GAO Highlights

IRS Taxpayer Services

Challenges in Measuring the Benefits of Customer Service Investments

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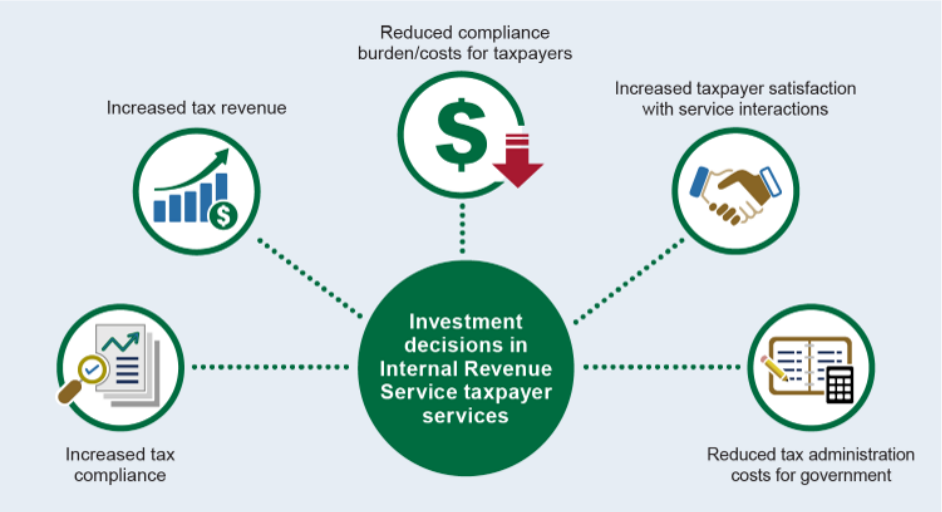
A report to congressional committees

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What GAO Found

The Internal Revenue Service (IRS) invests in services to help taxpayers meet their tax obligations, such as in preparing and filing tax returns. IRS provides services through its website, telephone assistance, correspondence, and in-person assistance centers. Taxpayer services offer potential benefits, such as increasing tax compliance and reducing taxpayer burden that, if measured, could help inform investment decisions (see figure). Measuring benefits is difficult because of challenges with having sufficient skilled staff and funds to develop data and methodologies for long-term measurement, among others.

Potential Benefits to Consider in Making Taxpayer Services Investment Decisions



Source: GAO analysis of GAO-20-656. | GAO-27-108701

In 2024, IRS called for a reexamination of how its actions—including taxpayer services—affect revenue. IRS has since started a research effort designed to inform investment decisions on services based on their costs and revenues. IRS officials said they have no plans for that research effort to analyze data on other benefits, such as taxpayer satisfaction or burden, although they could do so in the future. In 2007 and 2008, IRS reports had similarly called for more analysis of compliance and revenue benefits to support services investment decisions. Although IRS did not provide documented results from these calls for analysis, GAO identified five IRS studies of how services affected compliance or taxpayer satisfaction. For example, a 2013 study found that lack of satisfaction with services may contribute to noncompliance.

GAO identified 12 studies that measured the benefits of taxpayer services in the national tax administrations of other countries. All these studies cited some positive association between taxpayer services and benefits. For example, two studies in Belgium and in Germany found that customer-oriented service approaches were associated with lower costs to comply for business taxpayers. In addition, some of these and other studies highlighted challenges with measuring benefits similar to those GAO identified.

Why GAO Did This Study

Provisions in what is commonly known as the Inflation Reduction Act of 2022 (IRA) provided funding for IRS to improve various tax administration operations, including the ways it provides services to taxpayers to help them comply with tax requirements. Improving taxpayer services could yield financial and other types of measurable benefits. However, in prior work, GAO found that data to analyze such benefits generally are not readily available.

The IRA includes a provision for GAO to oversee distribution and use of IRA funds. This report describes (1) the challenges that tax administrations face in measuring the benefits of taxpayer service investments; (2) ongoing and planned efforts and past research by IRS to measure the benefits of taxpayer services to inform investment decisions; and (3) the work done in tax administrations in states and other countries to measure the benefits of taxpayer services to inform investment decisions.

GAO summarized studies from a literature search of relevant research and reviewed information that the Federation of Tax Administrators collected by surveying its members on measuring taxpayer service benefits. GAO also interviewed IRS officials and stakeholders such as officials from the Taxpayer Advocate Service, Urban-Brookings Tax Policy Center, and organizations that coordinate with U.S. state and international tax administrations.