

The National Taxpayer Advocate has recommended the IRS accept valid tax returns it rejected solely based on electronic filing criteria and direct them to an appropriate treatment stream for resolving discrepancies.⁸ During FY 2023, 150.9 million individuals filed an electronic Form 1040. Of the 19.4 million taxpayers who experienced rejection of their tax return, the IRS ultimately accepted returns for approximately 14 million taxpayers, while over five million of those taxpayers with a rejected Form 1040 return ended up filing on paper or did not file.⁹ TAS will continue to advocate for a system that allows taxpayers to perfect electronic tax return filings rather than forcing those taxpayers to submit paper returns.

Objective 1 for FY 2025 – TAS will work with the IRS as the IRS implements plans to modernize processing through the Paperless Processing Initiative.

- Activity 1: Monitor the IRS implementation of the Paperless Processing Initiative, including scanning technology and digitalization to process paper-filed IRS forms and correspondence and the expansion of electronic filing eligible tax forms, and make administrative recommendations as needed to minimize taxpayer burden.
- Activity 2: Provide recommendations to allow perfection of electronically filed tax returns rejected solely based on electronic filing criteria and the creation of an appropriate treatment stream for resolving discrepancies.
- Activity 3: Monitor the inventory and processing of amended returns, including Employee Retention Credit claims, and provide recommendations to improve the processing timeframe and transparency about the length of time and reasons for delays.

2. IMPROVE IRS EMPLOYEE HIRING, RECRUITMENT, RETENTION, AND TRAINING PROCESSES

The IRS still has much work to do to improve its hiring, recruitment, and training processes. Failures in hiring, recruitment, and training lead to poor customer service quality, undermine voluntary compliance, and burden tax administration. IRS employee attrition remains a concern for the National Taxpayer Advocate. As noted in the 2023 Annual Report to Congress, about 18 percent of IRS employees are currently retirement-eligible and can leave at any time, with 37 percent of IRS employees estimated to become retirement-eligible in the next five years.¹⁰ This state of affairs will lead to a void in the management and leadership ranks at the IRS, and the National Taxpayer Advocate urges the IRS to move quickly and efficiently to mitigate the impact of employee attrition.

The IRS continues to expand its use of in-person and virtual recruitment events, which it announces on an external recruitment website.¹¹ Using funding provided in the Inflation Reduction Act of 2022,¹² the IRS has increased its focus on hiring customer service representatives (CSRs) and revenue agents. The IRS Chief

8 National Taxpayer Advocate 2023 Annual Report to Congress 5 (Most Serious Problem: *Processing: Ongoing Processing Delays Burden and Frustrate Taxpayers Awaiting Refunds and Other Account Actions*), https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2024/01/ARC23_MSP_01_Processing-Delays_FINAL_01292024.pdf; National Taxpayer Advocate 2021 Annual Report to Congress 139 (Most Serious Problem: *E-Filing Barriers: Electronic Filing Barriers Increase Taxpayer Burden, Cause Processing Delays, and Waste IRS Resources*), https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2022/01/ARC21_MSP_08_Efiling.pdf.

9 IRS, Compliance Data Warehouse (CDW), Electronic Tax Administration Research and Analysis System (Nov. 2023).

10 Email from the IRS Chief Human Capital Officer (dated Dec. 19, 2023). The volume of IRS retirement-eligible employees in the next five years varies, and estimates are as high as 63 percent. IRS, Pub. 5530, Fiscal Year 2024 Budget in Brief (Feb. 2023), <https://www.irs.gov/pub/irs-prior/p5530--2023.pdf>. Attrition is defined as “the departure of employees from an organization for any reason (voluntary or involuntary), including resignation, termination, death, or retirement,” in a fiscal year and is used interchangeably with the term “employee turnover.” See Human Resources Glossary, Gartner, <https://www.gartner.com/en/human-resources/glossary/attrition> (last visited May 13, 2024).

11 IRS Events, IRS Careers, <https://www.jobs.irs.gov/events> (last visited May 13, 2024).

12 An Act to Provide for Reconciliation Pursuant to Title II of S. Con. Res. 14, Pub. L. No. 117-169, 136 Stat. 1818 (2022).

Human Capital Officer, Traci DiMartini, declared in early 2024 that the IRS will continue to use “every tool that is available to us” to improve the recruitment and hiring process.¹³

Increasing hiring operations includes expanding the IRS Human Capital Office (HCO) hiring personnel staff to improve hiring operation capacity. These new employees require effective training before they can hire other new employees to expand the overall workforce. In a recent Government Accountability Office (GAO) audit, GAO directed the IRS Commissioner “to direct the Human Capital Officer at IRS to ensure that USA Staffing Program Managers at their agency routinely solicit and analyze training feedback from human capital professionals and use such information to improve training resources that address human capital professionals’ needs.”¹⁴

A recent change in the IRS telework policy may pose a new challenge for employee recruitment and retention. A 2024 Treasury directive to return certain employees in the National Capital Region to the office 50 percent of the time may complicate IRS efforts to recruit and retain employees.¹⁵ The Treasury Department announced the directive due to a wider directive from the U.S. Office of Management and Budget (OMB).¹⁶ The National Treasury Employees Union (NTEU) opposes the Treasury directive to increase the number of days Treasury employees report to a government worksite, calling it a decision that “flies in the face of the proven benefits of telework.”¹⁷ This may be a challenge in terms of employee recruitment and retention.

The IRS hiring process continues to take too long. The IRS fails to meet the Office of Personnel Management’s (OPM’s) 80-day Time-to-Hire benchmark¹⁸ for external hires, as shown in Figure 3.1. In FY 2024 to date, the average time to hire has increased compared to FY 2023. Although TAS commends the recent efforts of HCO in expanding recruitment operations, these changes have not yet produced tangible results. The National Taxpayer Advocate continues to advocate for significant improvements in FY 2025 and beyond to slow the current rate of attrition, meet hiring demand, and reduce the length of the hiring process.

FIGURE 3.1, IRS Time-to-Hire Averages From FY 2022 to FY 2024 to Date¹⁹

Time to Hire by Segment	FY 2022 Average	FY 2023 Average	FY 2024 Average
Overall	81 days	68 days	77 days
External	93 days	85 days	95 days
Internal	58 days	51 days	61 days

13 Louis Parks, *The IRS Is Taking a Maverick’s Approach to Recruitment*, FIN. MAGNATES, Apr. 1, 2024, <https://www.financemagnates.com/trending/the-irs-is-taking-a-mavericks-approach-to-recruitment/>.

14 GAO, GAO-24-105738, *Federal Hiring: USA Staffing System Supports Hiring Needs, But Actions Are Needed to Strengthen Training and Program Management* (2024), <https://www.gao.gov/products/gao-24-105738>.

15 Jory Heckman, *Treasury, IRS Set 50% Return-To-Office Target For Employees to Meet ‘Governmentwide’ Standard*, FED. NEWS NETWORK, Feb. 16, 2024, <https://federalnewsnetwork.com/workforce/2024/02/treasury-irs-set-50-return-to-office-target-for-employees-in-may/>.

16 See OMB Memorandum No. M-23-15, *Measuring, Monitoring, and Improving Organizational Health and Organizational Performance in the Context of Evolving Agency Work Environments* (Aug. 2023), <https://www.whitehouse.gov/wp-content/uploads/2023/04/M-23-15.pdf>. See also Jory Heckman, *Treasury, IRS Set 50% Return-To-Office Target For Employees to Meet ‘Governmentwide’ Standard*, FED. NEWS NETWORK, Feb. 16, 2024, <https://federalnewsnetwork.com/workforce/2024/02/treasury-irs-set-50-return-to-office-target-for-employees-in-may/>.

17 NTEU, *NTEU Opposes Treasury Telework Directive*, <https://www.nteu.org/~media/Files/nteu/docs/public/irs/2024/nteu-opposes-treasury-telework-directive> (Apr. 3, 2024).

18 Erich Wagner, *OPM Announces Adjustments to Annual Time-to-Hire Metrics*, GOVEXEC, Feb. 26, 2020, <https://www.govexec.com/management/2020/02/opm-announces-adjustments-annual-time-hire-metrics/163361/>. See also OPM Memorandum, *Time-to-Hire Reporting Requirements* (Feb. 25, 2020), <https://www.chcoc.gov/content/time-hire-reporting-requirements-1>.

19 IRS Time-to-Hire Averages Table, Latest from the IRS Tactical Operations Center (TOC) - TALK (week ending Mar. 8, 2024) (email on file with TAS).

Objective 2 for FY 2025 – TAS will continue to advocate for improvements in IRS employee hiring, recruitment, retention, and training processes.

- Activity 1: Review and analyze the IRS FY 2025 hiring and recruitment strategies and propose suggestions on improving recruitment efforts and speeding up the pace of hiring.
- Activity 2: Collaborate with hiring and training subject matter experts within each of the IRS's Business Operating Divisions in FY 2025 to gain direct insight from HCO customers to identify current hurdles and inefficiencies in IRS hiring, recruitment, and training processes.
- Activity 3: Work with IRS HCO to develop potential employee retention strategies and recommendations in FY 2025 to reduce the overall turnover rates of employees.

3. ENHANCE IRS TRANSPARENCY BY IMPROVING APPLICABLE TECHNOLOGY, SUFFICIENTLY EXPLAINING MODERNIZATION PROGRESS, AND PROVIDING STRAIGHTFORWARD GUIDANCE ON TAX LAW

“Transparency” is the government’s obligation to share with citizens the information they need to make informed decisions and hold officials accountable for the conduct of the people’s business. For the IRS, this means 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. It is imperative that the IRS be transparent, impartial, fair, and consistent to maintain its integrity. And to preserve the trust and confidence of taxpayers, it is imperative that tax administration remain independent and insulated from partisan influence, allowing it to operate in a manner that promotes the best interests of the taxpayers and the nation as a whole. The IRS has made progress recently in key areas relating to transparency, including phone service, clarification of certain notices and letters, and improvements to online accounts. Despite these advances, taxpayers and tax professionals still report difficulties communicating effectively with the IRS.²⁰

Many of the IRS’s plans to improve transparency rely on updating the agency’s technology.²¹ Technology modernization would provide “taxpayers with instant account updates, faster refund processing and payment posting, and near real-time status updates”²² as well as give IRS CSRs the streamlined access to taxpayer data they need to respond to taxpayer questions with specificity and detail.²³ However, GAO has reported that the IRS still needs to finish developing its plans on technology modernization and that the IRS may be at risk of “cost overruns, schedule delays, and overall project failure.”²⁴ Additionally, as the IRS’s modernization of technology involves the implementation of artificial intelligence (AI), such as in existing voicebots and chatbots, the IRS must remain transparent about its use of AI, particularly as those uses affect taxpayer rights and data privacy.²⁵

20 See, e.g., 2023 IRS Nationwide Tax Forums TAS Focus Groups, IRS Transparency (Oct. 2023).

21 See, e.g., IRS, Pub. 3744-A, 2024 IRA Strategic Operating Plan Annual Update Supplement 27 (Apr. 2024), <https://www.irs.gov/pub/irs-pdf/p3744a.pdf> (“Modernizing the IRS IT environment underpins all of the service and enforcement improvements described in this update.”).

22 IRS, Pub. 4450, IRS Fiscal Year 2025 Congressional Budget Justification & Annual Performance Report and Plan 5 (Feb. 2024), <https://home.treasury.gov/system/files/266/02.-IRS-FY2025-CJ.pdf>.

23 See IRS, Pub. 3744-A, 2024 IRA Strategic Operating Plan Annual Update Supplement 18 (Apr. 2024), <https://www.irs.gov/pub/irs-pdf/p3744a.pdf>.

24 GAO, GAO-24-106566, *Information Technology: IRS Needs to Complete Planning and Improve Reporting for Its Modernization Programs* 12-13 (2024), <https://www.gao.gov/products/gao-24-106566>.

25 See OMB, Memorandum No. M-24-10, *Advancing Governance, Innovation, and Risk Management for Agency Use of Artificial Intelligence* 24-25 (2024), <https://www.whitehouse.gov/wp-content/uploads/2024/03/M-24-10-Advancing-Governance-Innovation-and-Risk-Management-for-Agency-Use-of-Artificial-Intelligence.pdf>.