



## National Taxpayer Advocate issues mid-year report to Congress; highlights filing season challenges and focuses on strategic priorities

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WASHINGTON — National Taxpayer Advocate Erin M. Collins today released her statutorily mandated [mid-year report to Congress](#). The report says the tax-return filing season generally ran smoothly this year, but it identifies delays in issuing refunds to identity theft victims, misleading telephone measures that lead to poor resource allocation decisions, and delays in processing Employee Retention Credit claims as key taxpayer challenges. The report also emphasizes the importance of technology upgrades as the IRS seeks to modernize its operations in the coming years.

“For most taxpayers, the filing season is the only time they interact with the IRS,” Collins wrote. “After several years of abysmal taxpayer service during the COVID-19 pandemic, the IRS has now delivered two filing seasons that demonstrate the agency has restored service to pre-pandemic levels and has improved in most, but not all, areas of service. This is excellent news for most taxpayers.”

### Delays in resolving identity theft cases are burdening victims

When the IRS rejects a taxpayer’s return because an identity thief previously filed a fraudulent return using the taxpayer’s personal identifying information, the IRS freezes the second return so it can sort out which taxpayer is the legitimate one. The National Taxpayer Advocate’s [2023 Annual Report to Congress](#) highlighted that the IRS was taking about 19 months to identify the legitimate taxpayers and issue their refunds. As of September 30, 2023, there were about 484,000 cases in inventory. Notably, 69% of taxpayers whose cases the IRS resolved had adjusted gross incomes at or below 250% of the Federal Poverty Level. Many of those taxpayers qualify for refundable credits and need their refunds promptly to pay their living expenses.

Since that time, the delays have worsened.

***As of April 2024, the IRS was taking more than 22 months to resolve identity theft victims’ assistance cases, plus several weeks to issue refunds, and it had approximately 500,000 unresolved cases in its inventory.***

Collins called the delays “unconscionable” in her prior report, and she reiterated that concern in this report. “Delays of nearly two years make a mockery of the *right to quality service* in the [Taxpayer Bill of Rights](#),” Collins wrote. “The IRS must prioritize assistance for these victims and fix this problem quickly.”

### Misleading telephone measures lead to poor resource allocation decisions

The Treasury Department and the IRS have established the “Accounts Management (AM) Customer Service Representative Level of Service (LOS)” as the agency’s principal and most widely cited measure of taxpayer service. For the past two filing seasons, they set a goal of achieving an LOS of at least 85%, and they succeeded. This year, the IRS achieved an LOS of 88%.

The report praised the IRS for improved telephone service but criticized its reliance on the LOS measure. “In my opinion, the AM LOS measure has taken on outsized importance in recent years, as the IRS has allocated resources to hit ambitious but arbitrary goals that mean less than meets the eye and that consequently have required the IRS to neglect calls to non-AM telephone lines and workstreams like paper correspondence that I believe should receive higher priority,” Collins wrote. “The measure is causing the IRS to prioritize the wrong work, and it needs to be replaced.”



Among the weaknesses of the LOS measure:

**The 88% LOS leaves many observers with the impression that IRS employees answered 88% of taxpayer calls. In fact, IRS employees answered only 31% of taxpayer calls.**

During the 2024 filing season, the IRS routed about 10.3 million calls to AM employees, and they answered about 9.0 million, producing an LOS of 88 percent. But for context, the IRS received about 39.9 million calls. Therefore, the 10.3 million calls included in the AM LOS calculation represented just over 25 percent of the calls the IRS received. The other 75 percent consisted of calls routed to non-AM telephone lines, calls in which the taxpayer disconnected before being placed in a calling queue, and calls routed for automated responses.

**The IRS classifies many of its telephone lines as “Accounts Management” (AM) lines, but it excludes many of its telephone lines from the AM calculation. In contrast to the LOS of 88% on the AM lines, the LOS on non-AM lines was 36% during the filing season.**

Figure 1, IRS Telephone Results for the 2024 Filing Season

Telephone lines	Calls received	Number of calls answered by an IRS e	Percentage of calls answered by an IRS employee	Level of service	Time on hold
All calls	40 mil	12.4 mil	31%	63%	8 min
Accounts Management	28 mil	9.0 mil	32%	88%	3 min
Non-Accounts Management	12 mil	3.4 mil	29%	36%	21 min

Callers to non-AM telephone lines who received substantially lower levels of service include:

- 3.7 million taxpayers who called the **Installment Agreement/Balance Due** line to make payment arrangements or otherwise resolve their tax debts (42% of calls were answered with a 23-minute wait time);
- 3.0 million taxpayers who called the **Taxpayer Protection Program** telephone line because IRS filters had suspended the processing of their returns on suspicion of identity theft, and they needed to authenticate their identities to receive their refunds (16% of calls were answered with a 20-minute wait time); and
- 2.1 million taxpayers who called the IRS’s **Automated Collection System** telephone line after receiving a collection notice and who may have needed urgent help getting a levy released to alleviate an economic hardship (19% of calls were answered with a 10-minute wait time).

***“One would expect a caller facing eviction because an IRS levy is leaving her unable to pay her rent would receive priority over a caller requesting an account transcript,” the report says. “But because the IRS’s benchmark LOS measure is based solely on the percentage of calls it answers on the AM telephone lines, the agency places a lower priority on calls that don’t factor into the benchmark LOS calculation.”***

Figure 2 shows key metrics for the 10 most frequently called telephone lines during the 2024 filing season:

Figure 2, Metrics for the 10 Most Frequently Called Telephone Lines for the 2024 Filing Season

Telephone	Calls	Number of	Percentage of	Level of	Time on hold
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line	received	calls answered by an IRS employee	calls answered by an IRS employee	service	
Refund Hotline	8.3 mil	80,000	1%	77%	6 min
Individual Income Tax Services	6.9 mil	2,100,000	30%	87%	4 min
Installment Agreement / Balance Due	3.7 mil	1,600,000	42%	42%	23 min
Taxpayer Protection Program	3.0 mil	486,000	16%	17%	20 min
Taxpayer Assistance Center Appointments	2.4 mil	1,300,000	52%	86%	4 min
Automated Collection System	2.1 mil	408,000	19%	33%	10 min
Business and Specialty Tax Services	2.0 mil	1,200,000	59%	90%	4 min
Wage and Investment (W&I) Identity Theft	1.4 mil	598,000	43%	78%	4 min
Practitioner Priority Service	1.1 mil	973,000	85%	95%	2 min
W&I Individual Master File Customer Response	1.0 mil	329,000	31%	85%	4 min

**In addition to answering telephone calls, AM employees process identity theft victims’ assistance cases, taxpayer correspondence, and amended tax returns. To achieve an AM LOS of 85%, the IRS overstaffs AM telephone lines, leading to unproductive employee time and neglect of other priority work.**

To achieve its 85% LOS goal, the IRS must staff its telephone lines so there are enough employees to handle peak call periods. But that means that during quiet periods, AM employees are “sitting around waiting for the phone to ring,” the report says.

***During the 2024 filing season, AM employees spent 1.1 million hours (29% of their time) waiting to receive calls.***

The report says those hours represented “unproductive employee time that could have been spent processing taxpayer correspondence and amended returns” as well as resolving identity theft victims’ assistance cases. The report notes that the increase in the LOS from 85% during the 2023 filing season to 88% during the 2024 filing season corresponded with the increased time required to resolve identity theft victims’ assistance cases and an increase in overaged correspondence from 61% at the end of the 2023 filing season to 66% at the end of this year’s filing season.



“We need to keep in mind that backlogs in processing tax returns and taxpayer correspondence drive much of the phone volume,” Collins wrote. “For the 2025 filing season, I encourage the IRS to prioritize reducing its paper processing backlog, even if that means somewhat reducing the telephone LOS, especially given the inaccurate and misleading picture the LOS paints.”

**The AM LOS only measures the percentage of certain calls answered – not whether the IRS was able to resolve the taxpayer’s problem.**

The report says a primary telephone measure should focus on problem resolution. “Private sector telephone call centers often use measures like ‘first-contact resolution’ to assess whether they have resolved the caller’s problem or whether it remains outstanding. The IRS should be measuring outcomes at least as much as it measures the ability to get through.” The Taxpayer Advocate Service (TAS) is currently conducting a study to ascertain the metrics that businesses and other government agencies with large call centers use to evaluate their performance and plans to publish the results of the study in the National Taxpayer Advocate’s 2024 Annual Report to Congress.

**Delays in processing Employee Retention Credit (ERC) claims are burdening businesses**

The IRS currently has a backlog of about 1.4 million ERC claims that have been submitted but have not been paid. On September 14, 2023, the IRS imposed a moratorium on the processing of new claims and substantially slowed the processing of pending claims due to concern that a high percentage of claims may be non-qualifying.

“The IRS is between the proverbial rock and a hard place when it comes to ERC claims,” Collins said in releasing the report. “If it pays out ERC claims without adequate review, improper payments may be in the tens of billions of dollars. If it declines to pay ERC claims or delays payments further, the very businesses for which Congress created the ERC will be harmed again.”

***The report says that “many [businesses] have already waited a year or longer for the IRS to determine if their claim is valid.”***

The report adds: “It’s time for the IRS to ... move forward addressing these ERC claims to ensure it protects the taxpayer’s *right to finality* and *right to challenge the IRS’s position and be heard*.” Collins plans to work with the IRS leadership in the coming weeks to try to accelerate the processing of eligible claims, including several thousand cases pending in TAS.

**Using Inflation Reduction Act funding to improve the taxpayer experience**

The report addresses the IRS’s Strategic Operating Plan priorities to utilize the funding the agency received under the Inflation Reduction Act (IRA). Of the roughly \$79 billion in IRA funding the IRS originally received (since reduced to \$58 billion), only \$3.2 billion was allocated for Taxpayer Services and only \$4.8 billion was allocated for Business Systems Modernization (BSM). The IRS has projected it will run out of IRA funding for the Taxpayer Services and BSM accounts in fiscal year (FY) 2026. In the report, Collins reiterates her prior recommendation that Congress reallocate, or authorize the IRS to move, funds from the Enforcement account to the Taxpayer Services and BSM accounts.

***“When I look back eight years from now on how the IRS spent its Inflation Reduction Act funding,” Collins wrote, “the changes I consider ‘transformational’ will primarily involve the deployment of new technology and innovative thinking.”***

The report notes the improvements the IRS has made in taxpayer services and cites numerous examples of critical technology needs, including enhanced online taxpayer accounts, digital scanning of paper-filed tax returns, more detailed and up-to-date information on the *Where’s My Refund?* and *Where’s My Amended Return?* tools, replacement of the agency’s roughly 60 case management systems that don’t

communicate with each other with an integrated system, and replacement of core technology systems that still run on Assembly Language Code and COBOL.

“While opinions about the large boost in Enforcement funding have varied, I have yet to hear a Member of Congress oppose the additional funding provided for Taxpayer Services or IT modernization,” Collins wrote.

***“I encourage Members to ensure that taxpayer services and technology modernization – the truly ‘transformational’ component of the IRS’s Strategic Operating Plan – are adequately funded to meet the needs of the taxpaying public and to conduct regular congressional oversight to ensure the funding is well spent.”***

### **Taxpayer Advocate Service objectives for FY 2025**

As required by law, the report identifies TAS’s key objectives for the upcoming fiscal year. The report describes 11 systemic advocacy objectives, five case advocacy and other business objectives, and four research objectives. Among the objectives the report identifies are the following:

- **Modernize IRS processing to increase efficiency and improve the taxpayer experience.** In August 2023, the IRS announced the launch of a [Paperless Processing Initiative](#). The report praises the initiative and points out key areas where progress can be made. Currently, most paper-filed Forms 1040 are still manually transcribed. Some taxpayers who want to e-file their returns can’t do so because they are required to submit forms or schedules that the IRS’s e-file platform still doesn’t support. In addition, the IRS has created a “Document Upload Tool” that allows taxpayers to submit responses to IRS notices through a portal, but once received, the IRS still processes the responses as if they were submitted on paper. TAS plans to monitor implementation of the Paperless Processing Initiative to ensure it meets taxpayer needs, and Collins also recommends the IRS change its policy of rejecting e-filed returns with certain defects, because affected taxpayers must then paper-file their returns, creating additional burden for taxpayers and the IRS alike.
- **Improve IRS employee hiring, recruitment, retention, and training processes.** The report notes that an estimated 37% of the IRS workforce is already eligible to retire or will become eligible to retire within the next five years. A high rate of retirements, particularly at the management level, will lead to a “brain drain” that the IRS must be prepared to address. The IRS is also hiring additional employees with its IRA funding, and these new hires must receive proper training to perform their jobs effectively. TAS plans to analyze the IRS’s hiring and recruitment strategies to help the IRS improve its hiring, recruitment, and training processes and make recommendations to improve employee retention strategies to reduce employee turnover.
- **Enhance IRS transparency by improving applicable technology, sufficiently explaining modernization progress, and providing straightforward guidance on tax law.** According to the report, the IRS should do a better job of “providing taxpayers, tax professionals, industry, and other stakeholders with all the information to which they’re entitled, when they need it, in an accessible, clear, and sufficiently detailed way.” The report favorably cites IRS technology modernization goals of providing taxpayers with “instant account updates, faster refund processing and payment posting, and near real-time status updates” and giving IRS telephone assistants streamlined access to the taxpayer data they need to respond to taxpayer questions with specificity and detail. Through its membership on cross-functional IRS teams, TAS will continue to advocate for the IRS to provide specific details on its progress toward achieving its goals and produce clear and timely guidance and information to taxpayers, tax professionals, industry, and other stakeholders.

### **IRS responses to National Taxpayer Advocate administrative recommendations**

The National Taxpayer Advocate is required by statute to submit a year-end report to Congress that, among



other things, makes administrative recommendations to resolve taxpayer problems. Internal Revenue Code § 7803(c)(3) authorizes the National Taxpayer Advocate to submit the administrative recommendations to the Commissioner and requires the IRS to respond within three months.

***The National Taxpayer Advocate made 78 administrative recommendations in her 2023 year-end report and then submitted them to the Commissioner for response. The IRS has agreed to implement 62 (or 79%) of the recommendations in full or in part.***

TAS will publish the IRS's responses next month on the TAS website.

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The National Taxpayer Advocate is required by statute to submit two annual reports to the House Committee on Ways and Means and the Senate Committee on Finance. The statute requires the reports to be submitted directly to the Committees without any prior review or comment from the Commissioner of Internal Revenue, the Secretary of the Treasury, the IRS Oversight Board, any other officer or employee of the Department of the Treasury, or the Office of Management and Budget. The first report must identify the objectives of the Office of the Taxpayer Advocate for the fiscal year beginning in that calendar year. The second report must include a discussion of the 10 most serious problems encountered by taxpayers, identify the 10 tax issues most frequently litigated in the courts, and make administrative and legislative recommendations to resolve taxpayer problems.

The National Taxpayer Advocate blogs about key issues in tax administration. Individuals may [subscribe to the blog](#) and [read past blogs](#).

For media inquiries, please contact TAS Media Relations at [TAS.media@irs.gov](mailto:TAS.media@irs.gov) or call the media line at (202) 317-6802.

### **About the Taxpayer Advocate Service**

TAS is an **independent** organization within the IRS. TAS helps taxpayers resolve problems with the IRS, makes administrative and legislative recommendations to prevent or correct the problems, and protects taxpayer rights.

To contact TAS, visit [Taxpayer Advocate Service](#); check your local directory; or call TAS toll-free at [877-777-4778](tel:877-777-4778). To get help any time with general tax topics or to learn more about the Taxpayer Bill of Rights, visit [Twitter.com/YourVoiceatIRS](https://twitter.com/YourVoiceatIRS). Get updates on tax topics at [facebook.com/YourVoiceAtIRS](https://facebook.com/YourVoiceAtIRS), [Twitter.com/YourVoiceatIRS](https://twitter.com/YourVoiceatIRS), [linkedin.com/company/taxpayer-advocate-service](https://linkedin.com/company/taxpayer-advocate-service), and [YouTube.com/TASNTA](https://YouTube.com/TASNTA).