

In FY 2024, the number one reason congressional offices contacted TAS was because their constituents' refunds were on hold due to an income/withholding mismatch, also known as a Pre-Refund Wage Verification Hold. Congressional referrals for this issue more than doubled in volume compared to FY 2023.

FIGURE 4.8, TAS Top Ten Congressional Receipts by Primary Core Issue Codes, FYs 2023-2024⁴⁶

| Rank | Issue Description | FY 2023 | FY 2024 | Percent Change FYs 2023-2024 |
|-------------------------------------|-----------------------------------------------------------------------------------------------|---------------|---------------|------------------------------|
| 1 | Pre-Refund Wage Verification Holds (Refund holds due to income/withholding mismatch) | 4,948 | 11,169 | ▲ 125.7% |
| 2 | Processing Amended Returns | 6,016 | 8,560 | ▲ 42.3% |
| 3 | TPP Issues (Returns on hold until taxpayer verifies identity) | 2,762 | 2,422 | ▼ -12.3% |
| 4 | Decedent Account Refunds | 2,815 | 2,207 | ▼ -21.6% |
| 5 | Returned or Stopped Refunds | 1,263 | 1,827 | ▲ 44.7% |
| 6 | Identity Theft | 1,970 | 1,789 | ▼ -9.2% |
| 7 | Error Resolution System/Rejects (Returns or adjustments on hold or rejected due to errors) | 1,653 | 1,712 | ▲ 3.6% |
| 8 | Lost or Stolen Refunds | 2,030 | 1,583 | ▼ -22.0% |
| 9 | Processing Original Returns | 2,353 | 1,329 | ▼ -43.5% |
| 10 | Other Refund Inquiries or Issues | 1,762 | 1,315 | ▼ -25.4% |
| Other Issues | | 13,650 | 13,454 | ▼ -1.4% |
| Total Congressional Receipts | | 41,222 | 47,367 | ▲ 14.9% |

From FY 2023 to FY 2024, congressional referrals increased by 42 percent for amended return processing issues.⁴⁷ Over half of these cases were businesses and exempt organizations facing delays in ERC claim processing.⁴⁸ TAS anticipates the volume of ERC claim processing congressional referrals to continue to increase in FY 2025.

TAS SYSTEMIC ADVOCACY

While TAS Case Advocacy focuses on work with taxpayers or their representatives to resolve their specific problems with the IRS, TAS Systemic Advocacy has responsibility to address systemic problems that affect multiple taxpayers. Systemic Advocacy identifies, studies, and seeks to resolve problems, both reactively and proactively, that affect groups of taxpayers, including problems that affect individuals, businesses, or both. These systemic issues can involve systems, processes, policies, procedures, or legislation and may require advocating for recommendations for administrative solutions to the IRS or legislative changes to Congress.

46 Data obtained from TAMIS (Oct. 1, 2023; Oct. 1, 2024). The IRS will initiate a Pre-Refund Wage Verification Hold prior to posting or releasing a refund when it identifies that the income or withholding as reported on a tax return does not match internal records. See IRM 25.25.3.1(1), Program Scope and Objectives (Aug. 30, 2019), https://www.irs.gov/irm/part25/irm_25-025-003r. TPP issues occur when the TPP process detects a return as a potential identity theft return, requiring the taxpayer to verify their identity prior to the IRS posting or releasing a refund. See IRM 25.25.6, Taxpayer Protection Program (Oct. 1, 2024), https://www.irs.gov/irm/part25/irm_25-025-006r. Error Resolution System/Reject issues occur when errors made when filing returns cause the IRS to have to request additional information from the taxpayer before it can process the return.

47 Data obtained from TAMIS (Oct. 1, 2023; Oct. 1, 2024).

48 See Most Serious Problem: *Employee Retention Credit: IRS Processing Delays Are Resulting in Uncertainty and Are Harming and Frustrating Business Owners*, *supra*.

Systemic issues involve protecting taxpayer rights, reducing or preventing taxpayer burden, striving to ensure equitable treatment of taxpayers, or providing essential services to taxpayers.

Systemic Advocacy does not limit itself to a single approach in its advocacy work for taxpayers. For example, Systemic Advocacy collaborates with TAS Case Advocacy to elevate trends identified through reviews of TAS casework and outreach events. This collaboration is critical to TAS's advocacy work as it looks at taxpayer service holistically to find and propose recommendations to resolve problems.

Systemic Advocacy employees work in:

- Collaborative cross-functional teams with the IRS on an issue, process, and/or policy;
- Internal teams with a goal of addressing technical or administrative needs within TAS; and
- Proactive working groups that involve technical analysts from TAS and the IRS working together to investigate and address a variety of issues including specific systemic case issues as well as efforts to reduce burden or propose recommendations to resolve systemic problems.⁴⁹

For example, in FY 2024, Systemic Advocacy successfully advocated as a part of a cross-functional team for appeal rights with the Independent Office of Appeals (Appeals) for taxpayers who request tax abatement. Previously, the IRS did not grant appeal rights for denied abatement requests. Taxpayers had to pay the tax and file a claim for refund to receive appeal rights. As a result of TAS Systemic Advocacy, a taxpayer now receives Letter 105C, Claim Disallowed, which includes the right to appeal to Appeals or the option to pay the tax in full and file a lawsuit in a U.S. district court or the U.S. Court of Federal Claims if the IRS disallows a request for abatement.⁵⁰

Systemic Advocacy develops networks and builds relationships with IRS stakeholders to advocate for change through data collection, case examples, and incrementalism, specifically small steps toward larger goals. Because Systemic Advocacy speaks to IRS analysts, authors, and program owners, both formally and informally, it advises other TAS functions on:

- Clarification of current IRS policy;
- Past and ongoing discussions related to issues and policies; and
- The IRS's stance and reasoning on various issues.

TAS has used networks and relationships to advocate against the IRS's approach to systemically assessing penalties for individuals who are late reporting gifts and inheritances they received from a foreign individual.⁵¹ As a result of TAS's Systemic Advocacy efforts, on October 24, 2024, IRS Commissioner Danny Werfel announced that the IRS has ended its practice of automatically assessing penalties for taxpayers who voluntarily filed late and reported receipt of non-taxable foreign gifts and bequests on Form 3520, Part IV.⁵² The IRS will also review any

49 IRM 13.2.7.3.1, Team Definitions (Nov. 3, 2020), https://www.irs.gov/irm/part13/irm_13-002-007.

50 This change required updates to Letter 105C, Claim Disallowed, and revisions to IRM 21.5.3.4.6.1, Disallowance and Partial Disallowance Procedures (Oct. 1, 2024), https://www.irs.gov/irm/part21/irm_21-005-003r.

51 National Taxpayer Advocate 2023 Annual Report to Congress (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; Erin M. Collins, International Information Return Penalties Impact a Broad Range of Taxpayers, NATIONAL TAXPAYER ADVOCATE BLOG (Aug. 22, 2023), <https://www.taxpayeradvocate.irs.gov/news/nta-blog/nta-blog-international-information-return-penalties/2023/08/>.

52 See Erin M. Collins, IRS Hears Concerns From TAS and Practitioners, Makes Favorable Changes to Foreign Gifts and Inheritance Filing Penalties, NATIONAL TAXPAYER ADVOCATE BLOG (Oct. 24, 2024), <https://www.taxpayeradvocate.irs.gov/news/nta-blog/irs-hears-concerns-from-tas-and-practitioners-makes-favorable-changes-to-foreign-gifts-and-inheritance-filing-penalties/2024/10/>.

reasonable cause statements taxpayers attach to late-filed Form 3520, Parts I-III, and Form 3520-A (*i.e.*, for the trust portion of the form) before assessing any IRC § 6677 penalty.⁵³ This was the right thing to do, as it lifted a huge burden for impacted taxpayers and encourages future compliance.

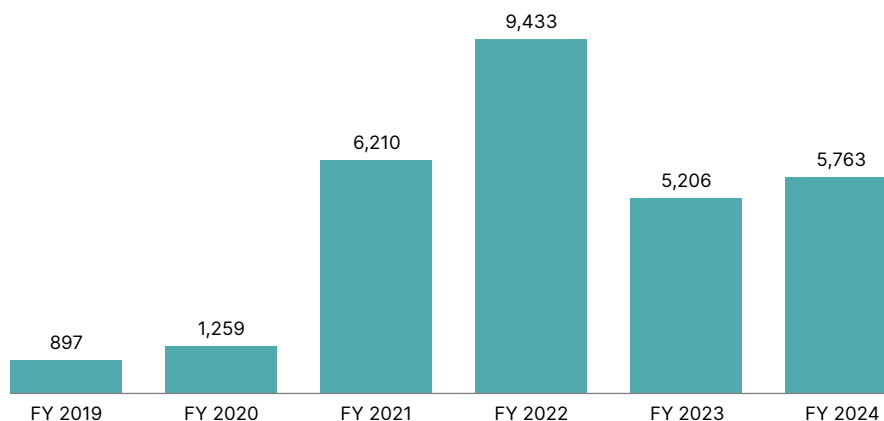
Systemic Advocacy Management System

The Systemic Advocacy Management System (SAMS) is a web-based system that allows TAS to receive and review systemic issues and problems. SAMS is another avenue for learning about systemic problems and hearing from the public. Anyone – individuals, businesses, academic and research institutions, professional organizations, practitioners, and all other interested parties including IRS employees – can submit issues via the public version of SAMS.⁵⁴ We welcome and encourage taxpayers and practitioners to reach out when they see a tax problem that affects more than one taxpayer, involves IRS processes, or affects taxpayer rights. Similar to the Transportation Security Administration national campaign, we encourage practitioners to say something if they see something that negatively impacts tax administration or multiple taxpayers. You can say something by submitting the issue via SAMS.

Systemic Advocacy is responsible for reviewing submissions to the SAMS database to determine if it should elevate and work issues, refer them to our Case Advocacy function, or contact the submitter and refer them to an alternative resource and close the issue. If Systemic Advocacy determines the submission as potentially a systemic issue, it often opens a SAMS project to conduct research, discuss with relevant stakeholders, and determine possible avenues for advocacy.⁵⁵ Systemic Advocacy completed 127 SAMS projects in FY 2024 that originated as SAMS submissions.

FIGURE 4.9

SAMS Submissions, FYs 2019-2024



53 See Erin M. Collins, IRS Hears Concerns From TAS and Practitioners, Makes Favorable Changes to Foreign Gifts and Inheritance Filing Penalties, NATIONAL TAXPAYER ADVOCATE BLOG (Oct. 24, 2024), <https://www.taxpayeradvocate.irs.gov/news/nta-blog/irs-hears-concerns-from-tas-and-practitioners-makes-favorable-changes-to-foreign-gifts-and-inheritance-filing-penalties/2024/10>.

54 See SAMS, <https://www.irs.gov/advocate/systemic-advocacy-management-system-sams> (last updated June 17, 2024).

55 See Erin M. Collins, Help Us Fix “Big Picture” Tax Problems and Advocate for Change, NATIONAL TAXPAYER ADVOCATE BLOG, <https://www.taxpayeradvocate.irs.gov/news/nta-blog/help-us-fix-big-picture-tax-problems-and-advocate-for-change/2024/11/>.

SAMS submissions this fiscal year increased slightly from FY 2023 receipts of 5,206 to 5,763.⁵⁶ The FY 2023 receipts show a significant decrease from FY 2022 receipts of 9,433 but still are much higher than pre-pandemic levels of 888 in 2018 and 897 in 2019.⁵⁷ Although the number of SAMS submissions has fluctuated significantly in recent years, the number of potential systemic submissions (requiring Systemic Advocacy review) in FY 2024 was 2,491, an increase from 1,989 in FY 2022 and 1,653 in FY 2023.⁵⁸ Refund issues continue to represent the majority of SAMS submissions, representing 31 percent (1,801 of 5,763) for FY 2024.⁵⁹ This demonstrates that IRS processing backlogs and operational delays continue to impact taxpayers' ability to receive their refunds.

FIGURE 4.10, Top Five Issues in SAMS Submissions Received in TAS, FYs 2023-2024⁶⁰

| Rank | Issue Description | FY 2023 | FY 2024 |
|------|-------------------|---------|---------|
| 1 | Refund Issues | 1,831 | 1,801 |
| 2 | Credits (Tax) | 56 | 593 |
| 3 | Collection Issues | 305 | 357 |
| 4 | Access to IRS | 178 | 349 |
| 5 | Gains or Losses | 11 | 344 |

Internal Management Documents/Single Point of Contact

The Internal Management Documents/Single Point of Contact (IMD/SPOC) program supports the Systemic Advocacy mission by ensuring TAS reviews all official communications that either designate authorities or provide guidance and instructions to IRS staff. IMD/SPOC reviews identify issues and recommend changes to procedures that unduly burden taxpayers or infringe on taxpayer rights. TAS also uses the reviews to provide input to the clarity, accuracy, and effectiveness of the Internal Revenue Manual (IRM), policy statements, delegation orders, letters, notices, forms, and publications.⁶¹

During FY 2024, TAS made 716 recommendations to modify communications, 290 of which it identified as impacting taxpayer burden and/or taxpayer rights. The IRS adopted 543 (76 percent) of the total recommendations, including 202 (70 percent) that impacted taxpayer rights.⁶² For example, TAS collaborated with the Tax Forms and Publications (TF&P) function to make a substantive recommendation to revise instructions for Schedule C to include information on how to report Medicaid Waiver Payments reported on Forms 1099-NEC or 1099-MISC. Though there was information on IRS.gov informing taxpayers they needed to file Schedule C to report the income, there was no guidance on the Schedule C Instructions on how to report. TF&P agreed and made the revision to the Form 1040 Schedule C instructions.

56 Data obtained from SAMS (Oct. 8, 2024).

57 Data obtained from SAMS (Oct. 17, 2023; Nov. 7, 2023).

58 Closed SAMS issues reviewed by Systemic Advocacy as potentially systemic (total closed minus submissions closed as individual issues or transferred) were 1,989 (9,400-7,411) in FY 2022, 1,653 (5,219-3,566) in FY 2023, and 2,491 (5,570-3,079) in FY 2024. Data obtained from SAMS (Oct 8, 2024; Oct. 17, 2023).

59 Data obtained from SAMS (Oct. 8, 2024).

60 Data obtained from SAMS (Oct. 8, 2024; Oct. 12, 2024).

61 IRM 13.2.1.5.1, IMD/SPOC Reviews (Sept. 29, 2020), https://www.irs.gov/irm/part13/irm_13-002-001.

62 IMD/SPOC data obtained from Systemic Trends and Analysis Report (Oct. 8, 2024).

FIGURE 4.11, TAS IMD/SPOC Recommendations to the IRS to Improve Communications, FY 2024

| Recommendations | Total | Adopted by the IRS | Percent Adopted |
|--------------------------------------------------------------|------------|--------------------|-----------------|
| Recommendations Impacting Taxpayer Rights or Taxpayer Burden | 290 | 202 | 70% |
| Other Recommendations | 426 | 341 | 80% |
| Total Recommendations | 716 | 543 | 76% |

Another example involved Systemic Advocacy collaborating with the Office of Taxpayer Correspondence regarding the IRS Strategic Operating Plan Initiative 2.3 to develop taxpayer-centric notices.⁶³ TAS participated in 200 data gathering calls⁶⁴ with IRS BODs and provided input on IRS guidance, letters, and notices during the product development process rather than having to advocate for changes after product creation. These calls led to the creation or revision of 348 letters/notices in FY 2024 to clarify information and/or reduce taxpayer burden.⁶⁵

TAS Proposes Administrative and Legislative Changes to Mitigate Taxpayer Problems

The National Taxpayer Advocate submits two reports to Congress each year – an annual report and an objectives report.⁶⁶ Almost every area of the TAS organization contributes to developing the reports, including Systemic Advocacy by investigating systemic issues and analyzing data and trends. Many subject matter experts and technical liaisons serve on cross-functional teams with the IRS to learn about issues, propose solutions, and work collaboratively proposing recommendations to resolve problems.

Each year, in the Annual Report to Congress, TAS makes formal recommendations to the IRS for administrative changes and to Congress for legislative changes. By statute, the IRS has 90 days to formally respond to the recommendations posted on the TAS website for transparency purposes.⁶⁷ Last year, of the 78 recommendations the National Taxpayer Advocate made in the 2023 Annual Report to Congress, the IRS adopted 63 in full or in part. She appreciates the IRS's efforts to incorporate TAS's recommendations on behalf of taxpayers and to work with TAS. This year, TAS made 76 administrative recommendations to the IRS, covering a range of adjustments to improve taxpayers' experiences with the IRS.⁶⁸ The 2025 Purple Book proposes 69 legislative recommendations to Congress, highlighting issues the IRS cannot (or declines to) address through administrative remedy.⁶⁹

Systemic Advocacy also partners with the Taxpayer Advocacy Panel (TAP) and Low Income Taxpayer Clinics (LITCs) to learn about problems from those working closely with taxpayers and practitioners.

Taxpayer Advocacy Panel

TAP is a Federal Advisory Committee established in 2002 that operates under the authority of the Department of the Treasury. Though TAP functions independently, it receives crucial support from TAS via essential funding along with technical, administrative, and clerical assistance. This relationship allows TAP to effectively serve as a vital grassroots organization dedicated to advocating for taxpayer concerns and enhancing the overall tax experience for Americans by bringing a different perspective to tax administration with their observations, outreach, and recommendations.

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

64 Data obtained from IMD/SPOC (Oct. 3, 2024).

65 *Id.*

66 IRC § 7803(c)(2)(B).

67 TAS Administrative Recommendations, <https://www.taxpayeradvocate.irs.gov/arc-recommendations-tracker/> (last visited Nov. 18, 2024).

68 For a discussion of the top ten Most Serious Problems this year, see Most Serious Problems: *Introduction*, *supra*.

69 See National Taxpayer Advocate 2025 Purple Book, *Compilation of Legislative Recommendations to Strengthen Taxpayer Rights and Improve Tax Administration*.

A diverse group of volunteer members who represent a cross-section of the taxpaying public comprise TAP. These individuals generously give their time over a three-year period and serve on various committees focused on reviewing specific aspects of the IRS that directly impact taxpayer service and satisfaction. The committees ensure that the IRS considers a wide array of perspectives when discussing issues that affect taxpayers, which fosters a more inclusive approach to tax administration.

One of the key functions of TAP is to hold monthly meetings that are open to the public. These meetings provide a valuable forum for taxpayers to hear the panel share its concerns regarding service challenges taxpayers may be experiencing with IRS. Via direct communication with taxpayers, the panel gathers firsthand accounts of the burdens individuals face when interacting with the IRS. This dialogue is instrumental in conveying the taxpayer perspective on critical tax administration programs and in identifying grassroots issues that the IRS might not notice otherwise.

TAP also actively engages in community outreach initiatives, which allow it to gather independent taxpayer comments and suggestions. This outreach serves as a mechanism to collect insights on various aspects of IRS service, taxpayer satisfaction, and potential process improvements. By prioritizing taxpayer feedback, TAP aims to ensure that the IRS hears the public's voice and considers it in decision-making processes.

In FY 2024, TAP submitted 18 referrals with 217 recommendations to the IRS suggesting improvements to the taxpayer experience. Among these recommendations, TAP proposed several key enhancements to the IRS's online services platform. One particularly noteworthy suggestion was to allow taxpayers to update their mailing addresses directly through their online accounts. This seemingly simple yet important feature empowers individuals to manage their personal information more effectively in a safe and relatively simple process to ensure they receive crucial communications from the IRS in a timely manner, thus reducing the likelihood of unnecessary delays. The IRS accepted this recommendation and recognized its potential to improve taxpayer interactions with the agency. Furthermore, this initiative encourages taxpayers to leverage the various resources available to them when creating their own online accounts, fostering a more efficient and user-friendly experience.

Overall, TAP's commitment to advocating for taxpayer challenges highlights its essential role in bridging the gap between the IRS and the public. Ultimately, TAP strives to enhance the taxpayer experience and promote a more responsive and effective tax administration system.⁷⁰ The National Taxpayer Advocate is very appreciative of the committee members' time, dedication, and desire to improve tax administration for Americans.

Low Income Taxpayer Clinics – Celebrating 25 Years

As part of the IRS Restructuring and Reform Act of 1998, Congress authorized matching grants for Low Income Taxpayer Clinics (LITCs), launching an era in representation, education, and outreach for low-income taxpayers.⁷¹ This year marks the 25th anniversary of the IRS funding the first LITCs in 1999. The work of LITCs on behalf of taxpayers and their contributions through their education and advocacy efforts over the past 25 years is inspiring.

The mission of the LITC program is to ensure the fairness and integrity of the tax system for taxpayers who are low-income or speak English as a second language (ESL) by:

- Providing *pro bono* representation on their behalf in tax disputes with the IRS;
- Educating them about their rights and responsibilities as taxpayers; and
- Identifying and advocating for issues that impact these taxpayers.⁷²

⁷⁰ For more information on TAP, see Taxpayer Advocacy Panel, <https://www.improveirs.org/> (last visited Nov. 7, 2024).

⁷¹ Pub. L. No. 105-206, § 3601, 112 stat. 685, 774 (1998). IRC § 7526 authorizes the IRS to make federal matching grants of up to \$6 million per year (except if otherwise provided by specific appropriation) for the development, expansion, or continuation of qualified low-income taxpayer clinics.

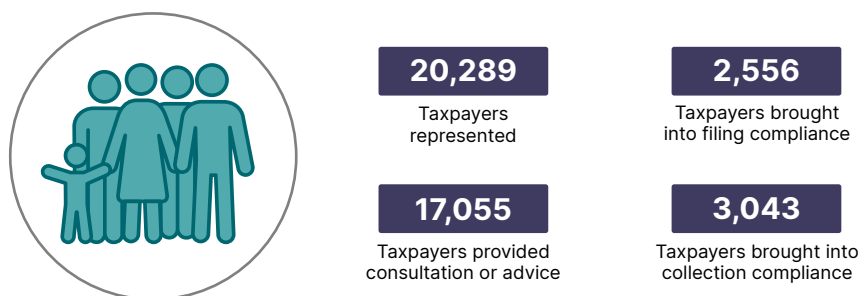
⁷² IRS, Pub. 3319, 2025 Grant Application Package and Guidelines (Apr. 2024), <https://www.irs.gov/pub/irs-pdf/p3319.pdf>.

LITCs must provide dollar-for-dollar matching funds and offer services for free or for no more than a nominal fee. In the 2023 grant year, the program awarded over \$18.7 million in grants to 138 organizations, including ten that received an award for the first time. Although the maximum amount for an LITC grant in 2023 was \$200,000 per year, some clinics received smaller amounts.⁷³

During the 2023 grant year, LITCs represented 20,289 taxpayers with an IRS tax controversy. LITCs assist taxpayers with topics that involve collection, refund, and status issues, as shown in Figure 4.12. Cases often include more than one issue, which can increase the complexity of a matter, making it important for LITCs to be available for low-income taxpayers who need help resolving their cases but cannot afford to pay for representation.

FIGURE 4.12⁷⁴

Results LITCs Delivered in 2023 for Low-Income Individual Taxpayers and Their Families



LITCs collaborate with community partners and stakeholders to provide education and outreach for low-income and ESL taxpayers. In 2023, clinics conducted over 1,800 educational activities for more than 90,000 low-income and ESL taxpayers and provided over 300 educational sessions to more than 18,000 staff members and volunteers at partner community groups, government agencies, and other organizations that assist low-income and ESL taxpayers. These activities strengthen clinics' relationships with community stakeholders and expand the scope of their outreach and education efforts.

In 2023, the LITC Program Office, in collaboration with the IRS Stakeholder Partnerships, Education and Communication function, held the second annual LITC, Volunteer Income Tax Assistance, and Tax Counseling for the Elderly Collaboration Summit in January 2024. The summit supports IRS partners in promoting existing collaborations, encouraging new relationships, and fostering best practices with the goal of providing taxpayers more holistic services. The third summit will occur in January 2025.

TAXPAYER ADVOCATE DIRECTIVES

A Taxpayer Advocate Directive (TAD) is a mechanism the National Taxpayer Advocate uses to formally raise systemic issues to IRS officials, requesting that they address her concerns and implement improvements to processes that affect taxpayer rights. IRS Delegation Order 13-3 authorizes the National Taxpayer Advocate

⁷³ See Further Consolidated Appropriations Act, 2024, Pub. L. No. 118-47, 138 Stat. 460, 526 (2024).

⁷⁴ Data obtained from LITC Program Office (Nov. 4, 2024).