



## TAS RESEARCH OBJECTIVES

In addition to ensuring the accuracy of TAS reports and completing other analyses to support the National Taxpayer Advocate, TAS Research conducts a variety of research activities to detect systemic problems, improve IRS procedures for administering the tax laws, and formulate legislative recommendations to enhance the efficiency of tax administration and reduce taxpayer burden. TAS research projects provide pertinent information on both tax policy and tax administration and help inform the development of the National Taxpayer Advocate’s Annual Report to Congress. In fiscal year (FY) 2025, TAS will study taxpayer experiences when interacting with various IRS processes, review TAS’s customer service to ensure TAS is providing excellent assistance to all types of taxpayers, and develop recommendations for policymakers to consider as legislative and administrative remedies to improve service to taxpayers. TAS continues its FY 2024 research project of reviewing IRS telephone service and the related metrics to ensure excellent service.

### 1. STUDY WHY TAXPAYERS OFTEN TAKE A LONG TIME TO AUTHENTICATE THEIR IDENTITY TO RECEIVE A CLAIMED REFUND

Identity theft continues to plague the IRS. In 2023, the Federal Trade Commission (FTC) received over a million reports of identity theft, continuing a trend of theft reports exceeding one million per year for the past several years.<sup>1</sup> But these are just the identity theft occurrences reported to the FTC. A recent report issued by the American Association of Retired Persons (AARP) places the 2023 frequency of identity theft at about 15 million instances with a total dollar loss attributable to identity theft at \$23 billion.<sup>2</sup>

Each year, the IRS’s identity theft filters seek to stop identity thieves from getting refunds, and as a result, the IRS suspends processing on a few million refund returns it suspects identity thieves submitted. After suspending a claimed refund, the IRS issues a letter to the taxpayer shown on the return requesting the taxpayer authenticate their identity within 30 days. However, taxpayers often take much longer to respond to this letter. During the 2023 filing season, taxpayers took an average of 52 days to respond to IRS letters

1 Fed. Trade Comm’n, *Fraud and ID Theft Maps* (Apr. 25, 2024), <https://public.tableau.com/app/profile/federal.trade.commission/viz/FraudandIDTheftMaps/AllReportsbyState>.  
2 Christina Ianzito, *Identity Fraud Cost Americans \$43 Billion in 2023*, AARP (Apr. 10, 2024), <https://www.aarp.org/money/scams-fraud/info-2024/identity-fraud-report.html>.

requesting identity authentication; however, some taxpayers took more than six months to respond to an IRS request to authenticate their identity.<sup>3</sup>

Ultimately, the IRS ends up releasing over half of the refunds it freezes to legitimate taxpayers after authentication.<sup>4</sup> Nevertheless, all of these taxpayers still had to experience the burden of authenticating their identities with the IRS to receive their legitimate refunds. In conjunction with the IRS Taxpayer Services Business Operating Division, TAS will focus on identifying the reasons taxpayers delayed authenticating their identities and any barriers they encountered using various IRS identity authentication methods.

During 2024, TAS and the IRS sent a survey to a random sample of taxpayers who successfully authenticated their identity. The sample contained three categories: taxpayers who authenticated their identity within 30 days, taxpayers who took between 31 and 180 days to authenticate their identity, and taxpayers who did not authenticate their identity for more than 180 days after the IRS requested them to do so. The study will assess whether the reasons for delayed identity authentication are personal or reflect difficulties in understanding and navigating the IRS's various identity authentication processes. TAS and the IRS will also solicit suggestions for improving the IRS's procedures when it requests identity authentication.

**Objective 1 for FY 2025 – TAS will partner with IRS Taxpayer Services to analyze survey results about taxpayer experiences verifying their identities via the IRS's identity authentication processes.**

- Activity 1: Analyze taxpayer survey data to determine the reasons taxpayers delay authenticating their identities, examine their experiences with various IRS identity authentication processes, and review taxpayer suggestions to improve the processes.
- Activity 2: Determine if delays in taxpayer identity authentication correlate with experiences during the authentication process.

**2. DETERMINE WHETHER TAS CASE RECEIPTS AND OUTCOMES ARE CONSISTENT ACROSS THE DEMOGRAPHIC GROUPS OF TAXPAYERS SEEKING TAS ASSISTANCE**

Stanford University published a study in 2023 with the Treasury Department showing that the IRS Earned Income Tax Credit (EITC) audit selection process disproportionately selects Black taxpayers.<sup>5</sup> While the report does not indicate the IRS intentionally selected certain demographic groups for audit more often than others, the data strongly suggests that the IRS audit selection process created unintentional bias against certain taxpayer groups. As the IRS investigated the findings from this report, TAS supplied data from its own closed EITC cases to the IRS's Research, Applied Analytics, and Statistics (RAAS) function. RAAS conducted a preliminary analysis of TAS's closed EITC audit cases and did not find a similar bias in TAS EITC case receipts from and outcomes for Black taxpayers.

With RAAS, TAS will perform a more comprehensive analysis of all TAS case receipts and closures. The study will examine if TAS case receipts occur proportionally to overall taxpayer demographics and if the resolution of those cases occurs proportionally across all demographic segments. While the population of TAS casework is significantly impacted by IRS actions, this assessment is expected to identify demographic segments in need of additional awareness of TAS services. TAS will analyze its case quality data to ensure it works cases consistently regardless of taxpayer demographics. An evaluation of TAS casework and the resulting relief provided to taxpayers by demographic segments will allow TAS to determine if it can improve existing

3 IRS, Wage and Investment (W&I) Business Performance Report (BPR) Q4, FY 2023, 27.

4 IRS, W&I BPR Q4, FY 2023, 17. The IRS is projecting a 54 percent false detection rate for 2023.

5 Hadi Elzayn, et al., *Measuring and Mitigating Racial Disparities in Tax Audits* 1 (Stanford Inst. for Econ. Pol'y Rsch., Working Paper, 2023), <https://siepr.stanford.edu/publications/working-paper/measuring-and-mitigating-racial-disparities-tax-audits>.