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TAXPAYER ADVOCATE SERVICE

Caseload Has Grown
and Taxpayers Report
Being Satisfied, but
Additional Measures
of Efficiency and
Effectiveness Are
Needed





Highlights of [GAO-07-156](#), a report to the Committee on Finance, U.S. Senate

TAXPAYER ADVOCATE SERVICE

Caseload Has Grown and Taxpayers Report Being Satisfied, but Additional Measures of Efficiency and Effectiveness Are Needed

Why GAO Did This Study

Congress created the Taxpayer Advocate Service (TAS) to assist taxpayers in resolving problems with the Internal Revenue Service (IRS) and to propose changes to IRS's practices to mitigate problems affecting taxpayers in general. TAS uses case advocacy and systemic advocacy, respectively, to address these two goals. GAO was asked to address (1) why TAS's caseload has increased since 2004, (2) how well TAS conducted its case advocacy activities in terms of measures such as customer satisfaction and quality, and (3) how well TAS measures and reports its systemic advocacy efforts. GAO interviewed TAS and IRS managers and other staff, reviewed TAS and IRS documents, and analyzed TAS and IRS data.

What GAO Recommends

GAO recommends that TAS add performance measures to assess the efficiency and cost of case advocacy and the effectiveness of systemic advocacy. TAS should also improve what it reports about systemic advocacy such as describing actions taken to address taxpayers' serious problems. The National Taxpayer Advocate agreed with our recommendations, noting that TAS has begun reporting about systemic advocacy and is acting to implement the other recommendations. TAS and IRS provided technical comments, and we incorporated them as appropriate.

www.gao.gov/cgi-bin/getrpt?GAO-07-156.

To view the full product, including the scope and methodology, click on the link above. For more information, contact James White at (202) 512-9110 or whitej@gao.gov.

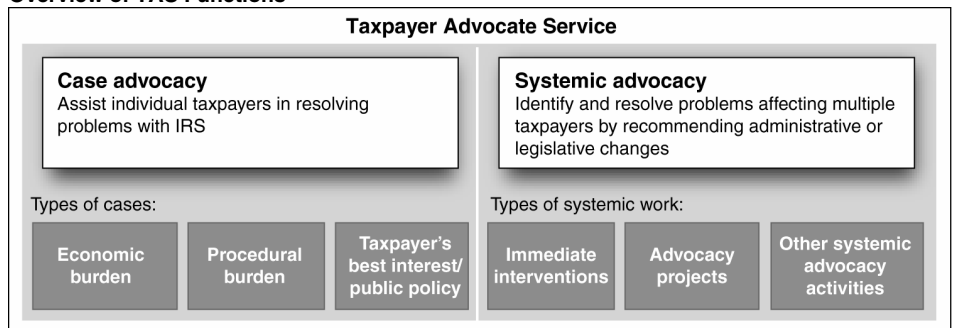
What GAO Found

The number of individual taxpayer cases opened by TAS increased substantially in fiscal years 2005 and 2006 and our analysis of TAS and IRS data shows that these increases correlated with increases in IRS enforcement activities both overall and in some specific IRS enforcement programs. For example, changes in the number of tax refunds frozen by IRS coincided with changes in the number of frozen refund cases at TAS. While TAS made changes after fiscal year 2004 to its guidance for accepting new taxpayer cases, this did not notably influence TAS's caseload increase in fiscal years 2005 and 2006. For example, TAS created two additional case acceptance criteria in fiscal year 2006 that resulted in a little more than 500 of the approximately 244,000 cases received that year.

TAS measures customer satisfaction and found that the taxpayers TAS serves remained satisfied from fiscal years 2002 to 2006. TAS also measures the quality of its case advocacy and found that this improved from 2002 to 2004 and stayed about the same in 2005 and 2006. While these case advocacy measures are sound, there is important missing information in that TAS does not have meaningful measures of case advocacy efficiency or cost. A meaningful measure of efficiency would consider the ratio of cases closed to the time spent on them and take into account case complexity and the quality of the work, and unit cost information is needed to fully understand this information. TAS is developing the means to capture time per case, the key component of unit cost, and case complexity.

TAS currently does not measure the effectiveness of its systemic advocacy efforts. TAS is piloting a program to study systemic advocacy effectiveness in a few areas, but not broadly. Also, it is difficult to determine what actions were taken to address systemic issues raised in the annual report to Congress, TAS's primary method for providing information to Congress and the public about its systemic advocacy efforts. For example, the report describes serious problems faced by the taxpayers but does not include the status of addressing those issues.

Overview of TAS Functions



Source: GAO.

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Abbreviations

ACS	Automated Collection System
AMT	Alternative Minimum Tax
CI	Criminal Investigation
EITC	Earned Income Tax Credit
ESL	English as a Second Language
FTE	Full-time Equivalent
IRM	Internal Revenue Manual
IRS	Internal Revenue Service
LITC	Low Income Taxpayer Clinic
OAR	Operations Assistance Request
OMB	Office of Management and Budget
PART	Program Assessment Rating Tool
PRP	Problem Resolution Program
QRP	Questionable Refund Program
SAMS	Systemic Advocacy Management System
SB/SE	Small Business/Self Employed Division
TAMIS	Taxpayer Advocate Management Information System
TAO	Taxpayer Assistance Order
TAP	Taxpayer Advocacy Panel
TAS	Taxpayer Advocate Service
the Advocate	National Taxpayer Advocate
TIGTA	Treasury Inspector General for Tax Administration
W&I	Wage and Investment Division

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United States Government Accountability Office
Washington, DC 20548

February 22, 2007

The Honorable Max Baucus
Chairman
The Honorable Charles E. Grassley
Ranking Minority Member
Committee on Finance
United States Senate

In response to concerns about the Internal Revenue Service's (IRS) handling of taxpayers' problems, Congress created the Taxpayer Advocate Service (TAS). TAS was designed to be largely independent of the rest of IRS and able to promptly and fairly handle taxpayer problems not resolved through normal IRS channels. TAS divides its work into two primary functions: assisting taxpayers in resolving individual problems with IRS, called case advocacy, and proposing administrative and legislative changes to mitigate problems affecting groups of taxpayers, called systemic advocacy.

TAS deals with a range of taxpayer problems including delays in cases, lost payments, and economic hardship (for example, when a refund check needs to be expedited). In fiscal year 2006 TAS assisted over 240,000 taxpayers, or about 0.2 percent of all individual tax return filers. Between fiscal years 2004 and 2006, TAS's case advocacy caseload has grown substantially, increasing by 43 percent. Such growth matters for at least two reasons. First, it may be an indicator of TAS and IRS performance at preventing and resolving taxpayer problems. Second, it is relatively costly for TAS to get involved in resolving taxpayers' problems—TAS's budget was about \$170 million¹ and TAS employed 1,894 staff, or about 2 percent of IRS's workforce, in 2006.

Because of Congress's concerns about whether taxpayers' issues are addressed and the resources devoted to TAS, you asked us to review TAS's performance. Specifically, you asked us to determine

- why TAS's caseload has increased since 2004,

¹TAS's fiscal year 2006 budget included \$8 million for Low Income Taxpayer Clinic grants.

-
- how well TAS conducted its case advocacy activities in terms of measures such as customer satisfaction and quality, and
 - how well TAS measures and reports its systemic advocacy efforts.

To address our objectives, we reviewed and analyzed relevant documents including federal legislation and related legislative histories; sections of the Internal Revenue Manual (IRM); the National Taxpayer Advocate's 2002–5 annual reports to Congress on TAS activities and 2002–7 annual objectives reports to Congress; Treasury Inspector General for Tax Administration (TIGTA) reports; TAS guidance related to handling individual and systemic advocacy activities and the criteria for accepting individual cases, creating systemic advocacy projects, and for reporting systemic issues; TAS documents related to its performance measures; and TAS documents related to the Taxpayer Advocate Management Information System (TAMIS) and the Systemic Advocacy Management System (SAMS), the TAS information systems used to track individual and systemic advocacy activities, respectively.² We assessed the reliability of TAMIS data and determined the data were sufficiently reliable for our purposes. We compared the existing TAS performance measures to attributes of successful performance measures using criteria we have previously developed.³ In terms of reporting systemic advocacy efforts, we focused on the annual reports to Congress since they are the primary method used by TAS to report on systemic advocacy efforts. We interviewed the National Taxpayer Advocate (the head of TAS, hereafter referred to as the Advocate) and TAS officials involved with both case and systemic advocacy in both headquarters and TAS field offices. We also interviewed officials in the Wage and Investment Division (W&I), Small Business/Self Employed Division (SB/SE), and Criminal Investigation (CI) office to obtain their views about coordinating and collaborating with TAS in order to address taxpayers' problems and why TAS's caseload has increased. We performed our work from September 2005 through December 2006 in accordance with generally accepted government auditing standards. Our scope and methodology are described in greater detail in appendix I.

²To conduct our analyses, we associated cases with the fiscal year in which they were opened. Also, for cases that TAS closed and subsequently reopened, all of our analyses relate to the original case.

³GAO, *Tax Administration: IRS Needs to Further Refine Its Tax Filing Season Performance Measures*, [GAO-03-143](#) (Washington, D.C.: Nov. 22, 2002).

Results in Brief

TAS's caseload increased 43 percent from fiscal year 2004 to fiscal year 2006—17 percent in 2005 and 23 percent in 2006—and, while the growth in the caseload was distributed over both enforcement- and non-enforcement-related cases, the overall increase correlated with increases in IRS's overall enforcement activities since fiscal year 2004, as well as increases in particular IRS enforcement programs and the corresponding type of TAS case. For example, changes in the number of refunds frozen by IRS correlated with the number of refund-freeze-related cases coming into TAS. However, such a correlation between TAS cases and IRS activity was not always present for other types of TAS cases. IRS officials and others identified other factors that could also have influenced the increase in TAS cases, in particular changes to TAS guidance for accepting cases. However, our analysis of TAS data does not indicate that the TAS case acceptance guidance changes were a factor in the caseload increase. For example, TAS created two new criteria for accepting cases in fiscal year 2006, yet of the almost 244,000 cases received by TAS in fiscal year 2006, the new criteria resulted in just over 500 cases.

Satisfaction among taxpayers who were served by TAS remained steady from fiscal year 2002 to 2006, consistently measuring between 4 and 5 on a 5-point scale, while case quality improved from fiscal year 2002 to 2004 (moving from below 80 to over 90 on a 100-point scale), it stayed about the same in fiscal year 2005 and 2006. While two of TAS's four measures are sound in terms of their clarity, reliability, and several other factors, TAS's current efficiency measure, defined as the percentage of TAS cases involving a procedural burden, is not a true measure of efficiency and provides no information on case advocacy efficiency. A more meaningful measure of efficiency would look at the ratio of cases closed to the time spent on those cases and take into account the quality of the work and the complexity of the cases. Also, to allow interpretation of efficiency information in light of cost effectiveness and to permit, for example, TAS to identify types of cases that are taking up an inordinate share of case advocacy resources, TAS would also need to develop a case advocacy unit cost measure. TAS officials have plans under way to capture case complexity and to begin tracking time in a way that will permit TAS to develop case advocacy unit cost information.

TAS's systemic advocacy function is very important because it is the means for TAS to eliminate taxpayer problems before they arise, and though TAS can point to many successes in this area, TAS's systemic advocacy performance measurement does not provide important information to Congress on systemic advocacy effectiveness. In August 2006, TAS began a pilot program to ascertain if progress is being made in

correcting a few systemic issues. The pilot is a worthwhile initiative to identify progress in a few important areas, but it will not measure the effectiveness of systemic advocacy on a broad basis. Also, TAS's public reporting makes it difficult for Congress to determine what actions were taken to address systemic issues TAS has raised in the past.

We are recommending that the Advocate add to TAS's case and systemic advocacy performance measures and improve its reporting on systemic issues. Additional measures include case advocacy efficiency and systemic advocacy effectiveness. TAS should also take several steps to improve what it reports about systemic advocacy in the annual report to Congress such as describing actions taken to address taxpayers' serious problems. The Advocate agreed with our recommendations and noted that TAS has already implemented part of one recommendation related to reporting about systemic advocacy and is taking steps to implement the other recommendations. For example, the Advocate reported that TAS has submitted work requests to collect information on the complexity of cases and time spent on cases to develop cost information. This will be added to the data TAS collects to measure case quality. This information will then be used to develop a case advocacy efficiency measure. We have included the Advocate's letter in appendix IX. TAS also provided technical comments which we incorporated as appropriate.

The Commissioner of Internal Revenue was provided a draft of this report for review and comment. The IRS Office of Legislative Affairs provided technical comments, and we incorporated them as appropriate.

Background

TAS is an independent office within IRS created to assist taxpayers in resolving problems with IRS, identify areas in which taxpayers have problems in dealing with IRS, and propose administrative and legislative changes to mitigate such problems. TAS is the successor to the Problem Resolution Program (PRP) which IRS founded in 1976 to provide an independent means of helping taxpayers solve problems that they encountered in dealing with IRS. Initially, PRP units were established in IRS district offices. In 1979, IRS expanded PRP to its service centers and created the position of Taxpayer Ombudsman to head PRP. Generally, PRP personnel were district or service center employees who did not report directly to the Ombudsman. The Ombudsman was appointed by and reported to the Commissioner of Internal Revenue.

Congress has since renamed the Ombudsman the "National Taxpayer Advocate" and taken steps to enhance the independence of the Advocate.

While the Advocate continues to report to the Commissioner of Internal Revenue, the Advocate is now appointed by the Secretary of the Treasury after consultation with the Commissioner of Internal Revenue and the IRS Oversight Board.⁴ In the IRS Restructuring and Reform Act of 1998, Congress required that the individual not be an IRS employee for 2 years preceding his or her appointment and that the individual agrees to not accept a position elsewhere in IRS for 5 years following his or her tenure as the Advocate.⁵ In addition, Congress replaced the prior PRP organization with an independent reporting structure of taxpayer advocates who report directly to the Advocate and mandated that a local taxpayer advocate be available to taxpayers in each state. TAS currently has 65 local offices with at least one in each state, Puerto Rico, and the District of Columbia. TAS also has 10 offices located at IRS campuses. The current Advocate was appointed in 2001.

Section 7803 of the Internal Revenue Code, as amended by the Restructuring Act of 1998, provides that the National Taxpayer Advocate is entitled to compensation at the same rate as the highest rate of basic pay established for the Senior Executive Service under 5 U.S.C. Section 5382 or, if the Secretary of the Treasury so determines, at a rate fixed under the streamlined critical pay authority set out in 5 U.S.C. § 9503 (up to the equivalent of the Vice President's salary, or \$212,100 in 2006).⁶ The Advocate is also eligible to receive bonuses. On January 10, 2001, the Secretary of Treasury approved the appointment of Nina Olson as the National Taxpayer Advocate under section 7803 and chose to set her pay

⁴26 U.S.C. 7803(c).

⁵Pub. L. No. 105-206 (July 22, 1998). Service as an officer or employee of the Advocate's Office is not taken into account for purposes of the 2-year and 5-year rules.

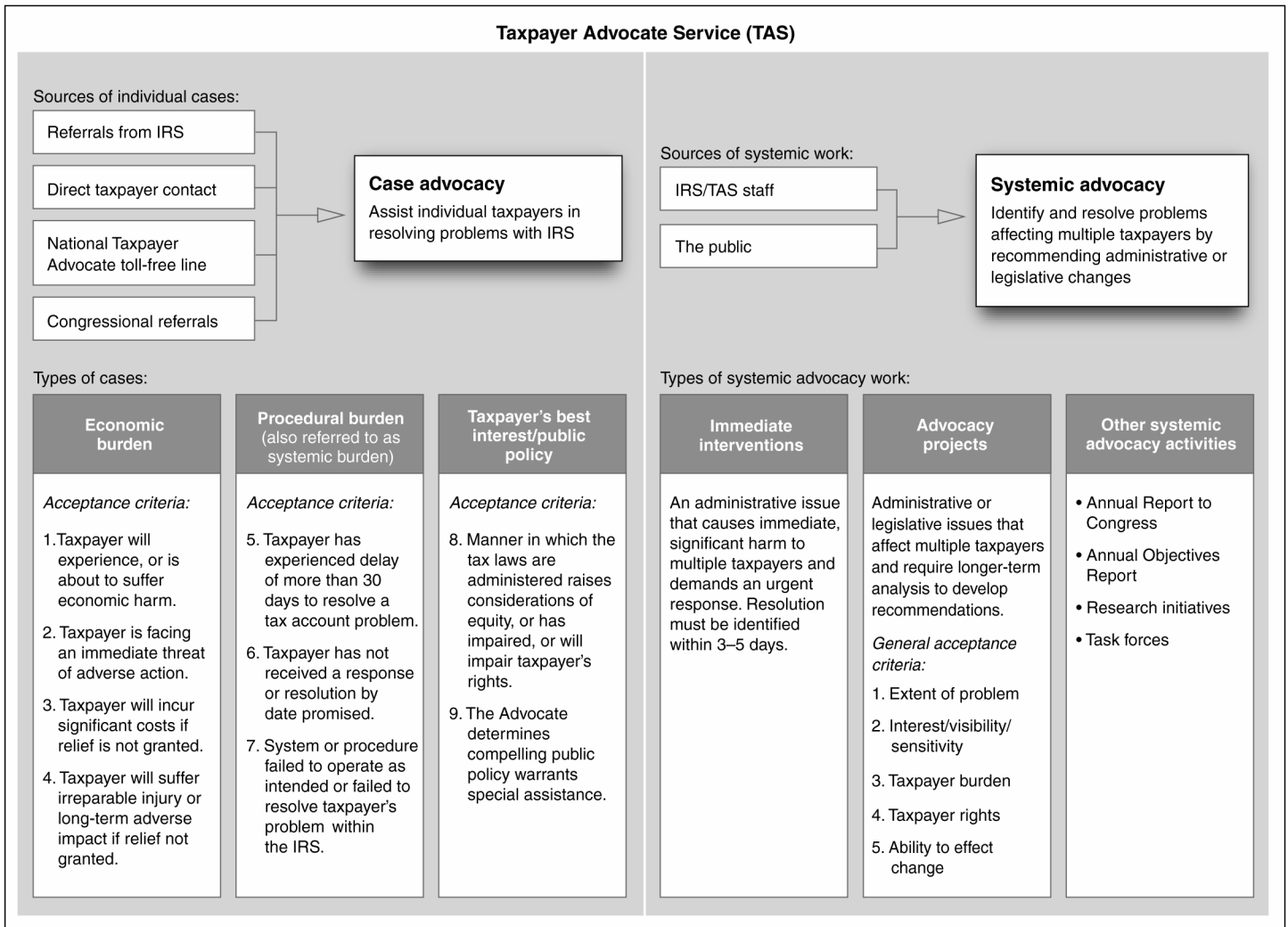
⁶Section 9503, added to Title 5 by the Restructuring Act, provides that the Secretary of the Treasury may, for a period of 10 years after the date of enactment of the section, fix the compensation of and appoint individuals to designated critical administrative, technical, and professional positions needed to carry out the functions of the Internal Revenue Service, if certain criteria are met. Specifically, the relevant positions must require expertise of an extremely high level in an administrative, technical, or professional field. The positions must also be critical to the Internal Revenue Service's successful accomplishment of an important mission.

using the streamlined critical pay authority.⁷ The Advocate's salary was \$162,100 and her bonus was \$22,900 in 2006.

TAS has two primary functions—case advocacy and systemic advocacy, although it is also responsible for administering the Low Income Taxpayer Clinic (LITC) Grant Program and overseeing the Taxpayer Advocacy Panel (TAP). Figure 1 shows TAS's primary functions as well as sources of work.

⁷The terms of appointments made under section 9503 are limited to no more than 4 years. However, since the National Taxpayer Advocate was appointed under IRC Section 7803, which simply allows the compensation to be fixed under the streamlined critical pay authority of section 9503, IRS determined that the term limit does not apply.

Figure 1: Primary TAS Functions



Source: GAO.

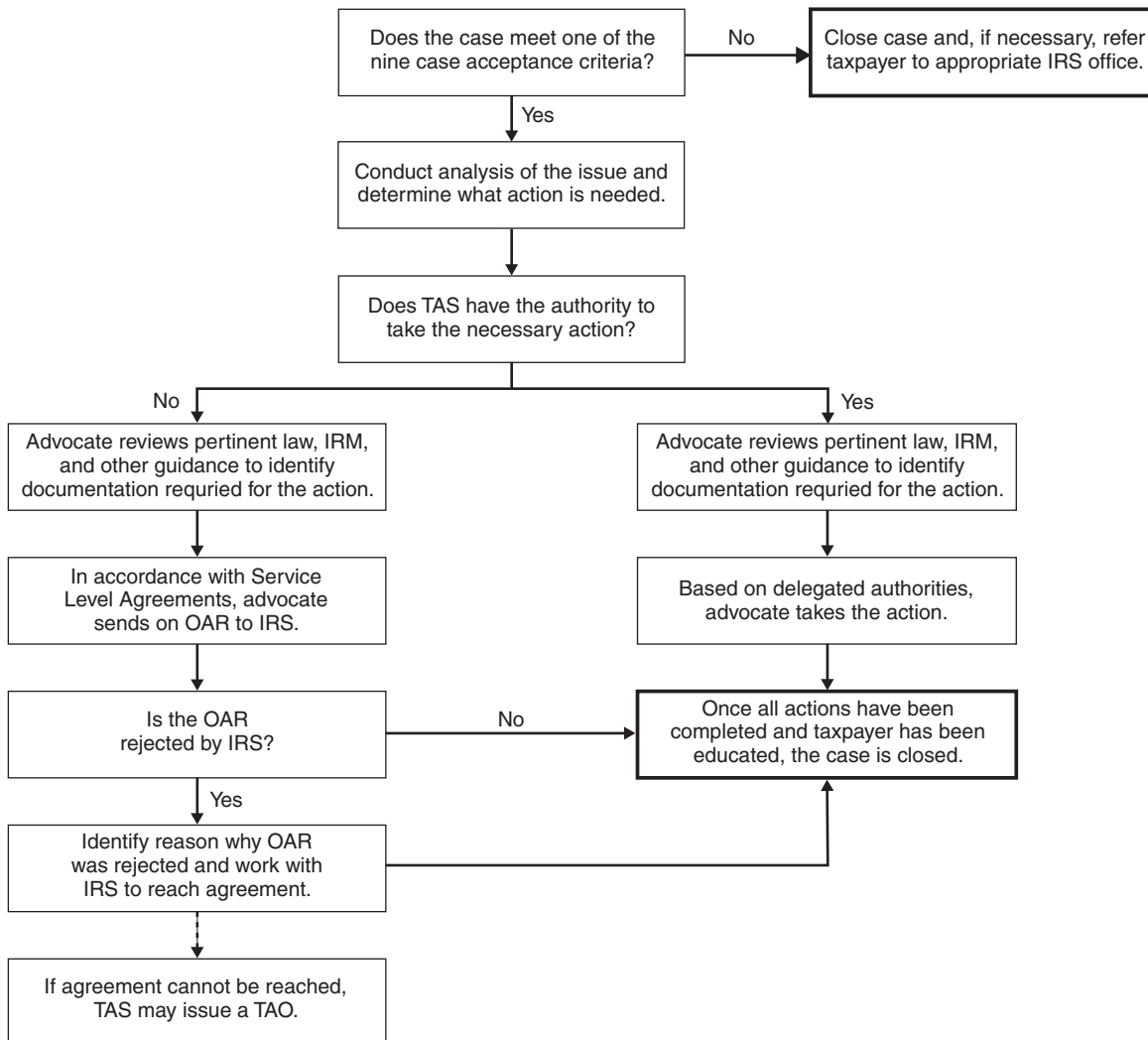
TAS receives case advocacy cases through several sources including referrals from IRS, direct taxpayer contact via walk-in, phone calls, or mail, and the National Taxpayer Advocate toll-free line. The acceptance criteria for case advocacy fall into four general categories: economic burden, systemic burden, best interest of the taxpayer, and public policy. Economic burden cases involve a tax-related issue that has caused financial difficulty for the taxpayer. Procedural burden cases involve an

IRS process, system, or procedure that has failed to operate as intended and, as a result, IRS has failed to resolve or respond to the taxpayer issue. Best interest of the taxpayer cases are those that raise questions of equity or taxpayer's rights in how the tax laws are administered. Finally, public policy cases are those that the Advocate decided should be worked based on specific issues or areas of public concern. TAS uses TAMIS to track its case advocacy activities.

In some cases, TAS is able to use its statutory or delegated authorities to take the necessary steps to resolve a case. When TAS does not have statutory or delegated authority to take action, TAS issues an Operations Assistance Request (OAR) to the function within IRS that can take the needed action to resolve the taxpayer's problem. If IRS and TAS are unable to agree on the proper course of action, TAS might use a Taxpayer Assistance Order (TAO) to require IRS to take a certain action as permitted by law, cease an action currently being taken, review an action, refrain from taking any action, or release property previously levied.⁸ In fiscal year 2006, TAS issued 46 TAOs. Figure 2 provides an overview of the case advocacy process.

⁸IRC § 7811 authorizes the Advocate to issue a TAO when a taxpayer is suffering or about to suffer a significant hardship as a result of IRS's administration of the tax laws. Any TAO issued by the Advocate may be modified or rescinded by the Advocate, the Commissioner of Internal Revenue, or the Deputy Commissioner of Internal Revenue if a written explanation of the reasons for the modification or rescission is provided to the Advocate.

Figure 2: Overview of Case Advocacy Process



Source: GAO.

Currently, TAS and IRS are renegotiating the procedures TAS and IRS functions will follow to process an OAR. Also, officials told us that the Advocate has reviewed TAS's delegated authorities with Office of Chief Counsel, Appeals, Tax Exempt/Government Entities, W&I, and SB/SE officials and plans to make recommendations to the Commissioner on possible changes.

TAS receives suggestions for systemic advocacy projects from TAS and IRS employees and the public. Systemic advocacy officials evaluate each suggestion to determine if it meets the definition of an immediate intervention—an administrative issue which could cause immediate, significant harm to multiple taxpayers that needs quick resolution. For those issues that do not become immediate interventions, systemic advocacy officials apply the general criteria described in figure 1 in order to score each issue. TAS creates a systemic advocacy project for those issues that meet or exceed the current threshold for converting an issue into a systemic advocacy project. This threshold can change depending on available resources to work on systemic advocacy projects. For immediate interventions and advocacy projects, systemic analysts research the issue and develop recommendations for IRS. For additional details about creating immediate interventions and systemic advocacy projects including a complete list of the criteria used to score systemic issues, see appendix II.

TAS also conducts systemic advocacy through participation in TAS and IRS research initiatives and task forces, hosting town hall meetings, conducting focus groups, and through TAS's two required annual reports to Congress. One of the two reports, the annual report to Congress, hereafter referred to as the annual report, is due by December 31, and summarizes TAS's activities during the prior fiscal year. It must include, among other things, a discussion of at least 20 of the most serious problems encountered by taxpayers and administrative and legislative recommendations for resolving taxpayer problems.⁹ For details about how the most serious problems are selected, see appendix IV. The other report, due by June 30 of each year, must identify the objectives of the Office of the Taxpayer Advocate for the fiscal year beginning in that calendar year.

Responsibility for the LITC Grant Program was transferred from W&I to TAS in May 2003. The IRS Restructuring and Reform Act of 1998 established the LITC Grant Program to help accredited academic institutions and nonprofit organizations represent low-income taxpayers in controversies with IRS and operate programs to inform individuals for whom English is a second language about their rights and responsibilities. TAS has responsibility for selecting LITC grant recipients and conducting site visits to ensure that LITCs are fulfilling their obligations. See appendix V for more information on the LITC Grant Program. TAS also has

⁹See app. III for a list of what must be included in the annual report.

responsibility for overseeing the TAP, which was established in October 2002 under the Federal Advisory Committee Act as a way of improving IRS responsiveness to taxpayers' needs. The panel, consisting of approximately 104 volunteers nationwide including every state, Puerto Rico, and the District of Columbia, provides input on IRS's strategic initiatives and provides a venue for raising issues identified by citizens.

TAS's budget is part of the overall IRS appropriation and does not have a separate line item in the budget. TAS resources are spread across three appropriations: processing, assistance, and management; tax law enforcement; and information systems.

TAS's budget increased from about \$135.4 million in fiscal year 2001 to about \$170.3 million in fiscal year 2006.¹⁰ Over 86 percent of TAS's fiscal year 2006 budget was for its case advocacy function, while the rest was split between systemic advocacy, the LITC Grant Program,¹¹ TAP, and other expenses such as training, travel, and support. TAS's full-time equivalent (FTE) staff years decreased slightly from 2,064 in fiscal year 2001 to 1,894 in fiscal year 2006. Table 1 summarizes TAS's budget and staffing.

¹⁰In fiscal year 2006, Congress directed IRS to provide a specified minimum level of funding for TAS. House and Senate versions of the fiscal year 2007 appropriations bills continue this practice.

¹¹TAS serves as a conduit for channeling grants to LITC recipients. In fiscal year 2006, the amount of the grants was \$8 million. TAS was responsible for paying the expenses of administering the LITC Grant Program out of its operating funds.

Table 1: TAS Budget and FTE Staff Years, Fiscal Years 2001–6

	Fiscal year					
	2001	2002	2003	2004	2005	2006
Budget (dollars in millions)						
Case advocacy	\$123.9	\$134.4	\$138.3	\$140.3	\$142.7	\$146.0
Systemic advocacy ^a	3.4	5.1	5.7	5.8	3.7	4.0
LITC ^b	—	—	—	8.4	9.2	9.4
TAP	1.5	1.4	2.3	2.5	2.5	2.5
Other ^c	6.6	9.5	10.4	8.8	9.1	8.5
Total^d	\$135.4	\$150.3	\$156.7	\$165.8	\$167.3	\$170.3
FTEs						
Case advocacy	1,953	1,971	1,974	1,908	1,829	1,766
Systemic advocacy ^a	38	53	58	56	32	32
LITC ^b	—	—	—	7	10	11
TAP	16	16	17	21	21	21
Other ^c	57	72	77	73	71	64
Total^d	2,064	2,112	2,126	2,065	1,963	1,894

Source: TAS.

^aSome staff in categories other than systemic advocacy also spend some of their time on systemic advocacy activities, such as preparing the annual report to Congress.

^bThe responsibility for the LITC Grant Program was transferred to TAS in May 2003; however, dollars and FTEs were not allocated to TAS until fiscal year 2004.

^cOther includes training, travel, and support for TAS headquarters management activities. These activities include strategic planning, communications and liaison, finance, equal employment opportunity and diversity, business systems planning, and employee development.

^dTotals do not add due to rounding.

Growth in TAS's Caseload since Fiscal Year 2004 Correlates with Increases in IRS Enforcement Activity

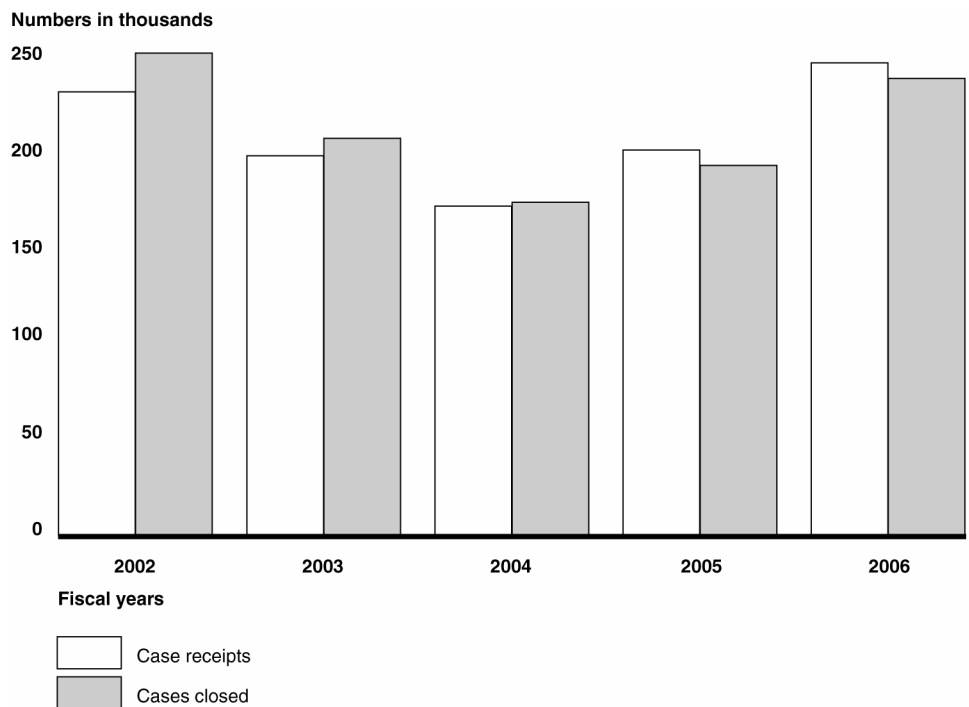
The growth in TAS's caseload was not uniform over types of taxpayer problems, but was correlated with increases in IRS enforcement activity.

TAS's Caseload Increased Significantly in Fiscal Years 2005 and 2006

After decreasing from fiscal years 2002 through 2004, TAS's case receipts increased 43 percent from fiscal year 2004 to 2006, as shown in figure 3. Case receipts increased by 28,660 cases or 17 percent in fiscal year 2005 over fiscal year 2004 and another 45,021 cases or 23 percent in fiscal year 2006. Since fiscal year 2004, by comparison, TAS staffing decreased by 171 FTEs as was shown in table 1.

Figure 3 also shows that the number of cases that TAS closed each year followed a similar pattern as case receipts, with declines in fiscal years 2002–4 and increases in fiscal years 2005 and 2006. In the earlier years the closure rate exceeded the number of cases coming in, so TAS was decreasing its backlog of cases. In fiscal years 2005 and 2006, however, TAS closed fewer cases than it received, and its backlog of cases increased by around 7,500 cases in each of those years. TAS officials said that the growing number of cases is posing a challenge to staff, but that the challenge has not become overwhelming.

Figure 3: TAS Case Receipts and Cases Closed, Fiscal Years 2002–6



Source: GAO analysis of TAMIS data.

The growth in TAS's caseload after fiscal year 2004 varied across types of taxpayer problems. (TAS tracks taxpayer problems by assigning one of 114 primary issue codes to each case. Specific issue codes include processing an original or amended return, lien release, and stolen identity. See app. VI for a full breakdown of cases by issue code for fiscal years 2002 through 2006.) Furthermore, the percentage of each type of issue, in terms of total caseload, varied over time. Data on taxpayer issues showed the following:

- The growth in caseload was distributed across many issues with 7 issues increasing by more than 1,000 cases in fiscal year 2005 and 17 doing so in fiscal year 2006. (See app. VII for a breakdown of issues that increased by more than 1,000 cases in fiscal years 2005 and 2006.)
- The growth in caseload was not uniformly distributed by issue over time. None of the 5 issues with the greatest growth in fiscal year 2005 were among the top 5 in fiscal year 2006. Also, the most common issue in both fiscal year 2005 and 2006, criminal investigation (CI), increased substantially in fiscal year 2005, but declined in fiscal year 2006.¹²
- Total caseload was distributed over many issues with no single issue accounting for more than 8 percent of the total in fiscal year 2006. For example, although CI was the largest issue in fiscal years 2005 and 2006, it accounted for only 14 percent of cases in fiscal year 2005 and 8 percent in fiscal year 2006.
- The issues with the highest number of cases varied from year to year. Of the 5 issues with the highest number of cases in fiscal year 2002, only 2 remained in the top 5 in fiscal year 2006.

Growth in TAS's Caseload since Fiscal Year 2004 Was Correlated with Increases in IRS Enforcement Activities and Specific Enforcement Programs

According to the Advocate, the majority of the increase in TAS's caseload in fiscal years 2005 and 2006 was due to an increase in IRS enforcement activities. For example, the National Taxpayer Advocate's 2007 Objectives Report to Congress states that "The impact of the IRS's substantial increases in enforcement activities is evident in the corresponding increase in TAS Taxpayer Delinquent Investigation, Levy, and Automated Underreporter case receipts." Data from TAS and IRS are consistent with this argument, showing a correlation between increases in TAS's caseload and increases in IRS's overall enforcement activities since fiscal year

¹²According to the National Taxpayer Advocate 2005 Annual Report to Congress, the vast majority of TAS's CI cases related to Questionable Refund Program (QRP) freezes. The QRP is a nationwide multifunctional program established in January 1977. The purpose of this program is to detect fraudulent returns and stop the payment of false refunds claimed on income tax returns. If CI does not validate the taxpayer's entitlement to a refund, it may "freeze" the refund until IRS assures itself there is no fraud.

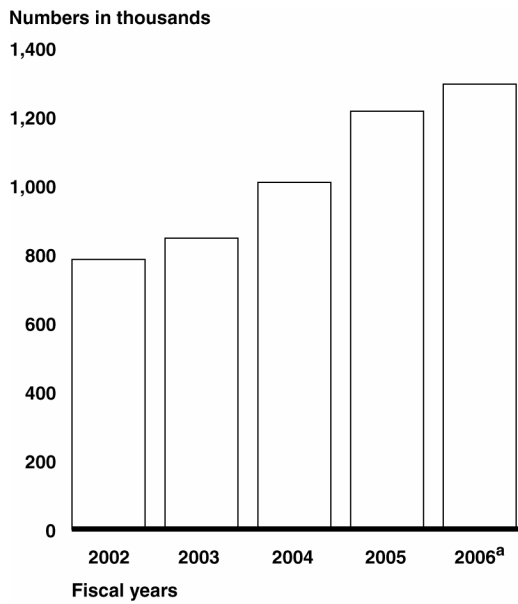
2004.¹³ The data also show correlations between the growth in particular IRS enforcement programs and the corresponding TAS issues.

However, IRS's enforcement programs were also growing between fiscal years 2002 and 2004, a time when TAS's caseload was shrinking. A senior TAS official said that increases in IRS enforcement were leading to new TAS cases in fiscal years 2002–4, but that the increases in caseload were more than offset by declines for other reasons. For example, the official stated that in 2000–1, TAS was still clearing out a backlog of taxpayer problems from the late 1990s and new problems were also arising from confusion stemming from the major reorganization of IRS from divisions based on processes to divisions based on types of taxpayers being served. As TAS dealt with the backlog of cases and as the IRS reorganization was completed, the number of cases fell. Data for testing this explanation were not available.

Overall, IRS enforcement activities have been increasing, as shown by the number of individual examinations in figure 4 and the amount of enforcement revenue collected in figure 5.

¹³We did not test for statistical correlation, rather we looked for positive associations between IRS enforcement activity and related TAS cases.

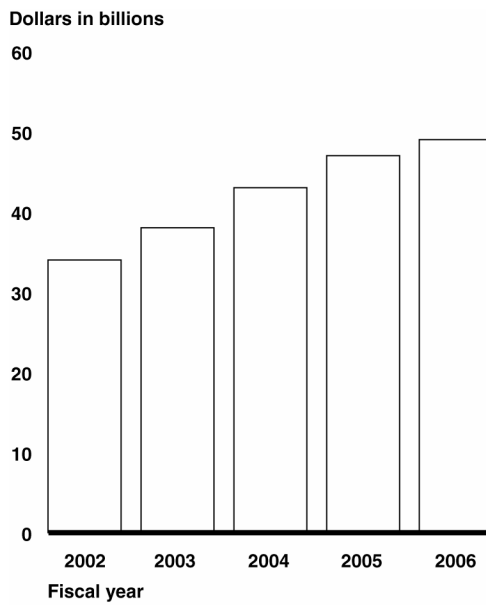
Figure 4: Individual IRS Examinations



Source: IRS.

^aFiscal year 2006 results are preliminary.

Figure 5: Enforcement Revenue Collected



Source: IRS.

At the same time, the majority of the growth in TAS’s caseload was due to issues that are enforcement related, as shown in table 2. Table 2 combines TAS’s 114 types of taxpayer issues into a few broad categories. Categories that consist largely of enforcement issues, as shown by the shaded rows in the table, accounted for over half of the growth in TAS caseload between fiscal years 2004 and 2006. Moreover, there are also enforcement-related issues in other categories. For example, a case that TAS classifies as “document processing” may involve a taxpayer having trouble filing an amended return after an audit.

Table 2: Number of TAS Cases by Categories of Issues, Fiscal Years 2002–6

Category of issue	Fiscal year				
	2002	2003	2004	2005	2006
Document processing	57,143	39,289	32,646	36,815	52,850
Examination	52,452	51,335	38,051	40,213	47,951
Collection	28,833	25,274	23,887	29,210	43,625
Refunds	31,852	22,702	19,247	20,048	27,710
Appeals/other	11,397	19,691	19,903	31,936	24,770
Technical/procedural/statute	8,942	7,683	9,496	12,032	13,251
Penalty	14,700	10,155	9,133	10,032	12,397
Entity	9,337	7,270	8,176	9,760	11,617
Payments/credits	12,746	7,666	6,804	7,089	8,175
Interest	1,638	1,179	1,052	1,042	1,033
Not coded	95	3,925	1,734	612	431
Total	229,135	196,169	170,129	198,789	243,810

Source: GAO analysis of TAMIS data.

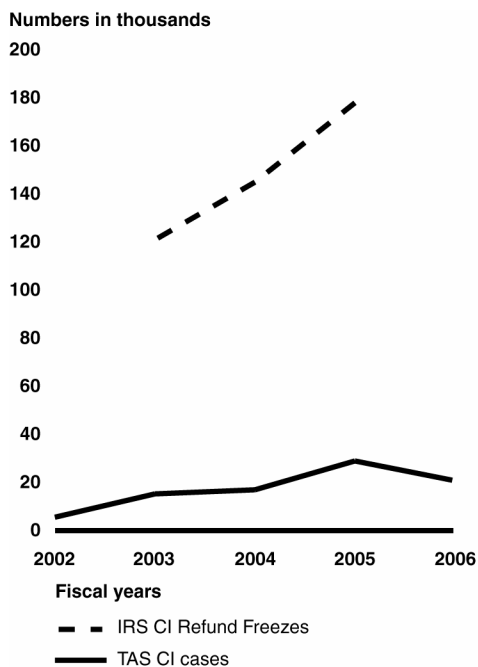
Note: Shaded rows indicate issue categories that are primarily enforcement related.

The correlation between TAS caseload growth and IRS enforcement increases can also be seen for particular enforcement actions. The two types of TAS cases that increased the most—CI cases in fiscal year 2005 and levy cases in fiscal year 2006—are examples.¹⁴ While we could not verify that there was a causal relationship between IRS activity and TAS caseload, for CI and levy cases, we found a positive correlation. The number of CI refund freezes increased by 23 percent in fiscal year 2005

¹⁴We did not compare the increase in TAS’s fiscal year 2006 caseload to fiscal year 2006 IRS enforcement activities because fiscal year 2006 IRS data were not yet available.

over fiscal year 2004 and at the same time the number of TAS CI cases increased by roughly 71 percent, as shown in figure 6. In December 2005, the Advocate issued a report critical of the number of taxpayers whose refunds were frozen and then later released, as well as the lack of information given to taxpayers about the status of their refund in these cases and the number of years that freezes are in effect. CI officials said that they subsequently made significant changes to the program in early 2006, freezing fewer refunds in 2006 and issuing fewer multiyear freezes. TAS and CI officials said that this likely caused the number of taxpayers seeking TAS assistance for refund freezes to decrease. While data on the number of CI refund freezes for fiscal year 2006 were not yet available when we completed our work, the number of TAS CI cases decreased by 25 percent that year.

Figure 6: Changes in IRS and TAS CI Cases

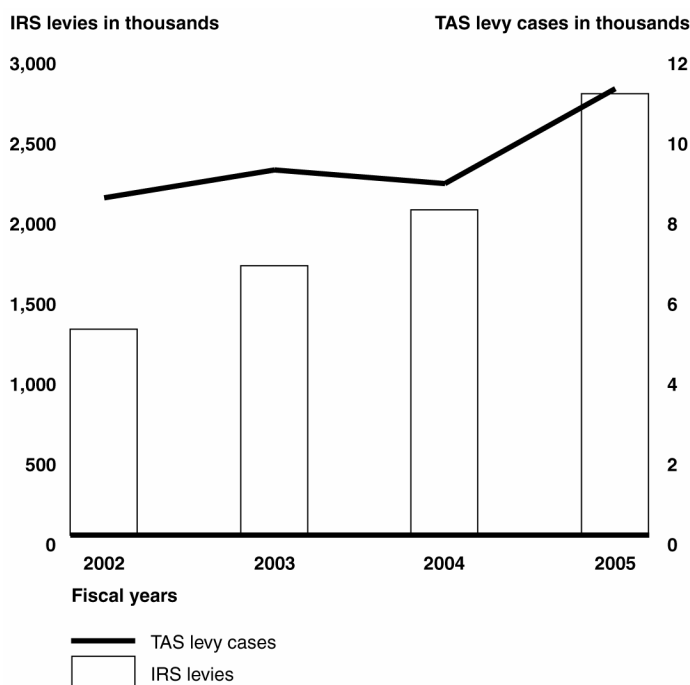


Source: GAO analysis of TAS and IRS data.

Note: Number of CI refund freezes is reported by processing year and is an estimate.

Similarly, as shown in figure 7, the number of IRS levy cases increased between fiscal years 2002 and 2005, including a 35 percent increase in fiscal year 2005 over fiscal year 2004.¹⁵ The number of TAS levy cases also increased by 27 percent in fiscal year 2005 over fiscal year 2004.

Figure 7: Changes in IRS and TAS Levy Cases



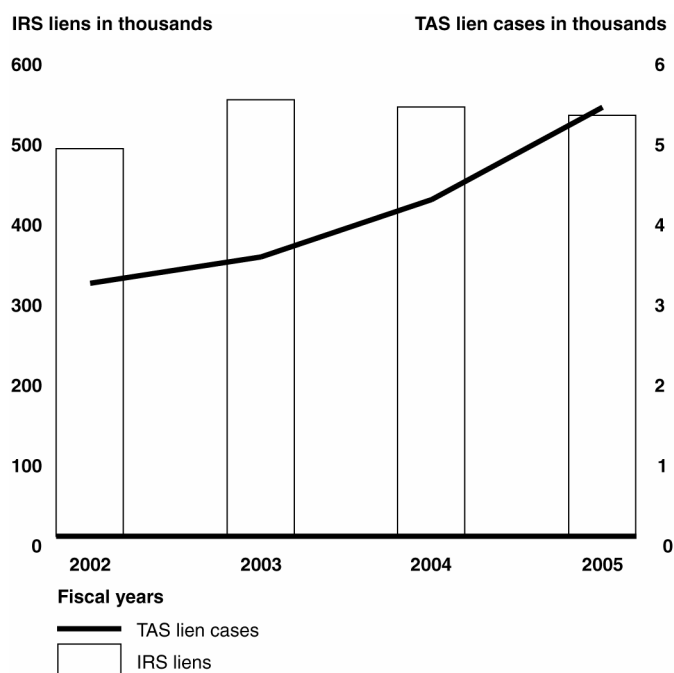
Source: GAO analysis of IRS and TAS data.

Although there is a correlation between growth in overall IRS enforcement activity and growth in TAS caseload, as well as a correlation between growth in some specific IRS programs and corresponding TAS issues, the correlation does not always hold. For example, as shown in figure 8, the

¹⁵Under the Internal Revenue Code, “levy” is defined as the seizure of a taxpayer’s assets to satisfy a tax delinquency. IRS differentiates between the levy of assets in the possession of the taxpayer (referred to as a “seizure”) and the levy of assets, such as bank accounts and wages, which are in the possession of third parties, such as banks or employers (referred to as a “levy”).

number of TAS lien cases increased by 27 percent in fiscal year 2005 while the number of IRS liens decreased by 2 percent.¹⁶

Figure 8: Changes in IRS and TAS Lien Cases



Source: GAO analysis of IRS and TAS data.

Other Factors Have Also Been Cited as Contributing to TAS's Increased Caseload

As previously shown in table 2, non-enforcement-related TAS cases also increased since fiscal year 2004. TAS officials said that increased TAS outreach and external factors, such as taxpayers with problems related to the disruptions caused by Hurricane Katrina and changes in the overall economy, contributed to the caseload increase.

IRS officials and others also said that changes made to TAS's case acceptance guidance may have contributed to TAS's caseload increase. However, our analysis of TAS data does not support this. The Advocate made changes to TAS's case acceptance guidance twice since fiscal year

¹⁶A lien is a legal claim, filed in accordance with state property law, that attaches to property to secure payment of a debt. The effect of a lien may not be felt until the taxpayer sells the property or tries to obtain credit.

2004, which is when TAS’s caseload started to increase. On January 13, 2005, the Advocate issued an internal memorandum to all TAS staff called “Common Sense and Good Judgment in Case Processing.” According to the Advocate, the memo did not change the criteria but sought to clarify the criteria and ensure that staff were not creating unnecessary obstacles for taxpayers seeking TAS assistance. In January 2006, TAS implemented an expanded version of its case acceptance criteria. The revisions included slight modifications to some of the existing criteria and the creation of criteria 8 and 9.¹⁷

The January 2005 memorandum clarified that TAS should accept all cases (1) where a taxpayer specifically requests TAS assistance and (2) that were referred from IRS even if the case does not meet TAS’s case acceptance criteria to avoid sending the taxpayer back to IRS.¹⁸ According to the memorandum, in these situations, the case should be classified as meeting criteria 7—a system or procedure failed to operate as intended or failed to resolve the taxpayer’s problem. Therefore, if following the memorandum contributed to the increase in TAS’s caseload, we would expect to see a disproportionate increase in criterion-7 cases. However, criterion-7 cases did not increase disproportionately in 2005 and 2006, rather the number of these cases grew at a slower rate than other cases, as shown in table 3. Furthermore, the changes made by TAS in January 2006 did not significantly affect TAS’s caseload given that the two added criteria resulted in just over 500 of the approximately 244,000 cases received in fiscal year 2006.

Table 3: Increase in Non-Criterion-7 TAS Caseload Compared to Increase in Criterion-7 Cases

Fiscal year	All non-criterion-7 cases		Criterion-7 cases	
	Number	Percentage change	Number	Percentage change
2004	109,462		60,667	
2005	128,134	17	70,655	16
2006	161,177	26	82,633	17

Source: GAO analysis of TAS data.

¹⁷See fig. 1 for a list of TAS’s current case acceptance criteria.

¹⁸IRS officials told us that IRS has taken steps to reduce the error rate for referrals to TAS from IRS campuses.

Taxpayers Report Being Satisfied, and Quality Improved in Most Years, but TAS Lacks Measures of Efficiency and Cost

TAS tracks its case advocacy performance in several dimensions. Two of TAS's performance measures, customer satisfaction and case quality, meet all of the criteria that GAO developed as attributes of successful performance measures. However, its employee satisfaction survey suffers from a declining response rate and TAS does not measure some important dimensions of performance such as cost per case.

Taxpayers Report Being Satisfied, and Case Quality Improved since Fiscal Year 2002 with a Slight Decline in Fiscal Year 2006

TAS case advocacy performance measures include measures of customer satisfaction, case quality, and employee satisfaction. Table 4 shows TAS's performance against its goals for fiscal years 2002–6.

Table 4: TAS Performance Measure Goals and Results

Measure	Fiscal year									
	2002		2003		2004		2005		2006	
	Goal	Actual	Goal	Actual	Goal	Actual	Goal	Actual	Goal	Actual
Customer satisfaction (scores out of a possible 5 points)	^a	4.33	^a	4.30	^a	4.30	4.35	4.39	4.40	4.34
Case quality (scores out of a possible 100 points)	80.0	78.5	90.0	84.7	90.0	90.5	91.0	91.6	91.5	89.7
Employee satisfaction (percent)	70	56	61	60	65	65	68	70	73	64

Source: TAS.

Notes: Customer satisfaction figures are from a survey with a maximum score of 5.0 and confidence intervals of ± 0.006 in 2002 and 2003, ± 0.007 in 2004, ± 0.006 in 2005, and ± 0.005 in 2006, all at a confidence level of 95 percent. Case quality figures are from a survey of completed cases with confidence intervals of ± 0.9 in 2002, ± 0.7 in 2003, ± 0.5 in 2004, and ± 0.7 in 2005 and 2006, all at a confidence level of 90 percent. Employee satisfaction figures are from a survey of all employees, with response rates of 80–82 percent in 2002–4, 48 percent in 2005, and 33 percent in 2006.

^aTAS did not have a customer satisfaction goal in that time period.

Taxpayers who have used TAS have consistently reported being satisfied to very satisfied since fiscal year 2002, as shown by the customer satisfaction survey results in table 4. TAS determines customer satisfaction through an independent and confidential telephone survey process to gauge the opinions of a random selection of taxpayers and their representatives who had recently closed cases. The survey uses a five-

point scale where 5 represents “very satisfied” and 4 represents “somewhat satisfied.” TAS’s customer satisfaction scores varied only slightly from fiscal years 2002 to 2006 with customers remaining on average somewhere between somewhat satisfied and very satisfied. As shown in table 4, there was only a small amount of change in this measure from year to year, and only a small difference between actual performance and the goals for fiscal years 2005 and 2006. For additional information on TAS’s customer satisfaction results, see appendix VIII.

TAS’s case quality improved between fiscal years 2002 and 2004 (the changes are statistically significant) and then leveled off, also shown in table 4. The slight increase in 2005 and the slight decline in 2006 are not different in a statistically significant sense from the 2004 results. As shown in table 4, TAS met its case quality goals for 2004 and 2005 but did not do so in 2006. To calculate the quality index, TAS randomly selects cases each month and measures them against eight quality standards. These standards are meaningful in that they cover aspects of quality—timeliness and technical correctness, for example—that IRS has found important to measure in other contexts, such as telephone service. The eight standards and their point values are shown in table 5.

Table 5: TAS Quality Standards and Point Values

Quality standard	Point value
Did TAS make timely contact with the taxpayer?	5
Did TAS take initial action/request information within the specified time frame?	10
Did TAS take all subsequent actions timely from the time action could have been taken?	10
Did TAS resolve all taxpayer issues?	25
Did TAS address all related issues?	10
Were all actions taken by TAS and the IRS operations/functional divisions technically and procedurally correct?	15
Did TAS give the taxpayer a clear, complete, correct explanation at closing?	20
Did TAS educate the taxpayer regarding any of his/her actions that contributed to the problem?	5

Source: TAS.

In the past, TIGTA has raised issues with TAS's timeliness and has made recommendations that TAS take additional steps to improve timeliness.¹⁹ TIGTA based its findings on a review of a sample of cases. Although the Advocate disagreed with TIGTA's conclusions on specific cases, the Advocate agreed to make changes to improve timeliness by introducing two types of case management reviews. The first type is an early intervention review where a TAS manager must be involved in a minimum of 25 percent of open cases within 10 calendar days from the received date for criteria 1–4 cases and within 30 calendar days for criteria 5–9 cases.²⁰ The second type of review is a 100-day review where a manager must review all cases that have been open for 100 days within 15 days of reaching the 100-day mark, and a minimum of once every 60 days thereafter. According to the Advocate, these reviews help ensure that cases are resolved in a timely manner. TAS's efforts to improve timeliness are reflected in three timeliness standards that are part of the TAS quality standards shown in table 5. For example, the score for timeliness standard number 3, "Did TAS take all subsequent actions timely?" increased from 81.5 percent in fiscal year 2004 to 86.5 percent in fiscal year 2005. Also, TAS improved on the average number of days it takes to close a case, which declined from 67.6 in fiscal year 2003 to 51.2 in fiscal year 2006.

Employee satisfaction increased from fiscal year 2002 to 2004 but the results for 2005 and 2006 (all shown in table 4) may not be accurate because of declining survey response rates. TAS determines employee satisfaction through an annual IRS-wide survey conducted by an independent organization using a five-point scale where 5 represents "extremely satisfied." In fiscal years 2002 through 2004, 80 percent or more of TAS employees responded to the survey while only 48 percent and 33 percent responded in fiscal years 2005 and 2006 respectively. Survey response rates also declined throughout IRS during this period. Response rates this low may bias the results if nonrespondents have different opinions than respondents.

¹⁹Treasury Inspector General for Tax Administration, *The National Taxpayer Advocate Has Improved the Quality of Casework, but Continued Vigilance is Needed to Increase Compliance with the Quality Standards*, Reference No. 2003-10-074 (Washington, D.C.: Mar. 10, 2003) and *The Taxpayer Advocate Service Needs to Improve Case Management to Ensure Taxpayer Problems Are Resolved Timely*, Reference No. 2004-10-166 (Washington, D.C.: Sept. 29, 2004).

²⁰See fig. 1 in Background section for a list of the case criteria.

The measures of customer satisfaction and case quality on which the previous description of case advocacy performance is based are sound, according to criteria we have previously used for assessing IRS's performance measures.²¹ These two measures have all the attributes of successful measures as shown in table 6, including clarity, objectivity, and reliability. While it is conceptually sound to measure employee satisfaction with a survey, as already discussed, the employee satisfaction measure does not satisfy the objectivity and reliability criteria because of the possibility of nonresponse bias in the survey in recent years.

Table 6. Overview of Our Assessment of TAS's Case Advocacy Measures

Attributes of successful measures	GAO assessment of TAS measure		
	Customer satisfaction	Employee satisfaction	Case quality
Linkage—aligned with goals and mission and clearly communicated	✓	✓	✓
Clarity—clearly stated and name and definition are consistent with methodology used to calculate it	✓	✓	✓
Governmentwide priorities ^a —covers a priority such as quality, timeliness, and cost of service	✓	✓	✓
Measurable target—has a numerical goal	✓	✓	✓
Objectivity and Reliability—free from significant bias and reliable and produces same result under similar conditions	✓		✓
Core Program Activities—cover activities entity is expected to perform to support intent of program	✓	✓	✓
Limited Overlap—should provide new information	✓	✓	✓
Balance—suite of measures covers an organization's priorities			This attribute applies to the overall suite of measures. IRS considers these measures to be balanced since they address priorities such as employee and customer satisfaction and business results. However, additional measures such as cost of service could improve the balance of TAS priorities.

Source: GAO.

Note: A checkmark denotes that the measure has the attribute.

^aWhile the current measures cover governmentwide priorities, TAS does not have a cost of service measure, which is another governmentwide priority.

²¹In previous work, we identified the eight attributes listed in table 6 as elements of successful measures. (See [GAO-03-143](#)).

TAS Does Not Measure True Case Advocacy Efficiency or Cost

TAS has an additional case advocacy measure called “efficiency” but it does not measure efficiency as conventionally defined. Nor does TAS have a measure of cost per case. The efficiency measure, which TAS defines as the percentage of total case receipts that are procedural burden cases (cases accepted under criteria 5–7) is missing important attributes of a successful performance measure, including linkage and clarity. TAS is working to develop processes to capture components of a meaningful case advocacy efficiency measure, which will be useful for the development of a useful efficiency measure in the future.

TAS’s case advocacy efficiency measure is not linked to TAS’s case advocacy mission. According to the Advocate, TAS developed its efficiency measure with the thought that the percentage of procedural burden case receipts should eventually decrease as IRS fixes systemic problems in response to TAS’s systemic advocacy efforts. However, the current TAS measure is really a measure of systemic advocacy effectiveness rather than case advocacy efficiency. The Office of Management and Budget (OMB) agrees. OMB’s Program Assessment Rating Tool (PART) review described TAS’s efficiency measure as a proxy measure for TAS’s success in helping IRS fix systemic problems. However, it provides only limited information on the success of TAS’s systemic advocacy mission because it is sensitive to a number of outside factors unrelated to TAS activities. For example, the number of procedural burden cases could increase because of an increase in new IRS errors, regardless of how well TAS had identified corrections for earlier systemic problems.

In addition, TAS’s efficiency measure lacks clarity because it is not a true measure of efficiency. Simply put, efficiency is the ratio of the outcome or output to the input of any program.²² TAS’s efficiency measure includes no information on inputs into the program, such as time, and does not adequately measure output.

To develop a true measure of case advocacy efficiency, TAS would need information on case advocacy outputs, such as the number of cases closed, and inputs—primarily the amount of time spent on those cases.

²²While productivity and efficiency are often used interchangeably and are closely related, they are not always synonymous. Productivity is a descriptive term defining what is actually produced relative to the inputs used. Efficiency sometimes is a normative term evaluating productivity in relation to the maximum amount of output that could be produced with a given level of input. For consistency, throughout this report we will use efficiency to represent both concepts in discussing TAS’s efficiency measure.

Currently, TAS managers do not have information on inputs because TAS does not track the amount of time spent working each case; however, TAS plans on implementing a method to track time in January 2007. TAS would also need to adjust the number of cases closed for the complexity of the cases and the quality of the work. In a past report, we said that efficiency measures that are not adjusted for quality and complexity could yield misleading information.²³ For example, an increase in cases closed per case advocate would not be a true increase in efficiency if cases were becoming less complex.

According to TAS officials, cases have been becoming more complex in recent years; however, we could not verify this because TAS only has a limited way to measure complexity. At this time, TAS classifies cases as routine or complex. However, TAS is in the process of developing a more sophisticated method for determining case complexity. TAS is currently testing a model for determining the complexity of a case and plans on making changes to TAMIS in order to collect complexity data. A more sophisticated complexity index should provide the ability to adjust case output to reflect changes in complexity over time.

TAS also does not have information on the cost of working each case, preventing interpretation of efficiency information in light of cost effectiveness. Having data on the cost of each case would allow TAS managers, and external stakeholders, to make better decisions about where to allocate both TAS's case advocacy resources and systemic advocacy efforts. Without such data, TAS managers do not know if some categories of taxpayer issues are noticeably more costly to resolve than others. The high cost of case advocacy might become a factor in deciding how to prioritize systemic advocacy efforts. OMB also recommended in its PART report that TAS introduce a case advocacy unit cost measure. TAS officials indicated that they will start collecting unit cost data once they implement a method for tracking time on case.

²³GAO, *Tax Administration: Planning for IRS's Enforcement Process Changes Included Many Key Steps but Can Be Improved*, [GAO-04-287](#) (Washington, D.C.: Jan. 20, 2004).

TAS and IRS Are Working Jointly to Improve Coordination

As discussed in the Background section, TAS has limited authorities to take action on some cases. When TAS does not have authority to take action on a case, it must request that IRS take the action through an Operations Assistance Request (OAR).²⁴ TAS and IRS operating divisions have agreements in place that govern the OAR process. Several IRS and TAS officials identified coordination problems regarding the OAR process that could delay the resolution of taxpayer problems. Some of the problems that IRS officials identified include the following:

- TAS sends OARs when TAS could have resolved the case using their authorities or conversely TAS takes the action when they should have sent an OAR.
- TAS does not always do the necessary research or collect the necessary documentation before sending an OAR.
- OARs have to either be mailed or faxed.
- TAS routes OARs to the incorrect area.²⁵
- TAS accepts cases that do not meet its criteria or where the taxpayer has not taken the necessary steps to resolve his or her problem with IRS, which increases OAR volume and circumvents normal case processing.

Some TAS officials also reported some confusion over the OAR process. For example, officials stated that it is not always clear what documentation is required and the procedures for taking certain actions in the Internal Revenue Manual are vague, leaving room for interpretation. The Advocate's 2007 Objectives Report to Congress stated that it is a challenge for TAS employees to identify when an OAR should be sent, given the continuing state of change in IRS operating division personnel and procedures. These types of issues could lead to IRS rejecting more OARs, which causes delays for the taxpayer and unnecessary rework for TAS and IRS.

The Advocate plans to take actions to reduce the number of rejected OARs, including identifying TAS and IRS operating division training needs, improving the clarity of the IRM, and working with IRS operating divisions to ensure TAS routes OARs to the right place. TAS is also working with IRS operating divisions to develop a method to send OARs electronically.

²⁴TAS issued OARs on about 46 percent of cases in fiscal year 2006. Some cases involved more than one OAR, for a total of about 169,000 OARs.

²⁵TAS data do not indicate the reason for incorrectly routed OARs. An OAR could be misrouted because of a TAS mistake, or because a procedural or organizational change at IRS was not adequately communicated to TAS.

TAS has taken actions to deal with past issues related to TAS-IRS coordination. In 2002, TIGTA found that TAS employees were taking actions on taxpayer cases that were outside of their authority.²⁶ In response to TIGTA's findings, the Advocate agreed that there was confusion about the scope of TAS authorities and outlined corrective actions TAS had taken. As part of those actions, TAS provided additional training and modified the case quality review to include an accuracy standard that ensures actions taken are technically and procedurally correct and within TAS's authorities. TAS is looking for ways to improve the quality review and one of the proposals is to isolate the OAR process during the review so that they can better identify gaps in the OAR process. Senior TAS officials have provided the Advocate with recommendations for improving the quality review.

IRS and TAS are also currently reviewing the need to change TAS's authorities. The Advocate said that she supports certain additional authorities, but only those that do not undermine the unique responsibility of TAS, namely, advocating for the taxpayer inside the IRS. The Advocate said that she is concerned that her role may become blurred if she is asking IRS to take an action while simultaneously possessing authority to take the same action directly. Furthermore, the Advocate said that there are benefits to having the IRS confront taxpayer issues and become aware of recurring issues, which may not happen if TAS had the authority to make the changes itself without IRS involvement.

²⁶Treasury Inspector General for Tax Administration, *Taxpayer Advocate Service Employees Made Adjustments to Taxpayer Accounts Without Proper Authorization*, Reference No. 2002-10-079 (Washington, D.C.: Mar. 28, 2002).

TAS Does Not Measure the Effectiveness of Systemic Advocacy, and Reporting on Systemic Issues Is Not as Useful as It Could Be

TAS's systemic advocacy efforts have the potential to benefit large numbers of taxpayers. However, since TAS is just beginning to pilot a process to measure the effectiveness of its systemic advocacy efforts, TAS, IRS, Congress, and other stakeholders do not know how successful TAS is at accomplishing its systemic advocacy mission.

TAS Is Piloting Process to Measure the Effectiveness of Systemic Advocacy

TAS is piloting a process to analyze a few systemic issues in depth to assess progress in correcting underlying problems, but does not have a process for measuring systemic advocacy effectiveness more broadly. TAS worked with W&I to develop a process for using information from TAMIS and SAMS, feedback from TAS case workers on new problems observed in TAS cases, and input from the TAP to identify top systemic issues. TAS and the operating divisions will then collaborate to identify the root causes of those issues, implement needed changes to IRS procedures and systems, and assess whether progress is being made in correcting the underlying problems. If TAS management decides that the number of occurrences has been sufficiently reduced, the issues will be replaced by others. TAS is now piloting this process.

In August 2006, TAS used TAMIS data to identify the top issues. TAS and W&I officials agreed to address the issue of problems related to processing amended returns. If the pilot is successful, TAS plans to concurrently apply the process to three additional issues, replacing each one as the incidence of the issue has been sufficiently reduced. By using data to identify issues, testing to determine progress in addressing issues, and piloting the new process before determining if it should become standard procedure, TAS has taken the first steps towards developing a system to measure the effectiveness of its systemic advocacy activities.

While gathering in-depth information about a few systemic advocacy issues is important, this approach will not provide TAS managers, IRS, or Congress with an assessment of TAS's systemic advocacy efforts more broadly. Using information from TAMIS on the types of new issues coming in from individual taxpayers and the systemic projects being suggested through SAMS, TAS managers could develop measures of the extent to which systemic issues are recurring, which would in turn, provide a

measure of TAS success in identifying and addressing the root causes of these problems. Past reports by the IRS Oversight Board, TIGTA, and GAO have also noted the need for TAS to have better information about systemic advocacy effectiveness.²⁷

**Annual Report to Congress
Omits Important
Information about
Whether Systemic Issues
Were Addressed**

The National Taxpayer Advocate's annual report to Congress does not include adequate information about steps taken to address systemic issues, either new issues or issues raised in the past. IRS managers and other interested parties, including Congress, need this information to know whether issues have been addressed to TAS's satisfaction and whether additional steps need to be taken.

**Report Does Not Include the
Status of All Legislative
Recommendations**

The annual report does not provide a way to track the status of TAS's legislative recommendations. A table is included in the annual report but it provides only limited information (see table 7 for a copy of the 2005 table). We found that the table does not provide potentially useful information, making it difficult to determine what has happened as a result of a specific legislative recommendation. For example, the table

- does not list all past recommendations, listing only recommendations for which the current Congress took some action,
- omits information about actions taken by prior Congresses either on the listed recommendations or on previous recommendations,
- does not include summaries of the recommendations or how the recommendations are addressed by proposed legislation, and
- does not show the date of the recommendations it includes.

²⁷IRS Oversight Board, *Oversight of the Office of Taxpayer Advocate: Principal Findings and Actions*, (September 2002); Treasury Inspector General for Tax Administration, *Opportunities to Improve the Effectiveness of Internal Revenue Service Advocacy Efforts*, Reference No. 199910061 (Washington, D.C.: Sept. 27, 1999)—this report addressed the PRP, which was the predecessor to TAS; GAO, *IRS Management: IRS Faces Challenges as it Restructures the Office of the Taxpayer Advocate*, [GAO/GGD-99-124](#) (Washington, D.C.: July 15, 1999).

Table 7: TAS 2005 Annual Report to Congress Table Summarizing Status of the Advocate’s Legislative Recommendations; Actions Taken by the 109th Congress

Recommendation	Bill number	Sponsor	Date	Current status
Alternative minimum tax (AMT)				
Repeal the individual AMT	HR 1186	English	3/9/2005	Referred to the House Ways and Means Committee
	S 1103	Baucus	5/23/2005	Referred to the Senate Finance Committee
	HR 2950	Neal	6/16/2005	Referred to the House Ways and Means Committee
	HR 3841	Manzullo	9/2/2005	Referred to the House Ways and Means Committee
Index AMT exemption	HR 703	Garrett	2/9/2005	Referred to the House Ways and Means Committee
	HR 4096	Reynolds	10/20/2005	Passed House 12/7/2005; placed on Senate legislative calendar 12/13/2005
Tax preparation and low-income taxpayer clinics (LITC)				
Matching grants for LITC for return preparation	HR 894	Becerra	2/17/2005	Referred to the House Financial Institutions and Consumer Credit Subcommittee
	S 832	Bingaman	4/18/2005	Referred to the Senate Finance Committee
Regulation of income tax preparers	HR 894	Becerra	2/17/2005	Referred to the House Financial Institutions and Consumer Credit Subcommittee
	S 832	Bingaman	4/18/2005	Referred to the Senate Finance Committee
Small-business issues				
Health insurance deduction/self-employed individuals	S 663	Bingaman	3/17/2005	Referred to the Senate Finance Committee
Married couples as business co-owners	HR 3629	Doggett	7/29/2005	Referred to the House Ways and Means Committee
	HR 3841	Manzullo	9/2/2005	Referred to the House Ways and Means Committee
Federal tax deposit avoidance penalty	HR 3629	Doggett	7/29/2005	Referred to the House Ways and Means Committee
	HR 3841	Manzullo	9/2/2005	Referred to the House Ways and Means Committee
Election to be treated as an S corporation	HR 3629	Doggett	7/29/2005	Referred to the House Ways and Means Committee
	HR 3841	Manzullo	9/2/2005	Referred to the House Ways and Means Committee

Source: TAS.

IRS Actions in Response to TAS Recommendations Are Unclear

Each annual report includes information on actions IRS has taken or intends to take related to the most serious systemic problems covered in that report. The annual reports do not include such information related to the problems included in previous annual reports. By not including this information, it is difficult to determine which problems have been addressed and are no longer serious problems, and what actions, if any, have been taken or remain to be taken to address a particular problem.

TAS sent the recommendations included in the 2004 and 2005 annual reports to IRS. IRS provided information about the actions it had taken for the 2004 recommendations and, as of November 2006, was in the process of providing TAS with similar information for the 2005 recommendations. TAS officials said they plan to include an update of IRS actions in response to recommendations made in the annual reports and that this update may be included in the annual report or posted on the TAS Web site.

TAS Does Not Explain Why Most Serious Problems Are Different Each Year

By law, the annual report must include a summary of at least 20 of the most serious problems encountered by taxpayers. These do not have to be the 20 worst problems, however, and the Advocate is free to list different problems from year to year. The annual report does not explain this, however, and it does not explain what happened to the problems in the earlier reports. As a result, readers may have the impression that the problems described in an annual report are the top problems facing the taxpayers that year. Also, when a problem is included in one year's annual report and not in the next, readers may mistakenly think that the problem has been resolved.

A discussion of prior serious taxpayer problems may be helpful to IRS stakeholders, including Congress, because the problems cited by TAS vary from year to year. For example, of the 21 most serious problems included in the 2005 annual report, only 4 were included in any of the prior three reports, as shown in table 8.

Table 8: Comparison of the Most Serious Problems Included in 2005 Annual Report to Those in Previous Reports

Most serious taxpayer problems included in 2005 annual report	Most serious taxpayer problems included in the 2004, 2003, and 2002 annual reports that are similar to the problems included in the 2005 annual report		
	2004 annual report	2003 annual report	2002 annual report
Trends in taxpayer service			
Criminal Investigation refund freezes		X	
The cash economy			
Training of private debt collection employees			
Earned Income Tax Credit (EITC) exam issues		X	X
Levies on Social Security payments			
Appeals campus centralization			
Refund application loans: Oversight of the industry, cross-collection techniques, and payment alternatives			
Identity theft			
Complexity of the Employment Tax Deposit system			
Automated Collection System (ACS) levy releases			X
Regulation of Electronic Return Originators			
Limited scope of backup withholding program			
Accessibility of E-Services for tax practitioners			
Mandatory briefings for IRS employees about the Taxpayer Advocate Service			
Allowable expense standards for collection decisions			
Inadequate taxpayer service to exempt organizations resulting in unnecessary penalties			
Direct deposit of income tax refunds			
Innocent spouse claims		X	X
Limitations of collection account databases			
Reasonable cause assistant			

Source: GAO analysis of TAS reports.

Note: The issues may not be exactly the same, but the titles of the issues were either the same, similar, or included the same words or phrases in each. For example, the 2005 annual report included ACS levy releases and the 2002 report included access to ACS.

In addition, TAS’s analysis of the most serious problems included in the 2005 annual report showed that nine problems had not been specifically addressed in previous reports while the remaining problems were related to serious problems included in previous annual reports. For example, a serious problem included in the 2005 annual report was entitled “trends in taxpayer service” while a problem in the 2003 report was entitled

“taxpayer assistance centers” and a problem in the 2004 report was entitled “taxpayer access: face-to-face interaction.”

The Advocate said that it is a balancing act each year to decide which taxpayer problems to include. She said that TAS should not issue an annual report that repeats many taxpayer problems from year to year because the annual report is the primary way that TAS informs Congress and the public about systemic problems. As there are more than just 20 problems facing taxpayers, reporting on new problems every year is the best approach. Other TAS management officials expressed similar viewpoints.

In addition, as previously described, the Advocate must also prepare another report that identifies TAS’s objectives for that year. According to the Advocate, she uses the objectives report as TAS’s strategic plan and the report gives her a midyear chance to discuss the effect of IRS initiatives on taxpayers. The Advocate believes both reports are important and if they were combined, she would lose a communication tool that allows her to keep Congress informed about problems taxpayers are encountering and TAS’s plans to mitigate those problems.

Conclusions

Congress established TAS to help taxpayers with problems that were not resolved through normal IRS channels as well as to reduce the number of such problems through systemic advocacy. The recent increase in TAS caseload may raise questions about the effectiveness of TAS systemic advocacy at preventing new taxpayer problems from arising. However, the available data—particularly the varied makeup of TAS’s taxpayer cases from year to year—suggest that the increase in caseload may not be an indicator of TAS and IRS performance at preventing taxpayer problems but be due to other factors such as increases in IRS enforcement activities or changes in the economy. As IRS’s enforcement actions have changed over time, so has the nature of the problems taxpayers bring to TAS. As certain problems have been reduced in number, other problems have taken their place.

On the other hand, conclusions about the effectiveness of both case and systemic advocacy are necessarily limited by a lack of some performance information. Without measures of case advocacy efficiency and cost, TAS management lacks information potentially useful for managing its case advocacy staff and prioritizing its systemic advocacy efforts. Understanding efficiency is especially important in light of the challenge posed by a growing caseload. Without a broad-based measure of the

effectiveness of systemic advocacy, TAS, IRS, and Congress lack information about whether efforts to prevent taxpayer problems, rather than resolve them after they arise, are achieving any success. Similarly, TAS's current reporting leaves key information about the status of the issues it raises and IRS and congressional responses to past recommendations unmentioned. TAS may have options about the best way to provide more complete information to Congress and the public and to do so does not necessarily mean adding to the length of the annual report. For example, it might be preferable for TAS to use the Internet to make available tables listing both current and past recommendations and summarizing IRS and legislative actions to date. We note that TAS is already considering posting to its Web site the actions IRS has taken to address the recommendations related to the most serious problems in the 2004 annual report.

Recommendations for Executive Action

We recommend that the National Taxpayer Advocate

- improve TAS case advocacy performance measures with the addition of a true measure of efficiency that incorporates case complexity and quality and a cost measure;
- supplement the detailed information on specific systemic advocacy issues currently being developed with a broad measure of the effectiveness of systemic advocacy; and
- improve TAS reporting by (1) describing actions taken in response to TAS legislative recommendations, (2) describing actions taken by IRS to address the most serious problems encountered by taxpayers, and (3) making it clear that the most serious problems included in the annual report to Congress are at least 20 of the most serious problems but not necessarily all of the top problems faced by taxpayers.

Agency Comments and Our Evaluation

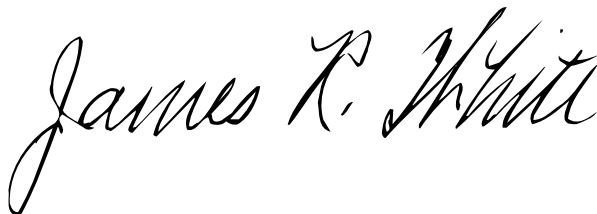
The National Taxpayer Advocate provided written comments on a draft of this report in a February 12, 2007, letter which is reprinted in appendix IX. The Advocate agreed with our recommendations. Her letter notes that TAS already collects quality data which will be needed to develop an efficiency measure, has taken the first steps to collect case complexity and time spent on cases to be used to develop cost data, and has submitted work requests to collect additional case complexity and time spent on case data. Her letter says that TAS will then use this data to develop a method for measuring case advocacy efficiency. She also noted that TAS recognizes the value of a broad measure of the effectiveness of systemic advocacy and said that TAS will develop one. TAS is implementing an enhanced

process to monitor actions taken in response to TAS legislative recommendations and the outcomes will be included in the annual report to Congress and be posted on the TAS web site. TAS will monitor the status of recommendations included in the annual report that address serious problems and post the results semiannually on the TAS web site. TAS included language in the 2006 annual report to Congress to clarify that the most serious problems included in the report are at least 20 of the most serious problems but not necessarily all of the top problems faced by taxpayers.

We also provided a draft of this report to the Commissioner of Internal Revenue for his review and comment. The draft report did not include any recommendations addressed to the Commissioner. The IRS Office of Legislative Affairs provided informal technical comments, and we incorporated them as appropriate.

As agreed with your offices, unless you publicly announce its contents earlier, we plan no further distribution of this report until 30 days after its date. At that time, we will send copies of this report to the National Taxpayer Advocate, the Secretary of the Treasury, the Commissioner of Internal Revenue, and other interested parties. This report is available at no charge on GAO's web site at <http://www.gao.gov>.

If you or your staffs have any questions, please contact me at (202) 512-9110 or whitej@gao.gov. Key contributors to this report were David Lewis, Assistant Director; Shellee Soliday; Lindsey Houston; John Mingus; Shirley Jones; and Jennifer Gravelle.



James R. White
Director, Tax Issues
Strategic Issues Team

Appendix I: Objectives, Scope, and Methodology

Our first objective was to determine why the Taxpayer Advocate Service's (TAS) caseload increased since 2004. To address this objective, we reviewed the case advocacy process; TAS's case acceptance criteria, changes made to the criteria by TAS, and TAS guidance for applying the criteria; the legal requirements for TAS's case acceptance criteria; TAS documents that included discussions of why their caseload was increasing, and the fiscal years 2002–5 National Taxpayer Advocate's annual reports to Congress, hereafter referred to as the annual report. We analyzed TAS caseload data from the Taxpayer Advocate Management Information System (TAMIS) for fiscal years 2002–6. To conduct our analyses, we associated cases with the fiscal year in which they were opened. Also, for cases that TAS closed and subsequently reopened, all of our analyses relate to the original case. To assess the reliability of the TAMIS data, we reviewed TAS documentation, conducted interviews with key officials, and conducted electronic testing of key variables. Based on this work, we determined that the TAMIS data were sufficiently reliable for our purposes. We also analyzed data related to Internal Revenue Service (IRS) enforcement activities for fiscal years 2002–5 that were included in the IRS Data Books or obtained from IRS officials. We interviewed several TAS officials including the National Taxpayer Advocate, hereafter referred to as the Advocate, the Executive Director of Case Advocacy, the Acting Director of Management Accountability, Policy and Strategy, and Local Taxpayer Advocates in three state offices and one campus office. We also interviewed Wage and Investment (W&I), Small Business/Self Employed (SB/SE), and Criminal Investigation (CI) officials to obtain their views about why IRS referrals to TAS were increasing.

Our second objective was to determine how well TAS conducted its case advocacy activities in terms of measures such as customer satisfaction and quality. To address this objective, we reviewed TAS's performance measures for case advocacy; TAS's performance results and targets for fiscal years 2002–6; TAS's fiscal year 2002–5 annual reports; previous GAO reports on performance measures and other performance measure literature; and the Office of Management and Budget's (OMB) 2004 Program Assessment Rating Tool (PART) report that discussed TAS's measures. We assessed TAS's performance measures using criteria previously established by GAO.¹ We interviewed TAS officials, including the Advocate and the Executive Director of Case Advocacy. We also

¹GAO, *Tax Administration: IRS Needs to Further Refine Its Tax Filing Season Performance Measures*, [GAO-03-143](#) (Washington, D.C.: Nov. 22, 2002).

interviewed W&I, SB/SE, and CI officials to obtain their views about coordinating with TAS to resolve taxpayer cases. In addition, we reviewed the Treasury Inspector General for Tax Administration's (TIGTA) report on the timeliness of TAS's case advocacy process² and GAO's report on restructuring the Office of the Taxpayer Advocate, which included an evaluation of the adequacy of the Advocate's measures.³

Our third objective was to determine how well TAS measures and reports its systemic advocacy efforts. To address this objective, we reviewed TAS's performance measures for systemic advocacy to determine if they addressed the effectiveness of systemic advocacy. We interviewed TAS systemic advocacy officials including the Executive Director for Systemic Advocacy, Acting Director of Systemic Advocacy Projects, Director of Immediate Interventions, the Project Manager for the Annual Report to Congress, and the Senior Advisor to the National Taxpayer Advocate and the Annual Report to Congress. In addition, we reviewed OMB's report that summarized the results of its use of PART to assess TAS for the year 2004, TIGTA's report on the effectiveness of systemic advocacy efforts,⁴ and GAO's report on restructuring the Office of the Taxpayer Advocate to identify any issues raised related to measuring systemic advocacy activities.⁵ We reviewed the 2002–5 annual reports to determine what information they included about actions taken to address systemic issues identified in them. We focused on the annual reports to Congress since they are the primary method used by TAS to report on systemic advocacy efforts. In addition, we reviewed the legal requirements for the annual report and the Department of the Treasury report that summarized the actions TAS took to address the recommendations included in a 2003

²Treasury Inspector General for Tax Administration, *The Taxpayer Advocate Service Needs to Improve Case Management to Ensure Taxpayer Problems Are Resolved Timely*, Reference Number 2004-10-166 (Washington, D.C.: Sept. 29, 2004).

³GAO, *IRS Management: IRS Faces Challenges as it Restructures the Office of the Taxpayer Advocate*, [GAO/GGD-99-124](#) (Washington, D.C.: July 15, 1999).

⁴Treasury Inspector General for Tax Administration, *Opportunities to Improve the Effectiveness of Internal Revenue Service Advocacy Efforts*, Reference Number 1999-10-061 (Washington, D.C.: Sept. 27, 1999).

⁵[GAO/GGD-99-124](#).

Treasury Inspector General for Tax Administration report related to the management of systemic advocacy.⁶

We performed our work from September 2005 through December 2006 in accordance with generally accepted government auditing standards.

⁶Treasury Inspector General for Tax Administration, *The National Taxpayer Advocate Could Enhance the Management of Systemic Advocacy Resources*, Reference Number 2003-10-187 (Washington D.C.: Sept. 30, 2003).

Appendix II: Process for Creating Immediate Interventions and Systemic Advocacy Projects

Immediate Interventions

Taxpayer Advocate Service (TAS) systemic advocacy staff analyze systemic issues to determine if they meet the definition of an immediate intervention. Immediate interventions are administrative issues which cause immediate, significant harm to multiple taxpayers and demand an urgent response. Also, the issues have clear sources; are highly visible and sensitive locally, areawide, or nationally; and require that a resolution be identified within 3–5 calendar days. The staff does not have written guidance for determining if an issue meets the definition and instead use factors such as their knowledge of Internal Revenue Service (IRS) operations and problems taxpayers are having with IRS to assess whether the issues meet the definition.

If the systemic advocacy staff determines an issue meets the definition of an immediate intervention, they elevate the issue to the Director of Immediate Interventions who decides on whether to create an immediate intervention. If an intervention is not created, then the staff applies the TAS criteria used to determine if an issue should become a systemic advocacy project. These criteria are described in the following section.

An example of TAS's use of the immediate intervention process was when a taxpayer submitted an issue to TAS's Systemic Advocacy Management System (SAMS) describing an experience while using a publicly shared computer at a library to access www.irs.gov. The taxpayer used the computer to complete and download IRS forms. After signing off and exiting the Web site, the taxpayer's personal information remained on the computer. TAS immediately raised the issue to the level of an immediate intervention due to the sensitive nature of the issue and the potential disclosure of taxpayer information via the external IRS Web site. TAS worked with other offices within IRS and the software vendor to correct this problem.

Systemic Advocacy Projects

TAS systemic advocacy staff use written criteria to score each systemic issue that does not become an immediate intervention. The scores are used to determine which issues will become systemic advocacy projects. Such issues are systemic and affect a segment of taxpayers; require study, analysis, recommendations, and action to effect positive results; involve systems, processes, procedures, or legislation; and involve more than one taxpayer.

TAS systemic advocacy staff use the following 14 criteria, which are divided into five categories, to score the issues.

- **Extent of the problem:** The following three factors help determine how widespread a problem may be. The greater the number of taxpayers potentially affected, the more widespread the problem, and the greater the frequency of occurrence, the more criteria points awarded.
 - **Potential volume of taxpayers affected within the identified segment (i.e., individuals, small businesses):** Of the taxpaying population within the identified segment, how many could be affected by this issue? Designate as high, medium, or low the number of affected taxpayers relative to the overall segment of taxpayers.
 - **Geographic scope:** Does the issue affect taxpayers across the nation (national), in clustered areas (area, region), or only in certain places (local)?
 - **Issue frequency:** Does the issue happen on a recurring or cyclical basis, on a limited or sporadic basis, or only one time?

- **Interest/visibility/sensitivity:** The following three factors help determine the amount of interest, visibility, or sensitivity associated with the problem. The higher the level of congressional, community, and media interest or support, the more criteria points awarded.
 - **Congressional interest/support:** How much support or interest has Congress expressed about this issue? Did the support or interest come from one member's office or is it widespread in the House or Senate or both (high, moderate, or low)?
 - **Community/external stakeholder interest/support:** How much support or interest have external stakeholders expressed about this issue? Was the support from one specific group (i.e., AARP) or spread across various sectors such as accountants, lawyers, and other special interest groups (high, moderate, or low)?
 - **Media interest/publicity:** How much interest have the media shown in this issue? What level of coverage does this issue rate (high, moderate, or low)?

- **Taxpayer burden:** The following four factors help determine the level of burden placed on the taxpayer trying to resolve the issue from the taxpayer's point of view. The more effort, time, and money required to straighten out the problem, the more criteria points awarded. If taxpayers are treated disparately, the issue is awarded criteria points.
 - **How long to resolve:** How long does it take, from the taxpayer's perspective, to resolve this issue? The choices range from "less than 3 months" to "greater than 1 year." The longer it takes, the more points are awarded.
 - **Effort:** How much effort is required, from the taxpayer's or other stakeholder's perspective, to resolve this issue (minimal, moderate, or

significant? The more effort it takes to resolve the issue, the more points are awarded.

- Financial: What is the financial effect on the taxpayer excluding tax, penalties, and interest (minimal, moderate, or significant)? Factors include issues such as the cost of representation, whether the taxpayer has money available for this expense, the cost of repeated photocopies or express mail for documentation, and so on.
- Fairness: Is this taxpayer treated disparately compared to other taxpayers? If the taxpayer is treated fairly, the issue is not awarded criteria points. If the taxpayer is not treated fairly, the issue is awarded criteria points.
- Taxpayer rights: The following two factors help determine how the problem affects taxpayers' rights. If rights are negatively affected, or if rights are enhanced, the issue is awarded criteria points.
 - Denial of taxpayer rights: Did the taxpayer have the opportunity to exercise a right or was he or she denied something that the taxpayer had the right to (i.e., privacy, collection, appeal)? If taxpayers' rights are violated, the issue is awarded criteria points; otherwise no points are awarded.
 - Enhancement of taxpayer rights: Does this issue enhance taxpayers' rights? If taxpayers' rights are enhanced, the issue is awarded criteria points; otherwise no points are awarded.
- Ability to effect change: The following two factors help identify issues that may not be resolved without TAS intervention. If the operating division is likely to implement a change without TAS influence, minimal criteria points are awarded. If TAS is likely to influence operating division actions or influence change, more points are awarded.
 - Likelihood of independent operating division action: How likely is it that the operating division will fix the problem without TAS intervention? The higher the likelihood of independent action, the fewer criteria points awarded.
 - TAS ability to influence change: How likely is it that TAS will be able to influence the operating division to address the issue? The higher the likelihood of TAS influencing change, the more criteria points awarded.

When applying criteria, staff use their knowledge of IRS operations; information contained in IRS systems, obtained from IRS officials, or developed by IRS Research offices; and current events.

After the staff enter information into SAMS for each criterion, SAMS assigns a score. Each week, the staff then sends a list of scored issues to the Director of Immediate Interventions indicating which issues met or

exceeded the current threshold for converting an issue into a systemic advocacy project. This threshold can change depending on available resources to work on systemic advocacy projects. The Director of Immediate Interventions, Director of Advocacy Projects, and the systemic advocacy portfolio managers review the issues and decide which will become systemic advocacy projects.

An example of a systemic advocacy project was the tip compliance project. The project stemmed from complaints from taxpayers and practitioners about the manner in which IRS was conducting tip compliance examinations. Problems included, among others, inconsistent requirements for substantiating income, insistence that original tip diaries be sent to IRS, and refusal to provide detail supporting any IRS adjustments. The issue potentially affected a high number of taxpayers; was geographically national in scope; had high congressional, external stakeholder, and media interest; involved significant efforts by taxpayers to resolve the issue; and affected the equitable treatment of taxpayers, among other things, according to the scoring sheet used to rank the issue. TAS worked with Wage and Investment (W&I) and Small Business/Self Employed (SB/SE) staff involved in the examinations. TAS was able to resolve some of the issues at lower levels of W&I and SB/SE. For other issues, TAS submitted an Advocacy Proposal to the management of the Employment Tax Group within SB/SE. These SB/SE officials agreed to correct the issues TAS raised. TAS is monitoring these cases to make sure the problems are not experienced by other taxpayers.

Appendix III: Information to Be Included in the National Taxpayer Advocate's Annual Report to Congress

The National Taxpayer Advocate is required¹ to prepare an annual report that describes the Taxpayer Advocate Service's activities for the previous year that shall contain full and substantive analysis, in addition to statistical information, and shall

1. Identify the initiatives the Office of the Taxpayer Advocate has taken on improving taxpayer services and Internal Revenue Service responsiveness.
2. Contain recommendations received from individuals with the authority to issue Taxpayer Assistance Orders under section 7811.
3. Contain a summary of at least 20 of the most serious problems encountered by taxpayers, including a description of the nature of such problems.
4. Contain an inventory of the items described in 1, 2, and 3 for which action has been taken and the result of such action.
5. Contain an inventory of the items described in 1, 2, and 3 for which action remains to be completed and the period during which each item has remained on such inventory.
6. Contain an inventory of the items described in 1, 2, and 3 for which no action has been taken, the period during which each item has remained on such inventory, the reasons for the inaction, and identify any Internal Revenue Service official who is responsible for such inaction.
7. Identify any Taxpayer Assistance Order which was not honored by the Internal Revenue Service in a timely manner, as specified under section 7811 (b).
8. Contain recommendations for such administrative and legislative action as may be appropriate to resolve problems encountered by taxpayers.
9. Identify areas of the tax law that impose significant compliance burdens on taxpayers or the Internal Revenue Service, including specific recommendations for remedying these problems.
10. Identify the 10 most litigated issues for each category of taxpayers, including recommendations for mitigating such disputes.
11. Include such other information as the National Taxpayer Advocate may deem advisable.

¹26 U.S.C. 7803(c)(2)(B).

Appendix IV: Taxpayer Advocate Service Process for Selecting Problems to Include in the Annual Report to Congress

Prior to 2006, Taxpayer Advocate Service (TAS) systemic advocacy officials who prepared the annual report to Congress used input from the National Taxpayer Advocate, the Advocate's advisors, local taxpayer advocates, and Taxpayer Advocate Management Information System (TAMIS) and Systemic Advocacy Management System (SAMS) data to identify serious problems that taxpayers were encountering.¹ TAS officials considered several factors when developing the list including effect on taxpayer rights, the number or percentage of taxpayers affected, congressional interest, effect of noncompliance on tax administration or tax revenue, and barriers to taxpayer compliance. The Advocate and the systemic advocacy officials then met and developed a list of serious problems which was sent to the Internal Revenue Service (IRS) for comment. If IRS officials provided information that illustrated one of the proposed problems was not a serious issue, TAS dropped the issue. Systemic advocacy officials then prepared the final list of serious problems and the Advocate made the final decision on which problems were included in the annual report.

When preparing the 2006 annual report, TAS officials used essentially the same process, plus additional sources of information to identify the serious problems. First, TAS officials summarized an environmental scan of documents that described issues that taxpayers have with IRS. Examples of documents included newspaper articles, letters to the Commissioner of Internal Revenue, and a Department of the Treasury news release. Examples of issues included the alternative minimum tax and offers in compromise. Second, TAS officials analyzed the "most serious problems" included in the 2001–5 annual reports. This process involved ranking the problems as critical, high, medium, low, or resolved based on the steps IRS had taken to address them. Third, they reviewed information related to immediate interventions, task forces, operations assistance requests, and low-income taxpayer clinics. They combined these three sources of data with input from the Advocate, the Advocate's advisors, and the local taxpayer advocates along with TAMIS and SAMS data in order to develop the proposed list of serious problems for the 2006 annual report. The Advocate made the final decision on which problems to include in the report.

¹TAMIS and SAMS are the information systems TAS uses to track case and systemic advocacy activities, respectively.

Appendix V: Low-Income Taxpayer Clinic (LITC) Grant Program

Responsibility for the LITC Grant Program was transferred from the Wage and Investment division (W&I) to the Taxpayer Advocate Service (TAS) in May 2003. The LITC Grant Program helps accredited academic institutions and nonprofit organizations represent low-income taxpayers in controversies with IRS and operate programs to inform individuals for whom English is a second language about their rights and responsibilities. TAS has responsibility for selecting LITC grant recipients and conducting site visits to ensure that LITCs are fulfilling their obligations.

LITC grant applications go through a three-step selection process involving an eligibility screening, a technical evaluation, and a program office evaluation. To be eligible, grantees must offer services for free or for no more than a nominal fee and either represent low-income taxpayers in controversies with IRS or provide information to English as a second language (ESL) taxpayers about their rights and responsibilities as U.S. taxpayers. Next, a panel of TAS staff knowledgeable about the purpose and mission of LITCs conducts a technical evaluation of the eligible applicants. Panel members rank each LITC applicant based on four weighted criteria: the quality of their programs, their experience in sponsoring a clinic, the quality of their grant administration and accounting procedures, and the number of low-income or ESL taxpayers in the geographic area. Finally, LITC program staff conduct the program office evaluation during which they evaluate the rankings for inconsistencies or discrepancies. The LITC Program Office Director makes recommendations to the National Taxpayer Advocate who makes the final decision on who will receive the grants.

TAS conducts several types of site visits to LITC grantees. Someone from the LITC Program Office visits each new clinic during the first 6 months to educate them on program requirements and to verify operational requirements listed in the grant guidelines such as keeping taxpayer information in a secure location and developing and maintaining relationships with other community-based organizations in order to reach targeted audiences. There are three tiers of additional site visits. The first tier visit is conducted by the local taxpayer advocate and includes checking items such as are the clinic's hours posted and easily visible, are brochures and posters visible, and does file security appear adequate. The second tier site visit is usually done by someone from the LITC Program Office and is more in-depth than the first tier visit. He or she reviews 30 items such as determining if the goals stated in the program plan are reflected in the program's actual activities, client records are maintained in a confidential manner, and the clinic has a written process to control and monitor costs and expenditures. If as a result of the second tier visit,

the staff member identifies issues that need further review, then the LITC Program Office Director conducts a third tier visit. During this visit, the Director reviews requirements including financial/Office of Management and Budget, personnel, and program requirements in addition to other items including standards of operation and ethical considerations. Third tier visits can result in freezing funds for a grantee.

For the 2006 grant cycle, TAS awarded \$8 million in matching grants, ranging from \$5,000 to \$97,250, to 150 nonprofit organizations and accredited academic institutions.¹ According to the National Taxpayer Advocate's 2007 Objectives Report to Congress, during 2006, TAS expanded the coverage of clinics into rural and other areas where disadvantaged taxpayers had very limited access to assistance, funding 11 new clinics in areas that were underrepresented.

¹Under section 7526 of the Internal Revenue Code, no more than \$6 million per year can be allocated for grants unless otherwise provided for by a specific appropriation. The Department of the Treasury's 2006 Appropriations Act, Pub. L. No. 109-115, specifically provided \$8 million for LITC grants.

Appendix VI: Number of Taxpayer Advocate Service Cases by Primary Issue Code, Fiscal Years 2002–6

Primary issue code	Fiscal year				
	2002	2003	2004	2005	2006
Criminal Investigation (CI)	5,600	15,304	16,554	28,228	20,490
Processing Amended Return	32,254	18,282	11,211	12,214	17,195
Levy	8,413	9,104	8,208	9,279	14,651
Injured Spouse Claim	18	4,350	6,166	6,389	11,610
Processing Original Return	19,396	10,730	8,485	8,966	10,417
Reconsideration/Substitute for Return (SFR)/6020B/Audit	7,395	7,224	7,388	8,028	10,075
Expedite Refund Request	34	4,742	7,002	6,743	10,045
Closed Under Reporter Program (URP)	7,311	6,542	4,624	6,196	7,741
Open Audit (Non Remittance Processing System (RPS), Earned Income Tax Credit (EITC))	6,104	5,780	4,660	5,343	6,969
Copies of Returns / Transcripts / Reports / Freedom of Information Act (FOIA)	3,481	2,878	4,058	5,696	5,761
RPS (EITC Claim)	27,184	23,358	10,307	6,945	5,729
Other Document Processing Issues	878	1,316	2,149	3,050	5,631
Taxpayer Delinquent Return (TDI)–SFR / 6020B	4,017	2,172	1,585	2,184	5,102
Open URP	13	1,115	2,475	2,887	4,750
Other Refund Inquiries / Issues	20,119	8,493	3,578	3,397	4,510
Missing/Incorrect Payments	8,674	4,854	3,578	3,926	4,337
Combined Annual Wage reporting (CAWR)/Federal Unemployment Taxes (FUTA)	3,337	3,665	2,697	2,684	4,244
Failure to File Penalty (FTF) / Failure to Pay (FTP)	39	1,817	3,162	3,832	4,232
EITC Reconsideration	16	43	867	3,628	3,915
Federal Payment Levy Program (FPLP) Levy-Social Security Administration (SSA) Benefits	2	5	470	1,632	3,809
Internal Revenue Service (IRS) Offset	2,687	2,228	2,084	2,741	3,783
Lost / Stolen Refund	7,770	3,939	2,953	2,634	3,627
Installment Agreement (IA) – Other	2,235	1,740	1,659	2,331	3,365
Lien Release	17	1,229	2,486	3,063	3,316
Account / Notice Inquiry	2,991	2,303	2,051	2,493	3,139
Other Collection Issues	2,261	1,745	1,732	2,310	3,104
Math Error	2,554	1,908	1,616	1,919	2,914
Returned/Stopped Refunds	13	1,666	1,900	2,262	2,852
Civil Penalties other than Trust Fund Recovery Penalty (TFRP)	18	788	1,718	1,926	2,754
EITC Recertification	51	2,515	2,739	2,333	2,676
Stolen Identity	4	67	460	1,185	2,514

**Appendix VI: Number of Taxpayer Advocate
Service Cases by Primary Issue Code, Fiscal
Years 2002–6**

Primary issue code	Fiscal year				
	2002	2003	2004	2005	2006
Unpostable / Reject		535	935	1,772	2,478
Unable to Pay—(Currently Not Collectible (CNC))	2,695	2,050	1,625	1,766	2,339
Multiple/Mixed Taxpayer Identification Number (TIN)	1,598	1,665	1,705	1,632	2,066
Offer in Compromise (OIC)—Doubt as to Collectibility	4,487	3,383	2,500	2,047	2,042
Form W-7/Individual Taxpayer Identification Number (ITIN)/Adoption Taxpayer Identification Number (ATIN)	2,319	2,429	2,626	2,592	1,990
Other Penalty Issues	11,283	4,670	1,337	1,332	1,929
Other Payment Issues	14	507	1,084	1,182	1,735
Bankruptcy	1,439	1,005	1,009	1,185	1,721
Failure to Deposit Penalty (FTD)	2,529	1,825	1,593	1,147	1,288
Lien—Other	3,124	1,757	786	1,048	1,249
Innocent Spouse Claim	1,791	1,230	960	1,040	1,208
Tax Questions	2,034	1,068	860	1,115	1,175
Other Entity Issues	515	514	794	992	1,126
Scrambled Social Security Numbers (SSN)	98	562	841	1,128	1,112
Refund Statute (Refund Statute Expiration Date (RSED))	5	398	821	940	1,089
Other Exam	895	717	783	864	1,070
Treasury Offset Program (TOP) Offset	3	549	750	835	1,062
Other Technical, Procedural, or Statute Issues	13	363	734	908	1,002
Undelivered Refunds	902	675	570	757	987
Application for Exempt Status (F1023/1024)	680	387	479	620	977
CI (Return Preparation Program)		5	20	449	904
TFRP	828	784	774	793	894
Individual Retirement Account (IRA) Penalty		3	262	737	846
Carryback / Carryforward Claims (Net Operating Losses (NOL), F 1045/1139)	17	591	733	747	717
Subchapter S Corporation	949	785	698	675	711
Examination Appeals	22	254	516	557	694
FTD/Estimated Tax (ES)	3,386	1,635	807	631	675
Appeals—Other	15	221	452	524	668
Name/Address Changes	4	176	372	613	663
Back-up Withholding (BWH)	664	332	759	783	660
Direct Deposit	3	169	223	433	577
Streamlined IA (Unpaid Balance of Assessment under \$25k and able to full pay in 60 months)	6	244	368	452	549
EITC Certification (Qualifying Child)		8	466	724	484
Other	5,704	3,110	846	588	460

**Appendix VI: Number of Taxpayer Advocate
Service Cases by Primary Issue Code, Fiscal
Years 2002–6**

Primary issue code	Fiscal year				
	2002	2003	2004	2005	2006
ES Penalty	3	268	287	265	454
Penalty Appeals	5	262	516	488	454
Lien Withdrawal	7	138	242	338	438
Informal Interest Abatement Request	9	285	390	390	431
Lien Subordination	1	128	224	288	396
Original Lien Filing	3	151	256	327	370
Collection Due Process (CDP) Appeals	6	131	179	239	352
Taxpayer Rights	365	235	198	155	330
Lien Discharge	1	78	202	282	306
Excess Collection	5	145	242	290	304
Collection Statute Expiration Date (CSED)	28	172	320	259	290
Form 843 (other than interest abatement)	15	162	215	317	285
OIC Appeals	15	137	303	319	274
ITIN Merge			13	175	266
Electronic Federal Tax Payment System (EFTPS)	2	102	206	138	241
OIC–Effective Tax Administration	10	189	277	215	231
Unpostable Payment	1	66	114	131	213
Tax Exempt/Government Entity (TE/GE) (Employment Plans/Exempt Organizations (EP/EO)) Technical	2	147	215	195	211
Formal Interest Abatement Request (F 843)	18	209	275	235	209
Seizure and Sale	115	128	127	163	197
SS-4, Application for Employer Identification Number (EIN)	3,170	685	188	148	192
Forms / Publication Request	22	93	198	231	191
Interest Calculation	8	86	177	203	185
Invalid Social Security Number (SSN) (Primary / Secondary)	321	241	173	159	177
OIC - Doubt as to Liability	14	248	295	246	175
Math Error ITIN			18	184	163
FPLP Levy-Fed. Empl. Salaries			38	85	158
Invalid Dependent SSN/Name	220	179	140	123	149
Innocent Spouse Appeals	20	82	143	120	137
FPLP Levy-Office of Personnel Management (OPM) Retirement Income			41	101	129
Alien Taxation Problems/inquiries regarding determinations of alien status for income tax purposes.		38	125	176	128
Other Interest	1,603	522	89	84	106
Guaranteed IA		28	40	75	100
ITIN Refund Inquiry			14	87	90

**Appendix VI: Number of Taxpayer Advocate
Service Cases by Primary Issue Code, Fiscal
Years 2002–6**

Primary issue code	Fiscal year				
	2002	2003	2004	2005	2006
Tax Treaties	1	30	79	76	85
Non-Master File	8	103	185	136	78
Exclusion of Foreign Earned Income Problems/inquiries regarding the exclusion of income.	2	27	37	77	78
SS-8 Determinations	132	118	86	88	77
Restricted Interest		48	82	90	66
Assessment Statute (Assessment Statute Expiration Date (ASED))	1	26	41	40	63
Invalid Spouse/Dependent ITIN			13	79	55
Refunds	17	1,194	372	97	53
Collection Appeals Program (CAP) Appeals		17	27	35	53
FPLP Levy–Federal Contractor/Vendor Payments			11	38	51
Foreign Tax Credit	1	25	31	30	51
Examination	21	672	296	84	47
Collection	11	344	200	72	43
EITC Certification (Filing Status)		2	660	244	40
Credit Interest		29	39	40	36
Technical/Procedural/Statute	2	179	89	58	33
Document Processing	10	433	153	50	33
Payments/Credits	12	423	217	53	30
Penalty	5	355	138	39	29
Disaster Relief Claim		6	5	15	28
Appeals/Other	10	120	88	24	15
Lockbox		25	14	8	10
Entity	3	94	52	24	9
EITC Certification (Automated Underreporter)			4	3	6
Interest	2	56	19	5	3
FPLP Levy-Federal Employment Travel and Reimbursement Payments			1	1	2
Total	229,135	196,169	170,129	198,789	243,810

Source: GAO analysis of TAS data.

Appendix VII: Types of Taxpayer Advocate Service (TAS) Cases That Increased by More than 1,000 in Fiscal Years 2005 and 2006

Table 9: Types of TAS Cases That Increased by More than 1,000 Cases in Fiscal Year 2005

	Fiscal year 2004	Fiscal year 2005	Change
Criminal Investigation	16,554	28,228	11,674
Processing Amended Return	11,211	12,214	1,003
Closed Under Reporter Program (URP)	4,624	6,196	1,572
Lien	4,196	5,346	1,150
Earned Income Tax Credit (EITC) Reconsideration	867	3,628	2,761
Levy	8,769	11,136	2,367
Copies of Returns / Transcripts / Reports / Freedom of Information Act	4,058	5,696	1,638
All Other ^a	119,850	126,345	6,495

Source: GAO analysis of TAS data.

^a“Other” consists of the remaining 114 issue codes that TAS tracks. The number of cases in each of these codes either increased by fewer than 1,000 cases or decreased.

Appendix VII: Types of Taxpayer Advocate Service (TAS) Cases That Increased by More than 1,000 in Fiscal Years 2005 and 2006

Table 10: Types of TAS Cases That Increased by More than 1,000 Cases in Fiscal Year 2006

	Fiscal year 2005	Fiscal year 2006	Change
Levy	11,136	18,800	7,664
Processing Original Return	8,966	10,417	1,451
Open Audit (Non Remittance Processing System, EITC)	5,343	6,969	1,626
Processing Amended Return	12,214	17,195	4,981
Closed URP	6,196	7,741	1,545
Reconsideration/Substitute for Return/6020B/Audit	8,028	10,075	2,047
Other Refund Inquiries / Issues	3,397	4,510	1,113
Taxpayer Delinquent Return (TDI) – Substitute for Return (SFR) / 6020B	2,184	5,102	2,918
Installment Agreement – Other	2,331	3,365	1,034
Stolen Identity	1,185	2,514	1,329
Combined Annual Wage Reporting/Federal Unemployment Taxes	2,684	4,244	1,560
Open URP	2,887	4,750	1,863
IRS Offset	2,741	3,783	1,042
Other Document Processing Issues	3,050	5,631	2,581
Injured Spouse Claim	6,389	11,610	5,221
Expedite Refund Request	6,743	10,045	3,302
All Other	113,315	117,059	3,744

Source: GAO analysis of TAS data.

“Other” consists of the remaining 114 issue codes that TAS tracks. These codes either increased by fewer than 1,000 cases or decreased.

Appendix VIII: Taxpayer Advocate Service Customer Satisfaction Survey Results

Table 11: Summary of Taxpayer Advocate Service (TAS) Customer Satisfaction Scores: Fiscal Year 2005

Survey question	Fiscal year 2005
The TAS employee...	
gave you a way to directly contact them	95 percent
informed you of actions they were planning to take	91 percent
offered you an apology	70 percent
listened to your concerns	4.47
gave you an adequate opportunity to explain your problem	4.47
gave you a chance to present additional documents or information	4.35
treated you with courtesy	4.58
did their best to solve your problem	4.33
was knowledgeable about your problem	4.27
kept you informed about progress in resolving your problem	4.29
had a positive attitude	4.48
understood all the issues and requests that you presented	4.30
The TAS process...	
it was easy to reach the person helping you	4.25
written correspondence was easy to understand	4.33
you feel your problem was handled in a reasonable timeframe	4.11
you were treated fairly by TAS	4.38
overall satisfaction (unweighted)	4.39
as a result of your TAS experience, your opinion of the Internal Revenue Service	3.63

Source: TAS.

Note: The responses to the first three TAS employee questions represented the percentage of respondents who answered "yes." The responses to the remaining TAS employee questions and the first four TAS process questions were based on a rating of 1–5, with 5 representing "strongly agree." The response to the fifth TAS process question was based on a rating of 1–5, with 5 representing "very satisfied." The response to the last TAS process question was based on a scale of 1–5, with 5 representing "much more positive," 4 representing "a little more positive," and 3 representing "about the same."

Appendix IX: Comments from the National Taxpayer Advocate



National Taxpayer Advocate

February 12, 2006

Mr. James R. White
Director, Tax Issues
U.S. Government Accountability Office
441 G Street, N.W.
Washington, D.C. 20548

Dear Mr. White:

I have reviewed the draft Government Accountability Office (GAO) report titled "TAXPAYER ADVOCATE SERVICE: Caseload Has Grown and Taxpayers Report Being Satisfied, but Additional Measures of Efficiency and Effectiveness Are Needed" (GAO-07-156). We agree with the recommendations contained in the report and have enclosed detailed comments.

We appreciate both the helpful suggestions you have made to improve Taxpayer Advocate Service (TAS) measures of efficiency and effectiveness and your finding that taxpayers who obtained assistance from TAS report being satisfied. We believe that TAS has made remarkable progress since it was established as a new organization in the IRS Restructuring and Reform Act of 1998.

As your report notes, the two main functions in TAS are "case advocacy" and "systemic advocacy." Approximately 90 percent of TAS's operating funds in FY 2006 were spent on case advocacy. By statute, TAS is required to maintain at least one office in each state, and TAS maintains multiple offices in the largest states and in co-location with each IRS campus. Since FY 2001, TAS's first full year of existence, the results of TAS's case advocacy quality measure have improved from 71.6 in FY 2001 to 89.7 in FY 2006 (on a scale of 0-100). At the same time, we have managed to reduce cycle time (median cycle time on TAS cases was 45 days in FY 2006), and satisfy the taxpayers whom we serve (on a scale of 0-5, taxpayers reported an average satisfaction level of 4.34 in FY 2006). In 70 percent of the cases TAS closed in FY 2006, we were able to obtain relief for the taxpayer.

I am particularly pleased that TAS has managed to maintain its high levels of TAS case quality and timeliness in the face of a 43 percent increase in TAS cases over the past two years (from 168,856 in FY 2004 to 242,173 in FY 2006) and a reduction in TAS

The Office of the Taxpayer Advocate operates independently of any other IRS Office and reports directly to Congress through the National Taxpayer Advocate.

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staffing of seven percent.¹ The increase in cases combined with the reduction in staffing means that the average workload of each TAS case advocate has increased by about 50 percent.

Because cases generally come to TAS only when taxpayers have encountered problems trying to resolve their problems directly with other IRS functions, it is essential to sound tax administration that these taxpayers be properly treated on the second attempt. While we have managed to handle our increasing inventory to date, I am concerned that our effectiveness in meeting the needs of the taxpaying public will decline if the gap between the number of cases we receive and the staffing we have available to work those cases widens much further.

The other major TAS function is systemic advocacy. While systemic advocacy accounts for a small percentage of TAS's budget, TAS's systemic advocacy efforts, including the National Taxpayer Advocate's Annual Reports to Congress, play an important role in resolving recurring problems in tax administration. Within the IRS, we work to improve administrative policies and procedures. For example, we participate on numerous cross-functional teams designed to improve the administration of the earned income tax credit (EITC); we are key participants in developing the Taxpayer Assistance Blueprint (TAB) initiative, pursuant to a congressional directive; we worked with the IRS extensively over the past year to incorporate taxpayer protections in its refund fraud prevention program; and we have participated and continue to participate on teams working to implement the private debt collection initiative. While I have expressed concerns about the private debt collection initiative in concept, I am able to say that the IRS team charged with implementing the initiative has taken our concerns seriously and done its level best to ensure that taxpayer rights are protected to the maximum extent possible.

In our reports to Congress, we call attention to lingering or pervasive problems that have not been resolved, and we make recommendations for legislative action. For example, we have recommended that Congress adopt a uniform definition of a qualifying child, regulate unenrolled Federal income tax preparers, develop a direct filing portal so that taxpayers can file their returns directly with the IRS, require brokers and mutual fund companies to track and report the cost basis of their customer's holdings on a Form 1099 upon sale, and made numerous other proposals designed to address the tax gap. As a result of our advocacy efforts, the Office of the Taxpayer Advocate is receiving increasing numbers of requests for comments and suggestions from Members of Congress and their staffs on a wide variety of tax administration issues, and the National Taxpayer Advocate has personally been invited to testify at 10 congressional hearings since the beginning of FY 2006.

¹ Due to differences in the time of measurement and methodology, annual case receipts reported in the GAO report differ slightly from official TAS case totals. However, the totals differ by less than one percent, and both sets of numbers show a 43 percent increase in TAS cases over the past two years.

**Appendix IX: Comments from the National
Taxpayer Advocate**

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Thus, while we welcome your suggestions to improve our measures, I want to emphasize that we believe TAS is serving taxpayers well.

I appreciate your support and the valuable assistance and guidance your staff has provided. If you have any questions or if you would like to discuss this report in more detail, please contact me at (202) 622-6100.

Sincerely,



Nina E. Olson
National Taxpayer Advocate

Enclosure

Enclosure

Recommendation One:

“[I]mprove TAS case advocacy performance measures with the addition of a true measure of efficiency that incorporates case complexity and quality and a cost measure.”

Response:

TAS agrees with this recommendation. The required inputs would be time, complexity and quality measures per case. TAS already has quality measures, as described in the GAO report. With regard to time, TAS began in FY 2005 to study and develop a timekeeping system that will allow management to quantify the staff costs associated with TAS cases. Phase I of this system is complete, and formal implementation is scheduled to begin in March 2007. In this phase, a timer application within the Taxpayer Advocate Management Information System (TAMIS) will track the amount of time a TAS employee spends on a case while the case is open on TAMIS.

TAS has submitted a work request for Phase II of this system to IRS's Modernization & Information Technology Services (MITS). We expect Phase II to be developed and operational by the end of Calendar Year 2007. Phase II will include a graphical front-end screen to enable users to capture time spent on cases when TAMIS is not used (e.g., research, telephone calls, etc.), allowing users to enter and edit their own time.

With regard to complexity, a task force has completed a study that identified 22 case complexity factors. TAS has submitted a work request that will allow TAS to identify the degree of complexity of each case via the TAMIS system. We expect a response from MITS by the end of February 2007, at which time an operational date will be established.

Once time tracking is in place, fiscal data, quality results, and case complexity can be incorporated into a computation that measures overall efficiency.

Recommendation Two:

“[S]upplement the detailed information on specific systemic advocacy issues currently being developed with a broad measure of the effectiveness of systemic advocacy.”

Response:

TAS recognizes the value of a broad measure of the effectiveness of its systemic advocacy function and is actively working to develop an appropriate measure. It is important to note, however, that there will be shortcomings in any measure of systemic advocacy effectiveness. For example, one measure might be to track the percentage of TAS's systemic recommendations that are implemented within a specified period of

time by the IRS or by Congress. But TAS does not exercise direct control over the outcome, and such a measure is subject to numerous variables.

For example, the National Taxpayer Advocate has strongly advocated for repeal of the alternative minimum tax (AMT) for individuals since 2001. She has made recommendations in her reports to Congress, she testified at a congressional hearing on the AMT and before the President's Advisory Panel on Federal Tax Reform, and she has been cited widely by Members of Congress in floor statements in support of repeal. Even so, complaints about the AMT are widespread and would be made even if the National Taxpayer Advocate had not made a recommendation. It does not seem reasonable for TAS to claim credit if the AMT is repealed, nor does it seem reasonable to count it against TAS if the AMT is not repealed.

Administratively, TAS has made many ambitious and forward-thinking recommendations. If TAS adopts a measure that looks simply at the percentage of recommendations the IRS implements, an incentive will arise for TAS to limit its recommendations to more scaled-down proposals it believes the IRS quickly will accept. To avoid an incentive to "dumb down" our recommendations, we are trying to formulate a measure that may also include a component measuring the extent to which TAS advocates forcefully for its recommendations, whether or not they are ultimately adopted. Undoubtedly, such a measure would have its own shortcomings.

TAS recognizes that other organizations, including GAO and the Treasury Inspector General for Tax Administration, face similar challenges. Because TAS is placed in the delicate position of being internal to the IRS yet granted independent reporting responsibilities, we think TAS faces a special challenge in ensuring that any measures it develops do not cause TAS to "go easy" on the IRS and therefore call into question whether its recommendations are truly independent. As noted above, however, we do recognize the value of a broad measure, and we will work to develop one.

We also note that TAS's Office of Systemic Advocacy has already implemented process measures that monitor the timeliness and accuracy of project closure as well as responsiveness to issues that require immediate interventions. During the current fiscal year, TAS will develop and establish baselines for internal customer and outside stakeholder satisfaction measures.

Recommendation Three:

"[I]mprove TAS reporting by (1) describing actions taken in response to TAS legislative recommendations, (2) describing actions taken by IRS to address the most serious problems encountered by taxpayers, and (3) making it clear that the most serious problems included in the annual report to Congress are at least 20 of the most serious problems but not necessarily all of the top problems faced by taxpayers."

Response:

1. TAS is implementing an enhanced process to monitor actions taken in response to TAS legislative recommendations. The outcomes will be included in the Annual Report to Congress and will be posted on the TAS website.
2. TAS has already initiated a process to monitor the IRS's actions in response to the most serious problems identified in the National Taxpayer Advocate's Annual Reports to Congress. Team leads and technical liaisons will work with IRS contacts to assess progress and will report outcomes on a regular basis. TAS's Office of Systemic Advocacy will post the status of recommendations semi-annually on the TAS website. Recommendations related to Annual Reports in both 2004 and 2005 have been posted on the TAS website, and we will consider whether to make additional refinements. In addition, the National Taxpayer Advocate will continue to highlight linkages to prior annual report recommendations as she identifies continuing most serious problems in the future.
3. In the introduction to "The Most Serious Problems Encountered by Taxpayers" section of the 2006 Annual Report to Congress, the National Taxpayer Advocate clarified that the most serious problems included in the Annual Report to Congress constitute at least 20 of the most serious problems but not necessarily all of the most serious problems faced by taxpayers. She also discussed the methodology used in the selection of the most serious problems, which includes a comprehensive analysis of problems surfacing in various TAS systems such as TAMIS and SAMS, stakeholder input, and the current status of problems identified in previous annual reports.

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