

## 2022 National Taxpayer Advocate Annual Report to Congress Most Serious Problems Encountered by Taxpayers Administrative Recommendations: IRS and TAS Responses

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### MSP #1: PROCESSING DELAYS: PAPER BACKLOGS CAUSED REFUND DELAYS FOR MILLIONS OF TAXPAYERS

A combination of the COVID-19 pandemic and the IRS relying on antiquated manual processes rather than modern technology has caused unprecedented paper processing delays and significant refund delays for millions of impacted taxpayers. The IRS has been operating with staffing shortages, using antiquated technology, relying on a human assembly line, and deploying outdated manual practices where modern technology offers a practical alternative. During the pandemic, taxpayers continued to mail paper returns and correspondence, even during the period the IRS closed its offices for health and safety reasons. In 2020, the IRS quickly fell behind in processing paper-filed tax returns, resulting in tremendous backlogs of unprocessed paper that carried over into 2021 and 2022. Even though the IRS tried to clear its paper backlogs through additional hiring, mandatory overtime for staff, and “surge teams” of employees reassigned from other IRS business units, IRS processing delays and paper backlogs continued to be a Most Serious Problem for taxpayers.

<b>TAS Recommendation</b>	<b>[1-1] Expedite the processing of paper tax returns by developing a plan to implement optical character recognition, 2-D bar coding, or similar technology to automate the processing of these returns during the 2023 filing season or, if that is not feasible, by the start of the 2024 filing season.</b>
<b>IRS Response</b>	The IRS agrees to implement the TAS recommendation in part.

<b>IRS Action</b>	<p>The IRS is executing multiple digitalization projects to test solutions to increase scanning, conversion of data (using optical character recognition (OCR) or similar technology) and processing of returns starting in filing season 2023. Three independent project teams (Lockbox, Scanning-as-a-Service (SCaaS), and Submission Processing Modernization) were established to work in parallel with external providers to quickly develop new or expand upon existing partnerships. The goal is to establish digitalization and digitization processes that will serve as use cases for program expansion and potential inclusion of a broad scope of forms and taxpayer submissions.</p> <p>The Lockbox Digitalization project works with the IRS Lockbox Network, including Financial Agents, to scan paper forms on-site, enabling electronic files to be shared securely with the IRS. Leveraging the existing network and OCR technology, Lockbox sites convert data from ingested tax return documents and transmit back to the IRS through the Modernized e-File (MeF) application for downstream processing. To date, the Lockbox network successfully scanned and transmitted over 223,927 TY21 and TY22 F940s. The Service is expanding its efforts to include F941 and F1040.</p> <p>The SCaaS project uses third-party services to convert paper files to digital data. SCaaS contractors scan paper documents and transfer the digital files and related metadata to the IRS. TY22 and TY23 F941s will also be scanned and transmitted to the IRS through the MeF application for digital downstream processing. Scanning to-date has used sample data and small batches of forms to refine procedures and test the contractor’s software ahead of the F941 Go-Live.</p> <p>The Submission Processing Modernization (SPM) project leverages submission processing technology capable of high-capacity digital intake (more than 100,000,000 pieces of mail), with focus on the digitalization of F1040s in filing season 2023. This project deploys innovative technology to improve the IRS’s ability to receive, count, sort, mark, and process high volumes of mail (of varying shapes, sizes, and dimensions) with additional capability to identify, extract, and digitize/digitalize data.</p> <p>Based on these digitization and digitalization efforts, in FY23 the IRS will scan and process a total of 3.5M documents, leading to a reduction of an estimated \$15.9M in costs and 391,000 full-time equivalent hours associated with manual paper processing.</p>
<b>TAS Response</b>	<p>It is encouraging the IRS is engaged in the referenced digitalization projects to modernize its technology and processes to better work with the paper it receives and help reduce reliance on manual processing by IRS employees. However, the IRS’s response lacks clarity as to its overall plan, including the anticipated duration of the respective projects and the phases the projects must pass through to reach implementation.</p>

<b>TAS Recommendation</b>	<b>[1-2] Prioritize the processing of refund returns prior to returns with tax due or no tax during the 2023 filing season.</b>
<b>IRS Response</b>	IRS agrees to implement the TAS recommendation in full.
<b>IRS Action</b>	<p>Prior to the COVID-19 pandemic, it was the policy of Submission Processing to sort and process paper refund returns first. As the pandemic impaired our processing capabilities, we began to work returns in order of the date received. As of filing season 2023, we have resumed our normal practice of processing paper refund returns first.</p> <p>IRS stated this recommendation has been completed.</p>
<b>TAS Response</b>	The policy of prioritizing the processing of paper refund returns first is an important safeguard that serves to protect taxpayers from experiencing refund delays. Deviations from the policy are consequential for taxpayers expecting refunds. The timely processing of refund returns helps to foster taxpayer trust and confidence in tax administration.

<b>TAS Recommendation</b>	<b>[1-3] Automate error resolution for all error codes and conditions using the FixERS tool or other tool during the 2023 filing season or, if that is not feasible, by the start of the 2024 filing season.</b>
<b>IRS Response</b>	IRS agrees to implement the TAS recommendation in part.

<b>IRS Action</b>	<p>Although use of the FixERS tool to automate the resolution of all error codes is not feasible, the IRS supports leveraging the FixERS tool to expand the scope of error codes we can resolve within the tool’s capabilities and functionality. The FixERS tool will process 21 error codes in filing season 2023, an increase from the 6 error codes included during filing season 2022. These 21 error codes will include 9 of the top 11 codes by volume. It is not feasible to incorporate all error codes into the FixERS tool because some error codes and conditions involve missing forms or schedules, omissions of critical information, and other irregularities, and require closer scrutiny for final resolution by tax examiners. Each year, we will evaluate opportunities to enhance the tool and improve the filing season experience and we will continue to study prudent expansion of the tool.</p> <p>IRS stated this recommendation has been completed.</p>
<b>TAS Response</b>	<p>We support the IRS’s plans to leverage expansion of the FixERS tool’s scope to include more resolvable error codes. In its current functionality, the FixERS tool has proven to be an effective automated solution where manual intervention by an IRS employee would otherwise be required. We are hopeful the IRS will continue to regularly evaluate and expand the FixERS tool’s application while also considering potential automated solutions to plug any limitations of the FixERS tool, with a consistent focus on improving the filing season experience for taxpayers.</p>

<b>TAS Recommendation</b>	<p><b>[1-4] Develop and post on IRS.gov an easy-to-read dashboard that provides weekly information on the filing season, including the total number of returns in inventory, the number of returns beyond normal processing times, the number of returns in suspense status, and the anticipated timeframes for working through the backlog.</b></p>
<b>IRS Response</b>	<p>IRS agrees to implement the TAS recommendation in full.</p>
<b>IRS Action</b>	<p>The IRS has collaborated with the National Taxpayer Advocate to develop a dashboard for placement on IRS.gov. This dashboard is still under review for final posting.</p>
<b>TAS Response</b>	<p>This collaborative effort to develop a dashboard on IRS.gov to easily retrieve and interpret current information is a positive step toward greater transparency. However, this process and its approval have been ongoing for over 15 months, and as of June 2023, it is not posted on the IRS website. The National Taxpayer Advocate looks forward to the IRS finalizing and posting the dashboard before the 2024 filing season.</p>

<b>TAS Recommendation</b>	<b>[1-5] Provide inventory level status updates for each specific area of Submission Processing in a weekly report distributed to all impacted business units, including TAS.</b>
<b>IRS Response</b>	IRS agrees to implement the TAS recommendation in full.
<b>IRS Action</b>	Submission Processing makes available on its internal website of all their inventory reports on the Submission Processing homepage, which is accessible to all IRS Business Units and TAS. In addition, W&I will distribute the weekly Filing Season Statistics Report internally.  IRS stated this recommendation has been completed.
<b>TAS Response</b>	Making all Submission Processing inventory reports readily available and consistently distributing the weekly Filing Season Statistics Report increase transparency and help improve the taxpayer experience by enabling other IRS Business Operating Divisions and TAS to provide taxpayers with more accurate information and realistic expectations.

**MSP #2: COMPLEXITY OF THE TAX CODE: THE COMPLEXITY OF THE TAX CODE BURDENS TAXPAYERS AND THE IRS ALIKE**

U.S. tax laws are overly complex. As a result, they burden America’s taxpayers and negatively impact voluntary compliance. The current system of preparing and filing tax returns is too difficult because it is complex, confusing and time consuming. This is especially true for taxpayers who access social programs through the IRS and for small business taxpayers. Some of this complexity exists because the Internal Revenue Code (the Code) is antiquated and does not mirror modern life. The tax code can be simplified by making it easy to understand, which would make it easier for the IRS to administer and easier for taxpayers to comply with their tax obligations. Simplifying the Code is the most important step Congress can take to reduce taxpayer compliance burdens. Simplification is essential to the integrity of the U.S. tax system and will enhance self-assessment and voluntary compliance.

<b>IRS Response</b>	N/A – Legislative Recommendation
<b>IRS Action</b>	N/A – Legislative Recommendation
<b>TAS Response</b>	N/A – Legislative Recommendation

<b>TAS Recommendation</b>	<b>[2-2] Adopt a consistent and more modern definition of “qualifying child” throughout the Code.</b>
<b>IRS Response</b>	N/A – Legislative Recommendation

<b>IRS Action</b>	N/A – Legislative Recommendation
<b>TAS Response</b>	N/A – Legislative Recommendation

<b>TAS Recommendation</b>	
<b>IRS Response</b>	N/A – Legislative Recommendation
<b>IRS Action</b>	N/A – Legislative Recommendation
<b>TAS</b>	N/A – Legislative Recommendation

<b>TAS Recommendation</b>	<b>[2-4] Amend IRC § 6654(c)(2) to set the estimated tax installment deadlines 15 days after the end of each calendar quarter (i.e., April 15, July 15, October 15, and January 15).</b>
<b>IRS Response</b>	N/A – Legislative Recommendation
<b>IRS Action</b>	N/A – Legislative Recommendation

<b>TAS Response</b>	N/A – Legislative Recommendation
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**MSP #3: IRS HIRING AND TRAINING: WEAKNESSES IN THE HUMAN CAPITAL OFFICE’S HIRING, RECRUITMENT, AND TRAINING PROGRAMS ARE UNDERMINING THE IRS’S EFFORTS TO ACHIEVE APPROPRIATE STAFFING TO MEET TAXPAYER NEEDS**

Many of the IRS’s challenges stem from inadequate staffing and insufficient employee training. Over the past decade, the IRS’s budget was reduced by more than 15 percent in inflation-adjusted terms, resulting in reduced staffing levels not seen since the 1970s. As staffing has declined, so have taxpayer service levels. The IRS has not had enough employees to transcribe paper-filed returns, resulting in refund delays of ten months or longer for millions of taxpayers. It has not had enough employees to answer taxpayer telephone calls, with the result that in FY 2022 only about one out of every ten calls is being answered by an IRS telephone assistor. It has not had enough employees to staff its Taxpayer Assistance Centers (TACs), causing some TACs to close and others to limit appointments. It has not had enough employees to process taxpayer correspondence, with delays of eight months or more common. To add to the problem, the IRS has had a tough time keeping up with the pace of attrition. The IRS estimates 63 percent (52,000 of 83,000) of employees are eligible to retire in the next six years. Inadequate taxpayer service makes it more difficult for taxpayers to comply with their tax filing and reporting obligations, which can reduce tax compliance. Top quality service is fundamental to the IRS mission, and the success of this mission begins with its current employees, future hiring, and continuous training. Hiring and adequately training the right quantity and quality of new employees while keeping up with the pace of retirements cannot be overstated as it will not only enhance taxpayer service but also protect taxpayer rights.

<b>TAS Recommendation</b>	<b>[3-1] Pursue DHA authority for more critical positions across the service, beyond what has been requested to date, because the IRS will also need the appropriate support staff (e.g., secretaries, analysts, managers) to support significant increases in technical and critical positions.</b>
<b>IRS Response</b>	IRS agrees to implement the TAS recommendation in full.
<b>IRS Action</b>	IRS requested Direct Hire Authority (DHA) for critical Services and Enforcement and Operations Support positions on October 6, 2022. The Office of Personnel Management granted DHA for these positions on November 8, 2022, for use through November 30, 2024.  IRS stated this recommendation has been completed.

<b>TAS Response</b>	The National Taxpayer Advocate praises the IRS’s efforts in continuing to pursue DHA authority for more critical positions across the service. We hope that the IRS will also request DHA authority for secretaries and analysts. With the needed support and flexibilities provided to the IRS, it will be able to meet its hiring needs at a reasonable pace.
<b>TAS Recommendation</b>	<b>[3-2] Continue to raise awareness internally about the process for special pay rates and encourage submission of OPM Form 1397, Special Salary Rate Request Form, to request that OPM establish higher rates of basic pay or special rates as needed for a group or category of GS positions.</b>
<b>IRS Response</b>	IRS agrees to implement the TAS recommendation in full.
<b>IRS Action</b>	<p>IRS developed a roadmap in August 2022 that provides the required steps for IRS business units’ submission of OPM Form 1397 for targeted GS series. IRS published a Leaders’ Alert in September 2022 to remind managers of the availability of special salary rates (SSR) as a flexibility and shared the road map for requesting SSR schedules. In October 2022, during the required OPM annual review of existing special rates, IRS included the previously published Leader’s Alert and roadmap as a reminder to business units on how to request a new special salary rate. IRS will continue to issue communications on an annual basis to remind managers of this flexibility. IRS is currently working with business units who have expressed a need for the use of a SSR, and IRS will use this opportunity to test the existing process and determine whether additional enhancements are necessary.</p> <p>IRS stated this recommendation has been completed.</p>
<b>TAS Response</b>	The National Taxpayer Advocate applauds the IRS for adoption of this recommendation and for IRS efforts so far, but these efforts need to continue as more awareness is needed about special pay rates for critical positions. IRS workflows require specialized, well-trained personnel to audit a taxpayer, collect tax debt, process correspondence, or answer tax law questions, and those specialized employees have been retiring or otherwise leaving for the private sector during the past decade and taking their expertise and institutional knowledge with them. This loss of talent is costly, and it takes a significant amount of time and resources to attract, hire, and train replacements for those employees. The IRS needs to be able to better compete with the private sector and attract and retain these employees.

<b>TAS Recommendation</b>	<b>[3-3] Reallocate budgetary resources to invest in a web-based personnel security inventory management system to upgrade current IRS background investigation system technology to eliminate antiquated processes, reduce manual workload, and improve interconnection with other systems. This will further streamline the Personnel Security process and reduce delays during the employee background check and employee screening processes.</b>
<b>IRS Response</b>	IRS agrees to implement the TAS recommendation in full.
<b>IRS Action</b>	The IT Executive Steering Committee approved the accelerated planning process and interim kick-off for the initiative to modernize the Automated Background Investigation System on January 24, 2023. The scope, schedule, and total cost will be refined by an integrated team. When implemented, this technology will help eliminate antiquated processes, reduce manual workload, and improve interconnections with other systems.
<b>TAS Response</b>	The National Taxpayer Advocate recommends that the IRS fully implement this recommendation in the future. It is crucial to upgrade current IRS background investigation system technology to eliminate antiquated processes, reduce manual workload, and improve interconnection with other systems. TAS will continue to advocate for the IRS's needs to reduce manual workload and streamline the hiring process with internal and external stakeholders.

<b>TAS Recommendation</b>	<b>[3-4] Reallocate additional budgetary resources to the HCO STARS team so it can implement an updated Strategic Recruitment Plan that will increase recruitment partnerships with private sector recruiting firms, universities, community colleges, and any other sources where diverse and qualified applicants may be underemployed.</b>
<b>IRS Response</b>	IRS agrees to implement the TAS recommendation in full.
<b>IRS Action</b>	The IRS has approved additional funding for the HCO STARS team to expand marketing and outreach, recruitment events, virtual platforms, and external partnerships to increase applicant pools.  IRS stated this recommendation has been completed.

<b>TAS Response</b>	TAS commends the IRS’s efforts to date; however, we will need additional information to be able to verify and monitor the implementation of this recommendation. We urge the IRS to take the steps necessary to expand recruitment partnerships with private sector recruiting firms, universities, and community colleges. We understand that the HCO STARS team had been operating with limited resources, but this recommendation should be prioritized and pursued vigorously.
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<b>TAS Recommendation</b>	<b>[3-5] Update its FYs 2022-2025 Corporate Leadership Engagement Action Plan to include specific actions the IRS will take to improve retention rates of employees with less than one year of service and employees under the age of 30 and specific actions to further reduce the overall turnover rates of employees.</b>
<b>IRS Response</b>	IRS agrees to implement the TAS recommendation in part.
<b>IRS Action</b>	<p>Multiple initiatives, such as the IRS Exit Survey, FEVS-related Pulse Survey and Employee Retention Survey, are being conducted to improve retention rates, enhance employee engagement, and drive high quality employee performance in multiple demographic areas. Data gathered from these initiatives will be used to identify appropriate action items and serve as a benchmark for engaging and retaining employees. These initiatives are in addition to the Treasury Exit Survey and Federal Employee Viewpoint Survey data the IRS is currently receiving.</p> <p>More broadly, as part of implementing the IRS Inflation Reduction Act Strategic Operating Plan, the IRS will focus substantially on improving the employee experience by offering more flexibility, building a more collaborative team culture, and better equipping personnel in order to attract and retain the top talent needed to meet our mission.</p>
<b>TAS Response</b>	Employee retention rates are difficult to improve but necessary for the agency. The key to building and sustaining a vibrant workforce lies in investing in and cultivating talent in the workforce and creating incentives for employees to stay. Employee retention and employee advancement go hand-in-hand, as employees who are unsatisfied with their job or unable to see opportunities for advancement often leave for other jobs. TAS commends the IRS’s efforts to date; however, we will need additional information to be able to verify and monitor the implementation of this recommendation. TAS is aware that the IRS is still in the planning phase in this initiative, but we look forward to reviewing the IRS successes in implementing this recommendation.

TAS Recommendation	<p><b>[3-6] Reallocate budgetary resources to provide the necessary dedicated operational budget to HCO’s teams leading the implementation of IRSU to establish the infrastructure to fully open IRSU and to better align IRS long-term training capacity with long-term hiring capacity.</b></p>
IRS Response	<p>IRS agrees to implement TAS recommendation in full.</p>
IRS Action	<p>The IRS needs strong training and development programs that prepare employees to serve taxpayers efficiently and effectively. The IRSU implementation team is partnering with the Human Capital Transformation Office to develop strategies to ensure IRSU can fully support all IRA training initiatives. All progress in IRSU to date has been implemented using the existing budget. To move IRSU into the next phase, which includes IRA initiatives, leveraging technology, vendor-driven training content, and expanding our classroom footprint, will require additional funding. To become fully operational and continue to maintain over the long term, IRSU requires start-up funding as well as a sufficient annual operating budget.</p> <p>IRS supports employee development and training including supporting the IRSU. Appropriated funds are distributed with leadership approval to business units for ongoing operating requirements and unfunded leadership priorities. Currently, IRS does not carry a reserve so any additional funding for IRSU is possible only by realigning funds from other corporate priorities. Additional funding needs for IRSU could be considered in the future by including this need in our budget request. For current year needs, HCO will submit an EUR (Enterprise Unfunded Request) to CFO for IRSU funding that is needed outside any Inflation Reduction Act initiatives already funding training activities. HCO will include their future IRSU needs in a FY24 EUR for an increase to their base that will fund them in future fiscal years and continue to use the EUR process to request additional funding as IRSU future needs become more defined.</p>
TAS Response	<p>The National Taxpayer Advocate is encouraged that the IRS is considering this recommendation for the future but remains concerned about the lack of necessary funding that has not been provided or otherwise reallocated for IRSU at this time. The National Taxpayer Advocate continues to recommend a strong focus on training. TAS will continue to monitor this activity. TAS will also advocate for the IRS’s funding needs for implementation of IRSU and additional training with internal and external stakeholders.</p>

**MSP #4: TELEPHONE AND IN-PERSON SERVICE: TAXPAYERS CONTINUE TO EXPERIENCE DIFFICULTIES AND FRUSTRATION OBTAINING TELEPHONE AND FACE-TO-FACE ASSISTANCE TO RESOLVE THEIR TAX ISSUES AND QUESTIONS**

Each year, millions of taxpayers call the IRS’s tax assistance phone lines and visit IRS Tax Assistance Centers (TACs) to obtain the help needed to meet tax filing and payment obligations. Though the IRS is working to increase staffing and implement technology designed to improve the customer experience, processing backlogs caused the demand for telephone and in-person service to remain high, while customer service levels continued to remain unacceptably low. In fiscal year (FY) 2021, the IRS Enterprise telephone lines reached an all-time service low, with only 11 percent of calls reaching a live assistor. The FY 2022 post-pandemic filing season brought little improvement with only 13 percent of callers reaching live assistance. Face-to-face appointments at the IRS’s TACs similarly declined and showed little improvement during the FY 2022 filing season. Taxpayers and practitioners alike rely heavily on the ability to reach an IRS employee for account actions and answers to their inquiries. Lack of sufficient service jeopardizes compliance, frustrates taxpayers, and impacts the taxpayers’ *right to quality service*.

<b>TAS Recommendation</b>	<b>[4-1] Fully staff all TAC office locations and offer extended or Saturday hours in high volume locations.</b>
<b>IRS Response</b>	IRS agrees to implement the TAS recommendation in full.
<b>IRS Action</b>	<p>The IRS began taking steps to fully staff Taxpayer Assistance Centers in September 2022, with the first vacancy announcement posted on November 7, 2022. We initially announced over 700 Individual Taxpayer Advisory Specialist and Initial Assistance Representative positions. As of February 27, 2023, we have onboarded over 360 new hires. A roster was announced and posted on January 25, 2023, and is open until July 24, 2023. Hiring will continue to staff all locations.</p> <p>To offer extended services to taxpayers, we also offer walk-in services available at Taxpayer Experience Day events held one Saturday per month in selected cities during the filing season.</p> <p>Additionally, as part of implementing the IRS Inflation Reduction Act Strategic Operating Plan, the IRS will continue to focus on improving the availability and accessibility of customer service options, including for services offered at TAC locations.</p>

TAS Response	The IRS has made progress in fully staffing its TAC offices but still needs to add more resources. With the continued hiring and focus provided for in the IRS’s Inflation Reduction Act Strategic Operating Plan, taxpayers should soon experience improved availability and accessibility options at IRS TAC office locations.
TAS Recommendation	<b>[4-2] Automate the TAC appointment scheduling process.</b>
IRS Response	<p>The IRS does not agree to implement the TAS recommendation.</p> <p>The process of allowing taxpayers to schedule their appointment online is not in alignment with our current service delivery model. We currently serve taxpayers in the most efficient channel to resolve their issue, which in most tax account instances is over the telephone. This method saves taxpayers unnecessary visits to a Taxpayer Assistance Center (TAC) while improving the availability of TAC resources to serve taxpayers who do. In addition, we will explore capabilities within an expanded scheduling tool to allow taxpayers who have received a notice and must resolve their issue at a TAC access to a potential tool that will allow them to schedule a visit without calling the appointment line.</p>
IRS Action	N/A
TAS Response	<p>The IRS’s current TAC service delivery model is theoretically efficient but realistically inadequate. In FY 2022, taxpayers made 10,779,159 calls to the TAC office appointment telephone line, with only 1,186,852 calls (11 percent) reaching an employee for assistance. Of the calls reaching assistance, 500,729 were either resolved by phone or the IRS did not schedule an appointment <i>because appointment availability did not meet the caller’s scheduling needs</i> (IRS data does not make a quantifying distinction between the two). Only 686,123 calls (about 58 percent of the 11 percent) reaching assistance were resolved with a scheduled TAC appointment. The current TAC service delivery model artificially limits TAC services to those taxpayers able to reach scheduling assistance on the IRS’s appointment telephone line – sacrificing 89 percent service for a potential 11 percent efficiency, while also adding to taxpayer burden and frustration. During the 2023 filing season ending April 22, 2023, the TAC appointment telephone line improved but remained deficient, with only 46 percent of the 1,984,350 calls to this telephone line reaching an IRS employee for appointment assistance. Absent the IRS’s ability to provide an adequate Level of Service on its TAC appointment telephone line, the IRS should explore an automated appointment scheduling system that can provide increased service to all taxpayers, despite risking some degree of efficiency.</p>

<b>TAS Recommendation</b>	<b>[4-3] Expand WebSD services to include TPP verification and other high demand TAC services.</b>
<b>IRS Response</b>	<p>The IRS agrees but cannot implement due to security constraints.</p> <p>The IRS is interested in the expansion of Web Service Delivery (WebSD) services or other virtual face to face services. WebSD provides a unique opportunity to enhance the quality-of-service taxpayers can attain by being a more readily accessible route to service. However, the current iteration of WebSD is not a dedicated program within the IRS, but a pilot testing the capability to expand face-to-face services using technology.</p> <p>As we apply lessons learned from the pilot, the IRS can evaluate the WebSD capability to scale for the inclusion of additional high demand services, contingent on competing agency priorities. We may develop and deploy a permanent solution to provide online face-to-face services but including Taxpayer Protection Program (TPP) verification will be extremely difficult due to privacy/security considerations to protect both taxpayers and the IRS from harmful actors.</p>
<b>IRS Action</b>	N/A
<b>TAS Response</b>	TAS understands that WebSD is still in the pilot stage and that the IRS is exploring the inclusion of additional high demand services as deemed practical given current privacy/security considerations. TAS is encouraged by the IRS’s willingness to increase WebSD services, whenever possible, and will monitor these efforts for success.

<b>TAS Recommendation</b>	<b>[4-4] Implement a process similar to the IRS’s AA program for purposes of conducting TPP identity verification. To increase taxpayer service and location options, consider utilizing IRS employees from other functions (Compliance, TAS, etc.) to perform collateral identity verification duties.</b>
<b>IRS Response</b>	IRS agrees to implement the TAS recommendation in part.



<b>IRS Action</b>	<p>The IRS Acceptance Agent and Certifying Acceptance Agent processes require an application, training, and ongoing enrollment. Creating a program solely for the purpose of authenticating for the Taxpayer Protection Program (TPP) would be costly and may not protect IRS from potentially unscrupulous preparers who may attempt to enroll in the program to verify fraudulent returns they filed.</p> <p>The IRS recognizes the need to increase taxpayer services and location options and continues to look for opportunities to expand access for authorization services and timeframes. Actions taken to date include:</p> <ul style="list-style-type: none"> <li>• The IRS has extended the timeframe a taxpayer selected by TPP may authenticate themselves in one of multiple channels including on-line, by phone, and in-person.</li> <li>• The IDVerify application protected behind the IRS Secure Access Digital Identity (SADI) remains available 24 hours per day and allows for improved access and security for taxpayers required to authenticate their identities.</li> <li>• Taxpayers with Individual Taxpayer Identification Numbers (ITIN) are now able to use SADI to access IDVerify. The acceptance of ITIN credentials began December 4, 2022, allowing the IRS to offer an online option for authentication while reducing the demand on the phone lines moving into 2023.</li> <li>• We are partnering with the Low-Income Taxpayer Clinics to offer authentication assistance.</li> <li>• TAS employees can also complete TPP authentications where possible. We fully encourage these partnerships because they ultimately improve the taxpayer experience and reduces refund delays.</li> </ul> <p>IRS stated this recommendation has been completed.</p>
	<p>The IRS has recognized the need to expand timeframes and access to taxpayers requiring TPP authentication. By taking steps to sufficiently staff TAC office locations and improve online TPP authentication access, the IRS should be better equipped to more readily provide taxpayers with necessary TPP authentication services. The IRS has partnered with Low Income Taxpayer Clinics to offer qualifying taxpayers an additional avenue for navigating the TPP authentication process, and TAS looks forward to exploring a similar partnership benefiting more taxpayers. TAS will monitor the success of these recently implemented TPP actions.</p>

<b>TAS Recommendation</b>	<b>[4-5] Explore opportunities for TAC offices to digitalize document and tax return submissions on site.</b>
<b>IRS Response</b>	<p>The IRS does not agree to implement the TAS recommendation.</p> <p>This recommendation is not aligned with the IRS’s Field Assistance mission to provide quality service to taxpayers requiring face-to-face assistance and self-service. Having this capability could possibly increase service demand deflecting resources from those who must use TAC services, as taxpayers may want to come to the TAC to submit returns versus electronically filing.</p>
<b>IRS Action</b>	N/A
<b>TAS Response</b>	<p>Internal Revenue Manual 21.3.4.2.4.2(10), TAC Appointment Exception Procedures, indicate that taxpayers may drop off current year tax returns without the need for an appointment. Additionally, the IRS has committed to offering extended walk-in services to taxpayers at Taxpayer Experience Day events held one Saturday per month in selected cities during the filing season – events that may further generate tax return and document receipts. Implementing a process that would allow TAC offices to forward documents and tax return submissions electronically at the point of receipt (perhaps directly into the processing stream) would reduce the volume of paper inventory, improve efficiency, reduce mailing delays, and increase customer satisfaction. Digitalizing document and tax return submissions would seemingly enhance rather than detract from the Field Assistance mission to provide quality service to taxpayers requiring face-to-face assistance.</p>

**MSP #5: ONLINE ACCESS FOR TAXPAYERS AND TAX PROFESSIONALS: INADEQUATE DIGITAL SERVICES IMPEDE EFFICIENT CASE RESOLUTION AND FORCE MILLIONS OF TAXPAYERS TO CALL OR SEND CORRESPONDENCE TO THE IRS**

Providing tax information and services accessible through a robust online account and seamlessly integrated digital communication tools are essential for taxpayers, their representatives, and IRS employees. Taxpayers or their representatives who cannot find an answer or resolve their issue using digital self-help tools are facing long delays when phoning the IRS, visiting a Taxpayer Assistance Center, or sending a letter. Taxpayers or their representatives wanting to interact online need and deserve quality service options and quick responses from the IRS. Today, most taxpayers and tax professionals can't depend on receiving either, causing dissatisfaction that can lead to distrust in tax administration. When taxpayers can quickly communicate with the IRS to resolve issues and receive answers to their questions simply and securely, it has a positive effect on the taxpayer experience, which in turn raises taxpayers' overall satisfaction and trust in the IRS.

<b>TAS Recommendation</b>	<b>[5-1] Provide individual and business taxpayers an intuitive central hub with one-click access to all authenticated and unauthenticated self-assistance applications.</b>
<b>IRS Response</b>	<p>IRS does not agree to implement the TAS recommendation.</p> <p>The Inflation Reduction Act (IRA) provided \$79.4 billion to the IRS for a 10-year period. This funding is intended for critically needed transformations at the IRS, including taxpayer service improvements directed to IRS.gov, online accounts and other digital and technology transformations. Since passage of the IRA, the IRS has worked quickly to build out a Strategic Operating Plan and stand up a Transformation &amp; Strategy Office.</p> <p>The IRS notionally agrees that a centralized hub is one way, of many, that the IRS could approach increasing accessibility and usability of our authenticated and unauthenticated taxpayer-facing platforms and that moving away from siloed platforms based on IRS operating divisions is consistent with taxpayer expectations. However, at this stage of IRA implementation it would be premature to commit to any one framework for improving access and usability on IRS.gov in favor of any of the other frameworks available. As part of IRA implementation, the IRS will conduct robust user experience research, leveraging both our own behavioral data and best practices from industry to ensure that IRS.gov and the online applications available to taxpayers are user friendly while accommodating taxpayers who desire both authenticated and unauthenticated online services.</p>

<b>IRS Action</b>	N/A
<b>TAS Response</b>	We support the IRS’s plans to conduct robust user experience research and apply internal behavioral data and best practices from industry to improve online services. However, robust research may not be needed to determine that taxpayers would prefer an option of having IRS online tools available in a central hub with one-click access. The IRS concedes that our recommendation would be consistent with taxpayer expectations but does not agree to implement the recommendation. We request the IRS reconsider this recommendation as it continues to implement the IRA.

<b>TAS Recommendation</b>	<b>[5-2] Require mandatory annual training for all taxpayer-facing IRS employees on Online Account and digital communication tools so they can educate taxpayers about them and allow employees to view taxpayer information as the taxpayer views it in Online Account.</b>
<b>IRS Response</b>	IRS agrees to implement the TAS recommendation in part.
<b>IRS Action</b>	<p>The breadth of IRS employees that are “taxpayer-facing” is tremendous and includes a diversity of roles that includes Customer Service Representatives, Internal Revenue Agents, Taxpayer Assistance Center employees, Special Agents in the Criminal Investigations Division, Appeals Officers and other Independent Office of Appeals staff, and attorneys within the Office of Chief Counsel. Not all taxpayer-facing employees work in positions where it is appropriate to educate taxpayers on Online Account and other digital communication tools.</p> <p>Since 2019, IRS has promoted the awareness of online account with employees via Digital Day, which is a monthly, virtual product demo and Q&amp;A event. Digital Day has proven to be successful, with employee polling indicating that significantly more employees are aware of online account in 2022 than in 2019. IRS plans to continue monthly product demo events promoting online account and the Deputy Commissioner of Services &amp; Enforcement (DCSE) will direct each DCSE business unit to evaluate which position types within their unit should be directed to attend a Digital Day event on a mandatory basis.</p> <p>The IRS will consider the employee’s view of taxpayer account as part of our overall process of evaluating and implementing the forthcoming IRS Inflation Reduction Act Strategic Operating plan as more fully discussed in the IRS’ responses to MSPs #5-5 and #6-2.</p>

<b>TAS Response</b>	<p>While the IRS did not agree to make training on Online Account and digital communication tools mandatory for any taxpayer-facing IRS employees, the DCSE agreed to direct each DCSE business unit to evaluate which position types within their unit should be directed to attend a Digital Day event on a mandatory basis. The IRS also agreed to consider the employee’s view of the taxpayer account as part of its overall process of evaluating and implementing the forthcoming IRS Inflation Reduction Act Strategic Operating Plan, which would improve employees’ ability to assist taxpayers with questions about navigating their Online Account.</p>
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<b>TAS Recommendation</b>	<p><b>[5-3] Deploy a robust Online Account for business taxpayers by FY 2024, that includes features such as populating due dates for upcoming tax return or information return filings, sending reminders, and listing payment due dates and payment options.</b></p>
<b>IRS Response</b>	<p>IRS agrees to implement the TAS recommendation in part.</p>
<b>IRS Action</b>	<p>IRS is committed to delivering a robust Business Online Account (BOLA) product in FY23. However, the BOLA launch in FY23 is subject to several contingencies including, vendor procurement, the development of technical requirements, and the prioritization of other competing IRS projects.</p> <p>BOLA product features will be prioritized based on business customer needs, approved funding, development resources and technical constraints. The notional set of BOLA product capabilities at launch will likely include business authorization, make/view payments, view balance due, and a customer profile page.</p> <p>Additionally, as part of the longer-term process of implementing the IRS Inflation Reduction Act Strategic Operating Plan, the IRS intends to broadly explore opportunities to leverage technology improvements to expand the features available in BOLA.</p>
<b>TAS Response</b>	<p>Although it may not be able to bring a robust set of features to BOLA by the end of FY 2024, the IRS is making progress toward launching an initial product in FY 2023 and appears on track to include basic features such as the ability to enter a business authorization, make and view payments, view balance due, and view customer profile page. The IRS should understand based on its experience launching individual Online Account that features and utility are critical for attracting users.</p>

<b>TAS Recommendation</b>	<b>[5-4] For those unable to complete online identity proofing with a CSP, provide in-person authentication alternatives to assist taxpayers with identity proofing and obtaining credentials for future access to IRS online applications that require secure access.</b>
<b>IRS Response</b>	IRS agrees to implement the TAS recommendation in full.
<b>IRS Action</b>	<p>The IRS’s modernized digital identity platform aligns with the National Institute of Standards and Technology (NIST) Special Publication (SP) 800-63-3, Digital Identity Guidelines and leverages the use of Credential Service Providers (CSPs) to provide identity verification and credential management for access to IRS online services. The CSP may choose to allow the use of trusted referees for in-person identity proofing and enrollment as outlined in NIST 800-63A.</p> <p>The IRS is coordinating with our current CSPs to assess their in-person proofing capabilities to ensure compliance with NIST and IRS requirements. Concurrently, the IRS is developing a small-scale in-person proofing test for taxpayers who are unable to authenticate their identity online, tentatively planned for late Spring 2023.</p> <p>Based on the data analysis of the in-person proofing test, the IRS will work to expand in-person authentication alternatives by means of a limited release pending available resources and evaluation of CSP capabilities which the IRS anticipates will occur in Fall 2023.</p> <p>More broadly, as part of implementing the IRS Inflation Reduction Act Strategic Operating Plan, the IRS will include as a focus, continuing to evaluate the expansion/refinement of identity proofing options that meet the unique needs of different taxpayer groups.</p>
<b>TAS Response</b>	It’s a positive development that the IRS is coordinating with our current CSPs to assess their in-person proofing capabilities to ensure compliance with NIST and IRS requirements and conducting its own tests. Ensuring that taxpayers who are unable to complete online identity-proofing have an in-person option is essential to protecting taxpayer’s <i>right to quality service</i> .

<b>TAS Recommendation</b>	<b>[5-5] Add increased capabilities and functionality to Tax Pro Account, such as viewing notices and letters and uploading requested documents to provide authorized representatives seamless access to their clients' Online Accounts through Tax Pro Account.</b>
<b>IRS Response</b>	IRS agrees to implement the TAS recommendation in part.
<b>IRS Action</b>	<p>The IRS agrees with the TAS recommendation to add increased capabilities and functionality to Tax Pro Account, with the goal to allow authorized representatives seamless access to some of the same information their clients have in their Online account(s) (OLA) through Tax Pro Account.</p> <p>We prioritized Tax Pro Account functionality for our August 2023 release to allow authorized individuals the ability to link their CAF number, view their list of authorizations and the authorization details and to manage their authorizations. These additions will bring increased functionality to Tax Pro Account.</p> <p>Additionally, as part of implementing the IRS Inflation Reduction Act Strategic Operating Plan, the IRS will further prioritize expanding Online TaxPro Accounts to include a comprehensive suite of services including the ability to manage client authorizations online; view clients' balances, payment histories, and notices; and act on their behalf to make payments, set up payment plans, and complete other account updates as authorized. This extensive expansion of TaxPro Account is a long-term project that is not expected to be completed within the implementation timeframe listed below.</p>
<b>TAS Response</b>	Though it's a long-term project, it is encouraging the IRS is willing to prioritize adding increased functionality to Tax Pro Account, such as viewing notices and letters and uploading requested documents to provide authorized representatives seamless access to their clients' Online Accounts through Tax Pro Account. Adding useful features to Tax Pro Account will help the IRS attract users.

**MSP #6: E-FILE AND FREE FILE: E-FILING BARRIERS AND THE ABSENCE OF A FREE, EASY-TO-USE TAX SOFTWARE OPTION CAUSE MILLIONS OF TAXPAYERS TO CONTINUE TO FILE PAPER TAX RETURNS**

When taxpayers cannot electronically file (e-file) their tax returns, they face delays in processing, the possibility of transcription errors, and longer waits for their refunds. Although the e-file rate for individuals is high at 92 percent, individuals still face unnecessary costs and challenges in e-filing, which should be as easy as possible. The barriers are higher for business and employment tax returns, and those returns correspondingly have lower e-file rates. The result is a mountain of paper that takes more time and money to process than e-filed returns, even though e-filed returns outnumber paper returns.

<b>TAS Recommendation</b>	<b>[6-1] Evaluate the feasibility of accepting imperfect e-filed tax returns and directing them to appropriate treatment streams for further review.</b>
<b>IRS Response</b>	IRS agrees to implement the TAS recommendation in full.
<b>IRS Action</b>	<p>The IRS agrees to continue reviewing the feasibility of accepting imperfect e-filed tax returns and has already implemented it in one instance where the return would have previously been rejected.</p> <p>We continuously review and evaluate solutions to assist taxpayers with filing complete electronic returns to alleviate delays in processing and issuing correspondence. The business rules in the e-file system reject fraudulent or duplicate returns and are agreed upon with the Security Summit; a collaboration with the IRS and members of private industries, the states, and financial institutions, to prevent fraud and protect taxpayers. Additionally, the IRS works with external partners to educate them on the top error rejection codes during various industry calls.</p> <p>Additionally, as part of implementing the IRS Inflation Reduction Act Strategic Operating Plan, the IRS intends to continue exploring opportunities to leverage technology and other resources and tools to notify taxpayers of potential issues earlier, ideally at the point of filing, to better assist taxpayers at remedying issues earlier in the filing process.</p>
<b>TAS Response</b>	Accepting imperfect returns is a step in the right direction toward ensuring that taxpayers have a seamless experience of timely filing their tax returns, while also protecting the government’s revenue. TAS recommends that this process be extended to more types of imperfect returns in the future and that the IRS continue to look for additional ways to improve the electronic filing process.



<b>TAS Recommendation</b>	<b>[6-2] Provide taxpayers with access via an online account to Forms W-2 and 1099 as well as IRS prior year payments or credits early in the filing season in a downloadable format that taxpayers can upload to the tax software of their choice.</b>
<b>IRS Response</b>	<p>IRS does not agree to implement the TAS recommendation.</p> <p>Currently, Forms W-2 and 1099 information is generally available by May. Delivery of wage and income transcripts prior to May would require the reprioritization of other priority work. Efforts to deliver wage and income transcripts any earlier is not currently being considered as it would negatively affect the ability to deliver account transcripts, return transcripts, and record of account transcripts for the Forms 1040, 1065, and 1120, and their associated schedules, early in the filing season.</p> <p>However, as part of the longer-term process of implementing the IRS Strategic Operating Plan, the IRS intends to broadly explore opportunities to leverage technology improvements to enable taxpayers to securely access their own account data, including transcripts, account balances, payment and account histories, notices, and service history.</p>
<b>IRS Action</b>	N/A
<b>TAS Response</b>	We urge the IRS to take the steps necessary to make information returns available to taxpayers early in the filing season. Having this information available to taxpayers in a downloadable format would not only help taxpayers but would benefit the IRS in that it would facilitate the accurate filing of tax returns at the earliest possible stage. This recommendation should be implemented as part of the Strategic Operating Plan initiatives.
<b>TAS Recommendation</b>	<b>[6-3] Make all IRS forms and schedules compatible with e-filing.</b>

<p style="text-align: center;"><b>IRS Response</b></p>	<p>The IRS agrees to implement the TAS recommendation in part.</p>
<p style="text-align: center;"><b>IRS Action</b></p>	<p>Expanding the e-filing process to accept more forms digitally, as well as navigating in a paperless direction through digitalization, will benefit both the taxpayer and the agency. The IRS continues to expand the e-file system to improve the taxpayer’s experience and is working to add more forms to the e-file platform, building on paperless capabilities. The agency’s progress in this space is contingent upon many factors, particularly the prioritization of competing projects and development scheduling.</p> <p>To expand the e-file system, the IRS completed a solicitation of internal and external stakeholders to prioritize forms not yet available for e-filing through the Modernized Electronic Filing platform (MeF). Based on this feedback, form development discussions are in process for filing season 2024. Development is dependent on various functions completing the work. Currently, the IRS does not have a development schedule as it will be dependent on the outcome of current project prioritization decisions. Making every single IRS form and schedule compatible with e-Filing is not desirable, as the costs in some cases will far outweigh the benefits.</p> <p>Our development strategy additionally includes executing multiple digitalization projects to test solutions to increase scanning and processing of returns using three independent project teams (Lockbox, Scanning-as-a-Service, and Submission Processing Modernization). Currently through the Lockbox, Scanning-as-a-Service, and Submission Processing Modernization efforts, four forms have been prioritized: 709, 940, 941, and 1040 (which will also include 25 attachments). The IRS is actively working to make these forms compatible with e-filing for downstream processing and continuing strategic collaborations with IT and other business units to prioritize the next set of forms and understand how they can be safely ingested.</p>
<p style="text-align: center;"><b>TAS Response</b></p>	<p>TAS is supportive of a phased approach where the digitalization and e-filing of forms is concerned but continues to recommend the prioritization of this effort before the FY 2024 filing season. The digitalization of a given form should not be solely determined by a cost-benefit analysis undertaken on a document-by-document basis. Rather, the IRS should take the long view and seek to establish an electronic environment in which all forms can be seamlessly e-filed.</p>

<b>TAS Recommendation</b>	<b>[6-4] Implement necessary IT upgrades to enable business taxpayers to more easily e-file information and employment tax returns, including amended employment tax returns.</b>
<b>IRS Response</b>	IRS agrees to implement the TAS recommendation in full.
<b>IRS Action</b>	<p>In January 2023, the IRS implemented a new modernized Information Returns Intake System (IRIS), also referred to as Information Return Modernization (IR MOD). The application and platform are both free to use. Any person or entity can now electronically file any Form 1099 for TY22, or future years, using IRIS. Filers can use IRIS to submit up to 100 records per upload, file corrected Forms 1099, manage issuer information, request automatic extensions to file, and bulk file using Application to Application capabilities. Users will be able to electronically file new Form 8300-DA by January 2024.</p> <p>For the Modernized Electronic Filing platform (MeF), we included four amended employment tax types for filing season 2024 development discussions. These include, Amended Form 940, Employer's Annual Federal Unemployment Tax Return; Form 941-X, Adjusted Employer's Quarterly Federal Tax Return or Claim for Refund; Form 943-X, Adjusted Employer's Annual Federal Tax Return for Agricultural Employees or Claim for Refund; and Form 945-X, Adjusted Annual Return of Withheld Federal Income Tax or Claim for Refund. The implementation is dependent on various functions completing the work.</p>
<b>TAS Response</b>	Implementing necessary IT upgrades to enable business taxpayers to more easily e-file information and employment tax returns, including amended employment tax returns is beneficial to taxpayers and the IRS.

<b>TAS Recommendation</b>	<b>[6-5] Use lessons learned from the congressionally funded e-filing study to begin development of a comprehensive, direct e-file system that encompasses many of the attributes already adopted by other countries.</b>
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<b>IRS Response</b>	<p>IRS does not agree to implement the TAS recommendation.</p> <p>The Inflation Reduction Act provided an appropriation of \$15 million for the IRS to commission a study exploring the possibility of providing taxpayers with the option to file certain tax returns directly with the IRS online. The IRS expects that this study will consider the hypothetical design of an IRS-run direct file service, taxpayer preferences, feasibility, and costs, among other things.</p> <p>It would be premature to commit to the development of a direct e-file system without first understanding the results of this congressionally funded e-file study, which will include an analysis of feasibility and taxpayer filing preferences. It would also be premature to commit to developing a direct e-file system that encompasses attributes adopted in other countries, without first seeing the e-file study to understand whether those attributes will meet the needs and preferences of taxpayers filing with the IRS.</p> <p>The IRS does, however, commit to carefully considering the results of the e-filing study to inform our consideration of developing a direct e-filing option.</p>
<b>IRS Action</b>	N/A

<b>TAS Response</b>	<p>TAS agrees with the IRS that without future exploration it is premature to commit to the development of a direct e-file system. Since TAS received the IRS response, the Direct File study was completed. TAS believes the study was useful in highlighting the potential benefits of Direct File as well as the challenges associated with it. TAS continues to believe that taxpayers should have alternative filing options at low or no cost.</p> <p>The study highlights two practical issues that need to be worked through before a final decision is made. First, the IRS needs to find a way to integrate federal return preparation with state return preparation. Currently, taxpayers who use commercial software, including software made available through the existing Free File program, can prepare their state returns by incorporating the necessary information from the federal return without re-entering all their return data. The software makes the corresponding state adjustments and carries it over to the state returns. It appears that taxpayers would not have that option under a federal Direct File program.</p> <p>The benefits of a federal Direct File program will be limited if taxpayers are required to re-enter their data in full to prepare their state returns. Relatedly, TAS understands that some states effectively piggyback on the IRS’s fraud detection filters when federal and state returns are prepared and e-filed together. Separate submissions may make fraud detection more difficult at the state level. The IRS should collaborate with state agencies to ensure their needs are addressed and taxpayers are not harmed by a federal-filing-only option.</p> <p>Second, the cost estimates in the Direct File study with customer support range up to nearly \$250 million a year, or \$2.5 billion over ten years.. Without additional dedicated funding, that would consume nearly 80 percent of the \$3.2 billion in Taxpayer Services funding provided under the Inflation Reduction Act. As part of its Strategic Operating Plan to implement the IRA, the IRS identified numerous key initiatives to improve taxpayer service. If 80 percent of the IRA’s Taxpayer Services funding is used for Direct File, the remaining funding to implement other initiatives to improve service and conduct its core mission will be extremely limited.</p> <p>The Direct File report said the IRS will run a “pilot” Direct File program early in 2024. TAS believes that this is a prudent approach to determine feasibility and taxpayer interest. If the IRS moves forward, it must do more to address the state integration and funding challenges as it finalizes the scope of the pilot.</p> <p>For this initiative to be successful, Congress needs to ensure the direct e-file system be appropriately funded without impacting other key IT and service priorities. The IRS must also provide effective, dependable customer support to taxpayers in a secure environment to protect the taxpayer’s data while also addressing state filing considerations.</p>
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**MSP #7: IRS TRANSPARENCY: LACK OF TRANSPARENCY ABOUT PROCESSING DELAYS AND OTHER KEY DATA FRUSTRATES TAXPAYERS AND MAY UNDERMINE VOLUNTARY COMPLIANCE**

Since fiscal year (FY) 2010, the IRS budget has been reduced by nearly 20 percent after adjusting for inflation, and its staffing has declined as well. To address some of these deficiencies, Congress recently has given the IRS significant additional funding to improve tax administration by passage of the Inflation Reduction Act (IRA). It is incumbent on the IRS to be transparent about its plans and outcomes, thereby demonstrating that it is using the funding fairly, equitably, and prudently. Moreover, the IRS also needs to improve the information it provides taxpayers regarding return and refund status and how to voluntarily comply with their tax obligations. Additionally, taxpayers struggle to find the information they need on a cluttered IRS.gov, and when they do find this information, they are surprised to learn they cannot fully rely on some of the information.

<b>TAS Recommendation</b>	<b>[7-1] Make the operational plan, due six months from the enactment of the Inflation Reduction Act, available to the public by posting it on IRS.gov and allow for stakeholder comments on the plan and future improvements.</b>
<b>IRS Response</b>	IRS agrees to implement the TAS recommendation in full.
<b>IRS Action</b>	Since passage of the Inflation Reduction Act, the IRS has worked quickly to build out a Strategic Operating Plan and stand up a Transformation & Strategy Office. The IRS Inflation Reduction Act Strategic Operating Plan (SOP) was made public via press release and posting on IRS.gov on April 6, 2023.  IRS stated this recommendation has been completed.
	To ensure accountability as it implements the SOP, it is critical that the IRS be transparent, including future modifications to how it will use the funds provided by Congress.

<b>TAS Recommendation</b>	<b>[7-2] Commit to providing to the public and oversight organizations regular reports regarding the allocation of the increased funding and include performance metrics that show the results of how the IRS has applied the funds.</b>
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<b>IRS Response</b>	IRS agrees to implement the TAS recommendation in full.
<b>IRS Action</b>	<p>The Transformation and Strategy Office will be led by a Chief Transformation and Strategy Officer (CTSO) who will report directly to the IRS Commissioner. The CTSO will coordinate an advisory committee to facilitate informed decision-making by the Commissioner on issues related to strategic alignment and problem-solving.</p> <p>The office will be responsible for monitoring and reporting progress, identifying and solving implementation challenges, enabling well-informed and fact-based decision-making, and managing enterprise-wide change efforts.</p> <p>The Transformation and Strategy Office will coordinate an update of this plan annually based on lessons learned, progress made and a changing environment. This will, in turn, provide renewed and current guidance on strategic priorities to IRS leaders and employees. Progress updates will be provided at least annually to external stakeholders—including the Office of Management and Budget, Congress and the public—through existing reporting and review processes like the Annual Performance Plan and Report. The IRS welcomes the opportunity to discuss progress more regularly with Congress and other stakeholders.</p> <p>IRS stated this recommendation has been completed.</p>
<b>TAS Response</b>	To be transparent, the National Taxpayer Advocate believes it is necessary to treat the SOP as a living document that will provide meaningful updates to IRS leadership and employees, Congress, the public, and external stakeholders regarding what has been implemented, what remains to be implemented, and what funds have been used thus far.

<b>TAS Recommendation</b>	<b>[7-3] Improve Where’s My Refund?, IRS2Go, and online accounts by providing taxpayers increased functionality, including specific information about the cause of their refund delay and an estimated date when the IRS might issue their refund.</b>
<b>IRS Response</b>	IRS agrees to implement the TAS recommendation in part.

IRS Action

On January 3, 2023, the IRS added the Where's My Refund (WMR) status tracker for many scenarios where a refund is held or delayed. Additionally, we removed the "take action" banner from scenarios where it was not necessary and added six new math error descriptions for instances where the IRS corrects a refund amount during processing. The IRS2Go app displays the same information as the WMR application, including the following updates:

- We changed your filing status. We refigured your tax using the Single filing status based on the information on your tax return.
- We changed the amount claimed as credit for child and dependent care expenses on your tax return because there was an error on your Form 2441, Child and Dependent Care Expenses. The error was in one of the following:
  - o Computation of the credit on Form 2441
  - o Transfer of the amount to your tax return
- We changed the amount claimed as nonrefundable Child Tax Credit or credit for other dependents on your tax return because you either didn't enter an amount or entered an incorrect amount based on the number of boxes you checked on page 1 of your tax return.
- We changed the amount claimed as excess Social Security tax withheld or tier 1 RRTA withheld on your tax return because you incorrectly calculated the excess amount.
- We can't allow your refundable Child Tax Credit. According to information on Schedule 8812, Credits for Qualifying Children and Other Dependents, your main home was not in the United States for six months or more and you were not a bona fide resident of Puerto Rico. These requirements don't apply when claiming the nonrefundable Child Tax Credit or additional Child Tax Credit. We changed the credit amount to include the nonrefundable or additional Child Tax Credit as appropriate.
- We can't allow the refundable portion of your child and dependent care credit. According to information on Form 2441, Child and Dependent Care Expenses, your main home was not in the United States for six months or more. We changed your return accordingly.

The IRS plans to incorporate more detailed status messaging and WMR capabilities including extracting Error Resolution System (ERS) data, providing more specific messages based on ERS status codes, extracting data for certain Taxpayer Protection Program delays, and allowing direct deposit recipients or married filing joint taxpayers to self-initiate a refund trace.

Currently, Online Account does not contain information on the status of a taxpayer's refund. Integrating this type of functionality is planned for the future but has not yet been approved for development.

IRS stated this recommendation has been completed.



<b>TAS Response</b>	The National Taxpayer Advocate welcomes the additional enhancements to the Where’s My Refund? tools and taxpayers’ online accounts scheduled to be implemented soon. IRS efforts to provide taxpayers with information regarding their refunds is a key component to transparency and will reduce frustrations and minimize the taxpayer’s need to call the IRS and inquire about their refund.
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<b>TAS Recommendation</b>	<b>[7-4] Post a filing season dashboard and provide weekly information throughout the year on the filing season statistics, including the total number of returns in inventory, number of returns held beyond normal processing times, number of returns in suspense status, and the anticipated timeframes for working through them, while acknowledging that the situation is fluid and timeframes may change along with circumstances.</b>
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<b>IRS Response</b>	IRS agrees to implement the TAS recommendation in full.
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<b>IRS Action</b>	The IRS has collaborated with the National Taxpayer Advocate to develop a dashboard for placement on IRS.gov. This dashboard is still under review for final posting.
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<b>TAS Response</b>	It is critical that taxpayers and external stakeholders can easily determine and evaluate the IRS’s progress in processing tax returns. A comprehensive dashboard is a simple and efficient way to create a public resource to obtain this necessary information. Although the IRS first agreed to develop this dashboard over 15 months ago, TAS is still awaiting its final design and installation on IRS.gov in anticipation of the 2024 filing season.
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<b>TAS Recommendation</b>	<b>[7-5] Clearly state on all guidance the extent to which the taxpayer can rely upon it either for penalty relief or in an audit.</b>
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<b>IRS Response</b>	IRS agrees to implement the TAS recommendation in part.
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<p style="text-align: center;"><b>IRS Action</b></p>	<p>Every edition of the Internal Revenue Bulletin (IRB) includes language describing whether the guidance included therein may be relied upon by taxpayers. The same language is repeated on the IRS.gov webpage entitled “General Overview of Taxpayer Reliance on Guidance Published in the Internal Revenue Bulletin and FAQs.</p> <p>The IRS.gov reliance webpage also addresses the extent to which taxpayers may rely upon FAQs that are on IRS.gov. To the extent TAS Recommendation #7-5 extends to IRS.gov webpages, publications, forms, instructions, and other informal guidance not included in the IRB, the same statements should apply. It is not feasible to append this reliance statement to each IRS.gov webpage, publication, form, instruction, and other guidance not included in the IRB whether maintained electronically or on paper. However, the IRS will update the IRS.gov reliance webpage to include a reference to other IRS.gov webpages, publications, forms, instructions, and other types of informal guidance made public by the IRS as subject to the same reliance limitations as FAQs and will add a link to the updated page on the bottom of the irs.gov home page under Know Your Rights.</p> <p>More broadly, as part of the longer-term process of implementing the IRS Inflation Reduction Act Strategic Operating Plan, the IRS intends to coordinate with the Office of Chief Counsel and the Department of the Treasury Office of Tax Policy to expand capacity to provide as much certainty on tax issues as quickly as possible to enable more taxpayers to meet their filing and tax obligations voluntarily, at the lowest cost.</p>
<p style="text-align: center;"><b>TAS Response</b></p>	<p>The IRS’s solution falls short of ensuring that all taxpayers are aware of what guidance is formal and can be relied upon and what guidance is informal and cannot be relied upon. Though the IRS agreed to enhance its webpages to provide taxpayers with more information regarding what guidance they can or cannot rely upon, many taxpayers assume that any guidance published by the IRS is reliable. Most taxpayers do not understand the distinction. Having the IRS provide a short but clear statement on all guidance is the best way to embrace transparency and ensure taxpayers are fully informed about the distinction between formal and informal guidance and what can and cannot be relied upon.</p>
<p style="text-align: center;"><b>TAS Recommendation</b></p>	<p><b>[7-6] In conjunction with IRS Chief Counsel, update the PGP to be a living document that specifies the type of guidance the IRS is developing, the issues it will address, the current status of the guidance, and the estimated date of completion.</b></p>

<b>IRS Response</b>	<p>IRS does not agree to implement the TAS recommendation.</p> <p>The preamble to the Priority Guidance Plan (PGP) notes that it is a joint IRS and Department of Treasury document that, as the title suggests, lists formal guidance items that are considered priorities for publication within the next guidance year. The PGP “focuses resources on guidance items that are most important to taxpayers and tax administration.” The preamble further notes that the plan does not provide any deadline for completing the projects and states that the IRS and Department of Treasury intend to update the plan during the year to “reflect additional items that become priorities, guidance that is published during the plan year, and projects that may result from legislative developments”. The periodic updates allow the IRS and Department of Treasury flexibility to consider comments received from taxpayers and tax practitioners relating to additional projects and to respond to developments arising during the plan year. It is nearly impossible to specify with any certainty either the complete scope of any one guidance project because as guidance develops through the drafting process, the scope often changes, and timelines must be adjusted. Similarly, legislative and other developments during the year necessarily will affect the priority and timing of other projects on the plan. Finally, only Internal Revenue Bulletin guidance is reflected in the plan. All changes to the PGP must be done in conjunction with Treasury, and thus requires the same consultative process as the publication of the initial PGP. Consequently, real time updates are simply not possible. Other types of less formal guidance, such as IRS.gov webpages, publications, forms, instructions, and other informal guidance not included in the IRB are issued by the IRS and not included in the PGP. It would be impractical for the IRS to include every piece of such informal guidance on the PGP let alone with the degree of specificity suggested by TAS. Among other reasons, there is no centralized function that coordinates or tracks all such guidance being developed by the responsible divisions and functions.</p>
<b>IRS Action</b>	<p>IRS does not agree to implement the TAS recommendation.</p>

<b>TAS Response</b>	<p>The National Taxpayer Advocate views this response as a failure to embrace transparency by keeping taxpayers updated on its efforts to provide guidance in a timely manner. TAS fully understands that the development and review process of guidance can often encounter unexpected delays and must be conducted in a deliberate fashion. But that’s why the recommendation was to create a living document that could be updated regularly as circumstances demand. The current layout of the PGP is difficult for taxpayers to follow and is inadequate in its level of detail. This lack of transparency makes it difficult for the public and external stakeholders to hold the IRS and other responsible parties accountable for the timely development of guidance.</p> <p>Although the PGP may not be the appropriate place to add information about informal guidance that the IRS is developing, it is critical to fully embrace transparency by providing taxpayers with information about the type of informal guidance currently in development and when such guidance might be released – as currently there is nothing that provides taxpayers with this information. The National Taxpayer Advocate urges the IRS to reconsider its decision and would be happy to collaborate on a solution that’s feasible while providing taxpayers the information they desperately need.</p>
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**MSP #8: RETURN PREPARER OVERSIGHT: TAXPAYERS ARE HARMED BY THE ABSENCE OF MINIMUM COMPETENCY STANDARDS FOR RETURN PREPARERS**

Return preparers prepare over half of individual income tax returns and play a key role in tax administration. Many taxpayers are ill-equipped to assess a preparer’s expertise in tax laws and tax return preparation. Anyone can hold themselves out to be a return preparer, and not all return preparers have professional credentials. Return preparers without credentials are not required to pass any competency tests or take any educational courses on tax return preparation, and they are not subject to any ethical rules.

The absence of minimum competency standards for preparers of federal tax returns leaves taxpayers, particularly low-income taxpayers, vulnerable to return preparers’ inadvertent errors that could cause them to overpay their tax – or to underpay their tax and face IRS enforcement action subjecting them to additional tax, penalties, and interest. Such standards would also likely professionalize the return preparation industry and weed out unscrupulous return preparers. Because taxpayers are ultimately financially responsible for inaccurately prepared returns, minimum competency standards for return preparers are an important taxpayer protection measure.

<b>TAS Recommendation</b>	<b>[8-1] Conduct a robust outreach and education campaign on how to report suspected violations of Circular 230, with the targeted recipients of these outreach and education efforts to include taxpayers, tax professionals, and IRS employees.</b>
<b>IRS Response</b>	IRS agrees to implement TAS recommendation in full.
<b>IRS Action</b>	The IRS intends to effect outreach and education efforts through the Office of Professional Responsibility’s Outreach Communications Plan to internal and external stakeholders. In addition, the Return Preparer Office and Stakeholder Liaison conduct outreach and education to return preparers, taxpayers, tax professionals, and IRS employees via the Servicewide Preparer Strategy.  IRS stated this recommendation has been completed.
<b>TAS Response</b>	Outreach and education on how to report Circular 230 violations are important taxpayer protection measures. They will become even more important if Congress legislates minimum competency standards for return preparers and subjects non-credentialed return preparers to the standards of conduct in or similar to Circular 230.

<b>TAS Recommendation</b>	<b>[8-2] Strengthen its taxpayer awareness campaign immediately before and during the filing season to ensure that taxpayers understand what to expect from their return preparer (e.g., sign return, provide PTIN, furnish copy of return) and where to report preparers who violate the requirements.</b>
<b>IRS Response</b>	IRS agrees to implement the TAS recommendation in part.
<b>IRS Action</b>	In April 2022 the IRS finalized the Servicewide Preparer Strategy (SWPS) Communication Plan. The SWPS Communication Plan outlines the IRS’s intent to facilitate return preparer compliance through communication with return preparers and industry groups as well as taxpayers, using a variety of communication channels designed to reach these audiences where they are, such as IRS.gov, news releases, social media, filing season outreach, etc. To effectuate the SWPS Communication Plan, Stakeholder Liaison has engaged in filing season awareness campaigns targeted to business taxpayers through various industry organizations and individual taxpayers through community-based organizations. New for filing season 2023 are two related publications — P4717, Help your preparer get your tax return right, and P5610, How to Report Suspected Abusive Tax Promotions or Preparers. We will continue to monitor the results of the SWPS Communication Plan and filing season awareness campaign to determine if those efforts are effectively meeting our goals. These efforts and actions taken in accordance with the SWPS Communication Plan are relatively new and therefore it is premature to conclude that additional actions are necessary to strengthen the SWPS Communication Plan and filing season awareness campaign. However, the IRS will continue to monitor the effectiveness of our communications efforts in this space and implement improvements if determined necessary.
<b>TAS Response</b>	IRS communications to taxpayers about return preparer issues both before and during the 2023 filing season were noticeably more comprehensive this year. It is encouraging that the IRS’s Servicewide Preparer Strategy Communication Plan incorporates a variety of communication channels to reach taxpayers where they are and, most importantly, plans to evaluate the effectiveness of such communications and adjust accordingly.

<b>TAS Recommendation</b>	<b>[8-3] Prioritize the assessment and collection of the IRC § 6695 return preparer penalties, especially the IRC § 6695(b) penalty for failure to sign the return and the IRC § 6695(c) penalty for failure to furnish a PTIN.</b>
<b>IRS Response</b>	IRS agrees to implement the TAS recommendation in part.
<b>IRS Action</b>	<p>To prioritize the assessment of return preparer penalties, IRS implemented a Return Preparer Penalty Working Group (RPPWG) in SB/SE Examination, which began operations October 1, 2022. The group’s mission is to ensure return preparers understand and meet their programmatic compliance requirements and apply the tax law with integrity on behalf of their clients. The RPPWG is comprised of eight tax compliance officers and one dedicated return preparer coordinator. The group’s inventory consists of potential preparer violation referrals from SB/SE Field examiners, the Return Preparer Office, and internal data analytics. RPPWG examiners address return preparer penalties under IRC § 6694(a) and (b) and IRC § 6695(a) through (f), including penalties for failure to sign the return and failure to furnish a PTIN. Additionally, IRS Collection agrees with and currently prioritizes return preparer penalties as a “high-priority” for potential selection. Return preparer penalties are assessed by the Examination operations as a distinct liability of the preparer and contain unique civil penalty codes that align to sections of IRC § 6695. These civil penalty codes, along with other case attributes, are used to assign a “high-priority” for potential assignment by Field Collection.</p> <p>IRS stated this recommendation has been completed.</p>
<b>TAS Response</b>	The recent implementation of the Return Preparer Penalty Working Group in SB/SE Examination is an important step. The prioritization of return preparer penalties in both Examination and Collection should effectively send a message to the return preparer community that the IRS is taking action against return preparer noncompliance. It is crucial that this message reaches the ghost preparer community to protect taxpayers from the harm this particular population of return preparers imposes.
<b>TAS Recommendation</b>	<b>[8-4] Amend title 31, section 330 of the U.S. Code to authorize the Secretary to establish minimum standards for federal tax return preparers.</b>

<b>IRS Response</b>	N/A – Legislative Recommendation
<b>IRS Action</b>	N/A – Legislative Recommendation
<b>TAS Response</b>	N/A – Legislative Recommendation



**MSP #9: APPEALS: STAFFING CHALLENGES AND INSTITUTIONAL CULTURE REMAIN BARRIERS TO QUALITY TAXPAYER SERVICE WITHIN THE IRS INDEPENDENT OFFICE OF APPEALS**

A review by the IRS Independent Office of Appeals (Appeals) represents taxpayers’ last, and often best, chance to settle their cases administratively within the IRS. However, case delays, inflexible policies, and an apparent lack of independence are hampering this process. For example, taxpayers may find IRS Counsel and Compliance invited to their Appeals conference without their consent or may be frustrated to learn that Compliance sometimes has more transparency into the rationale behind their case settlements than they do.

	<p><b>[9-1] Continue efforts to increase hiring of APS personnel and AOs while designing career paths that encourage advancement and retention within Appeals.</b></p>
<p><b>IRS Response</b></p>	<p>IRS agrees to implement the TAS recommendation in full.</p>
<p><b>IRS Action</b></p>	<p>We appreciate the National Taxpayer Advocate’s recognition that Appeals has taken steps to increase the hiring of APS personnel and Appeals Officers while designing career paths that encourage advancement and retention within Appeals.</p> <p>Appeals has developed an ambitious and tailored recruitment strategy to attract qualified applicants. We promote job openings during external job fairs and on college websites, through social media, and using a QR code that takes interested candidates directly to USAJobs.gov opportunities in Appeals for external candidates. Appeals also leverages Servicewide programs to attract diverse candidates and veterans, as well as Servicewide incentive opportunities, including the Employee Bonus Referral Program. We developed two IRS publications – Publications 5484 and 5502 – to describe career paths available in Appeals and created templates to assist specifically with APS recruitment by describing skills, knowledge, value, role, impact, and salary range. We’ve also partnered with the Human Capital Office to examine our position descriptions for APS vacancies with a goal of improving qualified candidate pools.</p> <p>To encourage advancement and improve retention within Appeals, we created career ladders for our Appeals Officers that increase their promotion opportunities. We are also exploring options to enhance the career path for APS tax examiners who are responsible for the administrative intake and closing of cases, which is critical to the appeals process.</p> <p>IRS stated this recommendation has been completed.</p>

<b>TAS Response</b>	TAS commends Appeals for the steps it has taken to hire and retain APS personnel and Appeals Officers. These efforts should help reverse the erosion of personnel and expertise that have jeopardized the achievement of Appeals’ mission in recent years. Reinforcing the resiliency of Appeals’ staffing should help taxpayers achieve fair and timely administrative case resolutions.
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<b>TAS Recommendation</b>	<b>[9-2] Dedicate resources, including circuit riding to cities without an Appeals presence, to provide meaningful in-person conferences expeditiously and without the need for burdensome travel on the part of taxpayers and practitioners.</b>
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<b>IRS Response</b>	IRS agrees to implement the TAS recommendation in full.
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<b>IRS Action</b>	Appeals is committed to leveraging available conferencing options for all taxpayers and representatives, regardless of where an individual resides. We are updating our policies and communications to ensure taxpayers and representatives understand that Appeals offers conferences by telephone, video, and in person, and that it is generally their choice how to meet with us. We are taking steps to improve access to in-person conferences across Appeals, including in campus cases. We offer in-person conferences to all taxpayers, including those who reside in states with little or no permanent Appeals presence, at locations that are reasonably convenient to all parties. The assigned Appeals Officer can travel to hold an in-person conference at an IRS facility closer to the taxpayer, as needed. Appeals’ ability to hold an in-person conference in the taxpayer’s preferred location, though, may be limited due to regulatory requirements or the availability of Appeals technical employees with subject matter expertise.
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<b>TAS Response</b>	Appeals’ emphasis on providing taxpayers and their representatives with a range of conference options is well-tailored to meet the various needs of taxpayers. Likewise, TAS appreciates the efforts Appeals is undertaking to make in-person conferences readily available to all taxpayers, regardless of their location. We urge Appeals to continuously expand its geographic footprint and the scope of its circuit riding as budgets and staffing permit.
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<b>TAS Recommendation</b>	<b>[9-3] Empower AOs to make independent decisions on their assigned cases, with technical guidance coordinators and other subject matter experts limited to advisory roles in all but the rarest situations.</b>
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<b>IRS Response</b>	IRS agrees to implement the TAS recommendation in part.
<b>IRS Action</b>	<p>Appeals empowers Appeals Officers to make independent decisions on their assigned cases. We regularly emphasize their important role as impartial arbiters who listen to taxpayers to understand and resolve their disputes with the IRS. We provide our employees with best-in-class training and many continuing education opportunities.</p> <p>In certain specialized cases, the Appeals Officer may coordinate with other Appeals employees, such as international specialists, Technical Guidance Coordinators, engineers, appraisers, and economists, for assistance – akin to how a law or accounting firm may employ in-house experts on specialty topics. These individuals are all Appeals employees located in designated Appeals offices, and many are trained Appeals Officers. Indeed, Appeals’ international specialists have individual cases they work as an Appeals Officer and also engage in issue coordination activities with Appeals Officers working other cases. It is essential to taxpayer fairness for Appeals to have a way to coordinate issues and ensure consistency in settlements nationwide. See IRM 8.7.3.2.2, Appeals Coordinated Issues.</p>
<b>TAS Response</b>	Independent Appeals Officers who are empowered to make case-specific decisions based on the facts before them are integral to a quality administrative appeals function. Appeals emphasizes the importance of objective and unbiased proceedings, which are an important element of independence. We have no issues with the occasional use of various experts and other resources by individual Appeals Officers, provided that these officers retain the ability to arrive at their own independent case resolutions. While the desire for consistency among case outcomes is understandable, Appeals must be careful that this effort does not preclude Appeals Officers from addressing cases on their own unique merits. A one-size-fits-all approach is antithetical to the mission of Appeals, and Appeals should not seek to impose uniformity. Instead, it should limit the discretion of Appeals Officers in only the rarest of circumstances.
<b>TAS Recommendation</b>	<b>[9-4] Change the IRM to require that all ACMs be shared with both the taxpayer and the Compliance function and, where post-settlement conferences are held, taxpayers must be invited to attend, even if in a monitoring capacity.</b>

<p style="text-align: center;"><b>IRS Response</b></p>	<p>IRS does not agree to implement the TAS recommendation.</p> <p>The appeals process involves two-way negotiation between the taxpayer and Appeals Officer with the objective of resolving a tax dispute in a manner that fairly represents the hazards of litigation to the taxpayer and the government. Appeals conferences are the key way in which Appeals hears the taxpayer’s position, understands the legal and factual considerations informing the taxpayer’s dispute with the IRS, and is able to propose a resolution to the taxpayer. During the conference, the taxpayer and their representative engage with Appeals in discussing potential settlements. At the conclusion of their case, the taxpayer and representative should clearly understand exactly how and why their case was resolved. Appeals settlements resolve only the tax years at issue, and the settlement is not binding in future tax years of that taxpayer and sets no precedent for other taxpayers.</p> <p>Compliance is generally not present for the settlement discussions. Appeals shares the final Appeals Case Memorandum (ACM) memorializing the case resolution with Compliance so that Compliance can also understand the reasons for the settlement reached between the taxpayer and Appeals. ACMs have no precedential value.</p> <p>Similarly, post-settlement conferences are held to help Compliance understand the rationale for the Appeals decision. Post-settlement conferences are available only in cases originating from the IRS’s Large Business &amp; International Division and worked by an Appeals Team Case Leader in Appeals, some of the largest and most complex cases received in Appeals. These conferences are informational only. They are not a forum for Compliance to express disagreement with or critique the Appeals resolution. See IRM 8.7.11.13, Post Settlement Conference.</p>
<p style="text-align: center;"><b>IRS Action</b></p>	<p>N/A</p>
<p style="text-align: center;"><b>TAS Response</b></p>	<p>TAS appreciates the care that Appeals puts into taxpayer conferences, including the emphasis on negotiation and the importance of the taxpayer and representative understanding the rationale for the settlement. Nevertheless, when Appeals prepares ACMs or holds post-settlement conferences to communicate case resolutions to Compliance, there is every reason to offer these communications to taxpayers as well. Doing so would increase transparency and allow taxpayers certainty that, as Appeals assures TAS, these communications are purely informational, have no precedential value, and are not an invitation for Compliance to critique the resolution.</p>

<b>TAS Recommendation</b>	<b>[9-5] Amend IRC § 7803(e) to provide that, where taxpayers whose cases are nondocketed have a right to a conference with the Independent Office of Appeals, this conference will only include personnel from the Office of Chief Counsel or the Compliance functions of the IRS if taxpayers consent to that participation.</b>
<b>IRS Response</b>	N/A – Legislative Recommendation
<b>IRS Action</b>	N/A – Legislative Recommendation
<b>TAS Response</b>	N/A – Legislative Recommendation

**MSP #10: OVERSEAS TAXPAYERS: TAXPAYERS OUTSIDE OF THE UNITED STATES FACE SIGNIFICANT BARRIERS TO MEETING THEIR U.S. TAX OBLIGATIONS**

All taxpayers face challenges understanding their tax obligations and accessing information and services from the IRS. However, taxpayers living overseas face additional challenges in virtually every aspect of their taxpayer experience. Whether they are U.S. citizens or resident aliens living abroad or foreign persons with U.S. tax obligations, these taxpayers are subject to highly complicated rules for determining whether they need to file a U.S. tax return and, if they are required to file, determining the correct amount of their U.S. tax liability. Further compounding their challenges, these taxpayers also have more limited access to support and resources from both the IRS and private industry.

<b>TAS Recommendation</b>	<b>[10-1] Develop a comprehensive customer service strategy for both U.S. citizens and resident aliens abroad and foreign individuals with U.S. tax obligations.</b>
<b>IRS Response</b>	IRS agrees to implement the TAS recommendation in full.

<b>IRS Action</b>	<p>The IRS is committed to implementing transformational customer services improvements for taxpayers. As part of implementing the IRS Inflation Reduction Act Strategic Operating Plan, the IRS is committed to expanding service offerings across multiple service channels to meet the needs of taxpayers and tax professionals, with a strong focus on currently underserved taxpayer communities such as international taxpayers. We acknowledge the need to adjust policies, services offered, and locations to provide in-person, telephone, and digital services for all taxpayers and tax professionals in a way that is convenient for them. This includes expanding the services available through current customer service channels as well as the exploration of new service channels deemed necessary to meet taxpayer need, including the needs of international taxpayers.</p> <p>In the short-term, the IRS will continue to execute on and expand the existing IRS customer service strategy specific to U.S. citizens abroad and non-resident alien individuals, which is generally based on areas and/or topics that require clarification and/or education. These areas and/or topics are generally identified by a combination of external stakeholder feedback and requests and relevant IRS initiatives including compliance activities. Toward that end, between fiscal years 2019-2022 the IRS provided outreach at numerous informational events including forums and webinars on topics of interest to overseas taxpayers.</p> <p>The IRS website (IRS.gov) houses online tools and information for both individual and business overseas taxpayers. Landing pages are present for both individual and business taxpayers that include a wealth of information regarding tax administration. For example, the Interactive Tax Assistant self-directed tool allows taxpayers to find answers to eight common individual tax questions such as claiming the Foreign Tax Credit (FTC), Foreign Earned Income Exclusion (FEIE), and Individual Tax Identification Number (ITIN) eligibility, and we continually explore adding additional tax law topics. Taxpayers may also use the Online Account feature to secure account balances, make payments, and view or establish payment agreements. Additionally, IRS.gov contains over 300 webpages detailing filing requirements for FATCA (Foreign Account Tax Compliance Act), FBAR (Report of Foreign Bank &amp; Financial Accounts), instructions for applying for ITIN and making electronic payments, and tax issues such as FEIE, FTC and FIRPTA (Foreign Investment in Real Property Tax Act).</p> <p>In 2022, the IRS conducted virtual Volunteer Income Tax Assistance (VITA) training at 22 military bases in Europe and Asia. The military established regular VITA sites in Germany, Japan, Korea, Kosovo, Netherlands, and United Kingdom that generated 3,497 returns. The IRS also had stand-alone Facilitated Self-Assistance sites in Egypt, Germany, Italy, Korea, Kuwait, Saudi Arabia, and Turkey.</p>
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<b>TAS Response</b>	TAS appreciates the IRS’s willingness to increase outreach to underserved taxpayers, particularly those who live overseas. By expanding existing service channels to ensure that overseas taxpayers have access to IRS personnel by phone and online chat, the IRS can make strides toward bridging customer service gaps for taxpayers who live abroad.
<b>TAS Recommendation</b>	<b>[10-2] Explore ways to partner with the U.S. Department of State to make tax information available through State Department platforms and to provide tax customer service at U.S. embassies and consulates.</b>
<b>IRS Response</b>	IRS agrees to implement TAS recommendation in full.
<b>IRS Action</b>	<p>IRS has established points of contact with U.S. Department of State, in their Office of Foreign Missions, Passport Services departments. An example of how this communication channel is leveraged was on December 1, 2022, IRS hosted a 2-hour live Webinar for Tax Information for U.S. Individuals in Germany and the United Kingdom (U.K.) per requests from U.S. embassies/consulates in Germany and U.K. This webinar covered topics ranging from U.S. income tax obligations of U.S. citizens and residents abroad to U.S. tax implications of relinquishing citizenship. A U.S. Consular Officer from Frankfurt, Germany spoke to introduce the wide range of services (passport, notary, U.S. citizenship renunciation, partnering with U.S. military, visa, and Embassy website) offered by the U.S. Consular Office with locations in Frankfurt, Berlin, and Munich. IRS presenters answered numerous questions on income sourcing, FBAR filing requirements, tax home determination, foreign earned income exclusion and foreign tax credit.</p> <p>Another example is the October 16, 2018, Department of State Office of Foreign Missions Street Festival, held in Washington D.C., where the IRS hosted a booth sharing information on Wages from Foreign Governments or International Organizations – How to Report It to the IRS. The Festival was attended by employees of foreign embassies and consulates who were primarily working in Washington, D.C. Visitors to the booth included individuals working in the human resources department of various embassies and/or consular offices (most notably, Switzerland).</p>
<b>TAS Response</b>	TAS is encouraged by the IRS’s steps to make tax information and assistance available at U.S. consulates and embassies abroad. TAS requests that, in future years, the IRS expand this initiative to more countries proactively rather than purely reacting to taxpayer requests in particular countries.



<b>TAS Recommendation</b>	<b>[10-3] Conduct a study to identify barriers to e-filing for overseas taxpayers. The IRS should use the results to formulate a strategy to reduce those barriers and to increase e-file rates by taxpayers located outside of the United States.</b>
<b>IRS Response</b>	<p>IRS does not agree to implement the TAS recommendation.</p> <p>The Inflation Reduction Act (IRA) has provided a transformational investment in the IRS, and the IRS has developed an Inflation Reduction Act Strategic Operating Plan and established an IRA Transformation &amp; Strategy Office that will oversee the implementation of the Plan. The Plan includes a primary and substantial focus on methodically evaluating the barriers to e-filing encountered by taxpayers and purposefully moving towards ensuring that all taxpayers, including international taxpayers, will be able to file all documents securely and exchange correspondence electronically. As part of increasing electronic filing and correspondence, the IRS will prioritize improving digital pathways for those taxpayers most affected by barriers to e-filing and electronic communication, which undoubtedly includes international taxpayers.</p> <p>As outlined in the National Taxpayer Advocate’s Report to Congress, the barriers that international taxpayers encounter to e-filing are both expansive and well-documented. Rather than expend resources to commission a study or IRS human capital resources on executing a study internally, the IRS will use our existing knowledge of the barriers encountered by internationally taxpayers to immediately begin the process of addressing these documented barriers.</p>
<b>IRS Action</b>	N/A
<b>TAS Response</b>	E-filing is important for both taxpayers and the government; it enables the most efficient processing of tax returns and is the quickest way for taxpayers to receive their refunds. The IRS should continue to prioritize e-filing access for overseas taxpayers. Because overseas taxpayers face unique barriers to e-filing compared to domestic taxpayers, the IRS should investigate the factors that would facilitate e-filing by overseas taxpayers, such as by conducting the recommended study.
<b>TAS Recommendation</b>	<b>[10-4] Deploy an identity proofing solution available to individuals who do not have and are not eligible for an SSN or ITIN and who need to access the FIRE system.</b>

<b>IRS Response</b>	IRS agrees to implement the TAS recommendation in full.
<b>IRS Action</b>	<p>The IRS agrees with the TAS recommendation to deploy an identity proofing solution available to individuals who do not have and are not eligible for a social security number (SSN) or Individual Taxpayer Identification Number (ITIN) and who need to access the Filing Information Returns Electronically (FIRE) system. The IRS is evaluating options for individuals who are not eligible for an SSN or ITIN to electronically file Form 1042-S, Foreign Person’s U.S. Source Income Subject to Withholding, and other information returns through the FIRE system.</p> <p>In the interim, and to support this recommendation, we determined the Transmitter Control Code (TCC) recertification requirement for Form 1042-S foreign filers with a legacy TCC may be extended past the August 1, 2023, deadline. The new proposed date is August 1, 2028, or until the FIRE system retires, whichever comes first. This option will allow these customers to continue filing electronically through the FIRE system without completing a new information return application for TCC.</p> <p>IRS stated this recommendation has been completed.</p>
<b>TAS Response</b>	The IRS’s efforts to expand access to the FIRE system to taxpayers without the ability to obtain an SSN or ITIN will assist our overseas taxpayers. TAS looks forward to the IRS’s evolution beyond the FIRE system and a permanent solution to this issue.

<b>TAS Recommendation</b>	<b>[10-5] Offer customer callback on the international telephone line and provide more detailed information on the IRS website about the services offered on the international telephone line.</b>
<b>IRS Response</b>	IRS agrees to implement the TAS recommendation in part.

<b>IRS Action</b>	<p>The IRS agrees to explore the TAS recommendation to offer customer callback (CCB) on the international telephone line. The IRS will have to determine the possibility and feasibility within the IRS call center infrastructure as international callers are unable to use the toll-free lines and must use a special toll line.</p> <p>The IRS agrees with the recommendation to provide more detailed information on the IRS website about services offered on the international telephone line and will collaborate internally to determine the right content and placement on IRS.gov.</p>
<b>TAS Response</b>	<p>TAS urges the IRS to find a way to expand customer callback to as many international taxpayers as possible, even with existing restrictions on toll-free lines. Ensuring that these taxpayers have access to this direct communication with the IRS is essential for supporting overseas taxpayers and giving them the tools to comply with their U.S. tax obligations. The IRS's willingness to provide more detailed information on the IRS website about services offered on the international telephone line will be helpful to taxpayers.</p>

<b>TAS Recommendation</b>	<p><b>[10-6] Revise correspondence and employee procedures to give overseas taxpayers an extended timeframe within which to provide responses to all requests for information or to otherwise take action.</b></p>
<b>IRS Response</b>	<p>IRS agrees to implement the TAS recommendation in full.</p>

<b>IRS Action</b>	<p>The IRS already provides additional time for overseas taxpayers to respond to correspondence. For certain specialized international programs, we include a local fax option for overseas taxpayers to use for submitting responses. The IRS Internal Revenue Manual requires we provide an assistor’s name, telephone number, and a unique identifying number so international taxpayers can make direct contact with respect to correspondence and gives direction for allowing additional response time.</p> <p>We currently allow international taxpayers additional response time to provide missing information needed for complete return processing. Letter 4087C, International Return Incomplete for Processing: Form 1040-NR,1040-NR-EZ, 1040, 1040-SR, 1040A, 1040EZ, states in the first paragraph a response is due within 30 days from the date of the notice. Similarly, Letter 2894C/SP, Incomplete for Processing of Form 1040-PR - Spanish Version, allows for the same 30-day time frame. In contrast, Letter 12C, Individual Return Incomplete for Processing: Forms 1040 &amp; 1040-SR, grants domestic taxpayers a shorter 20-day turnaround time. These letters also include fax numbers as another option to using regular mail service for overseas taxpayers to provide a timely response.</p> <p>IRS stated this recommendation has been completed.</p>
<b>TAS Response</b>	<p>The extended timeframes accorded to overseas taxpayers to provide a response are often insufficient. Thus, the IRS should make the initial timeframes for response longer, and taxpayers’ ability to seek extensions and submit late responses for consideration should be clearly stated and well-publicized.</p>

<b>TAS Recommendation</b>	<p><b>[10-7] Offer virtual TAC appointments to taxpayers overseas. These appointments should offer all services available to taxpayers in the United States, including identity verification for individuals whose returns were flagged for possible ID theft and verification of identity documents for ITIN applicants.</b></p>
<b>IRS Response</b>	<p>IRS agrees to implement the TAS recommendation in part.</p>

<b>IRS Action</b>	<p>The IRS agrees with the concept of providing international taxpayers similar service offerings as domestic taxpayers, but concurrently has concerns about how to accomplish that goal given certain technological and security considerations for effective communication with overseas taxpayers.</p> <p>The IRS is committed to implementing transformational customer services improvements for taxpayers. As part of implementing the Inflation Reduction Act Strategic Operating Plan, the IRS is committed to expanding service offerings across multiple service channels to meet the needs of taxpayers and tax professionals, with a strong focus on currently underserved taxpayer communities such as international taxpayers. We acknowledge the need to adjust policies, services offered, and locations to provide in-person, telephone, and digital services for all taxpayers and tax professionals in a way that is convenient for them. This includes expanding the services available through current customer service channels such as the TACs and phones as well as the exploration of new service channels deemed necessary to meet taxpayer needs.</p>
<b>TAS Response</b>	TAS understands that the IRS still faces barriers to implementing this recommendation; however, the IRS is committed to doing so only when these obstacles can be overcome. We urge the IRS to continue working to find mechanisms for furnishing the recommended virtual TAC appointments to overseas taxpayers. Offering a full suite of services via these appointments would provide overseas taxpayers with crucial, long-overdue support.

<b>TAS Recommendation</b>	<b>[10-8] Amend IRC § 6213(b)(2)(A) to allow taxpayers 120 days to request an abatement of tax when a math error notice is mailed to them outside the United States.</b>
<b>IRS Response</b>	N/A – Legislative Recommendation
<b>IRS Action</b>	N/A – Legislative Recommendation
<b>TAS Response</b>	N/A – Legislative Recommendation