

Geographic Considerations for Tax Administration

INTRODUCTION

The National Taxpayer Advocate has long emphasized the importance of the IRS maintaining a local presence in both service and compliance operations.¹ By having a local presence in the community, tax agencies are better equipped to improve tax morale by successfully encouraging voluntary compliance, creating a culture of compliance, and influencing prevailing social views in a locale. Voluntary tax compliance relies heavily on taxpayer discretion, integrity, and honesty. There is evidence that improvements in tax morale may be as important to tax compliance as tax enforcement. Many European and Latin American countries, in an effort to foster improved compliance, have looked to improving tax morale and have been successful in doing so through their local presence in communities. Taxpayer service can be enhanced by building presence in local communities including “education and outreach activities, improving taxpayer services and co-operation with stakeholders.”² Local presence offers the advantage of having employees who are completely familiar with the local economy, culture, and social norms. Taxpayers “can feel more at ease when speaking with local representatives who fully understand their language and idiomatic expressions.”³ The IRS could use these insights from this literature review to design its local presence and to tailor its operations in accordance with the needs and conditions of taxpayer communities it serves, taking into consideration economic, social, and cultural conditions and norms prevalent in the region. The overriding purpose of tax administration is to enable voluntary compliance which can be achieved by providing service, creating a culture of trust, and promoting an understanding of the role taxes play “in a civilized society.”⁴ Geographic presence is key to that service provision, creation of the trust culture, and promoting that understanding.⁵

DISCUSSION

The Internal Revenue Service Restructuring and Reform Act of 1998 (RRA 98) required the IRS to replace its geographic-based structure with organizational units serving specific groups of taxpayers.⁶ In doing so, the importance of having a local, engaged presence in taxpaying communities was minimized.

- 1 See, e.g., National Taxpayer Advocate 2004 Annual Report to Congress 8-25 (Most Serious Problem: *Taxpayer Access – Face-to-Face Interaction*); National Taxpayer Advocate 2005 Annual Report to Congress 2-24 (Most Serious Problem: *Trends in Taxpayer Service*); National Taxpayer Advocate 2007 Annual Report to Congress 162-82 (Most Serious Problem: *Service At Taxpayer Assistance Centers*); National Taxpayer Advocate 2008 Annual Report to Congress 95-113 (Most Serious Problem: *Taxpayer Service: Bringing Service to the Taxpayer*); National Taxpayer Advocate 2010 Annual Report to Congress 267-77 (Most Serious Problem: *The IRS Has Been Reluctant to Implement Alternative Service Methods that Would Improve Accessibility for Taxpayers Who Seek Face-to-Face Assistance*); National Taxpayer Advocate 2012 Annual Report to Congress 302-18 (Most Serious Problem: *The IRS Lacks a Servicewide Strategy that Identifies Effective and Efficient Means of Delivering Face-to-Face Taxpayer Services*); National Taxpayer Advocate 2014 Annual Report to Congress 31-45 (Most Serious Problem: *IRS Local Presence: The Lack of a Cross-Functional Geographic Footprint Impedes the IRS’s Ability to Improve Voluntary Compliance and Effectively Address Noncompliance*).
- 2 Organisation for Economic Co-operation and Development (OECD), *Right from the Start: Influencing the Compliance Environment for Small and Medium Enterprises* (2015).
- 3 David Ingram, *The Advantages of Geographical Organizational Structure*, CHRON, <http://smallbusiness.chron.com/advantages-geographical-organizational-structure-717.html> (last visited May 10, 2016).
- 4 “Taxes are what we pay for civilized society.” Oliver Wendell Holmes, Jr., U.S. Supreme Court Justice, dissenting *Compania General de Tabacos de Filipinas v. Collector of Internal Revenue* (275 US 87,100).
- 5 See, e.g., IRS Pub. 3349, *Modernizing America’s Tax Agency* (Feb. 1999).
- 6 RRA 1998, Pub. L. No. 105-206, § 1001(a), 112 Stat. 685 (1998) (codified at Internal Revenue Code (IRC) § 7801). For more information and a detailed discussions of IRS Structure, see National Taxpayer Advocate 2016 Annual Report to Congress vol. 1. (Most Serious Problem: *IRS Structure: The IRS’s Functional Structure Is Better for Managing Employees Than Identifying and Addressing What Each Taxpayer Segment Needs to Comply*).

Instead of communicating with IRS employees who understand the needs and conditions of a specific geographic economy, taxpayers are often forced to interact with IRS employees from other parts of the country who possess no real knowledge or understanding of, or exposure to the needs of specific geographic locations or groups. Taxpayers may then be forced to educate remote IRS employees on issues exclusive to a region or community simply as a way to defend themselves during an examination.

In addition to considering economic variables such as the tax rate, severity of penalties, and probability of audits to promote tax compliance, psychological influences are equally important.⁷ There is a growing amount of research surrounding the concept of “tax morale” and an individual’s inherent motivation to pay taxes. There are a number of psychological components that drive compliance. “Research shows that tax compliance is affected by (social and personal) norms such as those regarding procedural justice, trust, belief in the legitimacy of the government, reciprocity, altruism and identification within the group.”⁸ Each of these factors interacts with, and are influenced by, each other.⁹ Tax agencies around the world are researching the ways to improve tax morale and inner motivation to improve compliance and perceptions of the agency.¹⁰

A lack of geographic presence can have a chilling effect on taxpayer morale, which in turn may decrease voluntary compliance contributing to the growth of the “shadow economy.”¹¹ Literature has shown that individuals, in both business and tax spheres, “feel more at ease when speaking with local representatives who fully understand their language and idiomatic expressions.”¹² “Local management” provides “leaders who are completely familiar with the local business environment, culture, and legal climate.”¹³

As one of the “largest financial institutions in the world,”¹⁴ the IRS should learn from literature on the effects of geographic expansion on bank efficiency. This literature discusses the importance of local knowledge in order to serve a diverse customer basis. For example, “making relationship loans to borrowers that do not qualify for credit scoring because of relatively weak financial statements and collateral of questionable value requires local knowledge that is difficult to quantify and transmit to

7 Eva Hofmann, Erik Hoelzl, & Erich Kirchler, *Preconditions of Voluntary Tax Compliance: Knowledge and Evaluation of Taxation, Norms, Fairness, and Motivation to Cooperate*, 216 Z PSYCHOL. 209–17, (2008). For a detailed discussion on behavioral research, see Most Serious Problem: *Voluntary Compliance: The IRS Can Increase Voluntary Compliance Using Behavioral Science Insights, But Is Overly Focused on so-called “Enforcement” Revenue and Productivity*, *supra* and Literature Review: *The IRS Is Missing Opportunities to Leverage Behavioral Science Insights and Measure Service Revenues*, *supra*.

8 National Taxpayer Advocate 2007 Annual Report to Congress vol. 2, 138 (Marjorie E. Kornhauser, *Normative and Cognitive Aspects of Tax Compliance*).

9 See, e.g., National Taxpayer Advocate 2013 Annual Report to Congress vol. 2, 1-14 (*Do Accuracy-Related Penalties Improve Future Reporting Compliance by Schedule C Filers?*) (finding small businesses subject to an accuracy-related penalty had lower subsequent compliance if the penalty was assessed by default, was abated, or was appealed, potentially suggesting that penalties perceived as unfair reduce future compliance); Norman Gemmill & Marisa Ratto, *Behavioral Responses to Taxpayer Audits: Evidence From Random Taxpayer Inquiries*, 65 NAT. TAX J. 33–58 (Mar. 2012) (suggesting that audits of compliant taxpayers may reduce voluntary compliance); National Taxpayer Advocate 2015 Annual Report to Congress vol. 2, 67-100 (*Audit Impact Study*) (finding taxpayers who were audited but did not receive an additional assessment reduced their reported income following an audit).

10 See, e.g., Anders Stridh, *The Strategic Plans and Tax Morale*, 45th Inter-American Center of Tax Administrations (CIAT) General Assembly (2011).

11 Also called the underground, informal or parallel economy, the shadow economy includes not only illegal activities but also unreported income from the production of legal goods and services, either from monetary or barter transactions. See Friedrich Schneider with Dominik Enste, *Hiding in the Shadows: The Growth of the Underground Economy*, IMF ECON. ISSUES (Mar. 2002), <http://www.imf.org/external/pubs/ft/issues/issues30/>.

12 David Ingram, *The Advantages of Geographical Organizational Structure*, CHRON, <http://smallbusiness.chron.com/advantages-geographical-organizational-structure-717.html> (last visited Oct. 1, 2016).

13 *Id.*

14 IRS, *Resources Home*, <https://jobs.irs.gov/resources> (last visited Dec. 4, 2016).

a distant headquarter,” and this “local knowledge” does not only include financial information, but information about “managers, its local economic environment, and its relationships with customers, suppliers, and local competitors.”¹⁵

Furthermore, having a local presence, and thus local management, is vital to influencing the “norms” of the community. Specifically, literature shows that “[w]hen people are uncertain of what is an objectively appropriate and correct belief, perception or behaviour to have, they tend to be influenced by the norms of a salient group to which they belong and with whose members they identify.”¹⁶ This is consistent with the recent TAS Research study on compliance factors which identified a link between the salient relationships, *i.e.*, one’s membership in a group, and one’s own attitudes and behaviors towards tax and compliance.¹⁷

As the IRS moves toward more automation in its Future State plans, it is extremely important to maintain physical presence and face-to-face interaction with taxpayers. There is the ever-growing concern of a purely anonymous world of the internet that both taxpayers and the IRS are becoming increasingly more reliant on. “Psychological research has proven again and again that anonymity increases unethical behavior” and that “in the online world, which can offer total anonymity, the effect is even more pronounced” with “[p]eople — even ordinary, good people — often chang[ing] their behavior in radical ways.”¹⁸ Additionally, a local footprint is necessary for taxpayers in remote regions who are at or below the poverty line and rely on the tax refunds to provide for their families by claiming credits such as the Earned Income Tax Credit (EITC) and other refundable credits.¹⁹ These refunds can only be received by properly filing a federal income tax return, and, in many instances, represent a double digit percentage of the taxpayer’s annual disposable income.²⁰

15 See Allen N. Berger & Robert DeYoung, *The Effects of Geographic Expansion on Bank Efficiency* 19 J. FIN. SERVICES RES. 163-84 (Apr. 2001).

16 Maria Sigala, Carole B. Burgoyne & Paul Webley, *Tax Communication and Social Influence: Evidence from a British Sample*, 9 J. OF CMTY. & APPLIED SOC. PSYCHOL. 237, 239 (May 1999).

17 See National Taxpayer Advocate 2013 Annual Report to Congress vol. 2, 33-55 (Small Business Compliance: *Further Analysis of Influential Factors*).

18 Julie Zhuo, *Where Anonymity Breeds Contempt*, N.Y. TIMES, Nov. 29, 2010, http://www.nytimes.com/2010/11/30/opinion/30zhuo.html?_r=0.

19 Chuck Marr *et al.*, *Ctr. on Budget & Pol’y Priorities, EITC and Child Tax Credit Promote Work, Reduce Poverty, and Support Children’s Development, Research Finds* (Oct. 1, 2015), <http://www.cbpp.org/research/federal-tax/eitc-and-child-tax-credit-promote-work-reduce-poverty-and-support-childrens>.

20 See Mannie Boitz, *Volunteer Tax & Loan Program Celebrates 20 Years: Alaska Business Development Center Helps Bring Millions Back to Rural Communities*, ALASKA BUSINESS MONTHLY (Feb. 24, 2015), <http://www.akbizmag.com/Alaska-Business-Monthly/February-2015/Volunteer-Tax-Loan-Program-Celebrates-20-Years/>. See also Jason Furman, *Poverty and the Tax Code*, Democracy Journal (Spring 2014), <http://democracyjournal.org/magazine/32/poverty-and-the-tax-code/>.

Community presence entails developing partnerships between the IRS and the communities it serves to collaboratively resolve problems and build community trust.²¹ A primary way to accomplish this is by being part of the community and displaying a desire to work with and educate local taxpayers rather than by examining, lecturing, and penalizing. By maintaining a community presence, the IRS will be better able to:

- Serve taxpayers on a local level through outreach and education;
- Serve its compliance objectives by identifying and addressing compliance problems tied to a specific region or group by developing partnerships with the communities and by working collaboratively to resolve problems and build community trust;²²
- Provide local managers and higher level employees with additional exposure to specific trends that drive compliance in a positive or negative way and enable them with the authority to relay those trends to executives for consideration on a national level; and
- Alleviate taxpayer mistrust by providing a human aspect to the agency as a whole where employees either live amongst or interact with taxpayers in their communities on a regular basis.

LITERATURE REVIEW

1. **Allen N. Berger & Robert DeYoung**, *The Effects of Geographic Expansion on Bank Efficiency*, 19 J. FIN. SERVICES RES. 163, 169 (Apr. 2001).

“However, we argue that physical distance matters, will continue to matter in the near future, and that technological advances can only partially mitigate the effects, both unfavorable and favorable, of distance on bank efficiency. For example, making relationship loans to borrowers that do not qualify for credit scoring because of relatively weak financial statements and collateral of questionable value requires local knowledge that is difficult to quantify and transmit to a distant headquarters. This local knowledge includes not only financial information about the firm, but information about the firms’ managers, its local economic environment, and its relationships with customers, suppliers, and local competitors. Because much of this information is difficult to quantify and transmit, so that verifying whether local loan performance problems are due to adverse local conditions, poor performance of the borrowers, or lax effort/incompetence of local loan officers becomes more difficult as distance increases. In addition, geographic expansion brings potential diversification benefits that increase with physical distance, as shown above. These benefits may accrue to banks that provide loans, deposits, or other financial products and services on a multiregional, national, or international basis. It is unlikely that advances in information, communications, and financial technologies will smooth out differences in regional economic conditions and fully mitigate these potential efficiency gains from geographic expansion.”

21 See, e.g., U.S. Dep’t of Justice, FY 2017 Performance Budget, Office of Community Oriented Policing Services, Congressional Justification (Feb. 9, 2016) (discussing the concept of community policing or building partnerships between law enforcement and local communities).

22 The Department of Justice has developed a “community policing” program since 1994, which provides promising results in reducing crime rates and building trust between the police and local communities. See U.S. Dep’t of Justice, FY 2017 Performance Budget, Office of Community Oriented Policing Services, Congressional Justification (Feb. 9, 2016) (citing a study that showed that the crime problems targeted by COPS Office grantees ‘led to a statistically precise drop in crime in subsequent years for four of the seven index crimes.’).

2. **Anders Stridh**, Swedish Tax Agency, *The Strategic Plans and Tax Morale*, presented at 45th Inter-American Center of Tax Administrations (CIAT) General Assembly, 79, 82 (2011).

“Our way forward has been to understand what drivers contribute to and influence a compliant behaviour. We have also focused a lot on understanding situations and motivation from a taxpayer perspective by commissioning extensive studies concerning different groups of taxpayers and situations. We have used the result for discussions within our organization to in order to broaden our perspective.”
3. **Benno Torgler & Friedrich Schneider**, *What Shapes Attitudes Toward Paying Taxes? Evidence From Multicultural European Countries*, 88 Soc. Sci. Q. 443 (2007).

“Considerable evidence suggests that enforcement efforts cannot fully explain the high degree of tax compliance. To resolve this puzzle of tax compliance several researchers have argued that citizens’ attitudes toward paying taxes defined as tax morale helps to explain the high degree of tax compliance. However, most studies have treated tax morale as a black box without discussing which factors shape it. Additionally, the tax compliance literature provides little empirical research that investigates attitudes toward paying taxes in Europe. Thus, this paper is unique in its examination of citizen tax morale within three multicultural European countries, Switzerland, Belgium and Spain, a choice that allows far more detailed examination of the impact of culture and institutions using datasets from the World Values Survey and the European Values Survey.”
4. **Canada Revenue Agency**, *Report on Plans and Priorities 2015-2016*, 9 (2015).

“How are we making it easier for taxpayers to comply? First, by continuously expanding and improving our suite of innovative online services to provide fast, easy, convenient, and secure options for individual taxpayers and businesses. Over 80 percent of Canadians are choosing to e-file, and we anticipate rapidly growing interest in our new online mail service. Individuals who choose to receive email notifications from the CRA will be prompted to sign into My Account to read new correspondence. In 2015, individuals will be able to receive electronic notices of assessment and, by 2017, 80% of CRA routine correspondence will be available electronically.

Second, we make sure Canadians have ready access to the information they need about taxes or benefits. In addition to providing current and comprehensive information on our website and through our call centres, we are actively working to develop and launch mobile applications for taxpayers. In 2015 we will release a mobile application to enable taxpayers to view basic personal tax information from their mobile devices.

Third, we are modernizing our compliance strategies, beginning with expanded education and outreach activities specifically designed to prevent non-compliance. Our recently launched Liaison Officer Initiative is designed to provide information and in-person support to small businesses at key points as their businesses grow, helping them navigate the tax system and avoid making errors. The CRA is also working to increase engagement with key stakeholders to improve compliance, promote greater co-operation, and reduce errors or misunderstandings. In 2014, we signed an historic agreement with Chartered Professional Accountants of Canada (CPA Canada). The CRA-CPA Canada Framework Agreement formalizes an important partnership focused on improving our tax system and better serving Canadian taxpayers.”

5. **David Ingram**, *The Advantages of Geographical Organizational Structure*, CHRON, <http://smallbusiness.chron.com/advantages-geographical-organizational-structure-717.html> (last visited May 10, 2016).

“The ability to hire local management offers companies the advantage of having leaders who are completely familiar with the local business environment, culture, and legal climate.”

“According to Lamar.edu, customer service quality can be enhanced by implementing a geographical structure. Customers can feel more at ease when speaking with local representatives who fully understand their language and idiomatic expressions.”

6. **Erich Kirchler, Apolonia Niemirowski & Alexander Wearing**, *Shared Subjective Views, Intent To Cooperate and Tax Compliance: Similarities Between Australian Taxpayers and Tax Officers*, 27 J. ECON. PSYCHOL. 502, 502 (2006).

“The present study investigates how taxation is represented in the minds of Australian taxpayers and tax officers and whether shared beliefs and evaluations are related to taxpayer compliance. Shared tax views are assumed to facilitate positive interaction, and mutual satisfactory interaction to enhance taxpayers’ willingness to cooperate and comply. The sample comprised 292 compliant taxpayers, 547 non-compliant taxpayers identified by the Australian Tax Office (ATO), and 358 ATO officers who had direct contact with taxpayers. Shared perceptions were measured as similarity in beliefs and evaluations of tax law complexity, tax mentality, ethics and social norms, horizontal and vertical distributive fairness and fair exchange with the government, attitudes towards the government, and judgments of tax officers and tax preparers’ support. The ATO reported non-compliance was found to be related to respondents’ willingness to cooperate (*i.e.*, filing timely and correctly) which, in turn, was related to respondents’ beliefs and evaluation of tax issues and their shared views on these issues. Willingness to cooperate appears to function as a mediator between tax compliance and taxpayer’s beliefs and evaluations as well as shared tax officials’ and taxpayers’ views.”

7. **Erich Kirchler, Erik Hoetzl & Ingrid Wahl**, *Enforced Versus Voluntary Tax Compliance: The “Slippery Slope” Framework*, 29 J. ECON. PSYCHOL. 210, 211 (Apr. 2008).

“The framework suggested here starts from the idea that the tax climate in a society can vary on a continuum between an antagonistic climate and a synergistic climate. In an antagonistic climate, taxpayers and tax authorities work against each other; in a synergistic climate, they work together. The antagonistic climate can be characterized by a ‘cops and robbers’ — attitude on both sides: tax authorities perceive the taxpayers as ‘robbers’ who try to evade whenever they can and need to be held in check; taxpayers feel persecuted by the authorities (‘cops’) and feel it right to hide (Braithwaite, 2003a). In such a climate, the social distance (Bogardus, 1928) is likely to be large, with little respect and little positive feelings towards the regulatory authorities on behalf of individuals and groups. Voluntary compliance is likely to be negligible, and individuals are likely to resort to ‘rational’ weighing of the costs and benefits of evading. The synergistic climate can be characterized by the idea that tax authorities perform a service for the community, and are a part of the same community the individual taxpayers belong to. The authorities’ approach could be described as a ‘service and client’ — attitude, as it is propagated in New Public Management. Authorities aim for transparent procedures and for respectful and supportive treatment of taxpayers.”

8. **Erich Kirchler**, *The Art of Dodging*, FINANCIALWORLD 40, 43 (June/July 2015).

“Institutions and authorities have started to recognize that trust-building measures promote voluntary compliance. The paradigm of compliance regulation, therefore, is changing: interaction between authorities and taxpayers known as ‘cooperative-relationships’ and ‘horizontal monitoring’ are being applied in several countries. For example, in 2005, the Dutch tax authorities started switching from traditional vertical monitoring to horizontal monitoring. While vertical monitoring relies on checking tax files retroactively, horizontal monitoring focuses on fair play, on understanding and transparency between taxpayers and the authorities, and on the planning of future business activities and their respective tax consequences. The interaction paradigm is shifting to a trust relationship between taxpayers and authorities, which is based on a compliance and fair-play agreement as well as on effective tax control.”

“Reviews of empirical studies in economics and psychology provide evidence about strong determinants of tax compliance that have practical implications: (a) Audits and fines are necessary to protect cooperative taxpayers from free-riders and to make well-targeted resistant citizens contribute their share. (b) The power of tax authorities needs to be perceived as legitimate and professional. In particular, tax auditors need to be well trained and to cooperate intensively with legislators, judges and international authorities to combat evasion and aggressive avoidance. (c) Tax law must be simplified to be comprehensible for taxpayers. (d) Taxpayers need to be segmented according to their needs and appropriate services must be offered. (e) Trust in authorities needs to be high. Distributive justice and procedural justice, as well as retributive justice, are very important in establishing and maintaining trust. Revenue collection and investment need to be transparent, and the balance of contributions and participation in public goods by different income earners needs to be perceived as fair. All in all, measures need to be taken to strengthen people’s identification with the community and cooperation must be established as the dominant social norm.”

9. **Erich Kirchler**, THE ECONOMIC PSYCHOLOGY OF TAX BEHAVIOUR 203-05 (2007).

“After comprehensively surveying tax compliance research this book concludes that when tax authorities enforce compliance they foster a ‘cops and robbers’ mentality which deters noncompliance but also undermines trust, prompting taxpayers to comply only when they have no choice, a strategy requiring significant enforcement resources; but when authorities adopt a ‘service and client’ approach they stimulate trust, cooperation, and true voluntary compliance; a downward spiral of compliance or ‘slippery slope’ can occur when the authority’s enforcement power or taxpayer’s trust in the agency drop below threshold levels.”

10. **Eva Hofmann, Erik Hoelzl, & Erich Kirchler**, *Preconditions of Voluntary Tax Compliance: Knowledge and Evaluation of Taxation, Norms, Fairness, and Motivation to Cooperate*, 216 Z PSYCHOL. 209–17 (2008).

“Taxpayers’ willingness to cooperate with the state and its institutions in general, and their willingness to pay taxes in particular, depend on a variety of variables. While economists stress the relevance of external variables such as tax rate, income and probability of audits and severity of fines, psychological research shows that internal variables are of similar importance. We present a comprehensive review on the relevance of citizens’ knowledge of tax law, their attitudes towards the government and taxation, personal norms, perceived social norms and fairness, as well as motivational tendencies to comply, and discuss possibilities for strategic intervention to increase tax compliance.”

“In a climate of mutual distrust, citizens can be forced to comply. On the other hand, if the climate is characterized by mutual trust, audits and fines would signal authoritarianism and distrust, and thus, rather than increasing compliance, be ineffective or even counterproductive. In a climate of mutual trust, citizens have positive representations of the tax systems and tax authorities and cooperate spontaneously. High subjective tax knowledge, favorable attitudes, personal and social norms of cooperation, as well as perceived fairness of the tax system are the basis of a motivational tendency to cooperate, of trust, and of voluntary compliance.”

11. **Fatemeh Khatibloo**, *The Mechanics of Trust: Processes: The Customer Trust And Privacy Playbook*, Forrester Research (Apr. 26, 2016).

“In today’s always-on, post-digital world, consumers are skeptical of even their favorite brands, so marketers’ old methods of building trust simply don’t work anymore. This report outlines a modern, three-pronged approach to earning and keeping customer trust.”

“Marketers Must Take A Three-Pronged To Trust-Building 1) Master the drivers of trust: integrity, competence, and transparency; 2) Align trustbuilding efforts with brand values; 3) Create a cultural commitment to trust.”

12. **Government Accountability Office**, GAO-16-151, *2015 TAX FILING SEASON: Deteriorating Taxpayer Service Underscores Need for a Comprehensive Strategy and Process Efficiencies* (Dec. 2015).

“IRS has struggled to provide taxpayers with access to service. Maintaining quality customer service is important because it helps taxpayers comply with the tax code. In our prior work, we reported that despite realizing efficiency gains, IRS struggled to provide taxpayers access to services, and IRS’s performance would likely continue to suffer unless it made tough choices about what services to provide. Beginning in 2012, we reported that IRS needed to dramatically revise its service strategy to reverse declining performance trends. Consistent with our findings, IRS launched service initiatives in fiscal years 2014 and 2015 that reduced or eliminated service in certain areas, with IRS redirecting resources last year toward responding to inquiries into taxpayers’ accounts and addressing issues that only IRS could resolve.” (at 2).

“IRS eliminated or reduced some services in fiscal year 2014 and redirected taxpayers to lower-cost channels to focus on core taxpayer services that only IRS can provide (see appendix II for a full list of the fiscal year 2014 service initiatives). As a result, some taxpayers would have lost access to services previously provided and had to seek assistance from other sources such as paid tax preparers. We estimated IRS realized about \$50 million that it shifted to core services after it spent about \$356,000 on implementing these initiatives. Figure 7 shows the estimated resources realized by each initiative.” (at 35).

“Face-to-face assistance: Face-to-face assistance remains an important part of IRS’s service efforts, particularly for low-income taxpayers. Taxpayers can receive face-to-face assistance at IRS’s walk-in sites or at thousands of sites staffed by volunteer partners. At walk-in sites, IRS staff provide services including answering basic tax law questions, reviewing and adjusting taxpayer accounts, taking payments, authenticating Individual Taxpayer Identification Number applicants, and assisting identity theft victims. At sites staffed by volunteers, taxpayers can receive free return preparation assistance as well as financial literacy information.” (at 4-5).

“For fiscal years 2014 and 2015, IRS implemented service initiatives that included reducing or eliminating certain telephone and walk-in services, and redirecting taxpayers toward other service channels such as IRS’s website.” (at 5).

13. **Heather Maloy**, *Can a Change in LB&I Approach Improve Taxpayer Compliance?*, 150 TAX NOTES 1, 3 (Mar. 14, 2016).

“In a time of limited resources, actions taken by the tax administrator should be designed to have a multiplier effect — to change the behavior of as many taxpayers as possible. The best way to achieve that effect is to resolve most if not all of the uncertainty in the law before a taxpayer files a return. Shifting resources away from large examinations and toward activities designed to provide more certainty would be a significant change to the way the IRS allocates its resources. However, that shift would lead to more efficient and effective tax administration, generating what could be thought of as a compliance annuity — dollars collected each year through the filing of compliant returns well into the future.”

“The IRS already uses several innovative programs that have embraced the concept of providing certainty. Among them are the compliance assurance process, which resolves material issues with a real-time audit conducted before the filing of a return; the industry issue resolution program, which issues guidance designed to resolve frequently disputed or burdensome tax issues that affect a significant number of business taxpayers; and the prefilling agreement program, which enables taxpayers and the IRS to resolve, before the filing of a return, the treatment of issues otherwise likely to be disputed in post-filing audits. The question now is what the next generation of those and other innovative programs will look like.”

14. **International Monetary Fund**, *Current Challenges in Revenue Mobilization: Improving Tax Compliance*, 41 (Apr. 2015).

“Managing relationships with taxpayers and other stakeholders is important for effective compliance management — with much to do in many developing countries. RAs [Revenue Agents] need strong relationships with many groups: taxpayers (and intermediaries), trade associations, and other agencies responsible for different aspects of tax compliance (such as customs, when tax and customs are separate, social contribution agencies, withholding agents, and anti-money laundering (AML) agencies). More advanced administrations have a range of channels through which tax officials communicate with the public, ranging from regular briefings with trade and other organizations to working with an official taxpayer representative or ombudsman — all of which provide channels for taxpayer grievances and allow the taxpaying community to give the RA feedback on its operations and initiatives. But — with some exceptions, such as with commercial banks acting as withholders — the stakeholder relationships of most developing country RAs are largely ad hoc. This means that opportunities for exchanging information, sharing intelligence, or carrying out joint/ coordinated actions with other agencies, are not exploited effectively.”

15. **IRS**, Pub. 4579, *The 2007 Taxpayer Assistance Blueprint Phase 2*, at 2, 31 (2007), <http://www.irs.gov/pub/irs-pdf/p4579.pdf>.

“Examining taxpayer service needs necessitates an understanding that different individuals require and prefer different services at different times. The TAB team analyzed *services sought and used* to comply with federal tax obligations when examining needs. The team analyzed the *channels through which a taxpayer receives or would like to receive services* when examining preferences. The IRS and its partners provide a mix of channels to deliver taxpayer services ... As an agency legislatively tasked to administer tax law, the IRS views service needs within the context of maximizing taxpayer compliance with tax laws. From a business perspective, the IRS makes resource investment decisions based on the value of an initiative weighed against its cost. Thus, actual taxpayer demand for specific services is a useful baseline for future investment decisions. From a taxpayer or partner

perspective, the inability to perform and complete a service task is another important component of service need. Therefore, the team identified three different approaches for meeting taxpayer needs:

- Facilitating compliance with federal tax obligations;
- Satisfying demand for services; and
- Removing barriers to service use.”

16. **IRS Restructuring: Hearings Before the Committee on Finance**, United States Senate, 105th Cong. 20, 26 (Jan. 28, 1998) (testimony of Charles Rossotti, Commissioner of Internal Revenue), <https://www.irs.gov/pub/irs-news/ir-98-3.pdf>.

“Fortunately, there are solutions to this organizational problem which are widely used in the private sector and may enable us to better serve the American taxpayer. The approach I am discussing today is to organize around the needs of our customers, the taxpayers. Just as many large financial institutions have different divisions that serve retail customers, small to medium business customers, and large multinational business customers, the taxpayer base falls rather naturally into similar groups. This fact simply reflects the structure of the US economy.”

17. **James Alm & Benno Torgler**, *Culture Differences and Tax Morale in the United States and in Europe*, 27 J. ECON. PSYCHOL. 224-25 (Apr. 2006).

“In recent years much research has investigated whether values, social norms, and attitudes differ across countries and whether these differences have measurable effects on economic behavior. One area in which such studies are particularly relevant is tax compliance, given both the noted differences across countries in their levels of tax compliance and the marked inability of standard economic models of taxpayer compliance to explain these differences. In the face of these difficulties, many researchers have suggested that the intrinsic motivation for individuals to pay taxes — what is sometimes termed their ‘tax morale’ — differs across countries. However, isolating the reasons for these differences in tax morale is notoriously difficult. In a common approach, studies sometimes referred to as ‘cultural studies’ have often relied upon controlled laboratory experiments conducted in different countries because such experiments can be set up with identical experimental protocols to allow cultural effects to be isolated. In this paper we first analyze a cross-section of individuals in Spain and the United States using the World Values Survey (WVS). In line with previous experiments, our findings indicate significantly higher tax morale in the United States than in Spain, controlling in a multivariate analysis for additional variables. We then extend our multivariate analysis to include 14 European countries in the estimations. Our results again indicate that the United States has the highest tax morale across all countries, followed by Austria and Switzerland. We also find a strong negative correlation between the size of shadow economy and the degree of tax morale in those countries.”

18. **Janet Spragens & Nancy Abramowitz**, *Low-Income Taxpayers and the Modernized IRS: A View from the Trenches*, 107 TAXNOTES 1407, 1409 (June 13, 2005).

“Moreover, many low-income taxpayers are entrepreneurs with their own small businesses — for example, as food service providers, taxi drivers, hairdressers, roofers, merchants, child care providers, or carpet installers — and, as a result, are required to file quarterly estimates of tax, pay self-employment taxes, and claim business deductions on Schedule C. Often, those self-employed low-income taxpayers have only the most rudimentary understanding about the recordkeeping necessary

to meet filing requirements or about the filing requirements themselves. A growing number of low-income taxpayers are limited English proficiency (LEP) taxpayers and face major language barriers in understanding their tax obligations and the avenues for challenging IRS disallowance of their filing positions. Many of those taxpayers seek help with their tax obligations from professional preparers, but their inability to communicate in English often leads them to seek out preparers who speak their language without checking the preparer's credentials or training in taxation. The advice they get from those preparers can range from excellent to incompetent to totally fraudulent. If the taxpayers are undocumented workers, they may be more likely to become embroiled in issues with the IRS involving erroneous Social Security numbers or identity theft.”

“Fair resolution of those cases has traditionally involved cultural, communication, language, and other barriers for the IRS that are different from those raised in cases involving other taxpayers. In resolving those issues successfully, an important part of the process has historically involved allowing the taxpayers the time and opportunity to have a face-to-face meeting with IRS employees. Taxpayers in that demographic tend not to keep good records, and the face-to-face meetings afford taxpayers an opportunity to tell their stories and for the government to assess their credibility, ask them questions, and elicit facts that the taxpayers might not otherwise know could be relevant. The opportunity for taxpayers to describe their circumstances has been very important in reaching correct resolutions, particularly when the issues have involved family status, family relationships, and living patterns (for example, the EITC, filing status, dependency exemptions, and the child credit) — issues that are often not amenable to proof by cancelled checks and other financial records. Even the communications to arrange the meetings added time, focus, and deliberation to the process for involved taxpayers, helping them to better understand what was happening.”

19. **Joana van den Brink-Quintanilha**, *Managing Cross-Cultural Customer Experiences: Use The Six CX Disciplines To Navigate Cross-Cultural Differences*, Forrester Research (August 19, 2015).

“When navigating cultural differences, companies often trip up by ignoring differences and exaggerating differences. Pitfalls like uneven brand perception and industry or region-specific regulation make managing customer experience (CX) across cultural contexts tricky. This report highlights four key principles for managing cross-cultural customer experience. Finally, it offers CX pros a set of proven best practices that leading companies use to deliver experiences that are effective, easy, and emotionally engaging for a variety of cultures both within their home markets and across borders.”

20. **Julia M. Puauschunder**, *Trust and Reciprocity Drive Social Common Goods Contribution Norms*, Cambridge Bus. & Econ. Conference (Dec. 12, 2012).

“In the emergent field of tax psychology, the focus on regulating tax evasion recently shifted towards searching for situational cues that elicit common goals compliance. Trust and reciprocity are argued to steer a socially-favorable environment that supports social tax ethics norms. Experiments, in which 256 participants played an economic trust game followed by a common goods game, found evidence for trust and reciprocity leading to individuals contributing to common goals. The more trust and reciprocity was practiced and experienced, the more common goals were supported — leveraging trust and reciprocity as interesting tax compliance antecedents. The results have widespread implications for governmental-citizen relations. Policy makers and public servants are advised to establish a service-oriented customer atmosphere with citizens breeding trust and reciprocity in order to reach common societal goals.”

21. **Julie Zhuo**, *Where Anonymity Breeds Contempt*, N. Y. TIMES, Nov. 29, 2010.

“Psychological research has proven again and again that anonymity increases unethical behavior. Road rage bubbles up in the relative anonymity of one’s car. And in the online world, which can offer total anonymity, the effect is even more pronounced. People — even ordinary, good people — often change their behavior in radical ways. There’s even a term for it: the online disinhibition effect.”

22. **Lars P. Feld & Bruno S. Frey**, *Tax Compliance as the Result of a Psychological Tax Contract: The Role of Incentives and Responsive Regulation*, 29 L. & POL’Y 102, 102 (Jan. 2007).

“A psychological tax contract goes beyond the traditional deterrence model and explains tax morale as a complicated interaction between taxpayers and the government. As a contractual relationship implies duties and rights for each contract party, tax compliance is increased by sticking to the fiscal exchange paradigm between citizens and the state. Citizens are willing to honestly declare income even if they do not receive a full public good equivalent to tax payments as long as the political process is perceived to be fair and legitimate. Moreover, friendly treatment of taxpayers by the tax office in auditing processes increases tax compliance.”

23. **Leandra Lederman**, *Tax Compliance and the Reformed IRS*, 972-91 (Articles by Maurer Faculty, Paper 491, 2003).

“Traditionally, enforcement has been used to combat noncompliance. However, Congress determined that the IRS was overzealous, and passed the Internal Revenue Service Restructuring and Reform Act of 1998 (RRA ‘98). RRA ‘98 wrought enormous changes at the IRS, including a renewed focus on taxpayer rights and ‘customer’ service. Some have argued that a kinder, gentler IRS might increase taxpayer willingness to pay taxes voluntarily. In addition, a number of scholars have stated that enforcement does not explain the overall rate of voluntary compliance with the individual federal income tax.”

“What role does a reformed, ‘friendlier’ IRS play in a tax compliance strategy? Do taxpayers respond differently to a service-oriented IRS or to a softer tone in IRS enforcement?”

“Some IRS officials and others apparently hold the view that a friendlier IRS is better for compliance. Theoretically, greater responsiveness to taxpayers may support greater tax collection, just not through enforcement. Kent Smith has argued that: ‘[r]esponsive service and procedural fairness as positive treatments by tax authorities can have both direct and indirect effects on taxpayers’ compliance behavior. Positive actions by authorities toward taxpayers may be reciprocated by compliant actions on a simple tit-for-tat basis, a direct effect on taxpayers’ actions that is not mediated by normative or legitimating processes. However, reciprocity also appears to be a basic, normative obligation in many social situations, and positive treatments by authorities may also engender in taxpayers a more general normative commitment to compliance, particularly if the taxpayers believe that the authorities normally and routinely act positively toward taxpayers.”

24. **Leslie Book**, *Freakonomics and the Tax Gap: An Applied Perspective*, 56 AM. U. L. REV. 1163, 1172-73 (2007).

“There are numerous studies testing the variables that economists believe contribute to taxpayers’ decisions to comply with the tax laws. Psychologists and sociologists have rightly pointed out that the economic model is insufficient as an explanatory tool. Sociologists and psychologists alike argue

that [some economic models] fail to capture the complexities of human behavior and relationships, and fail to explain why compliance rates exceed what would otherwise be expected if people were solely evaluating compliance in terms of dollars and cents. ... The challenge among policymakers mining the social science research is that the research is at times inconsistent and incomplete.”

“This article considers how the current earned income tax credit (EITC) creates opportunities for individuals to affirmatively misstate eligibility. It examines insights from the popular book *Freakonomics* and argues that despite the confusing and sometimes inconsistent state of research relating to tax compliance, policymakers concerned with reducing the tax gap should consider structural incentives and visibility as key factors relating to the decision to intentionally comply with the tax laws.”

25. **Maria Sigala, Carole B. Burgoyne & Paul Webley**, *Tax Communication and Social Influence: Evidence from a British Sample*, 9 J. OF CMTY. & APPLIED SOC. PSYCHOL. 237, 237 (May 1999).

“An in-depth, semi-structured, interview study was conducted with 23 British employed and self-employed taxpayers in various occupations. The study points to factors discouraging tax communication and proposes social norms as an alternative way of investigating social influence on taxpaying behaviour.”

“When people are uncertain of what is an objectively appropriate and correct belief, perception or behaviour to have, they tend to be influenced by the norms of a salient group to which they belong and with whose members they identify.” (at 239).

26. **Marta Orviska & John Hudson**, *Tax Evasion, Civic Duty and the Law Abiding Citizen*, 19 EUROPEAN J. POL. ECON. 83 (2002).

“This paper examines attitudes to tax evasion. Sample survey data from a randomly chosen group of people are used to analyze this problem using hypothetical questions. The results suggest that evasion is condoned by a large proportion of the population, who are particularly ready to take advantage of someone else’s evasion. The problem seems greatest among the young and men. People however appear to be deterred from tax evasion by the consequences of being caught. Empirical analysis supports the importance of both civic duty and ‘law abidance’ in deterring tax evasion.”

27. **Michael P. Dolan**, *Envisioning LB&I’s ‘Future State’*, TAXANALYSTS (Mar. 14, 2016), <http://www.taxanalysts.org/content/envisioning-lbis-future-state>.

“A reported driver of the new design is LB&I’s desire to exercise more control over how it spends its resources. Rather than automatically committing staffing to recurring cycles of the same large case audits, the new approach is geared to make LB&I more agile and strategic in addressing emerging compliance risks no matter where they exist. If the design works as planned, agents and specialists will be assigned to campaigns and treatments that concentrate on an inventory of specific centrally identified risk issues. While agents will not be precluded from identifying additional issues during an issue-focused audit, the implication is that the additional issue will have to be material in order to expand the audit.”

28. **National Taxpayer Advocate 2013 Annual Report to Congress vol. 2**, 44 (*Small Business Compliance: Further Analysis of Influential Factors*), <http://www.taxpayeradvocate.irs.gov/2013-Annual-Report/downloads/Volume-2-TAS-Research-And-Related-Studies.pdf>.
- This analysis of survey data suggests that taxpayer service is the principal component of trust in government, which is associated with voluntary compliance.
- “To recapitulate, the analysis above shows that taxpayer service and trust in government account in significant part for high or low levels of voluntary compliance. Unlike generic economic tendencies, such as risk aversion or rational maximization, taxpayer service with associated trust are socially conditioned and thus geographically identifiable. These factors travel along social networks. By mapping these networks, tax administration can focus outreach more effectively.”
29. **The Netherlands Tax & Customs Administration**, *Horizontal Monitoring Within the Medium to Very Large Businesses Segment*, 7 (Nov. 30, 2010).
- “Horizontal monitoring refers to mutual trust between the taxpayer and the Netherlands Tax and Customs Administration, the more precise specification of each other’s responsibilities and options available to enforce the law and the setting out and fulfilment of mutual agreements. In so doing, the mutual relationships and communications between citizens and the government shift towards a more equal position. Horizontal monitoring is also compatible with social developments in which the citizen’s personal responsibility is accompanied by the feeling that the enforcement of the law is of great value. In addition, the horizontal monitoring concept also implies that enforcement is feasible in today’s complex and rapidly changing society solely when use is made of society’s knowledge.”
30. **Nina E. Olson**, *The Future of Tax Administration*, 150 TAXNOTES 1315 (Mar. 14, 2016).
- “[T]he trend of large bureaucracies is to move toward procedures that allow them to process the volume of their work efficiently, at least superficially. However, an effective tax system is not a monologue by the government; it is a conversation between the government and its taxpayers. This dialogue is all but absent in the IRS of today, with the possible exception of those ‘lucky’ large entities, high-income individuals, and the serially noncompliant who get the benefit of ‘concierge level,’ one-to-one attention in field exam and collection.”
31. **OECD**, *Building Tax Culture, Compliance and Citizenship: A Global Source Book on Taxpayer Education* 3 (2015).
- “*Building Tax Culture, Compliance and Citizenship: A Global Source Book on Taxpayer Education* captures this change of approach through a sample of innovative ideas for taxpayer education from Asia, the Baltic region, the Caribbean, Latin America, the Middle East, North Africa and sub-Saharan Africa. It focuses on activities for citizens conducted by national tax administrations as well as on the issues of how and why taxes have to be paid, with strong links to the social expenditure aspect of the public finance equation.”
32. **OECD**, *Improving Taxpayer Service Delivery: Channel Strategy Development Forum on Tax Administration Committee on Fiscal Affairs* 6 (2007).
- “The taxpayer service delivery function plays a crucial role in the administration of the tax legislation in all countries. Providing services that are user-friendly, in the sense of being accessible

and understandable for all, helps to maintain and strengthen the taxpayers' willingness to comply voluntarily and thereby contribute to improvements in overall levels of compliance with the laws."

"For some time now, revenue bodies have been providing more accessible information services through use of new technology (*e.g.*, by building on-line capability or making information available 24 hours a day, 7 days a week). More recently, many revenue bodies have given taxpayers the functionality of registering for tax system purposes, filing tax returns and paying tax electronically, all at times convenient to them. There have also been developments in the use of telephony services with revenue bodies in many countries establishing large call centre arrangements employing sophisticated telephony technology to facilitate access by phone for taxpayers to the information and other services they require."

33. **OECD**, *Right from the Start: Influencing the Compliance Environment for Small and Medium Enterprises 3* (2015).

"This information note provides an introduction to the concept of 'Right from the Start' and shares practical examples of how measures that fall within the scope of this approach are currently being applied by revenue bodies across the FTA [Forum on Tax Administration].

'Right from the Start' is a compliance approach that emphasizes the need to create an environment which supports compliant behaviour while at the same time opportunities for non-compliant behaviour are reduced to a large extent. The traditional approach would be to focus on the tax return, monitor the compliance level and decide on interventions when needed. Most of the time these interventions target events from the past and are rather costly, using audits as the primary measure, involving time consuming procedures of exchange of information and positions as well as appeal procedures in many cases. While the traditional approach will continue to be necessary, this information note points to strategies which aim to solve many problems at a much earlier stage and in a smarter way. Over recent years most revenue bodies have adopted strategies that are addressing compliance risks up-front, that is before a tax return is filed. These strategies include education and outreach activities, improving taxpayer services and co-operation with stakeholders. What all initiatives taken by revenue bodies have in common is that they aim to create an environment in which compliance is promoted and if possible will be 'the inevitable outcome' of actions and transactions performed by taxpayers."

34. **Pauline Niemiowski, Steve Baldwin & Alexander J. Wearing**, *The Influence of Tax Related Behaviours, Beliefs, Attitudes and Values on Australian Taxpayer Compliance. Is Tax Avoidance Intentional and How Serious an Offence Is It?* 6 J. AUSTR. TAX'N 132, 132 (2003).

"In this Australian Taxation Office ('ATO') study, taxpayers were selected according to their historical tax compliance behaviour, in order to better understand community attitudes to tax. Seven non-business taxpayer groups were firstly identified as lodgment, audit risk or tax debt compliant according to their 1995 tax return data and then either compliant or medium or high risk non-compliant for lodgment, audit risk, or tax debt payment for the following 5 years. Three separate groups of tax agents, tax office staff and youth were also studied. Compliant and non-compliant taxpayer survey responses that included wider environmental factors were matched to each individual's tax return data, but not for tax staff, tax agents or youth. Analyses identified relationships between tax-based values, beliefs, attitudes, knowledge and actual tax compliance behaviour. Noncompliance 'intent' and 'tolerance' of some tax avoidance were two key determinants of taxpaying behaviour. The implications of these results for ATO practices and policy are discussed."

35. **PwC**, World Bank Grp., *Paying Taxes 2016* (2016), <http://www.pwc.com/gx/en/paying-taxes-2016/paying-taxes-2016.pdf>.

Paying Taxes 2016, a joint effort of the World Bank Group and PwC, looks at tax regimes in 189 economies and provides an unrivalled global database. The results illustrate both successful reforms and reform challenges, as well as provide a platform for governments and businesses to engage in constructive discussion around tax reforms across a broader range of issues. Over eleven years of the study, almost 80 percent of the 189 economies covered in the report made significant changes to their tax regimes at least once. All three sub-indicators — the time to comply, number of tax payments and the total tax rate — have fallen consistently over the period of the study reflecting the reforms that governments have implemented making paying taxes easier for businesses to pay and governments to process. This report also shows that corporate income tax is only part of the picture when looking at the contribution made by a business to public finances. On average around the world, corporate income tax (and other profit taxes) accounted in 2014 for only 40 percent of the total tax rate, 13 percent of payments and 26 percent of time.

“All three sub-indicators (Total Tax Rate, time to comply, and number of payments) have continued to fall in 2014.” (at 1).

“By 2014, 84 economies had fully implemented electronic filing and payment of taxes.” (at 2).

“Rolling out an electronic filing and payment system and educating taxpayers in its use are not easy tasks for a government. The necessary infrastructure must be put into place, and this can be especially challenging where not everyone has broadband access. Yet by 2014, 84 economies had fully implemented electronic filing and payment of taxes (Figure 1.3). In the past five years Doing Business recorded 70 reforms in 53 economies introducing or enhancing electronic systems for filing and paying taxes. More than a third of these economies adopted an electronic system for the first time.” (at 14).

“Globally, the Total Tax Rate as calculated for the Doing Business case study company averages 40.76% of commercial profit. This is 4 percentage points lower than five years ago, thanks in large part to 55 reforms reducing profit tax rates in 42 economies.” (at 17).

“Globally, labour taxes and contributions paid by the employer account on average for almost 40% of the Total Tax Rate for the case study company. ‘Other’ taxes account for 20% on average.” (at 17).

36. **Ranjay Gulati & James B. Oldroyd**, *The Quest for Customer Focus*, 83 HARV. BUS. REV. 92-101 (Apr. 2005).

“Companies have poured enormous amounts of money into customer relationship management, but in many cases the investment hasn’t really paid off. That’s because getting closer to customers isn’t about building an information technology system. It’s a learning journey — one that unfolds over four stages, requiring people and business units to coordinate in progressively more sophisticated ways. The journey begins with the creation of a companywide repository containing each interaction a customer has with the company, organized not by product, purchase, or location, but by customer. Communal coordination is what’s called for at this stage, as each group contributes its information to the data pool separately from the others and then taps into it as needed. In the second stage, one-way serial coordination from centralized IT through analytical units and out to the operating units allows companies to go beyond just assembling data to drawing inferences. In stage three, companies shift their focus from past relationships to future behavior. Through symbiotic coordination, information flows back and forth between central analytic units and various organizational units like marketing, sales, and operations, as together they seek answers

to questions like ‘How can we prevent customers from switching to a competitor?’ and ‘Who would be most likely to buy a new product in the future?’ In stage four, firms begin to move past discrete, formal initiatives and, through integral coordination, bring an increasingly sophisticated understanding of their customers to bear in all day-to-day operations. Skipping stages denies organizations the sure foundation they need to build a lasting customer-focused mind-set. Those that recognize this will invest their customer relationship dollars much more wisely-and will see their customer-focusing efforts pay off on the bottom line.”

37. **Samuel M. Maruca**, *LB&I – The Case for a New Management Paradigm*, 150 TAX NOTES 1,1 (Mar. 14, 2016).
- “The IRS Large Business and International Division must be commended for the steps it is taking to align the examination workforce with the daunting realities of limited resources and growing demands. The steps include the focus on strategic issue selection, especially in the international area; the development of more sophisticated training programs; and the creation of a practice group structure for issue management (through which the executive team will have greater visibility into specific examinations). Those efforts should better position LB&I to improve enforcement credibility and program efficiency overall. This approach stands in stark contrast to the status quo ante, in which virtually all large-company returns were staffed up and processed without much forethought about actual risk exposure — and without much guidance from the leadership, which viewed its role as ‘being there to support the team.’ And it suggests that LB&I is pivoting from a ‘volume game’ (when case closure is the all-important metric) to a more targeted, quality-oriented approach regarding issue selection and development, with different measures of success.”
38. **T. Keith Fogg & Leslie Book**, *Problems at the IRS in Attempting to Provide Service to Taxpayers*, 150 TAXNOTES 1335, 1337 (Mar. 14, 2016).
- “If the IRS is trying to build a tax system that can deliver information and services to taxpayers, it must consider the characteristics of the taxpayers themselves rather than the characteristics it would like all taxpayers to share. The reality is that there is no single tax system today; rather, there are differing systems that correspond to the programs found within the tax code. Various programs such as the EITC have their own unique challenges that depend not only on the characteristics of the claimants but also on access to information that helps the IRS and the claimants determine eligibility for the programs.”
39. **Treasury Inspector General for Tax Administration**, Ref. No. 2011-40-022, *The Taxpayer Assistance Centers Are Not Located to Effectively Serve the Maximum Number of Taxpayers*, 5 (Feb. 11, 2011), <https://www.treasury.gov/tigta/auditreports/2011reports/201140022fr.pdf>.
- “The IRS acknowledges that the locations of most TACs have not changed significantly since FY 2000 and that it has not kept pace with shifts in population and demographics.” As of the date of the report 35 percent of the United States population does not live within 30 minutes of a TAC. This translates to roughly 100 million taxpayers who are without the benefit of a TAC.
40. **U.S. Dep’t of Justice**, *FY 2017 Performance Budget: Office of Community Oriented Policing Services, Congressional Justification*, 2-4 (Feb. 9, 2016).
- “The COPS Office was established in 1994 to assist state, local and tribal law enforcement agencies in enhancing effectiveness and building the capacity to advance public safety through

the implementation of community policing strategies. Community policing entails developing partnerships between law enforcement agencies and the communities they serve so they can work collaboratively to resolve problems and build community trust. It is a philosophy that promotes organizational strategies that support the systematic use of partnerships and problem solving techniques, in order to proactively address the immediate conditions that give rise to public safety issues such as crime, social disorder, fear of crime, and satisfaction with police services. Community policing is comprised of three key components:

Community Partnerships

Collaborative partnerships between the law enforcement agency and the individuals and organizations they serve to develop solutions to problems and increase trust in police:

- Other government agencies
- Community members/groups
- Nonprofits/service providers
- Private businesses
- Media

Organizational Transformation

The alignment of organizational management, structure, personnel, and information systems to support community partnerships and proactive problem solving:

- Agency management
- Climate and culture
- Leadership
- Labor relations
- Decision-making
- Strategic planning
- Policies
- Organizational evaluations
- Transparency
- Organizational structure
- Geographic assignment of officers
- Despecialization
- Resources and finances
- Personnel
- Recruitment, hiring, and selection
- Personnel supervision/evaluations
- Training
- Information systems (Technology)

- Communication/access to data
- Quality and accuracy of data

Problem Solving

The process of engaging in the proactive and systematic examination of identified problems to develop and rigorously evaluate effective responses:

- Scan: Identify and prioritize problems
- Analysis: Research what is known about the problem [and] Develop solutions to bring about lasting reductions in the number and extent of problems
- Assessment: Evaluate the success of the responses
- Use the crime triangle to focus on immediate conditions (victim/offender/location)

In FY 2017, COPS Office will fulfill its mission of advancing public safety through community policing by continuing to:

- Provide grants under the COPS Hiring Program (CHP) to support the hiring of sworn and non-sworn law enforcement personnel nationwide;
- Promote the hiring of wounded, ill or injured veterans into non-sworn law enforcement positions;
- Develop, deliver, and continue to evaluate state-of-the-art training and technical assistance to enhance law enforcement officers' problem-solving and community interaction skills. This includes allocating up to five percent of the CHP funding to assist CHP grantees that select addressing violent crime, offender reentry, community trust, school safety and/or veteran hiring as the problem/priority area(s) on which their COPS-funded community policing officers will be focused;
- Enhance the Collaborative Reform Initiative for a proactive, non-adversarial, and cost-effective approach to practical technical assistance for agencies with significant law enforcement-related issues;
- Align training and technical assistance to problems identified in the officer hiring program;
- Promote improved public safety outcomes by infusing community policing core principles in all grant programs, and acting on evidence that it advances public safety;
- Support innovative programs that respond directly to the emerging needs of state, local, and tribal law enforcement in order to shift law enforcement's focus to preventing, rather than reacting to, crime and disorder within their communities;
- Support the Community Oriented Policing Management Education and Development Program (COP-MED), newly proposed in FY 2016, to provide a unique professional development opportunity for law enforcement managers to engage through rigorous coursework, projects, fellowships and other activities within a structured environment to prepare a new generation of police leaders;
- Support the Countering Violent Extremism (CVE) program, newly proposed in FY 2016;
- Promote collaboration among law enforcement, community members, academic institutions, and other key stakeholders to implement initiatives that have proven effective in helping to

prevent crime and build community trust, and as outlined in the final report of the President's Task Force on 21st Century Policing Report;

- Provide responsive, cost effective customer service delivery to grantees to ensure success in implementing community policing strategies within their communities.”

“A study published in *Journal of Public Economics* by Evans and Owens Volume 91 (2007) showed that the crime problems targeted by COPS Office grantees ‘led to a statistically precise drop in crime in subsequent years for four of the seven index crimes.’”

41. **Vikas Mittal, Wagner A. Kamakura & Rahul Govind**, *Geographic Patterns in Customer Service and Satisfaction: An Empirical Investigation*, 68 J. OF MKTG. 48, 48 (July 2004).

“When firms’ customers are located in geographically dispersed areas, it can be difficult to manage service quality because its relative importance is likely to vary spatially. This article shows how addressing such spatial aspects of satisfaction data can improve management’s ability to implement programs aimed at enhancing service quality. Specifically, managers can identify areas of high service responsiveness, that is, areas in which overall satisfaction is low but customers are highly responsive to improvements in service quality. The authors estimate the spatial patterns using geographically weighted regression, a technique that accounts for spatial dependence in the variables. They apply this methodology to a large national sample of automobile customers served by a network of dealerships across the United States. The authors also investigate the extent to which factors related to the physical and psychological landscape explain the importance that people in different regions place on dealership service and vehicle quality.”

42. **Viswanath Umashanker Trivedi, Mohamed Shehata & Bernadette Lynn**, *Impact of Personal and Situational Factors on Taxpayer Compliance: An Experimental Analysis*, 47 J. BUS. ETHICS 175, 175 (2003).

“This study used a laboratory experiment with monetary incentives to test the impact of three personal factors (moral reasoning, value orientation and risk preference), and three situational factors (the presence/absence of audits, tax inequity, and peer reporting behavior), while controlling for the impact of other demographic characteristics, on tax compliance. Analysis of Covariance (ANCOVA) reveals that all the main effects analyzed are statistically significant and robustly influence tax compliance behavior. These results highlight the importance of obtaining a proper understanding of these factors for developing effective policies for increasing the level of compliance, and indicate that standard enforcement polices based on punishment alone should be supplemented by an information system that would acquaint tax payers with the compliance level of other tax payers; reinforce the concept of fairness of the tax system among taxpayers; and develop programs that enhance and appeal to a taxpayer’s moral conscience and reinforce social cohesion.”

43. **Yuen J. Huo, Heather J. Smith, Tom R. Tyler, & E. Allan Lind**, *Superordinate Identification, Subgroup Identification, and Justice Concerns: Is Separatism the Problem; Is Assimilation the Answer?*, 7 PSYCHOL. SCI. 40, 40 (1996).

“The diversity of American society raises concerns about whether authorities can maintain social cohesion amid competing interests and values. The group-value model of justice suggests that authorities function more effectively when they are perceived as fair (e.g., benevolent, neutral, and respectful). However, such relational evaluations may be effective only if authorities represent a

group with which people identify. In a diverse society, subgroup memberships may assume special importance. People who identify predominantly with a subgroup may focus on instrumental issues when evaluating a superordinate-group authority, and conflicts with that authority may escalate if those people do not receive favorable outcomes. Results indicate that subgroup identification creates problems for authorities only when people have strong subgroup identification and weak superordinate-group identification. As long as people identify strongly with the superordinate group, even if they also identify strongly with their subgroup, relational issues will dominate reactions to authorities.”