STATEMENT OF

NINA E. OLSON

NATIONAL TAXPAYER ADVOCATE

HEARING ON

“IMPROVING TAX ADMINISTRATION TODAY”

BEFORE THE

SUBCOMMITTEE ON TAXATION AND IRS OVERSIGHT

COMMITTEE ON FINANCE

UNITED STATES SENATE

JULY 26, 2018

TABLE OF CONTENTS

Chairman Portman, Ranking Member Warner, and Members of the Subcommittee:

Thank you for your interest in examining the operations of the Internal Revenue Service and for inviting me to provide my perspective on the areas of tax administration that I believe require particular focus and improvement.[1]

As you know, the IRS Restructuring and Reform Act of 1998 was signed into law 20 years ago this month.[2] I want to note at the outset that I am particularly grateful for the interest Senators Portman and Cardin have shown in tax administration for at least the past 20 years. Senator Portman became a leading congressional expert in IRS operations when he co-chaired the National Commission on Restructuring the Internal Revenue Service in 1996 and 1997,[3] and Senators Portman and Cardin were the House co-sponsors of the Internal Revenue Service Restructuring and Reform Act of 1998 (RRA 98),[4] which largely implemented the recommendations of the National Commission.

At the time, I was the director of a Low Income Taxpayer Clinic in Richmond, Virginia, and I was invited to testify about the experiences of low income taxpayers at Senate and House hearings.[5] I met Senator Portman at that time, and both then and as the National Taxpayer Advocate, I have had the privilege of working with both Senator Portman and Senator Cardin on tax administration issues over the years. With the many changes that have taken place in tax administration, I am delighted that you are again working together to try to improve the tax administration system and protect taxpayer rights. I am also grateful for the interest of Senator Warner in tax

---

[1] The views expressed herein are solely those of the National Taxpayer Advocate. The National Taxpayer Advocate is appointed by the Secretary of the Treasury and reports to the Commissioner of Internal Revenue. However, the National Taxpayer Advocate presents an independent taxpayer perspective that does not necessarily reflect the position of the IRS, the Treasury Department, or the Office of Management and Budget. Congressional testimony requested from the National Taxpayer Advocate is not submitted to the IRS, the Treasury Department, or the Office of Management and Budget for prior approval. However, we have provided courtesy copies of this statement to both the IRS and the Treasury Department.

[2] P.L. No. 105-206, 112 Stat. 685 (1998).

[3] National Commission on Restructuring the Internal Revenue Service, *A Vision for a New IRS* (June 25, 1997).

[4] Then-Congressmen Portman and Cardin co-sponsored the Internal Revenue Service Restructuring and Reform Act of 1997, H.R. 2292, 105th Cong. (1997), which was subsequently rolled into H.R. 2676, 105th Cong. (1997), and became RRA 98.

[5] *IRS Restructuring: Hearings on H.R. 2676 Before the S. Comm. on Finance*, 105th Cong.124-126 (1998) (statement of Nina E. Olson, Executive Director, Community Tax Law Project); *Taxpayer Rights: Hearing on H.R. 2676 Before the H. Subcomm. on Oversight of the H. Comm. on Ways and Means*, 105th Cong. 145-154 (1997) (statement of Nina E. Olson, Executive Director, Community Tax Law Project).

administration issues, particularly regarding workers in the gig economy, an area about which I have a great deal of concern.[6]

RRA 98 brought about many significant taxpayer protections, including strengthening the Office of the Taxpayer Advocate,[7] establishing a matching grant program to fund Low Income Taxpayer Clinics,[8] expanding relief from joint and several liability (commonly known as "innocent spouse" relief),[9] expanding the availability of offers in compromise,[10] and creating collection due process hearings.[11] Notwithstanding these important advances, due to the changes in technology and the changes in the Internal Revenue Code that have taken place over the past two decades, the world of tax administration looks very different today than at the time RRA 98 was passed. The IRS desperately needs congressional support and direction to help it do a better job of fulfilling its vital mission.

In that vein, the enactment of the provisions of the Taxpayer Bill of Rights in 2015 was a significant step in the right direction.[12] While there is ongoing debate about whether this provision establishes enforceable taxpayer rights, there is no doubt that it sets out clearly the rights Congress expects the IRS to adhere to and respect in its dealings with taxpayers.

Similarly, the Taxpayer First Act, passed by the House on an extraordinary 414-0 vote in April, contains certain provisions that would significantly benefit taxpayers.[13] The most important may well turn out to be the requirement that the IRS develop and submit

---

[6] National Taxpayer Advocate 2017 Annual Report to Congress 165-171 (Most Serious Problem: *Sharing Economy: Participants in the Sharing Economy Lack Adequate Guidance from the IRS*); *The Sharing Economy: A Taxing Experience for New Entrepreneurs: Hearing Before the H. Comm. on Small Business*, 114th Cong. (2016) (written statement of Nina E. Olson, National Taxpayer Advocate).

[7] RRA 98 § 1102; Internal Revenue Code (IRC) § 7803(c); IRC § 7811.

[8] RRA 98 § 3601; IRC § 7526. At the time RRA 98 was enacted, there were 14 LITCs in existence, all but one affiliated with law or business schools. IR-1999-63, *IRS Encourages Growth of Low-Income Taxpayer Clinics with $1.5 Million in Grants* (July 14, 1999). Twenty years later, for the 2018 grant cycle, there are 134 LITCs throughout the nation. Forty-three are affiliated with academic institutions, 53 are legal aid programs affiliated with the Legal Services Corporation, and 38 are other nonprofit organizations. IRS Publication 4134, *Low Income Taxpayer Clinic List* and IRS Publication 5066, *LITC Program Report.* For 2018, Congress has appropriated $12 million for matching grants. Consolidated Appropriations Act, 2018, Pub. L. No. 115-141 (2018). This provision of RRA 98 alone has brought meaning to the *rights to retain representation and to a fair and just tax system* by providing representation before the IRS to taxpayers who otherwise could not afford such help.

[9] RRA 98 § 3201; IRC § 6015.

[10] RRA 98 § 3462; IRC § 7122.

[11] RRA 98 § 3401; IRC §§ 6320 & 6330.

[12] Consolidated Appropriations Act, 2016, Pub. L. No. 114-113, containing Division Q, § 401 (2015) (codified at IRC § 7803(a)(3)).

[13] Taxpayer First Act, H.R. 5444, 115th Cong. (2018).

to Congress a comprehensive Taxpayer Service strategy within one year and certain requirements to improve information technology.[14]

Similarly, a Senate version of the Taxpayer Protection Act, introduced last week by Chairman Hatch and Ranking Member Wyden, would require the IRS to report to the tax-writing committees on proposed closures of IRS Taxpayer Assistance Centers at least 90 days in advance and would make other helpful changes.[15]

In the balance of this statement, I will first describe some of the challenges the IRS and taxpayers are facing, and I will then identify core areas that I believe warrant attention to improve IRS operations.

A. The IRS Is Struggling in Key Areas.

The IRS's struggles with information technology systems were significant in 1998, and they have only grown worse. The IRS reportedly has the two oldest databases in the Federal government – dating to the 1960s – on which it stores taxpayer data.[16] It has more than 60 case management systems that all house different kinds of data, and those systems generally cannot "talk" to each other. The number of taxpayers filing returns continues to grow, and unfunded legislative mandates have forced the IRS to divert funds from its core functions. In particular, the IRS spent more than $1 billion to implement the Patient Protection and Affordable Care Act,[17] and nearly $400 million to implement the Foreign Account Tax Compliance Act.[18]

Thus, while some of the IRS's struggles can be addressed by better management, much of the IRS's challenges are attributable to funding cuts. At the same time that the IRS's workload was increased between FY 2010 and FY 2018, its appropriated budget has been reduced by nine percent in straight dollar terms and by 20 percent after accounting for the effects of inflation, as the following chart shows.

---

[14] *Id.* at § 11201 & §§ 18001-18403.

[15] Taxpayer First Act, S. 3246, 115th Cong. § 1004 (2018).

[16] Government Accountability Office (GAO), *Information Technology: Federal Agencies Need to Address Aging Legacy Systems,* GAO-16-468 (2016).

[17] Government Accountability Office, *IRS 2017 BUDGET: IRS Could Improve Presentation of Budget Data in Its Congressional Justification,* GAO-16-695, at 14 (2016).

[18] Treasury Inspector General for Tax Administration, *Despite Spending Nearly $380 Million, the Internal Revenue Service Is Still Not Prepared to Enforce Compliance With the Foreign Account Tax Compliance Act,* Ref. No. 2018-30-040 (2018).

FIGURE 1.1, IRS Budget in Nominal and Inflation-Adjusted Dollars (in millions), FYs 2010-2018[19]

Type of Dollars	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	% Reduction FYs 2010–2018
Nominal	$12,146	$12,122	$11,817	$11,199	$11,291	$10,945	$11,235	$11,235	$11,111	9%
Inflation-Adjusted	$12,146	$11,865	$11,325	$10,580	$10,506	$10,119	$10,291	$10,092	$9,762	20%

As a result, the IRS has lost funding and lost people across the board, as Figure 1.2 shows.

FIGURE 1.2, Locations With Specified Employees in the Last Pay Period of the Fiscal Year[20]

Number of Locations, Employees, or Visitors	2011	2012	2013	2014	2015	2016	2017	% Change Since FY 2011
Appeals Officers (AOs)	1,129	1,058	958	881	795	739	744	-34%
Revenue Officers (ROs)	4,402	4,035	3,703	3,441	3,191	3,072	2,898	-34%
Revenue Agents (RAs)	11,849	11,160	10,413	9,688	9,009	8,789	8,138	-31%
Stakeholders Liaison Outreach Employees	137	123	119	110	105	98	105	-23%
Stakeholder Partnerships, Education and Communication Outreach Employees (SPEC)	522	475	444	405	386	365	311	-40%
Taxpayer Assistance Centers (TACs)	401	401	398	382	378	376	371	-7%
TAC Service Reps	1,639	1,515	1,484	1,520	1,423	1,267	1,140	-30%
Taxpayer Advocate Service, Case Advocates	996	945	919	862	784	726	683	-31%

---

[19] IRS Chief Financial Officer. Fiscal year (FY) 2018 numbers do not include supplemental funding of $320 million to implement the recent tax reform legislation.

[20] For FYs 2011 through 2016, employee counts for Appeals Officers, Revenue Officers, Stakeholder Liaison Outreach, and Stakeholder Partnerships, Education and Communication Outreach are from the IRS response to TAS fact check (Dec. 16, 2016). Taxpayer Assistance Center (TAC) Office figures for FYs 2011–2014 from IRS response to TAS fact check (Dec. 23, 2014). TAC Office figures for FY 2015 from Wage and Investment (W&I) analyst (Dec. 13, 2016). TAC Office figures for FY 2016 from the IRS response to TAS fact check (Dec. 20, 2016). TAC Office figures for FY 2017 from the IRS response to TAS fact check (Nov. 3, 2017). The remaining data is obtained from a TAS query of the IRS Human Resources Reporting Center, *Position Report by Employee Listing for the ending pay period*. TAC customer service representative and Revenue Agent figures are from the IRS Human Resources Reporting Center, *Position Report by Employee Listing for the ending pay period for FY 2011 to 2017*. TAC Service representatives are non-supervisory employees in the 501 job series. Revenue Agent counts exclude agents in Appeals and the Taxpayer Advocate Service. The Stakeholder Liaison Outreach employees were transferred to the Communication and Liaison (C&L) Office on April 2, 2017 so employee counts were not included. Figures for IRS Offices for FY 2011 to FY 2017 are from IRS Human Resources Reporting Center, *Position Report by Employee Listing for the ending pay period for FY 2011 to 2017*. The counts of TAS caseworkers are from the Integrated Financial System. IRS response to TAS information request (Oct. 13, 2017). In response to TAS's information request for the number of

Because of these reductions, the IRS does not have enough employees to answer the phones, to conduct outreach and education, or to provide basic taxpayer service. The compliance and enforcement side of the house has been cut by even more. Thus, IRS telephone assistors answered only 29 percent of the telephone calls received on the Accounts Management lines during the recent filing season,[21] the audit rate has dropped to the lowest level in memory (0.6 percent), and collection actions have declined as well.[22] The IRS has even suppressed collection notices because it doesn't have the resources to handle the incoming telephone calls and correspondence prompted by those notices.[23]

B. IRS Performance Measures Are Misleading and Often Fail to Identify Areas of Weakness.

Like many businesses and agencies, the IRS has an extremely lengthy list of performance measures. It seems to measure almost everything. But its measures often are not accurate gauges of program performance. IRS measures tend to affirm that the agency is doing a great job, whereas other measures tell a very different story. Bad measures are not just problematic because they provide the public with a misleading picture. IRS operations are highly technical, and senior managers often rely on the multitude of measures they receive to make program decisions. If they don't understand the nuances of the measures, bad measures can lead to bad decisions.

One example involves the IRS's measures of telephone service. In most years over the past decade, the IRS has received more than 100 million telephone calls.[24] That's a staggering number, and not surprisingly, discussions of the quality of taxpayer service often focus largely on how the IRS handles its phone calls.

---

outreach employees assigned to each state, territory, and the District of Columbia in FY 2017, the IRS responded that Communication & Liaison (C&L) had 105 employees assigned to outreach activities spread over 33 states and the District of Columbia. However, the IRS response to fact check stated that these numbers only account for Small Business/Self-Employed (SB/SE) Stakeholder Liaison (SL) employees. Therefore, we do not have details regarding any additional outreach employees.

[21] IRS, JOC, *Snapshot Reports: Enterprise Snapshot* (week ending Apr. 21, 2018).

[22] IRS, *Fiscal Year 2017 Enforcement and Service Results* 3, 8, https://www.irs.gov/pub/irs-news/fy_2017_enforcement__and_services_results_final.pdf. *See also* National Taxpayer Advocate 2017 Annual Report to Congress 49-63 (Most Serious Problem: *Audit Rates: The IRS Is Conducting Significant Types and Amounts of Compliance Activities That It Does Not Deem to Be Traditional Audits, Thereby Underreporting the Extent of Its Compliance Activity and Return on Investment and Circumventing Taxpayer Protections*).

[23] IRS, *ACS Optimization/RAAS: ACS LT 16 Notice Redesign Test Pilot Report* 3-4 (Sept. 27, 2017).

[24] IRS JOC, *Snapshot Reports: Enterprise Snapshot, IRS Enterprise Total* (final week of each fiscal year (FY) for FY 2008 through FY 2017) (showing telephone call volumes exceeding 100 million in every year through FY 2016 and 95 million calls in FY 2017).

During the 2018 the filing season, the IRS's benchmark "level of service" was reported to be 80 percent, which most observers understand to mean that the IRS answered 80 percent of its calls.[25]

Not so. That benchmark measure is a very narrow one and does not reflect the taxpayer experience in two respects. First, the benchmark measure only reflects calls that are directed to the IRS's "Account Management" telephone lines. The IRS received 42.5 million calls during the filing season.[26] Of those, 35.7 million came in on the "Accounts Management" lines and 6.8 million came in on other telephone lines, such as the compliance lines.[27] The benchmark measure does not tell us anything about how the other 6.8 million calls were handled.

Second, callers to the Accounts Management telephone lines are greeted by a phone tree, and based on their responses, callers are directed either to an employee for live assistance or to an automated system. Depending on which buttons a caller pushes, the IRS decides whether to direct the caller to automated offerings. In other words, automation is not a deliberate caller-selected option.

During the 2018 filing season, only 37 percent of taxpayer calls (about 13.0 million) were routed to employees, while 63 percent (about 22.6 million calls) were directed to automation or reflected taxpayer hang-ups.[28] Thus, the benchmark level of service reflects only the minority of calls directed to IRS employees – not the majority of calls directed to automation.

As a result, while the IRS is reporting a benchmark level of service of 80 percent, IRS employees answered only 10.4 million calls on the Accounts Management lines out of 35.7 million calls received.[29] That's 29 percent. If we assume callers generally want to speak to an employee for live assistance, 29 percent is a more accurate reflection of the taxpayer experience than 80 percent. For IRS leaders trying to assess which programs need priority attention, this difference in results is huge.

Another example of a narrow and misleading measure involves customer satisfaction. The IRS conducts surveys to measure customer satisfaction with its toll-free telephone service. The survey results show the toll-free customer satisfaction rating is an impressive 90 percent.[30] But the IRS only surveys taxpayers who spoke with an IRS employee and whose call was completed. It does not survey the 71 percent of

---

[25] IRS, JOC, *Snapshot Reports: Enterprise Snapshot* (week ending Apr. 21, 2018).

[26] *Id.*

[27] *Id.*

[28] *Id.*

[29] *Id.*

[30] IRS, Fiscal Year 2017 Enforcement and Service Results, https://www.irs.gov/pub/irs-news/fy_2017_enforcement_and_services_results_final.pdf.

taxpayers who called the IRS and didn't speak with a telephone assistor. Thus, this result also is misleading and also can lead to poor management decisions.

For a reality check, compare the IRS's own relatively stellar customer service results with the evaluation of external organizations. The President's Management Agenda for 2018 states: "Federal customers … deserve a customer experience that compares to — or exceeds — that of leading private sector organizations, yet most Federal services lag behind the private sector."[31] The Agenda identifies several Cross-Agency Priority (CAP) Goals, including *CAP Goal 1: Modernize IT to Increase Productivity and Security*, and *CAP Goal 4: Improving Customer Experience with Federal Services*.[32] The Agenda notes that "the 2016 American Consumer [sic] Satisfaction Index and the 2017 Forrester Federal Customer Experience Index show that, on average, Government services lag nine percentage points behind the private sector."[33]

How do the American Customer Satisfaction Index (ACSI) and the Forrester Federal Customer Experience Index assess the IRS's customer service relative to other federal agencies and the private sector?

The American Customer Satisfaction Index ranks the Treasury Department 12 out of 13 Federal Departments and says the Treasury Department's score is effectively an IRS score because "most citizens make use of Treasury services via the [IRS] tax-filing process."[34]

The Forrester Federal Customer Experience Index ranks private sector companies and federal agencies based on a variety of factors that influence the customer experience on a scale from zero to 100. The private sector average score for Customer Experience (CX) is 69, the federal average score is 59, and the *IRS's score is 54 out of 100, which is considered "very poor*."[35] This places the IRS twelfth out of 15 rated agencies, behind the U.S. Postal Service, the Department of Veterans Affairs, the U.S. Citizenship and Immigration Services, and the Social Security Administration, among others.[36] In fact, the IRS's Customer Experience score places it on par with airlines and Internet service providers.

---

[31] *President's Management Agenda* 7, https://www.performance.gov/PMA/Presidents_Management_Agenda.pdf.

[32] *Id*. at 14 & 28.

[33] *Id*. at 28. The correct name of the index is the American "Customer" Satisfaction Index.

[34] ACSI, *Federal Government Report 2017*, http://www.theacsi.org/news-and-resources/customer-satisfaction-reports/reports-2017/acsi-federal-government-report-2017 (last visited Jul. 18, 2018).

[35] Rick Parrish & Margaret Rodriguez, Forrester, *The US Federal Customer Experience Index, 2018: How US Federal Government Agencies Drive Mission Performance with the Quality of Their Experience* 8 (May 31, 2018).

[36] *Id*. at 5.

There is an old adage that "you get what you measure." The ACSI and Forrester measures are broad measures relied on by OMB, and they show significant weaknesses and opportunities for the IRS to improve. The IRS's narrower measures show the agency is performing well and seemingly does not have significant weaknesses in this area that need to be addressed. As this example illustrates, the IRS would benefit from studying and refining its performance measures to get a better handle on where it needs to focus its efforts.

> **Recommendation:** Direct the IRS to consult with Forrester Research, ACSI, and the National Taxpayer Advocate about effective customer service performance measures and to report to the Committee on its findings and the performance measures it intends to use going forward.

C. The IRS Needs to Be Strengthened in 11 Core Areas.

The following core areas require particular attention to improve IRS operations.

1. Taxpayer Services

Private industry and experts say the #1 driver of customer satisfaction is the First Contact Resolution (FCR) rate.[37] As we discuss in several of my reports to Congress, measures like telephone level of service (LOS) are secondary and can be manipulated to look favorable while not reflecting the customer's actual experience.[38] Yet the IRS does not measure its FCR rate consistently or across every service channel. The IRS continues to ignore significant data showing taxpayers prefer multiple channels for different types of interactions.

Notably, 41 million U.S. taxpayers do not have broadband access in their homes, with 14 million having no Internet access in their homes at all.[39] Moreover, even sophisticated taxpayers and representatives want to speak with the IRS about tax

---

[37] Jeff Rumburg & Eric Zbikowski, MetricNet, *The Five Most Important KPI's for the Call Center* 5 (Feb. 20, 2013).

[38] National Taxpayer Advocate Fiscal Year 2019 Objectives Report to Congress 41-46 (Area of Focus: *The IRS's Failure to Create an Omnichannel Service Environment Restricts Taxpayers' Ability to Get Assistance Using the Communication Channels That Best Meet Their Needs and Preferences;* National Taxpayer Advocate 2017 Annual Report to Congress, vol. 1, 22-35 (Most Serious Problem: *Telephones: The IRS Needs to Modernize the Way It Serves Taxpayers Over the Telephone, Which Should Become an Essential Part of an Omnichannel Customer Service Environment);* National Taxpayer Advocate 2017 Annual Report to Congress vol. 2, 229-244 (Literature Review: *Improving Telephone Service Through Better Quality Measures).*

[39] National Taxpayer Advocate 2017 Annual Report to Congress vol. 2, 61-146 (Research Study: *A Further Exploration of Taxpayers' Varying Abilities and Attitudes Toward IRS Options for Fulfilling Common Taxpayer Service Needs*.)

matters. Thus, the way forward must include an omnichannel approach to customer service that focuses on FCR.[40]

Despite this widely accepted approach, the IRS's new FY 2018-2022 Strategic Plan touts the savings of digital interactions and introduces a new measure that will determine its "success" at meeting Strategic Goal 1: *Empower and Enable All Taxpayers to Meet Their Tax Obligations.* Specifically, the Enterprise Self-Assistance Participation Rate "measures the percent of instances where a taxpayer uses one of the IRS's self-assistance service channels *(i.e.,* automated calls, web services) versus needing support from an IRS employee (*i.e.,* face-to-face, over the phone, via paper correspondence)."[41]

Thus, we have the IRS explicitly stating it will have achieved success if there is *less* personal interaction with its taxpayers! This measure, in fact, sets up self-assist in opposition to (*i.e.*, "versus") personal support — sending a clear message to employees and taxpayers alike that omnichannel service is neither a priority nor a strategic goal for the IRS — unlike in the private sector.

> **Recommendation:** Direct the IRS to appoint a Chief Customer Experience Officer with cross-agency oversight of customer service strategy, and direct the IRS to develop and submit to Congress a comprehensive customer service strategy that reflects an omnichannel approach, addresses taxpayer needs for personal contact, and adopts First Contact Resolution as a primary performance measure.

2. <u>Online Services</u>

The IRS is far behind most Organization of Economic Cooperation and Development (OECD) countries[42] (and many non-OECD countries) in developing an online account. Only about 30 percent of taxpayers who seek to create an online taxpayer account can do so because of stringent authentication requirements.[43] The IRS is right to prioritize data security, but the agency must not neglect the importance of providing improved telephone and in-person services for all taxpayers, including the significant majority who do not have online accounts.

---

[40] An omnichannel service environment allows taxpayers to contact the IRS through the channel of their choice and receive a consistently high quality of service. National Taxpayer Advocate 2017 Annual Report to Congress vol. 2, 230 (Literature Review: *Improving Telephone Service Through Better Quality Measures*).

[41] IRS, *Strategic Plan Fiscal Year 2018–2022*, at 12, https://www.irs.gov/pub/irs-pdf/p3744.pdf.

[42] *See* http://www.oecd.org for a list of member countries.

[43] *See* National Taxpayer Advocate Fiscal Year 2019 Objectives Report to Congress 10-35 (*Review of the 2018 Filing* Season) and IRS Response and National Taxpayer Advocate's Comments Regarding Most Serious Problems Identified in the 2017 Annual Report to Congress (*Online Accounts: The IRS's Focus on Online Service Delivery Does Not Adequately Take Into Account the Widely Divergent Needs*

The features of the online account, for those taxpayers able to create one, are, and will continue to be, limited because of profoundly archaic IRS IT architecture and the need to pull information from more than 60 different case management systems.[44] Moreover, the tools that are being tested to email with taxpayers are clunky and burdensome. Of note, the IRS imposes the same stringent security requirements on taxpayers seeking to *send* the IRS information electronically as it imposes on taxpayers seeking to *retrieve* account information electronically.[45] Thus, most taxpayers and representatives end up faxing or using U.S. mail or overnight delivery services to transmit documents – placing the IRS squarely in the 20th century. Finally, rules governing communication with the IRS, such as the "mailbox rule" of Internal Revenue Code (IRC) § 7502, have not been updated for 21st century tax administration.[46]

> **Recommendation:** Amend IRC § 7502, the "mailbox rule," to reflect the use of digital communication; require the IRS to develop an online strategy that enables taxpayers to *submit* information to the IRS with a lower level of authentication; and provide continued funding for the development of a user-friendly and secure *bilateral* email communication.

3. Enterprise Case Management

As noted above, the IRS has more than 60 case management systems, all storing data and records pertaining to different aspects of a taxpayer's interactions with the IRS. There is no one system or repository of data that contains a 360-degree view of the taxpayer's activity and engagement with the tax system. As a result, the left hand often doesn't know what the right hand is doing. For example, telephone and other assistors

---

and Preferences of the U.S. Taxpayer Population), https://www.taxpayeradvocate.irs.gov/Media/Default/Documents/2019-JRC/JRC19_Volume2.pdf.

[44] *See IRS Legacy Information Technology Systems: Hearing Before the Subcomm. on Government Operations of the H. Comm. on Oversight and Government Reform*, 114th Cong. (2016) (written statement of Terence Milholland, Chief Technology Officer, IRS) (noting there are more than 60 aging IRS case management systems), https://oversight.house.gov/wp-content/ uploads/2016/05/2016-05-25-Milholland-Testimony-IRS.pdf; TIGTA, Ref. No. 2016-20-094, *Annual Assessment of the Internal Revenue Service Information Technology Program* 22 (Sep. 2016) (noting the IRS maintains approximately 90 case management systems); Email from Director, Enterprise Case Management (ECM) to all designated ECM Business Unit Point of Contacts, which included the TAS Executive Director, Business Modernization (Mar. 11, 2016) (listing 198 case management systems). IRS response to TAS fact check request (Dec. 16, 2016). *See also* TIGTA, Ref. No. 2014-20-071, *Information Technology: Improvements Are Needed to Successfully Plan and Deliver the New Taxpayer Advocate Service Integrated System* (Sept. 2014); TIGTA, Ref. No. 2014-20-088, *The Information Reporting and Document Matching Case Management System Could Not Be Deployed* (Sept. 2014) (both TIGTA reports note "there are more than 200 case management applications in operation across the IRS enterprise").

[45] At this writing, the pilot for testing Taxpayer Digital Communication is suspended because IT resources need to be redirected to tax reform implementation.

[46] *See* National Taxpayer Advocate Purple Book, *Compilation of Legislative Recommendations to Strengthen Taxpayer Rights and Improve Tax Administration,* 26-27 (Dec. 2017) (Recommendation #12: *Revise the "Mailbox Rule" to Apply to Electronically Submitted Documents and Payments in the Same Manner as It Applies to Mailed Submissions*).

cannot see what is happening in certain systems and so cannot assist taxpayers with related issues; they must send off a form to the appropriate area to take action, thereby ensuring that the First Contact Resolution rate for these issues is zero!

The IRS is working on development of an "Enterprise Case Management" (ECM) system that promises to bring much of the most important taxpayer data and records into a critical few systems that then can be made available to employees, analysts, and researchers in a permission-based environment.[47] Congress can help ensure the IRS keeps on the right track with the 360-degree taxpayer view design. Without this system, and the improvements to the underlying systems (see below), the IRS cannot provide a robust Online Account and must create manual processes or workarounds for new categories of work (*e.g.*, ACA and FATCA).

Moreover, the current structure creates rework for IRS employees and tremendous burden for taxpayers who must send and resend documentation that is stored on different systems and is not retrievable by the appropriate employees. Without ECM, a complete virtual case file is not achievable.

> **Recommendation:** Direct the IRS to submit to Congress a comprehensive plan describing the development of and funding requirements for ECM, and subsequently provide funding based on the IRS achieving milestones that demonstrate progress toward specific goals and stages of implementation.

4. Underlying Information Technology (IT) Systems

According to the Government Accountability Office, the IRS has the two oldest databases in the federal government — the Individual and Business Master Files.[48] The age of IRS legacy systems causes patches and workarounds that create risks when trying to integrate with more current IT hardware and software (*e.g.,* the April 17 stoppage of the filing and payment system).[49]

It is not clear to what extent Customer Account Data Engine 2 (CADE2) has improved the filing experience much less reduced employee workarounds. Although CADE2 can post items daily, the underlying systems largely operate on a weekly cycle, leaving the IRS stuck in the 1960s or 1970s with the speed of its returns processing. Again, the utility of modernized ECM and Online Accounts will be limited if the IRS does not bring

---

[47] National Taxpayer Advocate Fiscal Year 2019 Objectives Report to Congress 47-51 (Area of Focus: *The IRS's Enterprise Case Management Project Shows Promise, But to Achieve 21st Century Tax Administration, the IRS Needs An Overarching Information Technology Strategy With Proper Multi-Year Funding*),

[48] *See* Government Accountability Office (GAO), GAO-16-468, *Information Technology: Federal Agencies Need to Address Aging Legacy Systems* (May 2016) (discussing aging IT systems throughout the government and listing the IRS's Individual Master File (IMF) and Business Master File (BMF) as the two oldest investments or systems at 56 years old each in 2016).

[49] *See* IR-2018-100 (Apr. 17, 2018).

its underlying systems into the 21st century.

One recurring problem is that the IRS continually receives work that requires it to make significant IT updates in the short term and detracts from its ability to pursue its longer-term modernization efforts. In recent years, as noted above, the IRS implemented two major new programs – the Patient Protection and Affordable Care Act and the Foreign Account Tax Compliance Act. To accomplish this, the IRS effectively placed a moratorium on all Information Technology (IT) projects that were not related to the filing season, the ACA, or FATCA.[50] Only in the last year or so has the IRS begun to look forward with its systems planning and development. But because of the demands of tax reform and the need for the IRS to reprogram its systems to reflect the new Form 1040, it is expected there will be another moratorium on systems and programming revisions unrelated to tax reform/filing season system improvements.

That is no way to run a railroad. I recognize the appropriations process generally provides for one-year funding, and the subject of multi-year funding is controversial. But a way must be found to provide the IRS with a separate stream of funding dedicated to long-term improvements, particularly involving its IT systems. Absent a dedicated stream of long-term funding, the IRS's IT saga is doomed to continue as the IRS falls further behind the rest of the world with respect to its underlying systems and its customer-facing technology.

> **Recommendation:** Direct the IRS to submit a comprehensive information technology strategic plan that lays out how it will replace aged legacy systems, its funding requirements and timetable for such replacement, and realistic milestones, so that Congress can monitor progress toward stated goals; upon receipt and review of said plan, provide IRS with multi-year appropriated funds for this purpose, with each year's appropriation contingent on the IRS achieving stated milestones.

5. <u>Automation, Artificial Intelligence, and Big Data</u>

The IRS regularly uses technology and big data to identify fraud and noncompliance, but it fails to use technology to help taxpayers get to the right answer or prevent or minimize harm to taxpayers. This is particularly true when the IRS devises tools and utilizes data or automation to identify compliance issues or automate workstreams.

[50] *FY 2016 Treasury Department Budget: Hearing Before the S. Subcomm. on Fin. Serv. & Gen. Gov't of the S. Comm. on Appropriations*, 114th Cong. (2015) (written statement of John Koskinen, Commissioner, Internal Revenue Service).

As I have discussed in a recent blog[51] and in several reports to Congress,[52] the IRS could use the data it has in-house to identify taxpayers who are at risk of economic hardship and therefore are highly unlikely to be able to pay their basic living expenses if the IRS collects their back-tax debts.[53]

The *right to a fair and just tax system* requires the IRS to "consider facts and circumstances that might affect [a taxpayer's] underlying tax liabilities, ability to pay, or ability to provide information timely."[54] In the context of tax collection, Congress has enacted several statutes to ensure the IRS refrains from collecting tax when doing so will leave taxpayers unable to pay their basic living expenses. The law requires the IRS to release a levy when it determines the levy "is creating an economic hardship due to the financial condition of the taxpayer."[55] Similarly, for purposes of determining the adequacy of an offer-in-compromise, the law requires the IRS to "develop and publish schedules of national and local allowances designed to provide that taxpayers entering into a compromise have an adequate means to provide for basic living expenses."[56] The IRS has developed and published these schedules of allowances, and they are known commonly as the Allowable Living Expense (ALE) standards.

The IRS could develop an algorithm that utilizes the ALE standards and taxpayers' income based on their most current returns or information reporting (IRP) data and other in-house data. Thus, it could automatically screen out from collection activities those taxpayers at risk of economic hardship, in accordance with congressional directive and IRS policy. Further, the IRS could use this algorithm to screen these taxpayers out of the group assigned to Private Collection Agencies (PCAs). IRS data show that after one year's operation, 43 percent of taxpayers who entered into installment agreements with the PCAs had incomes below their ALEs.

---

[51] Nina Olson, *The National Taxpayer Advocate Responds to Private Debt Collectors' Contentions*, NTA BLOG (Jul 18, 2018), https://taxpayeradvocate.irs.gov/news/nta-blog-the-national-taxpayer-advocate-responds-to-private-debt-collectors-contentions?category=Tax News.

[52] For further discussion of the National Taxpayer Advocate's concerns about taxpayers entering into payment agreements they cannot afford, see National Taxpayer Fiscal Year 2019 Objectives Report 58-79 (Area of Focus: *The IRS's Private Debt Collection Program, Which Has Yet to Generate Net Revenues, Continues to Unnecessarily Burden Taxpayers Experiencing Economic Hardship and Produces Installment Agreements With High Default* Rates); National Taxpayer Advocate 2017 Annual Report to Congress 10-21 (Most Serious Problem: *Private Debt Collection: The IRS's Private Debt Collection Program Is Not Generating New Revenues, Appears to Have Been Implemented Inconsistently with the Law, and Burdens Taxpayers Experiencing Economic Hardship)*; National Taxpayer Advocate 2016 Annual Report to Congress 230-238 (Most Serious Problem: *Installment Agreements (IAs): The IRS Is Failing to Properly Evaluate Taxpayers' Living Expenses and Is Placing Taxpayers in IAs They Cannot Afford*).

[53] IRC § 6343(a); IRM 5.15.1, *Financial Analysis Handbook* (Nov. 17, 2014).

[54] *See* Taxpayer Bill of Rights (TBOR), www.TaxpayerAdvocate.irs.gov/taxpayer-rights. The rights contained in the TBOR are now listed in the IRC. *See* Consolidated Appropriations Act, 2016, Pub. L. No. 114-113, Division Q, § 401 (2015) (codified at IRC § 7803(a)(3)).

[55] IRC § 6343(a)(1)(D).

[56] IRC § 7122(d).

The IRS's continuing refusal to use data in this taxpayer-friendly approach constitutes a serious violation of the taxpayers' *rights to privacy* and *to a fair and just tax system*.[57]

> **Recommendation:** Require the IRS to develop an algorithm that applies Allowable Living Expense standards to screen out from IRS and PCA collection programs taxpayers who are at risk of economic hardship. Alternatively, apply 250 percent of the federal poverty level as a proxy for economic hardship.[58]

6. Geographic Presence

Activities like outreach and education, congressional and media relations, examinations, and collections in a country as large and diverse as ours require local knowledge and interaction.[59] Yet 12 states do not have Appeals or Settlement Officers within their borders, and 14 states do not have Stakeholder Liaison employees whose job is to conduct education and outreach to Small Business and Self-Employed taxpayers.[60]

Of the 362 Taxpayer Assistance Centers, 25 are not staffed and 84 have only one employee.[61] The number of field employees in exam, collection, appeals, and taxpayer service has shrunk significantly over the years, replaced by large centralized sites of employees who never look a taxpayer in the face. As TAS research studies have shown, personal contacts — while more costly initially — produce better response, resolution, and agreement rates than less personal contacts, and they also result in better educated taxpayers.[62] The private sector, particularly the banking industry, acknowledges the importance of a local presence even as it continues to improve its

---

[57] The IRS also places a significant burden on taxpayers because it is not utilizing state-of-the-art techniques to design and adjust its fraud detection filters (consisting of rules and models) to minimize false detections. As a result, for calendar year 2017 (through September), the false detection rate was 62 percent for identity theft (IDT) fraud filters and 66 percent for non-IDT fraud filters. The IRS's failure to use state-of-the-art modelling and other techniques harms legitimate taxpayers and wastes IRS resources. National Taxpayer Advocate Fiscal Year 2019 Objectives Report to Congress 52-57 (Area of Focus: *High False Detection Rates Associated with Fraud Detection and Identity Theft Filters Unnecessarily Burden Legitimate Taxpayers*).

[58] The Taxpayer First Act, passed by a vote of 414-0 by the House of Representatives in April, 2018, would carve out taxpayers with incomes at or below 250 percent of the Federal poverty level from PCA assignment. Taxpayer First Act, H.R. 5444, 115th Cong. § 305 (2018).

[59] For a detailed discussion of this topic, see National Taxpayer Advocate 2017 Annual Report to Congress vol. 2, 245 (Literature Review: *Fostering Taxpayer Engagement Through Geographic Presence*).

[60] IRS response to TAS information request (Oct. 13, 2017). The geographic outreach data provided in the IRS response to a TAS information request does not include in-person speeches given by IRS employees who are not dedicated outreach employees. IRS response to TAS fact check (Nov. 20, 2017).

[61] Email from Wage and Investment, June 25, 2018 (on file with TAS).

[62] *See*, *e.g*., National Taxpayer Advocate 2013 Annual Report to Congress vol. 2, 15 (Research Study: *A Comparison of Revenue Officers and Automated Collection System in Addressing Similar Employment Tax Delinquencies*).

digital experience. TAS Local Taxpayer Advocates are often the only "face" of the IRS in the community, and because we are an independent voice, we cannot adequately substitute for an IRS presence.

> **Recommendation:** Direct the IRS to provide Congress with a plan, including cost and return-on-investment estimates, to staff at least one Appeals Officer and one Settlement Officer, one Small Business outreach and education employee, and one congressional liaison in each state, as well as provide adequate staffing for existing and new TACs and a robust field examination and collection presence.

7. Personnel

Closely related to IT and geographic presence challenges is the state of the IRS workforce. The IRS can do more to attract the best and brightest job candidates, even for limited periods, in IT, Exam, Collection, and Appeals. It has not really changed its recruiting to address the fact that people move from one job to another and that a career in government is no longer viewed as a lifetime commitment. The IRS could make the case to young workers that spending some years in government service will provide them with skills and perspective that simply can't be found elsewhere and will be very useful for their futures.

The IRS could also recruit people who are mid-career and are looking for a more stable work environment for a period of time. I believe people will work for the IRS if the jobs and work are presented in the right light. TAS has had no problem recruiting people from outside the IRS at all levels, and this "fresh blood" has reinvigorated many of our offices. These new recruits can bring energy and help current employees see their jobs in a new light.

> **Recommendation:** As part of the personnel plan recommended above, direct the IRS to describe its efforts and plan to recruit and maintain new hires from the private sector, including mid-career professionals.

8. IRS Oversight

RRA 98 contained two provisions that I believe were helpful to tax administration and have effectively lapsed: (i) the IRS Oversight Board and (ii) joint congressional IRS oversight hearings.

RRA 98 created an Oversight Board to improve the management of the IRS.[63] The intent was to establish a board of experienced managers, largely consisting of corporate executives from the private sector, to provide guidance at a high level on IRS strategic plans, operations, personnel, and budget. I began my service as the National Taxpayer Advocate in 2001, and at that time, the Oversight Board was fully staffed and active. I

---

[63] See IRC § 7802.

personally believed the Board added significant value. Over time, as you know, Board nominations and confirmations slowed and eventually came to a halt, requiring the Board to suspend its operations. I believe the Board should be reinvigorated. But I think the threshold challenge is creating a mechanism that ensures, or at least substantially increases the likelihood, that Board members will be replaced when their terms end.

RRA 98 also provided that congressional committees with IRS oversight responsibility would hold a joint annual hearing on IRS operations generally or on a particular aspect of IRS operations, such as customer service or IT. Participating committees were the Senate and House tax-writing, appropriations, and government oversight committees. I thought these hearings were very helpful for several reasons. From a congressional perspective, it ensured that committees with different IRS oversight responsibilities would work together, at least once a year, to explore IRS challenges and solutions. In that way, it provided an opportunity for the committees to discuss the challenges and potentially come to a common understanding about how to address them. From an IRS perspective, it gave the agency a chance, in a single hearing, to provide its perspective on its challenges and tell the committees of jurisdiction what they could do to help. And from a taxpayer perspective, I think customer service and taxpayer rights are best protected when the IRS and its congressional overseers are working together and reach common understandings. By its terms, this provision sunset after five years. I recommend these hearings be reinstated on a permanent basis.[64]

> **Recommendation:** Reinvigorate the IRS Oversight Board by developing a mechanism that ensures continuing appointments and members with the necessary skillsets (*e.g.,* backgrounds in education, information technology, small business experience, large business experience, individual taxpayer representation); and reinstate the joint annual hearing on IRS operations on a permanent basis.

9. Gig Economy Tax Compliance

The growth of gig economy platforms has increased compliance challenges for taxpayers and the IRS alike. Gig economy workers are generally treated as independent contractors. As such, neither income taxes nor employment taxes are generally withheld from the payments they receive. Instead, they are expected to pay their taxes in four installments over the course of the year.[65] However, many gig economy workers don't understand they are responsible for making tax payments.

---

[64] For a previous discussion of this recommendation, see National Taxpayer Advocate 2016 Annual Report to Congress 10.

[65] We have recommended that Congress revise the due dates for estimated tax payments so they fall quarterly rather than at 3-month, 2-month, 3-month, and 4-month intervals, as under current law. *See* National Taxpayer Advocate Purple Book, *Compilation of Legislative Recommendations to Strengthen Taxpayer Rights and Improve Tax Administration* 28 (Recommendation #13: *Amend IRC § 6654(c)(2) to Adjust Estimated Tax Payment Deadlines to Occur Quarterly*).

When they prepare their tax returns for the preceding calendar year, they sometimes realize for the first time that they must pay the full amount of tax due for the year – and they may face a penalty for failing to make estimated tax payments as well. Other gig economy workers know about the tax requirements, but they don't manage to save and find themselves in the same position.

The IRS, too, faces compliance challenges. When an employer pays wages to an employee, the employer is required to file a Form W-2 with the IRS. That puts the IRS and the taxpayer on notice that the IRS is aware of the income. Reporting compliance rates in the presence of withholding and information reporting are about 99 percent.[66] In stark contrast, the income earned by independent contractors often is not reported to the IRS. IRS studies consistently show that taxpayers report less than 50 percent of the income they receive when there is no reporting mechanism and that this unreported income accounts for the single largest portion of the tax gap.[67] To the extent that economic activity in the gig economy is expanding, more tax revenue is likely to go uncollected and an uneven playing field is arising, where gig economy workers are sometimes able to evade tax while persons classified as employees are paying their full fare and effectively subsidizing noncompliance.

In my recent Annual Report to Congress, we identified many steps the IRS can take to assist participants in the gig economy comply with their tax obligations. While the IRS has taken steps to address some of these recommendations, it has declined to take others.[68] Policymakers should assess this area with an eye toward simplifying the compliance challenges for both gig economy workers and the IRS. I note that a recent bill proposes to raise the Form 1099-MISC reporting threshold from $600 to $1,000, while lowering the Form 1099-K reporting threshold from $20,000 to $1,000.[69] Legislation along these lines would help close the reporting gap and address horizontal equity concerns.

> **Recommendation:** Direct the IRS to develop a publication specifically designed for members of the gig economy and an online, user-friendly wizard that walks participants through the various steps and tax requirements; and consider legislation similar to S. 1549 to improve tax compliance.

---

[66] *See* IRS, Tax Gap Estimates for Tax Years 2008-2010 (Apr. 2016), https://www.irs.gov/pub/newsroom/tax%20gap%20estimates%20for%202008%20through%202010.pdf.

[67] *Id.*

[68] *See* National Taxpayer Advocate 2017 Annual Report to Congress 165-171 (Most Serious Problem: *Sharing Economy: Participants in the Sharing Economy Lack Adequate From the IRS);* National Taxpayer Advocate Fiscal Year 2019 Objectives Report to Congress, vol. 2, IRS Response and National Taxpayer Advocate's Comments Regarding Most Serious Problems Identified in the 2017 Annual Report to Congress (*Sharing Economy: Participants in the Sharing Economy Lack Adequate Guidance From the IRS*).

[69] NEW GIG Act of 2017, S. 1549, 115th Cong. § 2(d)(3) (2017).

10. Return Preparer Oversight

At present, anyone may hold himself or herself out as a tax return preparer. No federal competency standards exist. The GAO and TIGTA, among other organizations, have conducted several studies where their auditors have posed as taxpayers and had returns prepared by non-credentialed preparers (*i.e.*, preparers who are not attorneys, CPAs, or Enrolled Agents). The results have consistently been appalling. I have described the tax return preparation industry as something akin to the "Wild, Wild West."[70]

The Finance Committee has twice approved bipartisan legislation authorizing preparer oversight under the leadership of Chairman Grassley and Ranking Member Baucus, and on one occasion, the full Senate approved the legislation by unanimous consent.[71]

In 2009, the IRS Commissioner concluded that the IRS had the authority to establish minimum competency standards for tax return preparers without statutory authorization. As a result, the IRS initiated an extensive series of hearings and discussions with stakeholder groups to receive comments and develop a system within which all parties believed they could operate. The IRS began to implement the program in 2011, but it was terminated after a federal court rejected the IRS's legal position, concluding the agency did not have the authority to impose preparer standards without statutory authorization.[72]

In my view, the need for preparer standards is just as acute today as it was in 2004 and in 2011. Both as a consumer protection measure and to improve the accuracy of prepared tax returns, I have continued to recommend that Congress authorize the IRS to reinstate the same program that key parties agreed on, and the IRS was implementing, before the court overturned it for lack of authority.

> **Recommendation:** Authorize the IRS to reinstate the program to require federal tax return preparers to register with the IRS and meet minimum competency standards, including initial testing and annual continuing professional education requirements.

---

[70] For additional background on the GAO and TIGTA studies and the history of this issue, see National Taxpayer Advocate 2017 Purple Book, *Compilation of Legislative Recommendations to Strengthen Taxpayer Rights and Improve Tax Administration* 14-16 (Recommendation #6: *Authorize the IRS to Establish Minimum Competency Standards for Federal Tax Return Preparers*).

[71] *See* H.R. 1528 (incorporating S. 882), 108th Cong. § 141 (2004) (as approved by the Finance Committee and the full Senate); S. 1321 (incorporating S. 832), 109th Cong. § 203 (2006) (as approved by the Finance Committee).

[72] *Loving v. IRS,* 917 F. Supp. 2d 67 (D.D.C. 2013), *aff'd,* 742 F.3d 1013 (D.C. Cir. 2014).

11. **Employee Training**

A trained and professional workforce is paramount if the IRS is to administer the tax laws "with integrity and fairness to all."[73] In light of congressional concern about the IRS's inappropriate use of training dollars, Congress and the Treasury Department imposed restraints and oversight procedures for training expenditures. The annual appropriations bills require the IRS to have a video editorial board that approves all videos produced,[74] and the Treasury Department has set dollar limits for training expenditures that can be approved by the IRS Commissioner and heads of agency divisions ($49,999 and $19,999, respectively).[75]

These procedures, in combination with reductions to the IRS budget, have resulted in a significant drop in training dollars expended per employee. For example, the IRS spent $1,450 per employee on training in FY 2009, compared to $489 per employee in FY 2017, a level that is about one-third of spending eight years ago.[76] Training dollars per employee in the Wage and Investment Operating Division were $87 per employee in FY 2017.[77] Because of budget restrictions, business unit commissioners and heads of office have learned not to request or prioritize significant face-to-face training, which I believe is the most effective way to train employees with customer-facing duties.

Instead, the IRS is making due with inadequate virtual training and is not utilizing the current technology and approaches available to universities and businesses that have mastered the art of distance learning. The IRS also underutilizes external tax professionals as trainers. Taxpayer representatives and academics would welcome the opportunity to interact with IRS technical, service, and compliance employees, and their participation would provide a balanced perspective on tax compliance and taxpayer interaction.

With a tax law as complex as the Internal Revenue Code and with human experiences as varied as they are, it is difficult in the best of times to apply the law accurately and fairly. But reductions in training at the levels experienced at the IRS are having significant impact on taxpayer trust and confidence in the tax system. In fact, the Forrester Customer Experience survey cited above found that *only 13 percent of IRS*

---

[73] IRS, *Mission Statement*, https://www.irs.gov/about-irs/the-agency-its-mission-and-statutory-authority (last visited Jul. 18, 2018).

[74] *See, e.g.*, Consolidated Appropriations Act – 2018, Pub. L. No. 115-141 (2018).

[75] Treas. Dir. 12-70 (Feb. 24, 2014).

[76] *See* National Taxpayer Advocate 2017 Annual Report to Congress 84-92 (Most Serious Problem: *Employee Training: Changes to and Reductions in Employee Training Hinder the IRS's Ability to Provide Top Quality Service to Taxpayers*).

[77] *Id.* at 85.

customers seek its expertise, which is less than half of the federal agency average of 32 percent.[78]

> **Recommendation:** Direct the IRS to appoint a Chief Training Officer who has significant educational and training experience in academia or the private sector and who will chair the training review board and work with the heads of office to develop a robust training plan, including face-to-face and sophisticated distance learning approaches.

D. Conclusion

The IRS today faces significant challenges. Due in part to the combination of more work and reduced resources, it has fallen behind significantly on customer service and IT. The Forrester US Federal Customer Experience Index report found that only 24 percent of IRS customers say they speak well of the IRS and only 20 percent of customers say they trust the IRS.[79] That is not a recipe for maintaining or increasing voluntary tax compliance. Because of the critical importance of the tax system, these are serious challenges that must be addressed.

The good news is that I believe that, with congressional support, these challenges can be addressed. In this statement, I have tried to provide my perspective on the biggest challenges the IRS faces and offer recommendations to address them. I look forward to working with you to make the IRS the best agency it can be – an effective tax collector that operates efficiently while providing world-class taxpayer service and respecting taxpayer rights.

---

[78] Rick Parrish & Margaret Rodriguez, Forrester, *The US Federal Customer Experience Index, 2018: How US Federal Government Agencies Drive Mission Performance with the Quality of Their Experience* 10-11 (May 31, 2018).

[79] *Id.* at 11.