

Annual Report to Congress



**Progress on the Implementation of
The Taxpayer Assistance Blueprint**

Five-Year Progress Report: FY 2008 - FY 2012

April 22, 2013

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EXECUTIVE SUMMARY

In July 2005, the Congress directed the IRS, the National Taxpayer Advocate, and the IRS Oversight Board to conduct a comprehensive review of IRS services and develop a five-year plan for taxpayer services. The IRS conducted the review to ensure that it made service-related decisions based on the needs and preferences of the taxpayer. Working with the Taxpayer Advocate and the Oversight Board, the IRS delivered the Taxpayer Assistance Blueprint (TAB) Phase 2 Report to the Congress in April 2007.

Each year since the completion of the TAB, the Appropriations Committee has requested that the IRS, the National Taxpayer Advocate, and the IRS Oversight Board provide a performance update to the TAB. In response, the IRS delivered reports to the Congress describing implementation progress of the TAB in April 2008, October 2009, May 2011, and, most recently, March 2012. These reports summarized progress made to improve taxpayer service, highlighted key service challenges, and provided details of research efforts to understand taxpayer needs, preferences, and behavior. This year marks the end of the five-year Blueprint, and, in light of this milestone, this report presents the final summary of the implementation of the TAB, including taxpayer service improvements during fiscal year (FY) 2012 (October 1, 2011 to September 30, 2012).

Since the IRS issued the TAB 2 Report in 2007, it has integrated the TAB into its strategic documents and activities. In April 2009, the IRS published its plan for the long-term direction of the organization. In the IRS Strategic Plan 2009-2013, the IRS embedded the concept of improving service in every taxpayer interaction and incorporating the taxpayer perspective into its service improvement decisions. The IRS is currently developing its Strategic Plan for 2013-2016, and improving service in every taxpayer interaction will continue to be an important part of IRS strategic planning.

Although the IRS has done much in recent years to improve taxpayer service, it must be noted here that subsequent to the development and clearance of this report, but before submission to Congress, the Treasury Inspector General for Tax Administration (TIGTA) issued an audit report stating that “inappropriate criteria were used to identify tax-exempt applications for review.” TIGTA’s audit report raised significant concerns about the screening and evaluation process for tax-exempt applications. The IRS is taking a number of actions, all of those identified by TIGTA, to address these concerns. Many of these steps are described in the report prepared by the Principal Deputy Commissioner entitled: “Charting a Path Forward at the IRS: Initial Assessment and Plan of Action” (June 24, 2013). This report can be found on the IRS web site <http://www.irs.gov/uac/Newsroom/Report-Outlines-Changes-for-IRS-To-Ensure-Accountability,-Chart-a-Path-Forward;-Immediate-Actions,-Next-Steps-Outlined>. The National Taxpayer Advocate also addressed this issue in conjunction with release of her mid-year report, which is available at <http://apps.irs.gov/app/scripts/exit.jsp?dest=http://www.taxpayeradvocate.irs.gov/2012-Annual-Report/FY-2012-Annual-Report-To-Congress-Full-Report>.

Taxpayer Service Improvements

The IRS conducted extensive research about taxpayer behaviors, needs, and preferences for the TAB and continued to gather information about taxpayer perspectives during its implementation. The IRS began a comprehensive redesign of its Customer Satisfaction Survey Program in 2011 that would deliver improved analysis and customized reports. The IRS also

developed the Customer Early Warning System to identify emerging taxpayer issues as early as possible to help determine proper action or resolution.

The IRS improved electronic interactions during the TAB implementation. The IRS created and updated web-based calculators and wizards, including the withholding calculator, which helps taxpayers determine their withholding amounts. The IRS developed a new online tool that allows taxpayers to obtain a Personal Identification Number (PIN). The IRS made telephone service enhancements, such as the addition of the estimated wait time announcement and the improved telephone call routing with an enterprise queue that ensures taxpayer wait times are as short as possible by holding calls in a central queue until the next assistor is available.

The IRS implemented facilitated self-assistance in its Taxpayer Assistance Centers (TACs), which provides taxpayers the opportunity to use IRS.gov with assistance from an IRS employee available if needed. The IRS also improved the technology of the self-service kiosks in the TACs, incorporating touch screen technology and a user-friendly configuration. The IRS worked with Volunteer Income Tax Assistance (VITA) and Tax Counseling for the Elderly (TCE) sites to offer facilitated self-service return preparation, where taxpayers with simple returns prepared their own tax returns with the assistance of a VITA volunteer available if needed.

The IRS implemented and improved self-service options for ordering tax return transcripts and expanded its self-service Interactive Tax Assistant. The IRS also expanded its use of social media as a service channel, posting general tax information on YouTube, Facebook, and Twitter. Taxpayers can now use social media to check refund status and subscribe to tax season updates and follow IRS news, and small business owners can get retirement plan information.

During the TAB implementation, the IRS improved the clarity, accuracy, and effectiveness of taxpayer correspondence. In FY 2012, the IRS continued to improve taxpayer correspondence by adding 22 new and redesigned notices, bringing the total redesigned notices to 126, 77 percent of the total volume of notices.

The TAB also impacted enforcement-related interactions. The IRS developed the Quality Examination Process, which engages and involves large business taxpayers in tax examinations from the earliest planning stages through resolution of all issues and cases, making the examination process run more smoothly. It also implemented the Fast Track Settlement (FTS) Program. This program expedites examination case resolution by using trained Appeals mediators to assist the taxpayer and an IRS compliance function with resolving a tax dispute in less time than the traditional administrative appeal process.

The IRS designed the Compliance Assurance Process for large corporate taxpayers, a real time compliance review of issues that will have a material impact on their federal income taxes by working closely with taxpayers and their advisers, resolving material, post-transactional tax issues in a coordinated manner, and making a determination based on the review of all material issues prior to filing a federal tax return.

One of the most important service initiatives the IRS has undertaken in recent years is the Return Preparer Initiative. This initiative establishes IRS oversight of tax return preparers, who now provide tax services to the majority of American taxpayers. Since implementing mandatory registration for all paid tax return preparers in FY 2011, more than 855,000 individuals have registered with the IRS and obtained a Preparer Tax Identification Number (PTIN), and 723,000 of them had valid PTINs for calendar year (CY) 2012.

The IRS established the Office of Online Services to provide the leadership to develop and execute a strategy to update and integrate IRS web services, which reach a potential audience of 200 million users. With the delivery of Customer Account Data Engine (CADE) 2 in FY 2012, the IRS established a new standard for providing account services by implementing daily processing capability. These actions will affect virtually all pre-filing, filing, and post-filing service activities.

Understanding the Taxpayer Perspective

Since the completion of the TAB in 2007, the IRS has continued to learn about taxpayers' service needs, preferences, and behaviors. Research, including efforts such as the Taxpayer Experience Survey (TES) and the Benchmark Survey, has provided further insights about taxpayer service performance expectations, delivery preferences and behavior, and service satisfaction. Based on data gathered in the five years since the IRS issued the TAB Phase 2 report, service task and channel use trends have remained relatively consistent. The overall percentages related to awareness, use, and propensity to use various tax resources and services have remained generally consistent, indicating that taxpayer opinions, preferences, and behaviors change slowly.

TAB Measures

The IRS developed enterprise-wide measures that supplement the assessment criteria proposed in the TAB Phase 2 report. The measures fall into three categories: the availability of information, the adequacy of services provided, and the efficiency with which the IRS meets taxpayer service needs. Using these key elements, the IRS developed five aggregate outcome measures to assess its taxpayer services:

- Awareness of Services
- Enterprise Level of Service
- Enterprise Taxpayer Self-Assistance Rate
- Interaction Satisfaction Rate
- Issue Resolution Rate

These measures will not replace current IRS performance measures; rather, they will complement existing measures of performance and provide a consolidated view of taxpayer service delivery from the perspective of taxpayers, partners, and tax professionals. These measures will become part of internal business process reviews and business case development and will help the IRS assess the effects of new service initiatives.

INTRODUCTION

In July 2005, the Congress directed the IRS, the National Taxpayer Advocate, and the IRS Oversight Board to conduct collaboratively a comprehensive review of IRS services and develop a five-year plan for taxpayer services. The goal of the mandate was to ensure that the IRS made service-related decisions in light of the needs, preferences, and behaviors of the taxpayer. The TAB project was a two-phase project the IRS designed to answer questions about the service needs and preferences of individual taxpayers. Working with the Taxpayer Advocate and the Oversight Board, the IRS delivered Phase 2 of the TAB to the Congress in April 2007.¹ Based on extensive research of the taxpayer perspective, TAB Phase 2 included a strategic direction for incorporating taxpayer and partner² needs into IRS service improvement decisions.

Each year since the completion of the TAB, the Appropriations Committee has requested that the IRS, the National Taxpayer Advocate, and the IRS Oversight Board provide a performance update to the TAB. In response, the IRS delivered reports to the Congress describing implementation progress of the TAB in April 2008,³ October 2009,⁴ May 2011,⁵ and, most recently, March 2012.⁶ These reports summarized progress it made to improve taxpayer service, highlighted key service challenges, and provided details of research efforts to understand taxpayer needs, preferences, and behavior. This year marks the end of the five-year Blueprint, and in light of this milestone, this report presents the final summary of the implementation of the TAB, including taxpayer service improvements during fiscal year (FY) 2012 (October 1, 2011 to September 30, 2012).

§1. TAB REFLECTED IN IRS STRATEGIC ACTIVITIES

Since the IRS issued the TAB 2 Report in 2007, it has integrated the TAB into its strategic documents and activities. For example, the TAB 2 Report became the basis for the service-related components of the Tax Gap Report, which the IRS completed in August 2007 and updated in July 2009. Both reports reflected the IRS commitment to expanded research and engagement, technology investment, taxpayer service enhancements, tax administration simplification, and coordination with partners and stakeholders.

An essential part of the TAB strategy is improving the technology that supports IRS taxpayer and partner services. The IRS incorporated the TAB into the IRS Information Technology (IT)

¹ Internal Revenue Service, *The 2007 Taxpayer Assistance Blueprint Phase 2*, April 11, 2007.

The TAB Phase 1 report, delivered to the Congress in April 2006, included a baseline of current taxpayer services and outlined key strategic improvement themes. The results of the first phase of the TAB are presented in *The 2006 Taxpayer Assistance Blueprint Phase 1* (April 24, 2006).

² For the purposes of the Blueprint, partners include commercial preparers, practitioners, return preparation software vendors, and community-based partners.

³ Internal Revenue Service, *Report to Congress: Progress on the Implementation of the Taxpayer Assistance Blueprint, April 2007 to February 2008*, April 2008.

⁴ Internal Revenue Service, *Report to Congress: Progress on the Implementation of the Taxpayer Assistance Blueprint*, October 22, 2009.

⁵ Internal Revenue Service, *Annual Report to Congress: Progress on the Implementation of the Taxpayer Assistance Blueprint, April 2009 to September 2010*, May 24, 2011.

⁶ Internal Revenue Service, *Annual Report to Congress: Progress on the Implementation of the Taxpayer Assistance Blueprint, April 2010 to September 2011*, March 14, 2012.

Modernization Vision and Strategy (MV&S) that identifies and guides decisions on IT investments. The MV&S defines the agency's approach for aligning technology systems with operational priorities to make sound investment decisions. In 2007, IRS executives and stakeholders refined the Customer Service Business Domain strategy to reflect a commitment to support the TAB strategy and recommended initiatives in future portfolio selection cycles.

In April 2009, the IRS published its plan for the long-term direction of the organization. The IRS wove the priorities of the TAB thoroughly into the IRS Strategic Plan with both showing a strong commitment to incorporating the taxpayer perspective into service improvement decisions.⁷ In the IRS Strategic Plan 2009-2013, the IRS embedded the concept of improving service in every taxpayer interaction. The Plan established the following goals and foundations to guide the IRS in achieving its mission to provide America's taxpayers top-quality service by helping them understand and meet their tax responsibilities and to enforce the law with integrity and fairness to all:

- Strategic Goal 1: Improve service to make voluntary compliance easier
- Strategic Goal 2: Enforce the tax law to ensure everyone meets their obligation to pay taxes
- Strategic Foundations: Invest for high performance in people and technology

The IRS is developing its Strategic Plan for 2013-2016. Although the TAB five-year Strategic Plan has concluded, the IRS has effectively embedded the TAB into its working culture and service delivery models. Improving service in every taxpayer interaction will continue to be an important part of IRS strategic planning, and the IRS will integrate it into its next Strategic Plan.

§2. SERVICES COMMITTEE OVERSEES ENTERPRISE-WIDE ACTIVITIES

Another way the TAB has changed the way the IRS does business is the IRS Services Committee. The TAB Strategic Plan called for an IRS governance body to provide an enterprise-wide level of oversight to IRS service operations. This governance body, the Services Committee, includes cross-functional, senior executive representation and supplements existing IRS decision making processes. The primary objective of the Services Committee is to facilitate an integrated agency-wide approach to delivering service and providing enterprise perspective to service decision making. The Services Committee first met in October 2007 and meets quarterly to review taxpayer service developments and oversee enterprise-wide service strategies.

The Deputy Commissioner for Services and Enforcement chairs the Services Committee, which consists of senior executives representing the IRS Operating Divisions and the National Taxpayer Advocate. Recognizing that IRS service, compliance, and technology programs are interdependent and that all contacts with taxpayers affect taxpayer perceptions about service, the membership of the Services Committee has evolved to include senior executives of new organizations that have stood up since the TAB. For example, in FY 2011, the IRS expanded the Services Committee membership to include the directors of the new Office of Online Services and the Return Preparer Office. The current representatives include executives from:

- Deputy Commissioner for Operations Support
- Wage and Investment (W&I) Division

⁷ See Appendix A for a crosswalk between the TAB guiding principles and IRS Strategic Plan objectives.

- Small Business/Self-Employed (SB/SE) Division
- Large Business and International (LB&I) Division
- Tax Exempt and Government Entities (TE/GE) Division
- Communications and Liaison
- Appeals
- Research, Analysis and Statistics
- Return Preparer Office
- Office of Professional Responsibility
- Legislative Affairs
- Office of Online Services
- Chief Information Officer
- Chief Financial Officer
- National Taxpayer Advocate

Notable topics the Services Committee addressed during FY 2012 included:

- Service improvements to compliance interactions, including Compliance Assurance Process and Alternative Dispute Resolution Programs
- Virtual Service Delivery and preliminary pilot study results
- Overview of the Service Priority Project, which will score taxpayer services by delivery channel using taxpayer and government value criteria
- Review of two new web pages for Collection programs—namely, “Understanding Federal Tax Liens and Offer in Compromise”—that increase taxpayer awareness, with links to forms, publications, and videos
- The role of the Services Committee in taxpayer burden reduction activities

Going forward, the Services Committee will continue to play a significant role in assuring a servicewide emphasis on, and sharing of, service improvements and best practices that are consistent with the IRS Strategic Plan.

§3. IRS CONTINUES TO LEARN ABOUT TAXPAYER NEEDS AND BEHAVIORS

As the foundation for the TAB, the IRS conducted extensive research to help it better understand service from the taxpayer perspective. Key research findings reported in the 2007 TAB 2 report included:

- About 41 percent of all taxpayers (roughly 55 million) reported that they contacted the IRS for help over a one- to two-year period.
- In general, taxpayers use self-service options for information-gathering tasks and use assisted-service options to resolve their problems.

- In general, the expected burden of completing a task influences taxpayers' service decisions, and the relationship between the expected and actual experience determines their satisfaction. With a positive service experience, a significant percentage of taxpayers will use the same channel to meet their future needs.
- The telephone and the IRS website service channels account for almost 85 percent of all taxpayer contacts with the IRS for common service tasks surveyed. Of these common tasks, requests for post-filing services exceed requests for pre-filing or filing services.
- The majority of taxpayers use paid preparers or software rather than self-preparing tax returns by hand.
- Examples of taxpayers' barriers in attempting to use IRS services include limited reading and writing skills, tax law complexity, and special needs challenges.

The IRS has continued to study taxpayers' perspective through research efforts such as the W&I Taxpayer Experience Survey (TES). The TES is an annual survey that has provided further insights about taxpayer service performance expectations, delivery preferences, and behavior.⁸ Based on data collected since the IRS issued the TAB Phase 2 report, overall percentages related to awareness and use of various tax resources and services have remained relatively consistent. For example, the tax year (TY) 2011 TES found that 42 percent of individual taxpayers contacted the IRS within the past 12 months, compared to 41 percent reported in TAB 2 report.

Using IRS resources and services is conditional on taxpayers' awareness—taxpayers cannot use a service if they are not aware it exists. For the most part, service channel awareness among taxpayers has been generally consistent since the TAB, as shown in Table 1. This finding suggests that awareness is still an area for improvement for the IRS.

Table 1. Awareness of Service Channel

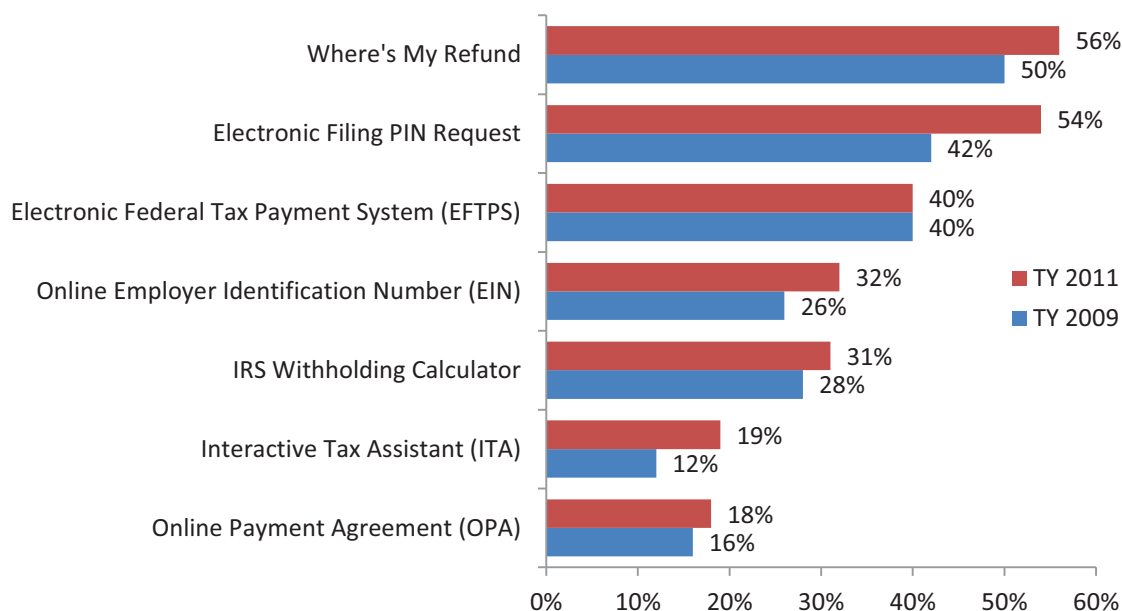
IRS Channel	TY 2007	TY 2008	TY 2009	TY 2011
IRS.gov	82%	82%	84%	84%
Toll-Free Line	80%	81%	79%	74%
Written Correspondence	59%	60%	61%	59%
Local IRS Office	61%	59%	60%	56%
Volunteer Income Tax Assistance (VITA)	45%	42%	58%	54%
E-mail	51%	50%	49%	48%
IRS2Go Application	N/A	N/A	N/A	12%

However, even when taxpayers report high awareness of an IRS service channel, they may be less aware of the specific resources available through that channel. For example, while the percentage of taxpayers who are aware of IRS.gov has been consistent at 84 percent, their awareness of specific online services is low but generally growing (see Figure 1). This finding

⁸ The administration of the TY 2009 TES ran late; therefore, the TES was not conducted for TY 2010.

suggests that while the IRS has done a good job of making taxpayers aware of IRS.gov, it must continue to educate them about what tasks they can perform online.

Figure 1. Awareness of Select Online Services, TY 2009 & TY 2011



Taxpayer Use of IRS Services

While the TAB recognized the importance of non-IRS resources and services in providing assistance to taxpayers, it focused on taxpayers' use of IRS services. Research found that contacting the IRS varies by taxpayers' method of return preparation. Self-preparers are significantly more likely to contact the IRS than those who use a preparer—56 percent of self-preparers, 30 percent of taxpayers using a paid preparer, and 36 percent of those who use a volunteer preparer contacted the IRS for TY 2011. As shown in Table 2, in recent years, taxpayers are more likely to contact the IRS using IRS.gov, followed by calling a toll-free telephone line.

Table 2. Use of Service Channel, TY 2007-2011

IRS Channel	TY 2007	TY 2008	TY 2009	TY 2011
IRS.gov	34%	30%	34%	32%
Toll-Free Line	21%	20%	18%	18%
Written Correspondence	7%	8%	10%	9%
Local IRS Office	5%	6%	6%	5%
VITA	3%	4%	5%	5%
E-mail	3%	3%	2%	3%
IRS2Go Application	N/A	N/A	N/A	1%

Taxpayers contact the IRS for various reasons. Recent survey data show that the most prevalent reason for taxpayers to contact the IRS is to inquire about a refund (30 percent of taxpayer-reported interactions for TY 2011), followed by getting a form or publication (19 percent of taxpayer-reported service interactions). Previously, getting forms and publications was the most frequent service interaction, followed by refund inquiries. Possible explanations for this finding are the addition of the IRS2Go application, which makes it convenient for taxpayers to check on the status of their refunds, and electronic filing, which eliminates the need to get tax forms.

Figure 2. Service Interactions by Issue, TY 2007-2011

Issue	TY 2007	TY 2008	TY 2009	TY 2011
Refund Information	14%	24%	21%	30%
Get Form or Publication	23%	26%	26%	19%
Notice	11%	14%	13%	12%
Tax Law Question while Preparing a Return ⁹	6%	8%	9%	10%
Return Preparation Assistance	10%	10%	8%	9%
Payment Information	5%	6%	5%	5%
Obtain Prior Year Tax Return	6%	6%	5%	4%
Obtain Tax ID Number	2%	3%	2%	2%
Tax Law Information after Filing Return	n/a	n/a	3%	3%
Make a Payment	n/a	n/a	4%	6%
Other ¹⁰	23%	3%	4%	0%

Research found that taxpayers' service needs influences the method they use to contact the IRS. Table 3 presents taxpayer-reported service use by issue and channel for TY 2011. With the notable exception of obtaining a prior year tax return, taxpayers report they use IRS.gov most often to complete transactional tasks (i.e., tasks that require minimal in-person assistance, such as obtaining a form or publication). However, when responding to a notice or obtaining payment information, taxpayers said that they are more likely to call the IRS toll-free telephone lines.

Table 3. Service Interactions by Issue and Channel, TY 2011

Service Task	Channel Used		
	IRS.gov	Toll-Free Line	Other *
Obtain a form or publication	78%	13%	9%
Obtain refund information	62%	31%	7%
Respond to a notice	n/a	54%	46%

⁹ In TY 2007 and TY 2008, includes before and after filing return.

¹⁰ In TY 2007, includes questions about Economic Stimulus Package.

Service Task	Channel Used		
	IRS.gov	Toll-Free Line	Other *
Ask tax law question while preparing a return	71%	15%	14%
Return preparation assistance	64%	17%	19%
Obtain a prior year tax return	38%	41%	21%
Obtain payment information	31%	46%	23%
Make a payment	59%	n/a	41%

* includes local IRS office, regular mail, or e-mail

Research also suggested that age, income, and education are correlated to taxpayer behavior. Recent findings show that taxpayers with lower household incomes reported higher use of non-web-based IRS service channels than taxpayers in higher income households, as shown in Table 4.

Table 4. Use of IRS Service Channels by Household Income, TY 2011

Percent Taxpayers Who Used Service Channel in Past 12 Months*	Household Income			
	Less than \$15K	\$15K to Less than \$25K	\$25K to Less than \$35K	\$35K or More
IRS.gov	32%	39%	29%	31%
Toll-Free Line	27%	33%	22%	15%
Local IRS Office	13%	7%	5%	4%
Mail	15%	8%	14%	8%
Email	4%	†	3%	2%
IRS2Go Application	3%	†	†	1%
VITA	17%	7%	10%	4%

* Taxpayers could report using multiple channels to contact the IRS during the 12-month period.

† Percentages not reported for respondent counts less than 10.

Taxpayer Preferences

To incorporate taxpayers' perspectives into the TAB, the IRS conducted research about taxpayer preferences—the service channels that taxpayers use or would choose to use to obtain the assistance and information they need. Research findings about taxpayer preference include:

- Taxpayers generally prefer self-assisted services, such as those found on the IRS website, most often for tasks like getting a form or a publication. Taxpayers prefer assisted services, such as those available through telephones or Taxpayer Assistance Centers (TACs), most often for more complex interactive tasks like responding to a notice.

- Channel use preferences among special populations reflect that:
 - Low income, limited English proficient (LEP), and elderly taxpayers tend to report a somewhat higher preference for the TAC channel and a lower preference for the electronic channel than the majority of taxpayers as a whole.
 - Disabled taxpayers report visiting TACs at a somewhat lower rate than the all-taxpayer average.
 - Low income and LEP taxpayers report using the telephone channel more than the overall taxpaying population.
- Taxpayers report using IRS internet services more frequently than telephone lines for four of the eight service tasks surveyed (tasks considered transactional in nature).
- Several factors influence which channel taxpayers prefer across all three measures of preference, including specific type of service sought, demographic characteristics, channel awareness, channel access, taxpayer attitudes, and previous behavior.

One of the five areas for service improvement identified in the TAB is the migration of taxpayers, who are willing and able, to specific services that the IRS delivers most effectively and efficiently through the electronic channel. To move towards this goal, the IRS continues to learn about taxpayer preferences when using the IRS website. When surveyed about using IRS.gov to perform select tax-related activities, taxpayers reported a greater inclination to use the IRS website for information-gathering (i.e., transactional) activities than for problem-solving tasks (see Table 5).

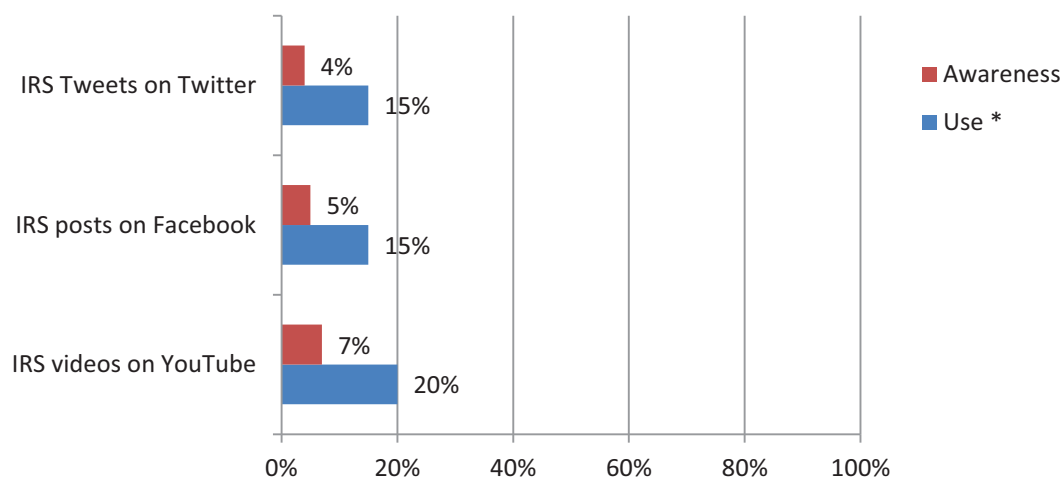
Table 5. Tax-Related Activities Taxpayers Would Perform in the Future Using IRS.gov, TY 2011

Activity	Very or Somewhat Likely	Neither Unlikely nor Likely	Somewhat or Very Unlikely
Get Information about Refund	46%	23%	31%
Get IRS Form or Publication	43%	22%	36%
File Tax Return or Form	43%	22%	35%
Determine Eligibility for Tax Benefit or Whether Certain Requirements Apply	41%	24%	35%
Get Information about Completing Tax Form	40%	23%	37%
Find Answer to Tax Law Question	40%	24%	37%
Respond to Notice or Letter Received from IRS	35%	30%	35%
Get Help Preparing Tax Return or Form	33%	24%	43%
Get Help Making Tax-Related Calculations	32%	28%	41%
Make Payment	24%	26%	50%
Getting Transcript or Prior Year Tax Return Information	24%	32%	45%
Set Up Payment Plan	15%	25%	61%

IRS Social Media Channels

With the ever-growing use of social media, the IRS has expanded its service offerings by posting general tax information on YouTube, Facebook, and Twitter. To continue to understand taxpayers' behaviors, the most recent TES inquired about taxpayers' awareness and use of these channels.

Figure 3. Awareness and Use of IRS Social Media Channels, TY 2011



* Only taxpayers who were aware of a channel were asked about use of the channel.

FY 2012 Research Efforts

While the IRS continues to expand its knowledge about taxpayer behavior through taxpayer surveys, it also conducts targeted research to address any information gaps. The following are some examples of research efforts completed in FY 2012.

Taxpayer Choice Model

The IRS represents a complex customer service environment that must address the varied needs of over 130 million income taxpayers. It does so through an extensive service infrastructure that includes face-to-face help at walk-in sites, phone assistance on toll-free lines, mail correspondence, and website and social media interfaces. Taxpayers set their performance expectations, in large part, by services delivered in the commercial arena (e.g., banking, financial planning, etc.) that have more flexibility with budgets and security requirements. The IRS is challenged to meet the public's service expectations and achieve a balance between government and taxpayer value while keeping pace with changing tax laws, technology, demographics, etc. It is critical that the IRS understand taxpayer service needs, preferences, and behaviors to obtain insight into their decision-making process.

In FY 2011, the IRS developed a revised tool that measures taxpayers' customer service preferences by task and delivery channel. The IRS built this tool, the Taxpayer Choice Model (TCM), on taxpayer preference data collected through a "conjoint" survey, which presents survey respondents with real life choice scenarios to determine their qualified service delivery preferences. The IRS set up the study so that respondents considered three dimensions—task, service channel, and performance attribute—with multiple choices within each. The IRS

designed the survey sample so that it allows inference on 34 pre-determined key market segments (stratified by age, education, etc.). Ultimately, the conjoint survey collected over 280,000 data points critical to a taxpayer trade-off analysis.

The TCM, which the IRS finalized in FY 2012, offers insight on the impact of performance change on the taxpayer's perception of service channel value. As the IRS contemplates a service investment, it can use the model to not only gauge the uptake, but also measure reciprocal impact on existing service channels. For example, how will the introduction of an online transcript delivery product reduce demand at IRS walk-in sites? As such, the model is capable of answering "what if" questions relative to IRS resource allocations among service channels and program areas. Moreover, the model allows analyses of specified performance scenarios. For instance, the tool can show changes in demand and anticipated taxpayer behavior given program investments that change phone transaction time from 10 to 5 minutes. The model shows service delivery impact by specific taxpayer market segment, as well (e.g., high vs. low income, older vs. younger, etc.).

Taxpayer Service for Individuals Living Abroad

In response to a 2008 National Taxpayer Advocate Most Serious Problem on access to the IRS by individual taxpayers located outside the United States, the IRS initiated research to increase its knowledge of the service needs and filing issues of taxpayers living outside of the United States (international taxpayers). Specifically, to develop a current and accurate baseline of international taxpayer needs, preferences, and behaviors, the IRS implemented a multi-tiered international research program with each project informing the next project. This systematic and multi-source program of international taxpayer research included:

- Focus groups with tax practitioners who service international taxpayers
- Demographic and tax filing profile of international taxpayers
- Interviews with tax attaches working with taxpayers overseas
- Interviews with multinational companies based in the U.S. employing U.S. citizens overseas
- Surveys of international taxpayers

Survey analysis completed in FY 2012 reveals striking differences in the awareness of the IRS website among segments of international taxpayers. Specifically, 78 percent of filers and 74 percent of expatriates reported an awareness of IRS.gov, compared to only 35 percent awareness of IRS.gov among non-filers. Other key survey findings include:

- Only 19 percent of filers reported being more confident in the information they receive from the IRS telephone line compared to information they view on the IRS.gov website.
- Of the 44 percent of filers that self-prepared their most recent U.S. federal tax return, 66 percent filed by mail and 34 percent filed electronically.
- On average, filers spent 11.7 hours and over \$400 on their most recent return.
- Nearly 70 percent of respondents reported a preference for improving online services (such as, improve website interactivity specific to international tax issues) over improving the telephone service.

The IRS designed this body of research to inform and build the business case for improving and expanding the service channels available to taxpayers living abroad as well as a step forward in

the IRS's commitment to improve the services it provides to individuals who live outside the United States.

Taxpayer Assistance Center Relocation Model

The IRS continues to monitor the evolving needs of taxpayers and their access to face-to-face services at TACs. Across the country, the IRS served more than two million taxpayers at TACs during the 2012 filing season. To maximize the number of taxpayers with access to these services, the IRS developed a suite of models that measure the change in taxpayer access to services on adding, closing, or relocating TACs.

The impact of TAC relocations on taxpayer access to services in terms of "coverage," where it defines a taxpayer population as "covered" if that population resides in a ZIP code within thirty minutes of a TAC. The IRS has developed separate models to assess the impact of relocating current TACs, to identify potential locations for new TACs that will maximize the increase in coverage, and to identify TACs that the IRS could close with minimal effects on coverage. The models currently measure these impacts based on the size of nine target populations, such as those filing a Form 1040, those filing late returns and/or having a balance due, and primary taxpayers aged 55 years or older.

Earned Income Tax Credit Participation Outreach

The Earned Income Tax Credit (EITC) is a tax credit to help select taxpayers retain more of their earnings. This credit is a refundable federal income tax credit for low- to moderate-income working individuals and families. To qualify, a taxpayer must meet certain requirements and file a tax return, even if they do not owe any tax or are not required to file. Since the Congress originally approved the tax credit legislation in 1975, the IRS has worked diligently to make eligible taxpayers aware of the benefit and understand how to claim it.

During the 2012 filing season, the IRS conducted a pilot study to determine how to improve the likelihood that eligible new parents would claim the EITC. Early in the filing season, the IRS sent direct mail about the EITC and how to claim it to a select group of taxpayers who had a child born in 2011. The goal was to maximize the number of eligible new parents claiming the credit.

Research showed that taxpayers who received the direct mail were more likely to prepare their own return and claim the credit without needing to pay for assistance from a professional preparer. Because self-preparation with or without the use of tax preparation software is generally less costly than paid preparation, these taxpayers were able to keep more of their tax benefit.

Initiatives to Reduce Taxpayer Burden

To support its strategic goal to improve service to make voluntary compliance easier, the IRS remains focused on taxpayer burden and ways to reduce that burden. Reducing taxpayer burden is an important initiative that benefits all taxpayers: individuals, small businesses, corporations, and partnerships, as well as tax-exempt and governmental organizations. Taxpayer burden is defined as the time and money taxpayers spend to comply with their federal tax obligations. An example is the average time and expense required to complete and file a tax form. As part of the ongoing effort to learn from taxpayers about the time and cost incurred to comply with federal income tax law and regulations, the IRS conducted a survey of individual taxpayers, a survey of corporations and partnerships, and a survey of tax-exempt organizations.

The IRS used survey results to identify ways to reduce taxpayer burden in future years. For example, results of the corporations and partnerships survey suggest that tax software continues to help mitigate the cost of tax-related recordkeeping requirements. This survey also gathered feedback on how taxpayer burden affects the taxpayer's ability to comply in real-time tax administration programs such as the Compliance Assurance Program. The IRS also used data and models developed from the three surveys to support several legislative implementation and form redesign efforts.

§4. TAB HAS GUIDED SERVICE IMPROVEMENTS FROM 2008-2012

The IRS developed the TAB to provide strategic direction for the IRS to deliver taxpayer services in the context of challenges such as the diversity of taxpayers, the rapid evolution of technology, and the role of third parties in service delivery. The TAB identified five Service Improvement Categories to serve as the foundation for the Service Improvement Portfolio: Electronic Interaction Enablement, Telephone Service Enhancements, Partner Services, Outreach and Education, and Marketing and Promotion.

The IRS has not significantly changed its desired strategic outcomes since the introduction of the TAB; however, with the alignment of the IRS Strategic Plan with the TAB guiding principles, the IRS has organized service improvements around its Strategic Plan. This section presents key activities and trends in taxpayer service improvements that the IRS has implemented during the past five years in support of the TAB and IRS Strategic Plans.¹¹

§4.1. Improve Service to Make Voluntary Compliance Easier

The first of the two goals of the IRS Strategic Plan is to improve service to make voluntary compliance easier. This goal most closely aligns with the guiding principles of the TAB, one of which is that the primary goal of service for individual taxpayers is to facilitate compliance with federal tax obligations (see Appendix A). The following are some of the improvements implemented over the past five years, organized by the Strategic Plan objectives they support.

§4.1.1. Incorporate taxpayer perspectives to improve all service interactions

The IRS conducted extensive research about taxpayer behaviors, needs, and preferences for the TAB, and the IRS continues to gather information about taxpayer perspectives from a variety of sources, including surveys and focus groups, the IRS Oversight Board, the National Taxpayer Advocate, the Taxpayer Advocacy Panel, as well as IRS employee feedback and operational data. The IRS uses this information to identify gaps in service performance and opportunities for improvement.

Information-Gathering Activities Continued

In addition to data that the IRS research organizations collected, the IRS gathers information through other means to learn about taxpayer perspectives and experiences. For example, the IRS conducted focus groups with members of the Tax Executive Institute (TEI) to determine

¹¹ For a comprehensive list of FY 2012 service improvements, see Appendix B.

taxpayer satisfaction with LB&I Division. The TEI membership consists of accountants, lawyers, and other corporate and business employees responsible for the tax affairs of their employers in an executive, administrative, or managerial capacity. The following are recent examples of other information-gathering activities.

Customer Satisfaction Survey Program. The IRS completed a Customer Satisfaction Survey Program review in February 2010 and, based on the findings, implemented Phase I of a three-year improvement project in FY 2011. The FY 2011 objectives for the Customer Satisfaction Improvement Program were to: integrate survey design and administration across similar programs, pilot redesigned surveys, and deliver improved analysis and customized reports. The IRS mapped survey questions to specific business processes and operational improvements and addressed customers' performance expectations. This new servicewide approach to collecting and analyzing customer satisfaction data will help the IRS apply the taxpayer perspectives it gathers through surveys to improve IRS operations.

In FY 2012, the IRS continued to use this approach to redesign and administer its Filing and Payment Compliance surveys as well as all Campus Compliance programs. Customized analysis and reporting included a comparative analysis of the customer satisfaction for the different functions of Reporting Compliance. Using the lessons learned from the redesign of the compliance surveys, the Customer Account Services (CAS) surveys underwent survey redesign to align the survey to the process and the taxpayer experience. Also, the IRS held a servicewide Customer Satisfaction Summit to identify additional ways to increase efficiencies in measuring customer satisfaction for the IRS. The IRS will use the data and taxpayer perspectives gathered from the surveys to measure customers' expectations and satisfaction on key points of interaction with the IRS.

Customer Early Warning System. The IRS established the Customer Early Warning System (CEWS) as a process to identify emerging taxpayer issues as early as possible to help determine proper action or resolution. This process allows the IRS to be proactive in addressing issues through communication and operational decisions. The CEWS uses three existing information sources:

- *Hear Me!* to collect anecdotal trends and issues Customer Service Representatives (CSRs) hear from callers
- Social Media outlets to monitor Facebook and Twitter
- Contact Analytics to analyze call content across the agency and provide details necessary to determine proper action or resolution

The CEWS was effective in identifying issues that emerged early in the 2012 Filing Season. For example, in early January, CEWS identified heavy "chatter" in social media outlets due to perceived delays in return processing. The IRS quickly developed a YouTube video and posted an alert on IRS.gov to provide assurances to taxpayers. Views of this video reached more than 600,000, and the posts on social media subsided. The CEWS identified a problem with the *Where's My Refund?* (WMR) application providing incorrect balance due messages to taxpayers. The IRS elevated the issue and implemented a programming fix within one day. The CEWS also helped identify erroneous notices requesting taxpayers to submit a Form 5405, First-Time Homebuyer Credit and Repayment of the Credit. The IRS quickly implemented a fix to stop the notices and resolve the issue.

Electronic Interactions Improved

The TAB indicated that taxpayers are increasingly using or expressing a willingness to use the Internet to fulfill their tax obligation. Over the past five years, the IRS has undertaken service improvements that enhance IRS.gov so that it becomes the first choice of taxpayers and partners for obtaining the information and services they need to comply with their tax obligations. The IRS designed its service improvement projects to meet the needs of the tax community, including subsets of customers with similar preferences, such as taxpayers who prefer self-service resources. The following are some examples of electronic interaction improvements implemented by the IRS during the TAB implementation:

- New and updated web-based calculators and wizards: These easy-to-use tools let taxpayers quickly run through tax scenarios to help them accurately compute their tax positions. The IRS updated the Withholding Calculator, which helps taxpayers determine their withholding amounts, in 2010 to factor in and calculate the Making Work Pay Credit and expanded it in 2012 to accommodate jobs that are expected to end before the end of the year to ensure that these job holders are not withholding more than is necessary.
- New online tool that allows taxpayers to obtain a PIN to satisfy the signature requirement when filing electronically. This tool provides taxpayers an alternative to calling the IRS toll-free line for assistance.
- New features on the Spanish-language IRS website, including WMR, which mirrors English-based refund information, Free File electronic filing program, electronic PIN application, and translated Tax Gap articles designed to educate and assist small business owners about filing requirements.
- Electronically searchable Publication 17, *Your Federal Income Tax*, on IRS.gov and key word queries of the IRS Frequently Asked Questions (FAQ) database.
- Improved U.S. Citizens and Resident Aliens Abroad web page, including creating links to useful information.
- A multilingual gateway on IRS.gov to facilitate participation in the tax system by all sectors of the public, designed to meet the needs of Chinese, Vietnamese, Korean, and Russian LEP taxpayers.

Facilitated Self-Assistance Usage Continued to Grow

During FY 2012, the IRS continued to execute the Facilitated Self Assistance (FSA) program, which is a TAC initiative introduced in the TAB. The FSA program increases taxpayer use of IRS.gov and reduces demand for face-to-face services on routine tasks in TACs. In addition, this initiative addresses taxpayer needs and preferences and explores the willingness of taxpayers to use self-service options to improve their service experience. The FSA program creates a bridge from face-to-face service to self-assistance service channels through the education of taxpayers to use the IRS website.

Self-serve touch screen kiosks connected to the internet continue to stand out as an efficient and cost-effective alternative service option at 37 TAC offices. The initiative received national recognition as an area of customer service improvement by the Department of the Treasury's Office of Management and Budget Customer Service Task Force. The task force identifies efforts by agencies to improve customer service in demonstrable ways. The FSA kiosks were highlighted as an example of compliance with Presidential Order 13571, *Streamlining Service Delivery and Improving Customer Service*.

Customer usage for FY 2012 rose to over 73,000 customers, compared to over 41,500 customers in FY 2011.¹² The most frequent tasks being performed are Free File, Forms and Publications, and Employer Identification Number (EIN) Application. Traditional assistance remains an option for any customer who prefers face-to-face service.

Telephone Service Enhancements Implemented

As reported in the TAB 2 report, the IRS answered over 61 million total service contacts via the telephone channel in FY 2005, and research indicated that the majority of taxpayers reported a preference for the telephone channel for all service tasks except receiving tax forms and publications. So while the IRS has implemented enhancements to its electronic service interactions, it also recognizes that it must continue to improve the telephone channel, maximizing the user experience. The following are examples of the telephone enhancements that the IRS has implemented during the past five years:

- Estimated Wait Time announcement that provides real-time messages to callers about their expected wait time in the telephone queue prior to reaching a customer service representative.
- Single issue toll-free numbers, such as an Identity Theft line and an Economic Recovery line, that provides informational messages about the major provisions of the American Recovery and Reinvestment Act (ARRA) and the Workers Homeownership and Business Assistance Act. These direct lines reduce taxpayer burden by eliminating extensive searching to determine where to direct the taxpayer.
- Improved Telephone Call Routing with an enterprise queue, ensuring that taxpayer wait times are as short as possible by holding calls in a central queue until the next assistor is available.
- Automated Economic Recovery Payment Information applications on both the website and telephone to provide customers information about whether they received an Economic Recovery Payment from the Social Security Administration, the Veterans Administration, or the Railroad Retirement Board.
- Expanded capabilities to transfer calls between the toll-free service and compliance phone lines, reducing the need for taxpayers to call back.

Virtual Service Delivery Implemented

During the first half of FY 2012, ten TACs and two partner organization sites piloted Virtual Service Delivery (VSD), an alternative means for providing taxpayer services. Using video communication technology, the VSD provides taxpayers assistance with an IRS employee. A high definition videoconference monitor connects the taxpayer to an employee at another location. Once the taxpayer accesses the monitor and provides needed documentation, the IRS employee provides service that a TAC routinely handles, with a few exceptions such as accepting payments, tax returns, and documents. The taxpayer and the employee visually and audibly communicate with each other, while the employee provides the assistance. The taxpayer requires no special skills to operate the equipment.

¹² FSA began deployment on January 31, 2011.

The VSD enables the IRS to maximize its resources by smoothing staffing and addressing workload imbalance. The VSD pilot served as an opportunity to:

- Explore the effectiveness of providing face-to-face service virtually to taxpayers in the TACs.
- Offer office-to-office support to TAC locations that experience high traffic as well as to smaller TACs without the need for employee travel.
- Enhance service to the public through IRS partners.

As of June 1, 2012, the IRS implemented the VSD on a permanent basis. In FY 2012, the IRS served over 16,600 walk-in taxpayers through VSD, assisting with account and tax law inquiries.

§4.1.2. Expedite and improve issue resolution

Issue resolution is a central theme in IRS service improvement projects. The TAB research identified issue resolution as taxpayers' most important service attribute. The IRS provides multiple channels for taxpayers to complete their information-gathering tasks. Given its finite resources, the IRS is continually expanding and improving self-service options so that they will be a taxpayer's first choice for their informational needs. This will conserve in-person assistance to resolve more complex issues or problems.

Expedited issue resolution illustrates the complementary nature of service and enforcement programs—the IRS can help taxpayers avoid issues by answering questions and resolving problems before they file their returns. The following examples illustrate actions the IRS has taken during the implementation of the TAB to expedite issue resolution for various taxpayer segments with different service needs.

Interactive Tax Assistant Expanded

The TAB research established that increasing the percentage of tax law questions addressed through the website and decreasing the percentage addressed through the face-to-face channel would allow the IRS to gain efficiencies and increase the overall capacity to serve taxpayers. In FY 2012, the IRS added eight new topics to its Interactive Tax Assistant (ITA), the self-service tax law inquiry decision tree available on IRS.gov. With the addition of these new topics, 19 topics are now available on ITA. During FY 2011, 238,546 taxpayers visited ITA topics, with a completion rate of 74 percent (176,740 completions). During FY 2012 through August 30, there were 531,175 ITA topic visits, with a completion rate of 81 percent (431,866 completions).¹³

<u>ITA Topics available in 2011</u>		<u>ITA Topics added in 2012</u>
Standard Deduction	Exemption Amount	Charitable Contributions
Filing Status	Simplest Form	Decedents
Make Work Pay	Social Security Benefits	Elderly/Disabled Credit
Who Must File	Pension or Annuity	Gambling Winnings/Losses
Child Tax Credit	Cancellation of Debt	Miscellaneous Deductions
Dependents		Mortgage Expenses
		Moving Expenses
		Personal/Spousal Exemption

¹³ Data is not available through September 30, 2012, as a result of the IRS.gov migration on August 30, 2012.

“Where’s My Refund?” Improved

After the 2011 filing season, the IRS recognized that toll-free assistors were answering refund inquiries that could have been answered with automation tools. For FY 2012, the IRS modified the online and the toll-free self-service WMR tool to promote taxpayer self-service. In the first year of a planned two-year improvement process, the IRS increased the amount of information available via automation to reduce the need for taxpayers to talk to a live assistor. The result is that the IRS routes fewer refund calls to CSRs and completes more refund calls through automation. For FY 2012, toll-free call demand for refund inquiries was 51,896,468, which is 17.5 percent higher than last year, but the number of refund inquiry calls completed in automation was 37,458,680, a 44-percent increase over last year. The number of calls routed to live assistors from automation is 23 percent lower than last year’s volume. In addition, the WMR online application has had over 132 million completions, compared to 78 million for the same period last year. The IRS can attribute much of the growth in WMR inquiries to the refund delay issues experienced early this filing season.

Self-Service Transcript Tools Expanded

The IRS expanded transcript self-service tools, which significantly reduced the faxing of transcripts during active calls. Beginning in January 2012, the IRS encouraged taxpayers to use the automated self-service applications, either online or through the automated telephone option. To persuade more people to use automation, the IRS updated procedures to allow toll-free assistors to educate and encourage taxpayers to use the transcript telephone automated self-service application if the caller could wait five to ten calendar days to receive a transcript, could use either a tax return or a tax account transcript, and had not previously attempted to use automation. Since February 1, the transcript Interactive Voice Response (IVR) completion rate is 87 percent through September 30, 2012, compared to 51 percent the prior year, while two-thirds of taxpayers requesting transcripts online successfully ordered one or more transcripts.

Select Check Tool for Exempt Organizations Developed

Unlike most filings with the IRS, many forms and informational returns that tax-exempt organizations file are publicly available. The information gleaned from these filings helps the public make an educated decision when choosing to support a tax-exempt organization. Over the years, the IRS had developed various web-based applications that offered information about tax-exempt organizations. In FY 2012, the IRS created Select Check, a one-stop online resource tool that combines three databases, makes it easier to navigate IRS.gov, and provides improved service to the public. Prior to the creation of Select Check, the IRS obtained information in these three databases from different sources, stored it separately, and updated it on different schedules. For taxpayers to determine whether an organization was still tax-exempt or eligible to receive tax-deductible contributions, they had to check multiple databases, and it was unclear on which one to rely. With expanded search capabilities and more frequently updated and better coordinated data, the Select Check is significantly more efficient and delivers a much-improved service to individual taxpayers, businesses, and the IRS user community.

Exam Mail Processing Streamlined

Mail processing significantly influences how quickly our Compliance unit completes the overall examination process. Untimely processing of taxpayer correspondence increases the likelihood

that taxpayers will receive additional unnecessary notices and letters and/or they will contact us. To reduce the number of unnecessary contacts, the IRS initiated a project to streamline mail processing in our Correspondence Examination unit. The project developed a model mail process that is capable of processing mail—from the time Examination receives it to when the correspondence status is updated—within five days, and designed an optimal space configuration.

In addition to the model mail processing implemented last year, the IRS implemented the automated Examination Mail Tool, which reduces the amount of time the clerical staff spends researching and updating taxpayer correspondence, while increasing the accuracy of the actions taken. This tool enables Correspondence Examination employees to confirm that the IRS received a response and provide status updates much faster.

Improvements to Processing Innocent Spouse Claims Continued

In the case of married individuals who file joint income tax returns, each spouse is jointly and severally liable for the tax due on the joint return. Internal Revenue Code (IRC) section 6015 provides for relief from joint and several liabilities in certain circumstances. Section 6015(f) provides for equitable relief from understatements and underpayments when relief is not available under other sections. By regulation, the Department of Treasury and the IRS established a two-year deadline to request equitable relief under this subsection.

On January 5, 2012, the IRS issued a notice proposing a new revenue procedure that revised the threshold requirements for requesting equitable relief and the factors used to evaluate these requests. Treasury and the IRS concluded that individuals who request equitable relief under section 6015(f) are no longer required to submit a request within two years of the first collection activity by the IRS. The revised factors provide greater deference when domestic violence and abuse are present. With this added deference to the impact of violence and abuse in these cases and increased latitude for the examiners to use their judgment, more applicants should qualify for relief under the new procedures.

While implementing the changes, the IRS recognized that an Innocent Spouse Program (ISP) employee may be the only person the victim has spoken to about the abuse, and the need for these employees to receive training on recognizing the signs, and interacting with victims, of domestic violence and abuse. The IRS assembled a team of subject matter experts with extensive experience in the area of domestic violence and abuse to develop training for the ISP employees. The training, which the IRS delivered in May 2012, provided employees with the necessary resources to have a positive impact on the handling of domestic violence and abuse cases.

Identity Theft Program Improvements Continue

The IRS established Program Specific Specialized Identity Theft units to ensure that it properly validated all allegations of identity theft within each business unit and program and to provide a single point of contact for victims of identity theft. The teams work with taxpayers to determine the extent of the identity theft and make recommendations to have accounts properly adjusted. The IRS established a Designated Identity Theft Adjustment team to process adjustments to correct taxpayers' accounts once it validated the allegation of identity theft for all business taxpayers. In addition, the IRS drafted procedures for assisting victims identified through field contact that it will include in the Internal Revenue Manual.

Trade Adjustment Assistance Extension Act of 2011 Implemented

With the expiration of the ARRA legislation, several Health Coverage Tax Credit (HCTC) benefits ended and the tax credit was reduced to 65 percent of a qualified health plan premium. Because of this, the IRS had to quickly reverse these benefits, affecting all participants with a reduced tax benefit and causing approximately 25 percent of HCTC's participants to be ineligible. However, in October 2011, the Congress passed the Trade Adjustment Assistance Extension Act, reauthorizing the expired benefits and increasing the tax credit to 72.5 percent of a qualified health plan premium for eligible individuals.

The IRS successfully implemented these legislative changes, effective January 1, 2012, which included:

- Changing the percentage from 65 percent to 72.5 percent
- Modifying Form 1099-H, Health Coverage Tax Credit Advance Payments, to include 7.5 percent true-up amount
- Reactivating the Reimbursement Credit process, Qualified Family Members, and the COBRA extension.

The swift implementation of these retroactive provisions reduced taxpayer burden and enabled over 32,000 taxpayers to easily and accurately file their TY 2011 tax returns to claim the tax credit as well as the 7.5 percent true-up, thereby decreasing the participants' and qualified family members' cost for health insurance.

The IRS also developed and executed a communication plan for taxpayers and stakeholders. It communicated the legislative changes to approximately 260,000 candidates and approximately 17,000 participants by updating over 40 pieces of collateral and online information. The IRS used IRS.gov to provide detailed information and documents for HCTC participants' clarification and use.

Zip Code Routing

When taxpayers have problems with the IRS that they have been unable to resolve through regular channels, they can request that the IRS refer their cases to the Taxpayer Advocate Service (TAS). The TAS will work with them and the IRS to resolve their problems. As a means to more effectively distribute case referrals within TAS and to make case routing from all IRS call site sources consistent, TAS implemented a pilot program to test distributing receipts generated by the co-located IRS call sites through the Account Management System (AMS) based on taxpayers' zip codes. Prior to the pilot, these receipts were retained in the co-located TAS office.

To determine the impact of Zip Code Routing (ZCR) on each of the affected offices, the team tracked the ZCR cases transferred from the co-located sites to other TAS offices and evaluated the impacts of these transfers. Overall, the results were very positive. Taxpayers were more closely aligned with an office in their geographic area and time zone, allowing employees who were familiar with their geopolitical climate to serve them. The co-located offices saw a reduction in inventory, which was also a positive impact. Furthermore, ZCR reduced the uneven distribution of work to offices co-located with call centers and spread those receipts out across all non-campus TAS offices.

Another benefit of implementing ZCR is that it prepares the organization for how TAS will distribute work in the future automated workload distribution environment when it implements

the Taxpayer Advocate Service Integrated System (TASIS). The TASIS is a new case processing system currently under development that will have many enhancements not available in the current case processing system. It will identify receipts and distribute them based on several decision points, the first of which is the location of the taxpayer and the associated zip code. The ZCR assists TAS with the transition to TASIS on how TAS will distribute the workload in the future while positively impacting current processes.

§4.1.3. Provide taxpayers with targeted, timely guidance and outreach

Providing targeted, timely guidance and outreach helps taxpayers understand and meet their tax responsibilities and prevents problems or errors from occurring. One common challenge in providing guidance and outreach to taxpayers is assuring that the communication is clear. Providing targeted tax guidance to a U.S. and international taxpayer base of approximately 250 million individuals, businesses, partners, nonprofit organizations, and government entities requires identification of manageable segments of taxpayers that have common characteristics and needs. Providing timely guidance requires understanding when taxpayers want and need to receive information from the IRS and how they process that information. Providing effective outreach requires developing communication that does not merely inform, but motivates the taxpayer to take the required action and provides the information necessary to do so.

Taxpayers may need guidance to fill gaps in knowledge because of changes in the tax law, changes in IRS procedures, or the complexity of the tax law. To meet the needs of a diverse population that has differing needs and preferences about how and where to get their tax information, the IRS uses multiple communication channels. The following examples illustrate the activities during the TAB five-year plan that have provided targeted guidance and outreach.

Taxpayer Correspondence Redesign Continued

The IRS formed a servicewide research and analysis team to create a method for evaluating the effectiveness of new and revised notices. This team gathers taxpayer input at a usability lab that conducts web-based surveys and assesses taxpayer behavior. They use this information to evaluate taxpayer perception and comprehension of IRS notices and the effect of redesigned notices on issue resolution.

In FY 2012, the IRS continued to improve the clarity, accuracy, and effectiveness of taxpayer correspondence by adding 22 new and redesigned notices to production. The revised notices explain payment options in plain language. To address the needs of LEP taxpayers, the IRS translated high-volume notices into five of the most common foreign languages (Spanish, Chinese, Korean, Vietnamese, and Russian). While none of the notice images posted online include any actual taxpayer data, they contain the standardized portions of the notice that will aid LEP taxpayers in understanding the basic purpose of the notice and the steps they should take in response.

In May 2012, the IRS received the 2012 ClearMark Award of Distinction from the Center for Plain Language for the redesigned CP504, Notice of Intent to Levy/Seize Property. The winning notice stood out for the use of easy-to-find instructions, active voice, and clear, concise language. The ClearMark Awards honor the best in communication and plain language, celebrating documents and websites that succeed in communicating clearly.

Outreach Efforts for Small Businesses Implemented

The IRS has held a variety of outreach events to educate small business owners. For example, in FY 2009, over 170,000 external stakeholders participated in IRS tax events, practitioner liaison meetings, webinars, small business tax workshops, phone forums, tax practitioner institutes, small business forums, and national tax forums. These different mechanisms provide a variety of ways to reach our audience. The IRS designed phone forums and webinars specifically to provide timely tax information on current tax topics while small business forums target core industry stakeholder partners who share IRS information with their Small Business Owner (SBO) members. Leveraged small business tax workshops are training sessions that stakeholder liaisons coordinate in all 50 states designed specifically for SBOs to learn how to comply with tax laws. The IRS has also hosted virtual small business tax workshops in both English and Spanish that helped Schedule C, Profit or Loss from Business, filers understand their tax rights and responsibilities as SBOs.

More recently, the IRS identified significant emerging SBOs—women, Asians, and young entrepreneurs—that outreach activities traditionally under serve, and it developed strategies to address their unique concerns. In FY 2012, the IRS implemented the strategies for women-owned businesses, including:

- Producing a Partnering Advantages video in both English and Spanish, outlining the benefits of partnering with the IRS.
- Implementing an action plan on women-owned businesses that included designing a “welcome package” for new women business owners and leveraging relationship with Small Business Administration to host meetings with the Organization of Women-Owned Business and National Women’s Business Council.
- Consulting with IRS researchers on methods to measure results and effectiveness of strategies.

The women-owned small business owner initiative implemented in FY 2012 will serve as a model for subsequent outreach activities for Asian-American, entrepreneurial SBOs, and other emerging markets that the IRS will identify.

EITC Outreach Continued

The IRS delivered the sixth annual Earned Income Tax Credit (EITC) Awareness Day on January 27, 2012, and reached large audiences nationwide. Besides regular media events, social media reached more than 2.3 million people throughout the season. Over 650 tweets referencing EITC on EITC Awareness Day alone reached over 1.8 million people, and over five thousand workers accessed the EITC page on IRS.gov as a result of information on Twitter. Usage of EITC Central, the EITC online presence for partners and preparers, continues to grow. The IRS continuously updates this tool and includes a new section designed for municipalities to use for their EITC outreach.

The IRS continues to expand its reach to LEP taxpayers and preparers to increase understanding of EITC qualifications. During past filing seasons, the IRS has executed an EITC awareness marketing plan that provides taxpayers with educational information about this refundable credit. This effort has evolved into a multilingual marketing campaign that includes TV, radio, print, emerging social media, and out-of-home Public Service Announcements (PSAs). Additionally, the IRS has translated publications into Spanish, Chinese, Korean, Russian, and Vietnamese.

Other Outreach Activities Implemented

Though IRS business units may serve different groups of taxpayers, service and information outreach may occasionally overlap. Instances of redundant information, provided directly to taxpayers or through service partners, can introduce opportunities for misunderstanding and inefficiency. To ensure more consistent, integrated, and timely outreach of information and service to taxpayers, the IRS is working to coordinate outreach efforts across the enterprise. The IRS organized a cross-functional team to develop a collaborative IRS outreach strategy to ensure the delivery of clear and consistent guidance to taxpayers. Examples of other outreach and guidance activities have included:

- Special events at the TACs, including:
 - Events organized to reach Americans eligible for the economic stimulus payment who were not normally required to file a tax return
 - Events that provided services routinely available only during weekdays
 - Events that provided a wide variety of tax services, successfully creating a one-stop taxpayer service experience.
- Updated web-based Individual Retirement Account (IRA) resources that provide individuals with information to help them save for their retirement using IRA accounts.
- Outreach for the ARRA, including new products (e.g., Publication 4787, *American Recovery and Reinvestment Act*), an employee toolkit, and a web page to inform taxpayers about the ARRA.
- New publication, Publication 4681, *Canceled Debts, Foreclosures, Repossessions, and Abandonments*, to assist taxpayers impacted by the mortgage crisis.
- Instructional video, “Completing Form 656, Offer in Compromise,” on IRS.gov to assist taxpayers and practitioners in submitting an offer in compromise.
- Issue Management Resolution Systems, which includes collecting and addressing practitioner and industry questions about new legislation and emerging issues in a uniform and rapid response.
- Business expense search engine for IRS employees that help them provide better information to taxpayers when explaining what documentation the law requires to substantiate employee business expenses.
- An outreach program consisting of executive speaking engagements, serving constituents who primarily work with large corporate taxpayer issues.
- Audit technique guides published via IRS.gov, which provide new information and services that detail common errors found in conducting audits as a tool for prevention.

§4.1.4. Strengthen partnerships with tax practitioners, tax preparers and other third parties in order to ensure effective tax administration

Research data shows that the majority of taxpayers use intermediary resources such as paid and unpaid preparers or commercial tax preparation software to prepare their tax returns, get information, and resolve account problems. Taxpayer representatives have numerous contacts with the IRS on behalf of their clients. The IRS is working to strengthen its relationship with third

parties to help promote competent and accurate assistance to taxpayers. The IRS established the Return Preparer Office to strengthen its partnership with the tax professional industry. Further, by working through volunteers to provide tax preparation assistance, the IRS can expand the scope of its services.

The following examples illustrate how the IRS has worked with partners to identify gaps and provide new services during the implementation of the TAB:

- The IRS has continued to support VITA and Tax Counseling for the Elderly (TCE) programs, including enhanced training for volunteers, expanded services at sites to include limited Cancellation of Debt issues, multi-year grants, and expanded e-learning for VITA volunteers to provide information on Schedule K-1, *Partner's Shares of Income*.
- Two advisory groups support the IRS, IRS Advisory Council and Internal Revenue Reporting Program Advisory Committee. The IRS serves on several committees, including the TEI, the American Institute of Certified Public Accountants (AICPA), and the American Bar Association (ABA). Additionally, the IRS has been a key presenter at national conferences for organizations such as the AICPA and the ABA.
- The IRS has partnered with national partners to support the Veterans with Disability initiative, including the American Legion, Department of Labor Veterans Employment and Training (VETS), United Spinal Association, VETS First Program, and the U.S. Department of Veteran Affairs.
- The IRS expanded its disability initiative to increase the availability of services to persons with self-identified disabilities by partnering with organizations that focus on the disabled community in all 50 states.
- The IRS increased volunteer return preparation sites in rural areas and assisted partners in rural locations who lack sufficient resources to provide training, staffing, and computers to volunteer return preparation sites.
- The IRS initiated the Financial Education and Asset Building program to promote financial education among low-income and underserved taxpayers.
- The IRS launched a web-based training module in both English and Spanish for EITC preparer due diligence. It also contacted first-time EITC paid preparers and experienced preparers it considered likely to file erroneous EITC claims to inform them of their due diligence requirements and help them avoid common errors.
- The IRS has partnered with academic institutions that offer training and degree programs related to the non-profit sector to provide workshops regarding legal compliance with the federal tax law.

Alternative Methods of Volunteer Return Preparation Developed

With relatively flat growth of volunteer return preparation in the last three years, the IRS was challenged to develop new approaches and use new technologies to re-invent its free tax preparation business model. Although the IRS has reached 3.2 million taxpayers, research has shown that nearly 19 million Americans may benefit from volunteer tax preparation services. To address this need, the IRS recently developed two new models of tax preparation to increase service to targeted groups:

- **Facilitated Self Assistance** – This model incorporates tax education into the tax preparation process because taxpayers prepare their own returns with assistance of a certified

volunteer. Because multiple taxpayers can be assisted at one time, this model is ideal where volunteer sites have limited resources.

- Virtual VITA/TCE – This model uses technology to connect the volunteer and taxpayer together for return preparation. Although suitable for remote locations where it is difficult to find a traditional VITA/TCE site, the IRS can use this approach for urban settings as well.

The IRS promoted the use of FSA and Virtual VITA/TCE sites nationwide to achieve the desired growth in these programs. Through FY 2012, 65 Virtual VITA/TCE sites prepared over 5,800 returns, and partners transmitted over 15,000 returns at 505 FSA sites, a significant increase in results for both models. The IRS is committed to supporting the continued use of these non-traditional methods. While traditional VITA/TCE sites will always be a primary component of the volunteer tax program, the IRS believes these alternative models will increase partner reach in the community while making more effective use of resources.

VITA Locator Tool Launched

The IRS launched the VITA site locator tool ("Locator") on IRS.gov January 28, 2012. The IRS developed this online tool to assist taxpayers seeking local free tax return preparation assistance and to subsequently reduce taxpayers' inquiries to IRS telephone assistors. All sites that are active and open to the public are in the Locator, except AARP and FSA-only sites. Separate links for the active FSA and AARP sites are available from the Locator page. The Locator is accessible from the "Free Tax Return Preparation for You by Volunteers" page on IRS.gov. Taxpayers can find this page by searching IRS.gov using keyword "VITA" or "Free Tax Preparation."

The Locator is a significant enhancement over its predecessor, the VITA Free Tax Preparation listing, on IRS.gov. The Locator allows taxpayers to search for sites within a 5 to 100 mile radius of the zip code entered and features a Google map locator so that taxpayers can print Google Maps® for directions to the sites listed. In addition, the IRS updates information in the new Locator twice weekly, compared to the previous site listing that it could only update every four to six weeks. More than 177,000 taxpayers visited the Locator on IRS.gov during FY 2012. The Locator will continue to be available year-round to taxpayers. The VITA/TCE sites are generally operated January-April and appear on the Locator as they open.

Taxpayer Advocacy Panel Provided Recommendations to IRS

The IRS continues to receive input and recommendations from the Taxpayer Advocacy Panel (TAP), which the TAS supports. The TAP is a Federal Advisory Committee comprised of citizen volunteers who listen to taxpayers, identify their issues, and make suggestions for improving IRS service and customer satisfaction. In FY 2012, a number of TAP projects addressed a variety of taxpayer service related issues.

Forms and Publications Distribution in the TACs

Early in FY 2011, the IRS requested help from the TAP, TAC Project Committee to review the current distribution process of self-service forms and publications in the TACs. The areas of focus included:

- Review the processes used in the TAC to distribute forms and publications to taxpayers
- Provide suggestions on which products the TACs should stock on the racks

- Determine if the IRS needs to create any new products to provide taxpayers more self-service materials to prevent a return visit to the TAC.

TAP members visited 28 TACs located in 13 states in diverse areas of the United States. These TACs included small, medium and large, as well as rural, suburban and urban locations. The purpose of these visits and interviews was to understand how the TACs manage forms racks and how the TACs could improve these racks to better assist taxpayers in fulfilling their tax obligations. During these visits, TAC Committee members observed the physical arrangements, assessed the condition of the forms racks, and also discussed with the manager, or his or her representative, how they could improve the self-service forms racks.

In December 2011, the TAC Committee submitted a report to the IRS on improving access to self-service forms and publications at the TACs. The report included 15 recommendations the Committee developed and the TAP approved.¹⁴

The TAC Committee believes that if implemented, the recommendations could have a significant impact on improving the distribution process of self-service forms and publications in the TACs.

Alternatives to Face-to-Face Service Methods

In 2012 the IRS asked the TAP Committee to review alternatives to providing face-to-face customer service at their TACs. While the IRS maintains 401 TACs, tens of millions of taxpayers cannot easily obtain face-to-face service from the IRS, as 30 percent of taxpayers do not live within a 30-minute drive of any of those offices. The committee examined alternative customer service options for this diverse population and others with varying needs, through virtual services.

The committee concluded the IRS should explore expanding service avenues beyond traditional TACs. While no single approach is likely to fully and cost-effectively address the assistance gap, several strategies could address the increased need for taxpayer support. These include technology-based solutions such as VSD, FSA kiosks, payment kiosks, and expanded assistance via e-mail, as well as mobile vans.

The committee submitted six recommendations to the IRS:

1. Continue funding the expansion of VSD to additional TACs and Stakeholder, Partnership, Education, and Communication (SPEC) sites. The committee also suggested the IRS consider expanding VSD to locations outside the TACs and expand the pilot program in testing VSD, especially in remote areas where minimal support from the TACs exists due to distance constraints. In addition to dedicated equipment, the committee also recommended the IRS consider using standard video conferencing equipment to allow taxpayers to use their personal computers and programs such as Skype.
2. Provide FSA kiosks at all TAC locations, particularly at small TACs only staffed a few hours a week. The committee also suggested the IRS consider placing FSA kiosks in locations outside of the TACs provided it can overcome security challenges.

¹⁴ The 2011 Taxpayer Advocacy Panel Taxpayer Assistance Center Committee Report can be viewed on the TAP web site: Improveirs.org.

3. Conduct a pilot project to determine the feasibility of placing payment kiosks in the TACs. If these prove to be successful and the kiosks do not require interaction by IRS employees, the committee recommended the IRS expand the project to locations outside the TACs provided it can overcome security challenges.
4. Expand the e-mail communications site on IRS.gov where taxpayers can ask technical questions and receive answers by e-mail. The committee also recommended the IRS increase the complexity of e-mail questions that this site can support and make the location of that e-mail site on IRS.gov more prominent so it is easier to find.
5. Pilot a program to use mobile vans and also to partner with state and local agencies to make office space available to increase the face-to-face presence of the IRS in underserved areas and ensure that taxpayers are aware of services being provided at these locations.
6. Implement an appointment system. An appointment system would permit the IRS to balance its staff workload more efficiently and provide a level of confidence to the taxpayers that the IRS will address their issue when they arrive at an IRS location.

TAC Snapshot Survey

Early in FY 2012, the NTA suggested that TAP members, assisted by TAS Research and Systemic Advocacy, develop a snapshot survey and work with TAS and the IRS to administer the snapshot survey to customers waiting for service at a TAC. The survey questions were designed to gain a better understanding of customers' reasons for visiting a TAC.

In April 2012, TAP members visited 37 TAC offices across the country, within driving distance of their homes, to administer the survey. The members returned 664 completed surveys. While these results are not statistically representative of all TAC visitors, they represent the needs and activities of a sizable number of customers during one week in the tax filing season. TAS Research analyzed the information, and TAS included the preliminary results in the National Taxpayer Advocate Fiscal Year 2013 Objectives Report to Congress.

TAC-Related Taxpayer Service Comments

During 2012, the TAP received and sent the IRS 35 TAC-related comments from taxpayers concerning taxpayer service in the TACs. The comments dealt primarily with:

- Wait time and staffing (21)
- Availability of payment processes (5)
- Professionalism (5)
- Lack of computer equipment in TACs (2)
- Forms availability (2)

The IRS is committed to addressing the individual concerns received from taxpayers through the TAP. As the taxpayers raised the concerns, the TAP forwarded them to the appropriate Area offices for their consideration. The IRS has provided responses to the TAP on 15 of the issues forwarded.

Low Income Tax Clinics Provided Services to Low-Income Taxpayers

In 1998, the Congress enacted the Internal Revenue Restructuring and Reform Act of 1998, which authorized matching grants for Low Income Taxpayer Clinics (LITCs). This initiative launched a new era in low-income taxpayer outreach, education, and representation. The LITCs provide tax outreach and education to taxpayers who speak English as a second language (ESL).

Clinics may represent taxpayers in controversies with the IRS, provide tax outreach and education to ESL taxpayers, or both. Currently there are 154 clinics—21 clinics provide only ESL services, 48 clinics provide only controversy services, and 85 clinics provide both ESL and controversy services.

During 2011, LITCs that were funded to provide controversy services assisted 37,734 taxpayers and worked 49,970 issues. The issues included 21,162 collection issues such as levies, liens, installment agreements (IAs), offers in compromise (OICs), and currently not collectible (CNC), and 11,106 examination issues such as correspondence examination, office or field examination, audit reconsideration, AUR, and substitutes for return, and 6,346 nonfiler issues. The clinics opened 15,073 new cases and worked 1,324 cases that were docketed in the U.S. Tax Court.

Through outreach events and educational workshops targeted to ESL taxpayers, clinics provide tax information directly to taxpayers and generate awareness of the clinic program among taxpayers who may be in need of tax assistance. In 2011, the clinics conducted 9,931 outreach and education events. In addition, clinics provided one-on-one consultations with 18,930 ESL taxpayers.

§4.2. Enforce the Law to Ensure Everyone Meets Their Obligation to Pay Taxes

The second goal of the IRS Strategic Plan is to enforce the law to ensure everyone meets their obligation to pay taxes. In its TAB directive, the Congress noted that the five-year plan for taxpayer service should balance enforcement and service activities.¹⁵ As the IRS has implemented the TAB, it has continued its commitment to balancing enforcement activities with quality taxpayer service to maximize compliance and reduce the tax gap.

This section provides examples of some of the improvements implemented over the past five years that support this enforcement goal, organized by the objectives they support.

§4.2.1. Proactively enforce the law in a timely manner while respecting taxpayer rights and minimizing taxpayer burden

The IRS recognizes that it must act quickly when enforcing the tax laws to reduce the burden to both taxpayers and the agency. Timely enforcement activities combined with educational activities will provide clarity and certainty to the taxpayers and make IRS resources available to work with other taxpayers. These activities support the TAB.

¹⁵ United States Congress, House Report 109-307, at 209, 2005.

One of the strategies to accomplish this objective is to streamline processes to increase the timeliness of enforcement. Examples of these activities that the IRS has implemented during the TAB include:

- Developing the Quality Examination Process, which engages and involves large business taxpayers in tax examinations from the earliest planning stages through resolution of all issues and cases, making the examination process run more smoothly
- Creating Form 13930, Instructions on How to Apply for a Central Withholding Agreement, for nonresident alien entertainers and athletes to use to determine their correct amount of withholding.
- Creating Form 9465-FS, Installment Agreement Request, to reduce the need for taxpayers to submit a Collection Information Statement (Form 433-F, Form 433-A, and/or Form 433-B).
- Expanding the use of e-fax technology within the Automated Underreporter (AUR) Program to resolve tax compliance cases more quickly and efficiently; and also developing an AUR soft notice test to encourage taxpayers to self-correct income reporting
- Implementing the Fast Track Settlement (FTS) Program, which expedites examination case resolution by using trained Appeals mediators to assist a taxpayer and an IRS Compliance function with resolving a tax dispute in less time than the traditional administrative appeal process.
- Designing the Compliance Assurance Process for large corporate taxpayers, a real time compliance review of issues that will have a material impact on their federal income taxes by working closely with taxpayers and their advisers, resolving material, post-transactional tax issues in a mutually respectful coordinated manner, and making a determination based on the review of all material issues prior to filing a federal tax return.
- Establishing a task force to address compliance problems related to section 218 of the Social Security Act (Voluntary Agreements for Coverage of State and Local Employees) and collaborating with the Social Security Administration to develop an online archive of agreements and modifications.

Voluntary Classification Settlement Program Developed

In response to the increasing number of taxpayers coming forward to request voluntary compliance agreements for worker classification, the IRS developed the Voluntary Classification Settlement Program (VCSP). The IRS released the program on September 21, 2011, and it provides eligible businesses the opportunity to reclassify their workers as employees prospectively for federal employment tax purposes and to obtain audit protection for past periods. The VCSP provides relief similar to that which is currently available through the Classification Settlement Program available to businesses under examination.

The IRS began operations immediately after the announcement of the program, established procedures, and posted all information, including FAQs, on IRS.gov. Communication and outreach efforts have been very successful and continue as the IRS attends the various venues in which its issues are discussed. The VCSP has been well received, and as more practitioners and businesses learn about the program, the IRS expects that interest will increase. As of

September 30, 2012, the IRS has received 719 applications seeking to reclassify 14,177 workers.

During FY 2013, the IRS expanded this program on December 17, 2012, to increase the number of eligible businesses. In addition, a temporary VCSP program will be available for taxpayers who are not fully compliant with their past Form 1099-MISC filings. The window of eligibility for this temporary program is from December 17, 2012, to June 30, 2013.

Improvement in Identification of Expired Collection Statutes

The Collection Statute Expiration Date (CSED) is the expiration of the time period established by law for the IRS to collect taxes. The CSED is normally ten years from the date of the record of assessment. The IRS has no automated process that can identify and remove tax liabilities when the CSED has expired on accounts with multiple assessments.

For any given tax period, multiple assessments may occur, which will create multiple CSEDs. Multiple CSEDs most often occurs when a taxpayer files an original return with a tax liability due (creating the first CSED) and then after examination of the return in which additional tax is found to be due (creating the second CSED). The IRS computer systems only show the CSED with the longest amount of time remaining. Thus, after ten years, the CSED on the original assessment expires, but more time could be left on the assessment of additional taxes due to the examination of the return. If the IRS does not notate that the original collection statute has expired, collection activity could happen on all of the liabilities, not just the remaining examination assessment.

The TAS and the IRS collaborated to resolve many of the issues on CSED management. The resolutions included:

- Developing a tool to help determine CSEDs
- Creating a transcript to identify accounts with multiple assessments that have expired CSEDs
- Verifying the CSED on all open tax liabilities with multiple assessments
- Providing extensive training to employees involved with taxpayer accounts and CSEDs

These improvements in the CSED process will protect taxpayers from inappropriate collection activity, help them understand what tax is owed, and will relieve the IRS employees from rework on erroneous CSED cases.

Improvements in Penalty Assertion in Campus Correspondence Exam

During Correspondence Examinations, the IRS was automatically asserting a Substantial Understatement Penalty (SUP) on deficiencies when it was mathematically applicable without regard to an individual's facts or circumstances. Employees were not considering a reasonable cause or good faith exception to assert this penalty. The IRS used a computerized tool for the computation, which did not include an option of penalty non-assertion. Employees were unaware of the possibility for non-assertion and did not consider an individual's circumstances.

The TAS collaborated with the IRS and secured an agreement to:

- Add a reasonable cause provision within the computerized computation tool

- Provide additional training for the IRS employees who were using this tool
- Update guidance to employees concerning reasonable cause exceptions in regard to the substantial understatement penalty

These improvements in IRS service will protect taxpayers from inappropriate assertion of penalties when reasonable cause or good faith exists.

§4.2.2. Expand enforcement approaches and tools

Within the IRS, the service and enforcement functions share a mutually-desired outcome: compliance issue prevention and, where necessary, resolution. As such, it is important to view service and enforcement work as integrative and complementary. For example, notices provide information that may either signify a compliance concern or relay information about tax law. As the IRS continues its enforcement activities, it must provide taxpayers with timely service and information to help them understand and meet their tax obligations. The following are examples of activities the IRS has implemented during the past five years:

- Developing the Joint Audit Planning Process to provide a consistent approach to audit planning, encourage audit efficiency, establish greater accountability, and enhance taxpayer disclosure.
- Establishing Large Case Technical Units, which provide a single point-of-contact to help clarify and resolve account-related issues of corporations with continuous tax issues.
- Strengthening EITC closing procedures to keep allowable dependents from past years on record, thereby preventing unnecessary selection for audits, which has created greater efficiency and reduced taxpayer burden.

Compliance Videos Created

The IRS created the video series, “Your Guide to an IRS Audit,” that provided a synopsis of the examination process from the taxpayer’s point of view, helping taxpayers better understand the audit process. The IRS followed the success of that video series with a suite of videos to help taxpayers understand the collection process.

To increase customer satisfaction by improving taxpayer knowledge and understanding of the collection process, the IRS created the “Owe Taxes? Understanding IRS Collection Efforts” video series on IRS.gov. This video series provides individual and business taxpayers with information on what to expect when working with the IRS after not filing their tax return or not paying their tax liability. Video content covers pre-filing, the notice process, and working with Automated Collection System and a revenue officer. Videos in the eight-part series address taxpayer rights, what to do if they owe or have not filed, possible payment options, and the consequences of noncompliance.

Throughout FY 2012, IRS promoted the video series in various e-news articles, with a tweet to the link and in a promotional YouTube advertisement. The IRS has a link to the videos on the IRS.gov page “Collection Procedures for Taxpayer’s Filing and/or Paying Late”, which individuals have accessed approximately 16,000 times.

Fresh Start Initiatives Expanded

In FY 2012, the IRS announced and implemented new initiatives to help taxpayers get a “fresh start” managing their tax liabilities, including:

- Increasing the dollar threshold for establishing IAs without having to supply the IRS with a financial statement. In addition, the IRS raised the maximum payment terms and enhanced the Online Payment Agreement application to allow more users to create IAs online.
- Implementing a new penalty relief, i.e., a six-month grace period on failure-to-pay penalties for certain wage earners and self-employed taxpayers.
- Clarifying guidance for certain types of unsecured debt as part of financial analysis.
- Expanding flexibility in the OIC program.
- Enhancing IRS.gov, including revising Federal Tax Lien, IA, and OIC web pages. In addition, the IRS increased the threshold for individual taxpayers to use the Online Payment Agreement application.

The IRS presented the Fresh Start initiatives at its Tax Forums. The IRS designed the presentation for Certified Public Accountants (CPAs), Enrolled Agents (EAs), and other tax professionals, to explain to them how taxpayers get a Fresh Start with their tax liabilities, including changes to:

- IA threshold and online self-assistance tool
- Amount of time to repay a tax debt
- Allowance for certain unsecured debts
- OIC payment terms and financial analysis

§4.2.3. Meet the challenges of international tax administration

The TAB focused on individual domestic taxpayers, but the IRS has implemented numerous service improvements to support international tax administration. The following are examples of other service improvements the IRS has implemented during the past five years that support international tax administration:

- Creating a new brochure, Publication 4732, *Federal Tax Information for U.S. Taxpayers Living Abroad*, which is focused on educating taxpayers living or working outside the country. The IRS also provided highlights of resources on tax topics common to U.S. taxpayers to assist them in meeting their tax obligations.
- Creating a new page on IRS.gov—U.S. Citizens and Resident Aliens Abroad Tax Page—and linked the web page to embassy and consulate websites.

Foreign Bank and Financial Accounts Assistance Provided

As a result of information obtained through the Offshore Voluntary Disclosure Programs and other taxpayer feedback, the IRS is aware that some U.S. taxpayers living abroad have failed to timely file U.S. federal income tax returns or Reports of Foreign Bank and Financial Accounts

(FBARs). Some of these taxpayers have recently become aware of their filing requirements and now want to comply with tax laws.

On June 26, 2012, the IRS announced a plan to help U.S. citizens residing overseas, including dual citizens, to catch up with tax filing obligations and provide assistance to people with foreign retirement plan issues. The IRS would provide a new option to help some U.S. citizens and others residing abroad who have not filed tax returns and provide them a chance to catch up with their tax filing obligations if they owe little or no back taxes.

The new procedures went into effect on September 1, 2012. The new procedures allow taxpayers who are low compliance risks to get current with their tax requirements without facing penalties or additional enforcement action. These people generally have simple tax returns and owe \$1,500 or less in tax for any of the covered years. Taxpayers using these procedures are required to file delinquent tax returns along with appropriate related information returns for the past three years and to file delinquent FBARs for the past six years.

§4.2.4. Continue focused oversight of the tax-exempt sector

Similar to international tax administration, the IRS has implemented numerous service improvements to support the oversight of the tax-exempt sector.¹⁶ The following are examples of service improvements that have been implemented during the past five years that support oversight of the tax-exempt sector:

- Creating new web-based tools, including StayExempt.irs.gov, an interactive learning tool that provides user-friendly educational materials on tax compliance topics for exempt organizations, including current news and information features and new mini-courses.
- Improving educational materials, including updating publications for 501(c) (3) organizations with plain language to replace lengthy attachments; new Fix-it Guides that offer plain language, self-audit tools to help employers and plan sponsors identify, fix, and avoid operational errors in their retirement plans; newsletters *Employee Plans News* and the *Retirement News for Employers* focused on the practitioner community and employers and business owners, respectively; and “Facts about Merging or Terminating Your Organization,” a fact sheet for exempt organizations to help explain the tax impacts of the economic downturn.
- Redesigning Form 990, Return of Organization Exempt from Income Tax, which provides key financial and operating information, governance information, revised compensation and related organization reporting. Also to provide a smooth transition to the new form and help filers complete it more easily, the IRS created tools including the mini-publication “The New Form 990: What Tax-Exempt Organizations Need to Know,”

¹⁶ Subsequent to the development and clearance of this report, but before submission to Congress, the Treasury Inspector General for Tax Administration (TIGTA) issued an audit report stating that “inappropriate criteria were used to identify tax-exempt applications for review.” TIGTA’s audit report raised significant concerns about the screening and evaluation process for tax-exempt applications. The IRS is taking a number of actions, all of those identified by TIGTA, to address these concerns. Many of these steps are described in the report prepared by the Principal Deputy Commissioner entitled: “Charting a Path Forward at the IRS: Initial Assessment and Plan of Action” (June 24, 2013). This report can be found on the IRS web site <http://www.irs.gov/uac/Newsroom/Report-Outlines-Changes-for-IRS-To-Ensure-Accountability,-Chart-a-Path-Forward;-Immediate-Actions,-Next-Steps-Outlined>. The National Taxpayer Advocate also addressed this issue in conjunction with release of her mid-year report, which is available at <http://apps.irs.gov/app/scripts/exit.jsp?dest=http://www.taxpayeradvocate.irs.gov/2012-Annual-Report/FY-2012-Annual-Report-To-Congress-Full-Report>.

and a series of informational videos “Getting Started: A Case Study” that explain how a hypothetical exempt organization completes the redesigned form.

- Distributing educational and outreach materials for Indian tribes, such as Tax Tools for Tribes, a CD-ROM containing tax forms, publications, job aids, and newsletters useful to tribes and tribal members in understanding and meeting their federal tax responsibilities, and PREPARE for Indian Tribes, a comprehensive set of tools to help tribes when unanticipated interruptions in payroll processing or federal tax reporting occur.
- Distributing educational and outreach materials for federal, state, and local governments, such as Employment Tax Training for U.S. Territories, a DVD with information helping U.S. Territories understand and meet their federal tax responsibilities.
- Conducting specialized outreach for federal, state, and local governments, such as webinars “1099-Misc Filing for State and Local Governments, and Fringe Benefits,” “Tribal Council Pay, Travel Expenses and Tip Agreements” for Indian Tribal Governments, “Section 218 and Government Entity Restructuring,” and “How to Avoid Information Report Problems,” and national phone forums “Requirements for Furnishing Form 1099-G Electronically” and “Unique Employment Tax Classification Situations in Government Entities.”
- Developing outreach to exempt organizations at risk of losing their exempt status. This extensive outreach effort used both traditional and new media to help prevent organizations from losing their tax-exempt status after not filing an annual information return for three consecutive years; also creating an “At-Risk Widget” to spread the word about the one-time filing relief program for small tax-exempt organizations at risk of losing their exempt status
- Developing outreach to retirement plans at risk of losing favorable tax treatment, including a Voluntary Correction Program Submission Kit to help retirement plans that missed the deadline to adopt certain amendments to retain their tax-qualified status
- Creating Retirement Plans Navigator, a website with information to help small business owners choose a suitable retirement plan, maintain it, and correct common-plan errors, as well as three new e-Business micro sites to augment IRS.gov content and better serve small businesses; also creating a Retirement Plans Navigator “widget”—which the IRS promoted to both private and non-for-profit websites—that easily directs the viewer to the Retirement Plans Navigator website.

Employee Plans Determination Letter Program Improved

Employee Plan (EP) sponsors submit requests for determination letters on the tax qualified status of retirement plans, to receive assurance that the terms of their plan document comply with federal pension law. A delay in receiving a determination letter could result in certain plan terms being non-compliant and the plan sponsor potentially operating its plan in violation of federal pension law.

Most plan sponsors file their applications near the due date of their filing cycle in January, causing annual mini-spikes in receipts, which generate greater pressure on the IRS to process all of the incoming case inventory before additional case receipts are received by the next January filing due date. Concurrently, greater than expected attrition of employees assigned to process determination letter applications along with receipt of more complex case inventory contributed to the increased ending inventory.

This growing case inventory led the IRS in FY 2012 to identify and implement new processing efficiencies to effectively reduce inventories without additional staff and to improve customer service, allowing plan sponsors to receive their determination letters faster. The processing changes included establishment of an accelerated processing group; expanded business rules to allow increased auto-closures of applications; and implementation of risk-based reviews of aged inventory. These changes resulted in a decrease of the FY 2012 ending inventory, from 42,800 cases to 20,643 cases (a 52-percent decrease).

§4.2.5. Ensure that all tax practitioners, tax preparers and other third parties in the tax system adhere to professional standards and follow the law

As previously discussed, the IRS is working to strengthen its relationship with third parties to help promote competent and accurate assistance to taxpayers. In 2010, the IRS established the Return Preparer Office (RPO) to strengthen its partnership with the tax professional industry and ensure they adhere to professional standards. Even prior to the stand-up of the RPO, the IRS worked with the practitioner community to create the Enrolled Retirement Plan Agent (ERPA) designation. This designation denoted an individual who the IRS has approved to practice before the IRS on certain retirement plan issues. Understanding the important role of return preparers in tax administration, the IRS continues its work with the tax community, integrating service and compliance, to ensure everyone meets their tax obligations.

Return Preparer Initiative Implementation Continued

Since 2010, the IRS has been implementing a multi-phase initiative to increase the oversight of paid tax return preparers and the accuracy of returns they prepare.¹⁷ Since implementing mandatory registration for all paid tax return preparers in FY 2011, more than 855,000 individuals have registered cumulatively with the IRS and obtained a PTIN, and 723,000 of them had valid PTINs for CY 2012. The use of a single, unique identification number enables the IRS to collect a range of tax return preparer data on individual tax return preparers and further enables a more comprehensive evaluation of the preparer population based on a myriad of preparer demographics captured at the time of registration.

In FY 2012, the IRS initiated new competency testing and continuing education requirements. In November and December 2011, respectively, the IRS launched the new registered tax return preparer (RTRP) competency test and a Continuing Education (CE) Provider Approval Program. Beginning in January 2012, certain preparers were required to complete a requisite number of CE hours for the first time. Approximately 350,000 existing tax return preparers were subject to the new testing and CE requirements. Attorneys, CPAs, and EAs were exempt from these requirements, as were return preparers who did not prepare Form 1040 series returns as well as certain supervised preparers in EA, CPA, or attorney firms meeting specific requirements. Tax return preparers were required to test and become Registered Tax Return Preparers by December 31, 2013, to demonstrate minimal competency. RTRP test candidates were also required to obtain 15 hours of continuing education annually beginning in 2012. The CE hours were required to be obtained from an IRS-approved CE provider.

On January 18, 2013, a federal court ruled that the IRS did not have the authority to enforce the RTRP testing and CE requirements and enjoined the agency from administering the program.

¹⁷ Refer to prior TAB reports and Publication 4832, *Return Preparer Review Final Report*, January 2009, for additional background.

Requirements for all paid tax return preparers to have a PTIN were not affected by the injunction, nor were the regulatory requirements for attorneys, CPAs, or EAs. The IRS continues to have confidence in the scope of its authority to enforce the RTRP program and awaits the outcome of its appeal filed on March 29, 2013.

Prior to the injunction, the IRS had issued RTRP certificates to almost 60,000 individuals after passing the competency test and a tax compliance check. Additionally, over 5,200 individuals became EAs in FY 2012.

§4.3. Strategic Foundations

The IRS Strategic Plan recognized the importance of a strong foundation in meeting the goals of the IRS. During the implementation of the TAB, taxpayer service improvements have centered on the use of technology to provide pre-filing, filing, and post-filing services to taxpayers and provide self-service options to leverage resources where possible. The IRS website is the face of the IRS and the center of the taxpayer experience for those who prefer completing transactional tasks and getting tax information and forms electronically.

§4.3.1. Build and deploy advanced information technology systems and tools

The TAB noted the importance of enhancing electronic interactions in its five-year plan, and during the TAB implementation, the IRS has made numerous improvements to its website. While many of the improvements involved adding new and expanded content and tools to IRS.gov, the IRS made improvements that enhance the user's experience with the website. For example, the IRS modified screen resolution, which allowed it to place more information on the IRS.gov home page, and it provided instructions on how to increase the font size to improve readability. The IRS also added a "last modified" date on all content and a Rotating Spotlight feature that provides a graphic and up to seven related articles in the center area of the homepage that changes every few seconds, which allows the IRS to advertise many more programs. The IRS also developed an IRS.gov assistance online chat, which provides assistance to taxpayers who need help locating information on IRS.gov or using IRS.gov calculators and wizards.

While these modifications to IRS.gov have enhanced users' experiences, more recent activities have provided even greater strides in improving taxpayer services.

IRS Enterprise Portal (Phase 1: Public Use Portal) Launched

Last year, the IRS established the Office of Online Services (OLS) to provide leadership for IRS web strategy and operations, which includes identifying and prioritizing online initiatives, developing web-based tools and content, and operating IRS.gov and other related web properties. The OLS also oversees the Portal Acquisition Program, which will improve IRS.gov and the Registered User Portal (RUP) in key service areas to meet taxpayer and IRS needs and address gaps in service.

The IRS launched the new IRS.gov website on August 30, 2012, which migrated the website content and assistance applications to a new, up-to-date platform. The platform includes a Content Management System (CMS). The new CMS and portal display products will give the IRS more flexibility and control over content management and the look and feel of IRS.gov. The

IRS can create new content types and templates for page displays in response to data analysis and taxpayer feedback.

The IRS redesigned the website so that the main navigation is now based on the most common taxpayer goals—filing returns, paying taxes owed, checking refund status, etc. It makes their IRS.gov experience quicker, easier, and more meaningful. While the IRS expects a temporary drop in customer satisfaction with any major redesign, the more intuitive navigation will minimize the learning curve for site visitors. The IRS will continuously monitor new data analysis and reporting tools, as well as help desk contacts, to identify areas in need of further improvement.

Customer Account Data Engine 2 Implemented

Customer Account Data Engine 2 (CADE 2) is the next critical step in modernizing the IRS Information Technology systems. Its single, data-centric solution provides faster processing for taxpayers and establishes a solid data foundation for the future by leveraging a relational database processing capability. The CADE 2 database has been stood up and fully loaded with over 270 million individual filers in production.

CADE 2 Transition State 1 went live on January 17, 2012, with a daily processing capability for all individual taxpayers as part of the 2012 filing season. With daily processing, this means:

- Millions of taxpayers are receiving refunds faster.
- Taxpayers are receiving notices faster.
- The IRS processes taxpayer payments faster.
- The IRS is resolving taxpayer issues more efficiently as account information is now available to IRS customer service representatives within hours.
- Taxpayer information is available faster on web-based applications.

Integrated Automation Technology Operations Assistance Request Tool

The Integrated Automation Technology (IAT) Operations Assistance Request (OAR) tool eases TAS case advocates' workload by simplifying research, reducing keystrokes, and facilitating more accurate OAR routing (to help resolve taxpayer problems, TAS uses OARs to request that other IRS functions make changes to taxpayer accounts). During this fiscal year, TAS added 11 additional work processes. This tool offers considerable cost savings to the IRS.

- The following TAS OAR work processes were added to the IAT OAR tool:
 - Audit Reconsideration
 - Automated Substitute For Return Reconsideration
 - IRC 6020b Assessment Reconsideration
 - Appeals
 - Federal Payment Levy Program Levy
 - OIC
 - Direct Debit IA
 - CNC

- AUR
- Exam Category A Claims
- Revenue Officer Assignments (Status 26)
- Four case advocates provided baseline time data on manually completing an OAR versus using the IAT OAR. The IAT OAR tool reduced OAR research time by 59 percent.

§4.3.2. Use data and research across the organization to make informed decisions and allocate resources

As explained in the TAB, the IRS must use the data it has to refine its understanding of taxpayers and to strengthen its decision-making processes. To meet this objective, the IRS is partnering with the TAS on the Service Priority Project (SPP) to develop a systemic method that will prioritize taxpayer services, using government value and taxpayer value as evaluation criteria. The IRS used the TAB as the primary guide for identifying these criteria. This prioritization will provide a guide that the IRS can use when staffing or budgetary restrictions require adjustments to taxpayer services.

The methodology will quantify the value of service tasks by service channel (i.e., face-to-face, assisted and automated telephone, and online), based on government and taxpayer value criteria. Government value criteria assess basic components of operational performance, such as workload and resources, while taxpayer value criteria consider the service needs and preferences of taxpayers, including access to service and quality of experience. Currently, the ranking tool considers such factors as:

- Issue resolution
- Accuracy of service provided
- Customer satisfaction
- Taxpayer time spent getting the service
- Awareness of the offered service

The service tasks included in the SPP model are defined at a broad level, e.g., providing general tax law assistance and information, and providing tax account assistance, thereby providing the IRS with information for more general service decisions. To inform decision-makers about the impact of specific changes in service features (e.g., hours of operation, wait time, etc.), the Taxpayer Choice Model the IRS research organization created provides information to answer “what if” questions related to those changes.

§4.3.3. Ensure the privacy and security of data and safety and security of employees

The IRS has always taken the security of taxpayer data very seriously, and research conducted for the TAB showed that taxpayers are also very concerned about the privacy and security of taxpayer data.

In April 2012, the IRS implemented standardized packaging and shipping procedures that will help prevent the loss of packages containing Personally Identifiable Information (PII). The focus

of the new procedures was on double-wrapping and double-labeling for increased protection and security of this material. The new procedures ensure:

- Delivery to the intended recipient of packages containing PII
- Protection of PII hardcopy documents
- A reduction in PII exposure or loss due to improper/inadequate packaging or labeling
- All business units follow the same procedures
- All employees have detailed instructions on properly packaging and tracking shipments

§5. TAB MEASURES

Part of the TAB Strategic Plan is the Performance Measures Portfolio. To help create a manageable, consistent frame of reference for the condition of, and changes in, the service environment, the TAB recommended developing a set of taxpayer service performance and outcome measures. The performance metrics will measure the level of an activity during the service process while outcome measures will assess the results of the service activity on the objective, such as changes in taxpayer behavior. The extensive research into taxpayer needs, preferences, and expectations that formed much of the original TAB report provided the foundation for the TAB measures.¹⁸

During 2010, the IRS drafted a preliminary set of outcome measures that supplement the assessment criteria proposed in the TAB Phase 2 report. These draft measures incorporate subsequent research into taxpayer service needs, preferences, and expectations, as well as changes in the taxpayer service environment. Further, the new draft measures align with the *IRS Strategic Plan 2009-2013*, which incorporated and refined the work laid out in the TAB. These measures evaluate both the efficiency and effectiveness of service from the perspective of the taxpayer and the IRS. Their intent is to provide a clear picture of the landscape of taxpayer service and offer information to help with future business decisions.

To make certain that the service outcome measures complemented the IRS Strategic Plan, the IRS aligned the measures with the objectives of the Plan's first goal of improving service to make voluntary service compliance easier, namely:

- Improve service interactions
- Expedite and improve issue resolution
- Provide targeted and timely guidance and outreach
- Strengthen partnerships with tax practitioners and other third parties

Additionally, the IRS refined the measures so that the evaluation of service programs would address areas that make taxpayer compliance easier, including:

- Taxpayer Burden
- Customer Satisfaction
- Awareness of Services and Channels

¹⁸ The 2007 Taxpayer Assistance Blueprint Phase 2, pp. 69-76.

- Access to Services and Channels
- Service Performance

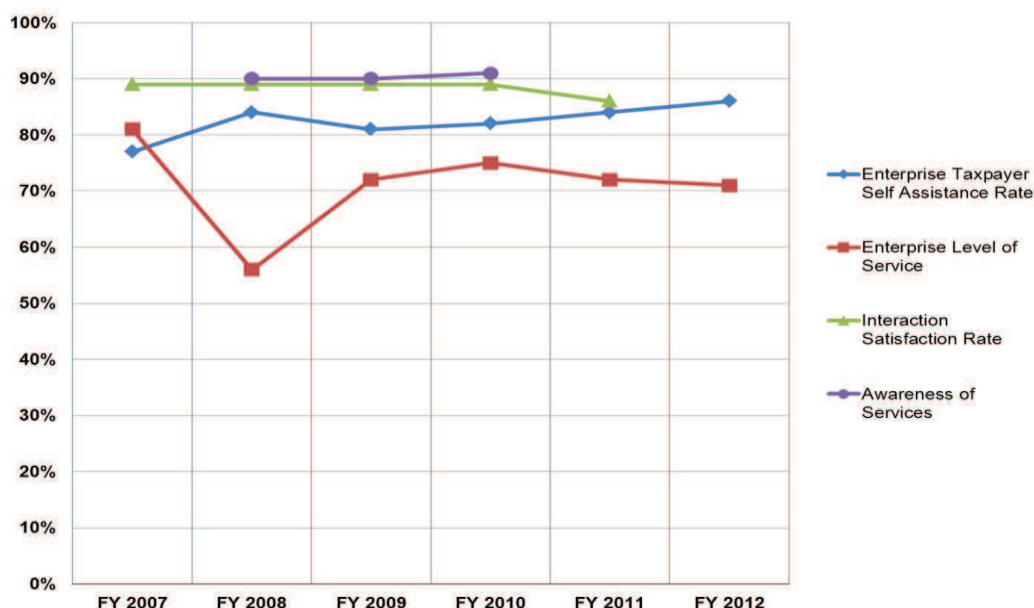
TAB measures fall into three categories: (1) availability of information, (2) adequacy of services provided, and (3) effectiveness of the IRS in meeting taxpayers' service needs. Using these three elements of taxpayer service, the IRS developed five aggregate outcome measures to assess taxpayer services.

- The measures for **Availability of Information** assess how well the IRS provides information to increase awareness, knowledge, and understanding of individual tax obligations, benefits, and service-delivery options.
- The measures for **Adequacy of Service** assess how well the IRS provides a timely and accurate answer in a professional manner and meets the needs of taxpayers with information that assists in meeting tax obligations and receiving benefits.
- The measure for **Effectiveness of Government** assesses how well the IRS uses its resources to resolve issues in an efficient manner and provide a high level of service to taxpayers and practitioners at the least cost to the government.

Table 6. TAB Measures Definitions

Measure	Purpose	Definition
Awareness of Services	Availability of Information	The percentage of taxpayers who are aware of at least one IRS service channel.
Enterprise Level of Service	Availability of Information	The relative success rate of taxpayers that call for toll-free services seeking assistance from an IRS representative.
Enterprise Taxpayer Self-Assistance Rate	Adequacy of Service	The percentage of taxpayers using self-assistance service channels for their service needs.
Interaction Satisfaction Rate	Adequacy of Service	The percentage of taxpayers satisfied with their interactions with the major IRS programs based on survey responses.
Issue Resolution Rate	Effectiveness of Government	The percentage of taxpayers who had all their questions answered during their interaction with an IRS assistor.

The following figure shows the recent trends for the TAB Measures for which data are available:

Figure 4. Taxpayer Service Outcome Measures, FY 2007-2012

- The Enterprise Assistor Level of Service (LOS) measure is sensitive to changes in taxpayer demand for telephone service and the ability to accurately forecast and meet the demand with existing resources. In FY 2008, the Enterprise LOS fell to about 56 percent as the IRS answered an unprecedented number of calls related to the Economic Stimulus Act of 2008. More recently, the Enterprise LOS has been around 72 percent.
- The Enterprise Taxpayer Self-Assistance Rate showed a jump between FY 2007 and FY 2008, a result of an increase in web services, including the applications "Where's My Refund" and "How Much Was My Stimulus Payment". The peak usage in FY 2008 was also in response to taxpayers seeking information about the economic stimulus package. Since then, the rate of self-assistance dropped, but it has risen back to surpass that peak level. As the IRS adds more service offerings to its self-assistance options, this measure suggests that taxpayers are willing to use them.
- The Interaction Satisfaction Rate is a compilation of taxpayer satisfaction scores for service and enforcement interactions. The IRS introduced these scores in FY 2007. The combined Interaction Satisfaction Rate has held steady at 89 percent until a dip to 86 percent in FY 2011. (Data are not available yet to compute 2012 rate.)
- The IRS first introduced Awareness of Services in the TAB Phase 2 report. Since 2007, when the IRS published the report, taxpayers' awareness of at least one IRS service channel has been consistent at about 90 percent.
- The Issue Resolution Rate is not currently available—the IRS will collect the data for this measure from the redesigned customer satisfaction surveys described earlier in this report.

As outlined in the TAB 2 report, this portfolio of measures was not intended to assess enforcement programs, submission processing programs, media and publications content, or individual employee performance, and it would not replace current operational measures or those reported to internal and external stakeholders (e.g., the Congress, the Government Accountability Office, the Treasury Inspector General for Tax Administration, the IRS Oversight

Board, and the National Taxpayer Advocate). Rather, these measures will complement existing measures of performance and provide a consolidated view of taxpayer service delivery from the perspective of taxpayers, tax professionals, and other partners.

This set of measures will become part of internal business process reviews and business case development and will help the IRS assess the impact of new service initiatives. Importantly, the IRS will use these measures to evaluate performance across delivery channels and provide a high-level assessment of the effectiveness of service delivery. The IRS will continue to use its lower-level performance measures, including by service channel and task, to help identify service improvement opportunities and inform service improvement decisions.

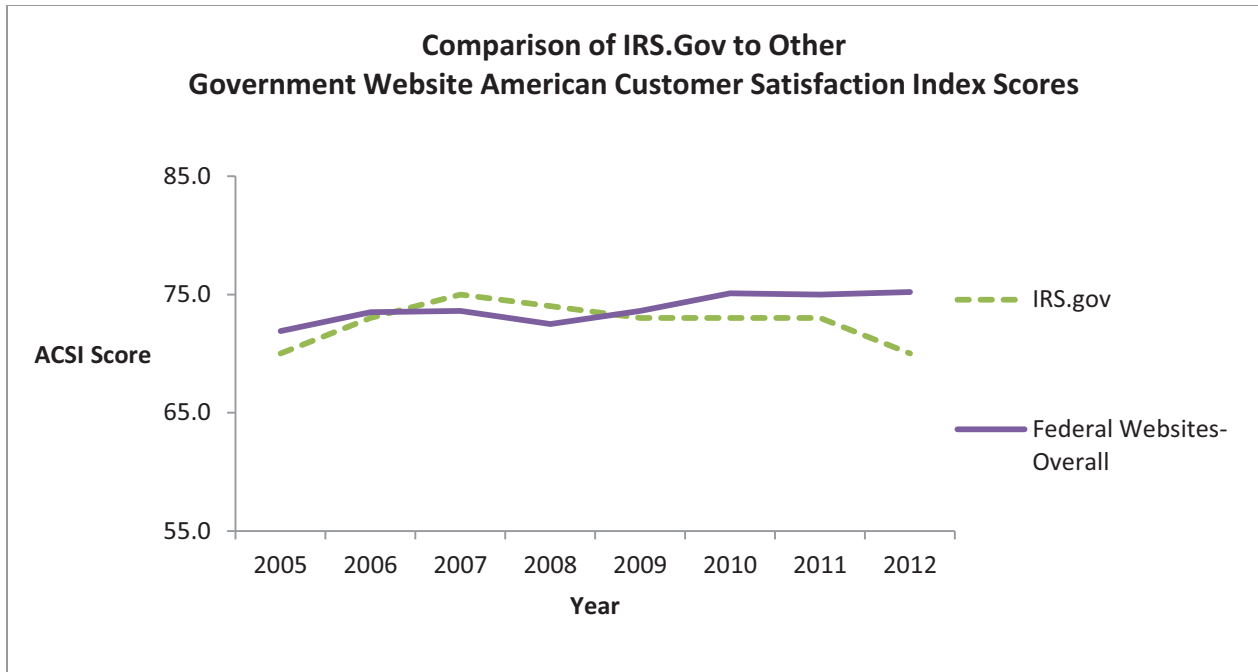
§6. IRS OVERSIGHT BOARD PERSPECTIVE

The IRS Oversight Board appreciates the opportunity to contribute to the report on the IRS' implementation of its Taxpayer Assistance Blueprint (TAB). One of the responsibilities of the Board is to review and approve IRS strategic plans. Accordingly, the Board's comments focus on the strategic implications of IRS' taxpayer assistance efforts.

At the request of the Congress, the IRS developed the TAB and has reported annually on its progress since 2007. This report is the final report IRS plans to issue to the Congress. The Board believes the TAB and IRS' progress reports have encouraged a long-term, enterprise-wide approach to address taxpayer service needs.

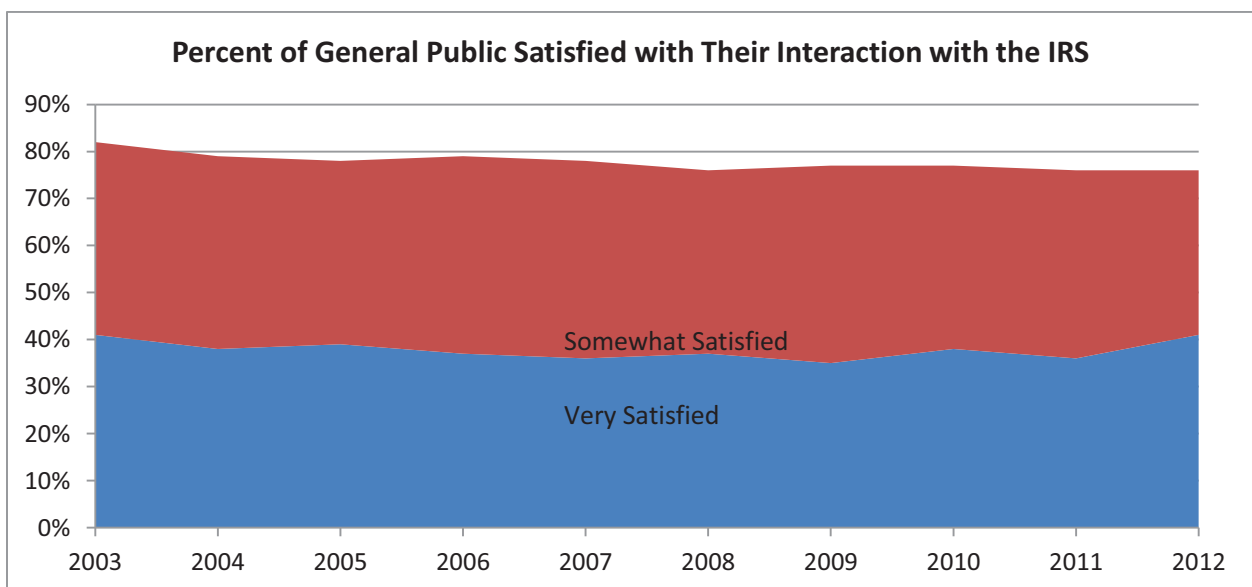
Over the past five years, extensive research on taxpayer needs and preferences has provided IRS with valuable data regarding taxpayer behaviors. Using the data, the IRS has begun to incorporate consideration of service issues into its decision making processes. Additional service delivery channels, such as the use of social media and the use of high-definition, two-way video technology to connect taxpayers and IRS personnel in different cities, have also been activated to provide additional service options to the public. The Board believes the IRS is to be commended for the actions it has taken, and the dedication it has demonstrated, in incorporating service issues into its decision making processes and in developing alternative service delivery channels.

That said, additional work remains. The Oversight Board considers the IRS' toll-free telephone level of service and the IRS.gov customer satisfaction level to be crucial indicators of the effectiveness of overall IRS service. In FY 2012, the IRS achieved a 67.6 percent level of service on its telephone system. While this was higher than the target reflective of the IRS' FY 2012 budget, it falls significantly below the 80 percent level the Board considers to be the minimally acceptable level of service IRS should provide to taxpayers. In addition, as indicated in the figure below, according to 2012 American Customer Satisfaction Index (ACSI) data, IRS.gov received lower satisfaction levels than other Federal websites. The 2012 score was noticeably lower than previous years. The IRS must improve its relative ACSI score if it wishes to consistently meet taxpayer expectations and outperform the average ratings for other comparable websites. As a start, the IRS recently launched an upgraded IRS.gov website that should allow the IRS to deliver more online service options to taxpayers at a faster pace in the years ahead.



Source: www.theasci.org

Another measure the Board uses to evaluate the level of IRS service is the overall taxpayer satisfaction with interactions with the IRS. The figure below shows that while this level of satisfaction has declined from its high in 2003, overall satisfaction seems to have leveled out in 2011 and 2012. The decline in service may be attributed, in part, to the special programs the IRS has been tasked with administering in recent years. The Board is concerned that continued levels of telephone service below 80 percent and further expansion of IRS' program responsibilities in the face of constrained budgets may further erode the overall taxpayer satisfaction rate.



Source: IRS Oversight Board Taxpayer Attitude Surveys, 2003-2012

The issuance of the final TAB report comes at an opportune time for the IRS. The IRS has the rare opportunity to fully integrate the progress made in taxpayer service into its very foundation as it updates the current strategic plan for 2013 through 2016. On-going stakeholder collaboration also holds great potential in ensuring service issues are integrated into future data-based decision making. The IRS should continue to integrate the TAB's strategic focus into both its long-term and annual operating goals, including continuing to refine the five service-related outcome measures first identified in the 2011 TAB progress report.

The Board believes several initiatives currently in progress provide opportunities to increase IRS service performance. First, as the 80 percent overall e-file goal becomes reachable in the next few years, the IRS and its stakeholders have an opportunity to define an electronic tax administration program that, among other objectives, could include expanded taxpayer service goals. The focus on the 80 percent e-file goal articulated in the IRS Restructuring and Reform Act of 1998 illustrates how coordinated efforts by the IRS and its stakeholders can produce tremendous results and benefits to all parties. Second, the new IRS website recently activated provides expanded search capabilities, additional streaming video capabilities, and simplified online payment options to taxpayers. The new website should continue to provide IRS the ability to offer additional online services in the coming years. Third, the migration to daily tax account processing and the implementation of the Customer Account Data Engine (CADE) 2 database reflect incredibly important milestones. They provide several tangible benefits to taxpayers and to IRS, including faster issuance of refunds to many taxpayers, faster availability of information to IRS employees for resolving taxpayer account issues, and enhancing IRS' financial management and data security controls. Much work still needs to be done though to fully realize the benefits of CADE 2 and end the IRS' dependency on its antiquated master file systems.

The above initiatives require substantial investments of time and money to be successful. The Board recognizes the current priority to reduce expenditures across government. However, the Board believes continued reductions to IRS budgets, including customer service programs, could ultimately result in higher costs to the country through reduced taxpayer satisfaction and erosion of confidence in the tax system.

Given the many demands and constraints placed on the IRS, the Oversight Board believes the TAB played a vital role in focusing IRS' long-term approach to addressing taxpayer service issues. The Board looks forward to continuing to work with IRS and other stakeholders in ensuring the American public receives top-quality customer service from IRS.

§7. NATIONAL TAXPAYER ADVOCATE PERSPECTIVE

Budget Cuts have Undermined Taxpayer Service

Since FY 2010, the IRS budget has been declining each year. It was reduced slightly from FY 2010 to FY 2011,¹⁹ and it was cut by an additional 2.5 percent from FY 2011 to FY 2012.²⁰ In FY 2013, due to the sequestration, the IRS's already dangerously low funding level will be cut again.

The National Taxpayer Advocate is concerned that the IRS is not receiving sufficient funds to meet the basic needs of taxpayers seeking to comply with the law. The virtual freeze on hiring and training that has already occurred because of successive years of continuing resolutions and inadequate funding erode what little taxpayer service remains in IRS operations. Meanwhile, the complexity creep of the tax code confirms taxpayers' suspicions that the tax laws are designed to entrap them and obscure what is and is not being taxed.

Currently, more than 140 million individuals have a requirement to file income tax returns. The National Taxpayer Advocate believes that when taxpayers are attempting to comply with laws that require them to turn over a significant portion of their incomes to pay our nation's bills, they have a right to expect that their government will take their telephone calls and answer their letters. When the IRS fails to answer one out of three phone calls, makes callers wait an average of 17 minutes on hold, and cannot timely process nearly half of its pending correspondence, it falls well short of the service that taxpayers deserve.²¹

Automation is not a Complete Solution

To address on-going budget pressures, the IRS is increasingly turning away from personal service toward automation, and it is clear that cost-effective innovations could yield improvements in taxpayer service. For example, the IRS allows taxpayers to conduct simple actions through IRS.gov, but taxpayers cannot use the site for tasks such as:

- Correcting computational errors;
- Checking account status; or
- Obtaining prior year return information immediately.

By requiring a taxpayer to write, call, or visit a Taxpayer Assistance Center (TAC) to complete these tasks, the IRS creates a higher volume of calls, correspondence, and TAC visits.

Moving tasks to the Internet would enable computer-savvy taxpayers to use this channel for these actions and could reduce stress on IRS walk-in, telephone and correspondence resources, allowing IRS assistants to focus on taxpayers who need and prefer the TACs, the phone or correspondence.

¹⁹ See Department of Defense and Full-Year Continuing Appropriations Act, 2011, Pub. L. No. 112-10, § 1119, 1125 Stat. 38, 107 (2011), at <http://www.gpo.gov/fdsys/pkg/PLAW-112publ10/pdf/PLAW-112publ10.pdf>.

²⁰ See Department of the Treasury, *FY 2013 Budget in Brief*, at http://www.treasury.gov/about/budget-performance/budget-in-brief/Documents/11.%20IRS_508%20-%20passed.pdf (showing a decline in enacted appropriations levels from FY 2011 to FY 2012).

²¹ See IRS, Joint Operations Center, Snapshot Reports: Enterprise Snapshot (week ending Sept. 30, 2012). See also IRS, Joint Operations Center, Weekly Enterprise Adjustments Inventory Report (week ending Sept. 29, 2012).

While automated options are an important component of a comprehensive taxpayer service strategy, the IRS cannot rely solely on these options to close gaps. As the tax code grows more complex, taxpayer issues become increasingly difficult and less suitable for automation. Additionally, IRS research shows that taxpayers prefer personal service for some activities, and that certain segments of the taxpaying public are unable or unwilling to use automation.

“... taxpayers report they use IRS.gov most often to complete transactional tasks (i.e., tasks that require minimal in-person assistance, such as obtaining a form or publication). However, when responding to a notice or obtaining payment information, taxpayers said that they are more likely to call the IRS toll-free telephone lines....Research also suggested that age, income, and education are correlated to taxpayer behavior, and recent findings show that taxpayers with lower household incomes reported higher use of non-web-based IRS service channels than taxpayers in higher income households..... Low income, limited English proficient (LEP), and elderly taxpayers tend to report a somewhat higher preference for the TAC channel and a lower preference for the electronic channel than the majority of taxpayers as a whole..... Low income and LEP taxpayers report using the telephone channel more than the overall taxpaying population.”²²

Informed Resource Allocation Decisions are needed

Wage & Investment (W&I) and TAS are partnering on an initiative, the Service Priorities Project, which will enable the IRS to identify a proper balance between automated and personal service delivery. The project team is developing a ranking methodology for IRS taxpayer services that takes taxpayer needs and preferences into account. The goal of the project is to identify, from both the government perspective and the taxpayer perspective, the value of each of the major taxpayer services offered by the IRS. The IRS will be able to use this ranking methodology to make resource allocation decisions based on highest valued services in the face of budget or staffing constraints. Components of the methodology include:

- Lists of government value and taxpayer value criteria to evaluate service tasks by delivery channel;
- Weights assigned to each criterion;
- Operational and survey data used to quantify criteria; and
- The service task score which will be the sum of the weighted criteria values.

In order to populate the ranking tool that will implement the ranking methodology, the IRS must develop values for each of the ranking criteria. Some of this information is readily available for services offered by the IRS, such as taxpayer wait time when calling the IRS. Other information will need be collected through surveys and increased tracking of IRS service contacts.

Identification of these information gaps has already benefited the IRS, since it highlights the areas where we need to do additional research and analysis to determine how taxpayer services are being used and how taxpayers would like to use these services. Continuing research to populate the ranking tool will help the IRS to understand the best ways in which to deliver each type of service to the taxpayer and to optimize its overall taxpayer service strategy.

²² See IRS Continues to Learn about Taxpayer Needs and Behaviors, *supra*.

Conclusion

The National Taxpayer Advocate is concerned that the on-going cuts to the IRS's budget in the FY 2010 – FY 2013 time frame have significantly eroded the quality of taxpayer service, which increases taxpayer burden, undermines taxpayers' faith in the tax system, and will reduce voluntary compliance in the long run. While she believes that high quality taxpayer service can only be restored through the provision of adequate funding, the tool that the Service Priorities Project team is developing offers the opportunity for the IRS to optimize the use of its limited resources to deliver the best possible taxpayer service given resource constraints. The National Taxpayer Advocate is pleased that the IRS has agreed to collaborate with TAS to develop this tool and to use it to inform future taxpayer service decisions. Additional data needs to be collected, however, and much additional work needs to be done to fully populate the ranking tool. The National Taxpayer Advocate urges the IRS to complete the research and data collection necessary to make the ranking tool effective. While populating the tool will require an investment upfront, it will enable the IRS to make better decisions and to allocate resources more appropriately in the future.

APPENDIX A. TAB GUIDING PRINCIPLES

The TAB Guiding Principles provided the groundwork for developing the TAB Strategic Plan, which represents the objectives and operational priorities for service investment decisions for the five years the Plan covered. The guiding principles, reflecting desired service outcomes, are:²³

- The primary goal of service for individual taxpayers is to facilitate compliance with federal tax obligations.
 - Compliance means that taxpayers will pay no more and no less than what they owe.
- A portion of the tax gap is attributable to errors individual taxpayers made. The IRS service programs should prevent, minimize, and correct such errors with due consideration of taxpayer burden.
- IRS service investments will focus on preventing, minimizing, and correcting taxpayer noncompliance.
 - Offer a portfolio of service options delivered across multiple channels, including face-to-face service
 - Support expedited issue resolution across all channels through improved access to information and decision-making resources
 - Enhance cost-effective, solution-based, self-service options where appropriate for the subject matter (e.g., forms and publications, automated telephone responses, and IRS.gov access)
 - Provide opportunities for taxpayers to migrate to lower cost channels while ensuring that alternative channels are available
 - Expand use of e-file to reduce math errors, increase reporting compliance, and reduce submission processing costs
 - Redirect available resources as taxpayers move to self-service options to activities that research determines are cost-effective options for preventing, minimizing, and correcting taxpayer non-compliance
- The IRS will enhance its website so that it becomes the first choice of more taxpayers for obtaining the information and services they need to comply with their tax obligations.
- The IRS recognizes the significant role that partners play in tax administration. As such, the IRS will look for opportunities to assist these third parties in helping taxpayers understand and meet their tax obligations.
- The IRS will enhance marketing, outreach, and education to targeted populations to improve service awareness, access, and quality.

²³ Based on the Department of Treasury Strategic Plan and assessment of implementation activity, the Services Committee revised several of the original TAB Guiding Principles subsequent to the submission of the TAB Phase 2 report.

Integration of TAB Guiding Principles into the IRS Strategic Plan			
Focus	TAB Guiding Principles	IRS Strategic Objective	IRS Strategy
Improve IRS Efficiency and Productivity	The IRS will enhance its website so that it becomes the first choice of more taxpayers for obtaining the information and services they need to comply with tax obligations.	Build and deploy advanced information technology systems, processes, and tools to improve IRS efficiency and productivity	Expand online tools and services
Make Compliance Easier	The primary goal of service for individual taxpayers is to facilitate compliance with federal tax obligations. Compliance means that taxpayers will pay no more and no less than what they owe.	Proactively enforce the law in a timely manner while respecting taxpayer rights and minimizing taxpayer burden	Proactively identify and promptly address areas of tax avoidance to minimize their corrosive effects and deter future activity
Prevent, Minimize, and Correct Errors	A portion of the tax gap is attributable to errors individual taxpayers made. The IRS service programs should prevent, minimize, and correct such errors with due consideration of taxpayer burden.	Incorporate taxpayer perspectives to improve all service interactions	Ensure that the IRS makes operational decisions only after considering the views of affected taxpayers
Emphasize Partners Role	The IRS recognizes the significant role that partners play in tax administration. As such, the IRS will look for opportunities to assist these third parties in helping taxpayers understand and meet their tax obligations.	Strengthen partnerships with tax practitioners, tax preparers, and other third parties to ensure effective tax administration	Treat partners as the "first line of compliance" by providing them with the tools and information to encourage taxpayer compliance and prevent mistakes
Improve Self-correction and Self-service Tools	The IRS service investments will focus on preventing, minimizing, and correcting taxpayer noncompliance.	Expand enforcement approaches and tools	Expand alternative taxpayer treatments, including soft notices and other non-audit contacts
Proactive Communication is Essential	The IRS must enhance marketing, outreach, and education to targeted populations to improve service awareness, access, and quality.	Provide taxpayers with targeted, timely guidance and outreach	Develop a more sophisticated understanding of taxpayer segments to allow for targeted communication to taxpayers
Expedite Issue Resolution	The IRS will increase support for expedited issue resolution across all channels through improved access to information and decision-making resources.	Expedite and improve issue resolution across all interactions with taxpayers, making it easier to navigate the IRS	Create explicit opportunities for taxpayers to proactively resolve issues at the earliest possible moment

APPENDIX B. FY 2012 SERVICE IMPROVEMENTS BY IRS STRATEGIC OBJECTIVE

FY 2012 Service Improvement	Brief Description
Goal 1: Improve service to make voluntary compliance easier	
Incorporate taxpayer perspectives to improve all service interactions	
Collection Taxpayer Survey on IRS.gov	A survey for Collection taxpayers posted on IRS.gov that gathers data on what e-tools and self-treatment capabilities these taxpayers are interested in being made available online.
Customer Satisfaction Surveys	The IRS brought customer satisfaction survey analysis and reporting in-house to more nimbly exploit the opportunities to improve taxpayer satisfaction by providing specific quantifiable data to link operations to strategic goals and to maximize human and financial resources.
Practitioner Priority Service—Exam Direct Routing	On April 3, 2012, the IRS added an option to the Practitioner Priority Service (PPS) toll-free number allowing practitioners to directly route themselves to either W&I or SB/SE Correspondence Exam. Practitioners calling the PPS number can now directly route themselves to the three largest W&I and SB/SE Compliance phone operations: Automated Collection Service, AUR, and Correspondence Examination. Previously, when practitioners called the PPS toll-free number regarding a Correspondence Exam issue, they spoke with an Accounts Management CSR, who would transfer the practitioner to either W&I or SB/SE Correspondence Exam.
Automated Customer Satisfaction Survey Selection	To improve collecting customer feedback, the IRS automated the random selection of telephone calls to take the customer satisfaction survey. This allows the selection of more calls.
Universal Case Access	With the implementation of Universal Case Access, IRS employees are able to access the cases of all taxpayers worked in AUR. This has greatly reduced the need to transfer calls between the various AUR sites, improving the customer experience.
Correspondence Exam Customer Satisfaction Survey	New IVR surveys were implemented in November 2011 to supplement mail surveys and provide the IRS with more immediate feedback. The initial report has been received on the IVR surveys, and feedback is being incorporated into the design of future reports.
Expanded Interactive Tax Assistant	The ITA is a logic-driven decision tool that provides taxpayers a self-service capability by guiding them to timely and accurate answers to tax law questions, and additional topics were added to ITA in FY 2012.
Customer Early Warning System	The CEWS is a social media monitoring program that allows the IRS to monitor and quickly detect and resolve taxpayer issues.

Implementation of Trade Adjustment Assistance Extension Act of 2011	Successful implementation of the Trade Adjustment Assistance Extension Act provisions reduced taxpayer burden and enabled over 32,000 taxpayers to easily and accurately file their TY 2011 tax returns to claim the tax credit as well as the 7.5-percent true up, decreasing the participant's and qualified family members' cost for health insurance.
Reimbursement of Bank Fees Due to IRS Error	The TAS found that the IRS sometimes made errors in depositing a taxpayer's check for a higher amount than the amount for which the check was written. Prior to TAS's involvement, these claims for reimbursement were rejected because the claim was not for one of the three reasons listed on Form 8546, <i>Claim for Reimbursement of Bank Charges</i> . The TAS collaborated with the IRS to publish updated information and guidance to employees for working these types of claims.
Expedite and improve issue resolution across all interactions with taxpayers, making it easier to navigate the IRS	
Identity Theft Units	The IRS established specialized units in each campus program to properly validate victims of identity theft, and established an adjustments team to adjust taxpayers' accounts accordingly.
TAC Extended Service Hours	The TACs provided extended hours at approximately 150 locations on April 12, 13, 16, and 17. As a result, the IRS assisted over 2.6 million walk-in customers--a decrease of only 2.7 percent from the previous year, while enduring a staff decrease of 8 percent.
Product Development Strategy	This initiative is designed to consolidate similar products into one that serves multiple purposes, making products more easily understandable and allowing taxpayers to better fulfill their tax obligations.
Expanded Fresh Start Initiatives	The IRS expanded a series of initiatives to help taxpayers get a "fresh start" managing their tax liabilities. The threshold for establishing IAs was increased, and the maximum payment terms were raised; more flexibility was included in the OIC program; a new penalty relief was made available to certain wage earners and self-employed taxpayers; and certain website pages were enhanced.
Fresh Start II—Failure To Pay Penalty Abatement	To assist taxpayers that were unemployed or experienced a decrease in self-employment income, the IRS waived the Failure to Pay penalty if the taxpayer timely filed a request and pays the balance due within six months. The IRS created an automated process to determine eligibility and to issue a reminder letter 30 days prior to the expiration of the six-month payment period.
Automated Collection System Lean Six Sigma Average Handle Time Optimization Project	This initiative to optimize average handle time will improve the efficiency and consistency of Automated Collection System calls. The improvement in employee productivity will allow more taxpayers to be served, leading to an anticipated improvement in customer satisfaction. The IRS expanded the pilot to all call sites by April 30, 2012.
Identity Theft Casework	Identity theft casework has been rolled out to the Field Assistance function to assist in reducing Accounts Management inventories.

Express Lane Project	The IRS tested the Express Lane Project to determine the effectiveness of TAC service options for offering express lanes for select tasks (e.g., payments and forms). Most of the sites involved in the test benefited from the Express Lane service enhancement. Express Lane service added value to the taxpayer and the government in locations with unmet demand and positively affected the taxpayer experience in terms of total wait time.
Tailored IRS.gov Product Pages	Product pages containing articles on IRS.gov have been tailored for specific tax products. The pages provide an efficient one-stop method of accessing multiple components of tax product information.
Expansion of ASK-TAS1 to Puerto Rico	Service improved on TAS toll-free line to Spanish-speaking taxpayers by having more bilingual employees who can assist them.
Provide taxpayers with targeted, timely guidance and outreach	
Reaching America's Youth through Understanding Taxes	The IRS embarked on a nationwide "Understanding Taxes" Campaign in an effort to increase awareness and encourage use of the IRS on-line tax educational curriculum. The IRS proclaimed July as "Understanding Taxes" (UT) month. UT, a free interactive web-based application, is a great resource for teachers to use in middle schools, high schools, and community colleges when teaching about taxes. The goal is to encourage key national and local educational organizations to incorporate the program into their curriculums.
Prisoner Re-Entry Tax Education Program	As a part of the Servicewide Prisoner Tax Compliance Initiative, the IRS enhanced its educational package "Get Right With Your Taxes", which focuses on education of prisoners and their tax compliance responsibilities upon reentry into communities. In addition to "Get Right With Your Taxes", prisoner pre-release products previously created were translated into Spanish, making IRS the first agency to translate all of their re-entry materials.
Redesigned Taxpayer Correspondence	In FY 2012, the IRS continued to improve taxpayer correspondence by adding 22 new and redesigned notices, bringing the total redesigned notices to 126, 77 percent of total volume of notices.
EITC Outreach	The IRS delivered the sixth annual EITC Awareness Day, reaching large audiences nationwide. Besides regular media events, social media proved to reach more EITC eligible taxpayers on Awareness Day and throughout the season, reaching over 2.3 million people. The IRS also delivered a multi-lingual integrated communication and outreach plan using communication channels that have the highest probability of reaching EITC-eligible populations that are least likely to claim the credit. The IRS also leveraged external partnerships for EITC outreach—EITC outreach activities increased over 20 percent from the 2011 filing season through its partnerships.
Enhanced Refundable Credit Outreach	The IRS expanded its outreach associated with the Adoption Credit and American Opportunity Tax Credit (AOTC). For the Adoption Credit, the IRS conducted several webinars to ensure that claims were complete when filed in order to expedite refunds. For AOTC, the IRS expanded outreach to emphasize eligibility requirements, including sending letters to taxpayers and educational institutions and conducting seminars at the IRS Tax Forums. The IRS also revised the education credits forms for TY 2012, providing more information on eligibility criteria to help taxpayers and preparers better understand requirements before filing.

Small Business Owner Market Segmentation Initiative	During FY 2011, the IRS identified significant emerging small business owners that are traditionally underserved by outreach activities, namely, women, Asians and young entrepreneurs. We developed and implemented strategies to address their unique concerns.
Collection Video	An eight-part video intended to provide collection taxpayers with information on the Collection process was created and posted to IRS.gov.
Servicewide Penalty Office	The IRS tested enhancements to the Reasonable Cause Assistant, a feature used to determine first-time penalty abatements, and also facilitated meetings with external stakeholders to secure feedback to help address logical and consistent application of penalty administration.
Employment Tax Outreach	The IRS tested effectiveness of current IRS.gov employment tax web page, and determined enhancements could produce efficiencies in taxpayer self-help to increase knowledge on employment tax.
Savings Bond Purchases	The number of U.S. Savings Bond purchases via tax refunds increased substantially in 2012. As of July 31, 2012, 49 percent more taxpayers who had their returns prepared at VITA/TCE sites purchased savings bonds in FY 2012 (4,480 bonds) than in FY 2011 (3,003 bonds). Taxpayers have purchased nearly one million dollars in U.S. Savings Bonds at VITA/TCE sites.
Department of Justice Referrals for Victim Assistance	TAS now has a contact person for Department of Justice's Victim Assistance personnel for issues other than identity theft. TAS provides general information, such as the availability of volunteer return preparation programs, LITCs, and TAS. When more technical questions arise, TAS provides contact information for IRS Chief Counsel attorneys who routinely deal with those issues.
Strengthen partnerships with tax practitioners, tax preparers, and other third parties to ensure effective tax administration	
Virtual VITA/TCE Grant Ranking	The IRS piloted virtual ranking of VITA and TCE Grant applications in 2012. By ranking all grant applications virtually, the IRS realized travel cost savings of upwards of \$90,000 for this year (and each year hereafter) as a result of moving from the traditional face-to-face ranking process, which included a virtual training for the ranking team, 100-percent electronic case file maintenance, and mandatory submission of all grant applications through grants.gov. In addition to travel savings, grant recipients will be determined sooner and notified earlier to allow planning for the upcoming filing season.
EITC Preparer Due Diligence	The IRS enhanced and updated the EITC Due Diligence training modules. The IRS also launched webinars in both English and Spanish, reaching over 12,000 preparers, and also presented at the 2012 IRS Tax Forums the new due diligence requirements.
HCTC Outreach and Collaboration	The IRS hosted a nationwide videoconference for 450 Trade Adjustment Act (TAA) partners, including Department of Labor local and regional offices, state workforce agency TAA coordinators, and one-stop coordinators. In addition, the IRS successfully partnered with the New Mexico State Department of Insurance to establish a State Qualified Health Plan (SQHP).
Partner Action Plans	The IRS continued to focus on improving partner satisfaction by developing and deploying area-level action plans. The IRS attributes its third consecutive year of increased partner satisfaction to these action plans.

Goal 2: Enforce the law to ensure everyone meets their obligation to pay taxes	
Proactively enforce the law in a timely manner while respecting taxpayer rights and minimizing taxpayer burden	
Voluntary Classification Settlement Program	The VCSP provides eligible businesses the opportunity to reclassify their workers as employees prospectively for federal employment tax purposes and to obtain audit protection for past periods. It is relief similar to that currently available through the Classification Settlement Program available to businesses under examination.
Taxpayer Burden Reduction Senior Advisor Position	A Service-wide executive senior advisor position was created to serve as a broker enterprise wide to ensure burden reduction continues to be a priority and to act as an advocate and liaison for external stakeholders. The mission is to reduce taxpayer burden by simplifying forms or publications and streamlining internal policies, processes and procedures through collaboration with business owner functions.
Expand enforcement approaches and tools	
Automated Substitute for Return Refund Hold	The IRS created an automated process to determine if taxpayers with unfiled returns should have their current year refund held while the unfiled return issues are resolved. The automated process calculates the tax on unfiled returns, determines the proper course of action, and takes actions to hold or release the refund.
Allocate compliance resources using a data-driven approach to target existing and emerging high-risk areas	
Identification of Frivolous and Identity Theft Returns	The IRS used data mining tools (e.g., Electronic Fraud Detection System) to determine if the taxpayer is filing a frivolous return or is a victim of identity theft. This allows the account to be corrected for a legitimate taxpayer in a more efficient manner.
Meet the challenges of international tax administration	
Foreign Bank and Financial Accounts	During 2012, the IRS announced a plan to help U.S. citizens residing overseas, including dual citizens, to catch up with tax filing obligations and provide assistance for people with foreign retirement plan issues. IRS will provide a new option to help some U.S. citizens and others residing abroad, who have not been filing tax returns, and provide them a chance to catch up with their tax filing obligations if they owe little or no back taxes.
Continue focused oversight of the tax-exempt sector	
Revised Form 8038-CP	The IRS published a revision to Form 8038-CP, <i>Return for Credit Payments to Issuers of Qualified Bonds</i> , that reduced the filing burden on issuers of certain specified tax credit bonds with multiple maturities by allowing them to file a single form for each interest payment date covering all maturities of their bond issue, thus replacing the prior approach that required these issuers to file separate forms for each maturity

Expeditious Processing of Refund Claims	The IRS implemented new procedures to expedite the processing of refund claims. These changes resulted in FY 2012 efficiencies that have substantially benefitted governmental issuers by decreasing the average claim processing time by 13 percent.
Field Agent Support Team	Field Agent Support Team (FAST) is a team with extensive Service Center background whose mission is to reduce processing delays, provide direct support to Exempt Organization Examination field agents, identify trends, expedite account resolution, and reduce the length of the examination process. FAST provides consistent treatment of taxpayers by expediting all unresolved account-related issues submitted by revenue agents, monitors all account transactions and follows up on processing delays in order to keep the taxpayer informed when appropriate, and ensures that all balance due notices are suspended until account related issues are resolved.
New Employee Plans Compliance Resolution System Form	A new application form for Employee Plans Compliance Resolution System (EPCRS) was designed and issued, which should improve the processing time of EPCRS cases resulting in plan sponsors receiving a compliance statement sooner than under the previous revenue procedure.
New EPCRS Revenue Procedure	A new revenue procedure was issued that will expand the number of failures eligible to use the EPCRS program. Specifically, 403(b) plan sponsors will now have access to the program for failures that were not correctable under the prior revenue procedure.
Lifetime Income	As part of a White House initiative, the IRS issued four items of guidance designed to help enhance security for Americans saving for retirement. This guidance reduces regulatory burdens and makes it easier for employee plan participants to choose to receive their benefits as a stream of income in regular payments, rather than a lump-sum cash payment at retirement.
TE/GE Fast Track Settlement	The Fast Track Settlement (FTS) was motivated by the increasing complexity of tax law administration and the expanding role of tax practitioners and other third parties in the tax system. FTS allows for an expedient and cost-effective method to resolve tax disputes at the lowest possible organizational level—the examination group. Because of time and cost savings, FTS is attractive to practitioners as an alternative to a traditional Appeals conference.
Ensure that all tax practitioners, tax preparers and other third parties in the tax system adhere to professional standards and follow the law	
Registered Tax Return Preparer CE Requirement	The IRS established an annual continuing education requirement for Form 1040 series tax return preparers who previously did not have a requirement. The IRS is currently enjoined from enforcing this requirement, pending the outcome of the IRS's appeal in <i>Loving</i> .
Registered Tax Return Preparer Competency Test	The IRS established a method for paid preparers to demonstrate minimum competency in Form 1040 series tax return preparation and knowledge of professional standards. The IRS is currently enjoined from enforcing this requirement, pending the outcome of the IRS's appeal in <i>Loving</i> .

Strategic Foundations: Invest for high performance	
Build and deploy advanced information technology systems, processes, and tools to improve IRS efficiency and productivity	
IRS Public Use Portal	The IRS transitioned the redesigned IRS.gov to the new IRS Enterprise Portal environment.
Centralized Examination Automation Support – Campus Examination	Centralized Examination Automation Support—Campus Examination provides TAS case advocates the ability to research and print Campus Examination audit work papers.
Return Request Display	Return Request Display provides TAS case advocates the ability to research and print electronically filed individual and business tax returns.
Treasury Check Information System	Treasury Check Information System provides TAS case advocates the ability to research and print IRS-issued refund checks.
Enterprise Electronic Fax	Taxpayers are able to fax documents to the case advocates, and Enterprise Electronic Fax (EEFax) will convert the paper document into an electronic document. Case advocates no longer need to scan paper documents to attach to an Operations Assistance Request. EEFax is a service-wide initiative.
Use data and research across the organization to make informed decisions and allocate resources	
Service Priority Project	The IRS has developed a methodology that uses government value and taxpayer value to assess the relative value of a service task across delivery channels.
Ensure the privacy and security of data and safety and security of employees	
Standardized Packaging and Shipping Procedures	The IRS developed standardized packaging and shipping procedures that will help prevent the loss of packages containing personally identifiable information.

APPENDIX C. TAB MEASURES

Awareness of Services									
Purpose:	Availability of Information - Awareness and Education			Data Source:	Market Segment Survey (2008) Taxpayer Experience Survey (2009, 2010, 2012)				
Definition:	The percentage of taxpayers who are aware of at least one IRS service channel.			Calculation:	The total number of taxpayers who responded they were aware of at least one IRS service channel divided by the total number of taxpayers who answered the awareness survey question.				
				Percentage Aware of Services					
Pct. Aware of Services				FY 07	FY 08	FY 09	FY 10	FY 11	FY 12
				n/a	90%	90%	91%	n/a	TBD
n/a = data not available									
Remarks:									
<p>This measure captures a key piece of information the IRS needs to assess if they are successful in improving taxpayer service. As stated in the TAB Phase 2 report, "Several factors influence which [service] channel taxpayers prefer..., including specific type of service sought, demographic characteristics, channel awareness, channel access, taxpayer attitudes, and previous behavior." (p. 5) Also, the TAB identified channel and service awareness as one of the five areas for improvement of IRS service delivery within the strategic environment to increase value to all stakeholders, with the goal of improving awareness of services and channels to taxpayers and partners to facilitate their choice of the most effective and efficient service delivery options. (p. 6)</p> <p>This measure will assess taxpayers' overall level of awareness of select IRS service channels. The data will be gathered using the Taxpayer Experience Survey (TES), a web-based survey which is currently in existence. The question (TES 2010) used for this measure is:</p> <p><i>The following questions are about your awareness of different ways to contact the IRS. Are you aware that you can get information or help such as obtaining forms or tax law information, checking refund status or getting help to resolve a notice from the IRS in the following ways . . .</i></p> <p>Calling an IRS Toll-Free line? Visiting a local IRS office (Taxpayer Assistance Center, walk-in center)? Visiting the IRS website (www.irs.gov)? Sending regular mail to the IRS? E-mailing the IRS? Getting help from a volunteer tax preparer from a community organization?</p>									

Enterprise Level of Service																							
Purpose:	Availability of Information - Awareness and Education				Data Source:		Aspect Automated Call Distributors (ACD), AT&T, Telephone Routing Interactive System (TRIS), Intelligent Call Manager (ICM); data are transmitted to and compiled in Enterprise Telephone Database (ETD)																
Definition:	The relative success rate of taxpayers that call for toll-free services seeking assistance from an IRS representative.				Calculation:		The number of toll-free callers that either speak to an IRS representative or receive informational messages divided by the total number of attempted calls.																
					<div><p>Enterprise Level of Service</p><table><thead><tr><th>Fiscal Year</th><th>Enterprise Level of Service (%)</th></tr></thead><tbody><tr><td>FY 07</td><td>81%</td></tr><tr><td>FY 08</td><td>56%</td></tr><tr><td>FY 09</td><td>72%</td></tr><tr><td>FY 10</td><td>75%</td></tr><tr><td>FY 11</td><td>72%</td></tr><tr><td>FY 12</td><td>71%</td></tr></tbody></table></div>					Fiscal Year	Enterprise Level of Service (%)	FY 07	81%	FY 08	56%	FY 09	72%	FY 10	75%	FY 11	72%	FY 12	71%
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	81%	56%	72%	75%	72%	71%																	
Total Calls Answered	56,364,614	87,378,748	68,006,353	71,492,966	73,167,984	77,709,571																	
Taxpayers seeking information about the economic stimulus package resulted in unprecedented demand for telephone services in 2008. This resulted in a below-target level of service in FY 2008.																							
Remarks:																							
This measure gauges operational performance within the telephone channel, the assisted-service channel with the greatest number of taxpayer contacts. The TAB explains that online services are the most efficient service options from a government perspective. While the IRS is working to enhance self-assisted services so that they are taxpayers' first choice for their information and service needs, it is also committed to maintaining and improving its other service channels.																							
Enterprise Level of Service includes: Compliance, Forms Order Line, ASK TAS, and CAS (Toll-free Regular and Specialty) (source: ETD Snapshot report); CAS Specialty lines include: TE/GE, Practitioner Priority Service (PPS), VITA, NTA, International, TTY, and Identity Theft product lines (source: Interactive CAS Calls Answered Summary report)																							
The NTA line is a general toll-free product line. The ASK TAS line is a case intake line where calls are generated by including the number on certain notices through publicity campaigns targeting segments of the taxpayer population (for example surviving spouses, struggling young families, and unmarried low-income individuals) in test cities, tax professionals and small business owners.																							

Enterprise Taxpayer Self-Assistance Rate																														
Purpose:	Adequacy of Service	Data Source:	ETD Snapshot Report (enterprise toll-free contacts) Interactive Accounts Management Customer Contacts Resolved (CCRY) Self-Assistance Participation Rate (SAPR) Summary [JOC Enterprise Customer Contact Report (ECCR)] IRS.gov Site Usage Report																											
Definition:	The percentage of taxpayers using self-assistance service channels for their service needs.	Calculation:	(Automated calls answered + Web site visits + IRS2GO visits) divided by (Assistor calls answered + Automated calls answered + web site visits + IRS2GO visits + electronic interactions + customer accounts resolved (paper) + TAC contacts)																											
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Number Self-Assistance Contacts	238,051,508	399,765,896	325,246,825	339,885,653	361,638,289	437,989,376																								
The increase in the Taxpayer Self-Assistance Rate beginning in FY 2008 was due to the increase in web services, including the applications "Where's My Refund" and "How Much Was My Stimulus Payment". The peak usage in FY 2008 was in response to taxpayers seeking information about the economic stimulus package.																														
Remarks:																														
The TAB explains that online services and other self-service options are the most efficient service options from a government perspective. This measure informs the government value of the IRS's self-assistance services.																														
The methodology of this measure has been modified from the existing measure to fully capture the self-assistance services at the enterprise level. This measure includes Compliance automated calls and all unique visits to IRS.gov. Beginning February 1, 2012, Online Services is able to track the number of IRS2GO application uses; this self-service option will be included in the FY 2012 computation and onward																														
Automated calls are the count of all automated calls answered in the Telephone Routing Interactive System (TRIS), which includes Tele Tax, and informational messages completed in the Aspect Automated Call Distributor (ACD). Informational messages are pre-recorded messages that inform the taxpayer about whatever topic has already been selected. They can be at the beginning of a call flow (as an upfront message) or the ending point of a call flow (such as a tax law message that explains a certain part of the law).																														
Electronic interactions consist of Electronic Tax Law Assistance (ETLA) and Electronic Account Resolution (I-EAR), which are assisted services																														

Interaction Satisfaction Rate																																	
Purpose:	Adequacy of Service	Data Source:	Customer satisfaction surveys for: W&I and SB/SE Toll-Free, W&I Field Assistance, TEGE Toll-Free, TAS Closed Contacts, W&I and SB/SE Automated Underreporter, W&I and SB/SE Automated Collection System, W&I Compliance Services Collection, SB/SE Field Collection, W&I Compliance Center Examination, SB/SE Campus Examination, SB/SE Field Examination, Innocent Spouse, and Appeals Closed Contacts																														
Definition:	The percentage of taxpayers satisfied with their interactions with the major IRS programs based on survey responses.	Calculation:	<p>The sum of the weighted average satisfaction score per program survey divided by the total number of taxpayer interactions for all the programs .</p> <p>Calculation:</p> $\frac{\sum wn}{\sum w} = \frac{\text{sum of (weight * avg. score)}}{\text{sum of weights}}$ <p>where w = number of taxpayer interactions per program (i.e., weight) n = average satisfaction score, per program survey</p>																														
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Remarks:		<p>The TAB Performance Measures Portfolio is designed to assess the delivery of taxpayer services across service categories and channels. Instead of focusing on discrete measures, the portfolio provides a high level overview of taxpayer service. This measure provides a high level assessment of taxpayers' satisfaction with interactions, a key element in evaluating taxpayer value of services.</p> <p>This measure combines the Service Interaction and Enforcement Interaction scores computed annually by Research, Analysis and Statistics (RAS). Service interactions account for at least 80% of the score each year.</p>																															

Issue Resolution Rate									
Purpose:	Effectiveness of Government	Data Source:	Redesigned customer satisfaction surveys for assisted IRS services; does not include satisfaction surveys for closed cases (i.e., where no taxpayer service interactions occurred). Customer satisfaction surveys are currently being revised. As of September 2012, Automated Underreporter, Compliance Center Examination, and Innocent Spouse surveys have been redesigned. Draft redesigned surveys for Toll-Free are currently under review. Redesigns are scheduled for e-help and Field Assistance in 2013.						
Definition:	The percentage of taxpayers who had all their questions answered during their interaction with an IRS assistor.	Calculation:	$\frac{\sum wn}{\sum w} = \frac{\text{sum of (weight * pct. taxpayers with answered questions)}}{\text{sum of weights}}$ where w = number of taxpayer interactions per program (i.e., weight) n = percent of taxpayers who said they had their questions answered, per program survey						
Issue Resolution Rate									
	FY 07	FY 08	FY 09	FY 10	FY 11	FY 12			
not available									
Remarks:									
TAB research identified issue resolution as one of the most important attributes that influence a taxpayer's service channel choice, and the data showed that importance varied very little by service need or tax issue.									
This measure uses the same methodology as the Interaction Satisfaction Score, i.e., summing the weighted responses from the customer satisfaction surveys. In the redesigned customer satisfaction surveys, they will include the question: <ul style="list-style-type: none">• Did the IRS representative answer all your questions today?									
Toll-free service interactions (W&I, SB/SE, and TE/GE) account for over two-thirds of assisted service interactions.									

