

Since 2002, to protect taxpayers from the harm imposed by untrained and unscrupulous non-credentialed return preparers, the National Taxpayer Advocate has recommended that Congress authorize the IRS to conduct return preparer oversight.⁵⁵ Through data-supported outreach, TAS will continue raising awareness of the need to impose minimum standards on paid federal return preparers. To further protect taxpayers, especially before Congress enacts any preparer oversight legislation, TAS will also raise taxpayer awareness on how to select a reputable return preparer.

Objective 5 for FY 2025 – TAS will increase awareness of the risks inherent in the current lack of oversight of paid federal return preparers.

- Activity 1: Conduct research in connection with the development of the related Purple Book legislative recommendation⁵⁶ to identify statistical data supporting the need to impose minimum competency and ethical standards on paid federal return preparers.
- Activity 2: Develop outreach (*e.g.*, NTA Blog, TAS Tax Tips) to raise taxpayer awareness on how to select a reputable tax return preparer.
- Activity 3: Meet with congressional members and staff throughout the year and during the Congressional Affairs Program conference, as appropriate, to discuss the Purple Book legislative recommendation to authorize the IRS to establish minimum competency standards for federal tax return preparers.

6. REDUCE PROCESSING TIMES FOR IDENTITY THEFT VICTIM ASSISTANCE CASES

Each year, hundreds of thousands of taxpayers are victims of tax-related identity theft. In FY 2022, the IRS had 228,383 Identity Theft Victim Assistance (IDTVA) case receipts, and in FY 2023, they increased to 294,138.⁵⁷ This increase resulted in part from the issuance of pandemic-era credits such as Economic Impact Payments, the Additional Child Tax Credit, and the Advance Child Tax Credit, which led to the IRS having a backlog of IDTVA cases. IDTVA case receipts seem to be on a similar trajectory in FY 2024 as there have been 189,653 IDTVA case receipts in FY 2024 through May 25, 2024. The IRS received 93,429 of these case receipts during Filing Season 2024.⁵⁸ Identity thieves are often motivated by large credits to steal taxpayers' personal identifying information and file fraudulent returns so they can divert taxpayers' refunds to themselves. It took the IRS 556 days in FY 2023 to resolve IDTVA cases – nearly 19 months.⁵⁹ As of April 2024, the processing time jumped to 675 days – nearly two years.⁶⁰

It has been four years from the onset of the pandemic, and the IRS's delays in helping victims are unconscionable.⁶¹ The IRS has prioritized other service areas, such as processing a backlog of paper-filed returns and achieving an 85 percent Level of Service on its main toll-free lines, to demonstrate its success, while identity theft victims continue to experience extreme processing timeframes to get their refunds.⁶² It is past time for the IRS to prioritize IDTVA cases.

55 See National Taxpayer Advocate 2002 Annual Report to Congress 216 (Legislative Recommendation: *Regulation of Federal Tax Return Preparers*), https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2020/08/arc2002_section_two.pdf.

56 National Taxpayer Advocate 2024 Purple Book, *Compilation of Legislative Recommendations to Strengthen Taxpayer Rights and Improve Tax Administration 7 (Authorize the IRS to Establish Minimum Competency Standards for Federal Tax Return Preparers and Revoke the Identification Numbers of Sanctioned Preparers)*, https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2024/01/ARC23_PurpleBook_02_ImproveFiling_4.pdf.

57 IRS, JOC, AM RAD, IDTVA Accounts Inventory Report for Individuals, FY 2022 through FY 2024.

58 IRS, JOC, AM RAD, IDTVA Accounts Inventory Report for Individuals, FY 2024.

59 IRS, JOC, AM RAD, Correspondence Imaging System (CIS) Closed Case Cycle Time for the Identity Theft Victims Unit Reports, FY 2023.

60 IRS, JOC, AM RAD, CIS Closed Case Cycle Time for the Identity Theft Victims Unit Reports (through Mar./Apr. 2024).

61 Erin M. Collins, Identity Theft Victims Are Waiting Nearly Two Years to Receive Their Tax Refunds, NATIONAL TAXPAYER ADVOCATE BLOG (June 6, 2024), <https://www.taxpayeradvocate.irs.gov/news/nta-blog/identity-theft-victims-are-waiting-nearly-two-years-to-receive-their-tax-refunds/2024/06>.

62 Janet L. Yellen, Sec'y of the Treasury, Remarks at IRS Headquarters in Washington, D.C. (Nov. 7, 2023), <https://home.treasury.gov/news/press-releases/jy1888>.

The IRS's failure to reduce these timeframes further harms victims who are often dealing with other issues related to the identity theft. These taxpayers won't receive their federal tax refunds until the IRS resolves their IDTVA cases. These delays are particularly challenging for low-income taxpayers who may rely on these refunds to pay their day-to-day living expenses or expenses accrued throughout the year, such as medical bills. IRS delays in issuing refunds may force some taxpayers to reduce their food expenses, leading to food insecurity.⁶³ In addition, these identity theft victims may struggle to secure certain kinds of loans, such as mortgages.⁶⁴

The IRS's lengthy delays in resolving these IDTVA cases have also led to collection problems for some taxpayers. For instance, taxpayers who have elected to apply an overpayment to the next tax year may receive a collection notice because the IRS won't apply the overpayment until it resolves the IDTVA case. Another consequence of the lengthy processing time is that the IRS will not automatically assign an Identity Protection PIN (IP PIN) until it resolves their case.⁶⁵ However, taxpayers can request an IP PIN on their own at any point during the IDTVA case resolution process.⁶⁶ Undoubtedly, more problems are likely to arise until the IRS addresses the lengthy IDTVA processing times.⁶⁷

Objective 6 for FY 2025 – TAS will work with the IRS to identify ways to reduce IDTVA case processing times.

- Activity 1: Work with the IRS to identify ways to improve efficiency in IDTVA case processing to achieve shorter processing times.
- Activity 2: Identify systemic issues arising from these lengthy IDTVA case processing times and work with the IRS to systemically solve these problems.
- Activity 3: Advocate for the IRS to provide more specific processing timeframes for IDTVA cases on the IRS operational page.⁶⁸

7. IMPROVE THE CUSTOMER EXPERIENCE FOR ONLINE ACCOUNTS AVAILABLE TO INDIVIDUALS, BUSINESSES, AND TAX PROFESSIONALS

The IRS has continued to expand its online account functionality, but taxpayers and tax professionals still lack comprehensive online accounts. The lack of a robust, self-service avenue to interact online with the IRS fails to adequately meet taxpayer service expectations and forces taxpayers and tax professionals to pursue alternative methods that delay resolution, such as calling for assistance, seeking in-person assistance at a TAC, submitting paper documents, or forgoing assistance entirely.

63 O. Kondratjeva, *The Impact of Tax Refund Delays on the Experience of Hardship Among Lower-Income Households*, J. OF CONSUMER POL'Y, 45:239-280 (2022), <https://link.springer.com/content/pdf/10.1007/s10603-021-09501-4.pdf>.

64 IRM 21.2.3.5.8(4), Transcripts and Identity Theft (Apr. 29, 2022), https://www.irs.gov/irm/part21/irm_21-002-003r. When a taxpayer has an identity theft indicator on their account, they won't be able to have the IRS send tax transcripts directly to a third party, such as a mortgage lender. In these situations, IRS assistors are instructed to inform the taxpayer: "In cases of identity theft, the financial community has been made aware we will only release transcripts to the taxpayer. A mortgage company or lender does not need to obtain the transcript directly from the IRS." See Regulation 12 CFR § 1026.43(c)(4)."

65 An IP PIN is a unique number issued annually known only to the IRS and the taxpayer. An IP PIN protects identity theft victims against future identity theft. The taxpayer includes the IP PIN on their return as a safeguard and as a way for the IRS to know it is truly the taxpayer filing the tax return rather than a bad actor.

66 IRM 25.23.2.9.1.2, Get an IP PIN Online Available for Taxpayers to Opt-In to the IP PIN Program (May 8, 2023), https://www.irs.gov/irm/part25/irm_25-023-002r. The IRS issues an IP PIN to taxpayers who are victims of tax-related identity theft once it resolves their cases and requires the taxpayers to use an IP PIN to file their returns going forward.

67 IRM 25.23.2.6, Closing Identity Theft Issues (Sept. 6, 2023), https://www.irs.gov/irm/part25/irm_25-023-002r. The completion of the necessary actions and input of a closing code by the IDTVA employee trigger the issuance of the IP PIN.

68 See IRS, IRS Operations: Status of Mission-Critical Functions (Apr. 10, 2024), <https://www.irs.gov/newsroom/irs-operations-status-of-mission-critical-functions>.