

**The State of Taxpayer Service at the Internal Revenue Service  
Written Statement of  
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The National Association of Enrolled Agents  
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The National Association of Enrolled Agents (NAEA), represents the interests of over 55,000 enrolled agents nationwide. Enrolled agents are tax experts, licensed by the Department of Treasury. They must pass a thorough three-part Treasury-administered exam covering all elements of the Internal Revenue Code. Additionally, they are subject to background checks and must meet continuing education and ethics requirements to continue as enrolled agents in good standing.

The Internal Revenue Service, for better or worse, touches more U.S. citizens than any other federal department or agency. It is the face of the federal government for most citizens. Increasingly, enrolled agents, who are the frontline representatives of taxpayers at every level of the tax administrative system, are expressing the view that the quality of taxpayer service within the IRS has deteriorated to an unacceptable level over the last five years.

Twenty years ago, the National Commission on Restructuring the IRS provided a guiding principle for policymakers “that taxpayer satisfaction must become paramount at the new IRS and that the IRS should only initiate contact with a taxpayer if the agency is prepared to devote the resources necessary for a proper and timely resolution of the matter.” The report went on to ask:

- Was filing your tax return easier than the previous year?
- Did the IRS personnel treat you respectfully and professionally?
- Were your questions and problems handled as smoothly as account inquiries with your bank, credit card company, or utility?

Based on anecdotal evidence, enrolled agents believe these three questions still cannot be answered "yes" by all taxpayers. Today, I will attempt to paint a picture of the state of taxpayer service at the agency from the viewpoint of taxpayers.

NAEA takes an expansive view of customer service, encompassing the entire “pipeline” of the IRS tax administration workflow: pre-filing issues, tax ID numbers, withholding and estimated tax payments, access to returns and instructions, filing, post-filing inquiries and adjustments, I.D. theft, compliance notices, audits – both office and correspondence – and collections. Too often, policymakers and the IRS create a false dichotomy between taxpayer service and taxpayer compliance. From taxpayers’ perspective, all aspects of their interaction with the IRS are essentially compelled. “Voluntary compliance” is a misnomer; even “voluntary self-assessment” is a stretch. Taxpayers on a whole file tax returns and respond to IRS inquiries because it’s the

right thing to do, but also because they are fearful of the consequences of noncompliance. Because they are afraid, it is incumbent on the IRS and Congress to ensure that the IRS does its job fairly, accurately and timely at all points of the tax administration process.

## **The “Pipeline”**

**Pre-filing Stage** – Before a tax return is ever filed, taxpayers may find they must interact with the IRS. Many taxpayers require tax ID numbers other than a Social Security number. Some taxpayers have tax planning questions or questions about estimated taxes or withholding. Additionally, once taxpayers begin the process of preparing to file they face a myriad of complicated questions to be addressed. Taxpayers have three options to find answers: Face-to-face contact with the IRS; calling the agency; and self-help on IRS.gov. All three options can be helpful, but each has its limitations and drawbacks.

Typically, IRS experiences over five million annual visits to walk-in resources known as Taxpayer Assistance Centers (TAC). These face-to-face resources are extremely important for lower income taxpayers, the elderly, less educated, and English-as-a-second-language individuals. We see two problems involving this resource. First, its availability both in location and in hours. Frankly, with the budget cuts the IRS has absorbed over the last six years, it is amazing that more TAC resources have not been shuttered. The Taxpayer Advocate points out in her latest report to Congress that since 2010, the IRS budget has been reduced by nearly 20 percent on an inflation adjusted basis. In most rural areas, taxpayers are looking at a 100 to 200-mile round trip to have a face-to-face contact with an IRS employee. Additionally, because TACs are typically open from 9 AM to 5 PM, for working class citizens, a visit means taking time off from work. Because of the IRS’s new *appointment-only* system, taxpayers who show up without an appointment are routinely turned away. The TACs have completely stopped offering free tax preparation for low income, elderly, and disabled taxpayers and, as noted above, will not answer “out-of-scope” tax law questions during the filing season and will not answer *any* tax law questions outside the filing season. Considering the limited resources available to IRS, we do not see how they have any other choice. Obviously, this is a basic resource issue for congressional policymakers.

The second problem with TAC is training. These centers are helpful for basic tax questions, but for more complicated issues the IRS is blunt about steering taxpayers to hire paid preparers. While this is good for enrolled agents, it is once again a policy decision for Congress about what level of service is acceptable from the IRS. Better trained TAC assistors mean taxpayers, taking time off from work and/or driving long distances, will have better service. Imagine making the significant sacrifice of time and gas to attempt to be compliant with the tax laws only to be told you need to hire someone to help you because the assistors are not adequately trained.

Phone resources have similar problems. The percentage of calls answered has steadily declined since 2010, resulting in an abysmally low 37 percent two years ago. IRS showed last year that they can answer the phones faster and resolve problems more accurately if they are provided the resources. Unfortunately, it looks like that additional funding will not be available for the next budget. This lack of funding will mean longer waits, more dropped calls, and we are concerned it will result in a further reduction of the type of questions IRS personnel will be trained to answer. It is also important to keep in mind that passage of the Tax Reform legislation will significantly drive up calls into the agency, even if most changes are not effective until next year.

Finally, more and more taxpayers are solving their basic pre-filing issues by visiting IRS.gov. The IRS webpage is invaluable for taxpayers and practitioners alike. The IRS has heard several basic complaints about IRS.gov over the years: it was at times difficult to locate basic information quickly because of the cluttered nature of the entry page; search queries often resulted in hundreds of useless results; queries on commercial search engines rarely resulted in identifying IRS.gov resources; once the IRS posted something on their website, it stayed even after it was no longer relevant or even accurate; and the website was not compatible with mobile devices.

The IRS has only recently launched a revamped IRS.gov to address many of these basic problems. The entrance page is much better designed and less cluttered. While the response from our membership is mixed at best, it seems taxpayers are seeing some improvements. Search queries from both the website and from commercial search engines seem to be providing the most up-to-date information directly from IRS.gov. Outdated information seems to have been removed from the site. The site works better on mobile devices. We hope that the IRS will pledge to continue to work with the public and the practitioner community to vigorously manage and improve IRS.gov. Government agencies, and even the private sector, tend to “fix” problems and then allow websites to grow stale. Because of the importance of IRS.gov to taxpayers and practitioners, IRS cannot rest on its laurels. It must continue to improve and evolve the website if the agency is to provide services at a high level.

We would be remiss if we did not mention IRS Future State. We agree with the IRS’s assessment that Future State provides value for taxpayers and practitioners. We do not believe, however, that the IRS will see the utilization rates from the public that they seem to expect. Authenticating themselves is still proving to be difficult for most taxpayers. Also, since taxpayers will rarely actually access their accounts, they will forget passwords and usernames and will need customer service support, for which we fear the agency will not be prepared. The National Association of Enrolled Agents believes strongly that IRS needs to focus resources early on providing robust accounts for Circular 230 practitioners – enrolled agents, certified public accountants, and lawyers. IRS is quick to acknowledge that practitioners are valued partners in tax administration, however the Service has not placed a high priority on advancing practitioner services as rapidly as individual taxpayer accounts. Because solving problems quickly and efficiently is core to a practitioner’s business, as well as the significant role we play in tax administration, we urge a more rapid deployment of practitioners services.

**Filing Stage** – For most taxpayers, filing a tax return is a daunting undertaking. According to testimony by former Commissioner John Koskinen, about 80 million returns, or **56 percent** of the total individual tax returns filed each year, are done by paid preparers. Another **34 percent** of taxpayers use tax preparation software, making a total of **90 percent** of taxpayers who seek some form of assistance.<sup>1</sup> The current tax reform legislation could provide some relief from filing burden yet most areas in the Internal Revenue Code will continue to be overly complex. Individual taxpayers will continue to encounter convoluted rules and multiple complicated decision points; the earned income tax credit, child credit, rental property and schedule C income, to name a few. Even making the determination of which filing status to use can be a surprisingly difficult task.

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<sup>1</sup> Written testimony of John A. Koskinen, Commissioner Internal Revenue Service before the Senate Finance Committee, April 8, 2014

For low income taxpayers, finding competent and ethical tax return preparers is key to both the taxpayer experience and the integrity of the tax administration system. The Volunteer Income Tax Assistance program (VITA) and other non-profit groups are essential elements to the filing season, which is why many enrolled agents – retired and active – participate as volunteers. The VITA program does have significant limitations on the taxpayers they can assist, and volunteers are barred from preparing anything more than very simple tax returns. Circular 230 practitioners provide high quality tax services to taxpayers, having passed a rigorous test, maintaining competence through continuing education, and are held to high ethical standards. While many unenrolled and unlicensed preparers are conscientious and knowledgeable in the complex tax laws and regulations, many are not. This fact, along with a natural desire of most taxpayers to maximize refunds, results in a toxic situation that undermines tax compliance and usually results in taxpayers being stuck dealing with IRS enforcement once the noncompliance is discovered. Unfortunately, the IRS cannot require or enforce even minimal standards on these individuals, who make up the majority of the tax preparation industry.

The IRS's desire to stop tax fraud and stolen identity fraud refunds leads to one of the most difficult experiences for modern day taxpayers: a frozen tax return/refund. On the refund fraud side, the IRS has established electronic screens to stop fraudulent refunds from being sent out. While these screens are essential for combating fraud, they raise particularly difficult problems for people with legitimate returns caught in the screens because the IRS has not created a dedicated process for appealing these holds. This filing limbo causes a great deal of anxiety at the very least and economic hardship for many. As pointed out by the Taxpayer Advocate in her recent report to Congress, the IRS does not even know the magnitude of the problem because they do not keep track of the number of legitimate taxpayers caught in the agency's fraud screens.

For tax returns screened because of suspicions of ID theft, the IRS sends a letter to taxpayers asking them to call a dedicated phone line to authenticate their identity. If taxpayers fail the phone authentication test, they must travel to a Taxpayer Assistance Center to authenticate in person. Once a taxpayer's identity is stolen and a fraudulent tax return has been filed using their Social Security number, they can be assigned an Identity Protection Personal Identity Number (IP PIN) to protect future tax return filings. While the process is burdensome on both the IRS and the taxpayer, it has been effective. Unfortunately, taxpayers who have not already experienced identity theft cannot be assigned an IP PIN. IRS cites the cost of providing IP PINs to taxpayers who wish to opt in to the program as the reason for this limitation.

**Post-Filing Stage** – As daunting as tax filing can be for taxpayers, dealing with notices, audits, appeals and collection matters can quickly become overwhelming. So much so, that as a professional, enrolled agents cannot not legitimately recommend to anyone that they attempt to fight an enforcement action or endure an audit without the help of a highly-trained Circular 230 representative.

Enrolled agents are finding that compliance personnel increasingly lack a basic understanding of the statutes and regulations they are tasked to administer. More disturbingly, some do not know their own procedures as laid out in the Internal Revenue Manual (IRM).

Additionally, with few exceptions, dealing with the IRS has become a game of hurry-up-and-wait. Taxpayers and their representatives respond in a timely fashion to notices or requests for audit responses, but then find themselves waiting long periods of time for an acknowledgment or response, let alone a resolution of their case.

While correspondence exams increase efficiency for the IRS, they typically increase taxpayer burden and can be more expensive and take more time than an in-person audit. Because there is only one chance for resolution, taxpayers expend substantial time and effort to present a relatively simple case that could be taken care of with a single telephone call or even a face-to-face meeting.

When responses from taxpayers arrive at the correspondence examination unit, they can sit in a queue at the IRS processing center for weeks, or even months depending on the backlog, causing great anxiety on the part of taxpayers. These computer-generated cases are assigned to tax examiners only when a response is received from the taxpayer or their representative. If all goes well, the IRS issues a letter thanking them for their responses, informing them nothing more is needed. All too often though, taxpayers respond with a timely submission of documentation, but the case does not receive proper consideration of facts and circumstances, and the only subsequent communication from the IRS is an audit report with a balance due notice enclosed.

If a protest of this assessment is submitted to the IRS, the response is often inadequately handled as well. In many cases, it appears that the protest was hastily reviewed by an inexperienced or under-trained employee, resulting in the denial of a valid protest. If this denial is appealed, similarly trained employees evaluate the argument, adding another step in an exercise in futility. Any further requests for a referral to Appeals of these disputed items are all too often not considered or acknowledged, and a Statutory Notice of Deficiency is summarily sent to the taxpayer.

Once the computer has taken this action, filing a petition in Tax Court is the only way to get the case heard by a qualified Appeals Officer. Enrolled agents believe there must be greater accessibility to be heard by an independent Appeals Officer at multiple stages while the taxpayers' fate is being determined in these automated audit pipelines.

Enrolled agents have noticed that as mastery of the laws and regulations has declined, there has been a corresponding decline in resolving cases quickly and fairly. In some cases, we believe this change in culture means that rather than getting to the right answer and then moving on, IRS compliance personnel in the field and campuses are more inclined to "find something wrong" if they have invested substantial time on an examination. In other cases, we have seen, the Service's desire to close cases as quickly as possible with their limited resources spread thin has led to a hesitation on the part of IRS personnel to accept follow-up documentation or request an explanation when documentation is not understood.

The IRS Taxpayer Advocate Service provides a safety net for taxpayers who are unable to resolve their issues with the IRS through normal channels. The advocates working cases are generally well trained and knowledgeable, and can quickly identify and justify recommendations for resolution in many cases. In the past, the Taxpayer Advocate Service employees could adjust taxpayer accounts, but in recent years, Advocates' authority only extends to making recommendations, which must then be carried out by another IRS employee. In certain cases, the

process of recommending action and dependence on a second IRS employee to manually process an adjustment is inefficient and in many cases, unnecessary.

In the context of the IRS' Future State planning, we must emphasize an ongoing need for personal contact, either through a TAC or on the telephone. As mentioned earlier, the bold new direction the IRS has laid out, and continues to develop, must be realistic. The post-filing issues that arise are heavily dependent on computers and taxpayers are most vulnerable when additional tax is assessed or an action is taken against them. Interaction with a trained, knowledgeable human should be prompt and thorough. At a minimum, the IRS should carefully consider taxpayers' explanations, explain the law to them when they are under scrutiny, and make every attempt to determine the correct amount of tax. Lacking the resources to provide this level of service, these programs are terribly unfair.

**Appealing Post-Filing Issues** – Historically, Appeals Officers were experienced and knowledgeable and operated in a culture of resolving cases quickly and fairly. Over time, as resources have dwindled system-wide, more cost-effective alternatives have been developed by the IRS. In our experience, many of these cost-saving processes have led to severe reductions in service leading to taxpayer rights being compromised. The result has been reduced public confidence in the U.S. tax system as fair and equitable.

The issue at hand is that there are not enough Appeals personnel to provide taxpayers with in-person conferences across the 50 states and territories. For example, between fiscal years (FYs) 2013 and 2016, the number of Appeals Hearing Officers available to resolve cases dropped by 24 percent<sup>2</sup>. Consequently, the IRS created Campus Appeals units, which rely on telephone and now video conferences to handle their workload.

### **Root Causes of the Decline in Taxpayer Service**

***IRS Budget:*** In the last five years, the IRS budget has declined from \$12.146 billion in 2012 to \$11.235 billion in 2016. As a result, the number of revenue agents decreased 22 percent from 10,216 to 7,937, and the number of tax compliance officers decreased 28 percent from 1,154 to 832. Contact representatives within the Automated Collections System (ACS) has decreased 22 percent, from 2,426 in FY 2012 to 1,897 in FY 2016. Enforcement personnel are not typically seen as customer service. However, if a taxpayer receives a letter or notice about their account and then are not able to resolve the issue in a timely and accurate fashion, then the non-resolution does become a customer service issue.

***Retirements:*** The IRS is hemorrhaging experienced, well-trained personnel. Since 2010, approximately 17,000 employees have departed from the IRS and 40 percent more are or will be eligible to leave the IRS in the coming year. The loss of these experienced employees has necessitated the hiring, training and deployment of many inexperienced personnel in a short period of time. Exacerbating this problem is the fact that training at the IRS is done by taking experienced people out of the field to pass on their knowledge to the newly hired, creating an even larger vacuum.

***Lack of Quality Training:*** The IRS training budget has been slashed from \$172 million in FY 2010 to about \$22 million in 2013 (unable to obtain more updated data), a staggering 87 percent

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<sup>2</sup> Taxpayer Advocate Service 2017 Report, volume 2, page 112

reduction. Training is not only key to increasing knowledge and understanding of the tax code and regulations, but is also among the IRS's responsibilities under the Taxpayer Bill of Rights. On the collection side, revenue officers have been given very little discretion or training on resolving taxpayer cases. When a taxpayer's expenses exceed the financial standards for an Installment Agreement, the taxpayer must enter a payment plan that is unaffordable, which greatly increases the likelihood of default down the road. In addition, the National Standards for Collection Information Statement analyses are unrealistic for taxpayers living in high cost areas. More flexibility in making determinations of collection potential would improve the public's perception that the system is fair and equitable.

## **Recommendations**

To increase the quality taxpayer service at the IRS, Congress should consider the following policy and legislative changes:

**Increase IRS budget for hiring personnel.** With this increased budget, the IRS should increase staffing in every division, especially at the points of significant taxpayer contact (such as all call centers and TAC counters), increase training at all levels, and guarantee that taxpayers do not have to travel more than 100 miles (where feasible) to have a face-to-face meeting with Appeals personnel. At the same time, it is important for the IRS to continue exploring video-conferencing and other options for increasing communications. Additionally, once a taxpayer responds to an IRS notice or letter, the IRS should communicate a decision to the taxpayer within 30 days. Compliance, enforcement, and Appeals personnel should be given greater authority to settle cases early and the IRS should evaluate them based on a singular focus on early and fair resolution of disputes. Finally, we would also urge Congress to take into consideration the need for additional funding for implementation of the Tax Reform legislation. Taxpayers will need IRS guidance quickly and frontline employees will need to be retrained in all aspects of the legislation.

**Create and fund a dedicated training division within the IRS to increase competency and change the culture.** A dedicated training division will streamline the IRS education process, ensuring that tax law and administrative policies be taught consistently throughout the country while guaranteeing that experienced personnel will not have to be taken offline to train new employees. Instructors will be tasked to research state-of-the-art tax administration techniques at the state, local and international levels and will help incorporate these techniques into their education materials and the Internal Revenue Manual. Additionally, as was done immediately after passage of the IRS Restructuring and Reform Act of 1998, IRS training shall focus on early and fair resolution of tax disputes. Only clear and consistent training will move the IRS to a more taxpayer service-oriented organization.

**Increase the authority of and set higher standards for Appeals personnel.** While we welcome and applaud the IRS for the recent addition of video conferencing as a substitute for some in-person Appeals hearings, we suggest additional provisions be implemented. The knowledge, experience and authority of the Appeals personnel should meet a higher standard than the campus Appeals Technical Employees, who may have very little authority and may not grasp the intricacies of the cases assigned to them.

**Give Collections personnel wider discretion to reach early agreements on payment plans.** Congress and the IRS need to give collections personnel the authority and training to resolve cases quickly that might otherwise deviate slightly from the financial standards to facilitate payments by taxpayers. Additionally, the IRS should reevaluate the National Standards for Collection Information Statements by either adjusting the allowable living expenses for regional or local cost of living variations, or by returning to use of a dollar range, based on gross monthly income (as was the case prior to the IRS decision in 2007 to apply a single dollar amount for food, clothing and other items, based on family size alone).

**Give the Taxpayer Advocate Service authority to make adjustments, rather than merely making recommendations to IRS personnel.** IRS Taxpayer Advocate Service is at the forefront of problem resolution within the IRS. We recommend reinstating a Problem Resolution group with representation from examination, appeals and collection housed in the Taxpayer Advocate department with fixed authority to resolve issues up to \$10,000 and close cases.

**Collections personnel must refrain from bypassing representatives with active powers of attorney.** Congress should reemphasize and reaffirm the consequences of violations of 26 USC 7525, to ensure that IRS personnel and PCAs shall not ignore valid powers of attorney by directly contacting taxpayers by telephone or at their residences or places of business.

**Require IRS exam and collection personnel to offer alternative dispute resolution options.** We commend the IRS for the expansion of Fast Track Settlement earlier this year, bringing the opportunity for small business and individual taxpayers to resolve unique examination issues through Appeals, allowing for consistency with large and mid-sized businesses. We recommend that the IRS expand alternative dispute resolutions options to all taxpayers and that exam and collection personnel be required to offer these options at the appropriate time.

**Provide IRS with the authority to establish minimum standards for unenrolled tax preparers.** Congress should override *Loving* and all subsequent cases relying on its holdings and provide specific authority for the IRS to require all non-credentialed paid tax preparers to meet minimum standards. Such standards should include passing a one-time competency exam administered under the auspices of the Department of Treasury, requiring tax compliance background checks, setting continuing education requirements, and requiring compliance with strict ethical standards.

**To facilitate earlier resolutions to disputes, the IRS should debut online accounts for tax practitioners with a robust and secure means of communicating with IRS personnel.** Access to secure online communication is especially important as the agency becomes increasingly reliant on correspondence audits that currently require snail-mailing documents to anonymous IRS campus employees. Communicating through the practitioner's online account would go a long way to improving resolution times and hopefully mitigate, if not eliminate, the lost documents experience. Individual online accounts should display a Publication 1 equivalent when taxpayers utilize payment options in their accounts. The IRS should provide guidance on the use of private sector electronic signatures for Forms 2848 and 8821 for Circular 230 practitioners.

The National Association of Enrolled Agents commends the Committee on Ways and Means in its bipartisan approach to improving the Internal Revenue Service. Our membership believes

strongly that a well-funded, well-trained IRS, fully cognizant of taxpayer rights and the value of Circular 230 tax practitioners to the process, will improve the taxpayer experience at every level of the organization. We look forward to continuing our work with the Committee.