

# **The National Taxpayer Advocate's Report to Congress**

## **Fiscal Year 2008 Objectives**

**June 30, 2007**



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## INTRODUCTION

The Internal Revenue Code requires the National Taxpayer Advocate to submit two annual reports to the House Committee on Ways and Means and the Senate Committee on Finance.<sup>1</sup> The National Taxpayer Advocate is required to submit these reports directly to the Committees without any prior review or comment from the Commissioner of Internal Revenue, the Secretary of the Treasury, the IRS Oversight Board, any other officer or employee of the Department of Treasury or the Office of Management and Budget. The first report, due by June 30 of each year, must identify the objectives of the Office of the Taxpayer Advocate for the fiscal year beginning in that calendar year.

For Fiscal Year 2008, both the IRS and the Taxpayer Advocate Service (TAS) face similar challenges – an increasing demand on its limited and aging workforce, and a pressing need to bring its systems in line with 21<sup>st</sup> century technology. The IRS is under scrutiny for its efforts to “close” the tax gap, while TAS is struggling to address taxpayers’ difficulties that arise as a result of these very efforts. Both challenges carry risks. First, that the IRS, in trying to satisfy Congress’ demand for more revenue, will overreach, harm taxpayers, and bring about a backlash from the very Congress that is now urging it on. Second, that TAS will be overwhelmed by the number of taxpayer cases and will not be able to provide the quality of service and advocacy for which it was created.

Fortunately, both of these risks are avoidable. Throughout this report, I describe the initiatives the Office of the Taxpayer Advocate, working with the IRS and others, has undertaken and is planning for the next fiscal year. These initiatives are designed to protect against IRS overreaching even as they focus on maintaining and even increasing *voluntary* compliance. Our fiscal year 2008 initiatives also address the TAS-specific challenges of increased workload, declining case advocate staffing, and lagging technology.

There is a role, however, for Congress in addressing these risks. IRS oversight should not just be limited to urging the IRS to collect more tax revenue. Even as Congress directs the IRS to address specific areas of noncompliance, Congress should require the IRS to adopt a long-term

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<sup>1</sup> IRC § 7803(c)(2)(B).

research strategy that focuses not only on “closing the tax gap” but also on understanding what it takes, in the 21<sup>st</sup> century, to encourage taxpayers to be voluntarily compliant and how to change taxpayer behavior. Finally, Congress should exercise the necessary patience to allow the IRS to complete this research, including conducting empirical studies and trial programs.

There is a very real concern that IRS and TAS employees may react to the current pressures by cutting corners. Taxpayers will be harmed if such events come to pass. Fortunately, with a concerted agreement on the part of Congress, Treasury, IRS and TAS to work together to increase voluntary compliance, we can avoid a repeat of the years 1996 through 1998, when IRS last responded to congressional pressure for greater enforcement. As National Taxpayer Advocate, I commit to working toward that community of purpose.

Respectfully submitted,



Nina E. Olson  
National Taxpayer Advocate  
30 June 2007

## **CHALLENGES FACING THE TAXPAYER ADVOCATE SERVICE**

The Taxpayer Advocate Service is charged by statute with helping taxpayers solve their problems with the IRS and making administrative and legislative recommendations to resolve those problems. In accomplishing its mission, TAS does not operate in a vacuum. It is also the responsibility of the IRS operating divisions and functions to timely respond to TAS and assist us in assisting taxpayers. All too often, however, IRS executives and employees view the cases TAS sends to IRS for resolution as TAS-work rather than the IRS's own work.

In fact, there is no such thing as a TAS case. All cases in TAS inventory belong to the IRS and are part of the IRS workload – generated in response to some IRS action or inaction, or some law that the IRS is charged with administering. Yet this “stovepipe” attitude about TAS cases, which harms taxpayers, persists throughout all functions in the IRS.

This IRS failure to “own” TAS cases is exacerbated by the pressure IRS employees have felt to achieve goals that demonstrate enforcement activity, regardless of whether that activity actually resolves the taxpayer's case or just pushes the problem down the line to someone else in the IRS. Far too often, the National Taxpayer Advocate hears from TAS employees, taxpayers, and taxpayer representatives that IRS employees routinely say, “I have the authority to do this but I don't know how to do it” or “I have the authority to do this but my manager won't let me keep the case open any longer.” These statements always end with “So I'm sending this case to TAS.”

The National Taxpayer Advocate plans several initiatives in FY 2008 to remedy this situation. For example, the National Taxpayer Advocate will review IRS core measures and practices that result in the IRS not effectively resolving taxpayer problems at the first opportunity and ultimately sending the case to TAS. Moreover, the National Taxpayer Advocate will continue her analysis of TAS's workload to identify where IRS “shrugging” is occurring, and will develop Taxpayer Assistance Order templates to return such cases for immediate action by the IRS. Such initiatives emphasize both the priority nature of TAS cases and the IRS's core responsibility to properly resolve the taxpayer's problem at the earliest possible time.

In the pages that follow, we describe other initiatives planned for FY 2008 and beyond that address TAS's other principal challenges.

## **PLANNING FOR AND ENABLING EFFECTIVE ADVOCACY**

TAS is facing two great challenges in the next several years: the recruitment and retention of a well-trained workforce and the development and support of the systems, programs, and tools to assist TAS in meeting its mission. To address these challenges, TAS is engaging all employees in developing a five-year strategic plan that will identify outcomes, strategies, targets, and actions to prepare employees and managers to effectively advocate, identify, and resolve problems taxpayers are experiencing in complying with the tax laws.

TAS recognizes that it must continue fulfilling its statutory mission at a time of limited resources and increased taxpayer needs. Over the past several years, TAS has refined the processes that have allowed it to do more with less, including identifying the impact of operating division activities on TAS's workload and accurately projecting our future workload.<sup>2</sup> However, TAS cannot continue to operate with reduced funding each year while workload grows.

### ***Recruitment, Training, and Retention***

From FY 2004 through the end of FY 2006, TAS case receipts have increased 43 percent while the number of case advocates available to work those cases has decreased by eight percent. Cases come to TAS when taxpayers encounter difficulty in trying to resolve their problems directly with IRS functions. It is essential to sound tax administration that taxpayers receive prompt and thorough action on the subsequent attempts to resolve their problems or when they are experiencing economic burden, making the role of an advocate critical. Thus, TAS does not turn away taxpayers who qualify for its assistance. While TAS has managed to handle its increasing inventory to date, its effectiveness in meeting the needs of the taxpaying public will decline if the gap between the number of cases received and the staffing available to work those cases widens

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<sup>2</sup> National Taxpayer Advocate 2006 Annual Report to Congress Vol. 2.



much further.<sup>3</sup> In FY 2008, TAS needs to hire and is making plans to hire 240 case advocates to reach 1,240 case advocates on-rolls.

TAS projects that approximately 29 percent of its workforce will be eligible to retire by the end of FY 2008. Considering the already low number of case advocates and the increasing, complex workload, TAS must be aggressive and creative in becoming an employer of choice to recruit, train, and retain skilled employees. In addition, the needs of taxpayers continue to become more diverse, so TAS must look for ways to meet that diversity, including hiring employees with non-English language skills.

In addition to hiring 240 case advocates in FY 2008, TAS hopes to hire at least 150 in both FY 2009 and FY 2010. This is a somewhat daunting but necessary action in an organization of only 1,900 people. To meet this hiring goal, TAS is developing an internal and external recruitment strategy, external new hire training courses, and coaching positions in offices with large numbers of new hires. Many of these new-hire positions will be targeted for bilingual employees, including 24 positions for Spanish-speaking employees in Puerto Rico and other locations in TAS. TAS will also hire other employees throughout the country who can speak Chinese, Korean, Vietnamese, or Russian.

### ***Targeted Recruitment Efforts***

TAS has worked diligently to increase workforce representation of individuals with targeted disabilities, including hiring through the Workforce Recruitment Program (WRP) for College Students with Disabilities. The WRP has become an established practice in TAS during the past four years. The success of TAS's efforts to recruit and hire individuals with targeted disabilities can be seen in the increase from 16 employees with targeted disabilities at the end of FY 2002 to 30 employees with targeted disabilities at the end of March 2007, an increase of 88 percent. During this time, the total TAS workforce decreased in size by about 300 employees. Twenty-eight students have been hired since FY 2003, including seven who are now permanent TAS employees and four who are working under extended temporary assignments while attending school. Additionally, the National Taxpayer Advocate established an annual performance commitment for each TAS Area Director to take steps

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<sup>3</sup> *Tax Fairness: Policy and Enforcement: Hearing before the Subcomm. on Financial Services and General Government of the H. Comm. on Appropriations, 110<sup>th</sup> Cong. 1<sup>st</sup> Sess. (Mar. 5, 2007) (statement of Nina E. Olson, National Taxpayer Advocate).*

to hire at least one individual with a targeted disability and one student with a disability through the WRP. For fiscal year 2008, the National Taxpayer Advocate, Deputy National Taxpayer Advocate (DNTA), and Executive Director Systemic Advocacy (EDSA) will each hire one individual with a targeted disability and one student with a disability through the WRP in the offices that they control (for the National Taxpayer Advocate, for example, this would include offices such as the Low Income Taxpayer Clinics, the Taxpayer Advocacy Panel etc).

### ***TAS Case Intake Strategy***

To serve taxpayers well, TAS must manage its case intake process by effectively integrating its systems and personnel. The initial step in this process is the establishment of a separate toll free number for special programs with which we know taxpayers will need TAS assistance. Through targeted publicity aimed at individuals who have an issue that meets TAS criteria, we will gradually expand the number of taxpayers who reach TAS through this dedicated toll-free line. By “branding” this toll-free number as the “TAS Case Intake Line,” TAS will attempt to reduce the number of calls unrelated to potential TAS cases. TAS will subsequently broaden this concept to include case intake streams from walk-ins, the Internet, and correspondence.

As we put additional systems and processes in place, TAS will integrate case intake with work assignment. TAS employees use a number of systems to document and monitor their efforts to advocate for taxpayers, identify taxpayer needs, and assess business results. Chief among these systems are the Taxpayer Advocate Management Information System (TAMIS) and the Systemic Advocacy Management System (SAMS). During FY 2007, TAS began an effort to develop a “one system” approach to applications enhancement and development. We are exploring our data and system architecture as well as the case intake process. As part of this effort, our goals are to reduce the number of separate applications required to work on TAS cases and issues, create complete electronic case files, centralize document storage, enhance TAS's ability to update and validate its data, and provide improved tools to all TAS employees and managers. These tools will enable TAS to deliver each case to the employee who has the training, skills, and available time to work the case most effectively.

## ***Responding to Taxpayers***

TAS uses service level agreements (SLAs) and other administrative processes to resolve taxpayers' problems with the IRS. These procedures require streamlining and automating to meet taxpayers' increasing need for TAS services and aid case advocates in providing timely resolution. For FY 2008, TAS will improve case management by inventory balancing measures and the implementation of electronic Operations Assistance Requests (OARs) through integrated IRS systems such as the IDRS Decision Assisting Program (IDAP) and Desktop Integration (DI).<sup>4</sup> TAS will supplement these case management improvements with additional hiring of intake and case advocates.

Of course, the IRS bears the ultimate responsibility for resolving taxpayer problems. Thus, TAS recommends the use of centralized OAR processing units within the functions and business units to provide a more efficient method for the IRS to manage the OAR process and reduce the number of rejected or misrouted OARs. These specialized units would have a better understanding of TAS's mission, authorities, and the appropriate IRS liaison to resolve the taxpayer's problem. TAS believes that this change in work practice would eliminate the majority of OAR processing problems.

## ***Institutionalizing the Authority of TAS within the IRS***

A primary focus of TAS's five-year strategic plan will be how TAS "embeds" itself into the processes of all IRS functions and increases the awareness of all IRS employees of TAS's unique role in tax administration. Such integration must begin with a strong message from IRS leadership that TAS serves an important function in assuring a fair and just tax system.

In FY 2008, TAS will begin its "institutionalization" strategy by focusing on the following approaches:

- ♦ Ensure the IRS understands TAS's statutory mission and authority;
- ♦ Ensure the IRS includes TAS in policy decisions;

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<sup>4</sup> TAS uses the OAR process to request assistance from IRS operating divisions and functions to complete an action on a TAS case when TAS does not have the statutory or delegated authority to take the required action.

- ♦ Ensure the IRS includes TAS when considering new initiatives and work processes including the downstream impact on taxpayers and TAS workload, and gives TAS the opportunity to provide predecisional input;
- ♦ Ensure the IRS monitors, analyzes and reports on its effectiveness in handling TAS OARs;<sup>5</sup>
- ♦ Ensure the IRS formally reviews and responds to recommendations from the National Taxpayer Advocate, and engages in discussions with TAS prior to responding; and
- ♦ Increase the use of Taxpayer Assistance Orders (TAOs) as a case management tool by developing templates, conducting training, and updating the Internal Revenue Manual (IRM).

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<sup>5</sup> A memorandum issued by the Deputy Commissioner for Services and Enforcement dated October 10, 2003, entitled *Addressing Systemic Problems in TAS Cases*, required functions to begin reporting in fiscal year 2004 on TAS case inventory in the functions' Business Performance Reviews (BPRs), including conclusions drawn from the reports and initiatives to correct identified systemic problems. A review of BPRs issued since the issuance of the memorandum reveals that functions have not complied with this requirement.

## **AREAS OF EMPHASIS**

### ***Taxpayer Assistance Blueprint***

In April 2007, the IRS published Phase 2 of its Taxpayer Assistance Blueprint.<sup>6</sup> The Taxpayer Assistance Blueprint (TAB) lays out a comprehensive plan to improve taxpayer service over the next five years. However, the TAB is only a “first step” of many, because the TAB report alone will not ensure that the IRS delivers service in ways that meet taxpayer needs. To improve taxpayer service, the IRS must maintain a commitment to improving assistance to taxpayers both now and in the future and must be given the resources necessary to make needed changes.

The TAB also is just a “first step” because it focused solely on individual taxpayers. The IRS should expand its focus to more comprehensively consider the needs of all taxpayers. For example, the IRS should use the TAB as a starting point and engage in similar efforts to improve services for Schedule C (sole proprietorship) and Schedule F (farm sole proprietorship) filers, large and small businesses, and tax-exempt organizations. Additionally, the IRS needs to begin looking at other areas that affect taxpayer service, including return preparers, submission processing, and the content of notices and publications. Only when the IRS looks at all aspects of service for *all* taxpayers will we truly be able to improve taxpayer service.

### ***Understanding Taxpayers’ Needs for Service, including Face-to-Face Assistance***

The IRS must continue the research efforts it began in the TAB. The taxpaying population will continue to change and so will taxpayer needs. Thus, the IRS must conduct ongoing research related to issues such as taxpayer needs, the link between service and compliance, the barriers

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<sup>6</sup> The Taxpayer Assistance Blueprint is the joint response of the IRS, the IRS Oversight Board, and the National Taxpayer Advocate to comply with a congressional mandate for the development of a five-year strategic plan for the delivery of taxpayer service. United States Congress, Conference Report PL109-115: H.R.3058 – 43. Transportation, Treasury, Housing and Urban Development, the Judiciary, the District of Columbia, and Independent Agencies Appropriations Act, 2006, 30 November 2005.

taxpayers face to using certain IRS services, and how to affect taxpayer behavior and create new norms of compliance.

During the development of the TAB, the National Taxpayer Advocate urged that the TAB propose a methodology to evaluate current services and make improvements to meet taxpayer needs based on the data collected through the TAB research efforts while not reducing the services currently available. For the most part, we believe the TAB report reflects this approach.

As the IRS begins to see cost savings as a result of providing more efficient and effective taxpayer service, it must reinvest any savings in taxpayer service. Moreover, the IRS must maintain its commitment to providing face-to-face services in the future, as stated in the TAB Guiding Principles.

The IRS *is* making an effort to move taxpayers away from face-to-face interaction and toward telephone and Internet services. This approach may be appropriate for many taxpayers who are comfortable handling financial transactions by phone or over the Internet, but the TAB's research studies showed that a certain percentage of taxpayers require face-to-face services in order to comply with the tax laws. Therefore, TAS will continue to advocate that, even as many taxpayers move to electronic service options, the IRS must maintain and improve face-to-face services as long as there is a segment of the population that still needs them. The National Taxpayer Advocate believes that the IRS currently lacks the data necessary to determine whether it should reduce the number of TACs (Taxpayer Assistance Center) or replace existing TACs with self-help centers. Although the TAB report contains a significant amount of information regarding taxpayer needs and preferences, the IRS still has not completed enough research to evaluate the existing TACs. An ongoing survey of taxpayers who visit TACs conducted by the Taxpayer Advocacy Panel, an advisory panel that operates pursuant to the Federal Advisory Committee Act, should provide valuable information regarding whether TACs are meeting taxpayer needs. Until such data is available, the IRS should not change the current footprint for TACs.

During FY 2008, the National Taxpayer Advocate will work with the IRS as it evaluates the current placement of the TACs. The IRS must ensure that TACs are located in areas where taxpayers need and can use the services offered. By evaluating the location of the current 401 TACs, the

IRS can identify areas in which moving a TAC may make it more convenient for taxpayers. Additionally, we may identify areas where the IRS should consider adding a TAC. Finally, we will urge the IRS to evaluate alternative modes of providing face-to-face service that incorporate greater flexibility in terms of population and location.

### ***Private Debt Collection Initiative***

The National Taxpayer Advocate believes that the collection of tax is an inherently governmental function, which should only be undertaken by IRS employees trained to protect taxpayer rights. Moreover, she is concerned that the money spent on the IRS's Private Debt Collection (PDC) initiative is an inefficient use of government dollars, as IRS collection employees can collect more delinquent tax dollars at a lower cost to the government.<sup>7</sup> The IRS Automated Collection System currently collects about \$20 for every \$1 spent on staffing while the private debt collection initiative is estimated to return \$4 for every dollar spent.<sup>8</sup>

### ***Comparison of Private Debt Collection Results to Similar IRS Collection Operations***

Proponents of the PDC initiative argue that since the IRS is not able to reach its entire collection inventory, PCAs are at least bringing in revenue that would otherwise go untouched. The National Taxpayer Advocate does not find this argument persuasive. She submits that by improving its collection strategy and use of currently available resources, including better research, the IRS could reach most, if not all, of these cases at less cost to U.S. taxpayers and less risk to taxpayer rights.

In response to the National Taxpayer Advocate's and GAO's (Government Accountability Office) recommendations regarding collection efficiencies, the IRS is engaging in studies to compare private debt collection results to

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<sup>7</sup> See National Taxpayer Advocate 2006 Annual Report to Congress 52.

<sup>8</sup> W&I and SBSE Automated Collection System FY 2007 Dollars Collected per Staff Year (as of April 2007), including support staff; *see also IRS Private Debt Collection Program: Hearing Before the H. Comm. on Ways and Means*, 110<sup>th</sup> Cong. 1<sup>st</sup> Sess. (May 23, 2007)(statement of Nina E. Olson, National Taxpayer Advocate) and Testimony of United States Treasury Secretary, John Snow, in an exchange with Senator Robert C. Byrd, Senate Committee on Appropriations: Subcommittee on Transportation, Treasury and General Government, Hearing on FY 2004 Appropriations for the Treasury Department, May 20, 2003.

results from IRS collection functions. In one study, the IRS will compare private debt collection results to results for the “best next case” which the IRS could work with additional resources. A related study will also be conducted comparing IRS collection results on an inventory mix equivalent to that being assigned to the private collection agencies. The National Taxpayer Advocate is monitoring these studies to ensure that all appropriate costs, including downstream costs, are included in this assessment. The IRS expects to have final results in August 2008.

### ***PDC Phase II Request for Quotation***

Despite widespread concern about the PDC program’s ability to operate effectively and efficiently, the IRS is preparing to solicit bids from Private Collection Agencies (PCAs) for the second phase of the PDC initiative. TAS has raised significant concerns to the IRS throughout the process of drafting the Request for Quotation (RFQ), which establishes the guidelines the PCAs will be held to if they enter into a contract with the IRS. Following are a few of the major concerns TAS raised to the IRS:

- ♦ All procurement documents should be available for public scrutiny. This includes, but is not limited to, policy handbooks, procedure guides, scripts, letters and notices to taxpayers, and training materials. It is important that PCAs operate under the same transparency standards as the IRS.
- ♦ Taxpayers should be informed of their right to opt out of the PDC initiative every step of the way. For example, this information should be included in the initial letter sent out by the PCA and the initial phone contact by the PCA once the taxpayer has been authenticated. To our knowledge, the only document that contains this information is the IRS pamphlet, *What You Can Expect When the IRS Assigns Your Account to a PCA*, which is sent to taxpayers when the accounts are initially assigned to PCAs.
- ♦ The PCA should inform the taxpayer during the initial telephone call and prior to authentication that the agency is calling in regard to a debt.



- ♦ All taxpayers who are contacted should be given the option of participating in the PCA's customer satisfaction survey, including taxpayers who opt out of the PDC initiative.
- ♦ All PCAs that are awarded a government contract should be required to provide TTY services for the deaf and hard-of-hearing.
- ♦ Once the contract with the PCA has ended, *all* taxpayer information, including electronic information, should be returned to the IRS and not retained by the PCA.

Adding these safeguards to the RFQ would mitigate somewhat TAS's concerns regarding the PDC initiative's impact on taxpayer rights. These safeguards, however, would not eliminate all of our concerns. Specifically, the collection of federal tax involves the exercise of judgment and discretion and therefore is an inherently governmental function. Thus, the National Taxpayer Advocate continues to recommend that Congress repeal the IRS's authority to conduct the PDC initiative.<sup>9</sup>

### ***The Impact of the Tax Increase Prevention & Reconciliation Act of 2005 (TIPRA) on the IRS'S Offer In Compromise (OIC) Program***

By accepting a reasonable offer to compromise a tax debt, the IRS collects money it would not otherwise collect. It also turns a noncompliant taxpayer into a compliant one by requiring the taxpayer, as a condition of the offer agreement, to timely file returns and pay taxes for the following five years.<sup>10</sup> Thus, reaching a reasonable offer in compromise (OIC) is a win-win solution for the taxpayer and the government.

TIPRA, enacted on May 17, 2006, requires any taxpayer seeking an OIC to submit a nonrefundable partial payment, equal to 20 percent of the offer, along with any offer to be paid in a lump sum or in five or fewer installments (called "lump sum" offers).<sup>11</sup> The National Taxpayer

<sup>9</sup> See National Taxpayer Advocate 2006 Annual Report to Congress 52.

<sup>10</sup> Form 656, *Offer in Compromise* (July 2004). An IRS study found that about 80 percent of taxpayers in its sample with accepted OICs remained substantially compliant during the requisite period. Small Business/ Self-Employed (SB/SE) Payment Compliance and Office of Program Evaluation and Risk Analysis (OPERA), *IRS Offers in Compromise Program, Analysis of Various Aspects of the OIC Program*, 6 (Sept. 2004).

<sup>11</sup> IRC § 7122(c)(1).

Advocate is concerned that the new partial payment requirements, and the IRS's implementation of them, have reduced the accessibility of the OIC program to taxpayers who would otherwise submit good offers, particularly middle class taxpayers who have homes or qualified retirement plans. Such a reduction in OIC accessibility could, in turn, increase the number of unresolved IRS collection accounts, decrease federal revenue, and lessen voluntary compliance.

To better gauge the potential impact of the partial payment requirement on OIC submissions, in October 2006 TAS reviewed 414 OICs that the IRS accepted before the implementation of TIPRA.<sup>12</sup> TAS determined that in about 70 percent of the accepted offers, the 20 percent partial payment was not available from liquid assets.<sup>13</sup> *In other words, most taxpayers who submitted good offers that the IRS accepted would have had difficulty submitting those offers if the partial payment rules had been in place.*

We may already be seeing the initial effects of the 20 percent partial payment requirement. The number of offers received and accepted has significantly declined since TIPRA was implemented in July of 2006. The number of offers submitted dropped by about 20 percent over the first eight months of FY 2007, from 37,764 in FY 2006 to 30,306 in FY 2007.<sup>14</sup> Similarly, the number accepted over this same period has decreased by about 22 percent, from 10,083 to 7,842.<sup>15</sup> Thus, TIPRA, or the IRS's implementation of it, appears to be reducing good offer submissions.

The partial payment requirements may discourage good offer submissions by requiring payments that taxpayers cannot afford, and by increasing the cost to taxpayers when the IRS returns an offer without determining whether to accept or reject it. If a taxpayer fails to submit a partial payment along with the OIC or to meet various other requirements, the IRS returns it to the taxpayer as "not processable".<sup>16</sup> When the IRS

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<sup>12</sup> TAS Research, *Effect of Tax Increase and Prevention Reconciliation Act of 2005 on IRS Offer in Compromise Program* (Feb. 2007).

<sup>13</sup> For purposes of the study, "liquid assets" included assets that could be liquidated and used for the TIPRA payment (e.g., cash, bank accounts, certificates of deposit, stock and securities) without incurring significant costs. For example, individual retirement accounts were excluded because a 10 percent additional tax on early distributions applies to early withdrawals.

<sup>14</sup> IRS, *Offer in Compromise Program, Executive Summary* (June 12, 2007).

<sup>15</sup> *Id.*

<sup>16</sup> See Memorandum For Directors, Collection Area Offices, From Frederick W. Schindler, Director, Collection Policy, *Interim Guidance Memorandum for Internal Revenue*

returns an offer as not processable, it refunds the \$150 OIC user fee, but *retains* any partial payment.<sup>17</sup> Further, if the IRS returns the OIC after accepting it for processing, the IRS retains *both* the partial payment and the fee.<sup>18</sup> While the IRS will reconsider its decision to return an OIC in certain limited circumstances, the taxpayer cannot appeal the OIC return decision to the Appeals function.<sup>19</sup>

The National Taxpayer Advocate recently recommended several legislative changes that could reduce the impact of the partial payment requirement, including:<sup>20</sup>

1. Providing taxpayers with the right to appeal to the IRS Appeals function the IRS's decision to return an OIC before or after accepting it for processing;<sup>21</sup>
2. Providing an exception to the partial payment requirement for taxpayers who do not have immediate access to current income and liquid assets that could be used to fund an offer without incurring significant costs (e.g., taxable income or penalties resulting from the withdrawal of assets from a qualified retirement plan or equity in a home that can only be accessed through a refinancing that requires federal tax lien subordination or release). For those taxpayers who have immediate access to such funds, the partial payment requirement would be 20 percent (for lump-sum offers) of any current income and liquid assets that could be disposed of immediately without significant cost; and
3. Applying the low income exception in cases where payment of the combined OIC user fee and partial payment (or borrowing for such payments) would cause an economic hardship.

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*Manual 5.8, Offer in Compromise* (July 28, 2006) (hereinafter referenced as an IRM dated July 28, 2006).

<sup>17</sup> See Notice 2006-68, 2006-31 I.R.B. 105.

<sup>18</sup> See, e.g., Treas. Reg. § 300.3(b)(3); IRM 5.8.3.5 (July 28, 2006); IRM 5.8.1.9 (Jul. 28, 2006). Processable OIC returns based on the taxpayer's failure to provide requested financial information are subject to managerial review. See Treas. Reg. 301.7122-1(f)(5)(ii).

<sup>19</sup> See Treas. Reg. § 301.7122-1(f)(5)(ii) (noting that "return of the offer does not constitute a rejection of the offer for purposes of this provision and does not entitle the taxpayer to appeal the matter to Appeals....").

<sup>20</sup> See National Taxpayer Advocate 2006 Annual Report to Congress 507 (Key Legislative Recommendation: Improve Offer In Compromise Program Accessibility).

<sup>21</sup> The IRS could use the existing Collection Appeals Process, which allows it to review appeals in just five days. See *generally*, IRM 8.7.2 (Dec. 1, 2006).

If adopted, these recommendations would help to increase, or at least stem the decline in, good OIC submissions. In FY 2007, as of May, the IRS had returned about 42 percent of all OICs either before (21.8 percent) or after (20.5 percent) accepting them for processing.<sup>22</sup> The right to appeal OIC returns would give taxpayers (and the third parties who fund their offers) more confidence that if they play by the rules and submit an offer in good faith, the IRS is unlikely to return the offer unprocessed and retain any partial payments. Additionally, the recommended exceptions for taxpayers who cannot fund the full partial payment out of liquid assets (or cannot do so without experiencing an economic hardship) would enable them to submit good offers.

Even without legislation, however, the IRS could take similar steps to preserve accessibility of the OIC program. The IRS could subject OIC returns to an appeals process without legislation. It could also use its discretion not to return offers that contain insufficient partial payment in cases where taxpayers could not make the partial payment out of liquid assets or without triggering an economic hardship. Although the IRS generally returns offers that do not include the TIPRA payment, TIPRA does not specifically require the IRS to do so.<sup>23</sup> TIPRA provides that offers submitted without the partial payment “**may** be returned to the taxpayer as unprocessable.”<sup>24</sup> Since the statute uses the term “may” rather than “will,” the IRS retains discretion not to return such offers.<sup>25</sup> Indeed, under current procedures the IRS does not return offers that do not include the correct partial payment amount, as long as the taxpayer submits some partial payment.<sup>26</sup> Thus, the National Taxpayer Advocate will urge the IRS and Treasury Department to issue regulations (and other guidance) that include measures, similar to those proposed in her 2006 ARC, to preserve accessibility of the OIC program.

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<sup>22</sup> IRS, *Offer in Compromise Program, Executive Summary* (June 12, 2007).

<sup>23</sup> IRC § 7122(c).

<sup>24</sup> IRC § 7122(d)(3)(C) (emphasis added). The conference report reiterates that “offers submitted to the IRS that do not comport with the payment requirements **may** be returned to the taxpayer as unprocessable.” Conf. Rept. 109-455 at 255 (emphasis added).

<sup>25</sup> Notice 2006-68, 2006-31 I.R.B. 105 also acknowledges such discretion. It provides that offers received without the required partial payment may still be processed by the IRS if it “determines that continued processing of the offer is in the best interests of the government.”

<sup>26</sup> IRM 5.8.3.4.1(Jul. 28, 2006).

## ***Update on Transparency of the IRS***

In her 2006 Annual Report to Congress (ARC), the National Taxpayer Advocate identified the “Transparency of the IRS” as a serious problem facing taxpayers. The report highlighted transparency because access to information about tax procedures and the underlying reasoning behind those procedures is critical to fair tax administration. Transparency of government operations is generally required by law and IRS policy and is also an essential component of good government. Wide dissemination of new procedures and guidance issued by government officials helps to apprise taxpayers of what is required and helps to ensure that government employees and the public know which procedures and guidance are the most current. Transparency also helps to assure the public that the government is administering the laws consistently and fairly. Moreover, the government can benefit from the public feedback that transparency generates.

One aspect of the problem discussed in the report is that the IRS does not always publish important legal opinions that affect the public, such as opinions that are inconsistent with guidance that is available to the public. At the time the 2006 ARC was published, the IRS Chief Counsel declined to comply with TAS’s request for a sample of 15 nonpublic legal memos to analyze for the report. IRS Counsel cited pending Freedom of Information Act (FOIA) litigation with Tax Analysts involving similar memos to IRS national program managers as the reason for its decision not to provide the memos.

The National Taxpayer Advocate’s report prompted Tax Analysts to jumpstart its pending litigation, which had been stalled in recent years.<sup>27</sup> In February 2007, the court rendered a decision that clarified the type of

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<sup>27</sup> See Sheryl Stratton and Lisa M. Nadal, *ABA Tax Section Meeting: Olson Discusses Chief Counsel’s Undisclosed Legal Advice*, 114 Tax Notes 401 (Jan. 29, 2007) (noting “Christopher Bergin, Tax Analysts’ president and publisher, said ... he was surprised to learn that the IRS is citing pending litigation with Tax Analysts as a basis for refusing to give the Office of the Taxpayer Advocate legal advice to national program managers.... There is an unresolved matter relating to 35 memos that the court has been reviewing for the past several years, he said, but those memos date back to 1993 and 1994, and they can’t be what the taxpayer advocate is after. Bergin announced that Tax Analysts will therefore go back to the district court to take off the table the latest excuse for withholding technical assistance memos to program managers.”).

memos the IRS is required to disclose.<sup>28</sup> At the same time, the Taxpayer Advocate Service (TAS) emphasized that the purpose of the requested review was to assess the value of disclosure from a taxpayer perspective, not from a FOIA perspective, and significant external stakeholders publicly urged the IRS to provide the National Taxpayer Advocate with a sample of 15 memos, as requested.<sup>29</sup> IRS Counsel has since provided TAS with a sample of 15 memos. In discussions with Counsel, TAS agreed not to disclose them to the public or reach a conclusion about whether they are *legally* required to be disclosed. However, TAS made clear that it would reach independent conclusions about whether we believe it is in the best interests of taxpayers and fair tax administration for the IRS to disclose them.

After reviewing these memos, the National Taxpayer Advocate believes that some of them should not be published. For example, some discuss the hazards of litigation, which is the type of frank communication that any lawyer should be able to have with a client outside of public view.<sup>30</sup> Others do not contain legal analysis *per se*, but rather recommendations about business or policy decisions. At least if the policy is not ultimately adopted, we believe this is the type of internal dialogue that should remain undisclosed to promote a frank exchange of ideas.<sup>31</sup>

On the other hand, the National Taxpayer Advocate believes tax administration would benefit from publishing several of the memos.

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<sup>28</sup> *Tax Analysts v. IRS*, No. 96-2285 (D.D.C. Feb. 7, 2007). On October 2, 1996, Tax Analysts filed a FOIA suit seeking, among other things, disclosure of Tax Assistance Memoranda (TAs) to IRS Program Managers. The District Court for the District of Columbia ordered the IRS to release five TAs. The IRS appealed the order with respect to the three of the five. In 2002, the D.C. Circuit affirmed that the TAs must be disclosed and provided general guidance about the type of TAs that must be disclosed. *Tax Analysts v. IRS*, 294 F.3d 71 (D.C. Cir. 2002). Then the IRS identified 242 TAs "of the type that must be disclosed per the decision of the Court of Appeals." The parties ultimately agreed on the disposition of all but 34 TAs dating from 1993 and 1994. These TAs were submitted to the district court in July 2003 for *in camera* inspection. The court completed its inspection in early 2007 and ordered the IRS to disclose eight out of 34 (with some redaction). *Tax Analysts v. IRS*, No. 96-2285 (D.D.C. Feb. 7, 2007).

<sup>29</sup> See, e.g., Allen Kenney, *Uncooperative Counsel Irks Olson, Confuses Crowd*, 114 Tax Notes 278 (Jan. 22, 2007) (reporting, for example, that former Senator Bob Kerrey, former chair of the IRS Restructuring Commission, recommended that IRS Commissioner Everson "intercede" on the advocate's behalf and that Congress "back the advocate up for fear that Olson's position would lose its 'teeth.'").

<sup>30</sup> See 5 U.S.C. § 552(b)(5).

<sup>31</sup> *Id.*

Making them available to the public could both help taxpayers understand the law and help IRS employees administer the law consistently and correctly. For example, one memo provides guidance that could assist taxpayers in computing an important deadline.

After TAS reviewed the 15 memos, TAS asked IRS Counsel to identify which of the 15 memos Counsel intends to disclose in light of the court's opinion issued in February 2007. TAS then compared its own assessment against Counsel's assessment. We are pleased to report that TAS and IRS Counsel agree on which of the 15 memos should be released.<sup>32</sup> In other words, at least with respect to these 15 memos, Counsel's current legal interpretation of what is required to be released pursuant to FOIA, as a result of the district court opinion, is consistent with the National Taxpayer Advocate's view about what should be released to improve tax administration.

We are pleased with Counsel's decision on these 15 memos, but we will continue to monitor the transparency of the IRS. For example, we may periodically ask for randomly selected memos or other types of guidance from the Office of Chief Counsel or other IRS business units to ensure that taxpayers are receiving the guidance they need to make our tax system operate fairly with respect to all parties.

The 2006 ARC also included recommendations to improve the transparency of other IRS business units. We are pleased to report that the IRS, and Servicewide Policy, Directives, and Electronic Research (SPDER) in particular, have made significant progress in addressing these recommendations, as shown below.

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<sup>32</sup> Memorandum from Deborah A. Butler, Associate Chief Counsel (Procedure & Administration) to Nina E. Olson, National Taxpayer Advocate (June 4, 2007) (describing how Counsel will implement the district court's opinion with respect to the 15 memos previously provided to TAS).

Recommendation	Status <sup>33</sup>
The Office of Chief Counsel should establish a process to allow for prompt disclosure of legal advice or analysis that is not otherwise required to be made available to the public if it is inconsistent with IRS legal analysis that is available to the public.	The Office of Chief Counsel will revise the Chief Counsel Directives Manual (CCDM) to direct attorneys to use General Counsel Memoranda to revoke or modify positions taken in prior General Counsel Memoranda. In response to a district court opinion, the Office of Chief Counsel also plans to release additional memos. <sup>34</sup> As a result, Counsel will likely release most, if not all, of the types of memos that the National Taxpayer Advocate believes it should release.
The Deputy Commissioner for Services and Enforcement should issue a memo directing all IRS business units to take steps to eliminate informal procedures and guidance that are being used but are	Both Deputy Commissioners issued a memo on March 14, 2007, which has been incorporated into Internal Revenue Manual (IRM) 1.11.1.5. <sup>35</sup> The memo reinforces the expectation that the public IRM be used as the primary

<sup>33</sup> Unless otherwise indicated, the substance of the information provided in the “status” box for each recommendation was provided by SPDER. Director, Servicewide Policy, Directives and Electronic Research (SPDER), response to TAS information request (June 20, 2007); Director, SPDER, response to TAS information request (June 22, 2007).

<sup>34</sup> According to the Office of Chief Counsel:

The Office of Chief Counsel already has in place processes for the issuance of changes in positions taken; see, for example, CCDM 36.3.1.10 and for changes in litigation position, see CCDM 36.3.1.11. The Office of Chief Counsel will take action to reinstate the language formerly contained in the CCDM that directed attorneys to use General Counsel Memoranda to revoke or modify positions taken in prior General Counsel Memoranda. Now that the FOIA lawsuit involving technical assistance memoranda to IRS national program managers is final, the Office of Chief Counsel has begun the necessary steps to implement its outcome. The Office is presently working towards the development of a process for release of these memos, consistent with the opinions of the D.C. Circuit and district courts, on a going forward basis beginning October 1, 2007. In the meantime, it is also reviewing the memos written subsequent to the time period of the lawsuit (1995-present) on a staggered release schedule between July and December of this year. Director, SPDER, response to TAS information request (June 22, 2007).

<sup>35</sup> IRM 1.11.1.5 is available at <http://www.irs.gov/irm/part1/ch09s01.html#d0e167449>.



<b>Recommendation</b>	<b>Status<sup>33</sup></b>
not formally approved or available to the public.	source of “instructions to staff.”
The Commissioner of the IRS should establish a time table with specific and realistic goals for when each business unit will have incorporated all training materials, desk guides, job aids and other documents that contain instructions to staff into the publicly available IRM in accordance with IRS policy. Each business unit should be required to report on its progress in achieving these goals as part of its business performance review.	The March 14, 2007, memo partially addresses this recommendation by reiterating the Deputy Commissioner’s expectations for IRS business units.
SPDER should work with Modernization & Information Technology Services (MITS) and other IRS business units to establish automated or manual procedures to ensure that updates to the Servicewide Electronic Research Program (SERP) IRM are promptly reflected on the IRM that is posted to IRS.gov, IRM-Online, and the IRM found in the Electronic Publishing Catalog. <sup>36</sup>	The responsible officials are working on a process to ensure filing season IRM updates posted on SERP are appropriately published in the official IRM found in the Electronic Publishing Catalog, which populates the IRM-Online and the IRM posted to IRS.gov.
In coordination with the Office of Chief Counsel, SPDER should either eliminate the “local guidance” exception to the requirement to post “instructions to staff ” or clarify that it does not apply to any procedures that “affect a member of the public,” especially local instructions that may affect taxpayers nationwide.	The IRS recently revised IRM 1.11.1.9 and its training materials to eliminate the “local guidance” exception and to clarify that local guidance affecting a member of the public should be posted on IRS.gov.

<sup>36</sup> The 2006 ARC discusses several “versions” of the IRM: An IRM in PDF format available on the Electronic Publishing Catalog, an IRM available through the SERP, an “IRM-Online “ available on the IRS intranet (the IRS employees-only network), and an IRM available through the IRS website at [www.IRS.gov](http://www.IRS.gov).

Recommendation	Status <sup>33</sup>
SPDER should work with MITS and other IRS business units to post portions of the IRM and interim guidance that contain Official Use Only (OUO) information to the electronic reading room in a redacted form.	In January 2007, the IRS established a process for posting redacted interim guidance memos containing OUO content. In April 2007, the IRS began posting redacted IRM sections and expects to complete the process in July 2007. <sup>37</sup>
SPDER should also work with MITS and other IRS business units to reduce the period between the time when guidance is issued and when it is made electronically available to the public.	SPDER continuously monitors the process and works with IRS business units to correct deficiencies. It is also working on a long-term IRM process redesign initiative, which will help to reduce the time period between the issuance and publication of guidance.
Each IRS head of office should have a specific annual performance commitment and goal to achieve greater transparency with respect to instructions to staff.	SPDER recently sent out a survey to identify which executives had adopted performance commitments with respect to instructions to staff. <sup>38</sup> While the results have not been compiled yet, it plans to conduct annual monitoring in this regard.

TAS itself has also been making progress in improving its transparency. In January 2007, the National Taxpayer Advocate issued a memo to TAS headquarters staff and directors reiterating the importance of making instructions to staff public, expanding the scope of what TAS will make available to the public, and establishing detailed procedures for making documents public.<sup>39</sup> In addition, TAS has reviewed all prior issues of two internal newsletters to identify guidance that should be issued as “interim guidance,” and has significantly increased the amount of interim guidance

<sup>37</sup> For example, according to the IRS, the following IRMs, which contain OUO material, have been posted at <http://www.irs.gov/irm/index.html> in redacted form: IRM 21.7.7; IRM 21.3.4; IRM 3.12.22; IRM 3.24.12; IRM 3.24.22; IRM 3.24.26; IRM 3.20.13; IRM 3.12.12; IRM 3.45.1; IRM 3.11.22; IRM 3.11.26; IRM 3.20.12, with more being posted on a regular basis.

<sup>38</sup> Email from SPDER Program Analyst to IRS IMD Coordinators (June 4, 2007).

<sup>39</sup> See Memorandum from the National Taxpayer Advocate to TAS Headquarters Staff and Directors, *Interim Guidance Memoranda: E-FOIA Procedures*, (Jan. 11, 2007), available at <http://www.irs.gov/pub/foia/ig/tas/tas-13-0107-012.pdf>.

posted on IRS.gov from three memos in 2006 to seven memos in just the first quarter of 2007.<sup>40</sup> TAS has also posted its agreements with other IRS business units, called Service Level Agreements (SLAs) to IRS.gov.<sup>41</sup> Moreover, for FY 2008, the National Taxpayer Advocate will require all TAS executives and national office directors to have a specific commitment about transparency in their annual performance plans.

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<sup>40</sup> TAS subsequently removed a few obsolete memos.

<sup>41</sup> TAS SLAs are available at <http://www.irs.gov/foia/content/0..id=170400.00.html>.

## **ADVOCATING FOR TAXPAYERS**

IRC § 7803(c)(2)(B) requires the National Taxpayer Advocate to report annually by June 30 to the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate on the objectives of TAS for the upcoming fiscal year. This report describes the actions taken toward accomplishing the National Taxpayer Advocate's objectives for FY 2007 and plans to achieve TAS's objectives for FY 2008. Appendix V provides details regarding the FY 2008 objectives and identifies TAS's Operational Priorities.

## **INTEGRATING ADVOCACY**

TAS has three principal functions: case advocacy, systemic advocacy, and research. Other special programs that aid the National Taxpayer Advocate in developing objectives and advocating effectively for taxpayers are the Low Income Taxpayer Clinics (LITC) and the Taxpayer Advocacy Panel (TAP). Collectively, these activities identify and address issues taxpayers face when struggling to understand and comply with our complex tax system.

TAS is developing a long-term vision for the TAMIS<sup>1</sup> and SAMS,<sup>2</sup> which will align SAMS and TAMIS infrastructure, provide security, ensure compliance with § 508 of the Rehabilitation Act,<sup>3</sup> and enable document attachment technology. Database system enhancements are critical to TAS's ability to strategically address emerging taxpayer issues, thus reducing the impact to individual taxpayers and case receipt volumes in TAS. The effective use of database information from multiple sources will assist with early identification of issues, targeted resolution discussions with the IRS, and efficient documentation of advocacy results. TAS will

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<sup>1</sup>TAS uses the TAMIS to record, control, and process taxpayer cases, as well as to analyze the issues that bring taxpayers to TAS.

<sup>2</sup> SAMS is a web-based system that allows taxpayers, practitioners and IRS personnel to report systemic problems within the IRS and submit possible solutions to those problems.

<sup>3</sup> Section 508 of the Rehabilitation Act (29 U.S.C. 794d), as amended by the Workforce Investment Act of 1998 (Pub.L. No. 105-220, Sec. 408(b) 112 Stat. 936, 1202, (Aug. 7, 1998)).

continue to work with MITS to implement critical needs and system enhancements.

## **CASE ADVOCACY**

### **Office of the Executive Director Case Advocacy**

The primary objectives of case advocacy are to assist taxpayers in resolving problems with the IRS, identify systemic issues, maintain local congressional liaisons, and perform outreach to underserved taxpayer populations. To strengthen these operations, TAS established the Executive Director Case Advocacy (EDCA) position in 2006. The EDCA has responsibility for the oversight and delivery of critical programs including casework, outreach, local congressional relations, integration of case and systemic advocacy, customer satisfaction, and employee engagement. The success of these programs is critical to carrying out the responsibilities of the National Taxpayer Advocate as defined in IRC § 7803. The EDCA is responsible for providing leadership and direction to the Local Taxpayer Advocates (LTAs). There is at least one LTA in each state, the District of Columbia, and Puerto Rico. LTAs provide service in 65 geographic locations and ten IRS campuses. They manage over 1,600 employees under the oversight of seven Area Directors who report to the EDCA.

This report provides a analysis and statistical information concerning TAS receipts (focusing on trends), sources of receipts, complexity of receipts, the effects of OARs, types of relief granted, and closures.<sup>4</sup>

### **TAS Inventory Levels**

As shown in Table I-1, TAS's open inventory has been rising since FY 2004 while the number of case advocates available to work these cases has declined.

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<sup>4</sup> TAS uses the OAR process to request assistance from IRS operating divisions and functions to complete an action on a TAS case when TAS does not have the statutory or delegated authority to take the required action.

**TABLE I-1, TAS OPEN INVENTORY FOR FISCAL YEARS 2004 THROUGH MARCH 31, 2007**

<b>Fiscal Year</b>	<b>Open Inventory</b>	<b>% Change</b>	<b>Number of Case Advocates</b>	<b>% Change</b>	<b>Number of Cases Per Case Advocate</b>	<b>% Change</b>
2004	32,046		1,242		25.8	
2005	40,648	26.8%	1,164	-6.7%	34.9	35.3%
2006	48,198	18.6%	1,147	-1.5%	42.0	20.3%
2007 <sup>5</sup>	52,280	8.5%	1,094	-4.6%	47.8	13.8%

TAS expects to receive 262,200<sup>6</sup> cases by the end of FY 2007 compared to 242,173 in FY 2006, an increase of eight percent. TAS plans to hire 66 case and intake advocates during FY 2007, but those additional hires will not replace the number of case advocates lost during FY 2006 and the first half of FY 2007. To cope with increasing inventory levels, in FY 2008, TAS plans to hire 240 case advocates and reach a FY 2008 target level of 1,240 total case advocates, allowing for projected attrition.<sup>7</sup>

### **Trends in TAS Receipts**

Taxpayers come to TAS when they have encountered problems trying to resolve their issues directly with the IRS, or when an IRS action or inaction has caused or will cause negative financial consequences, or will have a long-term adverse impact on the taxpayer. Because TAS's function is statutorily mandated, TAS does not turn away taxpayers who qualify for its assistance. It is essential to sound tax administration that taxpayers are treated properly when they need an advocate. TAS continues to experience increases in both case receipts<sup>8</sup> and the complexity of issues,<sup>9</sup>

<sup>5</sup> As of March 31, 2007.

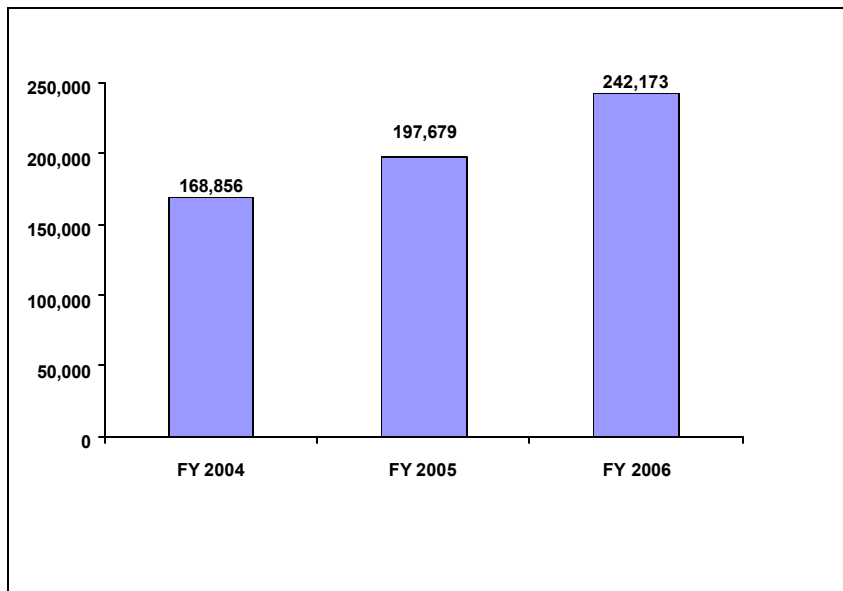
<sup>6</sup> The projection is based on 12 regression models. TAS uses 10 models for the largest components (issue codes and groups of related issue codes) of TAS inventory and two more general models for the remaining compliance and customer service issue codes not covered by the first 10 models.

<sup>7</sup> For additional discussion on TAS's future hiring initiatives, see Recruitment, Training and Retention, *supra*.

<sup>8</sup> TAS workload volumes are a function of many variables, including new IRS initiatives, changes in legislation or IRS practices, and increases or decreases in staffing components within IRS operating divisions.

while TAS staffing has declined. As shown in Chart I-2 below, TAS case receipts have increased steadily from FY 2004 through FY 2006.

**CHART I-2, CUMULATIVE TAS CASE RECEIPTS FISCAL YEARS 2004 THROUGH 2006**



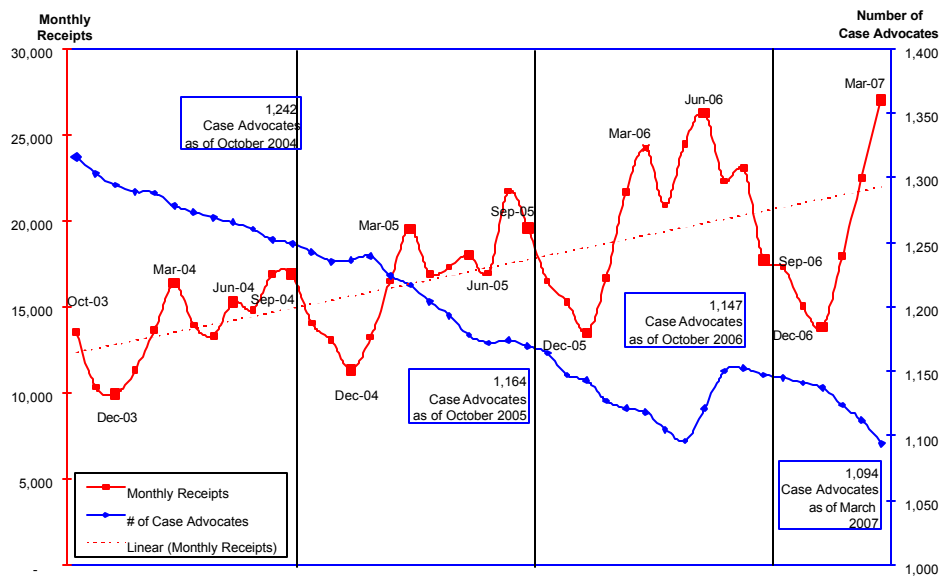
TAS has managed to handle its increasing case receipts to date. From FY 2004 through the end of FY 2006, TAS receipts have increased 43 percent while the number of case advocates available to work those cases has decreased by eight percent. TAS recognizes that it must continue to fulfill its statutory mission during a time of limited resources and increasing taxpayer needs. However, the National Taxpayer Advocate is concerned that TAS's ability to meet the needs of the taxpaying public will decline if the gap between receipts and staffing widens much further.<sup>10</sup> As shown in Chart I-3 below, TAS monthly case receipts have continued to rise since FY 2004 while the number of case advocates has declined over the same period.

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<sup>9</sup> Many factors contribute to the complexity of a case. Examples include cases involving multiple issues, tax periods, and even taxpayers. These issues may require the specialized technical knowledge of TAS Technical Advisors.

<sup>10</sup> *Tax Fairness: Policy and Enforcement: Hearing before the Subcomm. on Financial Services and General Government of the H. Comm. on Appropriations, 110<sup>th</sup> Cong. 1<sup>st</sup> Sess. (Mar. 5, 2007) (statement of Nina E. Olson, National Taxpayer Advocate).*

**CHART I-3, MONTHLY TAS CASE RECEIPTS AND THE NUMBER OF CASE ADVOCATES FROM OCTOBER 2003 THROUGH MARCH 2007**

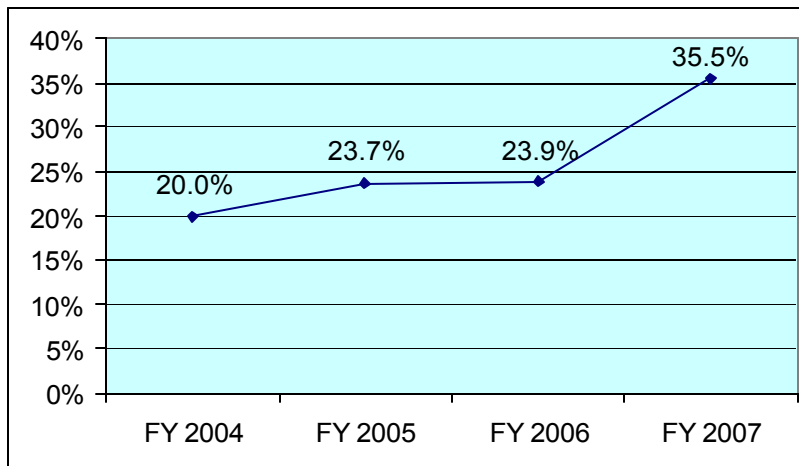


## Economic Burden Receipts

Economic burden cases are those that involve financial difficulty for taxpayers and arise when an IRS action or inaction has caused or will cause negative financial consequences or will have a long-term adverse impact on the taxpayer. The percentage of economic burden case receipts continues to rise, as it has for the past three years. This increase is not surprising, given that the IRS has substantially increased compliance actions in recent years, resulting in about 70 percent of TAS's cases being compliance related. In general, any growth in IRS compliance cases produces a corresponding increase in TAS cases. Thus, the IRS's greater emphasis on enforcement has caused a greater need for TAS services.



**CHART I-4, ECONOMIC BURDEN RECEIPTS AS A PERCENTAGE OF TOTAL RECEIPTS FOR THE FIRST SIX MONTHS OF EACH FISCAL YEAR**



### **Systemic Burden Case Receipts**

Systemic burden cases are those in which an IRS process, system, or procedure failed to operate as intended. As a result, the IRS has failed to timely respond to or resolve a taxpayer issue. A key TAS efficiency measure is the ratio of systemic burden case receipts to total TAS case receipts.<sup>11</sup> By measuring systemic burden receipts against all receipts, TAS can monitor its ability to identify problems that affect large numbers of taxpayers and work with the IRS to recommend changes that will prevent the problems.<sup>12</sup>

In February 2007, the Government Accountability Office (GAO) issued a report that included a review of TAS's efficiency measures.<sup>13</sup> GAO recommended that TAS improve case advocacy performance measures by adding a measure of efficiency that incorporates case complexity, quality, and a cost measure. The National Taxpayer Advocate agrees

<sup>11</sup> TAS developed this measure in June 2004 as a result of an Office of Management and Budget (OMB) Program Assessment Rating Tool (PART) review. See Appendix II, Case Acceptance Criteria.

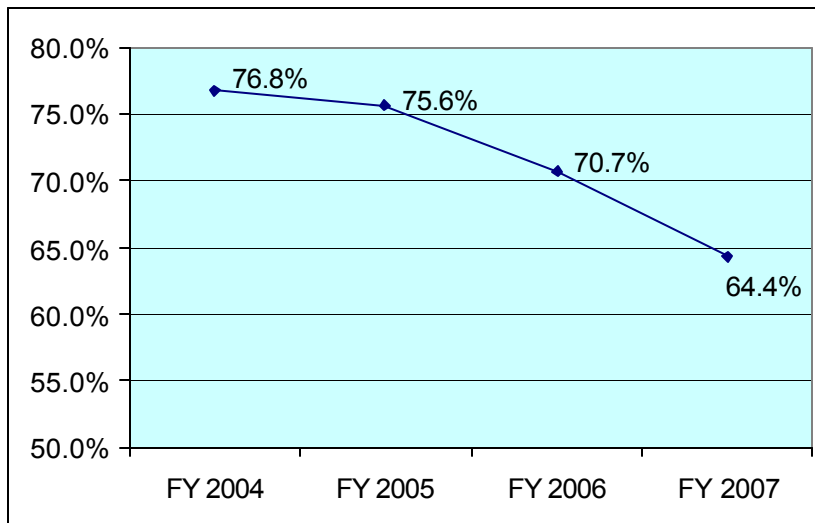
<sup>12</sup> National Taxpayer Advocate FY 2006 Objectives Report 49.

<sup>13</sup> GAO, GAO-07-156, *TAS Caseload Has Grown and Taxpayers Report Being Satisfied, but Additional Measures of Efficiency and Effectiveness Are Needed* (Feb. 22, 2007).

with this recommendation, and TAS already measures the quality of its casework.<sup>14</sup> TAS has implemented the first phase of a time tracking system that will allow management to better quantify the staff costs associated with TAS cases.<sup>15</sup> TAS has also identified 22 specific case complexity factors and is modifying TAMIS to allow TAS to identify the degree of complexity of each case.<sup>16</sup> Once these time tracking and case complexity systems are fully implemented, TAS will have a measure of overall efficiency that meets the standards outlined by the GAO.

As shown in Chart I-5 below, the ratio of TAS's systemic burden case receipts to total receipts through the second quarter FY 2007 is 64.4 percent, a nine percent decrease from the same period in FY 2006.<sup>17</sup>

**CHART I-5, SYSTEMIC BURDEN RECEIPTS AS A PERCENTAGE OF TOTAL RECEIPTS FOR THE FIRST SIX MONTHS OF EACH FISCAL YEAR**



<sup>14</sup> See Assessing Product Quality, *infra*.

<sup>15</sup> See TAMIS Time Reporting, *infra*.

<sup>16</sup> See TAS Case Complexity, *infra*.

<sup>17</sup> The efficiency measure through March 31, 2007 was 64.4 percent compared to 70.7 percent for the same period in FY 2006.

## **Best Interest of the Taxpayer**

TAS also accepts cases in situations where the manner in which the tax laws are being administered raises considerations of equity, or has impaired or will impair taxpayer rights. Acceptance of these cases ensures taxpayers receive fair and equitable treatment and protects their rights in situations where no other TAS acceptance criteria apply. For the first six months of FY 2007, TAS accepted 119 cases meeting this criterion. Seventy-three percent of these cases related to compliance or enforcement issues (for example, audits and reconsiderations, levies, liens, and other collection issues).

## **Public Policy**

TAS uses the public policy category for case acceptance when the National Taxpayer Advocate determines compelling public policy warrants assistance to an individual or group of taxpayers with problems that may arise due to the implementation of new tax programs or initiatives, and no other case acceptance criteria apply. In FY 2006, the National Taxpayer Advocate designated cases related to the IRS's PDC initiative as warranting assistance under the public policy criterion. TAS received 267 cases in the first two quarters of FY 2007 related to the PDC initiative, of which 55 met this criterion.<sup>18</sup> Sixty-nine percent (38 cases) of the 55 cases involved IRS compliance or enforcement issues. Examples include a request for assistance because the taxpayer was unable to pay, a request for an installment agreement, and a request for assistance with other collection issues.

## **Top 15 Issues Received in FY 2007**

TAS uses primary and secondary issue codes to identify and track issues that lead taxpayers to seek TAS assistance. These issues are indicators of the downstream impact of IRS initiatives. Table I-6 illustrates the top 15 issues through the second quarter of FY 2007 and compares the volume of receipts for these issues to the same period for FY 2006 and FY 2004.

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<sup>18</sup> TAS accepted the remainder of the 267 cases under case acceptance criteria 1 through 7.

TAS receipts related to Failure to File (FTF) and Failure to Pay Penalties (FTP), Injured Spouse Claims, and Combined Annual Wage Reporting (CAWR) and Federal Unemployment Tax Act (FUTA) have all increased significantly.

**TABLE I-6, TOP 15 ISSUES RECEIVED IN TAS AS OF MARCH 31 OF EACH FISCAL YEAR**

Description of the Issue	FY 2007	FY 2006	% Change FY 2006 to FY 2007	FY 2004	% Change FY 2004 to FY 2007
Levies (including the Federal Payment Levy Program)	9,258	8,338	11.0%	4,063	56.1%
Earned Income Tax Credit (EITC) Cases <sup>19</sup>	6,625	6,001	10.4%	7,085	-6.9%
Processing Amended Returns	6,316	5,321	18.7%	4,691	25.7%
Reconsideration of Substitute for Return under IRC § 6020(b) <sup>20</sup> and Audits <sup>21</sup>	6,130	4,823	27.1%	3,472	43.4%
Expedite Refund Request	5,201	5,206	-0.1%	3,711	28.6%
Automated Underreporter Examination Completed <sup>22</sup>	5,032	3,710	35.6%	2,199	56.3%
Open Audit	4,142	3,182	30.2%	2,388	42.3%
Criminal Investigation	3,837	14,793	-74.1%	6,469	-68.6%
Processing Original Return	3,699	3,878	-4.6%	3,180	14.0%

<sup>19</sup> Includes EITC claims, EITC certification cases, EITC Automated Underreporter cases, requests for reconsideration of EITC audit assessments and EITC recertification cases.

<sup>20</sup> IRC § 6020(b)(1): If any person fails to make any return required by any internal revenue law or regulation made thereunder at the time prescribed therefor, or makes, willfully or otherwise, a false or fraudulent return, the Secretary shall make such return from his own knowledge and from such information as he can obtain through testimony or otherwise.

<sup>21</sup> Reconsideration of a tax assessment resulting from an IRS examination, or an income or employment tax return prepared by the IRS under IRC § 6020(b).

<sup>22</sup> The Automated Underreporter program matches taxpayer income and deductions submitted by third parties against amounts reported on the individual income tax return.

Description of the Issue	FY 2007	FY 2006	% Change FY 2006 to FY 2007	FY 2004	% Change FY 2004 to FY 2007
Combined Annual Wage Reporting and Federal Unemployment Tax Act <sup>23</sup>	3,183	1,686	88.8%	1,375	56.8%
Copies of Returns, Transcripts of Account, Audit Reports, or Information Requested under the Freedom of Information Act	2,898	3,115	-7.0%	1,842	36.4%
IRS Offset	2,843	2,162	31.5%	1,021	64.1%
Failure to File and Failure to Pay Penalties <sup>24</sup>	2,839	1,977	43.6%	1,586	44.1%
Injured Spouse Claim	2,607	2,132	22.3%	2,076	20.4%
Liens (including original filing, release, withdrawal, subordination, and discharge)	2,554	3,161	-19.2%	1,845	27.8%

<sup>23</sup> The Social Security Administration (SSA) provides records of wages paid and taxes withheld to the IRS. The IRS compares these records to the information reported by employers on their payroll and unemployment returns (Form 941, Employer's Quarterly Federal Tax Return and Form 940, Employer's Annual Federal Unemployment (FUTA) Tax Return). CAWR refers to the Form 941 matching program and Federal Unemployment Tax Act (FUTA) refers to the Form 940 matching program.

<sup>24</sup> The FTF penalty under IRC § 6651(a) is a five percent penalty for each month or part of a month that the return is late. The penalty is charged on the amount of tax due, minus any credit the taxpayer is entitled to receive or payment made by the due date. The maximum penalty is 25 percent (up to five months). The FTF penalty under IRC § 6651(a)(2) is a 0.5 percent penalty charged on the unpaid tax for each month or part of a month the tax remains unpaid, not to exceed 25 percent (up to 50 months). Under IRC § 6651(c), the FTF penalty is reduced by the FTP penalty when both penalties apply in the same month.

TAS's workload is a function of many variables, including the state of the economy, new IRS initiatives, changes in legislation or IRS practices, and increases or decreases in staffing components within the IRS operating divisions. The following issues illustrate the impact on TAS receipts created by internal and external environmental factors.

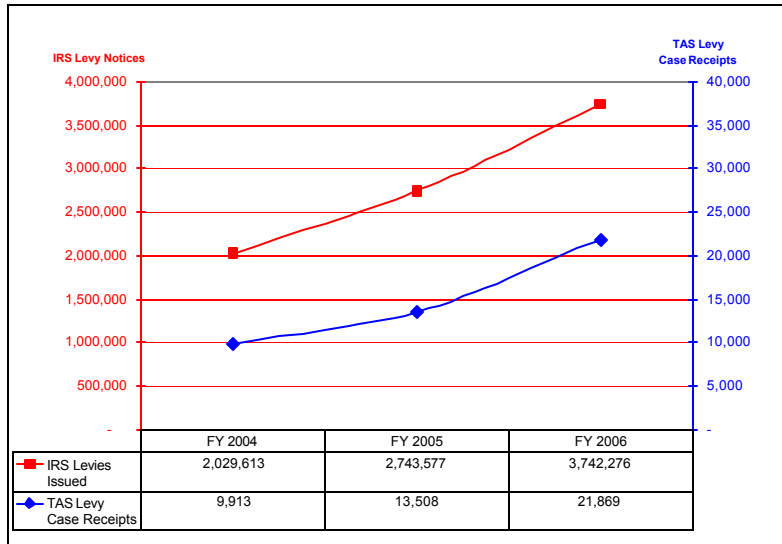
### **Impact of Levies**

TAS case receipts regarding levy issues continue to rise as the IRS's enforcement efforts continue to increase. Levy-related problems remain one of the top ten issues in TAS receipts. A comparison of receipts for the first two quarters of FY 2006 and FY 2007 reflects an 11 percent increase in TAS levy cases. The number of levies issued by the IRS rose 36 percent from FY 2005 to FY 2006,<sup>25</sup> while related TAS levy cases increased by 62 percent for that same period.

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<sup>25</sup> IRS Pub. 55B, *Internal Revenue Service Data Book*, 2006 (March 2007).

**TABLE I-7, IRS LEVY NOTICES ISSUED VS. TAS LEVY CASE RECEIPTS, FY 2004 THROUGH FY 2006.**



### Impact of Earned Income Tax Credit (EITC) Issues

Each year, TAS projects the number of EITC cases it expects to receive and plans accordingly. EITC case receipts for the first half of FY 2007 have increased by ten percent over the same period in FY 2006. The following items reported in the Wage and Investment Operating Division (W&I) June 2007 Business Performance Review (BPR)<sup>26</sup> may have impacted TAS receipts:

- ♦ March 2007 Automated Underreporter Earned Income Tax Credit (AUR EITC) closures were 52.8 percent above the prior year;
- ♦ The AUR EITC work in process going into FY 2007 was approximately 83,000 cases more than planned, due to additional cases started in late FY 2006;
- ♦ Since work in progress typically generates closures in the beginning of the year, the EITC closures for the AUR EITC program were higher in the beginning of the fiscal year; and
- ♦ March 2007 EITC correspondence audits increased 5.7 percent over the same period in FY 2006.

<sup>26</sup> IRS Wage & Investment Operating Division, *Business Performance Review, Compliance Performance Measures* 29-30 (June 6, 2007).

In FY 2007, the IRS increased its efforts to promote EITC, including congressional outreach, direct mail programs, Volunteer Income Tax Assistance (VITA), and other volunteer outreach activities. The IRS also held a National EITC Awareness Day on February 1, 2007, in which TAS participated, to publicize the credit.

In January 2007, New York City launched an outreach campaign targeting taxpayers whose 2003 and 2004 income indicated they might be eligible for EITC. The city mailed letters to approximately 95,000 taxpayers with completed Forms 1040X, *Amended U.S. Individual Income Tax Return*, and postage paid envelopes addressed to the IRS's Andover Submission Processing Campus. The letters also referred taxpayers to the city's website, which includes a link to the TAS website. The outreach campaign initially resulted in taxpayers submitting approximately 2,400 amended returns per week to the IRS. However, the IRS found that approximately 68 percent of the taxpayers were not eligible for the credit.<sup>27</sup> TAS is working with the IRS and New York City to assist affected taxpayers. TAS drafted a letter that the IRS is sending to all of those whose amended returns were selected for audit, advising them they can receive assistance from TAS and Low LITCs. TAS will track the receipts resulting from the outreach.

### **Impact of the Combined Annual Wage Reporting and Federal Unemployment Tax Act Program<sup>28</sup>**

The IRS and the SSA jointly administer the Combined Annual Wage Reporting (CAWR) program. CAWR is a document-matching program designed to ensure that employers report the correct amount of wages, pay the proper amount of taxes, and properly credit the individual employee's Social Security account.<sup>29</sup>

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<sup>27</sup> IRS Wage & Investment Operating Division, *Business Performance Review, Earned Income Tax Credit Operations, Critical Issues/Risks/Hot Topics 31* (June 6, 2007).

<sup>28</sup> The SSA provides records of wages paid and taxes withheld to the IRS. The IRS compares these records to the information reported by employers on their payroll and unemployment returns (Form 941, *Employer's Quarterly Federal Tax Return*, and Form 940, *Employer's Annual Federal Unemployment (FUTA) Tax Return*).

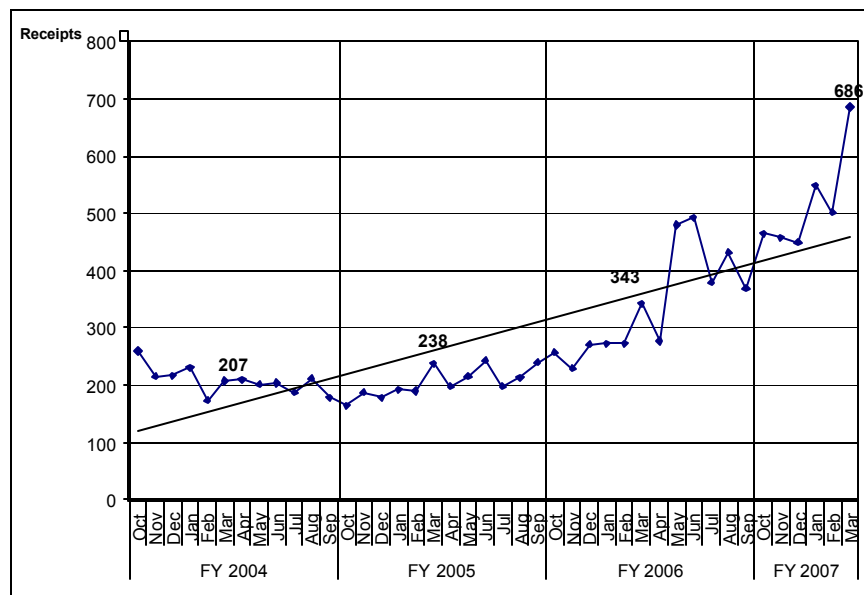
<sup>29</sup> National Taxpayer Advocate 2003 Annual Report to Congress 220.



The FUTA authorizes the IRS to collect a federal employer tax used to fund state workforce agencies. The unemployment compensation program was created by the Social Security Act of 1935 and today is a federal-state partnership based upon federal law and administered by state agencies. FUTA is another document-matching program designed to ensure that employers report the correct amount of federal tax, based upon their state contributions.

From FY 2005 to FY 2007, the IRS consolidated the CAWR and FUTA programs at three locations. As shown in Chart I-8, TAS receipts related to CAWR/FUTA issues and the associated civil penalties began to increase after the consolidation and are still rising.

**CHART I-8, TAS CASE RECEIPTS RESULTING FROM THE CAWR/FUTA PROGRAMS**



In addition to handling more CAWR/FUTA cases, TAS opened three related advocacy projects<sup>30</sup> and two immediate interventions<sup>31</sup> on systemic issues submitted to TAS by taxpayers and IRS employees on SAMS and

<sup>30</sup> An advocacy project is a systemic issue that has met the criteria for development and resolution by Systemic Advocacy.

<sup>31</sup> An immediate intervention is an operational issue, identified internally or externally, which causes immediate, significant harm to multiple taxpayers and demands an urgent response.

will continue to work with the IRS in FY 2008 to address issues related to the CAWR/FUTA program.

### **Impact of Stolen Identity Issues<sup>32</sup>**

Reports of stolen identity are increasing in the United States and are a significant challenge for TAS and the IRS. The Federal Trade Commission reports there were over 15,000 incidents in calendar year 2006 in which identity theft victims' Social Security numbers (SSNs) were used to file false tax returns.<sup>33</sup> TAS case receipts involving stolen identity increased 109 percent in the first half of FY 2007, compared to the same period in FY 2006.<sup>34</sup> Chart I-9 depicts the increase in TAS stolen identity cases, as well as publicity related to the problem of stolen identity. Although TAS did not receive any cases directly related to the Veterans Affairs computer theft, the publicity increased taxpayers' awareness of the issue, which may indirectly account for a significant increase in TAS cases. Stolen identity case receipts also typically rise during the filing season when taxpayers are anticipating receipt of their refunds.

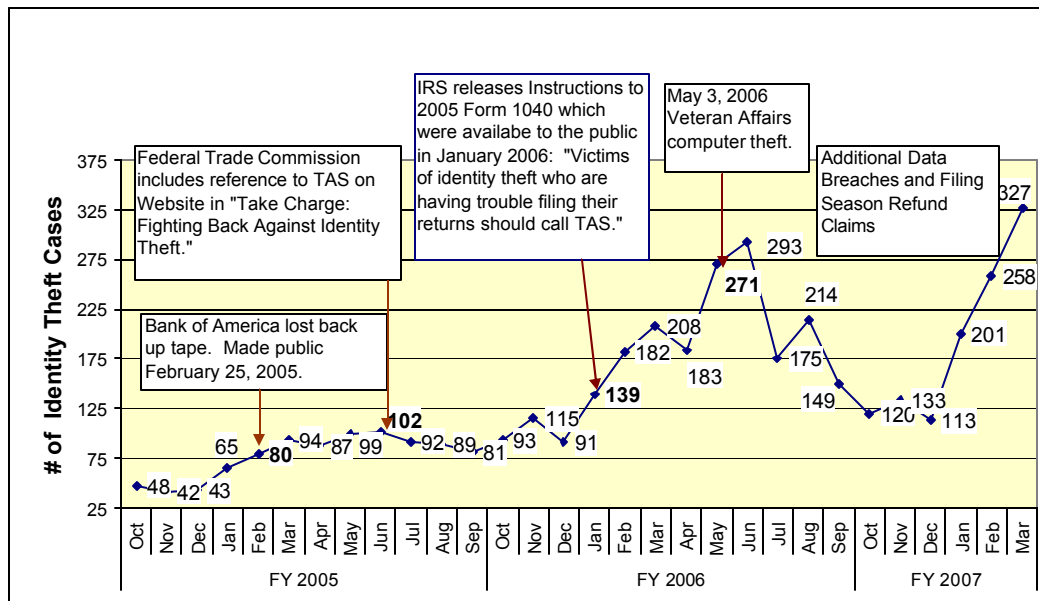
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<sup>32</sup> For an additional discussion of stolen identity, see Stolen Identities, *infra*.

<sup>33</sup> Federal Trade Commission, *Identity Theft Victim Complaint Data Report, January 1-December 31, 2006*, at [http://www.ftc.gov/bcp/edu/microsites/idtheft/downloads/clearinghouse\\_2006.pdf](http://www.ftc.gov/bcp/edu/microsites/idtheft/downloads/clearinghouse_2006.pdf).

<sup>34</sup> TAS received 335 stolen identity cases in FY 2004. The number rose to 922 in FY 2005 and 2,486 in FY 2006. Through March 2007, TAS received 1,152 cases.

**CHART I-9, TRENDS IN TAS IDENTITY THEFT MONTHLY CASE RECEIPTS**



### Impact of Applications for Tax-Exempt Status Determinations

Over the past several years, the number of applications for tax exempt status under IRC § 501(c) has continued to rise.<sup>35</sup> As depicted in Table I-10 below, the IRS received 90,276 applications in FY 2006, an increase of almost eight percent from FY 2005.<sup>36</sup>

<sup>35</sup> IRC § 501(c)(3) identifies the charitable, religious, and educational organizations, civic associations, labor organizations, business leagues, social clubs, fraternal organizations, private foundations and various other organizations exempt from federal income tax under the IRC.

<sup>36</sup> IRS *Data Book 2001-2005*, Table 21 and 2006, Table 24.

**TABLE I-10, TOTAL TAX-EXEMPT STATUS APPLICATIONS OR DISPOSALS AND THEIR DISPOSITIONS FOR FY 2004-2006**

<b>FY</b>	<b>Total Applications or Disposals</b>	<b>% Change</b>	<b>Approved</b>	<b>Denied</b>	<b>Other <sup>37</sup></b>	<b>% Not Approved</b>
2004	87,080		69,315	1,050	16,715	20.40%
2005	83,617	-3.98%	68,227	782	14,608	18.41%
2006	90,276	7.96%	71,054	1,305	17,917	21.29%

The increase in applications, coupled with the need to scrutinize applications closely to ensure organizations qualify for tax-exempt status, resulted in a backlog of cases awaiting assignment.<sup>38</sup> The Tax Exempt/Government Entities (TE/GE) division indicates it may take more than five months for an application to be assigned for review.<sup>39</sup> Delays in processing and approving applications for exempt status means organizations may lose funding opportunities. In this situation, they may turn to TAS for assistance.

TAS received 1,166 TE/GE cases during the first half of FY 2005, 217 of which involved taxpayers seeking tax-exempt status. TE/GE receipts rose to 1,573 in the first half of FY 2006, an increase of 34.9 percent, while TAS cases involving applications for tax-exempt status rose to 410 cases, an 89 percent increase. During the first half of FY 2007, TAS received 441 cases involving applications for tax-exempt status.

<sup>37</sup> "Other" includes applications withdrawn by the organization; applications, which failed to provide the required information; incomplete applications; IRS refusals to rule on applications; applications forwarded to other than the IRS National Office; IRS correction disposals; and others.

<sup>38</sup> IRS, *FY 2007 Exempt Organizations (EO) Implementing Guidelines*, 7 (Nov. 2006)

<sup>39</sup> See Charities and Non-Profits, *Where Is My Exemption Application* (May 31, 2007) <http://www.irs.gov/charities/article/0,,id=156733,00.html>.

**TABLE I-11, TE/GE TAS RECEIPTS FOR THE FIRST SIX MONTHS OF FY 2005 THROUGH 2007**

Total Receipts		% Change	Application for Exempt Status Receipts <sup>40</sup>	% Change
FY 2005	1,166		217	
FY 2006	1,573	34.9%	410	88.9%
FY 2007	2,357	49.8%	441	7.5%

TE/GE has now added information entitled “Where Is My Exemption Application?” to its website. This page explains the determination process, gives the status of applications requiring additional development, and explains how an organization can check on the status of its application. TAS will continue to work with TE/GE in FY 2008 to improve the timeliness of tax-exempt determination processing.<sup>41</sup>

### **Trends in TAS Closures**

Through March 2007, TAS closed 109,180 cases received in FY 2007 or earlier, providing full<sup>42</sup> or partial relief<sup>43</sup> to taxpayers in 74.5 percent of these cases.<sup>44</sup> Total closures increased 5.6 percent over the same period in FY 2006,<sup>45</sup> which corresponds to the growth in receipts for the same period.<sup>46</sup> Table I-12 outlines the disposition of cases closed during the first half of FY 2007.

<sup>40</sup> TAMIS data taken from BPMS; *BOD Receipts - Core Issues by Criteria Code*, Core Issue Code 460, Application for Exempt Status.

<sup>41</sup> For additional discussion, see The Exempt Organization Determination Letter Process, *infra*.

<sup>42</sup> Full relief is provided when all of the relief requested by the taxpayer is provided.

<sup>43</sup> Partial relief is provided when a portion of the relief requested by the taxpayer is provided.

<sup>44</sup> TAS closed 81,345 cases granting full or partial relief through March 2007.

<sup>45</sup> TAS closed 103,375 cases through March in FY 2006.

<sup>46</sup> TAS case receipts increased 5.1 percent from the first half of FY 2007 compared to the same period in FY 2006.

**TABLE I-12, DISPOSITION OF ALL TAS CASES OCTOBER 1, 2006  
THROUGH MARCH 31, 2007**

Type of Relief	Number	%
<b>Relief Provided to Taxpayer</b>	<b>81,345</b>	<b>74.51%</b>
Full relief	76,379	69.97%
Partial relief	4,957	4.54%
TAO Issued - IRS Complied	5	0.00% <sup>47</sup>
TAO Issued - IRS Appealed; TAO Sustained	1	0.00%
TAO Issued - IRS Appealed; TAO Modified	3	0.00%
<b>No Relief Provided to Taxpayer</b>	<b>27,835</b>	<b>25.49%</b>
TAO Issued - IRS Appealed; TAO Rescinded	0	0.00%
No relief (no response from taxpayer)	13,792	12.63%
Relief provided prior to Taxpayer Advocate Service Intervention	5,316	4.87%
Relief not required (taxpayer rescinded request)	1,506	1.38%
No relief (hardship not validated)	317	0.29%
Relief not required (hardship not related to internal revenue laws)	574	0.53%
No relief (tax law precluded relief)	751	0.69%
Other	5,579	5.11%
<b>Total TAS Cases Closed</b>	<b>109,180</b>	<b>100.00%</b>
TAOs Issued	9	0.02%

## Operations Assistance Requests

TAS issues Operations Assistance Requests (OARs) to the IRS operating divisions and functions when TAS does not have the statutory or delegated authority to take the actions necessary to resolve a case. TAS sends Form 12412, *Operations Assistance Request*, to the operating division with the authority and responsibility for taking the actions necessary to resolve the taxpayer's case. Processing OARs efficiently is of vital importance to taxpayers, TAS, and the IRS. Although TAS and the IRS have done well to process the volume of OARs generated (TAS issued 91,897 OARs during the first half of FY 2007), this process requires

<sup>47</sup> IRC § 7811 authorizes the National Taxpayer Advocate to issue a TAO when a taxpayer is suffering or about to suffer a significant hardship as a result of the manner in which the tax laws are being administered. A TAO may be issued to direct the IRS to take an action, cease an action, or refrain from taking an action in a case.

improvement. For example, in the first half of FY 2007, the operating divisions rejected 14.6 percent of the OARs TAS issued.<sup>48</sup> See Table I-13 for a breakdown of OARs issued for FY 2007 by operating division.

**TABLE I-13, TOTAL OARS ISSUED AND REJECTED BY OPERATING DIVISION, OCTOBER 1, 2006 THROUGH MARCH 31, 2007**

Operating Division	OARs Issued	OARs Rejected	Rejection Rate <sup>49</sup>
SB/SE	44,010	7,323	16.64%
W&I	42,779	5,595	13.08%
CI	3,720	245	6.59%
Appeals	733	177	24.15%
TE/GE	607	61	10.05%
LMSB	48	7	14.58%
<b>Total</b>	<b>91,897</b>	<b>13,408</b>	<b>14.59%</b>

TAS is working on a number of initiatives to improve the OAR process and reduce delays and errors:

- ♦ Creating an electronic OAR platform to enable electronic routing of OAR information back and forth from TAMIS to the IRS DI system.<sup>50</sup> TAS will implement this new process by FY 2010<sup>51</sup> and expects it to significantly improve the accuracy of OAR data, reduce routing delays, and improve tracking while retaining the confidentiality of taxpayer information.
- ♦ Updating its SLAs with the IRS operating divisions to require the IRS operating divisions to contact TAS to provide TAS an

<sup>48</sup> Form 12412, *Operations Assistance Request*, an OAR may be rejected for the following reasons: the IRS disagrees with the action TAS is requesting, the IRS believes TAS has the authority to take the requested action, the OAR was routed to the wrong IRS function or location, the action requested is not clear, the Form 12412 is not complete, or supporting documentation is not attached.

<sup>49</sup> The rejection rate is the total OARs rejected divided by the total OARs issued. An OAR may be rejected for more than one reason.

<sup>50</sup> See Electronic Operations Assistance Request, *infra*.

<sup>51</sup> TAS originally anticipated implementing the electronic OAR process in FY 2009. TAS is currently working with the IRS Accounts Management Systems Executive Council to obtain their approval to implement the system. Implementation is now scheduled for FY 2010.

opportunity to “perfect” an OAR before the operating division rejects it.<sup>52</sup>

- ♦ Revising the TAS IRM that provides guidance to employees regarding the OAR process and Form 12412 to:
  - Clearly define completion dates;
  - Ensure Case Advocates use the most expeditious methods to submit an OAR (*i.e.* fax or secure e-mail); and
  - Revise the “Action Taken” and “Reason Rejected” sections of Form 12412 for greater clarity.
- ♦ TAS will complete the revisions by December 2007.
- ♦ TAS is studying misrouted OARs to determine the common causes of the problem and will complete this study by September 2007. TAS will provide training and clarification on processes that have a high rate of rejected OARs.
- ♦ TAS developed monitoring reports for managers to assess OAR timeliness and address rejected OARs for their individual offices.
- ♦ TAS developed an OAR Routing Guide for IRS campus operations to help case advocates determine where to send an OAR.
- ♦ Because OARs may be sent to any function within the IRS, and given the continual state of change in operating division personnel and procedures, it is often a challenge for TAS employees to identify where to send an OAR. TAS will partner with the IRS to identify areas where OAR processing could be centralized. Centralization would improve OAR routing, reduce delays, and provide consistency in how each taxpayer’s problem is handled.

## **Taxpayer Assistance Orders**

IRC § 7811 authorizes the National Taxpayer Advocate to issue a Taxpayer Assistance Order (TAO) when a taxpayer is suffering or about to suffer a significant hardship as a result of the manner in which the tax laws are being administered. A TAO may be issued to direct the IRS to take an action, cease an action, or refrain from taking an action in a case.<sup>53</sup> A

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<sup>52</sup> For more information, see Service Level Agreements, *infra*.

<sup>53</sup> The terms of a TAO may require the Secretary within a specified time period to release property of the taxpayer levied upon, or to cease any action, take any action as permitted by law, or refrain from taking any action, with respect to the taxpayer under chapter 64 (related to collection), subchapter B of chapter 70 (relating to bankruptcy



TAO may also be issued to order the IRS to expedite consideration of a taxpayer's case, reconsider its determination in a case, or review the case at a higher level of the organization.<sup>54</sup>

Upon receipt of a TAO, the responsible IRS official can either agree to take the action directed or appeal the order. TAS issued six TAOs during the first half of FY 2007:

- ♦ TAS issued a TAO to a W&I operating division's Campus Accounts Management function, ordering the unit to review the capital gains tax computation on an amended return and recommending the operating division accept the changes. The function complied.
- ♦ TAS issued a TAO to the SB/SE Division Examination function ordering an audit reconsideration for the allowance of exemptions and the EITC. The function complied.
- ♦ TAS issued a TAO to the TE/GE Division ordering expedite processing of an exempt status application. The function complied.
- ♦ TAS issued a TAO to SB/SE Compliance recommending a lien withdrawal. The IRS based the lien balances on tax assessments resulting from returns filed on behalf of the taxpayer,<sup>55</sup> but the taxpayer subsequently complied with the tax laws and filed a return with a lower amount of tax. The function complied.
- ♦ TAS issued a TAO to the SB/SE Examination function ordering either assignment of a taxpayer's case or issuance of the refund as shown on the return. The function complied.

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and receiverships), chapter 78 (relating to discovery of liability and enforcement of title), or any other provision of law which is specifically described by the National Taxpayer Advocate in such order. See IRC § 7811(b).

<sup>54</sup> IRM 13.1.7.8.2.2 (Apr. 1, 2003).

<sup>55</sup> IRC § 6020(b)(1) provides: "If any person fails to make any return required by any internal revenue law or regulation made thereunder at the time prescribed therefor, or makes, willfully or otherwise, a false or fraudulent return, the Secretary shall make such return from his own knowledge and from such information as he can obtain through testimony or otherwise."

- ♦ TAS issued a TAO to the W&I Examination function recommending the unit accept a taxpayer's return as filed and rescind the Statutory Notice of Deficiency previously issued.<sup>56</sup> The function complied.

## **SYSTEMIC ADVOCACY**

The National Taxpayer Advocate created the Executive Director Systemic Advocacy (EDSA) position in 2002 to provide oversight and focus to identifying and resolving systemic issues within the IRS. The EDSA and Systemic Advocacy (SA) technical liaisons meet with the executives from the IRS operating divisions to identify and discuss emerging issues and ensure a TAS presence in IRS policy decisions. The technical liaisons represent the National Taxpayer Advocate before the operating divisions and functions, participate on task forces, teams and outreach efforts to identify systemic issues, processes or procedures, and coordinate closely with the business community.

### **Office of the Executive Director Systemic Advocacy**

The Office of Systemic Advocacy is responsible for identifying and resolving systemic problems within the IRS to improve tax administration and protect taxpayers' rights. These issues affect specific segments of the taxpayer population and may pertain to businesses, individuals, or tax-exempt or governmental entities. Systemic Advocacy works directly with the IRS on problems caused by administrative practices.

### **Systemic Advocacy Operating Plan**

The Office of Systemic Advocacy established goals and actions for FY 2008 that align with TAS operating priorities and Systemic Advocacy organizational needs.<sup>57</sup> Some of these actions are designed to enhance processes related to the National Taxpayer Advocate's ARC, including tracking prior Most Serious Problem (MSP) recommendations. Systemic

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<sup>56</sup> IRC § 6212(a) provides: "If the Secretary determines that there is a deficiency in respect of any tax imposed by subtitle A or B or chapter 41, 42, 43, or 44, he is authorized to send notice of such deficiency to the taxpayer."

<sup>57</sup> See Appendix V for a complete listing of Systemic Advocacy goals and actions.

Advocacy will also develop baseline data for key measures of quality and timeliness of advocacy projects, immediate interventions, and internal management document reviews, and will determine improvement priorities. In addition, Systemic Advocacy will focus on enhancing communication with individuals submitting issues on SAMS<sup>58</sup> utilize Systemic Advocacy technical liaisons to enhance coordination with operating divisions, and implement an internal customer satisfaction survey.

### ***Addressing Systemic Issues***

TAS directors, technical and field analysts, the National Taxpayer Advocate's attorney advisors, and LTAs work throughout the year on advocacy issues, projects, and task forces. Unresolved issues identified through this work may ultimately reach the status of MSPs in the ARC. To facilitate timely and effective tracking of the IRS's response to the National Taxpayer Advocate's recommendations in the ARC, Systemic Advocacy follows these procedures:

- ♦ Provides a compilation of the recommendations proposed in the ARC to the operating divisions with a memorandum requesting a response to each recommendation. TAS posts the responses on the IRS intranet and public Internet sites.
- ♦ Reports status updates on the TAS intranet site on a semi-annual basis with the due dates to coincide with the Objectives Report and the ARC. Status updates include (1) completed actions taken by the IRS and results of the actions, (2) progress toward accomplishing recommendations, (3) outstanding recommendations where the IRS has made no progress, and (4) substantiation making a recommendation obsolete. These reports are posted on the TAS website and the IRS intranet.

The National Taxpayer Advocate will also monitor and report back with status updates on high priority problems in each subsequent year's ARC.

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<sup>58</sup> SAMS is a web-based system that allows taxpayers, practitioners, and IRS personnel to report systemic problems within the IRS and submit possible solutions to those problems.

The Director of Immediate Interventions (DII) and the Director of Advocacy Projects (DAP) manage advocacy projects that are created from issues submitted on SAMS. Taxpayers, tax practitioners, and IRS personnel are able to submit issues they believe constitute systemic problems for taxpayers on SAMS and are given periodic progress updates on projects that are established from those issue submissions. The DII and DAP also manage Systemic Advocacy participation on IRS task forces, which grow out of the National Taxpayer Advocate's ARC, IRS Oversight Board recommendations, advocacy projects, and other sources.<sup>59</sup> The DAP also supports LTAs with their advocacy portfolios described below.

### ***Advocacy Portfolios***

LTAs serve as portfolio advisors and bring a grassroots perspective to national advocacy issues by maintaining advocacy portfolios, which help TAS integrate case advocacy with systemic advocacy. The LTAs use their expertise and field contacts to promote awareness and rapid correction of systemic problems in IRS offices and campuses. Portfolio advisors maintain a high level of knowledge on specific issues and monitor the progress of their portfolios throughout the year. The portfolio process is coordinated through both the DAP and individual TAS area directors. See Appendix VI for a complete list of advocacy portfolios.

### ***Immediate Interventions***

An immediate intervention is an administrative issue, identified internally or externally, that causes immediate, significant harm to multiple taxpayers and demands an urgent response. The DII in the Office of Systemic Advocacy reviews all potential immediate intervention issues to determine if they will become advocacy projects. TAS received 24 immediate intervention issues during the first half of FY 2007.<sup>60</sup>

A recent example of an immediate intervention involves unwarranted collection activity against elderly and disabled individuals for delinquent payroll taxes of health care workers providing in-home care services under

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<sup>59</sup> See Appendix III for discussion of current Joint Task Forces.

<sup>60</sup> In FY 2006, Systemic Advocacy received 25 immediate intervention issues for the same time period and 55 for the entire fiscal year.

federal and state grant programs.<sup>61</sup> The design and implementation of in-home health care programs differs from state to state with some states using intermediary service organizations (ISOs) to assume functions that employers often undertake, including:

- ♦ Obtaining the Employer Identification Number (EIN) on behalf of the in-home health care recipients;
- ♦ Hiring the in-home health care providers;
- ♦ Paying the health care providers; and
- ♦ Withholding and remitting payroll taxes on behalf of the health care provider and filing payroll tax returns with the IRS.

When the ISO (or the payroll agent of the ISO) fails to remit payroll tax payments or file the payroll tax returns as required by law, the IRS turns to the elderly or disabled taxpayer as the employer.<sup>62</sup> According to IRS guidance, the elderly or disabled care recipient generally is the employer in home health care situations.<sup>63</sup> In one recent instance, the IRS assessed taxes against thousands of taxpayers for tax years 2004, 2005 and 2006 under the provisions of IRC § 6020(b), filed federal tax liens, and issued federal payment levies against the elderly and disabled individuals' Social Security benefits.<sup>64</sup> Thousands of these taxpayers were referred to TAS by IRS collection representatives, and a request was made on SAMS that Systemic Advocacy treat the problem as an Immediate Intervention. TAS worked closely with the SB/SE Division Collection functions to provide relief.

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<sup>61</sup> See IRS Notice 2003-70, *Proposed Revenue Procedure Regarding Home-Care Service Procedures* (Oct. 27, 2003), addressing tax issues relating to home-care services.

<sup>62</sup> The manner in which these programs are implemented differs from state to state with in-home care recipients having varying levels of involvement with the employment of the caregiver. The level of involvement is critically important because the person or entity that is deemed to satisfy the most elements of the common law employer test will be deemed the employer for purposes of being liable for employment taxes. See Rev. Rul. 87-41, 1987-1 C.B. 296 setting forth 20 common law factors to consider when determining who is the employer, including who takes the following actions: gives instructions on performing work, trains workers, hires, supervises, fires and pays).

<sup>63</sup> IRS Notice 2003-70, *Proposed Revenue Procedure Regarding Home-Care Service Procedures*, Q&A - 5 (Oct. 27, 2003).

<sup>64</sup> IRC § 6020(b) provides the Secretary of the Treasury the authority to prepare and execute returns and secure assessments from non-filing taxpayers.

With respect to the Immediate Intervention, in prior years, the payroll agent filed a separate Form 941, *Employer's Quarterly Tax Return*, for each of its clients. Recently, the payroll agent started filing an aggregate Form 941 under the provisions of IRC § 3504 that created return delinquencies on the elderly and disabled taxpayers' accounts because the IRS was unable to match the payroll payments with the EIN assigned to the care recipient. The IRS agreed to temporarily stop collection action for all affected taxpayers. For those taxpayers (*i.e.*, the care recipients) for whom the payments can be matched, the IRS abated the tax, penalties, and interest.

TAS continues to work with SB/SE on the accounts of other affected taxpayers but is concerned about the IRS's approach to the elderly and disabled taxpayers for whom no matching payment can be found. The current administrative process allows for the assignment of financial responsibility and the assessment of employment tax to the elderly and disabled individuals as the payers and receivers of services within their homes. This process provides very little consideration for key financial responsibility conditions. Elderly and disabled individuals who qualify for this type of social service assistance traditionally have very little control of the direct payments of funds for services rendered. In most cases, the social service agency establishes the conditions of employment. The impact to the elderly and disabled individuals is a financial burden as well as an administrative burden for those with the least resources to address the concern. The National Taxpayer Advocate addressed this issue in the 2001 ARC as a Key Legislative Recommendation and will again address this issue in the 2007 Annual Report to Congress as part of an MSP on IRS employment tax collection policy.<sup>65</sup>

## **Internal Revenue Manual**

The IRS is in a continual state of administrative and procedural change. As changes are implemented, they are conveyed to employees through training, memoranda, e-mail, and the intranet. Yet it is important to maintain consolidated guidelines that are easily accessible and provide consistent policies and procedures throughout the IRS operating divisions

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<sup>65</sup> National Taxpayer Advocate 2001 Annual Report to Congress 138. The National Taxpayer Advocate recommended that the intermediary organizations be deemed as employers under this arrangement and that the care providers be treated as employees of these organizations rather than as independent contractors. National Taxpayer Advocate 2001 Annual Report to Congress 193.

and functions, including TAS. The IRM serves this purpose. It was designed as an everyday reference for employees concerning IRS policies and processes set forth by the IRC, the U.S. Code, tax treaties, court decisions, the Constitution, and the Commissioner. The IRM also informs the public and external policymakers on how the IRS conducts its business, thereby protecting taxpayers from arbitrary and capricious government actions. It is essential that the IRM be regularly revised to reflect changes to IRS procedures. TAS's responsibilities in this area are three-fold: conducting its own review of IRS published guidance, ensuring the viewpoints and suggestions from external sources such as the LITCs and TAP are considered and maintaining customer communications.

### **Internal Management Document – Single Point of Contact Reviews**

The Commissioner of Internal Revenue must provide subordinates with certain authorities to act on his or her behalf. This action is accomplished through Internal Management Documents (IMD). IMDs are also referred to as directives, internal directives, and instructions to staff, and include the IRM (including Law Enforcement Manuals (LEMs) and Chief Counsel Directives Manual (CCDM), Policy Statements, Delegation Orders, and Letters or Memoranda of Understanding).<sup>66</sup> IRMs require TAS review and clearance when they impact the rights or duties of taxpayers or affect taxpayers in some way.<sup>67</sup> Further, the Tax Administration Council approved the creation of a Single Point of Contact (SPOC) in each operating division and TAS. The SPOC is responsible for managing customer communications (currently referred to as notices, letters, and stuffers).<sup>68</sup> In FY 2007, TAS designed an automated process for assigning reviews and continued with the newly developed method of using SAMS to document the process and track the time spent on reviews. This new process is included in the next revision of IRM 13.2.1, *TAS Systemic Advocacy, Processing Advocacy Issues*, along with a revision to IRM 13.2.2, *Inventory Control and Working an Assignment*. TAS is scheduled to publish both in FY 2007.

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<sup>66</sup> IRM 1.11.1.1 (Apr. 1, 2007).

<sup>67</sup> IRM 1.11.2.9.1(2) (Apr. 1, 2007).

<sup>68</sup> IRS Electronic Publishing website, *SPOC Contacts*.

TAS completed over 175 reviews through the second quarter of FY 2007, including more than 52 SPOC forms and notice reviews, and uncovered a number of taxpayer rights and burden issues. For example,

- ♦ To reduce taxpayer burden for English as a second language (ESL) low income taxpayers who speak English, TAS engaged the IRS to eliminate distribution restrictions for Publication 4327, *ITIN Bilingual Brochure* (used by practitioners to provide IRS Individual Taxpayer Identification Number information) and to make it available in the quantities necessary to provide education and assistance to the ESL taxpayers, enabling them to become part of the tax system.
- ♦ To protect taxpayer rights, reduce burden, and eliminate confusion, TAS persuaded the IRS to change the wording of the letter it issues when the IRS Office of Appeals sustains a rejection of an Offer In Compromise. The change will provide taxpayers with contact information and directions regarding collection alternatives.
- ♦ TAS worked to change Publication 594, *IRS Collection Process*, to add guidance on how to request a reduced installment agreement user fee.
- ♦ TAS worked with the IRS to protect taxpayer rights by changing legal inaccuracies in IRM 3.13.2, *BMF Account Numbers*, regarding which entities can elect to change their tax filing years under IRC § 444.

Additional TAS recommendations adopted by the IRS include placing information about TAS in IRS publications; notices and forms; corrections to citations; and improvements to tone (more taxpayer-friendly), grammar, and simplified language. In FY 2008, TAS will continue its reviews to ensure notice clarity and the protection of taxpayer rights. TAS also ensures that the IRS shares notices with the LITCs and the TAP, to obtain and consider the views of external stakeholders.

There may be times when it is critical to quickly communicate new procedures, changes to existing IRM procedures, or the information required to support a one-time occurrence of a program or process. Issuing memoranda containing temporary or interim procedures or



guidelines satisfies these needs.<sup>69</sup> The IMD Coordinator is responsible for monitoring preparation and issuance of interim guidance memoranda.<sup>70</sup>

## **Systemic Advocacy Management System**

The Systemic Advocacy Management System (SAMS) provides IRS employees and external stakeholders with a method of submitting advocacy issues to the Office of Systemic Advocacy for review, analysis, and potential development as projects and provides TAS with a means of creating, working, and monitoring these projects. SAMS became available to IRS employees in FY 2003 and was upgraded in FY 2004 with the delivery of a web-based public portal, including a screening process designed to minimize inappropriate receipts. These improvements enable the public to submit potential systemic problems directly to the Office of Systemic Advocacy.

Systemic Advocacy has made several enhancements to outgoing, auto-generated SAMS messages in an effort to improve communication and coordination with internal and external customers.<sup>71</sup> Previously, the system generated messages to submitters of advocacy issues and included only the issue numbers assigned by SAMS, which meant individuals who submitted more than one issue could not always associate these messages with their individual submissions. The messages now contain the title of each issue as well as its issue number, reducing follow-up requests for information.

## ***Systemic Advocacy Receipts and Projects***

The following table illustrates the top issues received in Systemic Advocacy during the first six months of FY 2007.

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<sup>69</sup> IRM 1.11.2.13(2) (Oct. 1, 2005). One of the requirements for issuing interim procedures by memorandum is that the information will be either included in the IRM within one year from the date of the memorandum or made obsolete.

<sup>70</sup> IRM 1.11.2.13(3) (Oct. 1, 2005).

<sup>71</sup> Individuals who submit advocacy issues to SAMS and include a valid email address receive several systemically generated messages; for example, to acknowledge receipt of the issue, closure of an issue, creation of a project, assignment of a project, and closure of a project.

**TABLE I-14, SAMS TOP ISSUES, OCTOBER 1, 2006 – MARCH 31, 2007**

<b>Issue</b>	<b>Number of Receipts</b>
Notices	37
IRS Taxpayer Service Issues	26
Installment Agreements	25
Information Reporting	23
Case Processing	22
Payments/Account Credits	21
OIC	21
Form or Publication Issue	20
Refunds: Freezes	18
Navigating the IRS	17

IRS notices rank as the top issue received during the first six months of FY 2007. Four of these notice-related submissions became immediate intervention projects. Two of these projects involved the interim response letters the IRS issues to taxpayers: due to an IRS programming problem, taxpayers received identical copies of the same letter every day for several consecutive days.<sup>72</sup> The other two immediate interventions involved the clarity of notices regarding appeal rights, and notices that were sent to Volunteer Income Tax Assistance (VITA) volunteers and were perceived as “threatening and accusatory.”<sup>73</sup>

Submissions related to installment agreements more than tripled over the same period last year. Seven submissions concerned the increase in the user fee charged in connection with setting up an agreement and the reduction of these fees for low income taxpayers.<sup>74</sup> Three issues involved

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<sup>72</sup> Four separate SAMS submissions involved Letter 2644C, *Second Interim Response*.

The programming problem involved the IRS’s Desktop Integration system.

<sup>73</sup> Notices CP91 and CP298 were rewritten to advise taxpayers of their appeal rights and TAS made recommendations regarding the tone of the correspondence sent directly to VITA volunteers when the IRS did not receive a timely Form 8453, *U.S. Individual Income Tax Declaration for an IRS e-file Return*, from a tax return prepared by a VITA site volunteer. The immediate intervention regarding the notice sent to VITA volunteers is still in process. No final actions have occurred.

<sup>74</sup> Beginning January 1, 2007, the IRS implemented revised user fees for most installment agreements. User fees for entering into a non-direct debit installment agreement increased from \$43 to \$105 and the fee for direct debit installment agreements increased from \$43 to \$52. Taxpayers with incomes at or below 250 percent of the dollar criteria established by the poverty guidelines updated annually by

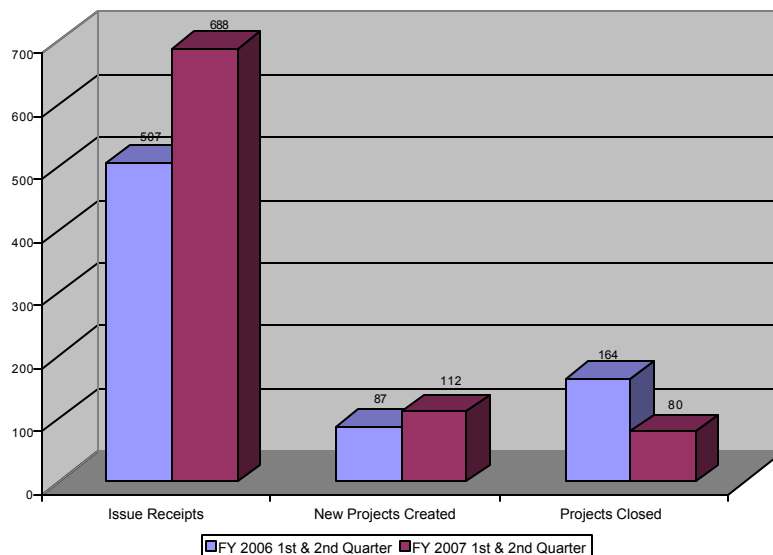
ACS employees setting up or increasing installment agreements for amounts not agreed to by the taxpayer. These issues became immediate intervention projects.

Four issues that appeared among the top 10 SAMS submissions for the first six months of FY 2006 are again in the top 10 for FY 2007.

- ♦ IRS Taxpayer Service Issues;
- ♦ Information Reporting;
- ♦ Case Processing; and
- ♦ Payments/Account Credits.

The following chart compares the numbers of systemic issues received, projects created, and projects closed during the first and second quarters of FY 2006 and FY 2007.

**CHART I-15, SAMS Comparison Data FY 2006 and FY 2007 – Receipts/Projects/Closed**



The number of Systemic Advocacy issue submissions received through March 2007 rose by 36 percent over the same period last year.

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the U.S. Department of Health and Human Services can apply and be qualified to pay a reduced user fee of \$43 for establishing new agreements including direct debit installments.

## **Advocacy Projects**

Advocacy Projects are issues submitted by taxpayers, practitioners, and IRS personnel, which suggest that a law, regulation or IRS procedure is creating a systemic problem for taxpayers. Systemic Advocacy works these issues as projects, some of which evolve into larger initiatives that are addressed in the National Taxpayer Advocate's Annual Report to Congress or through other means, such as research studies or cooperative working groups with the IRS operating divisions. TAS is focusing on the following advocacy initiatives during FY 2008:

- ♦ CI Refund Freezes;
- ♦ Stolen Identities;
- ♦ Federal Payment Levy Program;
- ♦ Exempt Organization Determination Letter Delays;
- ♦ Collection Approach toward Employers Affected by Defunct Payroll Service Providers (PSPs);
- ♦ Collection Due Process (CDP) Notices; and
- ♦ The Impact of the TRPRA on the IRS's Offer in Compromise Program.

## **Criminal Investigation Refund Freezes**

The National Taxpayer Advocate shares the government's general interest in protecting the public fisc and urges the IRS to do all that is reasonable to prevent fraudulent refund claims from being paid out. However, the National Taxpayer Advocate identified serious problems with the administration of the Questionable Refund Program (QRP) by the IRS's Criminal Investigation (CI) function in her 2005 ARC. The QRP culls through millions of refund claims filed by taxpayers each year to identify claims with questionable data elements. Returns identified as having questionable elements undergo a verification process by CI to substantiate the accuracy of the information on the return.

The 2005 report detailed the results of a year-long, statistically representative study of TAS QRP cases. In response to the QRP study, the IRS committed to making major changes to the QRP,<sup>75</sup> including:

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<sup>75</sup> The IRS agreed to several significant changes in its QRP process as a result of the 2005 ARC recommendations. For example, the IRS previously automatically froze

- ♦ Sending multiple notices to taxpayers whose refunds are delayed;
- ♦ Providing taxpayers the opportunity to present evidence substantiating their refund claims; and
- ♦ With the exception of a small class of cases that CI determines require further investigation, such as refunds that are part of a larger scheme, CI will route the remaining QRP cases to either the IRS's Examination function, to examine refund claims, or to the Accounts Management function to send notices of claim disallowance and offer taxpayers a chance to appeal the disallowance.<sup>76</sup>

In October 2006, the IRS created a Pre-Refund Program Office within the W&I operating division to coordinate and oversee pre-refund activities across all IRS functions and create strategies for improving pre-refund processes.<sup>77</sup> TAS applauds the creation of this office, but continues to be concerned that the responsibility for these returns is still too fragmented throughout the IRS. This fragmentation results in taxpayers being caught in a complicated maze of problems and delays.

TAS also believes the IRS should do more to improve the case selection process that identifies questionable refunds. Later this calendar year, TAS and CI will cooperate on a joint study of QRP cases to determine whether CI's fraud determinations under the QRP can be validated after

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(suspended) the issuance of future year refunds to taxpayers if its CI function identified a "fraudulent" refund claim in a prior year. (NOTE: CI broadly applies the term "fraudulent" to taxpayer returns in which it has suspended the refund. TAS does not agree with the broad usage of this term when a taxpayer may not have had an opportunity to dispute CI's findings.) However, TAS studied CI cases that had been referred to TAS for assistance and determined that most of these taxpayers were entitled to the subsequent year refunds. As a result, the IRS discontinued its policy of automatically freezing future-year refunds. Additionally, the CI function agreed to work with Examination and Accounts Management personnel to develop cooperative processing procedures for the QRP program. Accounts Management and Examination personnel will now receive specific case types that do not meet CI's criteria for fraud. As a result, these tax returns should be processed more quickly and accurately in FY 2007.

<sup>76</sup> For a comprehensive discussion of the changes, see National Taxpayer Advocate 2006 Annual Report to Congress 408.

<sup>77</sup> Pre-refund compliance activity is defined as an activity to prevent issuing refunds that are not legally due filers through upfront issue detection and resolution prior to the issuance of refunds.

the taxpayer is contacted by an advocate who solicits valid documentation to support the taxpayer's position.<sup>78</sup> The results of the study may help CI to refine its case selection filters, which will further ensure that fewer legitimate claims are unnecessarily impacted by the QRP. TAS plans to closely monitor the effectiveness of the revised QRP filters and procedures agreed upon by the IRS because of the recommendations in the 2005 ARC.

For example, the IRS agreed to initially screen returns by first filtering them through the Dependent Database (DDb).<sup>79</sup> In general, the Examination function should review tax returns the DDb screens out; these DDb cases should not fall under the jurisdiction of the QRP. TAS will continue to monitor the new QRP screening process to ensure that the proper filters are applied and produce accurate QRP case selection.

TAS is also concerned that both the Examination and Accounts Management functions may not have sufficient resources to work the significant volume of new cases they will receive because of the revised QRP processes.<sup>80</sup> TAS will closely monitor the QRP process in both

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<sup>78</sup> See TAS Research Initiatives section *infra*.

<sup>79</sup> The DDb contains information from the U.S. Department of Health and Human Services about dependents, such as information about the persons with whom children reside. The IRS describes the Dependent Database as follows: The DDb is a tool that identifies non-compliant Earned Income Tax Credit (EITC) and dependent issues using internal and external data elements and provides the ability to freeze refunds. The database is rule driven. If a rule condition is met as returns are processed through the DDb rule filtering process, the rule "fires" and the return is flagged for examination. Most of the selected returns are worked as pre-refund audits, which involve EITC claims. IRS, *Dependent Database*, available at <http://www.irs.gov/privacy/article/0,,id=163758,00.html>.

<sup>80</sup> The IRS established an Executive Steering Committee that included senior leaders from CI, Examination, Accounts Management, TAS, and other functions. The committee revised the processing procedures for QRP casework. CI will keep and work actual "fraudulent" returns. Accounts Management receives those cases in which the taxpayers claim either income or withholding that cannot be verified and will issue formal letters of denial after CI determines a taxpayer to be ineligible for a refund. The National Taxpayer Advocate and the IRS agreed that all other cases will go to the Examination function which will audit the cases and, where appropriate, issue notices of deficiency. In addition, the Pre-Refund Program Office established specific timeframes to coordinate actions between these three functions. However, Examination and Accounts Management do not know how many cases they will receive, as the automated selection process has also been modified. Potentially, these organizations may receive more CI inventory referrals than their present resources can accommodate in a timely manner.

functions by tracking current and future TAS inventory resulting from the actions of the functions. The National Taxpayer Advocate is concerned that the IRS is not providing Examination and Accounts Management with adequate resources to complete their assigned taxpayer casework timely.

Finally, TAS will verify that the IRS affords appeal rights to taxpayers who elect to exercise these rights after the IRS disallows their refund claims.<sup>81</sup> TAS will continue to work with the IRS operating divisions to ensure that the IRS Office of Appeals receives a taxpayer's response to a formal denial, which can no longer be resolved within CI.

Despite reaching an agreement with the IRS in January of 2006, the National Taxpayer Advocate believes there are still significant issues to be addressed. The National Taxpayer Advocate plans to negotiate a new agreement with CI, W&I, SB/SE, and the Pre-Refund Program Office in FY 2008 to ensure that taxpayer rights are protected.

### **Stolen Identities**

As discussed earlier in this report, the IRS and TAS face a growing number of tax-related issues resulting from identity theft.<sup>82</sup> The National Taxpayer Advocate addressed the IRS's approach to stolen identity victims in both the 2004 and 2005 ARCs,<sup>83</sup> but the problem has escalated and the IRS has yet to adequately address it. Stolen identity problems fall into three categories:

- ♦ Clear cases of stolen identity;
- ♦ Duplicate or multiple usage of the same SSN when the rightful owner of the SSN can be identified, which may involve identity theft (referred to within the IRS as Mixed Entity); and
- ♦ Duplicate or multiple SSN usage when the rightful owner of the SSN cannot be identified, which may involve identity theft (referred to within the IRS as Scrambled Entity).

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<sup>81</sup> The IRS issues Letter 105C, Claim Disallowed, to taxpayers to formally disallow a claim in full.

<sup>82</sup> For additional discussion regarding stolen identities, see Impact of Stolen Identity Issues, *supra*.

<sup>83</sup> National Taxpayer Advocate 2004 Annual Report to Congress 133-136, addressing the inconsistent treatment of stolen identity cases across the IRS; National Taxpayer Advocate 2005 Annual Report to Congress 180-191, addressing the unreasonable delay in resolving taxpayer problems and problems with the IRS's stolen identity procedures.

Table I-16 below shows the increase in TAS cases related to identity theft over the last three years: Stolen identity receipts rose 175 percent from FY 2004 to FY 2005, and 642 percent from FY 2004 to FY 2006. During the same period, mixed entity and scrambled entity cases have increased by approximately 23 percent and 41 percent, respectively. In addition to the rising case receipts, TAS has also observed an increase in stolen identity issue submissions on SAMS.<sup>84</sup>

**TABLE I-16, TAS CASES INVOLVING STOLEN IDENTITY AND OTHER SSN MISUSE**

Type of Case	FY 2004	FY 2005	FY 2006
Stolen Identity	335	922	2,486
Mixed Entity <sup>85</sup>	1,681	1,493	2,062
Scrambled Entity <sup>86</sup>	786	1,063	1,107
Total	2,802	3,478	5,414

According to a 2005 Treasury Inspector General for Tax Administration (TIGTA) report, the motivation for misusing an SSN for tax purposes generally falls into two categories.<sup>87</sup> The first category covers those who misuse numbers to file illegal tax returns and obtain fraudulent refunds. In some of these cases, the IRS can only detect the fraudulent use of the SSN after the rightful owner subsequently files his or her legitimate return. The IRS then withholds (freezes) the legal owner's refund claim, but unfortunately, it is too late to stop the offender's refund.

The second reason SSNs are misappropriated is to gain employment in the United States. Here, the rightful owner of the SSN can experience

<sup>84</sup> During the first two quarters of FY 2006, TAS received only two submissions relating to identity theft. In contrast, Systemic Advocacy received 22 stolen identity issue submissions in the first quarter of FY 2007.

<sup>85</sup> IRM 21.6.2.4.2(2) provides that a mixed entity (or, mixed "identity") case is created when two or more taxpayers file a return with the same TIN. This may be due to an inadvertent taxpayer or tax preparer error or a processing error. Mixed entity cases are reclassified as scrambled SSN cases if the common number (CN) owner cannot be identified. Identity theft may also be involved in these cases.

<sup>86</sup> IRM 21.6.2.4.2(3) provides that a scrambled SSN case is created when the following conditions exist 1) Returns are filed by two or more taxpayers using the same SSN, and 2) Research and/or taxpayer contact does not clearly indicate which taxpayer owns the CN.

<sup>87</sup> TIGTA, Ref. No. 2005-40-106, *A Corporate Strategy Is Key to Addressing the Growing Challenge of Identity Theft* 7 (July 2005).



lengthy refund delays, erroneous tax assessments (based on the fraudulent filer's information), and numerous other processing delays.

TAS has received complaints from taxpayers, tax practitioners, LTAs, and IRS employees confirming problems with the present IRS approach to stolen identity issues. Several of TAS's specific concerns are:

- ♦ There are insufficient security barriers to prevent those determined to commit fraud from filing tax returns using another taxpayer's SSN. For example, TAS has identified cases in which the electronic filing system did not prevent the filing of tax returns misusing SSNs belonging to other taxpayers, even though the taxpayer was filing under a different name and address than the lawful owner of the SSN.
- ♦ IRS procedures for handling mixed entity and scrambled SSN cases do not serve identity theft victims well.<sup>88</sup> For example, as part of these procedures, taxpayers who are victims of identity theft are assigned IRS temporary identification numbers (IRSNs) and told to use them when filing returns. This measure is intended to alleviate the taxpayers' burden. However, when these taxpayers attempt to take a personal exemption on their tax returns, the IRS will deny the exemption under the rationale that an IRSN is not a Taxpayer Identification Number (TIN) within the meaning of IRC § 151(e), which requires taxpayers to utilize TINs to benefit from the exemption. Thus, the IRS compounds the taxpayers' problems by instructing them to take a course of action and then penalizing them for taking this action. The IRS acknowledges its scrambled SSN procedures were not designed to address stolen identities, yet the IRS is not aggressively developing procedures specifically tailored to identity theft.<sup>89</sup>
- ♦ Year after year, stolen identity victims are required to prove they are the rightful owners of the stolen SSNs. The IRS is developing a marker for the accounts of taxpayers whose SSNs have been misappropriated. However, it is unclear to what extent this marker will be used to ease the burden of taxpayers whose identities have been stolen.

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<sup>88</sup> See IRM 21.6.2.4.4 (Apr. 17, 2007).

<sup>89</sup> See IRS Comments in response to National Taxpayer Advocate 2005 Annual Report to Congress 188.

Responsibility for stolen identity problems, which formerly rested with the Identity Theft Program Office in the W&I operating division, was transferred in November 2006 to the Office of Privacy and Information Protection (OPIP), within the IRS's Mission Assurance and Security Services (MA&SS).<sup>90</sup> The rationale for the transfer was that stolen identity problems are not limited to just one operating division and require a corporate strategy.<sup>91</sup> While most of the affected taxpayers fall under W&I's purview, the problem of stolen identities pervades the IRS and demands a servicewide approach. The National Taxpayer Advocate is concerned, however, that institutional knowledge and expertise developed within W&I have not been transferred to OPIP, and is further concerned that OPIP has a broad focus not limited to identity theft, and may not have the resources to address the problem to the extent required.<sup>92</sup>

TAS is working with OPIP to ensure that solutions to stolen identity problems are actively explored and all necessary components of the IRS are engaged to assist OPIP. The IRS can play a significant role in reducing identity theft and reducing the burden experienced by taxpayers whose SSNs are misappropriated. However, the IRS should approach the problem of stolen identities from the perspective of taxpayers whose SSNs have been misappropriated. Thus, it must consider solutions that assist and empower these taxpayers, including allowing legitimate SSN owners to request that the IRS "turn off" the electronic filing option on their accounts when their SSN has been misappropriated. Throughout FY 2008, TAS plans to work with OPIP on comprehensive solutions to the stolen identity problem. As described in the National Taxpayer Advocate's 2005 ARC, the SSA has up to two years to validate the true owner of the

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<sup>90</sup> Mission Assurance and Security Services' role is to assist all IRS Operating Divisions in maintaining secure facilities, technology, and data. IRM 1.1.1.3(2)(j) (Mar. 1, 2006).

<sup>91</sup> TIGTA, Ref. No. 2005-40-106, *A Corporate Strategy is Key to Addressing the Growing Challenge of Identity Theft* 19 (July 2005), concluding that a corporate strategy is necessary for the IRS to address the problem.

<sup>92</sup> IRM 1.1.25.1.4 provides:

The mission of the Office of Privacy is to ensure that IRS policies, procedures, and programs protect taxpayer and employee privacy. The Office of Privacy will achieve its mission by institutionalizing privacy as a core value across the IRS enterprise through its four program areas: Policies and Procedures, Communications, Operations, and Assurance. The basis of our strategy is the identification of IRS privacy vulnerabilities in collecting, sharing, storing, and disposing of personal information, then making risk-based decisions on privacy risk mitigation. The Office of Privacy has expanded its scope to include the Unauthorized Access (UNAX) Program, Identity Theft Management Program, and the Pseudonym Management Project. IRM 1.1.25.1.4 (Jan. 1, 2007).

SSN.<sup>93</sup> TAS will also continue to engage the SSA to expedite its determinations of lawful SSN owners.

### **Federal Payment Levy Program**

The Federal Payment Levy Program (FPLP) is an automated system that matches IRS records against those of the government's Financial Management Service (FMS) and allows continuous levies to be issued for up to 15 percent of federal payments due to taxpayers who have an unpaid federal tax liability.<sup>94</sup> In recent years, an overwhelming majority of all FPLP levies have involved SSA payments to the elderly or disabled. According to the W&I operating division, an astonishing 84 percent of FPLP levies from FY 2002 to FY 2005 were applied against SSA payments.<sup>95</sup>

In 2006, the IRS discontinued the use of a systemic filter that excluded taxpayers below a certain income threshold, citing concerns identified by the GAO. While the National Taxpayer Advocate recognizes the limitations of an income-based filter, she continues to urge the IRS to develop some screening mechanism to protect taxpayers who depend on Social Security benefits for their health and welfare. Over the past five years, the National Taxpayer Advocate has identified this lack of an effective filter as a serious problem and has made specific recommendations to the IRS to resolve it.<sup>96</sup> However, the IRS has been unable to devise a feasible method of screening out low income taxpayers from this automated process.

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<sup>93</sup> National Taxpayer Advocate 2005 Annual Report to Congress 183; see IRM 21.6.2.4.4(14) (Oct. 1, 2005).

<sup>94</sup> FMS is the Department of the Treasury agency that processes payments for various federal agencies. IRC § 6331(h)(2)(A). Payments subject to the FPLP include any federal payments other than those for which eligibility is based on the income or assets of the recipients.

<sup>95</sup> IRS, Wage & Investment Division, *FPLP Monthly Counts* (May 5, 2006). [Total number of SSA levies from FY 2002 through Dec. 2005 (2,572,299) divided by total number of FPLP levies from FY 2002 through Dec. 2005 (3,044,824) = 84 percent].

<sup>96</sup> National Taxpayer Advocate 2001 Annual Report to Congress 202-209; National Taxpayer Advocate 2003 Annual Report to Congress 206-212; National Taxpayer Advocate 2004 Annual Report to Congress 246-263; National Taxpayer Advocate 2005 Annual Report to Congress 123-135; National Taxpayer Advocate 2006 Annual Report to Congress 110-129 and 141-156.

In its response to the 2006 ARC, the IRS noted plans to begin a research project to determine whether an effective income filter could be created and implemented to assist in identifying taxpayers who experience a hardship because of the FPLP.<sup>97</sup> We are pleased to report that the W&I operating division began this project in early February 2007 and has engaged TAS Research to help with the study. The agreed upon project prospectus states that “the goal of this new research is to determine if a statistical analysis of data available to the IRS would enable the development of a filter which distinguishes between hardship and non-hardship cases with a high degree of accuracy.” Given that TAS cases regarding FPLP/Social Security benefits issues have increased at a rate of 143 percent from FY 2005 to FY 2006, and nearly 65 percent of the levy cases closed by TAS have received some type of relief (with almost 56 percent being given full relief), it is absolutely imperative that the IRS develop a systemic filter now.<sup>98</sup>

The IRS has recently considered expanding the FPLP to include additional sources of federal payments (e.g., Railroad Retirement Benefits and Defense Finance and Accounting Services payments). However, the National Taxpayer Advocate is opposed to any expansion of the FPLP until a filter is available.

### **The Exempt Organization Determination Letter Process**

In the 2004 ARC, the National Taxpayer Advocate addressed problems encountered by organizations applying for tax-exempt status under IRC § 501(c).<sup>99</sup> Complaints from taxpayers, practitioners, and LTAs suggest that this is still a serious problem. Organizations applying to be treated as tax-exempt entities are facing delays in the processing and approval of their applications. TAS has particular concern for organizations seeking expedited treatment of their applications, which an organization can request when it presents a compelling reason.<sup>100</sup> The IRS will process

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<sup>97</sup> National Taxpayer Advocate 2006 Annual Report to Congress 125.

<sup>98</sup> TAS, BPMS (Sept. 30, 2006). For FY 2005, there were 1,707 FPLP/Social Security benefit-related cases in TAS and 4,147 for FY 2006. These percentages are based on case closures meeting the provisions of IRC § 7811. Specifically, there were 15,818 closures, 10,272 of which received some type of relief (8,823 were granted full relief and 1,449 partial).

<sup>99</sup> National Taxpayer Advocate 2004 Annual Report to Congress 193.

<sup>100</sup> IRM 7.20.2.4.5 (Nov. 1, 2004). Compelling reasons include: 1) A pending grant, where failure to secure the grant will have an adverse impact on the organization's ability to

expedited applications in order, according to the date that it grants the expedited handling. However, expedited processing is granted at the IRS's discretion, and it denies 82 percent of requests.<sup>101</sup> These denials place an undue burden on organizations that provide much needed services to our society.

The issue affecting most of these organizations is the lack of communication about the status of their pending applications. The Tax Exempt & Government Entities (TE/GE) operating division issues an acknowledgement notice upon receipt of a determination application, but when an application requires additional development, TE/GE does not give a timeframe for assigning the application to a determination agent. Organizations have no way of assessing the time that their determination request will take. Many of TAS's TE/GE case receipts stem from concerns that TE/GE is not giving organizations any meaningful information about how long it will take to process their applications. TAS will continue to engage TE/GE on these issues in FY 2008.

### **Collection Approach towards Employers Affected by Defunct Payroll Service Providers**

Payroll service providers (PSP) are businesses that act as payroll agents for employers, fulfilling their employment tax filing and payment responsibilities. By filing employment tax forms and making payroll tax deposits, the PSP industry supports small businesses in meeting their employment tax obligations.<sup>102</sup> However, if PSPs do not file the required payroll tax returns or make the required deposits, employers remain liable for the underlying tax and related interest and penalties.<sup>103</sup> The

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continue operating 2) A newly created organization providing disaster relief to victims of emergencies, and 3) IRS errors have caused undue delays in issuing a determination letter. IRS, *Form 1023: Expediting Application Processing*, at <http://www.irs.gov/charities/article/0,,id=139805,00.html>.

<sup>101</sup> IRS, *Form 1023: Expediting Application Processing* at: <http://www.irs.gov/charities/article/0,,ID=139805,00.html>.

<sup>102</sup> Approximately 20 percent of all U.S. employers, covering one-third of the private sector work force, use these services. National Payroll Reporting Consortium, *information re: H.R. 1528, The Tax Administration Good Government Act*.

<sup>103</sup> Treas. Reg. § 31.3504-1(a) provides that: ...If the fiduciary, agent, or other person is authorized by the district director, or director of a service center, to perform such acts, all provisions of law (including penalties) and of the regulations prescribed in pursuance of law applicable to employers in respect of such acts shall be applicable to such

employers' problems are magnified when the PSP is no longer in business.<sup>104</sup> When a PSP files for bankruptcy, the consequences can affect hundreds or even thousands of employers who were its customers.<sup>105</sup> In collecting these delinquencies, the IRS does not sufficiently appreciate how its own procedures can exacerbate the delinquencies, or approach affected employers with a coordinated communications and assistance strategy.

When an employer and PSP enter into a payroll service agreement, the employer must file Form 2678, *Employer Appointment of Agent*, with the IRS for its approval. When the IRS approves Form 2678, the IRS sometimes changes the employer's address of record to that of the PSP, although it does not notify the employer of the change of address on the IRS systems. Consequently, when a PSP fails to make a tax deposit on behalf of the employer, the IRS only sends collection notices to the PSP, and affected employers are unaware of the problem as taxes are assessed and interest and penalties accrue.

The IRS's collection strategy varies in its approach to employer tax delinquencies resulting from PSP failures. The IRS sometimes takes a coordinated approach by communicating with all affected employers, suspending certain collection actions (such as liens and levies), and waiving penalties. In other instances, the IRS takes a case-by-case approach, reacting to employers as they learn of the deficiencies.

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fiduciary, agent, or other person. However, such employer for whom such fiduciary, agent, or other person performs such acts shall remain subject to the provisions of law (including penalties) and of the regulations prescribed in pursuance of law applicable to an employer in respect of such acts....

The failure to make required employment tax deposits can result in various penalties including those authorized by IRC § 6656 authorizing the IRS to impose failure to deposit penalties upon corporations for up to 15 percent of the amount due.

<sup>104</sup> For an analysis of the consequences to employers when payroll agents file for bankruptcy, see *In re AAPEX Systems, Inc.*, 273 B.R. 19 (W.D. N.Y. 1999), denying summary judgment motions alleging that funds paid by the employer within the 90-day preference period to the payroll agent and subsequently to the IRS, were paid in trust and therefore were not part of the bankruptcy estate of the payroll agent.

<sup>105</sup> In the 2004 Annual Report to Congress, the National Taxpayer Advocate addressed the problem of PSPs with a Key Legislative Recommendation and referenced a particular case involving a PSP that affected 5,000 employers. Since that time, TAS has assisted numerous other small businesses affected by PSPs that for one reason or another failed to make the required tax deposits.

In 2006, faced with three large PSP failures and thousands of affected employers across the country, the IRS's Collection Policy office issued a memorandum on penalty relief, adopting a case-by-case approach to penalty abatement and allowing for consideration of certain factual circumstances related to the PSP's failure to file and to make deposits.<sup>106</sup> TAS advocated for a more comprehensive approach beginning with the identification and notification of all affected employers. Often, IRS collection employees do not know they are dealing with an employer affected by a defunct PSP, and therefore are unable to consider special circumstances involving the PSP. Further, employers are not always aware that the tax problem relates to the PSP. Thus, a commitment to identify affected employers and notify them of the circumstances involving the PSP would assist both the IRS and the employers. TAS has also advocated for suspension of collection action to allow employers the opportunity to learn about payment options and arrange to pay the amount due. In 2008, TAS will continue its advocacy on this issue with the Collection Policy office regarding the IRS's need to assume a greater role in assisting taxpayers in PSP cases, including:

- ♦ Assuming the responsibility to notify affected taxpayers when the IRS becomes aware of a defunct PSP;
- ♦ Providing enhanced disclosures on Form 2678 about the consequences of using a PSP;<sup>107</sup>
- ♦ Discontinuing the practice of changing the employer's address to that of the PSP unless there is clear authorization from the employer;
- ♦ Issuing a notice to taxpayers when making address changes;
- ♦ Issuing duplicate collection notices to affected employers and the PSP; and
- ♦ Temporarily suspending collection of the accounts of affected employers to provide them a sufficient opportunity to explore payment alternatives.

### **Collection Due Process (CDP) Notices**

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<sup>106</sup> Memorandum dated September 21, 2006, from Director, Collection Policy to Collection Area Directors.

<sup>107</sup> IRS Form 2678 has only limited instructions and no information about the ultimate responsibility of employers if PSPs do not fulfill their contractual filing and payment obligations.

Taxpayers have the right to a Collection Due Process (CDP) hearing after the IRS issues the first Notice of Federal Tax Lien (NFTL) on a delinquent tax account and after the IRS issues its first notice of intent to levy but before the actual levy of the taxpayer's property.<sup>108</sup> The IRS is required to notify taxpayers of the right to a CDP hearing by certified or registered mail<sup>109</sup> and when practicable is required to send a separate notice to each spouse on a joint return.<sup>110</sup> Taxpayers generally have 30 days from the date of the CDP notice to elect a hearing.<sup>111</sup> If the taxpayer requests a hearing after this period, but within one year of the CDP notice, the IRS will generally grant the taxpayer an equivalent hearing; however, the taxpayer generally does not have the right to judicial review and suspension of collection actions.<sup>112</sup> TAS representatives have been working on a number of CDP issues through the IRS's CDP Working Group, a cross-functional group of CDP experts from the IRS Office of Chief Counsel, Appeals, Collection, Automated Collection System, TAS, and other IRS functions.

TAS has identified and is exploring with the CDP Working Group several issues with respect to CDP notices. The first issue relates to how the IRS interprets its obligation to send CDP notices to spouses or ex-spouses liable on a joint return and living at separate addresses. While the law requires the IRS to send these notices to each spouse or ex-spouse "whenever practicable," TAS found situations in which the IRS does not send notices to one spouse even though the IRS is aware of the spouse's

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<sup>108</sup> IRC § 6320 grants taxpayers the right to a CDP hearing after the issuance of the first NFTL on a delinquent tax period and IRC § 6330 grants taxpayers the right to a CDP hearing after the issuance of the first notice of intent to levy on a tax period but before the actual levy against the taxpayer's property (with limited exceptions for jeopardy levies and the collection of state tax refunds).

<sup>109</sup> IRC §§ 6320(a)(2) and 6330(a)(2).

<sup>110</sup> The Internal Revenue Service Restructuring and Reform Act of 1998, Pub.L. No. 105-206 § 3201(d), 112 Stat. 685 provides: The Secretary of the Treasury shall, wherever practicable, send any notice relating to a joint return under section 6013 [Joint returns of income tax by husband and wife] of the IRC of 1986, separately to each individual filing a joint return.

<sup>111</sup> IRC § 6320(a)(3)(B) allows taxpayers 30 days after the expiration of the fifth day after the NFTL has been filed to elect a CDP hearing. IRC § 6330(a)(3)(B) allows taxpayers 30 days from the date of the CDP notice to elect a CDP hearing.

<sup>112</sup> Treas. Reg. §§ 301.6320-1(i) and 301.6330-1(i). If the taxpayer raises certain issues in the equivalent hearing, the taxpayer may have the right to a judicial review or suspension of the collection action, based on the issue raised (e.g., spousal defenses under § 6015).



most recent address.<sup>113</sup> The business rules of the CDP notice generating system do not allow for a CDP notice to issue when the spouse's last name does not match the name on the records of the SSA.<sup>114</sup> The IRS notice system deems this an invalid TIN situation because the same SSN is associated with two different last names.<sup>115</sup> However, it is not unusual for a person living apart from his or her spouse to revert to a maiden name or change their name upon divorce without notifying the SSA. Instead of failing to notify a taxpayer of CDP rights in this situation, the IRS should require a manual review of the situation to determine whether the notice should be sent. When the IRS encounters this situation, it should also send a notice to remind taxpayers to change their name on the records of the SSA.

Another problem involves inaccurate CDP notice dates that result from printing backlogs. The backlogs can cause a taxpayer's notice to have a different response date than the copy of the notice sent to the taxpayer's representative (power of attorney (POA)). TAS received complaints from POAs whose clients were denied CDP hearings because of untimely requests, even though the POAs requested hearings within 30 days of the response date on the letters they received. This situation occurs because notices requiring certified mail receive priority for printing and when printing backlogs develop, non-certified CDP notices (*i.e.*, the copy that goes to the POA) are printed days after the associated certified mailings. The notice sent to the POA reflects a later response date, thereby leaving the POA with the false impression that he or she has more time to request a CDP hearing on behalf of the taxpayer than is actually the case. TAS understands from IRS representatives that they may be able to resolve this problem through a new consolidated printing initiative taking effect July 1, 2007. TAS will continue to monitor this issue.

In past National Taxpayer Advocate's ARCs, the National Taxpayer Advocate recommended that IRS treat offers in compromise submitted in a CDP hearing in the same manner as other offers. That is, all OICs of a tax debt should go through IRS processing and review, so as not to create two classes of offers.<sup>116</sup> At the CDP Working Group, TAS suggested that

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<sup>113</sup> The Internal Revenue Service Restructuring and Reform Act of 1998, Pub.L. No. 105-206 § 3201(d), 112 Stat. 685.

<sup>114</sup> IRS Request for Information Services (RIS) WDCA 101100A00.

<sup>115</sup> *Id.*

<sup>116</sup> National Taxpayer Advocate 2003 Annual Report to Congress 112. The National Taxpayer Advocate has written copiously on the need for improvements in which the

IRS develop a process similar to the one used in determining innocent spouse relief under IRC § 6015 (in which the Appeals Officer requests that Examination review the claim and make an initial determination, and then the Appeals Officer makes the final determination on the claim). As a direct result of the CDP Working Group discussion, the IRS is considering new procedures for handling OICs within a CDP hearing.

Another issue under consideration by the CDP Working Group involves the use of audit reconsideration procedures in CDP. Taxpayers have the right under IRC § 6330(c)(2)(B) to raise the issue of the underlying liability if they never received a statutory notice of deficiency or did not have an opportunity to dispute the liability. Appeals has the discretion to consider the underlying liability when taxpayers receive a statutory notice of deficiency or had the opportunity to dispute the liability.<sup>117</sup> This review, however, is conducted without regard to the appropriateness of the collection action. For example, Appeals may issue a determination letter stating that a levy is appropriate and afterwards refer the taxpayer to the Examination function for audit reconsideration of the underlying liability. Further, there are few guidelines as to when and how Appeals should exercise this discretion. The National Taxpayer Advocate believes that it is inappropriate to determine the appropriateness of the collection decision until concerns about the accuracy of the underlying liability are resolved.<sup>118</sup> After much discussion of this issue within the CDP working group, the IRS is currently considering a limited test of new procedures that would allow audit reconsideration procedures to be used more extensively in CDP cases where taxpayers are barred from obtaining judicial review of the underlying liability.

### ***Advocacy Initiatives – Chartered Collaboratively with the W&I Operating Division***

TAS is collaborating with the W&I operating division to address several advocacy issues, including:

- ♦ Penalty Issues;
- ♦ The Injured Spouse Allocation Study; and

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OIC program included the Centralized Offer Units. However, the failure of one component of the program is not grounds for bypassing that component; rather, the correct response is to improve the entire program.

<sup>117</sup> IRM 8.7.2.3.10(11) (Jan. 1, 2006).

<sup>118</sup> See discussion in National Taxpayer Advocate 2006 Annual Report to Congress 461.

- ♦ The IRS Oversight Board Measures Project – Amended Return Processing Study.

## Penalty Issues

TAS continues to address multiple advocacy issues with the IRS's Office of Penalties and Interest (OPI). Recently, TAS began receiving complaints from taxpayers, practitioners, and LTAs about the IRS policy requiring taxpayers to pay the underlying liability in full before the IRS will consider the taxpayer's claim for abatement of a failure to pay FTP penalty for reasonable cause.<sup>119</sup>

When a taxpayer does not pay the tax due on a return, the IRS assesses the FTP penalty unless the taxpayer demonstrates the failure to pay was due to reasonable cause and not willful neglect.<sup>120</sup> However, the IRS generally requires taxpayers to pay the tax in full before considering abatement.<sup>121</sup> This policy appears inconsistent with the IRC and Treasury Regulations, which do not require full payment of the tax for consideration of reasonable cause.<sup>122</sup> The policy also imposes an economic burden on taxpayers who cannot afford to pay the underlying tax due.<sup>123</sup> TAS

<sup>119</sup> IRC § 6651(a)(2) provides that unless taxpayers demonstrate a reasonable cause for their failure to pay the tax that is due there will be a penalty imposed on taxpayers for failure to pay the amount shown on the return in the amount of 0.5 percent of the amount of unpaid tax for each month that the amount remains unpaid up to a maximum of 25 percent of the liability.

<sup>120</sup> IRC § 6651(a)(2).

<sup>121</sup> IRM 20.2.1.3(2) provides:

Generally, the taxpayer must pay the tax due before the Service will abate a FTP penalty for reasonable cause. The penalty continues to accrue until the tax is paid. The taxpayer may have reasonable cause for some months, but not for others. A correct determination cannot be made until after the tax is paid. An exception to this rule is allowed for accounts in which the FTP penalty has reached the 25 percent maximum before the taxpayer's request for abatement.

<sup>122</sup> Treas. Reg. § 301.6651-1(c)(1) provides:

Except as provided in subparagraphs (3) and (4) of this paragraph, a taxpayer who wishes to avoid the addition to the tax for failure to file a tax return or pay tax must make an affirmative showing of all facts alleged as a reasonable cause for his failure to file such return or pay such tax on time in the form of a written statement containing a declaration that it is made under penalties of perjury.

<sup>123</sup> An exception to the IRS policy allows taxpayers to have their reasonable cause claim determined if the penalty reaches the maximum 25 percent of the tax allowed by IRC

proposed that OPI create an exception to its policy that would allow the IRS to abate an FTP penalty based on reasonable cause for those taxpayers who demonstrate an inability to pay the underlying tax. TAS will continue to engage the IRS on penalty-related issues in FY 2008.

## **Injured Spouse Allocations Study**

When a married couple files a joint return, the federal government is authorized to offset the joint refund against a sole spouse's liabilities, including liabilities owed to the IRS, to other federal agencies (for non-tax debts such as federally-guaranteed student loans), to state income tax debts, or to child support debts.<sup>124</sup> When a spouse's refund is or will be offset against a liability for which he or she was not obligated, that spouse may file a request (Form 8379, *Injured Spouse Allocation*) with the IRS to prevent the offset or return of the portion of the refund to which the spouse is entitled. Taxpayers have experienced significant problems with the injured spouse allocation process, particularly the length of time it takes the IRS to issue an injured spouse's refund.<sup>125</sup> To determine the root causes of these problems, TAS and the W&I operating division studied statistically representative samples of injured spouse allocation requests in both TAS and W&I.<sup>126</sup> The findings include:

- ♦ Many taxpayers contact TAS after filing injured spouse allocation requests because the stated processing time for Form 8379 often falls outside the normal timeframes and can create an economic burden;
- ♦ The processing procedures for injured spouse allocations sometimes lead to offsets even when the IRS acknowledges receiving the allocation requests;

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§ 6651(a)(2). However, this exception does little for taxpayers who want their reasonable cause petition determined before the penalty accumulates to the statutory maximum.

<sup>124</sup> IRC § 6402; see also Rev. Rul. 84-171, 1984-2 C.B. 310.

<sup>125</sup> TAS assisted 11,599 taxpayers in FY 2006 with problems concerning injured spouse allocation issues. TAMIS, Injured Spouse Receipts, Primary Core Issue Code (PCIC) 340, FY 2006.

<sup>126</sup> A sample of approximately 600 W&I cases and 600 TAS cases received during a 12-month period from June 1, 2004, through May 31, 2005, was reviewed for at least 20 attributes.

- ♦ The authority to resolve an injured spouse inquiry in the Accounts Management toll-free telephone operation differs depending upon whether the call is received at a campus or remote (field) toll-free site; and
- ♦ Taxpayers living in community property states have more of their requests denied and make more inquiries for explanations of allocation calculations.

The study group proposed and implemented recommendations to overcome these and other issues. The group will develop further recommendations for consideration throughout FY 2008, and will then evaluate the effectiveness of the implemented recommendations.

### **IRS Oversight Board Measures Project – Amended Return Processing Study**

The IRS Oversight Board asked TAS to work with the IRS's operating divisions to identify systemic problems and develop outcome measures to document progress toward reducing the problems. The Board suggested using these measures to proactively identify emerging issues, ascertain root causes, and explore possible solutions. TAS and the W&I operating division mutually identified amended return processing delays as the first target for these measures and established the following initial action plan.

**TABLE I-17, TAS/W&I AMENDED RETURN ACTION PLAN PHASES**

<b>Phase</b>	<b>Actions</b>
I	TAS will identify problems using TAMIS data and will perform a statistically valid sample and provide W&I with data regarding problem.
II	TAS and W&I will jointly conduct root cause analysis.
III	TAS and W&I will take corrective actions.
IV	TAS will monitor case inventories for improvements.

Performing an independent analysis, TAS conducted PCIC 330 Amended Return Study, which examined traditional amended return data from TAS's FY 2006 amended return case receipts. The TAS receipts are unique because they isolated systemic problems that the taxpayer later requested

TAS assistance to correct. TAS shared its draft findings with both W&I leadership and the IRS Oversight Board. The report's recommendations encompass multiple IRS functions, suggesting a holistic approach to the resolution of problems facing taxpayers filing amended returns.

Simultaneous with TAS's independent analysis of its cases, W&I conducted a "Lean Six Sigma" analysis of the amended returns process under Accounts Management.<sup>127</sup> A TAS representative participated in this review. The W&I analysis identifies issues impacting all W&I amended return workload, not just those cases that end up in TAS. TAS and W&I will now review the TAS independent analysis to determine if there are additional issues, not addressed by the Six Sigma review, that cause amended return cases in TAS.

TAS will continue to work with W&I to recommend relevant IRS outcome measures and ways to monitor improvements. TAS will expand the pilot project in FY 2008 to address issues with SB/SE and TE/GE and continue to work with the operating divisions to develop further measures.

## **TAS RESEARCH INITIATIVES**

The National Taxpayer Advocate is a strong advocate for the role of theoretical, cognitive, and applied research in effective tax administration. Accordingly TAS is sponsoring or participating in a number of research initiatives. Taken as a whole, these initiatives demonstrate how research can increase the effectiveness of both taxpayer service and enforcement initiatives and aid the IRS in increasing *voluntary* compliance.

Following is a discussion of the research initiatives that TAS is sponsoring or participating in for the remainder of FY 2007 and during FY 2008.

### **The Taxpayer Assistance Blueprint**

Acknowledging the impact of taxpayer service on compliance, Congress directed the IRS, in consultation with the IRS Oversight Board and the

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<sup>127</sup> Lean is a time and value based process improvement philosophy designed to ensure continuous flow and eliminate waste and non-value added activities. Six Sigma is a business process improvement method that uses data and facts to produce bottom line measurable results through reduction in process variation. IRS, *What is LSSO*, [http://win.web.irs.gov/LSSO/What\\_Is\\_LSSO.htm](http://win.web.irs.gov/LSSO/What_Is_LSSO.htm).

National Taxpayer Advocate, to develop a five-year plan for taxpayer service called the Taxpayer Assistance Blueprint (TAB).<sup>128</sup> The plan includes long-term goals that are strategic and quantitative, and that balance enforcement and service. TAS's objective is to ensure that IRS customer service plans are based on a thorough understanding of the needs and preferences of our diverse taxpayer population.

The IRS presented a high-level description of the plan, the TAB 2 deliverable, to Congress in April 2007.<sup>129</sup> TAS Research is working with W&I Research and the IRS research community on an ongoing basis to develop and implement a detailed five-year research plan for taxpayer service.

Although the TAB report is complete, TAS has ongoing concerns regarding the IRS's continued commitment to providing face-to-face services to taxpayers. TAS continues to work with the IRS in its analysis of the Taxpayer Assistance Centers (TACs). As the IRS develops a plan to evaluate all TACs and identify some of the 401 TACs for potential closure or relocation, TAS will work to ensure that the IRS is using accurate and complete data in its analysis and decision making process. Further, TAS will continue its efforts to ensure that the IRS is providing face-to-face service to all taxpayers who need it, and not simply moving the delivery of taxpayer services to the Internet.

### **Taxpayer Advocacy Panel Study of Taxpayer Assistance Centers**

TAS Research is collaborating with the Taxpayer Advocacy Panel and the IRS Field Assistance Organization to conduct two different research studies to determine why taxpayers visit IRS TACs, how satisfied participants are with the services provided, and what services work well or need improvement. The studies also attempt to identify services that taxpayers need, but that are not currently available from the TACs. One study collects input from taxpayers who actually visited a TAC, while the other study captures insight from the IRS employees who help taxpayers visiting the TACs.

Data analyses are underway and efforts will compare the responses from both studies for consistency and insight. The TAP, with support from TAS

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<sup>128</sup> S. Rep. No. 109-109, at 133-134 (2005).

<sup>129</sup> IRS, *2007 Taxpayer Assistance Blueprint: Phase 2* (Apr. 2007).

Research and IRS Field Assistance, will issue a report on the studies in late 2007.

### **The “Tipping Point” Studies**

TAS is sponsoring research conducted by the IRS Office of Program Evaluation and Risk Analysis (OPERA) employing agent-based modeling techniques to investigate alternative approaches for enhancing evaluation of abusive schemes (such as abusive tax shelters and the slavery reparations scheme) including evaluation of possible treatments.<sup>130</sup> This modeling assists in determining factors that “tip” taxpayers into certain behaviors affecting their interaction with the tax system.

Researchers at Carnegie Mellon University (CMU) are now also applying agent-based modeling technology to a new application, the EITC Certification process. CMU researchers are attempting to simulate the certification trial conducted in Hartford, Connecticut, in 2004 and 2005.

Expanding the use of agent-based modeling from abusive tax schemes to the area of EITC was initiated for two primary reasons. First, testing the agent-based modeling technique on the Hartford certification trial will demonstrate the possible application of this technology to other tax compliance and education endeavors. Secondly, applying the model to the Hartford certification trial provides a venue to test the validity of the agent-based technology, since the results of the Hartford trial are already known. Preliminary results show that the agent-based model reliably described taxpayer filing behavior during the Hartford study.

Representatives from OPERA and TAS met with the CMU researchers in April to review project status. CMU has built a preliminary simulation, which still requires some refinements. In addition, CMU will develop simulations for several hypothetical scenarios. These scenarios will help predict how future communication, education, and outreach projects will

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<sup>130</sup> The contractor is using a multi-agent network modeling package called Construct to simulate taxpayer behavior in social networks. To begin a simulation, Construct creates numerous “agents,” each with its own internal program logic dictating its behavior. Each agent represents an individual taxpayer or other entity, such as a promoter seminar or IRS intervention strategy. During each time interval agents interact with one another, exchanging information and making decisions (such as a decision to participate in a scheme) based on their internal decision logic and new information they acquire during the exchange.



likely impact taxpayer behavior. The target date for completion of this project phase is September 2007.

### **Verification of Fraud in the Questionable Refund Program**

Once a taxpayer's refund is identified as questionable, CI's Office of Refund Crimes attempts to verify whether the refund claim is actually fraudulent. This manual verification process may include contacting the employer to determine whether the taxpayer actually worked for the employer and accurately reported withholding amounts. TAS and CI have recently agreed to conduct a joint study to review the verification process. This joint study will review a representative sample of cases from the 2007 filing season that the Office of Refund Crimes identified as fraudulent. If the study shows a high error rate, TAS will work with CI to explore ways to improve the verification process.

### **The Impact of Representation on the Outcome of EITC Audits**

Although the tax year 1999 EITC compliance study indicated a significant proportion of EITC claimants have historically not been entitled to the EITC,<sup>131</sup> the National Taxpayer Advocate believes that the study overstated the rate at which taxpayers over-claimed the credit because it relied exclusively on the outcome of EITC audits. Evidence suggests that represented taxpayers fare considerably better than unrepresented (*pro se*) taxpayers in resolving tax controversy disputes like those involving EITC claims.<sup>132</sup> TAS therefore designed its own study to evaluate the impact of representation on the ultimate outcome of EITC audits.

TAS Research used historic data for tax year 2002 EITC audit outcomes to conduct the study, since tax year 2002 EITC audits are recent enough to reflect the significant tax law changes affecting EITC, but generally sufficient time has also elapsed for a final determination of the audit outcome, including the effect of administrative appeals and subsequent litigation.

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<sup>131</sup> IRS, *Compliance Estimates for Earned Income Tax Credit Claimed on 1999 Returns* (Feb. 28, 2002).

<sup>132</sup> As reported by the National Taxpayer Advocate in her 2006 ARC, 22 percent of represented taxpayers prevailed in cases decided between June 1, 2005 and May 31, 2006, while only 12 percent of *pro se* taxpayers prevailed. National Taxpayer Advocate 2006 ARC, 555.

The goal of the study is to determine if the presence of representation in an EITC audit increases the likelihood of a favorable outcome at each stage of the controversy process: examination, appeals, and litigation.

TAS research requested and received population data for tax year 2002 taxpayers who were audited, including taxpayers with representation, and completed its analyses. TAS Research found that represented taxpayers were twice as likely as their unrepresented counterparts to remain eligible for EITC after audit and retained twice as much EITC. Additionally, the data showed that representatives with more professional credentials obtained better results than other less credentialed representatives. The complete study findings were presented at the IRS Research Conference in June 2007. A final report documenting research methodology and results is targeted for completion in FY 2008.

## **The Cash Economy**

TAS has initiated a joint effort with the SB/SE operating division to explore alternatives for improving compliance in the “cash economy” portion of the tax gap.<sup>133</sup> The initial goal of the task force is to survey both internal and external sources to identify ideas for improving compliance in this segment of the economy. Team members reviewed studies from the following sources:

- ◆ TIGTA;
- ◆ GAO;
- ◆ The Joint Committee on Taxation (JCT);
- ◆ TAS cases;
- ◆ IRS research organizations;
- ◆ Federal-state activity;
- ◆ Academic research; and

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<sup>133</sup> The “tax gap” or “gross tax gap” is the gap between the amount of tax imposed by law and the amount voluntarily and timely paid by taxpayers in a given year. We use the term “cash economy” to mean payments for transactions that are not reported to the IRS. For a similar definition of the cash economy, see *Bridging the Tax Gap: Hearing Before the Senate. Comm. on Finance*, 108th Cong. 2<sup>nd</sup> Sess 21 (July 21, 2004) (statement of Professor Joseph L. Bankman defining the cash economy as “legal business transactions conducted in cash (or checks) that are not subject to withholding or third-party information... your gardener, the family that owns the corner restaurant. Anyone that is getting cash or checks that is not subject to third-party reporting.”).

◆ Foreign governments.

The team concluded its research for this project phase in April 2007 and has begun work on a project report, including recommendations about the most promising approaches for further study and development, for submission to the National Taxpayer Advocate and the SB/SE Division Commissioner in October 2007.

### **Federal Payment Levy Program Levies**

The Taxpayer Relief Act of 1997 (TRA 97) authorized the IRS to issue continuous levies for up to 15 percent of federal payments due to taxpayers who have an unpaid federal tax liability.<sup>134</sup> This process, known as the FPLP, is an automated system that matches IRS records against those of the government's FMS to locate federal payment recipients who have delinquent income tax debts.<sup>135</sup> About 89 percent of these levies involve Social Security payments to the elderly and disabled.<sup>136</sup>

In January 2002, the IRS began using an income filter to systemically exclude from the FPLP those taxpayers with income below a specified threshold. The filter was implemented at the request of the National Taxpayer Advocate and was based on the amount of income reported on the taxpayer's last filed return (known as the Total Positive Income (TPI) indicator).<sup>137</sup> GAO concluded in a 2003 study that the TPI criterion was an inaccurate indicator of a taxpayer's ability to pay his or her delinquent tax debts.<sup>138</sup> In response, the IRS gradually phased out all TPI filter levels, and in January 2006 eliminated the filter altogether. As a result, TAS

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<sup>134</sup> IRC § 6331(h)(2)(A). Payments subject to the FPLP include any federal payments other than those for which eligibility is based on the income or assets of the recipients.

<sup>135</sup> The Financial Management Service is the Department of the Treasury agency that processes payments for various federal agencies.

<sup>136</sup> IRS, Wage & Investment Division, *FPLP Monthly Counts FY 2006*.

<sup>137</sup> TPI is calculated by summing the positive values from the following income fields from a taxpayer's most recently filed individual tax return: wages, interest, dividends, distribution from partnerships, small business corporations, estates, or trusts; Schedule C net profits, Schedule F net profits, and other income such as Schedule D profits and capital gains distributions. Losses reported for any of these values are treated as zero.

<sup>138</sup> General Accounting Office, GAO-03-356, *Federal Payment Levy Program Measures, Performance, and Equity Can Be Improved* (Mar. 6, 2003).

receipts of FPLP-related cases increased from 420 cases in FY 2004 to 4,147 cases in FY 2006.<sup>139</sup>

TAS and W&I Research are collaborating to study FPLP hardship and non-hardship cases to determine whether a reliable filter can be developed, using systemically available information, to identify taxpayers who would experience a hardship if subjected to an FPLP levy. While the study has the potential of creating a filter that will prevent many taxpayers without the wherewithal to afford the FPLP levy from being levied, the filter will not likely exclude all low income taxpayers or taxpayers for whom the FPLP levy creates an immediate financial hardship. The research is targeted for completion by December 2007.

### **The Role of Preparers in Facilitating Inadvertent and Intentional Noncompliance**

Commercial tax preparers prepare over 60 percent of individual tax returns. Preparers are the entry point into the tax system for a majority of taxpayers, who seek out preparers to help them navigate complex tax laws. Thus, preparers, who occupy a position of trust, have the ability to facilitate compliance with the tax laws. Alternatively, preparers can influence the taxpayer to take aggressive positions or even unlawful positions on tax returns. This type of noncompliance has been termed “brokered” noncompliance.

There is a significant tax administration need for additional research into the role of preparers in bringing taxpayers into compliance, the types of and causes for preparer errors, and the role of preparers in facilitating noncompliance.

TAS has engaged a contractor to explore these issues through review and analysis of the current literature on the role of preparers and other intermediaries in facilitating compliance or noncompliance with the law. The contractor will develop recommendations for improving accuracy and compliance by tax return preparers, and for further research studies to understand the role of preparers in fostering tax compliance or noncompliance. The contractor’s final report detailing these recommendations is scheduled for completion by September 2007.

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<sup>139</sup> Taxpayer Advocate Management Information System (TAMIS).

## **The Influence of Social Norms and Cognitive Processes on Taxpayer Compliance**

Traditional theories attribute taxpayer compliance solely to a fear of detection and punishment. These deterrence models of taxpayer compliance have poor explanatory power. Current research demonstrates that the choice to comply is not purely rational. Rather, personal values, social norms, and non-rational cognitive processes also strongly affect the decision.

In another contractor study, TAS is seeking to identify and analyze the reasons why taxpayers comply with the tax laws. The contractor will review and summarize current research on how values, norms, and cognitive processes influence compliance behavior and will develop recommendations concerning how research in this field can be applied to improving tax administration and voluntary compliance. The contractor's final report, including recommendations, is scheduled for completion by September 2007.

## **Identifying EITC Taxpayer Customer Service Needs**

TAS, the IRS's EITC Office, and the W&I operating division are collecting information from EITC taxpayers to enable the IRS to better understand their customer service needs and how well the IRS is meeting these needs through its available resources; (for example TACs, IRS telephone assistance, the Internet, and IRS publications).

In the first phase of this study, researchers conducted focus group sessions with EITC claimants to determine and describe the most relevant EITC customer service issues. W&I Research and TAS Research then used this information to construct a survey, which was subsequently administered to a representative sample of EITC claimants. W&I Research and TAS Research are currently analyzing the survey results. The final report is targeted for completion by September 2007.

## **Identifying EITC Correspondence Audit Barriers**

TAS Research is conducting this study in collaboration with the EITC Office and the W&I research function. The goal is to identify the most significant barriers that taxpayers encounter during the EITC

correspondence audit process by seeking feedback from taxpayers who have undergone these audits.

In FY 2005, TAS researchers conducted focus groups with LITC representatives who have assisted taxpayers in EITC correspondence audits. W&I Research and TAS Research then developed a survey based on the focus group results and administered it to a representative sample of taxpayers who had recently experienced EITC correspondence audits.

W&I Research and TAS Research are currently analyzing the survey results. The final report is targeted for completion by October 2007.

## **TAXPAYER ADVOCACY PANEL**

The Taxpayer Advocacy Panel (TAP) was established in 2002 as a successor to the Citizens Advocacy Panel (CAP), established in 1998. TAP operates under the provisions of the Federal Advisory Committee Act.<sup>140</sup> Its major function is to serve as an advisory body to the Secretary of the Treasury, the Commissioner of Internal Revenue, the National Taxpayer Advocate, and the IRS Division Commissioners to improve IRS service and customer satisfaction with respect to W&I and SB/SE taxpayers. Local committees address both local area concerns and specific issues that focus on problems taxpayers encounter on an ongoing basis. TAP members are a diverse cadre of taxpayers from all 50 states, the District of Columbia, and Puerto Rico.

TAP's primary functions are to solicit grassroots issues and formulate recommendations for improving IRS service to taxpayers. TAP channels issues to IRS employees who are charged with oversight of particular programs (program owners) and responds to requests from program owners for pre-decisional grassroots feedback on IRS strategic initiatives.<sup>141</sup>

Although TAP is an independent advisory committee, the Department of the Treasury, the IRS, and the National Taxpayer Advocate oversee the panel. TAS provides TAP's funding as well as the technological, administrative, and clerical support essential to accomplishing its

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<sup>140</sup> Pub. L. No. 92-463, § 1, Stat. 770 (Oct. 6, 1972)(5 U.S.C. App.).

<sup>141</sup> Taxpayer Advocacy Panel 2005 Annual Report 1.

objectives.<sup>142</sup> TAS provides direct support and oversight of the TAP through the office of the TAP Director and four offices across the United States.

TAS uses both internal and external outreach mechanisms, created and implemented by TAP, to continue developing and expanding the program. The IRS has provided ongoing support and commitment throughout all layers of the organization. Current activities focus on exploring the needs of taxpayers and how the IRS can serve those needs. These activities include:

- ♦ TAP created and distributed the 2006 TAP Annual Report, citing 51 TAP recommendations to the IRS to improve customer service. Representatives will meet with the Commissioner in August 2007 to present the report, along with a document describing emerging issues identified by TAP members.
- ♦ TAP expanded the Communication Issue Committee by creating three subcommittees to focus on internal outreach, external outreach, and measure development. TAP developed and implemented a communication strategy in late 2006 and continues to refine it in FY 2007.
- ♦ TAP conducted a highly successful annual business meeting in December 2006 in Washington D.C. Speakers included the National Taxpayer Advocate, the Commissioner of Internal Revenue, and executives from both the W&I and SB/SE operating divisions. Topics covered at the event included the TAP and IRS partnership, new member orientation, emerging issues, member outreach, issue development, TAP website improvements, and Area and Issue Committee meetings. The FY 2008 annual meeting will take place in Washington, D.C., December 10 - 14, 2007.
- ♦ TAP Joint Committee representatives presented the Commissioner with a detailed report on five major issues that members deemed critical to the IRS and taxpayers:
  - IRC § 7216 regulations regarding disclosure or use of information by preparers of returns;
  - Regulation of return preparers;
  - The IRS's VITA Program;
  - Outsourcing of PDC, and

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<sup>142</sup> *Id.*

- The IRS's Free File Initiative for taxpayers.
- ◆ In FY 2008, the TAP will meet with the Commissioner in two venues: The Commissioner will address the TAP Annual Conference, which will be held December 11 – 14, 2007. In the spring of 2008, representatives from the TAP Joint Committee will present the 2007 TAP Annual Report to the Commissioner.
- ◆ TAP created and distributed to all members an outreach toolkit to help members communicate with the public and the IRS about the TAP and its mission. Topics range from speaking to a neighbor about TAP to conducting a media interview.
- ◆ The IRS presented members of the TAP Notice Issue Committee with a Special Act Award for their work in reviewing and providing feedback on numerous IRS notices.
- ◆ TAS awarded a new contract for maintenance and upgrade of the two TAP websites, improveirs.org and TapSpace. Improveirs.org is designed to provide information to the public about the activities of the TAP including recruitment, committee structure and meeting minutes. TAPSpace is an internal site that allows TAP members, staff, and IRS personnel to set up meetings and research and resolve issues. It also serves as a repository for all documents related to TAP operations.
- ◆ TAP members and TAS staff, in conjunction with the new website contract, collaborated on an extensive list of suggested improvements to the sites, including revising their look and feel, eliminating areas of duplication, creating a "What's New" page, and enhancing the online application process. TAP will fully implement the enhancements in 2007.

### **TAP Committee Structure**

Each TAP member serves on both a geographic committee and a national issue committee. Geographic committees are designed to address area-specific issues and focus on the constituents represented by TAP members. TAP identifies issues through a variety of sources, including taxpayer input at open meetings, correspondence, telephone contacts, and outreach. Geographic committees are:

- ◆ Area 1: Northeast
- ◆ Area 2: Mid-Atlantic
- ◆ Area 3: Southeast
- ◆ Area 4: Mid-States



- ♦ Area 5: Central
- ♦ Area 6: Mountain-Pacific
- ♦ Area 7: West

Issue committees provide direct feedback to the IRS operating divisions on issues impacting taxpayers, communicating their concerns to the IRS through liaisons within SB/SE and W&I. These relationships have afforded TAP members the opportunity to participate in focus group interviews on forms certification, forms review, IRS website review, and multilingual initiatives. The current issue committees are:

- ♦ Ad Hoc Committee (Multi-Lingual / Forms & Publications)
- ♦ EITC Committee
- ♦ Notices Committee
- ♦ Taxpayer Burden Reduction - SB/SE Committee
- ♦ Communications Committee
- ♦ TAC Committee
- ♦ VITA Committee

### **TAP Recruitment**

TAP conducted its 2007 recruitment campaign from March 19 through April 30, 2007, and will recruit 32 new members this year. TAP members serve three-year terms with approximately one-third of members' terms expiring annually. To address the under-representation of minorities, TAP focused on recruiting from minority-based and special emphasis organizations. We anticipate this approach will enable us to recruit and retain a more diverse pool of applicants. In addition, TAP focused on identifying effective recruitment publicity and outreach tools. When asked about their preferred source for information on TAP's recruitment campaign, applicants cited *The Wall Street Journal*, which TAP successfully used during this year's recruitment campaign, as their number one source of information.

TAP identified a variety of improvements to the recruitment process through responses to the 2006 TAP member exit survey and new member survey. The 2008 recruitment campaign will emphasize expanding the recruitment pool, renewing the TAP charter, and further refining the recruitment process.

## **TAP Business Measures**

TAP continues to make progress in developing measures of the program's effectiveness by establishing a measures subcommittee (composed of TAP members and TAS staff) and surveying members to identify improvement opportunities. The subcommittee developed surveys to gauge satisfaction at various points during members' tenure. TAP is also developing a measure to assess the effectiveness of TAP members and whether they are fulfilling the goals of the advisory group. A third measure will determine the effectiveness of TAP's issue identification and elevation process, including the overall response, value, impact, and timeliness of issues TAP elevates to the IRS.

Current initiatives also include:

- ♦ Exit member survey;
- ♦ New member survey;
- ♦ Returning member survey; and
- ♦ Employee engagement survey.

In FY 2008, TAP will continue to focus on identifying improvement opportunities through member surveys and establishing baseline data for the member effectiveness and issue effectiveness measures.

## **TAP Town Hall Meetings**

TAP and TAS partnered to conduct three town hall meetings during FY 2007. Since the inception of the town halls in FY 2006, 10 events have been held nationwide. The meetings elicit feedback from taxpayers regarding their experience with the IRS and gather suggestions for improving customer service and IRS products. The meetings conducted this year took place in Brooklyn, New York; Omaha, Nebraska and Phoenix, Arizona.

Local TAP members host the meetings and present information about the panel and its mission. The National Taxpayer Advocate is the keynote speaker at each meeting and leads an open discussion with TAP members and attendees. These events have been highly successful in gaining grassroots feedback on IRS service and in raising public awareness about TAS and TAP in the cities hosting the meetings.

## **TAP Annual Report**

TAP's 2006 Annual Report serves as a compilation of its efforts during the year.<sup>143</sup> The report consists of an executive summary, area and issue committee reports, a list of all recommendations submitted to the IRS during the year, TAP structure and procedures, and TAP partnering, marketing, and recruitment activities. The highlight of the report is an individual self-assessment of each committee, including:

- ♦ Recommendations submitted through the Joint Committee to the IRS;
- ♦ Issues currently under consideration; and
- ♦ Other accomplishments.

## **LOW INCOME TAXPAYER CLINICS**

In 1998, Congress authorized funding for the Low Income Taxpayer Clinic (LITC) grant program, which is now in its ninth year of operation.<sup>144</sup> The program is designed to provide access to representation for low income taxpayers, so that achieving a correct outcome in an IRS dispute does not depend on the taxpayer's ability to pay for representation. IRC § 7526 provides for matching grants of up to \$100,000 per year for qualifying organizations that represent low income taxpayers involved in controversies with the IRS<sup>145</sup> or that provide tax education and outreach to ESL or taxpayers who have limited English proficiency. IRC § 7526 requires clinics to provide services for free or for no more than a nominal fee.<sup>146</sup>

TAS views access to representation as fundamental to universal achievement of taxpayer rights. For taxpayers to want to voluntarily comply with their tax obligations and responsibilities, they must have access to information, to representation, and to TAS and its services. Low income taxpayers who cannot afford representation are at a disadvantage

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<sup>143</sup> This report is available in printed format and on the TAP Internet site at <http://www.improveirs.org>.

<sup>144</sup> Pub. L. No. 105-206, § 3601(a), 112 Stat. 685, 774 (July 22, 1998).

<sup>145</sup> LITCs provide representation to taxpayers in all types of tax controversies, including audits, levies, liens, installment agreements, OIC, and nonfilers re-entering the system.

<sup>146</sup> IRC § 7526(b)(1)(A)(i).

in obtaining access to competent assistance in meeting their obligations. LITCs reduce taxpayer uncertainty and errors by clarifying taxpayer rights and responsibilities. LITCs resolve issues early in the process and offer effective information and education through their outreach efforts. Finally, LITCs are a safety net that provides low income taxpayers with the assistance and support they need while ensuring their rights are protected and preserved.

To continue to meet the needs of this group of taxpayers, TAS has established the following goals for FY 2008:

- ♦ Ensure all 50 states, the District of Columbia, Puerto Rico, and Guam continue to be served by at least one clinic;
- ♦ Review all grant applications and conduct in-depth site visits to ensure grant recipients demonstrate the required technical tax expertise and business management skills;
- ♦ Expand coverage in states that do not have both controversy representation and ESL education and outreach;
- ♦ Ensure grant recipients demonstrate that they are serving geographic areas that have sizable populations eligible for and requiring LTC services; and
- ♦ Encourage congressional support for further expansion of the clinics.

### **Grant Awards**

TAS received 192 applications for the 2007 grant cycle and awarded nearly \$8 million in matching grants, ranging from \$10,500 to \$97,250, to 155 non-profit organizations and accredited academic institutions in 49 states, the District of Columbia, Puerto Rico, and Guam. There are currently no LITCs in Colorado, but TAS and the IRS opened a supplemental grant period for accepting applications from Colorado for the remainder of the 2007 grant cycle. During 2007, TAS expanded the coverage of clinics into rural areas and other communities where disadvantaged taxpayers had limited access to assistance, funding 18 new clinics in areas that had no clinics or were underrepresented. In 2007, TAS met its goal of establishing a clinic in Guam. The goal for the 2008 grant cycle is to fund at least one clinic in every state as well as the District of Columbia, Puerto Rico, and Guam. TAS will also continue to market the LTC program in states underserved by LITCs to identify organizations that may be interested in opening clinics.

TAS revised Publication 4134, *Low Income Taxpayer Clinic List*, providing a list in both English and Spanish of all LITCs, their locations, languages served, and telephone numbers. TAS also revised Publication 3319, *Low Income Taxpayer Clinic Grant Application Package and Guidelines*, for the 2008 grant cycle and worked with clinics to make the publication easier to use and understand. TAS has clarified the definition of an educational outreach program, described the circumstances in which clinics may engage in lobbying activities, and provided guidance on handling media requests to interview clients. TAS also updated the publication to give clinics the option to describe any activities not already captured through which the clinic contributed to the community or improved services for low income and ESL taxpayers.

### **Site Assistance Visits**

An LTC staff person and the LTA for the geographic area served by the clinic periodically perform on-site assistance visits to ensure LTC grant recipients are fulfilling their obligations. The LTC Program Office will conduct an in-depth site visit for every clinic at least once every three years. TAS will use weighted criteria to determine which clinics to visit each year. During calendar year 2008:

- ♦ Each new clinic funded in 2008 will receive an on-site assistance visit;
- ♦ Every clinic funded in 2008 will be visited by the LTA in the geographic area where the clinic is based; and
- ♦ The LTC Program Office will complete in-depth site assistance visits to at least 30 percent of the returning clinics funded in 2008.

### **Performance Measures**

TAS is working to establish goals and performance measures that will assist Congress and the IRS as well as TAS in evaluating the success of the LTC program.<sup>147</sup> A team of TAS and LTC Program Office employees and clinic directors will assist in developing goals and measures for clinics by the close of FY 2007. TAS will communicate the expectations derived from these measures to prospective clinics during the application process,

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<sup>147</sup> TAS, *FY 2007 Strategic Objectives and FY 07 Operational Priorities* 23 (Oct. 2006).

and will reinforce the measures to grant recipients at the 2008 Annual LITC Grantee Conference in December 2007 and during site assistance visits.

### **Annual Conference**

The FY 2007 Annual LITC Grantee Conference was held in December 2006 in New Orleans, Louisiana. This event provides TAS with the opportunity to educate clinics about clinic operating guidelines and substantive tax issues affecting low income and ESL taxpayers, while giving the clinics an opportunity to network and share best practices. All 155 of the 2007 grantees, including the 18 newly-selected clinics, participated in this year's conference, with almost 300 individual participants attending. The agenda included technical tax topics on problems faced by low income and Limited English Proficiency (LEP) taxpayers, including PDC, the QRP, Identity Theft, and working with disabled taxpayers. The National Taxpayer Advocate, a U.S. Tax Court judge, and IRS and TAS employees provided the training.

TAS is planning the conference for 2008 grant cycle recipients to be held in December 2007, which will focus on improving the understanding of and involvement with the technical components of LITC operations, including reporting requirements. The conference will also provide substantive tax training at all levels, as well as TAS's newly-developed LITC performance measures.

### **Compliance Reviews**

All applicants for LITC grants must be in compliance with federal tax responsibilities. TAS has established procedures to check for compliance with federal tax obligations before awarding LITC grants, and the LITC Program Office conducts periodic compliance checks throughout the grant cycle. Prior to awarding grants for the 2007 cycle, TAS verified the compliance of each clinic. TAS worked with each clinic that was not in compliance to assist in resolving any tax compliance issue before allowing it to receive funds. TAS will conduct follow-up compliance checks during the remainder of the 2007 grant cycle.

## **LITC Program Annual Report**

TAS is continuing to work with the LITCs to capture statistics and anecdotal information about LITC casework and outreach activities. The 2006 grant cycle was the first in which all LITCs were required to submit a report designed to better capture each clinic's activities. TAS is developing an LITC Program Annual Report. The first report will be published in FY 2008 and will detail the activities of the program and assist in promoting the critical services LITCs provide to low income and ESL taxpayers.

## **LITC Communication and Outreach**

The LITC Program Office publicized the 2007 grant awards through an IRS press release carried by national and local news outlets. The office began publicizing the 2008 grant application period in May 2007 through a similar press release, articles in IRS publications geared to practitioners, and on the IRS website at [www.irs.gov](http://www.irs.gov). The LITC Program Office is also aggressively using local media to market the LITC program in select cities that are underrepresented by clinics.

The LITC Program Office has also improved its communication with the clinics. In FY 2007, the office created an LITC newsletter to inform clinics about administrative and tax law changes, issued the first edition in November 2006, and will issue others throughout the year. The office has also created an e-mail distribution list to disseminate guidance quickly and easily to all current clinics.

## BALANCED MEASURES

In 1998, the IRS developed a plan for modernization that included implementing a system of balanced measures to assist in measuring and improving organization performance.<sup>148</sup> TAS currently measures performance in three areas: customer satisfaction, employee engagement, and product quality. The following is a discussion of how these measures allow TAS to assess and improve program effectiveness and service delivery.

### TAS Customer Satisfaction

TAS uses an independent and confidential telephone survey to gauge the opinions of taxpayers and their representatives who have recently received TAS assistance in resolving a problem with the IRS. The survey covers a broad range of customer service issues, including timeliness, accuracy, and communications. The information helps TAS understand what is important to its customers, how they evaluate TAS services, and how well TAS is meeting customer needs.

**TABLE I-18, COMPARISON OF PERCENTAGE OF CUSTOMERS SATISFIED VS. DISSATISFIED**

FY	GOAL	MEAN SCORE	PERCENT SATISFIED	PERCENT DISSATISFIED
2003	N/A	4.30	84	13
2004	N/A	4.30	84	13
2005	4.35	4.39	86	11
2006	4.40	4.34	85	12
2007 <sup>149</sup>	4.44	4.24	82	14

As shown in Table I-18, survey results ranged from 4.30 in FY 2003 to 4.39 in FY 2005, but additional gains have been challenging.<sup>150</sup>

<sup>148</sup> IRM 13.5.1.2(1) (Oct. 1, 2001).

<sup>149</sup> Results for the first quarter FY 2007.

<sup>150</sup> Customer satisfaction is measured on a scale from 1 to 5, where 1 is “very dissatisfied,” and 5 is “very satisfied.”



Significant increases in case receipts and complexity of cases are impediments to improved satisfaction.<sup>151</sup>

During FY 2007, TAS selected a new vendor to conduct the survey, which provided TAS with the opportunity to restructure the survey process. During the first quarter of FY 2007, TAS redesigned the customer satisfaction questionnaire to ask additional follow-up questions aimed at determining the underlying reasons some customers are dissatisfied with TAS services.

TAS will place greater emphasis on providing employees with more actionable data to drive improved customer satisfaction results. New reports will provide survey results in a more easily understood format. TAS is also moving from a mean score reporting method to reporting on the percentage of satisfied customers, which is more universally understood. TAS is updating supporting products that foster informed participation of employees in our efforts to improve customer satisfaction, including a user's handbook and an educational video for use during FY 2008.

## **Employee Engagement**

### **Satisfaction**

As noted in Table I-19 below, TAS's overall employee satisfaction results improved from FY 2002 through FY 2005. Survey results for FY 2006 indicate overall satisfaction of 64 percent, which fell below TAS's goal of 73 percent. TAS employee participation in the survey fell to 33 percent in FY 2006 from 48 percent in FY 2005, in part because of a lack of agreement with the National Treasury Employees Union (NTEU).

To help increase participation, the National Taxpayer Advocate and the Deputy National Taxpayer Advocate developed and implemented a year-long campaign to better demonstrate to employees how their responses are used for positive change in TAS. As a result of this focus on engagement and communication, TAS's FY 2007 participation rate in the survey increased by 118 percent, to 73 percent of the TAS workforce. The goal for FY 2007 is 67 percent overall satisfaction.<sup>152</sup>

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<sup>151</sup> See Trends in TAS Receipts, *supra*.

<sup>152</sup> TAS, *FY 2007 Strategic Objectives and FY 2007 Operational Priorities* (Dec. 4, 2006).

**TABLE I-19, Q17 - OVERALL EMPLOYEE SATISFACTION<sup>153</sup>**

	IRS		TAS	
Year	Goal	Actual	Goal	Actual
2002	54%	55%	70%	56%
2003	58%	60%	61%	60%
2004	62%	60%	65%	65%
2005	68%	64%	68%	70%
2006	65%	66%	73%	64%
2007	66%	n/a	67%	n/a

**TABLE I-20, SURVEY PARTICIPATION**

YEAR	IRS	TAS
2002	69%	82%
2003	73%	80%
2004	78%	80%
2005	51%	48%
2006	43%	33%
2007	64%	72%

### Engagement

Each TAS manager has a performance commitment to engage employees in understanding their impact on achieving TAS's mission and the value the organization places on their contribution. In support of this

<sup>153</sup> Question 17 is an indicator of employee satisfaction derived from combining the percent of 4 and 5 responses (satisfied and extremely satisfied) from the annual employee survey.

commitment, the National Taxpayer Advocate and Deputy National Taxpayer Advocate produced an Interactive Video Teleconference (IVT), “Celebrate TAS Employees.” The IVT focused on the accomplishments of TAS employees, their importance in achieving TAS’s mission, the importance of employee participation in the survey, and how the National Taxpayer Advocate uses employee feedback in TAS’s strategic planning process. Following the IVT, TAS managers held celebratory meetings with their employees and discussed local accomplishments. TAS developed a webpage to publicize examples demonstrating TAS-wide employee engagement success stories. For the FY 2007 survey, TAS developed nine TAS-specific questions to help gauge the unique interests of its employees.

### **TAS Equal Employment Opportunity Advisory Committee**

The National Taxpayer Advocate convened the TAS Advisory Committee on Equal Employment Opportunity (EEO) and Diversity in February 2007. The committee, which is sponsored by the TAS EEO and Diversity Director, and includes members from all levels of the TAS workforce, will assist in promoting and advancing EEO and diversity awareness and sensitivity in TAS. The standing advisory committee will also establish a framework for integrating EEO and diversity into TAS’s strategic mission and provide advice and recommendations to the National Taxpayer Advocate and the Deputy National Taxpayer Advocate on related issues.

### **Assessing Product Quality**

In addition to measuring customer satisfaction and employee engagement, TAS assesses the quality of the case advocacy services it provides to taxpayers, and in FY 2007 began measuring the quality of its systemic advocacy work.

### **TAS Case Quality**

TAS has measured the quality of the assistance it provides to taxpayers since its inception. This quality measure includes accuracy, timeliness of actions, and communications. TAS quality results increased from 71.6 percent in FY 2001 to 91.6 percent in FY 2005.<sup>154</sup> In FY 2006, the

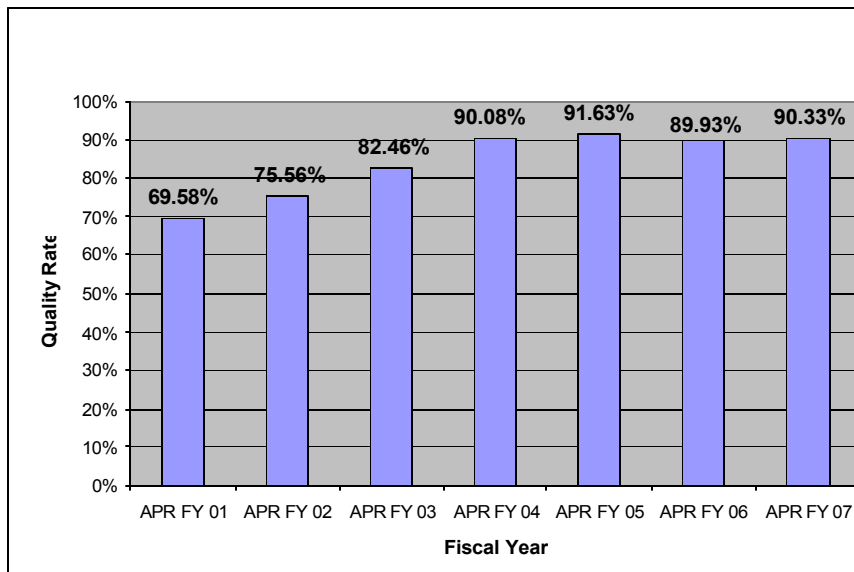
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<sup>154</sup> TAS Quality Standards are:

1. Did TAS make timely contact with the taxpayer?
2. Did TAS take initial action/request information within the specified time frame?

cumulative quality rate remained high at 89.7 percent, but fell below the goal of 91.5 percent. As shown in Chart I-21, TAS has achieved 90.3 percent quality for April 2007, still below the FY 2007 goal of 91 percent.

**CHART I-21, TAS CUMULATIVE CASEWORK QUALITY INDEX**



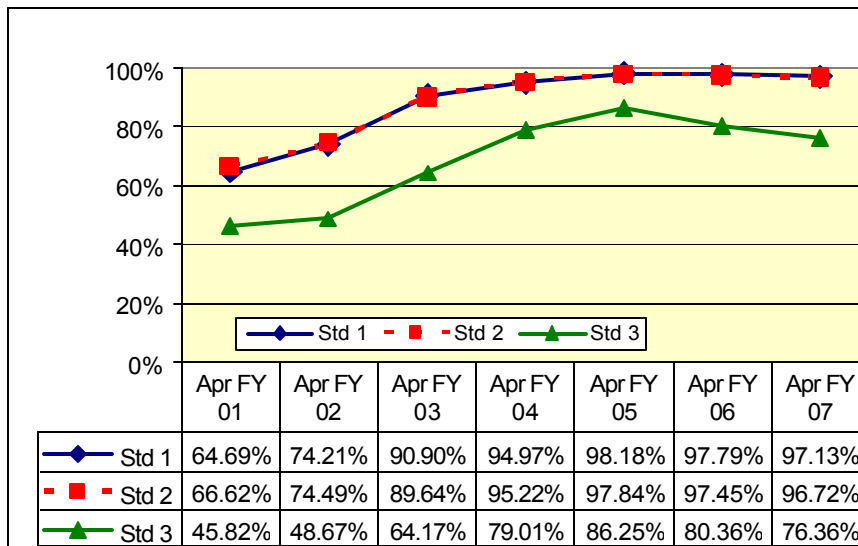
A major focus of TAS's quality system is taking timely actions, as measured by quality standards one through three, shown in Chart I-22 below. TAS continues to perform strongly in initial contact and taking timely actions (quality standards one and two, respectively). Performance has declined in quality standard three, timely subsequent actions, scoring 76.36 percent in April 2007 compared to 80.36 percent a year earlier. Rising case receipts, the growing complexity of case issues, and reduced staffing have all made TAS's drive for continuous quality improvement more challenging.<sup>155</sup> TAS is using inventory management

3. Did TAS take all subsequent actions timely from the time action could have been taken?
4. Did TAS resolve all taxpayer issues?
5. Did TAS address all related issues?
6. Were all actions taken by TAS and the IRS operations/functional divisions technically and procedurally correct?
7. Did TAS give the taxpayer a clear, complete, correct explanation at closing?
8. Did TAS educate the taxpayer regarding any of his/her actions that contributed to the problem?

<sup>155</sup> See Trends in TAS Receipts, *supra*.

enhancements<sup>156</sup> and is completing attrition hiring in critical locations to meet this challenge.

**CHART I-22, TAS CUMULATIVE TIMELINESS SCORES<sup>157</sup>**



## New Case Quality Standards

Efforts are underway to redesign and enhance TAS's quality measurement standards, which do not address the numerous changes in casework and processing that have occurred since TAS began. TAS has asked employees for recommendations regarding the future standards. TAS has secured a placeholder for MITS support to design an online database to house the new standards.

## New Systemic Advocacy Product Quality Review

In October 2006, TAS began evaluating the quality of closed Immediate Interventions and Advocacy Projects through a series of monthly reviews that assess 20 specific attributes for timeliness, accuracy, and

<sup>156</sup> See Inventory Balancing, *infra*.

<sup>157</sup> The TAS timeliness quality standards are:

1. Did TAS make timely contact with the taxpayer?
2. Did TAS take initial action/request information within the specified time frame?
3. Did TAS take all subsequent actions timely from the time action could have been taken?

communication. This includes such items as timely issuance of a comprehensive action plan and project charter, appropriate proposed resolution, and outreach or education if required. This baseline year will serve to develop FY 2008 goals and improve systemic advocacy work.

## APPENDICES

### APPENDIX I: EVOLUTION OF THE OFFICE OF THE TAXPAYER ADVOCATE

The Office of the Taxpayer Ombudsman was created by the IRS in 1979 to serve as the *primary advocate*, within the IRS, for taxpayers. This position was codified in the Taxpayer Bill of Rights (TBOR 1), included in the Technical and Miscellaneous Revenue Act of 1988 (TAMRA), Pub. L. No. 100-647. In TBOR 1, Congress added IRC § 7811, granting the Ombudsman the statutory authority to issue a TAO “if, in the determination of the Ombudsman, the taxpayer is suffering or about to suffer a significant hardship as a result of the manner in which the internal revenue laws are being administered by the Secretary.”<sup>1</sup> Further, the Taxpayer Ombudsman and the Assistant Commissioner (Taxpayer Services) were directed to jointly provide an annual report to Congress about the quality of taxpayer services provided by the IRS. This report was delivered directly to the Senate Committee on Finance and the House Committee on Ways and Means.<sup>2</sup>

In 1996, Taxpayer Bill of Rights 2 (TBOR 2) amended IRC § 7802 (the predecessor to IRC § 7803), replacing the Office of the Taxpayer Ombudsman with the Office of the Taxpayer Advocate.<sup>3</sup> The Joint Committee on Taxation set forth the following reasons for change:

To date, the Taxpayer Ombudsman has been a career civil servant selected by and serving at the pleasure of the IRS Commissioner. Some may perceive that the Taxpayer Ombudsman is not an independent advocate for taxpayers. In order to ensure that the Taxpayer Ombudsman has the necessary stature within the IRS to represent fully the interests of taxpayers, Congress believed it appropriate to elevate the position to a position comparable to that of the Chief Counsel. In addition, in order to ensure that the Congress is systematically made aware of recurring and unresolved problems and difficulties taxpayers encounter in dealing with the IRS, the Taxpayer Ombudsman should have the authority

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<sup>1</sup> TAMRA, Pub. L. No. 100-647, Title VI, Sec. 6230, 102 Stat. 3342, 3733 (Nov. 10, 1988).

<sup>2</sup> TAMRA, Pub. L. No. 100-647, Title VI, Sec. 6235 (b), 102 Stat. 3342, 3737 (Nov. 10, 1988).

<sup>3</sup> Pub. L. No. 104-168, Sec. 101, 110 Stat. 1452, 1453 (July 30, 1996).

and responsibility to make independent reports to the Congress in order to advise the tax-writing committees of those areas.<sup>4</sup>

In TBOR 2, Congress not only established the Office of the Taxpayer Advocate but also described its functions:

1. To assist taxpayers in resolving problems with the IRS;
2. To identify areas in which taxpayers have problems in dealings with the IRS;
3. To the extent possible, propose changes in the administrative practices of the IRS to mitigate those identified problems; and
4. To identify potential legislative changes which may be appropriate to mitigate such problems.<sup>5</sup>

Congress did not provide the Taxpayer Advocate with direct line authority over the regional and local Problem Resolution Officers (PROs) who handled cases under the Problem Resolution Program. At the time of the enactment of TBOR 2, Congress believed it sufficient to require that “all PROs should take direction from the Taxpayer Advocate and that they should operate with sufficient independence to assure that taxpayer rights are not being subordinated to pressure from local revenue officers, district directors, etc.”<sup>6</sup>

TBOR 2 also replaced the joint Assistant Commissioner/Taxpayer Advocate report to Congress with two annual reports to Congress issued directly and independently by the Taxpayer Advocate. The first report is to contain the objectives of the Taxpayer Advocate for the fiscal year beginning in that calendar year. This report is to provide full and substantive analysis in addition to statistical information and is due not later than June 30 of each calendar year. The second report is on the activities of the Taxpayer Advocate during the fiscal year ending during that calendar year. The report must identify the initiatives the Taxpayer Advocate has taken to improve taxpayer services and IRS responsiveness, contain recommendations received from individuals who have the authority to issue a TAO, describe in detail the progress made in implementing these recommendations, contain a summary of at least 20

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<sup>4</sup> Joint Committee on Taxation, *General Explanation of Tax Legislation Enacted in the 104<sup>th</sup> Congress* JCS-12-96, 20 (Dec. 18, 1996).

<sup>5</sup> Pub. L. No. 104-168, Sec. 101, 110 Stat. 1452, 1453-54 (July 30, 1996).

<sup>6</sup> Joint Committee on Taxation, *General Explanation of Tax Legislation Enacted in the 104<sup>th</sup> Congress* JCS-12-96, 21 (Dec. 18, 1996).



of the MSPs which taxpayers have in dealing with the IRS, include recommendations for such administrative and legislative action as may be appropriate to resolve such problems, describe the extent to which regional problem resolution officers participate in the selection and evaluation of local problem resolution officers, and include other such information as the Taxpayer Advocate may deem advisable. The stated objective of these reports is “for Congress to receive an unfiltered and candid report of the problems taxpayers are experiencing and what can be done to address them. The reports by the Taxpayer Advocate are not official legislative recommendations of the Administration; providing official legislative recommendations remains the responsibility of the Department of Treasury.”<sup>7</sup>

Finally, TBOR 2 amended IRC § 7811, extending the scope of the TAO, by providing the Taxpayer Advocate with broader authority “to affirmatively take any action as permitted by law with respect to taxpayers who would otherwise suffer a significant hardship as a result of the manner in which the IRS is administering the tax laws.”<sup>8</sup> For the first time, the TAO could specify a time period within which the IRS must act on the order. The statute also provided that only the Taxpayer Advocate, the IRS Commissioner, or the Deputy Commissioner could modify or rescind a TAO, and that any official who so modifies or rescinds a TAO must respond in writing to the Taxpayer Advocate with his or her reasons for such action.

In 1997, the National Commission on Restructuring the Internal Revenue Service called the Taxpayer Advocate the “voice of the taxpayer.” In its discussion of the office of the Taxpayer Advocate, the Commission noted:

Taxpayer Advocates play an important role and are essential for the protection of taxpayer rights and to promote taxpayer confidence in the integrity and accountability of the IRS. To succeed, the Advocate must be viewed, in both perception and reality, as an independent voice for the taxpayer within the IRS. Currently, the national Taxpayer Advocate is not viewed as independent by many in Congress. This view is based in part on

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<sup>7</sup> Joint Committee on Taxation, *General Explanation of Tax Legislation Enacted in the 104<sup>th</sup> Congress* JCS-12-96, 21 (Dec. 18, 1996).

<sup>8</sup> *Id.* at 22.

the placement of the Advocate within the IRS and the fact that only career employees have been chosen to fill the position.<sup>9</sup>

In response to these concerns, in the IRS Restructuring and Reform Act of 1998 (RRA 98), Pub. L. No. 105-206, Congress amended IRC § 7803(c), renaming the Taxpayer Advocate as the National Taxpayer Advocate and mandating that the National Taxpayer Advocate could not be an officer or an employee of the IRS for two years preceding or five years following his or her tenure as the National Taxpayer Advocate (service as an employee of the Office of the Taxpayer Advocate is not considered IRS employment under this provision).<sup>10</sup>

RRA 98 provided for LTAs to be located in each state, and mandated a reporting structure for LTAs to report directly to the National Taxpayer Advocate. As indicated in IRC § 7803(c)(4)(B), each LTA must have a phone, fax, electronic communication, and mailing address separate from those of the IRS. The LTA must advise taxpayers at their first meeting of the fact that “the taxpayer advocate offices operate independently of any other Internal Revenue Service office and report directly to Congress through the National Taxpayer Advocate.”<sup>11</sup> Congress also granted the LTAs discretion to not disclose the fact that the taxpayer contacted the Office of the Taxpayer Advocate or any information provided by the taxpayer to that office.<sup>12</sup>

The definition of “significant hardship” in IRC § 7811 was expanded in 1998 to include four specific circumstances: (1) an immediate threat of adverse action; (2) a delay of more than 30 days in resolving taxpayer account problems; (3) the taxpayer’s incurring of significant costs (including fees for professional representation) if relief is not granted; and (4) the taxpayer will suffer irreparable injury or a long-term adverse impact. The committee reports make clear that this list is a non-exclusive list of what constitutes significant hardship.<sup>13</sup>

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<sup>9</sup> Report of the Commission on Restructuring the Internal Revenue Service: *A Vision for a New IRS* 48 (June 25, 1997).

<sup>10</sup> Pub. L. No. 105-206, Sec. 1102, 112 Stat. 685, 697 (July 22, 1998).

<sup>11</sup> IRC § 7803(c)(4)(A)(iii).

<sup>12</sup> IRC § 7803(c)(4)(A)(iv).

<sup>13</sup> H.R. Conf. Rep. No. 105-599, at 215 (1998).

## APPENDIX II: TAXPAYER ADVOCATE SERVICE CASE ACCEPTANCE CRITERIA

As an independent organization within the IRS, TAS helps taxpayers resolve problems with the IRS and recommends changes to prevent the problems. TAS fulfills its statutory mission by working with taxpayers to resolve problems with the IRS.<sup>1</sup> TAS case acceptance criteria fall into four main categories:

### 1. **Economic Burden**

Economic burden cases are those involving a financial difficulty to the taxpayer: An IRS action or inaction has caused or will cause negative financial consequences or have a long term adverse impact on the taxpayer.

- **Criteria 1:** The taxpayer is experiencing economic harm or is about to suffer economic harm.
- **Criteria 2:** The taxpayer is facing an immediate threat of adverse action.
- **Criteria 3:** The taxpayer will incur significant costs if relief is not granted (including fees for professional representation).
- **Criteria 4:** The taxpayer will suffer irreparable injury or long term adverse impact if relief is not granted.

### 2. **Systemic Burden**

Systemic burden cases are those in which an IRS process, system, or procedure has failed to operate as intended, and as a result the IRS has failed to timely respond to, or resolve, a taxpayer issue.

- **Criteria 5:** The taxpayer has experienced a delay of more than 30 calendar days to resolve a tax account problem.
- **Criteria 6:** The taxpayer has not received a response or resolution to their problem or inquiry by the date promised.
- **Criteria 7:** A system or procedure has either failed to operate as intended, or failed to resolve the taxpayer's problem or dispute within the IRS.

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<sup>1</sup> IRC § 7803(c)(2)(C)(ii).

### **3. Best Interest of the Taxpayer**

TAS acceptance of these cases will help ensure that taxpayers receive fair and equitable treatment and that their rights as taxpayers are protected.

- **Criteria 8:** The manner in which the tax laws are being administered raises considerations of equity or has impaired or will impair the taxpayer's rights.

### **4. Public Policy**

Acceptance of cases into TAS under this category will be determined by the National Taxpayer Advocate and will generally be based on a unique set of circumstances warranting assistance to certain taxpayers.

- **Criteria 9:** The National Taxpayer Advocate determines compelling public policy warrants assistance to an individual or group of taxpayers.

### **APPENDIX III: COLLABORATIVE EFFORTS BETWEEN TAS AND IRS TO ADDRESS SYSTEMIC ISSUES**

<b>Collaborative Efforts</b>	<b>Members</b>	<b>Description</b>	<b>FY 2008 Goals</b>
Agency-Wide FTD Penalty Task Force	SB/SE, TE/GE, W&I, LMSB, TAS	In fiscal year 2005, the Service-wide Task Force on Systemic Assessment/Abatement of Failure to Deposit Penalties released a report identifying problems that contribute to the high assessment rates of FTD and subsequent abatements and offering six recommendations to improve IRS processes, taxpayer education, notices, and forms. The Office of Systemic Advocacy played a vital role on this task force because employment tax issues and FTD penalty problems continue to show up in TAS casework and advocacy referrals.	TAS, LMSB and SB/SE Office of Penalty and Interest Administration will continue to review outcome and measure results of the implemented recommendations.
Appeals and SB/SE Fast Track Settlement Initiative Team	SB/SE, Appeals, TAS	The overall purpose of this program is to enable taxpayers and the IRS to work together in resolving disputed issues while the case remains in SB/SE jurisdiction. The process generally involves an Appeals Officer trained in mediation, the taxpayer and an SB/SE group manager or designee. Unlike Fast Track Mediation, Fast Track Settlement allows the parties to utilize Appeals settlement authority under Delegation Order 66, when needed, to effect a settlement based on the "hazards of litigation." The expected benefits include resolving issues at the earliest possible opportunity, reducing overall case cycle time (filing date to issue resolution), and reducing taxpayer burden.	In late FY 2006, SB/SE and Appeals began a six-month test of SB/SE Appeals Fast Track Settlement (FTS). The six-month test occurred in Chicago, St. Paul and Houston. In March 2007, the test concluded. Appeals and SB/SE decided to continue the test and expand the program to an additional three cities - Philadelphia,

Collaborative Efforts	Members	Description	FY 2008 Goals
		This process was tested in three cities: St. Paul, Chicago and Houston. Cases were brought into the process in those three cities as soon as the official announcement was released by IRS Counsel and after the Appeals and SB/SE employees received training including a role play video the team developed for the test cities.	Laguna/San Diego and San Bernardino. Training will be given to the Appeals Officers and Revenue Agents in those cities.
CI Liaison	CI, W&I, TAS, SB/SE, MITS	See Integrating Advocacy: CI Refund Freezes, <i>supra</i>	See Integrating Advocacy: CI Refund Freezes, <i>supra</i>
Collection Due Process Working Group	Office of Chief Counsel, TAS, Appeals, ACS, Collection	The Collection Due Process (CDP) Working Group is a cross functional group of CDP experts who address different process related issues that arise through administration of CDP rights under IRC §§ 6320 and 6330.	<p>The CDP Working Group meets at least quarterly and has been recently working on:</p> <ul style="list-style-type: none"> <li>• The audit reconsideration process in CDP as a means to ensure that the right amount of tax is being collected;</li> <li>• CDP notices that have different response dates on letters sent to taxpayers than on the letters sent to the Powers of Attorney</li> </ul>

Collaborative Efforts	Members	Description	FY 2008 Goals
			<p>representing them; and</p> <ul style="list-style-type: none"> <li>• Working offers in compromise inside a CDP hearing.</li> </ul>
Collection Statute Expiration Date (CSED)	W&I, SB/SE, TAS	<p>The National Taxpayer Advocate raised the issue of incorrect collection statute expiration dates in her 2004 Annual Report to Congress. The IRS and TAS established a joint team that identified impacted taxpayers, developed additional guidance and training alerts, and submitted requests for systems improvements to eliminate the problem of incorrectly calculated CSEDs. These account problems were reflected in three major areas: Installment Agreements (IA), Substitute for Return, and Offer in Compromise (OIC).</p> <p>Internal Revenue Manuals have been updated, incorrect procedural guides have been removed, account extracts have been pulled to identify accounts needing correction, compliance training modules were developed, and a comprehensive review was conducted of CSED calculation procedures on IDRS. Programming fixes have been recommended.</p> <p>TAS is concerned with the delay in implementing the requested system improvement to correct erroneous OIC account calculations that are currently resident in IDRS.</p>	<p>In her 2006 ARC, the National Taxpayer Advocate reported on thousands of accounts on which the CSED had been extended for as long as 50 years. The IRS is no longer permitted under the law to seek such extensions from taxpayers, and TAS sought the cooperation of the task group to administratively remove these accounts from collection status. The CSED task group has refused TAS's request. TAS will continue to address this issue with the IRS in FY 2008.</p>
Tax Literacy	W&I, SB/SE, TAS	TAS has established a team to	The team is on

Collaborative Efforts	Members	Description	FY 2008 Goals
	TAS	develop a tax literacy toolkit. The toolkit, which will be available in both paper and electronic formats, will provide in-depth information on a number of topics including Individual Taxpayer Identification Numbers (ITINs), How to Select a Return Preparer, Refund Anticipation Loans (RALs), Earned Income Tax Credit (EITC), Low Income Taxpayer Clinics (LITCs), What You Need to Know About Mortgages, available IRS resources, and TAS messages. The toolkit will complement and augment a Spanish-language DVD for LEP (limited English proficiency) taxpayers. The toolkit will be available in English and Spanish and will be available to individual taxpayers, TAS and IRS personnel, and outside partners. The team is on track to develop the toolkit by the end of FY 2007.	track to develop the toolkit by the end of FY 2007. During FY 2008, TAS will actively promote the toolkit and will monitor its use for any necessary additions or changes.
IRS W&I, Form 886-H Series, Information Request Redesign Group	W&I Compliance, EITC Program Office, Customer Accounts Services, TAS	The W&I Compliance Director and the National Taxpayer Advocate agreed to revise the Form 886-H Series which the IRS uses to seek substantiating information from taxpayers for Earned Income Tax Credit qualification. The IRS will include TAS and the Low Income Taxpayer Clinics (LITCs) in the process.	The goal of this group is to improve communication with taxpayers, specifically by clarifying the Form 886-H Series to better define what documentation is needed from the taxpayer and how the IRS can best communicate what is needed so taxpayers send in the documentation. The team



Collaborative Efforts	Members	Description	FY 2008 Goals
			canvassed LTAs and LITCs for feedback on what changes would improve Form 886-H. The team is analyzing the responses with the goal of making at least some changes in the next filing season.
Form 94X Design	SB/SE, TE/GE, W&I, LMSB, Counsel, TAS	Taxpayers and the IRS encounter significant challenges when a taxpayer corrects a reporting error on employment tax returns. Currently, taxpayers file Form 941c, Supporting Statement to Correct Information or Form 843, Claim for Refund and Request for Abatement. The Form 941c is an attachment to a current quarter Form 941, Employer's Quarterly Tax Return.	<p>The team will continue to design a form that will allow taxpayers to amend Form 941, Employer's Quarterly Tax Return for use in 2008.</p> <p>The team is also considering creating separate forms for all of the employment tax forms (943, 944, and 945) to allow taxpayers to correct a reporting error.</p>
Form 940 Redesign Team	Treasury, SB/SE Collection Policy, LMSB Employment Tax, W&I Forms & Publications, MITS, Research,	The team is responsible for designing a simpler Form 940, Employer's Annual Federal Unemployment (FUTA) Tax Return, and Instructions. The new form consolidates Form 940EZ and Form 940 into one form. The consolidated form is intended to reduce burden for current Form 940 filers. The 940 Redesign Team has completed the design phase of the	TAS will participate in monitoring the initial filing of the new Form 940, recommending any changes that may be needed and participate in any decision making that will

Collaborative Efforts	Members	Description	FY 2008 Goals
	Chief Counsel, TAS	new form and is working with software developers to ensure consistent formatting. The new Form 940 became available for the 2006 tax year and is used by taxpayers to report tax obligations.	affect taxpayers. The new Form 940 is being filed by taxpayers. The team continues to meet to discuss any concerns or problems that may develop as a result of the new form.
Form 944, Employer's Annual Federal Tax Return	TAS, SB/SE Office of Taxpayer Burden Reduction, SB/SE Collection, SB/SE C&L, SB/SE Campus Compliance, SB/SE Examination, W&I Forms & Publications, W&I Customer Account Services, W&I CARE, MITS, TE/GE, Chief Counsel, OPERA	<p>The purpose of this program is to reduce burden on the smallest business taxpayers by establishing new rules and processes that will allow certain employers to file their employment tax returns annually and pay the employment tax due with their return. This program is designed for small business taxpayers who owe \$1,000 or less per year in total employment tax liability. The filing of a new tax form known as Form 944, Employers ANNUAL Tax Return, will be required by the small business taxpayers that currently file Form 941 and new businesses that meet the eligibility criteria. This program was implemented on January 1, 2006 with the first filings due January 31, 2007.</p> <p>The National Taxpayer Advocate previously suggested studies be conducted on the number of taxpayers impacted by changing filing requirements to the Form 944 and determine if taxpayer burden is actually reduced. Additionally, TAS recommended the IRS conduct a test on a statistically valid sample of taxpayers before making these</p>	<p>TAS will monitor the initial phase of the program and recommend any changes needed and participate in any decision making that will affect taxpayers.</p> <p>The team will meet weekly to work the issues and address taxpayers concerns. The team is working to reduce taxpayer burdens inherent in a new program. The team is also reviewing program eligibility rules, opting out procedures and the temporary Treasury regulations.</p>

Collaborative Efforts	Members	Description	FY 2008 Goals
		<p>changes mandatory for all taxpayers. This limited rollout would allow the IRS to address any taxpayer concerns or administrative problems. The IRS instead implemented the program without testing.</p> <p>TAS remains concerned that taxpayers that straddle the \$1,000 threshold for annual employment tax liability will be put in a difficult situation. There is the potential of taxpayers being placed in and out of the Form 944 program when their total annual tax liability fluctuates above or below \$1,000. Also, taxpayers with a total tax liability exceeding \$2,500, will be responsible for making federal tax deposits (FTD) in accordance with current rules to avoid failure to deposit penalties. These taxpayers will still file Form 944 during the current year and then begin filing quarterly the Form 941 during the next year. A small business employer who does not have certainty as to whether they must file employment tax returns quarterly or annually will not feel that burden has been reduced.</p>	
IRS Joint W&I and TAS Injured Spouse Claim	W&I, TAS	W&I and TAS completed an interim joint report on problems associated with injured spouse form processing problems and delivered it to the National Taxpayer Advocate and W&I Commissioner. Further, IRM 21 was updated, including new procedures and processing timelines requirements; and Form 8379, Injured Spouse Allocation, was revised.	The goals for FY 2008 are to reduce the need for referrals to TAS; improve processing; and monitor the impact of implemented recommendations.

Collaborative Efforts	Members	Description	FY 2008 Goals
Notice Elimination Dynamic Project Team (DPT)	Notice Improvement Office, W&I, SB/SE, TAS	This task force is studying notices and Correspondex letters for the purpose of eliminating those that are obsolete or no longer used.	Eliminated 44 local notices and obsoleted 18 letters. Team has issued a report and is scheduling a meeting to wrap-up activities.
Notice Elimination Dynamic Project Team (DPT)	Notice Improvement Office, W&I, SB/SE, TAS	This task force is looking at redesigning notice stubs.	<p>The effort has eliminated 44 local notices and made 18 letters obsolete. The team is scheduling a meeting to wrap up its activities.</p> <p>The goal for FY 2008 is to analyze the input from all IRS operating divisions to eliminate notices that should be obsolete.</p>

Notice Communication & Advisory Group (NCAG)	Cross functional	The NCAG is the Council for Single Points of Contact (SPOCs) from all ODs. SPOCs represent their respective ODs on notice-related issues. The objective is to continue to improve notices.	In FY 2008, TAS will continue to work the 5-year strategy and related action plans for improvement to notices.
Notice DPT for Computer Paragraph (CP) Notices 23, 24 and 25	Notice Improvement Office, W&I, SB/SE and TAS	The DPT is tasked with revising Estimated Tax (EST) Discrepancy Notices CP23, CP24 and CP24.	The team revised the draft CPs 23, 24 and 25 and adopted many of the suggested changes, limited by the intent and purpose of the team. Testing was completed in January and results were reviewed and will be incorporated into the finalized drafts in June.
Private Debt Collection (PDC) Initiative	TAS, SB/SE Filing and Payment Compliance	<p>TAS is continuing to engage the IRS as it moves forward with the implementation of the Private Debt Collection Initiative. Private Collection Agencies (PCAs) began work on IRS accounts in September 2006. TAS has engaged in discussions with the IRS on fundamental aspects of the design of the initiative which include:</p> <ul style="list-style-type: none"> <li>• The complexity of the cases assigned to PCAs;</li> <li>• The call scripts utilized by PCAs to obtain payment commitments from taxpayers;</li> <li>• The cost effectiveness of using PCAs over allowing IRS employees to perform this work.</li> </ul>	<p>In FY 2008, TAS will continue to work with the IRS on implementing the Private Debt Collection Initiative. TAS will focus on:</p> <ul style="list-style-type: none"> <li>• Monitoring the taxpayer complaints and ensuring that taxpayer rights are protected;</li> <li>• Ensuring that the cost-benefit analysis study performed by W&amp;I considers all</li> </ul>

			costs of the program; and <ul style="list-style-type: none"> <li>• Measuring and monitoring the effectiveness of the established policies and procedures.</li> </ul>
Taxpayer Assistance Blueprint (TAB) II	W&I, TAS	TAS was actively involved in developing the Taxpayer Assistance Blueprint (TAB) Phase 1 Report issued on April 24, 2006, and Phase II, which was released on April 12, 2007. TAS representatives are also participating on the TAB Research Group which is validating data on taxpayer walk-in sites.	While the TAB Team has completed its function, in FY 2008 TAS will continue to monitor the IRS's delivery of taxpayer service and explore ways of improving taxpayer service.
Expanding Practitioner Communication	W&I, SB/SE, TAS	This is a working group of senior analysts and managers who are responsible for stakeholder outreach and communication. The group meets weekly to plan strategies for increasing communication with practitioners not covered under Circular 230.	The group will continue to meet. The initial objective is to deliver key messages to tax software vendors about issues affecting taxpayers, such as miscalculations of tax due.
NYC EITC Outreach Campaign	W&I, SB/SE, TAS	New York City identified taxpayers with potential for qualifying for the EITC and solicited amended returns. The group monitors receipts and compliance issues.	The goal of this group is to identify filters enabling IRS to reach taxpayers qualifying for EITC who failed to claim it.
Cash Economy	SB/SE, TAS	This group reviews suggestions to reduce the tax gap through	Narrow focus to top 10 ideas and

		increased compliance in the cash economy. Ideas are received internally and externally.	develop strategies to enhance voluntary compliance.
High Profile Taxpayer Initiative	W&I, TAS	TAS previously identified IRS database limitations that cause processing delays and other problems for taxpayers who file income tax returns in excess of \$100 million. A task force was formed and as a result of the group's efforts, a specialized unit was established to handle all processing functions for any individual filing a tax return in excess of \$100 million.	TAS will continue to meet with the task group on a bi-annual basis to ensure the established procedures for all applicable IRS functions remain in concert.
Compliance and TAS (CTAS) Task Group - FPLP and SSA Levies	W&I, TAS	This team was formed to address payment compliance issues, particularly Federal Payment Levy Program (FPLP) levies on Social Security benefits. The National Taxpayer Advocate remains troubled that despite two IRS task forces, a GAO audit, and multiple Annual Reports to Congress (with specific recommendations) over the past five years, the IRS has been unable to devise a feasible method of screening out low income taxpayers from this automated process.	TAS will continue to work with the respective IRS Compliance and Research functions to conduct research necessary to implement an effective filter to screen out taxpayers from the FPLP who are unable to pay.

Amended Employment Tax Form(s) Project	SB/SE, TE/GE, W&I, LMSB, Counsel, TAS	The Amended Employment Tax Form(s) Project was initiated to reduce taxpayer burden by simplifying the process to correct employment tax reporting errors, to increase voluntary compliance and reduce opportunities for fraud, to establish effective and uniform processing of the new form(s), and measure the number and type of adjustments and corrections made to employment tax returns.	For FY 2008, the team's goal is to have the new form(s) ready for filing year 2008.
Form 2678, Employer Appointment of An Agent Project Team	SB/SE, OTBR, LMSB, Counsel, TAS	<p>The cross-functional team redesigned Form 2678 to enhance the process that allows an employer/payer to appoint an agent to pay wages, file returns, and deposit employment or other withholding taxes, including backup withholding, on the employer's behalf.</p> <p>The new form should reduce taxpayer burden and establish clear accountability through an improved appointment and revocation process. The new form and processes should also reduce IRS processing errors and delivers a system that cross-references agent/client relationships.</p>	In spring 2007, the IRS launched the redesigned and re-titled form 2678, <i>Employer/Payer Appointment of Agent</i> . The team will introduce the new form to the taxpaying public using various communication vehicles. This plan will allow the team to solicit feedback from stakeholders and incorporate changes into the form.



## APPENDIX IV: LIST OF LOW INCOME TAXPAYER CLINICS

Low Income Taxpayer Clinics (LITCs) represent low income taxpayers before the Internal Revenue Service, assist taxpayers in audits, appeals and collection disputes and can help taxpayers respond to IRS notices and to correct account problems.

If you are a low income taxpayer who cannot afford professional tax assistance or if you speak English as a second language (ESL) and need help understanding your tax rights and responsibilities, you may qualify for help from a LTC that provides free or nominal cost assistance. Although LITCs receive partial funding from the IRS, LITCs, their employees, and their volunteers are completely independent of, and are not associated with, the federal government. These clinics are operated by nonprofit organizations or academic institutions.

Clinics receiving federal funding for the 2007 calendar year are listed below. Each clinic independently decides if you meet the income guidelines and other criteria before it agrees to represent you.

Low income taxpayers also may be able to receive assistance from an attorney referral system operated by state bar associations, state or local societies of accountants and other nonprofit tax professional organizations.

This publication is not a recommendation by the IRS that you retain a Low Income Taxpayer Clinic or other similar organization to represent you before the IRS.

The department of Health and Human Services (HHS) publishes poverty guidelines each year. A controversy clinic receiving federal funding must have at least 90% of the taxpayers served with incomes that do not exceed 250% of the poverty guidelines. For the 2007 calendar year, the income ceilings for low income representation for the 48 contiguous States, the District of Columbia, and Puerto Rico are as follows:

Size of Family Unit	Income Ceiling (250% of Poverty Guidelines)
1	\$25,525
2	\$34,225
3	\$42,925
4	\$51,625
5	\$60,325

For family units with more than 5 members, add \$8,700 for each additional member.

Note: HHS publishes separate poverty guidelines for Alaska and Hawaii. See <http://aspe.hhs.gov/poverty>. The poverty guidelines for Guam follow those for Hawaii.

**Type of Clinic: C = Controversy Clinic, E = ESL Clinic, B = Both Controversy and ESL Clinic**

Low Income Taxpayer Clinics (LITCs)					
State	City	Organization	Public Phone Numbers	Type of Clinic	Languages Served in Addition to English
AK	Anchorage	Alaska Business Development Center	907-562-0335 1-800-478-3474	B	All Alaskan Native Languages
AL	Birmingham	Lawson State Community College LITC	205-925-1039	E	Spanish
	Tuskegee	Legal Services Alabama	334-826-6828	B	Spanish
AR	West Memphis	Delta Economic Education Resource Service	870-733-1704 1-877-733-1704	B	Spanish
	Little Rock	William H Bowen School of Law LITC	501-324-9911	B	Spanish
AZ	Phoenix	CLS LITC Controversy and Outreach Program	602-258-3434 1-800-852-9075	B	Spanish
	Window Rock	DNA-People's Legal Services, Inc.	1-800-789-7287 505-325-8886	B	Navajo/Hopi
	Tucson	LITC of Southern Arizona @ Pio Decimo	520-622-2801	B	Spanish
CA	Fresno	Central California Legal Services LITC	559-570-1200 1-800-675-8001	B	Spanish/Hmong
	Orange	Chapman University Tax Law Clinic	714-628-2535 1-877-242-7529	C	Spanish/Vietnamese
	San Francisco	Chinese Newcomers Service Center	415-421-2111 ext. 691	B	Cantonese/Mandarin/Chinese
	Los Angeles	HIV/AIDS Tax Assistance Program	213-637-1690	C	Spanish
	San Diego	Legal Aid Society of San Diego, Inc. LITC	619-471-2674 1-877-534-2524	B	Spanish/Russian /French/German/Farsi/Arabic/Tagalog /Korean/ Vietnamese/Chinese /Laotian
	San Diego	University of San Diego Tax Clinic	619-260-7470	B	Spanish
	South Pasadena	Tax Clinic and Education Outreach of San Gabriel Valley	626-799-6425	B	Chinese
	Santa Ana	Legal Aid Society of Orange County	714-571-5258 1-800-834-5001	B	Farsi/Spanish /Vietnamese
CT	Hamden	Quinnipiac University School of Law LITC	203-582-3238	B	Spanish
	Hartford	University of Connecticut School of Law Tax Clinic	860-570-5165	C	Spanish
DC	Washington	Janet R. Spragens Federal Tax Clinic	202-274-4144	C	Spanish
	Washington	CARECEN's ESL LITC	202-328-9799	E	Spanish
	Washington	UDC David A. Clarke School of Law LITC	202-274-7400	B	Spanish
DE	Wilmington	Delaware Community Reinvestment Action Council (DCRAC) LITC	302-654-5024 1-877-825-0750	E	Spanish
FL	Plant City	Bay Area LITC	813-752-1335	B	Spanish
	Daytona Beach	Community Legal Services of Mid-Florida (CLSMF) LITC	386-255-6573 ext. 337 1-866-886-1799	B	Spanish
	St. Petersburg	Gulfcoast Legal Services LITC	727-821-0726 1-800-230-5920	B	Spanish
	Jacksonville	JP Small Foundation LITC	904-652-1512	B	Spanish
	Plantation	Legal Aid Service of Broward County LITC	954-765-8950	C	Spanish/Creole
	West Palm Beach	Legal Aid Society of Palm Beach County LITC.	561-655-8944 1-800-403-9353	B	Spanish/Creole
	Miami	Legal Services of Greater Miami, LITC	305-576-0080	B	Creole/Haitian /Spanish
	Tallahassee	Legal Services of North Florida	850-385-9007	B	Spanish
	Jacksonville	Three Rivers Legal Services LITC	904-394-7450	B	Spanish/Bosnian
GA	Atlanta	Georgia State University College of Law Tax Clinic	404-651-1412	B	Spanish

Low Income Taxpayer Clinics (LITCs)					
State	City	Organization	Public Phone Numbers	Type of Clinic	Languages Served in Addition to English
	Hinesville	JC Vision and Associates LITC.	912-877-4243 1-866-902-4266	B	Spanish
	Cedartown	Tax Care Clinic	770-748-4643	C	
	Carrollton	West Georgia LITC	678-839-4813	C	
	Atlanta	Women's Economic Development	678-904-2201	E	Spanish
GU	Mangilao	School of Business and Public Admin.	671-735-2501	B	Chamorro/Tagalog
HI	Honolulu	Community Tax Education & Tax Assistance LITC	808-522-0674	B	Chuukese/Filipino /Italian/Hawaiian /Japanese/ Korean/Marshallese /Samoan/Vietnamese
	Honolulu	Legal Aid Society of Hawaii	808-536-4302	B	Japanese/Filipino
IA	Des Moines	Legal Services Corporation of Iowa	515-243-2151 1-800-532-1275	B	Spanish Interpretation available for other languages
ID	Moscow	College of Law Legal Aid Clinic	208-885-6541 1-877-200-4455	B	Spanish
	Twin Falls	La Posada Tax Clinic	208-734-8700	B	Spanish
IL	East Dundee	Administer Justice	847-844-1100	E	Spanish
	Chicago	Midwest Tax Clinic	312-630-0284 1-888-827-8511	B	Spanish
	Chicago	Chicago Kent College of Law LITC	312-906-5050 312-906-5041	C	Spanish
	Chicago	Loyola University Chicago School of Law Federal Tax Clinic	312-915-7176	C	
IN	Valparaiso	Valparaiso University Law Clinic	219-465-7903 1-888-729-1064	C	Chinese/Korean /Mandarin/Polish /Russian/Spanish
	Indianapolis	Neighborhood Christian Legal Clinic	317-415-5337	B	Spanish
	Bloomington	LITC at ILS Bloomington	1-800-822-4774	C	
KS	Lawrence	Legal Services for Students	785-864-5665	B	Arabic/Chinese/Hind /Japanese/Korean
	Wichita	South Central Kansas LITC	316-688-1888 1-800-550-5804	C	
KY	Prestonsburg	Appalachian Tax Clinic of Kentucky	606-886-9876	C	
	Louisville	Legal Aid Society LITC	502-584-1254 1-800-292-1862	B	Spanish
	Covington	Northern Kentucky University LITC	859-572-6124 859-572-5781	B	Spanish
LA	New Orleans	New Orleans Legal Assistance	504-529-1000 1-877-521-6242	C	Spanish/Vietnamese
	Baton Rouge	Southern University Law (Clinic)	225-771-3333	C	
MA	Waltham	Bentley College Multi-Lingual Tax Information Program	781-891-2083	B	Haitian/Creole/Arabic/ Italian/Russian /Spanish/Armenian
	Boston	Greater Boston Legal Services LITC	617-371-1234	B	Chinese/Creole/Haitian Spanish
	Springfield	Springfield LITC	413-263-6500	E	Spanish/Vietnamese
MD	Baltimore	East Harbor Community Development	410-753-4127	E	Spanish
	Baltimore	Maryland Volunteer Lawyers Service LITC	1-800-510-0050 410-547-6537	C	
	Baltimore	University of Baltimore Tax Clinic	410-837-5727	C	
ME	Bangor	Pine Tree Legal Assistance	207-942-8241	B	Spanish

Low Income Taxpayer Clinics (LITCs)					
State	City	Organization	Public Phone Numbers	Type of Clinic	Languages Served in Addition to English
MI	East Lansing	Michigan State University College of Law - LITC	517-336-8084	B	Arabic/Bahasa /Chinese/French/ German/Greek/Hind /Indonesian/Malay /Polish/ Spanish/Urdu/Thai /Korean/Japanese /Italian/ Russian/Vietnamese
	Flint	Legal Services of Eastern Michigan LITC	1-800-339-9513 810-234-2621	B	Spanish/German
	Ann Arbor	University of Michigan Law School Tax Clinic	734-763-6699	C	
	Detroit	Accounting Aid Society LITC	313-647-9620	B	Arabic/Spanish
MN	Minneapolis	Mid-Minnesota Legal Assistance LITC	612-332-1441	B	Spanish/Somali Russian/Arabic/ Hmong/Oromo /Amharic
	Minneapolis	Immigrant Credit Education & Financial Counseling Agency	612-813-0501	B	Somali/Spanish /Ethiopian/Hmong /Arabic
	Minneapolis	University of Minnesota Tax Clinic	612-625-5515	B	Somali/Hmong/Spanish
MO	Columbia	Curators of the University of Missouri	573-882-5509	E	
	Kansas City	ESL/LEP Taxpayers Awareness Clinic	816-474-6750	E	Spanish
	Springfield	Missouri State University LITC	417-836-3007	B	Chinese/Korean /Spanish/Thai /Vietnamese
	Kansas City	Kansas City Tax Clinic	816-235-6201	C	
MS	Oxford	Mississippi Taxpayer Assistance Project	662-234-8731 1-800-898-8731	C	
MT	Missoula	Montana Legal Services Association LITC	1-800-666-6899 406-543-8343	C	
NC	Durham	Duke University School of Law	919-613-7169 1-888-600-7274	C	Spanish
	Greenville	Northeastern NC Low Income Taxpayer Assistance Project	252-758-0113 1-800-682-4592	B	Spanish
	Charlotte	Western North Carolina LITC	704-971-2622 1-800-438-1254	B	Spanish
	Camden	Northeastern Community Development Corporation	252-338-5466	B	Spanish
ND	New Town	Legal Services of North Dakota LITC	1-877-639-8695	B	Arikara/Hidatsa /Mandan
NE	Omaha	Legal Aid of Nebraska LITC	402-435-2161 1-877-250-2016	B	Spanish
	Omaha	Greater Omaha Community Action	402-453-5656	C	Spanish
NH	Concord	Legal Advice & Referral Center	603-224-3333 1-800-639-5290	E	Spanish
	Concord	NH Pro Bono LITC	603-228-6028	C	
NJ	Newark	Rutgers Law School Federal Tax Clinic	973-353-1685	C	Spanish
	Camden	South Jersey Legal Services	1-800-510-2492	B	Spanish
NM	Albuquerque	University of New Mexico School of Law Clinical Law Programs	505-277-5265	B	Spanish
NV	Las Vegas	Nevada Legal Services LITC	1-866-432-0404	B	Spanish
NY	Albany	Albany Law School Clinic & Justice Center LITC	518-445-2328	C	
	Brooklyn	Bedford-Stuyvesant LITC	718-636-1155	C	Spanish
	Buffalo	Erie County Bar Association Volunteer Lawyers Project LITC	716-847-0662 ext.13	B	Spanish
	New York	Fordham Law School Tax Litigation Clinic	212-636-7353	C	
	New York	Food and Finance Center LITC	212-665-8747	B	Spanish
	New York	Legal Aid Society LITC (NY)	212-426-3013	B	Spanish/Chinese

Low Income Taxpayer Clinics (LITCs)					
State	City	Organization	Public Phone Numbers	Type of Clinic	Languages Served in Addition to English
	Rochester	Volunteer Legal Services Project LITC	585-232-3051	C	Spanish/Interpretype for Hearing Impaired
	Bronx	Legal Services for New York City - Bronx LITC (LSNY Bronx)	718-928-3700	B	Spanish/150 other languages
	Jamaica	Queens Legal Services Corporation	718-657-8611	B	Chinese/Creole/Hindi/Korean/Russian/Spanish/Urdu
	Bayside	Queensborough Taxpayer Outreach Program (Q-TOP)	718-281-5446	E	Korean/Chinese /Spanish
	Rochester	Rural Opportunities, Inc.	585-340-3342 1-800-888-6770	B	Spanish
	Brooklyn	Brooklyn Low Income Taxpayer Clinic	718-237-5528	B	Russian/Spanish
	Syracuse	Syracuse University College of Law LITC	315-443-4582	C	
	Elmsford	WestCOP Taxpayer Education Services	914-592-5600 ext. 163	E	Spanish
	Flushing	Young Korean American Service & Education Center LITC	718-460-5600	E	Korean
OH	Toledo	Advocates for Basic Legal Equality LITC	419-255-0814 1-888-534-1432	B	Spanish
	Akron	Community Legal Aid Services LITC	1-800-998-9454	B	Spanish
	Newark	Ohio State Legal Services Association LITC	1-866-529-6446	C	Spanish
	Piketon	Community Action Committee of Piketon County	740-289-2371	C	
	Cleveland	Friendship Foundation of American-Vietnamese LITC	216-961-6005	E	Cambodian/Laotian /Spanish/Arabic /Vietnamese
	Columbus	Legal Aid Society of Columbus LITC	614-241-2001 1-888-246-4420	C	Spanish
	Cleveland	Legal Aid Society of Cleveland LITC	216-687-1900 1-866-529-6446	C	
OK	Oklahoma City	Oklahoma Indian Legal Services LITC	405-943-6457 1-800-658-1497	B	Navajo
OR	Gresham	El Programa Hispano	503-669-8350	B	Spanish
	Portland	Legal Aid Services of Oregon LITC	503-224-4094	B	Spanish
	Portland	Lewis & Clark College Legal Clinic	503-768-6500	C	
PA	Pittsburgh	LITC Tax Practicum	412-396-5877	C	
	Pittsburgh	Jewish Family & Children's Service LITC	412-422-7200	E	Russian/Spanish /Serbo-Croatian/Chinese
	Philadelphia	PFP/VIP LITC	215-981-3800 1-888-541-1544	B	Spanish
	Pittsburgh	University of Pittsburgh School of Law LITC	412-648-1300	C	
	Philadelphia	Villanova University School of Law Federal Tax Clinic	610-519-4123 1-888-829-2546	C	Spanish
PR	Adjuntas	Rural Opportunities Puerto Rico	787-829-6024 1-800-888-6770	B	Spanish
RI	Providence	Rhode Island Legal Services LITC	401-274-2652 1-800-637-4529	B	Spanish/Portuguese
	Providence	Rhode Island Tax Clinic LITC	401-421-1040	B	Spanish
SC	Greenville	South Carolina Centers for Equal Justice LITC	1-888-346-5592	B	Spanish
	Columbia	CRLS LITC	843-667-1896	C	
	Columbia	South Carolina Association of Community Action Partnerships LITC	803-771-9404	E	Spanish
SD	Spearfish	South Dakota LITC	605-642-6002	B	Lakota
TN	Nashville	Conexion Americas LITC	615-269-6900	E	Spanish
	Oak Ridge	Tennessee Taxpayer Project	865-483-8454 1-866-481-3669	B	Spanish
TX	Sugarland	Centro Familiar Cristiano, Inc. LITC	281-340-2400	E	Spanish/German
	Midland	Federal Tax Clinic	1-877-333-8295	B	Spanish

Low Income Taxpayer Clinics (LITCs)					
State	City	Organization	Public Phone Numbers	Type of Clinic	Languages Served in Addition to English
	San Antonio	Our Lady of the Lake University Center For Women	210-433-8423	B	Spanish
	Houston	Houston Volunteer Lawyers Program LITC	713-228-0732	B	Bosnian/Hungarian /Spanish
	San Juan	La Union del Pueblo Entero Tax Clinic	956-787-5557	E	Spanish
	Ft. Worth	Legal Aid of Northwest Texas	817-649-4754 1-800-955-3959	B	Spanish
	Austin	Texas Taxpayer Assistance Project	1-888-988-9996	B	Spanish/French
	Lubbock	Texas Tech University School of Law LITC	806-742-4312 1-800-420-8037	B	Spanish
UT	Provo	Action Contra La Pobeza Inc Centro Hispano	801-655-0258	B	Spanish
	Salt Lake City	University of Utah LITC	801-587-7206 801-587-7221	B	Spanish
VA	Richmond	Community Tax Law Project LITC	804-358-5855 1-800-295-0110	B	Spanish
	Charlottesville	Legal Aid Justice Center ESL LITC	804-643-1086 434-977-0553 1-800-763-7323	B	Spanish
	Portsmouth	House of Hope Foundation LITC	757-558-4673	E	Spanish
	Falls Church	Legal Services of Northern Virginia LITC	703-778-6800	B	Spanish/Vietnamese
VT	Barre	Central Vermont LITC	802-479-1053 1-800-639-1053	B	Bosnian/Spanish /French/Russian
	Montpelier	Vermont Legal Aid LITC	1-800-789-4195	C	
WA	Spokane	University Legal Assistance LITC	509-323-5791	B	Spanish/Russian
	Seattle	University of Washington School of Law LITC	206-685-6805 1-866-866-0158	B	Spanish/Russian /Somali/Chinese /Japanese
	Vancouver	National Youth Support & Development LITC	360-253-3001	B	Russian/Ukrainian
WI	Milwaukee	University of Wisconsin-Milwaukee LITC	414-229-3232	C	
	Milwaukee	Taxpayer Advocacy and Counseling Services	414-727-5300	C	Spanish
	Whitewater	University of Wisconsin-Whitewater LITC	262-472-1956	C	
	Wausau	Tax Controversy Assistance Project	715-842-1681	C	
WV	Morgantown	Clinical Law Program LITC	304-293-7249	C	
WY	Jackson	Teton County LITC	307-734-0333	E	Spanish

## **APPENDIX V: TAS FY 2008 OPERATIONAL PRIORITIES**

### **I. TAS FIVE-YEAR STRATEGIC PLAN**

TAS will develop a five-year strategic plan covering FY 2009 to FY 2013. The plan will include:

- ♦ A description of TAS's goals and objectives for the next five years;
- ♦ A description of how the goals and objectives will be achieved, including operational processes, skills and technology, human capital information, and other resources required to meet those goals and objectives;
- ♦ A description of performance measures TAS will use to evaluate the effectiveness of the plan; and
- ♦ Key external factors that could significantly affect achievement of the goals.

### **II. SYSTEMIC ADVOCACY FY 2008 OPERATIONAL PRIORITIES**

Systemic Advocacy established goals and actions for FY 2008 that align with TAS's operational priorities and Systemic Advocacy organizational needs. Some of these actions are designed to enhance processes related to the Annual Report to Congress (ARC), including tracking prior Most Serious Problem (MSP) recommendations.

#### **A. Key Activities**

In FY 2008, Systemic Advocacy will:

- ♦ Establish a clear set of criteria for the effective and timely creation of immediate interventions and advocacy projects from issues submitted on the Systemic Advocacy Management System (SAMS);
- ♦ Improve its efforts to integrate advocacy throughout TAS by creating processes and working groups that involve other parts of TAS, including Technical Analysis and Guidance (TAG), Vision and Strategy, Local Taxpayer Advocates (LTAs), Revenue

Officer Technical Analysts (ROTAs), and Revenue Agent Technical Analysts (RATAs).

- ♦ Effectively utilize data and stakeholder input to identify the most critical MSPs;
- ♦ Create a mechanism to effectively link data from the Taxpayer Advocate Management Information System (TAMIS) to submissions on the Systemic Advocacy Management System (SAMS) to improve the identification of systemic problems appearing in TAS case work;
- ♦ Develop MSPs and deliver the ARC;
- ♦ Ensure the effective tracking of recommendations and outcomes of the MSPs reported in prior year ARCs; and
- ♦ Complete an analysis of the effectiveness of collection payment alternatives.

## **B. Key Measures**

Systemic Advocacy will also develop baseline data for key measures of the quality and timeliness of advocacy projects and immediate interventions. In FY 2008, Systemic Advocacy will:

- ♦ Establish key performance measures and a process for reporting the results of the measures;
- ♦ Develop baseline data to measure Systemic Advocacy performance and utilize the data to establish targets for improvement where applicable and implement process improvements where indicated;
- ♦ Track and report on the status of advocacy projects and immediate interventions and the outcome of recommendations made as a result of these activities; and
- ♦ Monitor the time reported on Systemic Advocacy activities and utilize the information to assess program effectiveness and value.

## **C. Internal Management Document Review Process**

SA is responsible for the TAS Internal Management Document (IMD) review process, which involves circulating proposed changes to IRS processes and procedures to subject matter experts for analysis and comment. To ensure taxpayer rights are protected, Systemic Advocacy will fully utilize the IMD review process to provide recommendations to the



IRS on IRS procedures and will track the implementation of these recommendations.<sup>213</sup>

#### **D. Systemic Advocacy Management System**

TAS will continue to work with MITS to implement the critical needs and system enhancements that Systemic Advocacy has identified for improving the Systemic Advocacy Management System, including integration of SAMS and TAMIS infrastructure, security enhancements, compliance with § 508 of the Rehabilitation Act,<sup>214</sup> and document attachment technology.<sup>215</sup> In addition, Systemic Advocacy will focus on enhancing communication to those submitting issues on SAMS.<sup>216</sup> Systemic Advocacy will also increase outreach to submitters to educate them on the appropriateness and applicability of the issues they are submitting.

#### **E. Internal Customer Satisfaction Survey**

To assess and improve its services to internal customers, Systemic Advocacy will develop and administer an internal customer satisfaction survey in FY 2008. Systemic Advocacy will communicate the outcome of the survey and use the results to make improvements to its programs and services.

#### **F. Collaborative Efforts with the IRS**

Systemic Advocacy will continue to ensure its collaborative efforts with the IRS are substantive and effective. In FY 2008, Systemic Advocacy will:

- ♦ Improve the effectiveness of its participation on task forces and reporting of its actions; and
- ♦ Establish a system to effectively secure IRS operating division contacts for issues other than the MSPs.

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<sup>213</sup> See IRM, *supra*.

<sup>214</sup> Section 508 of the Rehabilitation Act (29 U.S.C. 794d), as amended by the Workforce Investment Act of 1998 (Pub. L. No. 105-220) § 408(6), 112 Stat. 936, 1202 (Aug. 7, 1998).

<sup>215</sup> See SAMS, *supra*.

<sup>216</sup> *Id.*

## **G. Identifying Significant Sources of TAS Casework**

Systemic Advocacy will continue to work with the IRS to identify significant sources of TAS casework and will work with the IRS on strategies to reduce inappropriate casework. Systemic Advocacy will work with the IRS to develop outcome measures that document progress in reducing systemic problems requiring TAS intervention by identifying TAS's top issues, determining reasons for TAS receipts, and recommending process improvements to address the root causes of the receipts.<sup>217</sup> Systemic Advocacy will also work with the IRS to improve the identification of emerging issues related to collection and examination. TAS will meet regularly with IRS executives to identify emerging issues and to provide pre-decisional input on policy matters.

## **H. Systemic Advocacy Workload Study**

Systemic Advocacy will also assess the resources needed to meet our program objectives by annually completing a comprehensive workload study and use the results to adjust resources appropriately.

# **III. CASE ADVOCACY FY 2008 OPERATIONAL PRIORITIES**

## **A. Delegated Authorities**

When TAS “stood” up as an organization, the Commissioner of Internal Revenue delegated to the National Taxpayer Advocate the authority to perform certain tax administration duties to take routine actions on TAS cases. Routine actions generally involve customer service problems and can be resolved by applying standard procedures and guidelines to a given set of facts and circumstances. The Commissioner expanded those authorities in January 2001.<sup>218</sup>

In FY 2003, the National Taxpayer Advocate chartered a team to study the authorities delegated to TAS and asked the team to:

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<sup>217</sup> See IRS Oversight Board Measures Project, *supra*.

<sup>218</sup> IRS, Office of the Commissioner, Del. Order 267, *Authority of the National Taxpayer Advocate to Perform Certain Tax Administrative Functions* (Jan. 17, 2001).

- ♦ Review existing TAS delegated authorities to determine whether they are consistent with our role as ombuds for taxpayers and TAS's mission to provide an independent, impartial, and confidential voice for the taxpayer within the IRS;
- ♦ Identify additional authorities that would enhance our ability to advocate for taxpayers; and
- ♦ Develop recommendations pertaining to these authorities.

In January 2006, the National Taxpayer Advocate asked the Commissioner to appoint an executive steering committee consisting of the National Taxpayer Advocate, executives in the W&I, SB/SE, and TE/GE divisions, the Office of Appeals, and the Office of Chief Counsel to review the recommendations made by the TAS team and evaluate TAS's authorities as a whole. The committee in turn appointed a working group consisting of representatives from each of their functions to conduct the review.

The executive steering committee met in April and June of 2007 to begin reviewing the working group's recommendations. After completing its review, the executive steering committee will submit its recommendations to the Commissioner of Internal Revenue. TAS will begin implementing modifications to TAS's delegated authority in FY 2008 as well as communicating the changes to all TAS employees and providing the necessary training.

## **B. A More Expansive Concept of Taxpayer Compliance**

TAS uses issue codes to identify and track the reasons taxpayers come to TAS for assistance. TAS historically grouped these issue codes into two broad categories: compliance receipts and customer service receipts. In its five-year strategic plan, the IRS has adopted the equation "Service + Enforcement = Compliance."<sup>219</sup> In the preface to her 2006 ARC, the National Taxpayer Advocate discussed her belief that the IRS should consider a slightly different formulation to achieve a balanced approach to tax administration.<sup>220</sup> IRS tax gap data show that the vast majority of U.S. taxpayers comply with their tax obligations in good faith.<sup>221</sup> Consequently,

<sup>219</sup> IRS, *IRS Strategic Plan, Fiscal Years 2005-2009*, available at [http://www.irs.gov/pub/irs-utl/strategic\\_plan\\_05-09.pdf](http://www.irs.gov/pub/irs-utl/strategic_plan_05-09.pdf).

<sup>220</sup> National Taxpayer Advocate 2006 Annual Report to Congress v.

<sup>221</sup> The voluntary compliance rate for all taxpayers is 83.7 percent. IRS Office of Research, *Tax Gap Map for Tax Year 2001* (Feb. 2006).

these taxpayers have a right to expect that the IRS will recognize their good faith efforts in the event that a mistake or error results in an audit or collection notice.

To more clearly identify the sources of TAS cases and their relationship to a balanced approach to tax administration, TAS is reclassifying its receipts into three categories of IRS actions:

- ♦ Customer Service;
- ♦ Enforcement; and
- ♦ Compliance.

These categories reflect how IRS employees interact with taxpayers and how taxpayers respond to different types of IRS actions. When the reclassification is completed, TAS will conduct statistical analysis on trends within each category. TAS case receipts reflect the challenges faced by taxpayers and IRS employees in achieving a balanced approach to tax administration. By classifying our receipts to reflect these distinct components of the system, TAS can better analyze the effectiveness and fairness of tax administration.

### **C. Focused Improvement Efforts for TAS Offices in Large Cities**

TAS is developing a strategy to research, identify, and address the potential challenges to improving customer satisfaction in offices located in the largest cities and metropolitan areas. In the first phase, TAS will include the offices in Manhattan, Brooklyn, New Jersey, Los Angeles, and Chicago, sampling and reviewing casework from these offices to identify types of cases and skills needed by employees to work the cases of taxpayers in large cities.

### **D. Form 911, Application for Taxpayer Assistance Order**

TAS revised Form 911, *Application for Taxpayer Assistance Order*, to reflect the broader scope of assistance that TAS provides to taxpayers, not just those involving issuance of a TAO. The revised Form 911, titled *Request for Taxpayer Advocate Service Assistance (and Application for Taxpayer Assistance Order)*, reflects the January 2006 clarifications to TAS case acceptance criteria. The changes to the form and instructions will make it easier for taxpayers to request TAS assistance and improve

TAS's ability to respond to taxpayer concerns. The revised form cautions taxpayers that TAS will not consider frivolous arguments raised on the form and that taxpayers may be subject to a penalty of \$5,000 for raising frivolous arguments.<sup>222</sup> The revised form became available to taxpayers in June of 2007. In FY 2008, TAS will monitor use of this form to identify any areas of confusion or improvement.

#### **E. Electronic Form 9102, Taxpayer Assistance Order**

TAS is developing an electronic version of Form 9102, *Taxpayer Assistance Order*, to use in frequently encountered situations that warrant a TAO.<sup>223</sup> The electronic version will allow TAS employees to automatically populate the form with required information and transmit it electronically to the responsible IRS operating division or function. The form will be developed by the end of FY 2007. In FY 2008, TAS will train its employees on the new form, inform the IRS about the new form, and monitor its usage to determine if it improves the processing time for TAOs.

#### **F. E-911**

In FY 2008, TAS plans to make the revised Form 911 available electronically to all IRS employees to facilitate prompt referrals of cases to TAS. Electronic transmittal will reduce misrouted referrals and improve the time it takes to route a case to TAS.

#### **G. Service Level Agreements (SLAs) with IRS Operating Divisions and Functions**

TAS established SLAs with each of the IRS operating divisions and functions to outline procedures and responsibilities for processing TAS casework when TAS does not have the statutory or delegated authority to

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<sup>222</sup> IRC § 6702(b)(2)(B)(ii)(III) imposes the penalty. For examples of frivolous arguments, see Notice 2007-30, Notice 2007-14, I.R.B. 883, and Publication 2105, *Why Do I Have to Pay Taxes?* (Rev. 4-2006).

<sup>223</sup> The terms of a TAO may require the Secretary within a specified time period to release property of the taxpayer levied upon, or to cease any action, take any action as permitted by law, or refrain from taking any action, with respect to the taxpayer under chapter 64 (relating to collection), subchapter B of chapter 70 (relating to bankruptcy and receiverships), chapter 78 (relating to discovery of liability and enforcement of title), or any other provision of law which is specifically described by the National Taxpayer Advocate in such order. See IRC § 7811(b).

take direct action on a case and needs IRS assistance to resolve the taxpayer's problem. The SLAs describe the procedures for priority treatment of TAS cases and faster resolution of taxpayer problems. In these cases, TAS issues an Operations Assistance Request (OAR) to the IRS operating division or function with the authority and responsibility to take the necessary action. OARs are generated through TAMIS. Both TAS and the IRS monitor progress of OARs through reports available from TAMIS. In FY 2008, TAS will implement a more streamlined process for negotiating and updating SLAs with the business units.

## **H. Operations Assistance Requests**

TAS is working with the IRS operating divisions to improve the OAR process and the overall quality and efficiency of case resolution. TAS developed management information reports to assist managers to monitor OAR inventory, analyze the reasons for misrouted or incomplete OARs, and identify training needs. In FY 2008, additional training on case development and OAR routing will be provided to TAS employees to address any identified training needs.

In FY 2008, TAS will continue to work with the IRS operating divisions to develop interactive mechanisms to assist case advocates with OAR routing and to minimize misrouted OARs and delays in case resolution. TAS will also begin implementation of an electronic OAR process in FY 2010.<sup>224</sup>

## **I. Recruitment, Retention, and Training**

In FY 2008, TAS will develop and implement an aggressive and creative internal and external recruitment plan to hire 240 case advocates and meet the growing need of taxpayers for TAS services.

Because of employee attrition and rising case inventory, the National Taxpayer Advocate determined that hiring additional case advocates is crucial to TAS's success and directed the organization to expand its hiring process to include applicants from outside the IRS. The desired outcome of this initiative is to recruit a diverse pool of applicants, including those with bilingual skills and targeted disabilities. While this initial recruitment effort is focused on case advocates, the various recruitment products and

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<sup>224</sup> See Electronic OARs (E-OARs), *infra*.

procedures developed may be adapted and used for additional TAS positions.

TAS will develop and implement a training plan that provides for internal and external new hires, classroom instruction, on-the-job training, coaching, and continuing professional education for all employees. This training will take advantage of new technology to develop training in a variety of methods suited to the material and the student.

#### **J. EEO and Diversity**

In FY 2008, TAS EEO and Diversity will support TAS hiring initiatives by designing a recruitment template for identifying highly qualified and diverse candidates. TAS selecting officials will be required to develop a recruitment plan when filling vacancies for grade 13 and above.

A team will be convened to conduct a comprehensive self-assessment of EEO and diversity in TAS in accordance with Management Directive 715 guidelines. The Equal Employment Opportunity Commission (EEOC) issued this policy guidance to assist agencies with achieving a model EEO program.

#### **K. Employee Developmental Opportunities**

In FY 2008, TAS will implement and monitor a tracking system for developmental opportunities within the organization. The National Taxpayer Advocate and the Deputy National Taxpayer Advocate have established a working group to formulate a process and tracking methodology that will be consistent with employee development and employee engagement. The process will allow employees to demonstrate interest in developmental opportunities and provide management with a useful tool to expedite selection of motivated employees.

### **IV. Business Systems FY 2008 Operational Priorities**

#### **A. TAS Systems Future Vision**

TAS is developing long-term plans for its people, processes, and systems. TAS has undertaken a strategic approach to systems planning to ensure that TAS systems are enhanced, redesigned, and ready for use when

changes to business processes roll out to our employees. In support of the strategic planning process, TAS is analyzing the information systems used by TAS employees.<sup>225</sup> Currently, users must exit one system and enter another to gather similar information to answer case-related questions. Further, the TAS systems do not automatically utilize information contained within other IRS or TAS systems, and instead require manual input by employees.

In FY 2007, TAS held a systems planning summit to define the capabilities and functions of the two principal TAS systems – TAMIS and SAMS. In addition, the group brainstormed an approach to integrating these systems and the other systems used by our organization. TAS used this groundwork to request that MITS undertake an architectural assessment of our current state and develop recommendations on the future state of an integrated approach to our IT needs. By the end of FY 2007, TAS will receive a report that details this information for National Taxpayer Advocate review and comment.

As part of the improvement effort, TAS conducted focus group interviews of LTAs and other TAS management officials to identify the system issues causing the most lost time. TAS also drafted a strategic approach to delivering targeted enhancements and additional functions to TAMIS and SAMS. The draft will be synchronized with the architectural review and forwarded to the National Taxpayer Advocate for comment and approval.

During FY 2008, TAS will consolidate all National Taxpayer Advocate approved recommendations and develop a roadmap to direct future changes and enhancements to TAS systems.

## **B. Taxpayer Advocate Management Information System (TAMIS)**

TAS uses TAMIS to record, control, and process taxpayer cases, as well as to analyze the issues that bring taxpayers to TAS. TAMIS is a critical source of data for the National Taxpayer Advocate's ARC, for providing feedback to the IRS operating divisions, and recommending changes to the tax laws and IRS processes and procedures.

During FY 2007, TAS made several enhancements to TAMIS, including:

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<sup>225</sup> TAS utilizes two major information systems, TAMIS and SAMS. TAS uses other smaller systems to meet the information needs of the organization.



- ♦ Additional audit trail information to monitor TAMIS usage and actions;
- ♦ New and updated reports including case histories, case activity, key operational measures, outreach, and issue codes;
- ♦ Technical corrections and enhanced validity checks to ensure accurate data;
- ♦ Automated case time reporting; and
- ♦ Additional codes regarding TAS organizational changes.

### **C. TAMIS Time Reporting**

TAS has made case time reporting a priority in order to better determine the time it takes to resolve cases, TAS has implemented the first phase of a new time reporting system that gives TAS the ability to automatically capture the amount of time spent on cases, from receipt through closure, when a user accesses the case on TAMIS. The system will allow TAS to report time by case characteristics such as criteria code (the reason TAS accepts a case), core issue (the problem type), and type of system user (e.g., case advocate, manager, analyst, etc.).

In FY 2008, TAS will implement a second phase of the system that will allow users to manually modify or add time to cases for work done when not accessing the case via TAMIS (for example, when talking with taxpayers, performing research, or accessing other IRS systems).

### **D. Systemic Advocacy Management System (SAMS)**

TAS expects to complete a substantial redesign of SAMS in FY 2008. Enhancements include improved system research features, expanded tools for recording project development, and an archive for housing project research and documents. As part of the larger system vision, TAS will collaborate with MITS and other IRS business units to automate reporting and analysis of IRS system activity (e.g., IDRS, TAMIS, DI, etc.) with the goal of more quickly recognizing events that might require SA intervention.

### **E. National Taxpayer Advocate Toll-Free Telephone Lines**

TAS is working to modify the way that the National Taxpayer Advocate toll-free lines and local TAS telephone numbers have been marketed in the past. Currently, taxpayers use both numbers not only to contact TAS,

but also to look for general information about other IRS operations. This situation evolved because of how TAS internally and externally marketed the number in the past and because the TAS number was often the first or only local IRS number listed in telephone books. The National Taxpayer Advocate toll-free number received about 272,000 calls in fiscal year 2006, but yielded only 65,000 TAS cases.

As a result, TAS has altered the template for the telephone directory listings and has rebranded the National Taxpayer Advocate toll-free number as the TAS Case Intake line. Our goal is to educate taxpayers to call this number only to establish a case in TAS. This effort will target certain taxpayers and markets to ensure the number is seen as the TAS Case Intake line and not a source of general IRS information, refund status, or account assistance.

To determine the effectiveness of TAS's outreach and marketing efforts to targeted groups of taxpayers, TAS established a toll-free line, 1-877-ASK-TAS1. TAS has been providing this toll-free assistance in the Dallas LTA office since 2004 to these targeted groups. We have increased the number of locations answering these calls (to allow for contingency if offices are closed), expanded the hours when the service is offered, and increased the number of staff available to handle these calls. Additionally, the program has established processes to service Chinese, Korean, and Vietnamese speaking customers. In July 2007, the 1-877-ASK-TAS1 number will be incorporated into the IRS network, allowing us to take advantage of the resources available through the Joint Operations Center, IRS's state of the art call management operation. This will allow us to realize a number of additional benefits such as improved management information, the ability to use staff at various locations as though they were one group, utilize real-time call routing changes (Intelligent Call Routing), and constantly monitor of traffic volumes and demand.

In FY 2008, we will expand the number of staff working on the ASK-TAS1 line and begin to integrate other incoming workload such as those who access us electronically or in writing.

## **F. Inventory Balancing**

TAS uses inventory balancing to evenly distribute and assign cases to offices with adequate resources to handle the workload. TAS is in its second year of national inventory balancing and is continually reviewing

and modifying the procedures to enhance the process. With the implementation and further refinement of the time reporting system, TAS will be able to determine the actual case time needed to work specific issues and will use this information to weight cases in its inventory to determine actual caseload. This information, along with the determination of the knowledge, skills, and abilities (KSAs) necessary to work each case and the KSAs of TAS case advocates, will enable TAS to identify requirements for an automatic case assignment system. TAS will begin work to define these requirements in FY 2008.

### **G. TAS Case Complexity**

In FY 2005, the National Taxpayer Advocate formed a Case Complexity Team to determine the degrees of complexity of TAS casework by identifying elements of complexity and designing a process to capture the complexity of case issues. Examples of case complexity factors include:

- ♦ Does the case involve multiple issues?
- ♦ Does the case involve contacts with multiple operating divisions?
- ♦ Does the case involve financial analysis?
- ♦ Does the case involve research of specialty or emerging issues?
- ♦ Does the case involve contact with or referral to a TAS technical advisor, attorney advisor, or Counsel?

TAS is scheduled to add a user-friendly screen to TAMIS in FY 2008 to deal with these and other specific factors that contribute to complexity. TAMIS will generate a complexity score for each case that TAS will use to support resource needs, identify training issues, and effectively distribute inventory.

### **H. Desktop Integration**

Desktop Integration (DI) is a system used by IRS employees to control, manage, and respond to taxpayer inquiries and electronically transmit to TAS those cases that meet TAS criteria. TAS asked the IRS to add the following features to the system in FY 2008:

- ♦ Allow for automatic routing of electronic Forms 911, *Application for Taxpayer Assistance Order*, to the office responsible for the taxpayer's home location with special routing for cases of

- Spanish-speaking taxpayers to ensure they have access to bilingual case advocates;
- ♦ To improve our business resumption capabilities, provide certain TAS users with the ability to reassign cases when an office is closed due to weather, disasters, or other incidents that disrupt normal activities;
- ♦ Update taxpayer contact information automatically on TAMIS when updates are entered on IDRS through DI;
- ♦ Provide a specific screen to enter information regarding congressional office cases;
- ♦ Give TAS managers the ability to review cases electronically and automatically populate the Form 13095, *TAS Case Review Form*, with information from DI and TAMIS; and
- ♦ Confidentially store employee case reviews and provide reports by specified aspects or critical elements.

#### **I. Electronic OARs (E- OARs)**

TAS is working to fully implement the electronic routing of Form 12412, *Operations Assistance Request*, in FY 2010 to improve the routing process and the exchange of information with the operating divisions and functions that respond to OARs. The new electronic system will:

- ♦ Provide a paperless system of sending OARs from TAMIS through DI to the ODs and functions;
- ♦ Allow for attaching electronic supporting documentation to the OAR;
- ♦ Provide an electronic format for ODs and functions to document actions and resolution information via DI, which will upload to TAMIS for use by TAS case advocates;
- ♦ Ensure confidentiality of TAMIS data; and
- ♦ Provide *ad hoc* statistical reports regarding OAR activity.

#### **J. TAS Four-Year Training Plan**

The TAS Four-Year Training Plan (4YTP) is a web-based product focused on identifying the training needs of TAS employees based upon competencies that all employees share as well as those that are position specific. There are eight separate professional development plans categorized by occupation. The goal is to give TAS employees in all occupational categories the opportunity to assess their proficiency in their

core competencies and identify training opportunities to enhance their proficiency and advocacy skills.

TAS is working toward making the programming portion of the plan more efficient. The critical piece of data management appears to be compatible conceptually with the IRS's Electronic Learning Management System (ELMS). TAS is exploring this platform as a more prudent option to house the plan itself. The goal for FY 2008 is to fully integrate the Four-Year Training Plan and ELMS.

## APPENDIX VI: LIST OF ADVOCACY PORTFOLIOS

Portfolio	LTA Name	State/Office	Phone Number
Appeals: Nondocketed Inventory	Logan, A	WY	307-633-0800
Appeals: Nondocketed Inventory (Campus)	Safrey, E	BSC	631-654-6686
Audit Reconsiderations	Keleman, L	CA Los Angeles	213-576-3140
Audit Reconsiderations (Audit Recon/ASFR/6020B (620)	Carey, W	ATC	770-936-4500
AUR Exam	Boucher, D	ME	207-622-8528
Backup Withholding	Adams, M	KS	316-352-7506
Bankruptcy Processing Issues	Mettlen, A	PA Pittsburg	412-395-5987
Campus Consistency	Wess, D	MSC	901-395-1900
Carryback/Carryforward Claims	Sherwood, T	CO	303-446-1013
CAWR/FUTA	Keating-Jones, J	OR	503-326-7816
Centralized Lien Filing and Releases	Diehl, M	CSC	859-669-5316
Criminal Investigation Cases (CI) & Criminal Investigation Freezes	Wess, D	MSC	901-395-1900
CSEDs	Sherwood, T	CO	303-446-1012
EITC: Certification/Precertification	Mings, L	KCC	816-926-2493
EITC: Notice Redesign	Taylor, S	IL Chicago	312-566-3800
EITC: Recertification	Lewis, C	LA	504-558-3001
EO Applications, Penalties, Education and Outreach	Finnesand, M	SD	605-226-7248
ETA/Electronic Filing	Martin, B	TN	615-250-5000
Examination Strategy	Revel-Addis, B	FL, Jacksonville	904-665-1000
Excise Tax	Diehl, M	CSC	859-669-5316
FPLP Communication	Simmons, M	NH	603-433-0571
Filing Season Readiness/SPEC	Douts, K	AK	907-271-6877
Frontline Leader Readiness Program (FLRP)	Kitson, A	NY Brooklyn	718-488-2080
Government Entities: Indian Tribal Government Issues	Wirth, B	NY Buffalo	716-686-4850
Identity Theft	Safrey, E	BSC	631-654-6686
Injured Spouse	Post, T	WV	304-420-6616
Innocent Spouse Relief: IRC § 6015	Adams, C	CA Laguna Nigel	949-389-4804
Installment Agreements: Allowable (Low Dollar)	Washington, J	MS	601-292-4800
Installment Agreements: Processing	Tam, J	CA Oakland	510-637-2703
Interest Computations, Abatement of Interest	Romano, F	CT	860-756-4555
International Taxpayers	Puig, J	FL Ft Lauderdale	954-423-7677
IRS Training on Taxpayers Rights	Hickey, M	NE	402-221-4181
ITIN Outreach	Blount, P	MI	313-628-3670
Levy (710) [Hardship determination linked to release of levy]	Polson, R	IA	515-284-4780

<b>Portfolio</b>	<b>LTA Name</b>	<b>State/Office</b>	<b>Phone Number</b>
Lien Release, Lien Withdrawal, Lien Subordination, Lien Discharge	Lauterbach, L	NJ	973-921-4043
LITC	Lewis, C	LA	504-558-3001
Mentoring	Coss, V	ANC	978-474-5549
Mixed and Scrambled TINs (Multiple/Mixed TINs (410))	Murphy, M	AZ	602-207-8240
Nonfiler Strategy	Warren Joe	MN	651-312-7874
Notice Clarity (Account/Notice Inquiry Transfer Criteria (110)	Egan, C	RI	401-525-4200
OIC (Field, COIC)	Burns, L	KY	502-582-6030
OIC (Field, ETA, COIC)	Sonnack, B	TX Houston	713-209-3660
Outreach to ESL Taxpayers (including ITINs)	Puig, J	FL Ft Lauderdale	954-423-7677
Outreach and Marketing to Low income TPs (Marketing too)	Grant, D	NV	702-455-1241
Penalties: e.g., failure to pay, abatements, adjustments, estimated	Keating, J	OR	503-326-7816
Position Management	Wirth, B	NY Buffalo	716-686-4850
Practitioner Priority Services	Beck, J	WA	206-220-6037
Preparer Penalties	Votta, P	MD	410-962-2082
Returned/Stopped Refunds (40)	Gilchrist, M	AL	205-912-5631
Schedule K-1 Matching	Sheely, K	IN	317-226-6332
Seizure and Sale (730)	Fallacaro, B	MA-BO	617-316-2692
TACs-Rural	Foard, L	ND	701-239-5141
TACs-Urban and Communications	VanHorn, C	OH Cincinnati	513-263-3260
Tax Exempt Entities: EP Penalties	Blair, C	OSC	801-620-7168
Tax Exempt Entities: EP returns (Forms 5500)	Blair, C	OSC	801-620-7168
Entities: Tribal Government Issues	Wirth, B	NY Buffalo	716-686-4850
Tax Forums and Case Resolution Room	Washington, J Sawyer, M	MS CA Fresno	601-292-4800 559-442-6418
TIGTA/GAO	Thompson, T	MT	406-441-1022
Tip Reporting	Grant, D	NV	702-455-1241
Transcript Delivery System (Copies of Returns, transcripts, reports)	Cooper-Aquilar, S	UT	801-799-6958
Transition of SB Work	Keleman, L	CA Los Angeles	213-576-3140
Trust Fund Recovery Penalty	Campbell, M	VA	804-916-3501

## **APPENDIX VII: STANDARD TAS LANGUAGE FOR USE IN PUBLICATIONS/FORMS/BROCHURES/WEBSITES**

### **Long Version**

The Taxpayer Advocate Service is an independent organization within the IRS whose employees assist taxpayers who are experiencing economic harm, who are seeking help in resolving tax problems that have not been resolved through normal channels, or who believe that an IRS system or procedure is not working, as it should. You may be eligible for assistance if:

- You are experiencing economic harm or significant cost (including fees for professional representation),
- You have experienced a delay of more than 30 days to resolve your tax issue, or
- You have not received a response or resolution to the problem by the date promised by the IRS.

The service is free, confidential, tailored to meet your needs, and available for businesses as well as individuals. There is at least one local taxpayer advocate in each state, the District of Columbia, and Puerto Rico. Because advocates are part of the IRS, they know the tax system and how to navigate it. If you qualify, you will receive personalized service from a knowledgeable advocate who will:

- Listen to your problem,
- Help you understand what needs to be done to resolve it, and
- Stay with you every step of the way until your problem is resolved.

You can contact the Taxpayer Advocate Service by:

- Calling the TAS toll-free case intake line at 1-877-777-4778 or TTY/TDD 1-800-829-4059,
- Calling or writing your local taxpayer advocate, whose address and phone number are listed in the government listings in your local telephone directory and in Pub. 1546, The Taxpayer Advocate Service of the IRS – How to Get Help With Unresolved Tax Problems,



- Filing Form 911, Request For Taxpayer Advocate Service Assistance (And Application for Taxpayer Assistance Order), with the Taxpayer Advocate Service, or
- Asking an IRS employee to complete Form 911 on your behalf.

To get a copy of Form 911 or learn more about the Taxpayer Advocate Service, go to [www.irs.gov/advocate](http://www.irs.gov/advocate).

### **Medium Version**

The Taxpayer Advocate Service is an independent organization within the IRS whose employees assist taxpayers who are experiencing economic harm, who are seeking help in resolving tax problems that have not been resolved through normal channels, or who believe that an IRS system or procedure is not working as it should.

You can contact the Taxpayer Advocate Service by calling their toll-free case intake line at 1-877-777-4778 or TTY/TTD 1-800-829-4059 to see if you are eligible for assistance. You can also call or write to your local taxpayer advocate, whose phone number and address are listed in your local telephone directory and in Publication 1546, *The Taxpayer Advocate Service of the IRS - How to Get Help With Unresolved Tax Problems*. You can file Form 911, Application for Taxpayer Assistance Order, or ask an IRS employee to complete it on your behalf. For more information, go to [www.irs.gov/advocate](http://www.irs.gov/advocate).

### **Short Version**

The Taxpayer Advocate Service (TAS) is an independent organization within the IRS whose employees assist taxpayers who are experiencing economic harm, who are seeking help in resolving tax problems that have not been resolved through normal channels, or who believe that an IRS system or procedure is not working as it should. If you believe you are eligible for TAS assistance, you can reach TAS by calling their toll-free case intake line at 1-877-777-4778 or TTY/TDD 1-800-829-4059.

### **Standard TAS Language for use in most notices**

If you are experiencing economic harm, a systemic problem or are seeking help in resolving tax problems that have not been resolved through normal channels, you may be eligible for Taxpayer Advocate

Service (TAS) assistance. You can reach TAS by calling their toll-free case intake line at 1-877-777-4778 or TTY/TDD 1-800-829-4059.

### **Low Income Taxpayer Clinic (LITC) Standard Language**

LITCs are independent organizations that provide low income taxpayers with representation in federal tax controversies with the IRS for free or for a nominal charge. The clinics also provide tax education and outreach for taxpayers with limited English proficiency or who speak English as a second language. Pub. 4134, Low Income Taxpayer Clinic List, provides information on clinics in your area. It is available at [www.irs.gov](http://www.irs.gov) or your local IRS office.

## GLOSSARY OF ACRONYMS

Acronym	Definition
4YTP	Four Year Training Plan
<b>- A -</b>	
ABA	American Bar Association
ACS	Automated Collection System
ADR	Alternative Dispute Resolution
ALE	Allowable Living Expenses
ARC	Annual Report to Congress
ASFR	Automated Substitute for Return
ATK	Advocate Toolkit
AUR	Automated Under Reporter
<b>- B -</b>	
BA	Business Assessment
BCAST	Bilingual Case Advocate Study Team
BMF	Business Master File
BOD	Business Operating Division
BRP	Business Resumption Plan
<b>- C -</b>	
C&L	Communications & Liaison
CAP	Citizens Advocacy Panel
CAP	Congressional Affairs Program
CARE	Customer Assistance, Relationships and Education
CAS	Customer Account Services
CAWR	Combined Annual Wage Reporting
CCDM	Chief Counsel Directives Manual
CDP	Collection Due Process
CI	Criminal Investigation
CID	Criminal Investigation Division
CPTA	Campus Processing Technical Advisor
CSED	Collection Statute Expiration Date
<b>- D -</b>	
DAP	Director Advocacy Projects
Del Order	Delegation Order
DDb	Dependent Database
DI	Desktop Integration

<b>Acronym</b>	<b>Definition</b>
DII	Director Immediate Interventions
DNTA	Deputy National Taxpayer Advocate
DPT	Dynamic Project Team
DRP	Director Readiness Program
<b>- E -</b>	
E-911	Electronic Form 911
EDCA	Executive Director Case Advocacy
EDSA	Executive Director Systemic Advocacy
E-FOIA	Electronic Freedom of Information Act
EEO	Equal Employment Opportunity
EEOC	Equal Employment Opportunity Commission
EEOD	Equal Opportunity and Diversity
EITC	Earned Income Tax Credit
ELMS	Enterprise Learning Management System
EO	Exempt Organization
EPK	Electronic Press Kit
ESL	English as a Second Language
ETA	Effective Tax Administration
<b>- F -</b>	
FEMA	Federal Emergency Management Agency
FICA	Federal Insurance Contribution Act
FLRP	Front Line Readiness Program
FMLA	Family Medical Leave Act
FMS	Financial Management Service
FOIA	Freedom of Information Act
FPLP	Federal Payment Levy Program
FPS	Federal Protection Service
FTD	Failure to Deposit
FTE	Full-time Equivalent
FTF	Failure to File Penalty
FTP	Failure to Pay Penalty
FTS	Fast Track Settlement
FUTA	Federal Unemployment Tax Act
FY	Fiscal Year
<b>- G -</b>	
GAO	Government Accountability Office or General Accounting Office

<b>Acronym</b>	<b>Definition</b>
<b>- H -</b>	
HCTC	Health Care Tax Credit
HR	Human Resources
<b>- I -</b>	
IDRS	Integrated Data Retrieval System
II	Immediate Intervention
IMD	Internal Management Document
IMF	Individual Master File
IRC	Internal Revenue Code
IRM	Internal Revenue Manual
IRS	Internal Revenue Service
IRSN	Internal Revenue Service Number
ITAP	Internal Technical Advisor Program
ITCP	Information Technology Testing Program
ITIN	Individual Taxpayer Identification Number
IVT	Interactive Video Teleconference
<b>- J -</b>	
JCT	Joint Committee on Taxation
<b>- K -</b>	
KSA	Knowledge, Skill and Ability
<b>- L -</b>	
LEP	Limited English Proficiency
LITC	Low Income Taxpayer Clinic
LMSB	Large & Mid Size Business
LTA	Local Taxpayer Advocate
LVDC	Las Vegas Development Center
<b>- M -</b>	
MAPS	Management Accountability, Policy and Strategy
MA&SS	Mission Assurance and Security Services
MD	Management Directive
MITS	Modernization and Information Technology
MLI	Multilingual Strategy Initiative
MSP	Most Serious Problem
<b>- N -</b>	
NCAG	Notice Communication and Advisory Group
NDI	National Disability Institute

<b>Acronym</b>	<b>Definition</b>
NR	No Relief
NRP	National Research Program
NTA	National Taxpayer Advocate
NTFL	Notice of Federal Tax Lien
NTEU	National Treasury Employees Union
<b>- O -</b>	
OAR	Operations Assistance Request
OASDI	Old Age, Survivors and Disability Insurance
OD	Operating Division
OIC	Offer in Compromise
OMB	Office of Management and Budget
OPERA	Office of Program Evaluation and Risk Analysis
OPI	Office of Penalty and Interest
OPIP	Office of Privacy and Information Protection
<b>- P -</b>	
P.L.	Public Law
PCA	Private Collection Agencies
PCIC	Primary Core Issue Code
PDC	Private Debt Collection
POA	Power of Attorney
PSA	Public Service Announcement
PSP	Payroll Service Provider
Pub. L.	Public Law
<b>- Q -</b>	
QLITC	Qualified Low Income Taxpayer Clinic
QRP	Questionable Refund Program
<b>- R -</b>	
RAL	Refund Anticipation Loan
Rev. Rul.	Revenue Ruling
RIS	Request for Information Services
ROI	Return on Investment
RRA 98	Internal Revenue Service Restructuring and Reform Act of 1998
<b>- S -</b>	
SA	Office of Systemic Advocacy
SAMS	Systemic Advocacy Management System
SB/SE	Small Business/Self-Employed

<b>Acronym</b>	<b>Definition</b>
SERP	Servicewide Electronic Research Program
SFR	Substitute for Return
SLA	Service Level Agreement
SMRP	Senior Manager Readiness Program
SPDR	Servicewide Policy, Directives, and Electronic Research
SPEC	Stakeholder Partnership Education and Communication
SPOC	Single Point of Contact
SSA	Social Security Administration
SSN	Social Security Number
STCP	Student Tax Clinic Program
<b>- T -</b>	
TA	Technical Advisor
TAB	Taxpayer Assistance Blueprint
TAC	Taxpayer Assistance Center
TAD	Taxpayer Advocate Directive
TAG	Technical Analysis and Guidance
TAMIS	Taxpayer Advocate Management Information System
TAMRA	Technical and Miscellaneous Revenue Act of 1988
TAO	Taxpayer Assistance Order
TAP	Taxpayer Advocacy Panel
TAS	Taxpayer Advocate Service
TBOR 1	Taxpayer Bill of Rights 1
TBOR 2	Taxpayer Bill of Rights 2
TDI	Taxpayer Delinquency Investigation
TE/GE	Tax Exempt/Government Entities
TIGTA	Treasury Inspector General for Tax Administration
TIN	Taxpayer Identification Number
TIPRA	Tax Increase Prevention & Reconciliation Act of 2005
TPI	Total Positive Income
Treas. Reg.	Treasury Regulation
TRA 97	Tax Relief Act of 1997
TTRS	TAS Training Registration System
<b>- V -</b>	
V&S	Vision and Strategy
VITA	Volunteer Income Tax Assistance Program
<b>- W -</b>	

Acronym	Definition
W&I	Wage and Investment
WRP	Workforce Recruitment Program





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Department of the Treasury  
Internal Revenue Service

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