

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>.

The IRS SOP contains many objectives that have the potential to transform the modernization of online accounts, such as improving self-service options, building status tracking tools, and expanding digital response options. As the IRS implements its SOP, TAS will continue to advocate for it to develop online account functionality with a taxpayer-centric approach that prioritizes the experience and needs of all taxpayers and tax professionals while incorporating input from stakeholders.⁶⁹

On September 22, 2023, OMB issued Memorandum M-23-22, *Delivering a Digital-First Public Experience*, which provides guidance to agencies on how to design and deliver websites and digital services to the public. It includes and summarizes many best practices for digital services, including:

- Provide services to the public in a manner that maximizes self-service or transaction completion;
- Design and deliver digital options with users at the center of the experience;
- Prioritize customization to help users complete more relevant tasks more quickly;
- Ensure accessibility for people of diverse abilities;
- Provide content that is authoritative and easy to understand;
- Ensure the design of digital services incorporates appropriate privacy safeguards; and
- Build a digital workforce capable of delivering information and services to the public.⁷⁰

Online accounts with robust services that incorporate the digital-first public experience best practices are an important tool to improve the taxpayer experience and raise taxpayers' overall satisfaction and trust in the IRS, and TAS will continue to advocate that the IRS implement these best practices.

Objective 7 for FY 2025 – TAS will work with the IRS to incorporate the digital-first public experience best practices for online accounts available to individuals, businesses, and tax professionals.

- Activity 1: Monitor IRS implementation of the SOP objectives relating to online accounts and provide recommendations to ensure the IRS makes timely progress toward developing online account functionality with a taxpayer-centric approach that prioritizes the experience and needs of individual and business taxpayers and tax professionals.
- Activity 2: Provide recommendations to the IRS for the expansion of services available within Individual Online Accounts, Business Tax Accounts, and Tax Pro Accounts.

8. IMPROVE ADMINISTRATION OF INTERNATIONAL INFORMATION RETURN PENALTIES BY ELIMINATING SYSTEMIC ASSESSMENTS, OFFERING A FIRST-TIME ABATEMENT WAIVER, AND INCREASING TAXPAYER AWARENESS

U.S. persons who receive money from abroad, have foreign financial interests, or engage in cross-border activities are potentially subject to a wide range of U.S. reporting requirements. Many of the international information return requirements can result in significant penalties when a filing is late, incomplete, or inaccurate, even if the information reported relates to income that isn't taxable. These penalties are broadly applied, needlessly harsh, and often unexpected, harming unsuspecting lower- and middle-income taxpayers, small businesses, and immigrants.⁷¹ In FY 2025, TAS will continue to work with the IRS to develop a sounder approach to this penalty regime.

69 IRS, Pub. 3744, IRS Inflation Reduction Act Strategic Operating Plan (Apr. 2023), <https://www.irs.gov/pub/irs-pdf/p3744.pdf>.

70 OMB Memorandum No. M-23-22, *Delivering a Digital-First Public Experience* (Sept. 2023) (implementing the 21st Century Integrated Digital Experience Act, Pub. L. No. 115-336, 132 Stat. 5025 (2018)), <https://www.whitehouse.gov/omb/management/ofcio/delivering-a-digital-first-public-experience/>.

71 See National Taxpayer Advocate 2023 Annual Report to Congress 101 (Most Serious Problem: *International: The IRS's Approach to International Information Return Penalties Is Draconian and Inefficient*), https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2024/01/ARC23_MSP_08_International.pdf.