

GAO Highlights

Highlights of [GAO-18-659](#), a report to congressional committees

Why GAO Did This Study

The Taxpayer Bill of Rights entitles taxpayers with the right to appeal a decision of the Internal Revenue Service (IRS) in an independent forum. GAO was asked to review this administrative appeal process within IRS.

Among other things, this report (1) describes the IRS appeal process and staffing; (2) assesses how IRS monitors and manages the time to receive and resolve taxpayer appeals cases; and (3) evaluates the extent to which Appeals communicates customer service standards and assesses taxpayer satisfaction with the appeal process.

GAO reviewed IRS guidance, publications, and documentation on the appeal process. GAO analyzed IRS data for administrative appeal cases closed in fiscal years 2014 through 2017 to compare appeal case resolution time for different types of cases. GAO interviewed IRS officials and a non-generalizable sample of external stakeholders, including attorneys and accountants, knowledgeable about the appeal process. Among other things, GAO compared IRS actions to federal standards for internal control and customer service.

What GAO Recommends

GAO makes seven recommendations to help enhance controls over and transparency of the IRS appeals process (several of the recommendations are detailed on the following page).

View [GAO-18-659](#). For more information, contact Jessica Lucas-Judy at (202) 512-9110 or lucasjudyj@gao.gov

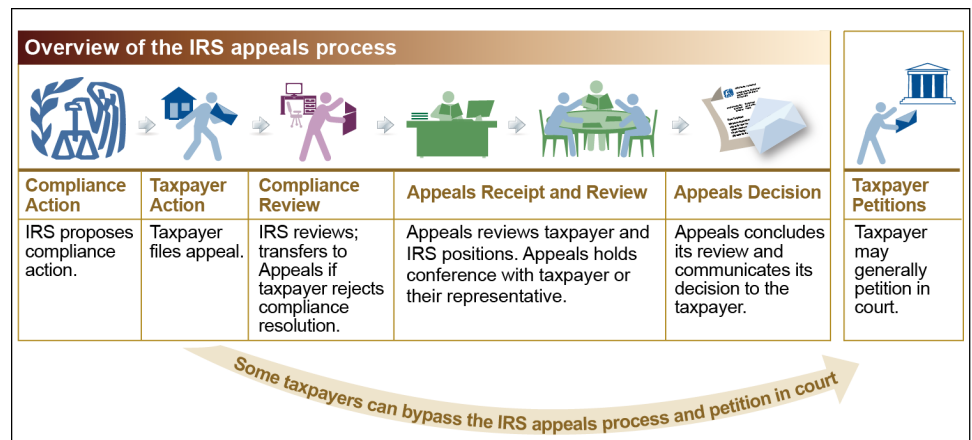
September 2018

TAX ADMINISTRATION

Opportunities Exist to Improve Monitoring and Transparency of Appeal Resolution Timeliness

What GAO Found

The Internal Revenue Service (IRS) has a standard process to resolve a diverse array of taxpayer requests to appeal IRS proposed actions to assess additional taxes and penalties or collect taxes owed. The process begins with a taxpayer filing an appeal with the IRS examination or collection unit proposing the compliance action and ends with a decision from the Office of Appeals (Appeals).



Source: GAO analysis of IRS appeals process. | GAO-18-659

Appeals must have staff with expertise in all areas of tax law to review taxpayer appeals. However, its staffing levels declined by nearly 40 percent from 2,172 in fiscal year 2010 to 1,345 in fiscal year 2017. Appeals anticipates a continued risk of losing subject matter expertise given that about one-third of its workforce was eligible for retirement at the end of last fiscal year.

Appeals monitors the number of days to resolve taxpayer appeals of examination, collection, and other tax disputes. However, IRS does not monitor the timeliness of transfers of all incoming appeal requests. GAO analysis showed that the time to transfer appeal requests from compliance units varied depending on the type of case (see table below).

Collections workstreams—taxpayer appeals where IRS (1) filed a notice of federal tax lien or proposed a levy (collection due process) or (2) rejected an offer to settle a tax liability for less than owed (offer in compromise).

- The Internal Revenue Manual (IRM), IRS's primary source of instructions to staff, requires transfer to Appeals within 45 days for the largest collection workstream. With manager approval, collection staff may have an additional 45 days to work with the taxpayer. Nearly 90 percent of collection appeals closed in fiscal years 2014 to 2017 were transferred to Appeals within 90 days.

Examination workstreams—taxpayer appeals of additional tax and penalty assessments IRS proposed based on its auditing of tax returns over a wide range of examination issues.

GAO recommends, among other things, that the Commissioner of Internal Revenue

- Establish timeframes and monitoring procedures for timely transfer of taxpayer appeals requests by examination compliance units to the Office of Appeals.
- Direct the Office of Appeals to regularly report and share with each compliance unit the data on the time elapsed between when a taxpayer requests an appeal to when it is received in the Office of Appeals.
- Provide more transparency to taxpayers on historical average total appeal resolution times.

GAO recommends, among other things, that the Secretary of the Treasury, consistent with its responsibilities under GPRAMA and Executive Orders for customer service, ensure that the Commissioner of Internal Revenue develops a mechanism to solicit and consider customer feedback on a regular basis on current and proposed IRS appeal policies and procedures.

Treasury and IRS agreed with GAO's recommendations, and IRS said it will provide detailed corrective action plans.

- IRS does not have an IRM requirement with guidelines and procedures for timely transfer for examination appeals. Accordingly, more than 20 percent of examination appeals closed in fiscal years 2014 to 2017 took more than 120 days to be transferred to Appeals. Delays in transferring appeals can result in increased interest costs for taxpayers.

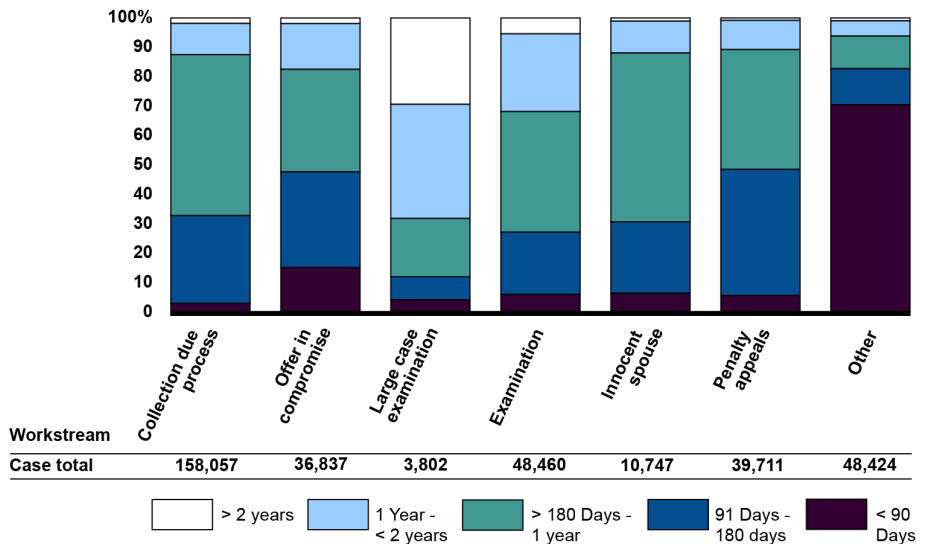
Average Days for Compliance Review by Workstream, Fiscal Years 2014-2017

Appeal workstream	Average number of days		Compliance share of total appeal resolution time
	Compliance transfer to Appeals	Total appeal resolution time	
Collection workstreams			
• Collection due process	59	252	23%
• Offer in compromise	61	240	26%
Examination workstreams			
• Large case examination	108	637	17%
• Examination	105	337	31%
• Innocent spouse	30	249	12%
• Penalty appeals	100	220	45%
Other workstream	39	101	38%

Source: GAO analysis of Appeals Centralized Database System | GAO-18-659

Although Appeals maintains data on total appeal resolution time—from IRS receipt to Appeals' decision—such information is not readily transparent to IRS compliance units or the public. GAO analysis of IRS data found that, for fiscal years 2014 to 2017, about 15 percent of all appeal cases closed within 90 days (see figure below). About 85 percent of all cases were resolved within one year of when the taxpayer requested an appeal. Total resolution times differed by case type. However, without easily accessible information on resolution times, taxpayers are not well informed on what to expect when requesting an appeal.

Total Appeal Resolution Time by Workstream, Fiscal Years 2014-2017
Percentage of cases



Source: GAO analysis of Appeals Centralized Database System. | GAO-18-659

Although Appeals has customer a service standard and conducts a customer satisfaction survey, its standard and related performance results are not readily available to the public. Under the GPRAMA and Executive Orders, the Department of the Treasury is responsible for customer service performance. Appeals conducts outreach to the tax practitioner community but does not regularly solicit input before policy changes. Without a mechanism, such as leveraging existing IRS advisory groups or alternatively developing its own advisory body, Appeals is missing an opportunity to obtain public input on policy changes affecting the taxpayer's experience in the appeal process.