barriers to collection alternatives, the IRS can more effectively assist taxpayers in these troubled economic times.

The National Taxpayer Advocate continues to urge the IRS to employ collection alternatives because they are not only a good option for those who are struggling in this recession, but for all taxpayers at all times. Even before the economic downturn, Congress made its support for collection alternatives explicit and gave the IRS considerable authority to utilize two important collection options, IAs and OICs. Moreover, IRS data suggest that these alternatives may also be good from a revenue collection standpoint. TAS's and the IRS's

¹¹⁴ The chart includes all cases involving collection issues identified as the primary issue.

¹¹⁵ See IRS News Release, *IRS Begins Tax Season 2009 with Steps to Help Financially Distressed Taxpayers; Promotes Credits, e-File Options* (Jan. 6, 2009). See also IRS News Release, *IRS Speeds Lien Relief for Homeowners Trying to Refinance, Sell* (Dec. 16, 2008).

collaborative efforts to develop clear guidance and less restrictive procedures for these alternatives should help the IRS balance service and enforcement.

In addition to our work with the IRS, the National Taxpayer Advocate recorded a series of “TAScast” videos posted on YouTube at <http://www.youtube.com/profile?user=TASNTA&view=videos> on collection alternatives, speaking directly to taxpayers and explaining their options on topics such as offers in compromise, installment agreements, and levies on wages.¹¹⁶ Additionally, in April 2009 the National Taxpayer Advocate recorded an educational video to help train TAS case advocates and collection employees on taxpayer rights in collection cases. We will expand this presentation to include a second taping that is appropriate for Automated Collection System (ACS) employees.

Systemic Efforts:

i. Partial Payment Installment Agreements Remain an Underutilized Collection Alternative

Another little known and rarely used IRS collection tool to assist taxpayers is the partial payment installment agreement (PPIA).¹¹⁷ The IRS uses PPIAs when taxpayers cannot fully pay their tax debts during the statutory ten-year period for collection, but can pay a portion of the debt in installments. By law, the IRS reviews PPIAs every two years and may require the taxpayer to make larger monthly payments if it determines the taxpayer’s financial condition has improved significantly.¹¹⁸ While the history of the PPIA program is short, the available data indicates that PPIAs are not widely utilized.¹¹⁹ Indeed, most taxpayers and many practitioners are not even aware of this option. For the past three years, the National Taxpayer Advocate has expressed her concern with the IRS’s underutilization of PPIAs and offered specific recommendations to enhance use of this viable collection alternative.¹²⁰ To help remedy this underutilization, the National Taxpayer Advocate included several examples of where PPIAs might be a more appropriate alternative to enforced collection action in the recently taped video on taxpayer rights in collection cases.

TAS and the IRS agreed to continue their joint IA task force efforts in FY 2009 and to further explore the reason for the underutilization of PPIAs. TAS has proposed a joint re-

¹¹⁶ TAScasts are also available on the Tax Literacy Toolkit at http://www.taxtoolkit.irs.gov/Tax_Topics.cfm (last visited Jun. 11, 2009).

¹¹⁷ IRC § 6159. Prior to 1998, the IRS administratively entered into partial payment installment agreements. In 1998, the IRS Office of Chief Counsel issued a memorandum concluding that partial-payment installment agreements were not permissible under the law. Thus, from that time until October 22, 2004, installment agreements were available only if taxpayers paid their tax liabilities in full. In the American Jobs Creation Act, Congress authorized partial-payment installment agreements. See Pub. L. No. 108-357, § 843(a)(1), 118 Stat. 1418, 1600 (2004); H.R. Rep. No. 108-755 at 649 (2004) (Conf. Rep.).

¹¹⁸ IRC § 6159(d).

¹¹⁹ In FY 2008, the IRS granted 22,555 PPIAs, which accounted for less than one percent of all IAs granted. SB/SE Collection Activity Report NO-5000-6, *Installment Agreement Cumulative Report* (Sept. 29, 2008). A total of 2,624,487 IAs were granted in FY 2008.

¹²⁰ See National Taxpayer Advocate 2008 Annual Report to Congress 15-38 (Most Serious Problem: *The IRS Needs to More Fully Consider the Impact of Collection Enforcement Actions on Taxpayers Experiencing Economic Difficulties*); National Taxpayer Advocate 2007 Annual Report to Congress 432-47 (Status Update: *IRS Collection Strategy*); and National Taxpayer Advocate 2006 Annual Report to Congress 83-109 (Most Serious Problem: *IRS Collection Payment Alternatives*).

view of cases recently reported as currently not collectible to determine if the IRS properly considered a PPIA in lieu of reporting the taxpayer as unable to pay. TAS is hopeful that such a review can be completed by September 2009.

ii. IRS Lien Procedures Do Not Properly Consider the Financial Implications a Lien Has on a Taxpayer's Ability to Remain Solvent

When a taxpayer files a tax return and is unable to fully pay the balance due, the IRS has the authority to file a notice of federal tax lien (NFTL) to protect its interest in any assets held by the taxpayer.¹²¹ The purpose of the filing is to protect the government's interest and reserve priority against third party creditors and purchasers. The lien reaches all of the taxpayer's interests in present and future property. As a result, when the IRS files the NFTL to facilitate collection, it can severely hamper the taxpayer's ability to obtain credit.¹²² The National Taxpayer Advocate is concerned that by filing NFTLs when a taxpayer has no assets, the IRS is creating a further economic hardship, which may force taxpayers into noncompliance.

Congress enacted several provisions in IRC § 6323 and IRC § 6325 to provide relief to taxpayers who have NFTLs filed against them. The relief takes the form of a certificate of:

- Release – IRC § 6325(a) provides for release of the lien when the tax is paid, becomes legally unenforceable, or the taxpayer posts a bond;
- Discharge – IRC § 6325(b) provides for discharge of property from the effects of an NFTL and allows a taxpayer to sell specific property if the government's interest in the property is satisfied, valueless, or sufficiently covered by remaining property. The NFTL remains in effect against other property owned by the taxpayer;
- Subordination – IRC § 6325(d) provides for a creditor to take the priority position of the government's NFTL against specific property when the taxpayer borrows money and pays the IRS that amount to cover the amount of the lien or interest subordinated, or when the taxpayer borrows money and improves the property, which will facilitate the collection of the tax liability; and
- Withdrawal – IRC § 6323(j) provides for a withdrawal of an NFTL when:
 - The NFTL was filed prematurely or not in accordance with administrative procedures;
 - Issuance of a withdrawal will enhance collection of the tax;
 - The taxpayer entered into an installment agreement to pay the tax, unless the agreement provides for the NFTL; or
 - With the consent of the taxpayer or National Taxpayer Advocate, the withdrawal of the NFTL is in the best interests of the taxpayer (as determined by the National

¹²¹ IRC § 6323(a).

¹²² *C. Bo v. Commissioner*, T.C. Memo. 2005-150, at 12-13 (where TAS attempted to have the NFTL released because it forced the taxpayer's business to pay for all merchandise by cash on delivery and caused the elimination or reduction of credit lines).

Taxpayer Advocate) and the government (as determined by the Commissioner of the IRS).¹²³

The IRS generally files an NFTL if the amount of the debt is above a certain dollar threshold. The IRS does not consider the impact the filing of the NFTL may have on the taxpayer, including whether the taxpayer may suffer an economic hardship as a result.¹²⁴ The National Taxpayer Advocate believes the IRS should develop additional criteria that must be met before the IRS files an NFTL. Consideration should be given to deferring the NFTL filing in cases where it will cause economic hardship or impair collection.

In some cases, a taxpayer could seek refinancing of his or her home to provide more money to get relief from economic hardship and pay the tax liability. The IRS may subordinate the NFTL by filing a certificate of subordination so that the taxpayer could seek the refinancing.¹²⁵ However, the presence of the NFTL may cause the taxpayer to face higher financing costs, and the NFTL filing will still remain on the taxpayer's credit history. The IRS acknowledges that, in some cases, subordination may not be sufficient to facilitate the financing needed to resolve the taxpayer's debt.¹²⁶ As such, taxpayers often want the NTFL removed in lieu of subordination.

Although certificates of release and discharge to remove a lien are available from the IRS, they are not available to most taxpayers suffering economic hardship because they cannot pay the full amount of the liability, provide a bond, or hand over the proceeds from the sale of the taxpayer's property.¹²⁷ A discharge may help taxpayers if they are disposing of the property and have other property with available equity, or the property has no value to the government.¹²⁸ However, only the release of the lien will indicate either that the tax liability is satisfied or unenforceable.¹²⁹ Many taxpayers want the IRS to withdraw rather than release the NFTL because they believe a withdrawal will have a better impact on their credit history.¹³⁰ Unfortunately, a withdrawal of the NFTL would not be available in these cases as economic hardship is not a basis for withdrawal.¹³¹

¹²³ Treas. Reg. § 301.6323(j)-1.

¹²⁴ IRM 5.12.2.4.1 (May 20, 2005); IRM 5.16.1.1 (Dec. 1, 2006).

¹²⁵ See IRC § 6325(d).

¹²⁶ See IRM 5.12.3.13(6) (Sept. 7, 2006) (when a taxpayer factors or pledges its accounts receivable as collateral for a loan, subordination may be ineffective and withdrawal may be the only way for the taxpayer to resolve the tax debt).

¹²⁷ See IRC § 6325(a) and (b).

¹²⁸ IRC § 6325(b)(1).

¹²⁹ IRC § 6325(a).

¹³⁰ Cf. *Crisan v. Commissioner*, T.C. Memo. 2007-67, at 4 (taxpayers believe withdrawal is necessary to avoid permanent damage to their credit). See IRM 5.12.3.31(5)(examples) (Sept. 7, 2006) (where a taxpayer asserts that the NFTL may harm her credit worthiness and where another taxpayer may not enter a loan unless the lien is withdrawn). However, the IRM continues that while withdrawal may be in the best interest of the taxpayer under these circumstances, the IRS does not believe withdrawal is in the best interest of the government.

¹³¹ See IRC § 6323(j).

An NFTL may remain on a taxpayer's credit history and affect a taxpayer's credit rating for up to seven years after the NFTL is released.¹³² Moreover, credit reporting agencies may keep information regarding tax liens on credit reports, even if the IRS releases or withdraws the NFTL.¹³³ This can significantly damage a taxpayer's credit and may lead to noncompliance. For instance, a taxpayer who cannot maintain or secure salaried employment once an NFTL is filed may be forced to work as an independent contractor, unaware of or unwilling to pay the applicable self-employment taxes; or a taxpayer who loses financing due to an NFTL filing may choose to pay creditors other than the government. Further, a taxpayer who operates his own business, whose vendor or creditor relationships end due to an NFTL, may stop filing returns and avoid paying employment taxes either by forming a new business entity or by having third parties pay its employees as contractors. The National Taxpayer Advocate believes the IRS should conduct outreach to credit reporting agencies to help them understand the impact of tax liens, discharges, subordinations, releases, and withdrawals on credit reports, as well as educate taxpayers on its findings. These findings also may help the IRS to rethink its lien filing policy to identify when an NFTL may lead to noncompliance and to inform taxpayers of the urgency of addressing liens to repair their credit. The National Taxpayer Advocate will continue to explore the effect each type of lien certificate has on a taxpayer's credit history and will advocate accordingly.

Recently, the IRS has taken steps to recognize the plight of taxpayers facing economic hardship amid the current financial crisis, but these steps have failed to recognize the deeper problems facing taxpayers subject to NFTLs. The IRS has committed to expediting requests for subordination and discharge when taxpayers seek to refinance or sell their homes.¹³⁴ The National Taxpayer Advocate applauds the IRS's response to this recent crisis but believes that the financial future of many taxpayers will still be blemished by NFTLs. The National Taxpayer Advocate is researching this issue further, and anticipates that to provide true relief to taxpayers the IRS will have to revamp its policies and procedures to consider the impact of the filing of the NFTL on the taxpayer's ability to maintain compliance with tax laws. More importantly, the National Taxpayer Advocate is concerned that the IRS needs a better understanding of the effectiveness of the NFTL as a collection tool. Thus, TAS is conducting additional research on the effectiveness of NFTL filings to determine if the lien contributed to the collection yield, and if so, how much, at what time, and by what means. Moreover, the National Taxpayer Advocate's recently taped video on collection cases included several scenarios involving NFTLs and should serve as a strong reminder for IRS employees to consider a taxpayer's specific facts and circumstances and any potential economic hardship when making an NFTL determination.

¹³² See Phillip C. Hong-Barco, *How the Fair Credit Reporting Act Fails to Protect: The Case of IRS Tax Liens on Consumer Credit Reports*, 3 Pitt. Tax. Rev. 181, 191-193 (Spring 2006). The federal tax lien will generally remain on a taxpayer's credit history at least seven years from full payment and the release of the lien will not be reported on a taxpayer's credit history for up to 30 days after filing, and in case of mistakes, even longer. The IRS has no affirmative duty to correct this information as it is not considered a furnisher of credit information. Rather, the IRS merely files tax lien notices and releases which are reported by the credit reporting agencies.

¹³³ *Id.* at 187-88.

¹³⁴ See IRS News Release, *IRS Speeds Lien Relief for Homeowners Trying to Refinance, Sell* (Dec. 16, 2008).

iii. Certain IRS Collection Statute Expiration Date Policies and Procedures Harm Taxpayers

Generally, the IRS has ten years from the date of assessment to collect an unpaid tax liability.¹³⁵ This statutory limit for collecting a tax assessment is known as the Collection Statute Expiration Date (CSED). In many instances, due to database or systemic limitations, human error, and prior IRS policy, taxpayer accounts contain inaccurate or excessively lengthy CSEDs. The IRS enforcement of excessively lengthy CSEDs may unnecessarily burden taxpayers who were uninformed of the consequences and may never fully pay the liability. CSED inaccuracies may result in unlawful collection actions harming taxpayers, or the government prematurely writing off a tax debt before the lawful collection period expires.

The IRC provides for suspension of the CSED when certain events occur, thereby causing the CSED to be postponed at various times. These events include:

- Filing of a bankruptcy petition;¹³⁶
- Submission of an OIC;¹³⁷
- Request for a Collection Due Process (CDP) hearing or seeking judicial review from a CDP hearing;¹³⁸
- Seeking relief from joint and several liability;¹³⁹ and
- Requesting an installment agreement or challenging the rejection of an IA.¹⁴⁰

The National Taxpayer Advocate's 2004 Annual Report to Congress identified thousands of miscalculated CSEDs on taxpayer accounts.¹⁴¹ The report also identified nearly 14,000 accounts where the CSED had been extended upward of 20 years or longer due to prior IRS policy regarding securing Form 900, *Tax Collection Waiver*, in conjunction with an IA.¹⁴² Essentially, the bulk of the CSED miscalculation issues discovered by the task force were resolved. However, at the time, the IRS disagreed with TAS's recommendation to further explore and address the 14,000 accounts with lengthy CSEDs. As a result, in the 2006 Annual Report, the National Taxpayer Advocate proposed a legislative recommendation to enact a sunset provision on these accounts; thereby terminating all CSED extensions beyond a certain date.¹⁴³ The legislation has not been enacted and in spite of many positive steps by

¹³⁵ IRC § 6502(a)(1).

¹³⁶ IRC § 6503(h).

¹³⁷ IRC §§ 6331(i)(5) and 6331(k)(1).

¹³⁸ IRC §§ 6331(i)(5) and 6330(e)(1).

¹³⁹ IRC § 6015(e)(2).

¹⁴⁰ IRC § 6331(k)(2).

¹⁴¹ *National Taxpayer Advocate 2004 Annual Report to Congress* 180, 188.

¹⁴² *Id.* at 180-91.

¹⁴³ *National Taxpayer Advocate 2006 Annual Report to Congress* 520-26 (Key Legislative Recommendation: *Elimination of Lengthy Collection Statute of Limitations Extensions*).

the IRS since 2005 (e.g., additional CSED training for compliance employees, revised IRM guidance, and IRS programming changes), taxpayers continue to seek TAS assistance on CSED-related matters. TAS Research is identifying the number of open cases with lengthy CSEDs and will further analyze of these accounts to determine the amount of remaining tax, penalty, and interest as well as certain taxpayer demographics. Additionally, the National Taxpayer Advocate has approached IRS Collection about performing a systemic fix and will share TAS Research's findings and lend assistance to resolve these cases.

One of the biggest problems for taxpayers and TAS has been locating the appropriate IRS function or unit to properly compute and correct the CSED. Given the fact that multiple collection actions may have ensued over the course of the liability, TAS employees must often contact several IRS units, only to learn that another unit is responsible for the corrections. Even IRS employees experience frustration when they recognize a miscalculated CSED but cannot determine how to or who should make the necessary corrections.

In November 2008, TAS completed a review of 50 of its own open CSED cases and determined 31 of the cases involved one or more miscalculated CSEDs, with 33 of the cases involving multiple issues.¹⁴⁴

TAS has sought and received a commitment from the SB/SE Collection Director to further explore any of the previously identified but unresolved CSED cases stemming from Form 900, Tax Collection Waivers, secured in conjunction with an IA. TAS recommends that the IRS consider staffing a centralized unit of subject matter experts who can accurately compute CSEDs in any situation.

d. Recent IRS Employment Tax Initiatives Stand to Negatively Impact Many Taxpayers

Background:

The National Taxpayer Advocate believes the collection of employment taxes warrants top priority and commends the IRS for its continued efforts to develop a balanced strategic plan for the Enterprise-Wide Employment Tax Program (EWETP). Although the National Taxpayer Advocate is concerned about employment tax noncompliance, she is also worried about how the IRS is proposing to stem such noncompliance and that it is taking a reactive rather than a proactive approach to employment taxes.¹⁴⁵ More specifically, the National Taxpayer Advocate is concerned with the IRS's response to a GAO audit report on the topic of IRS policies and procedures related to payroll tax cases. Two of the more serious GAO recommendations were for the IRS (1) to quickly file a NFTL, and (2) to streamline the

¹⁴⁴ TAS identified 60 TAS cases coded with issuance code 175 (CSED); however, the coding was only correct on 50. Review findings on file with TAS. The sample was a convenience sample. A convenience sample is a nonrandom sample that may not represent the characteristics of the entire population.

¹⁴⁵ National Taxpayer Advocate 2008 Annual Report to Congress 54-78.

process to assess a Trust Fund Recovery Penalty (TRFP)¹⁴⁶ and promptly file a NFTL against responsible persons of taxpayers with unpaid payroll taxes.¹⁴⁷ In addition, the GAO reports that employment tax noncompliance is increasing and thus, made specific recommendations for the IRS to act with more urgency in protecting the government's interest and curtailing the accrual of additional liabilities. The National Taxpayer Advocate questioned whether employment tax noncompliance had in fact increased over the past decade and urged the IRS to conduct additional studies on the effectiveness of filing a lien or asserting a TRFP, before quickly moving forward to take these actions.

Systemic Efforts:

i. The IRS's Plans for Stricter Lien Filing in Unpaid Payroll Tax Matters Do Not Coincide with Its Recent Messages to Provide More Assistance for Small Business Taxpayers

In her 2008 Annual Report to Congress, the National Taxpayer Advocate recommended the IRS conduct additional research before proceeding with its plans to streamline the NFTL process and file liens as soon as possible.¹⁴⁸ She encouraged the IRS to take a balanced approach that increases efficiency with minimal taxpayer burden, and to more closely consider whether liens are a productive tool for payroll tax liabilities. The IRS has nonetheless moved to modify its existing policies and procedures and make lien filing the rule, not the exception, for taxpayers who are unable pay outstanding payroll tax liabilities.¹⁴⁹

Moreover, flexibility and use of employee discretion and judgment remain inexplicably absent from IRS lien filing policies and procedures. When the IRS reacts quickly without considering the specific facts and circumstances, as well as the potential negative impact a NFTL can have on a business, the end result will likely be more failed businesses and an increase in the need for TAS assistance.

TAS continues to urge the IRS to delay its current plans to ramp up lien filing on payroll tax cases and instead conduct a comprehensive review of its NFTL policies and procedures for payroll tax liabilities, and gather data to determine whether the act of filing a NFTL impedes the business's ability to continue operating and pay its taxes. We encourage the IRS to collaborate with TAS on any study, review, and workgroup associated with employment tax matters.

¹⁴⁶ National Taxpayer Advocate 2007 Annual Report to Congress 395. Employers are responsible for withholding income, Federal Insurance Contributions Act (FICA), and, where applicable, excise taxes from payments made to employees. Such taxes are referred to as "trust fund" taxes because employers hold the employees' money in trust until it is paid over to the government. When these monies are not paid as required, the law provides for the assessment of a TRFP against individuals who are deemed to be the "responsible persons." The penalty is equal to the amount of the income and FICA taxes withheld from employees. See IRC §§ 6671(b) and 6672(a) and IRM 5.7.3.3.1 (Apr. 13, 2006).

¹⁴⁷ GAO, GAO-08-617, *Tax Compliance: Businesses Owe Billions in Federal Payroll Taxes* 23 (July 2008).

¹⁴⁸ National Taxpayer Advocate 2008 Annual Report to Congress 54-78.

¹⁴⁹ Interim Guidance Memorandum, Control No. SB/SE-05-1208-069 (Dec. 22, 2008).

ii. A “One Size Fits All” Policy Is Not the Answer to the IRS’s Trust Fund Recovery Penalty Woes

In the last two Annual Reports to Congress, the National Taxpayer Advocate warned the IRS that it must address continuing TFRP problems before considering expansion of the program.¹⁵⁰ IRC § 6672 provides the IRS with its statutory authority to assess a TFRP against any person responsible for collecting and paying the delinquent employment taxes. The National Taxpayer Advocate noted several problems with the IRS’s existing TFRP policies and procedures, including incomplete TFRP investigations, the lack of collectibility determinations prior to assessment of the TFRP, and collection policies that compromise the rights of taxpayers before the IRS actually determines the responsible person’s liability.¹⁵¹ Yet, instead of acknowledging TAS’s concerns and studying where improvements could be made, the IRS has intensified its efforts to make TFRP determinations more quickly and more often. Local Taxpayer Advocates (LTAs) have recently observed several instances where the IRS has already begun to unofficially adopt these new procedures. In one particular case, only the issuance of a Taxpayer Assistance Order (TAO) helped keep the IRS’s premature enforcement actions against the potentially responsible person at bay.¹⁵²

TAS has continued to apprise the IRS of its concerns regarding TFRP assessments and policies and procedures regarding NFTL through its participation on the EWETP and direct interaction with the SB/SE Collection Policy function. Moreover, the National Taxpayer Advocate has identified the lien and TFRP programs as potential most serious problems facing taxpayers for inclusion in the 2009 National Taxpayer Advocate Annual Report to Congress.

e. IRS Needs to Continue Improving Document Processing

Systemic Efforts:

i. IRS Reassesses the Automated Underreporter Program from the Taxpayer’s Perspective

The IRS uses the AUR program to match income and information documents filed with the IRS by third parties to information on returns filed by taxpayers. The IRS also uses AUR document matching information to identify taxpayers who have failed to file tax returns although income is indicated. When income tax return information does not agree with third-party information documents, the IRS asks taxpayers to explain any discrepancies.

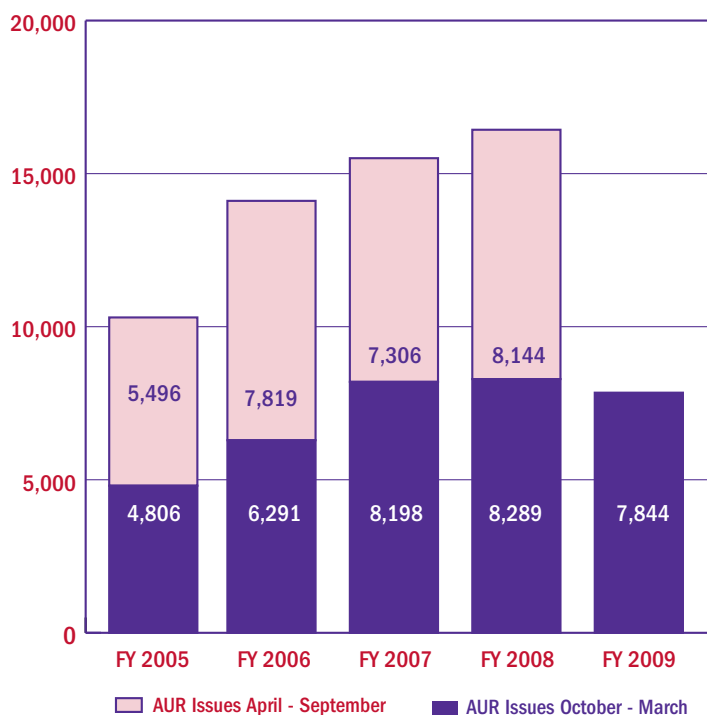
¹⁵⁰ National Taxpayer Advocate 2008 Annual Report to Congress 54-78; National Taxpayer Advocate 2007 Annual Report to Congress 395-410.

¹⁵¹ National Taxpayer Advocate 2007 Annual Report to Congress 395-410.

¹⁵² 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 internal revenue laws are being administered if relief is not granted. IRC § 7811 grants the National Taxpayer Advocate, or her delegate, the authority to issue a TAO ordering the IRS to take an action, cease an action, or refrain from taking an action in a case. The National Taxpayer Advocate, or her delegate, may also issue a TAO ordering the IRS to expedite consideration of a taxpayer’s case, reconsider its determination in a case, or review the case at a higher level or the organization. See *TAS Uses Taxpayer Assistance Orders to Advocate for Taxpayers*, *infra*.

TAS AUR-related receipts for FY 2008 increased 59.5 percent as compared to FY 2005. AUR-related receipts for the first half of FY 2009 have increased by 63.2 percent as compared to the same period in FY 2005, as shown in Figure IV-12, below:

FIGURE IV-12, TAS AUTOMATED UNDERREPORTER (AUR) RECEIPTS, FY 2005 - FY 2009¹⁵³



TAS is participating on a team hosted by SB/SE that is reassessing the AUR process from the taxpayer's perspective. The same process utilized to offer suggestions for improvement to the Correspondence Audit Program is now underway for the AUR program.¹⁵⁴ TAS's role on this team is to bring together the extensive research in prior Annual Reports to Congress, incorporate the lessons learned from the correspondence audit team, and assemble this data to support program improvement recommendations. This team is scheduled to elevate improvement recommendations in August 2009 for pilot tests and implementation in FY 2010.

¹⁵³ Numbers include all cases involving AUR issues, even if the AUR issue was secondary. Because a case can be coded with a primary and secondary issue code, there is potential for a minimal amount of overlap (cases counted twice).

¹⁵⁴ See *The IRS Needs to Improve the Correspondence Audit Process*, *supra*.

ii. IRS Needs to Implement Improvements to Amended Return Processing

The processing of amended returns has ranked among the top four issues generating TAS case receipts every year since 1999.¹⁵⁵ In FY 2008, problems caused by amended return processing procedures were the number one reason taxpayers came to TAS.¹⁵⁶ In recognition of this continuing problem, in 2006, the IRS Oversight Board directed TAS and W&I to create a joint task force to study the causes of this rework. This group identified six primary factors that prolong the processing of amended returns and delay taxpayers' refunds:

- No electronic option is available for individual taxpayers filing amended returns;
- The IRS does not meet general processing timeframes;
- Unnecessary audit referrals add to already lengthy processing times;
- Correspondence audit waiting times before taxpayer contact add weeks, and sometimes months, to the process, while leaving taxpayers uninformed about the status of their claims;
- The lack of information sharing among IRS functions causes more unnecessary delays for taxpayers; and
- IRS business decisions on priorities negatively affect amended returns classified as duplicate filings.

The team concluded its study and made recommendations to improve the timeliness of amended return processing and lessen taxpayer burden. The National Taxpayer Advocate selected amended return processing as a Most Serious Problem in her 2008 Annual Report to Congress and made the following recommendations to the IRS:¹⁵⁷

- Reprioritize and expedite the implementation date for accepting Forms 1040X, *Amended U.S. Individual Income Tax Return*, electronically and include TAS representatives in the discussions on revisiting the sequencing strategy for development of e-filed amended returns;

¹⁵⁵ See National Taxpayer Advocate 2006 Annual Report to Congress; National Taxpayer Advocate 2007 Annual Report to Congress 676; National Taxpayer Advocate 2005 Annual Report to Congress 569; National Taxpayer Advocate 2004 Annual Report to Congress 594; National Taxpayer Advocate 2003 Annual Report to Congress 436; National Taxpayer Advocate 2002 Annual Report to Congress 389; National Taxpayer Advocate 2001 Annual Report to Congress 230; National Taxpayer Advocate 2000 Annual Report to Congress 135; National Taxpayer Advocate 1999 Annual Report to Congress VII-3.

¹⁵⁶ In FY 2008, TAS had 21,963 cases (an increase of 35 percent from FY 2007) in which the primary issue was IRS delays in processing amended returns. See TAMIS.

¹⁵⁷ See National Taxpayer Advocate 2008 Annual Report to Congress 274-89 (Most Serious Problem: *Incorrect Examination Referrals and Prioritization Decisions Cause Substantial Delays in Amended Return Refunds for Taxpayers*).

- Reconsider the IRS's decision to not provide individuals a way to transmit their returns directly to the IRS once modernized e-file (MeF)¹⁵⁸ becomes available at the individual level;
- Tighten the IRS's Examination referral criteria for amended returns by identifying more of the common characteristics of the amended returns that the Examination function accepts as filed;
- Add accountability measures to reduce the number of Category A (CAT-A) rejects from Accounts Management (based on the results of the study that the IRS has agreed to conduct);¹⁵⁹
- Implement the "Always Part of the Solution" or APOTS tool¹⁶⁰ throughout all remaining W&I campuses to automate the opening on the Audit Information Management System (AIMS) and the issuance of the initial contact letter for cases that are selected for audit. Continue to identify additional amended return work types that the IRS can shift from Accounts Management to Submission Processing; and
- Prioritize duplicate filing conditions by creating a special unit that will only work duplicate filings.

W&I has made progress in implementing many of the process changes based on these recommendations. Changes include transferring correspondence adjustment cases from campuses to be worked in other locations (mainly remote call-sites and walk-in offices) and moving less complicated amended returns upstream to be worked in Submission Processing. W&I has also implemented automation tools to enhance efficiencies and is collecting information to measure the impact of those tools. While further improvements are needed, the National Taxpayer Advocate is committed to continue collaborative efforts to reduce amended return rework.

f. IRS Continues to Address Entity Issues

Background:

Entity issues involve problems related to taxpayers' identities, including taxpayer identifying numbers (TINs)¹⁶¹ and taxpayer names. IRS entity errors occur when a taxpayer has

¹⁵⁸ MeF is a web-based system that allows electronic filing of corporate, partnership, exempt organization, and excise tax returns through the Internet. MeF uses the widely accepted Extensible Markup Language (XML) format. This is an industry standard that is used when identifying, storing, and transmitting data rather than the proprietary data transmission formats used by older e-mile programs. MeF is designed to accept amended returns for business returns. Currently, the MeF project is working on a revised plan to phase in the Form 1040 and its associated forms and schedules. The current Phase 1 deployment is scheduled for January 2010. The MeF1040 multi-year release strategy will include acceptance of electronic amended returns.

¹⁵⁹ IRM 21.5.3.4.7.1(2) (Mar. 17, 2003). CAT-A criteria denotes high audit potential. The IRS routes those returns meeting CAT-A criteria through the Examination function before processing the return.

¹⁶⁰ The Austin Campus developed APOTS to automate the opening of the case in Examination on AIMS and the issuance of the initial contact letter. This tool provides additional automation through the examination process for all claims and has reportedly resulted in excellent improvements to cycle time for these case types.

¹⁶¹ A TIN can be an SSN for an individual taxpayer, an individual taxpayer identification number (ITIN) for a taxpayer who is not eligible for an SSN, an adoption taxpayer identification number (ATIN) for an adopted child when the adopting taxpayers do not have or are unable to obtain the child's SSN, or an employer identification number (EIN). See Treas. Reg. § 301.6109-1(a)(1)(i).

two or more TINs, two or more taxpayers are using the same TIN, a taxpayer has changed names, a taxpayer uses a name other than what is on file with the IRS, or a taxpayer lists a TIN as “applied for” when filing a return.¹⁶² The following sections discuss TAS’s continued analysis and collaborative work with the IRS on entity issues involving identity theft and Individual Taxpayer Identification Numbers (ITINs).

Systemic Efforts:

i. IRS Needs to Fine Tune Identity Theft Procedures

Identity theft occurs in tax administration when an individual intentionally uses the Social Security number (SSN) of another person to file a false tax return or fraudulently gain employment. When these types of theft occur, the identity theft victim often begins a journey through IRS processes and procedures that may take years to resolve. Over the past several years, the National Taxpayer Advocate has cited identity theft as a most serious problem encountered by taxpayers.¹⁶³

Congress has also recognized identity theft as a growing problem. In early 2008, the House Committee on Ways and Means and the Senate Committee on Finance each held hearings about the IRS response to identity theft. The National Taxpayer Advocate testified at both hearings.¹⁶⁴ In the April 10, 2008 hearing before the Finance Committee, IRS Commissioner Douglas Shulman acknowledged the need for the IRS to improve its procedures for assisting victims of identity theft and pledged that the IRS would develop a comprehensive plan to help these taxpayers.¹⁶⁵

The National Taxpayer Advocate commends the IRS for improving a number of procedures to assist victims of identity theft. In January 2008, the IRS began marking the accounts of identity theft victims with an electronic indicator if the victim provides the appropriate documentation (copy of police report or identity theft affidavit, plus photo identification). The identity theft marker was designed to:

- Track the number of accounts affected by identity theft;
- Protect Treasury revenue threatened by identity theft; and
- Reduce taxpayer burden.¹⁶⁶

¹⁶² See IRM 21.6.2.1 (Oct. 1, 2006) for details about the types of problems relating to TINs.

¹⁶³ See National Taxpayer Advocate 2008 Annual Report to Congress 79-94; National Taxpayer Advocate 2007 Annual Report to Congress 96-115; National Taxpayer Advocate 2005 Annual Report to Congress 180-91; National Taxpayer Advocate 2004 Annual Report to Congress 133- 36.

¹⁶⁴ *Identity Theft in Tax Administration: Hearings Before the Senate Committee on Finance*, 110th Cong. (Apr. 10, 2009) (statement of Nina E. Olson, National Taxpayer Advocate); *The Tax Return Filing Season, Internal Revenue Service Operations, Fiscal Year 2009 Budget Proposals, and the IRS National Taxpayer Advocate’s Annual Report: Hearing Before the Subcomm. on Oversight of the H. Comm. on Ways and Means*, 110th Cong. (Mar. 13, 2008) (statement of Nina E. Olson, National Taxpayer Advocate).

¹⁶⁵ See *Identity Theft in Tax Administration: Hearing Before the United States Senate Committee on Finance*, 110th Cong. (Apr. 10, 2008) (statement of Douglas Shulman, IRS Commissioner). See also Tax Notes Today, *IRS Officials Pledge Improved Communications with Taxpayers*, 2008 TNT 91-5 (May 9, 2008); Tax Notes Today, *Shulman Promises Improvement in IRS Response to Identity Theft*, 2008 TNT 71-2 (Apr. 11, 2008).

¹⁶⁶ IRS, Privacy, Information Protection & Data Security, PIPDS-10-1008-02, *Implementation of Three New Identity Theft Tracking Indicators* (Sept. 29, 2008).

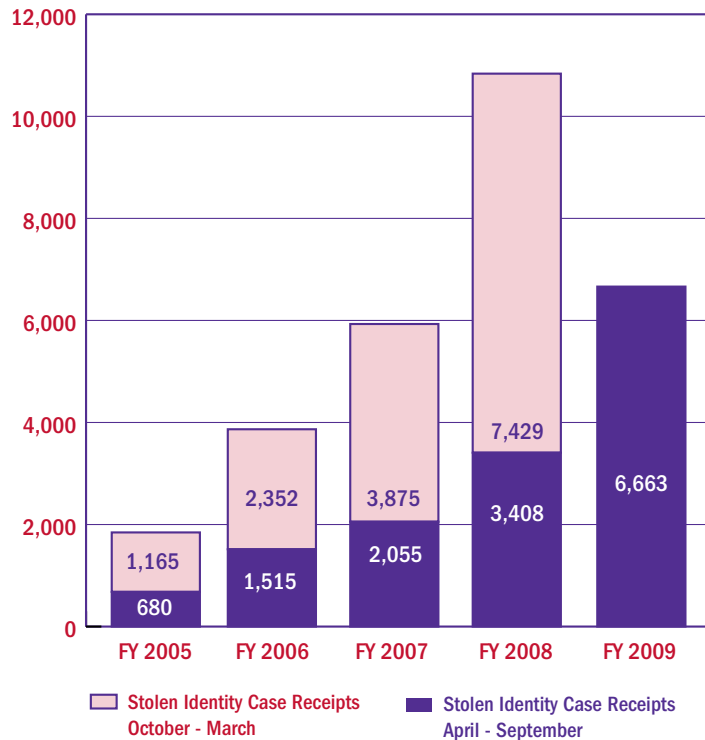
In January 2009, the IRS began to apply “business rules” (that is, a series of filters) to any return filed with an SSN associated with a marked account. The intent was to block the processing of fraudulent returns while continuing to process legitimate returns. Business rules provide an automated way to distinguish between valid and fraudulent returns.

Most significantly, the IRS established a centralized unit dedicated to assisting identity theft victims. The Identity Protection Specialized Unit (IPSU) became operational on October 1, 2008. Identity theft victims, regardless of whether they currently have a tax administration issue with the IRS, may call a toll-free hotline (800-908-4490) to report their problem, obtain information, and take steps to protect their accounts.¹⁶⁷ The IPSU provides two essential services to identity theft victims. First, it serves as a central point of contact for other IRS functions. Second, the IPSU conducts a global account review to identify all federal tax issues related to the identity theft and ensures that the responsible functions have taken the appropriate actions to resolve the victim’s tax account issues.¹⁶⁸

In theory, the IPSU should be able to handle all of the identity theft cases that TAS currently handles, except in some instances where a taxpayer is facing economic harm. With the creation of the IPSU in October 2008, we expected a decline in TAS identity theft case receipts. Instead, however, TAS experienced a 95.5 percent increase in identity theft receipts through March 31, 2009, when compared to the same period in the prior year.

¹⁶⁷ IRS Tax Tip 2009-11, *Ten Things the IRS Wants You to Know About Identity Theft*, available at <http://www.irs.gov/newsroom/article/0,,id=202865,00.html> (last visited Apr. 29, 2009).

¹⁶⁸ See SERP Alert IMF 090190, *Global Review to Be Completed* (Apr. 6, 2009); IRS Tax Tip 2009-11, *Ten Things the IRS Wants You to Know About Identity Theft*, available at <http://www.irs.gov/newsroom/article/0,,id=202865,00.html> (last visited Apr. 29, 2009); Publication 4535, *Identity Theft Prevention and Victim Assistance* (Oct. 2008).

FIGURE IV-13, TAS STOLEN IDENTITY CASE RECEIPTS, FY 2005 - FY 2008 AND FY 2009¹⁶⁹

The reasons for the significant increase in TAS identity theft cases are unclear. It may be that there are simply that many more incidents of identity theft than in prior years. It is possible that the IRS and TAS have done a better job of outreach, prompting more identity theft victims to contact TAS than in prior years. It is likely that IRS procedures for the IPSU are not yet sufficient to meet taxpayer needs. What is clear is that TAS has a stake in helping the IRS find ways to resolve taxpayer account issues caused by identity theft.

When the IRS initially established procedures for the IPSU, it contemplated that the IPSU would assist just those victims who called the unit without an existing tax administration issue (for example, victims who may have had their wallets and personal identification stolen).¹⁷⁰ In her 2008 Annual Report to Congress, the National Taxpayer Advocate advocated for a global account review and monitoring for all identity theft victims who come to the IRS.¹⁷¹ Recently, the IRS released guidance indicating that the specialized unit will conduct a global review on all accounts where the identity theft marker was applied.¹⁷² Where

¹⁶⁹ Numbers include all cases coded as stolen identity cases, even if the stolen identity issue was secondary (issue code 425).

¹⁷⁰ See SERP Alert IMF 080389, *Functions Are Referring Their Tax-Related Identity Theft Cases to the AM Identity Theft Units in Error* (Oct. 6, 2008).

¹⁷¹ See National Taxpayer Advocate 2008 Annual Report to Congress 82-83.

¹⁷² See SERP Alert IMF 09190, *Global Review to Be Completed* (Apr. 6, 2009).

the IPSU uncovers additional issues, the appropriate IRS function will take the necessary actions to make the taxpayer whole. Once all actions are complete, the function will alert the IPSU. The National Taxpayer Advocate is very pleased with this development, and will work with Accounts Management to develop appropriate procedures.

The IRS marked over 40,000 accounts with the identity theft indicator in calendar year 2008.¹⁷³ As mentioned above, any tax returns filed with an SSN associated with these 40,000 accounts were subjected to a set of business rules. In 2009 the IRS rejected approximately 17,000 tax returns that did not pass the business rules.¹⁷⁴ These returns are rejected by the system and are not allowed to post to the account (known as unpostable) until the return is identified as that of the valid SSN owner. The IRS did not anticipate this volume of returns failing the business rules and had to revise the Internal Revenue Manual (IRM) instructions midway through the filing season to resolve these accounts in a timely fashion.¹⁷⁵

The intent of the business rules is to prevent fraudulent refund claims from being paid. According to initial estimates, the IRS estimates that approximately half of the 17,000 unpostable returns were attributable to identity thieves. The IRS speculates that up to \$25 million in questionable refunds have been stopped due to the application of these business rules, but until the IRS conducts further analysis of this population, it cannot accurately determine how effective the business rules were.¹⁷⁶ The National Taxpayer Advocate recognizes that this is the first year the business rules have been applied and the IRS will need to adjust them for future filing seasons. We urge the IRS to devote the necessary resources to analyzing its data and revising the business rules. TAS will remain involved with this issue and assist in this analysis.

ii. IRS Needs to Apply the ITIN Procedures Uniformly

Federal law requires individuals with U.S. income, regardless of immigration status, to pay U.S. taxes. IRC § 6109 provides that if a person is required to file a return, statement, or other document with the IRS, the person must include an identifying number. In general, an individual required to furnish a taxpayer identifying number must use an SSN.¹⁷⁷ Taxpayers who are not eligible for an SSN must obtain an ITIN before they can file a U.S. tax return.¹⁷⁸ The requirement to provide a taxpayer identifying number does not end upon death. When filing returns or other documents with the IRS for deceased individuals, a taxpayer identifying number must be furnished.

¹⁷³ This includes over 16,000 impacted taxpayers where the Criminal Investigation division applied the electronic indicator. This data was provided by the Identity Theft and Incident Management Office (on file with author).

¹⁷⁴ This data was provided by the Identity Theft and Incident Management Office on June 17, 2009 (on file with author).

¹⁷⁵ IRM 3.12.179.43.1 (Mar. 13, 2009).

¹⁷⁶ This data was provided by the Identity Theft and Incident Management Office on June 17, 2009 (on file with author).

¹⁷⁷ Treas. Reg. § 301.6109-1(a)(1)(ii)(A).

¹⁷⁸ Treas. Reg. § 301.6109-1(a)(1)(ii)(B).

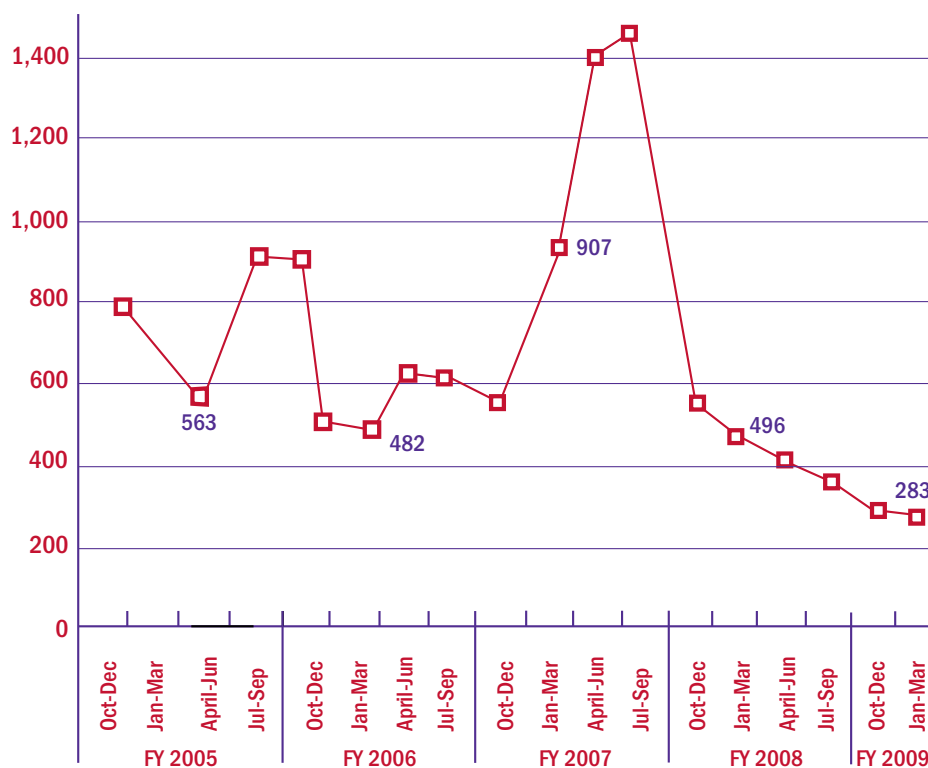
Because of concerns about the use of ITINs for nontax purposes, the IRS requires taxpayers to document their identity and tax administration need before it will issue an ITIN.¹⁷⁹ With limited exceptions, the IRS also requires all ITIN applicants to demonstrate the need for a number by submitting the application along with a completed paper tax return (*i.e.*, the return cannot be submitted electronically). In addition, prior to April 1, 2009, the IRS generally refused to issue ITINs for deceased individuals as a matter of policy.

In her 2003, 2004, and 2008 Annual Reports to Congress, the National Taxpayer Advocate identified the IRS's failure to timely process ITIN applications as a Most Serious Problem.¹⁸⁰ Figure IV-14 shows that TAS ITIN application case receipts have decreased. However, TAS anticipates these receipts will increase in FY 2009 and FY 2010, because as of April 14, 2009, the ITIN Program Office had 348,139 *unworked* ITIN applications in inventory compared to 127,129 as of April 5, 2008, an increase of 173 percent.¹⁸¹

¹⁷⁹ In contrast, it is much easier for an employer to obtain a TIN by filing an online Employer Identification Number (EIN) application, with the EIN assigned instantly online without any proof of identity or tax administration purpose. See EIN Online Application, available at <http://www.irs.gov/businesses/small/article/0,,id=102767,00.html> (last visited Apr. 29, 2009).

¹⁸⁰ National Taxpayer Advocate 2008 Annual Report to Congress 126-40; National Taxpayer Advocate 2004 Annual Report to Congress 143-62; National Taxpayer Advocate 2003 Annual Report to Congress 60-86.

¹⁸¹ ITIN Production Report, Yearly Comparative Data (Apr. 5, 2008, and Apr. 4, 2009).

FIGURE IV-14, TAS ITIN APPLICATION RECEIPTS BY QUARTER, FY 2005 - FY 2009¹⁸²

In February 2009, the National Taxpayer Advocate issued a Taxpayer Advocate Directive (TAD) to the Commissioner of W&I,¹⁸³ directing the IRS to develop a process that allows taxpayers to obtain ITINs without an associated tax return upon proof of employment and withholding (or self-employment). This issue was elevated to the Commissioner of Internal Revenue, who was briefed by the National Taxpayer Advocate and Commissioner of W&I. The National Taxpayer Advocate is awaiting a decision on this matter.

In her 2008 Annual Report to Congress, the National Taxpayer Advocate expressed a concern about the IRS's policy to deny ITIN applications to deceased individuals, which causes unwarranted negative tax consequences to their estates or, in the case of a deceased dependent, to the primary taxpayer.¹⁸⁴ In its formal response to the 2008 Most Serious Problem,

¹⁸² Receipts include all cases involving an ITIN application issue, including cases where the ITIN application issue was not the primary issue of the case. TAS Research analysis of TAMIS receipts (Mar. 31, 2009). Because a case can be coded with a primary and secondary issue code, there is potential for a minimal amount of overlap (cases counted twice).

¹⁸³ In Delegation Order 13-3, the Commissioner granted the National Taxpayer Advocate the authority to issue a Taxpayer Advocate Directive to mandate administrative or procedural changes to improve the operation of a functional process or to grant relief to groups of taxpayers when implementation will protect the rights of taxpayers, prevent undue burden, ensure equitable treatment or provide an essential service to taxpayers. See IRM 1.2.50.4 (Jan. 17, 2001).

¹⁸⁴ National Taxpayer Advocate 2008 Annual Report to Congress 126-40.

IRS Handling of ITIN Applications Significantly Delays Taxpayer Returns and Refunds, the IRS informed TAS of its business decision to consider ITIN applications for deceased individuals only on a case-by-case basis. As a result of the IRS's refusal to develop a process for routine assignment of ITINs to deceased applicants, such deceased individuals, their estates, spouses, or dependents may be unable to secure a taxpayer identifying number and claim certain tax benefits such as a personal exemption, dependency exemption, child tax credit, or a particular filing status. Therefore, the February 2009 TAD also required the IRS to develop a process for routine assignment of ITINs to deceased applicants who are otherwise entitled to a taxpayer identifying number and upon proof of a legitimate tax need.¹⁸⁵ Because of the TAD, TAS and W&I agreed on procedures to assign ITINs to deceased applicants so long as a death certificate was submitted for each decedent. Effective April 1, 2009, the IRS uniformly applies the ITIN application policy to all applicants, living or deceased. In addition, W&I agreed to change the IRM, issued guidance to IRS employees, and electronically notified all ITIN acceptance agents¹⁸⁶ as of April 1, 2009. On May 5, 2009, the National Taxpayer Advocate signed a formal memorandum of understanding with the Director of W&I Submission Processing on ITIN application procedures for deceased applicants. The instructions for Form W-7, Application for Individual Taxpayer Identification Number (ITIN), and Publication 1915, Understanding Your IRS Individual Taxpayer Identification Number, will be revised accordingly in tax year 2010.

While the IRS is addressing these concerns, the National Taxpayer Advocate has identified an additional disturbing trend in ITIN processing from TAS's caseload and analysis of changes to IRS procedures. The IRS has recently updated its internal procedures for ITIN assignment to minor dependents requiring birth certificates for all minor applicants who do not submit passports.¹⁸⁷ Prior to January 2, 2009, the IRS accepted medical and school records or a national identity card for minors.¹⁸⁸ However, Form W-7 has not yet been updated to reflect this change, which may adversely affect minor ITIN applicants. TAS advised the ITIN Program Office of this issue. The IRS agreed to update the form instructions in the next tax year and to process ITIN applications of deceased minors without birth certificates if a passport or at least two acceptable identification documents are enclosed.¹⁸⁹ In FY 2010, the National Taxpayer Advocate plans to continue monitoring the IRS's progress in addressing the concerns we have identified.

¹⁸⁵ Taxpayer Advocate Directive 2009-1 (Feb. 25, 2009).

¹⁸⁶ IRM 3.21.263.3.1(1) (Oct. 14, 2008) defines an acceptance agent as one authorized to assist resident and non-resident aliens in obtaining an ITIN. The acceptance agent reviews the required supporting identification documents; the certified acceptance agent authenticates the same documents and provides a "Certificate of Accuracy" and any required supporting exception documentation.

¹⁸⁷ For purposes of an ITIN application, a minor is anyone under 14 years of age (under 18 if a student). IRM 3.21.263.4.7 (Mar. 31, 2009).

¹⁸⁸ IRM 3.21.263.4.7 (Oct. 14, 2008).

¹⁸⁹ IRS interim procedures state "if a passport or at least two acceptable identification documents are enclosed AND the only reason preventing an application for a child under 18 from assigning is a missing birth certificate, flag for override [i.e., assign the ITIN]," Hot Topic W&I-BOL-2009-11 (Feb. 11, 2009).

B. TAS Uses Other Means to Advocate for Taxpayers

TAS's ability to advocate on behalf of taxpayers is strengthened by identifying case trends. The following actions also improve TAS's ability to advocate:

- Communicating with the IRS through the Operations Assistance Request (OAR) process;¹⁹⁰
- Using the Taxpayer Assistance Order;¹⁹¹
- Providing training and guidance to IRS employees on referring taxpayer inquiries to TAS; and
- Administering the Low Income Taxpayer Clinic grant program.¹⁹²

1. TAS Communicates with the IRS Through the Operations Assistance Request Process

To more efficiently serve taxpayers, in 2001 the IRS Commissioner delegated to the National Taxpayer Advocate certain tax administration authorities that allow TAS to take many actions necessary to resolve routine taxpayer problems. The National Taxpayer Advocate's guiding principle with regard to TAS's delegated authorities is that they must not conflict with or undermine TAS's unique statutory mission of advocating for taxpayers.

Over the years, TAS's delegated authorities have undergone review and modification, but the underlying principles remain constant. The authorities delegated to TAS:

- Should be limited in general to customer service issues and problems;
- Should not establish a new process;
- Should not establish a "second IRS" (*i.e.*, TAS should not be a substitute for some other IRS operating division or function);
- Should not create situations where TAS and another function concurrently work a case and disagree about its proper resolution;
- Must not include cases where TAS does not have access to the IRS systems necessary to resolve the problem; and
- Cover any case that meets TAS case criteria, without regard to the specific criteria number.

¹⁹⁰ TAS issues OARs to the IRS operating divisions and functions when TAS does not have the statutory or delegated authority to take the actions necessary to resolve a case.

¹⁹¹ 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 internal revenue laws are being administered. A TAO may order the IRS to take an action, cease an action, or refrain from taking an action in a case. IRC § 7811(b)(2).

¹⁹² IRC § 7526 authorizes the IRS to award matching grants of up to \$100,000 per year to qualifying organizations that represent low income taxpayers involved in controversies with the IRS, or that provide education and outreach on the rights and responsibilities of U.S. taxpayers to individuals who speak English as a second language.

When TAS lacks the statutory or delegated authority to directly resolve a taxpayer's problem, TAS resolves the case through interaction with the responsible IRS operating division or function. TAS employees independently assess the facts of such cases and recommend solutions to the IRS. The mechanism TAS uses to make recommendations to the IRS on how to solve the taxpayer's problem is the OAR.¹⁹³ TAS sends Form 12412, *Operations Assistance Request*, to the IRS operating division or function with the authority and responsibility for taking the requested actions. Whether TAS can independently resolve the taxpayer's problem or must work with the IRS for resolution, TAS remains the advocate for the taxpayer until the issue is resolved. In the limited circumstances where an issue cannot be resolved, TAS explains to the taxpayer why it cannot be resolved.

a. The Power to Advocate by Using Operations Assistance Requests for Priority Case Handling

The National Taxpayer Advocate has negotiated agreements with each IRS operating division and function that establish and outline procedures and responsibilities for processing TAS cases when the authority to complete the necessary actions rests outside of TAS.¹⁹⁴ In each agreement, the IRS agrees to give priority to TAS cases.¹⁹⁵ Further, if TAS determines the taxpayer's circumstances warrant even quicker handling than the normal priority commitment, TAS can request expedited treatment of the OAR.¹⁹⁶ Many taxpayers who qualify for TAS help have already experienced IRS processing delays, and may also face economic burdens that require prompt action, so these agreements are essential to providing relief for taxpayers.

b. Improving the OAR Process

Over the past few years, TAS has developed various tools and completed a number of initiatives to reduce delays and errors, which are often seen in rejected OARs. The operating divisions can reject OARs for a variety of reasons, but rejected OARs delay resolving taxpayers' problems and generate significant rework for both TAS and the IRS.¹⁹⁷ Actions to reduce delays and errors include:

- Web links to IRS resources;
- Dedicated e-mail boxes and secure e-mail;
- Centralized delivery of OARs to the Office of Appeals and the Criminal Investigation Division;

¹⁹³ IRS Form 12412, *Operations Assistance Request (OAR)* (Mar. 2003).

¹⁹⁴ See Taxpayer Advocate Service, *Service Level Agreements (SLAs)* available at <http://www.irs.gov/foia/content/0,,id=170400,00.html>.

¹⁹⁵ See Part III Section (A) of each SLA.

¹⁹⁶ See, e.g., *SLA Between the National Taxpayer Advocate and the Wage and Investment Division (W&I)*, Part VII Section (G) (Feb. 1, 2008).

¹⁹⁷ OARs can be rejected for the following reasons: the operating division disagrees with TAS's recommended actions, TAS has the authority to complete the requested action, OAR was routed to the wrong operating division/organizational unit/area/location, actions requested on the OAR are not clear, OAR is incomplete, supporting documentation not attached, or "other."

- Updated SLAs;¹⁹⁸ and
- Revised guidance and training on the OAR process for TAS employees.¹⁹⁹

Figure IV-15 below compares the OARs issued and rejected and the reject rate for the first half of FY 2009 to the same period in FY 2008. Overall, TAS OAR processing improved as reflected by a 19.3 percent reduction in the reject rate.

FIGURE IV-15, OARS ISSUED AND REJECTED BY OPERATING DIVISION FY 2008 AND FY 2009 THROUGH MARCH 31, 2009²⁰⁰

| Operating Division | FY 2009 OARs Issued | FY 2009 OARs Rejected | FY 2009 Rejection Rate | FY 2008 OARs Issued | FY 2008 OARs Rejected | FY 2008 Rejection Rate | Change in Reject Rate |
|--|---------------------|-----------------------|------------------------|---------------------|-----------------------|------------------------|-----------------------|
| Wage and Investment (W&I) | 74,872 | 5,915 | 7.9% | 62,302 | 6,059 | 9.7% | -18.8% |
| Small Business Self-Employed (SB/SE) | 30,241 | 3,183 | 10.5% | 32,631 | 3,865 | 11.8% | -11.1% |
| Criminal Investigation | 8,793 | 285 | 3.2% | 3,786 | 153 | 4.0% | -19.8% |
| Tax Exempt/Governmental Entities (TE/GE) | 491 | 32 | 6.5% | 586 | 53 | 9.0% | -27.9% |
| Appeals | 396 | 56 | 14.1% | 420 | 66 | 15.7% | -10.0% |
| Large and Mid-Size Business (LMSB) | 100 | 9 | 9.0% | 48 | 7 | 14.6% | -38.3% |
| Total OARs | 114,893 | 9,480 | 8.3% | 99,773 | 10,203 | 10.2% | -19.3% |

One area that continues to delay OAR processing involves identifying the correct IRS location to take the actions TAS recommends. The majority of OARs are rejected not because the IRS disagrees with the action TAS requested, but because TAS sent the OAR to the wrong location. As the IRS continues to consolidate and centralize its work processes or alleviate backlogs, it becomes difficult for taxpayers and TAS employees to determine where to direct inquiries.

This concern was reflected in the findings of an independent review of TAS's case advocacy process by the MITRE Corporation, a federally funded research and development center. MITRE observed that TAS invests significant time in routing OARs to the right area for resolution and pointed out that the current system is inefficient, causes rework for TAS and the IRS, and delays resolution of the taxpayer's problem. MITRE recommended that TAS and the IRS continue working to establish central points of contact for OARs. MITRE also observed that TAS could improve the process by automating the routing of OARs and pro-

¹⁹⁸ SLAs outline the procedures and responsibilities for the processing of TAS casework when the authority to complete case transactions rests outside of TAS.

¹⁹⁹ National Taxpayer Advocate FY 2009 Objective Report 22.

²⁰⁰ TAMIS data obtained using Business Objects (Mar. 31, 2009).

viding the IRS with the ability to update the status of an OAR electronically.²⁰¹ MITRE will assist TAS in further exploring improvements to the OAR process in FY 2009 and FY 2010. To identify ways to improve the OAR process, MITRE will collect information and analyze data about OAR process performance. In FY 2009, MITRE will focus on OARs issued for four areas: Amended Returns, Levies, Audit Reconsiderations, and Stolen Identities. TAS will use the information gathered in this study to identify new or modified conditions to include in future SLAs with the IRS operating divisions.

TAS renegotiates the SLAs with each IRS operating division/function on an annual basis. During FY 2009 and FY 2010 negotiations, TAS will discuss further centralization and automation of OARs with SB/SE and W&I, the two operating divisions that work the most OARs. TAS will also work to update the programming of an existing tool used by case advocates that will automatically review a taxpayer's account information to identify the proper location for the OAR to be sent, based on the taxpayer's issue.²⁰² Improving processing of OARs, however, is a joint responsibility of TAS and the IRS.

2. TAS Uses Taxpayer Assistance Orders to Advocate for Taxpayers

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 if relief is not granted. IRC § 7811 grants the National Taxpayer Advocate, or her delegate, the authority to issue a TAO ordering the IRS to take an action, cease an action, or refrain from taking an action in a case.²⁰³ The National Taxpayer Advocate or her delegate may also issue a TAO ordering 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.²⁰⁴ Upon receipt of a TAO, the responsible IRS official can comply with the order or appeal the order.²⁰⁵ Only the National Taxpayer Advocate, or her delegate, the Commissioner of the IRS, or the Deputy Commissioner of the IRS can modify or rescind the TAO.²⁰⁶

Figure IV-16 depicts the TAOs issued to the IRS each year from FY 2004 to FY 2008 and FY 2009 through March.

²⁰¹ TAS developed an automated OAR tool to improve the efficiency of the OAR process. The Integrated Automation Technologies (IAT) tool identifies the location where an OAR should be sent and was deployed to all TAS employees in May 2009.

²⁰² Taxpayer account information is stored in the Integrated Data Retrieval System (IDRS). The IDRS Decision Assisting Program (IDAP) interacts with IDRS to provide IRS employees with assistance in adjusting and researching taxpayer accounts. TAS is developing a new feature for IDAP that will identify the correct location for an OAR based on information stored in IDRS that determines the routing of work.

²⁰³ See IRC § 7811(b); IRM 13.1.20.3 (Dec. 15, 2007).

²⁰⁴ IRM 13.1.20.3 (Dec. 15, 2007).

²⁰⁵ IRM 13.1.20.5(2) (Dec. 15, 2007).

²⁰⁶ IRC § 7811(c).

FIGURE IV-16, NUMBER OF TAXPAYER ASSISTANCE ORDERS ISSUED IN FY 2004 - FY 2008 AND FY 2009 THROUGH MARCH 31²⁰⁷

| Fiscal Year | TAOs Issued |
|------------------------|-------------------|
| 2004 | 30 |
| 2005 | 20 |
| 2006 | 46 |
| 2007 | 28 ²⁰⁸ |
| 2008 | 68 |
| 2009 (Thru March 2009) | 15 |

A TAO is an effective tool to obtain relief for taxpayers in situations where the IRS is unresponsive to or does not agree with TAS's recommendation for relief. TAOs may also influence IRS policy and procedures by bringing into focus areas the IRS needs to examine and revise, not just for the individual taxpayer at the center of the TAO, but for all taxpayers. For example, in the National Taxpayer Advocate's 2006 Annual Report to Congress, TAS reported a 182 percent increase in receipts involving delinquent returns due to the Delinquent Return Refund Hold Program,²⁰⁹ which delays refunds to taxpayers who have one or more unfiled returns.²¹⁰ In FY 2006, TAS issued nine TAOs to facilitate refunds to taxpayers experiencing economic burdens because of this program. The TAOs brought problems with the Delinquent Return Refund Hold Program procedures to IRS management's attention. As a result, TAS and W&I worked together to revise the procedures so taxpayers would not have to wait weeks for their current year refunds when those taxpayers actually had no filing requirement or owed no tax on the delinquent return. With the new procedures in place, TAS has only issued one other TAO to obtain relief for a taxpayer with this problem.

In 2008, TAS issued four TAOs to CI, all because the function failed to respond to OARs. The TAOs prompted CI to review the accounts and documentation as directed by the OARs, ultimately resulting in full compliance with the TAO and improving responsiveness to subsequent OARs.

TAOs focus the IRS's attention on procedures and policies that are not working as intended. The figure below lists the tax issues and reason(s) for which TAOs were issued in FY 2009, through March 31.

²⁰⁷ TAOs are tracked by TAS Headquarters staff.

²⁰⁸ The number of TAOs issued in FY 2007 differs from the number reported in the 2007 Annual Report to Congress due to a TAO issued late in the fiscal year and not initially reflected in year-end statistical reports.

²⁰⁹ National Taxpayer Advocate 2006 Annual Report to Congress 643-44.

²¹⁰ IRM 25.12.1 (Sept. 25, 2008).

FIGURE IV-17, TAXPAYER ASSISTANCE ORDERS ISSUED IN FY 2009 AS OF MARCH 31²¹¹

| Issue Description | Why TAO was Issued |
|--|---|
| Refunds | The IRS refused to process the refund claim. |
| CSED | The IRS refused to re-calculate the CSED because it disagreed with TAS's assertion that the IRS extended the CSED in error. |
| Formal Interest Abatement | The IRS refused to work a request for abatement claiming it was routed to the incorrect IRS function. |
| Injured Spouse | The IRS erred in processing an injured spouse claim. |
| Levy | The IRS inappropriately levied when an installment agreement was in effect. |
| Lien | The IRS refused to issue a lien withdrawal and the IRS refused to refrain from filing a tax lien. |
| Offer in Compromise-Doubt as to Collectibility | The IRS refused to reinstate an OIC and reconsider a decision to default an OIC. |
| Refund Hold | The IRS refused to release a refund even though proper hardship documentation was provided. |
| Refund Statute | The IRS refused to apply a credit to a different tax period. |

3. Low Income Taxpayer Clinic Grant Program Has a Positive Impact of Taxpayer Representation.

The National Taxpayer Advocate considers access to representation as fundamental to taxpayer rights. The National Taxpayer Advocate administers the LITC matching grant program authorized by Congress in 1998.²¹² The program is designed to provide access to representation for low income taxpayers,²¹³ so that achieving a correct outcome in an IRS dispute does not depend on the taxpayer's ability to pay for representation. IRC § 7526 provides for matching grants of up to \$100,000 per year for qualifying organizations that represent low income taxpayers involved in controversies with the IRS²¹⁴ or that provide tax education and outreach to taxpayers who speak English as a second language (ESL). IRC § 7526 requires clinics to provide services for free or for no more than a nominal fee.²¹⁵

A recent TAS study²¹⁶ demonstrates that representation during EITC audits has positive results for taxpayers and ensures they are not denied tax benefits simply because they cannot navigate the audit process by themselves. The study concluded that taxpayers with representation are twice as likely to be found eligible for the EITC as taxpayers without representation during the audit. The study also found that over one-half of all taxpayers

²¹¹ TAOs are tracked by TAS headquarters staff.

²¹² Pub. L. No. 105-206, § 3601(a), 112 Stat. 685, 774 (July 22, 1998).

²¹³ Low income taxpayers are individuals whose incomes do not exceed 250 percent of the poverty guidelines issued each year by the Department of Health and Human Services.

²¹⁴ LITCs represent taxpayers in all types of tax controversies, including audits, levies, liens, installment agreements, offers in compromise, and nonfilers reentering the system.

²¹⁵ IRC § 7526(b)(1)(A)(i).

²¹⁶ 2007 IRS Research Conference, *The Impact of Taxpayer Representation on the Outcome of Earned Income Credit Audits*, 110 (June 2007).

with representation emerged from EITC audits with their full EITC intact, whereas less than one-fourth of taxpayers without representation kept their full credit.

The LITC program is cost effective and provides extensive benefits to taxpayers because many clinics have created partnerships with local law and accounting firms that take referred cases on a *pro bono* basis. The clinics use their funding not only to represent taxpayers, but also to expand the scope of coverage by enlisting the help of professionals who are willing to volunteer their time in their communities. This process is especially significant in the current economic environment where the number of taxpayers who cannot pay their tax liabilities is rising while available assistance from tax professionals is declining.²¹⁷ The National Taxpayer Advocate recorded a TAScast video to encourage tax attorneys and other tax professionals to provide *pro bono* representation to low income taxpayers through LITCs.²¹⁸ Clinic directors and staff have received favorable feedback after using the video in outreach activities.

²¹⁷ *Tax Compliance Challenges Facing Financially Struggling Taxpayers, Hearing Before the H. S. Comm. on Ways and Means, 111th Cong.* (Feb. 26, 2009) (written statement of Nina E. Olson, National Taxpayer Advocate).

²¹⁸ The video appears on the [Video Tax Help](#) page of the TAS Tax Literacy Toolkit at www.taxtoolkit.irs.gov. It is also posted on YouTube at <http://www.youtube.com/watch?v=HkS2pLECy0Y>.

V. How TAS Identifies Problems, Works With the IRS To Improve Processes and Identifies Legislative Changes

Consistent with its statutory mission,²¹⁹ TAS studies issues that negatively affect large groups of taxpayers (individuals, businesses, and tax-exempt organizations) and, where warranted, proposes recommendations for administrative or legislative change to address the issues. Systemic issues are defined as those that affect multiple taxpayers and:

- Are not individual problems or cases;
- Require analysis, administrative solutions, or legislative changes; and
- Involve protecting taxpayer rights, reducing or preventing taxpayer burden, ensuring equitable treatment of taxpayers, or providing essential services to taxpayers.

TAS uses a variety of sources to identify systemic problems, including TAS employees, IRS employees, tax practitioners, members of Congress, LITCs, the Taxpayer Advocacy Panel, and the public. These stakeholders submit systemic issues to TAS through SAMS on the IRS employee intranet and the TAS site on IRS.gov (<http://www.irs.gov/advocate>). These submissions help TAS recognize taxpayer problems and gauge their impact on processes. TAS also uses SAMS data to identify and analyze the most serious taxpayer problems for the National Taxpayer Advocate's Annual Reports to Congress. The LITCs and the TAP provide further insight on issues affecting large groups of taxpayers.

A. Current Advocacy Issues

In addition to economic factors impacting taxpayers' ability to fulfill their tax obligations, TAS anticipates that several advocacy issues emerging from new legislation or IRS processes or procedures will cause problems for the taxpayer during FY 2010 and beyond. The following section highlights some of these issues.²²⁰

1. TAS Works with the IRS on Ponzi Schemes and Other Failed Investment Issues

An embezzler may use a "Ponzi" scheme to steal from a large number of investors over an extended period of time. The embezzler maintains the illusion that the scheme is a valid investment by using funds from new investors to finance redemptions and distributions to existing investors. The number of identified Ponzi victims significantly increased in 2008. The Securities and Exchange Commission (SEC) reportedly filed at least 23 new cases against Ponzi scheme operators in 2008, up from 15 in 2007.²²¹ The highly publicized

²¹⁹ IRC § 7803(c)(2).

²²⁰ For a detailed list of current TAS Collaborative Efforts Between TAS and IRS, see Appendix III, *infra*.

²²¹ Mitchell Zuckoff, *A Parade of Ponzis*, *Fortune* (Jan. 28, 2009), <http://money.cnn.com/2009/01/28/news/newsmakers/Ponzi.fortune/index.htm> (noting: "The Wall Street Journal reported that the agency [SEC] filed at least 23 new cases last year, up from 15 a year earlier, with four already on the books in 2009.").

Madoff scheme – the largest ever, involving over \$50 billion – also came to light in 2008.²²² Tax-related questions arose as to whether, when, and how to report the losses and reverse the “phantom income”²²³ reported in prior years attributable to the scheme. In early 2009, after receiving questions from Ponzi scheme victims and their tax advisors, the National Taxpayer Advocate and her staff:

- Urged the IRS to issue guidance to answer these questions;
- Joined an IRS-wide steering committee to address Ponzi scheme issues;
- Began allowing Ponzi scheme victims to receive assistance from TAS even if their tax problems would not otherwise make them eligible for TAS assistance;²²⁴ and
- Centralized TAS Ponzi scheme cases in two offices.²²⁵

The IRS recently issued a revenue ruling addressing many of the questions raised by Ponzi victims.²²⁶ At the same time it issued a revenue procedure that should help to reduce tax disputes for victims of Ponzi schemes. This procedure establishes a uniform safe-harbor reporting position that allows some victims to take a current deduction for a substantial portion of the loss, even if they may later recover some portion of the loss.²²⁷ The National Taxpayer Advocate is pleased with the IRS’s response in issuing guidance and in convening an IRS-wide steering committee to address Ponzi issues. During FY 2010, TAS will continue to assist taxpayers and the IRS in addressing individual and systemic tax problems created by Ponzi schemes.

2. TAS Continues to Address Cancellation of Debt Issues

According to RealtyTrac, home foreclosures in 2008 rose 81 percent over 2007 and more than 225 percent over 2006. More than 2.3 million properties were foreclosed on in 2008 alone²²⁸ and although some lenders placed a brief moratorium on foreclosures in the beginning of 2009, foreclosures are now set to resume.²²⁹ In the first quarter of 2009, according to RealtyTrac, foreclosure filings were reported on 803,489 properties, a nine percent in-

²²² See, e.g., *Assessing the Madoff Ponzi Scheme and Regulatory Failures Hearing Before the H. Comm. on Financial Services, Subcomm. on Capital Markets, Insurance, and Government Sponsored Enterprises*, 111th Cong. (Feb. 4, 2009) (statement of Chairman Paul E. Kanjorski).

²²³ Investor Glossary, *Phantom Income*, www.investorglossary.com/phantom-income.htm. “Phantom income is any income that is reportable as taxable income but that does not generate cash flow for the investor. In other words, the investor does not actually receive phantom income, but is taxed on it, nevertheless.”

²²⁴ National Taxpayer Advocate memorandum, TAS-13.1.7-0309-003, *Guidance on Coding Failed Investment Scheme Claim Cases and Other Criteria 9 Issues* (Mar. 19, 2009). In instances where the National Taxpayer Advocate determines compelling public policy warrants assistance to an individual or a group of taxpayers the National Taxpayer Advocate has the authority to accept case(s) into TAS when no other TAS case acceptance criteria apply.

²²⁵ *Id.* See also IRM 13.1.7.2.4 (July 23, 2007).

²²⁶ Rev. Rul. 2009-09, 2009-14 I.R.B. 735.

²²⁷ Rev. Proc. 2009-20, 2009-14 I.R.B. 749.

²²⁸ RealtyTrac Press Release, *Foreclosure Activity Increases 81 Percent in 2008*, <http://www.realtytrac.com/foreclosure/foreclosure-rates.html> (last visited Apr. 29, 2009).

²²⁹ U.S. foreclosure activity for the first quarter 2009 is up nearly 24 percent compared to the first quarter 2008. Daren Blomquist, *U.S. Foreclosure Activity Hits Record High in Q1*, <http://www.realtytrac.com/ContentManagement/RealtyTracLibrary.aspx?a=b&ItemID=6195&acct=64953> (last visited May 19, 2009).

crease from the previous quarter and an increase of nearly 24 percent from the first quarter of 2008. The first quarter 2009 totals were the highest quarterly totals since RealtyTrac began issuing reports in January 2005.²³⁰ Foreclosures stayed at record levels in April 2009 and are expected to remain high in the coming months.²³¹

Even homeowners who receive help on their loans through the foreclosure-prevention efforts of some mortgage lenders are increasingly falling into delinquency, as are borrowers with prime, rather than subprime, mortgages.²³² According to the *Financial Times*, U.S. credit card companies in January 2009 wrote off credit card debts at a 40 percent higher rate than a year ago, and were expected to write off at an even greater rate in the second half of 2009.²³³ Taxpayers who have been through a home foreclosure, car repossession, or credit card cancellation may find they have one more burden to bear – the tax consequences of cancellation of debt income.

The complexity of this area of the law creates confusion and prevents taxpayers from meeting their reporting obligations and taking advantage of relief provisions. The National Taxpayer Advocate, in her 2008 Annual Report to Congress, recommended simplifying the rules for reporting cancellation of debt income and submitted a legislative proposal containing three alternative provisions that would provide relief to taxpayers.²³⁴ In February 2009, the National Taxpayer Advocate testified before the Subcommittee on Oversight of the House Committee on Ways and Means about the need for legislative attention to this problem.

As an example of the difficulties taxpayers face, the tax code provides that taxpayers who are insolvent may exclude canceled debt from income,²³⁵ yet few taxpayers know what the word “insolvent” means or how to calculate their insolvency. The National Taxpayer Advocate raised this concern in her 2007 and 2008 Annual Reports to Congress,²³⁶ and at the request of the National Taxpayer Advocate, IRS Forms and Publications worked with TAS and the Office of Chief Counsel to develop an insolvency worksheet and include it in the relevant IRS publication.²³⁷ TAS is seeking to have the insolvency worksheet incorporated in IRS audit procedures also.

²³⁰ RealtyTrac Press Release, *Foreclosure Activity Increases 9 Percent in First Quarter*, <http://www.realtytrac.com//ContentManagement/PressRelease.aspx?channelid=9&ItemID=6180> (last visited May 20, 2009).

²³¹ *Id.*

²³² Renae Merle, *Aid to Borrowers Not Preventing Rising Delinquencies*, *The Washington Post* (Apr. 4, 2009).

²³³ Saskia Scholtes, *Credit Card Delinquencies Climb to Record While Loan Write-offs Soar*, *The Financial Times* (Feb. 4, 2009).

²³⁴ National Taxpayer Advocate 2008 Annual Report to Congress 391.

²³⁵ IRC § 108(a)(1)(B).

²³⁶ National Taxpayer Advocate 2008 Annual Report to Congress 47; National Taxpayer Advocate 2007 Annual Report to Congress 15.

²³⁷ The IRS developed Publication 4681, *Canceled Debts, Foreclosures, Repossessions, and Abandonments*, in collaboration with TAS and released it in May 2008. In July 2008, the National Taxpayer Advocate awarded the National Taxpayer Advocate award to TAS and other IRS and Chief Counsel employees who worked on the new Publication. The National Taxpayer Advocate Award is conferred on IRS employees who make extraordinary contributions in support of the TAS strategic objectives.

The National Taxpayer Advocate also raised concerns about the instructions for Form 982, *Reduction of Tax Attributes Due to Discharge of Indebtedness (And Section 1082 Basis Adjustment)*, which taxpayers use to report (and exclude from income) their canceled debt.²³⁸ In 2008, the IRS, in collaboration with TAS, revised Form 982 to clarify, in a user-friendly manner, how to complete the form depending on the type of debt that was canceled. Form 982 was further refined to refer taxpayers to the relevant IRS publication.

Another source of taxpayer confusion arises in connection with Form 1099-C, *Cancellation of Debt*, which creditors use to report cancellation of debt income. Prior to 2008, the form did not distinguish between debt for which the borrower was personally liable, referred to as recourse debt, and nonrecourse debt,²³⁹ even though cancellation of the latter does not generally give rise to income.²⁴⁰ Furthermore, the form often contains incorrect information, and taxpayers often have difficulty in locating the lender in order to request a correction. In response to these concerns, raised by the National Taxpayer Advocate in her 2007 Annual Report to Congress,²⁴¹ the IRS revised the 2009 Form 1099-C to contain a field for the lender's telephone number and a field which indicates whether the borrower was personally liable for the debt. Nevertheless, taxpayers continue to encounter difficulty in responding appropriately when they receive a Form 1099-C for a number of reasons:

- The lender may have transferred the debt to another entity, which may then also issue a second Form 1099-C to the taxpayer for the same debt;
- The Form 1099-C may be issued in a year other than the year of a home foreclosure, or in a year other than the year of another Form 1099-C issued for the same debt; and
- The effect of state foreclosure laws on the question of whether debt has actually been cancelled is not always clear.²⁴²

TAS has actively sought clarification from the Office of Chief Counsel with respect to the above issues and will continue to do so. TAS collaborated with the IRS in revising the language of an automatically-generated letter sent to taxpayers when there is a mismatch between what the taxpayer reports on his or her tax return and what a lender reports on a Form 1099-C, and will continue to work with the IRS to improve forms, publications, and communications to taxpayers.

²³⁸ National Taxpayer Advocate 2008 Annual Report to Congress 43; National Taxpayer Advocate 2007 Annual Report to Congress 23.

²³⁹ National Taxpayer Advocate 2007 Annual Report to Congress 15. If the terms of a loan agreement provide that the lender's only remedy in case of default is to repossess the property, the debt is referred to as nonrecourse debt.

²⁴⁰ See Treas. Reg. § 1.1001-2(a)(1) & (c), Example (7). However, any reduction in the principal balance of a nonrecourse debt that occurs outside the context of a foreclosure or other disposition of the property (e.g., as part of a loan modification) generally gives rise to taxable cancellation of debt income. Rev. Rul. 91-31, 1991-1 C.B. 19.

²⁴¹ National Taxpayer Advocate 2007 Annual Report to Congress 21.

²⁴² For example, at least one court has held that pursuant to the "full credit bid" rule, a judgment creditor who successfully bids the full amount of the outstanding debt at a sheriff's foreclosure sale cannot subsequently pursue the debtor for an asserted deficiency on the loan, even if the fair market value of the foreclosed residence is allegedly less than the bid amount. In such a transaction, the sheriff's sale constitutes satisfaction of the judgment. *Titan Loan Investment Fund, L.P., v. Marion Hotel Partners, LLC*, 891 N.E. 2d 74 (Ind. Ct. App. 2008), *transf. denied*, 898 N.E. 2d 1232 (Dec. 11, 2008).

In addition to training its own employees,²⁴³ TAS has undertaken and continues to pursue several initiatives to reduce confusion and educate taxpayers and their representatives about the rules pertaining to cancellation of debt income. First, TAS sponsored a program on this issue during the 2008 IRS Nationwide Tax Forums and will sponsor a similar program at the 2009 Tax Forums.²⁴⁴ In both 2008 and 2009, the National Taxpayer Advocate recorded a series of TAScast videos on cancellation of debt income.²⁴⁵ These segments focus on how cancellation of debt income arises, the exceptions to the rules, and the complexity of Form 982. In addition, TAS is creating a new consumer brochure on cancellation of debt income, which can complement the videos or be used as a separate outreach product.

3. IRS Will Test and Consider Implementing an Income Filter for the Federal Payment Levy Program

IRC § 6331(h) authorizes the IRS to issue continuous levies on certain federal payments. The law allows up to 15 percent of specified payments to be continuously levied. Specified payments include any federal payment other than a payment for which eligibility is based on the income or assets of a payee. Additionally, in the case of any specified payment due to a vendor of goods or services sold or leased to the federal government, IRC § 6331(h)(3) allows a continuous levy of up to 100 percent.

The IRS developed the Federal Payment Levy Program (FPLP) to administer this law. The FPLP is an automated system that matches IRS records against those of the government's Financial Management Service (FMS) to locate federal payment recipients who have delinquent income tax debts and then levy on these federal payments. In 2008, more than 83 percent of the FPLP levy payments received by the IRS were from Social Security payments to the elderly and disabled.²⁴⁶

At the outset of the FPLP program in 2002, the IRS used a filter based on taxpayer's total positive income (TPI) from the last filed tax return to prevent a FPLP levy from being issued to lower income Social Security recipients. However, in response to a subsequent GAO report which questioned the accuracy and fairness of the filter being utilized, the IRS began to phase out the filter, completely eliminating it by 2006. Corresponding with the IRS phase out and removal of the filter, TAS FPLP receipts jumped more than 500 percent in FY 2008 from FY 2004 totals, when the TPI filter was still in effect.²⁴⁷

²⁴³ TAS provided training at the 2008 TAS Symposium (an all-employee training event) and at the 2009 LITC Grantee Conference. In addition, an LITC cancellation of debt income work group was formed in 2009.

²⁴⁴ The program attracted so much interest at the 2008 Nationwide Tax Forums that the IRS scheduled two sessions to accommodate interested practitioners. The same arrangement is in place for the 2009 Nationwide Tax Forums.

²⁴⁵ The video appears on the [Video Tax Help](#) page of the TAS Tax Literacy Toolkit at www.taxtoolkit.irs.gov. It is also posted on YouTube at <http://www.youtube.com/watch?v=HKS2pLEcy0Y>.

²⁴⁶ W&I spreadsheet, *FPLP Monthly Counts FY 2008*. [1,797,530 (total number of FPLP SSA levy payments received in FY 2008) / 2,161,974 (total number of FPLP levy payments received in FY 2008) = 83 percent].

²⁴⁷ TAS, *Business Performance Management System* (Sept. 2004, 2005, 2006, 2007, 2008).

Because of this significant increase in cases, TAS undertook a research project to develop a new filter to protect lower income Social Security recipients from an FPLP levy. In FY 2008, TAS Research completed the project, and published the results in Volume 2 of the National Taxpayer Advocate's 2008 Annual Report to Congress.²⁴⁸ The study showed that many taxpayers subjected to FPLP levies may be experiencing economic hardship (*e.g.*, TAS estimated that over one-third of all FPLP cases subjected to an ongoing FPLP levy would likely have been classified as unable to pay based on current IRS allowable expense guidelines).

The study used a filter developed by TAS Research to conduct a financial analysis of a sample of taxpayers in the FPLP program using tax return and information reporting data. TAS recommended that this automated analysis be validated in a field test, during which financial information would be collected from a sample of taxpayers in the FPLP program. The financial analysis done on the taxpayers in the sample could then be compared against the financial analysis done by the prototype FPLP filter to test its accuracy.

The IRS is currently exploring options for the development of a screen based on TAS's research. Representatives from the W&I have met with the Modernization & Information Technology Services (MITS) organization to explore software programming and related systemic implementation issues, and are exploring development of a filter based on a poverty level income threshold. W&I is also considering whether to field test the TAS prototype filter, as recommended by TAS. If the IRS agrees to conduct the test, TAS Research will collaborate. Our goal is to complete this study by the end of FY 2010.

B. TAS Research Initiatives

The National Taxpayer Advocate is a strong proponent for the role of theoretical, cognitive, and applied research in effective tax administration. The Office of the Taxpayer Advocate is again sponsoring or participating in a number of research initiatives. As a body of work, these initiatives demonstrate how research can enhance taxpayer service and increase the effectiveness of enforcement initiatives. A primary focus of these efforts is to determine how best to minimize taxpayer burden, while also assisting the IRS with its efforts to increase voluntary compliance. Following is a discussion of the research initiatives that TAS is sponsoring or participating in for the remainder of FY 2009 and during FY 2010.

1. Factors Impacting Compliance

Both IRS services to taxpayers and enforcement actions promote better voluntary compliance by taxpayers. In addition, other factors outside of the IRS's control, such as demographic trends and economic conditions, also play a role in influencing taxpayer behavior. A better understanding of the factors that influence taxpayer compliance behavior could help the IRS make better resource allocation decisions, improve voluntary compliance, and reduce the tax gap.

²⁴⁸ National Taxpayer Advocate 2008 Annual Report to Congress vol. 2, 46.

At the request of the Committees on Appropriations of the House and Senate in a directive accompanying the FY 2008 Consolidated Appropriations Act,²⁴⁹ TAS Research is collaborating with the IRS Office of Research to explore the factors driving taxpayer compliance behavior. These “factors” fall into two categories:

- Internal factors (*e.g.*, values, beliefs, knowledge, attitudes, and other motivations which drive behavior); and
- External factors (*e.g.*, societal influences and IRS activities, which probably influence taxpayer behavior by influencing taxpayers’ internal motivations).

TAS is taking the leading role in researching the internal drivers of compliance behavior. This will complement research on external factors by the IRS Office of Research.

TAS Research will explore possible research approaches to identify methods that are most likely to be effective in quantifying the extent to which internal factors impact compliance behavior. Our goal is to develop and validate a complete research methodology by the end of FY 2010 and develop a research plan to implement the methodology.

2. Impact of IRS Policies and Procedures on Voluntary Compliance

Every year, many taxpayers who were previously compliant with their tax obligations incur new liabilities and become noncompliant. For a variety of reasons, such as job loss or illness, a number of these taxpayers remain noncompliant in subsequent years. The National Taxpayer Advocate is concerned that the number of taxpayers entering into long-term noncompliance could significantly increase due to the current economic downturn.

Pursuant to this concern, TAS Research will investigate the magnitude of the problem of taxpayers entering into long-term noncompliance in recent years, and the extent to which economic conditions appear to influence the number of taxpayers who become noncompliant. TAS Research will also explore the extent to which IRS policies and procedures may contribute to taxpayers’ inability to resolve their compliance problems by failing to apply the treatment that best matches the taxpayers’ circumstances. For example, the study will explore the effectiveness of the OIC program from both the IRS’s and taxpayers’ perspectives, and the impact on taxpayers of the IRS’s practices of shelving cases²⁵⁰ or placing taxpayers in “currently not collectible” status²⁵¹ for extended periods of time.

²⁴⁹ Consolidated Appropriations Act of 2008 (Pub. L. No. 110-161), Book 1, at 876 (Comm. Print 2007). Section 4 of this Act provides that the Explanatory Statement “shall have the same effect with respect to the allocation of funds and implementation ... as if it were a joint explanatory statement of a committee of conference.”

²⁵⁰ The IRS prioritizes cases, and determines which cases will be actively worked based on priority and available resources. Cases that are not worked due to resource constraints and priority considerations are “shelved,” and can remain in shelved status indefinitely.

²⁵¹ When the IRS determines that a taxpayer cannot satisfy a tax liability without experiencing financial hardship, the case is placed in “currently not collectible” (CNC) status. The case can remain in CNC status for an indefinite period of time.

3. Effectiveness of Tax Liens²⁵²

As discussed previously, the IRS files notices of federal tax liens for outstanding tax liabilities to protect its interest in any assets held by the taxpayer.²⁵³ The NFTL allows the IRS to establish a priority with respect to other creditors for any assets owned by the taxpayer. The IRS has increased its usage of NFTLs over the last eight years as lien filings rose by more than 300 percent from 1999 to 2007.²⁵⁴ Filing an NFTL on outstanding liabilities may create serious consequences for a taxpayer, including making it more difficult to obtain credit.

One might expect that during a period when tax lien volumes are high, collection yields would be higher than when the tax lien volume is relatively low. However, a preliminary analysis of IRS data does not support this view. In FY 1995 and FY 1996, the volume of NFTL filings was very high,²⁵⁵ but declined to a ten-year low in FY 1999. Although NFTL filings again increased after FY 1999 to about 492,000 in FY 2002, filing volume was still significantly lower than during FY 1995 – FY 1996. Yet collection yield increased from about \$25.15 billion in FY 1995 to over \$32.55 billion in FY 2002.²⁵⁶

TAS Research will investigate the effectiveness of IRS NFTL filings on collection yields. This effort will include studying multiple year data from taxpayers who have received an NFTL to determine how their IRS obligations were collected and if the lien(s) contributed to the collection yield. TAS Research plans to complete this study by the end of 2009. The study report will contain recommendations based on the study findings.

4. Agent-Based Modeling Studies (The “Tipping Point” Study)

TAS continues to sponsor research conducted by the IRS Office of Program Evaluation and Risk Analysis (OPERA) employing agent-based modeling techniques. Agent-based modeling assists with determining the factors that “tip” taxpayers into certain behaviors related to the tax system. OPERA has contracted with researchers from Carnegie Mellon University (CMU) to construct the models. Past modeling efforts allowed the IRS to simulate how taxpayers respond to alternative treatments for abusive tax shelters, the impact of media messages relating to a change in IRS procedures, and predicting the effectiveness of service channels (phone, internet, walk-in sites, etc.) for different demographic groups.

Researchers at CMU are now applying the agent-based modeling technology to explore the impact of paid tax return preparers and taxpayer mobility on compliance. CMU will

²⁵² See *Lack of Authority or IRS Refusal to Adopt Policies to Facilitate the Effective Removal of Lien Notices Unduly Burdens Taxpayers Suffering Economic Hardship*, *supra*.

²⁵³ IRC § 6321. A federal tax lien is created by statute and attaches to a taxpayer’s property and rights to property for the amount of the liability.

²⁵⁴ IRS, *IRS Data Book, Table 16, 1999 and 2007*. The IRS filed approximately 168,000 notices of federal tax lien FY 1999 and 683,659 in FY 2007.

²⁵⁵ IRS, *IRS Data Book, Table 16, 1996 and 1999*. The IRS filed about 800,000 notices of federal tax lien in FY 1995 and 750,000 in FY 1996. Lien filing volume fell to approximately 168,000 in 1999.

²⁵⁶ IRS, *IRS Data Book, Table 16, 1995, 1996 and 2002*. Adjusting for inflation, in Sept. 2008 dollars collection yield increased from \$35.53 billion in FY 1995 to \$38.96 billion in FY 2002. Bureau of Labor Statistics, *Consumer Price Index, All Urban Consumers - (CPI-U)* (Dec. 16, 2008).

deliver a report on the results of the modeling by the end of fiscal year 2009. This project is part of an ongoing, multi-year research effort.

5. Migration of Former TeleFilers to Alternate Filing Methods

In the 1990s, the IRS developed a system known as TeleFile, which allowed taxpayers who filed relatively simple returns and met specific requirements to file their tax returns by a touch-tone phone. The IRS started TeleFile as a test in one state and eventually expanded it to qualified taxpayers nationwide.

TeleFile, a type of electronic filing, helped the IRS move toward its goal of having 80 percent of tax returns filed via electronic means.²⁵⁷ However, the IRS discontinued the TeleFile system in 2005, citing increasing maintenance costs and decreasing use.²⁵⁸ Proponents of the system suggest that the IRS abandoned TeleFile prematurely and left a segment of the taxpaying population with no means of filing electronically.

TAS is evaluating current filing patterns of former TeleFile users to understand how these taxpayers filed their tax returns after TeleFile was eliminated. We will also develop estimates of the eligible population for a new telephone-based electronic filing approach based on various assumptions about the scope of the new approach. This information will allow the IRS to make informed decisions on how the IRS can reach its electronic filing goal. TAS expects to complete this project by the middle of fiscal year 2010.

6. CAWR/FUTA TAS-IRS Rework Study

The IRS Oversight Board asked TAS to work with the IRS's operating divisions to identify systemic problems that create significant rework for the IRS and increase TAS case load, and develop outcome measures to document progress toward reducing the problems. In 2008, TAS and SB/SE agreed to study the effects that the Combined Annual Wage Reporting (CAWR) Program²⁵⁹ and the Federal Unemployment Tax Act (FUTA) Certification Program²⁶⁰ have on TAS case receipts.

The task group has developed a data capture instrument and is currently reviewing a representative sample of TAS cases originally worked in SB/SE for tax years 2005 and 2006. TAS Research will analyze the data to identify systemic issues and assist with the development of measures to document progress toward reducing the number of CAWR and FUTA cases

²⁵⁷ Internal Revenue Service Restructuring and Reform Act of 1998, Pub. L. No. 105-206, § 2001(a)(2), 112 Stat. 685, 723 (July 22, 1998).

²⁵⁸ IRS Announcement 2005-26, 2005-17 C.B. (Apr. 25, 2005).

²⁵⁹ The CAWR program is a document-matching program that compares wages and tax information reported to the IRS against that reported to the SSA. When the IRS and SSA data do not agree, a CAWR case is created. There are two major parts of the CAWR program, IRS-CAWR and SSA-CAWR. The IRS is interested in IRS-CAWR cases for underpayment of taxes or excess withholding of federal income tax or advance EITC. If a discrepancy is detected, an IRS-CAWR case is created. The SSA is interested in SSA-CAWR cases because an employer has not filed proper wage and tax statements which adversely affect individuals' retirement benefits.

²⁶⁰ The FUTA certification program 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 FUTA certification program is the method the IRS uses to verify with the states that the credit claimed on IRS forms was actually paid into the states' unemployment funds.

that come to TAS. The target date for completion of this study is December 2009. The task group will present its findings to the IRS Oversight Board.

TAS is also looking at casework from the Large and Mid-Size Business (LMSB) and TE/GE divisions to determine what, if any cases involve “rework” and suggest improvements that may reduce the flow of work. Our initial review indicates that the primary case issue for both divisions involved CAWR and FUTA.

VI. **TAS Infrastructure For Delivering Our Mission**

To carry out the functions of the Office of the Taxpayer Advocate,²⁶¹ TAS relies on having the correct systems, employees, policies, procedures, evaluative tools, and budget in place to advocate for taxpayers. Together, these areas make up TAS's infrastructure – the basic, underlying framework or features of the organization. TAS conducts environmental scans and makes adjustments to meet challenges created by the changing environment, including economic changes, tax law changes, and IRS policy and procedure changes that impact taxpayers and tax compliance. This often requires projecting future needs to allow time to put systems in place to meet future demands. As demonstrated in the following section, TAS looks for ways improve its infrastructure to operate more efficiently and effectively to support our advocacy efforts.

A. TAS Case Inventory Levels Continue to Increase

Over the last several years, TAS faced the challenge of increasing workload across all functions of the organization. For example, as shown in Figure VI-1, TAS receipts have increased while the numbers of case advocates working individual taxpayer issues declined during FY 2005, FY 2006, and FY 2007. Not until the end of FY 2008 did TAS hiring began to outpace attrition. It is essential to sound tax administration that taxpayers receive prompt and thorough action when they come to TAS after unsuccessful attempts to resolve their problems with the IRS, or when they experience economic burden.

²⁶¹ IRC § 7803(c)(2).

FIGURE VI-1, MONTHLY RECEIPTS AND CASE ADVOCATES ON ROLLS, FY 2005 - FY 2009²⁶²

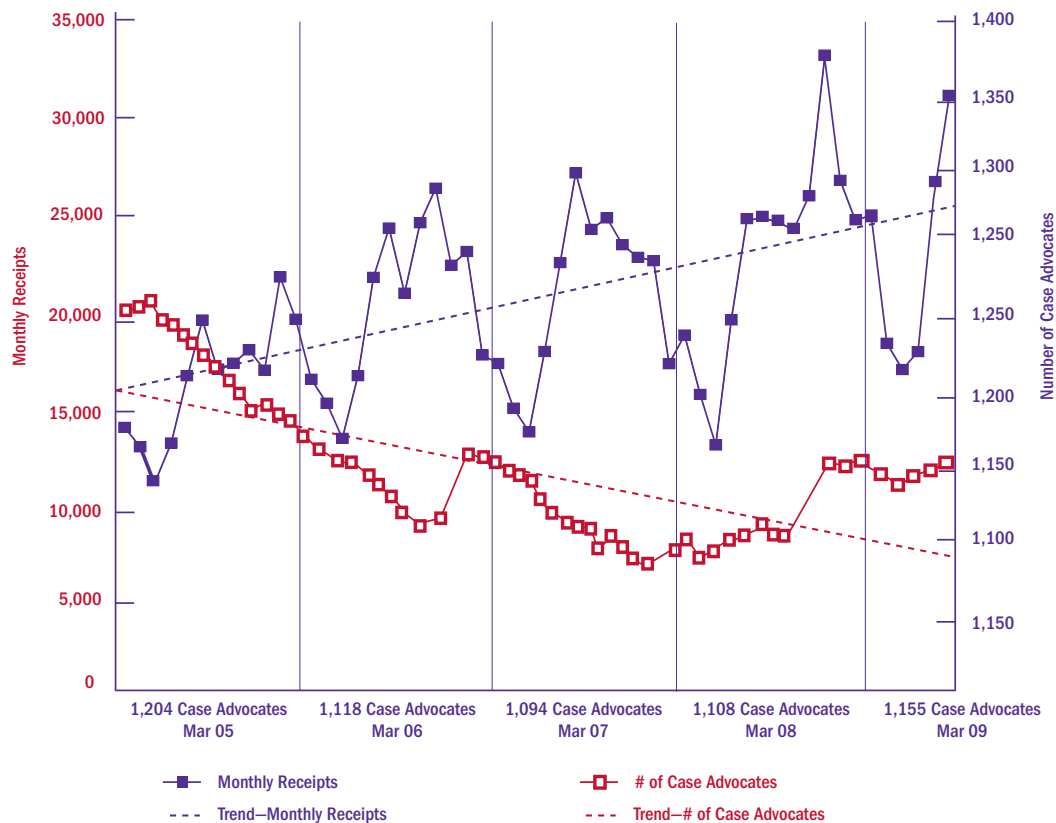


Figure VI-2 demonstrates the continued growth of open inventory and the average number of cases assigned to each advocate. TAS experienced a 27.3 percent increase in open case inventory from September 2007 to September 2008, due to the ESP legislation.²⁶³ TAS saw an 18.4 percent increase in the number of cases per case advocate over the same period, even with a 7.5 percent increase in case advocate staffing for this time.²⁶⁴ This increase is not limited to a one-time legislative change like the ESP. As shown below, TAS experienced a similar impact from FY 2004 to FY 2005 when the IRS increased enforcement activities and TAS saw a significant drop in the number of case advocates.

²⁶² Data obtained from TAMIS using Business Objects (Mar. 31, 2009).

²⁶³ Economic Stimulus Act of 2008, Pub. L. No. 110-185, 122 Stat. 613 (2008).

²⁶⁴ See *The Impact of ESP Legislation on Tax Administration*, *supra*.

FIGURE VI-2, TAS OPEN INVENTORY AND NUMBER OF CASE ADVOCATES²⁶⁵

| Fiscal Year | Open Inventory | Percent Change | Number of Case Advocates | Percent Change | Number of Cases per Case Advocate | Percent Change |
|-------------|----------------|----------------|--------------------------|----------------|-----------------------------------|----------------|
| 2004 | 28,018 | | 1,278 | | 22 | |
| 2005 | 34,750 | 24.0% | 1,204 | -5.8% | 29 | 31.7% |
| 2006 | 45,026 | 29.6% | 1,118 | -7.1% | 40 | 39.5% |
| 2007 | 52,280 | 16.1% | 1,094 | -2.1% | 48 | 18.7% |
| 2008 | 54,309 | 3.9% | 1,108 | 1.3% | 49 | 2.6% |
| 2009 | 64,238 | 18.3% | 1,155 | 4.2% | 56 | 13.5% |

A number of factors influence TAS workload volumes, including new IRS initiatives, changes in legislation or IRS practices, increased IRS emphasis on compliance activities, and external factors such as the state of the U.S. economy. In FY 2009, the IRS received \$630 million above its FY 2008 funding level. As a result, the IRS will undertake the largest hiring initiative in recent history to enhance taxpayer compliance.²⁶⁶ Using historical data as a guide, TAS anticipates increased receipts resulting from an increased emphasis on IRS compliance activities.²⁶⁷

Additionally, TAS expects receipts to increase as a result of the downturn of the U.S. economy. As more U.S. taxpayers encounter job loss,²⁶⁸ home foreclosures,²⁶⁹ and other financial distress in uncertain economic times, TAS projects that taxpayers will require additional TAS assistance to relieve the economic burden caused by tax administration.²⁷⁰

To address these and other unanticipated events such as natural disasters affecting TAS inventory, TAS will:

- Develop a process for taking in and distributing cases, to be used in the development and design of information system solutions;²⁷¹ and
- Focus on hiring a mix of employees to not only work with taxpayers on their individual case issues, but to work with the IRS on issues facing groups of taxpayers in

²⁶⁵ Data for FY 2004 through 2009 is as of Mar. 31, 2009.

²⁶⁶ IRS Commissioner Douglas Shulman, *FY 2009 Budget, E-mail Message to IRS Employees* (Mar. 12, 2009).

²⁶⁷ Analysis performed by the GAO of FY 2005 and 2006 TAS and IRS data shows that increased in TAS caseload correlates with increases in IRS enforcement activities both overall and in some specific IRS enforcement programs. GAO, GAO-07-156, *TAS Caseload Has Grown and Taxpayers Report Being Satisfied, but Additional Measures of Efficiency and Effectiveness are Needed* (Feb. 22, 2007).

²⁶⁸ Bureau of Labor Statistics, USDL 09-0224, *The Employment Situation: February 2009* 1 (Mar. 6, 2009). The number of unemployed persons increased by 851,000 to 12.5 million in February, and the unemployment rate rose to 8.1 percent. Over the past 12 months, the number of unemployed persons has increased by about 5.0 million, and the unemployment rate has rise by 3.3 percentage points.

²⁶⁹ RealtyTrac Staff, *2008 Year-End Foreclosure Market Report*, available at <http://www.realtytrac.com/ContentManagement/RealtyTracLibrary.aspx?a=b&ItemID=5814&acct=64953>.

²⁷⁰ See *TAS Assists Taxpayers Experiencing Economic Burden*, *supra*.

²⁷¹ See *TAS Enters into a Two-Year Project to Update TAS Information Systems*, *infra*.

an effort to mitigate systemic burden cases while continuing to focus on economic burden cases.²⁷²

TAS case advocates play a critical role in this process. One of the challenges TAS faces is hiring the right mix of employees to (1) handle individual case inventory levels and (2) to identify problems and recommend administrative and legislative solutions that will reduce inventory. It is TAS's responsibility to monitor the coverage and geographic allocation of local offices of taxpayer advocates.²⁷³

B. TAS Enters into a Two-Year Project to Update TAS Information Systems

TAS is strategically updating the system tools that support advocacy programs. Two years ago, TAS joined with IRS technology engineers to review several data management concerns.

- TAS currently stores data in a dozen electronic locations and in several applications;
- At six plus years, TAS's primary system, the Taxpayer Advocate Management Information System (TAMIS), is an inherited application nearing the end of its useful life;
- Use of multiple systems impedes efficiency in addressing the needs of TAS customers; and
- Evolving demands for reporting, security, and system audits require more robust system capabilities.

The engineers considered long-term viability and compatibility with the overall IRS information systems and suggested integration of the TAS systems. The sum of their recommendations is the TAS Integrated System (TASIS).

²⁷² Systemic burden cases are those in which an IRS process, system, or procedure failed to operate as intended, and as a result, the IRS has failed to timely respond to or resolve a taxpayer's issue.

²⁷³ IRC § 7803(c)(2)(C)(i).

1. Improving the Efficiency of TAS Information Systems

Through TESIS, taxpayers will experience faster, more consistent case processing and employees will receive improved tools for managing their workload. TAS employees fulfill the mission of the Office of the Taxpayer Advocate from 75 locations, operating in every state, the District of Columbia, and Puerto Rico. We annually serve almost 275,000 individual and business taxpayers and serve even more through systemic analysis of tax laws and administration.²⁷⁴ These services require interaction with every IRS function.

TESIS will gather the organization's data needs under one tent, improving linkage between advocacy efforts. The new system will connect with other IRS systems to limit repetitive manual research. Consolidation of systems will also streamline administration and the ability to incorporate new tools as they become available by replacing more than 14 legacy systems at the end of their practical limits.

2. Improving Electronic Document Management

A core element of TESIS is electronic document management. TAS operations are still supported largely by paper in spite of various electronic tools. One review of TAS case operations estimated its annual paper volume at more than 12 million pages. Aside from storage, that volume requires significant labor and time to research, share, or redistribute. Imaging these records and making them available in a secure environment will eliminate a continual stream of faxing and shipping to get supporting documents to the case advocate, manager, reviewer, or supporting IRS personnel. The resulting "virtual" case folders will also preserve hardship assistance efforts in case of emergency office closures.

3. Enhancing Workload Distribution

TESIS will also be designed to distribute work more effectively and to keep assignments on track. Analysis is in progress to create a seamless, automated process capable of receiving work and distributing it to a case advocate with the right skills and availability. TESIS positions TAS to incorporate other new services as the IRS progresses. This may include a secure portal through which the taxpayer or representative can apply for TAS assistance or bypass the imaging process by providing documents to TAS electronically. Taxpayers can already check the status of their refunds through the IRS website. TAS case updates may become available as well.

4. Overcoming Challenges for a Successful Implementation

The TESIS project is a two-year effort, scheduled to begin in FY 2010, but project funding and resource availability will be primary hurdles to success. The project must be funded for development. TESIS has navigated the IRS strategic prioritization process against many other arguably worthy projects and should receive funds if the IRS budget is sufficient and new priorities do not arise. Limited resources also limit the availability of IRS expertise. The TESIS project will require coordination between contracted developers and

²⁷⁴ TAS received 274,051 cases in FY 2008. See National Taxpayer Advocate 2008 Annual Report to Congress 546.

several internal information technology functions. Though the IRS has talented staff, the logistics of securing thoughtful input from thinly stretched specialists has led to delays on past projects and could pose a risk to the timely completion of TISIS as well.

The TISIS project strongly reflects IRS strategic foundations for improving efficiency and productivity through advanced technology. While the end product will feature striking new improvements for customer, employee, and stakeholder benefit, the underlying design of TISIS will also align with IRS efforts to maximize the benefit of IT investments. To this end, TISIS will be designed to retrieve and send taxpayer information to and from IRS information systems while maintaining taxpayer confidentiality.

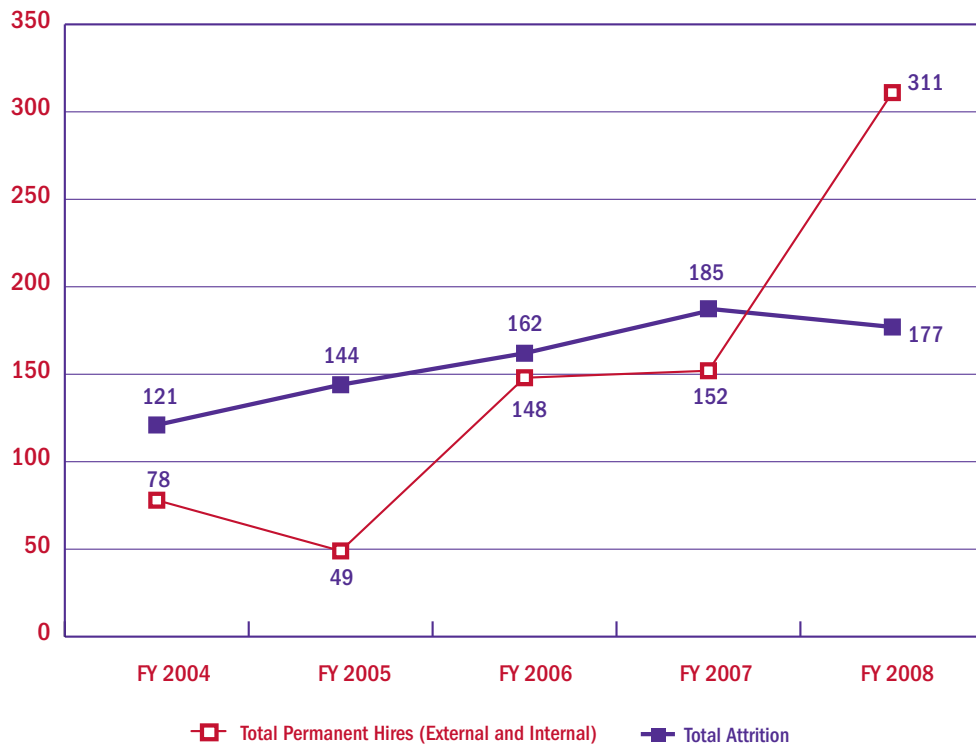
TISIS will allow case advocates to focus their efforts on advocating for taxpayers rather than on administrative duties. This is particularly important because TAS can then place greater emphasis on how to advocate for taxpayers when training new employees.

C. TAS Continues to Hire a Diverse Workforce

Strong congressional support allowed TAS to hire above its annual attrition level in FY 2008 to meet the needs of its taxpayers.²⁷⁵ This was the first time since FY 2003 that TAS was able to hire beyond attrition.

²⁷⁵ H.R. 1105, 111th Cong. (2009), allocated \$193 million for TAS operating expenses. H.R. 2764, 110th Cong. (2008), allocated \$177 million for TAS operating expenses.

FIGURE VI-3, TAS HIRING AND ATTRITION FY 2004-FY 2008



TAS hiring efforts are driven by the desire to attract employees who have an aptitude and attitude for advocacy. In pursuit of this goal, TAS seeks to identify top talent from a variety of sources. The added value that is gained in TAS by having employees of diverse backgrounds in all positions within the organization is essential to making advocacy a reality for our taxpayers. TAS considers both retirements and other attrition when forecasting its hiring needs.

TAS projects that approximately 18 percent of its workforce will be eligible to retire by the end of FY 2009 and 23 percent by the end of FY 2010.²⁷⁶ The challenge for FY 2010 is projecting total attrition in light of current economic conditions in which TAS attrition has slowed. For the first six months of FY 2009 the attrition rate was 3.3 percent, compared to 5.5 percent for the same period in FY 2008, a 40.4 percent decline.²⁷⁷ We expect this trend to continue into FY 2010.

²⁷⁶ Based upon an initiative in the President's FY 2009 budget, TAS anticipates receiving 38 full-time equivalents (FTEs) in addition to attrition hiring.

²⁷⁷ TAS computes the attrition rate by dividing the total losses as of pay period six by the total on rolls the beginning of the fiscal year (pay period 20).

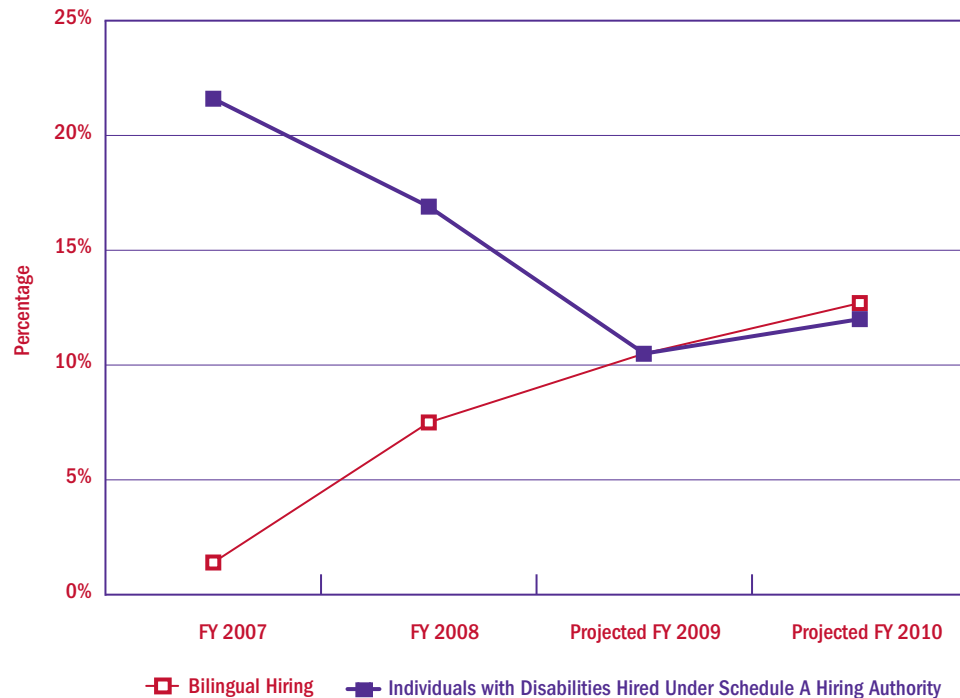
TAS will place special emphasis on hiring:

- Intake and case advocates – In FY 2009, TAS plans to hire 126 case advocates and 50 intake advocates. Past hiring practices have shown that approximately 17.9 percent of new hires are bilingual employees and 6.1 percent are employees with disabilities using Schedule A excepted hiring authority for individuals with disabilities.²⁷⁸ TAS will continue to aggressively recruit throughout the remainder of the fiscal year. In FY 2010, TAS anticipates the need to hire additional case advocates and intake advocates to keep up with attrition and prepare for additional cases resulting from economic conditions and IRS enforcement; and
- Lead Case Advocates – To support employees working complex cases, TAS developed a Lead Case Advocate (LCA) position that will focus on coaching case advocates and intake advocates, in addition to providing leadership and guidance to other employees. These advocates will work highly technical cases. To date, 73 positions have been announced, ten percent of which are bilingual and will work with other bilingual advocates to address issues of the Spanish-speaking population. TAS will fully implement the LCA position over FY 2009 and FY 2010, with the goal of having one LCA in every case advocate group.

As depicted in Figure VI-4, TAS places particular emphasis on hiring applicants with bilingual skills and targeted disabilities.

²⁷⁸ In FY 2007, TAS hired 56 Case Advocates and 18 Intake Advocates of which one was an individual with a disability hired under Schedule A authority and 16 were bilingual. In FY 2008, TAS hired 255 Case Advocates and Intake Advocates, of which 19 were individuals with disabilities hired under Schedule A authority and 43 were bilingual.

FIGURE VI-4, BILINGUAL HIRING AND INDIVIDUALS WITH DISABILITIES HIRED UNDER THE AUTHORITY OF SCHEDULE A FOR FY 2007 AND FY 2008, AND PROJECTED HIRING FOR FY 2009 AND FY 2010



To support this effort, TAS:

- Shares hiring information with the Wounded Warrior Project’s “Warriors to Work” program;²⁷⁹
- Participates in the Department of Veterans Affairs Non-Paid Work Experience (NPWE) Program;²⁸⁰
- Hires individuals with disabilities using Schedule A special hiring authority;²⁸¹ and
- Hires student interns, including those hired through the Workforce Recruitment Program for College Students with Disabilities.²⁸²

²⁷⁹ The Wounded Warrior Project’s Warriors to Work Program helps individuals recovering from severe injuries received in the line of duty to connect with the support and resources they need to build a career in the civilian workforce. See <http://wtow.woundedwarriorproject.org> (last visited Apr. 23, 2009).

²⁸⁰ Through the NPWE Program, a veteran is placed in a local, state, or federal government office. The agency does not pay the veteran. During the placement, the veteran works to gain or strengthen particular skill sets. The goal of the program is for the veteran to obtain full time, permanent employment in the office where he or she is placed or in a similar office. See http://www.vba.va.gov/bln/vre/emp_resources.htm (last visited Apr. 29, 2009).

²⁸¹ Schedule A appointments are authorized by the Office of Personnel Management and are governed by 5 C.F.R. § 213.3101. Agencies may make appointments under this section to positions which are not of a confidential or policy-determining character, and which are not in the Senior Executive Service. Positions filled under this authority are excepted from the competitive service.

²⁸² The Workforce Recruitment Program for College Students with Disabilities is run by the Department of Labor’s Office of Disability Employment Policy. It is a resource to connect public and private sector employers nationwide with highly motivated post secondary students and recent graduates with disabilities who are eager to prove their abilities in the workforce. See <http://www.dol.gov/odep/pubs/brochures/wrpl.html> (last visited Apr. 24, 2009).

TAS shares information on bilingual positions with IRS employee organizations such as Hispanic Internal Revenue Employees (HIRE). TAS implemented a bilingual assessment for case advocate and intake advocate positions to make sure only employees with the proper qualifications are selected to work with our Spanish-speaking taxpayers. In FY 2008, TAS expanded the recruiting process to include applicants from outside the IRS and TAS will continue this practice in FY 2009 and FY 2010. For locations where TAS has difficulty hiring bilingual employees within the IRS or has a limited applicant pool, positions are announced on the USAJOBS website operated by the Office of Personnel Management (OPM).²⁸³ In addition to hiring the right mix of employees, TAS recognizes the importance of training those employees once they are on board.

D. TAS Provides Quality Training to Employees

Quality training is necessary to provide employees with the knowledge, skills, and abilities to effectively advocate for taxpayers. TAS provides basic, refresher, and developmental training to its employees. TAS designs and delivers quality training based on occupational specialties through a classroom and web-based learning model.

E. TAS Strategically Plans for the Future

1. TAS Develops Strategic Plan

TAS will complete its FY 2010 - 2014 strategic plan by FY 2010. The plan provides a framework for accomplishing TAS's mission and long-term goals through advocacy, employee empowerment, systems modernization, and continuous improvement. An important component of this plan will be the implementation of a dynamic assessment process that will allow the organization to adjust its strategies and long-term goals when internal and external factors necessitate a new direction.

²⁸³ See www.usajobs.gov.

2. TAS Provides Uniform Guidance to TAS Employees

The Guidance Advisory Board (GAB) was established in FY 2009 to assist TAS leadership in making more informed decisions on case advocacy guidance and procedures. This Board provides comments on how new or revised procedures might affect day-to-day operations for front line employees or taxpayers and includes a representative from the National Treasury Employees Union (NTEU). The GAB's guidance reviews include interim guidance memoranda (IGM), TAS's Internal Revenue Manual, IRM 13, and its Service Level Agreements (SLAs).

3. TAS Continues to Make Organizational Improvements

The TAS Improvement Panel (TIP) will govern project improvement initiatives by using a structured process when considering proposed changes. The TIP provides TAS with oversight and guidance to all improvement and reengineering projects in support of TAS's goals, foundations, and strategies where the project has impact on more than one TAS organizational segment at the area level or above. In FY 2010 and beyond, the TIP will identify issues impacting TAS and validate those issues through data analysis.

F. TAS Measures Success in Achieving its Mission

TAS has developed a comprehensive set of measures to gauge its effectiveness in achieving its statutory mission. These measures capture TAS's success in meeting its goals for quality and efficiency, customer satisfaction, and TAS employees' level of satisfaction. In addition to these measures, TAS assesses its impact on resolving problems that originate from the IRS, as well as its influence on legislative changes. Applying these measures helps TAS consider taxpayers' needs in decisions relating to its processes, policies, and resources, and also identifies how issues raised by the National Taxpayer Advocate are considered by the IRS and Congress.

1. TAS Connects with Taxpayers

TAS listens to taxpayers to determine how well we are helping them. This, in turn, guides TAS in identifying ways to improve customer satisfaction. TAS uses an independent contractor to conduct confidential telephone surveys to obtain the opinions of taxpayers and their representatives who have recently received TAS assistance. The survey covers a broad range of issues that are critical to enhancing customer satisfaction, including timeliness, fairness, accuracy, and communications. TAS analyzes the survey results to improve the taxpayer's experience.

a. Analysis of FY 2008 Customer Satisfaction Survey: Opportunities for Improvement

The survey process provides a basis for TAS to identify gaps between the service that taxpayers expect and what TAS is actually delivering. For example, in the FY 2008 survey, some respondents were concerned that TAS did not handle their problem in a reasonable timeframe (80 percent favorable). Many TAS customers felt TAS needed to do a better job of explaining why their problem occurred (68 percent favorable). The survey also indicated a need to improve the taxpayer's ability to reach TAS employees (79 percent favorable).

TAS is applying the survey results to focus on needed service improvements as well as reviewing the survey itself to ensure that it asks the right questions.

TAS is actively involving employees in improving customer satisfaction. On-line training courses continue to be offered in conflict resolution skills, telephone techniques, fundamentals of exceptional customer service, and enhanced listening skills. In addition, TAS has developed extensive Phase I training for new case advocates on these topics. Along with annual training to develop its employees' communication skills, TAS utilizes a data-driven approach to improving organizational performance.²⁸⁴ Beginning in FY 2008, a team of TAS representatives and our customer satisfaction contractor piloted an initiative in five TAS offices that introduces employees to a structured approach for improving the services they deliver to taxpayers. The team works with each office as its employees review their office customer satisfaction survey results, considering causes and barriers, and identifying and developing specific process changes based upon their office's data.

Based on positive preliminary results and employee feedback, TAS will complete ten additional office visits in FY 2009. Beginning in FY 2010, TAS will expand the office visitation process to 20 offices per year and continue to support this process in offices previously visited. TAS views this process as essential to meeting our taxpayer needs and expectations.

2. TAS Employee Engagement Creates an Environment for Success

TAS recognizes that a positive work environment is critical to achieving its mission. TAS conducts an annual employee satisfaction survey and shares its results with employees who work together to develop initiatives to improve the organization.

TAS communicates continuously with all of its employees through a number of mediums and forums, discussing issues raised by TAS employees in the survey and town hall meetings as well as what TAS is doing to address those issues. By engaging employees at all levels, TAS employees will have a better understanding that *what they do every day* can lead to improved communications, taxpayer relations, internal processes, and advocacy for taxpayers. In this way, the National Taxpayer Advocate has reinforced the message that TAS values employee perspectives and acts upon employees' ideas. TAS's success in involving its employees is reflected in the 2008 survey where 75 percent of the TAS workforce expressed opinions about their working conditions. The overall satisfaction rate of 72 percent for 2008 versus 66 percent in 2007 indicates that TAS employees' satisfaction level has also improved.

One example of how TAS systemically involves its employees in improving how it achieves its mission is the customer satisfaction office visitation process, described above. Additionally, when TAS reports its overall employee satisfaction results, each TAS office receives its own results and conducts meetings to discuss how to overcome the barriers

²⁸⁴ TAS uses the DMAIC approach to: Define the problem, Measure the impact, Analyze barriers, Implement improvements, and Control actions.

employees have identified. Driven directly by survey results, TAS has formed employee teams to address critical issues, such as career development, resolution to process and procedural problems, and system improvements.²⁸⁵ For example, the Guidance Advisory Board described above includes employees from all levels within TAS to review changes in policy and processes before implementation.²⁸⁶

Based in part on information obtained through the employee engagement process, TAS will improve the information systems available to employees in FY 2010 and beyond to help them do their jobs better and to serve taxpayer needs more effectively.²⁸⁷ TAS will also continue to focus on employee development, actively seeking its employees' opinions and ideas to improve business processes, service to customers, employee engagement, and the quality of work life.²⁸⁸

In addition to the performance measures and diagnostic tools discussed above, TAS continues to develop and evaluate methods of reducing taxpayer burden and protecting taxpayer rights including legislative recommendations, immediate intervention advocacy projects, and the Taxpayer Advocacy Panel (TAP) recommendations.²⁸⁹

The TAP serves as an independent, citizen-based contributor of ideas to the IRS. It presents a wide range of recommendations for reducing taxpayer burden, giving IRS decision makers a better understanding of issues from the taxpayer's perspective. The value of the TAP's contributions is evident by the growing number of projects the IRS assigns for TAP feedback, an increase from 40 in FY 2007 to 86 in FY 2008, and the increase in the number of TAP issue committees working directly with IRS program owners, from six in FY 2008 to seven in FY 2009.²⁹⁰

²⁸⁵ TAS employees voluntarily serve on the following teams: Employee Development provides employees with training to assist in career development; Support Staff Initiative provides support staff employees with career development tools and training; Quality Review Revision is developing the application guide for the proposed new Quality attributes.

²⁸⁶ See *Providing Uniform Guidance to Employees*, *supra*.

²⁸⁷ See *TAS Enters into a Two-Year Project to Update TAS Information Systems*, *supra*.

²⁸⁸ National Taxpayer Advocate FY 2009 Objectives Report to Congress 69. Examples of communications include podcasts, Interactive Video Teleconferences, etc.

²⁸⁹ See Appendix VI, *infra*.

²⁹⁰ TAS derives the data on TAP recommendations and completed projects from the TAP Elevated Issue database.

Appendix I: Evolution of the Office of the Taxpayer Advocate

The Office of the Taxpayer Ombudsman was created by the IRS in 1979 to serve as the *primary advocate*, within the IRS, for taxpayers. This position was codified in the Taxpayer Bill of Rights (TBOR 1), included in the Technical and Miscellaneous Revenue Act of 1988 (TAMRA), Pub. L. No. 100-647. In TBOR 1, Congress added IRC § 7811, granting 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 internal revenue laws are being administered by the Secretary.”²⁹¹ Further, the Taxpayer Ombudsman and the Assistant Commissioner (Taxpayer Services) were directed to jointly provide an annual report to Congress about the quality of taxpayer services provided by the IRS. This report was delivered directly to the Senate Committee on Finance and the House Committee on Ways and Means.²⁹²

In 1996, Taxpayer Bill of Rights 2 (TBOR 2) amended IRC § 7802 (the predecessor to IRC § 7803), replacing the Office of the Taxpayer Ombudsman with the Office of the Taxpayer Advocate.²⁹³ 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.²⁹⁴

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 IRS;
2. To identify areas in which taxpayers have problems in dealings with the IRS;
3. To the extent possible, propose changes in the administrative practices of the IRS to mitigate those identified problems; and

²⁹¹ TAMRA, Pub. L. No. 100-647, Title VI, Sec. 6230, 102 Stat. 3342, 3733 (Nov. 10, 1988).

²⁹² *Id.* at 3737.

²⁹³ Pub. L. No. 104-168, Sec. 101, 110 Stat. 1452, 1453 (July 30, 1996).

²⁹⁴ Joint Committee on Taxation, *General Explanation of Tax Legislation Enacted in the 104th Congress*, JCS-12-96, 20 (Dec. 18, 1996).

4. To identify potential legislative changes which may be appropriate to mitigate such problems.²⁹⁵

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 it 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.”²⁹⁶

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 fiscal year beginning in that calendar year. This report is to provide full and substantive analysis in addition to statistical information and is due no later than June 30 of each calendar year. The second report is on the activities of the Taxpayer Advocate during the fiscal year ending during that calendar 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 TAO, describe in detail the progress made in implementing these recommendations, contain a summary of at least 20 of the Most Serious Problems (MSPs) 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.”²⁹⁷

Finally, TBOR 2 amended IRC § 7811, extending the scope of the 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 significant hardship as a result of the manner in which the IRS is administering the tax laws.”²⁹⁸ For the first time, the TAO could specify a time period within which the IRS must act on the order. 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 in writing to the Taxpayer Advocate with his or her reasons for such action.

²⁹⁵ Pub. L. No. 104-168, Sec. 101, 110 Stat. 1452, 1453-54 (July 30, 1996).

²⁹⁶ Joint Committee on Taxation, *General Explanation of Tax Legislation Enacted in the 104th Congress*, JCS-12-96, 21 (Dec. 18, 1996).

²⁹⁷ *Id.*

²⁹⁸ *Id.* at 22.

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, in both 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.²⁹⁹

In response to these concerns, in the IRS Restructuring and Reform Act of 1998 (RRA 98), Pub. L. No. 105-206, Congress amended IRC §7803(c), renaming the Taxpayer Advocate as the National Taxpayer Advocate and mandating that the National Taxpayer Advocate 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 National Taxpayer Advocate (service as an employee of the Office of the Taxpayer Advocate is not considered IRS employment under this provision).³⁰⁰

RRA 98 provided for Local Taxpayer Advocates to be located in each state, and mandated a reporting structure for Local Taxpayer Advocates to report directly to the National Taxpayer Advocate. As indicated in IRC § 7803(c)(4)(B), each Local Taxpayer Advocate must have a phone, fax, 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.”³⁰¹ Congress also granted the Local Taxpayer Advocates 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.³⁰²

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 fees for professional representation) if relief is not granted; and (4) the taxpayer will suffer irreparable injury or a long-term adverse impact if relief is not granted. The committee reports make clear that this list is a non-exclusive list of what constitutes significant hardship.³⁰³

²⁹⁹ Report of the Commission on Restructuring the Internal Revenue Service: *A Vision for a New IRS* 48 (June 25, 1997).

³⁰⁰ Pub. L. No. 105-206, Sec. 1102, 112 Stat. 685, 699 (July 22, 1998).

³⁰¹ IRC § 7803(c)(4)(A)(iii).

³⁰² IRC § 7803(c)(4)(A)(iv).

³⁰³ See, e.g., H.R. Conf. Rep. No. 105-599, at 215 (1998).

Appendix II: Taxpayer Advocate Service Case Acceptance Criteria

As an independent organization within the IRS, TAS helps taxpayers resolve problems with the IRS and recommends changes to prevent the problems. TAS fulfills its statutory mission by working with taxpayers to resolve problems with the IRS.³⁰⁴ TAS case acceptance criteria fall into four main categories:

1. Economic Burden

Economic burden cases are those involving a financial difficulty to the taxpayer: An IRS action or inaction has caused or will cause negative financial consequences or have a long term adverse impact on the taxpayer.

- **Criteria 1:** The taxpayer is experiencing economic harm or is about to suffer economic harm.
- **Criteria 2:** The taxpayer is facing an immediate threat of adverse action.
- **Criteria 3:** The taxpayer will incur significant costs if relief is not granted (including fees for professional representation).
- **Criteria 4:** The taxpayer will suffer irreparable injury or long term adverse impact if relief is not granted.

2. Systemic Burden

Systemic burden cases are those in which an IRS process, system, or procedure has failed to operate as intended, and as a result the IRS has failed to timely respond to, or resolve, a taxpayer issue.

- **Criteria 5:** The taxpayer has experienced a delay of more than 30 calendar days to resolve a tax account problem.
- **Criteria 6:** The taxpayer has not received a response or resolution to the problem or inquiry by the date promised.
- **Criteria 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.

3. Best Interest of the Taxpayer

TAS acceptance of these cases will help ensure that taxpayers receive fair and equitable treatment and that their rights as taxpayers are protected.

- **Criteria 8:** The manner in which the tax laws are being administered raises considerations of equity or has impaired or will impair the taxpayer's rights.

³⁰⁴ IRC § 7803(c)(2)(A)(i).

4. Public Policy

Acceptance of cases into TAS under this category will be determined by the National Taxpayer Advocate and will generally be based on a unique set of circumstances warranting assistance to certain taxpayers.

- **Criteria 9:** The National Taxpayer Advocate determines compelling public policy warrants assistance to an individual or group of taxpayers.

Appendix III: Collaborative Efforts Between TAS and IRS

TAS/IRS Rework Study

| Task Force / Team | Task Force / Team Goal or Objective | Status / Planned Actions for 2010 |
|--------------------------------|---|---|
| TAS-IRS CAWR/FUTA Rework Study | Complete an analysis of TAS casework involving CAWR and FUTA issues to determine what, if any, cases involve rework and recommend actions SB/SE can take to reduce the number of CAWR and FUTA case referrals to TAS. | The team has completed a sample review of CAWR and FUTA cases and is analyzing the results. The team plans to share the data with SB/SE and meet in June 2009 to draft a report of its findings. Further, the team will monitor receipt of TAS CAWR and FUTA cases and the implementation of recommended actions. |

TAS/IRS Joint Task Forces

| Task Force / Team | Task Force / Team Goal or Objective | Status / Planned Actions for 2010 |
|--|---|--|
| Adjusted Employment Tax Return Program | Improve the employment tax adjustment processes and create a series of new tax forms for employers to correct previously filed employment tax returns and to request refund of overpaid taxes. | New procedures were implemented and the new forms were released in January 2009. Currently, the team is monitoring the filing and processing of the new forms and taxpayers' response to the forms. The team will continue to revise tax forms, instructions, and publications; coordinate and monitor unified work requests; and develop marketing and communication strategies. |
| Allowable Living Expenses (ALE) Task Force | The task force is collaborating on the development of standards that would better reflect taxpayers' actual living expenses to determine the most appropriate collection alternative; e.g., installment agreement (IA), offer in compromise (OIC), or currently not collectible (CNC). | The task force will conduct research to analyze whether current ALE standards are reasonable and realistic, and are being correctly applied. TAS plans to conduct a joint review of field and campus collection cases with SB/SE, W&I, TAS, and IRS Research. |
| Backup Withholding Taxpayer Incentive and Enforcement Development Initiative | SB/SE Employment Tax (Specialty Program) launched a compliance initiative to identify barriers and best practices to work cases in the Backup Withholding database that have significant collection potential. SB/SE will pilot this initiative. A servicewide team, including TAS, will review this work stream, the backup withholding program and processes, and identify incentives to get businesses to comply. An article was written for the IRS/SBA Headliner and released in the January edition discussing the requirements of the back-up withholding for payers of 1099 income. An SBTV segment on backup withholding was taped to reinforce the requirements of backup withholding for payers of 1099 income. This video segment was available in January to the several hundred thousand small business owners who subscribe to the program. A second segment was produced that discussed the IRS enforcement efforts of the program. | The task group remains available to address emerging backup withholding issues and to evaluate implemented best practices. |
| CP09/27 Notice Improvement Project | The Earned Income Tax Credit (EITC) Office reported non-response rates for CP09 and CP27 notices at 86 percent and 68 percent respectively. This project will improve the clarity of these notices to ensure those taxpayers eligible for EITC are claiming the credit. | The project team, comprised of internal and external members, plans to issue revised CP09 and CP27 notices in FY 2010. |
| Direct Deposit Installment Agreements | The team plans to find a means to use or modify the current telephone recording technology to allow taxpayers to telephonically sign Direct Deposit Installment Agreements (DDIA); and then process the resulting DDIA through the taxpayer's bank without a signed paper document. | The team will research methods of using Contact Recording software to record calls with the Aspect telephone system, download the call recording, and store the recording electronically for legal documentation of identity authentication and payment authorization for direct debit payments. |

continued

| Task Force / Team | Task Force / Team Goal or Objective | Status / Planned Actions for 2010 |
|--|---|---|
| Enterprise-Wide Employment Tax Program | The team will develop and implement an enterprise-wide strategy to reduce the employment tax gap; leverage known taxpayer behavior and current IRS systems and processes; recommend administrative and legislative changes; and research and identify data needs and analysis. The team's goal is to improve filing, reporting and payment compliance. | The team will deliver an enterprise-wide employment tax strategy for reducing the employment tax gap, develop and implement measures and conduct research and analysis. |
| International Planning and Operations Council (IPOC) Servicewide Approach to International Tax Administration | The objective of the Servicewide Approach is to improve tax administration to deal more effectively with the increase of globalization of individual and business taxpayers. This will be accomplished through Servicewide cross-functional cooperation in addressing emerging international issues. The priorities are to improve voluntary compliance with the international tax provisions and to reduce the tax gap attributable to international transactions. The approach includes three strategic goals of international tax administration: improved taxpayer service; enhanced enforcement of tax laws; and modernizing the IRS to deal more effectively with the global economy. | The Council will evaluate the effectiveness of the IRS Strategic Plan for 2009-2013 to enforce the law to ensure all taxpayers meet their obligation to pay taxes, improve service to make voluntary compliance easier, and invest for high performance. |
| IRC § 3401 Collection Due Process (CDP) Working Group | The CDP Working Group is a cross-functional team of IRS stakeholders with a vested interest in CDP matters who collectively work to resolve issues and make necessary improvements to the CDP process. | The working group will assess planned procedural changes or problematic CDP issues. One such issue to be explored is a review and reconsideration of the current CDP/OIC workflow. |
| Joint Injured Spouse Allocation Task Force | The goal of this task force is to investigate the processes and procedures for handling Forms 8379, Injured Spouse Allocation, to determine the factors that impede service to taxpayers. | Four of the six recommendations made by the team have been implemented, the remaining two recommendations have been combined into one outstanding recommendation. The team continues to monitor the effectiveness of corrective actions already implemented. The team will continue efforts to identify and resolve residual and developing injured spouse allocation issues, and track and respond to the trends of on-going injured spouse allocation referrals to TAS. We anticipate closing out the task force in 2010. |
| Levies | The task force is addressing levy-related issues (at both the pre- and post-levy issuance stage), including levy releases and the application of levy proceeds. | The task force is continuing to finalize its review of IRS expedited levy release procedures and if necessary, will conduct a joint review of levy-related cases to determine if levy release problems persist. Further, the task force will explore problems with the misapplication of levy proceeds. |
| Payment Alternatives - Installment Agreements | The task force is evaluating the entire installment agreement process (IA) and will be conducting research regarding IA default rates. The task force has recently drafted language for inclusion on the IRS.gov website, explaining the true costs of an IA. | The task force will continue to explore the major factors leading to the default of an IA and identify whether procedural changes are needed. The team will examine the DDIA process to determine if IRS systems are working as designed. |
| Payment Alternatives - OIC | The task force is taking a closer look at the existing OIC policy and procedures and will determine if they are needlessly deterring taxpayers from submitting good offers (i.e., an offer that represents a good faith attempt by a taxpayer to resolve the tax debt). | The team is currently reviewing changes made to OIC processability criteria and equity in real property valuations and will be gauging the effectiveness of these changes in the next 90 days. The team will explore the current reasonable collection potential (RCP) formula to determine if other suitable alternatives exist. Moreover, the team will conduct an "end to end" review of the OIC process with a focus on barriers which may be contributing to people not submitting offers. |
| Preparer Fraud | TAS is partnering with W&I, CI, and Counsel to develop procedures to relieve taxpayers of tax debt fraudulently created and received by preparers. | The working group will develop procedures by 2010 to remove tax debt from the taxpayers account. Procedures will be elevated to management officials for approval. Applicable IRMs will be updated. |

continued

| Task Force / Team | Task Force / Team Goal or Objective | Status / Planned Actions for 2010 |
|--|--|--|
| Private Debt Collection (PDC) Initiative | TAS is continuing to engage the IRS as it moves forward with the implementation of the PDC Initiative. Private collectors began work on IRS accounts in September 2006. TAS continues to engage in discussions with the IRS on fundamental aspects of the design of the initiative that includes: training of Private Debt Collectors; the types of cases that private collectors will work; the amount of information about TAS assistance that taxpayers will receive; and the referral of cases to the Taxpayer Advocate Service. | Since the IRS's decision to end its PDC initiative, TAS has continued to work with the IRS to make sure all taxpayer information is returned securely to the IRS, and that taxpayer cases are reviewed and worked, not placed on a shelf collecting penalties and interest. |
| S-Corporation Processing Improvement Team | Assess the current nature and type of unpostable S-Corporation returns and offer taxpayer friendly solutions to resolve the accounts. | This team has worked to update S-Corporation correspondence to include current revenue procedure information regarding the procedures for requesting a private letter ruling (PLR). The team also offered suggested revisions to the letter Counsel issues to taxpayers who have requested a PLR but failed to include the appropriate user fee, updated procedures with entity, and worked open cases to resolution. In FY 2010, the team will work to incorporate Examination reviews and approvals into entity processing. The lessons learned and updated procedures will be summarized in a technical workshop on S-Corporation Entity Resolution, which will be made available on the agency's electronic training system. |
| Technical Working Group (TWG) for Identity Theft Victim Assistance | The TWG develops recommendations for improving procedures for and reducing the burden of identity theft victims. The group engages in cross-functional discussions, gathers identity theft case data and analyzes the burden of affected taxpayers to make process improvement recommendations. | The group will continue to elevate identity theft case scenarios for which there are incomplete, inconsistent, or non-existent procedures. Other identity theft issues for 2010 are: 1) developing a proactive strategy around the "Theft of a Dependent's SSN"; 2) distinguishing between Refund Fraud, Forgery and ID Theft, and partnering to develop IRM procedures around each; 3) Implementing the IRS ID Theft affidavit; 4) post-review of the Business Rules triggered by the Identity Theft Marker and the resultant Unpostable Procedures; and 5) improving the processing of ID Theft issues by TAS and the IRS functions relative to CI accounts impacted by ID Theft. |

Appendix IV: List of Low Income Taxpayer Clinics³⁰⁵

Low Income Taxpayer Clinics (LITCs) represent low income taxpayers before the Internal Revenue Service and assist taxpayers in audits, appeals and collection disputes. LITCs can also help taxpayers respond to IRS notices and correct account problems.

If you are a low income taxpayer who cannot afford professional tax assistance or if you speak English as a second language (ESL) and need help understanding your taxpayer rights and responsibilities, you may qualify for help from an LTC that provides free or nominal cost assistance. Although LITCs receive partial funding from the IRS, LITCs, their employees, and their volunteers are completely independent of, and are not associated with, the federal government. The LITCs listed below are operated by nonprofit organizations or academic institutions.

Clinics receiving federal funding for the 2009 calendar year are listed below. Each clinic independently decides if you meet the income guidelines and other criteria before it agrees to represent you.³⁰⁶

In lieu of an LTC, low income taxpayers may be able to receive assistance from a referral system operated by a state bar association, a state or local society of accountants or another nonprofit tax professional organization.

This publication is not a recommendation by the IRS that you retain an LTC or other similar organization to represent you before the IRS.

³⁰⁵ Publication 4134, *List of Low Income Taxpayer Clinics* (Mar. 2009).

³⁰⁶ The Department of Health and Human Services (HHS) publishes poverty guidelines annually. A controversy clinic receiving federal funding must have at least 90 percent of the taxpayers served with incomes that do not exceed 250 percent of the poverty guidelines. For the 2009 calendar year, the income ceilings for low income representation for the 48 contiguous States, the District of Columbia, and Puerto Rico are as follows:

| Size of Family Unit | Income Ceiling (250% of Poverty Guidelines) |
|---------------------|--|
| 1 | \$27,075 |
| 2 | \$36,425 |
| 3 | \$45,775 |
| 4 | \$55,125 |
| 5 | \$64,475 |

For family units with more than five members, add \$9,350 for each additional member to determine the income ceiling.

Note: HHS publishes separate poverty guidelines for Alaska and Hawaii. See <http://aspe.hhs.gov/poverty/09poverty.shtml>.

| Low Income Taxpayer Clinics (LITCs) | | | | | |
|-------------------------------------|------------------------------------|--|--------------------------------|--------------------------|--|
| State | City | Organization | Public Phone Numbers | Type of Clinic | Languages Served in Addition to English |
| AK | Anchorage | Taxpayer Education Services | 907-272-5432 | B | Yupik, Korean, Samoan, German, Spanish |
| | Anchorage | ABDC's Volunteer Tax and Loan Program | 1-800-478-3474 | B | All Alaskan Native Languages |
| AL | Birmingham | T.A.Lawson State Community College LITC | 205-925-1039 | E | Spanish |
| | Montgomery | Legal Services Alabama | 866-456-4995 | B | Spanish |
| | Tuscaloosa | NAHPA LITC | 205-722-9331 | B | Spanish |
| AR | West Memphis | Delta Economic Education Resource Service | 870-733-1704 1-877-733-1704 | B | Spanish |
| | Jonesboro | Legal Aid of Arkansas | 1-800-234-3544 | E | Spanish, Marshallese |
| | Little Rock | William H Bowen School of Law LITC | 501-324-9441 | B | Spanish |
| AZ | Phoenix | CLS LITC Controversy and Outreach Program | 602-258-3434 | B | Spanish |
| | Chinle | DNA-People's Legal Services, Inc. | 928-647-5242 | B | Navajo/Hopi |
| | Tucson | Catholic Community Services of Southern AZ | 520-388-9153 | B | Spanish |
| CA | Fresno | Central California Legal Services LITC | 559-570-1200 1-800-675-8001 | B | Spanish/Hmong |
| | San Francisco | Asian Pacific Islanders Legal Outreach | 415-567-6255 | B | Cantonese, Mandarin, Vietnamese, Japanese, Tagalog, Korean |
| | Orange | Chapman University Tax Law Clinic | 1-877-242-7529 714-628-2535 | C | Spanish/Vietnamese |
| | San Francisco | Chinese Newcomers Service Center | 415-421-2111 ext. 691 | B | Cantonese/Mandarin/Chinese |
| | Los Angeles | HIV/AIDS Legal Services Alliance (HALSA) | 213-637-1690 | C | Spanish |
| | San Diego | Legal Aid Society of San Diego, Inc. LITC | 1-877-534-2524 | B | Spanish/Russian/French/German/Farsi/Arabic/Tagalog/Korean/Vietnamese/Chinese/Laotian |
| | Northridge | The Bookstein Tax Clinic | 818-677-1200 | B | Spanish |
| | San Diego | University of San Diego Tax Clinic | 619-260-7470 | B | Spanish |
| | San Francisco | Homeless Prenatal Program LITC | 415-546-6756 ext. 363 | B | Spanish |
| | San Francisco | VSLP Low Income Taxpayer Clinic | 415-982-1600 | C | Spanish |
| Santa Ana | Legal Aid Society of Orange County | 714-571-5258 | B | Farsi/Spanish/Vietnamese | |
| CO | San Luis | Southern Colorado LRC Tax Clinic | 719-672-1019 1-866-607-8462 | B | Spanish |
| | Denver | University of Denver LITC | 303-871-6239 | C | English |
| | Denver | Colorado LITC | 303-388-7030 | E | Spanish |

TYPE OF CLINIC: C = Controversy Clinic; E = ESL Clinic; B = Both Controversy and ESL Clinic

| Low Income Taxpayer Clinics (LITCs) | | | | | |
|-------------------------------------|-----------------|---|---|----------------|--|
| State | City | Organization | Public Phone Numbers | Type of Clinic | Languages Served in Addition to English |
| CT | Hamden | Quinnipiac University School of Law LITC | 203-582-3238 | C | Spanish |
| | Hartford | University of Connecticut School of Law Tax Clinic | 860-570-5165 | C | Spanish |
| DC | Washington | Janet R. Spragens Federal Tax Clinic | 202-274-4144 | C | Spanish |
| | Washington | CARECEN's ESL LITC | 202-328-9799 | E | Spanish |
| | Washington | Community Tax Aid, LITC | 202-547-7773 | B | Spanish/Chinese |
| | Washington | UDC David A. Clarke School of Law LITC | 202-274-7400 | B | Spanish |
| DE | Wilmington | Delaware Community Reinvestment Action Council (DCRAC) LITC | 1-877-825-0750 | B | Spanish |
| FL | Plant City | Bay Area LITC | 813-752-1335 | B | Spanish |
| | Palatka | Community Legal Services of Mid-Florida (CLSMF) LITC | 1-866-886-1799 | B | Spanish |
| | St. Petersburg | Gulfcoast Legal Services LITC | 727-821-0726 1-800-230-5920 | B | Spanish |
| | Miami | Sant La LITC | 305-573-4871 | E | Spanish/Haitian |
| | Plantation | Legal Aid Service of Broward County LITC | 954-765-8950 | B | Spanish/Creole |
| | West Palm Beach | Legal Aid Society of Palm Beach County LITC. | 561-655-8944 ext. 287 1-800-403-9353 | B | Spanish/Creole |
| | Miami | Legal Services of Greater Miami, LITC | 305-576-0080 | B | Creole/Haitian/Spanish |
| | Tallahassee | Legal Services of North Florida | 850-385-9007 ext. 55 | B | Spanish |
| | Jacksonville | Three Rivers Legal Services LITC | 904-394-7450 | B | Spanish/Bosnian |
| | Panama City | Panhandle Low Income Taxpayer Clinic | 850-763-1030 850-763-1040 | B | Spanish |
| GA | Atlanta | Georgia State University College of Law Tax Clinic | 404-413-9230 | C | Spanish |
| | Hinesville | JC Vision and Associates LITC | 912-877-4243 1-866-902-4266 | B | Spanish |
| | Cedartown | Tax Care Clinic | 706-252-2178 | C | English |
| HI | Honolulu | Community Tax Education & Tax Assistance LITC | 808-522-0674 | B | Chuukese/Filipino/Italian/Hawaiian/Japanese/Korean/Marshallese/Samoan/Vietnamese |
| | Honolulu | Legal Aid Society of Hawaii | 808-536-4302 | B | Japanese/Filipino |
| IA | Des Moines | Legal Services Corporation of Iowa | 515-243-2151 1-800-272-0008 | B | Spanish Interpretation available for other languages |

TYPE OF CLINIC: C = Controversy Clinic; E = ESL Clinic; B = Both Controversy and ESL Clinic

| Low Income Taxpayer Clinics (LITCs) | | | | | |
|-------------------------------------|--------------|--|--------------------------------|----------------|--|
| State | City | Organization | Public Phone Numbers | Type of Clinic | Languages Served in Addition to English |
| ID | Moscow | College of Law Legal Aid Clinic | 208-885-6541 1-877-200-4455 | B | Spanish |
| | Boise | Boise Family Strengthening Center LITC | 208-345-6031 | E | Spanish |
| | Twin Falls | LaPosada Tax, Inc. | 208-734-8700 | B | Spanish |
| IL | East Dundee | Administer Justice | 847-844-1100 | B | Spanish |
| | Chicago | Midwest Tax Clinic | 312-630-0284 1-888-827-8511 | B | Spanish |
| | Chicago | Korean American Community Services | 773-583-5501 | E | Korean/Spanish |
| | Chicago | Chicago Kent College of Law LITC | 312-906-5050 312-906-5041 | C | Spanish |
| | Chicago | Loyola University Chicago School of Law Federal Tax Clinic | 312-915-7176 | C | English |
| IN | Valparaiso | Valparaiso University Law Clinic | 219-465-7903 1-888-729-1064 | C | Spanish |
| | Indianapolis | Neighborhood Christian Legal Clinic | 317-429-4131 | B | Spanish |
| | Bloomington | LITC at ILS Bloomington | 1-800-822-4774 | C | English |
| KS | Lawrence | Legal Services for Students | 785-864-5665 | B | Spanish/Additional Languages |
| | Wichita | South Central Kansas LITC | 316-688-1888 1-800-550-5804 | C | English |
| KY | Somerset | LITC of Appalred | 1-800-477-1394 | B | Spanish |
| | Louisville | Legal Aid Society LITC | 502-584-1254 1-800-292-1862 | B | Spanish |
| | Covington | Northern Kentucky University LITC | 859-572-6124 859-572-5781 | C | Spanish |
| LA | New Orleans | New Orleans Legal Assistance | 504-529-1000 1-877-521-6242 | C | Spanish/Vietnamese |
| | Baton Rouge | Southern University Law Center LITC | 225-771-3333 | C | English |
| MA | Waltham | Bentley College Multi-Lingual Tax Information Program | 781-891-2083 | B | Haitian/Creole/Arabic/ Italian/Russian/Spanish/Armenian |
| | Boston | Greater Boston Legal Services LITC | 617-371-1234 | B | Chinese/Creole/Haitian/Spanish |
| | Springfield | Springfield Partners for Community Action | 413-263-6500 | B | Spanish/Vietnamese |
| MD | Baltimore | University of Baltimore Tax Clinic | 410-837-5706 | C | English |
| | Baltimore | Maryland Volunteer Lawyers Service LITC | 1-800-510-0050 410-547-6537 | C | English |
| ME | Bangor | Pine Tree Legal Assistance | 207-942-8241 | C | English |

TYPE OF CLINIC: C = Controversy Clinic; E = ESL Clinic; B = Both Controversy and ESL Clinic

| Low Income Taxpayer Clinics (LITCs) | | | | | |
|-------------------------------------|--------------|--|----------------------------------|----------------|---|
| State | City | Organization | Public Phone Numbers | Type of Clinic | Languages Served in Addition to English |
| MI | East Lansing | Michigan State University College of Law - LITC | 517-336-8088 | B | Arabic/Bahasa/Chinese/French/ German/Greek/Hindi/ Indonesian/Malay/Polish/ Spanish/Urdu/Thai/Korean/Japanese/Italian/ Russian/Vietnamese |
| | Flint | Legal Services of Eastern Michigan LITC | 1-800-339-9513 810-234-2621 | B | Spanish |
| | Ann Arbor | University of Michigan Law School Tax Clinic | 734-936-3535 | B | Spanish |
| | Detroit | Accounting Aid Society LITC | 313-647-9620 | B | Arabic/Spanish |
| MN | Minneapolis | Mid-Minnesota Legal Assistance LITC | 612-332-1441 | B | Spanish/Somali/Russian/Arabic/ Hmong/Oromo/ Amharic |
| | Minneapolis | University of Minnesota Tax Clinic | 612-625-5515 | B | Somali/Hmong/Spanish |
| MO | Kansas City | ESL/LEP Taxpayers Awareness Clinic | 816-474-6750 | B | Spanish |
| | Springfield | Missouri State University LITC | 417-836-3007 417-836-5414 | B | Chinese/Korean/Spanish/Thai/Vietnamese |
| | Kansas City | Kansas City Tax Clinic | 816-235-6201 | C | English |
| MS | Oxford | Mississippi Taxpayer Assistance Project | 1-888-808-8049 | B | Spanish |
| | Jackson | The FI & E D Tax Clinic | 601-500-7739 | B | Spanish |
| MT | Missoula | Montana Legal Services Association LITC | 1-800-666-6899 406-543-8343 | C | English |
| NC | Greenville | Northeastern NC Low Income Taxpayer Assistance Project | 252-758-0113 1-800-682-4592 | B | Spanish |
| | Charlotte | Western North Carolina LITC | 704-376-1600 | B | Spanish |
| | Camden | Northeastern Community Development Corporation | 252-338-5466 | B | Spanish |
| ND | New Town | Legal Services of North Dakota LITC | 1-877-639-8695 | B | Arikara/Hidatsa/Mandan |
| NE | Omaha | Legal Aid of Nebraska LITC | 402-438-1069 | B | Spanish |
| NH | Concord | Legal Advice & Referral Center | 603-224-3333 ext. 601 | E | Spanish |
| | Concord | NH Pro Bono LITC | 603-228-6028 | C | English |

TYPE OF CLINIC: C = Controversy Clinic; E = ESL Clinic; B = Both Controversy and ESL Clinic

| Low Income Taxpayer Clinics (LITCs) | | | | | |
|-------------------------------------|-------------|--|--------------------------------|----------------|---|
| State | City | Organization | Public Phone Numbers | Type of Clinic | Languages Served in Addition to English |
| NJ | Newark | Rutgers Law School Federal Tax Clinic | 973-353-1685 | C | Spanish |
| | Edison | Taxpayers Legal Assistance Program | 1-888-576-5529 | B | Spanish/French/Creole/19 other languages |
| | Jersey City | Northeast New Jersey Legal Services | 201-792-6363 | B | English |
| | Bridgeton | South Jersey Legal Services | 1-800-496-4570 | B | Spanish |
| NM | Albuquerque | University of New Mexico School of Law Clinical Law Programs | 505-277-5265 | C | English |
| | Albuquerque | LITC-NM | 505-503-7252 | E | Spanish |
| NV | Las Vegas | Nevada Legal Services LITC | 702-386-0404 | B | Spanish |
| NY | Albany | Albany Law School Clinic & Justice Center LITC | 518-445-2328 | C | English |
| | Brooklyn | Bedford-Stuyvesant LITC | 718-636-1155 | C | Spanish |
| | Buffalo | Erie County Bar Association Volunteer Lawyers Project LITC | 716-847-0662 ext.313 | C | English |
| | New York | Fordham Law School Tax Litigation Clinic | 212-636-7353 | C | English |
| | New York | Legal Aid Society LITC (NY) | 212-426-3013 | B | Spanish/Chinese |
| | Rochester | Volunteer Legal Services Project LITC | 585-232-3051 | E | Spanish/Interpretype for Hearing Impaired |
| | Bronx | Legal Services for New York City-Bronx LITC (LSNY Bronx) | 718-928-3700 | C | English |
| | Jamaica | Queens Legal Services Corporation | 718-657-8611 | B | Chinese/Creole/Hindi/Korean/ Russian/Spanish/Urdu |
| | Rochester | Pathstone, Inc. | 585-340-3342 1-800-888-6770 | B | Spanish |
| | Brooklyn | Brooklyn Low Income Taxpayer Clinic | 718-237-5528 | B | Spanish/140 other languages |
| | Syracuse | Syracuse University College of Law LITC | 315-443-4582 | C | Spanish/Vietnamese |
| | Elmsford | WestCOP Taxpayer Education Services | 914-592-5600 ext. 132 | E | Spanish |
| | Flushing | Young Korean American Service & Education Center LITC | 718-460-5560 718-460-5600 | E | Korean |

TYPE OF CLINIC: C = Controversy Clinic; E = ESL Clinic; B = Both Controversy and ESL Clinic

| Low Income Taxpayer Clinics (LITCs) | | | | | |
|-------------------------------------|---------------|--|--|----------------|---|
| State | City | Organization | Public Phone Numbers | Type of Clinic | Languages Served in Addition to English |
| OH | Toledo | Advocates for Basic Legal Equality LITC | 1-800-837-0814 | B | Spanish |
| | Akron | Community Legal Aid Services LITC | 1-800-998-9454 | B | Spanish |
| | Columbus | Ohio State Legal Services Association LITC | 1-800-589-5888 | C | Spanish |
| | Piketon | Community Action Committee of Piketon County | 740-289-2371 | C | English |
| | Cleveland | Friendship Foundation of American-Vietnamese LITC | 216-961-6005 | E | Cambodian/Laotian/Spanish/Arabic/Vietnamese |
| | Columbus | Legal Aid Society of Columbus LITC | 614-241-2001 1-888-246-4420 | C | Spanish |
| | Cleveland | Legal Aid Society of Cleveland LITC | 216-687-1900 | C | English |
| OK | Oklahoma City | Oklahoma Indian Legal Services LITC | 405-943-6457 1-800-658-1497 | B | Navajo |
| | Tulsa | CAP LITC | 918-382-3200 | B | Spanish |
| OR | Gresham | El Programa Hispano | 503-669-8350 | B | Spanish |
| | Portland | Legal Aid Services of Oregon LITC | 503-648-7163 503-640-8228 ext. 115 | B | Spanish/200 other languages |
| | Portland | Lewis & Clark College Legal Clinic | 503-768-6500 | C | English |
| PA | Pittsburgh | LITC Tax Practicum | 412-396-5877 | C | English |
| | Pittsburgh | Jewish Family & Children's Service LITC | 412-422-7200 | E | Russian/Spanish/Serbo-Croatian/Chinese |
| | Philadelphia | PPF/VIP LITC | 215-981-3800 1-888-541-1544 | B | Spanish |
| | Pittsburgh | University of Pittsburgh School of Law LITC | 412-648-1300 | C | English |
| | Philadelphia | Villanova University School of Law Federal Tax Clinic | 610-519-4123 1-888-829-2546(E) 1-866-655-4419(S) | C | Spanish |
| PR | Adjuntas | Pathstone of Puerto Rico | 787-845-3500 1-800-888-6770 | B | Spanish |
| RI | Providence | Rhode Island Legal Services LITC | 401-274-2652 1-800-637-4529 | B | Spanish/Portuguese |
| | Providence | Rhode Island Tax Clinic LITC | 401-421-1040 | B | Spanish |
| SC | Greenville | South Carolina Legal Services | 1-888-346-5592 | B | Spanish |
| | Columbia | South Carolina Association of Community Action Partnerships LITC | 803-771-1524 | E | Spanish |
| SD | Spearfish | South Dakota LITC | 605-642-6002 | B | Lakota |
| | Vermillion | USD School of Law | 605-677-5370 | C | English |

TYPE OF CLINIC: C = Controversy Clinic; E = ESL Clinic; B = Both Controversy and ESL Clinic

| Low Income Taxpayer Clinics (LITCs) | | | | | |
|-------------------------------------|----------------|--|--------------------------------|----------------|---|
| State | City | Organization | Public Phone Numbers | Type of Clinic | Languages Served in Addition to English |
| TN | Nashville | Conexion Americas LITC | 615-269-6900 | E | Spanish |
| | Memphis | Memphis Area Legal Services, Inc. | 901-523-8822 | B | Spanish |
| | Oak Ridge | Legal Aid Society Tennessee Taxpayer Project | 865-483-8454 1-866-481-3669 | B | Spanish |
| TX | Sugarland | Centro Familiar Cristiano, Inc. LITC | 713-986-3139 | E | Spanish/German |
| | Midland | Federal Tax Clinic | 1-877-333-8925 432-682-5200 | B | Spanish |
| | San Antonio | Project Quest | 210-270-4690 | B | Spanish |
| | Houston | Houston Volunteer Lawyers Program LITC | 713-228-0732 | C | English |
| | El Paso | El Paso Affordable Housing LITC | 915-838-9608 | E | Spanish |
| | Ft. Worth | Legal Aid of Northwest Texas | 972-542-9405 | B | Spanish |
| | Austin | Texas Rio Grande Texas Taxpayer Assistance Project | 1-888-988-9996 | B | Spanish |
| | Lubbock | Texas Tech University School of Law LITC | 806-742-4312 1-800-420-8037 | B | Spanish |
| UT | Provo | Action Contra La Pobeza Inc. Centro Hispano | 801-655-0258 | B | Spanish |
| | Salt Lake City | University of Utah LITC | 801-236-8051 801-236-8052 | B | Spanish |
| VA | Richmond | Community Tax Law Project LITC | 804-358-5855 800-295-0110 | B | Spanish |
| | Lexington | Washington & Lee LITC | 540-458-8918 | B | Spanish |
| VT | Barre | Central Vermont LITC | 802-279-5378 1-800-639-1053 | B | Bosnian/Spanish/French/Russian |
| | Montpelier | Vermont Low Income Taxpayer Project | 1-800-789-4195 | C | English |
| WA | Spokane | Gonzaga University School of Law LITC | 509-313-5791 | B | Spanish/Russian |
| | Seattle | University of Washington School of Law LITC | 206-685-6805 1-866-866-0158 | B | Spanish/Russian/Somali/Chinese/Japanese |
| | Vancouver | National Youth Support & Development LITC | 360-253-3001 | C | Russian/Ukrainian |
| WI | Milwaukee | University of Wisconsin-Milwaukee LITC | 414-229-3232 866-896-5482 | C | English |
| | Milwaukee | Taxpayer Advocacy and Counseling Services | 888-565-8135 | C | Spanish |
| | Whitewater | University of Wisconsin-Whitewater LITC | 262-472-1293 877-899-5482 | B | Spanish |
| | Wausau | Wisconsin Judicare LITC | 1-800-472-1638 | B | Spanish |

TYPE OF CLINIC: C = Controversy Clinic; E = ESL Clinic; B = Both Controversy and ESL Clinic

| Low Income Taxpayer Clinics (LITCs) | | | | | |
|-------------------------------------|-------------|----------------------------|-----------------------|----------------|---|
| State | City | Organization | Public Phone Numbers | Type of Clinic | Languages Served in Addition to English |
| WV | Morgantown | Clinical Law Program LTC | 304-293-7249 | C | English |
| | Martinsburg | Legal Aid of West Virginia | 304-343-448 ext. 2020 | E | Spanish |
| WY | Jackson | Teton County LTC | 307-734-0333 | E | Spanish |

TYPE OF CLINIC: C = Controversy Clinic; E = ESL Clinic; B = Both Controversy and ESL Clinic

Appendix V: FY 2010 Taxpayer Advocate Service Operational Priorities

The TAS mission statement is, “As an independent organization within the IRS, we help taxpayers resolve problems with the IRS and recommend changes that will prevent the problems.” We will accomplish our mission by:

- Resolving taxpayer problems accurately and timely;
- Protecting taxpayer rights and reducing taxpayer burden;
- Becoming a known taxpayer advocacy organization;
- Enhancing taxpayer access to TAS; and
- Sustaining and supporting a fully engaged and diverse workforce.

The table below outlines areas we identified as operational priorities for FY 2010 and the initiatives, projects, and tasks that support these priorities. We will strategically utilize our resources to effectively and efficiently accomplish our mission and improve all balanced measures by engaging employees in the Continuous Improvement Cycle and action plans to improve processes. TAS’s collaborative efforts with the IRS, and the FY 2010 goals of these initiatives, are contained in Appendix III of this report.

TAXPAYER ADVOCATE SERVICE FY 2010 OPERATIONAL PRIORITIES

TAS Goal: Resolve Taxpayer Problems Accurately and Timely

| Operational Priorities |
|---|
| Develop New Information System Solutions to Meet TAS Operations Needs |
| Support and Modify Current Information Systems to Meet TAS Operations Needs |
| Maintain an Interactive TAS Website that Provides Employees with Information and Tools Necessary for Effective Advocacy |
| Update Written Guidance to Provide Employees with Information to Effectively Advocate for Taxpayers |
| Provide TAS Employees with Case Processing Tools that Allows them to Effectively Advocate for Taxpayers |
| Provide TAS Leadership with Strategic Results to Identify Trends and Issues for Future Planning |

TAS Goal: Protect Taxpayer Rights and Reduce Burden

| Operational Priorities |
|---|
| Conduct Research to Support TAS Operations, Reports to Congress, Congressional Testimonies, and Assist the IRS to Improve Service to Taxpayers. |
| Provide the Taxpayer Advocacy Panel with Support, Funding, and Administrative Oversight |
| Support Advocacy Integration By Improving Processes And Guidance |
| Collaborate with IRS to Include TAS to Promote the Taxpayer’s Perspective, Identify Ways to Reduce TAS Rework, and Include TAS in Policy Decisions, New Initiatives, and Work Processes |

TAS Goal: Become A Known Taxpayer Advocacy Organization

Operational Priorities

Develop Materials and Tools to Increase Awareness of TAS, its Role and Services, through Enhanced Communications and Marketing

Provide Taxpayers and Employees with Consistent Communications to Help Solve Problems

Engage Employees and Managers to Promote the TAS Mission

TAS Foundation: Enhance TAS Taxpayer Accessibility

Operational Priorities

Provide Support to Low Income Taxpayer Clinics

Provide Oversight and Funding for the Low Income Taxpayer Clinic Grant Process

Create New Performance Measures for the Low Income Taxpayer Clinics

Provide Low Income Taxpayer Clinics Administrative Support

Provide Taxpayers with Quality Service that Translates to High Levels of Customer Satisfaction

Improve The Satisfaction Rate of Internal Systemic Issue Submitters

TAS Foundation: Sustain and Support a Fully-Engaged and Diverse Workforce

Operational Priorities

Identify and Deliver Training to Employees to Prepare them to Effectively Advocate for Taxpayers

Provide Employees with Developmental Opportunities to Enhance their Career Development

Align Resources to Maximize Organizational Needs and Employee Satisfaction

Appendix VI: TAS Performance Measures and Indicators

RESOLVE TAXPAYER PROBLEMS ACCURATELY AND TIMELY

| Measure | Description | Source | FY 2009 Target | FY 2009 Actual Mar Cum |
|---------------------------------------|--|--|----------------|------------------------|
| Overall Quality of Closed Cases | The measure of TAS's effectiveness in meeting customer expectations based on a random sample of cases scored against timeliness, accuracy, and communication quality standards (QSs). | Centralized Closed Case Review QS ¹⁻⁸ | 91.2% | 90.1% |
| Timely Initial Contacts | Percent of all cases with timely initial contacts - within three workdays of receipt for economic burden cases and five workdays of receipt for all other cases. | Centralized Closed Case Review QS ¹ | 97.0% | 95.0% |
| Timely Initial Case Actions | Percent of all cases with timely initial case actions - within three workdays from receipt for an economic burden case and within five workdays for all other cases. | Centralized Closed Case Review QS ² | 97.0% | 95.7% |
| Timely subsequent actions | Percent of all cases with timely subsequent actions and contacts by the date provided to the taxpayer and by the follow-up dates set by TAS procedural requirements. | Centralized Closed Case Review QS ³ | 79.0% | 72.3% |
| Resolved All Taxpayer Issues | Percent of all cases where TAS has taken all actions necessary to resolve all taxpayer issues, including the underlying root-causes (such as a missing payment causing the non-receipt of a refund), and all transactions have posted. | Centralized Closed Case Review QS ⁴ | 95.0% | 95.0% |
| Related Issues Addressed | Percent of all applicable cases where TAS accurately and completely addressed all related issues. This includes such items as advising a taxpayer about an unfiled return where the initial problem was non-receipt of requested IRS publications or updating a taxpayer's address in conjunction with resolving the taxpayer's primary issue. | Centralized Closed Case Review QS ⁵ | 90.0% | 86.9% |
| Procedurally Correct | Percent of all cases where all the actions taken by TAS and the IRS are worked in accordance with IRM technical and procedural requirements (such as IDRS actions input correctly or proper holds placed on collection activity). | Centralized Closed Case Review QS ⁶ | 88.0% | 87.8% |
| Correct Closing Explanation | Percent of all cases where TAS provides the taxpayer a clear, complete, and correct explanation of the resolution of the problems at closing (such as providing an updated balance due or complete refund information to the taxpayer). | Centralized Closed Case Review QS ⁷ | 91.0% | 90.5% |
| Educated Taxpayer | Percent of all cases where TAS correctly educated the taxpayer. | Centralized Closed Case Review QS ⁸ | 98.0% | 99.4% |
| Timeliness of Actions ³ | Percent of the overall timeliness rate (initial case actions, initial taxpayer contact and timely subsequent actions). This is a composite score of the next three measures. | Centralized Closed Case Review QS ¹⁻³ | 91.0% | 87.1% |
| Accuracy of Closed Cases ⁴ | Percent of cases where the taxpayer's problems are resolved completely and correctly. This is a composite score of the next four measures. | Centralized Closed Case Review QS ⁴⁻⁷ | 91.0% | 91.4% |
| Error-Free Cases ⁵ | Percent of cases with no errors on any of the quality standards that comprise the TAS case quality index. | Centralized Closed Case Review | 60.0% | 53.6% |
| OAR Reject Rate | Percent of requests for action to be taken by the Operating function (i.e., Operations Assistance Request, or OAR) rejected compared to prior year. | TAMIS Business Performance Measurement System (BPMS) | 8.4% | 8.3% |
| Customers Satisfied | Percent of taxpayers who indicate they are very satisfied or somewhat satisfied with the service provided by TAS (Question 12 on Customer Satisfaction Survey (CSS)). | Customer Satisfaction Survey (Quarterly) | 86% | 84% |
| Customers Dissatisfied | Percent of taxpayers who indicate they are somewhat dissatisfied or very dissatisfied with the service provided by TAS (Question 12). | CSS (Quarterly) | 11% | 13% |

| Measure | Description | Source | FY 2009 Target | FY 2009 Actual Mar Cum |
|--|--|--|----------------|------------------------|
| Solved Taxpayer Problem | Percent of taxpayers who indicate the Taxpayer Advocate employee did their best to solve their problems. | Customer Satisfaction Survey Q 7B (Quarterly) | 88% | 87% |
| Relief Granted ⁶ | Percent of closed cases in which full or partial relief was provided. | TAMIS BPMS | Indicator | 72.7% |
| Number of TAOs Issued | The number of Taxpayer Assistance Orders (TAOs) issued by TAS. 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 internal revenue laws are being administered. | TAMIS | Indicator | 15 |
| Median - Closed Case Cycle Time ⁷ | Median time taken to close TAS cases. | TAMIS | Indicator | 58 days |
| Mean - Closed Case Cycle Time | Mean time taken to close TAS cases. | TAMIS BPMS | Indicator | 82.3 days |
| Closed Cases per Case Advocacy FTE | Number of closed cases divided by total Case Advocacy FTEs realized. (This includes all hours reported to Case Advocacy organization except Field Systemic Advocacy). | TAMIS, BPMS, Work Planning and Control System (WP&C), PC-40, IFS | 140 | 149.5 |
| Closed Cases per Direct FTE | Number of closed cases divided by direct Case Advocate FTEs realized. | TAMIS, BPMS, WP&C, Integrated Financial System (IFS) | 315 | 364.3 |

PROTECT TAXPAYER RIGHTS AND REDUCE BURDEN

| Measure | Description | Source | FY 2009 Target | FY 2009 Actual Mar Cum |
|--|---|---|----------------|------------------------|
| Accuracy of Closed Advocacy Projects | Percent of correct actions overall in accordance with statute and IRM guidance. This includes accurate identification of the systemic issue and proposed remedy. | Centralized Closed Project Review Quality Attribute (QA) A1-A10 | 90.7% | 91.9% |
| Timeliness of Actions on Advocacy Projects | Percent of all projects with timely actions in accordance with IRM guidance, including contacting the submitter within three business days from assignment, issuing an action plan within 30 calendar days, and working the project with no unnecessary delays or periods of inactivity. | Centralized Closed Project Review QA T1 - T6 | 64.1% | 57.2% |
| Quality of Communications on Advocacy Projects | Percent of projects where substantive updates were provided to the submitter on the initial contact and subsequent contacts, appropriate coordination and communication took place with internal and external stakeholders, written communications follow established guidelines, and outreach and education action taken when appropriate. | Centralized Closed Project Review QA C1 - C4 | 86.8% | 88.8% |
| Advocacy Projects Closed per Advocacy Projects FTE | Advocacy Projects FTE includes direct hours spent on Advocacy Projects by all TAS personnel with added overhead based on TAS overhead (O/H) ratio. | SAMS, WP&C, IFS (Quarterly) | 11.2 | 7.7 |
| Accuracy of Closed Immediate Interventions | Percent of correct actions overall in accordance with statute and IRM guidance. This includes accurate identification of the systemic issue and proposed remedy. | Centralized Closed Project Review QA A1 - A10 | 87.5% | 88.4% |
| Timeliness of Actions on Immediate Interventions | Percent of all projects with timely actions in accordance with IRM guidance, including contacting the submitter within one business day, issuing an action plan within five business days, and working the Immediate Intervention with no unnecessary delays or periods of inactivity. | Centralized Closed Project Review QA T1 - T6 | 70.0% | 52.6% |
| Quality of Communications on Immediate Interventions | Percent of projects where substantive updates were provided to the submitter on the initial contact and subsequent contacts, appropriate coordination and communication took place with internal and external stakeholders, written communications follow established guidelines, and outreach and education action taken when appropriate. | Centralized Closed Project Review QA C1 - C4 | 82.5% | 71.4% |

| Measure | Description | Source | FY 2009 Target | FY 2009 Actual Mar Cum |
|---|--|---|------------------|------------------------|
| Immediate Interventions (II) Closed per Immediate Intervention FTE | Immediate Intervention FTE includes direct hours spent on II Projects by all TAS personnel with added overhead based on TAS O/H ratio. | SAMS, WP&C, IFS (Quarterly) | 27.8 | 10.5 |
| Related Issues Resolved | Percent of all projects where related issues were addressed. When such issues arise during the course of working a project, the analyst/team will resolve if possible or forward to the office who can address them. | Centralized Closed Project Review A10 | 97.5% | 92.3% |
| Timeliness of ARC Deliverables ⁸ | Percent of milestones met on NTA Annual Report to Congress. | Project Planner | TBD ⁹ | TBD |
| Percent of NTA Annual Report Recommendations Addressed by Congress, IRS, Treasury, or External Stakeholders or Further Pursued by TAS for Adoption Within 4 Years | Percent of recommendations in NTA Annual Reports to Congress addressed (e.g., through hearings, enactment, implementation of policy, etc.) or further pursued by TAS within four years of publication. For recommendations made in NTA Annual Report delivered on December 31, 2006, TAS will measure percentage of recommendations addressed by Congress or further pursued by TAS as of December 31, 2010. Thus, results will be available in early 2011. | Monitoring of MSP Recommendations Joint Audit Management Enterprise System (JAMES) Database (Quarterly) | TBD | TBD |
| Number of Policy Issues Influenced via Internal Management Document (IMD) Reviews | Policy issues influenced due to TAS's IMD review and feedback. | SAMS | TBD | 43 |
| Percent of Immediate Interventions Acted Upon by IRS within One Year | The percentage of immediate intervention recommendations acted upon by the IRS within one year of the immediate intervention closure date. The calculation is immediate intervention recommendations acted upon by the IRS (numerator) over the total number of recommendations made (denominator). The result is the percentage of recommendations implemented. Systemic Advocacy will deliver the measure on a quarterly basis beginning one year after the closure of the immediate interventions. The first value, produced in the first quarter of FY 2008, will reflect effectiveness of recommendations made between 10/01/2006 through 12/31/2006. | SAMS | TBD | 90.9% |
| Percent of Advocacy Projects Addressed by IRS within Two Years | The percentage of advocacy project recommendations, (excluding issues also raised in the Annual Report to Congress) acted upon by the IRS within two years of the Advocacy Project closure date. The calculation is advocacy project recommendations acted upon by the IRS (numerator) over the total number of recommendations made (denominator). The result is the percentage of Advocacy Project recommendations implemented. Systemic Advocacy will deliver the measure on a quarterly basis beginning two years after the closure of the advocacy projects. The first value, produced in the first quarter of FY 2009, will reflect effectiveness of recommendations made between 10/01/2006 through 12/31/2006. | SAMS | TBD | 92.9% |
| Systemic Burden Receipts (Efficiency Measure) | Criteria 5 through 7 case receipts divided by criteria 1 through 9 case receipts. The calculation does not include reopened cases. | TAMIS BPMS | 62.3% | 62.7% |
| Internal Customer Satisfaction Survey (CSS) Baseline Improvements (TBD) | Implement an internal CSS. | Internal CSS (Annual) Q10 | TBD | TBD |

SUSTAIN AND SUPPORT A FULLY-ENGAGED AND DIVERSE WORKFORCE

| Measure | Description | Source | FY 2009 Target | FY 2008 Actual |
|--|---|---|----------------|----------------|
| Employee Satisfaction ¹⁰ | Percent of employees who are satisfied or very satisfied with their job. (Question 39 on annual employee survey). | Employee Satisfaction Survey (ESS) (Annual) | 74% | 72% |
| Employee Participation ¹¹ | Percent of employees who take the survey. | ESS (Annual) | 77% | 75% |
| Continuing Professional Education (CPE) Evaluation ¹² | Percent of employees who are satisfied or very satisfied with annual CPE. | Trainee Survey (Annual) | 92.0% | 90.8% |

Footnotes

- ¹ TAS tracks resolution of taxpayer issues through codes entered at the time of closing on the TAMIS. Case Advocates are required to indicate the type of relief/assistance provided to the taxpayer. See IRM 13.1.7.10.2.1 (Apr. 1, 2003). The codes reflect full relief, partial relief, or assistance provided. The relief rate is determined by dividing the total number of cases closed with full relief, partial relief or assistance provided by the total number of closures.
- ² The number of TAOs issued in FY 2007 differs from the number reported in the 2007 Annual Report to Congress due to a TAO issued late in the fiscal year and not initially reflected in year-end statistical reports.
- ³ The current design of the TAS Quality Review Database (QRDB) does not compute this measure and it is not feasible to modify it. TAS is currently working with SOI to manually compute this until a new database is developed.
- ⁴ The current design of the TAS Quality Review Database (QRDB) does not compute this measure and it is not feasible to modify it. TAS is currently working with SOI to manually compute this until a new database is developed.
- ⁵ The current design of the TAS Quality Review Database (QRDB) does not compute this measure and it is not feasible to modify it. TAS is currently working with SOI to manually compute this until a new database is developed.
- ⁶ Relief Determinations are made on those cases where the IRC §7811 determinations are “Yes” or an assistance code is provided (TAMIS Relief Codes 60, 61, 70, and 71, with TAMIS Assistance Codes 97 and 98).
- ⁷ This indicator does not currently include the number of days of the small number of reopened cases. We are reviewing alternative computations that may permit inclusion of these cases.
- ⁸ Tracking and reporting on the timeliness of key actions and deliverables for the 2008 ARC will commence during the first quarter FY 2008 and extend through the end of the first quarter FY 2009.
- ⁹ To be determined (TBD).
- ¹⁰ TAS measures employee satisfaction annually based on the annual service-wide Employee Satisfaction Survey.
- ¹¹ TAS measures employee participation annually in the service-wide Employee Satisfaction Survey.
- ¹² The results are for the FY 2007 TAS Annual CPE Symposium.

Appendix VII: List of Advocacy Portfolios

| Portfolio | Local Taxpayer Name | State/Office | Phone Number |
|---|--|---|--|
| Accessing Taxpayer Files | Benedetti, E | Rhode Island | 401-528-1916 |
| Allowable Living Expenses | Spisak, J | New York (Manhattan) | 212-436-1010 |
| Alternative Minimum Tax (AMT) | McDonnell, T | Washington | 206-220-5704 |
| Amended Returns/Claims | Foard, L | North Dakota | 701-239-5400 ex 234 |
| Appeals: Nondocketed Inventory, Alternative Dispute Resolutions, Collection Due Process | Leith, J | Washington DC | 202-874-0766 |
| Audit Reconsiderations | Carey, W | Atlanta Campus | 770-936-4543 |
| Automated Collection System (ACS) Offer In Compromise (OIC) | McDermitt, M | Austin Campus | 512-499-5970 |
| Automated Substitute for Return (ASFR) | Wess, D | Memphis Campus | 901-395-1700 |
| Automated Underreporter (AUR) | Boucher, D | Maine | 207-622-8577 |
| Bankruptcy Processing Issues | Mettlen, A | Pennsylvania (Pittsburgh) | 412-395-6423 |
| Cancellation of Debt | Mings, L | Kansas City Campus | 816-291-9001 |
| Carryback/Carryforward Claims Form 2848 Power of Attorney (POA) | Hawkins, D | Alabama | 205-912-5634 |
| Centralized Lien Filing and Releases | Diehl, J | Cincinnati Campus | 859-669-4013 |
| Collection Statute Expiration Dates (CSED) | Sherwood, T | Colorado | 303-603-4601 |
| Combined Annual Wage Reporting (CAWR) Federal Unemployment Act (FUTA) | Polson, R | Ogden Campus | 801-620-3000 |
| Communication Liaison Group (CLG) | Campbell, M Hickey, M James, G Martin, B Simmons, M Washington, J | Virginia Nebraska Hawaii Tennessee New Hampshire Mississippi | 804-916-3500 402-221-7240 808-539-2855 615-250-6015 603-433-0753 601-292-4810 |
| Correspondence Exam | Blinn, F | Indiana | 215-516-2525 |
| Criminal Investigation Freezes | Wess, D | Memphis Campus | 901-395-1700 |
| Customer Account Data Engine (CADE) | Logan, A | Wyoming | 307-633-0881 |
| Designated Federal Official (DFO) - Taxpayer Advocacy Panel (TAP) | Tam, J | California (Oakland) | 510-637-3068 |
| Designated Federal Official (DFO) - Taxpayer Advocacy Panel (TAP) | Browne, R | Georgia | 404-338-8085 |
| Designated Federal Official (DFO) - Taxpayer Advocacy Panel (TAP) | Adams, M | Kansas | 316-352-7505 |
| Designated Federal Official (DFO) - Taxpayer Advocacy Panel (TAP) | Fallacaro, B | Massachusetts | 617-316-2692 |
| Designated Federal Official (DFO) - Taxpayer Advocacy Panel (TAP) | Thompson, T | Montana | 406-441-1044 |

| Portfolio | Local Taxpayer Name | State/Office | Phone Number |
|---|---------------------|-----------------------------|---------------------|
| Designated Federal Official (DFO) - Taxpayer Advocacy Panel (TAP) | Martin, B | Tennessee | 615-250-6015 |
| Designated Federal Official (DFO) - Taxpayer Advocacy Panel (TAP) also User Fees | Lombardo, L | Pennsylvania (Philadelphia) | 215-861-1237 |
| Disaster Response and Recovery | Washington, J | Mississippi | 601-292-4810 |
| Earned Income Tax Credit (EITC) Compliance | Taylor, S | Illinois (Chicago) | 312-566-3801 |
| Earned Income Tax Credit (EITC): Outreach, Education, Financial Literacy Low Income | Campbell, D | Kentucky | 502-572-2201 |
| Economic Stimulus/Rebate Recovery | Mings, L | Kansas City Campus | 816-291-9001 |
| Electronic Tax Administration (ETA) | Martin, B | Tennessee | 615-250-6015 |
| Employment Tax Policy | Garvin, W | Delaware | 302-286-1545 |
| E-Services, Transcript Delivery System (TDS) | McQuin, S | Wisconsin | 414-231-2391 |
| Examination Strategy | Revel-Addis, B | Florida (Jacksonville) | 904-665-0523 |
| Excise Tax | Diehl, J | Cincinnati Campus | 859-669-4013 |
| Exempt Organization (EO) Education and Outreach | Guinn, P | Missouri | 314-612-4371 |
| Federal Payment Levy Program (FPLP) FPLP Communications | Simmons, M | New Hampshire | 603-433-0753 |
| Federal Tax Liens including Lien Release, Lien Withdrawal, Lien Subordination, Lien Discharge | Lauterbach, L | New Jersey | 973-921-4376 |
| Front-Line Readiness | Kitson, A | New York (Brooklyn) | 718-488-3501 |
| Identify Theft | Fuentes, B | Brookhaven Campus | 631-654-6687 |
| Identity Theft - Identity Protection Specialized Unit (IPSU) | Seeley, S | Andover Campus | 978-474-9560 |
| Indian Tribal Government Issues | Wirth, B | New York (Buffalo) | 716-686-4820 |
| Individual Taxpayer Identification Number (ITIN) Outreach | Blount, P | Michigan | 313-628-3664 |
| Individual Taxpayer Identification Number (ITIN) Processing | Caballero, A | Austin Campus | 512-460-4652 |
| Injured Spouse | Post, T | West Virginia | 304-420-8695 |
| Innocent Spouse Relief: IRC § 6015 | Knowles, J | Idaho | 208-387-2827 ex 272 |
| Installment Agreements: Processing | Sanders, W | Texas (Dallas) | 214-413-6520 |
| Interest Computations: Abatement of Interest | Romano, F | Connecticut | 860-756-4550 |
| International Taxpayers | Vargas, C | Puerto Rico | 787-622-8950 |
| IRS Policies Affecting Financially Distressed Taxpayers | Hensley, D | Oklahoma | 405-297-4139 |
| IRS Training on Taxpayers Rights | Hickey, M | Nebraska | 402-221-7240 |
| Levy [Hardship determination linked to release of levy] | Wilde, B | Arizona | 501-396-5820 |
| Low Income Taxpayer Clinics (LITC) | Lewis, C | Louisiana | 504-558-3468 |
| Military Issues | Douts, K | Alaska | 907-271-6297 |
| Mixed and Scrambled Taxpayer Identification Numbers | Murphy, M | Arizona | 602-207-8074 |
| Mortgage Credit | Lucas, D | Texas (Houston) | 713-209-4801 |

| Portfolio | Local Taxpayer Name | State/Office | Phone Number |
|---|---------------------|-----------------------------|--------------|
| Multilingual Initiative (MLI) | Rolon, J | New Mexico | 505-837-5522 |
| Nonfiler Strategy [Substitute for Returns] | Warren, J | Minnesota | 651-312-7874 |
| Notice Clarity | Juncewicz, T | North Carolina | 336-378-2141 |
| Office of Professional Responsibility | Juarez, V | Illinois (Springfield) | 217-862-6348 |
| Outreach to English as a Second Language (ESL) Taxpayers | Puig, J | Florida (Fort Lauderdale) | 954-423-7676 |
| Penalties (e.g. Failure to Pay, Abatements, Adjustments, Estimated Tax, and Failure to Deposit) | Keating, J | Oregon | 503-326-7816 |
| Practitioner Priority Services | Curran, D | California (Los Angeles) | 213-576-3016 |
| Preparer Penalties | Greene, S | New York (Albany) | 518-427-5412 |
| Private Debt Collection (PDC) | Votta, P | Maryland | 410-962-9065 |
| Processing: Documents / Payments | Davis, S | Ohio (Cleveland) | 216-522-8241 |
| Returned/Stopped Refunds | Owens, S | South Carolina | 803-765-5300 |
| Seizure and Sale -Foreclosures on Equity | Fallacaro, B | Massachusetts | 617-316-2692 |
| TAS Confidentiality, IRC § 6103 | Cooper-Aquilar, S | Utah | 801-799-6962 |
| Tax Exempt Entities: EO Applications & Determinations | Esrig, B | Ohio (Cincinnati) | 513-263-3249 |
| Tax Forums - Case Resolution Program | Sawyer, M | Fresno Campus | 559-442-6418 |
| Tax Forums - Case Resolution Program | Adams, C | California (Laguna Niguel) | 949-389-4790 |
| Taxpayer Assistance Centers (TACs) | Fett, B | Vermont | 802-859-1056 |
| Tip Reporting | Grant, D | Nevada | 702-868-5180 |
| Trust Fund Recovery Penalty (TFRP) | Campbell, M | Virginia | 804-916-3500 |
| US Territories and Possessions | James, G | Hawaii | 808-539-2855 |
| User Fees, All | Lombardo, L | Pennsylvania (Philadelphia) | 215-861-1237 |
| Withholding Compliance | DeTimmerman, P | Iowa | 515-564-6880 |

Glossary of Acronyms

| Acronym | Definition |
|-----------|--|
| - A - | |
| ACS | Automated Collection System |
| AIMS | Audit Information Management System |
| ALE | Allowable Living Expenses |
| AM | Accounts Management |
| AMT | Alternative Minimum Tax |
| APOTS | Always Part of the Solution |
| ARRA | American Recovery and Reinvestment Act of 2009 |
| ASFR | Automated Substitute for Return |
| ATIN | Adoption Taxpayer Identification Number |
| AUR | Automated Underreporter |
| - B - | |
| BLS | Bureau of Labor Statistics |
| BPMS | Business Performance Measurement System |
| BWH TIEDI | Backup Withholding Taxpayer Incentive and Enforcement Development Initiative |
| - C - | |
| CADE | Customer Account Data Engine |
| CAT-A | Category A |
| CAWR | Combined Annual Wage Reporting |
| CDP | Collection Due Process |
| CEAS | Correspondence Examination Automated System |
| CI | Criminal Investigation Division |
| CIS | Correspondence Imaging System |
| CLG | Communications Liaison Group |
| CLSMF | Community Legal Services of Mid Florida |
| CMU | Carnegie Mellon University |
| CNC | Currently Not Collectible |
| COBRA | Consolidated Omnibus Budget Reconciliation Act of 1985 |
| CPE | Continuing Professional Education |
| CSED | Collection Statute Expiration Date |
| CSS | Customer Satisfaction Survey |
| - D - | |
| DATC | Doubt as to Collectibility |
| DATL | Doubt as to Liability |
| DDIA | Direct Deposit Installment Agreement |
| DFO | Designated Federal Official |
| DMAIC | Define, Measure, Analyze, Improve, and Control |


| Acronym | Definition |
|---------|---|
| - E - | |
| EB | Economic Burden |
| EIN | Employer Identification Number |
| EITC | Earned Income Tax Credit |
| ELF | Electronic Filing |
| ELMS | Enterprise Learning Management System |
| EO | Exempt Organization |
| ESL | English as a Second Language |
| ESP | Economic Stimulus Payment |
| ESS | Employee Satisfaction Survey |
| ETA | Electronic Tax Administration |
| EWETP | Enterprise-Wide Employment Tax Program |
| - F - | |
| FICA | Federal Insurance Contributions Act |
| FMS | Financial Management Service |
| FPLP | Federal Levy Payment Program |
| FTE | Full-Time Equivalent |
| FUTA | Federal Unemployment Tax Act |
| FY | Fiscal Year |
| - G - | |
| GAB | Guidance Advisory Board |
| GAO | Government Accountability Office |
| - H - | |
| HIRE | Hispanic Internal Revenue Service Employees |
| HHS | Department of Health and Human Services |
| - I - | |
| IA | Installment Agreement |
| IAT | Integrated Automation Technologies |
| IDAP | IDRS Decision Assisting Program |
| IDRS | Integrated Data Retrieval System |
| IFS | Integrated Financial System |
| IGM | Interim Guidance Memoranda |
| IMD | Internal Management Document |
| IMF | Individual Master File |
| IPOC | International Planning and Operations Council |
| IPSU | Identity Protection Specialized Unit |
| IRC | Internal Revenue Code |
| IRM | Internal Revenue Manual |
| IRS | Internal Revenue Service |
| IT | Information Technology |
| ITAP | Internal Technical Advisor Program |

| Acronym | Definition |
|---------|---|
| ITIN | Individual Taxpayer Identification Number |
| IVT | Interactive Video Teleconference |
| - J - | |
| JAMES | Joint Audit Management Enterprise System |
| - L - | |
| LCA | Lead Case Advocate |
| LEP | Limited English Proficiency |
| LITC | Low Income Taxpayer Clinic |
| LTA | Local Taxpayer Advocate |
| LMSB | Large and Mid-Size Business |
| - M - | |
| MeF | Modernized E-File |
| MITRE | MITRE Corporation |
| MITS | Modernization & Information Technology Services |
| MLI | Multilingual Initiative |
| MSP | Most Serious Problem |
| - N - | |
| NTA | National Taxpayer Advocate |
| NTEU | National Treasury Employees Union |
| NTFL | Notice of Federal Tax Lien |
| NPWE | Non-Paid Work Experience |
| - O - | |
| O/H | Overhead |
| OAR | Operations Assistance Request |
| OIC | Offer in Compromise |
| OJI | On-the-Job Instructor |
| OPERA | Office of Program Evaluation and Risk Analysis |
| OPM | Office of Personnel Management |
| - P - | |
| PDC | Private Debt Collection |
| PLR | Private Letter Ruling |
| POA | Power of Attorney |
| PPIA | Partial Payment Installment Agreement |
| PRO | Problem Resolution Officer |
| PTIN | Preparer Tax Identification Number |
| - Q - | |
| QA | Quality Attribute |
| QRDB | TAS Quality Review Database |
| QRP | Questionable Refund Program |
| QS | Quality Standard |
| Qtr | Quarter |

| Acronym | Definition |
|---------|---|
| - R - | |
| RCP | Reasonable Collection Potential |
| RRA 98 | IRS Restructuring and Reform Act of 1998 |
| RRC | Recovery Rebate Credit |
| - S - | |
| SAMS | Systemic Advocacy Management System |
| SB/SE | Small Business/Self Employed |
| SEC | Securities and Exchange Commission |
| SERP | Servicewide Electronic Research Program |
| SLA | Service Level Agreement |
| SOI | Statistics of Income |
| SPEC | Stakeholder, Partnerships, Education, and Communication |
| SSA | Social Security Administration |
| SSN | Social Security Number |
| - T - | |
| TAB | Taxpayer Assistance Blueprint |
| TAC | Taxpayer Assistance Center |
| TAD | Taxpayer Advocate Directive |
| TAMIS | Taxpayer Advocate Management Information System |
| TAMRA | Technical and Miscellaneous Revenue Act of 1988 |
| TAO | Taxpayer Assistance Order |
| TAP | Taxpayer Advocacy Panel |
| TAS | Taxpayer Advocate Service |
| TASIS | TAS Integrated System |
| TBD | To Be Determined |
| TBOR 1 | Taxpayer Bill of Rights |
| TBOR 2 | Taxpayer Bill of Rights 2 |
| TDS | Transcript Delivery System |
| TE/GE | Tax Exempt/Government Entities |
| TRFP | Trust Fund Recovery Penalty |
| TIGTA | Treasury Inspector General for Tax Administration |
| TIN | Taxpayer Identifying Number |
| TIP | TAS Improvement Panel |
| TIPRA | Tax Increase and Prevention Reconciliation Act |
| TNT | Tax Notes Today |
| TOP | Treasury Offset Program |
| TPI | Total Positive Income |
| TRFP | Trust Fund Recovery Penalty |
| TWG | Technical Working Group |

| Acronym | Definition |
|---------|----------------------------------|
| - W - | |
| W&I | Wage & Investment |
| WP&C | Work Planning and Control System |
| - X - | |
| XML | Extensible Markup Language |

**TAXPAYER
ADVOCATE**

 INTERNAL REVENUE SERVICE | **SERVICE**

YOUR VOICE AT THE IRS