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Ken Berry, JD • Jul. 30, 2019



The National Taxpayer Advocate (NTA) is going out with a bang.

NTA Nina E. Olson, who is retiring on July 31, released her 37th and last report to Congress on June 20 concerning the state of affairs at the IRS (IR-2019-119, 6/20/19). In the preface, she reflected about her 18 years on the job and addressed the key challenges facing the IRS and the Taxpayer Advocate Service (TAS) in the coming years.

“I am enormously grateful for the opportunity I have had to advocate on behalf of our nation’s taxpayers,” wrote Olson. “Amazingly, despite the challenges of complying with our multi-million-word tax code, more than 150 million individual

taxpayers and more than 10 million business entities do their civic duty every year by

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problems like these, both individually and collectively, has been and will continue to be the work of TAS.”

Some of the key points in the new report are as follows:

Taxpayer services: The report says that poor taxpayer service remains the biggest challenge taxpayers face in dealing with the IRS. For example, during this tax filing season IRS telephone assistors answered just 25% of taxpayer calls enterprise-wide. Hold times for taxpayers who were able to get through averaged 13 minutes.

The report also points out that the President’s Management Agenda for 2018 emphasized the importance of high-quality customer service, but indicates how it comes up short, based on several benchmarks. The NTA also says the IRS is not taking adequate steps to address its service shortcomings. While the current administration’s budget proposal for fiscal year (FY) 2020 requested an increase of 5% for enforcement, it requested a decrease of 6.6% in taxpayer services funding.

“This approach is tantamount to robbing Peter to pay Paul,” note Olson. “There is no doubt that budget constraints have limited the IRS’s taxpayer service capacity, but the IRS should not blame Congress for a lack of taxpayer services funding when it is itself proposing to shift funding away from taxpayer services.”

Self-service applications: In its FY 2018-2022 Strategic Plan, the IRS established the “Enterprise Self-Assistance Participation Rate” as one of its principal measures of taxpayer service. According to the IRS, “[t]his 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).”

The NTA report cites survey data indicating that taxpayers who use the Internet are

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capacity of a given interaction increases, so should the taxpayer's access to person-to-person interaction."

Financially vulnerable taxpayers: Both the tax code and the IRS' own procedures contain rules designed to protect taxpayers experiencing economic hardship from IRS collection action. For example, the IRS must release a levy if it determines the levy is creating an economic hardship due to the taxpayer's financial condition. It also must make allowances for a taxpayer's basic living expenses when considering whether to compromise a tax debt.

But the IRS generally doesn't assess whether there is economic hardship unless and until the taxpayer asks it to do so. Notably, it does not attempt to determine whether a taxpayer is experiencing an economic hardship **before** accepting full-pay installment agreements or serving levies. As a result, taxpayers entered into about 2.1 million streamlined installment agreements in FY 2018 and about 40% of those taxpayers had incomes at or below their Allowable Living Expenses. The default rate for those taxpayers was 39%—approximately seven times the default rate for taxpayers with higher incomes.

“[T]he IRS collection system favors knowledgeable taxpayers who understand how to request collection alternatives and, at least in relative terms, discriminates against taxpayers who don't have that knowledge,” observed Olson. “That is not the way a fair tax system should work, and it needs to change.”

2019 filing season: The new NTA report also contains information on the past tax filing season. Overall, things went relatively smoothly, but service levels declined for taxpayers who required assistance from the IRS. The IRS's benchmark “Level of Service” (LOS) on its Accounts Management telephone lines dropped from 80% during the 2018 filing season to 67% this year. Time spent on hold on those lines rose

from an average of 5.1 minutes to 9.0 minutes. The NTA allowed that part of the

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on during the upcoming fiscal year. More details can be found at

<https://taxpayeradvocate.irs.gov/reports>.

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