

IV. TAS Research Initiatives

The National Taxpayer Advocate is a strong proponent of the role of theoretical, cognitive, and applied research in effective tax administration. The Office of the Taxpayer Advocate is conducting and collaborating with the IRS on a number of research initiatives. A primary focus of these efforts is to determine how best to minimize taxpayer burden, while also supporting the IRS's efforts to increase voluntary compliance.

Following is a discussion of the research initiatives that TAS is conducting or participating in for the remainder of FY 2012 and in FY 2013.

A. Evaluation and Ranking of Core Taxpayer Service Offerings

The IRS is under increased pressure to review funding for its taxpayer service activities. The National Taxpayer Advocate is concerned that the IRS could make critical funding decisions without thorough and balanced consideration of all of the important factors that relate to service delivery. She therefore proposed that TAS work with the IRS to develop a comprehensive method of evaluating its alternatives for delivering services to taxpayers. In response, the Wage and Investment Division has agreed to work with TAS to develop a framework for evaluating IRS service delivery alternatives, and together we have begun work on this initiative.

In initial discussions, W&I and TAS have agreed to base this framework on the concepts and principles the IRS developed to evaluate service delivery as part of its Taxpayer Assistance Blueprint (TAB) initiative.²⁸⁹ Fundamental to this approach is the recognition that service delivery options should be evaluated from both the taxpayer and government perspectives, and decisions should be based on an appropriate balance of these perspectives.

The team is currently focused on the taxpayer perspective. The team is exploring whether the IRS can build on evaluation methods implemented in the W&I Taxpayer Choice Model (TCM) to develop an effective methodology for estimating the "taxpayer value" of a broad range of service delivery options. The TCM uses data from surveys that explored how taxpayer preferences change in response to changes in features of service delivery, such as the time needed to complete the service task, the extent to which the task has been resolved,

289 In response to a congressional mandate in 2005, the IRS developed a plan for determining how to provide services to taxpayers in the future. As part of this plan, known as the Taxpayer Assistance Blueprint (TAB), the IRS conducted a number of research studies to gain insight into taxpayers' preferences, use of IRS services, and willingness to use various IRS service channels to obtain information or resolve tax issues. The TAB included two phases. The phase 1 report, completed in April 2006, evaluated preliminary IRS research on taxpayer needs and preferences. It established a baseline of taxpayer services, examined and conducted leading practices research, and created strategic improvement themes. The phase 2 report, in April 2007, built upon the themes identified in Phase 1 and employed significant additional research and analysis to develop a five-year service delivery plan. IRS, *Annual Report to Congress, Progress on the Implementation of The Taxpayer Assistance Blueprint, October 2010 to September 2011* (Mar. 14, 2012) available at <http://irs.gov/pub/irs-pdf/p4701.pdf>.

and information required from the taxpayer to complete the task. The TCM computes a “taxpayer value” score for service delivery scenarios based on the values of these features.

This taxpayer value score could potentially serve as a raw score for a given service delivered at a certain level as described by its features: time, channel, issue resolution, etc. The initial score could then be adjusted to represent a final estimate of taxpayer value. Possible adjustments to the raw score include:

- Scaling this score by the estimated number of users, where some are weighted more than others based on their dependence on the IRS for the service in question, *e.g.*, low income taxpayers would be weighted more heavily.
- Multiplying the scaled score by a factor that represents the importance of this service relative to all others. This adjustment would allow services such as account-related services that address economic hardship issues to have more weight than other issues.

We anticipate that the team will begin work on developing a framework for the government perspective in the fourth quarter of FY 2012. In FY 2013 the team will work on integrating the taxpayer perspective and government perspective methodologies to produce a final score that can rank a given service delivery option against competing alternatives. With this information, the IRS can identify a set of core services that are fundamental to taxpayer compliance and can notify Congress when funding levels threaten the effective delivery of those services.

B. Earned Income Tax Credit (EITC) Examination Effectiveness

Taxpayers working near or at minimum wage levels tend to have lower levels of education and financial literacy. They are also likely less skilled at dealing with the IRS on issues involving complicated matters of tax law and procedure. The law clearly places the burden of proof on the taxpayer, but if he or she does not have a good understanding of the applicable tax laws and cannot skillfully negotiate a challenging audit process, it can be difficult to reach the goal of a correct audit outcome. The National Taxpayer Advocate is concerned that various audit barriers may be preventing many taxpayers from receiving the EITC to which they are entitled. TAS is collaborating with the Wage and Investment Division, Small Business/Self-Employed Division, and National Office Research to test whether alternative approaches to EITC correspondence audits impact the audit change rate, suggesting that the IRS denies some taxpayers the EITC for which they qualify. This study was

initiated in response to recommendations TAS has made in past years.²⁹⁰ Results will help guide recommendations for improvements to the audit process.

The first phase of the study began during the 2011 filing season and concluded in the second quarter of fiscal year (FY) 2012. A representative sample of taxpayers undergoing EITC correspondence audits was selected as a test group for an enhanced approach to communication during the audit. IRS correspondence examiners were instructed to place outbound calls to taxpayers in this test group at two points during the process: about ten days after the initial contact letter and just prior to issuing the Statutory Notice of Deficiency to taxpayers who had not responded.²⁹¹ During the calls, the IRS examiners explained the audit process to the taxpayers and answered their questions. TAS Research is collaborating with National Office Research to evaluate data on audit outcomes to determine if this change in procedures helped taxpayers overcome communication barriers. We expect to conclude this analysis by the end of the fourth quarter of FY 2012.

During the second study phase, which started in the second quarter of 2012, the IRS is referring taxpayers who did not retain all of their EITC and who did not agree to their audit outcomes to TAS. TAS Case Advocates then will attempt to contact these taxpayers to help them through the process of proving eligibility for the credit. TAS Research will analyze the final audit outcomes after this phase to determine whether TAS assistance impacted the results. Our goal is to complete this study by the end of December 2012.

C. Estimating the Impact of Liens on Taxpayer Compliance Behavior

At the request of the National Taxpayer Advocate, TAS Research investigated the impact of Notices of Federal Tax Lien (NFTL) on the compliance behavior and income of delinquent taxpayers and published the results in the 2011 Annual Report. TAS Research is conducting additional research in this area.

TAS is analyzing the impact of lien filing on the subset of taxpayers included in the 2011 study whose accounts the IRS placed in currently not collectible (CNC) status due to economic hardship. TAS is focusing on this taxpayer segment because we believe that CNC taxpayers are most likely to be harmed financially by lien filing, which could affect their subsequent compliance behavior. TAS will use the same outcome measures used in the study published in the 2011 Annual Report:

290 See National Taxpayer Advocate 2003 Annual Report to Congress 28 (Most Serious Problem: *Earned Income Tax Credit Compliance Strategy*); National Taxpayer Advocate 2004 Annual Report to Congress vol. 2, 43 (Research Study: *EITC Audit Reconsideration Study*); National Taxpayer Advocate 2005 Annual Report to Congress 15 (Most Serious Problem; *Trends in Taxpayer Service*); National Taxpayer Advocate 2005 Annual Report to Congress 113-114 (Most Serious Problem: *Earned Income Tax Credit Exam Issues*); National Taxpayer Advocate 2006 Annual Report to Congress 293-295 (Most Serious Problem: *Correspondence Examination*); National Taxpayer Advocate 2007 Annual Report to Congress 234, 238 (Most Serious Problem: *EITC Examinations and the Impact of Taxpayer Representation*); National Taxpayer Advocate 2007 Annual Report to Congress vol. 2, 96, 107, 116 (Research Study: *IRS Earned Income Credit Audits — A Challenge to Taxpayers*); National Taxpayer Advocate 2009 Annual Report to Congress 118-119, 129 (Most Serious Problem: *Beyond EITC: The Needs of Low Income Taxpayers Are Not Being Adequately Met*).

291 A taxpayer has 90 days (150 days if the notice is mailed to a person outside of the United States) from the date the notice of deficiency is issued to file a petition with the U.S. Tax Court for a redetermination of the deficiency. If no petition is filed within these time periods, the IRS may assess the tax. See IRC § 6213.

- Whether lien filing positively or negatively impacted taxpayers' *payment behavior* with respect to the original liabilities they incurred in 2002;²⁹²
- Whether lien filing positively or negatively impacted taxpayer *payment compliance* in subsequent periods;
- Whether lien filing positively or negatively impacted taxpayer *filing behavior* in subsequent periods; and
- Whether lien filing positively or negatively impacted taxpayer *income* in subsequent periods.

TAS will share results with the IRS for review and comment. TAS expects to complete this research by the end of FY 2012.

TAS will also monitor the impact of IRS changes to lien filing thresholds on lien filing patterns to evaluate whether to pursue additional research in other areas. These areas include investigating the interactions among the outcome measures TAS studied in 2011 (discussed above). For example, declines in taxpayers' incomes may affect their ability to pay down their tax liabilities. Conversely, lien filing may motivate taxpayers to stay current with new liabilities. More generally, existing liabilities may motivate both lien and non-lien taxpayers to become non-filers to avoid incurring additional liabilities, but may impact lien taxpayers more because they are less able to pay due to decreased incomes. TAS may also investigate whether lien filing is more effective for taxpayers who have significant assets.

Finally, TAS may build on previous research and further explore the extent to which payments credited to lien taxpayers were attributable to sources other than the lien.²⁹³ TAS anticipates that any additional research activities would begin in the first quarter of FY 2013 and extend throughout 2013. TAS will invite the IRS to collaborate on this research.

D. Factors Impacting Taxpayer Compliance

TAS is pursuing a multi-year initiative to explore the factors that motivate taxpayer compliance behavior. Broadly speaking, these factors include not only the expected likelihood and cost of getting caught cheating (called "economic deterrence"), but other factors such as compliance norms, trust in the government and the tax administration process, complexity and the convenience of complying, and the influence of preparers.

For the first phase of the study, TAS contracted with a vendor to help design and conduct a telephone-based survey, which includes objectives such as identifying and quantifying the major factors that drive taxpayer compliance behavior. TAS is gauging the respondents'

292 All the taxpayers included in our 2011 study incurred unpaid individual tax liabilities in 2002 and had no such liabilities at the beginning of that year.

293 In prior research, TAS found that most payments credited to lien taxpayers were attributable to sources other than the lien, such as refund offsets. See National Taxpayer Advocate 2009 Annual Report to Congress vol. 2, 1-18 (*The IRS's Use of Notices of Federal Tax Lien*).

level of compliance by using the IRS's Discriminant Index Function (DIF), a mathematical technique used to score the audit potential of a tax return.²⁹⁴

In 2011, TAS completed the survey design, developed the sample, and obtained Office of Management & Budget (OMB) approval.²⁹⁵ During the first half of 2012, the vendor administered the survey to two different groups of taxpayers with sole proprietor (*i.e.*, Schedule C, *Profit or Loss from Business (Sole Proprietorship)*) income: a representative national sample of taxpayers; and a sample of high and low-compliance communities. Inclusion of the community sample will enable TAS to better evaluate whether taxpayers' affiliations within their communities appear to influence compliance behavior.

In the second half of 2012, TAS and the vendor will analyze the survey results to determine whether there is a significant correlation between relevant taxpayer attitudes and beliefs and taxpayer compliance behavior. Our goal is to complete the analysis and publish our results by the end of December 2012. TAS anticipates that the research will identify factors besides economic deterrence that significantly influence taxpayer compliance behavior. In 2013, TAS will conduct additional research to better understand these factors and explore how they might help the IRS improve voluntary tax compliance.

E. IRS Settlements of EITC Tax Court Cases

TAS is conducting a study to determine if Earned Income Tax Credit cases closed through a settlement after the taxpayer petitioned Tax Court could have been resolved administratively during the audit process, thereby reducing burden and expense for both the taxpayer and the IRS.

Decision documents for settled cases sometimes show there was no deficiency in tax — *i.e.*, that the IRS apparently conceded the case in full. The study focuses on these cases, specifically those in which disallowed EITC was an issue. This research seeks to answer why the IRS conceded the cases in full only after the taxpayer petitioned Tax Court. If these cases present common elements, the IRS may be able to adjust its procedures so it can make concessions, where appropriate, earlier (perhaps during the audit phase, or in any event, before the taxpayer files a Tax Court petition), which reduces taxpayer burden and conserves resources by reducing or eliminating Appeals or Chief Counsel involvement.

In the fall of 2011, TAS Research developed a representative sample of Tax Court EITC cases settled with no deficiency in tax. A TAS team headed by a staff attorney advisor reviewed the sample in the first half of 2012. This fall, Research will analyze the data collected during the sample review and provide findings to the team tasked with writing a final report. TAS anticipates completing this report in December 2012.

294 IRM 4.1.3.2 (Oct. 24, 2006). The DIF uses information obtained and periodically updated from the National Research Program (NRP) to create these mathematical formulas. Returns with high DIF scores generally have a higher probability of being adjusted on audit than other returns of the same type.

295 The Paperwork Reduction Act (44 U.S.C. Chapter 35) requires that federal agencies receive OMB approval before certain information is collected from the public.

F. TAS Underserved Study

TAS Research is working with other TAS functions and a vendor to analyze the results of a national mail survey. TAS and the vendor jointly developed the survey in the fall of 2011, and the vendor administered it during the spring of 2012. Objectives include identifying and characterizing the TAS underserved taxpayer population. TAS will use the results to develop an informative profile of the TAS underserved population, including attributes such as age, income, family size, preparer usage, attitudes about the IRS, awareness of TAS services, health care coverage, and Internet usage (among others). TAS's goal is to develop this profile by the end of December 2012.

TAS is also working with the vendor to develop a companion telephone-based survey targeting Spanish-speaking U.S. residents not included in the national survey. This will enable TAS to extend its profile coverage to this growing segment of the taxpayer population. TAS plans to complete the survey and profile by the end of April 2013.

G. IRS Pre-Refund Wage and Withholding Verification

In FY 2011, the Accounts Management Taxpayer Assurance Program delayed nearly two million refund claims, identifying them as questionable or potentially fraudulent.²⁹⁶ The Electronic Fraud Detection System selected over one million returns for screening, a 72 percent increase from the previous year.²⁹⁷ In addition to these questionable refund claims selected by EFDS, AMTAP also identified over 893,000 returns as part of the Operation Mass Mail (OMM) scheme in calendar year (CY) 2011.²⁹⁸

While the number of returns screened by EFDS rose by 72 percent, AMTAP staffing grew by less than nine percent,²⁹⁹ causing inventory to grow to 690,000 cases at one point during the 2011 filing season.³⁰⁰ As inventory levels increase, so do the delays in responding to legitimate refund claims. TAS case receipts often reflect the effects of systemic problems within the IRS. In FY 2011, TAS received over 21,000 pre-refund cases, a 504 percent

296 The Electronic Fraud Detection System (EFDS) is one tool the IRS uses to select questionable returns for verification prior to releasing refunds. EFDS selected 1,054,704 questionable returns for screening in calendar year (CY) 2011. The IRS stopped an additional 893,267 potentially fraudulent returns as part of the Operation Mass Mail (OMM) program. See Wage and Investment (W&I) Division response to TAS information request (July 27, 2011, and updated Nov. 4, 2011). See also *The IRS Should Take Steps to Limit Opportunities for Refund Fraud, While Not Unreasonable Delaying Legitimate Refund Claims, supra*.

297 The volume of returns selected to be screened rose from 611,845 in CY 2010 to 1,054,704 in CY 2011 (through Oct. 15, 2011), a 72 percent increase. See W&I response to TAS information request (July 27, 2011, and updated Nov. 4, 2011).

298 AMTAP identified 893,267 OMM returns through October 15, 2011. Email from AMTAP analyst (Nov. 4, 2011). Tax returns identified as being part of this scheme are not processed (*i.e.*, they are "auto-voided," in IRS parlance). The rules used to identify an OMM return are sweeping in their reach and have the potential to ensnare many legitimate taxpayers. The National Taxpayer Advocate is not at liberty to disclose these OMM criteria, but has expressed her concern to the highest levels of the IRS about the sweep of these rules and their underlying assumptions.

299 The AMTAP staff increased from 336 in FY 2010 to 366 in FY 2011, a gain of about nine percent. See W&I response to TAS information request (July 27, 2011).

300 TAS notes from IRS Decedent Schemes conference call (Apr. 25, 2011).

increase over cases received in FY 2010.³⁰¹ Taxpayers coming to TAS with pre-refund problems ultimately received relief 75 percent of the time.³⁰²

During 2012, TAS Research will collaborate with other TAS functions to monitor and analyze the pre-refund wage and withholding verification process and the resulting TAS caseload. TAS will focus on statistics that highlight the impact of this process on taxpayers, such as the number of taxpayers ultimately receiving refunds that the IRS subjected to holds and the length of the holds. TAS's goal is to complete these analyses in time for inclusion in the 2012 Annual Report to Congress.

TAS will also analyze a representative sample of its "held refund" cases to identify and quantify the main reasons the cases came to TAS. TAS Research will summarize the important findings from this analysis and identify the "highest risk" TAS cases, *i.e.*, the types of refund hold issues most likely to come to TAS. The report will include recommendations for how the IRS can more effectively handle these case types. TAS anticipates completing this report by the end of July 2013.

H. 2012 Survey of Taxpayer Assistance Customers

The National Taxpayer Advocate oversees the Taxpayer Advocacy Panel, a federal advisory committee consisting of citizen volunteers who work to improve IRS services by providing the taxpayer's perspective to various IRS operations. One of the group's efforts is to improve in-person interactions at IRS Taxpayer Assistance Centers.

Early in FY 2012, the National Taxpayer Advocate suggested that TAP members, assisted by TAS Research and Systemic Advocacy, develop a survey and work with TAS and the Wage and Investment Field Assistance organization to administer the survey to customers waiting for service at a TAC. The volunteers visited 37 TAC offices across the country, within driving distance of the members' homes, during the week of April 9. The questions were designed to give the IRS a better understanding of customers' reasons for visiting a TAC:

- What services are taxpayers seeking?
- What other IRS service channels do taxpayers use before visiting a TAC?
- Do TAC users have Internet access at home?
- What kind of computer skills do taxpayers visiting a TAC possess?
- How long does it take customers to get to TAC offices?
- Are customers willing to interact with IRS using technology rather than visiting a TAC?
- What are the characteristics of TAC users?

301 See also *The IRS Should Take Steps to Limit Opportunities for Refund Fraud, While Not Unreasonable Delaying Legitimate Refund Claims*, *supra*.

302 Data obtained from TAMIS (Oct. 1, 2011).

Volunteers returned 664 completed surveys.³⁰³ While these results are not statistically representative of all TAC visitors, they represent the needs and activities of a sizable number of customers during one week in the tax filing season. TAS Research analyzed the information and obtained the following preliminary results:

The main reasons customers expressed for visiting the TAC office included (could give more than one answer):

- Get an answer to a tax question (20.5 percent³⁰⁴);
- Obtain tax forms, instructions, or publications (19.0 percent);
- Resolve an IRS notice or letter-related issue (17.2 percent);
- File a tax return or form (12.7 percent);
- Make a payment (11.6 percent); and
- Have a current-year return prepared (10.2 percent)

Most respondents tried to use some other IRS service before going to the TAC (only 35.5 percent did not). About one of every three people, or 34 percent, visited the IRS.gov and one of every four, or 25 percent, called the IRS before visiting the TAC.

When asked why they visited the TAC office rather than using some other IRS service, about 33 percent said they had visited a TAC before, nearly 30 percent indicated they wanted to talk face-to-face with an IRS representative, 20.5 percent stated the office was close to home, and nearly 15 percent said the issue was time-sensitive or urgent.

About one of every three people said they would be willing to interact with IRS virtually (using something similar to Skype). Another 26 percent did not reject the idea, but were not sure if it would work for them.

While a number of participants responded positively to the idea of using technology to communicate with the IRS, more than one of four respondents indicated they do not have Internet access at home and rated their computer or Internet skills as “limited” or below.

Participants also had the opportunity to provide comments or suggestions for improving IRS services. The largest group of these comments pertained to the TACs’ lack of staffing, long wait times, and limited hours of operation. Others complimented the TAC staff and the service provided. The disparity indicates that service and expectations can vary noticeably from one TAC to another.

303 The response rate for the survey was approximately 66 percent. The survey was only available in English, so if we exclude one office whose clientele primarily spoke and read Spanish only, the response rate rises to about 70 percent.

304 Percentages shown are out of all 664 respondents. Some respondents did not answer all questions.

This preliminary review provides some interesting insights into the needs and activities of taxpayers who visited a TAC during the last week of the 2012 filing season. Additional analyses will focus on the issues, needs, and preferences of different segments of customers. In FY 2013, TAS will deliver a more detailed report in the Annual Report to Congress.

V. Case Advocacy

The role of TAS as an independent organization within the IRS has continued to evolve since the enactment of the IRS Restructuring and Reform Act of 1998, which created TAS in its current form.³⁰⁵ Congress designed TAS to be a “safety net” for taxpayers who are experiencing problems with the IRS, and gave TAS the discretion to establish its case-acceptance criteria. Taxpayers come to TAS when:

- They have experienced a tax problem that causes financial difficulty;
- They have encountered problems trying to resolve their issues directly with the IRS; or
- An IRS action or inaction has caused or will cause them to suffer a long-term adverse impact, including a violation of their rights.³⁰⁶

The last taxpayer survey TAS commissioned found that, at any given time, between 5.9 million and 12.6 million taxpayers have problems that fit within TAS’s case-acceptance criteria.³⁰⁷ TAS cannot possibly help that many taxpayers. Fortunately, Congress gave TAS discretion to establish its criteria, so we can set priorities based on where the National Taxpayer Advocate believes TAS best helps taxpayers. There are at least four categories of cases where TAS adds significant value:

1. Where a taxpayer is experiencing some kind of financial difficulty, emergency, or hardship, and the IRS needs to move much faster than it usually does under its normal procedures. In those cases, time is of the essence. If the IRS does not act quickly (*e.g.*, to remove a levy or release a lien), the taxpayer will experience even more financial harm.
2. Where there are many different IRS functions and steps involved, and a “coordinator” or “traffic cop” is needed to make sure all functions do their part. TAS plays that role.
3. Where the taxpayer has tried to resolve a problem through normal IRS channels but those channels have broken down.
4. Where the taxpayer is presenting unique facts or unique issues (including legal issues), and the IRS is applying a “one size fits all” approach, or is not listening to or disagrees with the taxpayer, or is not recognizing that we need to develop new guidance to address that taxpayer’s circumstances appropriately.

In FY 2011, TAS assessed where its efforts have the greatest impact, and identified four categories of return processing issues in which the IRS, left to its own devices, seemed to

305 See Appendix I: *Evolution of the Office of the Taxpayer Advocate, infra*.

306 For a detailed list of TAS’s case acceptance criteria, see Appendix II, *infra*.

307 Russell Research, *Report of Findings from 2007 Market Research for the Taxpayer Advocate Service 8* (Sept. 6, 2007).

get the right answer, albeit slowly. Those cases involve processing original tax returns, amended returns, rejected and unpostable returns,³⁰⁸ and injured spouse claims.³⁰⁹

When it comes to pure processing issues, the IRS is simply backed up. In the overwhelming majority of these cases, the IRS places the taxpayer's submission in the queue and processes it in the order received. TAS found that by the time such a case was transferred to TAS, assigned to a case advocate, and the employee made the initial contacts with the taxpayer and the IRS, the IRS had often already done what the taxpayer wanted. TAS really made no difference in those cases. For that reason, the National Taxpayer Advocate determined that TAS generally will not accept cases involving these four categories of pure processing issues so it can focus its resources on higher impact problems.

However, there are significant exceptions to this policy. In cases involving the four categories enumerated above, TAS will still take the case if the taxpayer:

- Is suffering an economic burden;
- Has related issues (*e.g.*, an amended return needs to be processed quickly because the IRS has created a substitute for return and is trying to collect, and the amended return will eliminate or minimize the tax liability);³¹⁰
- Is referred by a congressional office; or
- Specifically requests TAS assistance.

TAS announced this policy as temporary and will continue to monitor how it is working in FY 2012.³¹¹ Through April 30, 2012, TAS has experienced a decrease of 19,325 related case receipts in these four categories from FY 2011, giving case advocates more time to work the issues where TAS brings the most value.³¹²

308 An unpostable return is a return that does not pass all of the required computer checks to complete processing and update a taxpayer's account. These returns require intervention by an IRS employee in order to resolve the problem that prevented the return from being processed.

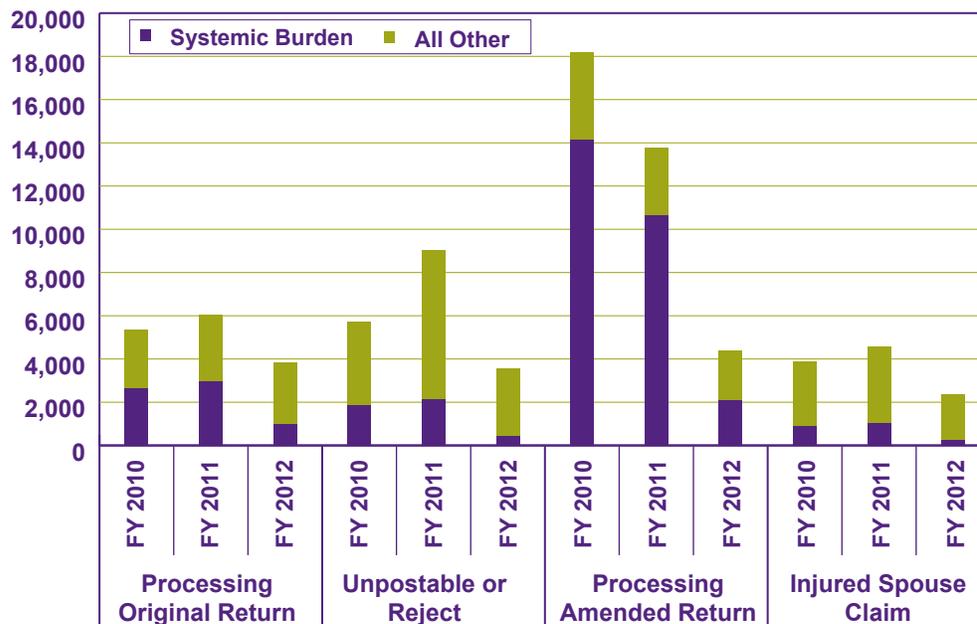
309 An injured spouse claim is filed on Form 8379, *Injured Spouse Allocation*, by one spouse (the injured spouse) on a jointly filed tax return when the joint overpayment was (or is expected to be) applied (offset) to a past-due obligation of the other spouse. By filing Form 8379, the injured spouse may be able to get back his or her share of the joint refund.

310 A substitute for return is a tax return prepared by the IRS for a taxpayer when the agency has no record of receiving a return and has not been able to obtain one from someone who was expected to file.

311 See TAS Interim Guidance Memorandum TAS-13.1.7-0911-014, *Interim Guidance on Changes to Case-Acceptance Criteria* (Sept. 1, 2011), available at http://www.irs.gov/pub/foia/ig/tas/tas_13.1.7-0911-014.pdf.

312 Data obtained from TAMIS (May 1, 2011; May 1, 2012).

FIGURE V.1, CASE RECEIPT DATA FOR ISSUES SUBJECT TO THE NARROWING OF TAS CASE ACCEPTANCE CRITERIA, CUMULATIVE THROUGH APRIL FOR FY 2010, FY 2011 AND FY 2012³¹³



In FY 2013, TAS will analyze the case issues that were temporarily not accepted under the policy change to determine if the taxpayers received the service they needed from the IRS. We will look at TAS economic burden cases with these issues present to determine if a lack of service by the IRS resulted in the burden and referral or acceptance in TAS, and will sample accounts from the IRS population for these issues to determine if taxpayers were served effectively.

A. Although TAS Fiscal Year 2012 Case Receipts Have Decreased, Their Urgency, Complexity, and Difficulty Have Increased

Overall, TAS case receipts have decreased by 27 percent through the first seven months of FY 2012 compared to the same period in FY 2011.³¹⁴ Most of this decrease is a result of the narrowing of TAS’s case acceptance criteria, as discussed above, and of a decline in receipts related to the First-Time Homebuyer Credit. Through April FY 2012, TAS received

313 Data obtained from TAMIS (May 1, 2010; May 1, 2011; and May 1, 2012).

314 Data obtained from TAMIS (May 1, 2012; May 1, 2011). TAS received 118,025 cases through April 30, 2012 and 161,274 cases through April 30, 2011.

2,220 FTHBC cases as compared to 22,874 cases during the same period in FY 2011.³¹⁵ Through April 30, TAS has received 118,025 cases in FY 2012, closed 128,599, and provided relief to taxpayers in 76.7 percent of the cases closed.³¹⁶ Figure V.2 shows TAS FY 2012 receipts, closures, and relief rates by case category through the end of April.

FIGURE V.2, TAS CASE RECEIPTS, CLOSURES, AND RELIEF RATES, FY 2012 CUMULATIVE THROUGH APRIL³¹⁷

	Receipts	Closures	Relief Rate
Economic Burden	71,283	62,944	73.2%
Systemic Burden	45,893	65,277	80.1%
Equitable Treatment or Taxpayer Rights Issues	109	134	74.6%
Public Policy	740	244	47.5%
Total Cases	118,025	128,599	76.7%

1. Economic Burden Case Trends

As reflected in Figure V.2 above, the bulk of TAS's cases involve economic or systemic burden. While TAS strives to expeditiously resolve all cases meeting criteria, it places special emphasis on helping taxpayers experiencing financial difficulty. In these instances, TAS requires case advocates to take specific actions to expedite initial case processing, and to contact the taxpayer to communicate these actions and request additional information (if needed) within three workdays of when TAS received the case.³¹⁸ As shown in Figure V.3, TAS's economic burden receipts have risen consistently since FY 2008. In fact, for the first time in TAS's history, the percentage of economic burden case receipts is larger than the percentage of systemic burden case receipts.³¹⁹

315 Data obtained from TAMIS (May 1, 2012; May 1, 2011). The FTHBC was generally available to taxpayers who entered into a written binding contract before May 1, 2010, to close on the purchase of a principal residence before July 1, 2010 and who purchased such residence before October 1, 2010. TAS expects case receipts to continue to decline. IRC § 36(h)(1) and (2). For additional discussion of the FTHBC, see National Taxpayer Advocate 2009 Annual Report to Congress 506-509; National Taxpayer Advocate 2010 Annual Report to Congress 15-27, 513-515 (Most Serious Problem: *The IRS Mission Statement Does Not Reflect the Agency's Increasing Responsibilities for Administering Social Benefits Programs*) (Case Advocacy: *TAS Assists the IRS with the Administration of the First-Time Homebuyer Credit*); National Taxpayer Advocate FY 2011 Objectives Report to Congress 37-43; National Taxpayer Advocate FY 2012 Objectives Report to Congress 28-32; *Hearing on Tax Filing Season Update: Current IRS Issues, Before the S. Comm. on Finance, 111th Cong.* (statement of Nina E. Olson, National Taxpayer Advocate) (Apr. 15, 2010); *Hearing on Complexity and the Tax Gap: Making Tax Compliance Easier and Collecting What's Due*, Hearing Before the S. Comm. on Finance, 112th Cong. (statement of Nina E. Olson, National Taxpayer Advocate) (June 28, 2011); National Taxpayer Advocate FY 2011 Annual Report to Congress 687-689 (Case Advocacy: *Policymakers Can Learn from the Implementation of the FTHBC*).

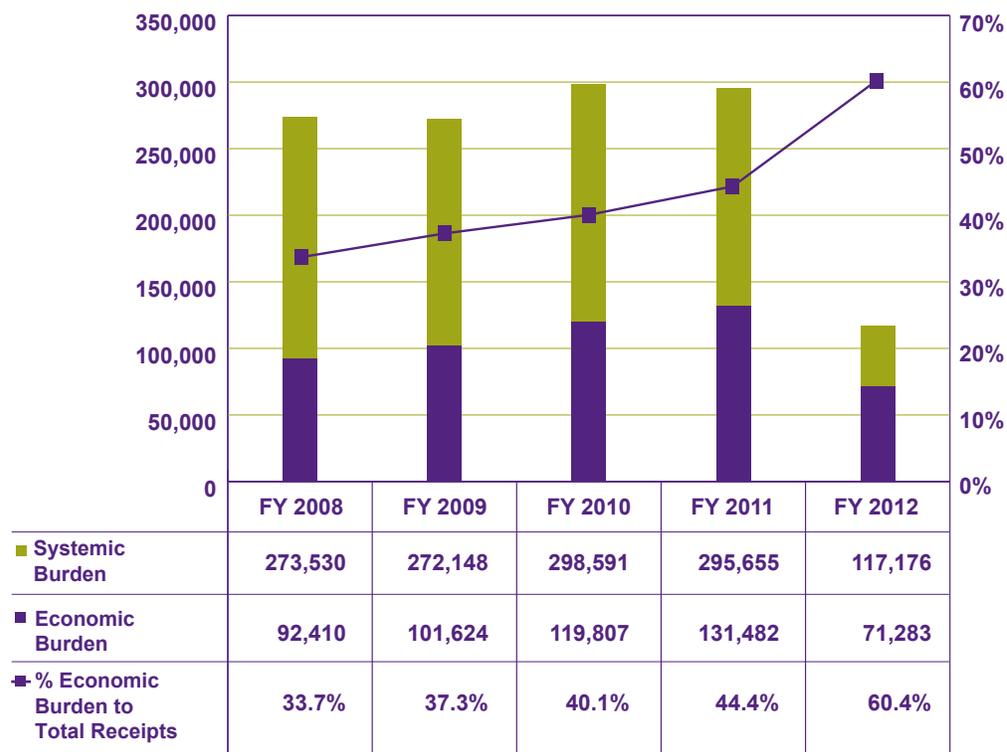
316 TAS determines relief rates based upon whether TAS is able to provide full or partial relief or assistance on the issue initially identified by the taxpayer. Because TAS frequently provides relief on issues that differ from the ones the taxpayer initially identified, the relief rate, as calculated, is understated. Data obtained from TAMIS (May 1, 2012). TAS uses TAMIS to record, control, and process taxpayer cases, as well as to analyze the issues that bring taxpayers to TAS.

317 Data obtained from TAMIS. TAS tracks resolution of taxpayer issues through codes entered at the time of closing on TAMIS and requires case advocates to indicate the type of relief or assistance they provided to the taxpayer. See IRM 13.1.21.1.2.1.2 (Mar. 31, 2011). 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 by the total number of closures.

318 IRM 13.1.18.2(1) (Feb. 1, 2011).

319 Data obtained from TAMIS.

FIGURE 5.3, TAS ECONOMIC BURDEN AND SYSTEMIC BURDEN RECEIPTS, AND PERCENTAGE OF ECONOMIC BURDEN TO TOTAL RECEIPTS, FY 2008 THROUGH FY 2011 AND FY 2012 (CUMULATIVE THROUGH APRIL)³²⁰



With unemployment rates hovering around 8.2 percent, and 42.8 percent of the jobless out of work for 27 weeks or more, it is hardly surprising that taxpayers experiencing economic burden are coming to TAS for help.³²¹ However, to identify the immediate causes of increasing economic burden receipts, TAS tracks the underlying tax issues. Figure V.4 lists the top five economic burden issues so far in FY 2012.

320 Data obtained from TAMIS. TAS retrieved the data on the first day of the month following the end of each fiscal year for FY 2008 through FY 2012 and first day of the month following the end of the April for FY 2012.

321 Bureau of Labor Statistics (BLS), *The Employment Situation* – May 2012 (Jun. 1, 2012).

FIGURE V.4, TOP FIVE ECONOMIC BURDEN CASE ISSUES FOR FY 2012 THROUGH APRIL, COMPARED TO FY 2010 AND FY 2011³²²

Rank	Issue Description	FY 2010	FY 2011	Percentage Change	FY 2011 Cumulative through April	FY 2012 Cumulative through April	Percentage Change
1	Identity Theft	7,655	21,500	180.9%	8,678	16,325	88.1%
2	Pre-Refund Wage Verification Hold	1,210	8,616	554.6% ³⁰¹	2,749	6,430	133.9%
3	Levies (including Federal Payment Levy Program) ³⁰²	15,263	13,299	-12.9%	7,856	6,387	-18.7%
4	IRS Offset	5,318	5,617	5.6%	4,888	4,000	-18.2%
5	Expedite Refund Request	8,073	6,408	-20.6%	5,075	3,555	-30.0%

Identity theft (IDT)³²⁵ is the number one issue in economic burden case receipts and, as shown in the next section, is the leading overall reason taxpayers seek TAS assistance.³²⁶ Through April, FY 2012 identity theft cases have increased almost 62 percent over FY 2011.³²⁷ Of the 21,743 taxpayers who came to TAS with this issue through April of FY 2012, 16,325 — or 75 percent — were experiencing economic burden.³²⁸

Levy issues are third on the list of economic burden case issues. As shown above, however, economic burden levy receipts have decreased almost 19 percent from FY 2011 (through April 2011) compared to the same period in FY 2012. Economic burden collection receipts in general have fallen by more than 14 percent in FY 2012 (through April) compared to

³²² Data obtained from TAMIS (Oct. 1, 2010; Oct. 1, 2011; May 1, 2011; and May 1, 2012). TAS computed the top five economic burden cases using only Primary Issue Codes (PIC). Often TAS cases involve more than one issue and TAS tracks this data, however these are not included within this computation to avoid counting a case more than once.

³²³ Because TAS did not use PIC 045 until March 24, 2010, a more appropriate comparison would be between the economic burden PIC 045 receipts from the last two quarters of FY 2011 (6,913 cases) and the last two quarter of FY 2010 (1,056 cases), which represents a 554.6 percent increase. The 8,616 economic burden pre-refund wage verification (PIC 045) cases actually represent a 612 percent increase over the 1,210 PIC 045 cases received in FY 2010. For more information about pre-refund wage verification holds, see *The IRS Should Take Steps to Limit Opportunities for Refund Fraud, While Not Unreasonably Delaying Legitimate Refund Claims*, *supra*.

³²⁴ The Federal Payment Levy Program (FPLP) is an automated levy program authorized by IRC § 6331(h). It allows the IRS to levy on certain federal payments disbursed by the Treasury's Financial Management Service (FMS) to taxpayers with an outstanding tax liability. IRM 5.11.7.2 (Aug. 12, 2011). Each week, the IRS creates a file of certain balance due accounts and transmits the file to FMS's Treasury Offset Program. FMS transmits a weekly file back to the IRS listing those that matched. FPLP will subsequently transmit levies on matching accounts. For additional information concerning the FPLP program, see <http://www.irs.gov/individuals/article/0,,id=100551,00.html>.

³²⁵ Identity theft occurs when someone uses your personally identifying information, like your name, Social Security number, or credit card number, without your permission, to commit fraud or other crimes. The Federal Trade Commission estimates that as many as nine million Americans have their identities stolen each year. <http://www.ftc.gov/bcp/edu/microsites/idtheft//consumers/about-identity-theft.html> (last visited Feb. 23, 2012).

³²⁶ For a more detailed discussion of identity theft issues, see the National Taxpayer Advocate's Congressional Testimony Before the Senate Committee on Finance, Subcommittee on Fiscal Responsibility and Economic Growth, *Tax Fraud by Identity Theft, Part 2: Status, Progress, and Potential Solutions* (Mar. 20, 2012), National Taxpayer Advocate 2011 Annual Report Congress 48-73 (Most Serious Problem: *Tax-Related Identity Theft continues to Impose significant Burdens on Taxpayers and the IRS*) and see *The IRS's Identity Theft Victim Assistance Strategy Requires Additional Improvements and Continued Oversight*, *supra*.

³²⁷ See *Top 15 Issues for Cases Received in TAS, FY 2010 through 2011 and FY 2011 and FY 2012 (Cumulative through April)*, *infra*.

³²⁸ Data obtained from TAMIS (May 1, 2012). See *The IRS's Identity Theft Victim Assistance Strategy Requires Additional Improvements and Continued Oversight*, *supra*, and *Tax-Related Identity Theft Work Continues to Increase within TAS*, *infra*.

the same period in FY 2011.³²⁹ This decrease may be attributable in part to a number of taxpayer-favorable collection policy changes in the IRS “Fresh Start” initiative.³³⁰

Pre-Refund Wage Verification Hold (PRWVH) case receipts are second on the list, and represent the fastest-growing type of economic burden case, with an increase of nearly 134 percent through April of FY 2012 compared to the same period in FY 2011. With respect to TAS’s overall case receipts, PRWVH cases have increased over 68 percent through April of FY 2012 compared to FY 2011.³³¹ The increase continues a trend that began in FY 2011, marking the reappearance of questionable refund cases in TAS’s inventory.³³²

B. TAS Case Receipts Are Growing More Complex and Involve Multiple Issues

Multiple issues often indicate a complex case that may require TAS to work with several IRS functions through the Operations Assistance Request (OAR) process.³³³ In FY 2012, nearly 50 percent of all closed cases had one or more issue, see Figure V.5 below.³³⁴

329 Data obtained from TAMIS (May 1, 2011; May 1, 2012). TAS received 13,979 economic burden collection case receipts through April, FY 2011 compared to 11,964 cases for the same period in FY 2012.

330 For a detailed discussion of IRS collection policy changes, see *Collection Update: “Fresh Start” Initiatives – Significant Changes Have Been Made, but Further Improvements Are Needed*, *supra*.

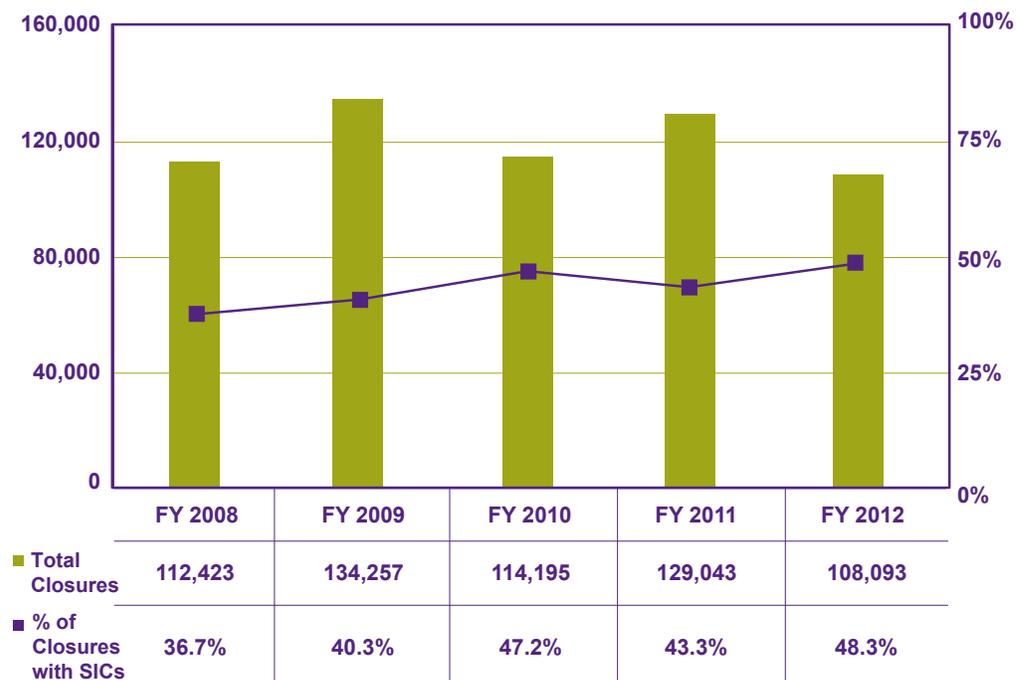
331 Data obtained from TAMIS (May 1, 2012; May 1, 2011).

332 See *The IRS Should Take Steps to Limit Opportunities for Refund Fraud, While Not Unreasonably Delaying Legitimate Refund Claims*, *supra*; *The Questionable Refund Program Results in Significant Delays in Processing Tax Refunds*, *infra*.

333 TAS employees use the OAR process to request the IRS to complete an action on a TAS case when TAS lacks the authority to take that action.

334 Data obtained from TAMIS (Apr.1, 2012; Apr. 9, 2012). The data on the number of cases with multiple issues exclude reopened cases.

FIGURE V.5, TAS CLOSED CASES WITH SECONDARY ISSUE CODES (SIC), CUMULATIVE THROUGH MARCH 31, FY 2008 TO FY 2012³³⁵



As discussed in the previous section, TAS is redirecting its case acceptance criteria so we receive those cases that most need our help, which by definition are more complex and require multiple contacts with the taxpayer and the IRS functions.³³⁶ Accordingly, the raw number of case receipts does not reflect the actual work involved in resolving taxpayer problems.

C. Significant Trends in TAS Case Receipts Help Identify Systemic Problems in Tax Administration

By analyzing the underlying issues in individual casework, TAS identifies trends that also affect larger groups of taxpayers and uses that information to work with the IRS to resolve the broader issues.³³⁷ Figure V.6 lists the top 15 issues facing taxpayers.

³³⁵ Data obtained from TAMIS (Apr. 1, 2008; Apr. 1, 2009; Apr. 1, 2010; Apr. 1, 2011; Apr. 1, 2012).

³³⁶ Some of these case categories are discussed in the following section.

³³⁷ TAS also asks its employees to submit systemic issues they find in TAS cases to the Systemic Advocacy Management System (SAMS). SAMS allows TAS to record and manage advocacy activities that benefit groups of taxpayers. See *Systemic Advocacy, infra*.

FIGURE V.6, TOP 15 ISSUES FOR CASES RECEIVED IN TAS FOR FY 2012 CUMULATIVE THROUGH APRIL, FY 2010 THROUGH 2011³³⁸

Rank	Issue Description	FY 2010	FY 2011	Percentage Change	FY 2011 Cumulative through April	FY 2012 Cumulative through April	Percentage Change
1	Identity Theft	17,291	34,006	96.7%	13,437	21,743	61.8%
2	Pre-Refund Wage Verification Hold	3,171	21,286	504.4% ³¹⁷	4,783	8,059	68.5%
3	Levies (including Federal Payment Levy Program)	18,015	15,466	-14.1%	9,139	7,179	-21.4%
4	Reconsideration of Audits ³¹⁸ and Substitute for Return under IRC § 6020(b) ³¹⁹	12,843	11,902	-7.3%	6,838	5,337	-22.0%
5	Open Audit (Not Earned Income Tax Credit)	26,182	21,397	-18.3%	12,158	5,239	-56.9%
6	Earned Income Tax Credit	11,198	8,729	-22.0%	4,947	4,526	-8.5%
7	IRS Offset	6,865	6,995	1.9%	5,712	4,471	-21.7%
8	Processing Amended Return	30,891	22,743	-26.4%	13,767	4,393	-68.1%
9	Expedite Refund Request	11,755	9,386	-20.2%	6,795	4,344	-36.1%
10	Processing Original Return	11,997	11,578	-3.5%	6,035	3,822	-36.7%
11	Unpostables and Rejects	22,341	13,288	-40.5%	9,056	3,527	-61.1%
12	Installment Agreements	6,039	5,899	-2.3%	3,245	2,583	-20.4%
13	Injured Spouse Claims	7,777	8,295	6.7%	4,556	2,347	-48.5%
14	Closed Automated Underreporter ³²⁰	6,137	5,151	-16.1%	3,194	2,147	-32.8%
15	Civil Penalties other than Trust Fund Recovery Penalties	5,544	5,301	-4.4%	3,042	2,115	-30.5%
Total TAS Receipts		298,933	295,904	-1.0%	161,274	118,025	-26.8%

As shown in Figure V.6 above, Identity Theft and PRWVH are the two issues with increased case receipts in FY 2012.

1. Tax-Related Identity Theft Work Continues to Increase Within TAS

The Identity Protection Specialized Unit, the centralized IRS organization established in 2008 to help identity theft victims, is experiencing unprecedented levels of case receipts.³⁴³

338 Data obtained from TAMIS (Oct. 1, 2010; Oct. 1, 2011; May 1, 2011; and May 1, 2012).

339 Because TAS did not use Primary Issue Code (PIC) 045 until March 24, 2010, a more appropriate comparison for FY 2010 and FY 2011 would be between PIC 045 case receipts from the last two quarters of FY 2011 (18,018 cases) and the last two quarters of FY 2010 (2,981 cases), which represents a 504.4 percent increase. The 21,286 pre-refund wage verification (PIC 045) cases actually represent a 571 percent increase over the 3,171 PIC 045 cases received in FY 2010. For more information about pre-refund wage verification holds, see *The IRS Should Take Steps to Limit Opportunities for Refund Fraud, While Not Unreasonably Delaying Legitimate Refund Claims*, supra.

340 The IRS uses audit reconsideration to reevaluate the results of a prior audit where additional tax was assessed and remains unpaid, or a tax credit was reversed. IRM 21.5.10.4.3 (Oct. 1, 2010).

341 IRC § 6020(b) allows the IRS to prepare a return on behalf of the taxpayer based on available information. The IRS, however, must issue a statutory notice of deficiency to the taxpayer prior to assessing the tax if the tax is a type subject to deficiency procedures. *Millsap v. Comm'r*, 91 T.C. 926, 931-932 (1988).

342 The Automated Underreporter program matches information returns reporting income and deductions submitted by third parties (e.g., Forms 1098, *Mortgage Interest Statement*, and 1099-MISC, *Miscellaneous Income*) against amounts reported on the taxpayer's return. IRM 4.19.3.1(1) (Aug. 16, 2011).

343 For additional information concerning identity theft, see *The IRS's Identity Theft Victim Assistance Strategy Requires Additional Improvements and Continued Oversight*, supra.

As shown in Figure V.7, through April of FY 2012, IPSU receipts have increased over 171 percent compared to FY 2011, while TAS cases have increased by nearly 62 percent.

FIGURE V.7, COMPARISON OF IPSU AND TAS IDENTITY THEFT CASES, FY 2011 AND FY 2012 THROUGH APRIL³⁴⁴

	FY 2011	FY 2012	Percent Increase
IPSU Identity Theft Receipts	89,848	244,037	171.6%
TAS Identity Theft Case Receipts	13,437	21,743	61.8%

In June 2010, the IPSU began working identity theft cases that did not involve economic burden and that TAS had previously accepted.³⁴⁵ In FY 2010, the IPSU handled nearly 3,400 TAS systemic burden cases; in FY 2011, the number of cases increased more than sevenfold to nearly 26,700.³⁴⁶ Despite the agreement that the IPSU would work non-economic burden identity theft cases, TAS still received 5,401 such cases in FY 2012 (through April), indicating that there may be an opportunity to increase awareness of case referrals to the IPSU.³⁴⁷

Since January 2012, TAS stolen identity cases are trending up from prior years. TAS typically sees the largest volume of stolen identity cases during May, June and July. Preliminary data for FY 2012 indicate significant increases may continue, as reflected in Figure V.8 below:

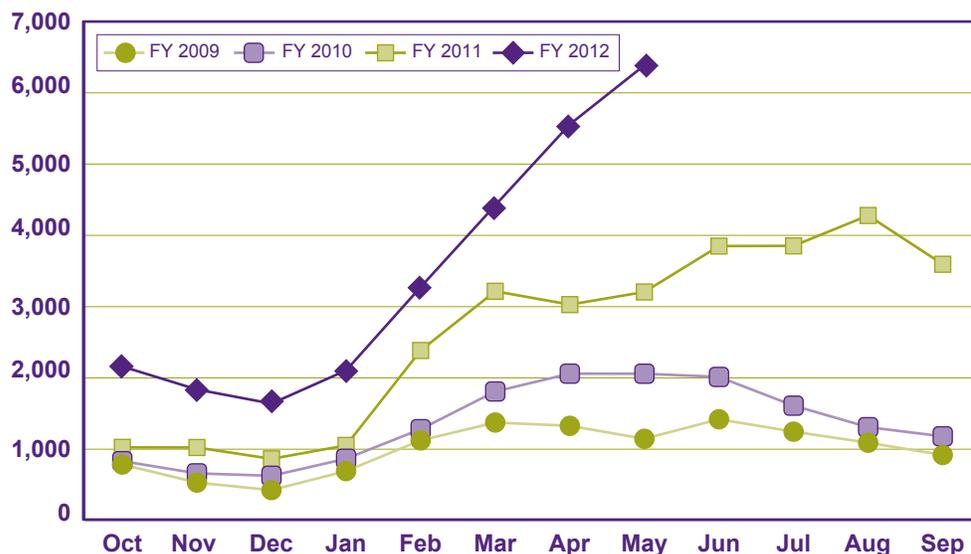
³⁴⁴ IRS, *IPSU Identity Theft Report*, (Apr. 30, 2011; Apr. 28, 2012); and data obtained from TAMIS (May 1, 2011; May 1, 2012).

³⁴⁵ See *Memorandum of Understanding Between the National Taxpayer Advocate and the Commissioner, W&I to Transition TAS Criteria 5-7 Identity Theft Cases to W&I IPSU* (Mar. 31, 2010), available at <http://www.irs.gov/advocate/article/0,,id=171162,00.html>. The following are examples of when TAS would continue to advocate for identity theft victims: (1) the taxpayer declines referral to the IPSU; (2) the IPSU has already tried to provide relief in the past, and has failed; (3) systemic burden cases that require advocacy which might lead to the issuance of a Taxpayer Assistance Order (TAO) on behalf of the taxpayer; (4) taxpayer cases added to TAMIS will remain in TAS and be resolved through the Operations Assistance Request process; (5) taxpayers not satisfied with the assistance provided through the IPSU; (6) taxpayers being assisted by the IPSU, who subsequently face economic burden while the IPSU is processing their request when the IPSU cannot provide relief within 24 hours; (7) congressional cases; and (8) any cases previously open in TAS. See also TAS Interim Guidance Memorandum TAS-13.1.16-1011-011, *Interim Guidance on Referring Identity Theft Criteria 5-7 Cases to the Identity Protection Specialized Unit (IPSU)* (Oct. 18, 2011), available at <http://www.irs.gov/pub/foia/ig/tas/tas-13.1.16-1011-011.pdf>.

³⁴⁶ IRS, *IPSU Identity Theft Report* (Oct. 2, 2010); IRS, *IPSU Identity Theft Report* (Oct. 1, 2011).

³⁴⁷ Data obtained from TAMIS (May 1, 2012).

FIGURE V.8 IDENTITY THEFT RECEIPTS BY MONTH, FY 2009 – FY 2012³⁴⁸



Although significant, TAS’s increased percentage of stolen identity cases pales in comparison to that facing the IRS. There is a continuing need for the IPSU to play a centralized role in managing identity theft cases. In addition, the IRS needs significantly more staffing to address these cases.³⁴⁹

In FY 2013 TAS will:

- Continue to work with the IRS on identity theft issues, recommending improvements and alternative approaches;³⁵⁰
- Elevate emerging identity theft schemes and processing issues identified in TAS case-work for collaborative solutions with the IRS;
- Develop IRM procedures for elevation of identify theft schemes within TAS;
- Analyze systemic identity theft receipts for appropriate referral to the IPSU; and
- Educate TAS and NTA toll-free employees on appropriate criteria for accepting and referring systemic stolen identity cases.

348 Data obtained from TAMIS.

349 *Identity Theft and Tax Fraud*, Hearing Before the Subcommittees on Oversight and Social Security Committee on Ways and Means U.S. House of Representatives 5 (May 8, 2012) (statement of Nina E. Olson, National Taxpayer Advocate).

350 For additional information concerning identity theft, see *The IRS’s Identity Theft Victim Assistance Strategy Requires Additional Improvements and Continued Oversight*, *supra*.

2. The Questionable Refund Program Results in Significant Delays in Processing Tax Refunds

The Questionable Refund Program (QRP) reappeared as a top issue in the form of Pre-Refund Wage Verification Hold cases in FY 2011 and is still a significant issue in FY 2012. Through April of FY 2012, TAS received 8,059 PRWVH cases and closed 8,438, providing some form of relief to taxpayers in 70.7 percent of the closed cases.³⁵¹

The civil side of the QRP, previously administered by the IRS Campus Fraud Detection Centers, moved to the Wage & Investment (W&I) Division's Accounts Management Taxpayer Assurance Program (AMTAP) in October 2009. AMTAP's primary focus is revenue protection. To accomplish this, it selects questionable returns for screening through the Electronic Fraud Detection System (EFDS) to verify the accuracy of taxpayers' wages and withholding before releasing refunds.

As shown below, the number of returns meeting AMTAP criteria has increased 120 percent in FY 2012 (through May 10) over the same period in FY 2011.

FIGURE V.9, NUMBER OF IRS RETURNS MEETING AMTAP CRITERIA AND TAS AMTAP CASE RECEIPTS, FY 2011 AND FY 2012

	FY 2011	FY 2012	Percent Increase
Number of IRS returns meeting AMTAP criteria through May 10, 2012 ³⁵⁰	572,881	1,260,550	120%
Number of TAS AMTAP Case Receipts, through April 30, 2012 ³⁵¹	4,783	8,059	68.5%

Although related TAS receipts have increased significantly, they have grown more slowly than IRS receipts. This would suggest the increase in TAS receipts is not solely attributable to problems with the IRS's handling of AMTAP cases, but may also reflect the reality of the IRS scrutinizing more wage data in an effort to reduce fraud.

In FY 2011, the IRS did not respond to thousands of TAS requests for AMTAP to release legitimate refunds. TAS issued 22,197 Operations Assistance Requests (OARs) to AMTAP in FY 2011 and 7,814 through April of FY 2012.³⁵⁴ TAS also issued 210 Taxpayer Assistance

351 TAS determines relief based upon whether TAS is able to provide full or partial relief or assistance on the issue initially identified by the taxpayer. Data obtained from TAMIS (May 1, 2012).

352 Electronic Fraud Detection System Production Filing Season 2012 Statistics (May 10, 2012) – For Official Use Only.

353 TAMIS (May 1, 2012).

354 Data obtained from TAMIS (Oct. 1, 2011; May 1, 2012).

Orders (TAOs) to AMTAP in FY 2011 and 48 through May FY 2012.³⁵⁵ Over 90 percent of the TAOs issued to AMTAP were for non-responsiveness to OARs.³⁵⁶

The problems with the AMTAP program are similar to those TAS identified when the IRS's Criminal Investigation (CI) unit administered the QRP.³⁵⁷ The National Taxpayer Advocate is concerned that systemic QRP issues harm legitimate taxpayers, and she will continue to advocate for systemic change.³⁵⁸ In the summer of 2011, the IRS convened a cross-functional team (including TAS) called the Accelerated Revenue Assurance Program (ARAP) to explore ways to effectively combat refund fraud.

In December 2011, the IRS moved the ARAP initiatives into the new Return Integrity and Correspondence Services organization. In addition to working AMTAP issues, the RICS will explore ways to combat pre-refund fraud in other areas such as EITC, the Health Care Tax Credit (HCTC), and the Office of Correspondence Services.

For the remainder of FY 2012 and in FY 2013, TAS will continue its role of ensuring that the IRS respects taxpayer rights while endeavoring to protect revenue by working with RICS organization. TAS will also work with RICS to assist taxpayers victimized by refund schemes who are suffering economic burdens or have not received relief from the IRS. In FY 2013, TAS will continue to advocate for the release of legitimate refunds delayed by AMTAP, and for timely action by the IRS to reduce taxpayer burden.

3. TAS Experiences an Increase in Applications for Exempt Status and Exempt Plan/Exempt Organization (EP/EO) Technical Cases

Prior to 2006, small exempt organizations (EOs) (those organizations with gross receipts normally of \$25,000 or less) did not have annual IRS reporting requirements, and some had never been required to seek initial recognition of their tax-exempt status.³⁵⁹ In 2006, Congress passed Section 1223 of the Pension Protection Act of 2006 (PPA) which imposes an annual filing requirement on small EOs and provides that the exempt status of any EO failing to file for three consecutive years is automatically revoked. The statute does not specify how EOs should apply for reinstatement of exempt status following this

355 Data obtained from TAMIS (Oct. 1, 2011; May 1, 2012). See *The Taxpayer Assistance Order as an Advocacy Tool to Address Systemic Problems in Tax Administration*, *infra*.

356 When TAS lacks the statutory or delegated authority to directly resolve a taxpayer's problem, TAS interacts with the responsible IRS operating division or function to resolve the issue through a Form 12412, *Operations Assistance Request (OAR)*. The OAR transmits documentation and conveys a recommendation or requested action to resolve the taxpayer's issue by a given date. The OAR generally precedes a TAO and gives the IRS the opportunity to resolve the issue based on the documentation provided, but see IGM TAS-13-0512-017, *Interim Guidance for Preparing Taxpayer Assistance Orders (TAOs) Involving Return Preparer Fraud* (May 22, 2012), <http://www.irs.gov/pub/foia/ig/tas/tas-13-0512-017.pdf>.

357 See National Taxpayer Advocate 2005 Annual Report to Congress 25-54 (Most Serious Problem: *Criminal Investigation Refund Freezes*); National Taxpayer Advocate 2007 Annual Report to Congress 448-458 (Status Update: *Questionable Refund Program*).

358 See National Taxpayer Advocate 2011 Annual Report to Congress 28-47 (Most Serious Problem: *The IRS's Wage and Withholding Verification Procedures May Encroach on Taxpayer Rights and Delay Refund Processing*); *The IRS Should Take Steps to Limit Opportunities for Refund Fraud, While Not Unreasonably Delaying Legitimate Refund Claims*, *supra*.

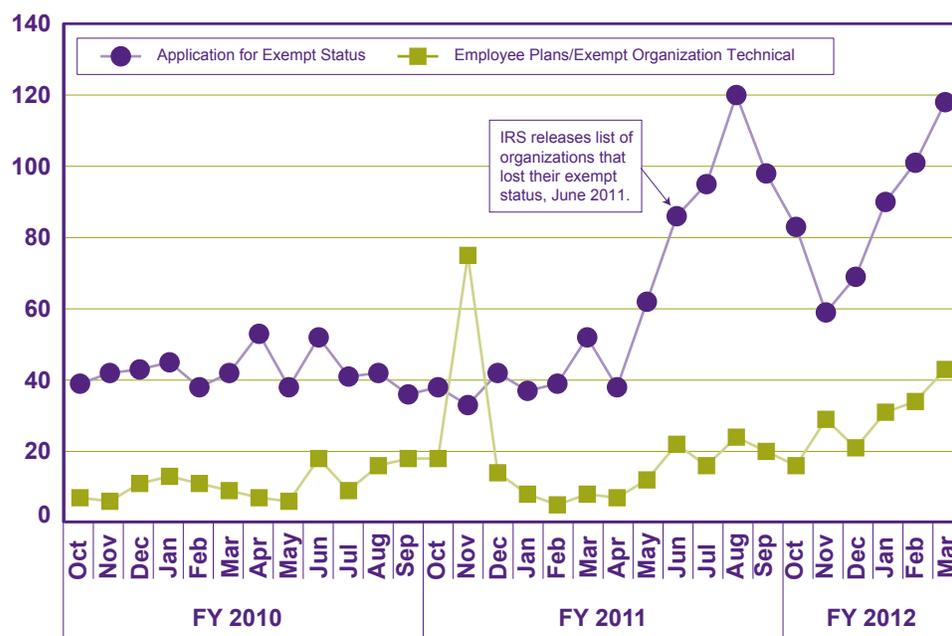
359 See IRC 508(c)(1)(B), with respect to organizations otherwise exempt under IRC § 501(c)(3). The IRC § 508(a) requirement to seek formal recognition applies only to organizations seeking exemption under IRC § 501(c)(3); organizations specified in IRC § 501 other than under § 501(c)(3) are not required by IRC § 508(a) to seek formal recognition of exempt status.

revocation.³⁶⁰ In 2010, as many as 730,000 exempt organizations (EOs) had annual gross receipts that were normally \$25,000 or less.³⁶¹

In accordance with the PPA, on June 8, 2011, the IRS notified approximately 275,000 EOs, most of which were public charities, that their tax-exempt status had been automatically revoked. On the same day, the IRS issued guidance on how to apply for reinstatement and provided transitional relief for small EOs.³⁶² While the National Taxpayer Advocate commends the IRS for providing meaningful transitional relief to these organizations, she believes the IRS makes it unnecessarily burdensome to obtain reinstatement.³⁶³

TAS anticipated an increase in receipts because of the revocations. After an initial surge when the IRS published the list of organizations that lost their exempt status, receipts began to decline. However, as shown in Figure V.10 below, they started to increase again in December 2011:

FIGURE V.10, APPLICATIONS FOR EXEMPT STATUS AND EP/EO TECHNICAL ISSUE CASES BY MONTH, FY 2010 THROUGH FY 2012 (MARCH 31)³⁶⁴



360 Pension Protection Act of 2006, Pub. L. No. 109-280 § 1223, 120 Stat. 780, 1090 (2006) (amending IRC § 6033).

361 IRS response to TAS information request (Aug. 17, 2010). The exact number is uncertain because the available data may not reflect current levels of gross receipts for all organizations. The term "exempt organization" encompasses organizations exempt from federal income tax pursuant to IRC § 501(a). Of all exempt organizations registered with the IRS as of 2005, almost 63 percent were public charities. See Amy Blackwood, Kennard T. Wing & Thomas H. Polak, *The Nonprofit Sector in Brief, Facts and Figures from the Nonprofit Almanac 2008: Public Charities, Giving, and Volunteering*, Urban Institute, available at http://www.urban.org/UploadedPDF/411664_facts_and_figures.pdf.

362 See *IRS Identifies Organizations that Have Lost Tax Exempt Status; Announces Special Steps to Help Revoked Organizations* (June 8, 2011), available at <http://www.irs.gov/newsroom/article/0,,id=240239,00.html?portlet=7>.

363 See National Taxpayer Advocate's 2011 Annual Report to Congress, 437-450 (Status Update: *The IRS Makes Reinstatement of an Organization's Exempt Status Following Revocation Unnecessarily Burdensome*).

364 Data obtained from TAMIS. The spike in November in Employee Plan/Exempt Organizational Technical cases may be due to initial coding errors and the actual number of cases now appears to be much smaller.

As of June 5, 2012, the Where Is My Exemption Application page on www.irs.gov reflects that the IRS is currently assigning applications received in October 2011 that require further development,³⁶⁵ and the review process will take at least an additional 90 days. The IRS did not add any new staffing or plan effectively for the volume of applications requiring development. As a result, organizations applying for exempt status and those that had to reapply are likely waiting more than ten months for the IRS to determine their status.

D. The Taxpayer Assistance Order as an Advocacy Tool to Address Systemic Problems in Tax Administration

The Taxpayer Assistance Order (TAO) is a powerful tool that the National Taxpayer Advocate and Local Taxpayer Advocates (LTAs) can use to resolve their cases. An LTA should consider issuing a TAO in a well-developed case if 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 and the law and the facts support the relief.³⁶⁶ The LTA may issue a TAO to order the IRS to take an action, cease an action, or refrain from taking an action.³⁶⁷ For example, the LTA may issue a TAO to release a levy.³⁶⁸ The LTA may also issue a TAO to order the IRS to expedite consideration of a taxpayer's case, reconsider its determination in a case, or review the case at a higher level.³⁶⁹

The ability to issue a TAO ensures “that TAS can effectively resolve problems and protect taxpayer rights when the taxpayer has a significant hardship, even when the IRS disagrees or has other internal priorities.”³⁷⁰ TAS employs various approaches to ensure that LTAs understand what types of cases require TAOs. The approaches include coordinated monthly discussions with all LTAs about case scenarios that may result in a TAO, inclusion of TAOs on the TAS leadership conference agenda, and use of case studies with TAOs in technical training that include the use of a TAO. These forums help LTAs share experiences, explore ways of using the TAO tool in advocacy, and provide guidance³⁷¹.

365 See “Where is My Exemption?” available at: <http://www.irs.gov/charities/article/0,,id=156733,00.html> (last visited June 8, 2012).

366 Treas. Reg. § 301.7811-1(a) and (c), 76 Fed. Reg. 18,059 (Apr. 1, 2011). See also IRC § 7811(a)(1); IRM 13.1.20.1 (Dec. 15, 2007).

367 Treas. Reg. § 301.7811-1(c), 76 Fed. Reg. 18,059 (Apr. 1, 2011); IRM 13.1.20.3 (Dec. 15, 2007).

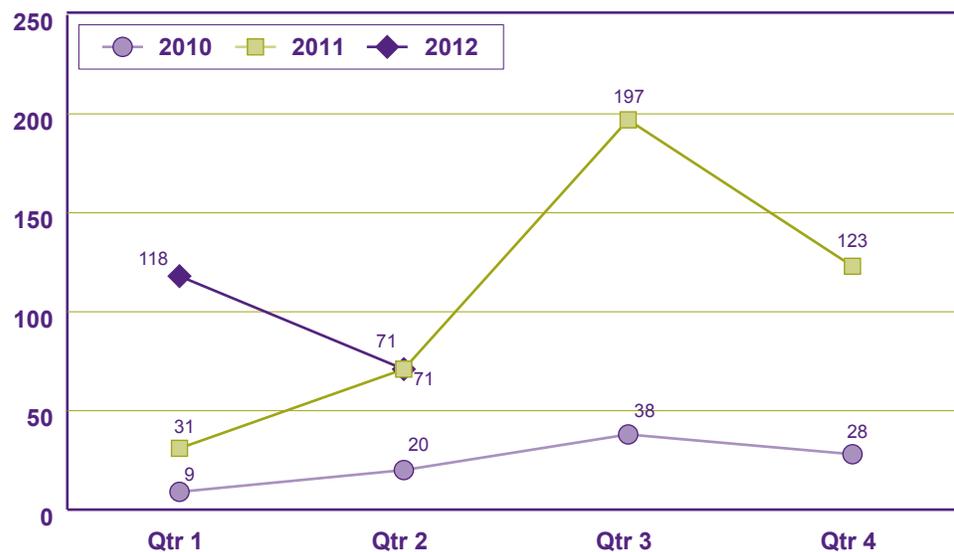
368 IRC § 7811(b)(1).

369 Treas. Reg. § 301.7811-1(c), 76 Fed. Reg. 18,059 (Apr. 1, 2011); IRM 13.1.20.3 (Dec. 15, 2007).

370 IRM 13.1.20.2(5) (Feb. 1, 2011).

371 The monthly sessions are called TAO Cafés. These discussions, which include moderators and a detailed agenda, allow LTAs to ask questions about TAO authority under different scenarios.

FIGURE V.11, TAXPAYER ASSISTANCE ORDERS (TAOS) ISSUED BY QUARTER FY 2010 – SECOND QUARTER FY 2012³⁷²



TAOs can also bring systemic problems to light and help drive systemic improvement in the IRS.³⁷³ In FY 2012, TAS issued 251 TAOs to the IRS through May 31, 2012. Figure V.12 shows the issues that generated TAOs these orders.

³⁷² Data obtained from TAMIS. TAS retrieved the data on the first day of the month following the end of each quarter for FY 2010 through second quarter of FY 2012. FY 2012 data reflected in the chart is through March 31 (the end of the second quarter). TAS issued 189 TAOs through the second quarter of FY 2012 and issued 251 TAOs through May 31, 2012.

³⁷³ For additional information on how TAS works systemic issues, see *Systemic Advocacy, infra*.

FIGURE V.12, TAOs ISSUED THROUGH MAY 31 IN FY 2012³⁷⁴

Issue	Number of TAOs
Entity Issues ³⁷⁵	68
Refunds	59
Collection Issues	37
Audit Issues	30
Document Processing	21
Penalty Issues	13
Criminal Investigation	9
Appeals Issues	8
Other Issues	6
Total	251

Once TAS issues a TAO, the IRS can comply with the action requested or appeal the issue for discussion at higher levels.³⁷⁶ TAS can also modify or rescind a TAO once issued.³⁷⁷ As reflected in Figure V.13 below, TAS has successfully advocated by using TAOs.

FIGURE V.13, FY 2012 ACTIONS TAKEN ON TAOs ISSUED (THROUGH MAY 31, 2012)³⁷⁸

Action	Total
IRS Complied with TAO	189
IRS Complied after TAO Modified	9
TAS Rescinded TAO	16
TAO Pending - In Process	37
Total	251

During FY 2013, TAS will:

- Continue to hold formal and informal discussions on the appropriate use of the TAO in advocating for taxpayers;
- Promote the involvement of technical advisors and the appropriate use of TAS attorney advisors in the development of case issues leading to TAO recommendations; and
- Conduct targeted case reviews of issues in which the use of the TAO may be appropriate and update training and procedures based upon findings.

374 Data obtained from TAMIS (May 31, 2012).

375 Entity issues include any taxpayer identification information such as name, taxpayer identification number, filing status, address, etc. The issue having the most significant impact on this category in FY 2012 is identity theft with 62 of the 68 TAOs issued related to cases involving identity theft. Data obtained from TAMIS (May 31, 2012).

376 See IRM 13.1.20.5 (Dec. 15, 2007) for details regarding the TAO appeal process.

377 See IRC § 7811(c), IRM 13.1.20.2 (Feb. 1, 2011).

378 Status of TAOs as of June 5, 2012.

VI. Systemic Advocacy

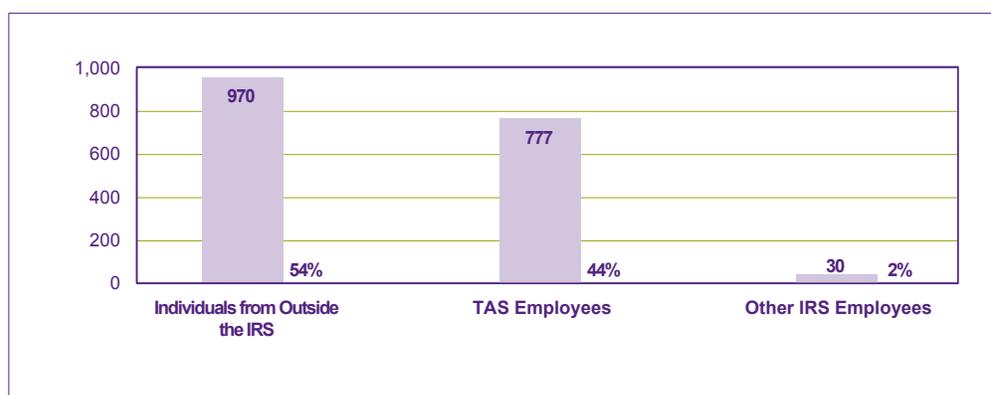
The Office of Systemic Advocacy (SA) provides oversight and focus for the identification and resolution of systemic problems within the IRS. Projects arise from several sources, including field offices within TAS, IRS employees in other functions, and external stakeholders (e.g., tax practitioners).

In FY 2012, the National Taxpayer Advocate issued a memorandum to senior staff outlining the TAS vision for systemic advocacy, including the overall approach for the organization. As a result of this new focus, SA expanded and enhanced the process of evaluation and review of all potential systemic issues submitted through the Systemic Advocacy Management Systems (SAMS); implemented an enhanced collaborative approach to resolving issues with the IRS; and realigned its staffing to focus on process improvements and data analysis.

A. Enhanced Identification and Review of Potential Systemic Issues

Submissions to the SAMS systems generate the majority of SA's work.³⁷⁹ Between May 1, 2011 and April 30, 2012, SAMS received 1,777 submissions, an increase of 30 percent over the same period last year. Taxpayers and practitioners are now TAS's largest source of submissions, accounting for 54 percent of the total. TAS employees accounted for 44 percent.³⁸⁰ Figure VI.1 shows the breakdown of SAMS submissions by type of submitter.

FIGURE VI.1, SAMS SUBMISSIONS BY SUBMITTER, MAY 1, 2011 THROUGH APRIL 30, 2012³⁸¹



The IRS program areas with the most SAMS submissions are Submission Processing, Document Processing, Individual Taxpayer Issues, Collection, Examination, and Accounts:

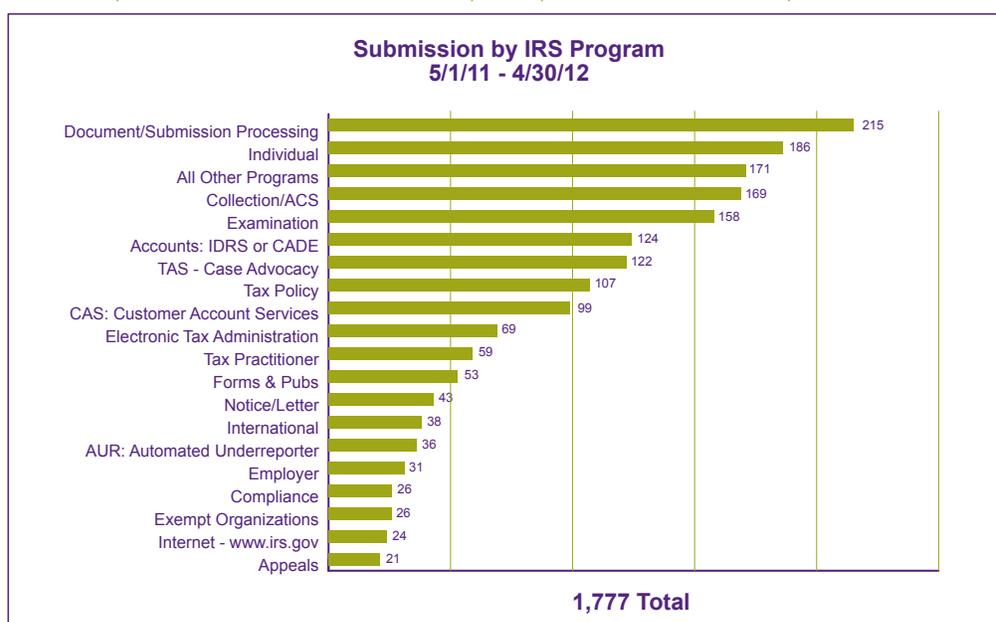
379 While SAMS is one of the major sources of TAS's systemic advocacy issues, issues are also elevated through informal channels, such as meetings, task force work, etc.

380 Data obtained from SAMS (May 31, 2012). From May 1, 2010 through April 30, 2011, TAS received 1,366 SAMS submissions.

381 Data obtained from SAMS (May 31, 2012).

IDRS or CADE. Individual taxpayer cases accounted for ten percent of all SAMS submissions. While SAMS is not the appropriate venue for these issues, SA has developed standard language for the submitters about contacting TAS for assistance with individual problems. SA has also implemented a new internal outreach effort to educate TAS employees on the proper ways to submit issues. Figure VI.2 shows a breakdown of the 1,777 SAMS submissions by issue area.

FIGURE VI.2, SAMS SUBMISSIONS BY ISSUE AREA, MAY 1, 2011 THROUGH APRIL 30, 2012³⁸²



SA has established a three-level review process for SAMS submissions to determine the most effective way to resolve the issue.³⁸³ Level 1 involves detailed documentation and data-building to ensure SA has the information to determine whether a systemic issue exists. At Levels 2 and 3, teams of TAS employees review all issues and related research, score issues as to their scope and potential impact, and recommend how best to resolve each one. The new process incorporates the perspective of employees and managers throughout TAS. It uses their expertise and experience to help identify systemic problems earlier in the process and find the most effective ways to resolve them.

B. Monitoring the Development of Potential Systemic Issues

In FY 2012, SA has increased its focus on Information Gathering Projects (IGPs) as a way to monitor the development of potential systemic issues. An IGP identifies emerging trends or issues generated by new legislation or significant IRS policy, process, or procedural

382 Data obtained from SAMS (May 31, 2012).

383 National Taxpayer Advocate Fiscal Year 2012 Objectives Report to Congress 51-53.

changes. An IGP allows SA to capture and track emerging issues for potential systemic problems. If SA identifies a systemic issue, it may reclassify an IGP as an Immediate Intervention, Advocacy Project, or other advocacy effort. Examples of open IGPs include health care initiatives, adoption credit issues, installment agreement account servicing, and revocations of tax-exempt status.

From April 1, 2011 through April 30, 2012, TAS opened 65 IGPs — an increase of 210 percent from the same time last year.³⁸⁴ The majority of these IGPs (51 percent) relate to processing issues (*i.e.*, processing of forms submitted by taxpayers or claims for abatement or refund). Others involve deficiency assessments by the IRS, (17 percent), tax collection policy and procedures (26 percent), and taxpayer service problems (six percent).

Until FY 2012, TAS had no formal guidance for working IGPs and was essentially handling them like advocacy projects. In FY 2012, TAS developed guidance on how to work an IGP and when it is appropriate to close one or reclassify it as another type of advocacy effort (Immediate Intervention, Advocacy Project, etc.). SA has trained employees on the new guidance and is working on a formal memorandum with this information. In FY 2013, SA will incorporate this guidance into a revised Systemic Advocacy IRM 13.2.2.

C. Collaborative Approaches to Resolving Systemic Issues

In the past, Systemic Advocacy typically addressed systemic problems through a formal advocacy project assigned to an analyst. While advocacy projects are still an important aspect of our work, SA is striving to address problems through the *best* approach. Some issues are best addressed at an executive level. Others may be best dealt with through ongoing advocacy work, such as a collaborative effort.

Collaborative efforts are those in which SA works to resolve systemic issues without the formal assignment of a project. TAS may assemble a group of employees to work on an issue within TAS or as part of a team with the IRS. Our collaboration on IRS teams may include an equal partnership with TAS and an operating division working together to solve a problem. Other examples include IRS initiatives in which TAS is invited to participate and provide input, but TAS does not control the outcome.

Examples of collaborative teams include:

- Identity Theft Technical Working Group — a group of TAS employees working with the IRS to identify and address systemic problems identified in TAS casework;
- Identify Theft Executive Steering Committee — IRS executives, including the National Taxpayer Advocate, addressing the tax administration challenges at a policy level;
- Return Preparer Strategy Executive Team — a cross-functional effort to implement the IRS Return Preparer Strategy; and

³⁸⁴ Data obtained from SAMS (May 31, 2012). From April 1, 2010 through April 30, 2011, TAS opened 21 IGPs.

- Undelivered Mail Working Group — a cross-functional effort to address systemic issues stemming from undelivered IRS mail.

Many of these efforts, at least initially, are *ad hoc* in nature and lie outside the typical SA work processes. As a result, SA did not have requirements for conducting a collaborative effort or documenting progress and recording results in a unified manner. In FY 2012, SA created a SharePoint site to list and categorize all collaborative efforts by topic, and developed procedures and expectations for team members to update the site. This new process provides a consistent method and guidelines for documenting collaborative efforts with the IRS. It also accommodates updates of the team’s status, actions, and accomplishments.

SA has trained employees on the new collaborative efforts procedures and is working on developing an Interim Guidance Memorandum containing this information. In FY 2013, SA will incorporate these procedures into a revised SA IRM 13.2.2.

D. Tracking Recommendations Made in the National Taxpayer Advocate’s Annual Reports to Congress

Each year, the National Taxpayer Advocate puts forth numerous recommendations in the Annual Report to Congress to improve tax administration for taxpayers and the IRS. These recommendations play an important role in TAS’s efforts to resolve systemic problems. Our efforts do not end when we publish the Annual Report. In addition to TAS’s ongoing advocacy efforts, SA tracks TAS’s recommendations and the IRS’s subsequent actions, and for each Annual Report develops a “report card” of recommendations and responses. These report cards are an effective means of tracking TAS’s ability to effect change. Figure VI.3 details the status of the National Taxpayer Advocate’s Annual Report recommendations over the past four years.

FIGURE VI.3, ANNUAL REPORT TO CONGRESS RECOMMENDATIONS AND ACCEPTANCE RATE

ARC Recommendations ³⁸³	2007	2008	2009	2010 ³⁸⁴	2011 ³⁸⁵
Total Number of Recommendations Made	205	67	92	92	120
Number of Recommendations Accepted or Acted Upon by IRS	123	36	56	47	60
Percentage of Recommendations Accepted or Acted Upon by IRS	60%	53%	61%	50%	50%

385 Data reported is on a calendar year basis. Years 2007, 2008, and 2011 each have one congressional recommendation, and 2010 has two congressional recommendations which are not included in the total number of recommendations made to the IRS.

386 TAS and the IRS are negotiating 2010 and 2011 recommendations; therefore, accepted recommendation data is not finalized but preliminary data is included.

387 TAS and the IRS are negotiating 2010 and 2011 recommendations; therefore, accepted recommendation data is not finalized but preliminary data is included.

After the publication of the ARC, the IRS operating divisions provide responses to the TAS recommendations intended to address the Most Serious Problems identified in the report. In FY 2012, SA developed an easily accessible and easily updated system to track actions relating to recommendations. SA plans to move everything prior to 2011 (2007 through 2010) from JAMES³⁸⁸ to the new system by the end of FY 2012, to allow TAS to more easily track and follow up on outstanding recommendations. By the beginning of FY 2013, SA will develop a quarterly report that will allow the National Taxpayer Advocate and Executive Director, SA to monitor outstanding ARC recommendations and follow up with IRS executives to seek resolution.

³⁸⁸ The JAMES is a Treasury-owned web portal used to track and report data from action plans resulting from Treasury Office of Inspector General (OIG), TIGTA and GAO audits. JAMES also tracks IRS planned corrective actions that address findings from internal management reviews, information on the Federal Managers' Financial Integrity Act (FMFIA), material weaknesses, significant deficiencies, Federal Financial Management Improvement Act (FFMIA) remediation plans, as well as IRS responses to recommendations by the National Taxpayer Advocate in the Annual Report to Congress.

VII. Integrated TAS Technology: TESIS

A. TAS Is Developing a New System that Will Modernize TAS's Advocacy Programs Through Updated Electronic and Online Resources

TAS's current systems have not kept pace with rapid innovations in technology and the explosion of online interaction capabilities for TAS employees and their customers. Linking all TAS applications within a single integrated system has been a part of TAS's plans for over a decade. Now, advancing technology and the obsolescence of TAS's primary system for tracking cases make system integration a necessity. The Taxpayer Advocate Service Integrated System (TESIS) is the prescribed solution. It will be the most significant technical innovation in the 30-year history of TAS and its predecessor, the Problem Resolution Program.

Current TAS and IRS systems, designed and developed as stand-alones, share little, if any, information electronically. TAS employees must manually cut and paste or re-type information from one system to another. Such repetitive actions can result in inaccuracies and prolong the time it takes to resolve cases. Intake Advocates, who take initial case-building actions, must painstakingly research information from several different systems to develop a clear and accurate picture of the issues or problems taxpayers are facing. Case Advocates, who are responsible for resolving taxpayer issues and problems, continually monitor multiple IRS systems to prevent additional problems, such as duplicate refunds or erroneous notices. TESIS will integrate the current TAS stand-alone systems into one and allow automatic sharing of information with other IRS systems.

TESIS will integrate the features of TAS's current system applications with new features to enhance the overall experience of employees and service to taxpayers. For the first time, one system will record a wide range of TAS activities that resolve or prevent problems. Tracking these activities in a single, integrated system will improve TAS's ability to apply consistent labels across all advocacy efforts, providing a new level of information for analysis and identifying the pattern of a problem more quickly. For example, solutions put in place in one part of the country may provide insight to help taxpayers in another area. A single-system approach also means that employees will have just one TAS system to learn and maintain, with associated cost savings.

Performance measures are fundamental to TESIS development. To improve employee satisfaction and efficiency as well as customer satisfaction, TAS turned to system users for their ideas on what aspects TESIS should include. TAS asked all of its employees to identify features that would contribute to the quality and efficiency of their work, as well as aspects of the current system that frustrate and hinder performance. Several hundred TAS employees provided suggestions for integrating data from other IRS systems to reduce repetitive research and transcription, and how reminders and prompts could help them manage customer commitments and provide quality service.

B. TESIS Will Deliver Significant Benefits to Taxpayers, Employees, and Partners in Tax Administration

TESIS will automate work processes, eliminate manual and redundant steps, and allow TAS employees to spend more time on TAS's core mission of advocating for taxpayers. TESIS will allow TAS employees to obtain automated information from IRS systems, sparing them laborious hours of researching, updating, and monitoring taxpayer accounts and records. This automation of work processes will free Case Advocates and Intake Advocates to focus on direct interaction with taxpayers and resolution of taxpayer issues, thereby increasing employee engagement while satisfying customers.

TESIS will support interaction between TAS employees and external customers via email, text, and fax. TAS will ensure these interactions operate with guidelines that place the highest priority on the security of taxpayer data.

TESIS will both improve and provide new avenues for seeking assistance from TAS. Taxpayers will still have the current options of contacting TAS by phone, correspondence, and walk-in, with the added choice of seeking help via the Internet for the growing number who prefer to conduct business electronically. This option will allow for an initial interaction through a series of prompts that will help taxpayers identify issues, find options for self-help when appropriate, access IRS contact information, and request TAS assistance.

TESIS will support electronic collaboration between TAS employees and IRS operating divisions. The system will include a secure partitioned area for the operating divisions to electronically receive and respond to Operations Assistance Requests from TAS.³⁸⁹ This will reduce the need to mail or fax such requests and provide an automated history of interactions on cases.

C. TESIS Will Improve and Streamline the Acceptance and Assignment of Work

Taxpayers who seek help by phone or online will communicate directly with a TAS Intake Advocate, as opposed to the current paper referral process and subsequent callback once TAS assigns the issue to a Case Advocate. Intake Advocates will conduct a comprehensive interview with the taxpayer to identify underlying issues, share options for resolution, describe what to expect from TAS, build the case, and in some instances resolve the issue while talking to the taxpayer. TESIS will provide Intake Advocates with tools to conduct research, document the contact, and efficiently build the case during these initial interviews with taxpayers.

Once an Intake Advocate builds the case, TESIS will quickly match the taxpayer with a Case Advocate based on where the taxpayer lives (TAS will predominantly match taxpayers

³⁸⁹ An OAR (Form 12412) is the form that TAS employees use when requesting that the IRS complete an action on a TAS case when TAS lacks the authority to take that action.

with Case Advocates in their home states), and the availability, skill, and workload of the advocate. The raw number of cases in the advocate's current inventory will no longer be the determinant of casework assignments. Instead, new assignments will consider complexity and the time and steps needed to resolve similar issues. TASIS will replace the existing manual assignment process that often involves interoffice transfers of cases with the attendant delays.

D. TASIS Will Improve Online Document Collaboration and Storage

In recommending an integrated design, systems analysts emphasized electronic document management, *i.e.*, storage within the system for case files, communications, and research findings. Paper records pose efficiency and reliability problems, including time-consuming file retrieval, opportunity for loss, and limited ability to share information between offices. Reliance on paper files and documents requires storage and handling of 50 to 60 documents per TAS case, totaling approximately 12.5 million documents each year. Some records are stored on local hard drives, and TAS incurs repeated copying and shipping costs for transfers, work reviews, and collaboration. The use of virtual documents will almost eliminate paper document handling and storage, allow immediate access for collaboration, and improve TAS's ability to reference the products or conduct research.

Moving toward a paperless environment, TASIS will offer document collaboration tools to gather and track edits, reviews, and approvals from remotely located users. It will also manage supporting documentation and reference materials associated with documents and offer access to earlier reports and research. Finally, TASIS will provide tools to map project delivery documents so that participants and oversight users can see upcoming deadlines, assignments, and progress on the delivery of a finished product. Document collaboration and a centralized document repository will make content searchable and improve its usefulness.

E. Deployment Plan

In FYs 2011 and 2012, TAS completed the first step in system creation by collaborating with the IRS's Modernization & Information Technology Services (MITS) organization to successfully document over 4,400 system requirements for TASIS (*i.e.*, statements that explain the desired functionality of the system). The requirements reflect the future state of how TAS will operate with the creation of TASIS. MITS extensively analyzed the most efficient way to build the foundation of TASIS to ensure the integrated system will meet TAS's needs.

MITS expects to deploy TASIS in several stages. The first release will include approximately 40 percent of our requested system requirements, focusing on Case Advocacy functions and including an intake process, partial automation of workload distribution, and support of virtual case resolution and storage.

Of the requirements highlighted and described above in sections B through E, the first release will contain the following:

- Intake Advocates will be able to conduct a comprehensive interview with the taxpayer. They will have the tools to perform research, document the contact, and efficiently build the case during these initial interviews.
- Once the case is built, TESIS will quickly match the taxpayer with a TAS office based on where the taxpayer lives. A manager will then manually assign the case based on availability, skill, and workload of the Case Advocate, all of which are details TESIS will provide. The full automation of workload routing and direct case assignment will be included in a future release.
- Case Advocates will have the ability to store electronic documents, *i.e.*, storage within the system for case files, communications, and research findings.
- The system will support electronic collaboration between TAS employees and IRS operating divisions.

TAS intends to begin testing components of the first release in the second quarter of FY 2013, with an expected delivery during that quarter. Future releases will incorporate the ability for taxpayers and their representatives to submit issues and request TAS assistance via the Internet. These releases will include other components of TAS's advocacy service, allowing employees to identify and refer systemic issues within an open case. Future releases will also allow real-time identification and analysis of systemic problems. It will take approximately 12 to 18 months to deploy the application and allow TAS employees and customers to reap the rewards of a fully integrated system.

VIII. TAS Uses Innovative Solutions to Provide Service to Customers

A. The National Taxpayer Advocate Has Recognized the Need for More Face-to-Face Interactions with Taxpayers

In her 2010 Annual Report to Congress, the National Taxpayer Advocate cited accessibility to IRS face-to-face assistance as a most serious problem.³⁹⁰ Nationwide, TAS maintains 65 offices where our customers can meet with Case Advocates.³⁹¹ TAS is statutorily required to assist taxpayers in resolving problems with the IRS, to identify areas in which taxpayers have problems in dealing with the IRS and, to the extent possible, propose changes in the administrative practices of the IRS to mitigate the problems identified.³⁹² Additionally, TAS must also have an LTA available in every state.³⁹³ To satisfy our statutory mission, TAS must find innovative approaches to expand our reach of coverage beyond existing “brick and mortar” offices. Without trying new solutions, taxpayers will continue to have limited access to face-to-face service.

B. TAS Is Participating in the IRS’s Virtual Services Delivery (VSD) Pilot

Virtual Service Delivery (VSD) is a high-definition, two-way videoconferencing environment that provides a face-to-face experience and presents an opportunity for TAS to meet its statutory obligations without opening more offices. In FY 2012, the IRS piloted VSD in ten IRS offices and two partner sites.³⁹⁴ TAS participated in this pilot, connecting its office in Jacksonville, Florida to an IRS Taxpayer Assistance Center in Tampa (where TAS has no physical presence), to provide service to taxpayers using VSD. Low Income Taxpayer Clinics in Washington State and Tennessee are also testing VSD to connect their clients with Appeals offices in the Fresno and Memphis campuses. Clinics, along with, or on the behalf of, their clients, will use VSD to conduct Collection Due Process and Offer in Compromise hearings with Appeals.

During FY 2013, the National Taxpayer Advocate will continue to pursue opportunities to increase face-to-face interactions with taxpayers by:

- Expanding VSD coverage to more TAS offices and connecting to more taxpayers nationwide;

390 National Taxpayer Advocate 2010 Annual Report to Congress 267-277 (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*); See also National Taxpayer Advocate 2008 Annual Report to Congress 95-113 (Most Serious Problem: *Taxpayer Service: Bringing Service to the Taxpayer*); National Taxpayer Advocate 2011 Annual Report to Congress 137-150 (Most Serious Problem: *Foreign Taxpayers Face Challenges in Fulfilling U.S. Tax Obligations*); National Taxpayer Advocate 2011 Annual Report to Congress 151-165 (Most Serious Problem: *Individual U.S. Taxpayers Working, Living, or Doing Business Abroad Require Expanded Service Targeting Their Specific Needs and Preferences*).

391 TAS also has ten IRS campus operations but taxpayers generally cannot access those facilities due to physical security limitations.

392 IRC § 7803(c)(2)(A)(i) - (iii).

393 IRC § 7803(c)(2)(D)(i)(I) requires that at least one local taxpayer advocate be available to taxpayers in each state.

394 IRS News Release, IR-2012-1, *IRS Kicks Off 2012 Tax Season with Deadline Extended to April 17* (Jan. 4, 2012).

- Expanding VSD coverage to international locations to test cost-effective ways to provide service to U.S. taxpayers living abroad and foreign taxpayers who have a U.S. tax filing requirement; and
- Exploring new technologies, including web-based video-conferencing, to expand VSD to all taxpayers and practitioners.

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