

Annual Report to Congress



**Progress on the Implementation of
The Taxpayer Assistance Blueprint**

April 2009 to September 2010

Outline for 2010 Taxpayer Assistance Blueprint (TAB) Annual Report to Congress

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Executive Summary

In 2007, as requested by the Congress, the IRS, the National Taxpayer Advocate, and the IRS Oversight Board completed the Taxpayer Assistance Blueprint (TAB) Phase 2, a plan for evidence-based improvements to taxpayer service. Based on extensive research of the taxpayer perspective, the report provided a strategic direction for incorporating taxpayer and partner needs into service improvement decisions. The report also outlined a set of TAB Guiding Principles reflecting desired service outcomes, as well as specific initiatives for potential implementation.

The Congress subsequently asked the IRS, the National Taxpayer Advocate, and the IRS Oversight Board to submit annual updates on the progress of TAB implementation. This third TAB annual report to the Congress covers IRS activity since the last TAB report on improved taxpayer service provisions, service measurement, and taxpayer service governance. The report covers the period from April 2009 through September 2010.

This report has four main objectives:

- Recap our efforts to improve taxpayer service
- Describe the integration of the TAB guiding principles into our strategic planning and day-to-day operational activities
- Highlight our efforts to understand taxpayer service needs, preferences, and behaviors
- Report on the establishment of taxpayer service outcome measures and on service governance activities

The report will follow the TAB framework, highlighting:

- Refinements to strategic planning
- Operational changes and projects that correspond to the TAB improvement categories and project portfolio recommendations
- Service performance and governance

The report contains detailed information in each of the following sections:

TAB Strategic Direction Incorporated into the IRS Strategic Plan

To adjust to new operational challenges while fostering an environment of continued taxpayer improvement, the IRS incorporated much of the TAB guiding principles into the IRS Strategic Plan. Facilitating compliance by providing exemplary taxpayer service as first developed in the TAB, and later embodied in the IRS Strategic Plan, continues to shape planning and operations throughout the IRS.

Taxpayer Service Challenges

The needs of taxpayers are rapidly evolving, and the IRS must constantly adapt its programs and resources to meet these needs. In addition, tax legislation enacted to

support economic recovery required the IRS to develop and implement new service programs, often with very little lead-time. The IRS met these challenges while delivering improved taxpayer service and a successful Filing Season.

Service Improvements

The IRS continued to refine current operations, addressing the service needs of America's taxpayers and initiating new service improvements to make it easier for taxpayers to comply with federal tax laws. These improvement efforts highlight IRS progress on the TAB Service Improvement Portfolio recommendations.

Examples of Data-Driven Service Improvements

The TAB philosophy that the IRS should research taxpayer needs, preferences, and then bring that into planning and decision-making processes, is embedded in the IRS working culture. The following examples show the TAB philosophy in action within the IRS and explain improvements it has made, with particular emphasis on understanding the perspective of the taxpayer and applying that understanding to improving service in ways that increase both taxpayer and government value:

- The Office of Taxpayer Correspondence uses data from taxpayer comprehension tests to systematically assess and improve the communication products.
- The Interactive Tax Assistant, an electronic self-assistance application, uses a probe-and-response format to help taxpayers find the answers they are looking for, which reduces the burden of understanding and accurately applying complex tax law.
- Leveraging Resources to Optimize Service, a model based on analysis of training and workload within Accounts Management, helps the IRS match the anticipated workload of specific service categories to training to provide increased performance.
- The Outreach Summit Steering Committee coordinates outreach efforts across the IRS enterprise to ensure more consistent, integrated, and timely outreach of information and service to taxpayers.
- The new Tax Return Preparer Regulation program will significantly enhance protection and service for taxpayers, increase confidence in the tax system, and result in greater compliance with tax laws over the long term.
- The Online Services Strategy provides an enhanced framework to implement applications online.

Taxpayer Service Research

The research projects and findings highlighted in this report represent advancements in understanding the relationship between taxpayer service needs, preferences, and behaviors. They provide information on taxpayer service related to the goals of the IRS Strategic Plan. While not an exhaustive list, these projects illustrate the evolution and relationship between IRS research and operational improvements in services.

This section highlights examples of IRS research that have provided insight into IRS service delivery, the taxpayer experience, and opportunities to improve performance. It includes a table describing research projects initiated or completed during the period

this report covers. It also provides an illustration of key research findings and examples of operational projects and investments that the analysis supports.

Taxpayer Service Measures

During 2010, the IRS drafted a preliminary set of measures that supplement the assessment criteria proposed in the TAB report. The measures assess the performance of taxpayer service programs by measuring outcomes important from the taxpayer perspective. The new draft set:

- Incorporates subsequent research into taxpayer service needs, preferences, and expectations, as well as changes in the taxpayer service environment
- Aligns with the current 2009 - 2013 IRS Strategic Plan
- Evaluates both the efficiency and effectiveness of service from the perspective of the taxpayer and the IRS

The IRS has divided the suite of measures under consideration into three categories: the availability of information, the adequacy of services provided, and the efficiency with which the IRS met taxpayer service needs.

IRS Taxpayer Services Governance

The IRS Services Committee provides oversight to taxpayer service operations. These senior IRS executives and commissioners guide the development and implementation of enterprise-wide taxpayer service strategies. The committee holds quarterly meetings to foster collaboration and strategic integration of taxpayer service improvement activities.

Introduction

In July 2005, the Congress directed the IRS, the National Taxpayer Advocate, and the IRS Oversight Board to collaborate on a five-year plan for taxpayer service. The goal of the mandate was to ensure that service-related decisions are informed by research and guided by stakeholder engagement. Working with the Taxpayer Advocate and the Oversight Board, the IRS delivered the Taxpayer Assistance Blueprint (TAB) Phase 2 Report to Congress on April 11, 2007.¹ Based on extensive research of the taxpayer perspective, this report provided a strategic direction for incorporating taxpayer and partner needs into service improvement decisions. The report also outlined a set of TAB Guiding Principles² reflecting desired service outcomes, as well as, specific initiatives for potential implementation.

The TAB brought about changes that are embedded in the IRS working culture and business processes with continuing emphasis on its principles. The 2009 – 2013 IRS Strategic Plan development further aligned the Guiding Principles and strategic approach from the TAB with the IRS business planning and decision-making process. This alignment continues with the IRS High-Priority Performance Goals, which stress the importance of improving service to facilitate voluntary compliance. Objectives within the IRS Strategic Plan focus on providing service that meets or exceeds the needs, preferences, and expectations of taxpayers, which include:

- Improve service interactions
- Expedite and improve issue resolution
- Provide targeted and timely guidance and outreach
- Strengthen partnerships with tax practitioners and other third parties

In response to the Appropriations Committees request, the IRS, the National Taxpayer Advocate, and the IRS Oversight Board provided an update to TAB implementation in April 2008³ and again in October 2009.⁴ The reports summarized progress the IRS made to improve taxpayer service, highlight key service challenges, and provide details of research efforts to understand taxpayer needs, preferences, and behaviors. This year's TAB report responds to the Appropriations Committee's most recent request⁵ for an update on the

¹ Internal Revenue Service, *The 2007 Taxpayer Assistance Blueprint (TAB) Phase 2*, April 2007, Publication 4701, Catalog Number 51688A

² TAB Guiding Principles are detailed in Appendix A

³ Internal Revenue Service, *Report to Congress: Progress on the Implementation of the Taxpayer Assistance Blueprint, April 2007 to February 2008*, April 2008 Publication 4701, Catalog Number 51688A.

⁴ Internal Revenue Service, *Report to Congress: Progress on the Implementation of the Taxpayer Assistance Blueprint*, October 22, 2009, Publication 4701, Catalog Number 51688A.

⁵ HR3288 – Division C of the Joint Explanatory Statement: "The conferees reiterate House and Senate report language regarding IRS efforts, in conjunction with the IRS Oversight Board and the IRS Taxpayer Advocate, to update the TAB. The conferees direct the IRS to continue to submit annual updates to the TAB and include the updates as part of the annual IRS budget submission, beginning with the submission of the fiscal year 2012 budget request."

status of TAB implementation and efforts to improve taxpayer service with the reporting period covering April 1, 2009 to September 30, 2010.⁶

TAB Strategic Direction Incorporated Into the IRS Strategic Plan

The TAB defined four critical elements for a cohesive strategic plan:

- Strategic Direction (Guiding Principles)
- Service Improvement Opportunities
- Recommended Projects
- Measures and Oversight

Despite fluid and complex environmental challenges, the IRS continues to make significant progress toward the TAB strategic objective, service making voluntary compliance easier.

Three years after its completion, the TAB continues to provide relevant and valued context for service investment decisions, operational planning, and evaluation of service performance. The impact of TAB can be measured not only in greater insights into taxpayer service needs, new service capabilities, and refined service performance, but also in the evolution of strategic planning. To adjust to new operational challenges while fostering an environment of continued taxpayer improvement, the IRS incorporated much of the TAB guiding principles into the Strategic Plan. Table 1 shows how the philosophy of taxpayer service and taxpayer service improvement closely matches IRS Strategies.

Table 1: Integration of TAB Guiding Principles into the IRS Strategic Plan			
Focus	TAB Guiding Principles	IRS Strategic Objective	IRS Strategy
Prevent, Minimize, and Correct Errors	A portion of the tax gap is attributable to errors by individual taxpayers. IRS service programs should be designed to prevent, minimize, and correct such errors with due consideration of taxpayer burden.	Incorporate taxpayer perspectives to improve all service interactions.	Ensure that we make operational decisions only after considering the views of affected taxpayers.

⁶ This timeframe is longer than the reporting periods for the previous TAB report to because the Appropriation Committee's most recent request for an update asked us to align the reporting period with the IRS Fiscal Year (October 1 through September 30).

Emphasize Partners Role	The IRS recognizes the significant role that partners play in tax administration. As such, the IRS will look for opportunities to assist these third parties in helping taxpayers understand and meet their tax obligations.	Strengthen partnerships with tax practitioners, tax preparers, and other third parties in order to ensure effective tax administration.	Treat partners as the “first line of compliance” by providing them with the tools and information to encourage taxpayer compliance and prevent mistakes.
Improve Self-correction and Self-assistance tools	IRS service investments will focus on preventing, minimizing, and correcting taxpayer noncompliance.	Expand enforcement approaches and tools.	Expand the use of alternative taxpayer treatments, including soft notices and other non-audit contacts.
Proactive Communication is Essential	Enhance Marketing, Outreach, and Education to targeted populations to improve service awareness, access, and quality.	Provide taxpayers with targeted, timely guidance and outreach.	Develop a more sophisticated understanding of taxpayer segments to allow for targeted communication to taxpayers.
Expedite Issue Resolution	Support expedited issue resolution across all channels through improved access to information and decision-making resources.	Expedite and improve issue resolution across all interactions with taxpayers, making it easier to navigate the IRS.	Create explicit opportunities for taxpayers to proactively resolve issues at the earliest possible moment.
Improve IRS Efficiency and Productivity	Enhance the IRS Web site so that it becomes the first choice of more taxpayers for obtaining the information and services needed to comply with tax obligations.	Build and deploy advanced information technology systems, processes, and tools to improve IRS efficiency and productivity.	Deliver modernized systems designed to store and manage taxpayer data, strengthen enforcement efforts, and meet service expectations of taxpayers and tax practitioners.

The close association between the TAB Guiding Principles and the IRS Strategic plan shows that, as an institution, a culture of service improvement thrives inside the IRS. From strategic planning to specific improvement actions, the IRS taxpayer service improvement strategies guide efforts across the IRS that reflect a refined commitment to the strategies originally developed in the TAB. Moreover, these strategies for improving taxpayer service continue to evolve, reflecting the TAB philosophy where research into taxpayer needs, preferences, and behaviors is gathered and then brought into the planning and decision-making processes. While significant progress has occurred across each of the TAB service improvement categories, several are particularly note

worthy because they highlight the incorporation of the TAB Guiding Principles and TAB findings into the development and application of the IRS Strategic Plan.

Table 2: Examples of Strategic Taxpayer Service Evolution

Office of Taxpayer Correspondence⁷

The Office of Taxpayer Correspondence (OTC) uses data from taxpayer comprehension tests to systematically assess and improve communication products. The OTC uses the data to redesign each notice, making it easier for taxpayers to understand what the IRS expects of them, what they must do next, and what the consequences are for failing to act. Improved understanding logically leads to an increase in the desired taxpayer behavior, as well as, reduced taxpayer burden.

Interactive Tax Assistant

Originally described as Tax Law Support Tools in the TAB report, the Interactive Tax Assistant (ITA) became operational on IRS.gov during the 2010 Filing Season.⁸ This electronic self-assistance application uses a probe-and-response format to help taxpayers find the specific answers they are looking for and reduce the burden of understanding and applying complex tax law. Analysis of operational data helped determine the priorities for the tax law categories that most commonly cause difficulty for taxpayers.

Leveraging Resources to Optimize Service

This model, based on analysis of training and workload within Accounts Management, helps the IRS match the anticipated workload of specific service categories to training to provide increased performance. In addition to increasing efficiency by better matching human resources to service challenges, the IRS improved the quality of service it provided to taxpayers because of a more accurate match between the skills of the service representatives and the taxpayers' needs. This effort follows TAB recommendations describing how taxpayer assistor training could help improve taxpayer service.

Outreach Summit Steering Committee

Though IRS business units may serve different groups of taxpayers, service and information outreach occasionally overlap. Instances of redundant information, provided directly to taxpayers or through service partners, can introduce opportunities for misunderstanding and inefficiency. To ensure more consistent, integrated, and timely outreach of information and service to taxpayers the IRS is working to coordinate outreach efforts across the IRS enterprise.

Tax Return Preparer Regulation

After an extensive review in 2009 that included significant public input, the IRS announced in January 2010 ([Publication 4832, IRS Return Preparer Review Final Report](#)) a fundamental change in how the agency will regulate the tax return preparation industry. With more than 80 percent of American households using a tax preparer or tax software, higher standards for the preparer community will significantly enhance protection and service for taxpayers, increase confidence in the tax system, and result in greater compliance with tax laws over the long term. This program is an example of how the IRS continues to improve taxpayer service by applying research to the development of new programs designed to improve the performance of taxpayer service providers.

⁷ Formerly the Taxpayer Communications Task Group (TACT).

⁸ TAB, p.82.

Online Services Strategy

The Online Services Strategy provides an enhanced assessment framework to implement valued applications online. As one of the five Service Improvement Categories from the TAB report, the strategic concept of “Electronic Interaction Enablement,” is supported by research suggesting that an increased array of online service offerings will provide value for both taxpayers and the government. For example, subsequent taxpayer research suggests that international taxpayers greatly prefer self-assistance electronic service options.⁹ This clear preference for online interaction, matched to emerging strategies for online service development, show that the TAB philosophy, pairing research results with new service initiatives, will help the IRS reach taxpayers overseas with cost-effective services delivered in the channel they value.

⁹ Understanding International Taxpayers, W&I.

Taxpayer Service Challenges

Since Filing Season 2009, new legislation implemented tax changes and created new tax credits to support economic recovery. Taxpayers faced significant challenges related to the economic downturn. The IRS was also challenged in quickly implementing legislation intended to address the declining economy. To help taxpayers navigate through changes to the tax environment, IRS planned for, and delivered, timely and relevant service through a variety of mechanisms.

The IRS met the challenge of administering the annual Filing Season while supporting a substantial expansion of tax credits. During Fiscal Year (FY) 2010, the timing of changes to the tax code, the complexity of these changes, and the volume of service demand put a strain on existing resources and infrastructure. The tax provisions of the American Recovery and Reinvestment Act of 2009 (ARRA)¹⁰, the service demands relating to the Recovery Rebate Credit (RRC)¹¹, and the lingering impacts of the economic downturn, increased the need for IRS assistance and resources. The IRS responded to these and other challenges by aligning resources to meet increased taxpayer service needs and reviewing processes to improve efficiency.

Table 3: Effect of Legislative Changes	
Effect	IRS Response
Increased telephone demand due to Economic Recovery Payment inquiries	Despite significant demand volume, the IRS took extra steps, which resulted in delivery of better toll-free service to customers than in the prior year. The IRS created an Economic Recovery Payment (ERP) line containing informational messages on the major provisions of the ARRA and Worker, Homeownership, and Business Assistance Act of 2009 (WHBAA). ¹² This tool gave taxpayers a simple way to find out if they received the one-time ERP payment and which agency made the payment. Only individuals who received income from the Social Security Administration, Department of Veterans Affairs, and Railroad Retirement Board received a \$250 Economic Recovery Payment. Through September 4, 2010, taxpayers completed 808,708 telephone inquiries and 5.5 million web inquiries using this self-service tool.

¹⁰ American Recovery and Reinvestment Act of 2009: Public Law 111-5, enacted February 17, 2009.

¹¹ The recovery rebate credit is a one-time benefit for people who did not receive the full economic stimulus payment in 2008 and whose circumstances may have changed, making them eligible for some or the entire unpaid portion on their 2009 tax return.

¹² Worker, Homeownership, and Business Assistance Act of 2009: Public Law 111-92, enacted November 6, 2009.

Changes in tax forms and products due to the Hiring Incentive to Restore Employment Act and the Patient Protection and Affordable Care Act	The Congress enacted two major pieces of tax legislation in March 2010: the Hiring Incentives to Restore Employment Act (HIRE) ¹³ and the Patient Protection and Affordable Care Act. ¹⁴ Implementing these acts required rapid changes to several tax forms. The HIRE Act impacted all employment tax forms and required revision of 14 products, including the Form W-2, <i>Wage and Tax Statement</i> for 2010, which the IRS had already printed. The Affordable Care Act will impact tax products through 2014.
Increased volume and complexity of Form 1040X, <i>Amended U.S. Individual Income Tax Return</i> , due to changes in First-Time Homebuyer Credit	Updates to WHBAA legislation prompted several changes to the First-Time Homebuyer Credit (FTHBC). The IRS anticipated that changes to the FTHBC would significantly increase the number and complexity of Forms 1040X, <i>Amended U.S. Individual Income Tax Return</i> , submitted during FY 2010. The IRS used automated tools to systemically identify criteria for up-front disallowances and select certain amended tax returns for review. This resulted in significant labor savings, protection of revenue by identifying potentially fraudulent claims, substantial improvement in claims processing procedures, and reduction in taxpayer burden. This automated tool processed approximately 2.5 million 1040X returns. ¹⁵

Table 4: Additional Taxpayer Service Challenges	
Challenge	IRS Response
Manage customer service levels by reducing the number of telephone requests for adjusted gross income or Personal Identification Numbers order for e-filers	<p>The IRS created an automated service for taxpayers to obtain a personal identification number (PIN) in lieu of prior year adjusted gross income (AGI) for e-filing a current year return. The Service helped to prevent the overwhelming impact to Customer Service Representative Level of Service (CSR LOS) the IRS experienced in Filing Season 2009. The increase in callers needing their prior year AGI or PIN started in FY 2009 and continued to early FY 2010.</p> <p>To increase customer service levels, effective use of resources enabled the IRS to maximize the number of calls it could answer with the staff available. For example, the use of new hires to handle prior year AGI inquiries during the February and April peaks helped free up more experienced assistors for more complex calls. The IRS also made call routing changes to segment a portion of individual account calls, allowing them to hire additional staff, who received condensed, targeted training to provide account assistance.</p> <p>Through May 15, 2010, the IRS answered 24.2 million toll-free assistor calls, which was 7 percent greater than the number projected for the Filing Season. Nonetheless, phone traffic remained 11.0 percent below the unexpected increase in 2009.</p>

¹³Hiring Incentives to Restore Employment Act of 2010: Public Law 111-147, enacted March 2010.

¹⁴ Patient Protection and Affordable Care Act of 2010: Public Law 111-148, enacted March 2010.

¹⁵ This does not equal the number of returns the IRS processed.

	<p>Actual CSR LOS for FY 2010 was 74 percent, compared to a projected level of service of 71 percent and performance of 70 percent for the same period during the prior year. Significantly, the IRS automated phone system answered over 30 million calls, a 19 percent increase over the number answered last year (25.4 million).</p>
<p>Reduce taxpayer burden for return preparation at Taxpayer Assistance Centers</p>	<p>The IRS continued to provide free tax return preparation service to low-income taxpayers during the Filing Season. However, taxpayer demand for return preparation often exceeded available resources at many Taxpayer Assistance Centers (TACs), which caused long wait times, made it difficult for taxpayers to schedule appointments, and required multiple visits to the TAC. To reduce taxpayer burden and provide a seamless taxpayer experience, the IRS tested an improved appointment scheduling system in 10 locations during FY 2010. With new software, taxpayers may self-schedule a tax return preparation appointment online through a link on IRS.gov. IRS employees could also schedule appointments on behalf of taxpayers who walk in or call. This new system reduced the taxpayer's need for multiple visits.</p>
<p>Help exempt organizations that have failed to file an annual 990 series return or notice for three consecutive years avoid losing their exempt status</p>	<p>Under the Pension Protection Act of 2006¹⁶, exempt organizations that have failed to file an annual 990 series return or notice for three consecutive years will automatically lose their exempt status. To help organizations avoid losing exempt status, the IRS conducted an extensive outreach effort to alert organizations of their filing requirements. Despite this outreach, when the third filing date arrived, many organizations still had not filed a return for three consecutive years. In late July 2010, the IRS announced a one-time program to provide relief to certain small organizations at risk of losing their exempt status. The IRS posted information about the relief program and a list of organizations at risk of losing their tax-exempt status on IRS.gov.</p>
<p>Deliver another successful Filing Season and expand taxpayer services</p>	<p>As of May 14, 2010, taxpayers filed over 130 million individual returns, slightly over 2 million fewer than the same period in 2009. Consistent with the past increase in electronic filing, taxpayers filed approximately 72 percent of individual returns electronically, up from 68.9 percent in 2009, and 60.3 percent in 2008. Businesses filed returns electronically at a rate of 28 percent, up from 24.5 percent for the same period in 2009.</p> <p>Along with a successful Filing Season in FY 2010, the IRS continued to enhance and explore new approaches to taxpayer services. The IRS delivered several special weekend tax assistance events at IRS offices, in addition to the regular services they provided. Building on the success of the 2009 pilot, the IRS expanded services to taxpayers at volunteer sites by providing IRS customer service employees at 29 volunteer sites in 2010, up from eight sites in 2009.</p>

¹⁶ Pension Protection Act of 2006: PL 109-280, enacted August 17, 2006.

Table 5: Responding to Taxpayer Needs

Taxpayer Need	IRS Response
<p>Increase tax return preparation assistance at Volunteer Income Tax Assistance and Tax Counseling for the Elderly Sites</p>	<p>The volume of returns completed at Volunteer Income Tax Assistance (VITA) and Tax Counseling for the Elderly (TCE) services has double since FY 2000, and with the economic downturn, more taxpayers will likely remain eligible for services in the future. For Filing Season 2010, the IRS encouraged community-based partners to consider self-help kiosks to supplement their traditional VITA program.</p>
<p>Use social media to access service information in languages they are most comfortable with, including American Sign Language</p>	<p>The IRS incorporated newer technologies in pursuit of better taxpayer service during 2009 and 2010. Launched in 2009, the IRS YouTube® channel provides service information to some taxpayers in the language in which they are most comfortable. Along with content targeting English, Spanish, Korean, and Vietnamese speaking taxpayers, IRS videos produced in American Sign Language (ASL) are available on YouTube©. In the ASL videos, the IRS combines signing with captioned text and audio voice-over to provide the maximum number of taxpayers with information the way they most often communicate.</p> <p>These videos, publicized in collaboration with the National Association of the Deaf and the Communication Services for the Deaf (CSD), help the IRS reach taxpayers who may have otherwise encountered difficulty in reaching taxpayer service. So far, this new program enjoys positive reviews such as, <i>“Feedback from Deaf and hard of hearing communities about the first videos was very positive. Many of the comments indicated that being able to see the information in ASL made it much more accessible than simply reading it in English, that the videos ‘leveled the playing field’, for ASL users.”</i>¹⁷ Research the IRS conducted indicates that deaf and hard-of-hearing taxpayers prefer to get information about taxes in ASL. Encouraged by the success of these efforts, the IRS expects to continue distribution of information through YouTube© in coming years.</p>
<p>Respond quickly to Gulf oil spill-related issues</p>	<p>The IRS responded quickly to assist taxpayers receiving payments resulting from the April 20, 2010, oil spill in the Gulf of Mexico. The IRS posted information on the taxability of compensation from the oil spill onto IRS.gov within 10 days of the announcement of the compensation fund.¹⁸ Following this, the IRS added a new prompt on the Special Services toll-free line on June 30, 2010, to connect callers with oil spill-related tax questions directly to specially trained IRS service personnel. To address oil spill-related issues outside the Special Services toll-free line, the IRS issued an internal alert on July 8, 2010, covering oil spill-related requests for temporary relief from</p>

¹⁷ ASL News (Berkeley City College), Volume 12, Issue 1, Fall 2010

¹⁸ British Petroleum announced on June 16 the availability of a \$20 billion compensation fund for Gulf Coast residents with compensation claims. The IRS posted guidance on this compensation to IRS.gov by June 25, 2010.

collection or enforcement activities.

As part of an effort to provide assistance in response to the oil spill disaster, the IRS issued a news release on July 9, 2010, that included the Special Services toll-free number and information on a planned special assistance day for Gulf oil spill victims. On Saturday, July 17, 2010, seven TACs in four Gulf Coast states were open for a Gulf Coast Assistance Day. The TACs assisted taxpayers the oil spill affected. As a supplement to these direct outreach efforts, the IRS developed a flyer, *The Gulf Oil Spill and Your Taxes* (Publication 4873), to provide information for individuals and businesses.

Service Improvements

The IRS continued its initiatives to address the service needs of America's taxpayers and initiated new service improvements to make it easier for taxpayers to comply with federal tax laws. Table 6 presents a summary of service improvements across the IRS. These improvement efforts show IRS progress both within the categories of the TAB Service Improvement Portfolio and in other areas of taxpayer service improvement.

Table 6: Service Improvements¹⁹

Electronic Interaction Enablement

These improvements will “Enhance stakeholder value by helping to move taxpayers who are willing and able to specific services that are most effectively and efficiently delivered through the electronic channel,” as described in the TAB Service Delivery Goals. These efforts also show progress toward the IRS Strategic Plan Strategic Foundation objectives to “build and deploy advanced information technology processes and tools to improve IRS efficiency and productivity” and to “expand online tools and services” to modernize information technology, which will improve service and enforcement.

- **IRS Web Portal Acquisition Program** - This program includes three electronic modes of interface with the IRS: a Public User Portal (PUP), a Registered User Portal (RUP), and an Employee User Portal (EUP). These portals will simplify and improve website visitor experiences for taxpayers, partners, and employees.
- **Free File** – The Free File Alliance reached a new agreement for Filing Season 2010 and delivered a season of free electronic filing to taxpayers with adjusted gross incomes of \$57,000 or less.
- **Updated Web-Based Withholding Calculator** – This easy-to-use tool helps taxpayers determine their withholding amounts by factoring in and calculating the Making Work Pay Credit.
- **Electronic Filing Personal Identification Number Request** – The IRS implemented a new online tool that allows taxpayers to obtain and use a personal identification number (PIN) to satisfy the signature requirement when filing electronically. This tool provides taxpayers an alternative to calling the 1040 line (automated request or live assistance).
- **Other IRS.gov User Enhancements** – Enhancements delivered more visually compelling, results-oriented content on IRS.gov. This included modifying the home page layout and updating content on other pages to increase ease of use.
- **IRS Retirement Plans Navigator** – This new web guide (www.RetirementPlans.IRS.gov) provides information to help small business owners choose a suitable retirement plan, maintain it, and correct common-plan errors.

¹⁹ Covering the period April 2009 to September 30, 2010

- **Small Business/Self Employed Component of IRS.gov** – The IRS added three new E-Business micro sites to augment IRS.gov content and better serve small businesses.
- **U.S. Citizens and Resident Aliens Abroad Web Page** – The IRS improved the U.S. Citizens and Resident Aliens Abroad webpage on IRS.gov by improving usability and creating links to useful information.

Telephone Service Enhancements

These improvements will “Reduce burden to taxpayers by improving the effectiveness and efficiency of service delivery” and “Strengthen performance across services and channels by improving first contact resolution, promptness of service, and accuracy of information,” as described in the TAB Service Delivery Goals. These efforts also show progress toward the IRS Strategic Plan goal to “improve service to make voluntary compliance easier.”

- **Economic Recovery Line** – The IRS established a separate phone line to provide informational messages about the major provisions of the American Recovery and Reinvestment Act (ARRA) and the Workers Homeownership and Business Assistance Act (WHBAA).
- **Automated Economic Recovery Payment Information** - The IRS implemented the Automated Self-Service Applications on both the web and telephone to provide customers information about whether they received an Economic Recovery Payment from the Social Security Administration, the Veterans Administration, or the Railroad Retirement Board.
- **Estimated Wait Time** – This expanded component of phone service provides real-time messages to callers about the expected wait time in queue.
- **Transfer Calls between Toll-Free and Compliance** – The IRS expanded the capability to transfer calls between the toll-free service and compliance phone lines, reducing the need for taxpayers to call back.

Partner Services

These improvements will “improve awareness of services and channels to taxpayers to facilitate their choice of the most effective and efficient delivery options,” as described in the TAB Service Delivery Goals. These efforts also show progress toward the IRS Strategic Plan objective to “strengthen partnerships with tax practitioners, tax preparers and other third parties in order to ensure effective tax administration.”

- **Disability Initiative** – The IRS expanded this initiative to increase the availability of services to persons with disabilities by partnering with organizations that focus on the disabled community, to all 50 states and increased the number of participating cities from 84 to 100 in FY 2010.
- **Financial Education and Asset Building** – The IRS initiated the Financial Education and Asset Building (FEAB) program to promote financial education among low-income and underserved taxpayers.

- **Rural Initiative** – This initiative assisted partners in rural locations who lack sufficient resources to provide training, staffing, and computers to volunteer return preparation sites.
- **Earned Income Tax Credit Preparers** – The IRS launched a web-based training module for Earned Income Tax Credit (EITC) preparer due diligence. The IRS also contacted first-time EITC paid preparers and experienced preparers it considered likely to file erroneous EITC claims to inform them of their due diligence requirements and help them avoid common errors.
- **Academic Institution Initiative** – This new IRS partnership with academic institutions that offer training and degree programs related to the non-profit sector encourages federal tax law training for their students.

Outreach, Education, and Assistance

These improvements will “improve awareness of services and channels to taxpayers to facilitate their choice of the most effective and efficient delivery options,” as described in the TAB Service Delivery Goals. These efforts also show progress toward the IRS Strategic Plan objective to “provide taxpayers with targeted, timely guidance and outreach,” by developing “a more sophisticated understanding of taxpayer segments to allow for targeted communication to taxpayers.”

- **Online Volunteer Income Tax Assistance Location Information** – This new component of IRS.gov provides information on the location of volunteer tax assistance sites.
- **Volunteer Income Tax Assistance and Tax Counseling for the Elderly Grant Program** – This program provides financial assistance to organizations that partner with the IRS to deliver free federal tax return preparation services through Volunteer Income Tax Assistance (VITA) and Tax Counseling for the Elderly (TCE) sites. Work completed during Fiscal Year 2010 allowed this program to provide, for the first time, multi-year grants to organizations for Filing Season 2011.
- **Solution Saturday** – On Saturday, November 7, 2009, business units across the IRS worked collaboratively at five strategically selected IRS sites to provide a wide variety of tax service, successfully creating a one-stop taxpayer service experience.
- **IRS Open House Events** – These collaborative efforts offered tax assistance to taxpayers during Fiscal Year 2010 by combining IRS business areas to provide comprehensive service to help taxpayers resolve tax problems. The IRS conducted five Open House events, serving 35,731 taxpayers.
- **Link & Learn Taxes** – The IRS expanded this e-learning course for VITA volunteers during 2010 to provide information on Schedule K-1, Partner’s Shares of Income.
- **Outreach for the American Recovery and Reinvestment Act** – A cross-functional team within the IRS developed new products (e.g., Publication 4787 – *American Recovery and Reinvestment Act (ARRA), Catch a Break Individual Overview*), researched target populations, and created an employee toolkit and website as an outreach to inform taxpayers about the ARRA.

- **Redesigned Forms 1040X, Amended U.S. Individual Income Tax Return and 1040NR, U.S. Nonresident Alien Income Tax Return** – The IRS redesigned these forms to reduce taxpayer burden.
- **New Form 941X, Adjusted Employer’s Quarterly Federal Tax Return or Claim for Refund** – Taxpayers will use Form 941X to make corrections to employment tax returns. This form should improve the amended employment tax return process.
- **Outreach to Exempt Organizations at Risk of Losing Their Exempt Status** – The IRS developed an extensive outreach effort, using both traditional and new media, to help prevent organizations from losing their tax-exempt status after not filing an annual information return for three consecutive years.
- **Outreach to Retirement Plans at Risk of Losing Favorable Tax Treatment** – The IRS developed and promoted, through extensive outreach efforts, a Voluntary Correction Program Submission Kit to help retirement plans that missed the deadline to adopt certain amendments to retain their tax-qualified status.
- **Getting Started: A Case Study** – This new series of informational videos explains how a hypothetical exempt organization completes the redesigned Form 990, Return of Organization Exempt from Income Tax.
- **StayExempt.IRS.gov** – This redesigned interactive web-based learning tool provides user-friendly educational materials on tax compliance topics for exempt organizations, including current news and information features and new mini-courses.
- **Updated Individual Retirement Account Resources** – These web-based resources provide individuals with information to help them save for their retirement using Individual Retirement Account (IRA) accounts.
- **“Facts About Merging or Terminating Your Organization”** – The IRS developed this fact sheet for exempt organizations to help explain the tax impacts of the economic downturn.
- **“The New Form 990: What Tax-Exempt Organizations Need to Know”** – The IRS designed this new “mini-publication” to help exempt organizations prepare and file the redesigned Form 990, Return of Organization Exempt from Income Tax.
- **Updated Publications for 501(c) (3) Organizations** – These revised publications with updated plain-language replaced lengthy attachments.
- **Employment Tax Workshops for Indian Tribes** – The IRS conducted more than 75 regional two-day employment tax workshops for Indian tribes in 2010.
- **PREPARE for Indian Tribes** – The IRS developed this comprehensive set of tools to help tribes when unanticipated interruptions in payroll processing or federal tax reporting occur.
- **Specialized Webinars for Federal, State, and Local Governments** – In March 2010, the IRS offered a webinar, 1099-Misc, Filing for State and Local Governments, and Fringe Benefits, in August 2010.

- **New Refundable Credit Payment Procedures and Information Reporting for Build America Bonds and HIRE Act Direct Pay Tax Credit Bonds** – The IRS implemented new refundable credit payment procedures, and developed new forms and revised other forms to expedite processing of requests for refundable credit payments.
- **Small Business Outreach** – Over 170,000 external stakeholders participated in IRS tax events designed to help small businesses better understand their tax obligations.
- **National Phone Forum Presentations** – These presentations delivered information on the audit experience and processes.
- **Nationwide Tax Forum Presentations on Retirement Plan Issues** – These presentations provided information on retirement plan issues and on how to keep a plan tax-law compliant.
- **Employee Plans Phone Forums** – These free phone forums provided information on various retirement plan topics and gave attendees an opportunity to have their questions answered.
- **Tax Executive Institute** – The IRS conducted focus groups with members of the Tax Executive Institute (TEI) to determine taxpayer satisfaction with its Large Business and International (LB&I) division. The TEI membership consists of accountants, lawyers, and other corporate and business employees responsible for the tax affairs of their employers in an executive, administrative, or managerial capacity.
- **Quality Examination Process** – This process engages and involves large business taxpayers in tax examinations, from the earliest planning stages through resolution of all issues and cases, to make the examination process run more smoothly.
- **Virtual Small Business Tax Workshop (English and Spanish)** – These workshops helped Schedule C, Profit or Loss From Business, filers understand their tax rights and responsibilities as small business owners.
- **Video Series: Your Guide to an IRS Audit** – These video materials provide a synopsis of the examination process from the taxpayer’s point of view to help taxpayers better understand the audit process.
- **Servicewide Collaborative Outreach Strategy** – This cross-functional team developed a collaborative IRS outreach strategy to ensure the delivery of clear and consistent guidance to taxpayers.
- **Ensuring Quality at VITA/TCE Sites** – In this program, a centralized team of reviewers performed both site and return reviews to define opportunities to improve VITA programs.
- **EITC Awareness Day** – The IRS held the fourth annual EITC Awareness Day on January 29, 2010. Thanks to a first-ever presidential press release and social media, in addition to the regular outreach efforts, this event generated extensive media coverage to increase taxpayer awareness of the EITC program.

- **Low Income Tax Clinics** – For the 2010 grant cycle, 160 clinics received total funding of \$10 million, with clinics operating in every state, the District of Columbia, and Puerto Rico. The Low Income Tax Clinic (LITC) program funded 16 clinics to provide only English as a Second Language (ESL) services, 43 to provide only controversy services, and 101 to provide both ESL and controversy services.

Marketing and Promotion

These improvements will “improve awareness of services and channels to taxpayers to facilitate their choice of the most effective and efficient delivery options,” as described in the TAB Service Delivery Goals. These efforts also show progress toward the IRS Strategic Plan goal to “improve service to make voluntary compliance easier,” by providing taxpayers with targeted, timely guidance and outreach by the “use of proactive marketing to increase awareness and use of service options that bring value to taxpayers and the IRS.”

- **EITC Awareness Marketing** – The EITC 2010 multilingual marketing campaign, including TV, radio, print, emerging social media, and out-of-home Public Service Announcements (PSAs), has surpassed the success of last year’s campaign. From January through tax day, both English and Spanish PSAs ran in urban and rural markets nationwide. The IRS EITC Office won a Bronze Telly Award in the PSA category for its “Bus Talk” commercial.
- **Overall Electronic Tax Administration Marketing** – A new integrated marketing campaign for Electronic File (e-file) and Free File centered on the creation of a social microsite that could host video, social media share, widgets, and other communication tools to promote electronic filing and e-file with Free File. The campaign revolved around the concept of “social norming”, that e-filing was the norm, not the exception.
- **Google® Adwords Campaign** – The IRS used Google Adwords for 3 months, from June through August 2010, to promote greater use of the Retirement Plans Navigator website.
- **Exempt Organizations “At-Risk Widget”** – The IRS used this eye-catching widget to spread the word about the one-time filing relief program for small tax-exempt organizations at risk of losing their exempt status.
- **Retirement Plans Navigator “Widget”** – This “widget,” promoted to both private and non-for-profit websites, easily directed the viewer to the Retirement Plans Navigator website.

Multilingual Services

These improvements will “Reduce burden to taxpayers by improving the effectiveness and efficiency of service delivery,” as described in the TAB Service Delivery Goals. These efforts also show progress toward the IRS Strategic Plan goal to “improve service to make voluntary compliance easier” by “incorporating taxpayer perspectives to improve all service interactions.”

- **“How Much Was My 2008 Stimulus Payment” for Spanish-Speaking Taxpayers** – More than 75,000 taxpayers found assistance using the Spanish, “How Much Was My 2008 Stimulus Payment”, during the 2009 Filing Season.

- **“Spanish - Where’s My Refund?”** – During Filing Season 2010, more than 500,000 taxpayers received refund information from their returns using this application.
- **Limited English Proficiency Initiative** – The coverage of the limited english proficiency (LEP) initiative expanded in 2010 to include three additional languages (Chinese, Korean, and Vietnamese) in six pilot cities.
- **Over-the-Phone Interpreter Service** – The over-the-phone interpreter (OPI) services provided to LEP taxpayers expanded to include all front-line service employees across the IRS.
- **Multilingual Initiative Strategy Office Certification** –The IRS certified the Spanish-language website for the Fiscal Year 2010 Filing Season, adding new information to the site and creating several new pages, including Electronic PIN Application and authorized e-file providers.
- **EITC Multilingual Efforts** – The EITC office partnered with the Multilingual Initiative Strategy Office (MLISO) to develop EITC publications in six languages. In addition, EITC continues to sponsor Spanish public service announcements, as well as, an hour-long infomercial hosted on the national Spanish-language network, Telemundo.
- **Multilingual Gateway Website** – The IRS implemented a Multilingual Gateway on IRS.gov to facilitate participation in the tax system by all sectors of the public. The IRS designed the content to meet the needs of the Chinese, Vietnamese, Korean, and Russian LEP taxpayers on IRS.gov.

Service Delivery through Taxpayer Assistance Centers

These improvements will “Align service tasks and channels with the most effective and efficient methods of delivery possible,” as described in the TAB Service Delivery Goals. These efforts also show progress toward the IRS Strategic Plan goal to “improve service to make voluntary compliance easier” by “expediting and improving issue resolution across all interactions with taxpayers, making it easier to navigate the IRS.”

- **Scope of Services Expanded in Taxpayer Assistance Centers** – The IRS expanded the scope of services in Taxpayer Assistance Centers (TACs) to include cancellation of debt and alien residency.
- **Increasing State Tax Return Preparation at the TACs** – In 2010, volunteers prepared state income tax returns for low-income taxpayers in TACs for 27 of the 41 states that have a state income tax.
- **Facilitated Self-Assistance** – Nearly 32,000 taxpayers performed certain tax-related tasks on IRS.gov at one of the participating Facilitated Self Assistance (FSA) TACs during Filing Season 2008, 2009, and 2010. The IRS will rollout permanent self-assistance workstations for Filing Season 2011.
- **Increased Services at Volunteer Sites** – During the FY 2010 Filing Season, the IRS collaborated with partners to provide traditional TAC services at 27 volunteer locations, providing service to over 5,300 taxpayers.

Service During Enforcement

Within the IRS, the Service and Enforcement functions share a mutually-desired outcome: compliance issue prevention and, where necessary, resolution. As such, to view service and enforcement work as integrative and complementary is important. For example, notices provide information that may either signify a compliance concern or relay information about tax law. As the IRS continues its enforcement activities, it must provide taxpayers with timely service and information to help them understand and meet their tax obligations. The IRS improved the quality of its notices to provide timelier service to taxpayers and established a task force to address compliance problems related to Section 218 of the Social Security Act.

- **Section 218 of the Social Security Act (Voluntary Agreements for Coverage of State and Local Employees)** – The IRS established a task force to address compliance problems related to section 218 of the Social Security Act and is collaborating with the Social Security Administration to develop an online archive of agreements and modifications.
- **Employee Business Expense Search Engine** – This electronic tool will help IRS employees provide better information to taxpayers when explaining what documentation the law requires to substantiate employee business expenses.
- **Earned Income Tax Credit (EITC) Closing Procedures Strengthened** – Changes in the closing procedures to keep allowable dependents from past years on record and thereby prevent unnecessary selection for audits created greater efficiency and reduced taxpayer burden.

Examples of Data-Driven Service Improvement

TAB → IRS Strategies → Research → Improvements

Establishing a baseline of taxpayer service information was one of the main objectives of the TAB. Taking this original baseline of thought and data as a starting point, the IRS continues to apply the philosophy of TAB: research-driven improvements to taxpayer service. Moreover, the incorporation of the TAB objectives into the IRS Strategic Plan, and continued IRS progress towards the goals laid out within that plan, illustrates the organizational commitment to operational improvement grounded in the taxpayer and partner perspective. The following six examples show the TAB philosophy in action in the IRS and explain improvements made with particular emphasis on understanding the perspective of the taxpayer and applying that understanding to improve service in ways that increase both taxpayer and government value.

1. Office of Taxpayer Correspondence²⁰

Though the TAB did not address the clarity of IRS communications as a specific improvement topic, the TAB did recommend that the IRS explore ways of improving the communication products it provided to taxpayers.²¹ In 2008, the IRS Commissioner directed the IRS to form a Taxpayer Communication Taskgroup (TACT) to address the consistency, clarity, and effectiveness of IRS communications. Outcomes the TACT sought include:

- Faster resolution of taxpayer issues;
- Improved taxpayer compliance;
- Reduced taxpayer burden; and,
- Reduced postage, printing, and phone traffic costs for the IRS.

These goals align with the TAB Guiding Principles, including improving first contact resolution with due consideration of burden, improving access to information, and enhancing communication.²² These objectives also match the direction defined in the IRS strategic plan, specifically the goals to provide taxpayers with targeted, timely guidance and outreach and expedite and improve issue resolution across all interactions with taxpayers, making it easier to navigate the IRS. The strategy of systematically reviewing written taxpayer communications and notices to ensure effectiveness addresses both IRS strategic objectives.

One critical step in improving taxpayer communication involves using data from taxpayer comprehension tests to systematically assess and improve the understandability of communication products. The OTC will use the new process as they redesign each notice, making it easier for taxpayers to understand why they

²⁰ Formerly the Taxpayer Communications Task Group (TACT).

²¹ TAB, p.16

²² TAB, p.6

received the notice, what is expected of them, what they are to do next, and what the possible consequences are for failing to act. Improved understanding is a prerequisite to solving taxpayer issues and reducing taxpayer burden.

During FY 2010, the IRS transformed the TACT into a new, permanent program office to centralize authority and responsibility for notices and IRS correspondence improvements servicewide. The Office of Taxpayer Correspondence (OTC) focuses on improving the taxpayer service experience by communicating more effectively with taxpayers. In addition to working to simplify and clarify IRS notices using the plain language style, the OTC is working with a servicewide research and analysis team to create a method for evaluating notice effectiveness. The measures will track taxpayer comprehension and response and the impact of redesigned notices on issue resolution. Additionally, the OTC will maintain a management information system to collect comprehensive data on notices that will feed into performance effectiveness measures and enable data-driven decision-making.

New Redesigned Notices

- During FY 2010, the OTC completed the redesign and programming requirements for 115 notices (in addition to 22 notices in Spanish that the Virtual Translation Office²³ developed). The first group of nine notices went into production in January 2010, and a second group of 30 math errors, adjustments, and miscellaneous notices went into production in August 2010, with a volume of approximately 25 million.
- The OTC has completed the redesign of over 60 more notices, which went into production in January 2011, with an estimated volume of 95 million.
- The OTC and the Modernization and Information Services formed a close partnership in 2009 to ensure that they could program and implement the new notices in a timely manner.
- The OTC also worked closely with Electronic Tax Administration and Refundable Credits to design new IRS.gov pages for notices and to simplify access to information available on the website by adding “Understanding my Notice or Letter” as a feature of the IRS.gov home page. The new webpages include a general landing page that provides an overview of how to locate information about a specific notice. The page explains the redesign processes, provides links to other notices and provides specific landing pages for each of the notices as the OTC redesigns them. The redesigned notices include a specific reference to the IRS.gov page, along with other information the taxpayer may need. The individual notice pages include commonly asked questions that members of the citizen-based Taxpayer Advocacy Panel identified.

²³ The Virtual Translation Office provides a centralized focal point to produce and manage official translations of written tax information for Limited English Proficient taxpayers.

- The OTC and the Virtual Translation Office collaborated to have 14 notices translated into the five most common non-English languages²⁴ and posted on IRS.gov. The OTC plans to post an additional 11 translated notices on IRS.gov early in 2011. While none of the notice images on the web will include any actual taxpayer data, they will contain the standardized portions of the notice that will aid limited English proficient taxpayers in understanding the basic purpose of the notice and the steps they should take in response.
- In August 2010, three new First-Time Homebuyer Credit (FTHBC) repayment notices went into production. The IRS will send these to taxpayers to proactively remind them of any FTHBC repayment obligations.

2. Interactive Tax Assistant

Originally described as Tax Law Support Tools in the TAB report, the Interactive Tax Assistant (ITA) became operational on IRS.gov during the 2010 Filing Season.²⁵ The ITA is a new IRS.gov application designed to provide users with answers to common tax law questions. This electronic self-assistance application uses a probe-and-response format to help taxpayers find specific answers to specific questions. This represents a significant advancement in how taxpayers can obtain answers to tax law questions. Providing specific answers instead of simply providing tax law content should improve the accuracy of tax law application and reduce taxpayer burden. Analysis of operational and taxpayer survey data helped set the priorities for ITA topic development, with issues that most commonly cause difficulty for taxpayers completed first. Popular topics are “Who Must File,” “Filing Status,” “Dependents,” “Exemption Amount,” “Standard Deduction,” “Child Tax Credit,” and “Making Work Pay (ARRA).”

3. Leveraging Resources to Optimize Service

Since FY 2008, the IRS has faced major challenges in assisted phone workload because of significant increases in taxpayer demand. To balance the delivery of telephone and correspondence-based adjustment programs and to ensure that all taxpayers receive a correct and complete response in a timely manner, the IRS established the Leveraging Resources and Optimizing Service (LROS) project.

This program addresses the challenges the increasing service workload created by implementing a new business model with revised training and resource deployment strategies. Implemented in FY 2010, the LROS planning model organizes work so that less experienced employees handle less complex Accounts Management calls such as refunds, prior-year adjusted gross income, and transcript inquiries while assistors with more developed or specific skill sets to handle more complex inquiries. In addition to increasing efficiency by better matching human resources to service challenges, this system realized gains in the quality of service the IRS provided, as newly hired Customer Service Representatives (CSRs) achieved accuracy above annual target levels.

²⁴ The five most frequent non-English languages are Spanish, Chinese, Vietnamese, Korean, and Russian.

²⁵ TAB, p.82

4. Outreach Summit Steering Committee

Though IRS business units may serve different groups of taxpayers, the ability to address common objectives and benefit from lessons learned is an important improvement opportunity. To ensure more consistent, integrated, and timely outreach of information and guidance to taxpayers, the IRS is working to coordinate outreach efforts across the Enterprise.

In April 2010, the IRS held an outreach summit designed to improve the collaboration among the IRS offices involved in outreach. The outreach summit identified the following six objectives:

- Create comprehensive point-of-contact information to connect relationship managers inside the IRS
- Create a centralized technology resource that lists outreach points of contact and subject matter experts
- Designate a central repository for approved IRS outreach messages
- Create a common events calendar for all outreach personnel
- Create performance measures
- Take a servicewide inventory of outreach and communication technology tools
- Write clear, concise policy and guidance for access and use of technology, including social media

The IRS formed an outreach summit steering committee to follow up on the objectives from the outreach summit. Each of the six projects has a team leader. The outreach summit steering committee meets monthly to monitor and direct the six projects and consider future projects. The result of these efforts will better provide, in the words of the IRS Strategic Plan, “targeted, timely guidance and outreach to taxpayers.”²⁶ This effort to increase the organization and coordination of information distribution also meshes with three IRS service delivery goals the TAB established: increasing the effectiveness of service delivery, improving the accuracy of outreach information, and using the most effective service channel efficiently.²⁷

5. Tax Return Preparer Regulation

After an extensive review in 2009 that included significant public input, the IRS announced in January 2010, a fundamental change in how the agency will regulate the tax return preparation industry.²⁸ With more than 80 percent of American households using a tax preparer or tax software, higher standards for the preparer community will significantly enhance protection and service for taxpayers, increase confidence in the tax system, and result in greater compliance with tax laws over the long term.

Increased oversight begins with the requirement that all preparers register with the IRS and obtain a Preparer Tax Identification Number (PTIN). The IRS launched a

²⁶ IRS Strategic Plan, Objective 3.

²⁷ TAB, p.6

²⁸ Publication 4832, *IRS Return Preparer Review*, Final Report.

new online PTIN system in September 2010 on the Tax Professionals page of IRS.gov. A paper process, designed primarily for foreign preparers and those without a social security number for religious reasons, is also available.

The PTIN requirement applies to anyone who prepares all or substantially all of any federal tax return or claim for refund for compensation. Preparers must pay an annual fee of \$64.25 to obtain a PTIN. Effective January 1, 2011, the PTIN is the only acceptable identifying number that preparers can use in the paid preparer section of a return.

Having a comprehensive database of all federal tax return preparers will improve IRS communication opportunities, as well as, will allow us to better analyze trends, spot anomalies, and detect fraud.

Proposals for future phases of the oversight program include:

- Requiring that all paid preparers, except attorneys, Certified Public Accountants (CPAs), enrolled agents, and certain others, pass a competency test and complete continuing professional education of 15 hours per year
- Extending the ethical rules found in Treasury Department Circular 230 to all paid preparers
- Checking for tax compliance and suitability checks of some or all paid preparers

Additionally, the IRS is working to:

- Develop a comprehensive return preparer compliance strategy
- Create a public database of registered preparers
- Develop a public awareness campaign to educate preparers and taxpayers on the new requirements

To implement and oversee the new program, the IRS created a Return Preparer Office. It will manage the registration system and all activities related to continuing education and testing and coordinate resource planning for all IRS efforts related to return preparers.

The Office of Professional Responsibility, is responsible for ensuring that tax professionals meet high ethical standards, and will remain a separate entity within the IRS.

6. Online Services Strategy

The IRS has developed an Online Services Strategic Framework to define business priorities that will guide decision-making for online services expansion.

Since the introduction of e-File in 1986, the IRS has continued to make progress in providing online services to taxpayers, such as creating various e-products and making more comprehensive information available on IRS.gov. The IRS must continue expansion of online services to achieve cost-effective service delivery, keep pace with

broader industry practices, and reduce taxpayer burden. An interest in maximizing both taxpayer and government value guides IRS online development.

Online Services Guiding Principles

- Results-Oriented: Ensure that online taxpayer services are business-case driven and focus on tangible results
- Risk-Managed: Plan and implement online services and identify exposure to risk and risk mitigation strategies
- Taxpayer-Friendly: Assess taxpayer needs, capabilities, and expectations to determine the appropriate channels and methods for delivery of services
- Accurate: Provide taxpayers with content that is accurate, understandable, easy to find, and timely
- Secure: Ensure the security and privacy of online services
- Compliant: Implement online services that comply with all applicable federal laws and regulations
- Transparent: Use the Internet to build and maintain trust and accountability with taxpayers by promoting transparency in federal tax administration

The Online Services Strategy provides an enhanced assessment framework for implementing valued applications online. As one of the five Service Improvement Categories from the TAB Phase 2 report, the research suggests that the strategic concept of “Electronic Interaction Enablement,” an increased array of online service offerings, will render value for both taxpayers and the government.

Taxpayer Service Research

Background

The primary goal of service is to facilitate voluntary compliance by making it easier for taxpayers to comply with their tax obligations. The TAB represented a comprehensive and foundational research effort profiling taxpayer service needs, preferences, and behaviors. Since 2007, the IRS research community has continued to enhance the understanding of service from the taxpayer perspective. In April 2010, the IRS developed the Research Community Strategic Plan representing an important advancement in the cross-functional coordination of services-related research. The Research Community Strategic Plan addresses the IRS Strategic Plan's focus on the service elements of "easier":

- Incorporating taxpayer perspectives into operational changes
- Improving task and issue resolution
- Providing effective guidance and outreach and
- Strengthening third-party partnerships

The IRS services-related research completed during the period this status report covers reflects enhancements in the knowledge and operational application of the taxpayer perspective.

The IRS has refined the TAB research to improve understanding of how taxpayer service tasks influence expectations for issue resolution, acceptable burden, and service channel or resource preferences. Taxpayers and intermediaries, such as paid preparers, define their service performance expectations and evaluate the value of and their satisfaction with services relative to the resolution of their tax issue, not simply the experience associated with a single service contact.

In general, customer expectations for information-oriented and self-initiated interactions with IRS service resources focus on short-time resolution and performance attributes, such as convenience. Customers with problem-oriented or IRS-initiated interactions, such as notices, focus on minimizing burden while obtaining a trusted resolution to their issue. These are significant factors in the customer preference to write or speak to an IRS representative.

Importantly, taxpayers' or preparers' confidence in their ability to understand and successfully apply the information the IRS provides strongly influences subsequent behaviors, such as moving from a web application to a phone call. Developing tax-related content that is easier to understand and web-based decision tree applications, which use a probe-and-response format that allows taxpayers to obtain accurate answers to their unique circumstances, are important steps in improving taxpayer confidence in service deliverables. In addition to resolution-driven expectations, factors such as demographic influences, awareness, accessibility, and previous service experience influence taxpayer service delivery preferences and behavior.

The research projects and findings highlighted in this report represent advancements relative to the TAB baseline in understanding the relationship between taxpayer service needs, preferences, and behaviors. They provide current or new information on taxpayer service as they relate to the goals of the IRS Strategic Plan. While not an exhaustive list, these projects illustrate the evolution and relationship between IRS research and services operational improvements.

Discussions in this section will highlight examples of IRS research that have provided insight into the taxpayer experience and IRS service delivery and outreach. This includes a table describing research projects initiated or completed during the period this report covers. Finally, the section will provide a summary of key research findings and examples of operational projects and investments the finding(s) or analysis supports.

As stated previously, both the TAB and the IRS Strategic Plan reinforce the core objective of service: to facilitate voluntary compliance. Controlling or isolating all of the variables that influence compliant behavior is a complex undertaking. While establishing an empirical relationship between specific service investments and voluntary compliance rates is daunting, assessing progress relative to the key elements of service required to make compliance easier is possible. The purpose of focusing on the “elements of easier” is to draw the connection between the value of these service elements and the potential positive impact on compliant behavior. Service attributes highlighted in this report include:

- **Segmentation** - Demographic characteristics, filing characteristics, service option awareness, service access, attitudes, and previous behavior.
- **Awareness** - How the IRS communicates with target audiences.
- **Comprehension** - How effectively the IRS explains filing compliance requirements or solutions.
- **Access** - How effectively the IRS aligns options for service with taxpayer and partner preference to increase service coverage and availability.
- **Performance** - How effectively and efficiently the IRS meets taxpayer expectations and performs service tasks.

The research summary provides representative research projects, key findings, and a table (Table 19) which illustrates the relationship between research analysis and operational service improvements.

Segmentation

Taxpayers form a large and diverse group with different service needs, preferences, attitudes, and behaviors. Taxpayers also have wide variations in age, income, language, education, and physical capacity. To better understand differences in service option awareness, service access preferences, attitudes, and filing behaviors, the IRS segmented and analyzed taxpayers and preparers based on distinctive demographic, behavioral, attitudinal, and filing characteristics.

Table 7: Segmentation Research Completed or Underway

Project Title	Description
<p>Survey of Customer Service Needs of U.S. Taxpayers Living Abroad</p>	<p>Objective: To assess international taxpayers' awareness, uses, needs, and willingness to use various IRS and non-IRS resources and services. Key findings: Although most survey respondents could obtain the information that they were seeking, the primary reasons they gave for being unable to obtain information fell into three major categories: burden, availability of response, and clarity. Further, respondents consistently ranked IRS.gov among the top resources they used in the past and would be willing to use in the future.</p>
<p>Profile of International Taxpayers</p>	<p>Objective: To analyze secondary data from the Compliance Data Warehouse to profile U.S. taxpayers living outside the United States and identify potential compliance issues attendant with international taxpayer returns. Key findings: Compared to all tax returns, taxpayers are less likely to file international returns electronically or have them professionally prepared, which likely contributes to the relatively high percentage of international returns with at least one math error. Nearly half of international filers are between the ages of 25 and 44, which has potential relevance to preferences and willingness to use certain service delivery channels.</p>
<p>Profile of Low-Income Taxpayers</p>	<p>Objective: To describe the population of taxpayers with an AGI of \$35,000 or less to understand their interaction with IRS service channels. Key findings: Taxpayers with an AGI of less than \$15,000 appear to have certain performance behaviors that differ from taxpayers in the \$15,000 to \$34,900 range. For example, this group overall is most likely to contact the IRS (53 percent) when compared to other income segments, and is equally likely to do so through IRS.gov or the toll-free line (accounting for 62 percent of contacts).</p>
<p>Profile of Self-Preparers</p>	<p>Objective: To determine the unique characteristics of self-prepared returns and identify the differences that exist between self-preparing taxpayers and those who use a paid preparer. Key finding: Nearly 30 percent of self-preparers completing their return on paper do not have home internet access.</p>
<p>EITC Preparers Longitudinal Study</p>	<p>Objective: To determine the churn rate (percentage of taxpayers changing preparation method annually) for the general filing population and the EITC population. Key findings: Approximately 31 percent of all taxpayers that visit a tax preparer churn. Half of EITC taxpayers that visit a tax preparer churn in the following tax year. Taxpayers that use the services of tax preparers who complete returns for only one tax year might be more vulnerable to erroneous tax return preparation.</p>
<p>2009 Tax Professionals Survey</p>	<p>Objective: Provide a more in-depth view of tax professionals' business models, characteristics, needs, and interactions with the IRS. Key findings: Tax professionals primarily file electronically and rely, in order of preference, on tax preparation software (78 percent), IRS forms and publications (66 percent), and IRS.gov (55 percent) for information. When asked to choose just one of three possible future services, over half of the tax professionals indicated that enhanced e-services for notice resolution would be most valuable in helping them better serve their clients.</p>
<p>Benchmark Survey Update for Taxpayers with Disabilities</p>	<p>Objective: Profile taxpayers with disabilities and identify possible outreach strategies based on this profile. Key findings: Taxpayers with disabilities were more likely to be unemployed or on disability. Their median AGI was nearly half that of respondents without disabilities. Awareness and use of free tax preparation services and resources among taxpayers with disabilities was low (e.g., 36 percent reported awareness of VITA clinics, but only 6 percent used this service).</p>
<p>Multilingual Initiative (MLI) – Low Income Tax Clinic (LITC) Directors' Survey</p>	<p>Objective: To assess the needs of limited English Proficient (LEP) taxpayers from the LITC Director perspective. Key findings: The LITC clientele is becoming increasingly diverse. Approximately 25 percent of surveyed clinic directors stated that a majority of their clients had limited English skills and a majority used IRS translation services to assist their clients.</p>

Representative Key Findings

- Higher income taxpayers reported a greater willingness to use the IRS website in the future to perform tax-related activities than lower income taxpayers.²⁹
- Taxpayers reported use of the toll-free phone channel and Taxpayer Assistance Centers tends to decrease as household income increases.³⁰
- Taxpayers who self-prepare their returns are generally younger, more likely to file as single, and less likely to file online compared to taxpayers who use a paid preparer.³¹ Of the tax year (TY) 2008 self-prepared returns, 77 percent of taxpayers used software and 23 percent prepared their returns by hand³². Approximately six out of ten (59 percent) self-preparers have contacted the IRS within the past 12 months, compared to 34 percent of those who use paid preparers.³³
- Respondents to the IRS Survey of International Taxpayers consistently ranked the IRS website their top service resource in both, awareness (74 percent) and use (55 percent), which is consistent with higher self- preparation among international taxpayers.³⁴
- Limited English Proficient (LEP) Spanish-language taxpayers, defined as those who do not read or speak English well, tend to be younger, have a higher percentage of households with income less than \$35,000, and use preparers at a higher percentage than taxpayers as a whole.³⁵ While awareness of content in Spanish on IRS.gov is low, 75 percent of Spanish LEP taxpayers who used IRS.gov, used the Spanish-language website more frequently than any other service channel.³⁶
- Roughly two-thirds of tax professionals identified self-employed small business owners, seniors, and EITC recipients, when asked what groups of taxpayers they commonly served.³⁷

Awareness

Awareness addresses how the IRS communicates with target audiences. Taxpayers cannot take advantage of IRS or non-IRS resources and services if they are unaware of the existence of these resources and services. Measuring taxpayers' levels of awareness is one way to gauge how successfully the IRS is incorporating taxpayer perspectives into initiatives to improve service interactions.

²⁹ 2009 Benchmark Survey Report, Phase 1 – Analysis of Generational and Income Segments, p. 44.

³⁰ Affordable Care Act: Data Request Regarding IRS Service Trends, slide 12.

³¹ Segmentation Profile of Self-Preparers Status Report, p. 4.

³² Segmentation Profile of Self-Preparers Status Report, p 7.

³³ 2009 W&I Taxpayer Experience National Report, p. 29.

³⁴ Understanding the International Taxpayer Experience: Service Awareness, Use, Preferences, and Filing Behaviors, p. 4.

³⁵ 2009 W&I Taxpayer Experience Spanish Limited English Proficiency (LEP) Report, p. 9.

³⁶ 2009 W&I Taxpayer Experience Spanish Limited English Proficiency (LEP) Report, p. 28.

³⁷ 2009 W&I Tax Professionals Survey, p. ii.

Table 8: Awareness Research Completed or Underway

Project Title	Description
<p>Health Coverage Tax Credit Survey</p> <p>(Credit applies to Trade-Affected Workers and individuals whose pensions are trusted by the Pension Benefit Guaranty Corporation)</p>	<p>Objective: To assess awareness, interest, use, and satisfaction of taxpayers eligible to claim the HCTC in both pre- and post- America Recovery and Investment Act (ARRA) environments.</p> <p>Key finding: Post-ARRA, HCTC-eligibles with one or more of the following characteristics possess a higher <i>awareness</i> of HCTC: have higher income (\$75K+) and at least a high school education, file a complex return, use a paid preparer, file a paper return, and do not claim EITC. Conversely, respondents with higher <i>interest in claiming</i> HCTC had a different profile: lower income (\$25K or less) but at least a bachelor's degree, simpler return, file electronically, and more likely to claim EITC.</p>
<p>2009 IRS Benchmark Survey</p>	<p>Objective: To assess taxpayer awareness, prior use, expectations, and future willingness to use IRS and non-IRS tax-related resources and services.</p> <p>Key findings: A high variability (ranging from 75 percent awareness of forms and instruction booklets to 19 percent awareness of email with the IRS) exists in the awareness of tax resources and services. Further, this awareness is not uniformly distributed across all income segments. Taxpayer awareness of IRS.gov as a channel is significantly higher than awareness of specific online service applications.</p>

Representative Key Findings

A comparison of results from the 2009 Benchmark Survey and the 2006 Benchmark Survey reveals robust consistency in taxpayer responses, which implies that taxpayer opinions, preferences, and behaviors are not generally subject to radical, but rather incremental, change. For example, overall percentages related to awareness remained consistent with a negligible difference of 5 percent or less reported for eleven of the thirteen tax resources or services identified in the surveys (refer to Table 9 and Table 10).³⁸

³⁸ The decrease in awareness of IRS forms and instruction booklets is likely attributable to an increase in electronic filing rates and the use of tax return preparation software and paid preparers. The 2006 Taxpayer Assistance Blueprint Phase 1 Report, p. 60.

Table 9: Reported Awareness of Tax Resources and Services by Age and Income (2007)³⁹

Service/Channel	Total	Taxpayer Age				Taxpayer Income (in dollars)			
		Less than 30	30 to 40	41 to 60	Over 60	Less than \$35,000	\$35,000 to \$75,000	\$75,000 to under \$100,000	\$100,000 or Over
IRS Forms and Instructions	81%	77%	82%	85%	77%	76%	87%	88%	89%
IRS Website	68%	77%	75%	71%	46%	63%	73%	76%	77%
IRS TACs	30%	22%	25%	33%	36%	30%	29%	30%	28%
Automated IRS Telephone System	36%	33%	39%	41%	28%	34%	39%	40%	40%
IRS Telephone Representatives	36%	26%	31%	45%	39%	31%	40%	46%	48%
Email with IRS	19%	18%	20%	21%	18%	18%	19%	26%	21%
Written Correspondence	27%	19%	21%	33%	33%	24%	29%	33%	37%
Volunteer Tax Prep Clinics	29%	21%	26%	31%	37%	29%	29%	31%	28%
Tax Preparation Company	66%	70%	67%	66%	60%	65%	67%	68%	69%
Non-IRS Books or Publications	21%	19%	19%	24%	20%	16%	22%	29%	36%
Personal Accountant	66%	66%	68%	68%	59%	60%	71%	75%	78%
Tax Preparation Software	66%	72%	71%	67%	47%	58%	71%	77%	76%
Non-IRS Internet Websites	30%	43%	37%	27%	13%	29%	29%	30%	32%

Table 10: Reported Awareness of Tax Resources and Services by Age and Income (2009)⁴⁰

Service/Channel	Total	Taxpayer Age				Taxpayer Income (in dollars)			
		Less than 30	30 to 40	41 to 60	Over 60	Less than \$35,000	\$35,000 to \$75,000	\$75,000 to under \$100,000	\$100,000 or Over
IRS Forms and Instructions	74%	66%	76%	80%	72%	69%	78%	84%	84%
IRS Website	67%	72%	75%	72%	48%	61%	71%	76%	80%
IRS TACs	34%	29%	31%	36%	37%	35%	32%	35%	30%
Automated IRS Telephone System	30%	24%	33%	36%	26%	27%	33%	36%	33%
IRS Telephone Representatives	33%	25%	31%	39%	33%	30%	35%	40%	40%
Email with IRS	19%	15%	18%	23%	18%	17%	20%	24%	25%
Written Correspondence	25%	16%	21%	30%	29%	22%	25%	30%	33%
Volunteer Tax Prep Clinics	33%	24%	30%	35%	42%	33%	33%	35%	33%
Tax Preparation Company	63%	62%	66%	65%	58%	60%	65%	70%	67%
Non-IRS Books or Publications	18%	16%	17%	20%	18%	14%	19%	24%	31%
Personal Accountant	61%	58%	63%	64%	56%	54%	65%	72%	75%
Tax Preparation Software	62%	67%	68%	65%	46%	53%	68%	74%	79%
Non-IRS Internet Websites	31%	43%	39%	29%	14%	30%	32%	32%	34%

- Overall, taxpayer awareness of IRS products and services has not changed significantly since 2007. Taxpayers continue to report high levels of awareness for IRS forms and instruction booklets (74 percent), IRS website (67 percent), tax preparation companies (63 percent), tax preparation software (62 percent), and personal accountant or bookkeeper (61 percent).⁴¹

³⁹ The 2007 Taxpayer Assistance Blueprint (TAB) Phase 2 Report

⁴⁰ 2009 Benchmark Survey Report

⁴¹ 2009 Benchmark Survey Report, Phase 1-Analysis of Generational and Income Segments, p. 15.

- Millennials (i.e., the under-30 age cohort) reported the highest awareness of electronic tax resources and services. Specifically, the two tax resources or services with the highest reported awareness for Millennials were the IRS website and tax preparation software.⁴²
- Seniors (i.e., the over-60 age cohort) reported lower awareness of electronic resources and services and the highest awareness of walk-in services, such as IRS Taxpayer Assistance Centers (TACs) and volunteer tax preparation clinics (American Association of Retired Persons Tax-Aide program, Armed Forces Tax Council, etc.) when compared to other generational segments.⁴³
- Low-income taxpayers reported the lowest awareness levels for eleven of the thirteen resources or services identified in the survey. They were generally the least aware of IRS resources and service options, including the IRS website, IRS phone representatives, automated IRS phone system, and volunteer tax-preparation clinics.⁴⁴
- Low-income taxpayers are not as likely as the general taxpayer population to take full advantage of IRS resource and service options due to the conditional relationship that exists between awareness and use. As such, the IRS continues to pursue initiatives that increase low-income taxpayer awareness of tax resources and services, especially those designed specifically for them (i.e., volunteer tax-preparation clinics).

Comprehension

Comprehension addresses how effectively the IRS explains taxpayer obligations and tax laws and provides clear guidance through written, verbal, and online assistance. Improving taxpayer understanding is key to making it easier for taxpayers to voluntarily comply. For example, IRS notices are frequently the first step of the enforcement process. The IRS uses notices to make taxpayers aware of an error, a problem, or a potential oversight (i.e., a taxpayer may be eligible for a tax credit). The desired outcome is for the right taxpayer to receive the appropriate notice, understand the reason for receiving the notice, respond appropriately, and resolve his or her issue. Outreach efforts address sharing information to improve taxpayer understanding of a tax issue and thereby facilitate voluntary compliance. Assessing taxpayer comprehension of IRS information is key to delivering effective tax administration through IRS and partner channels.

⁴² 2009 Benchmark Survey Report, Phase 1-Analysis of Generational and Income Segments, p. 15.

⁴³ 2009 Benchmark Survey Report

⁴⁴ 2009 Benchmark Survey Report, p. 39.

Table 11: Comprehension Research Completed or Underway

Project Title	Description
<p>SPEC Communication Senior Math Error Direct Mail Sample</p>	<p>Objective: The IRS sent letters to a sample of seniors with at least one math error on their previous year's returns informing them of common math errors and ways to avoid them on their next return. The objective of this study was to determine the effectiveness of this math error marketing campaign.</p> <p>Key findings: The direct mail campaign had little appreciable effect on the filing behavior of the senior taxpayers who received the letters. Overall, no statistically significant difference in the math error rate of the treatment and control groups existed.</p>
<p>SPEC Communication Treatments V-code Initiative Direct Mail Sample</p>	<p>Objective: The IRS sent informational letters to a sample of V-coders (i.e., taxpayers who prepare electronically but print and mail a paper return) about the ease and value of e-filing during the TY 2009 Filing Season. The objective of this study was to determine the effectiveness of the V-code marketing campaign.</p> <p>Key findings: The V-code direct mail campaign had little effect on the filing behavior of direct mailing recipients. No statistically significant differences in the electronic filing rates of the treatment and control groups existed.</p>
<p>SPEC Outreach – Test and Control Project</p>	<p>Objective: To determine the effectiveness of SPEC outreach by examining event attendees' (taxpayers and SPEC partners) awareness, comprehension, and intended behaviors related to various tax topics.</p> <p>Key findings: Only 8 percent of taxpayers and 43 percent of partners reported awareness of the Making Work Pay Credit. Relative (self-reported) and absolute comprehension significantly increased from pre- to post-test for every topic category, suggesting that participants felt more confident in their knowledge of the tax topics. However, that the presentations produced the intended expression of future behavior is not clear.</p>
<p>Notice Effectiveness Research: CP 21C Value Assessment Survey</p> <p>(Response stating account balance is zero)</p>	<p>Objective: To determine if taxpayers find value in the CP 21C, what action they would take if they had not received it, and if they would like to receive it in the future.</p> <p>Key finding: Surveyed recipients found value in the notice and indicated that they would like to receive the CP 21C in the future.</p>
<p>Notice Effective Research: CP 521 Value Assessment Survey</p> <p>(Reminder of installment agreement payment due)</p>	<p>Objective: To determine if taxpayers find value in the CP 521, what action they would take if they had not received it, and if they would like to receive it in the future.</p> <p>Key finding: Over half of respondents found value in the notice but would elect not to receive it if the IRS offered a monetary incentive.</p>
<p>Notice Effectiveness Research: Office of Taxpayer Correspondence</p>	<p>Objective: Develop a notice effectiveness program in collaboration with the entire IRS research community that uses a multi-leveled value stream approach for assessing taxpayer response and experience with revised notices through OTC efforts.</p> <p>Key Finding: Research underway.</p>
<p>Forms and Schedule Effectiveness Focus Groups (Schedule L – Itemized Deductions for Certain Taxpayers, Schedule M – Making Work Pay Credit, Form 8863 - Education Credits)</p>	<p>Objective: Collect feedback from taxpayers prior to release of a new or revised form or schedule.</p> <p>Key finding: Schedule L - Participants stated that the title of Schedule L was vague and ambiguous, making it unclear which taxpayers would use the schedule. Also, the layout was difficult to follow and the language was difficult to understand, leading to computational errors. Schedule M - Participants showed a clear preference for one of two versions, citing easier use and less dependence on the instructions. Form 8863 – Participants were confused with which credit, if any, they were eligible for and recommended rewording the instructions.</p>

Representative Key Findings

- Most taxpayers (91 percent) feel confident that the information and assistance they received from the IRS was complete and accurate.⁴⁵
- Most customers (90 percent) understood the information that the IRS provided to them when calling the toll-free line.⁴⁶
- Most visitors on the IRS.gov website (82 percent), found the information to be clear.⁴⁷

The scope and complexity of new legislation posed significant challenges for the IRS in helping taxpayers understand the new tax laws. This situation is reflected in the 2010 results for individual taxpayer satisfaction with IRS tax forms and instructions:⁴⁸

Table 12: Tax Legislation				
Table 12: “Please rate your satisfaction with each of the following items”	Top-Box Satisfaction			
	2007	2008	2009	2010
Ease of determining which forms and instructions you needed	66%	68%	79%	78%
Ease of finding answers in the publications	54%	57%	63%	68%
Knowing what you need to do to complete the forms	64%	67%	80%	57%
Completeness of instructions	66%	68%	72%	69%
Ease of understanding the instructions	55%	56%	64%	68%
Ease of understanding tax forms	57%	54%	62%	55%

⁴⁵ 2009 W&I Taxpayer Experience National Report, p. 66.

⁴⁶ 2009 W&I Taxpayer Experience National Report, p. 48.

⁴⁷ 2009 W&I Taxpayer Experience National Report, p. 45.

⁴⁸ 2010 Media and Publications External Customer Satisfaction Surveys, p. 40.

Access

Access addresses how effectively the IRS aligns options for service with taxpayer and partner preferences to increase service coverage and availability. If taxpayers cannot access IRS resources and services, they cannot use them. Measuring taxpayers' preferences, use, and future willingness to use are all ways to measure how well the IRS is meeting this objective.

Table 13: Access Research Completed or Underway	
Project Title	Description
2009 Taxpayer Experience Survey	<p>Objective: To understand taxpayer needs, preferences and behaviors; reveal use and acceptance of key IRS products and services; and provide feedback on service improvement priorities.</p> <p>Key findings: The service task drives the overall self-reported use of IRS channels. Taxpayers are most likely to contact the IRS to obtain forms, publications, or refund information and use IRS.gov or the toll-free line to do so.</p>
Extension of Taxpayer Assistance Center (TAC) Service Hours	<p>Objective: To assess the impact of expanding TAC service hours on taxpayer and employee satisfaction and business efficiency.</p> <p>Key findings: Expanding TAC service hours did not significantly improve overall taxpayer satisfaction.</p>
Taxpayer Assistance Center (TAC) Tax Law Geographic Trend Analysis	<p>Objective: To examine the trends in service tasks (both in scope and out-of-scope) that taxpayers sought when visiting TACs in different geographical locations.</p> <p>Key findings: Demand for tax law questions is generally low and out-of-scope question demand is even lower. The distribution of tax law questions varied by area and geographic type. The most common out-of-scope tax law issues were non-U.S. citizen filing requirements; Schedule D, Capital Gains and Losses; and business partnerships.</p>
Tax Assistance Days – IRS Open House	<p>Objective: To determine the success of the 2010 Open House Events that provided taxpayers with access to multiple IRS business units for a more comprehensive experience.</p> <p>Key findings: The majority of respondents (73 percent) resolved their main issues during the event and felt that communication for the Open House Event was successful.</p>
IRS Services for Deaf and Hard of Hearing Taxpayers	<p>Objective: To provide greater insight into deaf and hard-of-hearing taxpayers and recommend potential enhancements to IRS channels based on these insights.</p> <p>Key findings: Respondents identified American Sign Language as the best communication method, and participants expressed an interest in communicating by videophone rather than text phone when using the IRS toll-free channel.</p>
Talking Tax Forms (TTFs)	<p>Objective: To determine the usage of TTFs so that Accounts Management (AM) can make an informed decision on the marketing of these forms to the seeing impaired population.</p> <p>Key findings: Demand for TTFs has been growing and will continue to grow. The IRS did not capture characteristics of the downloader. AM should find ways to identify who is using TTFs so this data can inform future marketing efforts.</p>

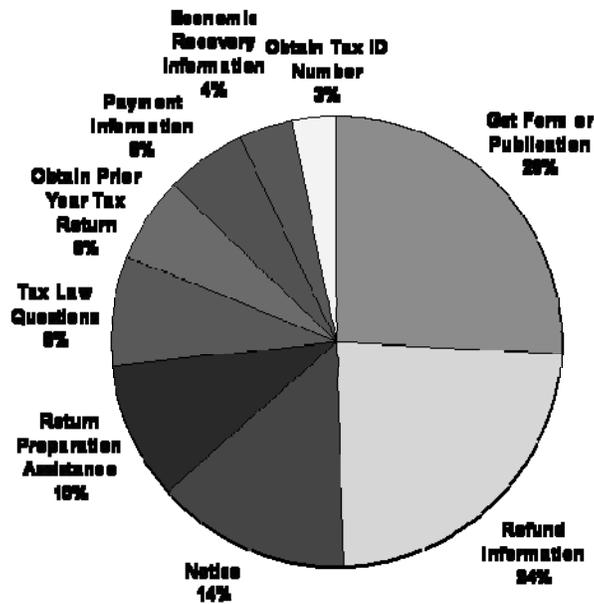
Representative Key Findings

- Self-preparers continue to be more likely, when compared to non-preparers, to contact the IRS (Table 14).

Table 14: Types of Taxpayers that Contacted the IRS Within the Past 12 Months ⁴⁹		
	Yes	No
Self-Preparer (TY 2008)	59%	41%
Self-Preparer (TY 2007)	61%	39%
Non Self-Preparer (TY 2008)	34%	66%
Non Self-Preparer (TY 2007)	35%	65%

- Taxpayers continue to contact the IRS to get forms or publications and to obtain refund information more than for any of the other seven key issues (Figure 1).

Figure 1: Overall Taxpayer Interactions by Task (2009)⁵⁰



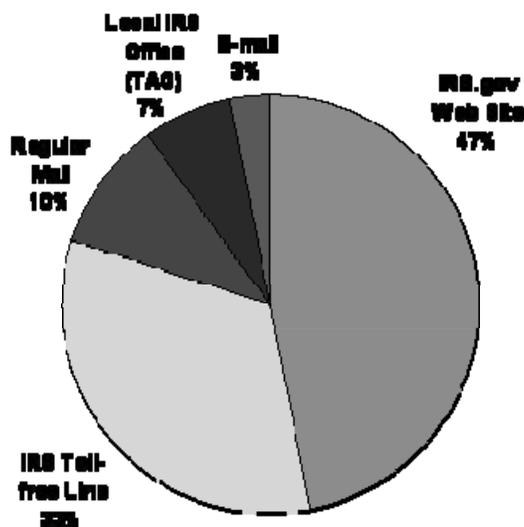
Despite reporting high awareness of IRS services, self-reported use of service resources is highly varied, depending on the task. The highest volume of customer interactions continue to occur through IRS.gov and the toll-free line, which accounts for roughly 80 percent of all interactions for the service channels surveyed (refer to Table 15 and Figure 2).

⁴⁹ 2009 W&I Taxpayer Experience National Report, p. 29.

⁵⁰ 2009 W&I Taxpayer Experience National Report, p. 30.

IRS Channel	Use (Tax Year 2008)	Use (Tax Year 2007)
IRS.gov Website	30%	34%
Toll-Free Line	20%	21%
Regular Mail	8%	7%
Local IRS Office	6%	5%
E-Mail	3%	3%
VITA (Free Volunteer Help)	4%	3%

Figure 2: Taxpayer Self-Reported Service Channel Interactions (2009)⁵²



- Nearly three-fourths of the taxpayer-reported interactions for obtaining forms or publications were through the IRS.gov website and nearly one-half of interactions about notices were through the IRS toll-free line (Table 16).

Channel	Get Form or Pub	Return Preparation Assistance	Payment Information	Notice	Obtain Prior Year Tax Return	Economic Recovery Information	Refund Info	Obtain Tax ID Number	Tax Law Questions
Local IRS Office	8%	7%	6%	9%	9%	6%	4%	9%	5%
Toll-Free Line	16%	39%	47%	46%	41%	33%	38%	38%	28%
IRS.gov	72%	47%	26%	10%	33%	50%	48%	36%	60%
E-mail	1%	3%	3%	6%	4%	5%	3%	4%	2%
Regular Mail	3%	4%	18%	29%	14%	6%	7%	13%	5%

⁵¹ 2009 W&I Taxpayer Experience National Report, p. 28.

⁵² 2009 W&I Taxpayer Experience National Report, p. 30.

⁵⁴ 2009 W&I Taxpayer Experience National Report, p. 32.

The 2009 Benchmark Survey also involved new analysis based on previously unexplored questions, reported tax return preparation method segmentation, and willingness to use IRS products and services. Highlights from this survey research and analysis include:

- Taxpayers, in general, reported television as the medium of preference for receiving information about tax law changes such as new deductions, credits, or changes in filing requirements.⁵⁴
- Taxpayers who reported using a tax professional, when asked the reason for their choice of tax return preparation method, most often responded that it was to avoid making errors.” Within the self-preparer segments, taxpayers who used paper forms reported “familiarity with method,” while taxpayers who used computer software cited “ease of use” as the reasons for their choice of tax return preparation method. Interestingly, within both the traditional Free File and Free File Fillable forms tax return preparation segments, the most often-cited reason for choice of preparation method was “ease of use,” not the expected “cost effectiveness (i.e., method was affordable or free).”⁵⁵
- Taxpayers who self-prepared their tax return using paper forms, in the absence of the option of IRS forms and instruction booklets, ranked the IRS website as potentially the most important resource or service used to complete their tax return.⁵⁶
- Taxpayers who reported using a tax professional were not willing to use the IRS automated telephone system to complete any of the listed tax-related activities in over half of the responses.⁵⁷
- Taxpayers who reported self-preparing their tax return using paper forms were most willing to use the IRS automated telephone system to get an IRS form or publication. Within all other reported tax return preparation method segments, particularly those who self-prepared using Free File, taxpayers were most willing to use the IRS automated telephone system to get information about a refund.⁵⁸

Performance

Performance addresses how effectively and efficiently the IRS meets taxpayers’ expectations and satisfies their tasks, issues, or needs. If the IRS does not meet service delivery expectations, they will incur additional burden and cost due to the need for repeat contact. Measuring service delivery performance is critical for gauging how successfully the IRS is providing resources relative to the strategic objectives of

⁵⁴ 2009 Benchmark Survey Report, Phase 1-Analysis of Generational and Income Segments, p. 18.

⁵⁵ 2009 Benchmark Survey Report, Phase 2-Reported Tax Return Preparation Method Analysis, p. 29.

⁵⁶ 2009 Benchmark Survey Report, Phase 2, p.16-17.

⁵⁷ 2009 Benchmark Survey Report, Phase 2, p 22-23.

⁵⁸ 2009 Benchmark Survey Report, Phase 2, p 22-23.

targeted outreach, timely guidance, and effective assistance. IRS service performance measures and operational results are summarized in Figure 3.

The overall IRS customer base is diverse both in its demographic profile and in the nature, frequency, and complexity of its interactions with the IRS. This diversity requires the IRS to track changing taxpayer service expectations and the extent to which they are meeting them and to identify critical operational issues and service deficiencies in order to take effective action.⁵⁹ Measuring customer satisfaction, the relationship between taxpayer service performance expectations and actual experience, is a critical objective for IRS service delivery functions.

The IRS administers an expansive customer satisfaction survey program, with the Wage and Investment (W&I) Division alone administering 19 satisfaction surveys. During FY 2010, the IRS initiated a comprehensive review of the W&I Customer Satisfaction Survey Program. The objective was to identify opportunities to improve survey design, administration, and application such that customer satisfaction scores would not be an end in themselves, but rather a tool to drive operational improvement. A representative summary of the W&I Customer Satisfaction program review key findings include:

- The IRS has decentralized survey initiation, design, and analysis. The result is a lost opportunity to gain and apply a coordinated agency-wide perspective with survey data.
- The surveys tend to focus on an aggregate score rather than actionable data. Many of the surveys do not produce the data required to identify specific operational improvement opportunities at a national or local level.
- The IRS collects large sets of data, but only provides basic descriptive statistics in reports. The survey reports would benefit from more rigorous analysis of the performance relationships and key drivers of customer satisfaction.
- The IRS has not incorporated customer expectations into the survey questions. Understanding taxpayer service performance expectations will better inform decision-making that does not over-or-under-engineer operational responses to taxpayer service needs.

In September 2010, the IRS initiated a cross-divisional project to address customer satisfaction survey improvement recommendations. The IRS will address the results of the project in detail in the FY 2011 TAB report.

⁵⁹ Executive Report on IRS Wage and Investment Customer Satisfaction Survey Analysis, p. 8.

Table 17: Performance Research Completed or Underway

Project Title	Description
IRS Customer Satisfaction Surveys	Objective: Assess taxpayer and partner satisfaction with the service they receive. Key finding: Research ongoing
Executive Report on IRS Wage and Investment Customer Satisfaction Survey Analysis	Objective: Improve the design, administration, and application of customer satisfaction data to achieve desired operational goals Key finding: While taxpayer satisfaction with IRS service performance is generally high, opportunities exist to increase the value of the satisfaction data to better inform decision-making and drive operational improvements.
Taxpayer Assistance Center (TAC) Customer Expectations Survey	Objective: To investigate taxpayer expectations when visiting a local IRS office and the degree to which TAC customers felt the TAC met their needs. Key findings: Taxpayers primarily visited a TAC to make a payment, obtain a transcript copy, or resolve an IRS letter or notice. The vast majority of respondents indicated that the TAC met or exceeded their overall expectations during their visit.
Interim Letter (IL) Project: BMF Defect Analysis	Objective: To analyze the frequency of defects of the ILs issuance process to decrease overall defect rates. Key finding: High defect rates for Defect B (IL arrives 10 days before the case closing letter) and Defect C (first IL exceeds 30 days from the date the IRS received the taxpayer's correspondence) indicate that interim letters are not meeting IRS standards for timeliness or responsiveness and are not keeping the taxpayer informed.
Accounts Management (AM) Segmentation/Prioritization	Objective: To determine how AM can best prioritize its workload using limited available resources while still maximizing taxpayer and government value. Key findings: For government value, AM should prioritize repeat and multiple contacts (the average number of callbacks or write backs per taxpayer), and productivity (the time required to handle contacts). For Taxpayer Value, AM should prioritize expectation of performance (taxpayers' expectations of wait times and service) and burden (time and monetary impact on taxpayers).
Analysis of Longitudinal Data to Evaluate the Impact of SPEC Volunteer Return Preparation Program (VRPP) on Voluntary Compliance and the IRS	Objective: To better understand VRPP user behavior using longitudinal data for VRPP and comparison groups (e.g., VITA, Military) and assess taxpayer and government value of the program. Key findings: <i>Research underway</i>
Impact of Volunteer Prepared Returns on Downstream Compliance	Objective: To examine the accuracy of volunteer-prepared returns and provide estimates of the value of the VITA/TCE-prepared returns compared to other preparation methods. Key findings: VITA facilitates the increase of the e-file market share, subsequently reducing cost of submission processing and providing value to the IRS. Further, the no-change rate reveals that VITA/TCE-prepared returns appear to be more accurate than paid preparer returns and self-prepared returns.

Representative Key Findings

- Thirty-eight percent of taxpayers reported contacting the IRS more than once to get help with their most recent issue, which is slightly lower than last year.⁶⁰
- Taxpayers who reported contacting the IRS about post-filing interactions, including notices, refund information, and payment information, are most likely to require multiple contacts.⁶¹

⁶⁰ 2009 W&I Taxpayer Experience National Report, p. 55.

⁶¹ 2009 W&I Taxpayer Experience National Report, p. 56.

- Many taxpayers (63 percent) who reported contacting the IRS more than once used the same method for multiple contacts. Fewer than 20 percent of taxpayers reported using specific non-IRS sources to solve their issue.⁶²
- Taxpayers reported contacting the IRS an average of two times to resolve their most recent issues. Most taxpayers (84 percent) expected to resolve their issues with just one contact with the IRS. Most taxpayers (85 percent) reported that they resolved their issues completely after their last contact with the IRS.⁶³
- Taxpayers reported that issue resolution was highest for obtaining a form or publication, getting refund information, and getting answers on tax law questions. The least effective issue resolution topic was getting information on notices.⁶⁴
- Taxpayers primarily suggested that what the IRS could have done differently to help resolve their issues was to make information easier to understand.⁶⁵
- Most taxpayers (91 percent) reported feeling confident that the information and assistance they received from the IRS was complete and accurate.⁶⁶
- Taxpayers reported being least satisfied with notice resolution, especially with receiving updates on the issue status and the timeliness of notice issuance.⁶⁷ A second significant area of dissatisfaction was with self-preparers preparing and filing their returns.⁶⁸
- Overall customer satisfaction scores:

Table 18: Overall Customer Satisfaction Scores			
Program	FY2007 ⁶⁹	FY2008 ⁷⁰	FY2009
Field Assistance	89%	92%	92%
Toll-Free	94%	93%	93%
IRS.gov (ACSI)	73%	72%	72%
Practitioner Priority Services (PPS)	94%	91%	93%

⁶² 2009 W&I Taxpayer Experience National Report, p. 57.

⁶³ 2009 W&I Taxpayer Experience National Report, p. 58.

⁶⁴ 2009 W&I Taxpayer Experience National Report, p. 61.

⁶⁵ 2009 W&I Taxpayer Experience National Report, p. 62.

⁶⁶ 2009 W&I Taxpayer Experience National Report, p. 47.

⁶⁷ 2009 W&I Taxpayer Experience National Report, p. 87.

⁶⁸ 2009 W&I Taxpayer Experience National Report, p. 85.

⁶⁹ 2009 W&I Business Performance Review, p. 48.

⁷⁰ 2010 W&I Business Performance Review, p. 26 (FY 2008 and 2009).

Research Findings Resulting in Operational Improvement

The table below illustrates representative examples of the relationship between research analysis and operational service improvements.

Table 19: Research Findings Supporting Operational Improvements	
Research Finding/Analysis	Operational Improvement Example
As taxpayer income decreases, so does awareness of IRS services (2009 Benchmark Survey).	EITC Awareness Marketing – The EITC 2010 multilingual marketing campaign, including TV, radio, print, emerging social media, and out-of-home Public Service Announcements (PSAs), has surpassed the success of last year’s campaign. The IRS EITC Office won a Bronze Telly Award in the PSA category for its “Bus Talk” commercial.
Most self-preparers using paper forms rely only on IRS resources to complete their tax returns (2009 Benchmark Survey, Phase 2).	Small Business and Self Employed component of IRS.gov – The IRS added three new e-business micro sites to augment IRS.gov content and better serve small businesses.
Most taxpayers reported confidence that the information and assistance they received was complete and accurate (2009 W&I Taxpayer Experience National Report).	Ensuring quality at Volunteer Income Tax Assistance (VITA)/Tax Counseling for the Elderly (TCE) Sites – In this program, a centralized team of reviewers performed both site and return reviews to define opportunities to improve VITA programs.
Most Spanish-language taxpayers with low English Proficiency that use IRS.gov, use the Español site (2009 W&I Spanish Limited English Proficiency (LEP) W&I Taxpayer Experience Report).	Multilingual Initiative Strategy Office certification – This office certified the Spanish-language website for the Fiscal Year 2010 Filing Season, adding new information to the site and creating several new pages, including Electronic PIN Application and authorized e-file providers.
Most self-reported taxpayer interactions occur through the IRS.gov site (2009 W&I Taxpayer Experience National Report).	IRS.gov user enhancements – Changes delivered more visually compelling, results-oriented content on IRS.gov. This included modifying the home page layout and updating content on other pages to increase ease of use.
Some 15 percent of toll-free callers reported hanging up before receiving the information they needed. The major reason - wait time was too long (2009 W&I Taxpayer Experience National Report).	Estimated wait time – This expanded component of phone service provides real-time messages to callers about the expected wait time in queue.
The primary suggestion for improving issue resolution: make information easier to understand (2009 W&I Taxpayer Experience National Report)	Redesigned Forms 1040X, Amended U.S. Individual Tax Return and 1040NR, U.S. Nonresident Alien Income Tax Return – The IRS redesigned these forms to reduce taxpayer burden.

Taxpayer Service Measures

Extensive research into taxpayer needs, preferences, and expectations that formed much of the original TAB report provided the foundation for TAB measures development. To help create a manageable, consistent frame of reference for the condition of, and changes in, the service environment, the TAB Phase 2 report recommended development of a set of taxpayer service performance and outcome measures. Outcome measures will help assess the result of a service activity while performance measures provide assessment at intermediate points along the service process.⁷¹

During 2010, the IRS drafted a preliminary set of measures that supplement the assessment criteria proposed in the TAB report. The new draft set, refined by a working team drawn from across the IRS, incorporates subsequent research into taxpayer service needs, preferences, and expectations, as well as, changes in the taxpayer service environment. Further, the new draft measures align with the current 2009 - 2013 IRS Strategic Plan, which incorporated and refined the work laid out in the TAB. These measures evaluate both the efficiency and effectiveness of service from the perspective of the taxpayer and the IRS. Their intent is to provide a clear picture of the landscape of taxpayer service and offer information to help with future business decisions.

Developing the taxpayer service measures began with a review of the full inventory of existing and over 80 proposed taxpayer service measures. The IRS refined this list according to assessment criteria to produce performance and outcome measures. The following table shows the assessment criteria and guiding questions the team applied to help develop the final measure recommendations.

⁷¹ TAB, p. 69-71

Table 20: Service Measures Criteria

Assessment Criteria		Guiding Question
Supports Long-Term Goals		<i>Does this measure represent the long-term goals of the IRS?</i>
Supports Strategic Plan		<i>Does this measure represent the goals and objectives of the TAB and IRS Strategic Plan?</i>
Data Availability	<i>Today</i>	<i>Is the data for this measure available now?</i>
	<i>Future</i>	<i>Can the IRS gather data for this measure?</i>
	<i>Process</i>	<i>Is this measure a count of process activity?</i>
Congressional or Stakeholder Interest		<i>Does this measure cover areas that address external stakeholder interests?</i>
TAB		<i>Was this measure developed as part of the TAB?</i>
Customer Focused	<i>Taxpayer</i>	<i>Does this measure represent the perspective of the taxpayer?</i>
	<i>Partner</i>	<i>Does this measure represent the perspective of external partners?</i>
	<i>Practitioner</i>	<i>Does this measure represent the perspective of practitioners and preparers?</i>
Supports Budget Submission and Initiatives		<i>How well does this measure align with budget items?</i>
Benchmarking		<i>Are there external examples to use as benchmarks for this measure?</i>
Opportunity for Change		<i>Does this measure have enough variability to be useful?</i>

To make certain that new service measures complemented the IRS Strategic Plan, the group evaluated the comprehensive list to ensure that the focus in measuring success in improving taxpayer service aligned with the objectives of Goal 1 of the 2009 - 2013 IRS Strategic Plan: *Improve service to make voluntary compliance easier*. The objectives are as follows:

- Improve service interactions
- Expedite and improve issue resolution
- Provide targeted and timely guidance and outreach
- Strengthen partnerships with tax practitioners and other third parties

The group’s considerations included refining measures to help assess the progress from the TAB Guiding Principles so that evaluation of service programs will address areas of focus that make compliance easier from the taxpayer perspective, including:

- Taxpayer Burden
- Customer Satisfaction
- Awareness of Services and Channels
- Access to Services and Channels
- Service Performance

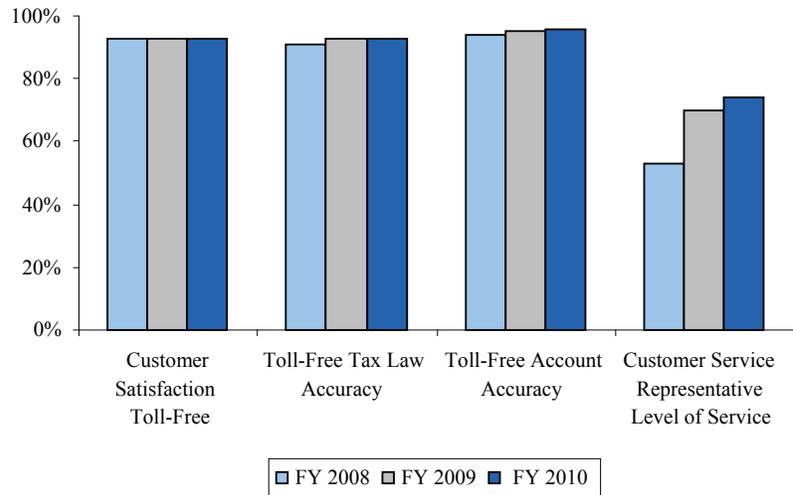
The suite of measures under consideration can be divided into three categories: the availability of information, the adequacy of services provided, and the efficiency with which the IRS meets taxpayer service needs. These three important elements of the taxpayer service environment are presented in the following table.

Table 21: General Description of Measures	
Availability of Information	Measures of Successful Service
	<p><i>Taxpayers know about and can obtain the information or service they need:</i></p> <ul style="list-style-type: none"> • <i>Awareness and Education</i> • <i>Access to Services</i>
Adequacy of Service	<i>Taxpayers receive prompt and accurate service from the IRS</i>
	<i>IRS service met taxpayer and practitioner expectations</i>
Efficiency of Government	<i>The IRS is operating efficiently</i>

The proposed Taxpayer Service Measures will help assess taxpayer value, government value, and partner value at key points in the service process, as well as, overall taxpayer service outcomes.

Figure 3: IRS Service Measures

To illustrate the types of data identified in the prospective measures and provide an idea of how the Taxpayer Service Measures will help portray taxpayer service activity, this chart shows three years of results from IRS toll-free operations.



The proposed measures are not intended to replace current IRS performance measures; rather, they are intended to complement existing measures of performance and provide a consolidated view of taxpayer service delivery from the perspective of taxpayers, partners, and tax professionals. The IRS will submit the completed suite of Taxpayer Service Measures, including information on how the IRS developed them, to the IRS Services Committee for discussion and approval. The IRS will also list them in the next annual report on TAB implementation. The approved set of measures will become part of internal business process reviews, be included in business case development, and help assess the impact of new service initiatives. Importantly, the IRS will use measures to evaluate performance across delivery channels and provide a high-level assessment of the effectiveness of service delivery.

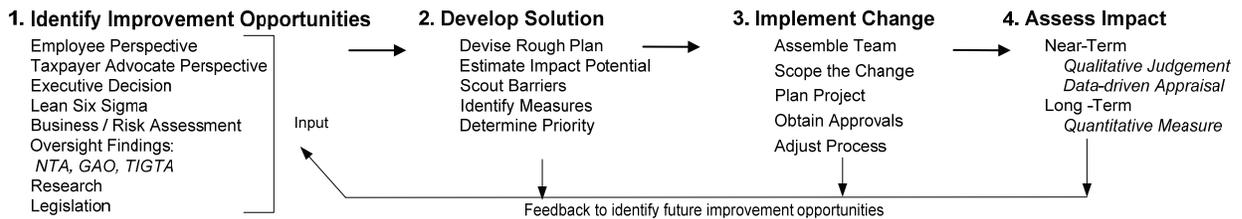
IRS Taxpayer Services Governance

The IRS Services Committee provides oversight to taxpayer service operations. This body of senior IRS executives and commissioners guides the development and implementation of agency-wide taxpayer service strategies. These quarterly meetings foster collaboration and strategic integration of refinements within the IRS taxpayer service environment by bringing together divisional leadership to discuss improvement activities. In the first meeting of FY 2010, the committee agreed to emphasize three areas for service improvement during FY 2010 and 2011:

1. Issue Prevention – Address significant systemic problems that cause taxpayers and preparers to contact the IRS.
2. Issue Resolution – Resolve issues as quickly as possible with the least burden to the taxpayer.
3. Right Channel – Respond to taxpayer and preparer preferences and expectations for service delivery.

The basic approach for realizing improvement involves identifying improvement opportunities using internal and external sources, bringing appropriate resources in line with an opportunity, effecting change, and assessing the impact. As noted in the diagram below, the numerous opportunities for feedback throughout the process make it possible to identify additional improvement opportunities:

Basic Approach



During subsequent meetings, the Business Operating Divisions and the National Taxpayer Advocate identified, presented, and provided progress updates on their top service improvement opportunities that correlated with the three areas of service improvement. Most of the opportunities they identified focused on issue prevention and resolution. Executive leadership also saw demonstrations of service improvement projects that various Business Units had launched, including the IRS Video Portal, Partner Outreach Corner website, and the Interactive Tax Law Assistance/Customer Online Decision Support web tool. Discussion of individual service initiatives and opportunities and project briefs provided a vehicle for the flow of ideas, concepts, and technology for service improvements across the agency.

Taxpayer Advocacy Panel

The IRS partnered with the Taxpayer Advocacy Panel (TAP), which is supported by the Taxpayer Advocate Service (TAS). The TAP is comprised of citizen volunteers who listen to taxpayers, identify their issues, and make suggestions for improving IRS service and customer satisfaction. A number of TAP projects have addressed a variety of taxpayer service related issues:

- Payment Processing System in the Taxpayer Assistance Centers (TACs) Project – The TAC Project Committee identified recommendations to improve the payment process in the TACs, such as:
 - Encourage the use of alternative payment methods for Form 2290, Heavy Highway Vehicle Use Tax
 - Install payment drop boxes nationwide in all TACs
 - Adapt the Form 8109 process for all taxpayers to allow deposit of taxes using existing financial institutions
 - Reduce the number of forms required to process and post payments
 - Refine the use of the Queuing Management System (QMATIC) system, educate customer in QMATIC use, and develop performance information using QMATIC data (QMATIC is an on-line system available at selected major TACs to facilitate workload and resource distribution by screening and categorizing taxpayer needs at the point of registration).
- Signs in the Taxpayer Assistance Centers – The TAC Project Committee will review the signage in the TACs to determine if the IRS can improve the signage from the customer's perspective.
- Taxpayer Assistance Centers Receive Taxpayer Service from TAP – During 2009, the IRS received seven taxpayer-related commentaries from the TAP on taxpayer service. Comments fell in two major categories for improvement opportunities: 1) TAC operations related to receiving and processing payments (including employee actions) and 2) taxpayer experiences, related to wait time, availability of forms, taxpayer relations, hours of operation, service delays, return preparation, and payments.
- TAB-Related Issues Relative to TAP – The IRS received assistance and support from the TAP on multiple taxpayer service-related events, including EITC Awareness Day, the EITC Project, the VITA Project, the Long Island Tax Practitioners' Symposium, the Tax Forums, and TAS Congressional Visits.

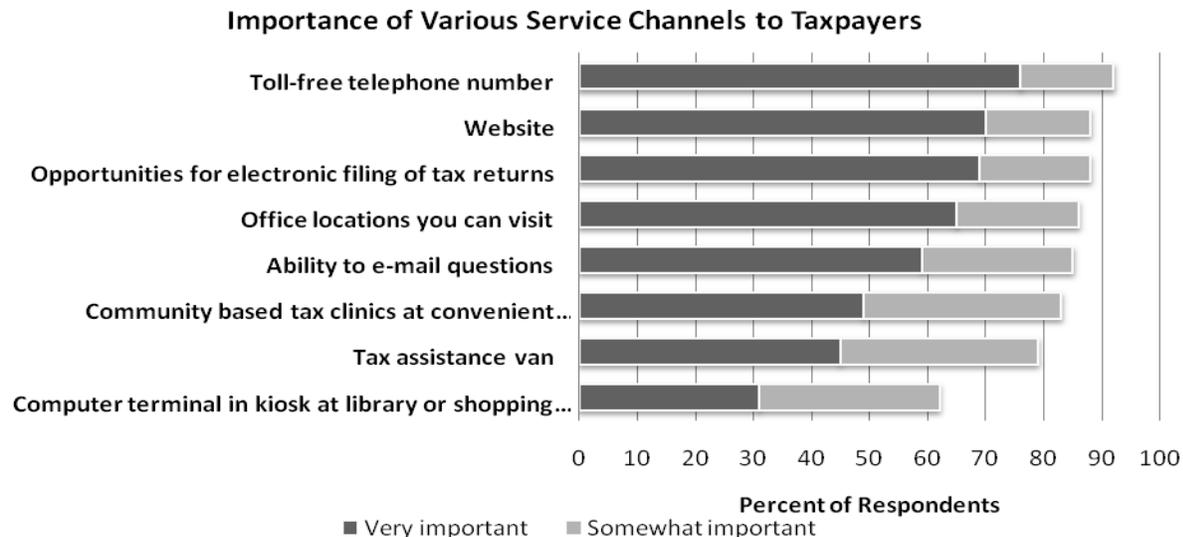
IRS Oversight Board Perspective

The IRS Oversight Board appreciates the opportunity to contribute to this progress report on IRS’ efforts to implement the TAB. As an independent body, the Board’s perspective focuses on the long range strategic implications for taxpayer service.

The development of the TAB, combined with annual progress reports, is of great strategic importance to tax administration because it encourages long-term, focused attention on how best to meet the service needs of taxpayers. Moreover, by adopting guiding principles, linking service goals to the IRS strategic plan, using research to understand taxpayers’ needs and desires, and using outcome measures to evaluate performance, the likelihood of improved service to taxpayers is increased.

Because of various programs and special tax credits implemented in the last three years to provide tax relief in difficult economic times, taxpayer demand for services is up and service resources at the IRS have been strained. Although services are delivered to taxpayers over multiple channels, including walk-in offices, the Internet, and toll-free telephone lines, the level of service on IRS toll-free telephones is frequently used as a key barometer of the effectiveness of IRS service because of the wide taxpayer use of this channel and its importance to taxpayers. As reported in the Board’s *FY2011 Budget Recommendation Special Report*, the level of service for Fiscal Years (FY) 2005 through 2009 has been 83, 82, 82, 53, and 70 percent. Preliminary measures for FY2010 indicate the IRS achieved a 74 percent level of service on its toll-free telephone lines in FY2010. Although this service level is above the 71 percent target based on the IRS budget, and an improvement over the FY2009 service level, it is still below the 80 percent level the Board considers the minimum acceptable to taxpayers.

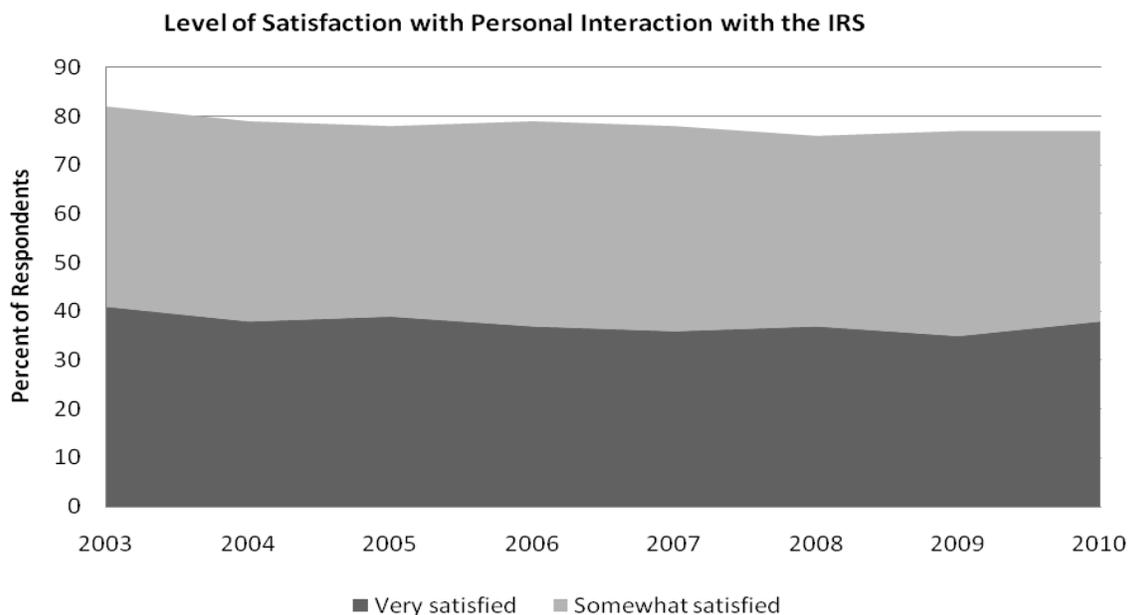
The Board uses its annual *Taxpayer Attitude Survey* to understand taxpayers’ opinions and needs with respect to tax administration enforcement and service, and its 2010 survey continued to demonstrate that the vast majority of taxpayers view many service channels as very or somewhat important, as shown in the figure below.



Source: 2010 Taxpayer Attitude Survey

The Board concludes from these results that taxpayer service is important to taxpayers and must remain a priority for the IRS and the Congress. The TAB provides a mechanism for the IRS to focus its attention on taxpayer service, evaluate the effectiveness of its service products and services, and govern the development of new products and services that will have the greatest impact on taxpayer satisfaction.

One broadly-based measure the Oversight Board uses to evaluate the effectiveness of IRS taxpayer service is overall taxpayer satisfaction in their interactions with the IRS. The figure below, based on data from the Oversight Board's *Taxpayer Attitude Surveys* from 2003 through 2010, indicates that taxpayer satisfaction declined slightly from 2003 through 2008, but has been stable since 2008. The TAB Phase 2 study was completed in April 2007; it is not realistic to expect it would lead to an immediate improvement in taxpayer satisfaction levels. Moreover, problems with service levels on toll-free telephones in 2008 and 2009, due to high demand and flat resources, more than likely had a negative effect on overall taxpayer satisfaction levels.



Source: IRS Oversight Board *Taxpayer Attitude Surveys*, 2003-2010

The Board believes the TAB provides a governing process that allows the IRS to optimize its service resources and recommends this focused attention should increase. However, the Board cautions that even the best process cannot overcome high demand, and inadequate resources to service that demand.

Although this report documents a number of positive results for IRS service, serving the taxpayers of America is not a task to be taken lightly. Service improvements by other organizations that taxpayers deal with on a regular basis only heighten the demands that taxpayers will make on the IRS. The Oversight Board will continue to make budget recommendations to ensure that taxpayer service budgets provide for acceptable levels of taxpayer service, and requests congressional support in assuring that IRS service efforts are appropriately funded. The Board clearly recognizes the pressure that all federal agencies will be

under to reduce expenditures, but the Board believes that high satisfaction levels will lead to higher voluntary compliance on the part of taxpayers. Moreover, the Board also believes that the imposition of administrative burden on taxpayers carries with it a reasonable expectation by taxpayers they will be able to get the assistance they need to understand what is being asked of them.

The IRS needs to make more progress in implementing the service measures documented in the TAB Phase 2 report and in this progress report. The Board expects that the draft set of measures contained in this report, once approved and implemented by the IRS, will play a key role in focusing more attention on outcomes and highlight areas where further improvement in taxpayer service can be made.

National Taxpayer Advocate Perspective

I commend the IRS for its continuing commitment to enhance its understanding of taxpayer service needs and provide high-quality taxpayer service. This commitment is especially important given our challenging fiscal environment, and it is again reflected in this year's Taxpayer Assistance Blueprint (TAB) update report. In particular, I applaud the IRS for its efforts to reinvigorate the Services Committee, which is now playing a more active role in providing the cross-functional governance needed to assure delivery of a coherent taxpayer service strategy. I am also pleased that the IRS is making a renewed commitment to complete its portfolio of service measures during the current fiscal year. In support of that commitment, I am offering my perspective on the elements that I believe constitute an effective approach to measuring our service delivery.

One of the principal objectives of the TAB was the creation of a portfolio of measures that would enable both the IRS and external stakeholders to evaluate the effectiveness of IRS service delivery. These measures would also enable the IRS to identify performance gaps that could guide the creation of performance improvement goals. I believe that the fulfillment of these objectives should guide our development of an effective suite of service measures.

The recommended measures that follow focus on the taxpayer perspective and are principally outcome measures that facilitate a high-level assessment of how well the IRS is meeting its service obligations to taxpayers. Where possible, I am recommending the immediate inclusion of existing measures in the TAB portfolio of measures. I also identify place-holders for measures that I believe are needed, but have not yet been developed, and I recommend that the IRS develop these measures for inclusion in future TAB update reports. I expect that additional measures reflecting the IRS perspective (*e.g.*, cost and efficiency of service delivery) will be identified by the operating divisions.

I also believe that measures need to be developed to show the impact that IRS services have on compliance and how effective IRS has been in protecting taxpayer rights. I commend the IRS for its on-going research efforts that are exploring the relationship between service and taxpayer compliance. I believe that one goal for these efforts should be the development of measures that capture and quantify this relationship. I urge the IRS to report on these research activities in future TAB reports and to establish and publish suitable measures reflecting the impact services have on compliance as soon as research results support their development. TAS will investigate the development of appropriate measures for the protection of taxpayer rights and will make recommendations for inclusion of these measures in future TAB update reports.

There are a number of different ways to look at measures for taxpayer service, including (among others):

- Types of measures – outcome measures and output measures.
- Taxpayer perspective and government perspective.

- Population served – W&I, SB/SE, LB&I, TE/GE, TAS, Appeals, etc.
- Segments within populations (*e.g.*, Limited English Proficiency, low income, disabled).
- Type of service – return preparation, tax law information, refund inquiries, notices/account resolution, payments, transcripts/copies of returns, etc.
- Time of service – pre-filing, filing, post-filing.
- Channel – telephone, face-to-face (mostly via the IRS’s Taxpayer Assistance Centers, but other alternatives are available⁷²), electronic (mostly via the Internet), and correspondence.

I believe that the goal should be to give an informative high level view of IRS service delivery that doesn’t overwhelm our stakeholders with too much information and that this can best be accomplished by reporting key measures at the service channel level. I therefore recommend that the following taxpayer outcome measures be included in the TAB portfolio of measures and be reported in future TAB update reports to Congress:

- Access – level of service, wait time.
- Customer satisfaction.
- Accuracy.
- Issue resolution (*i.e.*, did IRS completely resolve the taxpayer’s problem(s)?).

This information should be shown by service channel for multiple years (at least 3) to reflect trends.

The following are specific recommendations based on existing measures, as identified in the TAB 2 report.⁷³ As a general caveat, these are preliminary recommendations based on assumptions about what each of the measures is actually measuring. Unless otherwise noted, all the recommended measures cited below currently exist. Some of these measures, such as issue resolution, may require on-going survey research to assure that correct, complete and current information is being captured.

Channel Level Outcome Measures

Telephone

⁷² The IRS could provide additional face-to-face coverage with solutions such as mobile vans and telepresence. For a detailed discussion, see National Taxpayer Advocate 2010 Annual Report to Congress 267- 277 (Most Serious Problem: *The IRS Has Been Reluctant to Implement Alternative Service Methods That Would Improve Accessibility for Taxpayers Who Seek Face-to-Face Assistance*).

⁷³ Internal Revenue Service, *The 2007 Taxpayer Assistance Blueprint Phase 2*, 166 April 2007.

- Access – Customer Service Representative Level of Service, average speed of answer (*i.e.*, wait time in queue).
- Customer satisfaction – toll-free customer satisfaction.
- Accuracy – tax law and account transactions accuracy.
- Issue resolution – this metric is already included in the existing tax law and account transaction accuracy measures, but TAS recommends a separate breakout that shows the percentage of taxpayers whose issues were completely resolved.

Taxpayer Assistance Centers

- Access – Level of service (LOS) measures showing how many taxpayers received service and how long taxpayers wait to be served (a measure capturing wait time will need to be developed). LOS measures should also include separate counts for taxpayers who did not receive service either because the requested service was not available (IRS should capture a count for each service requested) or because of excessively long service queues (*i.e.*, either the taxpayer was turned away, or chose not to wait long enough to receive serve).
- Customer satisfaction – overall customer satisfaction with TAC services.
- Accuracy – measures for tax law contacts and account related contacts.
- Issue resolution – measure showing whether customers’ issues were completely resolved (this measure will need to be developed).
- Facilitated self-assistance – the IRS should develop and report separate measures for this new service, such as the number of taxpayers using this service, their satisfaction with the service, and their ability to use the service to successfully resolve their issues.

Internet

- Access – measure showing how long it took taxpayers to find what they were looking for (this measure will need to be developed).
- Customer satisfaction – customer satisfaction measure.
- Accuracy – measure to estimate whether taxpayers correctly interpreted information posted on IRS.gov (this measure will need to be developed).
- Issue Resolution – measure to estimate whether the taxpayer’s issue was completely resolved (this measure will need to be developed).

Correspondence

- Access – measure of average time to respond to taxpayer correspondence and measure of over-aged correspondence.⁷⁴
- Customer satisfaction – measure of customer satisfaction drawn from a survey covering Accounts Management’s handling of correspondence, claims and amended returns.

⁷⁴ These measures should capture the total time since the IRS received the correspondence, not just the time since the correspondence was assigned. For a detailed discussion, see National Taxpayer Advocate 2010 Annual Report to Congress 235- 249 (Most Serious Problem: *The IR S Does Not Process Vital Taxpayer Responses Timely*).

- Accuracy – customer accuracy measure of whether a customer received the correct answer and the correct resolution.
- Issue resolution – this metric is already included in the accuracy measure, but TAS recommends a separate breakout that shows the percentage of taxpayers whose issues were completely resolved.

Stakeholders are also keenly interested in how well the IRS is delivering each of its major services (*e.g.*, return preparation, refund inquiries, tax law inquiries, etc.). I therefore recommend that select information on delivery of our major service activities be included in the TAB measures portfolio and be reported in subsequent TAB updates to Congress (perhaps in an appendix). This information can be collected from surveys. The following specific data points should be reported:

- Taxpayer awareness of the availability of the various service types by channel.
- Customer satisfaction with each service type by channel.
- Issue resolution for each service type by channel.
- Access for Limited English Proficiency and disabled taxpayers for each service type by channel.
- Number of returns prepared by Taxpayer Assistance Centers and Volunteer Income Taxpayer Assistance programs.

I also believe we should be tracking and reporting on our outreach and education activities, as these are also important components of our service delivery strategy. Counts at a high level of aggregation are probably sufficient, at least initially, for inclusion in subsequent TAB updates.

In sum, I commend the IRS for the extensive work it has already undertaken to study and improve taxpayer service in response to the TAB. Despite its good work, however, the IRS does not yet have a comprehensive suite of measures to enable it to determine how well it is meeting the needs to our nation's taxpayers. Absent good measures, the IRS has no choice but to make some important taxpayer service decisions based on best guesses and hunches, some of which are right and some of which inevitably miss the mark. In my view, the development and deployment of a comprehensive suite of taxpayer service measures should receive priority attention over the coming year. Good measures will help the IRS determine where it needs to improve and will assist the Appropriations Committees in determining where the IRS requires additional resources. And as a result, America's taxpayers will have an easier time meeting their tax obligations.

Appendix A: TAB Guiding Principles

The TAB Guiding Principles provided the groundwork for development of the TAB Strategic Plan, which represents the objectives and operational priorities recommended to govern service investment decisions for the next five years. The Guiding Principles, reflecting desired service outcomes are:

- The primary goal of service for individual taxpayers is to facilitate compliance with federal tax obligations.
 - Compliance means that taxpayers will pay no more and no less than what they owe.
- A portion of the tax gap is attributable to errors by individual taxpayers. IRS service programs should be designed to prevent, minimize, and correct such errors with due consideration of taxpayer burden.
- IRS service investments will focus on preventing, minimizing and correcting taxpayer noncompliance.
 - The IRS is committed to offering a portfolio of service options delivered across multiple channels, including face-to-face service.
 - Support expedited issue resolution across all channels through improved access to information and decision-making resources.
 - Enhance cost-effective, solution-based, self-assisted services where appropriate for the subject matter (e.g., forms and publications, automated telephone responses, and irs.gov access). Provide opportunities for taxpayers to migrate to lower cost channels while ensuring that alternative channels are available.
 - Expand use of e-file to reduce math errors, increase reporting compliance, and reduce submission processing costs.
 - As taxpayers migrate to self-assisted services, redirect available resources to activities that research determines are cost-effective options for preventing, minimizing, and correcting taxpayer non-compliance.
- Enhance the IRS Web site so that it becomes the first choice of more taxpayers for obtaining the information and services needed to comply with tax obligations.
- The IRS recognizes the significant role that partners play in tax administration. As such, the IRS will look for opportunities to assist these third parties in helping taxpayers understand and meet their tax obligations.
- Enhance Marketing, Outreach, and Education to targeted populations to improve service awareness, access, and quality.