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Taxpayer Advocate (NTA) Nina Olson released a new report to Congress on January 9 (IR-20140-3).

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It isn't quite as significant as the president's State of the Union address, but National Taxpayer Advocate (NTA) Nina Olson released a new report to Congress on January 9 (IR-20140-3). In it, she urges the IRS to adopt a comprehensive "Taxpayer Bill of Rights" to increase trust in the agency and strengthen its ability to serve taxpayers and collect tax.

The NTA also expressed concerns that the IRS isn't adequately funded to serve the

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service," said Olson." But she opined, "From challenges can come opportunities, and this report presents a '21st century vision' designed to meet taxpayer needs and enhance voluntary tax compliance." Following are some of the key aspects included in the report.

Taxpayer Bill of Rights: The report reiterates the NTA's longstanding recommendation that the IRS adopt a Taxpayer Bill of Rights. It notes that 98% of all tax revenue is paid voluntarily and in a timely fashion. Only 2% results from IRS enforcement actions. And, it continues, taxpayer rights are central to voluntary compliance.

The report calls on the IRS to take existing taxpayer rights and mold them into ten broad categories modeled on the Bill of Rights in the U.S. Constitution. This would help taxpayers understand their rights in general terms. Olson said the IRS has been receptive to the idea of publishing a proposed Taxpayer Bill of Rights.

IRS funding: The report identifies the lack of adequate IRS funding as one of the main problems facing taxpayers today. It divides the discussion into the impact on (1) taxpayer service and (2) voluntary compliance and revenue collection.

- On taxpayer service, the report says the IRS' workload has increased dramatically over the past decade. Nevertheless, funding and staffing have been cut by 8% since Fiscal Year (FY) 2010. In particular, the NTA voiced concern about the magnitude and impact of cuts in the training budget.
- On voluntary compliance and revenue collection, IRS funding has suffered since FY 2010 as part of across-the-board cutbacks designed to reduce the budget deficit. But Olson argues that the rationale behind budget cuts should not apply to the IRS, which is a revenue-generating agency.

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struggling financially, such as installment agreements and offers-in-compromise, would be more effective than increasing the number of levies and liens. The report acknowledges that the use of levies, liens, and seizures remains appropriate for taxpayers who can afford to pay their tax liabilities, but still refuse to do so.

Offshore Voluntary Disclosure programs: Recently, the IRS has sought to increase enforcement of Foreign Bank and Financial Accounts (FBAR) reporting and similar information reporting requirements. It has also offered offshore voluntary disclosure (OVD) programs to settle disputes with taxpayers who have failed to file FBARs. However, the report says the programs impose excessive penalties on taxpayers whose failure to file was not “willful.” These penalties may deter taxpayers from being compliant.

The NTA has established a webpage with links to the various parts of the report. For more information, visit <http://www.taxpayeradvocate.irs.gov/2013-Annual-Report/full-2013-annual-report-to-congress>.

Having to Do More With Less

The new NTA report says the IRS' workload has increased over the past decade, yet IRS funding and staffing have been cut by 8 percent. The report highlights several key areas in which the quality of taxpayer service has dropped to unacceptable levels. For example:

- In 2013, the IRS could only answer 61 percent of calls from taxpayers seeking to speak with a customer service representative (CSR). That's down from 87 percent ten years earlier, with half the decline occurring since FY 2010. In FY 2013, 39 percent of calls—or approximately 20 million—simply did not get through.
- Taxpayers who did get through were forced to wait on hold approximately 17.6 minutes before speaking with a CSR. That's up from 2.6 minutes ten years earlier, a

nearly six-fold increase, with nearly half the increase occurring since FY 2010.?

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prepare any returns.

- Last year, the IRS received about 8.4 million letters from taxpayers responding to proposed adjustments to their tax liabilities. As of the end of the fiscal year, 53 percent of taxpayer letters in the IRS's "adjustments" inventory were considered "over age" (generally, more than 45 days old), compared with over age percentages of 12 percent ten years earlier and 28 percent in FY 2010.?
- The IRS recently announced that it will only answer "basic" tax law questions on its telephone lines and in its walk-in sites during the upcoming filing season. Furthermore, it will not answer any tax law questions after the filing season, including questions from the millions of taxpayers who obtain filing extensions and prepare their returns later in the year.

Income Tax • IRS

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