

## Preface: Introductory Remarks by the National Taxpayer Advocate

### HONORABLE MEMBERS OF CONGRESS:

It is my privilege to submit for your consideration the National Taxpayer Advocate's 2024 Annual Report to Congress. As required by law, this report identifies and discusses what I believe to be the ten most serious problems taxpayers faced during the past year in their dealings with the IRS, summarizes the tax issues most frequently litigated in the U.S. Tax Court and other federal courts, and makes administrative and legislative recommendations to mitigate taxpayer problems and improve the taxpayer experience.<sup>1</sup> We present our legislative recommendations in a companion volume: National Taxpayer Advocate 2025 Purple Book, *Compilation of Legislative Recommendations to Strengthen Taxpayer Rights and Improve Tax Administration*.

For the first time since I became the National Taxpayer Advocate in 2020, I can begin this report with good news: The taxpayer experience has noticeably improved. The IRS has eliminated the mountain of paper returns and correspondence that piled up during the pandemic. In 2024, taxpayers and practitioners experienced better service, generally received timely refunds, and faced shorter wait times to reach customer service representatives (CSRs), with nine million more telephone calls answered by employees in fiscal year (FY) 2024 as compared with FY 2022. After receiving multiyear funding, the IRS has made major strides toward improving its taxpayer services and information technology (IT) systems. However, IRS service remains far from perfect, and as required by statute, I will detail taxpayer problems in this preface and throughout this report.

### ADEQUATE FUNDING FOR TAXPAYER SERVICES AND TECHNOLOGY UPGRADES REMAINS CRITICAL

I begin this report by discussing the elephant in the room – IRS funding – because many of the improvements I highlight have been made possible by multiyear funding provided by Congress and require this funding to continue. The headline from the Inflation Reduction Act (IRA) was that the IRS received about \$79 billion in additional funding over a ten-year period. Much of that funding has generated controversy – namely, the funding allocated for enforcement. But some of the funding has received strong bipartisan support – namely, the funding allocated for taxpayer services and technology modernization. I want to highlight this distinction so that if Congress decides to cut IRA funding, it does not inadvertently throw the baby out with the bathwater.

### Inflation Reduction Act Funding Was Primarily Allocated to Strengthen Tax Law Enforcement, But Taxpayer Services and Technology Should Be Priorities

The IRS receives its funding in four accounts: Taxpayer Services, Enforcement, Operations Support, and Business Systems Modernization (BSM), which is essentially technology modernization. Of the \$78.9 billion in ten-year funding originally provided for the IRS, 58 percent was allocated for Enforcement, and 32 percent was allocated for Operations Support.<sup>2</sup> Just four percent was allocated for Taxpayer Services, and just six percent was allocated for technology modernization.

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<sup>1</sup> IRC § 7803(c)(2)(B)(ii).

<sup>2</sup> The Operations Support account covers costs such as rent, printing, postage, building security and repairs, research and statistics, equipment, and certain IT development. Historically, the development of new technology systems was funded through the BSM account, and the maintenance and enhancement of existing systems was funded through the Operations Support account, but there is overlap. Beginning in FY 2023, Congress zeroed out BSM funding in appropriations acts. Partly in response, the President's FY 2025 budget recommended merging the Operations Support and BSM accounts into a new Technology and Operations Support account. IRS, Pub. 5530, Fiscal Year 2025 Budget in Brief 3 (Feb. 2024), <https://home.treasury.gov/system/files/266/15.-IRS-FY-2025-BIB.pdf> (noting that technology is currently the largest component of the Operations Support account).

**FIGURE 1.1, Inflation Reduction Act IRS Funding Allocations<sup>3</sup>**

IRS Budget Account	Amount Allocated	Percentage of Total
Enforcement	\$45.6 bil	58%
Operations Support	\$25.3 bil	32%
Business Systems Modernization	\$4.8 bil	6%
Taxpayer Services	\$3.2 bil	4%
<b>Total</b>	<b>\$78.9 bil</b>	<b>100%</b>

I have previously criticized this extreme imbalance in funding priorities, and to improve the taxpayer experience, I have recommended that Congress either provide additional funding for the Taxpayer Services and BSM accounts or reallocate a portion of the Enforcement funding to those accounts.<sup>4</sup> I reiterate that recommendation as the new Congress convenes.

The IRS projects it will run out of the multiyear funds for Taxpayer Services in FY 2026.<sup>5</sup> Generally speaking, that suggests it has been spending about \$1 billion a year in IRA funding to improve taxpayer service levels and dig out of the hole resulting from the pandemic. The agency has also estimated it will need about \$3 billion in additional BSM funds over the ten-year window to achieve its IT modernization objectives. TAS does not have the expertise to assess these budget estimates, but they serve as a useful starting point to project the agency's Taxpayer Services and technology modernization needs. While I appreciate the importance of enforcing the tax laws so that everyone complies with their legal obligations, the priority should be to ensure the government meets the needs of the great majority of U.S. taxpayers who are struggling to comply, and service is key to that success. If we can do that, compliance will improve.

### **Taxpayer Services Mostly Funds Employee-Provided Services and Business Systems Modernization Mostly Funds Automation; Both Are Key to Improving the Taxpayer Experience**

Although Taxpayer Services and BSM are funded through separate accounts, the two are inextricably intertwined because both drive the taxpayer experience. Funding for Taxpayer Services goes mostly to pay the salaries of employees who answer tens of millions of calls on the agency's toll-free telephone lines and meet with taxpayers in the agency's hundreds of Taxpayer Assistance Centers (TACs) and to process taxpayer returns and correspondence. BSM funding is used to automate tasks so that either a taxpayer can address their issues without the involvement of an IRS employee, or an employee can provide more timely and accurate assistance. My expectation is that if Congress provides adequate funding to upgrade technology systems, many more taxpayers will be able to transact business with the IRS without the need for employee involvement, which ultimately will produce cost savings and reduce taxpayer burden.

#### ***Taxpayer Services Improvements***

Here are a few examples of the improvements enabled by hiring more employees with funding from the Taxpayer Services account.

<sup>3</sup> An Act to Provide for Reconciliation Pursuant to Title II of S. Con. Res. 14 (commonly referred to as the "Inflation Reduction Act of 2022"), Pub. L. No. 117-169 § 10301, 136 Stat. 1818, 1831-1833 (2022). About \$21.6 billion of the IRA funding has since been rescinded. See Fiscal Responsibility Act, Pub. L. No. 118-5 § 251, 137 Stat. 10, 30 (2023) (rescinding about \$1.4 billion); Further Consolidated Appropriations Act, 2024, Pub. L. No. 118-47, 138 Stat. 460 (2024) (rescinding \$10.2 billion at 138 Stat. 572 and \$10.0 billion at 138 Stat. 708).

<sup>4</sup> See, e.g., Erin M. Collins, National Taxpayer Advocate Urges Congress to Maintain IRS Appropriations But Re-Direct Some Funds Toward Taxpayer Service and Information Technology Modernization, NATIONAL TAXPAYER ADVOCATE BLOG (Mar. 16, 2023), <https://www.taxpayeradvocate.irs.gov/news/nta-blog/nta-blog-nta-urges-congress-to-maintain-irs-appropriations-but-re-direct-some-funds-toward-taxpayer-service-and-it-modernization/2023/03>.

<sup>5</sup> See IRS, Pub. 5530, Fiscal Year 2025 Budget in Brief 2 (Feb. 2024), <https://www.irs.gov/pub/irs-pdf/p5530.pdf>.

- **Telephone service has improved dramatically.** During FY 2023, the IRS increased the number of CSRs from 17,395 to 19,460. This enabled IRS employees to answer nearly nine million additional telephone calls in FY 2024 as compared with FY 2022<sup>6</sup> and provide callback options. Over the same period, the percentage of calls answered by IRS employees more than doubled, and the time taxpayers spent waiting for an IRS employee to answer their calls dropped by more than half.<sup>7</sup>
- **Correspondence processing times have improved dramatically.** In FY 2022, the IRS took about seven months, on average, to process individual taxpayer correspondence. In FY 2024, it took about 3½ months.<sup>8</sup>
- **In-person service has become much more accessible.** In FY 2022, the IRS served 1.3 million taxpayers in its TACs. In FY 2024, it served 1.9 million, an increase of nearly 50 percent.<sup>9</sup> Many of the TACs added hours on Tuesday and Thursday evenings and on Saturdays to provide in-person service for taxpayers who work during regular business hours.

### Technology Improvements

In contrast to Taxpayer Services funding, much less of the funding allocated to modernize technology systems is spent on employee salaries. It is largely allocated to determining system requirements and then building systems that meet those requirements. Today, the IRS still operates the two oldest technology systems in the federal government, and its technology challenges are well known. In a 2023 blog, I discussed the importance of funding technology upgrades:

*Large U.S. banks spend between \$10 billion and \$14 billion a year on technology, often more than half on new technology systems.*

*Yet in fiscal year (FY) 2022, Congress appropriated just \$275 million for the IRS's Business Systems Modernization (BSM) account. That's less than five percent of what the largest banks are spending on new technology each year, and the IRS serves far more people and entities than any bank.*

*This comparison isn't exactly apples-to-apples because there are differences in the components of the banks' technology accounts and the IRS's BSM account. But overall, the comparison tells you everything you need to know to understand why the IRS is still using antiquated information technology (IT) systems, some dating to the 1960s, and why taxpayer service has been abysmal in recent years.<sup>10</sup>*

Since then, the IRS has used funds provided by Congress to make improvements in its technology systems that, in turn, have driven improvements in taxpayer service. Here are a few examples of improvements that have been fully or partly implemented.

- **The IRS is increasingly scanning and processing paper-filed tax returns electronically.** Although most taxpayers submit their tax returns electronically, more than ten million taxpayers still submit paper returns, which are considerably more time-consuming and expensive for the IRS to process than e-filed returns. Until now, IRS employees have needed to transcribe each digit of a paper-filed return into IRS systems, creating delays and transcription errors. This year, the IRS has made progress in automating the processing of paper-filed returns, which will speed refunds, reduce transcription errors that often result in erroneous compliance notices going to taxpayers, and reduce employee costs.

<sup>6</sup> IRS, Joint Operations Center, Snapshot Reports: Enterprise Snapshot, Enterprise Total (weeks ending Sept. 30, 2022; Sept. 30, 2024).

<sup>7</sup> *Id.*

<sup>8</sup> IRS, Research Analysis and Data, Accounts Management Reports: Correspondence Imaging System Closed Case Cycle Time (FYs 2023-2024).

<sup>9</sup> IRS responses to TAS fact checks (Dec. 12, 2022; Dec. 4, 2023); IRS response to TAS information request (Oct. 28, 2024).

<sup>10</sup> See, e.g., Erin M. Collins, National Taxpayer Advocate Urges Congress to Maintain IRS Appropriations But Re-Direct Some Funds Toward Taxpayer Service and Information Technology Modernization, NATIONAL TAXPAYER ADVOCATE BLOG (Mar. 16, 2023), <https://www.taxpayeradvocate.irs.gov/news/nta-blog/nta-blog-nta-urges-congress-to-maintain-irs-appropriations-but-re-direct-some-funds-toward-taxpayer-service-and-it-modernization/2023/03>.

- ***Most taxpayers can now submit correspondence electronically.*** The IRS now offers a Document Upload Tool that allows taxpayers with pending cases to submit virtually all correspondence without the need to visit a post office. That saves them time, generally enables them to be certain the IRS has received their correspondence, and reduces processing delays due to mail delivery. However, the IRS still needs to develop backend processing to electronically route the correspondence to the appropriate division for assignment.
- ***The IRS is integrating its roughly 60 separate case management systems.*** The IRS currently stores taxpayer data on dozens of case management systems that do not communicate with each other. That prevents CSRs and other IRS employees from having ready access to a considerable amount of taxpayer information. If a taxpayer receives a notice and calls the IRS to ask questions, for example, the CSR cannot see the notice the taxpayer received. Under an initiative called Taxpayer 360, the IRS is planning to centralize taxpayer data so it will be accessible on an integrated system. That means that when a taxpayer calls the IRS and speaks with a CSR, the CSR will have access to full information, including copies of taxpayer correspondence. This change will be extremely beneficial to taxpayers, practitioners, and employees.
- ***Secure messaging is now available for some taxpayers, and its use is expanding.*** If the IRS assigns a taxpayer to work with an employee in the Examination, Collection, or Appeals functions, the taxpayer may be able to communicate with the employee via secure messaging. Whereas IRS employees generally have limited ability to communicate with taxpayers by email because of data security concerns, the secure messaging platform is direct, and message content is not transmitted across the open internet. This functionality allows taxpayers to send messages to an assigned employee at a time of their convenience without waiting on hold or playing telephone tag with the employee.
- ***The IRS has expanded chatbot functionality on IRS.gov.*** During the 2024 filing season, more than 800,000 taxpayers used the IRS's virtual assistant chatbot to get answers to their questions.<sup>11</sup> Chatbots enable users to obtain information by typing queries into the IRS website.
- ***New voicebot technology helped about two million taxpayers who called the IRS's toll-free 1040 line get answers to their questions.*** Similar to chatbot technology, voicebots enable users to obtain information by speaking their queries on a telephone line. This technology helped taxpayers get quicker answers without the need to wait on hold and freed up IRS employees to assist taxpayers whose needs required a conversation.<sup>12</sup>
- ***The IRS has expanded the functionality of individual taxpayer online accounts, launched a new business online account for small business taxpayers, and added important enhancements to Tax Pro accounts.*** Together, these improvements mark an important step toward a digital tax administration. Increased functionality will be a game-changer for taxpayers and practitioners.
- ***Taxpayers now can submit more than 30 forms to the IRS directly from their mobile devices.***<sup>13</sup> An estimated 15 percent of Americans rely solely on mobile phones for their internet access, so mobile functionality is a game-changer for them.<sup>14</sup>

These technology options – most of which have been standard for years in the private sector – represent a leap forward into the 21st century for the IRS and therefore for taxpayers. But most are still works in progress, and their full deployment remains dependent on the availability of funding.

11 IRS News Release, IR-2024-109, IRS Delivers Strong 2024 Tax Filing Season; Expands Services for Millions of People on Phones, In-Person and Online With Expanded Funding (Apr. 15, 2024), <https://www.irs.gov/newsroom/irs-delivers-strong-2024-tax-filing-season-expands-services-for-millions-of-people-on-phones-in-person-and-online-with-expanded-funding>.

12 As of August 17, 2024, the conversational 1040 voicebot had received over 1.8 million calls. IRS response to TAS information request (Sept. 26, 2024).

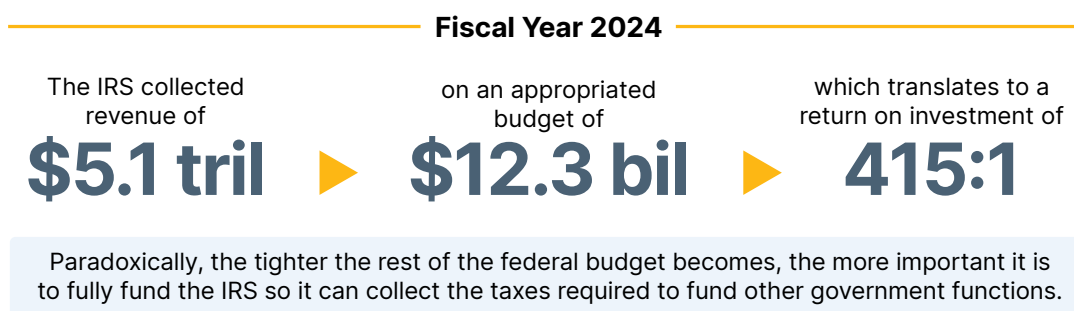
13 IRS News Release, IR-2024-233, U.S. Department of the Treasury, IRS Announce \$1.3 Billion Recovered From High-Income, High-Wealth Individuals Under Inflation Reduction Act Initiatives (Sept. 6, 2024), <https://www.irs.gov/newsroom/us-department-of-the-treasury-irs-announce-1-point-3-billion-recovered-from-high-income-high-wealth-individuals-under-inflation-reduction-act-initiatives>.

14 Pew Research Center, Mobile Fact Sheet (Nov. 13, 2024), <https://www.pewresearch.org/internet/fact-sheet/mobile>.

## While Multiyear Inflation Reduction Act Funding Has Sucked Up the Oxygen in the Room, the Annual Appropriations Process Continues to Provide Most IRS Funding

Multiyear IRA funding has enabled the IRS to make these transformative changes, but the annual appropriations process continues to fund ongoing operations. Since FY 2022, the IRS's appropriations have been held flat, while prices have increased by 14 percent.<sup>15</sup> This inflation-adjusted reduction in annual funding has required the IRS to use IRA funds intended for transformational change to maintain its operations. Over the longer term, appropriations that keep up with cost increases will be essential.

Funding the IRS not only enables the IRS to better serve our nation's taxpayers, but it is important to note that it also provides an excellent return on investment. The IRS generally collects about 96 percent of federal revenue,<sup>16</sup> which is needed to fund all government operations – from national defense to food safety to Social Security and Medicare. The IRS is remarkably efficient at collecting this revenue. In FY 2024, the IRS collected revenue of \$5.1 trillion on an appropriated budget of \$12.3 billion.<sup>17</sup> That translates to a remarkable return on investment of 415:1. Paradoxically, the tighter the rest of the federal budget becomes, the more important it is to fully fund the IRS so it can collect the taxes required to fund other government functions.



Some would argue that Enforcement should be the priority because many taxpayers only pay their taxes if they are afraid of the consequences of failing to pay. While there is merit in that argument, there is another way to view agency priorities. In FY 2024, the IRS collected \$98.7 billion through enforcement activities.<sup>18</sup> That is a significant sum, but it accounts for less than two percent of the \$5.1 trillion the agency collected overall. Put differently, 98 percent of federal taxes were self-assessed via annual tax filings and timely paid. If the IRS is sufficiently funded to improve taxpayer services and make it easier for taxpayers to interact with the agency through automation, taxpayer experiences will become fairer and more efficient, which likely will improve compliance and reduce the need for costly backend enforcement.

With sufficient funding for Taxpayer Services and BSM, I believe the IRS can exponentially build on the improvements of the last two years and produce a tax system that respects taxpayer rights, is world class, and makes compliance easier, which will likely also improve revenue collection.

15 The multiyear funding provided by the IRA, known as “mandatory” funding, was designed to supplement the annual “discretionary” funding the IRS receives through the appropriations process. In FYs 2023 and 2024, IRS appropriations were held flat at FY 2022 levels, except that the funding for BSM, which was \$275 million in FY 2022, was eliminated. Since the beginning of FY 2022, aggregate inflation has been about 14 percent. See Bureau of Labor Statistics, Inflation Calculator, <https://data.bls.gov/cgi-bin/cpicalc.pl> (computing inflation from October 2021 through October 2024). In practical terms, that means the IRS budget has been cut by roughly that amount. While the ten-year mandatory funding Congress provided is helping to transform taxpayer services and technology systems, the IRS also requires sufficient appropriations to maintain its current service levels.

16 See, e.g., IRS News Release, IR-2024-115, IRS Releases 2023 Data Book Describing Agency's Transformation Through Statistics (Apr. 18, 2024), <https://www.irs.gov/newsroom/irs-releases-2023-data-book-describing-agencys-transformation-through-statistics>.

17 IRS, Pub. 5456, 2024 Agency Financial Report 2, 66 (Nov. 2024), <https://www.irs.gov/pub/irs-pdf/p5456.pdf>; Further Consolidated Appropriations Act, 2024, Pub. L. No. 118-47, 138 Stat. 460, 526 (2024). Overall IRS spending was somewhat higher than appropriated amounts due to the use of IRA funding and user fees. But the return on investment by any reasonable measure is extraordinarily high.

18 IRS, Pub. 5456, 2024 Agency Financial Report 2 (Nov. 2024), <https://www.irs.gov/pub/irs-pdf/p5456.pdf>.

## REFLECTIONS ON THE ROLE OF THE IRS IN THE U.S. TAX SYSTEM

When working on tax administration issues, I sometimes step back and remind myself of the fundamentals of our tax system, what Congress assigned the IRS to do, the financial significance of the annual filing season, the impact of the Taxpayer Bill of Rights, and the missions of the IRS and TAS. Broadly speaking, it is Congress's role to write the tax laws – to determine how much revenue to raise, how to allocate the tax burden, which activities should be tax-favored (*e.g.*, charitable contributions, home ownership, research and development), and the like. Once Congress makes those policy calls, it is the IRS's job to implement and administer the law. As the National Taxpayer Advocate, my role is to advocate for taxpayers, both individually and collectively, and make recommendations to protect taxpayer rights and improve tax administration.

“Taxes are what we pay for a civilized society,” famously attributed to Supreme Court Justice Oliver Wendell Holmes, reflects the idea that taxes are essential for funding the government, which creates and maintains public goods and services that benefit everyone. Each year, the IRS embarks on the enormous task of collecting over \$5 trillion through individual and business tax filings. The IRS receives and must process about 180 million income tax returns and over five billion information forms. While most tax is withheld or self-assessed, about 15 percent is not.<sup>19</sup> The IRS estimates that the amount of tax owed but not paid (the tax gap) in 2022 was \$696 billion, which includes non-filers, income underreporting, and tax underpayments.

The IRS must be nimble and able to quickly implement changes in the law, provide clear and timely guidance, and be available to assist taxpayers so they can understand and comply with legislative changes. During the pandemic, for example, Congress provided extensive pandemic relief for both individuals and businesses through the tax code. The IRS was directed to deliver three rounds of Economic Impact Payments to individuals, which ultimately involved issuing more than 470 million payments totaling more than \$800 billion.<sup>20</sup> Congress also directed the IRS to provide tax relief to businesses, including the Employee Retention Credit (ERC), a program the IRS is still struggling to administer.

From the landmark Tax Cuts and Jobs Act (TCJA) enacted during the Trump Administration, to the landmark IRA enacted during the Biden Administration, to the numerous other bills enacted in recent years, the IRS is regularly required to implement changes in tax law and make them comprehensible to taxpayers and practitioners while still performing its core mission of administering the annual filing season, processing payments, issuing timely refunds and credits, and assisting taxpayers throughout the entire process. Most observers only see the finished product and use a tax return preparer or tax software package to prepare their returns, so they do not know how the sausage is made or realize how much work is required to implement tax law changes. But the task is huge and includes quickly updating tax forms, instructions, and published guidance; reprogramming processing systems; providing more digital tools; training employees to answer taxpayer questions and administer the new programs; and importantly, educating taxpayers about the benefits Congress enacted to reduce the chance their returns will be subject to math error adjustments, audits, and penalties due to inadvertent errors.

Multiyear supplemental funding remains essential to improving taxpayer service and modernizing the technology systems on which good taxpayer service depends. The Commissioner often uses a “train analogy” to distinguish between the role of annually appropriated funds and multiyear supplemental funds like those

19 IRS, Pub. 5869, Tax Gap Projections for Tax Year 2022, at 4 (Oct. 2024), <https://www.irs.gov/pub/irs-pdf/p5869.pdf>.

20 The IRS reports it issued more than 160 million payments worth over \$270 billion under the Coronavirus Aid, Relief, and Economic Security Act; more than 147 million payments worth over \$142 billion under the COVID-Related Tax Relief Act of 2020; and more than 169 million payments worth approximately \$395 billion under the American Rescue Plan Act. See IRS News Release, IR-2021-38, As Required by Law, All First and Second Economic Impact Payments Issued; Eligible People Can Claim Recovery Rebate Credit (Feb. 16, 2021), <https://www.irs.gov/newsroom/as-required-by-law-all-first-and-second-economic-impact-payments-issued-eligible-people-can-claim-recovery-rebate-credit>; IRS News Release, IR-2021-127, More Than 2.3 Million Additional Economic Impact Payments Disbursed Under the American Rescue Plan; Total Payments Top 169 million (June 9, 2021), <https://www.irs.gov/newsroom/more-than-2-point-3-million-additional-economic-impact-payments-disbursed-under-the-american-rescue-plan-total-payments-top-169-million>.

provided by the IRA. Annual appropriated funds enable the IRS to keep its fleet of old trains moving – to keep them on schedule and deliver (generally) timely service. By contrast, the multiyear supplemental funds give the IRS an opportunity to reimagine and redesign how trains operate, the types of trains it should run, the service enhancements it can provide, and to exponentially improve efficiency and quality of service in tax administration. Both because the IRS incurred additional costs to pull itself out of the pandemic and because the IRS’s appropriations have effectively been cut by about 14 percent on an inflation-adjusted basis over the last few years, the agency has had to dip into its multiyear funding to maintain current operations. As a result, its ability to make transformational changes in the way it serves taxpayers has been curtailed, and it will be further impaired without multiyear funding to finance the changes. Again, I am not talking about enforcement, which I understand is controversial. But I think there is broad agreement that taxpayers deserve better service, and supplemental multiyear funding for Taxpayer Services and BSM is required to get us there.

## **MOST SERIOUS PROBLEMS ENCOUNTERED BY TAXPAYERS**

As the National Taxpayer Advocate, part of my charge is to highlight problems affecting taxpayers and taxpayer rights and to make administrative and legislative recommendations to improve the tax system. Given the size of the agency and the breadth of its responsibilities, I often see the agency’s challenges as similar to Sisyphus’s herculean task of pushing the boulder up the hill only to watch it roll back down every time it neared the top. As an agency, the IRS is not flawless, and there are many areas in which it needs to improve. But when looking at what it accomplishes each year, it should also be recognized for what it does right, and we should be thankful for the tens of thousands of IRS employees who have dedicated their careers to public service and sincerely try to make the system work.

Notwithstanding the improvements I have described, taxpayers continue to face challenges in their dealings with the IRS. In this report, I identify and discuss the ten most serious problems facing taxpayers and make recommendations to address them. A quick summary of the ten follows:

- ***The IRS’s lengthy processing times and uncertainty regarding ERC refunds are harming and frustrating business owners.*** During the summer of 2023, the IRS slowed the processing of ERC claims to a trickle. Although its aim was to minimize the payment of ineligible claims, there have been lengthy delays in the payment of eligible claims submitted by employers that, in some cases, are depending on ERC refunds to remain in business. Although the IRS has processed several hundred thousand claims in recent months, it was still sitting on a backlog of about 1.2 million claims as of October 26, 2024. Many claims have been pending for more than a year, and with the imminent start of the 2025 filing season, the IRS will shift its focus and resources to administering the filing season, resulting in even longer ERC processing delays. Among other challenges, taxpayers generally have no way to verify the status of their claims; IRS disallowance letters sent to some taxpayers have been confusing and have omitted critical information; the IRS has used an audit-like process to disallow claims but has not provided standard audit taxpayer protections; and businesses whose refund checks were stolen have had to wait months or longer to receive replacement checks. We make numerous recommendations, including that the IRS provide taxpayers with more specific information when it disallows a claim, provide more transparency regarding the timing of its claims processing, and allow taxpayers to submit documentation and seek an appeal before disallowing a claim that was not subject to an audit.
- ***Continuing delays in IRS return processing are frustrating taxpayers and causing refund delays.*** The IRS continues to receive more than ten million paper-filed Forms 1040 each year and more than 75 million paper-filed returns and forms overall. Until recently, IRS employees had to manually transcribe the data from these returns into IRS systems. The IRS has made significant strides toward automation, now scanning more than half of paper-filed returns and forms, but it still has a long way to go to digitize all paper. Taxpayers who e-file their returns also face challenges, as IRS systems rejected nearly 18 million (about 12 percent) e-filed Forms 1040 last year. The IRS generally rejects returns using business rules designed to prevent fraud, but most rejected returns are valid, requiring taxpayers to jump through

additional hoops to resubmit their returns electronically or submit the returns on paper. Most taxpayers receive refunds, and delays in processing both paper-filed and e-filed returns translate into refund delays. Particularly for lower-income taxpayers who qualify for refundable Earned Income Tax Credit (EITC) benefits, refund delays often create or exacerbate financial hardships. We recommend the IRS continue to prioritize automating its tax processing systems, including by scanning virtually all paper-filed tax returns in time for the 2026 filing season and processing amended tax returns electronically.

- ***Processing and refund delays are harming victims of tax-related identity theft.*** In my 2023 Annual Report to Congress, I highlighted that the IRS was taking nearly 19 months to resolve self-reported identity theft cases in its Identity Theft Victim Assistance (IDTVA) unit and issue refunds to the affected taxpayers. I called this delay “unconscionable,” and the IRS agreed to prioritize reducing these delays. During FY 2024, however, the delays grew to more than 22 months and affected nearly half a million taxpayers. The IRS has advised us that it has begun to prioritize resolution of cases involving refunds over balance-due returns rather than following its traditional “first in, first out” approach. That is somewhat good news, but I strongly encourage the IRS to fix this problem once and for all during the coming year. Among other things, we recommend the IRS keep all IDTVA employees working on identity theft cases – and not reassign them to answer telephone calls or perform other work – until it reduces the average time for resolving IDTVA cases to 90 days or fewer.
- ***Taxpayer service is often not timely or adequate.*** The IRS generally provides taxpayer service through three vehicles – telephone lines, TACs (in person), and online. Overall, service improved in FY 2024 in all areas, but significant weaknesses remain, particularly on the toll-free telephone lines. While the IRS achieved an 88 percent “Level of Service” (LOS) on its Accounts Management lines during the filing season, the LOS measure is limited. It does not include calls to telephone lines that fall outside the “Accounts Management” umbrella (which accounted for about 30 percent of all calls in FY 2024) or calls where a taxpayer hangs up before the IRS places them in a calling queue. The filing season measure also does not include calls made during the rest of the year. For the full fiscal year, the LOS for all toll-free lines was 56 percent, and only 31 percent of taxpayers reached an assistor. Of the 6.2 million calls the IRS received from taxpayers whose returns the IRS’s identity theft filters had stopped and who were calling to authenticate their identities, the IRS answered only about 20 percent. We recommend the IRS adopt new telephone measures that more accurately gauge the taxpayer experience, such as the number of taxpayer issues resolved during the first call, and prioritize answering non-Accounts Management telephone lines that serve largely vulnerable taxpayer populations, including the Installment Agreement/Balance Due, Taxpayer Protection Program, and Automated Collection System telephone lines.
- ***More taxpayers are falling victim to tax-related scams.*** Two types of scams victimize taxpayers. The first is direct tax-related scams, where taxpayers are misled into claiming tax benefits for which they are not eligible. These often include the ERC, the Fuel Tax Credit, the Sick and Family Leave credit, and credits relating to fictional household employees, among others. The second is indirect tax-related scams, where third parties convince taxpayers to withdraw funds from their retirement accounts and the taxpayers incur tax liabilities on the withdrawal. We recommend the IRS provide greater transparency to taxpayers whose returns it has suspended during processing, and we recommend Congress reinstate the theft loss deduction so that scam victims are not required to pay tax on amounts stolen from them.
- ***Continuing challenges in employee recruitment, hiring, training, and retention are hindering the IRS’s ability to achieve transformational change in taxpayer service and tax administration.*** The IRS faces numerous challenges in hiring, training, and maintaining its workforce. Job postings are not consistently well targeted to reach the desired candidates. It takes about three months to hire a new employee, so some candidates find other jobs while they are waiting for approval. Given the complexity of tax laws and procedures, new employees often require significant training before they become productive employees, and the IRS must often pull experienced employees from their regular workloads to serve as trainers. Lastly, the pay disparity between federal workers and private sector



workers varies by job category, but overall, a Congressional Budget Office (CBO) study published in 2024 found that federal employees with professional degrees earn almost 29 percent less than their non-federal counterparts, a widening gap hampering competitiveness.<sup>21</sup> The tight job market adds to the challenge of hiring and retaining employees. We recommend the IRS explore alternative recruitment platforms to better target job listings, study other pay systems used in the federal government to determine whether to ask the Office of Personnel Management or Congress to provide more competitive salaries for specialized positions, conduct exit and stay interviews to learn why employees are leaving or staying, and use that information to improve retention strategies.

- ***The IRS’s dependence on paper forms and manual document review in processing Individual Taxpayer Identification Numbers (ITINs) is causing delays, mistakes, and potential security risks.*** Taxpayers who are not eligible for Social Security numbers generally must apply for ITINs to file their tax returns, with more than one million individuals generally applying each year. The IRS requires taxpayers to submit most ITIN applications on paper in conjunction with the filing of a federal income tax return. In many cases, an ITIN application must include original identity documents, such as passports, birth certificates, driver’s licenses, and visas. Many applicants are uncomfortable mailing their identity documents to the IRS, not having the documents while the IRS reviews them, and taking the risk that the IRS will lose or misplace the documents. We recommend the IRS develop a reliable electronic method to verify government-issued identification documents, take steps toward allowing e-filing of both ITIN applications and accompanying tax returns, and process ITIN applications year-round when an applicant can demonstrate a federal tax need.
- ***Limited tax and financial literacy is causing serious consequences for taxpayers.*** Low tax literacy can cause taxpayers to fail to claim the EITC, the Child Tax Credit, and other tax benefits for which they are eligible. Low tax literacy may result in parents not realizing they have a filing obligation, which subjects them to penalties and interest charges and, in some cases, even prevents their children from receiving college financial aid. Lack of tax and financial literacy may also contribute to noncompliance if taxpayers do not understand the relationship between the taxes they pay and the government benefits they receive. We recommend steps to improve tax and financial literacy.
- ***The IRS’s administration of civil tax penalties is often unfair, inconsistently deters improper behavior, fails to promote efficient administration, and thus discourages tax compliance.*** Civil tax penalties historically have had a single purpose – to enhance tax compliance. Over time, however, the IRS has been more aggressive about imposing penalties under what we refer to as an “assess first, ask questions later” approach. Penalty notices do not always follow the law that requires the IRS to explain how it has computed a penalty, and the IRS sometimes imposes penalties without first obtaining written supervisory approval. After the Tax Court imposed sanctions against the IRS in a 2023 case for filing a declaration with a backdated supervisory approval document, the Treasury Department responded by proposing to virtually eliminate the supervisory approval requirement. We recommend administrative and legislative changes to improve the fairness of the penalty imposition process.
- ***Changes to the IRS’s criminal voluntary disclosure practice (VDP) requirements may be reducing voluntary compliance and negatively impacting the tax gap.*** Noncompliant individuals who have either filed false or fraudulent tax returns or have not filed required returns at all may be subject to criminal penalties, but the IRS may not pursue them due to resource or information constraints. The VDP aims to encourage these taxpayers to come into compliance in exchange for the IRS’s agreement not to recommend criminal prosecution. If properly structured, the VDP has the potential to attract a significant number of taxpayers. However, recent changes to the program, including imposition of a mandatory 75 percent civil fraud penalty and extensive disclosure requirements, have made it less

21 CBO, *Comparing the Compensation of Federal and Private-Sector Employees in 2022*, at 1 (Apr. 2024), <https://www.cbo.gov/system/files/2024-04/59970-Compensation.pdf>.

attractive, and practitioners report they are less likely to recommend it to their clients. Since the start of the current VDP in the beginning of FY 2019, only 161 taxpayers have completed the program. We recommend steps to make the program more attractive that still ensure fairness and appropriate penalties for noncompliance.

## LEGISLATIVE RECOMMENDATIONS

The National Taxpayer Advocate Purple Book this year makes 69 recommendations to strengthen taxpayer rights and improve tax administration. Most recommendations in this volume are non-controversial, common-sense reforms. I highlight the following ten legislative recommendations for particular attention.

- ***Authorize the IRS to establish minimum competency standards for federal tax return preparers and revoke the identification numbers of sanctioned preparers (Recommendation #4).*** The IRS receives over 160 million individual income tax returns each year, and most are prepared by paid tax return preparers. While some tax return preparers must meet licensing requirements (*e.g.*, certified public accountants, attorneys, and enrolled agents), most tax return preparers are not credentialed. Numerous studies have found that non-credentialed preparers disproportionately prepare inaccurate returns, causing some taxpayers to overpay their taxes and other taxpayers to underpay their taxes, which subject them to penalties and interest charges. Non-credentialed preparers also drive much of the high improper payments rate attributable to wrongful EITC claims. In FY 2023, 33.5 percent of EITC payments, amounting to \$21.9 billion, were estimated to be improper, and among tax returns claiming the EITC prepared by paid tax return preparers, 96 percent of the total dollar amount of EITC audit adjustments was attributable to returns prepared by non-credentialed preparers.

Federal and state laws generally require lawyers, doctors, securities dealers, financial planners, actuaries, appraisers, contractors, motor vehicle operators, and barbers and beauticians to obtain licenses or certifications and, in most cases, to pass competency tests. The Obama, first Trump, and Biden administrations have each recommended that Congress authorize the Treasury Department to establish minimum competency standards for federal tax return preparers. To protect taxpayers and the public fisc, we likewise recommend that Congress provide this authorization as well as authorization for the Treasury Department to revoke the Preparer Tax Identification Numbers (PTINs) of preparers who have been sanctioned for improper conduct.<sup>22</sup>

- ***Expand the U.S. Tax Court's jurisdiction to hear refund cases (Recommendation #43).*** Under current law, taxpayers seeking to challenge an IRS tax-due adjustment can file a petition in the U.S. Tax Court, while taxpayers who have paid their tax and are seeking a refund must file suit in a U.S. district court or the U.S. Court of Federal Claims. Litigating in a U.S. district court or the Court of Federal Claims is generally more challenging – filing fees are relatively high, rules of civil procedure are complex, the judges generally do not have tax expertise, and proceeding without a lawyer is difficult. By contrast, taxpayers litigating their cases in the Tax Court face a low \$60 filing fee, may follow less formal procedural rules, are generally assured their positions will be fairly considered even if they don't present them well because of the tax expertise of the Tax Court's judges, and can more easily represent themselves. For these reasons, the requirement that refund claims be litigated in a U.S. district court or the Court of Federal Claims effectively deprives many taxpayers of the right to judicial review of an IRS refund disallowance. In FY 2023, about 97 percent of all tax-related litigation was adjudicated in the Tax Court. We recommend Congress expand the jurisdiction of the Tax Court to give taxpayers the option to litigate all tax disputes, including refund claims, in that forum.

<sup>22</sup> In general, a PTIN must be obtained by a tax return preparer who is compensated for preparing or assisting in the preparation of all or substantially all of a federal tax return or claim for refund. The preparer must then include the PTIN on any returns or claims for refund prepared.

- ***Enable the Low Income Taxpayer Clinic program to assist more taxpayers in controversies with the IRS (Recommendation #65).*** The Low Income Taxpayer Clinic (LITC) program assists low-income taxpayers and taxpayers who speak English as a second language. When the LITC program was established as part of the IRS Restructuring and Reform Act of 1998, the law limited annual grants to no more than \$100,000 per clinic. The law also imposed a 100 percent “match” requirement so a clinic cannot receive more in grant funds than it raises from other sources. The nature and scope of the LITC program have evolved considerably since 1998, and those requirements are preventing the program from expanding assistance to a larger universe of eligible taxpayers. We recommend Congress remove the per-clinic cap and allow the IRS to reduce the match requirement to 25 percent, where doing so would expand coverage to additional taxpayers.
- ***Require the IRS to timely process claims for refund or credit (Recommendation #2).*** Millions of taxpayers file refund claims with the IRS each year. Under current law, there is no requirement that the IRS pay or deny them. It may simply ignore them. The taxpayers’ remedy is to file suit in a U.S. district court or the U.S. Court of Federal Claims. For many taxpayers, that is not a realistic or affordable option. The absence of a processing requirement is a poster child for non-responsive government. While the IRS generally does process refund claims, the claims can and sometimes do spend months and even years in administrative limbo within the IRS. We recommend Congress require the IRS to act on claims for credit or refund within one year and impose certain consequences on the IRS for failing to do so.
- ***Allow the limitation on theft loss deductions in the Tax Cuts and Jobs Act to expire so scam victims are not taxed on amounts stolen from them (Recommendation #54).*** Many financial scams involve the theft of retirement assets. In a typical scam, a con artist may pose as a law enforcement officer, convince a victim that their retirement savings are at risk, and persuade the victim to transfer their retirement savings to an account that the scammer controls. Then, the scammer absconds with the funds. Under the tax code, the victim’s withdrawal of funds from a retirement account is treated as a distribution subject to income tax and, if the victim is under age 59½, to a ten percent additional tax as well. Thus, the victim may not only lose their life savings but also owe significant tax on the stolen funds. Prior to 2018, scam victims generally could claim a theft loss deduction to offset the stolen amounts included in gross income, but the TCJA eliminated this deduction. We recommend Congress allow this TCJA limitation to expire so the theft deduction is again available in these circumstances.
- ***Extend the reasonable cause defense for the failure-to-file penalty to taxpayers who rely on return preparers to e-file their returns (Recommendation #31).*** The tax law imposes a penalty of up to 25 percent of the tax due for failing to file a timely tax return, but the penalty is waived where a taxpayer can show the failure was due to “reasonable cause.” Most taxpayers pay tax return preparers to prepare and file their returns for them. In 1985, when all returns were filed on paper, the Supreme Court held that a taxpayer’s reliance on a preparer to file a tax return did not constitute “reasonable cause” to excuse the failure-to-file penalty if the return was not timely filed. In 2023, a U.S. Court of Appeals held that “reasonable cause” is also not a defense when a taxpayer relies on a preparer to file a tax return electronically.

For several reasons, it is often much more difficult for taxpayers to verify that a return preparer has e-filed a return than to verify that a return has been paper-filed. Unfortunately, many taxpayers are not familiar with the electronic filing process and do not have the tax knowledge to ask for the right document or proof of filing. Penalizing taxpayers who engage preparers and do their best to comply with their tax obligations is grossly unfair and undermines the congressional policy that the IRS encourage e-filing. Under the court’s ruling, astute taxpayers would be well advised to ask their preparers to give them paper copies of their prepared returns and then transmit the returns by certified mail themselves so they can ensure compliance. We recommend Congress clarify that reliance on a preparer to e-file a tax return may constitute “reasonable cause” for penalty relief

and direct the Secretary to issue regulations detailing what constitutes ordinary business care and prudence for purposes of evaluating reasonable cause requests.

- ***Promote consistency with the Supreme Court’s Boechler decision by making the time limits for bringing all tax litigation subject to equitable judicial doctrines (Recommendation #45).*** Taxpayers who seek judicial review of adverse IRS determinations generally must file petitions in court by statutorily imposed deadlines. The courts have split over whether filing deadlines can be waived under extraordinary circumstances. Most tax litigation takes place in the U.S. Tax Court, where taxpayers are required to file petitions for review within 90 days of the date on a notice of deficiency (150 days if addressed to a person outside the United States). The Tax Court has held it lacks the authority to waive the 90-day (or 150-day) filing deadline even, to provide a stark example, if the taxpayer had a heart attack on Day 75 and remained in a coma until after the filing deadline. In *Boechler, P.C. vs. Commissioner*, the Supreme Court held that filing deadlines are subject to “equitable tolling” in Collection Due Process hearings. We recommend Congress harmonize the conflicting court rulings by providing that all filing deadlines to challenge the IRS in court are subject to equitable tolling where timely filing was impossible or impractical.
- ***Remove the requirement that written receipts acknowledging charitable contributions must be “contemporaneous” (Recommendation #60).*** To claim a charitable contribution, a taxpayer must receive a written acknowledgment from the donee organization before filing a tax return. For example, if a taxpayer contributes \$5,000 to a church, synagogue, or mosque, files a tax return claiming the deduction on February 1, and receives a written acknowledgment on February 2, the deduction is not allowable – even if the taxpayer has credit card receipts and other documentation that unambiguously substantiate the deduction. This requirement can harm civic-minded taxpayers who do not realize how strict the timing requirements are and undermines congressional policy to encourage charitable giving. We recommend Congress modify the substantiation rules to require a reliable – but not necessarily advance – written acknowledgment from the donee organization.
- ***Require that math error notices describe the reason(s) for the adjustment with specificity, inform taxpayers they may request abatement within 60 days, and be mailed by certified or registered mail (Recommendation #9).*** When the IRS proposes to assess additional tax, it ordinarily must issue a notice of deficiency to the taxpayer, which gives the taxpayer an opportunity to seek judicial review in the U.S. Tax Court if the taxpayer disagrees with the IRS’s position. In cases where a taxpayer commits a “mathematical or clerical error,” however, the IRS may bypass deficiency procedures and issue a “math error” notice that summarily assesses additional tax. If a taxpayer does not respond to a math error notice within 60 days, the assessment becomes final, and the taxpayer will have forfeited the right to challenge the IRS’s position in the Tax Court. Math error notices often do not clearly explain the reason for the adjustment and do not prominently explain the consequences of failing to respond within 60 days. We recommend Congress require the IRS to describe the error giving rise to the adjustment with specificity and inform taxpayers they have 60 days (or 120 days if the notice is addressed to a person outside the United States) to request that a summary assessment be abated or they will forfeit their right to judicial review.<sup>23</sup>
- ***Provide that assessable penalties are subject to deficiency procedures (Recommendation #14).*** The IRS ordinarily must issue a notice of deficiency giving taxpayers the right to appeal an adverse

23 A taxpayer is given 60 additional days to respond to a notice of deficiency when the notice “is addressed to a person outside the United States.” IRC § 6213(a). By contrast, a taxpayer abroad is given no additional time to respond to a math error notice. To protect taxpayer rights and promote consistency, we recommend providing 60 additional days for taxpayers located outside the United States to respond to a math error notice. See National Taxpayer Advocate 2025 Purple Book, *Compilation of Legislative Recommendations to Strengthen Taxpayer Rights and Improve Tax Administration (Give Taxpayers Abroad Additional Time to Request Abatement of a Math Error Assessment)*.

IRS determination in the U.S. Tax Court before it may assess tax.<sup>24</sup> In limited situations, however, the IRS may assess penalties without first issuing a notice of deficiency. These penalties are generally subject to judicial review only if a taxpayer first pays the penalties and then sues for a refund. Assessable penalties can be substantial, sometimes running into the millions of dollars. Under IRS interpretation, these penalties include but are not limited to international information reporting penalties under IRC §§ 6038, 6038A, 6038B, 6038C, and 6038D. The inability of taxpayers to obtain judicial review on a preassessment basis and the requirement that taxpayers pay the penalties in full to obtain judicial review on a post-assessment basis can effectively deprive taxpayers of the right to judicial review. To ensure taxpayers have an opportunity to obtain judicial review before they are required to pay often substantial penalties they do not believe they owe, we recommend Congress require the IRS to issue a notice of deficiency before imposing assessable penalties.

## TAS IS TURNING 25

Congress created the Taxpayer Advocate Service as part of the IRS Restructuring and Reform Act of 1998. After developing an organizational structure, TAS launched in March 2000. This March, we will mark a quarter century of TAS's taxpayer advocacy.

By statute, our functions are (i) to assist taxpayers in resolving problems with the IRS; (ii) to identify areas in which taxpayers have problems in their dealings with IRS; (iii) to the extent possible, to propose and advocate for changes in the administrative practices of the IRS to mitigate problems identified under clause (ii); and (iv) to identify and propose potential legislative changes which may be appropriate to mitigate such problems.

On average, TAS has helped between 225,000 and 250,000 taxpayers each year resolve their IRS problems. Since inception, we have helped more than five million taxpayers. These include cases brought to us by taxpayers themselves, cases brought by tax professionals, and cases referred by congressional offices. While TAS performs an ombuds function and the final decision about whether to grant relief in particular cases rests with the IRS Business Operating Divisions, about 75 percent of taxpayers whose cases we handle generally receive relief.<sup>25</sup>

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### FOR 25 YEARS

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TAS has served as the "safety net" for taxpayers experiencing problems with the IRS and as Congress's eyes and ears within the agency on issues of taxpayer rights and taxpayer burden.

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On the systemic side, we have worked hundreds of advocacy projects with the IRS, and we have proposed more than a thousand changes to the agency's administrative practices. In most years, the IRS has agreed to implement the majority of the recommendations we have made. In addition, as part of our Annual Report to Congress, we have made hundreds of recommendations for legislative change. These recommendations are currently presented in a separate volume known as the Purple Book. Overall, Congress has enacted about 50 provisions into law that incorporate our recommendations. As discussed earlier, the 2025 Purple Book published as part of this report contains 69 recommendations for your consideration.

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24 In the case of "mathematical or clerical errors," the IRS may issue a "math error" notice that assesses tax without providing the right to judicial review. The taxpayer has 60 days to request that the IRS abate the math error assessment. If the taxpayer makes the request, the IRS is required to abate the assessment, and if the IRS decides to challenge the taxpayer's position, it must then issue a notice of deficiency. See IRC § 6213(b).

25 In other cases, taxpayers generally do not follow through by providing requested documents or the IRS ultimately determines they are not entitled to relief.

Since 2003, TAS has proudly administered the Low Income Taxpayer Clinic federal grant program, which funds clinics across the country to help taxpayers tackle IRS audits, resolve disputes, and understand their rights and responsibilities as taxpayers. TAS also oversees the Taxpayer Advocacy Panel, a Federal Advisory Committee that helps identify issues of importance to taxpayers and provides a taxpayer perspective to the IRS on key programs, products, and services.

For 25 years, TAS has served as the “safety net” for taxpayers experiencing problems with the IRS and as Congress’s eyes and ears within the agency on issues of taxpayer rights and taxpayer burden. The year 2025 will be one of continued growth and transition, as we launch a new case management system for our Case Advocates and begin to implement our first multiyear strategic plan. We are hopeful these changes and others will help TAS build on its success and become an even more effective taxpayer advocacy organization over the next quarter century.

I want to extend my deepest gratitude to the members of our “TAS team” – both current and former employees. Their dedication and hard work have transformed countless lives by helping taxpayers facing financial or other hardships resolve their problems with the IRS. That is what TAS does. We make a difference one taxpayer at a time. Together, our employees can ensure that our vital mission continues to thrive.

## CONCLUSION

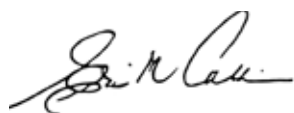
The IRS has made considerable progress over the last two years in improving the taxpayer experience. Although IRA funding was heavily tilted toward enforcement and allocated only four percent of IRS funding to the Taxpayer Services account and only six percent of IRS funding to the BSM technology account, the IRS has developed ambitious but achievable taxpayer service and technology goals that it has been working diligently to accomplish.

But continued funding is critical to enable the IRS to successfully deliver on its mission and transform how it works with taxpayers going forward. Over the past two decades, IRS funding has yo-yoed up and down, preventing the agency from developing realistic long-term plans because it could not be certain funding would remain available for implementation. That is why the multiyear funding provided by the IRA has been a game-changer for taxpayers. As much as the Enforcement funding in the IRA has been controversial, I have heard no complaints about the Taxpayer Services funding or the technology funding. Those accounts have received bipartisan support, as they should, and they require continued support to provide taxpayers with better service and a better overall experience.

With a prudent strategic plan and adequate funding, the IRS has been taking and is continuing to take major steps to improve the experience of all Americans – our taxpayers and your constituents. I strongly recommend that Congress ensure the IRS receives the funding it needs to finish the job. If it does, taxpayers who want to efficiently interact with the IRS solely online should be able to do so within the next two to three years, and taxpayers who prefer to continue to file paper returns or call the IRS will receive better service. As the IRS moves forward, it is critical that it provide financial accountability and operational transparency. Congress should insist on it.

I look forward to working with Congress and the IRS as the agency refines and implements its plans. My TAS team stands ready to help improve taxpayer service and tax administration for the benefit of all taxpayers and to continue to serve as their safety net when the system fails, all while working to protect taxpayer rights and minimize taxpayer burden.

Respectfully submitted,



**Erin M. Collins**  
National Taxpayer Advocate  
December 31, 2024