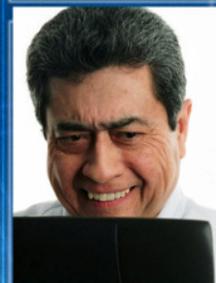


The 2007 Taxpayer Assistance Blueprint

PHASE 2



"Building on a Solid Foundation"

Taxpayer Assistance Blueprint Prologue

In July, 2005, Congress mandated the Internal Revenue Service (IRS) to address taxpayer needs and IRS service delivery at present and in the future.¹ The goal of the mandate was to ensure that service-related decisions are informed by research and guided by stakeholder engagement. To fulfill the Congressional mandate, the IRS formed a team to create the Taxpayer Assistance Blueprint (TAB). The completed Blueprint allows future IRS service strategies to encompass the full spectrum and impact of taxpayer service delivery.

The scope of work needed to examine and create a blueprint for taxpayer service required a multi-step approach. The first phase, detailed in the TAB Phase 1 Report of April, 2006,² evaluated preliminary IRS research relative to taxpayer needs, preferences, and behaviors. It established a current baseline of taxpayer services, examined and conducted leading practices research, and created strategic improvement themes. TAB Phase 2 built upon the themes identified in Phase 1 and employed significant additional research and analysis to effectively inform a five-year strategic plan for taxpayer service.

This TAB Phase 2 Report details the research and analysis efforts of TAB Phase 2 and outlines the TAB Strategic Plan—the future of IRS service delivery as envisioned collaboratively by the IRS, the IRS Oversight Board, and the National Taxpayer Advocate. Within the scope of the TAB Strategic Plan, portfolios of service improvements, performance measures, and additional research projects comprise a solid foundation for the future of service at the IRS.

¹ United States Congress, Conference Report 109-307. *Joint Explanatory Statement of the Committee of Conference: Internal Revenue Service, Processing Assistance, and Management (Including Rescission of Funds)*, <http://www.rules.house.gov/109/text/hr3058cr/109hr3058jes.pdf>, Page 2-6.

² Internal Revenue Service, *The 2006 Taxpayer Assistance Blueprint Phase 1*, April 24, 2006.

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Executive Summary

Taxpayer Assistance Blueprint Overview

The Taxpayer Assistance Blueprint (TAB) is the joint response of the Internal Revenue Service (IRS), the IRS Oversight Board, and the National Taxpayer Advocate to a Congressional mandate for development of a five-year plan for taxpayer service.³ The TAB team worked to create and incorporate recommendations for specific, research-based service initiatives into the entire scope of budgeting and strategic planning for the IRS. The completed Blueprint includes the TAB Phase 1 Report (delivered in April 2006) and this TAB Phase 2 Report. The five-year plan for taxpayer service, referred to as the TAB Strategic Plan, is detailed in this report.

The TAB team includes representatives from throughout the IRS, the IRS Oversight Board, and the Taxpayer Advocate Service. Additionally, an Executive Steering Committee (ESC)⁴ was formed to provide general oversight and to review and approve substantive recommendations. The ESC consisted of representatives from the IRS Commissioner's Office, IRS operating and support divisions, IRS Legislative Affairs, the IRS Oversight Board, and the National Taxpayer Advocate.

The focus of the Blueprint is on individuals who file (or should file) a Form 1040 series tax return using their Social Security Number, or Individual Taxpayer Identification Number. The team also considered ideas designed to better serve partners⁵ and IRS employees who support taxpayers.

To address Congressional and stakeholder⁶ interests, the entire Blueprint effort was designed to achieve the following objectives:

1. Establish a credible taxpayer and partner baseline of needs, preferences, and behaviors;
2. Implement a transparent process for making service-related resource and operational decisions;
3. Develop a framework for institutionalizing key research, operational, and assessment activities to holistically manage service delivery; and
4. Utilize both short-term performance and long-term business outcome goals and metrics to assess service value.

The TAB Phase 2 Report begins with a discussion of the background and scope of the Blueprint project and the evolution of Phase 1 into Phase 2. A significant portion of the report covers the extensive results of the research projects conducted and analyzed for the Blueprint. This research data forms the critical foundation for all decisions related to taxpayer service and the creation of the TAB Strategic Plan.

Given the objectives and potential scope of the project, the Blueprint does not include a review of IRS return processing procedures; clarity and comprehension of IRS Forms, Publications, and Notices; or

³ United States Congress, Conference Report 109-307. *Joint Explanatory Statement of the Committee of Conference: Internal Revenue Service, Processing Assistance, and Management (Including Rescission of Funds)*, page 2-6. <http://www.rules.house.gov/109/text/hr3058cr/109hr3058jes.pdf>.

⁴ A complete list of current members of the Executive Steering Committee (ESC) is included in the Appendix (see *Acknowledgements*).

⁵ For the purposes of the Blueprint, partners include commercial preparers, practitioners, return preparation software vendors, and community-based partners.

⁶ For the purposes of the Blueprint, stakeholders include any interested parties in tax administration—for example, taxpayers, partners, the federal government, oversight and advisory bodies, etc.

specific training needs of IRS employees. The TAB team recommends further study of self-employed taxpayer and partner needs, preferences, and behaviors.

The TAB Strategic Plan outlines several areas for service improvement identified after careful analysis of research. Taxpayers currently receive assisted and/or self-assisted services (i.e. return preparation assistance, answers to tax law questions, account resolution, etc.) through any or all of the four major channels – telephone, face-to-face, electronic, and written correspondence. Examining taxpayer service needs necessitates an understanding that different individuals prefer different services at different times. The TAB team analyzed *services sought and used* to comply with federal tax obligations when examining needs. The team analyzed the *channels through which a taxpayer receives or would like to receive services* when examining preferences. The IRS and its partners provide a mix of channels to deliver taxpayer services.

Improvement suggestions align with opportunities to enhance the value of IRS service delivery while balancing government value when making resource decisions. These identified areas of improvement and considerations of value led to formation of the TAB Guiding Principles, which informed all decisions in the creation of the TAB Strategic Plan. The plan is also integrated with the U.S. Department of Treasury’s Comprehensive Strategy for Reducing the Tax Gap.⁷ The tax gap is the difference between taxpayers’ true tax liability under the tax law and the amount they pay on time. The TAB team considered related components of Treasury’s tax gap strategy when designing the TAB Strategic Plan.

Details of the TAB Strategic Plan comprise the second half of this report. After describing the performance measures developed to ensure success, the report moves into a discussion of specific service improvement initiatives. This includes an evaluation of the current state of service delivery channels, as well as recommended initiatives to drive IRS service to an improved future state. The TAB Strategic Plan provides recommendations to expand, simplify, standardize, and automate services and to improve and expand technology infrastructure and support for employees, partners, and taxpayers. The service improvement recommendations are described as currently planned or as new initiatives, and implications for implementation are clarified. Service improvement initiatives for Taxpayer Assistance Centers (TACs) are detailed separately from those for the other IRS service channels.

Implementation details for the TAB Strategic Plan conclude the body of the report. The Implementation Strategy includes a recommendation for ongoing and additional research on taxpayer service. It also addresses the need for careful program management to ensure that the significant effort of the Blueprint project is used in IRS-wide strategic planning and budgeting processes in the future.

The TAB Strategic Plan has been designed to provide effective alignment between taxpayer, partner, and government value; compliance considerations; and tax administration priorities. The IRS is now much more knowledgeable about the needs, preferences, and behaviors of taxpayers, partners, and IRS employees. This knowledge has informed the creation of a multi-year plan and an iterative process focused on ongoing performance assessment and refinement of the recommended strategies. The work started with the Blueprint will continue as the IRS expands and refines its knowledge, and continues its commitment to balancing quality service with effective enforcement to maximize compliance.

⁷ United States Department of the Treasury, Office of Tax Policy, *A Comprehensive Strategy for Reducing the Tax Gap*, September 26, 2006. This strategy is referred to as the “tax gap strategy” throughout this report.

Summary of Service Insights and Improvement Opportunities

As the foundation for the Blueprint project, the team conducted extensive research to help the IRS better understand service from the taxpayer perspective. This was the first large-scale attempt to gain a comprehensive picture of the needs, preferences, and behaviors of taxpayers as they work to comply with their federal tax obligations. Much of the new understanding detailed in this report was developed from responses to the following four major surveys conducted during 2006:

- The **Taxpayer Customer Service and Channel Preference Survey**⁸ (referred to as the *Oversight Board Survey*);
- The **TAB Conjoint II Study**⁹ (referred to as the *Conjoint II Study*);
- The **Opinion Survey of Taxpayer Resources and Services**¹⁰ (referred to as the *Benchmark Survey*); and
- The **2006 W&I Market Segment Survey**¹¹ (referred to as the *Market Segment Survey*).

The comprehensive research effort focused on enhancing the profile of taxpayer segments; identifying the key factors influencing return preparation; improving the IRS's understanding of taxpayer service needs, preferences, and behaviors; and defining the key factors that influence taxpayer behavior. The results presented in this report are subject to limitations and are not all-inclusive; they are used to present baselines, trends, and tendencies. However, they do offer the opportunity to use the available data in an attempt to better understand the impact of taxpayer service.

Key findings about the **current taxpayer service environment** include the following:¹²

- Age, income, and education can represent key segmentation factors, and may be correlated in some ways when examining implications on taxpayer behavior.
- Life events (such as marriage or divorce, the birth of a child, the purchase of a home, a major medical event, retirement, or the death of a spouse) may result in changing service needs.
- Taxpayers receive assisted and/or self-assisted services through telephone, face-to-face, electronic, and/or written correspondence channels.
- Service options external to the IRS include commercial preparers, practitioners, software vendors, and community-based partners.
- The majority of taxpayers use paid preparers or software rather than self-preparing tax returns by hand.
- Limited English Proficiency (LEP), disabled, and elderly taxpayers have somewhat different tax return preparation behaviors than the general population.

⁸ The Oversight Board survey was conducted by Roper Public Affairs and Media and fielded between March 19 and April 13, 2006. Internal Revenue Service Oversight Board, *Taxpayers' Service Channel Study (Final)*, May 17, 2006.

⁹ The Conjoint II Study was conducted by the Pacific Consulting Group (PCG) and IRS, W&I Research. Survey was conducted between June 23 and July 5, 2006. Internal Revenue Service, *Taxpayer Assistance Blueprint (TAB) Conjoint II Study Final Report*, Issued October 30, 2006, appendix H-3.

¹⁰ The Benchmark Survey was conducted by W&I Research between June and August 2006. Internal Revenue Service, Wage and Investment Office of Research, *Opinion Survey of Taxpayer Resources and Services*, August 2006.

¹¹ The Market Segment Survey was conducted by the Pacific Consulting Group (PCG) in July through August, 2006. Pacific Consulting Group, *W&I Market Segment Survey National Report*, Issued December 2006, page 6.

¹² These summary listings of research findings are based on data discussed in detail throughout Section 2 of this report.

- Low income taxpayers prepare returns by hand and use other preparers (e.g., Volunteer Income Tax Assistance, Tax Counseling for the Elderly) at modest, but somewhat higher rates than other income segments.
- Choice of return preparation method is most influenced by taxpayer perception of the method that will lead to the least amount of tax under the law.
- Based on three of the four major TAB surveys, an estimated 41 percent of all taxpayers (roughly 55 million) reported that they contacted the IRS for help over a one- to two-year period.
- IRS data suggest that the IRS receives about 4.4 contacts on average from each taxpayer who seeks assistance.

The TAB team identified three different approaches to meeting **taxpayer needs**: assisting taxpayers in complying with their federal tax obligations, satisfying demand for services, and removing barriers to service use.

Key findings associated with taxpayer needs include the following:

- The overall voluntary compliance rate for Tax Year (TY) 2001 was estimated by the National Research Program (NRP) at 83.7 percent. This estimate, however, does not take into account taxes that were paid voluntarily but paid late or recoveries from IRS enforcement activities. Taking these activities into account the net compliance rate is 86.3 percent.
- Noncompliance may result from tax law complexity, confusion, and inadvertent errors.
- Electronically-filed returns have the lowest late filing, underpayment, and math error rates of all returns filed.
- Underreporting dollars tend to be higher among taxpayers with income that is not subject to withholding or information reporting by third parties.
- The telephone and the IRS Web site channels account for almost 85 percent of all taxpayer contacts with the IRS for common service tasks surveyed. Of these common tasks, requests for post-filing services exceed requests for pre-filing or filing services.
- Examples of the barriers taxpayers face in attempting to access IRS services include limited reading and writing skills, tax law complexity, and challenges faced by groups with special needs.

For the purposes of the Blueprint, **taxpayer preferences** reflect the service channels that taxpayers use or would choose to use to obtain the assistance and information they need to comply with their federal tax obligations. The team examined three measures of taxpayer channel preference: unqualified preference, qualified preference, and use preference.

Implications resulting from taxpayer preference data include:

- Across all three measures of preference, taxpayers generally prefer self-assisted services, such as those found on the IRS Web site, most often for transactional tasks like getting a form or a publication. Taxpayers prefer assisted services, such as those available through telephones or Taxpayer Assistance Centers (TAC)s, most often for more complex interactive tasks like responding to a notice.
- Channel use preferences among special populations reflect that:

- Low income, LEP, and elderly taxpayers tend to report a somewhat higher preference for the TAC channel and a lower preference for the electronic channel than the majority of taxpayers as a whole.
- Disabled taxpayers report visiting TACs at a somewhat lower rate than the all-taxpayer average.
- LEP and low income taxpayers report using the telephone channel more than the overall taxpaying population.
- Qualified taxpayer preferences change when channel performance attributes change (either improving or deteriorating).
- Taxpayers report using IRS Internet services more frequently than telephone lines for four of the eight service tasks surveyed (tasks considered transactional in nature).
- Several factors influence which channel taxpayers prefer across all three measures of preference, including specific type of service sought, demographic characteristics, channel awareness, channel access, taxpayer attitudes, and previous behavior.
- Overall, nine in ten taxpayers who used the IRS Web site, telephone line, or TACs for service in 2005 reported that they would use the same channel again in the future.

Since cost is an important factor to consider when making service delivery decisions, research for the Blueprint project also evaluated budgetary implications. Costs associated with taxpayer service include both IRS budget costs and taxpayer burden costs. IRS taxpayer service spending is designed to help taxpayers understand their tax filing, reporting, and payment obligations. Taxpayer burden costs include out-of-pocket expenses, such as payments for commercial tax publications, preparers, tax software, and electronic filing. Burden time includes all of the hours a taxpayer spends learning about tax obligations, keeping necessary records, getting answers to specific tax law questions, preparing returns, and filing returns with the IRS. Taxpayers who are unable to obtain the information or services they need to comply with federal tax laws—or who are unable to resolve their issue on their first attempt—can generate additional costs for the IRS and for themselves. The TAB team recommends further study and analysis of the cost implications of service initiatives.

Analysis of the research in the context of strategic challenges faced by the IRS reveals opportunities for improvement in service value. Strategic challenges include:

- Complexity and changes to the tax code;
- Need for additional data on the causes of noncompliance;
- Expanding use of third parties;
- Scope and diversity of the taxpaying population; and
- Keeping pace with technology and taxpayer expectations.

Although the causes of these strategic challenges are often beyond the direct control of the IRS, acknowledging them enhances the agency's ability to better position its service resources.

The Blueprint identifies the following five areas for improvement of IRS service delivery within the strategic environment to increase value to all stakeholders:

1. Channel and Service Capability

Goal: Align service tasks and channels with the most effective and efficient methods of delivery possible.

2. Channel and Service Performance

Goal: Strengthen performance across services and channels by improving first contact resolution, promptness of service, and accuracy of information.

3. Channel and Service Awareness

Goal: Improve awareness of services and channels to taxpayers and partners to facilitate their choice of the most effective and efficient service delivery options.

4. Burden Reduction

Goal: Reduce burden to taxpayers and partners by improving the effectiveness and efficiency of service delivery.

5. Migration to the Electronic Channel and Services

Goal: Enhance stakeholder value by helping to move taxpayers and partners who are willing and able to specific services that are most effectively and efficiently delivered through the electronic channel.

Development of Guiding Principles

The TAB Phase 1 strategic improvement themes,¹³ combined with additional findings from 39 new research projects,¹⁴ ongoing tax administration considerations, and IRS-wide priorities, led to the formulation of the following Guiding Principles for TAB Phase 2:

1. The primary goal of service for individual taxpayers is to facilitate compliance with federal tax obligations.
2. A portion of the tax gap is attributable to errors by individual taxpayers. IRS service programs should be designed to prevent, minimize, and correct such errors with due consideration of taxpayer burden.
3. IRS service investments will focus on preventing, minimizing, and correcting taxpayer noncompliance.
4. Enhance the IRS Web site so that it becomes the first choice of more taxpayers for obtaining the information and services needed to comply with tax obligations.
5. The IRS recognizes the significant role that partners play in tax administration. As such, the IRS will look for opportunities to assist these third parties in helping taxpayers understand and meet their tax obligations.

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

¹³ See Section 1.2, Summary of TAB Phase 1, for a list of the strategic improvement themes. Internal Revenue Service, *The 2006 Taxpayer Assistance Blueprint: Phase 1*, April 24, 2006, page 61.

¹⁴ Reference Appendix 2.0, TAB Related Research Studies, for additional detail.

TAB Strategic Plan Overview

The TAB Strategic Plan is the five-year vision for IRS taxpayer service delivery. TAB research findings regarding taxpayer and partner needs, preferences, and behaviors—as well as findings on cost implications—were used to inform all of the recommended improvements in the Strategic Plan. Key components of the plan include the Performance Measures Portfolio, the Service Improvement Portfolio, and the Implementation Strategy, which contains a Multi-year Research Portfolio.

The Performance Measures Portfolio

The Performance Measures Portfolio contains a series of metrics designed to evaluate the effectiveness of service delivery. This portfolio will allow for accountability within the service strategy by providing clear and comprehensive parameters for studying and improving taxpayer service. The TAB Strategic Plan defines a hierarchy of three major Outcome Categories, five Outcome Measures, and seven Performance Measures, as follows:¹⁵

- **The Compliance Outcome Category** covers the three key components of compliance defined by the National Research Program (NRP)—filing, reporting, and payment compliance. This category focuses IRS efforts on preventing, minimizing, and correcting errors by taxpayers.
 - The Outcome Measure for Compliance is the **NRP Voluntary Compliance Rate**. The NRP compliance rate is the combined rates of payment, filing, and reporting compliance for all taxpayers.
 - The Performance Measures for Compliance are the Filing Compliance Rate (the number of required returns that are filed on or before the filing deadline, including legitimate extensions) and the Voluntary Payment Compliance Rate (the percent of reported tax liability on timely-filed returns that is paid in a timely manner). Filing and payment compliance measures are in various stages of modification and are subject to change. They serve as placeholders until research can better identify the specific causes of inadvertent noncompliance that can be effectively mitigated by service delivery. At this point, there is no specific performance measure for reporting compliance. The IRS is now planning for more frequent NRP data collection, which will allow for the development and refinement of all compliance measures in the future.
- **The Taxpayer and Partner Value Outcome Category** covers the three critical taxpayer expectations of taxpayer service defined in TAB Phase 1—awareness and education, access to service, and quality of experience. This category focuses on making the IRS measures for self-assisted services as strong as those for assisted services.
 - The Outcome Measures for Taxpayer and Partner Value include Taxpayer Burden, First Contact Resolution Rate, and Customer Satisfaction. Taxpayer Burden is the time and money that taxpayers spend to comply with their federal tax obligations. First Contact Resolution Rate is the percentage of taxpayers and partners reporting that their issues were accurately and completely resolved upon first contact with the IRS. Customer Satisfaction is measured using the American Customer Satisfaction Index (ACSI).¹⁶

¹⁵ Refer to Section 5.0, Performance Measures Portfolio, for a full discussion of all categories and measures.

¹⁶ Since 1994, the American Customer Satisfaction Index has been a national indicator of customer evaluations of the quality of goods and services available to U.S. residents. It is the only uniform, cross-industry/government measure of customer satisfaction. American Customer Satisfaction Index, Electronic Filers, Internal Revenue Service, Department of Treasury, *Customer Satisfaction Study Final Report*, November 2006, page 3.

- The Performance Measures for Taxpayer and Partner Value are the Percentage Aware of Channels and Services (percentage of taxpayers and partners responding affirmatively in survey questions relating to awareness of IRS channels and services) and the Partner Satisfaction Percentage (aggregate percentage of overall partner satisfaction with IRS support services).
- **The Government Value Outcome Category** covers the four basic components of operational performance defined by the TAB team during Phase 2—workload, resources, productivity, and quality. Emphasis is placed on making the IRS measures for self-assisted services as strong as those for assisted services.
 - The Outcome Measure for Government Value is the Percentage Of Taxpayer Service Contacts Delivered Through The Electronic Channel. Some taxpayers have indicated both willingness and preference to consider using electronic alternatives for certain tasks, which are the most efficient service options from a business perspective.¹⁷
 - The Performance Measures for Government Value are Level of Service (the relative success rate of taxpayers who seek assistance from a customer service representative), Accuracy Percentage (the percentage of customer inquiries accurately addressed by the IRS within each service delivery channel), and Taxpayer Self-Assistance Rate (the percentage of contacts in the assistance category resolved by automated calls answered plus Internet services completed).

The Performance Measures Portfolio includes existing and modified IRS measures, as well as new measures based on TAB research. To take maximum advantage of the Performance Measures Portfolio, the IRS will integrate the measures into its strategic planning and budgeting process. In the future, the portfolio of measures and associated targets must be based on current and future research, as well as the projected impact on performance resulting from the full set of service improvements to be carried out by the IRS.

The Service Improvement Portfolio

The Service Improvement Portfolio is a series of recommended improvement initiatives designed to enhance taxpayer service.¹⁸ The initiatives address services offered by the IRS directly to taxpayers, as well as services provided to partners. The TAB team used a step-by-step process to ensure that the development of the Service Improvement Portfolio was rigorous, objective, and sound.

The TAB team created five service improvement categories, and identified the current state of service delivery related to each category. Improvement initiatives were then designed to help the IRS reach the desired future state for service delivery. The service improvement categories are listed below, including the objective and an overview of recommendations for each.

1. Electronic Interaction Enablement

Objective: Maximize the taxpayer and partner value of the IRS Web site, making the electronic channel the first choice of taxpayers and partners for obtaining the information and services they need to comply with their tax obligations.

¹⁷ At least four in ten (42 percent) of TAC users would consider contacting the IRS online to get the desired information. IRS Oversight Board Taxpayers' Service Channel Study, Executive Summary, May 23, 2006, Slide 25.

¹⁸ Refer to Section 6.0, Service Improvement Portfolio, for additional detail.

Recommendations: The recommended initiatives for the Electronic Interaction Enablement category address services governance, content management, end-to-end portal and application monitoring, Web site design and usability, online support tools, publication search capability, evaluation of Frequently Asked Questions, and authentication for account-related tools.

2. Telephone Service Enhancements

Objective: Improve telephone service efficiencies and enhance technologies to maximize the user experience on the telephone channel.

Recommendations: The recommended initiatives for the Telephone Service Enhancements category address contact center infrastructure and telephone technology improvements.

3. Partner Services

Objective: Maximize assistance provided to tax practitioners, commercial preparers, community-based partners, and return preparation software vendors who are helping taxpayers understand and meet their tax obligations.

Recommendations: The recommended initiatives for the Partner Services category address training and resources; tax practitioner, commercial preparer, and community-based partner collaboration; electronic and telephone resources; community coalition support; and coordination with federal agencies.

4. Outreach and Education

Objective: Enhance outreach to targeted populations and maximize opportunities to educate taxpayers, partners, and IRS employees.

Recommendations: The recommended initiatives for the Outreach and Education category address research, campaigns and products, Limited English Proficiency (LEP) segments, educational resources, partner training resources, and IRS employee education.

5. Marketing and Promotion

Objective: Improve marketing of channel alternatives—specifically the electronic channel—and associated services and capabilities to targeted taxpayers and partners.

Recommendations: The recommended initiatives for the Marketing and Promotion category address a comprehensive marketing approach to improve awareness of services delivery channels and capabilities.

Taxpayer Assistance Center Initiatives

The TAB team handled analysis of and recommendations for Taxpayer Assistance Centers (TACs) separately from the rest of the Service Improvement Portfolio.¹⁹ The team conducted research-based analysis of service delivery within and the geographic footprint²⁰ of the TACs. The team incorporated empirical data and stakeholder feedback for all service channel considerations, including those related to

¹⁹ Refer to Section 7.0, Taxpayer Assistance Centers, for additional detail.

²⁰ Geographic footprint refers to the locations of all existing TACs throughout the United States, including Puerto Rico.

TACs. Unique to TACs is a discussion of the analysis used to understand the current geographic footprint, and recommendations for future decisions regarding TAC locations.

Based on research findings about the needs, preferences, and behaviors of those taxpayers who contact the IRS for assistance, the TAB Strategic Plan includes changes to both service delivery within and to the geographic footprint of TACs. Research indicates taxpayer preference for receiving transactional services²¹ through electronic and telephone channels, and for receiving interactive services²² through face-to-face channels. Additionally, some special population segments of taxpayers are more likely to use TACs than the taxpaying population as a whole.²³ Therefore, the TAB Strategic Plan includes a migration strategy to help move those taxpayers who indicate a preference for and a willingness to use electronic and telephone channels away from the TAC channel. Findings demonstrate that taxpayers are most concerned about resolving an issue during their first contact with the IRS, and about limiting wait time for receiving service.²⁴ The migration strategy would help to mitigate these concerns by freeing TAC assistors to focus on those interactive activities and services that taxpayers tend to prefer to receive in person.

As a starting point for the migration strategy, the IRS will implement a Facilitated Self-assistance Model (FSM) in 15 TACs²⁵ during 2007. Recognizing that many TAC users seek assistance in a TAC for services they could access via telephone or Web, the FSM will provide TAC customers with the option to use a self-assisted service to resolve their issue. Self-assistance workstations with computers and phones will be configured in the initial 15 TAC locations, and TAC employees will provide assistance to taxpayers using the FSM workstations. This limited implementation of the FSM will provide valuable data to further clarify the TAC user profile and the feasibility of migrating willing TAC users to alternative channels.

In addition to the migration strategy for improving service delivery, the TAB Strategic Plan includes a step-by-step process for future decisions about the TAC geographic footprint. The TAC geographic analysis revealed that a number of TACs are currently not well situated for the most effective service delivery. These TACs show low or redundant population coverage; a high volume of transactional contacts (for services taxpayers as a whole indicate a preference to receive via telephone or Web); or a low number of contacts per Full Time Equivalent²⁶ compared to TAC national averages. The Strategic Plan identifies opportunities to gain efficiencies in the TAC geographic footprint on a prioritized basis, using 26 taxpayer and government value criteria²⁷ and a three-phase process for evaluating TAC effectiveness. The recommended decision-making process includes engagement with appropriate stakeholders; mitigation of potential negative impact on taxpayers, IRS employees, and partners; and continued evaluation of TACs beyond the phases laid out in the TAB Strategic Plan.

The TAC improvement initiatives respond to taxpayer needs, preferences, and behaviors and to technological advances, and will help to deliver efficient, quality service through the channels that taxpayers use and prefer.

²¹ Refer to the glossary in the appendix for a definition of transactional services.

²² Refer to the glossary in the appendix for a definition of interactive services.

²³ According to the Oversight Board Survey, among taxpayers who used IRS services in the past two years, the low income, Limited English Proficiency (LEP), and elderly segments tend to have a somewhat higher preference for TAC channels and a lower preference for web channels than the majority taxpayers as a whole. Internal Revenue Service Oversight Board, *Taxpayer Customer Service and Channel Preference Survey*, April 2006, question 17.

²⁴ Refer to Section 2.6.4, Figure 2-22: Relative Attribute Indices of Importance by Service Need.

²⁵ In choosing the initial 15 TACs, the team considered adequate staffing, space, technological infrastructure, demographic and geographic diversity, and potential impact on taxpayers, employees, filing season operations, and management oversight. For a full discussion, see Section 7.4.1

²⁶ Refer to Section 7.5, TAC Geographic Footprint Current State, for a detailed discussion.

²⁷ Reference Appendix 7.0, Taxpayer and Government TAC Evaluation Criteria, for a complete list of research projects.

Strategic Plan Implementation Strategy

The Service Improvement Portfolio and TAC Initiatives are influenced by the Performance Measures Portfolio, which will be employed along with current and future research to inform the prioritization and selection of initiatives. New service initiatives must be selected, funded, and evaluated based upon their projected and actual impact on these measures of success.

The Strategic Plan Implementation Strategy²⁸ is a process for incorporating the work of Blueprint and the elements of the resulting strategy into the IRS's current day-to-day operations. Implementation includes a Multi-year Research Portfolio, which identifies research projects to begin or continue as the IRS refines and reevaluates various services and the resulting impact on taxpayers. The team evaluated the current strategic planning, budgeting, and project management processes of the IRS to ensure that the service-related investment decision-making process effectively balances government value with taxpayer and partner needs, preferences, and behaviors.

The recommended Implementation Strategy includes the following six step investment decision-making process:

Step 1: Evaluate Research Findings

Review research focused on the needs, preferences, and behaviors of taxpayers and partners to inform the development of initiatives targeted to improve services for these groups.

Step 2: Identify Improvement Opportunities

Examine gaps between key research findings and the services currently provided by the IRS to identify service improvement opportunities.

Step 3: Gather Initiative Ideas and Identify Solutions

Gather improvement ideas from key stakeholder groups and identify solutions that address the gaps identified in Step 2.

Step 4: Develop Initiatives

For identified solution(s), detail improvement initiatives including specific objectives and solution components to improve service.

Step 5: Perform Business Analysis

Utilize the Blueprint's comprehensive set of evaluation criteria in conducting a business analysis to evaluate initiatives based on five components: Strategic Alignment, Compliance Impact, Taxpayer and Partner Value, Government Value, and Operational Feasibility.

Step 6: Score and Prioritize Initiatives

Prior to the funding or implementation, score and prioritize each initiative according to the outcome of the business analysis. This prioritization provides a roadmap for implementation and allows IRS leadership to optimize the use of funds in a given year.

²⁸ Refer to Section 8.0, Implementation Strategy, for additional information on the Strategic Plan Implementation Strategy.

In addition to this decision-making process, implementation of the Strategic Plan involves the Multi-year Research Portfolio and use of an IRS governance body for future service decisions.

Multi-year Research Portfolio

To facilitate the development of research that iteratively and holistically addresses taxpayer and partner needs, preferences, and behaviors, the TAB team developed a Multi-year Research Portfolio. This portfolio also acknowledges the Treasury Department's tax gap strategy, which calls for studies to better understand the impact of service on compliance. The Multi-Year Research Portfolio includes a diverse set of research projects that seeks to offer the highest payoff in enhancing the IRS's understanding of taxpayer, partner, and government value. Much of the proposed work will build on specific research products currently under development by IRS researchers.

Four criteria were considered in selecting the specific analytic products that were included in the portfolio:

- Expected improvement in the Outcome Measures recommended by the team;
- Well-defined technical methodology to conduct the analysis;
- Anticipated impact of research on planning and budgeting decisions; and
- Cost of conducting the research.

Recommended studies for the Multi-year Research Portfolio cover the following topics:

- Taxpayer Needs, Preferences, and Behaviors;
- Taxpayer Burden;
- Impact of Service on Compliance;
- Inadvertent, Unintentional Noncompliance;
- Channel Migration Strategy;
- Outcome and Performance Measures;
- Facilitated Self-assistance Model;
- Self-employed Taxpayers;
- Outreach and Education;
- IRS Employee Training;
- Community-based Partners;
- Commercial Preparers;
- Taxpayer Service Costs; and
- New Types of Research Treatments.

These research initiatives will go through evaluation and prioritization with others that arise from the Treasury Department's tax gap strategy and from other business unit proposals to obtain annual funding.

To ensure that taxpayers, partners, and the IRS benefit from the entire Blueprint effort, it is critical that the TAB Strategic Plan be institutionalized. Recommended service enhancements include formalizing an integrated service investment decision-making process; developing service evaluation criteria that align with the TAB Performance Measures Portfolio; and incorporating an understanding of taxpayer and partner needs, preferences, and behaviors into the IRS-wide strategic planning and budgeting processes. Work is already underway to develop a governance body and process: resource and implement a TAB Program Management Office (PMO); and begin integrating the TAB Strategic Plan into existing business units planning, budgetary, and assessment activities. In early 2007, the TAB team participated in cross-functional e-Services and Contact Center Summits. These and future summits are designed to plan strategies and initiatives that will improve future service delivery based on the TAB Strategic Plan. In addition, select service improvement initiatives and future research projects identified by the TAB Strategic Plan were incorporated into the FY08 Budget Submission. Specifically, the President's FY08 Budget Request for the IRS includes \$10 million for implementing TAB Strategic Plan recommendations. This \$10 million is broken into \$3.5 million for Contact Analytics and \$375,000 for Estimated Wait Time technology on the telephone channel; as well as \$5.699 million for expanded Tax Law Support Tools and \$426,000 for the creation of Spanish "Where's My Refund?" on the electronic channel. The FY08 Budget Request includes an additional \$5 million for research on the effect of service on taxpayer compliance (part of the Multi-year Research Portfolio recommendations). These first steps of implementation demonstrate the IRS's commitment to using the comprehensive results of the entire Blueprint effort for future service decisions.

Future Vision for IRS Service Delivery

The Performance Measures Portfolio, Service Improvement Portfolio and TAC Initiatives, and Strategic Plan Implementation Strategy together comprise the TAB Strategic Plan for taxpayer service in the next five years. Each element represents a dynamic set of factors that must be considered together when examining taxpayer service as a whole. The TAB Strategic Plan is also integrated with the Treasury Department's tax gap strategy, which calls for combining enforcement activities with quality taxpayer service. Another component of the strategy is enhanced taxpayer service based on the recognition that service is important in helping taxpayers avoid unintentional errors. The TAB Strategic Plan addresses these concerns by outlining a multi-year commitment to research, including conducting research on the impact of taxpayer service on compliance to help the IRS better target taxpayer services and develop programs that can improve voluntary compliance.

The TAB Strategic Plan is focused on the use of relevant data to make well-informed investment decisions. However, the IRS's ability to improve the delivery of services is also dependent on a number of variables that may contribute to the constant evolution of the five-year plan, including tax legislation, the IRS budget, technology, and the public marketplace. Given the importance of incorporating the TAB Strategic Plan with the IRS's entire budgeting, business, and strategic planning process, it is not possible to set further time-based specifics for implementation within the five-year period. Instead, the Strategic Plan provides specific actions to improve taxpayer service in subsequent years, and strategic direction thereafter. Extensive research and analysis provide a strong rationale for proposed service initiatives, metrics, and implementation.

The Taxpayer Assistance Blueprint contains valuable information for the future of service delivery over the next five years. The IRS can now use empirical data for service investment decisions that balance taxpayer and partner needs, preferences, and behaviors with Service-wide priorities and resource allocation.

IRS

“Within the framework of this Blueprint, we have conducted significant research and gained vital knowledge about our current services and the taxpayers and partners who use them. We have developed a strategic plan for taxpayer service that balances service delivery needs with resource realities. The use of empirical analysis solidifies our vision of the future of taxpayer service at the IRS, and reinforces our mission of combining quality service and enforcement to ensure compliance.”

Mark Everson, Commissioner Internal Revenue Service

IRS Oversight Board

“The Taxpayer Assistance Blueprint takes a long-range, systemic, and data-driven approach to customer service that will enable the IRS to get the most out of its customer service resources while maintaining a watchful eye on whether taxpayers' needs are being met, especially those taxpayers who have special needs. The performance measures in the TAB will provide the IRS, the Board, and others the ability to assess how successfully the IRS achieves its customer service goals. The Board is also pleased that its own research on taxpayers' needs has been so productively used by the IRS in designing its long range plan for customer service.”

Paul Jones, Chair IRS Oversight Board

National Taxpayer Advocate

“The IRS now has at its disposal more information about the needs, preferences, and willingness of taxpayers to use taxpayer service than it has ever had. The Taxpayer Assistance Blueprint five-year strategic plan is research-based, and outlines recommended improvements to enhance the delivery of taxpayer service. The ongoing question for the IRS is whether it will use this information to maintain or improve quality taxpayer service, and reinvest its savings from increased efficiency and productivity into taxpayer service initiatives and improvements. The Blueprint provides the IRS a vehicle to ensure that taxpayer needs and preferences, including the need for face-to-face assistance, are not sacrificed to mere administrative convenience. I commend the IRS on its efforts to improve customer service and look forward to working with the IRS and the IRS Oversight Board on the Blueprint's implementation and additional research.”

Nina Olson, National Taxpayer Advocate

Background and Scope

In July, 2005, Congress directed the Internal Revenue Service (IRS), the IRS Oversight Board, and the National Taxpayer Advocate to develop a five-year plan for taxpayer service.²⁹ Congress stated “[t]he plan should include long-term goals that are strategic and quantitative and that balance enforcement and service.”³⁰ The IRS created the Taxpayer Assistance Blueprint (TAB) team in response to the Congressional directive. The TAB team includes representatives from throughout the IRS, the IRS Oversight Board, and the Taxpayer Advocate Service. Additionally, an Executive Steering Committee (ESC)³¹ was formed to review and approve substantive recommendations and to provide general oversight. The ESC consisted of representatives from the IRS Commissioner’s Office, IRS operating and support divisions, IRS Legislative Affairs, the IRS Oversight Board, and the National Taxpayer Advocate.

Before the Blueprint project began, the IRS conducted research to understand the needs, preferences, and behaviors of individual taxpayers. However, these efforts were often unconnected. The TAB team analyzed existing research and undertook additional studies³² to develop a more complete understanding of current taxpayer needs, preferences, and behaviors, as well as those of IRS partners.³³ The IRS now has more knowledge than ever before about taxpayers, partners, employees, and the impact of service-related decisions.

1.1 Scope and Objectives

The focus of the Blueprint is on individuals who file (or should file) a Form 1040 series tax return using their Social Security Number or Individual Taxpayer Identification Number.³⁴ This scope consists of the over 133 million individual tax returns the IRS receives each year.³⁵ It includes any taxpayer who reports business income on a Form 1040 series tax return, including self-employed taxpayers filing a Schedule C (Profit and Loss for Business) and taxpayers who have income that passes directly through a partnership.³⁶ The scope also includes improvement recommendations designed to better serve partners and IRS employees in their efforts to assist taxpayers.

²⁹ United States Congress, House Report 109-307, at 209, 2005.

³⁰ United States Congress, House Report 109-307, at 209, 2005. The Senate Committee Report provides further detail on the content of the five-year plan, directing the IRS to: undertake a comprehensive review of its current portfolio of taxpayer services and develop a 5-year plan that outlines the services it should provide to improve services for taxpayers. This plan should detail how it [IRS] plans to meet the service needs on a geographic basis (by State and major metropolitan area), including any proposals to realign existing resources to improve taxpayer access to services, and address how the plan will improve taxpayer service based on reliable data on taxpayer service needs. As part of this review, the Committee strongly urges the IRS to use innovative approaches to taxpayer services, such as virtual technology and mobile units. The IRS also should expand efforts to partner with State and local governments and private entities to improve taxpayer services. United States Congress, Senate Report 109-109, Internal Revenue Service, Processing Assistance and Maintenance, at 133-34, 2005.

³¹ A complete list of current members of the Executive Steering Committee (ESC) is included in the Appendix (see *Acknowledgements*).

³² This included a review of IRS research from prior years, as well as external research from other government agencies, business, and foreign governments. For a complete list of the research reviewed during Phase 1, see Internal Revenue Service, *The 2006 Taxpayer Assistance Blueprint: Phase 1*, April 24, 2006, pages 103-104.

³³ For the purposes of the Blueprint, partners include commercial preparers, practitioners, return preparation software vendors, and community-based partners (further defined in Section 2.4).

³⁴ The Form 1040 series of tax returns includes any IRS tax form that begins with “1040”, such as Form 1040, Form 1040A, Form 1040EZ, etc.

³⁵ Internal Revenue Service, Statistics of Income, *Tax Stats - Filing Year 2005 (Tax Year 2004) Reports*, Week Ending December 30, 2005. Approximately 133 million individual (1040 family) tax returns are filed. Because some individual taxpayers are married yet file jointly, this number translates into returns from roughly 185 million taxpayers.

³⁶ The scope of the Blueprint does not include a review of services that support business filers who file other types of tax returns, including the Form 1120 series corporate returns and Forms 940 and 941 series business employment tax returns. Internal Revenue Service, *The 2006 Taxpayer Assistance Blueprint: Phase 1*, April 24, 2006, page 19.

To address Congressional, IRS, and stakeholder interests, the Blueprint was designed to achieve the following objectives:

1. Establish a credible taxpayer and partner baseline of needs, preferences, and behaviors;
2. Implement a transparent process for making service-related resource and operational decisions;
3. Develop a framework for institutionalizing key research, operational, and assessment activities to holistically manage service delivery; and
4. Utilize both short-term performance and long-term business outcome goals and measures to assess service value.

Given these objectives and the inability to adequately address every aspect of service delivery, there are a number of areas that this report does not address. The Blueprint includes pre-filing, filing, and post-filing activities and does not include a review of IRS return processing procedures.³⁷ While the content and clarity of IRS forms, publications, and notices are important aspects of taxpayer service, the IRS is handling improvements to these areas separately.³⁸ The IRS should expand on the work of the Blueprint to develop a more refined understanding of the needs, preferences, and behaviors of self-employed taxpayers and partners. Additionally, the IRS should continue to explore improved training and decision support tools for IRS employees, as well as the clarity and comprehension of IRS forms, publications, and notices. The IRS should also explore the needs, preferences, and behaviors of tax exempt organizations and international taxpayers. The Blueprint project is a first step in improving service delivery, and the TAB team recommends directing attention to these issues in the future.

1.2 Summary of TAB Phase 1

Based on the scope and complexity of the project, the team worked in two phases to complete the Blueprint and to develop the TAB Strategic Plan for taxpayer service. During Phase 1, the team looked at existing information and conducted preliminary additional research involving current IRS channels and services. The team examined taxpayer behavior and the extent to which taxpayers use available channels and services. Additionally, research was conducted on customer service leading practices to understand how top government agencies and private sector organizations deliver customer service.³⁹ The leading practices research provides an understanding of taxpayer perception and experiences within the broader service environment that shapes their expectations, values, and behaviors.

In April, 2006, the TAB Phase 1 Report was delivered to Congress. The report laid out the following five strategic improvement themes for taxpayer service:⁴⁰

³⁷ Pre-filing activities involve preparing taxpayers to file tax returns (i.e., providing tax forms and publications and tax law assistance), and typically occur during the end of one calendar year and into the beginning of the following calendar year. Filing activities involve the preparation and filing of tax returns (i.e., providing assistance in the completion and filing of a tax return), and typically occur between January and April (not including filing extensions). Post-filing activities involve addressing taxpayer issues that arise after a tax return is filed (i.e., the status of a refund or payment and resolution of outstanding tax liabilities), and typically take place after April. Internal Revenue Service, *The 2006 Taxpayer Assistance Blueprint: Phase 1*, April 24, 2006, pages 23-24

³⁸ Based on feedback received from taxpayers and data derived from research, the IRS is modifying taxpayer notices through several processes that create new correspondence products and update existing products. These processes include (1) Reviewing all products, newly created or modified, to ensure they follow approved writing standards and principles; (2) Creating a notice writing curriculum that emphasizes writing clearly and simply to help employees improve their writing skills; (3) Developing systemic tools to help organizations and employees improve their notices and notice processes; and (4) Providing a repository of approved, standardized notices to all writers of IRS correspondence, ensuring consistency of language and style. The IRS continues research efforts to determine the effectiveness of written communication. Research will be conducted through focus groups, surveys and product testing. Stakeholders, including the Internal Revenue Service Advisory Council and the Taxpayer Advocacy Panel, will assist in evaluating the effectiveness of written correspondence and will participate in notice improvement efforts. <http://noticesupport.web.irs.gov/NoticeImprovement/NIHome.asp>, January 8, 2007.

³⁹ Internal Revenue Service, *The 2006 Taxpayer Assistance Blueprint: Phase 1*, April 24, 2006, pages 51-59.

⁴⁰ *Ibid*, page 61.

1. Improve and expand education and awareness activities;
2. Optimize the use of partner services;
3. Elevate self-service options to meet taxpayer expectations;
4. Improve and expand training and support tools to enhance assisted services; and
5. Develop short-term performance and long-term outcome goals and measures.

These themes are based on the preliminary research conducted during Phase 1, and provided a starting point for the development of the TAB Strategic Plan for taxpayer service. From the findings, the team developed numerous additional research projects to identify the services taxpayers need from the IRS, and the channels through which they prefer to receive these services.⁴¹ These research projects provide the foundation for the work conducted during TAB Phase 2.

1.3 Moving Into Phase 2

At the conclusion of Phase 1, the TAB team outlined a set of goals for Phase 2. Specifically, Phase 2 was intended to:⁴²

- Refine the IRS’s understanding of taxpayer needs, preferences, and expectations;
- Identify and prioritize taxpayer services improvement recommendations;
- Develop taxpayer- and partner-focused efficiency service measures;
- Establish an ongoing process to assess taxpayer needs and correlate that assessment with compliance findings from the National Research Program;
- Address the challenges of effectively and efficiently aligning service content, delivery, and resources with taxpayers’ and partners’ expectations; and
- Outline the five-year TAB Strategic Plan for taxpayer service based on all of the above.

The TAB Strategic Plan is intended to balance taxpayer and partner value with government value and compliance considerations in the taxpayer service environment. The Strategic Plan provides a baseline for taxpayer needs, preferences, and behaviors as well as a set of recommendations for service improvements for the next five years. The plan includes specific initiatives for potential implementation in immediate years, and provides strategic direction thereafter. Extensive research and analysis provides strong rationale for proposed service initiatives and measures, as well as the service-related decision-making and governance processes.

The Strategic Plan is also integrated with the U.S. Department of Treasury’s Comprehensive Strategy for Reducing the Tax Gap.⁴³ A key principle of the tax gap strategy is that “enforcement activities should be combined with a commitment to taxpayer service.”⁴⁴ One component of the tax gap strategy is a multi-year commitment to research, including studies of the impact of service on compliance. This research will help the IRS to better target taxpayer services and develop programs to improve voluntary compliance.⁴⁵

⁴¹ Reference Appendix 2.0, TAB Related Research Studies, for a complete list of research projects.

⁴² Internal Revenue Service, *The 2006 Taxpayer Assistance Blueprint: Phase 1*, April 24, 2006, page 75.

⁴³ United States Department of the Treasury, Office of Tax Policy, *A Comprehensive Strategy for Reducing the Tax Gap*, September 26, 2006. This strategy is referred to as the “tax gap strategy” throughout this report.

⁴⁴ *Ibid.*, page 2. See Section 2.5.1, Mitigating Noncompliant Behavior, for more details on the tax gap.

⁴⁵ *Ibid.*, page 12.

Another component of the tax gap strategy is enhanced taxpayer service based on the recognition that service is important in helping taxpayers avoid unintentional errors.⁴⁶ The TAB Strategic Plan addresses both of these components by outlining a Multi-year Research Portfolio, which calls for future studies on the impact of taxpayer service on voluntary compliance, and by outlining service improvement recommendations.

The Strategic Plan is focused on collecting data relevant to taxpayer and partner experiences, and using that data to make well-informed investment decisions. However, a number of variables that impact service delivery will likely contribute to the constant evolution of the Strategic Plan. Such variables include tax legislation, the IRS budget, technology, and the public marketplace. All of these factors affect aspects of service delivery, and therefore can impact the Strategic Plan.

The TAB Phase 1 report and this TAB Phase 2 report comprise the completed Blueprint. This report contains a number of components, including:

- An analysis of the current IRS services and channels, along with taxpayer needs, preferences, and behaviors in using these service delivery options (Section 2);
- An examination of potential opportunities to improve service delivery (Section 3);
- A review of the Guiding Principles (Section 4); and
- A description of the TAB Strategic Plan for taxpayer service, which contains:
 - The Performance Measures Portfolio for assessing service delivery success (Section 5);
 - A series of initiatives to improve service delivery, including the Service Improvement Portfolio (Section 6) and initiatives related to Taxpayer Assistance Centers (Section 7); and
 - The Implementation Strategy for incorporating the TAB Strategic Plan into current IRS operations (Section 8).

The research results presented in the Blueprint are not exhaustive or all-inclusive, but instead focus on presenting baselines, trends, and tendencies. The TAB Strategic Plan will require continuous refinement and ongoing research. However, based on the information obtained thus far, the IRS now knows a great deal more about the taxpayers and partners who use tax-related services, and the delivery and impact of these services. The work started with the Blueprint will continue as the IRS works to expand and refine its knowledge.

⁴⁶ *Ibid.*, pages 14-15.

Throughout the development of the Blueprint project, the TAB team conducted extensive research to help the IRS better understand service from the taxpayer perspective. This was the first large-scale attempt to gain a comprehensive picture of the needs, preferences, and behaviors of taxpayers as they work to comply with their federal tax obligations. Rather than attempting to cover the entire breadth of research findings, this section focuses on the key themes that serve as the foundation for the TAB Strategic Plan.

2.1 Research Study Background

While most of the research was conducted by more than 30 analysts from the Wage & Investment (W&I) Research Division, the body of work also includes studies developed by Office of Program Evaluation and Risk Analysis (OPERA), Taxpayer Advocate Service (TAS), Customer Account Services (CAS), and Small Business and Self Employed (SB/SE) Research Division—with support from Customer Assistance, Relationships and Education (CARE), Modernization & Information Technology Services (MITS), the IRS Oversight Board, and the Commissioner’s Office.

The research findings contained in this report were developed from a wide variety of internal and external data sources and use a wide range of analytical techniques, including attitudinal and preference surveys; focus groups; interviews; IRS compliance, operational, and budget databases; behavioral testing; cost-benefit estimations; statistical analysis; and mathematical modeling. Whenever possible, the team used multiple methods to collect data about key variables. However, many of the findings were derived almost exclusively from responses to four large-scale surveys fielded during calendar year (CY) 2006. These surveys, which are described in Section 2.2, include The Taxpayer Customer Service and Channel Preference Survey, The Conjoint II Survey, The Opinion Survey of Taxpayer Resources and Services, and The 2006 Market Segment Survey.

The surveys referenced in this report are subject to limitations that typically apply to all survey research, including non-responsiveness and its potential for bias, representativeness of samples, sampling errors, weighting methods, handling missing values, and validity and reliability of responses. Survey research also faces limitations with non-sampling errors, including crafting and interpretation of questions. Other concerns arise out of the difficulty of equating responses with respondents’ true preferences and actual actions (what a taxpayer says he or she will do may be different from what the taxpayer actually does). The quality of the collected data and results is highly dependent on the skills of the moderator or interviewer and the rigor of the analysis that follows.

Comparability among the four large-scale surveys is difficult. Similar questions on each instrument often result in varying response patterns due to differences in survey design, the specific wording used in each question, estimation procedures, the medium used to field the survey (e.g., mail, Web, or telephone), and a variety of other factors. Often, these four surveys produced very different estimates on closely related questions. Rather than detailing results from all four surveys on every question discussed in this report, the TAB team generally selected results from a single survey to illustrate the predominant pattern or relationship that could be detected in the various survey results. Due to rounding, not all column totals in all figures will add to 100. Additionally, taxpayers represented throughout the figures may belong to more than one segment. Therefore, the categories in the figures should not necessarily be viewed as mutually exclusive.

Finally, there are some issues unique to using surveys to gather tax-related data. For example, some potential respondents may opt not to take IRS surveys, due to mistrust of the IRS and concerns that participation might result in unwanted contact with the Service. Consequently, IRS surveys in general have low response rates. Additionally, the complex nature of the federal tax system makes it challenging to design and administer surveys.

While survey research can be a valuable analytical technique and has generated important findings, the IRS does not want to over-extend the representation of the data collected. The results and recommendations presented in the Blueprint are not exhaustive or all-inclusive, but focus instead on baselines, trends, and tendencies. However, they do present the opportunity to use the available data in an attempt to better understand the impact of taxpayer service.

During the Blueprint project, the IRS learned valuable lessons which will be applied to improve future IRS research efforts. The research products developed over the past year comprise the beginning of a long-term process that will continue to study and test options for making IRS service programs more effective.

2.2 Principal Research Projects

Much of the understanding of taxpayer needs, preferences, and behaviors was developed from responses to the following four major surveys conducted during 2006:

- The **Taxpayer Customer Service and Channel Preference Survey**⁴⁷ (referred to as the *Oversight Board Survey*) was conducted to understand taxpayer usage of and preferences for IRS service channels. Analysis of responses also identified taxpayer attitudes toward tax service and administration in general. Interviewers administered computer-assisted surveys to eligible participants, and screened respondents to reach the person in the household most responsible for the preparation of federal taxes. Survey data was gathered from 1,000 respondents selected by random digit telephone dialing. Because the anticipated number of Taxpayer Assistance Center (TAC) users was small, a separate over sample of 101 TAC users was included.⁴⁸
- The **TAB Conjoint II Study**⁴⁹ (referred to as the *Conjoint II Study*) was an expansion of the earlier Conjoint I project.⁵⁰ Taxpayers responded to questions designed to determine their preferences for contacting the IRS to resolve tax-related issues, and for assistance with tax return preparation and filing. The survey also gathered information about taxpayers' past experiences contacting the IRS. Participants submitted their responses to the survey portion of this study through the Internet or via television top box (provided to those without computer access). Responses were received from 2,196 individual taxpayers, including an over sample of 533 taxpayers who had visited a TAC.⁵¹ Participants were selected to represent U.S. taxpayers from an online survey panel maintained by Knowledge Networks.

⁴⁷ The Oversight Board Survey was conducted by Roper Public Affairs and Media and fielded between March 19 and April 13, 2006. Internal Revenue Service, Oversight Board, *Taxpayer Customer Service and Channel Preference Survey*, April 2006.

⁴⁸ In order to have enough cases for analysis of TAC users, Roper Public Affairs and Media conducted an over sample of taxpayers who used a local TAC in their area in the last two years. Roper used a two-step process to locate and survey TAC users. First, a random sample of TACs were selected from an existing list of IRS TAC locations. Next, random digit dialing (RDD) was employed to obtain a sample of 101 households located within a 10 mile radius of selected TAC locations where the person most familiar with filing tax returns had visited a TAC in the past two years.

⁴⁹ The Conjoint II Study was conducted by the Pacific Consulting Group (PCG) and IRS, W&I Research. The survey was conducted between June 23 and July 5, 2006. Pacific Consulting Group, *Taxpayer Assistance Blueprint (TAB) Conjoint II Study*, October 2006.

⁵⁰ The TAB Conjoint I Study was conducted by Pacific Consulting Group in 2006.

⁵¹ In order to have enough cases for analysis of TAC user preferences, Pacific Consulting Group conducted a random screening of 14,700 potential survey participants maintained by Knowledge Networks to over sample 533 taxpayer respondents who used a TAC in the last two years.

In addition to TAC users, low income individuals were intentionally over sampled to ensure a valid sample for conducting subgroup level analysis.

- The **Opinion Survey of Taxpayer Resources and Services**⁵² (referred to as the *Benchmark Survey*) asked 23 questions about awareness, prior use, expectations, and future willingness to use IRS and non-IRS tax-related resources and services. Introduction letters, questionnaires, and reminder cards were delivered in four waves to 40,000 randomly selected taxpayers. Potential respondents must have been age 18 or over, residing in the United States, and have filed a federal income tax return for tax year (TY) 2004 prior to December 31, 2005, using the Form 1040 series of returns. This survey focused on both IRS and non-IRS services and channels that taxpayers used to prepare and file their TY 2005 tax returns. The IRS used identifiable survey forms to permit matching of survey responses with actual tax return filings. As of August 2006, 8,160 surveys were returned.
- The **2006 W&I Market Segment Survey**⁵³ (referred to as the *Market Segment Survey*, and the third in a series dating back to 2002) was conducted to help the IRS understand taxpayer needs, preferences, and behaviors; reveal use and acceptance of key W&I products and services; and provide feedback for education and outreach functions. A random sample of 2,800 taxpayers and an over sample of 314 Spanish-preferred speakers were interviewed by telephone using a computer-assisted interviewing system.⁵⁴ All potential respondents were sampled and screened using random digit dialing, and eligible survey respondents were identified as the person in the household responsible for filing 2005 taxes.

2.3 Taxpayer Segmentation

United States taxpayers form a large and diverse group with different service needs, preferences, attitudes, and behaviors. Taxpayers also have wide variations in age, income,⁵⁵ language, education, and physical capacity.⁵⁶ To better understand these variations, the TAB team divided the taxpaying population into smaller groups using conventional segmentation criteria.

The principal segmentation scheme developed (and discussed at length in the TAB Phase 1 Report) focused on income and generational segments.⁵⁷ Income and generational segments are also used for Phase 2 analysis.⁵⁸ For most analyses, the income segments used in Phase 2 are adjusted gross income of: less than \$35,000; \$35,000 to under \$75,000; \$75,000 to under \$100,000; and \$100,000 or over. The generational segments include: Millennials (ages 0 to 29); Generation X (ages 30 to 40); Baby Boomers (ages 41 to 60); and Seniors (ages 61 and over).⁵⁹ The follow-on TAB Phase 2 research confirmed the validity of using these segments, and identified education as another useful segmentation criterion.

Segmentation allows the IRS to link TAB findings and follow-up research to existing private and public sector research on attitudes, behavior, and communications. Different generations develop unique communication perspectives, abilities, and habits responsive to the technology available during their lives. Generations tend to experience similar life events together—such as marriage or divorce, the birth of a

⁵² The Benchmark Survey was conducted by W&I Research between June and August 2006. Internal Revenue Service, Wage and Investment Office of Research, *Opinion Survey of Taxpayer Resources and Services*, August 2006.

⁵³ The Market Segment Survey was conducted by the Pacific Consulting Group (PCG) in July and August, 2006. Pacific Consulting Group, *W&I Market Segment Survey National Report*, December 2006.

⁵⁴ Recruitment and data collection were performed by Schulman, Ronca & Bucuvalas, Inc (SRBI), a global strategy and research organization.

⁵⁵ Income refers to Adjusted Gross Income (AGI).

⁵⁶ Internal Revenue Service, *The 2006 Taxpayer Assistance Blueprint: Phase 1*, April 24, 2006, page 37.

⁵⁷ *Ibid.*

⁵⁸ *Ibid.*, page 38.

⁵⁹ Due to constraints in some of the data collected by external entities, some analyses used variations of these income and age segmentation schemes; however, these variations do not impact the overall conclusions.

child, the purchase of a home, a major medical event, retirement, or the death of a spouse—that are likely to result in changes to their tax circumstances and corresponding service needs.⁶⁰ The TAB Strategic Plan includes services that anticipate and respond to such changes in recommendations for future planning.

In addition to the broad taxpaying population, the TAB team studied several populations of interest specifically recommended by Congress.⁶¹ These special populations include low income, Limited English Proficiency (LEP), disabled, and elderly taxpayers. These taxpayer segments face unique challenges in meeting their tax obligations because of limited access to, experience with, or ability to use all of the channels offered for service delivery.

To provide a baseline of the relative size of the various groups included in the Blueprint segmentation design, Figure 2-1 presents U.S. Census population data and TY 2005 Form 1040 tax return information on two of the segmentation criteria, age and income. Figure 2-1 shows the sum of 122,177,000 TY 2005 returns filed through June 2006 and represents the most complete data available at the time the analysis was completed. By the end of CY 2006, over eight million additional TY 2005 returns (most with extensions) were filed. These returns generally had higher reporting incomes that would shift the income segment percentages somewhat when processed.⁶² Eventually, the IRS expects that about 134.5 million individual tax returns will be filed for TY 2005, with the remaining four million returns to be filed after CY 2006.⁶³

⁶⁰ Meredith, Geoffrey E., Charles D. Schewe, Ph.D., and Janice Karlovich, *Defining Markets: America's 7 Generational Cohorts, Their Shared Experiences and Why Businesses Should Care*, Hungry Minds Press, 2002.

⁶¹ United States Congress, Senate Report 109-109, Internal Revenue Service, Processing, Assistance and Management, page 134.

⁶² Internal Revenue Service, Electronic Tax Administration Marketing Database, Full Year TY 2005 (i.e., TY 2005 individual returns filed during the 2006 calendar year).

⁶³ Internal Revenue Service, Statistics of Income, *Individual Income Tax Returns: Selected Income and Tax Items for Specified Tax Years, 1999-2005*. The TY 2005 count is preliminary. The SOI count estimates all returns filed for TY 2005. While most of the returns processed during CY 2006 were for TY 2005, the remaining returns were mostly for prior years, and a few for non-calendar years. Returns for prior years were used in place of 2005 returns received and processed after December 31, 2006. See Section 2 in Statistics of Income's *Individual Income Tax Returns Publication 1304* for further discussion.

Figure 2-1. Demographic Comparison of Census and 1040 Tax Returns

| Demographic Information ⁶⁴ | U.S. Census Bureau American Community Survey, 2005 ⁶⁵ | | Form 1040 Tax Returns, Tax Year 2005 ⁶⁶ | |
|---------------------------------------|--|-------------|---|-------------|
| | Count | % | Count | % |
| Age Groups⁶⁷ | | | | |
| 15 to 29 yrs. | 58,141,000 | 25.5% | 31,255,000 | 25.6% |
| 30 to 39 yrs. | 40,109,000 | 17.6% | 24,942,000 | 20.4% |
| 40 to 59 yrs. | 81,788,000 | 35.9% | 43,383,000 | 35.6% |
| 60 yrs. and over | 47,760,000 | 21.0% | 22,426,000 | 18.4% |
| Total (Age 15 or over) | 227,798,000 | 100% | 122,006,000⁶⁸ | 100% |
| Household Income⁶⁹ | | | | |
| Less than \$35,000 | 42,533,000 | 38.3% | 67,935,000 | 55.6% |
| \$35,000 to under \$75,000 | 37,751,000 | 34.0% | 32,688,000 | 26.8% |
| \$75,000 to under \$100,000 | 12,648,000 | 11.4% | 9,606,000 | 7.9% |
| \$100,000 or over | 18,159,000 | 16.3% | 11,948,000 | 9.8% |
| Total Households | 111,091,000 | 100% | 122,177,000 | 100% |

Figure 2-2 continues to use U.S. Census data to define population counts for three additional segments: education, disability, and LEP. Return counts, however, are developed from Benchmark survey demographic questions since these segments can't be obtained through tax returns.

⁶⁴ Counts and estimates are rounded to the nearest 1,000. Totals might not add due to rounding.

⁶⁵ U.S. Census Bureau, 2005 American Community Survey (ACS), Table B01001. Sex by Age and Table C19001. Household Income in the Past 12 Months (in 2005 Inflation-adjusted Dollars).

⁶⁶ Tax return estimates for age and income are from the Electronic Tax Administration Marketing Database, Part Year TY 2005 (returns filed through cycle 23, i.e. June 23, 2006). ETA income data are based on adjusted gross income (AGI). Returns with year of birth of 1890 or later were used for calculation of age.

⁶⁷ The age ranges in Figure 2-1 vary slightly from the defined ranges for the cohorts that share their labels because the figure used ranges that were available in Census Table B01001. The table ranges were chosen 1) to use the U.S. Census Bureau provided breakouts, and 2) to exclude residents who are young enough that Census does not ask their income.

⁶⁸ The total count of tax returns by age groups differs from the total counts of tax returns for the other segments because tax returns were excluded from the age categorization if IRS does not have valid or reasonable date of birth associated with the return. If the date of birth was missing or if it date was before 1890, the return was not used.

⁶⁹ ACS Household Income "includes the income of the householder and all other individuals 15 years and older in the household, whether they are related to the householder or not. Because many households consist of only one person, average household income is usually less than average family income." U.S. Census Bureau, *American Community Survey and Puerto Rico Community Survey 2005 Subject Definitions*, page 46. The income ranges in Figure 2-1 vary from the ranges used elsewhere, such as for Low Income, because the figure used ranges that were available in Census Table C19001.

Figure 2-2. Demographic Comparison of Census and 2006 Benchmark Survey

| Demographic Information ⁷⁰ | U.S. Census Bureau American Community Survey, 2005 ⁷¹ | | 2006 Benchmark Survey ⁷² | |
|---|--|---------------------|--|---------------|
| | Count | % | Count | % |
| Educational Attainment | | | | |
| Less than high school graduate | 34,945,000 | 16.2% | 6,088,000 | 5.0% |
| High school graduate or GED | 64,785,000 | 30.1% | 24,385,000 | 20.0% |
| Some college or associate's degree | 61,702,000 | 28.7% | 44,212,000 | 36.2% |
| Bachelor's degree or higher | 53,814,000 | 25.0% | 47,492,000 | 38.9% |
| Total Population (Age 18 or over)⁷³ | 215,246,000 | 100% | 122,177,000 | 100% |
| Disability | | | | |
| With a disability | 36,854,000 | 16.5% | 13,708,000 | 11.2% |
| Without any disability | 185,948,000 | 83.5% | 108,469,000 | 88.8% |
| Total Population (Age 16 or over)⁷⁴ | 222,802,000 | 100% | 122,177,000 | 100% |
| Language Spoken at Home | | | | |
| Speak a language other than English | 41,428,000 | 19.2% ⁷⁵ | 7,477,000 | 6.1% |
| Speaks English | 173,819,000 | 80.8% | 114,700,000 | 93.9% |
| Total Population (Age 18 or over)⁷⁶ | 215,246,000 | 100.0% | 122,177,000 | 100.0% |

The IRS divides individual taxpayers into two distinct groups that are serviced by different Business Operating Divisions. Seventy-two percent of all returns from individual taxpayers are covered by the IRS W&I Division.⁷⁷ W&I serves taxpayers who file a Form 1040 tax return with no accompanying Schedules C, E, or F, no Form 2106, and no international activity. The IRS SB/SE Division covers the other 28 percent of 1040 returns filed by individual taxpayers who do include these forms and schedules. Taxpayers sometimes migrate from one division to the other as they open and close small businesses. For research purposes, the Blueprint focuses on individual taxpayers and does not attempt to distinguish between W&I and SB/SE populations.

2.4 Current Taxpayer Service Environment

The IRS offers taxpayer service through four major delivery channels: telephone; face-to-face (including Taxpayer Assistance Centers (TACs) and Volunteer Return Preparation Program (VRPP) sites); electronic

⁷⁰ Counts and estimates are rounded to the nearest 1,000. Totals might not add due to rounding.

⁷¹ U.S. Census Bureau, 2005 American Community Survey (ACS), Table C15001. Sex by Age by Educational Attainment for the Population 18 years and over, Table B18002. Sex by Age by Disability Status for the Civilian Non-institutionalized Population 5 years and over, Table B16004. Age by Language Spoken at Home by Ability to Speak English for the Population 5 years and over.

⁷² Estimates of percentages affecting tax return counts for education, disability and language are from the 2006 Benchmark Survey. Internal Revenue Service, Wage and Investment Office of Research, *Opinion Survey of Taxpayer Resources and Services*, August 2006., questions 19 – 21. Tax return estimates are calculated by applying the percentages to the total tax return count from the Internal Revenue Service, Electronic Tax Administration Marketing Database, Part Year TY 2005 (returns filed through cycle 23, i.e. June 23, 2006).

⁷³ "Age 18 and over" refers to ACS data; Form 1040 tax return counts include all returns, regardless of taxpayer age.

⁷⁴ "Age 16 and over" refers to ACS data; Form 1040 tax return counts include all returns, regardless of taxpayer age.

⁷⁵ The difference between the 6.1% Benchmark finding and the 19.2% Census finding for language use has several likely causes. If percentages from two of the three possible responses to Question 20 on the Benchmark Survey are added together ("English is the primary language spoken [in your household]" = 9.5%; "A language other than English is the primary language spoken" = 6.1%; "English is the only language spoken" = 83.7%), the Benchmark Survey combined estimate (15.6%) would be closer to the Census estimate (19.2%). The two surveys ask the language question about different entities—individuals (Census) versus households (typically families) (Benchmark). Since immigrant families tend to be larger than non-immigrant families, the percentage of individuals should be larger than the percentage of families when responding to survey questions on the use of English.

⁷⁶ "Age 18 and over" refers to ACS data; Form 1040 tax return counts include all returns, regardless of taxpayer age.

⁷⁷ Internal Revenue Service, Electronic Tax Administration (ETA) Database, Part Year Tax Year 2005 (returns filed through cycle 23, i.e., June 23, 2006).

(Web and e-mail); and written correspondence (mail sent by the taxpayer to the IRS). In addition, most channels are equipped with both assisted and self-assisted service options. For example, taxpayers can receive information on the status of their tax refunds through self-assisted telephone menus, or they can speak directly to a customer service representative. Figure 2-3 outlines IRS service options through each of the four delivery channels, with available assisted and self-assisted service options.

Figure 2-3. Service Channel Overview⁷⁸

| Delivery Channel | | Service Option Examples |
|------------------------|---------------|---|
| Telephone | Assisted | Live contact with a service representative |
| | Self-assisted | Automated menu options that provide account and tax law information |
| Face-to-Face | Assisted | Live contact with a service representative in a TAC |
| | Self-assisted | Self-assisted tax products and information (e.g., forms and publications racks) in TACs |
| Electronic | Assisted | Information and guidance delivered through e-mail |
| | Self-assisted | Tax services and information provided by IRS.gov |
| Written Correspondence | Assisted | Information provided through the postal service or by fax |

Not all services are provided uniformly across all delivery channels. For example, individual account assistance (e.g., balances due and notices) is available primarily through assisted service options via telephone, face-to-face, and written correspondence channels. Limited access to account information is available through self-assisted service options.

In addition to IRS services, taxpayers can obtain assistance from external partners. For the purposes of the Blueprint, partners are defined in the following four categories:

- **Commercial Preparers** primarily provide fee-based assisted return preparation support. Additionally, they offer forms and publications distribution, tax law advice, and account assistance.
- **Practitioners** are lawyers, accountants, enrolled agents, and enrolled actuaries.⁷⁹ Practitioners provide fee-based assisted return preparation support, forms and publications distribution, tax law guidance, and account assistance. Practitioners can legally represent taxpayers; therefore, they can serve as a conduit to the IRS on account-related matters.
- **Return Preparation Software Vendors** primarily provide self-assisted electronic return preparation support and tax law assistance, either on a fee basis or through Free File.⁸⁰ In addition, software vendors provide self-assisted electronic access to forms and publications. Online analytics and decision support tools are available for individuals to calculate tax filing requirements, and can automatically generate a taxpayer's return electronically.

⁷⁸ Internal Revenue Service, *The 2006 Taxpayer Assistance Blueprint: Phase 1*, April 24, 2006, page 26.

⁷⁹ United States Department of Treasury, Circular No. 230, (Rev. 6-2005). <http://www.irs.gov/pub/irs-pdf/pcir230.pdf>.

⁸⁰ Free File is a free service offered by companies for taxpayers with an adjusted gross income below a level set for a given tax year (\$52,000 for 2006). This service is offered by companies independent of the IRS, and various offers may be limited to specific states and income levels. State income tax return preparation and e-filing services may require a fee. <http://www.irs.gov/efile/article/0,,id=118986,00.html>, December 24, 2006.

- **Community-based Partners** primarily provide assisted return preparation support and conduct outreach and education efforts free of charge. In addition, community-based partners provide limited access to forms and publications, tax law assistance, and account assistance. This group includes state and local government, non-profit, corporate, social services, financial, education, faith-based, and volunteer organizations. This category also incorporates federal partnerships that benefit taxpayers at a local level.

The Taxpayer Advocate Service (TAS), an independent organization within the IRS, helps taxpayers solve ongoing issues with the Service. TAS assists taxpayers whose issues have not been resolved through normal processes, and in instances where a taxpayer suffers or is about to endure significant hardship as a result of tax law enforcement. Low Income Taxpayer Clinics (LITCs)⁸¹ represent low income taxpayers involved in controversies with the IRS and provide education and outreach on the tax rights and responsibilities of individuals who speak English as a second language or who have limited English proficiency. The LITC Program is administered by TAS.

2.4.1 Preparing and Filing a Return

The IRS and its partners provide varying levels of pre-filing and filing assistance. Currently, there are four basic service options for preparing a return: self-preparation without preparation software, self-preparation with software, use of a commercial preparer or practitioner, and use of an unpaid preparer (such as the Volunteer Income Tax Assistance (VITA) program⁸²). Each of these options has distinct service implications for taxpayers, partners, and the IRS.

Inquiring about or filing a tax return is the entry point into the tax system, and all tax-related services flow from this act. Figure 2-4 summarizes the method taxpayers use to prepare their returns.

⁸¹ United States Department of Treasury, Internal Revenue Service, Publication 4134, Low Income Taxpayer Clinic (LITC) List (Rev. 3-2006), Cat NO. 35391Q.

⁸² The VITA program offers basic tax return preparation for taxpayers with special needs, including persons with disabilities, those with a low to limited income, Limited English Proficiency, and elderly taxpayers.

Figure 2-4. Tax Year 2005 Tax Preparation Method⁸³

| Tax Year 2005 | All Returns Filed | |
|------------------------------------|--------------------|-------------|
| | Count | % |
| Self-Prepared | 48,717,000 | 40% |
| – <i>By Hand</i> | 15,979,000 | 13% |
| – <i>Using Tax Software</i> | 32,738,000 | 27% |
| Paid Preparer | 71,303,000 | 58% |
| Other (Volunteers and TACs) | 2,157,000 | 2% |
| Total | 122,177,000 | 100% |

For the majority of filing services, the IRS is not the primary service provider. In TY 2005, approximately 85 percent⁸⁴ of tax returns were prepared by taxpayers who used paid preparers or software. Paid preparers and software providers typically combine several services together, including assistance in understanding tax obligations, answers to tax law questions, tax forms and publications, return preparation, and e-filing services. TAB research found that an estimated 55 percent of taxpayers who self-prepare returns contacted the IRS for help in the past two years, compared to 31 percent of taxpayers who use paid preparers.⁸⁵

Return preparation choices by age segment (shown in Figure 2-5) suggest that senior taxpayers use tax preparation software less often than other age groups. They use paid preparers and other unpaid preparers more frequently than all other age segments, as well.

Figure 2-5. Percentage Distribution of Tax Preparation Methods by Age⁸⁶

| Tax Preparation by Generational Cohorts | Millennials (Under 30) | Generation X (30 to 40) | Baby Boomers (41 to 60) | Seniors (61 and over) | Total Individual Returns |
|---|------------------------|-------------------------|-------------------------|-----------------------|--------------------------|
| Self-Prepared | 49% | 40% | 39% | 30% | 40% |
| – <i>By Hand</i> | 15% | 9% | 13% | 15% | 13% |
| – <i>Using Tax Software</i> | 34% | 31% | 25% | 15% | 27% |
| Paid Preparer | 50% | 59% | 60% | 67% | 58% |
| Others (Volunteers and TACs) | 2% | 1% | 1% | 4% | 2% |

As evidenced in Figure 2-6, higher income taxpayers are less likely to self-prepare their returns by hand, using preparers at a somewhat higher rate. Low income taxpayers prepare returns by hand and use other preparers (e.g., Volunteers and TACs) at somewhat higher rates than other income segments.

⁸³ Internal Revenue Service, Electronic Tax Administration Marketing Database, Part Year TY 2005 (returns filed through cycle 23, i.e. June 23, 2006).

⁸⁴ 58 percent plus 27 percent, respectively.

⁸⁵ Internal Revenue Service Oversight Board, *Taxpayer Customer Service and Channel Preference Survey*, April 2006, questions S4 and 17.

⁸⁶ Internal Revenue Service, Electronic Tax Administration Marketing Database, TY 2005 Returns filed through cycle 23 of 2006; returns with Year of Birth >= 1890.

Figure 2-6. Tax Year 2005 Tax Preparation Method by Income Segments⁸⁷

| Tax Preparation Methods | Less than \$35,000 | \$35,000 to under \$75,000 | \$75,000 to under \$100,000 | \$100,000 or over | Total Individual Returns |
|------------------------------------|--------------------|----------------------------|-----------------------------|-------------------|--------------------------|
| Self-Prepared | 40% | 40% | 41% | 36% | 40% |
| - <i>By Hand</i> | 15% | 12% | 10% | 7% | 13% |
| - <i>Using Tax Software</i> | 25% | 28% | 31% | 30% | 27% |
| Paid Preparer | 57% | 59% | 59% | 64% | 58% |
| Other (Volunteers and TACs) | 3% | 1% | 0% | 0% | 2% |

LEP, disabled, and elderly taxpayers are more likely to use a paid preparer and less likely to self-prepare their returns than the general taxpaying population as indicated in Figure 2-7.

Figure 2-7. Tax Preparation Method by Special Populations

| Tax Preparation Method | Percentage Distribution of Low Income Tax Returns ⁸⁸ | Percentage Distribution of LEP Tax Returns ⁸⁹ | Percentage Distribution of Disabled Tax Returns ⁹⁰ | Percentage Distribution of Elderly Tax Returns ⁹¹ | Total Individual Returns ⁹² |
|------------------------------------|---|--|---|--|--|
| Self-Prepared | 40% | 33% | 32% | 30% | 40% |
| - <i>By Hand</i> | 15% | 12% | 11% | 15% | 13% |
| - <i>Using Tax Software</i> | 26% | 20% | 20% | 15% | 27% |
| Paid Preparer | 57% | 67% | 68% | 67% | 58% |
| Other (Volunteers and TACs) | 3% | n/a | <1% | 4% | 2% |

The Conjoint II Study used taxpayer focus group interviews to identify factors or attributes that influence a taxpayer’s choice of tax return preparation method.⁹³ Responses were expressed as an index number indicating overall importance that ranged from 0-100. This “index of importance” illustrates the influence of each factor on taxpayer choice of return preparation and filing method. The relative importance of return preparation attributes in Figure 2-8 suggests that taxpayers are most concerned with paying the least amount of tax under the law. Wait time for a refund received the lowest score on the index of importance.

⁸⁷ Internal Revenue Service, Electronic Tax Administration Marketing Database, TY 2005 Returns filed through cycle 23 of 2006.

⁸⁸ Internal Revenue Service, Electronic Tax Administration Marketing Database, Part Year TY 2005 (returns filed through cycle 23, i.e., June 23, 2006). Low-income returns are defined as those reporting an adjusted gross income below \$36,000.”

⁸⁹ Internal Revenue Service, Wage and Investment Office of Research, *Opinion Survey of Taxpayer Resources and Services*, Completion date August 2006, questions 2, 19, and 20. Limited English Proficiency (LEP) is determined from the Benchmark Survey respondent indicating on question 20 that “A language other than English is the primary language spoken” in their household. This might overstate the size of the LEP population, since some of the people in the households surveyed are likely very proficient in English.

⁹⁰ Internal Revenue Service, Wage and Investment Office of Research, *Opinion Survey of Taxpayer Resources and Services*, Completion date August 2006, questions 2, 19, and 20. A Benchmark Survey respondent’s disability status was determined by question 19: “Do you have any of the following long-lasting conditions? (Check all that apply.) Blindness; Deafness; Severe vision impairment; Severe hearing impairment; A condition that substantially limits physical abilities (such as walking or reaching); A condition that limits learning or remembering; I do not have any of the above long-lasting conditions.”

⁹¹ Internal Revenue Service, Electronic Tax Administration Marketing Database, Part Year TY 2005 (returns filed through cycle 23, i.e., June 23, 2006); returns with Year Of Birth >= 1890. Elderly returns are defined as those filed by taxpayers age 60 or older.

⁹² Internal Revenue Service, Electronic Tax Administration Marketing Database, Part Year TY 2005 (returns filed through cycle 23, i.e., June 23, 2006).

⁹³ The Conjoint II Study used an innovative preference measurement technique that will be described in greater detail in Section 2.6, Taxpayer Channel Preferences.

Figure 2-8. Relative Importance of Tax Preparation Attributes⁹⁴

| Return Preparation Option Attributes | Index of Importance |
|--|---------------------|
| Paying the Least Amount of Taxes under the Law | 38 |
| Cost | 22 |
| Chance of Getting It Done Right | 22 |
| Return Preparation Time | 11 |
| Waiting Time for Refund | 6 |
| Total | 100 |

2.4.2 Taxpayer Service Contacts with the IRS

Taxpayers often need help with tax-related questions and issues beyond their choice of tax return preparation and filing method. The Blueprint analysis generally focuses on taxpayer contacts with the IRS, rather than contacts with external service providers. Because each taxpayer can make more than one contact with the IRS, it is important to distinguish between the number of taxpayers who make contact and the number of contacts they make. IRS information systems do not capture the number of taxpayers who make contact, so the TAB team used survey data to estimate taxpayers and internal operational databases to estimate contacts.

Figure 2-9 presents survey estimates of the number of taxpayers who contacted the IRS for information or assistance during a given time period. Among the surveys, between 40 and 43 percent of all taxpayers contacted the IRS directly for help over a one- to two-year period.

Figure 2-9. Percentage of Taxpayers Who Contacted the IRS

| Survey | Time Frame | Percentage of Taxpayers |
|---|-----------------|-------------------------|
| Benchmark Survey 2006⁹⁵ | Tax season 2005 | 27% |
| Market Segment Survey 2006⁹⁶ | Past 1 year | 43% |
| Oversight Board Survey 2006⁹⁷ | Past 2 years | 41% |
| Conjoint II Survey 2006⁹⁸ | Past 2 Years | 41% |

The lower estimate of IRS channel use reported by the Benchmark Survey is likely due to the short time interval covered by the survey questions. Respondents were asked about the services and resources they used “when completing your 2005 tax return.”⁹⁹ Consequently, this survey did not include any contacts taxpayers may make after filing their returns, such as refund, balance due, and notice inquiries.

⁹⁴ Pacific Consulting Group, *Taxpayer Assistance Blueprint (TAB) Conjoint II Study Topline Report*, September 2006, page 37.

⁹⁵ Internal Revenue Service, Wage and Investment Office of Research, *Opinion Survey of Taxpayer Resources and Services*, Completion date August 2006, question 2. The Benchmark Survey estimate included: Toll-free, IRS office, E-mail, Regular Mail, IRS Web site, Volunteers trained by the IRS and IRS kiosk.

⁹⁶ Pacific Consulting Group, *W&I Market Segment Survey 2006*, July 2006, questions 9, 14, 19, 28.1, 33c1, 64, 72, and 79. The Market Segment Survey estimate included: Toll-free, IRS office, E-mail, Regular Mail, IRS Web site, Kiosk, and Volunteers trained by the IRS.

⁹⁷ Internal Revenue Service Oversight Board, *Taxpayer Customer Service and Channel Preference Survey*, April 2006, question 17. The Oversight Board Survey estimate included: Toll-free, IRS office, E-mail, Regular Mail, and IRS Web site.

⁹⁸ Pacific Consulting Group, *Taxpayer Assistance Blueprint (TAB) Conjoint II Study*, October 2006, questions 9a, 33, 34 and 35. The Conjoint II Study estimate included: Toll-free, IRS office, IRS Web site, and Regular Mail.

⁹⁹ Internal Revenue Service, Wage and Investment Office of Research, *Opinion Survey of Taxpayer Resources and Services*, Completion date August 2006, question 2.

While not all inclusive,¹⁰⁰ the number of taxpayer-initiated contacts (not taxpayers) the IRS handles by channel is presented in Figure 2-10.

Figure 2-10. Fiscal Year 2005 Taxpayer Initiated Contacts¹⁰¹

| Contact Method | FY 2005 Contacts | Percentage |
|-------------------------|--------------------|-------------|
| Web | 143,463,531 | 59% |
| Toll-Free | 61,277,891 | 25% |
| Correspondence | 25,127,059 | 10% |
| TAC | 6,992,949 | 3% |
| Media & Pubs | 2,464,680 | 1% |
| SPEC | 2,111,344 | <1% |
| Total | 241,437,454 | 100% |

The IRS Web site handles by far the largest number of taxpayer-initiated contacts, followed by telephone calls and correspondence. Based on three of the four major TAB surveys, an estimated 41 percent of all taxpayers (roughly 55 million¹⁰²) reported that they contacted the IRS for help over a one- to two-year period. Between three and six percent (four to eight million) of all taxpayers reported that they visited a TAC over a one- to two-year period. The estimated 55 million taxpayers who said they contacted the IRS actually account for 241 million total recorded contacts. This calculation suggests that the IRS receives about 4.4 contacts on average from each taxpayer who seeks assistance. This may be due to repeat contacts resulting from a low First Contact Resolution (FCR) rate (the ability to resolve a taxpayer's issue or question the first time they contact the IRS for assistance). Alternatively, taxpayers may be contacting the IRS with different questions or issues each time they reach out.

2.4.3 Key Taxpayer Service Environment Findings

Key findings about the current taxpayer service environment include the following:¹⁰³

- Age, income, and education can represent key segmentation factors, and may be correlated in some ways when examining implications on taxpayer behavior.
- Life events (such as marriage or divorce, the birth of a child, the purchase of a home, a major medical event, retirement, or the death of a spouse) may result in changing service needs.

¹⁰⁰ An example of a taxpayer contact not included is a taxpayer obtaining a form in a TACs without receiving in-person assistance.

¹⁰¹ Internal Revenue Service, Service Contacts spreadsheet developed by the TAB Team. Web contacts represent the number of visits taxpayers made to IRS.gov pages deemed related to individual services that are similarly offered in the telephone, face-to-face, and correspondence channels. This number does not represent the total FY 2005 IRS.gov visits nor should it be deemed "all inclusive". Toll-Free contacts are comprised of the assistor calls answered of 33,380,782, automated calls answered of 25,717,988, and forms calls answered by the vendor of 2,179,121. To address the total volume of the channel, the entire correspondence/adjustments inventory of 25,127,059 is shown. The correspondence and adjustments contacts include both taxpayer and IRS initiated mail and paper documents. TAC contacts comprise of: Incoming telephone calls – 347,390, Forms contacts – 1,556,794, e-file return preparation – 192,936, Non-electronic return preparation – 187,449, Tax law – 1,165,091, Account work notices – 2,531,552, Other Field Assistance contacts – 995,429, and Correspondence answered – 16,308. Media & Publication contacts consist of web orders filled of 707,171 and National Distribution Center (NDC) orders filled of 1,757,509. Stakeholder Partnership, Education and Communication (SPEC) organization contacts of 2,111,344 represent the number of tax returns prepared. The numbers that are shown for all channels primarily focus on contacts initiated by taxpayers.

¹⁰² 55 million was estimated as a representative range by taking three of the four contact percentages (excluding Benchmark Survey) in Figure 2-9 (41%) and multiplying it by 133,000,000 tax returns.

¹⁰³ This summary listing of research findings are based on data presented in Section 2.3, Taxpayer Segmentation; Section 2.4.1, Preparing and Filing a Return; and Section 2.4.2, Taxpayer Service Contacts with the IRS.

- Taxpayers receive assisted and/or self-assisted services through telephone, face-to-face, electronic, or written correspondence channels.
- Service options external to the IRS include commercial preparers, practitioners, software vendors, and community-based partners.
- The majority of taxpayers use paid preparers or software rather than self-preparing tax returns by hand.
- LEP, disabled, and elderly taxpayers have somewhat different tax return preparation behaviors than the general population.
- Low income taxpayers prepare returns by hand and use other preparers (e.g., volunteers and TACs) at modest, but somewhat higher rates than other income segments.
- Choice of return preparation method is most influenced by taxpayer perception of the method that will lead to the least amount of tax under the law.
- Based on three of the four major TAB surveys, an estimated 41 percent of all taxpayers (roughly 55 million) reported that they contacted the IRS for help over a one- to two-year period.
- IRS data suggest that the IRS receives about 4.4 contacts on average from each taxpayer who seeks assistance.

2.5 Taxpayer Needs

Examining taxpayer service needs necessitates an understanding that different individuals require and prefer different services at different times. The TAB team analyzed *services sought and used* to comply with federal tax obligations when examining needs. The team analyzed the *channels through which a taxpayer receives or would like to receive services* when examining preferences. The IRS and its partners provide a mix of channels to deliver taxpayer services.

As an agency legislatively tasked to administer tax law, the IRS views service needs within the context of maximizing taxpayer compliance with tax laws. From a business perspective, the IRS makes resource investment decisions based on the value of an initiative weighed against its cost. Thus, actual taxpayer demand for specific services is a useful baseline for future investment decisions. From a taxpayer or partner perspective, the inability to perform and complete a service task is another important component of service need. Therefore, the team identified three different approaches for meeting taxpayer needs:

- Facilitating compliance with federal tax obligations;
- Satisfying demand for services; and
- Removing barriers to service use.

2.5.1 Facilitating Compliance with Federal Tax Obligations

The first approach to understanding taxpayer needs examined compliance behavior as one indicator of whether or not taxpayers are getting the services and information they need to comply with federal tax laws. For example, inadequate service could cause a taxpayer with a filing requirement who has the intent and capability to comply to submit a late, inaccurate, or balance-due return without full payment—or to not file at all. By contrast, successful service can lead a taxpayer to file an accurate, fully-paid return on time.

Although they are not conclusive, estimates of noncompliance can serve as indicators of where IRS service delivery may be falling short in providing taxpayers with the information, services, and systems they need to fully comply with tax laws. The degree to which these estimates actually reflect areas of unmet taxpayer need depend on the motivation underlying the noncompliant behavior, and on several other potential determinants of taxpayer behavior (many of which are beyond IRS control). While some taxpayers may willfully disregard tax rules and systems to evade taxes, other taxpayer noncompliance is unintentional. In testimony before Congress, IRS Commissioner Everson stated that "...a significant amount of noncompliance [is] due to the complexity of the tax laws that results in errors of ignorance, confusion, and carelessness."¹⁰⁴ This distinction is important, although at this point the IRS does not have sufficiently good data to determine how much arises from willfulness as opposed to innocent mistakes.

Taxpayers have three basic tax obligations: (1) to file timely returns; (2) to report the correct tax liability on those returns; and (3) to pay the correct amount of tax on time. Correspondingly, the IRS defines three forms of noncompliance: not filing required returns on time (**non-filing**); not reporting one's full tax liability when the return is filed on time (**underreporting**); and not paying by the due date the full amount of tax reported on a timely return (**underpayment**).

The tax gap is the difference between taxpayers' true tax liability under the tax law and the amount they pay on time. In February 2007, the IRS released updated compliance estimates, showing that the gross tax gap was \$345 billion in Tax Year 2001 or a compliance rate of about 83.7 percent. This estimate, however, does not take into account taxes that were paid voluntarily but paid late or recoveries from IRS enforcement activities. Taking these activities into account, the "net tax gap" was an estimated \$290 billion in Tax Year 2001, which represents a net compliance rate of 86.3 percent. The individual income tax underreporting gap estimates were based on the results of a National Research Program (NRP) study of the reporting compliance behavior of individual taxpayers. The individual income tax non-filing gap estimates were based on Census tabulations and IRS data. The individual income tax underpayment gap was developed from returns processing databases. Tax gap estimates for other types of taxes were derived from older compliance studies or administrative data.

Figure 2-11 summarizes the gross tax gap by type of tax and by type of noncompliance.

¹⁰⁴ Written Testimony of Commissioner of Internal Revenue Mark Everson before the Senate Budget Committee on the Tax Gap and How to Solve It, February 15, 2006, page 3.

Figure 2-11. Tax Year 2001 Gross Tax Gap by Type of Tax and Type of Noncompliance¹⁰⁵
Amounts in Billions of Dollars

| Type of Tax | Type of Noncompliance | | | TOTAL | |
|-----------------------------|-----------------------|--------------------|------------------|------------|----------------------|
| | Non-filing | Gap Underreporting | Gap Underpayment | Amount | Percent Distribution |
| Individual Income Tax | 25 | 197 | 23 | 245 | 71.1% |
| Corporation Income Tax | n/a | 30 | 2 | 32 | 9.3% |
| Employment Tax | n/a | 54 | 5 | 59 | 17.0% |
| Estate & Gift Tax | 2 | 4 | 2 | 8 | 2.4% |
| Excise Tax | n/a | n/a | 1 | 1 | 0.1% |
| TOTAL | 27 | 285 | 33 | 345 | |
| Percent Distribution | 7.8% | 82.5% | 9.7% | | 100% |

This breakout of the tax gap provides some detail into specific areas of noncompliance, which may help to inform decisions around taxpayer service delivery.

Individual income taxes account for 71.1 percent of the total tax gap. The largest part of the individual tax gap (\$197 billion) is due to underreporting, which can be further broken down into useful segments using the Net Misreporting Percentage (NMP) in Figure 2-12 below. The NMP for a given tax return line item is defined as the Net Misreported Amount (NMA) in the taxpayer's favor, expressed as a percentage of what should have been reported.

Figure 2-12. Tax Year 2001 Individual Income Tax Underreporting Gap and Net Misreporting Percentage (NMP) Associated with Income Items¹⁰⁶

| Type of Income or Offset | Underreporting Gap (\$B) | Net Misreporting Percentage |
|---|--------------------------|-----------------------------|
| Total Underreporting Gap | \$197 | 18.0% |
| Items Subject to Substantial Information Reporting and Withholding (wages, salaries, tips) | \$11 | 1.2% |
| Items Subject to Substantial Information Reporting | \$9 | 4.5% |
| Items Subject to Some Information Reporting | \$51 | 8.6% |
| Items Subject to Little or No Information Reporting | \$110 | 53.9% |

The table indicates that individuals with income that are not subject to substantial information reporting and withholding account for roughly 54 percent of the underreporting gap for individuals. In addition to the data reflected in the table, a relatively small amount of the individual income tax underpayment gap arises from the noncompliance of employers who do not deposit withheld income tax on time or at all.

¹⁰⁵ Estimates calculated by the National Office of Research using data developed by the National Research Program, April 17, 2006. *Since the underpayment gap figures are generally actual amounts rather than estimates, they are presented here to the closest \$0.1 billion.

¹⁰⁶ Internal Revenue Service, *Individual Income Tax Underreporting Gap*, February 14, 2006, page 2. http://www.irs.gov/pub/irs-utl/tax_gap_update_070212.pdf. February 8, 2007.

The TAB team examined math error notices as one way of examining reporting accuracy. The percent of tax returns with computer-identified math errors is significantly higher on manually prepared, paper filed returns (an 11.4% error rate) than it is for either computer prepared, paper filed (2.2%) or e-filed returns (0.1%).¹⁰⁷ Tax software provides for internal checks for consistent responses and missing information. Additionally, electronic filing helps to ensure that a tax return meets some basic IRS quality control and accuracy checks. Finally, electronically-filed returns also have the lowest late filing and underpayment rates of all returns filed.¹⁰⁸

The Multi-year Research Portfolio, part of the TAB Strategic Plan detailed in Section 8.4.1, includes efforts to develop accurate taxpayer segment level measures of compliance, and to continue development of the IRS’s understanding of compliance behavior on the whole.

2.5.2 Satisfying Demand for Services

The second approach to understanding taxpayer needs examines the types of services taxpayers request when contacting the IRS for assistance. Under this approach, need is demonstrated by the types of questions, issues, and problems for which taxpayers seek help. Such contact can be self-initiated in response to a perceived need, or in response to an IRS communication such as a letter or notice.

The 2006 Market Segment Survey was unique in that it not only collected information from taxpayers regarding what channels they used to contact the IRS to perform eight common tasks, it also collected how often each channel was used for the tasks. This information was combined to determine taxpayer's demand for services for eight commonly performed tasks (refer to Figure 2-13).¹⁰⁹

Figure 2-13. Taxpayer Contacts by Service and Channel¹¹⁰

| Service/Channel | Get a Form or Pub | Return Prep Guidance | Tax Law Questions | Payment Info | Obtain Prior Year Tax Return | Refund Info | Obtain Tax ID Number | Notices | All Listed Services |
|---------------------|-------------------|----------------------|-------------------|--------------|------------------------------|-------------|----------------------|------------|---------------------|
| TAC | 11% | 6% | 8% | 3% | 6% | <1% | 3% | 6% | 5% |
| Telephone | 12% | 53% | 42% | 75% | 82% | 40% | 42% | 55% | 44% |
| Electronic | 75% | 37% | 50% | 10% | 3% | 54% | 47% | 0% | 40% |
| E-mail | <1% | 3% | 0% | 0% | 1% | 4% | <1% | 0% | 2% |
| Regular Mail | <1% | <1% | 0% | 12% | 7% | 2% | 7% | 39% | 9% |
| All Channels | 19% | 6% | 6% | 8% | 7% | 32% | 7% | 16% | 100% |

¹⁰⁷ Based on TY2004 data from the Individual Returns Transaction Files (IRTF) for entities, Form 1040 fields, and tax modules stored on the Compliance Data Warehouse (CDW) in 2006. Poor accuracy in filling out a tax return comprises the largest piece of the problem, but cannot be determined due to the lack of a sizable number of random audits for each segment.

¹⁰⁸ Tax Year 2004 data from the Individual Returns Transaction Files (IRTF) for entities, Form 1040 fields, and tax modules stored on the Compliance Data Warehouse (CDW) in 2006.

¹⁰⁹ This represents the percent of taxpayers contacting the IRS (55 million).

¹¹⁰ Pacific Consulting Group, *W&I Market Segment Survey National Report*, December 2006, page 16. Percentages in this figure were calculated by adding the number of times respondents reported performing each task by particular channel (cell totals) and then dividing by the total number of contacts made for the specific task (column total). In cases where the reported number of contacts were extreme (outliers) averages were calculated and used instead of the outlier (imputed). The percentage shown in last row reflects the column total divided by the grand total of contacts over all eight tasks.

Eight services were selected to represent both transactional and interactive activities. For the purposes of the Blueprint, a transactional service activity is defined as requiring minimal in-person assistance (i.e., obtaining a form). Interactive activities are characterized by the likelihood of requiring some degree of in-person interpretation or judgment to successfully complete the task (i.e., responding to a notice or obtaining account assistance). Most service categories can reflect both elements based on the circumstances and complexity of the issue.

Telephone lines and the IRS Web site account for roughly 85 percent of all channel contacts for the services surveyed. Taxpayers seeking information on their tax refund account for the highest percentage of service contacts across all channels.¹¹¹ The next largest percentage of post-filing contacts, response to notices, is a direct result of IRS communication. Post-filing contacts (refunds, notices, and payments) where the IRS is the sole source for the information account for approximately 60 percent of all service tasks. The demand for forms, publications, and instructions is the dominant pre-filing service request, despite the fact that the IRS is not the sole source for this information. Based on the service tasks surveyed, approximately 40 percent of IRS contacts are made for pre-filing and filing assistance.¹¹² Relatively few taxpayers contact the IRS for pre-filing services, with the exception of requesting forms and publications.

Differing channel use and service volume contact levels as reported by taxpayer segments suggest that service needs vary across segments. Some special populations report that they contact the IRS for help at less frequent rates than the all-taxpayer average, according to response patterns from the Oversight Board Survey.¹¹³ Approximately 26 percent of seniors age 65 or older contacted IRS for help over the last two years, compared to approximately 41 percent of all individual taxpayers.¹¹⁴

2.5.3 Removing Barriers to Service Use

The third approach to understanding taxpayer needs examines the challenges some taxpayers face when seeking IRS services due to limited access to, experience with, or ability to use available service channels. Some service tasks may not be currently available within the taxpayers' preferred service delivery channels. In addition, if the services used do not address taxpayers' questions, resolve their issues, or mitigate their problems, then the intended service outcomes are not achieved. Even if there were no impact on compliance, each of these scenarios could constitute an unmet taxpayer need, and could result in additional burden in meeting tax obligations.

Each IRS service option should be designed to help taxpayers meet their tax obligations without unreasonable burden. Burden limits taxpayers' ability to use a particular service, and consequently may impact voluntary compliance. For example, if a taxpayer cannot complete a return without assistance and cannot afford to pay for help, the burden is too high. Potential barriers that taxpayers face as they attempt to access IRS services and channels may include the following:

¹¹¹ Pacific Consulting Group, *W&I Market Segment Survey National Report*, December 2006, page 16.

¹¹² Refer to Figure 2-13: Taxpayer Contacts by Service and Channel. Pre-filing and filing services are represented by columns 2, 3, 4 and 8. By summing all the channel contact volume totals for columns 2, 3, 4, and 8 (19% + 6% + 6% + 7%), total is approximately 40 percent (38 percent).

¹¹³ Internal Revenue Service Oversight Board, *Taxpayer Customer Service and Channel Preference Survey*, April 2006, question 17. Question 17 answers were cross-tabbed with several questions on demographic characteristics. Small sample sizes for special populations do not provide high statistical confidence for results from these segments.

¹¹⁴ *Ibid.* question D2.

Limited Reading and Writing Skills: Just over 17 percent of taxpayers surveyed stated they wished that they had better reading and writing skills in English.¹¹⁵ This implies that even if some taxpayers are able to get the information they are looking for, they may have difficulty comprehending those materials. Additionally, more than half of the taxpayers who responded to the Oversight survey indicated that they have difficulty understanding tax forms and tax requirements.¹¹⁶ Compared to self preparers, more taxpayers who hire tax professionals reported that they strongly to somewhat strongly agreed that they have difficulty understanding tax forms.¹¹⁷ This suggests that some taxpayers may lack the skills and abilities to understand IRS service information.

Existence of Special Needs – Language, Disabilities, Age, and Income: As a governmental organization, the IRS is committed to providing a level of service to all taxpayers. Not all taxpayers have access to alternative sources of tax information and services. Typically, taxpayers with special needs have less access or are less able to use self-service options, such as the Internet and automated telephone services. Research has shown the following information about taxpayers surveyed:

- Approximately 11 percent report having some type of disability.¹¹⁸
- Around six percent report that they primarily speak a language other than English at home.¹¹⁹
- Nearly 56 percent report making less than \$35,000, annually.¹²⁰
- 18 percent report that they are at least 60 years old.¹²¹
- Five percent report having less than a high school education.¹²²

¹¹⁵ Internal Revenue Service Oversight Board, *Taxpayer Customer Service and Channel Preference Survey*, April 2006, question 11.

¹¹⁶ *Ibid.*, question 12.

¹¹⁷ *Ibid.*, questions 12 & S4.

¹¹⁸ Internal Revenue Service, Wage and Investment Office of Research, *Opinion Survey of Taxpayer Resources and Services*, Completion date August 2006, question 19. Disability status was determined by respondents reporting one or more of the following long lasting conditions: blindness, deafness, vision or hearing impairments, limitations of mobility, or cognitive impairments.

¹¹⁹ Internal Revenue Service, Wage and Investment Office of Research, *Opinion Survey of Taxpayer Resources and Services*, Completion date August 2006, question 20.

¹²⁰ Internal Revenue Service, Electronic Tax Administration Marketing Database, Part Year TY 2005 (returns filed through cycle 23, i.e., June 23, 2006).

¹²¹ Refer to Figure 2-1: Demographic Comparison of Census and 1040 Tax Returns.

¹²² Internal Revenue Service, Wage and Investment Office of Research, *Opinion Survey of Taxpayer Resources and Services*, Completion date August 2006, question 21.

Specific Barriers to Web site Use: While telephone and Web site contacts represent the primary IRS service channels, according to the Oversight Board Survey, issues of access and use of the Web site are more prevalent than those for the telephone system. The TAB team identified the following barriers to taxpayer use of Internet-based self-help services based on the survey responses:

- **Lack of Personal Computers and Internet Access:** Nearly 25 percent of taxpayers do not have Internet access at home¹²³, whereas four percent do not have access to telephones.¹²⁴
- **Internet Security and Identity Theft Concerns:** Approximately 75 percent stated they were not secure sharing personal information via the Internet.¹²⁵ Privacy concerns and security issues are driving this unwillingness to share personal information via the Internet.¹²⁶ Any instance in which data is lost or identities are stolen has the potential to negatively impact the types of transactions taxpayers are willing to conduct using the Internet.
- **Ability and Willingness to Consider Internet Use:** 45 percent of those who called the IRS and 55 percent of those who visited TACs stated they would not consider using the IRS Web site. This represents about 15.5 million taxpayers—almost 12 percent of individual returns filed. Roughly half of these taxpayers reported a reason that suggests that they could not use the Web site due to lack of computer equipment, Internet access, or computer savvy. The other half cited reasons such as "better able to resolve situation another way", "convenience of personal contact", or "want to be sure my concerns were heard in person."¹²⁷
- **Income and Age:** Fewer low income taxpayers and older taxpayers have used the IRS Web site within the last two years than their counterparts.¹²⁸ The same is true for taxpayers who have not completed high school.

¹²³ *Ibid.*, question 7.

¹²⁴ 95.5% of US households have phone service. United States Department of Commerce, U.S. Census Bureau, *Statistical Abstract of the United States: 2006*, Table 1117: Utilization of Selected Media, 1980-2003, page 737.

¹²⁵ Internal Revenue Service Oversight Board, *Taxpayer Customer Service and Channel Preference Survey*, April 2006, question 11.

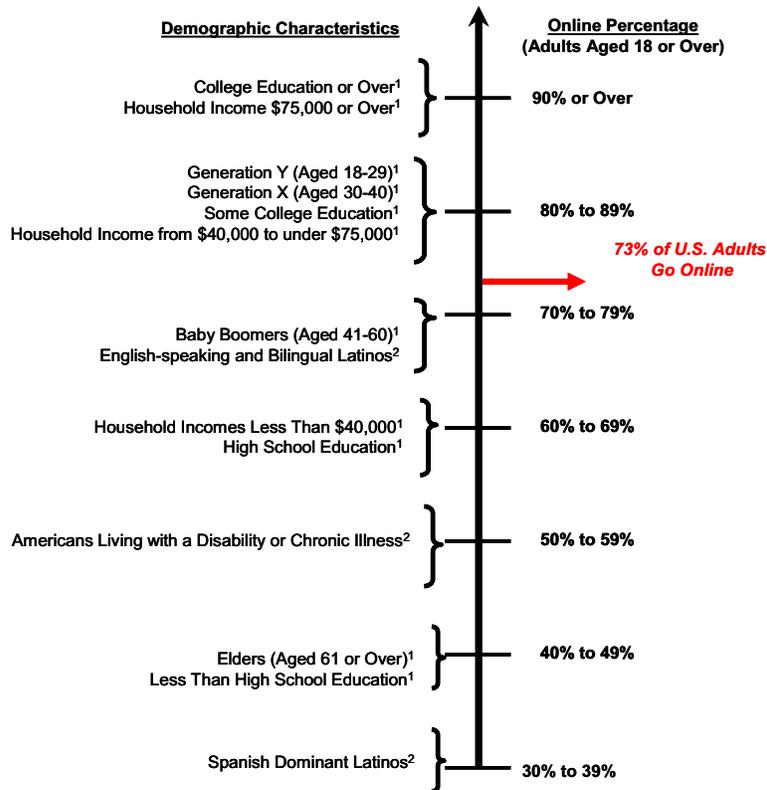
¹²⁶ *Ibid.*, question 11a.

¹²⁷ *Ibid.*, questions 17a, 17b, 19a, 19b, and 20.

¹²⁸ *Ibid.*, questions 17, D2, and D5.



Figure 2-14. Online Characteristics of U.S. Residents, age 18 or over¹²⁹



As indicated in Figure 2-14, in 2006, the Pew Internet & American Life Project found that 73 percent of the U.S. adult population, aged 18 and older, went online.¹³⁰ Therefore, access to the IRS Web site, while extensive, does not reflect a preference or capability for all U.S. adults. Forrester Research found that in 2005, 71 percent of North American households accessed the Internet at least once a month and predicted that by 2011, this percentage will rise to nearly 80 percent.¹³¹

Based on various studies, those who will not likely use the Internet in the future may exhibit one or more of the following characteristics:

- Age of over 50 years;
- Income below \$25,000 (especially below \$15,000); or
- Education of high school or below.¹³²

Based on the studies, those most likely to use the Internet in the future may exhibit one or more of the following characteristics:

- Age between 18 and 50 years;

¹²⁹ For those characteristics denoted with a one (1), the following citation applies: Pew Internet & American Life Project, August 2006 Survey, questions EDUC, INC & AGE. For those characteristics denoted with a two (2), the following citation applies: Pew Internet & American Life Project, August 2006 Survey. http://www.pewinternet.org/ppt/Fox_FTC_Nov_6_%202006.pdf.

¹³⁰ Pew Internet & American Life Project, Fox, Susannah, *Internet Usage Trends – Through the Demographic Lens*, November 6, 2006, page 1.

¹³¹ Forrester Research, Inc., Schadler, T. & Golvin, C. S., *The State of Consumers and Technology: Benchmark Survey 2006*, July 27, 2006, page 2.

¹³² Internal Revenue Service, Wage and Investment Office of Research, *Individuals Online in 2007 and What This Means for W&I - Special Report for the Director of Strategy and Finance*, May 2002, page 37.

- Income above \$35,000; or
- Education of at least some college or above.¹³³

2.5.4 Key Taxpayer Needs Findings

The TAB team identified three different approaches to meeting taxpayer needs: mitigating noncompliant behavior, satisfying demand for services, and removing barriers to service use.

Key findings associated with taxpayer needs include the following:¹³⁴

- The overall voluntary compliance rate for TY 2001 was estimated by the NRP at 83.7 percent. This estimate, however, does not take into account taxes that were paid voluntarily but paid late or recoveries from IRS enforcement activities. Taking these activities into account the net compliance rate is 86.3 percent.
- Noncompliance may result from tax law complexity, confusion, and inadvertent errors.
- Electronically-filed returns have the lowest math error rates of all returns filed.
- Underreporting dollars tend to be higher among taxpayers with income that is not subject to withholding or information reporting by third parties.
- The telephone and the IRS Web site channels account for almost 85 percent of all taxpayer contacts with the IRS for common service tasks surveyed. Of these common tasks, requests for post-filing services exceed requests for pre-filing or filing services.
- Examples of the barriers taxpayers face in attempting to access IRS services include limited reading and writing skills, tax law complexity, and challenges faced by groups with special needs.

In order to improve the delivery of these service options, the TAB team examined the channels through which taxpayers prefer to receive services.

2.6 Taxpayer Channel Preferences

For the purposes of the Blueprint, taxpayer preferences reflect the service channels that taxpayers use or would choose to use to obtain the assistance and information they need to comply with their federal tax obligations. The TAB team examined three measures of taxpayer channel preference:

- Unqualified Preference;
- Qualified Preference; and
- Use Preference.

Research demonstrates that the channels that taxpayers claim to prefer are not always consistent with the channels they actually use. For example, estimates developed from the Oversight Board Survey suggest that taxpayers actually use their stated first choice in channel preference about 46 percent of the time¹³⁵.

¹³³ *Ibid.*, page 35.

¹³⁴ This summary listing of research findings are based on previously mentioned data reviewed within Section 2.5 (Taxpayer Needs) of this report.

¹³⁵ Internal Revenue Service Oversight Board, *Taxpayer Customer Service and Channel Preference Survey*, April 2006. First choice estimates were calculated by matching answers from the same respondents on Q17 ("Did you contact the IRS in any of the following ways in the last 2 years for any reason?") and Q14 ("What would be your first and second most preferred ways of contacting the IRS [for 13 specific service tasks]?"). Note that Q17 refers to past use and Q14 refers to future preference and preference may have changed over these two points of time. Respondents who used two channels for the same task - one of

2.6.1 Unqualified Preference

Unqualified preference refers to those service *channels taxpayers say they would use* to accomplish a given task without supplemental guidance while responding. This is unqualified preference in the sense that the survey or the interviewer does not provide the respondent with any information on operational aspects or performance attributes for each channel. This measure of preference is developed from responses to survey questions such as “What is your first and second choice in channel preference for each of the following service tasks?”; “What channel would you choose to use if you could pick only one?”, or “What channels would you be willing to use to accomplish these tasks?”

As an example, one Oversight Board Survey Question¹³⁶ asked respondents if they agreed with this statement: “I like getting help in person with my tax questions.” In-person assistance from the IRS was described as the face-to-face assistance available in a TAC, at a volunteer site, or on the phone with a live assistor. Seventy-one percent of respondents reported that they agreed somewhat or agreed strongly with this statement, though this preference for in-person assistance varies by task. Other questions in the Oversight Board Survey asked taxpayers how likely they were to contact the IRS for help with common tax situations, as illustrated by task in Figure 2-15.

Figure 2-15. Percentage Distribution of Primary Channel Preference by Service Task, Taxpayers Who Reported a Likelihood of Contacting the IRS for Specific Tasks¹³⁷

| First Choice Channel to Perform Task | Making Payment to the IRS | Tax Forms and Publications | Getting a Prior Year's Tax Return | Tax-law Question | Preparing a Tax Return | Notice or Letter | Eligibility or Filing for EITC | Tax Payment Dispute or Error | Applying for ITIN |
|--------------------------------------|---------------------------|----------------------------|-----------------------------------|------------------|------------------------|------------------|--------------------------------|------------------------------|-------------------|
| Telephone | 41% | 27% | 44% | 51% | 47% | 64% | 50% | 62% | 44% |
| TAC | 14% | 13% | 15% | 15% | 24% | 17% | 15% | 23% | 14% |
| E-mail | 9% | 8% | 10% | 9% | 6% | 6% | 7% | 5% | 11% |
| Web site | 16% | 31% | 22% | 21% | 17% | 7% | 22% | 6% | 23% |
| Mail | 16% | 9% | 7% | 2% | 2% | 4% | 3% | 3% | 6% |
| VITA | 4% | 12% | 2% | 2% | 5% | 2% | 4% | 1% | 2% |
| Total | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% |

As Figure 2-15 illustrates, the telephone channel was the top unqualified preference for all services except receiving tax forms, where the IRS Web site was the most preferred for the services surveyed. Additionally, while the web site is usually preferred over TACs for most transactional service tasks, taxpayers have a stronger preference for face-to-face service at TACs for more interactive tasks, such as help with tax return preparation and responding to a notice or letter from the IRS.

which was their first choice - are counted twice in the analysis with a calculated “first choice” use percentage of 50%. A closely related estimate can be constructed from the Benchmark Survey – but it too faces the same “past use/future preference” time frame concern as the Oversight Board Survey. Benchmark “first choice” estimates varied by channel and ranged from 22%-58%. An additional concern is that Benchmark did not allow respondents to select a first choice that differed by service task - a very important driver of channel preference.

¹³⁶ Internal Revenue Service Oversight Board, *Taxpayer Customer Service and Channel Preference Survey*, April 2006, question 12.

¹³⁷ *Ibid.*, questions 13 and 14.

2.6.2 Qualified Preference

Qualified preference is the *channel a taxpayer selects* for service when advised of differences in operational and performance attributes among all channels. To more realistically capture some of the factors that influence taxpayer channel decisions, the team conducted a "conjoint" or "trade-off" analysis. In a conjoint survey, respondents choose their most preferred option when presented with different levels of performance for each option. In order to correct for varying types of service, taxpayers were given a certain service task and asked to specify the channel they would choose for the task. To place their selection into context, the channel options were defined using the performance characteristics of wait time, service time, hours of availability, and the probability of first contact resolution.¹³⁸ Using these performance attributes, choices were made with better information regarding the potential burden and benefit of different channels. This method attempts to simulate the context of real decision-making, where individuals weigh service options by comparing differences in channel availability and performance attributes as described by the interviewer. The subsequent responses may better reflect how individuals compare options and choose to make decisions in real life.

Choices made among successive sets of options, each with changed performance attributes, can reveal the point at which taxpayers change their channel preference. Change of choice occurs when the performance characteristics that taxpayers value either deteriorate too much in the channel they first preferred, or increase enough in another channel, to prompt a switch to that option. Breaking down service tasks into realistic performance attributes permits detailed comparison between separate elements of the overall service experience.

For example, a taxpayer was told that the performance attributes for telephone assisted service for getting "tax return preparation guidance" were: access or wait time of five minutes; service time of five minutes; regular plus evening hours of availability; and 85 percent first contact resolution.¹³⁹ If that taxpayer indicated a preference for seeking a specific service over the telephone when the wait time was five minutes, the survey then asked if that taxpayer would still use the telephone for the same service if the wait time deteriorated to 15 minutes (with no other attribute changes). If the taxpayer was willing to use telephones with a five-minute wait, but did not prefer telephones with a 15-minute wait, then it could be determined that the "wait time" attribute was important to that person for that service task.

Choices among changing performance attributes paint a picture of which factors influence preference for different types of people, different service tasks, and different service channels. Analysis of test results establishes how much performance characteristics contribute to taxpayer channel choice. The relative importance of each performance characteristic was represented as an index called a "choice share"¹⁴⁰ that ranged from 0-100 possible points across channels for each service task. Choice shares were estimated for all taxpayers and for specific segments of the taxpayer population as well. Figure 2-16 illustrates the distribution of choice shares for all taxpayers with current or base case¹⁴¹ performance levels where a service currently exists within a delivery channel. Figure 2-16 also includes a prospective delivery

¹³⁸ For Conjoint II, decisions about which performance attributes to use in the survey, what ranges of time, hours, and the probability of resolution matched taxpayer understanding, were determined by six taxpayer focus group sessions conducted across the country. This exploratory research also helped refine the language used to convey service options to taxpayers.

¹³⁹ Pacific Consulting Group, Taxpayer Assistance Blueprint (TAB) Conjoint II Study Topline Report, September 2006, pages 22-23. Base case values reflect attribute levels closest to taxpayer's understanding of the actual service experience.

¹⁴⁰ "Choice share" is that portion of 100 possible preference points for a single service scenario. Base case values for service attributes approximate current service channels experience. Choice share under the base case shows degree of preference for service channels under current operating conditions. When attribute values are changes from the base case, the distribution of preference (choice shares) among service channels also changes.

¹⁴¹ The term "base case" is used to approximate performance levels under current operating conditions.

capability, a Web interactive service where text messages can be exchanged between the taxpayer and an IRS assistor.

Figure 2-16. Qualified Preference – Base Case Choice Share Distribution¹⁴²

| IRS Service | Channels | | | | | | | Total |
|--------------------------------------|----------------|--------------|----------------------|--------------------|----------------|-----------------|------|-------|
| | TAC Self-Serve | TAC Assisted | Telephone Self-Serve | Telephone Assisted | Web Self-Serve | Web Interactive | Mail | |
| Getting a Form or Publication | 6% | 11% | 13% | 21% | 41% | 7% | 1% | 100% |
| Getting Return Prep Guidance | n/a | 17% | 12% | 31% | 31% | 9% | 0% | 100% |
| Getting Answers to Tax Law Questions | n/a | 20% | 8% | 39% | 24% | 9% | 0% | 100% |
| Getting Info Re Payments | n/a | 16% | 13% | 41% | 20% | 9% | 1% | 100% |
| Getting Prior Year Return Info | n/a | 15% | 11% | 39% | 21% | 11% | 3% | 100% |
| Getting Refund Info | n/a | 15% | 23% | 39% | 12% | 9% | 1% | 100% |
| Applying for a Tax ID Number | n/a | 15% | n/a | 43% | 20% | 21% | 2% | 101% |
| Getting Info Re Notice Received | n/a | 21% | n/a | 55% | n/a | 22% | 2% | 100% |

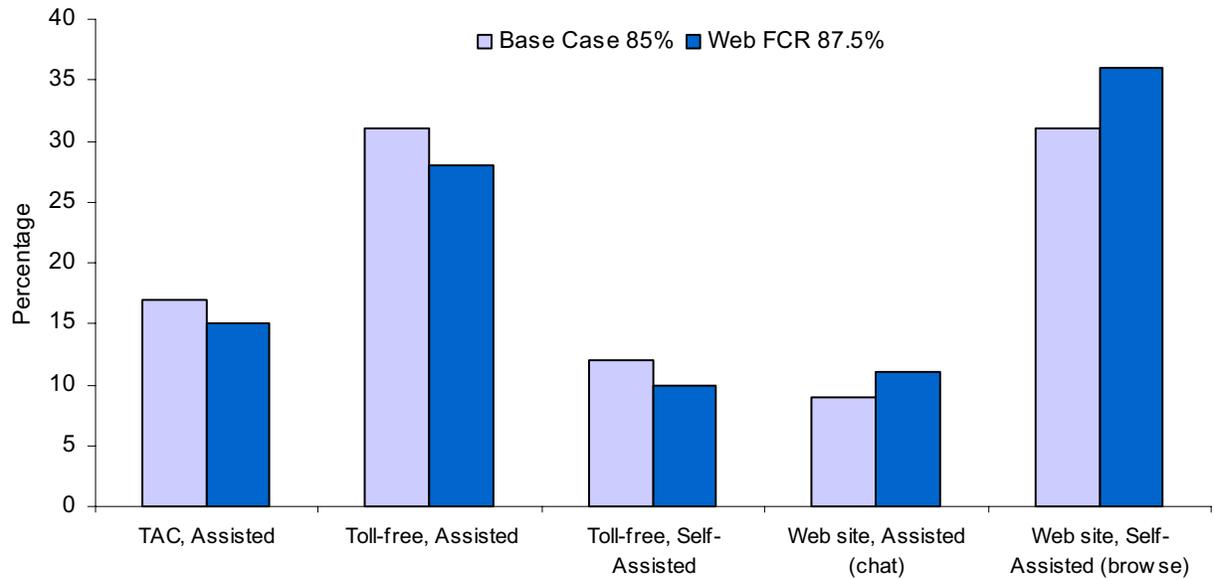
When presented with detailed information on the performance attributes of each channel on each task, respondents report a somewhat different set of preferences from their stated unqualified preference. The qualified preference for the telephone channel remains strong for all services except forms and publications, particularly for interactive services such as responding to an IRS notice or letter and getting tax return preparation guidance. Qualified preference for the Web site exceeds that for TACs for all but two service tasks. However, when presented with the idea of an interactive Web capability (i.e., Web chat) that might be developed for IRS.gov in the future, taxpayer preference for using the Web grows relative to telephone on each task, and surpasses TACs on every service task.

Note on Using Conjoint Analysis to Predict Behavior: A major strength of conjoint analysis is its ability to estimate how choice shares will change if the IRS improves an aspect of performance. For example, assume the IRS improves the First Contact Resolution (FCR) rates for the Web channel from 85 percent in the base case to 87.5 percent for a service task such as "tax return preparation guidance".¹⁴³ As indicated in Figure 2-17, this FCR improvement would increase the choice share for Web self-assist from 31 percent to 36 percent and reduce choice shares for assisted service in TACs from 17 percent to 15 percent and in toll-free from 31 percent to 28 percent. This shift in channel preference is likely to induce behavior that will migrate taxpayers from assisted services to self-assisted services on the Web.

¹⁴² Pacific Consulting Group, "Choice Shares By Special Segment," September 2006, sheets 1-8. TAB Conjoint II Study Topline Report, September 2006, page 14. Conjoint II Study Interim Final Report, October 18, 2006, page 17. Conjoint II Study Final Report, October 30, 2006, page 19.

¹⁴³ Pacific Consulting Group, *Taxpayer Assistance Blueprint, Conjoint II Briefing*, September 2006, pages 18, 20, and 23.

Figure 2-17. The Impact of Higher Web Site FCR on Choice Share for Tax Return Preparation Guidance¹⁴⁴



There is not a perfect correlation between changes in qualified preference and actual channel use. Other factors (described in Section 2.6.4) such as access, awareness, and habit also drive channel selection decisions.

2.6.3 Use Preference

Use preference is the *channel that a taxpayer actually uses* for receiving services. The understanding of use preference was developed from responses to survey questions such as “What channels did you use to contact IRS or other service providers over the last two years?”; and “What service channels if any did you use to contact IRS when preparing your Tax Year 2005 tax return?” Use preference is limited by a taxpayer’s awareness of, access to, and willingness to use service options and channels. It reflects a broader number of variables that impact a taxpayer’s service decision than those identified in the Conjoint II Survey. Use preference also includes a reflection of the taxpayer’s perception of channel performance attributes (such as wait time).

The Market Segment Survey in Figure 2-18 shows the distribution pattern for those IRS channels actually used by taxpayers over the last twelve months.

¹⁴⁴ *Ibid.*

Figure 2-18. Taxpayer Contacts by Service and Channel¹⁴⁵

| Service/Channel | Get a Form or Pub | Return Prep Guidance | Tax Law Questions | Payment Info | Obtain Prior Year Tax Return | Refund Info | Obtain Tax ID Number | Notices | All Listed Services |
|------------------|-------------------|----------------------|-------------------|--------------|------------------------------|-------------|----------------------|---------|---------------------|
| Local IRS Office | 11% | 6% | 8% | 3% | 6% | <1% | 3% | 6% | 5% |
| Telephone Line | 12% | 53% | 42% | 75% | 82% | 40% | 42% | 55% | 44% |
| Web Site | 75% | 37% | 50% | 10% | 3% | 54% | 47% | 0% | 40% |
| E-mail | <1% | 3% | 0% | 0% | 1% | 4% | <1% | 0% | 2% |
| Regular Mail | <1% | <1% | 0% | 12% | 7% | 2% | 7% | 39% | 9% |
| All Channels | 19% | 6% | 6% | 8% | 7% | 32% | 7% | 16% | 100% |

Overall, the telephone is the preferred channel of reported use, with 44 percent of overall traffic for all listed services. IRS Web services are actually used more frequently than telephone lines for four of the eight tasks covered—typically the less complex transactional services. Web site use significantly exceeds TAC (Local IRS Office) use for every service. Across all listed services, five percent of taxpayer contacts occur in TACs.

According to the Oversight Board Survey, among taxpayers who used IRS service in the past two years, low income, LEP, and elderly taxpayers tend to have a somewhat higher preference for TAC services and a lower preference for Web services than taxpayers as a whole. Disabled taxpayers visit TACs at a somewhat lower rate than the overall taxpayer average.¹⁴⁶

2.6.4 Factors Driving Taxpayer Channel Preferences

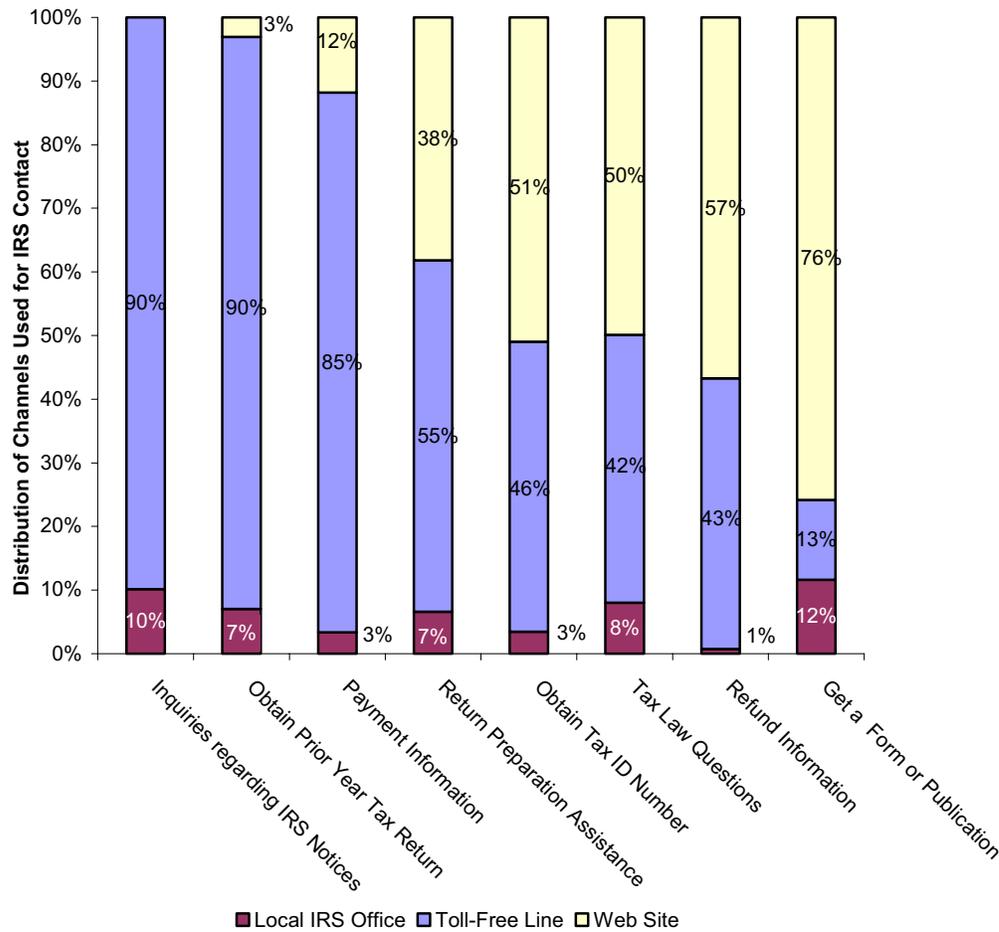
TAB research results offer a more comprehensive understanding of the major factors that influence taxpayers when they choose a specific delivery channel to contact the IRS for service. These factors include:

The specific type of service sought – Channel choice appears to depend on the specific task or need that prompts taxpayers to contact the IRS. Taxpayers are more willing to use the Web site for routine transactional services than for tasks that may require judgment or interactive communications. Larger proportions of transactional contacts are performed using the Web site (Figure 2-19), such as getting forms or publications, refund information, or answers to tax law questions. Tasks where high proportions of contacts are made to the IRS telephone line appear to be more complex and interactive in nature, and include payment information and responding to notices. The proportion of contacts made at TACs is fairly uniform over the eight tasks.

¹⁴⁵ Pacific Consulting Group, *W&I Market Segment Survey National Report*, December 2006, page 16. Taxpayers who used multiple channels or sought multiple services are counted multiple times in these estimates.

¹⁴⁶ Internal Revenue Service Oversight Board, *Taxpayer Customer Service and Channel Preference Survey*, April 2006, question 17. Due to small sample sizes for special populations, results are presented as a general pattern rather than statistically significant differences.

Figure 2-19. IRS Contacts by Task and Channel – Three Channels (Toll-free, Web & TAC)¹⁴⁷

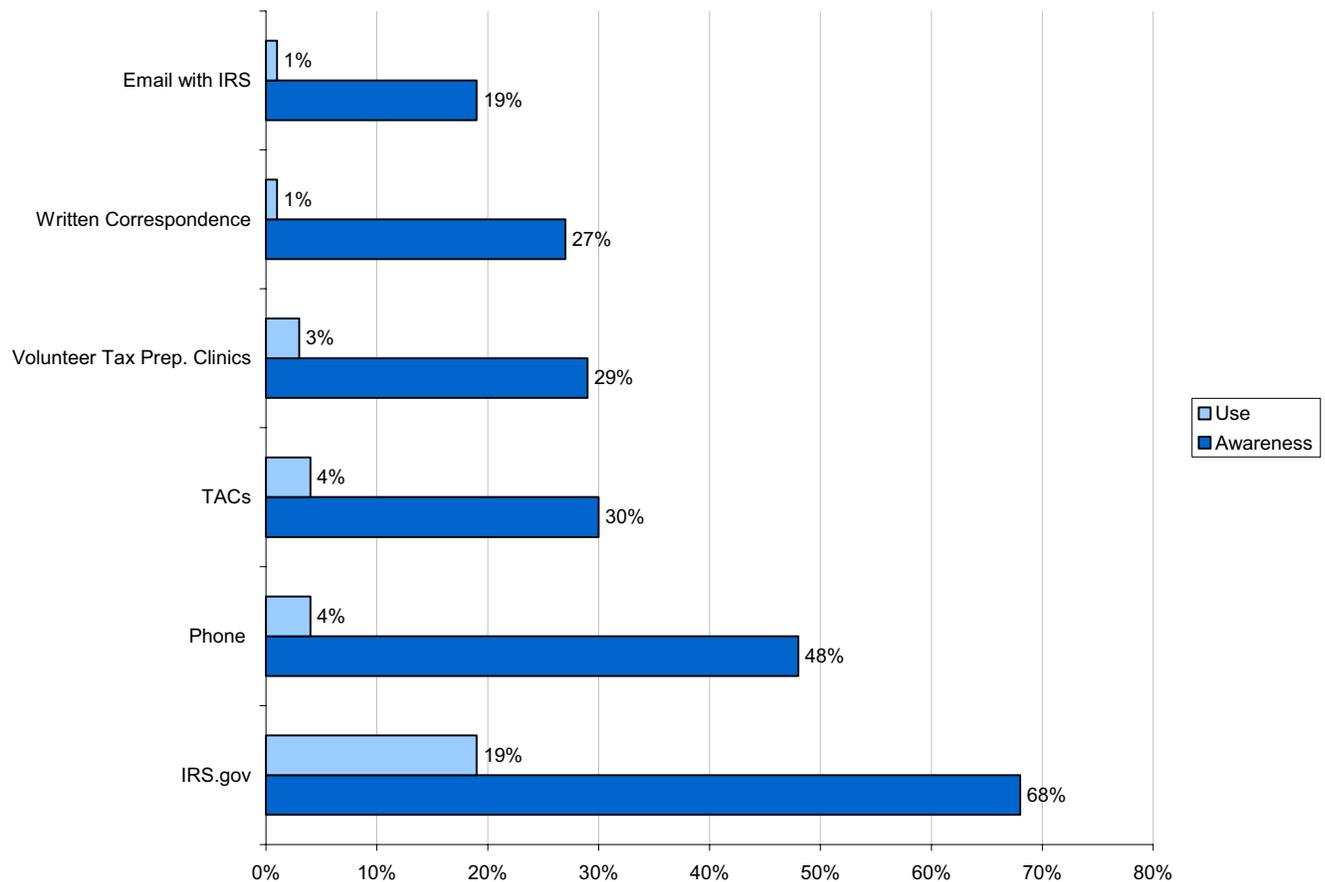


Taxpayer demographic characteristics: TAB research demonstrates that younger taxpayers with higher income and education levels are more willing than other segments to use self-assisted Web services. They also tend to use tax software more and paid preparers less to prepare and file tax returns.

Awareness of the specific channels that IRS offers: According to the Benchmark Survey, channel awareness varies greatly among individual taxpayers—from 68 percent for the IRS Web site to 19 percent for the e-mail (see Figure 2-20). There is a conditional relationship between awareness and use; taxpayers cannot use a service if they are not aware it exists.

¹⁴⁷ Pacific Consulting Group, *W&I Market Segment Survey National Report*, December 2006, page 16.

Figure 2-20. Awareness and Use of IRS Services¹⁴⁸



Access to channels: Just over 73 percent of all U.S. adults report that they have Internet access.¹⁴⁹ About 60 percent of all taxpayers live within 30 minutes travel time to a TAC.¹⁵⁰ Roughly 96 percent of US households have telephone service.¹⁵¹ Mail access is generally considered universal.

Taxpayer attitudes toward specific channels: Attitudes are an important aspect of preference and behavior. The Oversight Board Survey identified six distinct attitudinal segments of taxpayers in the U.S. The following figures are based on results from the Oversight Board Survey alone, and do not correspond with the segmentation scheme used elsewhere in this report.

- The *Confident & In Control* and *Tech Adopter* segments are more likely to do their federal returns themselves, and represent varying opportunities for self-assistance methods. Compared to the average taxpayer, those in the first of these two segments are more likely to be married, older, and male, with about average education and income. The second group tends to be younger than the average, with the

¹⁴⁸ Internal Revenue Service, Wage and Investment Office of Research, *Opinion Survey of Taxpayer Resources and Services*, Completion date August 2006, questions 1 and 2.

¹⁴⁹ Pew Internet & American Life Project, August 2006 Survey. http://www.pewinternet.org/ppt/Fox_FTC_Nov_6_%202006.pdf.

¹⁵⁰ Reference Appendix 7.0, Methodology Used to Identify Optimal TAC Locations, for additional analysis.

¹⁵¹ 95.5% of US households have phone service. United States Department of Commerce, U.S. Census Bureau, *Statistical Abstract of the United States: 2006*, Table 1117: Utilization of Selected Media, 1980-2003, page 737. http://www.census.gov/compendia/statab/2006/information_communications/infocomm.pdf

highest levels of education and income among the six segments. Together, they represent 37 percent of all taxpayers surveyed.¹⁵²

- The *Seeking Assistance*, *Life in Transition* and *Intimidated by The Process* segments are more reliant on others for tax preparation, and are less likely to have command over their own taxes and finances. Of the six taxpayer segments, those "seeking assistance" are the most likely to speak a language other than English in the home. They are also more likely to be single, with the least education and lowest income. "Life in transition taxpayers" are those most likely to say they have had significant change in their life recently (e.g., marriage, first home purchase, death of a spouse, etc.). Demographically, those taxpayers "intimidated by the process" are generally about average in education, slightly below average in income, and also slightly more likely than average to be disabled or impaired. Together, these three segments represent 46 percent of all taxpayers surveyed.¹⁵³
- The *Concerned About Privacy* segment is the one segment that most prefers in-person assistance and is the least likely to file electronically or to pursue self-assisted service. They are the oldest demographic segment with the highest concentration of single filers, the most likely to be retired, and are most likely to report being disabled.¹⁵⁴ This group represents 17 percent of all taxpayers surveyed.

Previous Behavior or Habit: Some behavioral research indicates that previous behavior is a strong predictor of future behavior.¹⁵⁵ As shown in Figure 2-21, a high percentage of taxpayers who used a specific channel when completing their 2005 tax return report that they would use the same channel again in the future.

Figure 2-21. Survey Respondents with Previous Usage and Propensity to Use Channel Again¹⁵⁶

| Service Channels | Percent of Respondents Who Used a Channel Who Say They Would Use It Again to Perform at Least One Tax Related Activity ¹⁵⁷ |
|---------------------------------|---|
| IRS Web site | 98.0% |
| IRS Phone Representatives | 96.1% |
| IRS TACs | 91.8% |
| IRS Volunteer Tax Prep. Clinics | 85.4% |
| IRS Written Correspondence | 88.4% |
| Email with IRS | 83.8% |

Performance Attributes for Each Channel: First contact resolution, access time, service completion time, and hours of operation are the service aspects identified in the Conjoint II Study's taxpayer focus

¹⁵² Roper, Internal Revenue Service Oversight Board Taxpayers' Service Channel Study, May 2006, slides 22, 30 and 33.

¹⁵³ *Ibid.*, slides 22, 31, 32, and 34.

¹⁵⁴ *Ibid.*, slide 35.

¹⁵⁵ Trafimow, D., & Borrie, W., *Influencing Future Behavior by Priming Past Behavior: A Test in the Context of the Petrified Forest National Park*, Leisure Sciences, 21, 1999, pages 31-42.

¹⁵⁶ Internal Revenue Service, Wage and Investment Office of Research, *Opinion Survey of Taxpayer Resources and Services*, Completion date August 2006, questions 2, 8, 9, and 11-14.

¹⁵⁷ Tax-related activities included getting IRS forms or publications, finding an answer to a tax law question, getting information about completing a tax form, getting help preparing a tax return or form, filing a tax return or form, setting up a payment plan, making a payment, getting information about a refund, and responding to a notice or letter received from the IRS.

groups (displayed in Figure 2-22) as the most important attributes that influence channel choice. One pattern evident in this data is that importance varies very little by service need or tax issue.

Figure 2-22. Relative Attribute Indices of Importance by Service Need¹⁵⁸

| Service Need/ Attribute Index of Importance | Access Time | Servicing Time | Hours of Availability | First Contact Resolution |
|---|----------------|-------------------|--------------------------|--------------------------------|
| Getting a Form or Publication | 21% | 13% | 15% | 52% |
| Getting Information about a Notice from the IRS | 20% | 17% | 13% | 50% |
| Getting Tax Return Preparation Guidance | 17% | 19% | 12% | 52% |
| Answering Tax Law Questions | 18% | 17% | 14% | 52% |
| Getting Refund Information | 19% | 18% | 11% | 52% |
| Getting Prior Year Return Information | 18% | 14% | 12% | 55% |
| Getting Information about Payments | 19% | 18% | 12% | 51% |
| Applying for a Taxpayer or an Employer ID Number | 20% | 15% | 14% | 51% |

In this figure, access time, servicing time, and FCR represent cost considerations to a taxpayer. Hours of availability represent a measure of potential access. FCR has the most significant influence on channel preference, with a choice share just over 50 percent on a 0-100 percent index of importance.¹⁵⁹ The strong taxpayer preference for FCR indicates that the ability to resolve an issue the first time a contact is made is a key driver in taxpayer channel preference.

2.6.5 Key Taxpayer Preference Findings

Taxpayer preferences reflect the service channels that taxpayers use or would choose to use to obtain the assistance and information they need to comply with their federal tax obligations. The team examined three measures of taxpayer channel preference: unqualified preference, qualified preference, and use preference.

Implications resulting from taxpayer preference data include:

- Across all three measures of preference, taxpayers generally prefer self-assisted services, such as those found on the IRS Web site, most often for transactional tasks like getting a form or a publication. Taxpayers prefer assisted services, such as those available through telephones or Taxpayer Assistance Centers (TACs), most often for more complex interactive tasks like responding to a notice.
- Channel use preferences among special populations reflect that:
 - Low income, LEP, and elderly taxpayers tend to report a somewhat higher preference for the TAC channel and a lower preference for the electronic channel than the majority of taxpayers as a whole.
 - Disabled taxpayers report visiting TACs at a somewhat lower rate than the all-taxpayer average.

¹⁵⁸ Pacific Consulting Group, *Taxpayer Assistance Blueprint (TAB) Conjoint II Study Topline Report*, September 2006, page 21.

¹⁵⁹ First Contact Resolution was described to taxpayers in the Conjoint Study as: Getting complete resolution during First Contact – the chances that your question was completely answered the first time (either the first time you spoke with a representative at a local IRS office or on the phone, the first time you visited the Web site, or the first time you mailed a letter to the IRS. Refer to Pacific Consulting Group, Topline Report, *Taxpayer Assistance Blueprint (TAB) Conjoint II Study Topline Report*, September 2006, page 16 and 21.

- LEP and low income taxpayers report using the telephone channel more than the overall taxpaying population.
- Qualified taxpayer preferences change when channel performance attributes change (either improving or deteriorating).
- Taxpayers report using IRS Internet services more frequently than telephone lines for four of the eight service tasks surveyed (tasks considered transactional in nature).
- Several factors influence which channel taxpayers prefer across all three measures of preference, including specific type of service sought, demographic characteristics, channel awareness, channel access, taxpayer attitudes, and previous behavior.
- Overall, nine in ten taxpayers who used the IRS Web site, telephone line, or TACs for service in 2005 reported that they would use the same channel again in the future.

2.7 Taxpayer Service Cost Estimates

Costs associated with taxpayer service include both IRS budget and taxpayer burden considerations. Two aspects of the IRS budget costs—the cost per contact for different service programs and downstream costs—are discussed in this section.

2.7.1 IRS Budget Spending for Taxpayer Service Programs

As shown in Figure 2-23, the IRS spent approximately \$3.5 billion¹⁶⁰ and 37,000 Full Time Equivalents¹⁶¹ (FTE) on taxpayer service in FY 2006, representing about one-third of the IRS \$10.5 billion budget. This amount includes approximately \$1.4 billion and 5,000 FTE from information technology, infrastructure, and other shared service-related support accounts.

The Taxpayer Service appropriation funds services to assist with tax return filing and include interpretation of the tax laws, media, and publications. Programs directed toward taxpayer education, outreach, volunteer support, pre-filing agreements and rulings, electronic information and services, and taxpayer accounts maintenance are also paid for within this taxpayer service budget spending. The Operations Support¹⁶² appropriation provides the funding for all shared services support related to facilities services, rent, printing, postage, and security, as well as overhead operations, information systems, and telecommunications support—including systems security.

IRS taxpayer service spending is dedicated to helping taxpayers understand their tax filing, reporting, and payment obligations. This cornerstone of taxpayer compliance is vital for maintaining public confidence in administration of the tax laws. The majority of IRS taxpayer service budget (\$1.2 billion) is allocated to three programs that provide assisted services to taxpayers: Accounts Management, which includes both the telephone and written correspondence service channels; Field Assistance, which provides face-to-face

¹⁶⁰ This amount includes appropriated and reimbursable funding. It also includes funding for Submission Processing activities, which was not within the scope of the Blueprint.

¹⁶¹ Full-Time Equivalent (FTE) is the total number of regular straight-time hours (i.e., not including overtime or holiday hours) worked by employees divided by the number of compensable hours applicable to each fiscal year. Annual leave, sick leave, and compensatory time off and other approved leave categories are considered to be “hours worked” for purposes of defining FTE employment. A list of compensable days (with associated hours) for fiscal years 2005 through 2008 is provided in OMB Circular A-11, Section 32.4(b). The number of compensable days (with associated hours) for fiscal year 2006 is 260 days resulting in 2080 hours in a FTE. Internal Revenue Service, Associate CFO, Corporate Performance Budgeting, Standard Announcement 2007-01, Financial Management Codes Handbook, October 2, 2006, page Intro-1.

¹⁶² The whole operations support budget allocation for 2006 was approximately \$3.5 billion, shared between support for services and for enforcement.

service in TACs; and The Taxpayer Advocate Service (TAS), which assists taxpayers whose issues have not been resolved through normal processes or those who face significant hardship as a result of tax law enforcement.

Figure 2-23. Fiscal Year 2006 Taxpayer Service Actual Budget¹⁶³

| Program | FTE | Dollars (thousands) |
|---|---------------|---------------------|
| W&I CARE | | |
| Pre-Filing Services Management | 399 | \$63,257 |
| Stakeholder Partnerships, Education and Communication | 920 | \$107,158 |
| Media & Publications | 477 | \$74,175 |
| National Distribution Center | 143 | \$16,403 |
| Field Assistance | 1,719 | \$137,658 |
| Subtotal | 3,658 | \$398,651 |
| W&I CAS | | |
| Filing and Account Services Management | 252 | \$34,260 |
| Accounts Management | 13,768 | \$871,617 |
| Subtotal | 14,020 | \$905,877 |
| W&I ETA | | |
| IRS.gov | 118 | \$20,855 |
| Subtotal | 118 | \$20,855 |
| NTA | | |
| Taxpayer Advocacy & Case Processing | 1,808 | \$161,636 |
| Subtotal | 1,808 | \$161,636 |
| Total Taxpayer Service Programs FTE & Budget covered by TAB Review | 19,604 | \$1,487,019 |
| Submission Processing | 12,154 | \$665,719 |
| Taxpayer Service Programs including Submission Processing | 31,758 | \$2,152,738 |
| Operations Support | 4,895 | \$1,387,794 |
| Total Taxpayer Service FTE and Budget | 36,653 | \$3,540,532 |
| Total FY 2006 IRS FTE and Budget | 92,846 | \$10,529,226 |

2.7.2 Taxpayer Burden

Taxpayer burden is defined as the time and money taxpayers spend to comply with their federal tax obligations. Burden costs include out-of-pocket expenses, such as payments for commercial tax publications, preparers, tax software, and electronic filing. Burden time includes all of the hours a taxpayer spends learning about tax obligations, keeping necessary records, getting answers to specific tax law questions, preparing returns, and filing returns with the IRS.

Estimates developed from the IRS's Individual Taxpayer Burden Model (ITBM) suggest that the individual taxpayer population spends more than three billion hours and nearly \$30 billion in out-of-pocket

¹⁶³ Internal Revenue Service, Office of the Chief Financial Officer, Integrated Financial System data secured from the CFO on January 26, 2007.

costs annually on compliance burden.¹⁶⁴ Burden hours are sometimes converted to a dollar value by multiplying hours by some measure of the value of time (such as average hourly wages). This figure can then be added to out-of-pocket costs to calculate total burden costs. The Final Report of The President's Advisory Panel on Federal Tax Reform states that total yearly burden costs "are difficult to estimate, in part because estimating the value of the time people spend on their tax returns is difficult to estimate. Nevertheless, the Treasury Department estimates that total costs for complying with the individual income tax amount to almost \$100 billion per year."¹⁶⁵ Unnecessarily high burden costs have the potential to keep some taxpayers from complying with federal tax laws.

ITBM estimates indicate burden comprises a somewhat larger percentage of income for low income taxpayers than for higher income taxpayers—at least for those taxpayers who file a Form 1040 with no schedules or with Schedule A and/or D. This result is not surprising because some burden costs appear to be "fixed" costs that do not vary significantly with income. Another major determinant of taxpayer burden is return complexity.

2.7.3 Cost per Service Contact

Working closely with IRS program and budget offices, the TAB team developed unit cost per contact estimates for the major IRS taxpayer services and channels. While these costs (displayed in Figure 2-24) represent the best estimates currently available, they fall short of the "fully loaded"¹⁶⁶ cost per contact estimates being developed for the IRS Chief Financial Officer's (CFO) Integrated Financial System because they do not fully allocate all indirect overhead and support costs such as headquarters staffing, information technology modernization projects, and centralized real estate facilities procurement and employee services. They are unit estimates based on accessible, reasonably accurate systems and data sources, and are derived from a methodology that can be easily replicated and used to increase the accuracy as more and better information becomes available. They represent average costs per contact rather than marginal costs per contact, which could be significantly lower due to unused capacity and the fixed costs associated with many forms of service provision.

¹⁶⁴ Internal Revenue Service, National Headquarters Office of Research, *Individual Taxpayer Burden Model*, December 2006.

¹⁶⁵ Final Report of The President's Advisory Panel on Federal Tax Reform, November 1, 2005, pages 35-36. Simple, Fair and Pro-Growth: Proposals to Fix America's Tax System, Report of the President's Advisory Panel on Federal Tax Reform, November 2005, Chapter 3, pages 35-36, <http://www.taxreformpanel.gov/final-report/>.

¹⁶⁶ Fully loaded costs include all recurring costs (labor, benefits, and day to day support) for an employee category code (e.g., customer service representative, seasonal, etc.) including the pro-rated per FTE corporate costs for information technology and agency-wide shared services. Included also are the overhead costs of the appropriate division level management (SPEC, Field Assistance, Accounts Management). Since the information is unavailable, this document excludes all costs of the major information technology systems that are used by these functions (Integrated Data Retrieval System, Desktop Integration, etc.) as well as corporate managerial overhead above the division level.

Figure 2-24. Fiscal Year 2005 Estimated Unit Costs¹⁶⁷

| Channel/Service | Estimated Cost | Contacts | Estimated Cost per Contact |
|--|----------------------|--------------------------|----------------------------|
| Electronic Account Resolution (EAR) | \$79,580 | 4,929 | \$16.15 |
| E-Mail | \$1,374,555 | 26,178 | \$52.51 |
| Kiosk | \$207,831 | 77,802 | \$2.67 |
| Regular Mail | \$73,285,485 | 2,934,919 | \$24.97 |
| TAC | \$201,523,518 | 7,015,414 ¹⁶⁸ | \$28.73 |
| Toll-free – Assisted | \$649,550,469 | 33,380,782 | \$19.46 |
| Toll-free – Automated | \$18,259,771 | 25,717,988 | \$0.71 |
| VITA/TCE | \$25,298,652 | 2,106,164 | \$12.01 |
| Web | \$23,500,000 | 176,536,325 | \$0.13 ¹⁶⁹ |
| Total/Average | \$993,079,861 | 247,800,501 | \$4.01 |

These estimated average unit costs capture both direct and program management overhead costs and FTE allocated to each program. Costs are developed from the FY 2005 Revised Unit Cost Rate (UCR) tables published by the IRS CFO.¹⁷⁰ Rates cover all salary and benefit costs as well as personal computer, equipment, and space rental costs allocated to each employee. Contract, grant, and telephone program circuitry costs are also included. National Headquarters and major Modernization and Information Technology Services (MITS) project costs are not included. Contacts (units) include all calls answered by assistors, automated calls answered, VRPP returns prepared, TAC contacts, Electronic Tax Law Assistance (ETLA) messages, Electronic Account Resolution (EAR) closures, kiosk use, and taxpayer-initiated correspondence only. Some contacts on a single channel can cost much more than these averages and others much less. Return preparation at a TAC, for example, costs an estimated \$53 per contact, while helping a taxpayer obtain a needed form cost about \$11.

Figure 2-24 indicates that assisted services provided by e-mail, at TACs, and on assisted telephone calls are far more expensive than self-assisted services on the Web or automated telephone. E-mail contacts are particularly expensive because responses to complex tax law questions are usually customized to cover the many contingencies that may affect a taxpayer's liability. Even between the two self-assisted options, there is a big difference in unit costs, with Web contacts at \$0.13 per contact and an automated phone call more than five times higher, at \$0.71. The 26 million automated calls answered each year would cost about \$15 million less if handled on IRS.gov.

¹⁶⁷ Final Deliverable TAB Phase 2 Estimated Unit Cost Calculations for Delivery Channels and Delivery Channel Service Options for Wage and Investment Individual Taxpayer Services, October 19, 2006, page 4.

¹⁶⁸ Taxpayer Assistance Center contacts of 7,015,414 represent all contacts including compliance (Collection) case closures.

¹⁶⁹ The \$0.13 cost per web visit in Figure 2-24, Fiscal Year 2005 Estimated Unit Costs, translates to the <\$0.02 per page view web cost developed in the Final Deliverable Document – TAB Phase 2 Estimated Unit Cost Calculations for Delivery Channels and Delivery Channel Service Options for Wage and Investment Individual Taxpayer Services, October 19, 2006, page 14.

¹⁷⁰ Office of the Chief Financial Officer Web site, <http://cfo.fin.irs.gov/index.htm>, Policy & Guidance, FY 2005 Revised UCR.

The relationship of service utilization trends and unit costs must be understood and considered in order to improve the productivity and efficiency of taxpayer service programs. For example, should more taxpayers migrate to using lower cost service channels, the average cost per contact would conversely drop from the current \$4.01 level.

2.7.4 Downstream Costs of Ineffective Service

Taxpayers who are unable to obtain the information or services they need to comply with federal tax laws, or who are unable to resolve their issue on their first attempt, can generate downstream budget costs for the IRS and for themselves. Potential downstream costs include repeat contacts on the same or different channels, potential errors on returns, Taxpayer Advocate Service intervention, revenue loss, and possible enforcement costs—such as audits, collection activity, and appeals. The Blueprint does not systematically identify these costs, but they can be significant.

The cost discussed in this section (budget, burden, costs per contact, and downstream costs) are major factors to be considered when making IRS service delivery decisions. The TAB team recommends development of accurate, comprehensive estimates of the cost implications of any service initiative proposed for inclusion in future IRS plans and budgets. A research model of taxpayers' post-filing burden has been developed that could be used in conjunction with the ITBM to estimate the trade-offs between pre- and post-filing taxpayer burden. Such information would assist in allocating IRS resources to minimize both taxpayer burden and IRS costs.

2.7.5 Maximizing Value in Taxpayer Service Programs

The information collected from the Conjoint II Survey for service channels and attribute choice shares can be converted to a single numerical estimate of "customer value" for the current mix of taxpayer service programs and current performance levels. Conjoint II also allows the IRS to develop estimates of how "customer value" would change if performance changed or new service channel options were added to the current mix of taxpayer service programs (e.g., tax law inquiries on a new Web chat channel). By combining these "customer value" estimates with the budget cost and cost per contact data also presented, the IRS can begin to develop the capability to answer two very important questions. (1) What changes in the mix of service channels and attributes currently funded by IRS would maximize "customer value" within current budget funding levels? (2) Alternatively, what changes to the current mix of service channels and attribute options could IRS make to minimize the budget cost of maintaining the current level of "customer value"? TAB researchers are currently developing a prototype optimization model to demonstrate how answers to these questions can be developed. This model is described in more detail in Section 8.2.1, as part of the recommended future research efforts.

2.8 The Role of Research in the TAB Strategic Plan

The comprehensive research effort undertaken throughout the Blueprint project focused on enhancing the profile of taxpayer segments; identifying the key factors influencing return preparation; improving the IRS's understanding of taxpayer service needs, preferences, and behaviors; and defining the key factors that influence taxpayer behavior. Taxpayer burden and IRS budget costs to fund taxpayer service programs were also examined. The TAB team recognizes inherent limitations in taxpayer service research findings, but has used these findings to gain as much new insight into the impact of taxpayer service as possible.

Analysis of this extensive research effort created the critical foundation for the recommended five-year Strategic Plan for taxpayer service. Within this plan, empirical taxpayer data informed development of the Performance Measures Portfolio (Section 5), the Service Improvement Portfolio and TAC Initiatives (Sections 6 and 7), and the Implementation Strategy (Section 8). The IRS will continue to use this and future research to make informed decisions about taxpayer service.

Opportunities to Improve IRS Service Delivery

TAB research data has provided a refined baseline of the current state of IRS service delivery. Research findings confirm that the IRS offers all primary channel and service categories identified by leading practices.¹⁷¹ However, not all services are available through each channel, and not all service transactions represent the most efficient means of delivery. In addition, research revealed variations in service performance among channels, providing an opportunity to consider ways to improve consistency and quality of service to all taxpayers and partners.

An analysis of taxpayer needs, preferences, and behaviors in the context of strategic challenges faced by the IRS reveals opportunities for service improvements. This section discusses the challenges and opportunities, and Sections 6, 7, and 8 detail suggested service improvements to address them.

3.1 Strategic Challenges

TAB research has provided insight into strategic challenges that affect the IRS's ability to provide quality taxpayer and partner services. While the IRS has limited control over the external forces that contribute to these challenges, it is nonetheless important to consider ways to improve service delivery within the current environment.

Complexity and Evolution of the Tax Code

The complexity and constant evolution of the tax code make it difficult for the IRS to respond to tax law changes within tight timeframes. With each change, the IRS must update its processes, forms, publications, and services to ensure accuracy. Additionally, the IRS must act quickly to inform and educate employees, taxpayers, and partners of these changes, and to contend with any necessary technology updates so that new information is consistently understood and accurately applied. Finally, these changes add to the challenge of enforcing tax laws, since not all taxpayers modify their reporting practices to accurately reflect the relevant changes in the law.

Need for Additional Data on the Causes of Noncompliance

The primary goal in providing service to individual taxpayers is to support voluntary compliance with federal tax obligations. Recent estimates of the tax gap based on National Research Program (NRP) audits indicate that the overall voluntary compliance rate for Tax Year 2001 was 83.7 percent. Accounting for late payments and IRS enforcement activities, the net compliance rate was 86.3 percent. However, additional research is needed to help the IRS determine whether noncompliance is intentional or inadvertent. A richer understanding of the causes of noncompliance is needed to help direct service investment decisions to potentially improve compliance.

¹⁷¹ Internal Revenue Service, *The 2006 Taxpayer Assistance Blueprint: Phase I*, April 24, 2006, pages 51-55.

Expanding Use of Third Parties

Research data described in Section 2 indicates that the majority of all taxpayers do not contact the IRS for tax assistance, and that over 85 percent¹⁷² of taxpayers use paid practitioners or commercial software to prepare and file returns. This reliance on third parties affects the IRS's ability to directly impact service for all taxpayers. The IRS must consider the role that intermediaries play in providing services to this large number of taxpayers, and seek ways to enhance services offered to and through partners.

Scope and Diversity of the Taxpaying Population

The IRS has the unique challenge of delivering services to a vast and evolving population. The taxpayer population is growing, the average age is increasing, and the population is becoming more ethnically diverse. Some populations face language, educational, and communication barriers when accessing traditional service options. Such population diversity may indicate the need for service delivery changes to ensure that the needs of all taxpayers are met.

Keeping Pace with Technology and Expectations

Over the years, technological advances available in the public marketplace have shaped taxpayer expectations regarding IRS delivery of services. As technology continues to advance, taxpayers expect the government to keep pace. The IRS currently provides electronic services and continues to modernize vast information systems. However, the electronic services offered by the IRS are limited relative to those available in the wider marketplace.

Acknowledging these strategic challenges enhances the ability of the IRS to better position its service resources. The following service improvement opportunities were examined by the TAB team in the context of these challenges.

3.2 Channel and Service Capability

As discussed in Section 2, there is often a significant difference between a taxpayer's stated preference for a service channel and the taxpayer's actual channel use. Many factors influence the selection of a service channel, starting with the nature of the service task and the availability of a service application within a particular channel. TAB research revealed that one key step in increasing taxpayer, partner, and government value is to effectively align service tasks and channels with the most efficient methods of delivery possible.

The IRS Web site is one of the most heavily used sites on the Internet during the tax filing season, and overall use of the site continues to increase. The significant increase in usage of the Web site over recent years is reflected in Figure 3-1.

¹⁷² Refer to Figure 2-4: Tax Year 2005 Tax Preparation Method.

Figure 3-1. Usage Volumes of IRS.gov from Fiscal Years 2003-2006 (in millions)¹⁷³

| IRS.gov Usage | 2003 | 2004 | 2005 | 2006 |
|-------------------------------------|-------|-------|---------|---------|
| Web visits | 102.6 | 152.7 | 176.5 | 193.9 |
| Page Views | 685.2 | 934.4 | 1,259.3 | 1,302.0 |
| Where's My Refund | 12.4 | 14.9 | 22.1 | 24.7 |
| Online EIN | 0.3 | 1.7 | 2.3 | 2.5 |
| Withholding Calculator (Visits) | n/a | n/a | 2.0 | 2.2 |
| Withholding Calculator (Page Views) | n/a | n/a | 14.4 | 16.4 |
| Transcript Delivery System | n/a | 0.01 | 0.16 | 1.1 |

Despite high usage of the Web site, several potential applications are not currently available online. Additional Internet-based service options could significantly increase levels of service and use. For example, the growing use of the “Where’s My Refund” application demonstrates the popularity of online self-assistance tools. “Where’s My Refund” allows individual taxpayers to check the status of their income tax refund via IRS.gov. The potential of using similar self-assistance tools to obtain on-line tax transcripts, payment information, and information on resolution of notices captured a significant share of preference in the Conjoint II results. For example, 29 percent and 22 percent, respectively, of Conjoint II respondents indicated a qualified choice to obtain information about payments and to resolve notice inquiries by interacting through the Internet.¹⁷⁴ However, there currently only a limited number of on-line account resolution tools available to taxpayers. Similarly, there are no real-time interactive communication capabilities available through IRS.gov, such as the electronic chats offered by many commercial services. Research indicates that the IRS should add a range of additional services on the Internet to increase value.

Enhancement of Internet services will benefit taxpayers, partners, and the IRS. Understanding where taxpayers look for answers on the Web site can demonstrate the questions taxpayers have, providing an opportunity to proactively address these issues. Tracking the flow of access through the Web site and considering the volume of specific form downloads or page views can help the IRS to better understand whether service demands are being met.

3.3 Channel and Service Performance

While overall customer satisfaction ratings are high across IRS services and channels, research identifies specific opportunities to enhance the performance of services currently provided to taxpayers and partners. Figure 3-2 reflects the most current Pacific Consulting Group (PCG) Customer Satisfaction Survey¹⁷⁵ ratings for TAC, toll-free, and Practitioner Priority Service (PPS).¹⁷⁶

¹⁷³ Web visits, Page Views, and Withholding Calculator statistics were secured from WebTrends On-Demand Reporting System, Version 8, secured 12/7/2006. Where’s My Refund data was secured from IRS Joint Operations Center Webpage, IRFOF Daily/Cum Counts Reports for FY 2003 -2006, found under Archived Previous Years Data. On-Line EIN was secured from IRS Joint Operations Center Webpage, EIN Fiscal Years 2005 and 2006 Comparison for data for FY 2004 through FY 2006. FY 2003 data was secured from JOC internal database report located on local drive. FY2006 systemically processed EIN application data was secured from Control D Report, IEB Run, secured 1/9/2007. Transcript Delivery System data was secured from IRS Electronic Tax Administration Webpage, Summary e-Services Daily Report for FY 2004 – FY 2006, <http://eta.hq.irs.gov/eta/inside/Internet%20Development%20Services/e-services/e-services%20documents/e-services%20Daily%20Report.xls>.

¹⁷⁴ Pacific Consulting Group, "Choice Shares By Special Segment," September 2006, sheets 1-8.

¹⁷⁵ Pacific Consulting Group (PCG) conducts ongoing customer satisfaction surveys of taxpayers and partners contacting IRS for service, including those who visit TACs and those who call the toll-free taxpayer assistance line or the Practitioner Priority Service (PPS) line; Satisfaction Percentages are based on ratings of four and five on a five-point scale.

¹⁷⁶ Practitioner Priority Services (PPS) is a telephone service offered to all practitioners needing assistance handling account-related issues for their clients.

Figure 3-2. Overall Satisfaction Rates

| Service Option | Percent Satisfied |
|--|-------------------|
| Taxpayer Assistance Centers (TACs) ¹⁷⁷ | 89% |
| Toll-free Telephones ¹⁷⁸ | 95% |
| Practitioner Priority Service (PPS) ¹⁷⁹ | 93% |

Within the overall satisfaction rates, the highest ratings across both TAC and telephone survey results are in the survey categories of Employee Attitude (Willingness to Help and Professionalism) and Knowledge. The PPS survey reflects the highest ratings in Employee Professionalism, Willingness to Help, and Clarity of Information Received. All three surveys also pinpoint improvement priorities based on factors involving importance and dissatisfaction levels. The specific priorities, detailed below, include First Contact Resolution (FCR), Promptness of Service, and Accuracy of Information.

First Contact Resolution

Research indicates that FCR is the attribute with the highest value to taxpayers.¹⁸⁰ However, FCR is an area where taxpayer expectations differ significantly from actual taxpayer experience. When asked how often they expect to have an account question resolved after their first attempt at using the telephone channel, the greatest percentage of taxpayers indicated they expected resolution more than 90 percent of the time.¹⁸¹ The actual FCR rate for the toll-free telephone services, as reported by respondents, is 75 percent.¹⁸² Results of the toll-free survey indicate that 33 percent¹⁸³ of callers experienced one or two transfers, and 29 percent¹⁸⁴ tried another method to resolve their issue before calling. The TAC results also identified resolution of the taxpayer's issue as a top priority.¹⁸⁵ The TAC survey responses indicate that 40% or more of TAC visitors reported using one or more channels to attempt to resolve their tax issues prior to visiting a TAC.¹⁸⁶

Promptness of Service

Conjoint II results reflect that after FCR, access time and service time are the attributes with the next highest value to taxpayers.¹⁸⁷ *Face-to-face access time* includes travel time to get to a TAC as well as time spent waiting for service from a representative. *Telephone access time* includes time spent on hold, time to make automated menu choices, and the time it takes to be transferred to a representative. *Service time* is the time it takes for a representative to answer a taxpayers question, or the time it takes a taxpayer to listen to recorded messages after reaching the right menu choice on the automated telephone system. According to the Customer Satisfaction Survey results, the highest improvement priorities for both TACs and telephone services involve promptness. The top three priorities for the telephone channel are time to get through to a

¹⁷⁷ Pacific Consulting Group, *Customer Satisfaction Survey, Field Assistance National Report*, August 2006, page 5.

¹⁷⁸ Pacific Consulting Group, *Customer Satisfaction Survey, Toll-Free National Report*, November 2006, page 5.

¹⁷⁹ Pacific Consulting Group, *Customer Satisfaction Survey, Practitioner Priority Service National Report*, November 2006, page 5.

¹⁸⁰ Pacific Consulting Group, *Taxpayer Assistance Blueprint (TAB) Conjoint II Study Topline Report*, September 2006, page 21.

¹⁸¹ Internal Revenue Service Oversight Board, *Taxpayer Customer Service and Channel Preference Survey*, April 2006, question 18c.

¹⁸² Pacific Consulting Group, *Customer Satisfaction Survey, Toll-Free National Report*, November 2006, Appendix A-6.

¹⁸³ Pacific Consulting Group, *Customer Satisfaction Survey, Toll-Free Survey*, April – June 2006, question 19.

¹⁸⁴ Pacific Consulting Group, *Customer Satisfaction Survey, Toll-Free Survey*, February - June 2006, question 21.

¹⁸⁵ Pacific Consulting Group, *Customer Satisfaction Survey, Field Assistance National Report*, August 2006, page 10.

¹⁸⁶ Pacific Consulting Group, *Customer Satisfaction Survey, Field Assistance National Report and database*, August 2006. Forty percent of survey respondents in the April-July 2006 database reported trying other channel(s) prior to visiting a TAC. However, some respondents did not answer that particular question. Forty-seven percent of survey respondents that answered the question reported trying other channel(s), as indicated on Appendix slide A-2.

¹⁸⁷ Pacific Consulting Group, *Taxpayer Assistance Blueprint (TAB) Conjoint II Study Topline Report*, September 2006, page 21.

representative, the ability to find the appropriate menu choice, and time to complete the call after reaching a representative. For TACs, the priority is to reduce wait time for service within the facility.

Accuracy of Information

According to IRS internal data on quality measures, the accuracy rate for telephone tax law responses was 91 percent for 2006, compared to a TAC tax law accuracy rate of 83 percent.¹⁸⁸ One reason for this disparity is the fact that telephone routing technology in call centers allows taxpayers to access an assistor specifically qualified for the specific issue; there is no comparable routing system in TACs. Focus group interviews conducted with both TAC and telephone employees highlighted the need for improved training and support tools to improve accuracy. Employees commented on the tendency of taxpayers to try multiple channels to get an answer in order to confirm a response, or to clarify differing responses.¹⁸⁹ In addition, decision support tools created by different organizational units use different approaches for answering tax law questions. The maintenance of separate tools reflects duplication of cost and effort.

3.4 Channel and Service Awareness

In order to take advantage of a service channel, a taxpayer must know the channel exists. Comparison of taxpayer awareness reported in the Benchmark Survey and the Pew Internet in the American Life Project suggests gaps in awareness categorized by both age and income level. The latest Pew study reports that 83 percent¹⁹⁰ of Americans age 18-29 use the Internet; however, taxpayers under 30 responding to the Benchmark Survey reported only 77 percent awareness of the IRS Web site.¹⁹¹ This comparison suggests that, if made aware, additional taxpayers under 30 might be inclined to seek service on IRS.gov. Similarly, among all taxpayers awareness of the automated telephone system is about 36 percent,¹⁹² suggesting that increased awareness could increase use of the system.

Research as presented in Figure 3-3 indicates that the 41-60 age group has highest awareness level for most channels. However, this group ranks third in overall awareness of the Web site. A relationship between channel awareness and income is also illustrated in Figure 3-3. Taxpayers in the lowest income segment had the lowest levels of service channel awareness in ten of thirteen service channels. Conversely, taxpayers in the highest income category were most aware of eight of thirteen possible service channels. This suggests that awareness of service channels is not uniformly distributed across all income segments.

¹⁸⁸ Internal Revenue Service, *Enterprise Snapshot, Weighted Quality Rates (FY 2006 thru September 2006)*, Week Ending: September 30, 2006. United States Department of the Treasury, Treasury Inspector General For Tax Administration (TIGTA), Audit Report - *Customer Service at Taxpayer Assistance Centers Showed Improvement During the 2006 Filing Season*, Reference Number: 2006-40-122, August 30, 2006, page 2. TIGTA visited 50 TACs during the period of January to mid-April 2006. TAC assistors correctly applied tax law when answering 145 out of 174 (83%) tax law questions.

¹⁸⁹ Internal Revenue Service, Taxpayer Assistance Blueprint, *TAB Employee Focus Groups*, November-December 2005.

¹⁹⁰ Pew Internet & American Life Project, *Demographics Of Internet Users*, http://www.pewinternet.org/trends/User_Demo_1.11.07.htm, January, 19, 2007.

¹⁹¹ Internal Revenue Service, Wage and Investment Office of Research, *Opinion Survey of Taxpayer Resources and Services*, Completion date August 2006, question 1.

¹⁹² *Ibid.*

Figure 3-3. Percentage of Reported Awareness of Service/Channels by Age and Income¹⁹³

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

An opportunity also exists to improve awareness of services among the practitioner community. The IRS offers dedicated telephone support to practitioners via the Practitioner Priority Service (PPS) toll-free line. However, in a survey of 2,144 practitioners belonging to one of nine major professional associations, over 25 percent of the respondents were not aware of PPS.¹⁹⁴ The relatively low volume of calls handled by this service may be attributed in part to a low awareness level.¹⁹⁵

3.5 Burden Reduction

Non-IRS service channels account for 74 percent of the first choice channels for pre-filing and filing assistance selected by respondents in the Benchmark Study.¹⁹⁶ Use of non-IRS service channels includes assistance from tax preparation companies, non-IRS publications, personal accountants, tax preparation software, and non-IRS Web sites. This finding is consistent with the high percentage of taxpayers who use third parties for tax return preparation. The high use of non-IRS resources further reinforces the need for the IRS to provide useful and timely assistance to these third parties.

As stated in Section 2, burden costs, which include monies paid to third parties for tax assistance, are estimated by the Final Report of the President's Advisory Panel on Federal Tax Reform at almost \$100 billion¹⁹⁷ per year in terms of individual taxpayer time and money. The IRS budget for taxpayer assistance in FY 2006 was over \$3.5 billion.¹⁹⁸ This implies that the burden to comply with tax obligations was borne primarily by the taxpayers themselves. In addition, the cost burden comprises a higher relative percentage

¹⁹³ *Ibid.*, questions 1 and 2.

¹⁹⁴ Internal Revenue Service, Office of Program Evaluation and Risk Analysis (OPERA), *Taxpayer Assistance Blueprint Tax Practitioner Survey*, 2006, page 2.

¹⁹⁵ Internal Revenue Service, Joint Operations Center, Enterprise Telephone Database (ETD), *SQL Query of Individual Calls Answered*, Practitioner Priority Services (PPS), 2005. 565,000 individual calls answered at 92% level of service indicates demand is not excessive; thus, increased awareness may increase demand for the service.

¹⁹⁶ Internal Revenue Service, Wage and Investment Office of Research, *Opinion Survey of Taxpayer Resources and Services*, Completion date August 2006, question 3.

¹⁹⁷ Final Report of The President's Advisory Panel on Federal Tax Reform, November 1, 2005, pages 35-36. Simple, Fair and Pro-Growth: Proposals to Fix America's Tax System, Report of the President's Advisory Panel on Federal Tax Reform, November 2005, Chapter 3, pages 35-36, <http://www.taxreformpanel.gov/final-report/>.

¹⁹⁸ Refer to Figure 2-24: Fiscal Year 2006 Customer Service Actual Budget Costs.

of income for low income taxpayers than for higher income taxpayers.¹⁹⁹ It would be expected that lower income or other special demographic groups would avail themselves of free IRS services to the greatest extent possible. However, as reflected in Figure 3-3, when looking at income, the lowest income taxpayers (particularly those making less than \$15,000) are generally the least aware of the IRS service options, including telephone representatives and the IRS Web site. Since the lowest income segments report the least awareness of IRS services, it is likely that some simply do without any form of IRS assistance. Moreover, lower-income taxpayers who may have less familiarity and comfort with computer and internet usage may have to expend more time and effort to prepare their tax returns electronically, or they may be concerned that they will not be able to use unfamiliar preparation techniques to prepare accurate returns.

Figure 3-4 reflects the use of IRS service channels across special populations. While use of telephone and TAC services is higher among low income taxpayers than the general population, the special taxpayer populations as a whole reflect a higher percentage of no IRS contact, with the exception of LEP taxpayers.

Figure 3-4. Survey Responses to 2006 Oversight Board Survey Question #17²⁰⁰
“Did you contact the IRS in any of the following ways in the last two years for any reason?”

| Channel Used | All | Low Income | Seniors | LEP | Disabled |
|--------------|-----|------------|---------|-----|----------|
| Phone | 22% | 26% | 14% | 29% | 20% |
| IRS Office | 3% | 6% | 4% | 6% | 2% |
| Email | 4% | 4% | <1% | 6% | 4% |
| Web site | 25% | 15% | 10% | 22% | 15% |
| Letter | 6% | 5% | 7% | 5% | 6% |
| No Contact | 59% | 60% | 74% | 55% | 64% |
| Contact | 41% | 40% | 26% | 45% | 36% |

Another significant finding is the low percentage of eligible taxpayers who file electronically through the Free File Internet option, available to taxpayers with an adjusted gross income of less than \$50,000 for 2005. According to IRS data on filed returns, 70 percent of individual tax returns are expected to be eligible to use Free File software in Tax Year 2006, but only three percent took advantage of this program to file returns for Tax Year 2005.²⁰¹

3.6 Migration to the Electronic Channel

Research findings suggest a significant opportunity to enhance stakeholder value by migrating willing taxpayers and partners to the more convenient, cost-effective electronic channel. In recent years, the volume of self-assisted taxpayer contacts has increased, while assisted contacts have decreased.²⁰² While use of the IRS.gov Web site has increased significantly (see Figure 3-1), the percentage of taxpayers who

¹⁹⁹ Internal Revenue Service, Wage and Investment Office of Research, *Results Indicate Lower Income Taxpayers Bear Higher Costs and Time Burdens When Filing Returns*, January 2007.

²⁰⁰ Internal Revenue Service Oversight Board, *Taxpayer Customer Service and Channel Preference Survey*, April 2006, question 17. Refer to Section 2.3, Taxpayer Segmentation, for more detail on special populations.

²⁰¹ Internal Revenue Service, Electronic Tax Administration (ETA) Marketing Database, Full Year TY 2004. Eligibility to Free File in TY 2006 was estimated by applying to TY 2004 tax return data the TY 2006 eligibility requirement of adjusted gross income less than or equal to \$52,000. TY 2004 was used since that was the most current data available at the time.

²⁰² Internal Revenue Service, *The 2006 Taxpayer Assistance Blueprint: Phase 1*, April 24, 2006, pages 30-31.

use it remains somewhat low relative to the total U.S. population with Internet access.²⁰³ Research also suggests that many taxpayers would be willing and able to get certain services they need from the Internet or automated telephone channels.

3.6.1 Current Use of Services by Taxpayer Segments

To gain a better understanding of the assistance channels taxpayers prefer when completing returns, Benchmark Survey results were segmented based on each respondent’s propensity to use either self-assisted services, IRS human-interactive assisted services, or a paid preparer for return preparation assistance. Figure 3-5 breaks down the various taxpayer segments.

Figure 3-5. Taxpayer Segments Based on Choice in Return Preparation Assistance²⁰⁴

| Taxpayer Segment | Percentage of Respondents | Segment Channel Characteristics | Primary Age Cohort |
|--------------------------------|---------------------------|--|--|
| Self-Assisted Taxpayers | 35% | Electronic resources—lower cost to taxpayer and IRS | Millennials (<i>age 18-29</i>) Generation X (<i>age 30-40</i>) Baby Boomers (<i>age 41-60</i>) |
| IRS Assisted Taxpayers | 12% | Interactive direct assistance—lower cost to taxpayer, higher cost to IRS | Seniors (<i>age 61+</i>) |
| Paid Preparer Taxpayers | 53% | Reliance on third party—higher cost to taxpayer, lower cost to IRS | Baby Boomers (<i>age 41-60</i>) Seniors (<i>age 61+</i>) |

²⁰³ Pew Internet & American Life Project, Demographics Of Internet Users, http://www.pewinternet.org/trends/User_Demo_1.11.07.htm, January, 19, 2007.

²⁰⁴ Internal Revenue Service, Wage and Investment Office of Research, *Opinion Survey of Taxpayer Resources and Services*, Completion date August 2006, question 3.

Survey results suggest that the segments in Figure 3-5 exhibit the following characteristics:

- Self-assisted Taxpayers:** If using only one resource for completing a tax return, this segment would choose lower cost, primarily electronic channels and services. These include the IRS Web site and automated telephone service, tax preparation software, and non-IRS books, publications, and Web sites.²⁰⁵ The time and cost burden of tax preparation for this segment is primarily borne by the taxpayer, with little burden on the IRS. These taxpayers tend to be younger, with moderate to higher incomes and higher educations.²⁰⁶ This group is likely to continue to self-prepare their returns, since 70 percent have done so over the last three tax years and 75 percent have done so the past two years.²⁰⁷ Self-assisted taxpayers are more likely to have Internet access than the IRS-assisted segment, and they are also more likely to have faster Internet connectivity like cable and DSL modems than the IRS-assisted.²⁰⁸ This group is likely to be the first to use new, self-assisted, interactive decision support tools, and to continue to obtain information via self-service channels.
- IRS-assisted Taxpayers:** If using only one resource for completing a tax return, this segment would choose higher cost, primarily interactive services and channels provided by the IRS. These resources include TACs, telephone service representatives, written and e-mail correspondence, and Volunteer Return Preparation Program (VRPP) sites.²⁰⁹ The time and cost burden of tax preparation for this segment is borne by both the taxpayer and the IRS. These taxpayers tend to be older, with lower income and education levels.²¹⁰ Thirty-six percent of this segment self-prepared their returns for the last three years, 43 percent relied on a paid preparer, and the remaining 22 percent used some combination of the two.²¹¹ These taxpayers are less likely to have Internet access and even less likely to have improved Internet connectivity.²¹²
- Paid Preparer Taxpayers:** If using only one resource for completing a tax return, this segment would choose a paid preparer.²¹³ The cost and time burden for this segment is borne by the taxpayer, with little burden on the IRS. These taxpayers tend to be older and have lower education levels, and are more likely to have a long term disability and to be retired.²¹⁴ Paid preparer usage increases with income, but the use of paid preparers is also prevalent among lower income taxpayers. Lower income taxpayers are likely eligible for the Earned Income Tax Credit (EITC), and the complexity of EITC returns may result in the need for more tax assistance. This group is likely to continue using a paid preparer, since over 80 percent have used one over the last three tax years and 84 percent have done so the past two years.²¹⁵

²⁰⁵ *Ibid.*

²⁰⁶ *Ibid.*, question 21. TY 2005 processing information from the Compliance Research Initiative Tracking System (CRITS) database.

²⁰⁷ TY 2005 processing information from the Compliance Research Initiative Tracking System (CRITS) database.

²⁰⁸ Sixty three percent of self-assisted taxpayers have cable or DSL modems, compared with 27 percent of IRS-assisted taxpayers. Internal Revenue Service, Wage and Investment Office of Research, *Opinion Survey of Taxpayer Resources and Services*, Completion date August 2006, question 7.

²⁰⁹ Internal Revenue Service, Wage and Investment Office of Research, *Opinion Survey of Taxpayer Resources and Services*, Completion date August 2006, question 3.

²¹⁰ *Ibid.*, question 21. Individual Returns Transaction Files (IRTF) TY 2005 age, income and filing data via Compliance Research Initiative Tracking Systems (CRITS) database on Benchmark Survey respondents.

²¹¹ Internal Revenue Service, Wage and Investment Office of Research, *Opinion Survey of Taxpayer Resources and Services*, Completion date August 2006, question 7.

²¹² *Ibid.*

²¹³ *Ibid.*, question 3.

²¹⁴ *Ibid.*, questions 19, 21 and 23. Individual Returns Transaction Files (IRTF) TY 2005 age, income and filing data via Compliance Research Initiative Tracking Systems (CRITS) on Benchmark Survey respondents.

²¹⁵ *Ibid.*

3.6.2 Potential Migration of Taxpayer Segments

To determine the potential future use of electronic services, the TAB team divided survey respondents by their recent use of IRS services and their likelihood of using IRS digital channels in the future. In the Benchmark Survey, respondents described their current use of electronic channels—specifically the IRS Web site and automated telephone systems. Survey respondents were then asked whether they "would consider using" the Web site or automated telephone service in the future. Respondents who said they would not use any IRS channels in the future were excluded from this analysis.²¹⁶ Combining and weighting their responses creates four distinct taxpayer segments:²¹⁷

- **"Digital Inclined"** taxpayers currently do not use electronic methods of contacting the IRS, but indicated that they would consider using them in the future. This represents about 67 percent of all individual taxpayers who would consider using an IRS channel for assistance.
- **"Digital Preferred"** taxpayers recently used electronic methods of contacting the IRS, and indicated that they would continue to use them in the future. This represents about 21 percent of all individual taxpayers who would consider using an IRS channel for assistance.
- **"Human Inclined"** taxpayers recently used electronic methods of contacting the IRS, but indicated that they would not consider using them in the future. This represents less than one percent of all individual taxpayers who would consider using an IRS channel for assistance.
- **"Human Preferred"** taxpayers currently do not use electronic methods of contacting the IRS, and indicated that they would not consider using them in the future. This represents about 11 percent of all individual taxpayers who would consider using an IRS channel for assistance.

Combining the analysis of these groups with the Self-assisted Taxpayer and IRS-assisted Taxpayer segments provides a deeper understanding of taxpayer preferences with regards to service channels, as depicted in Figure 3-6.

Figure 3-6. Taxpayer Preferences over Digital and Human Channels²¹⁸

| Communication Segmentation | Self-assisted Taxpayers | IRS-assisted Taxpayers |
|----------------------------|-------------------------|------------------------|
| Human Preferred | 2% | 18% |
| Digital Inclined | 55% | 67% |
| Digital Preferred | 43% | 14% |
| Human Inclined | <1% | 1% |

Two-thirds of the IRS-assisted segment is Digital Inclined, suggesting a high potential for migration to electronic channels. Combining Benchmark Survey demographic characteristics (e.g., age, income, education, and potential disability) with the segmentation analysis provides for a projection of future behavior.

²¹⁶ Eight percent of taxpayers would not consider using any IRS channel in the future.

²¹⁷ Internal Revenue Service, Wage and Investment Office of Research, *Opinion Survey of Taxpayer Resources and Services*, Completion date August 2006, questions 2, and 8-14. Taxpayers were segmented based on whether or not they used the IRS Web site or automated phones to complete their 2005 tax return and whether they would consider using these channels in the future to assist them in any tax activity.

²¹⁸ *Ibid.*, questions 2, 3, and 8-14.

Age Segment – Digital Preferred respondents tend to come from the Millennial and Generation X groups. Digital Inclined respondents tend to represent Baby Boomer and younger segments, while the Human Preferred respondents tend to be Seniors. This is reflected in Figure 3-7.

Figure 3-7. Age Cohort Preferences Across Digital and Human Channels²¹⁹

| Age Cohort | Age | Human Preferred | Digital Inclined | Digital Preferred | Human Inclined |
|----------------------------|-----------|-----------------|------------------|-------------------|----------------|
| Millennials ²²⁰ | 18 to 29 | 4% | 69% | 28% | 0% |
| Generation X | 30 to 40 | 7% | 69% | 24% | 0% |
| Baby Boomers | 41 to 60 | 11% | 68% | 21% | 0% |
| Seniors | 61 & Over | 30% | 61% | 9% | 0% |

In 2005, IRS data indicated 85 percent of Form 1040 filers were between age 18 and 64.²²¹ It is possible that as populations age, they will carry existing expectations and behaviors with them.

Adjusted Gross Income – Human Preferred respondents are somewhat more likely to be lower income taxpayers, while Digital Preferred respondents are somewhat more likely to have higher incomes, as reflected in Figure 3-8.

Figure 3-8. Income Level Across Digital and Human Channels²²²

| Income | Human Preferred | Digital Inclined | Digital Preferred | Human Inclined |
|-----------------------------|-----------------|------------------|-------------------|----------------|
| Less than \$35,000 | 13% | 67% | 20% | 0% |
| \$35,000 to under \$75,000 | 11% | 68% | 21% | 0% |
| \$75,000 to under \$100,000 | 10% | 67% | 23% | 0% |
| \$100,000 or over | 7% | 65% | 28% | 0% |

²¹⁹ *Ibid.*, questions 2, and 8-14.

²²⁰ Data from the Benchmark Survey are limited to taxpayers age 18 and over; therefore, the Millennials age cohort is limited to ages 18-29, rather than the previously defined 0-29 age group.

²²¹ Internal Revenue Service, Compliance Data Warehouse, Individual Returns Transaction File, Entity Table stored on the Compliance Data Warehouse (CDW) in 2006.

²²² Internal Revenue Service, Wage and Investment Office of Research, *Opinion Survey of Taxpayer Resources and Services*, Completion date August 2006, questions 2, and 8-14.

Education – Digital Preferred respondents tend to have higher degrees of education, while Human Preferred respondents tend to have lower education levels, as reflected in Figure 3-9.

Figure 3-9. Education Level Preferences Across Digital and Human Channels²²³

| Education | Human Preferred | Digital Inclined | Digital Preferred | Human Inclined |
|---------------------|-----------------|------------------|-------------------|----------------|
| High School or Less | 19% | 68% | 13% | 0% |
| Some College | 11% | 69% | 20% | 0% |
| College or Above | 7% | 65% | 28% | 0% |

Disabilities – Disabled taxpayers are more likely to rely on conventional human channels in the future when fulfilling their tax obligations when compared to those with no long-term conditions, as reflected in Figure 3-10.

Figure 3-10. Disability Impact on Preferences²²⁴

| Disability | Human Preferred | Digital Inclined | Digital Preferred | Human Inclined |
|---------------------------------|-----------------|------------------|-------------------|----------------|
| Has Some Long Lasting Condition | 21% | 67% | 13% | 0% |
| Has No Long Lasting Condition | 10% | 67% | 23% | 0% |

The Benchmark survey analysis indicates that younger, more highly educated, and higher income respondents are likelier to use electronic methods of contact in the future when fulfilling tax obligations. By comparison, older, less educated, and lower income respondents appear less likely to use digital channels in the future. These factors are likely inter-related, as higher education levels are often associated with higher incomes and thus the relationships are not simply one-dimensional. This insight will prove valuable as the IRS continues refining and improving its services and targeting specific marketing efforts to better meet the needs and preferences of all taxpayers.

²²³ *Ibid.*

²²⁴ *Ibid.*, questions 2, 8-14, and 19.

Guiding Principles

As the team worked to further refine the information outlined in TAB Phase 1 and continued to analyze vast amounts of research data, certain recurring findings about taxpayer needs, preferences, and behaviors emerged. The findings, combined with ongoing tax administration priorities, led the Executive Steering Committee (ESC) to formulate the TAB Guiding Principles to provide the groundwork for leading future investments in service strategies and initiatives.

4.1 Development of the Guiding Principles

During the formulation of the Guiding Principles, the TAB ESC analyzed the role of IRS services, the extent to which service should acknowledge taxpayer burden, and the specific services that should be provided by the IRS. The Guiding Principles clearly reflect the IRS's mission to serve all taxpayers by acknowledging the importance of awareness, access, and ease of use of service resources. The Guiding Principles represent the strategic objectives and operational priorities for informing service investment decisions in the TAB Strategic Plan. Figure 4-1 lists the TAB Guiding Principles.

Figure 4-1. TAB Guiding Principles

| TAB Guiding Principles |
|---|
| <p>The primary goal of service for individual taxpayers is to facilitate compliance with federal tax obligations.</p> <ul style="list-style-type: none"> • Compliance means that taxpayers will pay no more and no less than what they owe. |
| <p>A portion of the tax gap is attributable to errors by individual taxpayers. IRS service programs should be designed to prevent, minimize, and correct such errors with due consideration of taxpayer burden.</p> |
| <p>IRS service investments will focus on preventing, minimizing, and correcting taxpayer noncompliance.</p> <ul style="list-style-type: none"> • The IRS is committed to offering a portfolio of service options delivered across multiple channels, including face-to-face service. • Provide service where the IRS is the only source for the information (e.g., account services). • Enhance cost-effective, self-assisted services (e.g., forms and publications, automated telephone responses, and irs.gov access). Provide opportunities for taxpayers to migrate to lower cost channels while ensuring that alternative channels are available. • Expand use of e-file to reduce math errors, increase reporting compliance, and reduce submission processing costs. • As taxpayers migrate to self-assisted services, redirect available resources to activities that research determines are cost-effective options for preventing, minimizing, and correcting taxpayer non-compliance. |
| <p>Enhance the IRS Web site so that it becomes the first choice of more taxpayers for obtaining the information and services needed to comply with tax obligations.</p> |
| <p>The IRS recognizes the significant role that partners play in tax administration. As such, the IRS will look for opportunities to assist these third parties in helping taxpayers understand and meet their tax obligations.</p> |

As the TAB Strategic Plan moves into the evaluation and implementation phase, the Guiding Principles will become part of the IRS's agency-wide planning process, and will be continuously evaluated against additional research findings that emerge as part of the TAB Multi-year Research Portfolio.²²⁵ In addition, they may be modified based on new policy decisions regarding service delivery. The balance of this report illustrates the usage of the Guiding Principles in the development of the TAB Strategic Plan for taxpayer service.

²²⁵ The Multi-year Research Portfolio is described in Section 8.2.1, Future Research Efforts.

An integral step in improving taxpayer service is having the ability to measure whether IRS service delivery is successful. As part of the TAB Strategic Plan for taxpayer service, the team designed a portfolio of performance measures to evaluate how well the IRS is meeting taxpayer expectations and addressing compliance issues in delivering services. Currently, the IRS has a number of performance measures in place. However, there is no consistent method of assessing service delivery across channels.²²⁶ To respond to this, the team developed short-term performance and long-term outcome measures,²²⁷ with the understanding that they will likely evolve over time as new data becomes available and additional stakeholder input is considered. The Performance Measures Portfolio is essential to provide valid cross-channel performance comparisons of efficiency and effectiveness, and to identify opportunities for improvement.

5.1 Design of the Performance Measures Portfolio

In support of Strategic Improvement Theme Five established in TAB Phase 1, which calls for the development of short-term performance and long-term outcome goals and metrics,²²⁸ measures were recommended to:

- Provide focus on taxpayer and partner needs, preferences, and behaviors;
- Provide program evaluation criteria for use in the integrated strategy and operational improvement initiatives;
- Be easy to understand, and limited in scope to critical issues;
- Contain a single definition for a measure across channels,²²⁹ and
- Strengthen the measurement of self-assisted services.

The Performance Measures Portfolio is designed to assess the delivery of taxpayer services across service categories and channels. The portfolio is not intended to assess enforcement programs, submission processing programs, media and publications content, or individual employee performance. It will not replace current operational measures or those reported to internal and external stakeholders (e.g., Congress, the Government Accountability Office the Treasury Inspector General for Tax Administration, the IRS Oversight Board, and the National Taxpayer Advocate).

The portfolio contains a hierarchy of Outcome Categories, Outcome Measures, and supporting taxpayer service Performance Measures.²³⁰ Outcome Categories are a characterization for grouping the measures within the Performance Measures Portfolio. Outcome Measures are indicators that gauge the result, effect, or consequence that occurs from carrying out a program or activity. Taxpayer service

²²⁶ Delivery channels for both assisted and unassisted services are: face-to-face, telephone, and electronic. Correspondence, an assisted service, is also available.

²²⁷ The Department of Treasury's recent tax gap strategy report notes that the Blueprint will create customer-centric performance and outcome measures and will help establish benchmarks against which improvements in customer service can be measured. United States Department of Treasury, Office of Tax Policy, *A Comprehensive Strategy for Reducing the Tax Gap*, September 26, 2006, pages 14-15.

²²⁸ Internal Revenue Service, *The 2006 Taxpayer Assistance Blueprint: Phase 1*, April 24, 2006, pages 71-73.

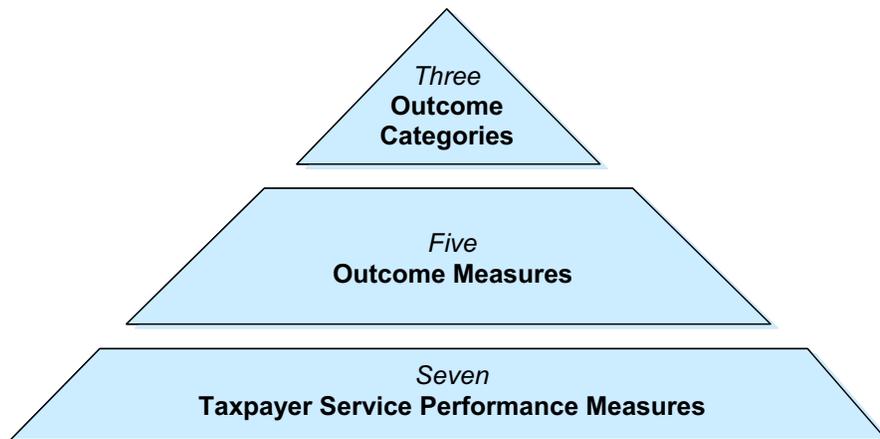
²²⁹ The TAB team developed a glossary to ensure common understanding of terms for TAB Phase 2. The glossary is included in the Appendix (see *Glossary*).

²³⁰ The Office of Management and Budget (OMB) Program Assessment Rating Tool (PART) provides definitions of different aspects of performance measurement. Performance measures are "the indicators or metrics that are used to gauge program performance. Performance measures can be either outcome or output measures." Outcomes "describe the intended result or consequence that will occur from carrying out a program or activity. Outcomes are of direct importance to beneficiaries and the public generally." Outputs are "the goods and services produced by a program or organization and provided to the public or others. They include a description of the characteristics and attributes (e.g., timeliness) established as standards." Office of Management and Budget, *Performance Measurement Challenges and Strategies*, available at http://www.whitehouse.gov/omb/part/challenges_strategies.html, June 18, 2003.

Performance Measures are indicators that are used to support the Outcome Measures and to gauge operational program performance.

Figure 5-1 illustrates the hierarchy of the Performance Measures Portfolio.

Figure 5-1. Performance Measures Portfolio Hierarchy



To develop the supporting measures for the three Outcome Categories, the team identified existing taxpayer services within the scope of the Blueprint. Then, sub-activities, outputs, operational measures, and five Outcome Measures were identified for each key service activity. These include existing and modified IRS measures, as well as new measures based on TAB research.

Current performance measures and key IRS strategic and operational documents were reviewed to extract additional taxpayer service measures.²³¹ The team also looked at research on service offerings and related performance measures from other tax administration entities (both international and state) and private companies.²³² From this review, the team identified 67 taxpayer service performance measures already in use by the IRS²³³ and classified them according to channel. Of the 67 existing measures, 23 were found within the telephone channel, 10 within the electronic channel, 29 within the face-to-face channel, and five within the correspondence channel.

An understanding of the existing measures allowed for the development of seven additional taxpayer, partner, and government-focused Performance Measures. The team reviewed the Performance Measures Portfolio to ensure consistency with the goals of the IRS Strategic Plan and the United States Department of the Treasury's Comprehensive Strategy for Reducing the Tax Gap.²³⁴

The Performance Measures Portfolio does not represent the complete world of taxpayer service measures. Instead of focusing on discrete measures, the portfolio provides a high level overview of taxpayer service. Figure 5-2 shows the Performance Measures Portfolio.

²³¹ The team reviewed the following documents in developing the inventory of current measures: Commissioner's Monthly Reports, Strategy and Program Plan, Oversight Board Reports, Congressional Justification, Monthly Business Performance Summary, and Operational Reviews (by organization).

²³² Reference Appendix 5.0, Performance Measures Leading Practice Research, for detailed research on related performance measures from other tax administration entities, both international and state, and private companies.

²³³ Reference Appendix 5.0, Inventory of Current IRS Performance Measures, for the detailed inventory of the 67 current taxpayer service performance measures by channel.

²³⁴ United States Department of the Treasury, Office of Tax Policy, *A Comprehensive Strategy for Reducing the Tax Gap*, September 26, 2006.

Figure 5-2. Performance Measures Portfolio²³⁵

| Outcome Categories | | |
|---|--|---|
| Compliance | Taxpayer and Partner Value | Government Value |
| Outcome Measures | | |
| 1. National Research Program (NRP) Voluntary Compliance Rate | 2. Taxpayer Burden 3. First Contact Resolution Rate 4. Customer Satisfaction | 5. Percentage of Taxpayer Service Contacts Delivered Through the Electronic Channel |
| Taxpayer Service Performance Measures | | |
| 1. Filing Compliance Rate 2. Voluntary Payment Compliance Rate | 3. Percentage Aware of Channels and Services 4. Partner Satisfaction Percentage | 5. Level of Service 6. Accuracy Percentage 7. Taxpayer Self-assistance Rate |

The three Outcome Categories of the Performance Measures Portfolio do not exist in isolation. A change in one category will likely impact the others, furthering the need to evaluate potential service changes across all three categories. Therefore, measures for each Outcome Category represent key information the IRS needs to achieve desired outcomes and report to external stakeholders. Taxpayer service Performance Measures that support the Outcome Measures are also included. The measures, when combined, should provide a picture of whether the IRS is successful in improving taxpayer service.

5.2 Outcome Categories

The three Outcome Categories for taxpayer service programs are Compliance, Taxpayer and Partner Value, and Government Value.

- **Compliance:** The compliance measures align with the three key indicators of compliance used by the IRS—filing, reporting, and payment compliance—that are used to define the individual tax gap. These measures focus IRS efforts on preventing, minimizing, and correcting errors by taxpayers. Figure 5-3 illustrates these three indicators.

²³⁵ Reference Appendix 5.0, Performance Measures Portfolio, for the detailed definition, importance/rationale and data source for the measures included in the Performance Measures Portfolio.

Figure 5-3. Three Components of Compliance

| Compliance | Definitions |
|----------------------|---|
| Filing Compliance | <ul style="list-style-type: none"> Filing a required tax return on or before the filing deadline, including legitimate extensions. |
| Reporting Compliance | <ul style="list-style-type: none"> Accurately reporting the total tax required on timely filed returns. |
| Payment Compliance | <ul style="list-style-type: none"> Fully paying the tax due on timely filed returns. |

- Taxpayer and Partner Value:** The Taxpayer and Partner Value measures cover the three critical taxpayer and partner expectations of taxpayer service defined in TAB Phase 1—awareness and education, access to service, and quality of experience.²³⁶ These measures focus on making the IRS measures for self-assisted services as strong as those for assisted services. Figure 5-4 illustrates the three components of Taxpayer and Partner Value from the user’s perspective.

Figure 5-4. Three Components of Taxpayer and Partner Value

| Taxpayer & Partner Value | Definitions |
|--------------------------|---|
| Awareness & Education | <ul style="list-style-type: none"> Understanding tax obligations and benefits through awareness and knowledge of the most effective service delivery options for a given need. |
| Access to Service | <ul style="list-style-type: none"> Finding convenient and effective means for obtaining information needed to meet tax obligations. |
| Quality of Experience | <ul style="list-style-type: none"> Receiving a timely and accurate answer, information, and/or resolution to an issue in a professional manner. |

²³⁶ Internal Revenue Service, *The 2006 Taxpayer Assistance Blueprint: Phase 1*, April 24, 2006, page 45.

- Government Value:** The Government Value measures cover the four basic components of operational performance defined during TAB Phase 2: workload, resources, productivity, and quality. As with Taxpayer and Partner Value, the Government Value measures focus on making the IRS measures for self-assisted services as strong as those for assisted services. Figure 5-5 illustrates the four components of Government Value.

Figure 5-5. Four Components of Government Value

| Government Value | Definitions |
|------------------|---|
| Productivity | <ul style="list-style-type: none"> Output per unit of resource expended. |
| Workload | <ul style="list-style-type: none"> The volume of work units handled in a functional area (e.g. number of returns prepared, number of calls answered, number of face-to-face contacts, etc.). |
| Resources | <ul style="list-style-type: none"> People, equipment, materials and dollars needed to execute the programs to carry out the mission of the IRS. |
| Quality | <ul style="list-style-type: none"> Accuracy, professionalism, and timeliness in providing taxpayers and partners with correct responses and/or resolutions to inquiries necessary for the reduction of downstream costs. |

5.3 Outcome and Performance Measures

Five Outcome Measures and seven Performance Measures correspond to the three Outcome Categories for taxpayer service—Compliance, Taxpayer and Partner Value, and Government Value.

5.3.1 Compliance

There is one Outcome Measure within compliance—the **NRP Voluntary Compliance Rate**. The NRP Voluntary Compliance Rate is the combined rates of payment, filing, and reporting compliance for all taxpayers. This Outcome Measure is significant because voluntary compliance is the ultimate outcome the IRS seeks to achieve through taxpayer services. The following two taxpayer service performance measures support the compliance Outcome Measure:

- Filing Compliance Rate – the number of required returns that are filed on or before the filing deadline, including legitimate extensions.
- Voluntary Payment Compliance Rate – the percent of reported tax liability on timely-filed returns that is paid in a timely manner.

Filing and payment compliance measures are in various stages of modification and are subject to change. They serve as placeholders until research can better identify the specific causes of inadvertent

noncompliance that can be effectively mitigated by service delivery. At this point, there is no specific performance measure for reporting compliance. The IRS is now planning for more frequent NRP data collection, which will allow for the development and refinement of all compliance measures in the future.

The first TAB Guiding Principle reflects the interaction of service and compliance, stating that the primary goal of service for individual taxpayers is to raise their compliance rate. In September 2006, the Department of Treasury Office of Tax Policy issued their Comprehensive Strategy for Reducing the Tax Gap.²³⁷ A key principle of this strategy is that “enforcement activities should be combined with a commitment to taxpayer service.”²³⁸ One component of this strategy is a multi-year commitment to research, including studies on the impact of service on compliance. This research will help the IRS target taxpayer services and develop programs that can improve voluntary compliance.²³⁹ Another component of the Department of the Treasury’s tax gap strategy is enhanced taxpayer service based on the recognition that service is important in helping taxpayers avoid unintentional errors.²⁴⁰

As voiced by Commissioner Mark Everson: “Clearly, if the IRS provides appropriate service to taxpayers, they will be more willing to pay what they should. By service, we mean helping people understand their tax obligation and making it easier for them to participate in the tax system.”²⁴¹ In order to identify and reduce unintentional noncompliance, the IRS should seek ways to improve service delivery and to measure the success of those improvements.

5.3.2 Taxpayer and Partner Value

There are three Outcome Measures within Taxpayer and Partner Value—**Taxpayer Burden**, **First Contact Resolution Rate**, and **Customer Satisfaction**.

Taxpayer Burden is the time and money that taxpayers spend to comply with federal tax obligations. Burden costs are guided in part by taxpayer behavior and the complexity of the tax laws. Total individual compliance burden costs are estimated by the Final Report of the President’s Advisory Panel on Federal Tax Reform to be almost \$100 billion annually.²⁴² This includes record keeping, tax planning activities, gathering tax materials, using IRS services, using professional preparers, form completion, and form submission. Decreasing taxpayer burden may potentially increase compliance. By delivering the services taxpayers need through channels they use, the IRS can reduce burden and make it easier for taxpayers to comply with the tax laws. The IRS does not have enough data at this time to develop a realistic goal for reducing overall Taxpayer Burden. As part of the Multi-year Research Portfolio and the implementation of the Performance Measures Portfolio, the IRS will conduct additional research and establish a goal for the Taxpayer Burden Outcome Measure. In the interim, the IRS will evaluate the extent to which service initiatives reduce taxpayer burden in terms of time and financial costs. The Treasury Department’s tax gap strategy also calls for research to develop a better understanding of the

²³⁷ United States Department of Treasury, Office of Tax Policy, *A Comprehensive Strategy for Reducing the Tax Gap*, September 26, 2006.

²³⁸ *Ibid.*, page 2.

²³⁹ *Ibid.*, page 12.

²⁴⁰ *Ibid.*, pages 14-15.

²⁴¹ Internal Revenue Service, “Remarks of Mark W. Everson Commissioner of Internal Revenue before the National Press Club, Washington, D.C.,” IR-2004-34, March 15, 2004.

²⁴² Final Report of The President's Advisory Panel on Federal Tax Reform, November 1, 2005, pages 35-36. Simple, Fair and Pro-Growth: Proposals to Fix America's Tax System, Report of the President's Advisory Panel on Federal Tax Reform, November 2005, Chapter 3, pages 35-36, <http://www.taxreformpanel.gov/final-report/>.

relationship between taxpayer burden and compliance.²⁴³ While this link is still unclear, the TAB Guiding Principles recognize the significance of burden.²⁴⁴

First Contact Resolution (FCR) Rate is the percentage of taxpayers and partners reporting that their issues were accurately and completely resolved upon first contact with the IRS.²⁴⁵ Taxpayers have indicated that FCR is the most important attribute to them when contacting the IRS for assistance with tax issues. This conclusion is based on the TAB Conjoint Studies that presented taxpayers with a number of scenarios containing different bundles of attributes. By changing the various attributes, the study was able to identify which attribute is most important to taxpayers. FCR accounted for just over half of the total importance of the four attributes presented in the scenarios.²⁴⁶

Customer Satisfaction is measured using the American Customer Satisfaction Index (ACSI) developed by the National Quality Research Center at the Stephen M. Ross Business School at the University of Michigan. ACSI is the only uniform, national, cross-industry measure of satisfaction with the quality of goods and services available in the United States.²⁴⁷ In 1999, the federal government selected ACSI to be a standard metric for measuring citizen satisfaction. Over 100 federal government agencies have used ACSI to measure citizen satisfaction of more than 200 services and programs. Since 1999, ACSI has used customer interviews as input to a multi-equation econometric model to measure the satisfaction of IRS electronic and paper tax filers. The ACSI survey results aid the IRS in identifying areas for improving quality of service provided to taxpayers and partners.

The following two Performance Measures support the Taxpayer and Partner Value Outcome Measures:

- **Percentage Aware of Channels and Services:** the percentage of taxpayers and partners responding affirmatively to survey questions relating to awareness of IRS channels and services.
- **Partner Satisfaction Percentage:** an aggregate percentage of overall partner satisfaction with IRS support services.

5.3.3 Government Value

There is one Outcome Measure within the Outcome Category of Government Value: **the Percentage of Taxpayer Service Contacts Delivered Through the Electronic Channel**. Some taxpayers have indicated both a willingness and preference to consider using online alternatives for certain tasks, which are the most efficient service options from a government perspective.²⁴⁸ The IRS is striving to make the IRS.gov Web site sufficiently high in value so that it is the first choice for obtaining the information and services needed to comply with tax obligations. As part of the Multi-year Research Portfolio (detailed in Section 8.2.1) and the implementation of the Performance Measures Portfolio, the IRS plans to conduct additional research to establish a goal for the percentage of taxpayer service contacts delivered through the electronic channel. This research will take into account taxpayer needs, preferences, and willingness to use the Web site. Additionally, the TAB Strategic Plan contains a number of improvement initiatives designed to increase the percentage of service contacts delivered through electronic channels.

²⁴³ United States Department of Treasury, Office of Tax Policy, *A Comprehensive Strategy for Reducing the Tax Gap*, September 26, 2006, page 12.

²⁴⁴ For a more detailed discussion of the Guiding Principles, refer to Section 4.0, Guiding Principles.

²⁴⁵ This information is self-reported by the taxpayer or partner via survey.

²⁴⁶ Pacific Consulting Group, *Taxpayer Assistance Blueprint (TAB) Conjoint II Study Topline Report*, September 2006, page 9.

²⁴⁷ Since 1994, the American Customer Satisfaction Index has been a national indicator of customer evaluations of the quality of goods and services available to U.S. residents. It is the only uniform, cross-industry/government measure of customer satisfaction. American Customer Satisfaction Index, Electronic Filers, Internal Revenue Service, Department of Treasury, *Customer Satisfaction Study Final Report*, November 2006, page 3.

²⁴⁸ At least four in ten (42 percent) of TAC users would consider contacting the IRS online to get the desired information. GFK, Roper Public Affairs, IRS Oversight Board Taxpayers' Service Channel Study, Executive Summary, May 23, 2006, Slide 25.

Recognizing that not all taxpayers are willing or able to use electronic channels, the IRS is working to enhance self-assisted services while still maintaining and improving alternative channels.

The following three taxpayer service Performance Measures support the Government Value Outcome Measures:

- **Level of Service:** the relative success rate of taxpayers who seek assistance from a customer service representative. Level of service currently exists within the telephone channel. As part of the Performance Measure Portfolio, the TAB Strategic Plan includes expanding this measure to cover other service delivery channels.
- **Accuracy Percentage:** the percentage of customer inquiries accurately addressed by the IRS within each service delivery channel.
- **Taxpayer Self-Assistance Rate:** the percentage of contacts in the assistance category resolved by taxpayer self-assistance (i.e., automated calls answered plus Internet services completed).

5.4 Next Steps

To support the five Outcome Measures and seven Performance Measures, the TAB Strategic Plan calls for further evaluation and development of additional measures to ensure full assessment of service delivery across channels. Additional measures should supplement the proposed Performance Measures to provide a more comprehensive picture of whether the IRS is successful in improving taxpayer service.

The development of the Performance Measures Portfolio is an integral part of a Multi-year Research Portfolio. As part of the development process, baselines and goals will be established for each of the five Outcome Measures and seven taxpayer service Performance Measures. Current IRS systems present challenges to accurately gathering data to establish baselines and goals. Significant work will be required to overcome these challenges. Once development of the measures is complete, the Performance Measures Portfolio will be validated prior to implementation. As part of the validation process, all of the Performance Measures will undergo an assessment of the cost of implementation to determine whether the benefits derived from the measures justify the cost. Some of the measures within the Performance Measures Portfolio currently exist across one or more channels, and some are new. More than half of the measures require further development based on additional input from ongoing research. Therefore, some measures in the Performance Measures Portfolio may rise in importance, others may fall off, and new measures may be added. The IRS will integrate the Performance Measures Portfolio into its strategic planning and budgeting process to inform the selection of future service improvement initiatives. Investment decisions made during the strategic planning and budgeting process may also affect the Performance Measures Portfolio.

As part of the validation process, the IRS will communicate with the appropriate internal and external stakeholders. Once validated, implementation of the measures will include testing, creating reports for the measures, and communicating new measures to internal and external stakeholders. The individual measures will have recommended goals or targets, and will require ongoing assessment and reporting to determine whether the IRS is successful in improving taxpayer service within the areas of Compliance, Taxpayer and Partner Value, and Government Value.

Service Improvement Portfolio

A primary component of the TAB Strategic Plan for taxpayer service is the Service Improvement Portfolio, which includes currently planned and newly-proposed improvement initiatives for the electronic, telephone, and face-to-face channels. Improvement initiatives unique to Taxpayer Assistance Centers (TACs) are addressed in Section 7 of the report; all other initiatives are detailed in this section.

6.1 Development of Service Improvement Portfolio

Beginning with TAB Phase 1 and continuing into TAB Phase 2, the team actively identified service deficiencies and gathered improvement recommendations from both internal and external stakeholders. The team reviewed numerous reports, including those developed by the National Taxpayer Advocate, the IRS Oversight Board, the Treasury Inspector General for Tax Administration, the Electronic Tax Administration Advisory Committee, the National Public Liaison, and the Internal Revenue Service Advisory Council. In addition, the team held IRS employee and practitioner focus group meetings, reviewed internal strategic planning and assessment documents, and participated in leading practice discussions.

This information-gathering process was designed to ensure the most comprehensive collection of service improvement considerations. Similar types of feedback (e.g., recommended Web site enhancements, requests for additional electronic support tools, etc.) were grouped together in order to identify common improvement themes. The team then reviewed the TAB Guiding Principles in conjunction with the common improvement themes and developed five Service Improvement Categories to serve as the foundation for the Service Improvement Portfolio. The five Service Improvement Categories are as follows:

1. Electronic Interaction Enablement
2. Telephone Service Enhancements
3. Partner Services
4. Outreach and Education
5. Marketing and Promotion

For each of these five categories, the team documented the current state of service delivery and established a future state vision to articulate improvement goals. The team then compared the current state to the future state vision, and looked for gaps between the two. Based on the gaps in each category, the team identified already-planned initiatives and developed new initiatives to improve service delivery.

6.2 Electronic Interaction Enablement

TAB research indicates that taxpayers are increasingly using or expressing a willingness to use the Internet to fulfill their tax obligations. In 2005, 71 percent of North American households accessed the Internet at least once a month, and predictions indicate that this percentage will rise to nearly 80 percent of North American households by 2011.²⁴⁹ The IRS Web site has shown a significant increase in use over recent

²⁴⁹ Forrester Research, Inc., Schadler, T. & Golvin, C. S., *The State of Consumers and Technology: Benchmark Survey 2006*, July 27, 2006, page 2.

years.²⁵⁰ The Electronic Interaction Enablement improvement category is designed to enhance the Web site so that it becomes the first choice of taxpayers and partners for obtaining the information and services they need to comply with their tax obligations.

6.2.1 Electronic Interaction Enablement Current State

From January to April 2006, IRS.gov was the second most visited federal Web site.²⁵¹ During this period, the overall customer satisfaction score for IRS.gov (72.4) was approximately two points higher than the average score for federal agency Web sites (70.3) and three points higher than the previous year (69).²⁵² A Spanish version of the IRS Web site—**Spanish IRS.gov**—is also available, offering basic tax law information, Spanish language forms, and information on the key topics of importance to Limited English Proficiency (LEP) taxpayers. In January, 2007, the IRS deployed a new and improved Spanish IRS.gov that provides the user with a more customer-friendly look and feel. It includes additional information on electronic applications, such as e-file, Free File, and the Earned Income Tax Credit (EITC) Assistant.²⁵³

The IRS Web site offers a range of informational and self-help services. In November 2005, the IRS revamped the Web site to enhance search capabilities and improve access to support tools that help taxpayers and partners.²⁵⁴ Key home page improvements include the following:

- The **Most Requested Forms and Publications** section is designed to help users find their desired form with just one click by highlighting the top five “Most Requested Forms and Publications” across the IRS.gov Web site.
- The **Online Tools** section features several of the most frequently used online tools available on IRS.gov.
- The **“I Need To...”** function gives users quick access to frequently accessed information within a particular content area.

The IRS Web site offers a number of key capabilities, including the following:

Electronic Payment Options: Over the years, the electronic payment program has expanded to offer additional payment methods and features. Taxpayers who file electronically can e-file and e-pay in a single step by authorizing an electronic funds withdrawal or using a credit card. Regardless of how the return is filed, taxpayers can pay by telephone or Internet using the Electronic Federal Tax Payment System (EFTPS) or a credit card. In FY 2006, nearly \$2 trillion of taxes were paid through EFTPS, nearly \$4 billion of taxes were paid through the electronic funds withdrawal option, and over \$1.8 billion of taxes were paid by credit

²⁵⁰ Web visits, Page Views, and Withholding Calculator statistics were secured from WebTrends On-Demand Reporting System, Version 8, secured December 7, 2006. Where’s My Refund data was secured from IRS Joint Operations Center Webpage, IRFOF Daily/Cum Counts Reports for FY 2003 -2006, found under Archived Previous Years Data. On-Line EIN was secured from IRS Joint Operations Center Webpage, EIN Fiscal Years 2005 and 2006 Comparison for data for FY 2004 through FY 2006. FY 2003 data was secured from JOC internal database report located on local drive. FY2006 systemically processed EIN application data was secured from Control D Report, IEB Run, secured January 9, 2007. Transcript Delivery System data was secured from IRS Electronic Tax Administration Webpage, Summary e-Services Daily Report for FY 2004 – FY 2006, <http://eta.hq.irs.gov/eta/inside/Internet%20Development%20Services/e-services/e-services%20documents/e-services%20Daily%20Report.xls>. For additional information, see Section 3.2, Channel and Service Capability.

²⁵¹ comScore Media Metrix, Media Trend Flash Report, January 2006 - April 2006, Government category.

²⁵² American Customer Satisfaction Index (ACSI), *2006 Tax Filing Season, IRS Q1 ACSI Customer Satisfaction Summary*, January 1, 2006-April 18, 2006. American Customer Satisfaction Index (ACSI), *2005 Tax Filing Season, IRS Q1 ACSI Customer Satisfaction Summary*, January 1, 2005-April 15, 2005. Scores reflected on a scale of 1 to 100.

²⁵³ Internal Revenue Service, *IRS Updates Español Web Site*, Headliner Volume 121, April 4, 2005, <http://www.irs.gov/businesses/small/article/0,,id=137813,00.html>. W & I Communications, *Inside the Insider: Español Web page, LSSO Thrives in W&I and M&P Receives Award*, January 22, 2007.

²⁵⁴ Internal Revenue Service, News Release: IR-2005-134 – “Redesigned IRS.gov Improves Service to Taxpayers”.

card.²⁵⁵ In January, 2007, the program further expanded, enabling taxpayers who e-file to electronically schedule Web-based tax payments.

Self-Assist Tools: The IRS continues to expand access to self-assist tools for account and tax law issues. Available self-assist tools include the following:

- The **Internet Employer Identification Number** enables businesses that must register as an entity to apply for and obtain an Employer Identification Number online.
- “**Where’s My Refund?**” enables taxpayers to check the status of their refund online.
- The **Electronic Installment Agreement** enables taxpayers to set up a payment plan online.
- **Tax Trails** enables taxpayers and partners to interactively answer “Yes” or “No” questions to receive an answer to a tax law question.
- The **Alternative Minimum Tax (AMT) Assistant** and **Earned Income Tax Credit (EITC) Assistant** help taxpayers determine whether the AMT and/or EITC apply, and can calculate any associated tax or credit.
- **Calculators**, available in both English and Spanish, facilitate the electronic calculation of some IRS worksheets. These tools, such as the IRS withholding and sales tax deduction calculators, track the numerical values entered by users and then calculate the values for the worksheet.

e-Services: Tax professionals use e-Services—a suite of Web-based products available 24 hours a day, seven days a week—to conduct business with the IRS electronically. These services include an agency-wide registration process, as well as applications for a Preparer Tax Identification Number and for e-filing. In addition, the following e-Services are available for certain e-file providers and Low Income Taxpayer Clinics:

- **Disclosure Authorization** facilitates the electronic filing and acknowledgement of disclosure authorization forms, enabling tax professionals to immediately act on behalf of their clients.
- **Electronic Account Resolution** provides a secure method of electronically corresponding with the IRS to ask about individual or business account problems, complex refund issues, installment agreements, notices, or missing tax payments.
- The **Transcript Delivery System** provides the ability to order and receive transcribed tax return account and income information within seconds.

Subscription Services: Taxpayers and partners can subscribe to informational electronic mailings or notifications to receive information on specific content areas (such as IRS GuideWire, e-News for Tax Professionals, and IRS Tax Tips) via e-mail.

IRS.gov Help Desk: The IRS.gov Help Desk provides assistance in the retrieval of files and forms and navigation of the Web site. This assistance is available by e-mail, telephone, and live chat.

e-Help Desk: The e-Help Desk is a full service support enterprise skilled in providing help desk assistance to users who encounter problems with IRS online services. Live Spanish-speaking assistance is available,

²⁵⁵ Electronic Federal Tax Payment System (EFTPS), *Deposits Received and Processed* (Period ending September 29, 2006 – Actual Volume and Dollars – Fiscal Year End), [http://eta.hq.irs.gov/eta/statistics/Electronic%20Payments%20\(EFTPS\)/2006%20FY%20Electronic%20Payments/2006-09-29-EFTPS.xls](http://eta.hq.irs.gov/eta/statistics/Electronic%20Payments%20(EFTPS)/2006%20FY%20Electronic%20Payments/2006-09-29-EFTPS.xls).

and the e-Help telephone menu can be accessed in Spanish. The e-Help Desk currently supports a number of IRS programs, including e-file, e-Services, and EFTPS.

6.2.2 Electronic Interaction Enablement Initiatives

The future state for Electronic Interaction Enablement envisions the IRS as an interactive and fully integrated, online tax administration agency that conducts business with taxpayers and partners in the most effective and efficient manner. The potential exists for any exchange or transaction that currently occurs face-to-face, over the telephone, or in writing to be completed electronically. Enhancing electronic capabilities will help the IRS migrate taxpayers to the electronic channel for specific service applications. While the use of IRS.gov continues to grow and customer satisfaction results have improved, a number of gaps between the current state and future state vision offer opportunities to maximize the services offered via the electronic channel. Identified gaps and corresponding improvement initiatives are listed as follows.

Electronic Interaction Enablement Gap 1: Web Site Management

A comprehensive process exists for evaluating, costing, and selecting significant project enhancements for the Web site. However, a process to identify funding and make high-level, cross-functional tax administration decisions related to all aspects of managing the Web site does not exist.

| Gap 1: Web Site Management | |
|--|--|
| The IRS has the following <i>currently-planned initiative</i> to address this gap. | |
| <ul style="list-style-type: none"> Services Governance | Provides a governance structure designed to manage and make decisions related to service projects or initiatives. Uses an organized executive forum for addressing and resolving policy and funding issues on service investments. |

Electronic Interaction Enablement Gap 2: Content Management

Web site content is developed by over 250 content owners throughout the IRS, with oversight provided by a number of Content Area Administrators in various business units. Although content format guidance is issued and used by all, the current process results in a lack of continuity and quality control in the actual content that is included on the Web site.

| Gap 2: Content Management | |
|--|---|
| The TAB Strategic Plan includes the following <i>new initiative</i> to address this gap. | |
| <ul style="list-style-type: none"> Enterprise Content Management | Use an enterprise-wide approach to content management that enables dynamic updates to minimize internal processing and maintenance costs, while ensuring that users are accessing the most accurate information. The content management process should have a “single-source owner” to establish clear policies, quality control, and content management while maintaining content decision rights. |

Electronic Interaction Enablement Gap 3: End-to-End Portal and Application Monitoring

Monitoring and troubleshooting of portal and application performance is fragmented and lacks a single-source, end-to-end monitoring and troubleshooting capability.

Gap 3: End-to-End Portal & Application Monitoring

The IRS has the following *currently-planned initiative* to address this gap.

| | |
|--|--|
| <ul style="list-style-type: none"> • IRS Portal Business Strategy | <p>Develops and refines the governance structure and strategies needed to support a new enterprise portal. The implementation of an IRS enterprise portal will provide a single point of access to information, services, and applications for all internal and external IRS user communities. While the views for internal and external users will be personalized based upon the role or group of the end-user, the underlying framework will unify the access to and view of content, regardless of the location of the data.</p> |
|--|--|

In addition, the TAB Strategic Plan includes the following *new initiative* to address this gap.

| | |
|---|---|
| <ul style="list-style-type: none"> • End-to-End Performance Monitoring | <p>Develop a process that expands the current e-Help desk interface into an enterprise-wide, end-to-end performance monitoring and troubleshooting operation. Design a centralized e-performance monitoring and troubleshooting operation utilizing industry best practices to enhance efficiencies, minimize “down time,” and help ensure that the electronic channel is consistently operating at a peak level as taxpayers and partners migrate.</p> |
|---|---|

Electronic Interaction Enablement Gap 4: Web Site Design and Usability

Self-assist tools designed specifically for use by individual taxpayers are often difficult to locate, even if the user is aware of its existence. In addition, there is no comprehensive approach to assessing usability and making associated enhancements.

Gap 4: Web Site Design & Usability

The TAB Strategic Plan includes the following *new initiative* to address this gap.

| | |
|--|--|
| <ul style="list-style-type: none"> • Web Site Design & Usability Strategy | <p>Develop a comprehensive strategy that includes implementation of usability labs iteratively throughout the Web development lifecycle. Continue to enhance the design of the Web site to improve ease in locating needed information and content management efforts, simplifying the overall user experience. Conduct usability studies with a particular focus on individual taxpayer segments identified as likely to use or migrate to the electronic channel, and their use of self-assist tools. Drive improvements to content design to maximize the ability of taxpayers and partners to receive requested information and services on the first try.</p> |
|--|--|

Electronic Interaction Enablement Gap 5: Online Support Tools

There are relatively few support tools and calculators available online for taxpayer and partner use, and currently-available tax law tools need enhancements to improve usability. There is a significant lack of account-related decision support tools available to taxpayers, and none are available in Spanish. Spanish is the most common language other than English, with 32 million speakers. Almost half of all Spanish speakers, approximately 15 million, reported they spoke English less than “very well”.²⁵⁶ The IRS offers a Spanish language Web site²⁵⁷ as part of its efforts to provide bilingual assistance through multiple channels, including telephone and face-to-face assistance.

²⁵⁶ U.S. Census Bureau, 2005 American Community Survey, Table B16001, Language Spoken at Home by Ability to Speak English for the Population five years and older.

²⁵⁷ <http://www.irs.gov/Espanol>.

| Gap 5: Online Support Tools | |
|---|---|
| The IRS has the following <i>currently-planned initiatives</i> to address this gap. | |
| <ul style="list-style-type: none"> Internet Customer Account Services (I-CAS) | Provides taxpayers with direct access to account information and services through a secure suite of Internet applications. The first phase will provide access to account and return transcript information. In the second phase, taxpayers will be able to submit electronic versions of the Change of Address, Disclosure Authorization, and Extension to File forms. |
| <ul style="list-style-type: none"> e-Services Improvements | Delivers improvements based on feedback received from registered users and IRS employees that prioritizes the top usability issues. Areas of improvement include user navigation, communications, formatting and consistency in the “look & feel” of the applications, and password management. |
| <ul style="list-style-type: none"> Electronic Payment Enhancements | Enables taxpayers to have more electronic options for fulfilling federal tax obligations. In 2008, new payment options will include expansion to enable taxpayers to make a one-time payment without enrolling in EFTPS. |
| In addition, the TAB Strategic Plan includes the following <i>new initiatives</i> to address this gap. | |
| <ul style="list-style-type: none"> Spanish “Where’s My Refund?” and I-CAS | Enhance the service offerings on the Spanish Web site by adding the capability for Spanish-speaking taxpayers to check refund status and receive account information. |
| <ul style="list-style-type: none"> Tax Law Support Tools and Calculators | Develop a common set of support tools in English and Spanish to maximize use by taxpayers, partners, and IRS employees. Enable users to conduct key word and natural language queries and interactively receive answers to tax law questions. Develop support tools for select tax law topics based on identified inadvertent error trends. |
| <ul style="list-style-type: none"> I-CAS Platform | Use I-CAS as a platform for making continued capability enhancements to augment planned account access functionality upgrades. Future capabilities could include explanation of account issues, movement of payments, and issue diagnostics and resolution. |

Electronic Interaction Enablement Gap 6: Publication Search Capability

All publications on the Web site are available in PDF form, making them cumbersome to search and maneuver for the average user.

| Gap 6: Publication Search Capability | |
|---|---|
| The TAB Strategic Plan includes the following <i>new initiative</i> to address this gap. | |
| <ul style="list-style-type: none"> Publication Search Capability | Add publications to the Web site in a format that makes them readily searchable by the average user, enabling more effective and dynamic searches of publications online. Add search instructions as the publications are accessed, in a fashion similar to the currently-available file format explanations. |

Electronic Interaction Enablement Gap 7: Frequently Asked Questions (FAQ)

There is no process in place to evaluate FAQ usage, or to develop process improvements that proactively target service delivery based on the volume of FAQ viewings.

Gap 7: Frequently Asked Questions (FAQ)

The TAB Strategic Plan includes the following *new initiative* to address this gap.

- FAQ Evaluation

Use best practice technologies to monitor and assess FAQ use (i.e. what types of questions are being reviewed most frequently). Leverage this information to anticipate needs and improve service offerings.

Electronic Interaction Enablement Gap 8: Authentication for Account-Related Tools

Account-related self-help tools have different requirements for verifying the identity of the user, resulting in increased taxpayer burden.

Gap 8: Authentication for Account-Related Tools

The TAB Strategic Plan includes the following *new initiative* to address this gap.

- Authentication Strategy

Develop an authentication strategy that enables all users to perform account-related services by logging in to the Web site once. Decrease the time burden to use multiple account-related online tools while protecting taxpayer privacy.

Both the currently-planned and newly-developed initiatives for Electronic Interaction Enablement will help the IRS realize the future state vision for the electronic channel.

6.3 Telephone Service Enhancements

Over 61 million total service contacts were answered via the telephone channel in FY 2005.²⁵⁸ Research indicates that the majority of taxpayers report an unqualified preference²⁵⁹ for the telephone channel for all services tasks except receiving tax forms and publications.²⁶⁰ Recognizing the significant role that the telephone channel continues to play in service delivery, the Telephone Service Enhancement improvement category is designed to improve efficiencies and enhance technologies to maximize the user experience on the telephone channel.

6.3.1 Telephone Service Enhancements Current State

The IRS currently offers self-assisted (automated) and assisted services via the telephone. Users can obtain tax law and account-related information by using automated menu options available in English and Spanish. Assisted service is also available in English and Spanish for a broad range of tax law, account, and procedural inquiries—including form and publication ordering. In FY 2005, over 26 million²⁶¹ calls from individuals were handled by live assistors. Of those answered, almost two million were Spanish calls.²⁶² In

²⁵⁸ In FY 2005, the total number of Assistor Calls Answered was 33,380,782 and the total number of Automated Calls was 25,717,988. Internal Revenue Service, Customer Account Services, (CAS) CAS Toll-Free Performance – Fiscal Year 2005, October 1, 2004 through September 30, 2005. The total number of Forms Calls was 2, 249,736. Internal Revenue Service, Enterprise Performance, Snapshot Report, Product Line Detail, Week Ending September 30, 2005. The total of these three call types equals 61,348,506.

²⁵⁹ Unqualified preference refers to those service channels taxpayers say they would use to accomplish a given task without supplemental guidance while responding. See Section 2.6.1.

²⁶⁰ Internal Revenue Service Oversight Board, Taxpayer Customer Service and Channel Preference Survey, April 2006, questions 13 and 14.

²⁶¹ There were 26,653,794 individual calls answered. Internal Revenue Service, Enterprise Telephone Database, SQL Query of Calls Answered Against All Customer Accounts Services Individual Master File applications (without regard to product line).

²⁶² Spanish calls answered totaled 1,897,878. Internal Revenue Service, Enterprise Telephone Database. SQL Query of Calls Answered Against All Customer Account Services Spanish Applications (without regard to product line).

addition, over 25 million²⁶³ automated calls from individuals were handled via the telephone channel. The IRS maintains the internal Joint Operation Center (JOC), which provides comprehensive, end-to-end monitoring, forecasting and scheduling, technical support, troubleshooting, and problem resolution for the large, highly complex IRS call center environment.

The IRS continues to make improvements to the call center infrastructure and call routing technologies. The recently implemented Enterprise Queuing technology enhancement directs callers to the first available, appropriately skilled assistor regardless of location, in the order that the call was received. The IRS also implemented Contact Recording in its call centers to support ongoing quality improvement initiatives. Contact recording is an application that records incoming telephone and face-to-face (TAC) contacts, as well as the related computer screen activity that takes place during the contact, to allow subsequent review by management. Managers and quality reviewers use the customer contact information to ensure the accuracy of information provided, evaluate IRS employee performance, and make improvements to job aids. Enhanced monitoring of service delivery enables improved collection of measures, supports IRS employee development, and enables focused improvements in service delivery.

The IRS developed the “IRS Contact Center Environment Roadmap to the Future”²⁶⁴ to serve as the strategic and tactical planning guide for the IRS Contact Center Environment. The purpose of the Roadmap is to translate the established strategic direction into a cohesive set of Contact Center technology solutions.

6.3.2 Telephone Service Enhancement Initiatives

Currently, the IRS Call Center Environment is focused primarily on handling telephone call volume that results in either automated or assisted service. The future state vision calls for a total Contact Center Environment where all service contacts, regardless of channel used (i.e., telephone, internet, or mail) will be centrally managed and distributed in an integrated, enterprise-wide manner. The traditional telephone assistor will work in a more blended environment, responding not only to telephone inquiries but to all inquiries, regardless of how a contact is initiated. This integrated quality and performance management environment will facilitate the evaluation of measures related to an end-to-end customer experience. Enhancements to telephone services will help the IRS migrate willing taxpayers and partners to assisted interactive and self-assisted transactional services in the telephone channel.

While the IRS has made substantial enhancements in recent years to telephone service delivery, a gap between the current state and future state vision offers opportunities for further improvement. The identified gap and corresponding improvement initiatives are listed as follows.

Telephone Service Enhancement Gap 1: Telephone Technology

The IRS needs additional tools and technologies to build the contact center infrastructure and maximize the efficiency and effectiveness of telephone service delivery.

²⁶³ 25,717,988 automated calls were completed. Customer Account Services (CAS), *CAS Toll-Free Performance - Fiscal Year 2005*, October 01, 2004 through September 30, 2005.

²⁶⁴ Internal Revenue Service, Joint Operations Center (JOC) Contact Center Strategy and Architecture, *The IRS Contact Center Environment: The Roadmap to the Future*, July 31, 2006.

Gap 1: Telephone Technology

The IRS has the following *currently-planned initiatives* to address this gap.

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|---|--|
| <ul style="list-style-type: none"> Centralized Customer Contact Forecasting and Scheduling | Provides centralized forecasting and scheduling to support the contact centers, modernizing the current system of workload forecasting, staff scheduling, and tracking of assistor workload and training requirements. |
| <ul style="list-style-type: none"> Accounts Management Services | Enables authorized users (initially IRS assistors) to more effectively resolve customer issues by providing capabilities to view and update complete and timely taxpayer account and case information through a common user interface. |

In addition, the TAB Strategic Plan includes the following *new initiatives* to address this gap.

- | | |
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| <ul style="list-style-type: none"> Authentication Retention | Enable automatic identification over the telephone for account-related callers by verification of specific shared secrets. Increase taxpayer value through ease in authentication and lack of repetition, as a caller’s authentication information and contact history is made readily available to the assistor. |
| <ul style="list-style-type: none"> Enterprise Management of Inventory | Provide centralized management and distribution of scanned correspondence (e-paper), facilitating a more efficient process for managing and responding to taxpayer correspondence. |
| <ul style="list-style-type: none"> Natural Language | Enable taxpayers using the telephone channel to navigate automated voice menus using voice response. Allow taxpayers to identify by voice the specific reason for the interaction without having to listen to and select from a list of options. Enable taxpayers using the electronic channel to transcribe questions on the Web site in natural language. Use natural language capabilities on both channels to facilitate self-assisted responses and issue-based routing of contacts. |
| <ul style="list-style-type: none"> Contact Analytics | Expand the utility of management information systems by taking advantage of the data capture capabilities of rapidly evolving technologies for recording, storing, and analyzing every element of a taxpayer’s experience during a service encounter. Include an “audio mining” ²⁶⁵ capability that enables the analysis of all voice information captured through contact recording. Capture more and better data around the service experience to improve understanding of service levels and potential enhancements. |
| <ul style="list-style-type: none"> Language Preference Indicator | Facilitate the capturing of the taxpayer’s language preference at the earliest stage in the tax filing lifecycle for use in future interactions within the contact center environment. Increase taxpayer value by better equipping the IRS for future service interactions requiring languages other than English. |
| <ul style="list-style-type: none"> Over-the-Phone Interpreter Service | Provide access to multiple language interpreters via the telephone channel (at present, assisted services are available to those who speak English or Spanish). Make assisted services available in additional languages to meet the changing language needs of taxpayers. |
| <ul style="list-style-type: none"> Video Relay Service | Provide access to a video-based telephone service for taxpayers who have difficulty hearing or speaking on the telephone, enabling them to communicate using sign language to a third party for translation. |
| <ul style="list-style-type: none"> Estimated Wait Time Message | Provide a real-time message that informs taxpayers about their expected wait time in queue, allowing them to make more informed decisions based on the status of their call. |

²⁶⁵ Audio Mining, which is also referred to as speech recognition, represents a set of technologies that can automatically transcribe audio tracks to searchable text. References can be associated with the transcribed text such that when a search is performed, a user can then display that particular segment of a movie or listen to a portion of an audio track that correlates to the search results. Enterprise Content Management (ECM) Association <http://www.aiim.org/emtag.asp?ID=29547>, March 23, 2005.

| Gap 1: Telephone Technology | |
|---|--|
| <ul style="list-style-type: none"> Enterprise Case Management | Facilitate the linking and centralized routing of all contacts received by telephone and e-paper to agents with pre-identified skill sets. Use a centralized “routing manager” to automate the shifting of agents between telephone and e-paper workload, improving efficiencies and enhancing the timeliness of responses. |
| <ul style="list-style-type: none"> Agent & Skill-based Routing | Enhance existing capabilities to enable the routing of an incoming call to a specific assistor based on the individual’s unique skill combinations instead of routing a call to a queue, or generic “agent group”. Minimize wait times for taxpayers by routing a caller to the assistor most skilled to answer their question. |
| <ul style="list-style-type: none"> Issue-based Routing | Facilitate improvements in first contact resolution by enabling the routing of an incoming call according to a three- or four-digit code that is cross-indexed to a line item on a tax return. Use two sets of identifiers—one set for routing pre-filing (tax law) and another for routing post-filing (refund and account services) questions. Use the unique identifier and the Taxpayer Identification Number as the key data elements to route calls to the appropriately skilled assistor, caseworker, or automated application. |

Both the currently-planned and newly developed initiatives for Telephone Service Enhancement will help the IRS realize the future state vision for the telephone channel.

6.4 Partner Services

The IRS provides assistance to third party partners who help taxpayers understand and meet their tax obligations. IRS partners include tax practitioners, commercial preparers, community-based partners, and return preparation software vendors. Currently, more than 85 percent of individual taxpayers utilize practitioners, volunteers, or return preparation software to prepare tax returns.²⁶⁶ IRS support to partners focuses on improving the quality of tax return preparation, increasing the number of e-filed returns, and expanding opportunities to deliver account services to taxpayers.

6.4.1 Partner Services Current State

IRS partners provide a range of tax administration services, and can reach taxpayers who present unique challenges in using traditional IRS service channels. Special populations such as low income, LEP, disabled, and elderly taxpayers are frequently targeted by partners for various services. Partners typically provide their services as a result of trusted relationships and existing means of communication and delivery capabilities. The support that the IRS provides differs from partner to partner, and is dependent upon partner needs and service options. As a result, the IRS has several functional areas that currently provide assistance and support to the different types of partners.²⁶⁷

Tax Practitioners and Commercial Preparers

The IRS has developed a number of research and educational tools designed specifically for use by the tax professional community, such as Tax Talk Today, the Practitioner Priority Services, and the Disaster Relief Resource Center. The IRS also works with payroll groups, practitioner groups, and industry organizations to deliver key information through various events. These events assist and improve the effective delivery of

²⁶⁶ Internal Revenue Service, Electronic Tax Administration Marketing Database, Tax Year 2005. For additional detail, refer to Figure 2-4: Tax Year 2005 Tax Preparation Method.

²⁶⁷ Reference Appendix 6.0, IRS Functional Areas that Support Partners, for more detail.

tax law guidance, account assistance, and return preparation. In FY 2006, the IRS delivered over 2,100 practitioner events with over 190,000 direct participants.²⁶⁸ Such events include the following:

- **Nationwide Tax Forums** involve a joint effort between the IRS and select IRS stakeholders. The forums offer current information on tax law, compliance, ethics, and a range of other tax administration topics. Attendees from the tax professional community participate in numerous seminar presentations and workshops and earn Continued Professional Education (CPE) credits.
- **Tax Practitioner Institutes** are sponsored by state universities and community colleges in partnership with the IRS to deliver CPE credits to the tax professional community at reasonable cost. Instruction is generally provided by college professors, tax professionals, and IRS personnel. Each year, an online toolkit is developed to provide background information and presentation materials on key messages.
- **Small Business Workshops** are designed to help the small business owner understand and fulfill federal tax responsibilities. Workshop topics vary from a general overview of taxes to more specific topics, such as recordkeeping and retirement plans.
- **The Tax Talk Today** monthly web casts provide ongoing education and information for tax practitioners, who may receive CPE credits for viewing the programs. The IRS selects content based on input from the practitioner community and leads the production team of the series.
- **Practitioner Priority Services (PPS)** is a telephone service offered to practitioners needing assistance handling account-related issues for their clients. PPS allows callers to be routed to the next available agent regardless of their geographic location, which reduces wait time for service.
- **The Disaster Relief Resource Center for Tax Professionals** on IRS.gov was developed in response to recent natural disasters, which caused many payroll and practitioner businesses and their clients to suffer significant losses. This site addresses questions received from tax professionals, and publishes pertinent IRS information.

Community-based Partners

The IRS helps to address individual taxpayer needs through the development and support of partnerships with national and local organizations—including corporate, faith-based, non-profit, educational, financial, public service, and government bodies. The current IRS Stakeholder Partnerships, Education, and Communication (SPEC) business model incorporates an indirect approach to community outreach, tax return preparation assistance, financial literacy, and asset building. The model emphasizes collaboration with organizations that have shared service objectives and the ability to reach targeted special populations. The majority of community-based partners and coalitions serve the low income, LEP, disabled, elderly, rural, and Native American populations. The IRS provides coalition building support, education, and tax return preparation support for community-based partners.

- **Coalition Building Support** facilitates the development of alliances between organizations with common interests and a shared commitment to the overall goal of assisting targeted special populations. With the coordination of existing services, leveraging available resources, and the collaboration of community organizations, IRS partners provide assistance to millions of taxpayers who are either

²⁶⁸ Excel document “TAB Statistics” compiled using CLD/Stakeholder Liaison monthly reports, January 8, 2007. The number of participants was 190,111 and the number of events was 2,109.

unwilling or unable to utilize other IRS services. The IRS has worked with community-based partners to build over 300 coalitions, representing thousands of local organizations.²⁶⁹

- **Education** is provided through products, electronic resources, research data, and toolkits²⁷⁰ that support partners in return preparation and financial literacy activities. Using research that identifies demographics such as age, income levels, ethnicity, language, and family size in specific geographic areas, SPEC has developed numerous initiatives to improve taxpayer education, volunteer return preparation, and assistance services to targeted special populations.
- **Tax Return Preparation Support** is provided through training, tax preparation software, and computer equipment to organizations that offer free tax return preparation for special populations. During the 2006 filing season, the number of Volunteer Return Preparation Program (VRPP) sites totaled over 12,000, with over 68,000 volunteers.²⁷¹ SPEC partners filed approximately 2.26 million²⁷² tax returns, of which approximately 83 percent²⁷³ were e-filed. As the business model has evolved, the number of sites has declined. Resources have been consolidated for greater operational capacity, including an increase in the days and hours of availability to taxpayers.

Other Partnering Efforts and Initiatives

SPEC has developed over 60²⁷⁴ national partnerships with educational institutions, volunteer and community organizations, large employers, financial institutions, and governmental agencies that support both the growth and the continuing efforts of local community coalitions in outreach, education, free income tax preparation, and financial literacy. Examples of partnering efforts with community-based organizations and governmental agencies include:

- **One-Stop Service:** In an effort to expand the concept of multiple service offerings—such as food stamps and housing assistance—available in year round locations, the IRS partners with the Office of One-Stop Operations and the National Association of Workforce Boards to expand the use of One-Stops for outreach and Volunteer Income Tax Assistance (VITA). There are currently 1,800 One-Stop Centers²⁷⁵ nationwide. These centers, organized and administered locally with multi-agency federal funding, serve as central points of contact for both job seekers and employers.
- **Asset-Building:** As part of a commitment to asset-building at free tax preparation sites, the IRS is working with the U.S. Department of the Treasury's Go Direct campaign to encourage taxpayers who receive Social Security or Supplemental Security Income to sign up for direct deposit.
- **Armed Forces Tax Council (AFTC):** The IRS partners with AFTC, which consists of the Army, Navy, Air Force, Marine Corps, and Coast Guard. The purpose of the AFTC is to coordinate matters

²⁶⁹ Internal Revenue Service, Stakeholder Partnership, Education and Communication (SPEC) Taxpayer Assistance Reporting System (STARS), January 29, 2007. STARS is the management information system used to maintain data for SPEC partners, Volunteer Return Preparation Program (VRPP) sites, and computer equipment loaned to partners. The system is also used to order tax preparation software for the VRPP and to capture production data for Outreach.

²⁷⁰ Reference Appendix 6.0, Training & Toolkits Available to Partners, for additional detail.

²⁷¹ Internal Revenue Service, Stakeholder Partnership, Education and Communication (SPEC) Taxpayer Assistance Reporting System (STARS), *SPEC Returns Prepared/Site Data/Volunteers/Outreach*, January 30, 2006.

²⁷² Internal Revenue Service, Electronic Tax Administration Marketing Database, ETA 1541 Report for Electronic Returns, October 1, 2006. Report of Verification of IMF Returns, Cycle 200640, February 7, 2007.

²⁷³ Internal Revenue Service, Stakeholder Partnership, Education and Communication (SPEC) Taxpayer Assistance Reporting System (STARS), *SPEC Returns Prepared/Site Data/Volunteers/Outreach*, January 30, 2006.

²⁷⁴ Internal Revenue Service, Stakeholder Partnership, Education and Communication (SPEC), Product and Partnership Development (P&PD), National Partner Assessment Tool (NPAT), January 11, 2007. Reference Appendix 6.0, SPEC National Partner List, for additional detail.

²⁷⁵ One Stop Centers Locator. US Department of Labor, Employment & Training Administration, <http://www.doleta.gov/usworkforce/onestop/onestopmap.cfm>, January 10, 2007.

affecting federal, state, local, and foreign tax liabilities of the members of the Armed Forces, as well as the related obligations of the military departments as employers. In 2006, the military VITA program supported 381²⁷⁶ domestic and international sites and filed approximately 350,000 tax returns, of which approximately 320,000 were filed electronically.²⁷⁷ In addition, numerous outreach campaigns are targeted to the military population to address their unique issues and needs.

- **The Tax Counseling for the Elderly (TCE) Program:** TCE provides free tax counseling and basic income tax return preparation to people age 60 and older through IRS grants to non-profit organizations. In 2006, the American Association of Retired Persons (AARP) and 59 other organizations received approximately \$4 million²⁷⁸ in grant monies to support this initiative. The AARP Tax-Aide program provides free assistance to low and middle income taxpayers, with a focus on those age 60 and older.²⁷⁹ During the 2006 filing season, Tax-Aid operated approximately 7,400 sites and used more than 32,000 volunteers to assist millions of taxpayers.²⁸⁰
- **Targeted Return Preparation for LEP Communities:** Throughout the more than 12,000 VITA and TCE sites,²⁸¹ volunteers offer tax preparation assistance in many different languages, including: Spanish, Chinese, Vietnamese, Japanese, Arabic, Mandarin, Samoan, Chukese, Ilocano, Korean, Hmong, Ukrainian, Albanian, Bengali, Creole, Cantonese, Tagalog, Native Alaskan, Hindi, Urdu, Russian, and Turkish.²⁸² One-day events for free tax return preparation are also held to serve non-English speaking communities.

Federal and State Partners

The IRS partners with federal, state, and local governments to improve services and enforcement through a data exchange program, the support of strategic priorities, and relationships with local congressional offices in every state.

- **Through the Fed/State program,** the IRS coordinates data exchange, outreach, and partnering activities with state and local governments. The state Revenue Agent Report steering committee improves the IRS's exchange of exam report data with States. The Questionable Employment Tax Practices team enhances the IRS's working relationship with state employment tax agencies. In addition, the E-Lien team works with state partners to improve lien processing. The outreach to state agencies is limited to disseminating information on the tax gap strategy and more recently, attempting to coordinate state and federal Earned Income Tax days.
- **Through the Fed/Fed program,** the IRS coordinates data exchange, outreach, and partnering activities with other federal agencies. The Office of Governmental Liaison is developing a strategy to formalize the cross-functional coordination of the IRS's Fed/Fed Program. The purpose of this strategy is to facilitate the establishment of new relationships between the IRS and other federal agencies.
- **The Congressional Affairs Program Council** was formed to improve the IRS's working relationship with Congressional offices. It consists of members from Legislative Affairs and Governmental Liaison,

²⁷⁶ Internal Revenue Service, Stakeholder Partnership, Education and Communication (SPEC) Taxpayer Assistance Reporting System (STARS), *FY2006 Sites Report*, February 7, 2007.

²⁷⁷ Internal Revenue Service, Electronic Tax Administration Marketing Database, ETA 1541 Report for Electronic Returns, October 1, 2006. Report of Verification of IMF Returns, Cycle 200640, February 7, 2007.

²⁷⁸ Transportation, Treasury, Housing and Urban Development, the Judiciary, the District of Columbia and Independent Agencies Appropriations Act, 2006, H.R. 3058, Pub. L. No. 109-115, November 30, 2005. <http://thomas.loc.gov/cgi-bin/query/z?c109:H.R.3058>.

²⁷⁹ <http://www.aarp.org/money/taxaide/volunteertaxaide/a2004-01-22-volunteerwithtaxaide.html>, December 8, 2006.

²⁸⁰ Department of Treasury, *Tax Counseling for the Elderly Report Monthly/Final Program Report*, December 28, 2006.

²⁸¹ Internal Revenue Service, Stakeholder Partnership, Education and Communication (SPEC) Taxpayer Assistance Reporting System (STARS), *SPEC Returns Prepared/Site Data/Volunteers/Outreach*, January 30, 2006.

²⁸² The National Taxpayer Advocate's *2006 Annual Report to Congress*, <http://www.irs.gov/advocate/article/0,,id=165806,00.html>, January 9, 2007, page 348.

and searches for new and improved ways of getting information to Congressional offices. The Congressional Update is a newsletter issued quarterly to inform congressional offices of the latest IRS efforts around compliance, how to assist their constituents with IRS issues, and how to navigate the IRS Web site.

Return Preparation Software Vendors

Return preparation software vendors primarily provide self-assisted electronic return preparation support and tax law assistance. The IRS currently provides support to these vendors through the Electronic Tax Administration's National Account Management program, which does the following:

- Works with organizations that represent industries involved with electronic tax administration (including the Council for Electronic Revenue Communication Advancement (CERCA) and the National Association of Computerized Tax Processors), generally assisting them in obtaining IRS speakers for their conferences. This program responds regularly to requests from software vendors on actions the IRS is considering that may have an impact on tax filing software.
- Administers the Free File consortium, a public-private partnership agreement between the IRS and the Free File Alliance (a group of tax software companies managed by CERCA), to bring free online tax preparation and electronic filing to at least 70 percent²⁸³ of American taxpayers. In order to qualify for an Alliance member's free offering, taxpayers must access these services through the IRS's Web site and meet Free File Alliance member eligibility criteria posted on the Free File pages within IRS.gov.
- Works with the reporting agents in the Reporting Agents Forum. This program organizes the annual Software Developers Conference, which targets software developers for individuals, tax preparers, and payroll, corporate, partnership, and tax exempt entities. The purpose of the conference is to give industry the opportunity to receive proactive communications from the IRS regarding its plans in electronic tax administration. This enables companies to make updates to their software products in preparation for the next tax filing season.

6.4.2 Partner Services Initiatives

Partners play a significant role in increasing access to taxpayer services, particularly for special populations. Therefore, the IRS should offer a greater range of support services based on a better understanding of their service needs, preferences, and behaviors. The future state vision for Partner Services calls for increasing the scope and sustainability of the services provided by partners with IRS support.

While the support the IRS provides to partners continues to grow and expand, a number of gaps between the current state and future state vision offer opportunities for improvement. Identified gaps and corresponding improvement initiatives are listed as follows.

Partner Services Gap 1: Training and Resources

Despite the broad range of services offered to community-based partners, partners want and expect more support in the areas of training and identification of financial and technical resources.

²⁸³ Internal Revenue Service, News Release IR-2006-187, December 5, 2006, <http://www.irs.gov/newsroom/article/0,,id=164711,00.html>, January 10, 2007.

| Gap 1: Training and Resources | |
|---|--|
| The IRS has the following <i>currently-planned initiative</i> to address this gap. | |
| <ul style="list-style-type: none"> • Communication with Software Vendors | Provides additional structure to the software developer relationship, such as developing additional regular, periodic electronic communications and discussion forums. |
| In addition, the TAB Strategic Plan includes the following <i>new initiatives</i> to address this gap. | |
| <ul style="list-style-type: none"> • VRPP Training Program | Expand VRPP training to include a quality process and embedded decision tools and analytics. |
| <ul style="list-style-type: none"> • Scope and Sustainability Strategy | Refine strategies to assist partners in achieving increased scope and sustainability through multiple resources. |
| <ul style="list-style-type: none"> • Online Interactive Training | Continue development of online interactive training resources based on partner needs, preferences, and behaviors. |
| <ul style="list-style-type: none"> • Partner Pages on IRS.gov | Ensure that the partner pages on IRS.gov include best practices and references and links to financial and technical resources. |
| <ul style="list-style-type: none"> • Partner Services Research Plan | <p>Conduct research studies²⁸⁴ that provide the information necessary to enhance the understanding of partner needs in order to develop plans to best support those needs. Design research to answer the following questions:</p> <ul style="list-style-type: none"> • What specific training support do partners need to improve the quality of VRPP programs? • How can the IRS best facilitate coalition building? • How can the IRS effectively support partners in the efforts to improve service delivery capacity and efficiency? |

Partner Services Gap 2: Tax Practitioner/Commercial Preparer and Community-based Partner Collaboration

The IRS can work to improve collaboration between tax practitioners, commercial preparers, and community-based partners.

| Gap 2: Tax Practitioner/Commercial Preparer and Community-based Partner Collaboration | |
|--|--|
| The TAB Strategic Plan includes the following <i>new initiatives</i> to address this gap. | |
| <ul style="list-style-type: none"> • Collaboration Strategy | Develop a strategy to achieve greater collaboration between tax practitioners, commercial preparers, and community-based partners in serving taxpayers. Include marketing to practitioners of CPE credits for teaching VRPP courses. Explore opportunities to bring partners together for training sessions and recognition events. Explore opportunities to have tax practitioners and commercial preparers act as a tax law resource, and potentially support volunteer sites. |

Partner Services Gap 3: Electronic and Telephone Resources

Online and telephone resources can be improved so that they are easy to locate, consistently well-organized, and effectively marketed for community-based partners or practitioners.

²⁸⁴ These studies are included as part of the Multi-year Research Portfolio in Section 8.2.1, Future Research Efforts.

Gap 3: Electronic and Telephone Resources

The TAB Strategic Plan includes the following *new initiatives* to address this gap.

| | |
|--|---|
| • Electronic Platform | Develop a single partner point-of-entry platform to improve access to services, forms and publications, additional training modules, electronic applications, and toolkits. |
| • Practitioner Telephone and Electronic Services | Strengthen and market practitioner telephone and electronic service offerings. |
| • Access to Electronic Resources | Expand access to online support and service offerings, including access to e-services for qualified organizations (similar to Low Income Taxpayer Clinics). Improve access and organization of resources available on the partner pages of IRS.gov and market availability. |
| • Usability Studies | Conduct usability studies on the partner services page and adjust as needed. |

Partner Services Gap 4: Community Coalition Support

There is a need for increased support for community coalitions to broaden the portfolio of tax administration services offered.

Gap 4: Community Coalition Support

The TAB Strategic Plan includes the following *new initiatives* to address this gap.

| | |
|--|---|
| • Partner Initiatives and Participation Baseline | Catalog existing national and local initiatives and current participation to identify opportunities for service growth and improved delivery efficiencies. |
| • Broader Offering of Services | Leverage growth opportunities and potential efficiencies identified using the baseline. Develop a plan to strengthen the support of community coalitions in efforts to broaden their portfolio of services offered to targeted populations. |

Partner Services Gap 5: Coordination with Federal Agencies

There is a lack of consistent Service-wide coordination of the many IRS initiatives and relationships with other federal agencies.

Gap 5: Coordination with Federal Agencies

The IRS has the following *currently-planned initiative* to address this gap.

| | |
|-------------------|---|
| • Fed/Fed Program | Develops a strategy to facilitate the establishment of new relationships between the IRS and other federal agencies and to formalize the IRS's Fed/Fed program. |
|-------------------|---|

Both the currently-planned and newly-developed initiatives for Partner Services will help the IRS realize the future state vision of service delivery in this category.

6.5 Outreach and Education

The IRS currently delivers extensive outreach programs targeted to the needs of special populations. Outreach, defined as “the extending of services or assistance beyond current or usual limits,”²⁸⁵ provides a means by which the IRS can share information and educate the public. Education of IRS employees is

²⁸⁵ www.m-w.com – Merriam-Webster’s Online Dictionary, December 6, 2006.

critical to successful delivery of quality taxpayer service programs. During TAB employee focus group meetings, employees throughout the IRS consistently pointed to the need for improved IRS employee training and expanded outreach and taxpayer training efforts. Improvements for outreach and education focus on enhancing outreach to targeted populations and maximizing opportunities to educate IRS employees and individual taxpayers.

6.5.1 Outreach and Education Current State

Traditionally, the IRS considers outreach and education as a single program. For the purposes of the Blueprint, the current state of outreach and the current state of education were analyzed and addressed separately in order to more clearly delineate gaps and initiatives.

Outreach Current State

To aid in the dissemination of information and educational resources, the IRS has developed several initiatives and partnering efforts that utilize both direct and indirect delivery methods. Direct outreach is the delivery of information directly from the IRS to taxpayers and partners as the primary audience. Indirect outreach employs partners to disseminate information to taxpayers. These services are offered to IRS partners—including tax practitioners, commercial preparers, community-based partners, and return preparation software vendors. Outreach and support is provided by several functional areas within the IRS, each serving a different audience.²⁸⁶

In FY 2006, SPEC employed demographic research findings to develop initiatives for improving taxpayer education and outreach to targeted market segments, such as the low income, LEP, disabled, elderly, rural, and Native American populations. Through these outreach efforts, almost 86 million taxpayer contacts were made in FY 2005, and over 110 million contacts were made in FY 2006 through non-media channels.²⁸⁷ There were approximately 220 million taxpayer contacts in FY 2005 and more than 280 million in FY 2006 through media channels.²⁸⁸ Non-media outreach events include mailings, seminars, meetings, and other non-media avenues where tax educational information is shared. Media events include, but are not limited to, newspaper articles, television appearances, and radio show interviews. Outreach efforts and initiatives include the following:

- **National Partners:** SPEC works with educational institutions, volunteer and community organizations, large employers, financial institutions, and governmental agencies to develop partnerships that support the continuing efforts of local community coalitions in education, outreach and free income tax preparations to special populations.²⁸⁹ In addition, the IRS is a member of the National EITC Outreach Partnership,²⁹⁰ which is a collaboration of national organizations working together to promote the EITC.

²⁸⁶ Reference Appendix 6.0, IRS Functional Areas that Support Partners, for more detail.

²⁸⁷ Internal Revenue Service, Stakeholder Partnership, Education and Communication (SPEC) Taxpayer Assistance Reporting System (STARS), FY2006 Sites Report Printed February 7, 2007. The number of non-media taxpayer contacts is calculated by the number of taxpayers in the targeted population that actually receive publications or attend the outreach events.

²⁸⁸ *Ibid.* The number of media taxpayer contacts is calculated by the number of taxpayers in the targeted population that actually see or hear a broadcast or read a publication. Arbitral ratings and circulation numbers are obtained from the media source and applied against the targeted demographic population to get the number of taxpayers reached.

²⁸⁹ Reference Appendix 6.0, SPEC National Partner List, for additional detail.

²⁹⁰ Reference Appendix 6.0, National EITC Outreach Partnership, for more detail.

- **Rural Initiative:** The Rural Initiative focuses on building alliances with groups that have extensive pre-existing infrastructures and knowledge to reach rural populations. SPEC is working with rural community-based organizations and major foundations that support rural activities to increase the existing network of grantees adopting rural strategy initiatives and provide funding for newly identified rural organizations. For example, SPEC is partnering with the W.K. Kellogg Foundation, the largest philanthropic organization to fund rural activities in the U.S., to bring the Rural Strategy to national scale. This partnership will provide significant financial and technological resources to seven of the poorest rural states.
- **Native American Initiative:** This partnering effort leverages resources at the national and local levels to establish collaborative relationships within Native American communities. The goal is to build and secure partnerships by bringing the economic model of outreach free tax preparation and asset building strategies to Native American communities while developing relationships that will foster compliance. For example, SPEC is partnering with First Nations Oweesta Corporation, a subsidiary of First Nations Development Institute, to deliver workshops that promote Native American EITC campaigns and free tax preparation sites. As partners in the Native Financial Education Coalition, they have created a committee to specifically promote access to EITC and free tax preparation service in Native communities and developed a Tribal Leaders Guide to Launching an EITC Campaign. These collaborative efforts help to build trust, strengthen tribal economies, and improve compliance.
- **Disability Initiative:** The Disability Initiative is a focused effort to reach working taxpayers with disabilities. It provides economic impact by educating this segment of the population about specific tax credits and deductions, free tax preparation, and asset building strategies available to them. SPEC collaborates with the National Disability Institute through their TaxFacts+ Campaign, which is a national initiative delivering financial education and tax preparation services to low income persons with disabilities in more than 100 U.S. cities over the upcoming years.
- **LEP Hispanic Initiative:** SPEC is developing a nationwide outreach strategy targeting communities with a significant percentage of Hispanic LEP individuals. This strategy will focus on delivery of specific information to these individuals to increase awareness of the EITC, other tax credits, and the Individual Taxpayer Identification Number. SPEC coordinates the national and local resources currently being used; facilitates the delivery of messages, resources, and products through established channels; and identifies potential new partners. This is an aggressive multi-media and grassroots outreach campaign to disseminate tax information and distribute Spanish products.
- **Multilingual Initiative (MLI) Strategy Office:** The MLI Strategy Office was established to develop strategies and policies that target the specific needs of LEP taxpayers, and to identify LEP key areas that must be addressed to meet those needs. The result has been the development of numerous educational and communication tools, products, and programs for LEP taxpayers. For example:
 - **Spanish language captions** have been added to various online products, and several English products translated to Spanish and other languages.
 - The “**LEP Needs Assessment Process**” gathers feedback from internal and external stakeholders and identifies the communication, education, and outreach needs for LEP.
 - The **Virtual Translation Office (VTO)** was formed to improve access to services for LEP taxpayers by increasing the quality and quantity of written tax information for LEP taxpayers and their

assistors, preparing translations primarily through the use of Internal Revenue Computer Assisted Translation software, and standardizing translation consistency across the IRS.

- **Multilingual Services** are offered to all taxpayers with a language barrier through bilingual IRS employees and through Over-the-Phone Interpreter (OPI). OPI is a service that allows the taxpayer to reach an interpreter service by telephone and receive assistance in over 150 languages.
- **Low Income Taxpayer Clinic (LITC) Program:** This program provides matching grants for qualifying organizations that represent low income taxpayers involved in controversies with the IRS, and for organizations that provide education and outreach on the tax rights and responsibilities of U.S. taxpayers to individuals who speak English as a second language (ESL) or who have limited English proficiency (LEP taxpayers). The LITC Program is administered by the Taxpayer Advocate Service and provides an important resource to low income and ESL taxpayers struggling to understand their tax obligations or navigate the controversy process. LITCs also assist taxpayers who might otherwise be unable to understand IRS forms, notices, and processes. In 2006, the LITC Program had 150 clinics in all 50 states plus the District of Columbia and Puerto Rico.²⁹¹
- **EITC Office:** The EITC Office is responsible for the administration of a fair and balanced EITC program—one that encourages eligible taxpayers to claim the credit, while also reducing an unacceptably high rate of erroneous claims. The current EITC engagement strategy is to raise awareness of the credit through a multi-media campaign, outreach, and EITC Awareness Day. The EITC Office is employing a unified look and feel to all EITC marketing products—available in English and Spanish—in an effort to inform, educate, and provide consistent information to partners, practitioners, taxpayers, and the media.
- **Identity Theft Office:** The IRS has established a new Identity Theft Office responsible for implementing an agency-wide strategy comprised of three components—outreach, victim assistance, and prevention. The Identity Theft Office will focus on the dissemination of information on identity theft to IRS partners and their customers.

In addition to the numerous outreach efforts and initiatives to deliver information, the IRS provides products, communications assistance, and electronic resources to support partners in their outreach and education activities.

Products include the following:

- Customized tax education courses;
- Return preparation site development and administration materials;
- Marketing and outreach materials;
- Multilingual information regarding tax law credits and products for individual LEP taxpayers; and
- Life-Cycle Products, which focus on the tax implications of life events such as retirement, divorce or separation, birth of a child, disabilities, and job loss.

Communications Assistance includes the following:

²⁹¹ United States Department of Treasury, Internal Revenue Service, Publication 4134, Low Income Taxpayer Clinic (LITC) List (Rev. 3-2006), Cat NO. 35391Q.

- Radio Public Service Announcements on many topics, such as disaster tax relief, identity theft, new tax laws, electronic filing, and common errors on tax returns.
- Federal tax messages, e-file print ads, and television and radio products to include in media such as public announcements, speeches, newsletters, postings to Web sites, etc.
- Grassroots EITC Campaigns to disseminate information on tax laws and credits and offer free tax return preparation assistance for special populations—these were held in four cities in 2006, and focused on the Hispanic population as well as taxpayers affected by the hurricane disasters.²⁹² All of the grassroots events had extensive external and internal partner involvement and media coverage.
- EITC Awareness Day—Held for the first time on February 1, 2007, EITC Awareness Day focused nationwide media coverage on EITC and volunteer return preparation. The events on this day were targeted to low income individuals and provided an outreach opportunity to deliver information on the telephone tax refund and split refund.

Electronic Resources include the following:

- The partner site within IRS.gov contains over 90 pages of information to assist partners and volunteers in four major categories: Policy and Procedures, Education and Training, Outreach, and Hot Topics.
- Quick Alerts is a Web-based mass messaging system created for Authorized IRS e-file Providers, Software Developers, and Transmitters. It can instantly disseminate messages to thousands of subscribers 24 hours a day, 7 days a week regarding processing delays, IRS e-file program updates, early notification of upcoming seminars and conferences, IRM e-file changes, etc.
- The Outreach Initiatives Database is an internal tool primarily designed for use by employees involved in conducting outreach. The database contains key messages, approved communication products, information about timing of message delivery, and target audiences.
- Several electronic toolkits are also available to assist partners on subjects such as the EITC, e-file marketing, and non resident aliens. Refer to *Appendix 6.0—Training & Toolkits Available to Partners* for additional details.

Education Current State

The IRS provides a great deal of information to taxpayers, partners, and IRS employees. Information is provided in tax forms and publications, news releases, fact sheets, toolkits that provide a single source for obtaining key items related to a particular topic, and newsletters such as “Tax Tips.” The act of providing information only educates the recipient if and when that recipient comprehends the information provided. Taxpayer education is intended to build skills, improve a taxpayer’s ability to comply with federal tax laws, and reduce the burden to do so. Employee education should not only enable employees to accurately answer questions, resolve issues, and mitigate problems, but should also build the skills needed to effectively educate taxpayers and promote the use of IRS and partner services.

Education efforts and initiatives include the following:

²⁹² Internal Revenue Service, Stakeholder, Partnerships, Education and Communication, *Summary Report on EITC Grassroots Event 2006*, February 4, 2006.

Taxpayer Education: The IRS provides educational support to individual taxpayers (including self-employed filers) and IRS employees. Most of the materials listed below are designed for use by taxpayers, but are also available for use by IRS employees:

- **Electronic Tools:** There are several electronic tools and calculators that assist users in determining whether or not they are impacted by a particular provision of the tax law (i.e., EITC, Alternative Minimum Tax, etc.). Although, these tools are designed to address specific scenarios and provide direction to the user based on those scenarios, they are also educational in nature.
- **Understanding Taxes:** This program is a resource for high schools, community colleges, and the general public for learning more about the history, theory, and application of taxes in the United States. It features over 1,100 pages of basic tax law content designed to make learning taxes interactive, relevant, and educational. Understanding Taxes makes real world connections to classroom instruction. The program is available online or as a package of downloadable print resources.
- **Virtual Small Business Tax Workshop:** This extensive workshop is designed to help new and existing small business owners understand and meet their federal tax obligations. This online educational course offers a comprehensive range of lessons, including how to file and pay taxes using a computer, how to run a home-based business, and how to set up a retirement plan. The workshop is also available on DVD, which includes an option to enable Spanish and Mandarin Chinese sub-titles.
- **Small Business Workshops:** Workshops are designed to help the small business owner understand and fulfill federal tax obligations. Workshops are sponsored and presented by IRS partners who are federal tax specialists. The IRS provides Publication 1066C,²⁹³ A Virtual Small Business Tax Workshop DVD, and other supporting IRS forms and publications to not-for-profit workshop providers at no cost. Workshops are conducted throughout the country, some in Spanish.
- **Small Business Resource Guide:** This guide is an interactive CD covering a broad range of topics, designed to help small business owners comply with tax laws.
- **Small Business Forums:** These forums are conducted with the Hispanic business community to outline available Spanish-language products and identify currently-available products to be translated or developed.
- **Link & Learn:** This Web-based training program, designed for use by SPEC Partners and VRPP volunteers, teaches the basics for accurate individual income tax return preparation. It is also available for use by taxpayers, practitioners, and IRS employees. Four courses—Basic, Intermediate, Advanced, and Military and International—are available, along with a refresher course for returning volunteers.
- **e-file Made Easy – A Tax Professional's One-Stop e-file & e-Pay Shop:** This is a one-stop resource center for individual and business e-file, e-services, and e-pay. The resource center contains an overview and history of the e-file services and offers information on usage.
- **Spanish Small Business Resource Center (Recursos Para Pequeñas Empresas):** This resource center is available on Spanish IRS.gov and provides single source access through links to a range of information on educational products and services for small businesses offered via Internet by the Small Business Administration.

IRS Employee Education: The IRS has a comprehensive Learning and Education Program that delivers products and services to its taxpayer service employees. IRS employee training programs include formal,

²⁹³ Internal Revenue Service, Publication 1066C, <http://www.irs.gov/businesses/small/page/0,,id=154342,00.html>, January 10, 2007.

mandatory training, annual Continued Professional Education, and ad hoc developmental training sessions as needed. Available products and services include:

- **Learning and Education Organization:** The mission of Learning and Education Organization is to provide overall governance and guidance, set education policy and standards, and maintain the administration of policy and guidelines for the Service-wide community.
- **Electronic Resources for IRS Employees:** In addition to the electronic tools available to the public, IRS employees have additional tools and online resources available for their use. The Service-wide Electronic Research Program (SERP) provides a centralized employee resource center with ready access to:
 - **Internal Revenue Manuals:** These documents provide procedural guidance to employees on topics such as Penalty and Interest, Customer Account Services, and Taxpayer Education and Assistance.
 - **Online Job Aids:** Employee job aids, generally offered in English and Spanish, include tax law aids, such as the Probe and Response Guide and the Publication Method Guide and account-related decision-support tools—including the electronic Account Resolution Guide.
 - **Notice Descriptions:** Links to the various notices that are issued by the IRS.
 - **Reference Materials:** Links to miscellaneous reference materials such as Lexis-Nexis—the tax research portal, Westlaw, and IRS news releases.
 - **Internal IRS Web Sites:** Links to other internal Web sites, such as the Automated Collection System, Taxpayer Advocate, and Electronic Tax Administration sites.
 - **Learning Links:** Links to a wide-range of course material and online learning modules. Available courses range from basic tax law to e-learning job simulations and SERP navigation training.
- **Electronic Learning Management System (ELMS):** This commercial product used by the IRS to manage and deliver training maintains learning and teaching history for employees, launches online courses, provides online learning plans, and tracks completion status of assigned curriculum. It is a Web-based application available to all employees through the IRS intranet.
- **Field Assistance (FA) Technical Assessment Battery:** This online assessment tool identifies training needs in technical topics for TAC employees. The assessment contains modules that check for knowledge and necessary skills in pre-identified job attributes. Links to training curriculum are available for ready identification of training solutions.

6.5.2 Outreach and Education Initiatives

The future state vision for Outreach and Education calls for enhanced outreach delivered effectively to targeted populations, and maximized utility of existing and new educational products for IRS employees and individual taxpayers. While the IRS offers a comprehensive outreach and education portfolio, a number of gaps between the current state and future state vision offer opportunities for improvement. Identified gaps and corresponding improvement initiatives are listed as follows.

Outreach & Education Gap 1: Research

The IRS lacks a clear understanding of the role that outreach and education plays in influencing behavior, and the role educating—as opposed to simply providing information—plays in improving voluntary compliance.

| Gap 1: Research | |
|---|---|
| The TAB Strategic Plan includes the following <i>new initiative</i> to address this gap. | |
| <ul style="list-style-type: none"> Outreach & Education Research Plan | <p>Include research studies²⁹⁴ that seek to understand how the IRS can most effectively educate taxpayers and partners. Research should answer the following questions:</p> <ul style="list-style-type: none"> What role does outreach and education play in influencing behavior? What role does “educating” as opposed to providing information play in addressing inadvertent noncompliance? How can the IRS best address the education needs (content and delivery method) of taxpayers who prepare their own returns? How can the IRS best support partners in their outreach and education efforts? What is the impact of intermediary or partner interaction on message delivery accuracy and consistency? What are the education needs and effective delivery methods for each of the special populations? |

Outreach & Education Gap 2: Campaigns and Products

The IRS lacks outreach campaigns and educational products specifically designed to ensure successful utilization of the electronic channel.

| Gap 2: Campaigns and Products | |
|---|--|
| The TAB Strategic Plan includes the following <i>new initiative</i> to address this gap. | |
| <ul style="list-style-type: none"> Outreach and Education Strategies | <p>Develop outreach and education strategies designed to teach taxpayers and partners how to use the IRS Web site and associated applications. Supply content and format that can be tailored for various modes of delivery.</p> |

Outreach & Education Gap 3: LEP Segment

As the LEP population continues to grow, the IRS should continue to explore outreach opportunities in support of the LEP population.

| Gap 3: LEP Segment | |
|--|--|
| The IRS has the following <i>currently-planned initiatives</i> to address this gap. | |
| <ul style="list-style-type: none"> Nationwide Outreach Strategy | <p>Targets communities with a significant number and percentage of Hispanic LEP individuals with delivery of specific information to increase awareness of EITC, other tax credits, and the ITIN. Employs an aggressive multi-media and grassroots outreach campaign to disseminate tax information and distribute Spanish products, working with national partners.</p> |
| <ul style="list-style-type: none"> Virtual Translation Office | <p>Develops a data-driven, multi-year strategy with a primary goal of translating vital documents into five languages by 2010. Focuses on the creation of additional Spanish language products (Publication 334, 15, 17) and educational materials.</p> |

²⁹⁴ These studies are included as part of the Multi-year Research Portfolio in Section 8.2.1, Future Research Efforts.

Gap 3: LEP Segment

- Multi-Lingual Initiative (MLI) Strategy Office

Develops strategies and policies to target the needs of LEP taxpayers, such as:

- An interactive online application to educate Spanish-speaking taxpayers on return preparation and filing options;
- A Spanish language DVD on taxpayer rights and responsibilities that taxpayers can use to address their tax situations (developed with TAS);
- Increased education, outreach, and communication in highly concentrated Asian language communities;
- Audio CDs on tax rights, responsibilities, and available assistance in Spanish, Vietnamese, Korean, Chinese, and Russian; and
- Expansion of IRS.gov to include Asian languages.

Outreach & Education Gap 4: Educational Resources

While small business educational information can be located with relative ease on IRS.gov, individual educational resources (i.e., Understanding Taxes and Link and Learn) are more difficult to locate. Resources available to support community-based partners are also difficult to locate.

Gap 4: Educational Resources

The TAB Strategic Plan includes the following *new initiatives* to address this gap.

- | | |
|--|--|
| • Education Platform | Develop a platform (i.e. a centralized single point of entry) for greater access to educational products, links, resources, best practices, etc. to provide greater access and usability of resources. |
| • Accessibility of Online Outreach and Education Resources | Improve accessibility of online outreach and education resources—specifically the ability of individual taxpayers to locate the Understanding Taxes and Link and Learn course materials as well as resources available in support of community-based partners. |

Outreach & Education Gap 5: Partner Training Resources

Marketing of online training materials and available resources to support community-based partners is limited.

Gap 5: Partner Training Resources

The TAB Strategic Plan includes the following *new initiative* to address this gap.

- | | |
|----------------------|---|
| • Marketing Strategy | Include in the National Marketing Strategy plans to promote currently-available educational resources to support community-based partners (refer to the Marketing and Promotion improvement category in Section 6.6). |
|----------------------|---|

Outreach & Education Gap 6: Employee Education

Based on employee focus group meeting results, there is a strong desire for continued employee education improvement initiatives.

| Gap 6: Employee Education | |
|--|--|
| The IRS has the following <i>currently-planned initiatives</i> to address this gap. | |
| <ul style="list-style-type: none"> • Learning and Education Reorganization | <p>Restructures the Learning and Education Organization to include the centralized program areas of Program Administration, Quality, Technology, Delivery Services, and Leadership and Cross Functional Program Support, and to keep content development and training plan and budget formulation in the Business Units. Anticipated benefits include:</p> <ul style="list-style-type: none"> • increased efficiencies; • improved quality of training content with standardized measures; • a centralized quality review process; • a far more comprehensive training evaluation process; and • an overall improvement in the end-to-end accountability in the delivery of employee education products and services. |
| <ul style="list-style-type: none"> • Performance-Based Learning Environment | <p>Moves the organization from a knowledge-based to a performance-based learning environment which includes:</p> <ul style="list-style-type: none"> • a significant increase in experiential learning, including simulations and e-learning delivery for technical training; • an increased focus on manager involvement in employee learning and development; • assessing employee effectiveness in applying knowledge and tools acquired during training to daily job tasks; and • providing coaching and feedback to employees on a regular basis. |
| In addition, the TAB Strategic Plan includes the following <i>new initiative</i> to address this gap. | |
| <ul style="list-style-type: none"> • Employee Training Research Plan | <p>Conduct research studies to determine the balance needed between tax law and decision support tool training to enhance employee development and engagement, and to maximize efficient and effective service delivery.</p> |

Both the currently-planned and newly-developed initiatives for Outreach and Education will help the IRS realize the future state vision of service delivery in this category.

6.6 Marketing and Promotion

Numerous organizations within the IRS develop and deliver communication and marketing strategies. Many of those strategies are designed to market a specific service or promote a particular service delivery channel. Research indicates that channel awareness varies greatly among individual taxpayers. The Marketing and Promotion improvement category focuses on improving the marketing of channel alternatives—specifically the electronic channel—and associated services and capabilities to targeted taxpayers and partners.

6.6.1 Marketing and Promotion Current State

The IRS has a National Communications and Liaison (National C&L) Office with the following mission statement: “Support the IRS mission by building relationships and understanding between IRS and its stakeholders through effective information sharing.”²⁹⁵ National C&L includes Media Relations and Marketing components, but marketing does not play a significant role in current communication efforts. There is no single, unifying IRS Marketing Strategy at the national level. Each business operating division has a communications organization that develops strategies for its unique audiences, programs, and

²⁹⁵ Internal Revenue Service, Intranet <http://cl.no.irs.gov>, October 25, 2006.

initiatives. The communication strategies developed by these organizations include key messages for identified target audiences and programs, as illustrated in Figure 6-1.

Figure 6-1. Communication Organizations

| Organization | Primary Focus |
|---|--|
| National C&L | Coordinate national media relations and marketing activity, and provide service-wide internal communications |
| W&I Communications and Liaison (W&I C&L) | Provide information and communication for individual taxpayers |
| W&I Stakeholder Partnerships, Education and Communication (W&I SPEC) | Promote, train, and support community-based partners and volunteer tax preparation programs |
| SB/SE Communications, Liaison, & Disclosure (SB/SE CLD) | Provide information and communication for small business and self-employed tax filers |
| SB/SE Stakeholder Liaison (SB/SE SL) | Provide information and communication to tax professionals |
| Electronic Tax Administration (ETA) | Promote electronic products and services with an emphasis on electronic filing |

There are integration points where ownership of specific communication strategies are assigned to a single owner, but the overall strategy is worked IRS-wide to ensure consistent messages and communication to all affected audiences. For example, the yearly Filing Season Readiness Action Plan²⁹⁶ includes a communication component designed to provide important information to individual income tax return filers, partners, and tax professionals. Filing season communication is treated as a cross-functional effort involving all parts of the IRS.

Although the communications organizations deliver services to different targeted audiences, the primary focus is on communication, as opposed to marketing. They frequently reach their targeted audience with the help of external partners. By equipping partners with outreach materials, the IRS is able to expand its own communications and outreach capability. The communication strategies for individual taxpayers concentrate on providing information on pre-filing, filing, and post-filing services. These strategies include the sharing of news releases, newsletters, Web site updates, established liaison channels, and partner communications through all available communication channels. When a service is available through multiple channels, the electronic channel is discussed first, followed by partner, telephone, and in-person availability.

The ETA leads the IRS efforts to advance an electronic agenda, making it easy for taxpayers to interact electronically when they file, pay, and communicate with the IRS. ETA contracts with a marketing firm to develop an integrated marketing and public relations strategy and to implement a campaign to promote electronic products and services. Messages designed to accomplish key objectives are developed and targeted to tax professionals, partners, taxpayers, and IRS employees. Previous marketing campaigns have

²⁹⁶ Internal Revenue Service, Intranet <http://fsr.web.irs.gov>, *Filing Season Action Plan*, December 7, 2006.

focused on increasing awareness of electronic services available on IRS.gov and electronic filing. In FY 2007, the ETA marketing strategy²⁹⁷ focuses on promoting the Free File Program and includes the following key objectives:

- Create a brand identity and overall look and feel for the Free File Program;
- Raise awareness and use of Free File among taxpayers earning \$52,000 or less;
- Expand Free File usage among self-preparers; and
- Promote Free File usage among first-time filers.

6.6.2 Marketing and Promotion Initiatives

The future state vision of Marketing and Promotions calls for a comprehensive, integrated, and research-driven marketing strategy that focuses on promoting channel and service alternatives (specifically electronic options) to targeted taxpayers and partners. A primary objective of this marketing strategy is to increase awareness of services and promote taxpayer and partner benefits in valued channels. An identified gap between the current state and the future state vision offers an opportunity to enhance service-related marketing and promotion activities. The gap and corresponding improvement initiatives are listed as follows.

Marketing & Promotion Gap 1: Comprehensive Marketing Approach

Although the IRS develops many targeted communication and marketing strategies, a more comprehensive approach would enhance consistency of messaging and maximize the impact on taxpayer and partner behaviors.

| Gap 1: Comprehensive Marketing Approach | |
|---|---|
| The TAB Strategic Plan includes the following <i>new initiative</i> to address this gap. | |
| <ul style="list-style-type: none"> • National Marketing Strategy | <p>Develop a National Marketing Strategy to promote channel and service alternatives (specifically electronic) to targeted taxpayers and partners. Coordinate communication within all business units to maximize message consistency. Design the National Marketing Strategy and supporting functional strategies to:</p> <ul style="list-style-type: none"> • be research-driven and continuously updated as new services become available and existing services are enhanced; • include established goals and objectives with appropriate measures, and evaluation of the costs and benefits; • effectively utilize IRS's customer contact employees to market key messages; and • promote Free File (not including advertising), self-assist capabilities, partner services (including Web page), practitioner service offerings; and forms and publications. |

The newly-developed initiative for Marketing and Promotion will help the IRS realize the future state vision for service delivery in this category.

²⁹⁷ Internal Revenue Service, Electronic Tax Administration, Free File Campaign Briefing, December 7, 2006, page 3.

6.7 Next Steps

The comprehensive Service Improvement Portfolio includes initiatives supporting each of the five service improvement categories. The portfolio, developed after completing an extensive information-gathering and evaluation process, offers a broad-based, taxpayer and partner focused approach to delivering service. While initiatives in the portfolio have been aligned with specific Service Improvement Categories, many of the planned and proposed initiatives will have indirect and beneficial impacts across multiple channels and services. Ongoing and future research will augment IRS knowledge to further enhance future decision-making.

The Service Improvement Portfolio includes recommended initiatives that are both funded and unfunded²⁹⁸, as well as recommendations for continued investment of planned initiatives and proposals for new initiatives. Before any new service improvement initiatives can be funded and implemented, a comprehensive investment decision-making assessment must take place. The IRS must consider Service-wide priorities and budgetary constraints when weighing the prioritized listing of initiatives that will result from this assessment. The extensive research conducted and analyzed to create the portfolio has provided the IRS with an empirical basis for future decisions. Section 8 of this report explains the recommended decision-making process.

Along with the elements of service examined in this section, the Service Improvement Portfolio also includes initiatives related to Taxpayer Assistance Centers (TACs) run by the IRS. Service improvement initiatives for TACs are detailed in Section 7.

²⁹⁸ Details on the funding status of each planned and proposed initiative can be found in Appendix 6.0, Funding Status of Consolidated Service Improvement Portfolio.

Considering the unique challenges presented by the Taxpayer Assistance Center (TAC) operating environment, the TAB team conducted an analysis of TACs separate from the rest of the Service Improvement Portfolio.

7.1 Background

Between 1998 and 2001, the IRS enacted reforms that ended its geographic-based structure and reorganized into four major operating divisions: Wage and Investment (W&I), Small Business/Self-Employed (SB/SE), Large and Mid-Size Business (LMSB), and Tax Exempt and Government Entities (TEGE).²⁹⁹ Prior to the reorganization, taxpayer service sites were managed under a geographic-based Regional and District Office structure. Under this structure, District Directors at the local level made decisions regarding the operating model for sites—including geographic placement. Decisions were not necessarily coordinated Service-wide, resulting in disparity in population coverage and services offered from state to state. Some sites were not located in high population traffic areas, but rather in places where IRS had existing staff and space. For the most part, walk-in sites followed a demand-driven business model which delivered service on a first come-first served basis, with little ability to control demand fluctuations. Frequently, employees from other IRS divisions were called upon to assist walk-in site staff in meeting taxpayer demand during high traffic periods.

With the establishment of W&I on October 1, 2000, the existing walk-in taxpayer service sites became Taxpayer Assistance Centers (TACs) centrally managed within W&I under the newly formed Field Assistance (FA) organization. After reorganization, the emerging business model standardized services across all TACs. FA implemented appointment procedures for return preparation services to improve the ability to control and respond to taxpayer demand. Virtually all other services continued to be delivered on a first come-first served, one-on-one assisted basis.

The reorganization established key objectives for FA to increase access to face-to-face assistance and standardize services across all TACs. FA also sought to gain efficiencies through space renovations and reduction of sub-optimal geographic positioning, while relocating facilities to more convenient locations. Operational constraints resulted in no increase in the number of TAC locations, limited relocation of TACs, and a decrease in the number of alternate locations served. Over time, the TAC geographic footprint³⁰⁰ evolved into the 401 sites³⁰¹ currently in existence.

In 2005, facing a need to cut \$55 million from the fiscal year 2006 budget, the IRS proposed the closure of 68 TACs. The 2005 TAC Closure Model ranked the existing TACs based on five main criteria components: geographic placement, employee cost, facility cost, workload, and demographics.³⁰² Designed to save a specific amount of money at a particular point in time, the closure list was developed by drawing a line at the point where a cumulative projected savings of \$55 million could be achieved. This was a one-time cost

²⁹⁹ Internal Revenue Service, Historical Highlights of the IRS, <http://www.irs.gov/irs/article/0,,id=101101,00.html>, January 10, 2007.

³⁰⁰ Geographic footprint refers to the locations of all existing TACs throughout the United States, including Puerto Rico.

³⁰¹ Reference Appendix 7.0, Number of TAC Locations by State, for a list of the 401 TAC locations by state.

³⁰² <http://www.treas.gov/tigta/auditreports/2006reports/200640061fr.html>. TIGTA: The Taxpayer Assistance Closure Plan was based on inaccurate data, March 2006, Ref. # 2006-46-061.

savings effort involving only the TACs. The House and Senate Appropriations Committees, along with other stakeholders, expressed concerns with the 2005 TAC Closure Model.

The House Committee Report (109-153) stated:

*It is clear to the Committee that IRS has rushed to meet an arbitrary figure specified for cuts to service programs, so much so that clearly IRS has not had time to evaluate the impact its proposals would have on taxpayers, nor has it consulted with stakeholders. The Committee does not question the notion that some taxpayer assistance centers (TAC) should be closed or realigned with other IRS assets to achieve savings. However, the methodology used to develop the list of TACs to be closed leaves a great deal to be desired.*³⁰³

The Senate Committee Report (109-109) directed the IRS to:

*...undertake a comprehensive review of its current portfolio of taxpayer services and develop a five-year plan that outlines the services it should provide to improve services for taxpayers. This plan should detail how it plans to meet the service needs on a geographic basis (by state and metropolitan area)...*³⁰⁴

In response to the Congressional directives, the IRS postponed the proposed closures and formed the TAB team to conduct an extensive evaluation of the IRS taxpayer service portfolio across all service channels, including TACs. The team engaged internal and external stakeholders and conducted significant research in developing proposed improvements. This allowed a greater understanding of taxpayer needs, preferences, and behaviors to inform recommendations that balance taxpayer, partner, and government value. The TAB team developed the Service Improvement Portfolio, along with an improved process for investment decision-making. This section covers TAC-related research, proposed service improvements, and investment decision-making. All other service improvement initiatives are detailed in Section 6.

7.2 TAC-related Research

The research findings contained in the Blueprint were developed from a wide variety of internal and external data sources and analytical techniques.³⁰⁵ However, many of the findings were derived almost exclusively from responses to four large-scale surveys fielded by the TAB team during calendar year (CY) 2006. These surveys, which are described in Section 2.2, include The Taxpayer Customer Service and Channel Preference Survey (*referred to as the Oversight Board Survey*), The Conjoint II Survey (*referred to as the Conjoint II Study*), The Opinion Survey of Taxpayer Resources and Services (*referred to as the Benchmark Survey*), and The 2006 Market Segment Survey (*referred to as the Market Segment Survey*).

Based on three of the four major TAB surveys, an estimated 41 percent of all taxpayers (roughly 55 million)³⁰⁶ reported that they contacted the IRS for help over a one- to two-year period. Between three and six

³⁰³ United States Congress, House Report 109-153, *Departments of Transportation, Treasury, and Housing and Urban Development, The Judiciary, District of Columbia, and Independent Agencies Appropriations Bill, 2006: Internal Revenue Service, Processing, Assistance and Management, Committee Recommendation*, [http://thomas.loc.gov/cgi-bin/cpquery/R?cp109:FLD010:@1\(hr153\)](http://thomas.loc.gov/cgi-bin/cpquery/R?cp109:FLD010:@1(hr153)).

³⁰⁴ United States Congress, Senate Report 109-109, *Transportation, Treasury, The Judiciary, Housing and Urban Development, and Related Agencies Appropriations Bill, 2006: Internal Revenue Service, Processing, Assistance and Management, Committee Recommendation*, July 26, 2005, [http://thomas.loc.gov/cgi-bin/cpquery/R?cp109:FLD010:@1\(sr109\)](http://thomas.loc.gov/cgi-bin/cpquery/R?cp109:FLD010:@1(sr109)).

³⁰⁵ This section presents key research findings regarding taxpayer needs, preferences, and behaviors related to TAC services. Refer to Section 2.0, *New Service Insights*, for a detailed analysis of referenced research projects and related analysis.

³⁰⁶ 55 million was estimated as a representative range by taking three of the four contact percentages (excluding Benchmark Survey) in Figure 2-9 (41%) and multiplying it by 133,000,000 tax returns.

percent (four to eight million) of all taxpayers reported that they visited a TAC over a one- to two-year period. The estimated 55 million taxpayers who said they contacted the IRS actually account for 241 million total recorded contacts. This calculation suggests that the IRS receives about 4.4 contacts on average from each taxpayer who seeks assistance. In the Customer Satisfaction Survey³⁰⁷ responses for TACs, approximately 40 percent of TAC visitors reported using one or more channels to attempt to resolve their tax issue prior to visiting the TAC.³⁰⁸

According to the Market Segment Survey, telephone lines and the IRS Web site account for roughly 85 percent of channel contacts for the services surveyed.³⁰⁹ TACs account for approximately five percent of all channel contacts. Figure 7-1 outlines taxpayer contacts by channel for the eight commonly performed tasks used in the survey.

Figure 7-1. Taxpayer Contacts by Service and Channel³¹⁰

| Service/ Channel | Get a Form or Pub | Return Prep Guidance | Tax Law Questions | Payment Info | Obtain Prior Year Tax Return | Refund Info | Obtain Tax ID Number | Notices | All Listed Services |
|------------------------------------|-------------------------|----------------------------|----------------------|-----------------|--|----------------|----------------------------|------------|---------------------------|
| Local IRS Office ³¹¹ | 11% | 6% | 8% | 3% | 6% | <1% | 3% | 6% | 5% |
| Toll-Free Line | 12% | 53% | 42% | 75% | 82% | 40% | 42% | 55% | 44% |
| Web Site | 75% | 37% | 50% | 10% | 3% | 54% | 47% | 0% | 40% |
| E-mail | <1% | 3% | 0% | 0% | 1% | 4% | <1% | 0% | 2% |
| Regular Mail | <1% | <1% | 0% | 12% | 7% | 2% | 7% | 39% | 9% |
| All Channels | 19% | 6% | 6% | 8% | 7% | 32% | 7% | 16% | 100% |

The telephone channel is the top **unqualified preference**³¹² among those taxpayers who contacted the IRS for all services surveyed except receiving tax forms, where the IRS Web site is the most preferred. Additionally, while the Web is usually preferred over TACs for most transactional service tasks, taxpayers who contact the IRS have a stronger preference for face-to-face service at TACs for interactive tasks.³¹³ Overall, taxpayers report a lower unqualified preference for conducting account-related activities through the Internet, and a higher unqualified preference for using the telephone or TAC channels for these tasks.³¹⁴

³⁰⁷ Pacific Consulting Group (PCG) conducts ongoing customer satisfaction surveys of taxpayers and partners contacting the IRS for service, including those who visit TACs and those who call the toll-free taxpayer assistance line or the Practitioner Priority Service (PPS) line; Satisfaction Percentages are based on ratings of four and five on a five-point scale.

³⁰⁸ Pacific Consulting Group, *Customer Satisfaction Survey, Field Assistance National Report*, August 2006, page 29.

³⁰⁹ The Market Segment Survey not only collected information from taxpayers regarding what channels they used to contact the IRS to perform eight common tasks, it also collected how often each channel was used. This information was combined to determine taxpayer's demand for services for the tasks.

³¹⁰ Pacific Consulting Group, *W&I Market Segment Survey National Report*, December 2006, page 16. Total contacts and associated percentages were calculated by multiplying the number of respondents who reported performing each task by channel by the average number of times the combination was performed. These products were totaled across respondents. Extreme values regarding number of times respondents contacted the IRS for each task and channel were removed from the analysis (outliers excluded).

³¹¹ The Market Segment Survey questions refer to a TAC as a "Local IRS Office".

³¹² Refer to Sections 2.6.1 (Unqualified Preference), 2.6.2 (Qualified Preference), and 2.6.3 (Use Preference) for definitions of unqualified, qualified, and use preferences.

³¹³ Internal Revenue Service Oversight Board, *Taxpayer Customer Service and Channel Preference Survey*, April 2006, questions 13 and 14. Refer to the glossary in the appendix for definitions of transactional services and interactive services.

³¹⁴ Internal Revenue Service Oversight Board, *Taxpayer Customer Service and Channel Preference Survey*, April 2006, questions 13 and 14.

When presented with detailed information on the performance attributes³¹⁵ of each channel on each task, respondents report a somewhat different set of preferences. The **qualified preference** for the telephone channel remains strong for all services except obtaining forms and publications, and particularly strong for interactive services such as responding to an IRS notice and getting tax return preparation guidance. While qualified preference for the Web site exceeds that for TACs for all but two service tasks, taxpayers indicate that if an interactive web capability is introduced (i.e., Web chat), their preference for using the web grows relative to telephone on each task, and surpasses TACs on every service task.³¹⁶

Several factors influence which channel taxpayers prefer, including specific type of service sought, demographic characteristics, channel awareness, channel access, taxpayer attitudes, and previous behavior. The Conjoint II Study's taxpayer focus groups identified first contact resolution (success in addressing a taxpayer's issue or question the first time they contact the IRS for assistance), access time, service completion time, and hours of operation as the most important attributes that influence channel choice, with little variance by service need or tax issue. First contact resolution was reported to have the most significant influence on channel preference.³¹⁷

Taxpayer choices among changing performance attributes indicate the factors that influence preference. Analysis of survey results establishes how much performance characteristics contribute to taxpayer channel choice. The relative importance of each performance characteristic was represented as an index called a "choice share"³¹⁸ that ranged from 0-100 possible points across channels for each service task. Choice shares were estimated for all taxpayers and for specific segments of the taxpayer population, as well. Figure 7-2 illustrates the distribution of choice shares for all taxpayers with current or base case³¹⁹ performance levels where a service currently exists within a delivery channel. Figure 7-2 also includes a prospective delivery capability, a Web interactive service where text messages can be exchanged between the taxpayer and an IRS assistor.

³¹⁵ Performance attributes are defined as a measurable feature of service event (i.e., wait time, service time, etc.). Those attributes that can be expressed as numerical values can be measured with greatest precision.

³¹⁶ Pacific Consulting Group, "Choice Shares By Special Segment," September 2006, sheets 1-8.

³¹⁷ First Contact Resolution was described to taxpayers in the Conjoint Study as: Getting complete resolution during First Contact – the chances that your question was completely answered the first time (either the first time you spoke with a representative at a local IRS office or on the phone, the first time you visited the Web site, or the first time you mailed a letter to the IRS. Refer to Pacific Consulting Group, Topline Report, *Taxpayer Assistance Blueprint (TAB) Conjoint II Study Topline Report*, September 2006, page 16.

³¹⁸ The term "choice share" from the base case is what individuals currently prefer. Choice share is synonymous with the percentage of the "index of importance". Choice shares are the share of preference (based on a total of 100) contributing to a choice. When the base case is changed, the different distributions of choice shares also change.

³¹⁹ The term "base case" is used to approximate performance levels under current operating conditions.

Figure 7-2. Qualified Preference – Base Case Choice Share Distribution³²⁰

| Channels | | | | | | | | |
|--------------------------------------|----------------|--------------|----------------------|--------------------|----------------|-----------------|------|-------|
| IRS Service | TAC Self-Serve | TAC Assisted | Telephone Self-Serve | Telephone Assisted | Web Self-Serve | Web Interactive | Mail | Total |
| Getting a Form or Publication | 6% | 11% | 13% | 21% | 41% | 7% | 1% | 100% |
| Getting Return Prep Guidance | N/A | 17% | 12% | 31% | 31% | 9% | 0% | 100% |
| Getting Answers to Tax Law Questions | N/A | 20% | 8% | 39% | 24% | 9% | 0% | 100% |
| Getting Info Re Payments | N/A | 16% | 13% | 41% | 20% | 9% | 1% | 100% |
| Getting Prior Year Return Info | N/A | 15% | 11% | 39% | 21% | 11% | 3% | 100% |
| Getting Refund Info | N/A | 15% | 23% | 39% | 12% | 9% | 1% | 100% |
| Applying for a Tax ID Number | N/A | 15% | N/A | 43% | 20% | 21% | 2% | 101% |
| Getting Info Re Notice Received | N/A | 21% | N/A | 55% | N/A | 22% | 2% | 100% |

In an effort to collect data specific to current TAC customers, the Oversight Board Survey and the Conjoint II Study intentionally over sampled taxpayers who had visited a TAC. About 43 percent of TAC users in the over sample reported that they would consider contacting the IRS via the Web instead of using a TAC to find the information needed or to resolve their tax situation.³²¹ One-third of TAC users reported using the IRS Web site and 52 percent reported using the telephone channel over the past two years.³²² Approximately 70 percent of TAC users said that if in-person assistance from the IRS were no longer available in their area, they would use an alternative way to contact the IRS, such as telephone or Web.³²³

³²⁰ Pacific Consulting Group, "Choice Shares By Special Segment," September 2006, sheets 1-8.

³²¹ Internal Revenue Service Oversight Board, *Taxpayer Customer Service and Channel Preference Survey*, April 2006, question 19 (including responses from an over sampling of TAC users). Results may differ significantly from those including only the regular Oversight Board Survey Responses. The contractor used a two-step process to locate and survey TAC users. First, a random sample of TACs were selected from an existing list of IRS TAC locations. Next, random digit dialing (RDD) was employed to obtain a sample of 101 households located within a 10 mile radius of selected TAC locations where the person most familiar with filing tax returns had visited a TAC in the past two years.

³²² *Ibid*, question 17.

³²³ *Ibid*, question 27.

Some segments of the population face challenges—such as limited reading and writing skills, existence of special needs (i.e., language, disabilities, age, income level), or lack of access to a computer—that create a disadvantage when seeking service through electronic and telephone channels. While telephone and Web site contacts represent the primary IRS service channels, according to the Oversight Board Survey, issues of access and use of the Web site are more prevalent than those for the telephone system. The TAB team analyzed Oversight Board Survey results in the context of the following barriers to taxpayer use of Internet-based self-help services:

- **Lack of Personal Computers and Internet Access:** Nearly 25 percent of taxpayers do not have Internet access at home,³²⁴ whereas four percent do not have access to telephones.³²⁵
- **Publicity about Internet Security and Identity Theft Concerns:** Approximately 75 percent of taxpayers surveyed stated they were not secure sharing personal information via the Internet.³²⁶ Privacy concerns and security issues are reported to drive this unwillingness to share personal information via the Internet.
- **Ability and Willingness to Consider Internet Use:** 45 percent of those who called the IRS and 55 percent of those who visited TACs stated they would not consider using the IRS Web site. This represents about 15.5 million taxpayers—almost 12 percent of individual returns filed. Roughly half of these taxpayers reported a reason that suggests that they could not use the Web site due to lack of computer equipment, Internet access, or computer savvy. The other half cited reasons such as "better able to resolve situation another way", "convenience of personal contact", or "want to be sure my concerns were heard in person."³²⁷
- **Income and Age:** Fewer low income taxpayers and older taxpayers have used the IRS Web site within the last two years when compared to their counterparts.³²⁸ The same is true for taxpayers who have not completed high school.

In 2006, the Pew Internet & American Life Project found that 73 percent of the U.S. adult population goes online.³²⁹ Forrester Research found that in 2005, 71 percent of North American households accessed the Internet at least once a month and predicted that by 2011, this will rise to nearly 80 percent.³³⁰ Based on various studies, those who will not likely use the Internet in the future may exhibit one or more of the following characteristics:

- Age of over 50 years;
- Income below \$25,000 (especially below \$15,000); or
- Education of high school or below.³³¹

³²⁴ Internal Revenue Service, Wage and Investment Office of Research, *Opinion Survey of Taxpayer Resources and Services*, question 7, Completion date August 2006.

³²⁵ United States Census, *Statistical Abstract of the United States: 2006*, "Table 1117. Utilization of Selected Media, 1980-2003," page 737. 95.5% of US households have phone service.

³²⁶ Internal Revenue Service Oversight Board, *Taxpayer Customer Service and Channel Preference Survey*, April 2006, question 11.

³²⁷ Internal Revenue Service Oversight Board, *Taxpayer Customer Service and Channel Preference Survey*, April 2006, questions 17, 19, and 20.

³²⁸ *Ibid.*, questions 17, D2, and D5. 10-19% of taxpayers with an income less than \$35,000 have used the IRS.gov Web site in the last two years, compared to 25-32% of taxpayers with higher incomes. Similarly, 6-14% of taxpayers older than 65 used the IRS.gov Web site, as opposed to 25-32% of those younger than 65.

³²⁹ Internet & American Life Project, Fox, Susannah, *Internet Usage Trends – Through the Demographic Lens*, November 6, 2006, page 1.

³³⁰ Forrester Research, Inc., Schadler, T. & Golvin, C. S., *The State of Consumers and Technology: Benchmark Survey 2006*, July 27, 2006, page 2.

³³¹ Internal Revenue Service, Wage and Investment Office of Research, *Individuals Online in 2007 and What This Means for W&I - Special Report for the Director of Strategy and Finance*, May 2002, page 37.

Based on the studies, those most likely to use the Internet in the future may exhibit one or more of the following characteristics:

- Age between 18 and 50 years;
- Income above \$35,000; or
- Education of at least some college or above.³³²

The TAB Multi-year Research Portfolio³³³ includes efforts to identify barriers that currently prevent some taxpayer segments from effectively using lower cost channels for service. Additionally, during filing season 2007, the Taxpayer Advocacy Panel will be surveying taxpayers who visit TACs. Information from these surveys will help to inform and enhance the IRS's understanding of TAC users and the feasibility of migrating current TAC users to self-assisted services.

Based on the Oversight Board Survey, low income, Limited English Proficiency (LEP), and elderly taxpayers tend to have a somewhat higher preference for TAC channels and a lower preference for web channels than taxpayers as a whole. Disabled taxpayers visit TACs at a somewhat lower rate than the overall taxpayer average. LEP taxpayers use the telephone channel at a higher rate than other special population segments and the general taxpaying population.³³⁴ Analysis of demographic information collected from an over sampling of TAC users indicates that the likelihood of taxpayers who contacted the IRS in the past two years using a TAC was higher among taxpayers with the following characteristics:

- Income under \$35,000: These taxpayers are nearly four times as likely to use TACs as those in other income segments.
- Education less than high school: These taxpayers are nearly ten times as likely to use TACs as those in other education segments.
- Lack of access to a computer: These taxpayers are nearly three times as likely to use TACs as those who have a computer at home.³³⁵

This research-based understanding of the needs and preferences of all taxpayers led to the decision embedded in the TAB Guiding Principles that the IRS is committed to providing face-to-face assistance within the scope of the five-year Strategic Plan. Further, the team developed recommended improvement initiatives to enhance the performance of TACs to best serve the taxpayers who use them. The two Service Improvement Categories identified for TACs are Service Delivery and the Geographic Footprint.

7.3 TAC Service Delivery Current State

There are several challenges unique to service delivery within the TAC channel. TAC staffing has never reached the originally projected levels, and many sites have inadequate space to support additional staffing or taxpayer demand. The TAC infrastructure necessitates offsite management in many locations. Under the demand-driven business model, TAC employees are required to handle any issue presented by a taxpayer or partner visiting a TAC. Unlike the telephone operating environment, TAC facilities have limited ability to direct customers to subject matter experts. TAC employees must be trained in and proficient at handling a

³³² *Ibid.*, page 35.

³³³ See Section 8, Implementation Strategy, for detailed discussion of the TAB Multi-year Research Portfolio.

³³⁴ Internal Revenue Service Oversight Board, *Taxpayer Customer Service and Channel Preference Survey*, April 2006, question 17.

³³⁵ *Ibid.*, questions 17, D2, D3, D5, and D11.

wide array of tax-related issues, including preparing tax returns, interpreting and resolving account issues, and providing answers to tax law questions.³³⁶ Standardization of services, enhanced decision support tools, and improved training have all contributed to increases in quality over the past several years. However, ensuring quality service in TACs remains a challenge.

Service delivery through brick and mortar facilities limits the IRS's ability to match demand with supply, as TACs cannot transfer surplus work to sites with available capacity. As a result, it is difficult to apply resources in the most efficient manner, wait times for service fluctuate and are difficult to control, and overall capacity to serve customers is limited. TACs do not currently differentiate between services that can be delivered via self-assist versus assisted means; virtually all TAC service delivery is assisted, and highly dependent on staffing. In order to maintain service in all existing TACs, the IRS devotes significant resources to avoid temporary TAC closures. Due to the fact that over 40 percent of TACs are staffed with two or fewer employees, a considerable effort is required to plan for coverage during employee absences.³³⁷ Throughout the year, IRS employees are assigned to travel to various alternate TAC locations to avoid temporary closures. These temporary assignments are costly in terms of employee time in travel status, travel expenditures, and management burden. Temporary assignments also decrease service levels in the TACs which employees must temporarily leave. The IRS must pay for rent, utilities, and other overhead expenses throughout the year for all TACs, regardless of whether a TAC is staffed and open.

7.4 TAC Service Delivery Initiatives

The TAB team determined that future TAC-provided assistance should support and advance the primary goal of W&I service programs, which is to raise the compliance rate among individual taxpayers by helping them to understand and meet their tax obligations. Research and analysis indicate that TACs serve a small percentage of taxpayers at a high cost,³³⁸ and that the majority of taxpayers prefer and actually use channels other than TACs. However, some taxpayers prefer to receive face-to-face assistance when fulfilling their federal tax obligations—especially for account-related and other interactive tasks. In addition, relative to the overall taxpaying population, TAC customers represent higher proportions of low income, LEP, and elderly taxpayers.³³⁹ The IRS is committed to serving all taxpayers, and thus providing and improving face-to-face service within the scope of the five-year TAB Strategic Plan. Therefore, the IRS should seek efficiency gains and taxpayer value enhancements by differentiating service delivery between assisted and self-assisted options in the future. TAC visitors availing themselves of self-assisted service options would lessen the burden on the limited TAC staff resources. This would free TAC assistors to focus on those interactive activities and services that some taxpayers prefer to receive in person.

The future TAC service delivery environment will include a combination of assisted and self-assisted services. The IRS plans to employ facilitated self-assisted service delivery by providing on-site guided access to electronic and telephone channels to augment traditional face-to-face assistance. This change means that service delivery should no longer be solely dependent on TAC staffing, as workload can be migrated to other channels. By effectively aligning service channels with related tasks, the overall IRS

³³⁶ Reference Appendix 7.0: Current TAC Services for a full catalogue of TAC services offerings.

³³⁷ Data based on TIMIS staffing as of November 25, 2006.

³³⁸ Refer to Section 2.7.3, Figure 2-24: Fiscal Year 2005 Estimated Unit Costs. The unit cost per contact for TACs is estimated at \$28.73, compared to \$19.46 for assisted telephone, \$0.71 for automated telephone, and \$0.13 for Web contacts by TAB Phase 2 Estimated Unit Cost Calculations for Delivery Channels and Delivery Channel Service Options for Wage and Investment Individual Taxpayer Services, October 19, 2006.

³³⁹ Internal Revenue Service Oversight Board, *Taxpayer Customer Service and Channel Preference Survey*, April 2006, questions 17, D2, D5 and D9. Refer to Figure 3-5: Taxpayer Segments Based on Choice in Return Preparation Assistance for more detail.

service capacity can be increased. TAC assistors can focus on a narrower set of core services and become more proficient at resolving issues in a single contact.

7.4.1 The Facilitated Self-assistance Model

Conjoint II findings led to an enhanced understanding of the relative values taxpayers place on various attributes for service offerings through different channels. The analysis found that there is greater taxpayer value in securing forms and publications through the Web site than through any other channel.³⁴⁰ Conjoint II also established that increasing the percentage of tax law questions addressed through the Web site and decreasing the percentage addressed through the face-to-face channel would allow the IRS to gain efficiencies and increase the overall capacity to serve taxpayers.³⁴¹ Based on these findings, the team developed a Facilitated Self-assistance Model (FSM) to migrate those taxpayers who have indicated the willingness to use alternative service channels.

Recognizing that many TAC users seek assistance in a TAC for services they could access via telephone or the Web site, the FSM will provide taxpayers coming into a TAC with the option to use a self-assisted service to resolve a tax-related issue. Self-assistance workstations with computers and phones will be configured in TAC locations that have the available space and equipment to support them. TAC employees will provide assistance to taxpayers using the FSM workstations.

A review of leading practices from the private and public sector validates use of the FSM for service delivery. The IRS service environment is similar in many ways to the environment of these leading practices organizations, offering services that are available to customers via electronic means, telephone, and a face-to-face channel. Some leading practices examples include the following:

- The banking industry has effectively migrated customers from teller assistance to Automated Teller Machines (ATMs), while still providing tellers for those who prefer face-to-face assistance.
- The airline industry has widely instituted self-service check-in kiosks using ticketing agents as facilitators, while maintaining service agents for those who prefer face-to-face assistance.
- Several grocery chains have implemented self-service check-out stations with a single cashier serving many customers at a time.
- Great Britain's taxing authority, Her Majesty's Revenue and Customs, used a "floorwalker" model in an open plan area equipped with telephone access points and Internet terminals to assist taxpayers visiting their Enquiry Centers.

To ensure that Congressional concerns about IRS project management are addressed, the team applied project development disciplines to the FSM initiative. The model is being developed according to existing IRS policies and guidelines regarding protection of taxpayer privacy and data security. The timeline for implementation of the model allows for a full security evaluation by IRS Mission Assurance and Modernization and Information Technology Services (MITS) Security Engineering personnel, including accreditation of system controls. All processes will be carefully managed to ensure that taxpayer information is protected from unauthorized access. Proper notification and information (e.g., required

³⁴⁰ Pacific Consulting Group, *Taxpayer Assistance Blueprint (TAB) Conjoint II Study Final Report*, October 30, 2006, (Executive Summary-10), page 10.

³⁴¹ *Ibid.*

privacy statements) will be provided to taxpayers utilizing the self-assistance options to ensure they are aware that their computer usage is being monitored and recorded for research purposes.

The IRS plans to implement a limited deployment of the FSM at 15 selected TACs in 2007.³⁴² Adequate staffing, space, and technological infrastructure were considered in selecting the initial 15 locations. Demographic and geographic diversity were analyzed to ensure adequate sampling for research and data gathering. The team also considered the potential impact on taxpayers, employees, filing season operations, and management oversight at potential sites.

Using the FSM, TAC employees will provide guidance to TAC customers on how to obtain services on a self-assisted basis. This will involve accessing the IRS Web site or telephone lines from computer terminals and telephones located within the TAC. Customers will be able to complete transactions (e.g., use Free File to prepare and file returns, make payments, check status of refunds, and initiate installment agreements), secure forms, or seek answers to tax law questions. TAC employees will provide education and guidance regarding the use of electronic services, increasing the potential for first contact resolution. Assistance from TAC employees may also help to overcome some of the barriers taxpayers face in using the Internet, such as lack of access, familiarity with the Internet, and ability to find information.³⁴³

At any point in the process of using the FSM, the taxpayer can request and will receive assisted service.

Behavioral and channel performance data can be gathered as taxpayers perform transactions and access information online. After completing their service transactions, taxpayers using the FSM workstations will be asked to complete a brief survey assessing the effectiveness of the model and their satisfaction with their experience. Additionally, TAC user demographic profile information collected during the survey will enhance IRS understanding of taxpayer needs, preferences, and behaviors. As they exit the TAC, taxpayers will be given written information on the use and benefits of the electronic and telephone channels to meet their future IRS service needs.

As the new TAC service model is evaluated, existing alternatives to assisted and face-to-face services will remain available. IRS telephone lines offer assisted guidance with the full suite of tax law and account inquiries. Assisted return preparation support remains available through TAC assistors. Additionally, assisted return preparation is available to qualifying taxpayers at over 12,000 VRPP³⁴⁴ sites located throughout the United States. IRS Field Assistance coordinates with Stakeholder Partnerships, Education and Communication (SPEC) and local partners to assess interest and capacity for increasing service volume. As detailed in Section 6, the TAB Service Improvement Portfolio recommendations call for increasing support to partners and community-based coalitions who are interested in expanding service capabilities.

7.4.2 Potential Benefits of TAC Service Delivery Initiatives

Research has shown that the telephone and electronic channels are most often the first choice of taxpayers, especially for getting answers to tax law questions and receiving forms and publications.³⁴⁵ The FSM will

³⁴² Reference Appendix 7.0, Tentative Sites for 2007 FSM Initial Implementation, for a list of the 15 initial sites.

³⁴³ Internal Revenue Service Oversight Board, *Taxpayer Customer Service and Channel Preference Survey*, April 2006, questions 19 and 20.

³⁴⁴ TAC-assisted return preparation is available to all taxpayers whose adjusted gross income is below the Earned Income Credit Threshold for the given tax year. VRPP sites also offer need based assisted return preparation to qualifying elderly and low income taxpayers. Internal Revenue Service, Stakeholder Partnership, Education and Communication (SPEC) Taxpayer Assistance Reporting System (STARS), *SPEC Returns Prepared/Site Data/Volunteers/Outreach*, January 30, 2006.

³⁴⁵ Internal Revenue Service Oversight Board, *Taxpayer Customer Service and Channel Preference Survey*, April 2006, questions 13 and 14.

enhance both taxpayer and government value by providing instructions on accessing and using the most preferred channels, reducing the need for taxpayers to travel to a TAC. The FSM should also increase taxpayer awareness of alternative channels and raise their comfort levels in using them.

Many taxpayers have expressed a willingness to conduct certain types of activities using the Internet—particularly activities that are transactional in nature. However, many taxpayers are not as willing to conduct account-related activities via the Internet, preferring to call the IRS or visit a TAC.³⁴⁶ TAC visitors availing themselves of self-assisted service options will lessen the demands on limited TAC resources. This will permit TAC employees to focus on providing those services that some taxpayers prefer to receive in an assisted face-to-face environment in order to comply with the tax law. A focus on interactive—rather than transactional—service contacts within the face-to-face channel may increase the likelihood of first contact resolution and have a potential positive impact on compliance.

The limited deployment of the FSM in 15 TACs will allow the IRS to assess the effectiveness of the future service delivery model. During the initial implementation, the Performance Measures Portfolio (discussed in Section 5) will be used to evaluate the effectiveness and efficiency of the FSM. There are numerous benefits to this approach, including the ability to fine-tune operational processes and procedures against real-world constraints before further deployment. The IRS recognizes the importance of engaging front-line personnel to both enhance the process and ensure cooperation across the organization. Additionally, the ability to capture real-time data on cost, quality, and cycle time will support the identification of potential efficiency improvements to the process design. By collecting information on taxpayer behavior in addition to the attitudinal data generally collected through surveys, the IRS can assess the feasibility of facilitated self-assistance in terms of taxpayer, partner, and government value. Assessing the taxpayer reaction to the FSM will help determine the ability and willingness of current TAC users to migrate to self-assist options. Attitudinal and behavioral data from taxpayer experiences will be reviewed to validate the TAB research underlying the model and to identify any barriers to migration based on taxpayer experiences. Analysis of the FSM initiative will improve the IRS's understanding of the TAC user profile and TAC users' willingness to migrate to other channels. It will also provide information on the potential for success in the following:

- Improving qualitative taxpayer experiences;
- Realizing productivity savings;
- Increasing capacity to serve more taxpayers; and
- Assisting more taxpayers in resolving account and compliance issues.

The potential expansion of future phases of the FSM will be partially dependent on the Electronic Interaction Enablement improvements (discussed in Section 6), which are focused on enhancing functionality available to customers on the Internet. In addition, research conducted in conjunction with FSM implementation will help to identify barriers and determine the ability and willingness of current TAC users to migrate to self-assist options.

³⁴⁶ *Ibid.*, questions 14 and 15. Taxpayers' first or second service channel choice.

7.5 TAC Geographic Footprint Current State

The second of the TAC improvement categories is the TAC geographic footprint. Research and analysis indicates that there is significant opportunity to achieve efficiency gains within the existing TAC geographic footprint.

Analysis of the TAC geographic footprint identified opportunities to better align taxpayer needs, preferences, and behaviors with resource allocations. In performing the geographic analysis, the team identified potential demographic variables across the U.S. based on research findings. The team then assessed the TAC footprint in terms of taxpayer value by mapping the existing TAC locations against these demographic groups by zip code. The resulting coverage rate identified the level of coverage or overlapping of these two data sets to determine the taxpayer value (in terms of access to a TAC). This alignment is the first of several factors in determining the level of taxpayer value each TAC provides.

The TAB team defined TAC coverage rate as the percentage of one of three population segments located within 30 minutes travel time of a given TAC. Travel times were tailored to account for population and traffic density.³⁴⁷ The higher the coverage rate, the better aligned the current TAC locations are with the respective demographic variable. The three segments used in conducting a geographic and demographic analysis of TAC coverage rates were the total U.S. population, taxpayers with problem tax returns, and low income taxpayers.

- **Total U.S. population** was based on the latest U.S. Census information.³⁴⁸ The team focused on total population as an indicator of population density and access to a TAC for all demographic segments. The current TAC geographic footprint shows a coverage rate of approximately **60 percent** for the total U.S. population.³⁴⁹
- The incidence of **problem tax returns** was the second criterion for evaluating the TAC geographic footprint. While acknowledging that the research to validate, verify, and quantify the impact of service on compliance is ongoing, the team determined that, in accordance with the TAB Guiding Principles, there is value in evaluating TACs based on how well-situated they are to provide access for taxpayers with problem returns. For the purposes of the Blueprint analysis, problem tax returns are defined as those that are (1) filed late or (2) not fully paid. Such returns contribute to the tax gap and to the overall noncompliance rate for individual taxpayers. A measure of complete and accurate reporting on tax returns is not included in this report. The best measure of taxpayer segment accuracy can only be determined with random audits. However, random audit data is not available on a scale that would allow the IRS to fully assess reporting accuracy for all taxpayer segments, so the team did not include a measure of reporting compliance as a component of the problem return population for this analysis. The TAB Multi-year Research Portfolio, detailed in Section 8.4.1, includes efforts to develop more accurate measures of reporting compliance. As this measure is refined, the TAC evaluative analysis will be enhanced. Mapping late filing and underpayment rates by zip code provides an indication of geographic

³⁴⁷ The coverage rate methodology accounts for natural barriers in two instances – Michigan’s upper peninsula and Lake Champlain in northern Vermont/upper New York State. Reference Appendix 7.0: Methodology Used to Identify Optimal TAC Locations for the methodology used to calculate TAC coverage rates.

³⁴⁸ 2000 U.S. Census.

³⁴⁹ Reference Appendix 7.0, Methodology Used to Identify Optimal TAC Locations for the methodology used to calculate TAC coverage rates.

locations containing relatively high concentrations of taxpayers with problem tax returns. The coverage rate for problem tax returns is approximately **64 percent**.³⁵⁰

- **Low income tax returns**, the third variable, refers to the number of tax returns filed by taxpayers with annual adjusted gross incomes of \$34,178 or less.³⁵¹ There are indications that low income, LEP, disabled, and elderly taxpayers³⁵² may not have access to, or awareness of, all channels in seeking assistance. In addition, research indicates that the low income, LEP, and elderly populations tend to use TACs at a greater rate than the population at large.³⁵³ Across all demographic segments, income is a limiting factor in gaining access to paid practitioner and Internet options (which are used³⁵⁴ and preferred³⁵⁵ by most taxpayer segments). Low income taxpayers are more likely to prefer some form of IRS assistance when completing a tax return.³⁵⁶ In addition, some percentage of the elderly, disabled, and LEP populations fall into the low income demographic. Therefore, the team identified low income as the common denominator among those taxpayers most likely to seek service through a TAC. Based on income reported on tax returns filed for calendar year 2002, the low income TAC coverage rate is approximately **61 percent**.³⁵⁷

The demographic characteristics, associated definitions, and coverage rates for the current TAC geographic footprint are summarized in Figure 7-3.

Figure 7-3. TAC Population Coverage Rates³⁵⁸

| Demographic Variables | Definition | Coverage Rate |
|----------------------------|---|---------------|
| Total Population | <ul style="list-style-type: none"> • US Census Population | 60.2% |
| Problem Tax Returns | <ul style="list-style-type: none"> • Late Filing Rates and Underpayment Rates from the IRS Compliance Data Warehouse (CDW) | 63.9% |
| Low Income | <ul style="list-style-type: none"> • Number of tax returns filed with income of \$34,178 or less | 61.2% |

The team analyzed the investment level needed to increase the coverage rates, and determined that relocating a significant number of existing TACs in an effort to maximize coverage rates would achieve only an increase of approximately 12 to 16 percentage points.³⁵⁹ In addition to the coverage rate analysis, the TAB team determined that there are a number of TACs that are not well situated to address potential non compliant and low income populations. These TACs have the following three common characteristics:

- Low or redundant population coverage;

³⁵⁰ Reference Appendix 7.0, Methodology Used to Identify Optimal TAC Locations, for the methodology used to calculate TAC coverage rates.

³⁵¹ \$34,178 approximates the threshold for claiming the Earned Income Credit for TY2004. The IRS sets the threshold for return preparation assistance in TACs at the EITC threshold level each year.

³⁵² While the IRS remains concerned about the unique needs of all taxpayers, in response to the Congressional directive, the team gave special consideration to limited English proficiency (LEP), low income, disabled, and elderly taxpayers. United States Congress, Senate Report 109-109, Internal Revenue Service, Processing Assistance and Maintenance. Refer to Section 2 for a full discussion of these four groups.

³⁵³ Internal Revenue Service Oversight Board, *Taxpayer Customer Service and Channel Preference Survey*, April 2006, questions 17 and D5.

³⁵⁴ Refer to Figure 2-5, Percentage Distribution of Tax Preparation Methods by Age .

³⁵⁵ Pacific Consulting Group, "Choice Shares By Special Segment," September 2006, sheets 1-8.

³⁵⁶ Internal Revenue Service Oversight Board, *Taxpayer Customer Service and Channel Preference Survey*, April 2006, questions 17, D2, D3, D5, and D11.

³⁵⁷ Reference Appendix 7.0, Methodology Used to Identify Optimal TAC Locations, for the methodology used to calculate TAC coverage rates.

³⁵⁸ *Ibid.*

³⁵⁹ *Ibid.*

- High volume of contacts (compared to total volume) for services which the general taxpaying population indicates a preference for receiving via alternative channels; and
- Low number of contacts per Full Time Equivalent (FTE)³⁶⁰ compared to TAC national averages.

Currently, investment decisions regarding TACs are made through various processes depending on the nature of the investment. The existing processes include limited consideration of taxpayer needs, preferences, and behaviors and are typically in reaction to an ongoing or pending real estate event.

7.6 TAC Geographic Footprint Initiatives

Research findings about taxpayer needs, preferences, and behaviors suggest an opportunity to improve service delivery by reevaluating the geographic footprint of the 401 TACs. Therefore, the TAB Strategic Plan includes a detailed process to analyze TAC locations for effectiveness in meeting service demands, and using this process to make future investment decisions. The process is designed to deliver the services taxpayers need in an efficient and effective manner. The recommended evaluative process integrates taxpayer and government value criteria and adds structure and consistency to the TAC investment decision-making processes. Proposed TAC improvements reflect the TAB Guiding Principle that the IRS is committed to offering face-to-face service options within the scope of the five-year Strategic Plan. The geographic footprint initiatives—coupled with the service delivery initiatives discussed in Section 7.4—aim not simply to maintain TAC services, but to improve them.

The team developed 26 taxpayer and government value criteria³⁶¹ (distinct from those identified in the Performance Measures Portfolio) and a three-phase process for future decisions regarding TAC locations. The following chart summarizes the criteria recommended for use in the decision-making process.

³⁶⁰ The total number of regular straight-time hours (i.e., not including overtime or holiday hours) worked by employees divided by the number of compensable hours applicable to each fiscal year.

³⁶¹ Reference Appendix 7.0, Taxpayer and Government TAC Evaluation Criteria, for a list of the 26 taxpayer and government criteria.

Figure 7-4. TAC Taxpayer and Government Value Criteria

| Taxpayer Value Criteria | Government Value Criteria |
|--|---|
| 1. Accessibility – coverage rate of low income, problem return population, and total U.S. population | 1. Real Estate Implications |
| 2. Proximity of face-to-face assistance options through TACs and VRPP | 2. Staffing Implications |
| 3. Availability of viable alternative service via Internet or telephone | 3. Productivity – unit cost and ability to reinvest savings in lower cost channels |
| 4. Potential reinvestment of realized savings | 4. Percentage of workload at a given TAC that potentially could be migrated based on research |
| Business Rules (e.g., state or metropolitan presence, legislative issues, etc.) | |

In addition to the data-driven evaluative criteria, the TAB team recommends qualitative criteria (business rules) to address state and metropolitan presence and legislative issues. The criteria will be reviewed and evaluated against ongoing research. Established criteria may be modified based on research findings and lessons learned during the evaluative process. Evaluating all 401 TACs based on the 26 criteria will be an extensive process, requiring a great deal of data gathering and due diligence. The TAB Strategic Plan includes a prioritized approach to evaluating TACs and identifying closure recommendations in both the short and long term. The TAC evaluative process involves three phases, as outlined below:

Phase 1

Categorize each TAC to identify those facing staffing and real estate activities in the near term, as well as those currently providing low or redundant population coverage. Identify TACs in these categories and evaluate them based on the 26 taxpayer and government value criteria. Create a list of any recommended closures of TACs deemed appropriate after full consideration of the applied criteria.

Phase 2

Bring recommended closures to the IRS governance body for services³⁶² some time after the end of the filing season in CY 2007. Manage implementation of approved recommendations to minimize negative impact on taxpayers, employees, partners, and filing season operations. This process is expected to last into CY 2008.

Phase 3

Continue evaluation of all remaining TACs in terms of all taxpayer and government value criteria and consideration of business rules. Submit additional recommended closures to the services governance body. Throughout the process, consider whether the evaluative criteria and process require modification based on lessons learned during Phases 1 and 2.

³⁶² Refer to Section 8.0, Implementation Strategy, for further discussion of service governance.

W&I executive leadership will present recommendations to the IRS governance body for services. IRS leadership will engage appropriate stakeholders throughout the process. Implementation will be managed in consideration of mitigating negative impact on taxpayers, IRS employees, and other stakeholders. Based on population migration, established trends in Internet use, and the channel migration research discussed in previous sections,³⁶³ opportunities to gain efficiencies in the TAC geographic footprint will continually evolve. Continuing this analysis as an iterative process beyond the phases laid out here will allow IRS to continually identify and take advantage of opportunities to gain efficiencies in the TAC geographic footprint.

7.7 Next Steps

Based on a greater understanding of taxpayer needs, preferences, and behaviors, the Blueprint outlines opportunities for the IRS to improve face-to-face service delivery within the current TAC operating model. Suggested improvements address service delivery within and the geographic placement of all TACs. Research has validated that relatively few taxpayers use TACs currently, and that most taxpayers prefer to receive services via channels other than a TAC.³⁶⁴ There is significant opportunity to enhance both taxpayer and government value by helping to migrate willing and able TAC users to the electronic and telephone channels.

The IRS also recognizes the importance of offering viable service options for all taxpayers, and is committed to improving face-to-face service within the scope of the TAB Strategic Plan. The limited implementation of the Facilitated Self-assistance Model will provide valuable data to further clarify the TAC user profile and to assess the feasibility of migrating current TAC users to alternative channels. In addition, the IRS will employ a phased evaluative process to make decisions about the TAC geographic footprint. As the future vision for service delivery is tested and evaluated, implementation of the taxpayer value-based investment decision process will provide IRS management with the needed information to make decisions in full consideration of stakeholder input and impact.

The IRS will build upon the research analyzed during the Blueprint project and continue to examine service delivery in TACs. This approach is the best way to ensure quality service while recognizing the value to be gained by responding to taxpayer needs, preferences, and behaviors in the context of technological advances. The IRS will continue to balance taxpayer and government value in service decisions, and will apply this sound, research-based approach to deliver the most effective and efficient service through the channels that taxpayers use and prefer.

³⁶³ Refer to Section 3.0, Opportunities to Improve IRS Service Delivery.

³⁶⁴ Refer to Section 7.2, TAC-related Research for additional analysis.

As part of the Blueprint project, the team evaluated the current strategic planning, budgeting, and project management processes used in making, prioritizing, and monitoring investments. The goal was to ensure that the process for making service investment decisions effectively balanced the needs of the IRS with taxpayer and partner needs, preferences, and behaviors. The Implementation Strategy for the TAB Strategic Plan details recommended process enhancements for making service investment decisions.

8.1 Decision-Making Process for Service Investments

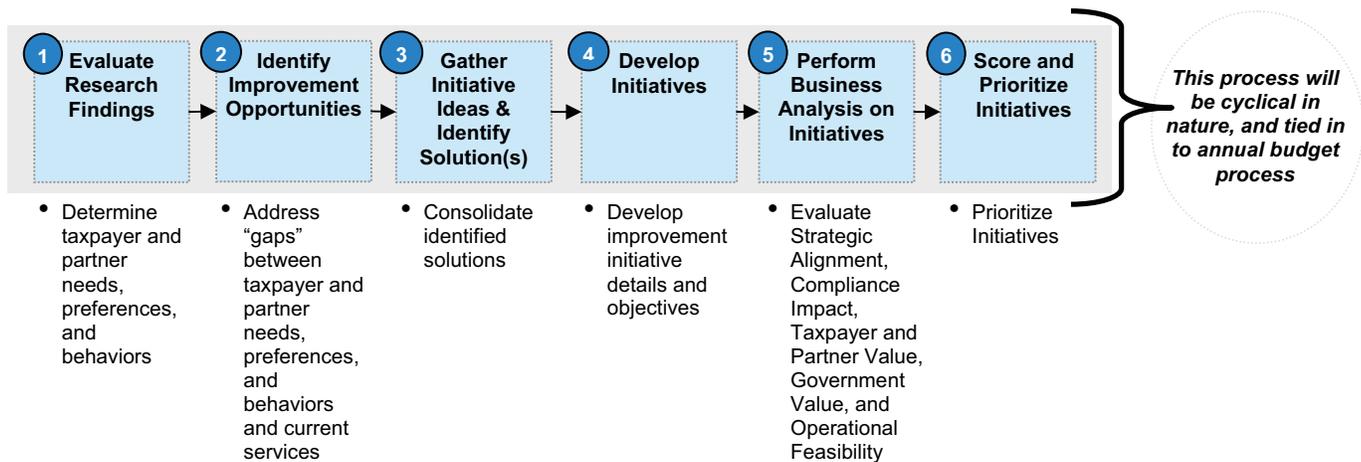
In order to make well-informed recommendations on how the process for making service investment decisions might be improved, the team first created a baseline of the current process. The current decision-making process involves a number of IRS functional areas and various sub processes.³⁶⁵ This evaluation resulted in the following key recommendations:

- Formalize an integrated process for making service investment decisions that includes specific criteria to evaluate taxpayer, partner, and government value;
- Utilize a governance body focused on cross-functional service investments and channel management;
- Incorporate research on taxpayer and partner needs, preferences, and behaviors into the strategic planning and budgeting process; and
- Develop and regularly assess a portfolio of service measures.

The six-step process outlined in Figure 8-1 identifies how initiatives in the TAB Strategic Plan (and all future service initiatives) should be identified, evaluated, and prioritized. This model is designed to ensure that consideration of taxpayer, partner, and government value (and associated research) is embedded into the decision-making process. The process to evaluate and prioritize service improvement initiatives will be institutionalized within the IRS.

³⁶⁵ IRS functional areas and various sub processes include: Strategic Planning and Budgeting, Capital Planning and Investment Control (CPIC), Modernization Vision and Strategy (MVS), Lean Six Sigma, and Research.

Figure 8-1. Six Step Process to Prioritize Services-Related Improvement Initiatives



Step 1: Evaluate Research Findings: Review research focused on the needs, preferences, and behaviors of taxpayers and partners to inform the development of initiatives targeted to improve services for these groups.

Step 2: Identify Improvement Opportunities: Explore gaps between key research findings and the services currently provided by the IRS to identify service improvement opportunities.

Step 3: Gather Initiative Ideas and Identify Solution(s): Gather improvement ideas from key stakeholder groups and identify potential solutions that address the gaps identified in Step 2.

Step 4: Develop Initiatives: For identified solution(s), develop improvement initiative details, including specific objectives for improving service.

Step 5: Perform Business Analysis on Initiatives: Use the comprehensive set of criteria from the TAB Strategic Plan in conducting a business analysis to evaluate initiatives based on five evaluation framework components: Strategic Alignment, Compliance Impact, Taxpayer and Partner Value, Government Value, and Operational Feasibility.

Step 6: Score and Prioritize Initiatives: Use the business analysis to produce a list of scored and prioritized initiatives that will serve as a roadmap for implementation and will allow the IRS to maximize the use of funds in a given year.

As part of this process, the team established evaluation criteria to assess the relative value of each service improvement initiative. Each evaluation framework component includes a set of unweighted criteria to be used for each proposed initiative. When the evaluation is complete, each initiative will have a score and a qualitative narrative addressing operational feasibility. These scores will facilitate the initial prioritization of all improvement initiatives.

The evaluation framework components and associated decision criteria are outlined below:

Strategic Alignment

Improvement initiatives must align with IRS strategic goals and objectives, Congressional mandates, or specific recommendations by key stakeholders or oversight bodies. The TAB Service Improvement Portfolio used the Guiding Principles, which were driven by taxpayer and partner research, as a baseline for strategic alignment. In the future, results derived from additional research, IRS policy decisions, and implementation of the TAB Strategic Plan will drive the development of service-related goals and objectives.

Compliance

Evaluating how well each initiative supports a taxpayer's ability to be fully compliant speaks to the primary goal of service, which is to raise the compliance rate. Initiatives that address key areas of noncompliance will be scored higher than those that do not impact compliance. Further research on the link between service and compliance will be considered when available.

Taxpayer and Partner Value

Research-driven taxpayer and partner value evaluation criteria will enable the IRS to make more informed decisions. Those initiatives that more positively address awareness and education, access to service, and quality of experience for taxpayers and partners will be scored higher than those with minimal impact. The evaluation criteria also acknowledge the impact of initiatives on taxpayer burden, first contact resolution, customer satisfaction, partner satisfaction, and awareness of services and channels.

Government Value

Government value incorporates IRS operational considerations and financial impacts into the decision-making process. Initiatives that maximize productivity, workload, and quality with minimal impact to resources will be scored higher. Government value evaluation criteria include the percent of taxpayer service contacts delivered through electronic channels, level of service, accuracy percentage, and the taxpayer self-assistance rate.

Operational Feasibility

Improvement initiatives will be successful only if the IRS and key stakeholders have the tools and expertise necessary for effective implementation. The operational feasibility criteria provide qualitative analysis to allow for more balanced and informed decisions as proposed initiatives are evaluated for anticipated complexity, uncertainty, and level of operational control.

The service-related evaluation framework is directly linked to the Performance Measures Portfolio (discussed in Section 5). This ensures that the IRS evaluation of improvement initiatives includes the impact on the identified measures.

Applying this uniform set of criteria will allow for more informed decisions and greater continuity in the evaluation process across channels and business units. In the years to come, future research and changing organizational priorities may result in changes to the criteria.

8.2 Strategic Planning Integration

The new decision-making process for service initiatives ensures that the IRS will consider taxpayer and partner needs, preferences, and behaviors as well as the impact on taxpayer and partner value in service delivery investments. The next step is to ensure that research results are incorporated into the strategic planning and budgeting processes. To accomplish this, the TAB Strategic Plan includes the following recommendations:

- Include projects in the annual research plan that cross-functionally address taxpayer and partner needs, preferences, and behaviors.
- Evaluate and summarize research for use in the strategic planning process at two key points during the annual planning process—prior to the development of the strategic assessment reports, and prior to the development of strategic plans.
- Further facilitate the embedding of research results into the investment decision-making process by using the Multi-year Research Portfolio, which outlines the depth and breadth of the IRS’s planned research studies.

8.2.1 Future Research Efforts

The TAB team developed the Multi-year Research Portfolio to ensure the continuation of research that iteratively and holistically addresses taxpayer and partner needs, preferences, and behaviors. The portfolio includes a diverse set of research projects that seeks to offer the highest payoff in enhancing the IRS’s understanding of taxpayer, partner, and government value. Four criteria were considered in selecting the specific analytic products to include in the Multi-year Research Portfolio:

- Expected improvement in the five Outcome Measures included in the TAB Strategic Plan;³⁶⁶
- Well-defined technical methodology to conduct the analysis;
- Anticipated impact of research on planning and budgeting decisions; and
- Cost of conducting the research.

Several studies are recommended for the Multi-year Research Portfolio, including:

Taxpayer Needs, Preferences, and Behaviors: Identify a rotating series of large external surveys, structured interviews with taxpayers, topic audits, contact recording analysis, and other innovative techniques to be fielded, tested, and evaluated each year to ensure that the “voice of the taxpayer” has a central role in IRS planning and budgeting decisions for taxpayer service programs. Include over sampling of special populations to allow for better development of statistically significant results.

Taxpayer Burden: Identify and measure the costs that taxpayers incur to comply with federal tax laws in order to better understand the impact of burden on compliance. Develop “what if” capabilities to estimate the burden impact of compliance initiatives and burden reduction proposals.

³⁶⁶ The Outcome Measures include the National Research Project (NRP) Voluntary Compliance Rate, Customer Satisfaction, Taxpayer Burden, First Contact Resolution Rate, and Percentage of Taxpayer Service Contacts Delivered Through the Electronic Channel (Refer to Section 5).

Impact of Service on Compliance: Identify a long-term, concerted research effort to identify ways to close the tax gap and to base the allocation of resources to both service and enforcement activities on a clearer understanding of how effective those activities are in promoting voluntary compliance. This will require compiling more comprehensive data over a number of years, culminating in analyses of the data by both IRS and external researchers. These analyses will be designed to quantify the impact of most IRS activities on the voluntary compliance of specific taxpayer populations, and will be updated annually as more data is compiled each year.

Inadvertent, Unintentional Noncompliance: Conduct studies to find out whether taxpayers who used taxpayer service programs had fewer reporting errors on their returns, and to try to collect useful data on the root causes of inadvertent errors and possible treatments. Create other efforts to enhance the use of enforcement feedback and expand data collection from NRP and field and correspondence audits.

Channel Migration Strategy: Identify barriers that currently prevent some taxpayer segments from effectively using lower cost channels for service.

Outcome and Performance Measures: Continue development and validation of the Outcome and Performance Measures recommended by the team. Identify data sources, establish baselines, and perform assessments to determine whether the benefits derived from each measure justify the design and implementation cost.

Facilitated Self-assistance Model (FSM): Evaluate the facilitated self-assistance service delivery model (described in detail in Section 7.4.1) and the research gathered in selected Taxpayer Assistance Centers (TACs) during 2007.

Self-Employed Taxpayers: Analyze the needs, preferences, and behaviors of taxpayers whose income is not generally subject to withholding and third-party reporting.

Outreach and Education: Analyze how the IRS can most effectively educate taxpayers and partners, and study the role of outreach and education in influencing behaviors.

IRS Employee Training: Conduct studies to understand the balance between tax law training and decision support tool training needed to enhance employee development and satisfaction, and to maximize efficient and effective service delivery.

Community-based Partners: Enhance understanding of partner needs, preferences, and behaviors.

Commercial Preparers: Develop studies to inform strategies that enhance the quality and accessibility of practitioner assistance through education, tailored assistance channels, and effective monitoring of practitioner behavior and return preparation quality. Expand survey, focus groups, and other data gathering instruments to query tax professionals to determine how the IRS might best help them operate as service intermediaries. Analyze the costs and benefits of legislation regulating preparers in California and Oregon programs for issues associated with regulating commercial professionals who prepare federal tax returns. Compare paid preparer returns to other return preparation options on measures of filing, reporting, and payment compliance.

Taxpayer Service Costs: Improve accuracy of cost per contact estimates to include downstream costs for the various taxpayer service programs and channels. To facilitate the development of downstream costs (detailed in Section 2.7.4), administer a survey periodically to identify unsuccessful taxpayer attempts to use services by channel and provide frequency estimates for service reuse.

New Types of Research Treatments: Pursue a wide array of new research tools that might provide actionable information on taxpayer needs, preferences, and behaviors; the root causes of inadvertent noncompliance; and service treatment options to raise compliance rates among individual taxpayers.

In addition to the creation of the Multi-year Research Portfolio, the Blueprint project included the initiation of a customer service resource optimization model. This model is being developed to help the IRS make better decisions on which services to provide to taxpayers and which channels to use to provide those services within the budget resources for service programs. The goal of this model is to provide the ability to relate the taxpayer value information to budget cost data. Conjoint surveys can predict what customers prefer and will choose in any given situation, but it cannot tell what the IRS can afford to offer taxpayers for a given budget level, or how much costs and value change with changes in budget allocations, performance results, or service demand. The simplified model of IRS service delivery options is designed to address the following strategic questions:

- Which service channel resource allocations will maximize taxpayer value?
- Which attributes (i.e., travel time, response time, service time, first contact resolution) are most important to taxpayers?
- Where will improvements in service result in the greatest payoff to customers?
- What additional investments in research and analysis will have the greatest payoff for maximizing taxpayer value?
- What does it cost the IRS to provide each service on each channel under different levels of demand and performance?

Modeling and analysis can provide input to the questions cited above, but astute strategy development requires more than forecasts of what might happen under different funding scenarios. It requires choices that are most likely to further service goals, build on IRS resources and talents, and remain feasible and sustainable in planning and budget decisions. The feasibility and potential benefits associated with the model continue to be evaluated.

Much of this proposed research work will build on specific products currently under development by the team. However, research priorities included in the TAB Strategic Plan will have to compete for funding each year with priorities that arise from the tax gap strategy and other proposals from IRS business units. No specific project funding is guaranteed, but incorporation of the Multi-year Research Portfolio into Service-wide research plans will allow the IRS to use empirical data to improve service programs over the next several years.

8.3 IRS Services Governance

To ensure the successful implementation of the broad range of process improvement recommendations, work is already underway to develop a TAB Program Management Office (PMO). The PMO will act as a facilitating, coordinating, and integrating resource in implementing a cross-functional portfolio of service initiatives. The PMO will work in conjunction with the existing Business Operating Divisions of the IRS to facilitate the following activities:

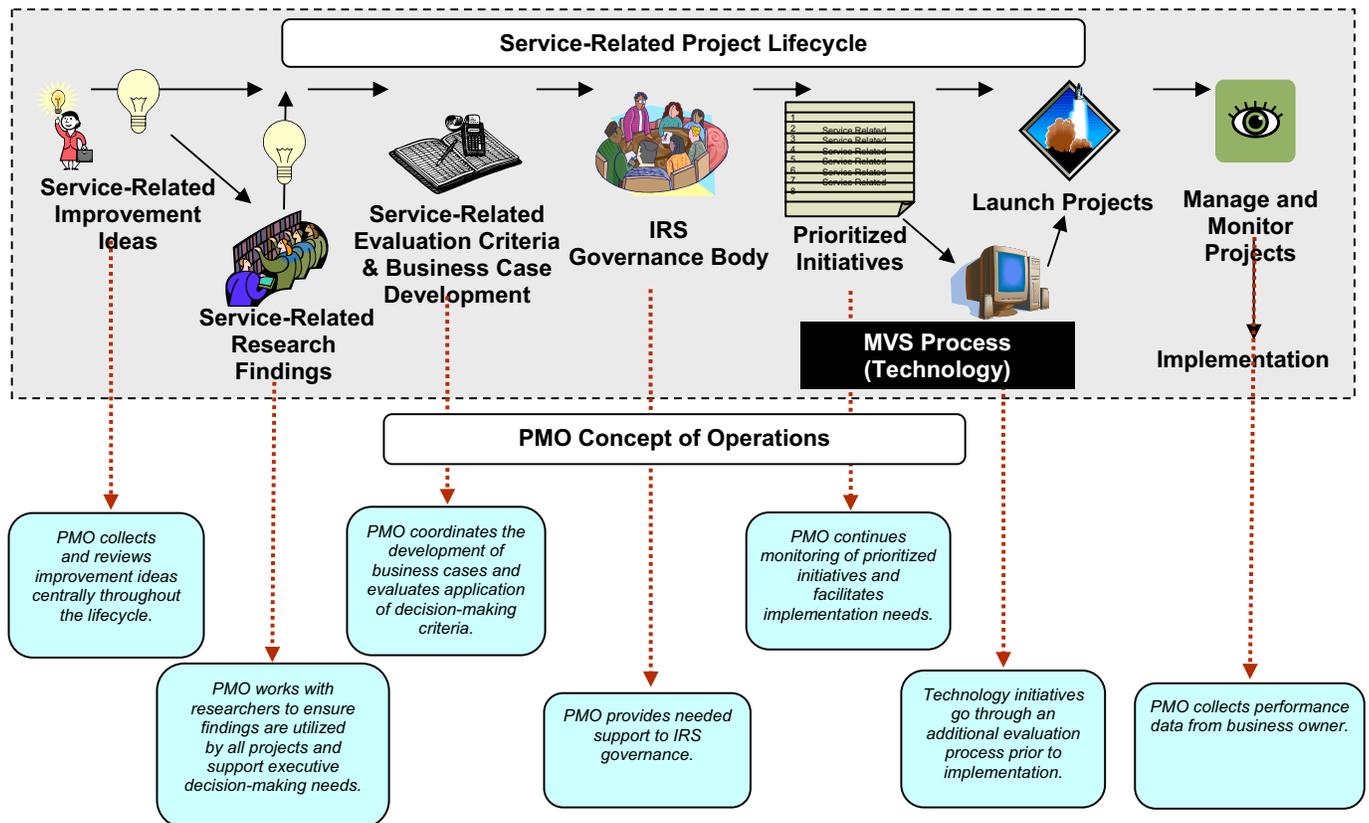
- Coordinating the Multi-year Research Portfolio with the Servicewide Research Council;
- Coordinating the development of business cases for recommended service improvement initiatives;
- Supporting the IRS governance body for services;
- Monitoring the portfolio of approved improvement initiatives;
- Providing project management support for approved improvement initiatives;
- Coordinating the development, testing, and implementation of the Performance Measures Portfolio;
- Managing the internal and external communications for service improvement initiatives;
- Integrating the TAB governance process with the IRS's existing decision-making processes.

In addition to the TAB PMO, the TAB Strategic Plan calls for an IRS governance body to provide oversight to service investment decision-making. This body will include cross-functional, senior executive representation and will supplement existing IRS decision-making processes. The governance body will facilitate an integrated IRS-wide approach to delivering service and provide continuity in the decision-making process. Key tasks will include:

- Evaluating major service-related issues (e.g., telephone hours of operation);
- Approving and prioritizing new service initiatives for budget submission (e.g., a marketing campaign);
- Addressing recommended changes to Business Analysis Evaluation Framework and criteria; and
- Assessing progress against the strategic Outcome Measures of service delivery.

Figure 8-2 illustrates the future lifecycle of an improvement initiative as it progresses through the process for making service investment decisions detailed in this Implementation Strategy.

Figure 8-2. TAB Program Management Office (PMO) Concept of Operations



The figure outlines how an improvement idea will be introduced as a result of research or from a policy decision. Within this process, all service improvement initiatives will be placed on a single prioritized list. If the new initiative is a technology effort, it will be analyzed using the existing Modernization, Vision and Strategy (MVS) process. If the new initiative is a non-technology effort, it will be assigned to one of the IRS business units who will manage the project through the implementation lifecycle. Sponsors of new initiatives will continue to face challenges of funding availability, as well as competition from other on-going and newly introduced initiatives. The governance body will serve as the platform upon which IRS leadership will make decisions regarding competing services-related initiatives. The TAB PMO will support and facilitate this process.

8.4 Next Steps

To ensure that taxpayers, partners, and the IRS benefit from the work of the Blueprint project, it is critical that process enhancements be institutionalized. Establishing the process for governance of the service investment decisions and establishing the roles and responsibilities of the TAB PMO is critical for institutionalizing the TAB Strategic Plan. Work is already underway (and will be completed by the end of CY 2007) to develop the governance body and process; resource and implement the PMO; and begin integrating the TAB Strategic Plan into existing business unit planning, budgetary, and assessment activities. In early 2007, the TAB team participated in cross-functional e-Services and Contact Center Summits. These and future summits are designed to plan strategies and initiatives that will improve future

service delivery based on the TAB Strategic Plan. In addition, select service improvement initiatives and future research projects identified by the TAB Strategic Plan were incorporated into the FY08 Budget Submission. Specifically, the President's FY08 Budget Request for the IRS includes \$10 million for implementing TAB Strategic Plan recommendations. This \$10 million is broken into \$3.5 million for Contact Analytics and \$375,000 for Estimated Wait Time technology on the telephone channel; as well as \$5.699 million for expanded Tax Law Support Tools and \$426,000 for the creation of Spanish "Where's My Refund?" on the electronic channel. The FY08 Budget Request includes an additional \$5 million for research on the effect of service on taxpayer compliance (part of the Multi-year Research Portfolio recommendations). These first steps of implementation demonstrate the IRS's commitment to using the comprehensive results of the entire Blueprint effort for future service decisions.

Realizing these process improvements will not be without challenge. However, the components of the Implementation Strategy form a crucial step in helping to ensure successful implementation and integration of service delivery improvements.

Future Vision for IRS Service Delivery

In 1997, the National Commission on Restructuring the IRS described a vision for an efficient, service-oriented institution dedicated to collecting the proper amount of tax through the use of taxpayer education, modern customer service practices, and effective law enforcement techniques. Over the past decade, the IRS has made significant strides in realizing that vision. Taxpayer satisfaction has increased over the past five years, and today, taxpayers are better positioned to understand their tax obligations and benefits and participate in the tax system. While these accomplishments are impressive, numerous strategic challenges impact the continued advancement toward the vision of service as a means to enhance taxpayer compliance. Factors such as the complexity and evolution of the tax code, the scope and diversity of the taxpaying public, the need for additional data on the causes of noncompliance, the significant role of third parties in service delivery, rapidly evolving technology, and all play a role in shaping the IRS service path for the next five years.

The Taxpayer Assistance Blueprint (TAB) was developed to provide strategic direction for taxpayer service in the context of these strategic challenges. The Performance Measures Portfolio, Service Improvement Portfolio (including Taxpayer Assistance Center Initiatives), and Implementation Strategy together comprise the TAB Strategic Plan for taxpayer service in the next five years. Each element represents a dynamic set of factors that must be considered together when examining taxpayer service as a whole. The TAB Strategic Plan also reflects the role that taxpayer service plays in the U.S. Department of Treasury's Comprehensive Strategy for Reducing the Tax Gap,³⁶⁷ which holds that "enforcement activities should be combined with a commitment to taxpayer service" in addressing the gap.³⁶⁸ The tax gap strategy calls for enhanced taxpayer service based on the recognition that service is important in helping taxpayers avoid unintentional errors. The TAB Strategic Plan addresses these concerns by outlining a multi-year commitment to research, some of which will be devoted to examining the impact of service on compliance. The overarching goal of all recommended service initiatives is to inform IRS service delivery decisions that can help to improve voluntary compliance.

The TAB Strategic Plan is focused on the use of relevant data to make well-informed investment decisions. Extensive research and analysis provide a strong rationale for proposed service initiatives, metrics, and implementation. However, the IRS's ability to improve the delivery of services is also dependent on a number of variables that may contribute to the constant evolution of the five-year plan—including tax legislation, the IRS budget, technology, and the public marketplace. Given the importance of incorporating the TAB Strategic Plan with IRS-wide budgeting and strategic planning, it is not possible to set further time-based specifics for implementation within the five-year period. Instead, the plan provides specific actions to improve taxpayer service in subsequent years, and strategic direction thereafter. It recommends strategic outcomes and outlines the structure, process, and criteria needed to manage IRS service delivery as an integrated portfolio.

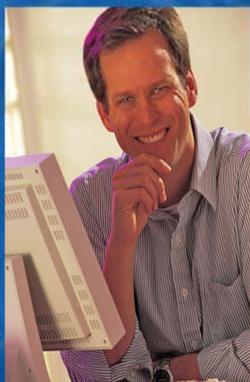
The TAB Strategic Plan provides the IRS with valuable information for the future of service delivery that balances taxpayer needs, preferences, and behaviors with resource allocation considerations and Service-wide priorities. The IRS now has substantial empirical data to consider when making service investment decisions over the next five years. The work started with the Blueprint project will go on as the IRS expands and refines its knowledge, and continues its commitment to balancing quality service with effective enforcement to maximize compliance.

³⁶⁷ United States Department of the Treasury, Office of Tax Policy, *A Comprehensive Strategy for Reducing the Tax Gap*, September 26, 2006.

³⁶⁸ *Ibid.*, page 2.

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Congressional Language

A primary objective of the Taxpayer Assistance Blueprint (TAB) initiative was to address the Congressional language mandating that the IRS conduct a comprehensive review of its current portfolio of services and develop a five-year plan for individual taxpayer services. In developing the Blueprint, the TAB team considered all of the applicable language presented by the House and Senate Appropriations Committees, the Committee of Conference, and ultimately, the Public Law (See Figure A-1).

Figure A-1. Congressional Language

| Congressional Language of Interest to TAB | |
|---|--|
| 1. | Public Law 109-115 |
| 2. | Conference Report 109-307 (Joint Explanatory Statement of the Committee of Conference) |
| 3. | Senate Committee Report 109-109 |
| 4. | House Committee Report 109-153 |

Public Law 109-115³⁶⁹

SEC. 205. None of the funds appropriated or otherwise made available in this or any other Act or source to the Internal Revenue Service may be used to reduce taxpayer services as proposed in fiscal year 2006 until the Treasury Inspector General for Tax Administration completes a study detailing the impact of such proposed reductions on taxpayer compliance and taxpayer services, and the Internal Revenue Service's plans for providing adequate alternative services, and submits such study and plans to the Committees on Appropriations of the House of Representatives and the Senate for approval: *Provided*, That no funds shall be obligated by the Internal Revenue Service for such purposes for 60 days after receipt of such study: *Provided further*, That the Internal Revenue Service shall consult with stakeholder organizations, including but not limited to, the National Taxpayer Advocate, the Internal Revenue Service Oversight Board, the Treasury Inspector General for Tax Administration, and Internal Revenue Service employees with respect to any proposed or planned efforts by the Internal Revenue Service to terminate or reduce significantly any taxpayer service activity.

Conference Report 109-307 (Joint Explanatory Statement of the Committee of Conference)³⁷⁰

The conferees direct the IRS, the IRS Oversight Board and the National Taxpayer Advocate to develop a five-year plan for taxpayer service activities and report to the House and Senate Committees on Appropriations by April 14, 2006, as outlined in the Senate report. The plan should include long-term goals that are strategic and quantitative and that balance enforcement and service.

³⁶⁹ United States Congress, Conference Report PL109-115: H.R.3058 – 43. *Transportation, Treasury, Housing and Urban Development, the Judiciary, the District of Columbia, and Independent Agencies Appropriations Act, 2006*, 30 November 2005. (Enrolled as Agreed to or Passed by Both House and Senate) (Including Rescission of Funds, http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=109_cong_public_laws&docid=f:publ115.109_January_25_2007).

³⁷⁰ United States Congress, Conference Report 109-307. *Joint Explanatory Statement of the Committee of Conference: Internal Revenue Service, Processing Assistance, and Management (Including Rescission of Funds)*, <http://www.rules.house.gov/109/text/hr3058cr/109hr3058jes.pdf>.

Senate Committee Report 109-109³⁷¹

Taxpayer Services – The Committee is concerned about the proposed taxpayer service reductions due to the IRS’s inability to explain the potential impact of these changes on taxpayers. Reducing taxpayer services, especially for the Nation’s most vulnerable and needy populations, is puzzling, especially given the trends in the Nation’s demographics, which indicate a growing elderly population and immigrant population. Yet, instead of increasing and improving taxpayer services for these populations, the IRS’s budget proposes to cut services that these populations rely upon.

The Committee also is concerned that the proposed service cuts lack specificity and the IRS has not developed concrete plans to provide adequate alternative services that would replace the proposed service cuts. The Government Accountability Office [GAO] noted in testimony on April 14, 2005 that IRS has not finalized the details on where reductions in taxpayer service would occur.

Clearly, the IRS can provide alternative services at a more cost-effective and efficient manner. Recent GAO testimony states that the IRS may be able to ‘maintain the overall level of assistance to taxpayers by changing the menu of services offered, offsetting reductions in some areas with new and improved services in other areas.’ Nevertheless, the IRS has failed to develop a comprehensive plan that would ensure adequate alternative and improved services to taxpayers. For example, the IRS is re-directing taxpayers from taxpayer assistance centers [TAC] to volunteer income tax assistance [VITA] sites. However, both the GAO and the Treasury Inspector General for Tax Administration [TIGTA] have identified significant problems with the accuracy of tax preparation services provided at VITA sites. Further, while the IRS is encouraging more taxpayers to use volunteer sites for return preparation, resources devoted to these activities are declining. Staffing for IRS’s Stakeholder Partnerships, Education and Communication [SPEC] office has declined by 63 FTE over the past two years.

In addition, the IRS has justified some of its proposed cuts based on reduced usage of such services. However, some of the reduction in usage was caused by the IRS’s own internal policies. For example, beginning in fiscal year 2003, the IRS established guidelines to reduce tax return preparation in the taxpayer assistance centers [TAC] by 20 percent. This goal was reiterated in the fiscal year 2005-2006 Wage & Investment Strategy and Program Plan. By directing the reduction of such services, the reduction in demand and usage became a self-fulfilling prophecy and not one justified by reduced taxpayer needs or demands for such services.

The Committee also questions the IRS’s estimated cost savings from reducing some of their services. For example, the IRS announced on May 27, 2005 that it planned to close 68 TACs across the Nation. However, the Committee is highly skeptical of the projected savings from closing these walk-in centers since only three of the 68 TACs are stand-alone facilities while the remainder are co-located with other IRS offices.

Due to the Committee’s concerns, the Committee has included an administrative provision that prohibits the use of funds provided in this Act for purposes of reducing any taxpayer service function or program until the Treasury Inspector General for Tax Administration [TIGTA] has completed a study detailing the impact

³⁷¹ United States Congress, Senate Report 109-109, *Transportation, Treasury, The Judiciary, Housing and Urban Development, and Related Agencies Appropriations Bill, 2006: Internal Revenue Service, Processing, Assistance and Management, Committee Recommendation*, July 26, 2005, <http://thomas.loc.gov/cgi-bin/cpquery/T?&report=sr109&dbname=109&>.

of the IRS's plans to reduce services on taxpayer compliance and taxpayer assistance. The Committee also requests TIGTA to review the accuracy of the estimated cost-savings of the reduced services.

Further, the Committee directs the IRS to undertake a comprehensive review of its current portfolio of taxpayer services and develop a five-year plan that outlines the services it should provide to improve services for taxpayers. This plan should detail how it plans to meet the service needs on a geographic basis (by State and major metropolitan area), including any proposals to realign existing resources to improve taxpayer access to services, and address how the plan will improve taxpayer service based on reliable data on taxpayer service needs. As part of this review, the Committee strongly urges the IRS to use innovative approaches to taxpayer services, such as virtual technology and mobile units. The IRS also should expand efforts to partner with State and local governments and private entities to improve taxpayer services. For example, about three-fourths of the Nation's 100 largest cities have some coordinated effort around the Earned Income Tax Credit by providing outreach and free tax preparation services. This plan should be developed in consultation with the IRS Oversight Board and the National Taxpayer Advocate and submitted to the House and Senate Appropriations Committees by no later than March 1, 2006.

House Committee Report 109-153³⁷²

Taxpayer service – The Committee is concerned that, with the increasing focus on enforcement, the IRS might exacerbate problems with compliance as a result of a lack of resources for taxpayer service. It is clear to the Committee that IRS has rushed to meet an arbitrary figure specified for cuts to service programs, so much so that clearly IRS has not had time to evaluate the impact its proposals would have on taxpayers, nor has it consulted with stakeholders. The Committee does not question the notion that some taxpayer assistance centers (TACs) should be closed or realigned with other IRS assets to achieve savings. However, the methodology used to develop the list of TACs to be closed leaves a great deal to be desired. Specifically, the Committee is disturbed that the National Taxpayer Advocate (NTA), the Treasury Inspector General for Tax Administration (TIGTA), the IRS Oversight Board, and other important stakeholder groups were not consulted during the development phase of the model that was used to identify which TACs should be closed. The Committee has included an administrative provision prohibiting the use of funds to close TACs for fiscal year 2006 until TIGTA has completed a thorough, scientific review of the impact this initiative would have on individual taxpayers. The Committee has included additional bill language that requires IRS to consult with NTA, TIGTA, the IRS Oversight Board, and other appropriate parties to receive feedback regarding data points that are incorporated in the model that determines which TACs should be closed and the weighting of those factors in the process.

³⁷² United States Congress, House Report 109-153, *Departments of Transportation, Treasury, and Housing and Urban Development, The Judiciary, District of Columbia, and Independent Agencies Appropriations Bill, 2006: Internal Revenue Service, Processing, Assistance and Management, Committee Recommendation*, <http://thomas.loc.gov/cgi-bin/cpquery/T?&report=hr153&dbname=109&>.

Acronyms / Abbreviations

| | |
|----------------|--|
| ACSI | American Customer Satisfaction Index |
| AGI | Adjusted Gross Income |
| CFO | Chief Financial Officer |
| C&L | Communication and Liaison |
| CERCA | Council for Electronic Revenue Communication Advancement |
| CPE | Continuing Professional Education |
| CSR | Customer Service Representative |
| CY | Calendar Year |
| EITC | Earned Income Tax Credit |
| EAR | Electronic Account Resolution |
| EFTPS | Electronic Federal Tax Payment System |
| ETA | Electronic Tax Administration |
| ETLA | Electronic Tax Law Assistance program |
| EIN | Employer Identification Number |
| FSM | Facilitated Self-assistance Model |
| FDIC | Federal Deposit Insurance Corporation |
| FA | Field Assistance |
| FCR | First Contact Resolution |
| FTE | Full Time Equivalent |
| FY | Fiscal Year |
| ID | Identification |
| ITIN | Individual Taxpayer Identification Number |
| IRS | Internal Revenue Service |
| LEP | Limited English Proficient |
| LITC | Low Income Tax Clinic |
| LOS | Level of Service |
| MLI | Multilingual Initiative |
| NRP | National Research Program |
| OPERA | Office of Program Evaluation and Risk Analysis |
| PCG | Pacific Consulting Group |
| PPS | Practitioner Priority Services |
| PART | Program Assessment Rating Tool |
| REFM | Real Estate and Facilities Management |
| SERP | Servicewide Electronic Research Program |
| SB/SE | Small Business/Self Employed Division |
| SPEC | Stakeholder Partnerships, Education and Communication |
| TCE | Tax Counseling for the Elderly |
| TAS | Taxpayer Advocate Service |
| TAB | Taxpayer Assistance Blueprint |
| TAC | Taxpayer Assistance Center |
| TE/GE | Tax Exempt and Government Entities Division |
| TIGTA | Treasury Inspector General for Tax Administration |
| TY | Tax Year |
| VTO | Virtual Translation Office |
| VITA | Volunteer Income Tax Assistance |
| VRPP | Volunteer Return Preparation Program |
| W&I | Wage and Investment Division |

Glossary

| Term | Definition |
|---|--|
| Access to Service | <ul style="list-style-type: none"> Usable means by which a taxpayer can obtain information and assistance in meeting tax obligations and receiving any applicable benefits. |
| Account Assistance | <ul style="list-style-type: none"> Service category utilized to address inquiries about taxpayers' account status, resolve account issues, update personal information such as a change of address or account balance, or make payment arrangements. |
| Accuracy | <ul style="list-style-type: none"> Identified by three EQRS (Embedded Quality Reporting System) measures: 1. Customer Accuracy: giving the correct answer with the correct resolution. 2. Regulatory Accuracy: adhering to statutory/regulatory process requirements when making determinations on taxpayer accounts. 3. Procedural Accuracy: adhering to non-statutory / non-regulatory internal process requirements. |
| Accuracy Percentage | <ul style="list-style-type: none"> Percentage of customer inquiries accurately addressed by the IRS within each service delivery channel. Percentage of frequency for a customer receiving the correct answer to an inquiry and/or correct resolution to a case based upon all available information and actions. |
| American Customer Satisfaction Index (ACSI) | <ul style="list-style-type: none"> A measure of customer satisfaction that covers seven economic sectors, 40 industries, more than 200 private sector companies, and many governmental agencies. Scores are reported on a 0 to 100 scale based on survey data from consumer households across the nation. (Began in 1994.) |
| Annual Performance Goal | <ul style="list-style-type: none"> Measures and targets affected by an activity in a particular (generally near-term) year. |
| Annual Performance Plan | <ul style="list-style-type: none"> Required by the Government Performance and Results Act (GPRA) to set measurable goals that define what will be accomplished during the fiscal year. |
| Assisted Service | <ul style="list-style-type: none"> Information or guidance on taxpayer obligations or benefits provided by an IRS employee, partner, or service provider to an individual taxpayer through any service delivery channel. |
| Authorized IRS e-file Provider | <ul style="list-style-type: none"> A business authorized by the IRS to participate in the IRS e-file Program. The business may be a sole proprietorship, a partnership, a corporation, or an organization. Authorized IRS e-file Providers include Electronic Return Originators (EROs), Transmitters, Intermediate Service Providers, and Software Developers. These categories are not mutually exclusive. |

| Term | Definition |
|---|--|
| Awareness | <ul style="list-style-type: none"> Understanding of tax obligations, benefits, and service delivery options. |
| Baseline | <ul style="list-style-type: none"> The starting point from which gains are measured and targets are set. |
| Capital Planning and Investment Control (CPIC) | <ul style="list-style-type: none"> The baseline processes that support the MITS budget submissions, IT investment process documentation, and IT investment management in compliance with GAO requirements. |
| Commercial Preparers | <ul style="list-style-type: none"> Those providing tax return preparation assistance for monetary compensation that are not regulated by the government. They may be corporations, partnerships, or self-employed individuals, and include electronic return originators. |
| Community-based Partners | <ul style="list-style-type: none"> Those that provide free service to taxpayers at designated support locations. These partners work with IRS-sponsored programs such as VITA, TCE, Tax Forms and Outlet Program (TFOP), and LITC. |
| Compliance | <ul style="list-style-type: none"> Successfully meeting the three basic tax obligations: (1) to file timely returns (filing compliance); (2) to report the correct tax liability on those returns (reporting compliance); and (3) to pay the correct amount of tax on time (payment compliance). |
| Concept of Operations (Con-ops) | <ul style="list-style-type: none"> A depiction of the target state of the functional organization in terms of conceptual systems and operational functionality. Serves as a baseline for developing sequencing and transition plans. |
| Conjoint Analysis performed for Taxpayer Assistance Blueprint (TAB) | <ul style="list-style-type: none"> Study that asks respondents to choose between various service scenarios. These scenarios describe the cost or limits attending a variety of service situations by depicting ranges of service attributes. Selections between various constellations of service tasks and attributes show what factors most influence choices about service seeking. For example, someone with a strong preference for face-to-face communication might choose a TAC (Taxpayer Assistance Center) regardless of travel time to the service site, whereas someone who prefers TACs when they are close by might, for the same task, choose to call when they are 30 minutes travel from a TAC. |
| Customer Satisfaction (W&I, CARE, FA) | <ul style="list-style-type: none"> A taxpayer's overall satisfaction with the services provided by Field Assistance personnel as determined by the customer satisfaction survey conducted by Pacific Consulting Group (PCG), an outside vendor conduct surveys. In the survey, taxpayers rate services provided in Taxpayer Assistance Centers (TACs) on a scale from 1 – 5. |
| Downstream Costs | <ul style="list-style-type: none"> Cost associated with work resulting from taxpayer's inability to timely and fully fulfill their tax responsibilities, such as repeat contacts on the same or different channels, potential errors on returns, Taxpayer Advocate Service intervention, revenue loss, and possible enforcement costs--such as audits, collection activity, and appeals. |

| Term | Definition |
|---|---|
| Education | <ul style="list-style-type: none"> • Providing information to build skills and increase awareness, knowledge, and understanding of individual tax obligations, benefits, and service delivery options. |
| Electronic Channel | <ul style="list-style-type: none"> • The service delivery channel that provides information and guidance delivered through IRS.gov and e-mail (ETLA). |
| Electronic filing (e-file) | <ul style="list-style-type: none"> • The transmission of tax information directly to the IRS from a computer. Electronic filing options include (1) preparing a return online using a personal computer and tax preparation software, or (2) using a tax professional with electronic filing capabilities. |
| Electronic preparation | <ul style="list-style-type: none"> • Completing tax returns using software and computers. |
| Electronic Return Originator (ERO) | <ul style="list-style-type: none"> • The Authorized IRS e-file Provider that originates the electronic submission of an income tax return to the IRS. |
| Enterprise Queue | <ul style="list-style-type: none"> • The process of centrally queuing telephone calls in limited locations and routing calls to an ACD (automatic call distributor) when an agent is available. |
| Face-to-Face Channel | <ul style="list-style-type: none"> • The service delivery channel including Taxpayer Assistance Centers (TACs), Volunteer Return Preparation Program (VRPP) sites, and other locations. |
| Facilitated Self-assistance Model (FSM) | <ul style="list-style-type: none"> • A self-assistance workstation with computers and phones that will be installed in select TACs in a limited implementation in 2007. This will allow taxpayers to conduct self-assisted service transactions with guidance from IRS employees, while allowing the IRS to assess the feasibility of migrating willing taxpayers to self-assisted services. |
| Field Assistance Technical Assessment Battery | <ul style="list-style-type: none"> • An online tool to identify training needs by assessing TAC employees' knowledge and skill levels in technical and procedural topics. |
| First Contact Resolution (FCR) | <ul style="list-style-type: none"> • The successful settling of a tax issue upon first contact with the IRS. |
| Full Time Equivalent (FTE) | <ul style="list-style-type: none"> • The total number of regular straight-time hours (i.e., not including overtime or holiday hours) worked by employees divided by the number of compensable hours applicable to each fiscal year. Annual leave, sick leave, compensatory time off, and other approved leave categories are considered to be "hours worked" for purposes of defining FTE employment. A list of compensable days (with associated hours) for fiscal years 2005 through 2008 is provided in OMB Circular A-11, Section 32.4(b). The number of compensable days (with associated hours) for fiscal year 2006 is 260 days, resulting in 2,080 hours in a FTE. |

| Term | Definition |
|------------------------------------|---|
| Fully Loaded Costs | <ul style="list-style-type: none"> All recurring costs (labor, benefits, and day to day support) for an employee category code (e.g., customer service representative, seasonal, etc.) including the pro-rated per FTE corporate costs for information technology and agency-wide shared services. Included also are the overhead costs of the appropriate division level management (SPEC, Field Assistance, Accounts Management). Since the information is unavailable, this document excludes all costs of the major information technology systems that are used by these functions (Integrated Data Retrieval System, Desktop Integration, etc.) as well as corporate managerial overhead above the division level. |
| Goal | <ul style="list-style-type: none"> A desired performance objective—can be qualitative or quantitative. |
| Government Value | <ul style="list-style-type: none"> Covers the four basic components of operational performance defined during TAB Phase 2: workload, resources, productivity, and quality. Government Value measures focus on making the IRS measures for self-assisted services as strong as those for assisted services. |
| Inadvertent noncompliance | <ul style="list-style-type: none"> Unintentional errors made by taxpayers due to the complexity of the tax code, processes and procedures for administrating the tax code, misinterpretation of tax law, clerical mistakes, tragic or unforeseen events in people's lives, etc. (ESC is in the process of validating the definition of inadvertent noncompliance) |
| Inputs | <ul style="list-style-type: none"> Resources often measured in dollars (or staff years) used to produce outputs and outcomes. |
| Interactive Activities/Services | <ul style="list-style-type: none"> Taxpayer services or activities characterized by the likelihood of requiring some degree of in-person interpretation or judgment to successfully complete the task (i.e., responding to a notice). |
| IRS Long Term Goals and Indicators | <ul style="list-style-type: none"> Combine with program-related efficiency and outcome measures to help the IRS achieve long term objectives. Provide focus for measuring the outcome of the IRS effectiveness in managing the tax system. Long Term is defined as covering a long period of time considering the nature of the program, but is consistent with the periods for strategic goals used in the Agency Strategic Plan. |
| IRS Objective | <ul style="list-style-type: none"> Action designed to achieve a goal. A statement of aim or purpose included in an IRS strategic plan. |
| IRS Strategic Plan | <ul style="list-style-type: none"> The plan that sets forth the strategic priorities of the IRS, determines how resources are deployed, and sets performance goals. |
| Lean Six Sigma | <ul style="list-style-type: none"> A structured methodology to improve work processes by eliminating waste, reducing variation, and maximizing workflow. |

| Term | Definition |
|---|--|
| Limited English Proficiency (LEP) Taxpayers | <ul style="list-style-type: none"> Persons identified as speaking English “not well” or “not at all” by the U.S. Census Bureau. |
| Long-term Performance Goal | <ul style="list-style-type: none"> Covering a long period of time considering the nature of the program, but consistent with the periods for strategic goals used in a strategic plan—generally, several years or more in the future. (Cross-referenced with IRS Long Term Goals and Indicators.) |
| Low Income Tax Clinic (LITC) | <ul style="list-style-type: none"> A free program assisting low income taxpayers involved in controversies with the IRS, and providing education and outreach on the tax rights and responsibilities of U.S. taxpayers to individuals who speak English as a second language (ESL) or who have limited English proficiency. |
| Measures | <ul style="list-style-type: none"> The indicators or metrics that are used to gauge program performance. |
| Metric | <ul style="list-style-type: none"> A standard of measurement. |
| Modernization Vision and Strategy (MVS) | <ul style="list-style-type: none"> A five-year plan that drives information technology decisions and addresses the priorities around modernizing front-line tax administration and supporting technical capabilities. |
| Operational Priorities | <ul style="list-style-type: none"> Activities that provide support to the major IRS operational strategies. |
| Outcome | <ul style="list-style-type: none"> Result, effect, or consequence that occurs from carrying out a program or activity. |
| Outcome Category | <ul style="list-style-type: none"> Areas within the TAB Phase 2 Taxpayer Service Portfolio defined as: Compliance, Taxpayer and Partner Value, and Government Value. |
| Outcome Measure | <ul style="list-style-type: none"> Indicator or metric that gauges the result, effect, or consequence that occurs from carrying out a program or activity. |
| Output | <ul style="list-style-type: none"> A measure of the amount of product or service provided. Focuses on the level of activity within particular activities. |
| Outreach | <ul style="list-style-type: none"> The dissemination of information to enhance a taxpayer's awareness, knowledge, and understanding. |
| Outreach and Education | <ul style="list-style-type: none"> Service category utilized to inform taxpayers on the products and services offered. The information is typically documented and is distributed in manuals, handouts, brochures, Web sites, etc. |

| Term | Definition |
|---------------------------------------|---|
| Page Hit | <ul style="list-style-type: none"> The retrieval of any item, like a page or a graphic, from a Web server. For example, calling up a Web page with four graphics represents five hits—one for the page and four for the graphics. For this reason, hits often aren't a good indication of Web traffic. Compare with page view. |
| Page View | <ul style="list-style-type: none"> A measurement of the number of times that a Web page is viewed from a Web server. Whenever any given Web page is accessed by a visitor to IRS.gov, it is counted as a single page view. |
| Page Visit | <ul style="list-style-type: none"> A series of actions that begins when a visitor views the page from the server, and ends when the visitor leaves the site (or remains idle beyond the idle-time limit of 30 minutes). Any given Web page may be accessed (<i>i.e.</i>, viewed) multiple times during a single visit to IRS.gov. This causes the number of page views for any given Web page to be significantly higher than the number of visits recorded for the same page. |
| Partner | <ul style="list-style-type: none"> A non-IRS entity that delivers or funds (<i>e.g.</i>, grant-giving foundations) service to taxpayers on behalf of, or in coordination with, the IRS. IRS partners include tax practitioners, commercial preparers, community-based partners, and return preparation software vendors. |
| Performance Attribute | <ul style="list-style-type: none"> A measurable feature of a service event (such as wait time for service). |
| Performance Goal | <ul style="list-style-type: none"> A target level expressed as a tangible, measurable objective against which actual achievement can be compared. |
| Performance Measure | <ul style="list-style-type: none"> An indicator or metric used to gauge program performance. |
| Practitioner | <ul style="list-style-type: none"> One who prepares tax returns for monetary compensation and is authorized to legally represent taxpayers. Includes attorneys, certified public accountants, enrolled agents, and enrolled actuaries regulated by the government. |
| Productivity | <ul style="list-style-type: none"> A measure of economic efficiency that shows how effectively economic inputs are converted into output. Measured by comparing the amount of goods and services produced with the inputs that were used in production. The "measure of work units (a weighted measure of returns processed) per staff year expended". |
| Professionalism | <ul style="list-style-type: none"> Relative measure of the conduct of a service representative in promoting a positive image of the IRS. |
| Program Assessment Rating Tool (PART) | <ul style="list-style-type: none"> Systematic method of assessing the performance of program activities across the federal government—a diagnostic tool used to improve program performance. The PART assessments help inform budget decisions and identify actions to improve results. Agencies are held accountable for implementing PART follow-up actions and |

| Term | Definition |
|-------------------------------------|--|
| | working toward continual improvements in performance. |
| Proxy Measure | <ul style="list-style-type: none"> An indirect measure of a program's outcome. (Example: If data is not available, are there measures that will indirectly measure the program's outcomes?) |
| Qualified Preference | <ul style="list-style-type: none"> The service delivery channel a taxpayer selects for service when advised of differences in operational and performance attributes among all channels. |
| Quality of Experience | <ul style="list-style-type: none"> An attribute that involves all of the areas of customer, regulatory, and procedural accuracy; professionalism; and timeliness to measure the provision of timely and accurate responses and/or resolutions to inquiries. |
| Reliability of Data | <ul style="list-style-type: none"> A quality characterized within the IRS as the following: Reasonable Accuracy – Existence of a system or process that validates or verifies the accuracy of the data being reported. Questionable/Unknown Accuracy – Lack of a reliable system or process to validate or verify the accuracy of the data. |
| Resources | <ul style="list-style-type: none"> People, equipment, materials, and funds needed to execute the programs to carry out the mission of the IRS. |
| Return Preparation Assistance | <ul style="list-style-type: none"> Service category utilized to provide personalized assistance on completing a tax return, often including completion and submission of the return. |
| Return Preparation Software Vendors | <ul style="list-style-type: none"> Those that offer return preparation assistance through self-assisted software products. Software vendors also supply commercial preparers with electronic filing software. |
| Self-assisted Service | <ul style="list-style-type: none"> Information or guidance on taxpayer obligations or benefits obtained by the taxpayer without the direct assistance of an IRS employee, partner, or service provider. |
| Service Category | <ul style="list-style-type: none"> A taxpayer service activity performed within the tax administration process. The five Taxpayer Service Categories include 1) Outreach and Education; 2) Tax Forms and Publications; 3) Tax Law Assistance; 4) Return Preparation Assistance; and 5) Account Assistance. |
| Service Delivery Channel | <ul style="list-style-type: none"> A means for obtaining taxpayer services, including telephone, face-to-face, electronic, and written correspondence. |

| Term | Definition |
|--------------------------------------|--|
| Software Developer | <ul style="list-style-type: none"> Develops software for the purposes of formatting electronic tax return information according to IRS specifications. |
| Staff Year | <ul style="list-style-type: none"> A unit of measurement used prior to FY 1993 to capture the amount of work generated by a position filled every work day. |
| Stakeholder | <ul style="list-style-type: none"> Any party interested in tax administration, i.e., taxpayers, partners, the federal government, oversight and advisory bodies, etc. |
| Strategic Goal | <ul style="list-style-type: none"> A statement of aim or purpose included in a strategic plan (required under GPRA). In a performance/budget plan, strategic goals should be used to group multiple program outcome goals. |
| Strategic Objective | <ul style="list-style-type: none"> A statement of aim or purpose that agencies may include in a strategic plan. Strategic objectives are not directly measurable; they can be used to group general goals. |
| TAC Coverage Rate | <ul style="list-style-type: none"> The percentage of one of three population groups (total U.S. population, taxpayers with problem returns, and low income taxpayers) located within 30 minutes travel time of a given TAC. Travel times were tailored to account for population and traffic density. |
| TAC Geographic Analysis | <ul style="list-style-type: none"> Analysis conducted to assess the effectiveness TAC locations in terms of meeting potential needs of taxpayers in special demographic groups and within resource allocations. |
| TAC Geographic Footprint | <ul style="list-style-type: none"> Locations of all existing Taxpayer Assistance Centers throughout the United States, including Puerto Rico. |
| Tax Counseling for the Elderly (TCE) | <ul style="list-style-type: none"> Grant program that offers free tax help to individuals who are age 60 or older. |
| Tax Credit | <ul style="list-style-type: none"> A dollar-for-dollar reduction in tax—can be deducted directly from taxes owed. |
| Tax Deduction | <ul style="list-style-type: none"> An amount (often a personal or business expense) that reduces income subject to tax. |
| Tax Forms and Publications | <ul style="list-style-type: none"> Service category used to guide taxpayers through the preparation and filing of their return. Specific publications provide information on filing procedures and tax credits, deductions, and obligations. |

| Term | Definition |
|---|---|
| Tax Law Assistance | <ul style="list-style-type: none"> • Service category used to provide taxpayers guidance on how to properly apply the tax law to complete a return. Guidance is provided on a wide range of credits, deductions, and obligations. |
| Tax Preparation Software | <ul style="list-style-type: none"> • Computer software designed to complete tax returns and to work with the IRS electronic filing system (e.g., TaxWise). |
| Taxpayer Burden | <ul style="list-style-type: none"> • Time and money that taxpayers spend to comply with their federal tax obligations. |
| Taxpayer Needs | <ul style="list-style-type: none"> • Services taxpayers seek and use to comply with federal tax obligations. The team identified three different approaches for meeting taxpayer needs: 1) Mitigating non-compliant behavior; 2) Satisfying demand for services; and 3) Removing barriers to service use. |
| Taxpayer and Partner Value | <ul style="list-style-type: none"> • The needs and preferences of taxpayers and partners identified through research to include awareness and education, access to service, and quality of experience. |
| Taxpayer Preference | <ul style="list-style-type: none"> • The service channels that taxpayers use or would choose to use to obtain the assistance and information they need to comply with their federal tax obligations. |
| Taxpayer Service Categories | <ul style="list-style-type: none"> • The areas in which taxpayer services are delivered as defined in TAB Phase 1: Outreach & Education; Tax Forms & Publications (distribution only); Tax Law Assistance; Return Preparation Assistance; and Account Assistance. |
| Taxpayer Service Portfolio of Measures | <ul style="list-style-type: none"> • The measures representing the three outcome categories of TAB Phase 2—compliance, taxpayer and partner value, and government value—selected from a group of measures across taxpayer service channels. |
| Taxpayer Service Performance Measures | <ul style="list-style-type: none"> • The indicators or metrics that are used to support taxpayer service outcome measures and gauge operational program performance. |
| Taxpayer Self-assistance Participation Rate | <ul style="list-style-type: none"> • A measure developed to show the progress the IRS is making towards shifting taxpayers who are seeking information and guidance away from traditional channels and towards self-service channels such as the Internet. • The percent of contacts in the Assistance Category that are resolved by Taxpayer Self-Assistance |
| Taxpayer Service Transaction | <ul style="list-style-type: none"> • The exchange of information that can occur in person, over the telephone, or in writing. |
| Telephone Channel | <ul style="list-style-type: none"> • Service Delivery Channel that offers account and tax law information via the telephone. |

| Term | Definition |
|--|---|
| Timeliness | <ul style="list-style-type: none"> Relative measure of speed of service delivery. |
| Transactional Activities/Services | <ul style="list-style-type: none"> Taxpayer services or activities characterized by requiring minimal in-person assistance (i.e., obtaining a form). |
| Transmit | <ul style="list-style-type: none"> To send a tax return to the IRS electronically. |
| Universal Queue | <ul style="list-style-type: none"> The same concept as enterprise queue, except it intermingles telephone calls with both electronic and paper correspondence as well as live chat sessions, and then routes work to available agents based on business rules. |
| Unqualified Preference | <ul style="list-style-type: none"> Refers to those service channels taxpayers say they would use to accomplish a given task without supplemental guidance while responding. This is unqualified preference in the sense that the survey or the interviewer does not provide the respondent with any information on operational aspects or performance attributes for each channel. |
| Use Preference | <ul style="list-style-type: none"> The channel that a taxpayer actually selects for seeking and receiving services. Use preference is based on responses to survey questions such as “What service channels, if any, did you use to contact IRS when preparing your Tax Year 2005 tax return?” |
| Voluntary Compliance | <ul style="list-style-type: none"> The act of fully and accurately declaring income, calculating tax liability, and filing a tax return on time with the IRS. |
| Volunteer Income Tax Assistance (VITA) | <ul style="list-style-type: none"> A free program assisting taxpayers who have limited or moderate incomes, have limited English skills, or are elderly or disabled. Many VITA sites offer electronic preparation and transmission of income tax returns. |
| W&I Strategy | <ul style="list-style-type: none"> A strategy that describes the specialized policies, programs, priorities, and projects designed to reduce taxpayer burden, expand options for electronic filing, implement a balanced compliance program, and improve EITC services. |
| Wait Time | <ul style="list-style-type: none"> The time it takes for a customer to receive service within a given channel. |
| Workload | <ul style="list-style-type: none"> The volume of work units handled in a functional area (e.g. number of returns prepared, number of calls answered, number of face to face contacts, etc.) |
| Written Correspondence Channel | <ul style="list-style-type: none"> The service delivery channel that includes written communications from a taxpayer or his/her representative—excluding tax returns—whether solicited or unsolicited. This includes: a) Written communications in response to IRS requests for information or data; b) Written communications, including annotated notice responses that provide |

| Term | Definition |
|------|---|
| | additional information or dispute a notice; and c) A telephone call that results in a written referral or research. |

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TAB Related Research Studies

Figure A-2. TAB Related Research Studies

| SURVEY ANALYSIS | | |
|-----------------|---|--|
| 1 | Benchmark Survey | The IRS surveyed taxpayers to collect information on their needs, expectations, and preferences for receiving tax-related information and service. This survey will assist in developing a baseline against which to measure future needs and preferences for using specific IRS and non-IRS resources. |
| 2 | Channel Migration Strategy | This project was designed to identify those taxpayer segments whose service contacts with IRS could be migrated to low cost, high value service channels. Users of self-assisted, IRS-assisted, and paid-preparer services were profiled and compared, and their channel preferences were projected forward based on demographic criteria. |
| 3 | Conjoint II Survey | Pacific Consulting Group (PCG) prepared a Topline Report and a Final Report on the Conjoint II survey they fielded for TAB. This type of survey helps IRS understand how performance attributes drive customer preferences in the choice of service channels and return preparation method. It also allows IRS to develop a measure of "customer value" for its taxpayer service programs. |
| 4 | Actionable Items from TAB Phase 2 Survey Research | The project examined responses from all of the TAB Phase 2 surveys to identify common findings and actionable results that could be reflected in the Final Report and/or included in the Multi-year Research Portfolio. |
| 5 | Barriers to Channel Use | To successfully migrate taxpayers from in-person assistance channels to lower cost web-based self-help services, the IRS must identify the barriers currently deterring taxpayers from using the web and mitigate them where possible. This research identifies several of these barriers. |
| 6 | Customer Satisfaction Surveys | During TAB Phase 1, W&I realigned existing customer satisfaction surveys to allow for better cross-channel comparison. Text mining of the comments detects concerns and preferences that are not captured in the multiple choice survey questions. |
| 7 | TAC Customer Survey | Analysis and text mining of TAC comment cards about the TAC customer experience. |
| 8 | Forrester Internet Survey | This research helps to define the current expectations and preferences for tax-related information and services provided by the IRS and its partners across all service channels maintained by the IRS. |
| 9 | Forrester Mail Survey | Questions added by W&I Research to this periodic survey examined tax experiences and tax service expectations. The survey provides insight into how taxpayers prepare their returns as well as their general Internet usage. |

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| 10 | 2006 Market Segment Survey | This is the third in a series of periodic surveys designed to understand taxpayer needs and preferences, reveal penetration and acceptance of key W&I products and services, and provide feedback for education and outreach functions. |
| 11 | 2006 Oversight Board Survey | This survey was intended to provide a foundation for strategic developments with the long-term aim of improvement to service levels and enhancement of channel usage value for both the taxpayer and the IRS. |
| 12 | National Tax Practitioner Forums | The purpose of this series of focus groups was to gain a better understanding of the types of tax related services that the tax practitioners provide and how IRS can best provide support to the tax practitioners in the delivery of these tax-related services. |
| 13 | Practitioner Survey | A survey was distributed to practitioners through existing IRS stakeholder liaison channels. The purpose was to define how to better meet the needs of these partners in the tax process. |
| 14 | Disabled Taxpayer Focus Groups | Focus groups were conducted to determine the service needs and channel preferences for this market segment. |
| 15 | Low Income Taxpayer Segment | Examine more detailed segments among low income taxpayers (AGI less than \$36,000) to better understand their needs and preferences and develop recommendations to improve services for these segments. |
| 16 | SPEC Disability Survey | Analysis of the survey data focused on specific tax filing and financial issue data for this market segment. |
| 17 | Tax Trails, Tax Topics, & FAQ surveys on IRS.gov | This project analyzed data from ad hoc, one-time surveys conducted on Internet Tax Law applications. Users were provided with a request for feedback and a link to a survey at the end of each topic program. W&I Research evaluated the results of each program separately using survey responses. |
| 18 | Employee Surveys and Focus Groups | Internal focus groups and an employee survey were conducted to find out what IRS can learn from our customer service employees about how to best meet the needs and preferences of W&I taxpayers. Results from the focus groups and surveys were combined with information from other efforts to identify potential service improvement initiatives. |
| COMPLIANCE ANALYSIS | | |
| 19 | Compliance Behavioral Lab Testing | An experiment that looked at how successfully taxpayers fill out sample tax returns when they chose to use, or to not use, different avenues of asking for help. |

| | | |
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| 20 | Compliance Maps by Zip Code | Tax Year 2004 data was used to assess five-digit and three-digit zip code areas for measures of late filing, underpayment and above-threshold DIF scores. |
| 21 | Compliance Rates Among TAC Users | Individual Returns Transaction File (IRTF) TY2005 data was analyzed for respondents who on the Benchmark Survey identified themselves as having used a TAC to help them complete their TY 2005 tax return. Measures examined included late filing, underpayment and above-threshold DIF scores. |
| 22 | Compliance Rates by Income | Tax Year 2004 data was used to assess tax returns of taxpayers by income segments. Measures examined include late filing, underpayment and above-threshold DIF scores. |
| 23 | Compliance Rates by Age Cohorts | Tax Year 2004 data was used to assess tax returns of taxpayers according to selected age range. Measures examined include late filing, underpayment and above-threshold DIF scores |
| 24 | Compliance Rates by Preparer Type | Tax Year 2004 data was used to assess tax returns self-prepared, practitioner prepared, VITA/TCE prepared, or IRS prepared, and for tax returns that were prepared electronically or by hand. Measures examined include late filing, underpayment and above-threshold DIF scores |
| 25 | Compliance Rates for Special Populations | Tax Year 2004 data was used to assess tax returns of people who have AGI under \$36,000, are over age 60, report blindness on their return, or live in an area with at least 30 percent of the residents being LEP. Measures examined include late filing, underpayment and above-threshold DIF scores |
| 26 | Math Error Rates by Return Preparation and Filing Methods | Computer-identified error rates for TY2003 and TY2004 were compared across segments by whether or not software was used to prepare the return and whether it was filed electronically or on paper. |
| 27 | Compliance Rates for Taxpayers Who Did or Did Not Contact IRS for Service. | Responses from the Benchmark Survey were divided into two groups: those who reported contacting IRS for service when preparing their TY 2005 returns and those who did not. Serial numbers on surveys returned were blind matched to fields on internal IRS compliance databases. Fields examined include measures of late filing, underpayment and above-threshold DIF scores |
| 28 | Expand Enforcement Program Data Collection Efforts | A series of work products were developed to support a recommendation to expand data collection efforts on existing compliance and enforcement to obtain better information on the root causes of inadvertent, unintentional noncompliance and possible customer service treatments that would reduce this noncompliance. |
| COST ANALYSIS | | |
| 29 | Customer Service Optimization Model | This demonstration model is being designed to allocate customer service resources among service channels (1) to maximize customer value of IRS service programs for a given level of spending or (2) to minimize spending for a given level of customer value. The model uses total utility measures developed by the Conjoint II survey to define customer value. |

| | | |
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| 30 | Estimated FTE Savings from Channel Migration Strategy | The purpose of this work product is to estimate how many FTE might be saved under simplified assumptions by migrating additional customer service contacts to IRS.gov. |
| 31 | Estimated IRS Customer Service Budget Spending | Worked with the CFO and W&I Budget Offices to estimate total IRS dollar and FTE spending on customers' service programs. These estimates included a proportional allocation of MITS, AWSS and headquarters costs to taxpayer service programs. |
| 32 | Taxpayer Burden Costs by Age and Income | Analyzed burden costs from the 2005 Form 1040 Instructions and responses from the FY 2003 Market Segment Survey sample on income, form combination and preparation method to estimate the incidence of burden costs among different income segments of the taxpayer population. |
| 33 | Cost per Contact Estimates | Worked with business owners and W&I Budget Offices to estimate the unit cost of customer service contacts for the major service channels and service tasks. |
| OTHER ANALYSIS | | |
| 34 | Analysis of FoodChange SPEC Partner | This was an analysis of a survey distributed to return preparation clients of FoodChange, a SPEC partner. |
| 35 | Estimated Dollars Collected by Toll-Free Program | Estimate of annual revenue receipts attributed to the Toll-Free function from full and partial payments and installment agreements on balance due accounts. |
| 36 | Estimated IRS Budget Savings Attributable to Paid Preparer Services | This study used the 2006 Oversight Board Survey responses and cost per contact estimates developed by the TAB team to calculate savings from lower IRS contact rates among taxpayers who use paid preparers. |
| 37 | Estimated Taxpayer Service Contacts by Channel and Program | Developed the number of customer service contacts by channel and application from internal operational databases. |
| 38 | Predicted Toll-Free Performance Improvement With Reduced Call Demand | This study estimates the improvement in IRS toll-free performance results that would occur if different percentages of call demand were migrated from telephone to IRS.gov - but associated FTE savings were reinvested in the toll-free program. |
| 39 | TAC Site Location Optimization Model | This model determines the optimal location of TACs based on population totals, low income returns and problem returns within zip codes. |

Performance Measures Leading Practice Research

Figure A-3. Performance Measures Leading Practice Research Sample Measures

| # | Measure | Definition |
|---|---|--|
| International Tax Administration Sample Measures (48 Measures) | | |
| 1 | Tax File Number / Registration | Percent of Tax file number/Registration completed within timeframe determined by the business |
| 2 | Tax Practitioners Premium Telephone Service | Percent of Tax Practitioners Premium Telephone Service inquiries addressed within timeframe determined by the business |
| 3 | Private Written Binding Advice | Percent of Private Written Binding Advice completed within timeframe determined by the business |
| 4 | Audit Finalized Advice | Percent of Audit Finalized Advice completed within timeframe determined by the business |
| 5 | Objections Other Than To Private Written Binding Advice | Percent of Objections Other Than To Private Written Binding Advice addressed within timeframe determined by the business |
| 6 | Objectives Against Private Written Binding Advice | Percent of Objectives Against Private Written Binding Advice addressed within timeframe determined by the business |
| 7 | Automated E-Mail Response | Percent of Automated email responses completed within timeframe determined by the business |
| 8 | General Correspondence Needing A Response | Percent responses to general correspondence completed within timeframe determined by the business |
| 9 | Telephone General Enquiry Service | Percent of general telephone inquiries addressed within timeframe determined by the business |
| 10 | Visit General Enquiry Service | Percent of visits to general inquiry service within timeframe determined by the business |
| 11 | Refund Activity Statement | Percent of refund activity statement inquiries completed within timeframe determined by the business |
| 12 | Electronic Debt Activity Statement | Percent of electronic debt activity statement inquiries completed within timeframe determined by the business |
| 13 | Paper Debt Activity Statement | Percent of paper debt activity statement inquiries completed within timeframe determined by the business |
| 14 | Complaints | Percent of complaints addressed within timeframe determined by the business |
| 15 | Electronic Tax Returns | Percentage of processed electronic tax returns |

| # | Measure | Definition |
|----|--|---|
| 16 | Paper Tax Returns | Percentage of processed paper tax returns |
| 17 | Electronic Amendments | Percentage of processed electronic amendments |
| 18 | Clerical And Administrative Errors | Percentage of resolved clerical and administrative errors |
| 19 | Refund Of Over Paid Tax | Percentage of processed over paid refunds |
| 20 | Paper Amendments | Percentage of processed paper amendments |
| 21 | Small Business Perceptions Of Filing Complexity | Percent small businesses perception of filing complexity |
| 22 | Accuracy And Completeness Of Value Added Tax (VAT) Registration | Percent of complete and accurate applications for Value Added Tax (VAT) registration |
| 23 | Perceptions Of Statements And Notices | Percent of individuals who find their Statements of Account (SA), PAYE Coding Notices and Tax Credit Award Notices easy to understand |
| 24 | Administration Of Credits Accuracy | Percent of accuracy achieved in administering Statements of Account (SA), PAYE, Tax Credits and NICs to 95 percent |
| 25 | Percentage Of Statements Of Account (SA) & Value Added Tax (VAT) Tax Return Filed Online | Number of Statements of Account (SA) tax returns received online |
| | | Number of Value Added Tax (VAT) returns filed online |
| 26 | Scale Of Value Added Tax (VAT) Losses | Percent of Value Added Tax (VAT) losses |
| 27 | Illicit Market Share For Cigarettes | Percent illicit market share for cigarettes |
| 28 | Illicit Market Share For Spirits | Percent illicit market share for spirits |
| 29 | Illicit Market Share For Oil | Percent illicit market share for oils in England, Scotland and Wales |
| 30 | Underpayment Of Direct Tax And National Insurance Contributions | Percent underpayment of direct tax and National Insurance contributions due |
| 31 | SA Returns Filed On Time | Percent of Self Assessment returns filed timely |
| 32 | Ministerial Services | Percent of replies forwarded for signature within timeframe determined by the business |
| 33 | Adjudication | Number of completed cases within timeframe determined by the business |
| 34 | Rulings | Percent of draft rulings delivered within timeframe determined by the business |
| 35 | Information Services | Percent of correspondence received within timeframe determined by the business |
| 36 | Outstanding Returns | 80 percent of returns not filed by due date brought to completion within 12 months |

| # | Measure | Definition |
|----|--|---|
| 37 | Return And Payment Processing | Percent of returns and payments processed within timeframe determined by the business |
| | | Percent of fringe benefits tax and goods and services tax returns processed within timeframe determined by the business |
| | | Number of processed paid parental leave applications within timeframe determined by the business |
| 38 | Overdue Debt | Percent of all new debt cases resolved within timeframe determined by business |
| 39 | Individual And Small/Medium Enterprise Audit | Percent of open cases less than 24 months old |
| 40 | Corporate Audit | Number of completed investigations within timeframe determined by business |
| 41 | Customer Information Services | Percent of phone calls answered within timeframe determined by business |
| | | Percent of correspondence responded to within timeframe determined by business |
| 42 | Number Of Minutes | Walk In Counter service wait time |
| 43 | Number Of Weeks | Processing visitor rebate applications |
| | | Responding to client-requested adjustments |
| 44 | Number Of Days | Retirement savings plans (applications to register, amend, or terminate) |
| | | Retirement income funds (applications to register, amend, or terminate) |
| | | Education savings plans (applications to register, amend, or terminate) |
| | | Deferred income plans—response to telephone inquiries |
| | | Problem Resolution Program |
| | | Advance income tax rulings to taxpayers |
| | | Technical interpretations to taxpayers |
| | | Applications to register pensions plans |
| 45 | Number Of Months | Amendments to registered pension plans |
| 46 | Months | Actuarial valuation reports |
| 47 | Time Number Of Months | Termination of registered pension plans |
| 48 | Number Of Minutes | Walk In Counter service wait time |

| # | Measure | Definition |
|---|--|--|
| United States Tax Administration Sample Measures (12 Measures) | | |
| 49 | Customer Satisfaction | Customer Service Satisfaction levels of taxpayers and their agents |
| 50 | Response Duration | Response durations for services including call wait time for all call centers and refund turnaround time. |
| 51 | Single Contact Resolution | Percentage of taxpayer calls resolved with a single contact. |
| 52 | Customer Perception Of The "US Tax Administration" | Percentage of customers who feel that the "US Tax Administration" is not unduly intrusive and makes their filing of returns and payment of tax as easy and fair as possible. |
| 53 | Return Errors And Timeliness | Percentage of returns filed on time and error-free |
| 54 | Non-Filers Recovered | Percentage of identified non-filers who file a subsequent year return |
| 55 | Electronic Transactions | Percentage of transactions processed electronically |
| 56 | Cost Of Processing | Cost of processing and customer service activities |
| 57 | Return On Investment (ROI) Of Compliance / Audits | Return on Investment measures for Compliance / Audit Activities |
| 58 | Taxpayer Perceptions Of Security | Percentage of customers who feel their personal data and privacy are secure |
| 59 | Percent Of Refunds Processed Within Five Days | Refunds processed within five days divided by all refunds processed (measured separately for electronic and paper filers) |
| 60 | Cost To Process Payments And Returns | Processing cost per transaction |
| Private Company Sample Measures (19 Measures) | | |
| 61 | Helpdesk Call Volume | Uses artificial intelligence software to reduce helpdesk call volume by quickly responding to online customer questions and adding new responses to knowledge base |
| 62 | Issue Tracking | Tracks customer questions |
| 63 | Customer Satisfaction | Receives suggestions from customers which will likely be implemented |

| # | Measure | Definition |
|----|---------------------------------|--|
| 64 | Issue Tracking | Receives direct feedback from Voice of Customer groups on issues, policies, and new features |
| 65 | Tracking Selling And Buying | Monitors selling and buying trends for future product ideas and services |
| 66 | Call Routing By Product Line | Routes calls based on product line telephone numbers (customer segment) |
| 67 | Call Routing By Service | Routes calls based on product line service telephone numbers (customer value) |
| 68 | Wait Time (In Store) | Deploys a virtual queue that lets customers know the wait time |
| 69 | Customer Contact By Channel | Optimizes allocation of customer contacts with agents, web interfaces and Interactive Voice Response (IVR) systems |
| 70 | Dropped Calls And Data Sessions | Provides performance metrics based on dropped calls and data sessions |
| 71 | Blocked Data Sessions | Provides performance metrics based on blocked data sessions |
| 72 | Data Network Availability | Provides performance metrics based on data network availability |
| 73 | Call Routing | Routes travelers to appropriate agent to solve customer issues in a single call |
| 74 | Policy Compliance Checks | Automated policy compliance checks |
| 75 | Response Time | Calls typically answered in 20 seconds with |
| 76 | Customer Satisfaction | Use Gallup surveys to track customer satisfaction and loyalty |
| 77 | Response Time | Text chat and web page co-browsing provide live assistance to deliver a new level of responsiveness |
| 78 | Issue Tracking | Track customer's questions (used to identify and address areas for improvement) |
| 79 | Employee Performance | Gallup rates employees performance weekly on key customer satisfaction drivers |

Performance Measures Portfolio

Figure A-4. Performance Measures Portfolio

Outcome Measures (5 Measures)

| # | Measure | Definition | Importance or Rationale | Source |
|--|--|---|---|---|
| Compliance (1 Measure) | | | | |
| 1 | National Research Program (NRP) Voluntary Compliance Rate | <ul style="list-style-type: none"> Combined rates of payment, filing, and reporting compliance for all taxpayers. | <ul style="list-style-type: none"> Ultimate outcome that IRS seeks to achieve through taxpayer services. | <ul style="list-style-type: none"> National Research Program (NRP). |
| Taxpayer and Partner Value (3 Measures) | | | | |
| 2 | Taxpayer Burden | <ul style="list-style-type: none"> Time and money that taxpayers spend to comply with their federal tax obligations. | <ul style="list-style-type: none"> Proxy to estimate impact on downstream cost. | <ul style="list-style-type: none"> National Office of Taxpayer Burden Reduction/Research Analysis and Statistics. |
| 3 | First Contact Resolution (FCR) Rate | <ul style="list-style-type: none"> Percentage of taxpayers and partners reporting that their issues were accurately and completely resolved upon first contact with the IRS. | <ul style="list-style-type: none"> Essential to channel migration strategy; Prerequisite to access; and Critical to awareness and education activities. | <ul style="list-style-type: none"> TBD (New measure). |
| 4 | Customer Satisfaction | <ul style="list-style-type: none"> Customer satisfaction is measured using the American Customer Satisfaction Index (ACSI). ACSI is the only uniform, national, cross-industry measure of satisfaction with the quality of goods and services available in the United States. | <ul style="list-style-type: none"> ACSI has used customer interviews as input to a multi-equation econometric model to measure the satisfaction of IRS electronic and paper tax filers. The ACSI survey results aid the IRS in identifying areas for improving quality of service provided to taxpayers and partners. | <ul style="list-style-type: none"> Developed by the National Quality Research Center (NQRC) at the Stephen M. Ross Business School at the University of Michigan. Inputs into the cause and effect models come from a survey of tax filers who made their returns on electronic or paper forms. |
| Government Value (1 Measure) | | | | |
| 5 | Percentage of Taxpayer Service Contacts Delivered Through Electronic Channel | <ul style="list-style-type: none"> Percentage of the IRS taxpayer service contacts that are delivered through electronic channels. | <ul style="list-style-type: none"> Essential to channel migration strategy; and Critical to awareness, education, and service delivery activities. | <ul style="list-style-type: none"> TBD (New measure). |

Taxpayer Service Performance Measures (7 Measures)

| # | Measure | Definition | Importance / Rationale | Source |
|--|---|--|--|---|
| Compliance (2 Measures) | | | | |
| 1 | Filing Compliance Rate | <ul style="list-style-type: none"> The number of required returns that are filed on or before the filing deadline, including legitimate extensions. | <ul style="list-style-type: none"> Indicator of IRS incurring costs for downstream work; <ul style="list-style-type: none"> Impacts downstream cost, and taxpayer cost and burden; and Leading indicator for filing compliance. | <ul style="list-style-type: none"> National Research Program (NRP). |
| 2 | Voluntary Payment Compliance Rate | <ul style="list-style-type: none"> The percent of reported tax liability on timely-filed returns that is paid in a timely manner. | <ul style="list-style-type: none"> Indicator of IRS incurring costs for downstream work; <ul style="list-style-type: none"> Impacts downstream cost, and taxpayer cost and burden; and Leading indicator for payment compliance. | <ul style="list-style-type: none"> National Research Program (NRP). |
| Taxpayer and Partner Value (2 Measures) | | | | |
| 3 | Percentage Aware of Channels and Services | <ul style="list-style-type: none"> Percentage of taxpayers and partners responding affirmatively to awareness survey questions relating to IRS channels and services. | <ul style="list-style-type: none"> Essential to channel migration strategy; Prerequisite to access; and Critical to awareness and education activities. | <ul style="list-style-type: none"> TBD (New measure). |
| 4 | Partner Satisfaction Percentage | <ul style="list-style-type: none"> Aggregate percentage of overall partner satisfaction with IRS support services. | <ul style="list-style-type: none"> Supports TAB Phase 1 strategic theme #2 (optimize the use of partner services); and Leading indicator of partner retention. | <ul style="list-style-type: none"> IRS Partner Satisfaction Surveys. |
| Government Value (3 Measures) | | | | |
| 5 | Level of Service | <ul style="list-style-type: none"> The relative success rate of taxpayers who seek assistance from a customer service representative. | <ul style="list-style-type: none"> Improve taxpayer service; Existing measure within the telephone channel; and Critical to measuring service levels within the telephone channel. | <ul style="list-style-type: none"> Existing measure in Wage & Investment (W&I) – Customer Account Services (CAS); and System Source: Aspect ACD, AT&T, TRIS, ICM. |

| | | | | |
|---|-------------------------------|---|---|--|
| 6 | Accuracy Percentage | <ul style="list-style-type: none"> Percentage of customer inquiries accurately addressed by the IRS within each service delivery channel. Evaluated through IRS quality system (EQRS). How often the customer received the correct answer to their inquiry and/or had their case resolved correctly based upon all available information and IRM required actions. | <ul style="list-style-type: none"> Conjoint analysis survey indicates this is highly valued by customers. Proxy to estimate impact on downstream cost. | <ul style="list-style-type: none"> Existing measure in Wage & Investment (W&I) – Customer Account Services (CAS); <ul style="list-style-type: none"> Customer Accounts Resolved (Adjustments); Tax Law and Accounts (Phones); and System Source: Field 715 on the Data Collection Instrument (DCI). |
| 7 | Taxpayer Self-Assistance Rate | <ul style="list-style-type: none"> Percentage of contacts in the Assistance Category resolved by Taxpayer Self-Assistance. Automated Calls Answered + Web Services Completed = Taxpayer Self Assistance. | <ul style="list-style-type: none"> Essential to channel migration strategy; Supports basic IRS customer service strategy (i.e., facilitated self-assistance); Important link to efficient use of resources; and Leading indicator to addressing taxpayer's needs and preferences. | <ul style="list-style-type: none"> Existing measure in Wage & Investment (W&I)– Customer Account Services (CAS); and System Source: Aspect ACD, TRIS, AMIR, Integrated Customer Communications Environment (ICCE), Web Applications web site (IRFOF and PYEIO), ETA Web site for e-Services, I-EIN systems reports, and BPMS for TAC contacts. |

Inventory of Current IRS Performance Measures

Figure A-5. Inventory of Current IRS Performance Measures

| # | Measure | Definition |
|--|--|--|
| Telephone Channel (23 Measures) | | |
| 1 | Customer Service Representative (CSR) Level of Service (LOS) | <p>The relative success rate of taxpayers that call for Customer Account Services (CAS) services seeking assistance from a Customer Service Representative.</p> <p>CSR LOS = Assistor Calls Answered + VCR Answered + Informational Messages/ Assistor Calls Answered + VCR Answered + Informational Messages + VCR Busies + Courtesy Disconnects + Emergency Closed + Secondary Abandons + Calculated Busy Signals</p> |
| 2 | Customer Satisfaction – Toll-Free and Practitioner Priority Services (PPS) | <p>The Customer Satisfaction Measure is derived from the Customer Satisfaction Survey. It is a telephone survey of customers calling an IRS Toll-Free number to assess their satisfaction with the service they received during their calls. This automated survey is voluntary. The survey uses a five-point scale. The Customer Satisfaction measures are reflected as a percentage of the two “top box” scores (4-5 responses) on the Customer Satisfaction survey. Two vendors, Pacific Consulting Group (PCG) and Pinpoint, participate in the process.</p> |
| 3 | Customer Dissatisfaction – Toll-Free and Practitioner Priority Services (PPS) | <p>The Customer Dissatisfaction measures are reflected as a percentage of the two “low box” scores (1-2 responses) on the Customer Satisfaction survey. It is a telephone survey of customers calling an IRS Toll-Free number to assess their satisfaction with the service they received during their calls. This automated survey is voluntary. The survey uses a five-point scale. Two vendors, Pacific Consulting Group (PCG) and Pinpoint, participate in the process.</p> |
| 4 | Employee Satisfaction – Account Management | <p>Measure of the progress made in achieving higher productivity through a quality work environment. Accounts Management Employee Satisfaction is based on Question 17 “Considering everything, how satisfied are you with your job?” on the annual Employee Satisfaction Survey. This represents the percent of respondents who rated the question a “4” or “5” (top box scores).</p> |
| 5 | Customer Contacts Resolved per Staff Year | <p>The number of Customer Contacts Resolved in relation to time expended based on staff usage.</p> |
| 6 | Automated Calls Answered: Telephone Self-Service – Customer Account Services (CAS) Product Lines and TeleTax | <p>The count of all automated CAS calls answered in the Telephone Routing Interactive System (TRIS-which also includes Tele Tax) and CAS informational messages completed in the Aspect Automated Call Distributor (ACD).</p> |

| # | Measure | Definition |
|----|---|--|
| 7 | Customer Account Services (CAS) Assistor Calls Answered | The count of all CAS assistor calls answered at Accounts Management sites. |
| 8 | Customer Account Services (CAS) Average Speed of Answer (ASA) – Enterprise and Practitioner Priority Services (PPS) | A measure of the average number of second's customers waited in an assistor queue before receiving service. |
| 9 | Customer Account Services (CAS) Assistor Services Provided | The count of all services handled at the secondary application level. Includes EIN & International. |
| 10 | Customer Accuracy – Tax Law and Accounts | Customer Accuracy is defined as a live assistor giving the correct answer with the correct resolution. It measures how often the customer received the correct answer to their inquiry and/or had their case resolved correctly based upon all available information and IRM required actions. This measure applies to all Tax Law and Account transactions. |
| 11 | Customer Accuracy – Practitioner Priority Services (PPS) Accounts | Customer Accuracy is defined as a live PPS assistor giving the correct answer with the correct resolution. It measures how often the customer received the correct answer to their inquiry and/or had their case resolved correctly based upon all available information and IRM required actions. This measure applies only to calls handled on the PPS Product Line. |
| 12 | Taxpayer Self-Assistance Participation Rate | <p>The Taxpayer Self Assistance Participation Rate report was developed to show the progress the IRS is making towards shifting taxpayers who are seeking information and guidance away from traditional resources - intensive channels and towards more efficient self-service channels such as the Internet.</p> <p>The percent of contacts in the Assistance Category that are resolved by Taxpayer Self-Assistance</p> |
| 13 | Timeliness – Tax Law and Accounts | Timeliness is defined as resolving an issue in the most efficient manner through the use of proper workload management and time utilization techniques. It measures the aspects of time controlled by the live assistors: Talk Time, Hold Time, and Wrap Time. |
| 14 | Timeliness – Practitioner Priority Services (PPS) Accounts | Timeliness is defined as resolving an issue in the most efficient manner through the use of proper workload management and time utilization techniques. It measures the aspects of time controlled by the live assistors: Talk Time, Hold Time, and Wrap Time. This measure applies only to calls handled on the PPS Product Line. |
| 15 | Professionalism – Tax Law and Accounts | Professionalism is defined as promoting a positive image of the Service by using effective communication techniques. This measure applies to all live assistors on Account and Tax Law calls. |
| 16 | Professionalism – Practitioner Priority Services (PPS) Accounts | Professionalism is defined as promoting a positive image of the Service by using effective communication techniques. This measure applies to all live assistors on PPS Account calls only. |

| # | Measure | Definition |
|---|---|---|
| 17 | Assistor Availability | Measures the percent of agent availability to total handle time delivered. |
| 18 | Customer Account Services (CAS) Average Handle Time | A measure of the average amount of time (seconds) assistor spent assisting the customer. This measure includes talk, hold and wrap (after call work) times. |
| 19 | Customer Account Services (CAS) Telephone Assistor Response Level (ARL) | The percentage of customers who started receiving service within a specified period of time. |
| 20 | Services Offered | Count of all telephone contacts offered to applications to be handled by assistors on CAS product lines. |
| 21 | Abandoned Call | A call that is connected to the Call Center (ACD) but is disconnected before reaching a Call Center (ACD) resource, such as an agent, information announcement, voice port (to leave a message), or outbound trunk. Also known as a lost call. |
| 22 | Abandon Rate | Refers to abandoned or lost calls. The caller hangs up before reaching an agent. Should not be used as the sole measure of contact center performance since it is often driven by caller behavior, which the center cannot control |
| 23 | Courtesy Disconnect | If a call is directed to a CSR, but the call routing thresholds are reached, the call is re-directed to a (courtesy disconnect) message, also called a VCR message. Currently, the message advises taxpayer of high call volume and to call back at a later time. |
| Electronic Channel (10 Measures) | | |
| 24 | Web Services (Customer Account Services – (CAS)) | The number of services requested by and provided to taxpayers and tax practitioners through self-assist Internet-based applications. |
| 25 | Individual 1040 Series Returns Processed (paper) | The volume of Individual 1040 series paper returns processed at the Submission Processing Centers. |
| 26 | Individual 1040 Series Returns Processed (e-filed) | The volume of Individual 1040 series electronic returns processed at the W&I Submission Processing Centers. |
| 27 | Percent of IMF Returns Processed that were Filed Electronically | The percentage of total individual returns processed (paper and e-filed submissions combined) that were electronically filed at the W&I Submission Processing Centers. |
| 28 | Number of Visits to IRS.gov | A visit is a series of actions that begins when a web site user views the first page from the server and ends when the user leaves the web site. |
| 29 | Number of Page Views from IRS.gov | Number of web pages viewed from the IRS web site. |
| 30 | Number of Downloads from IRS.gov (millions) | Number of files downloaded from the IRS web site. |
| 31 | Customers' Overall Satisfaction – ETA | Measures satisfaction of ETA customers with service delivered by the ETA organization. Using the responses from the ETA CS Survey, determine the level of CS with ETA services. Score of respondents who gave ETA a "4" or "5" on the CS survey. |

| # | Measure | Definition |
|---|--|--|
| 32 | Customers' Overall Dissatisfaction – ETA | Measures satisfaction of ETA customers with service delivered by the ETA organization. Using the responses from the ETA CS Survey, determine the level of CS with ETA services. Score of respondents who gave ETA a "1" or "2" on the CS survey. |
| 33 | Employee Satisfaction – ETA | The Employee Satisfaction Measures is the overall employee satisfaction score from the employee satisfaction surveys by all ETA employees. |
| Face-To-Face Channel (29 Measures) | | |
| 34 | Percent of Individual Returns Prepared Electronically by SPEC Volunteers | Percentage of Individual Returns Prepared Electronically by SPEC volunteers. |
| 35 | Number of Indirect Taxpayer Contacts | Number of taxpayer contacts through SPEC programs by partners and their volunteers. Indirect contacts will be broken out to reflect Media (e.g. newspapers, magazines, radio, and television) and non-media (e.g. seminars, training, etc.) contacts. Media contacts will not be included in the monthly reporting but will be tracked by SPEC. This measure also includes the number of indirect tax returns prepared by SPEC volunteers. |
| 36 | Partner Satisfaction | Total percentage of "4" or "5" ratings (top boxes) on the SPEC Partner Satisfaction Survey question rating the satisfaction with SPEC products and services. |
| 37 | Partner Dissatisfaction | Total percentage of "1" and "2" (bottom boxes) ratings on the SPEC Partner Satisfaction Survey question rating the satisfaction with SPEC products and services. |
| 38 | Customer Satisfaction (Field Assistance) | The percentage of respondents who gave SPEC a "4" or "5" on the Customer Satisfaction Survey question rating the satisfaction with SPEC products and services. |
| 39 | Customer Dissatisfaction (Field Assistance) | The percentage of respondents who gave SPEC a "1" or "2" on the Customer Satisfaction Survey question rating the satisfaction with SPEC products and services. |
| 40 | SPEC Employee Satisfaction | Employees' overall satisfaction with their job in SPEC. |
| 41 | Partners' Overall Quality Rating | Average partner rating on SPEC Partner Satisfaction Survey question rating the quality of SPEC products and services. |
| 42 | SPEC Coverage Rate for Low Income Tax Assistance | Percent of counties, parishes, independent cities where 85 percent of low income taxpayers are within 45 minutes of a SPEC or partner sponsored volunteer tax assistance site. (Note: Does not include military sites or non-public sites. Low income is defined as adjusted gross income at or below the maximum EITC income limit.) |
| 43 | Returns Prepared – Indirect | Number of individual returns prepared via SPEC leveraged partnerships. This workload indicator is a component of the critical measure "Number of Taxpayer Contacts – Indirect". |
| 44 | Outreach – Indirect (Non-Media) | Number of taxpayer contacts through seminars, direct mail campaigns, etc. This workload indicator is a component of the critical measure "Number of Taxpayer Contacts – Indirect". |

| # | Measure | Definition |
|----|---|---|
| 45 | Volunteer Return Preparation Program (VRPP) Return Quality Rating | Return preparation quality at VRPP sites. |
| 46 | Field Assistance Accuracy of Tax Law Contacts | Tax Law Accuracy is the quality of service provided to Taxpayer Assistance Center (TAC) customers. This is a measure of the accuracy of responses concerning issues involving tax law. |
| 47 | Field Assistance Accuracy of Account Contacts | The quality of service provided to TAC customers. This is a measure of accuracy of responses concerning issues involving account work and notices. Non-critical errors will not be included in the measurement of accuracy. Non-critical errors are defined as any error that resulted in the taxpayer's issue being resolved, but not all required guidelines of the IRM are followed. |
| 48 | Customer Satisfaction (TAC) | This measure is the taxpayer's overall satisfaction with the services provided by Field Assistance personnel as determined by the customer satisfaction survey. Pacific Consulting Group (PCG), an outside vendor conduct surveys. Taxpayers' rate services provided in Taxpayer Assistance Centers (TACs) on a scale from 1 – 5. |
| 49 | Customer Dissatisfaction (TAC) | This measure is the taxpayer's overall dissatisfaction with the services provided by Field Assistance personnel as determined by the customer satisfaction survey. Pacific Consulting Group, PCG, an outside vendor conducts surveys. Taxpayers' rate services provided in Taxpayer Assistance Centers (TACs) on a scale from 1 – 5. |
| 50 | Total Number of All TAC Contacts | The total number of customers assisted, including the number of customers assisted with tax return preparation, in Taxpayer Assistance Centers. All face-to-face, telephone, and correspondence contacts are included. It is the sum of the units reported under Activity Codes 01 (Customer Incoming Telephone Calls), 02 (Customers with Forms Contacts), 03 (e file Return Preparation), 04 (Non e file Return Preparation), 05 (Tax Law Questions), 06 (Account Work/Notices), 07 (Other FA Contacts), 08 (Correspondence Answered), 11(TRR Collection Case Work) and 12 (TRR Exam Case Work). A "unit" represents a customer assisted. |
| 51 | Total Returns Prepared (TAC) | The total number of customers assisted with tax return preparation or math verification of any tax return, in whole in part, regardless of the number of forms schedules or tax period either through the self help or direct preparation method. This includes preparation of in-scope Individual Income Tax Returns and Forms 2290, Heavy Highway Vehicle Use Tax Return. |
| 52 | Tax Law Contacts (TAC) | The total number of customers assisted in Taxpayer Assistance Centers with inquiries involving tax law questions. |

| # | Measure | Definition |
|----|---|--|
| 53 | Account/Notice Contacts (TAC) | The total number of customers assisted in Taxpayer Assistance Centers with inquiries involving account related inquiries including math error notices, IDRS work, payments not attached to a tax return, CP2000 inquiries, ITIN issues requiring account research, the issuance of Form 809 receipts and other account related procedures. |
| 54 | Forms Contacts (TAC) | The total number of customers actually assisted by an employee in Taxpayer Assistance Centers by providing forms from stock or an employee using the intranet or a CD-ROM. |
| 55 | Other Contacts (including telephone and unsolicited correspondence) | The total number of customers assisted in Taxpayer Assistance Centers with Form 2063, U.S. Departing Alien Income Tax statement, date stamping tax returns when the customer is present, non-receipt or incorrect W-2 inquiries, general information such as Service Center address and directions to other agencies. Plus calls/messages received on the 3709 telephone line and miscellaneous correspondence received. |
| 56 | Quality – Return Preparation Accuracy (TAC) | The quality of service provided to TAC customers. This is a measure of the accuracy of tax returns prepared in a TAC. Non-critical errors are not included in the measurement of accuracy. Non-critical errors are defined as any error that did not affect the tax results, but not all required guidelines of the IRM are followed. |
| 57 | Timeliness of Critical Filing Season Tax Products to the Public | This measure will assess the percentage of Critical Filing Season tax products availability to the public. Critical Filing Season tax products are those tax forms, schedules, instructions, publications, tax packages, and certain notices required by a large number of filers to prepare a complete and accurate Individual Income Tax Return by April 17th. Such tax products are also available to taxpayers through various supply chain distribution channels, e.g. Tax Forms Outlet Program (TFOP), Community Based Outlet Program (CBOP), Taxpayers Assistance Centers (TAC) and distribution sites. |
| 58 | Timeliness of Non-Critical Filing Season Tax Products to the Public | This measure will assess the percentage of Non-Critical Filing Season tax products available timely to the public. Non-Critical Filing Season products includes tax forms, schedules, instructions, publications, tax packages, and certain notices required by only a limited number of Individual tax return filers or those who traditionally file later in the filing season. |

| # | Measure | Definition |
|--|---|--|
| 59 | Timeliness of Critical Other Tax Products to the Public | This measure will assess the percentage of Critical Other tax products available timely to the public. Critical Other tax products are forms, schedules, instructions, publications, tax packages, and certain notices used by a large number of Business and Tax Exempt and Government Entities (TE/GE) filers to prepare a complete and accurate return or form by the scheduled due date throughout the relevant tax year (e.g., income tax, employment tax, exempt organization return, etc.). The intent is to have the tax products available to the public 30 days before the form is required to be filed. |
| 60 | Timeliness of Non-Critical Other Tax Products to Public | This measure will assess the percentage of Non-Critical Other tax products available timely to the public. Non-Critical Other tax products include tax forms, schedules, instructions, publications, tax packages, and certain notices used by a limited number of Business and TE/GE filers to prepare a complete and accurate return or form. The intent is to have these Non-Critical tax products available to the public 30 days before the form is required to be filed. |
| 61 | Non-Tax Published Products Shipped Timely | Measures the percentage of non-tax published products that meet the scheduled ship complete date. The “scheduled ship complete date” is the date the shipment must be made in order to meet the in-field need of the customer. |
| 62 | Number of Non-Tax Products Requisitions | This workload indicator represents the number of requisitions processed during the fiscal year for non-tax products. Non-tax products include internal use forms and documents, training materials, and other products requested by the Business Operating Divisions. |
| Correspondence Channel (5 Measures) | | |
| 63 | Customer Satisfaction – Customer Accounts Resolved (Adjustments) | This measure, based on responses to a survey mailed to customers, reflects the level of customer satisfaction with Accounts Management (AM) (Adjustments) processing/handling of customer account correspondence, claims, and amended returns received at its Campuses. Two vendors, the Pacific Consulting Group (PCG) and the Newspaper Printing Company (NPC) currently participate in the survey process. |
| 64 | Customer Dissatisfaction – Customer Accounts Resolved (Adjustments) | This measure, based on responses to a survey mailed to customers, reflects the level of customer dissatisfaction with Accounts Management (AM) (Adjustments) processing/handling of customer account correspondence, claims, and amended returns received at its Campuses. Two vendors, the Pacific Consulting Group (PCG) and the Newspaper Printing Company (NPC) currently participate in the survey process. |

| # | Measure | Definition |
|----|--|--|
| 65 | Customer Accounts Resolved (critical) | The number of cases processed (closed), by Customer Service Representatives (CSR) or Tax Examiners (TE) in the Accounts Management campuses, resulting from incoming account correspondence, claims, amended returns, refund inquiries, EIN applications, third party authorization, International certification requests, statute cases, internally generated account maintenance transcripts, and special cases from the taxpayer. The general term "account correspondence" is defined as responses to IRS notices and letters and other unsolicited written account inquiries. Cases processed include those relating to both Individual and Business accounts for domestic and international taxpayers, employee plans, and exempt organizations. Closures are reported under unique five digit program codes in combination with a three-digit function code of 710. |
| 66 | Customer Accuracy – Customer Accounts Resolved (Adjustments) | Customer Accuracy is defined as giving the correct answer with the correct resolution. It measures how often the customer received the correct answer to their inquiry and/or had their case resolved correctly based upon all available information and IRM required actions. This measure includes taxpayer correspondence including IMF/BMF cases, internal requests for adjustment actions, internally generated transcripts, loose schedules, injured spouse, carrybacks, amended returns, FTD Coupon Requests, various CP notices, EFTPS issues, undeliverable notices, duplicate returns, and penalty adjustments. This measure applies to the Accounts Paper – Adjustments Specialized Product Review Group (SPRG). |
| 67 | Professionalism – Customer Accounts Resolved (Adjustments) | Professionalism is defined as promoting a positive image of the Service by using effective communication techniques. This measure applies to the Accounts Paper – Adjustments Specialized Product Review Group (SPRG). |

IRS Functional Areas that Support Partners

In general, W&I focuses its outreach, education, and communication on individual taxpayers and community partners. SB/SE focuses on practitioner and payroll organizations. National Communications and Liaison is responsible for national media relations and marketing and service-wide internal communication.

W&I Communications and Liaison provides communications support and advice to design, develop, and implement communications plans and strategies through a variety of communications tools that support taxpayers and employees.

Stakeholder Partnerships, Education & Communication (SPEC) is the outreach and education function for individual taxpayers and support an indirect approach to community outreach, tax return preparation assistance, and financial literacy and asset building. This emphasizes collaboration with national and community organizations that have shared objectives and the ability to reach targeted special populations.

The **Electronic Tax Administration (ETA)** represents the two-way electronic exchange of information the IRS has with individual taxpayers, business taxpayers, reporting agents, taxpayer representatives, tax practitioners, transmitters, other government entities, and Electronic Return Originators (EROs).

SB/SE Stakeholder Liaison (SL) focuses on national and local engagement of the payroll and practitioner community and stakeholder organizations to provide information about IRS policies, practices, and procedures.

SB/SE Communications, Liaison, and Disclosure develops and implements communication plans and strategies to support practitioner and payroll audiences as well as IRS employees.

The **National Public Liaison (NPL)** Office communicates IRS messaging to national practitioner and payroll organizations and obtains valuable feedback from these organizations through formal and informal channels, including the annual National Tax Forums.

SPEC National Partner List

Figure A-6. SPEC National Partner List³⁷³

| # | Partner Name | Channel |
|----|---|-------------------------------|
| 1 | America Saves | Financial Institutions |
| 2 | SPROUT/ Student Poverty Reduction Outreach Project | Government Agencies/Education |
| 3 | National Association of Federal Credit Unions (NAFCU) | Financial Institutions |
| 4 | Department Of Labor – Office Of Disability Employment Policy (ODEP) | Government Agencies/Education |
| 5 | Office of the Comptroller of Currency (OCC) | Financial Institutions |
| 6 | Defense Credit Union Council (DCUC) | Financial Institutions |
| 7 | (4M) Medrano, Minority Marketing & Media, LLC | Financial Institutions |
| 8 | The Arc of the United States | Volunteer and Community |
| 9 | Urban League | Volunteer and Community |
| 10 | Easter Seals | Volunteer and Community |
| 11 | HHS – Head Start Bureau | Volunteer and Community |
| 12 | Department of Veterans Affairs – VA Health Administration | Government Agencies/Education |
| 13 | Volunteer Center National Network | Large Employer |
| 14 | National Credit Union Administration (NCUA) | Financial Institutions |
| 15 | Community Action Partnership | Volunteer and Community |
| 16 | US Conference of Mayors | Volunteer and Community |
| 17 | Catholic Charities USA | Volunteer and Community |
| 18 | World Institute on Disability | Volunteer and Community |
| 19 | National Council on Independent Living (NCIL) | Volunteer and Community |
| 20 | National Assoc Latino Comm Asset Builders (NALCAB) | Financial Institutions |

³⁷³ Internal Revenue Service, Stakeholder Partnership, Education and Communication (SPEC), Product and Partnership Development (P&PD), National Partner Assessment Tool (NPAT), January 11, 2007.

| # | Partner Name | Channel |
|----|--|-------------------------------|
| 21 | United Way 2-1-1 | Volunteer and Community |
| 22 | Department Of Justice – Community Capacity Development Office | Government Agencies/Education |
| 23 | National Student Partnerships | Government Agencies/Education |
| 24 | Head Start (NHSA) | Volunteer and Community |
| 25 | ACORN | Volunteer and Community |
| 26 | Salvation Army | Volunteer and Community |
| 27 | Goodwill Industries International (GII) | Volunteer and Community |
| 28 | Second Harvest | Volunteer and Community |
| 29 | National Black Chamber of Commerce | Large Employer |
| 30 | National Disability Institute (NDI) | Volunteer and Community |
| 31 | Corporate Voices | Large Employer |
| 32 | Computer Technology Center Network (CTCNET) | Volunteer and Community |
| 33 | NeighborWorks America | Volunteer and Community |
| 34 | Chamber Of Commerce – Workforce Preparation | Large Employer |
| 35 | Independence Community Bank | Financial Institutions |
| 36 | Armed Forces Tax Council – AFTC | Government Agencies/Education |
| 37 | Jump Start Coalition for Personal Financial Literacy | Government Agencies/Education |
| 38 | Association Of Farmworker Opportunity Programs | Government Agencies/Education |
| 39 | Muscle Shoals Broadcasting Company | Government Agencies/Education |
| 40 | National Tax Coalition | Volunteer and Community |
| 41 | Cooperative Extension Service | Government Agencies/Education |
| 42 | HHS – Office Of Community Services | Volunteer and Community |
| 43 | Department Of Labor – Employment & Training Administration (ETA) | Government Agencies/Education |
| 44 | HHS – Office of Family Assistance | Government Agencies/Education |
| 45 | ALPFA – Assoc Of Latino Professionals In Fin./Acc | Government Agencies/Education |

| # | Partner Name | Channel |
|----|--|-------------------------------|
| 46 | Nat Fed Of Comm Dev Credit Unions (NFCDCU) | Financial Institutions |
| 47 | Federal Deposit Insurance Corporation (FDIC) | Financial Institutions |
| 48 | Federal Reserve Bank | Financial Institutions |
| 49 | JP Morgan Chase/Bank One | Financial Institutions |
| 50 | Bank Of America/FLEET | Financial Institutions |
| 51 | National Community Investment Fund (NCIF) | Financial Institutions |
| 52 | United Way Of America | Large Employer |
| 53 | Center On Budget & Policy Priorities | Volunteer and Community |
| 54 | Points Of Light – Connect America | Volunteer and Community |
| 55 | Annie E Casey Foundation | Volunteer and Community |
| 56 | NASCSP/National Assoc For State Community Serv Progr | Volunteer and Community |
| 57 | American Bar Association | Government Agencies/Education |
| 58 | Beta Alpha Psi | Government Agencies/Education |
| 59 | National Academy Foundation | Government Agencies/Education |
| 60 | Armed Services YMCA | Government Agencies/Education |
| 61 | USDA – Food Stamp Program | Government Agencies/Education |
| 62 | HUD – US Dept Of Housing And Urban Development | Government Agencies/Education |
| 63 | AARP Tax-Aide | Volunteer and Community |
| 64 | National League of Cities | Volunteer and Community |
| 65 | SunTrust Bank | Financial Institutions |
| 66 | US Bank | Financial Institutions |

National EITC Outreach Partnership

Figure A-7. National EITC Outreach Partnership³⁷⁴

| # | National EITC Outreach Partners |
|----|--|
| 1 | AARP Tax-Aide |
| 2 | American Public Human Services Association |
| 3 | America's Second Harvest |
| 4 | Brookings Institution Metropolitan Policy Program |
| 5 | Center on Budget and Policy Priorities |
| 6 | CFED |
| 7 | Children's Defense Fund |
| 8 | Community Action Partnership |
| 9 | Community Technology Centers' Network (CTCNet) |
| 10 | Corporate Voices for Working Families |
| 11 | Food Research and Action Center |
| 12 | First Nations Development Institute/Native Financial Education Coalition |
| 13 | Girls Inc |
| 14 | Goodwill Industries International |
| 15 | The Hatcher Group |
| 16 | The Internal Revenue Service |
| 17 | National Human Services Assembly – Family Strengthening Policy Center |
| 18 | National Black Church Initiative |
| 19 | National Community Tax Coalition |
| 20 | National Conference of State Legislatures |
| 21 | National Credit Union Administration |
| 22 | National Disability Institute/TaxFacts+ Campaign |
| 23 | National Governors Association, Center For Best Practices |
| 24 | National League of Cities (NLC)/Institute for Youth, Education, and Families (YEF Institute) |
| 25 | National Women's Law Center |
| 26 | Neighborhood Reinvestment Corporation |
| 27 | Points of Light Foundation and Volunteer Center National Network |
| 28 | United Way of America |
| 29 | U.S. Chamber of Commerce |
| 30 | U.S. Department of Housing and Urban Development |
| 31 | U.S. Department of Justice , Office of Justice Programs |
| 32 | Voices for America's Children |
| 33 | YMCA of the USA |

³⁷⁴ Center on Budget and Policy Priorities, The National EITC Outreach Partnership, Description of Partners' Activities, <http://www.centeronbudget.org/eitc-partnership/partners.htm>, January 29, 2007.

Training and Toolkits Available to Partners

Link & Learn – A web-based volunteer training program providing four courses: Basic, Intermediate, Advanced, and Military/International, along with a refresher course for returning volunteers. This training prepares SPEC Partners and Volunteers to provide quality tax return preparation services in their local communities. This interactive course teaches the basics to accurately prepare income tax returns for individuals and users can obtain volunteer certification along the way at their own pace.

Volunteer Tax Preparation Training Material – Tax preparation training resources and tools in the online and traditional paper-based course materials provides volunteer preparers with the technical and administrative information required to accurately complete and file certain returns and supporting schedules. Also includes the Volunteer Site Coordinator’s Handbook, Publication 1084, which contains a complete overview of the volunteer programs with specific information about the scope of the program, program policies, roles and responsibilities, and program management tools and tips to insure consistency and quality in the delivery of volunteer services.

Volunteer Tax Preparer Training Curriculums – There are four courses of study based on the Publication 678 (Student Guide for VITA) — Basic, Intermediate, Advanced, and Military/International. Each course has its own curriculum and certification track and allows course facilitators the flexibility to meet the needs of the taxpayers their students will be assisting. Each of the four training courses may be delivered using the traditional, integrated, self-study, or online e-learning (Link and Learn Taxes) method.

Process Based Training (PBT) – SPEC provides training to volunteers to instruct them how to prepare tax returns at various volunteer return preparation sites. Traditionally, this has been done through the use of the instructional text provided in Publication 678. Additionally, the Web-based Link & Learn Taxes (L<) program provides an interactive, self study based approach for students to learn the same information. L< launched in 2004. Recent advances in adult learning have indicated that a process based training approach may prove beneficial in communicating complicated topics to learners. As a test to determine the applicability of this method to volunteers, SPEC developed a PBT prototype during Filing Season 2005, introducing it mid-season. PBT combines a number of elements and tools integral to the SPEC/Partner Quality Plan to teach tax law and to produce an accurate return. PBT moves away from the immersion tax law training used in the direct business model to an updated, train by process method addressing the challenge of understanding complex tax law in a short period. PBT focuses on adherence to clearly prescribed return preparation steps, embedding key decision points and answers in the process itself. This performance based method demonstrates in a clearer way the transference of knowledge to its application—accurate tax return application.

TaxWise Software Training – TaxWise Train-the-Trainer is provided to 800 IRS employees and IRS SPEC Partners. The course is designed to prepare participants to teach TaxWise and is a tested course. TaxWise University is an online learning management system that incorporates video, audio, text, and interactive lessons to teach tax preparation and the use of TaxWise. The course is free to all TaxWise users and provides hands-on experience with electronic filing and acknowledgement processing before the tax season begins.

Quality – SPEC has implemented a Volunteer Return Preparation Program (VRPP) quality program that will include a communication/marketing campaign to promote the use of and importance of the quality process with partners. This will significantly improve and sustain volunteer tax return preparation quality and implement an integrated quality assurance process to improve the quality of VITA returns, which will include site and return reviews conducted by both partners and SPEC personnel.

The **Community Based Partnership toolkit** includes a summary of how to develop a community based organization as well as numerous products and tools.

The **EITC toolkit** provides useful information on EITC rules, as well as tools for completing returns, advertising the EITC qualifications, legislative changes, etc. It has brochures, posters, and payroll stuffers, including some in Spanish, to help publicize the credit to those who are eligible.

The **e-file Marketing toolkit** contains IRS e-file promotional products and informational publications designed to help Authorized IRS e-file Providers get the word out to current and prospective clients about the benefits of e-file and e-pay.

The **Disability toolkit** provides a wide variety of concepts and products to assist in developing a local disability initiative.

The **Non Resident Alien toolkit** provides information for partners on tax credits for aliens, frequently asked questions, and Power Point presentations.

Examples of SPEC LEP Outreach Efforts

The Portland territory provides translated tax tips to Vietnamese language newspapers in six different states that reach taxpayers in 20 different states. In February, 2006, over two million taxpayers were reached with information on various tax issues.³⁷⁵

The Los Angeles territory partnered with the Chinatown Public Safety Association (CPSA) to host a media roundtable for the Asian Press, which included briefings on compliance issues, electronic filing, Free File, EITC and where to go for assistance. The event was publicized in Korean, Chinese, Vietnamese, Thai, Filipino, and Japanese radio, TV and newspapers and reached 2,674,962 taxpayers. In addition, Chinatown Service Center (CSC) received their first grant of \$30,000 from Cathay Bank, the first Chinese-American bank in Southern California to fund a tax return preparation program. The collaborative effort provides free tax preparation and financial services to the un-banked. Cathay Bank advertises CSC's program at their branches in LA and also serves as outreach agents in getting tax information to the Chinese-American community. The information is disseminated will be in both Chinese and English.³⁷⁶

The New York territory had one coalition distribute over 763,000 palm cards titled 'It's Your Money, Come & Get IT' about the earned income tax credit in 11 languages to 162 organizations and VITA sites. The languages were: English, Spanish, Albanian, Arabic, Bengali, Chinese, Haitian, Creole, Hindi, Korean, Russian, and Urdu.³⁷⁷

The San Jose territory partnered with SingTAO Daily and SingTAO Chinese Radio (STCR) to deliver tax tips targeting the Chinese LEP population. SingTAO Radio aired 20 tax segments in February 2006 to reach 1,000,000 Mandarin and 1,600,000 Cantonese speaking taxpayers. SingTAO Newspaper published articles during the 2006 tax season with a reported readership of 4,000,000 for the West Coast edition and 2,000,000 for the East Coast edition.³⁷⁸

The Newark territory partnered with the Polish daily newspaper, Nowy Dziennik, with circulation of 30,000 to deliver a news article on e-file and Free File and the Polish Slavic Credit Union to publish an article on accurately preparing Form W-4 in their member magazine UNIA, which is distributed to over 70,000 credit union members.³⁷⁹

The Milwaukee territory updated Russian EITC and CTC brochures from the Center for Budget and Policy Priorities and worked with a Russian synagogue to distribute to 20,000 Russian immigrants. In addition, they supported a new volunteer return preparation site in the Hmong community in Milwaukee.³⁸⁰

³⁷⁵ Internal Revenue Service, Stakeholder Partnerships, Education and Communication (SPEC), SPEC Area 4, *Monthly Activity Report*, February 2006.

³⁷⁶ Internal Revenue Service, Stakeholder Partnerships, Education and Communication (SPEC), SPEC Area 4, *Monthly Activity Report*, January 2006 and February 2006.

³⁷⁷ Internal Revenue Service, Stakeholder Partnerships, Education and Communication (SPEC), SPEC Area 1, *Monthly Activity Report--Untitled*, January 2006.

³⁷⁸ Internal Revenue Service, Stakeholder Partnerships, Education and Communication (SPEC), SPEC Area 4, *Monthly Activity Report*, March 2006.

³⁷⁹ Internal Revenue Service, Stakeholder Partnerships, Education and Communication (SPEC), SPEC Area 1, *Monthly Activity Report*, March and April 2006.

³⁸⁰ Internal Revenue Service, Stakeholder Partnerships, Education and Communication (SPEC), SPEC Area 2, *Monthly Activity Report*, January 2006 and March 2006.

The St. Paul territory conducted training sessions for volunteers who will work at MDOR's LEP sites during the 2006 filing season, which included MDOR employees and volunteers from the Hispanic, Somali, Hmong, and Vietnamese communities.³⁸¹

SPEC partners with the Center on Budget and Policy Priorities to analyze the latest updates and changes in tax law impacting the low-middle-income families. In addition to the distribution of EITC toolkits, they also offer translations of their marketing products in 19 languages free of charge. These are used at VITA sites and promotional areas, (e.g. libraries, storefronts) throughout the country.³⁸²

³⁸¹ Internal Revenue Service, Stakeholder Partnerships, Education and Communication (SPEC), SPEC Area 3, *Monthly Activity Report*, January 2006.

³⁸² Center on Budget and Policy Priorities, *2007 Earned Income Credit and Child Tax Credit Outreach Kit*, January 25, 2007. <http://www.cbpp.org/eic2007/>.

Figure A-8. Funding Status of Consolidated Service Improvement Portfolio

| | Initiative Title | FY07 | FY08 | To Be Funded Operationally Additional Funding Not Needed | Not Funded ----- Additional Funding Needed |
|--|--|--------|--------|---|--|
| | | Funded | Funded | | |
| Electronic Interaction Enablement | | | | | |
| 1 | Services Committee | | | X | |
| 2 | Enterprise Content Management | | | | X |
| 3 | IRS Portal Business Strategy | | | X | |
| 4 | End-to-End Performance Monitoring | | | | X |
| 5 | Web Site Design and Usability Strategy | | | | X |
| 6 | Internet Customer Account Services (I-CAS) | | X | | |
| 7 | e-Services Improvements | X | | | |
| 8 | Electronic Payment Enhancements | | | | X ³⁸³ |
| 9 | Spanish "Where's My Refund?" | | X | | |
| | Spanish I-CAS | | | | X |
| 10 | Tax Law Support Tools | | X | | |
| | Tax Law Calculators | | | | X |
| 11 | I-CAS Platform | | | | X |
| 12 | Publication Search Capability | | | | X |
| 13 | FAQ Evaluation | | | | X |
| 14 | Authentication Strategy | | | | X |

³⁸³ This additional funding is expected to come from Financial Management Services.

| | Initiative Title | FY07 | FY08 | To Be Funded Operationally Additional Funding Not Needed | Not Funded ----- Additional Funding Needed |
|---------------------------------------|---|--------|--------|---|--|
| | | Funded | Funded | | |
| Telephone Service Enhancements | | | | | |
| 15 | Centralized Customer Contact Forecasting and Scheduling | X | | | |
| 16 | Accounts Management Services | X | X | | |
| 17 | Authentication Retention | | | | X |
| 18 | Enterprise Management of Inventory | | | | X |
| 19 | Natural Language | | | | X |
| 20 | Contact Analytics | | X | | |
| 21 | Language Preference Indicator | | | | X |
| 22 | Over-the-Telephone Interpreter Service | | | | X |
| 23 | Video Relay Service | | | | X |
| 24 | Estimated Wait Time Message | | X | | |
| 25 | Enterprise Case Management | | | | X |
| 26 | Agent and Skill-based Routing | | | | X |
| 27 | Issue-Based Routing | | | | X |

| | Initiative Title | FY07 | FY08 | To Be Funded Operationally Additional Funding Not Needed | Not Funded ----- Additional Funding Needed |
|-------------------------|-------------------------------------|--------|--------|---|--|
| | | Funded | Funded | | |
| Partner Services | | | | | |
| 28 | Communication with Software Vendors | | | X | |
| 29 | VRPP Training Program | | X | | |
| 30 | Scope and Sustainability Strategy | | | X | |
| 31 | Online Interactive Training | | | | X |
| 32 | Partner Pages on IRS.gov | | | | X |
| 33 | Partner Services Research Plan | | | X | |

| | Initiative Title | FY07 | FY08 | To Be Funded Operationally Additional Funding Not Needed | Not Funded ----- Additional Funding Needed |
|----|--|--------|--------|---|--|
| | | Funded | Funded | | |
| 34 | Collaboration Strategy | | | X | |
| 35 | Electronic Platform | | | | X |
| 36 | Practitioner Telephone and Electronic Services | | | | X |
| 37 | Access to Electronic Resources | | | | X |
| 38 | Usability Studies | | | | X |
| 39 | Partner Initiatives and Participation Baseline | | | X | |
| 40 | Broader Offering of Services | | | X | |
| 41 | Fed/Fed Program | | | X | |

| | Initiative Title | FY07 | FY08 | To Be Funded Operationally Additional Funding Not Needed | Not Funded ----- Additional Funding Needed |
|-------------------------------|---|--------|--------|---|--|
| | | Funded | Funded | | |
| Outreach and Education | | | | | |
| 42 | Outreach and Education Research Plan | | | X | |
| 43 | Outreach and Education Strategies | | | X | |
| 44 | Nationwide Outreach Strategy | | | X | |
| 45 | Virtual Translation Office | X | | | |
| 46 | Multi-Lingual Initiative Strategy Office | X | | | |
| 47 | Education Platform | | | | X |
| 48 | Accessibility of Online Outreach and Education Resources | | | | X |
| 49 | Marketing Strategy (<i>refer to the Marketing and Promotion improvement category</i>) | | | | X |
| 50 | Learning & Education Reorganization | X | | | |
| 51 | Performance-based Learning Environment | X | | | |
| 52 | Employee Training Research Plan | | | X | |

| | Initiative Title | FY07 | FY08 | To Be Funded Operationally Additional Funding Not Needed | Not Funded ----- Additional Funding Needed |
|--------------------------------|-----------------------------|--------|--------|---|--|
| | | Funded | Funded | | |
| Marketing and Promotion | | | | | |
| 53 | National Marketing Strategy | | | | X |

| | Initiative Title | FY07 | FY08 | To Be Funded Operationally Additional Funding Not Needed | Not Funded ----- Additional Funding Needed |
|------------------------------------|-----------------------------------|--------|--------|---|--|
| | | Funded | Funded | | |
| Taxpayer Assistance Centers | | | | | |
| 54 | Facilitated Self-Assistance Model | | | X | |

Number of TAC Locations by State

Figure A-9. Number of TAC Locations by State³⁸⁴

| State | # of TACs | State | # of TACs |
|-------------------------|-----------|-------|------------|
| AK | 2 | MT | 6 |
| AL | 6 | NC | 10 |
| AR | 4 | ND | 4 |
| AZ | 9 | NE | 5 |
| CA | 28 | NH | 4 |
| CO | 4 | NJ | 12 |
| CT | 7 | NM | 5 |
| DC | 1 | NV | 2 |
| DE | 3 | NY | 24 |
| FL | 18 | OH | 11 |
| GA | 12 | OK | 4 |
| HI | 3 | OR | 5 |
| IA | 6 | PA | 21 |
| ID | 4 | PR | 1 |
| IL | 14 | RI | 2 |
| IN | 10 | SC | 5 |
| KS | 3 | SD | 3 |
| KY | 7 | TN | 6 |
| LA | 8 | TX | 24 |
| MA | 9 | UT | 4 |
| MD | 8 | VA | 11 |
| ME | 5 | VT | 4 |
| MI | 6 | WA | 11 |
| MN | 7 | WI | 7 |
| MO | 10 | WV | 7 |
| MS | 6 | WY | 3 |
| Total # of TACs: | | | 401 |

³⁸⁴ Internal Revenue Service, <http://www.irs.gov/localcontacts/index.html>, *Contact My Local Office*, November 2, 2006.

Current TAC Services

Figure A-10. Current TAC Services

| Service | Service |
|---|--|
| Tax Law | Forms |
| Dependents/Exemptions | Customer w/Forms Contacts |
| Medical Expenses | Return Preparations |
| Child & Dependent Care Credit | e-file Return Prep |
| Alimony/Child Support | Non e-file Return Prep |
| Tax Withholding/ Estimated Tax | Non e-file 1040X Prep |
| Amended Return | Non e-file Return Prep (2290 only) |
| BMF Tax Issues/2290/ SS4/EIN/Employment Tax | Account Work/Notices |
| Estimated Tax Penalty | EITC Account Related |
| Filing Requirements | Lien/Levy General Inquiry |
| Filing Status | Lien/levy Immediate release |
| Gambling Winnings/losses | Installment Agreement – Initiate |
| Interest Income | Installment Agreement – reinstate/change |
| Lump Sum Distributions | Payment – non-cash – No receipt required |
| Moving Expenses | Payment – cash, or non-cash, receipt required |
| Tax on Qualified Plans | Filing tax return and other documents requiring date stamp certification |
| W-7 ITIN | Transcripts (Acct & Entity Verification/Income/W2/1099) |
| Scholarships | Notices (CP Notice, Bal Due, etc) |
| Sale of Residence | ACS Cases (inquiry) |
| Credit for the Elderly | W-7 ITIN – Status Inquiry |
| Taxable Income (Unemployment, Prizes, etc.) | W-7 ITIN – Perfect Application (resolve suspense status) |
| Charitable Contributions | BMF 940/941/2290 Issues |
| Misc Deductions | Refund Inquiry |
| Mortgage Interest/Points | Audit Recon/ CP2000/ Exam/AUR/ Compliance Issue |
| Business Expense – Sch C/C-EZ (In Scope only) | Adjustments to Accounts |
| Casualty/Theft loss Ind | 1040X/Amended Return Account Inquiry |
| Capital Gains | Other FA Contacts |
| Social Security | Sailing Permit |
| Adoption Credit | W-2 – non-receipt or incorrect info |
| Education Credits/Student Loan Interest | Accepting non-e-file Tax Return |
| Innocent/Injured Spouse | Accepting Delinquent Tax Return – immediate account update required |
| Child Tax Credit/Additional Child Tax Credit | |
| Archer MSA Deduction | |
| Pensions/IRAs | |
| EITC – Tax Law Related | |

Tentative Sites for 2007 FSM Initial Implementation

Figure A-11. Tentative Sites for 2007 FSM Initial Implementation

| Area | Tentative Sites for 2007 FSM Initial Implementation |
|------|--|
| 1 | 1) Buffalo, NY 2) Binghamton, NY 3) Philadelphia, PA |
| 2 | 4) Chicago Ridge, IL 5) Springfield, IL 6) Greenville, NC |
| 3 | 7) Birmingham, AL 8) Huntsville, AL 9) Montgomery, AL |
| 4 | 10) Lubbock, TX 11) Houston (Leland), TX 12) San Antonio, TX |
| 5 | 13) San Diego, CA 14) Santa Ana, CA 15) Portland, OR |

Objectives

The objective of the location model used in this analysis was to:

- Measure the “coverage rate” provided by a given set of TAC locations. (“Coverage” is defined as the proportion of a specified “target population” that is within a given distance of the nearest TAC. Distance is defined in terms of approximate travel time. This analysis examined coverage rates using 30 minutes for the distance radius.)
- Given a set of constraints on the maximum number of TACs and the number of TACs that can be considered for relocation, determine the set of locations that yield the maximum coverage rate for a given target population.

Geographic Data

To obtain measures of distance from zip code to zip code, and to convert those measures to approximate travel times, the TAB team used three primary data sources:

1. Latitude and longitude coordinates for the population-weighted centroid of each zip code were obtained from the ZipFind Server Database for the United States. This is a subscription database developed by Xionetic Technologies. This database was also the source for estimated 2006 population by zip code;
2. Zip code areas were obtained from the zip code database in the ARCVIEW mapping software package, developed by Earth Sciences Research Institute. This database was also used to identify “enclosing” zip codes—that is zip codes that surround other zip codes. For this analysis, all zip codes that were enclosed were consolidated with their enclosing zip.
3. Finally, employment by zip code was obtained from a database provided by the IRS real estate division. This database was developed under contract by Jacobs Facilities, Inc.

The methodology used to compute estimated travel times is described below.

Target Populations

Three alternative “target populations” were used in the analysis. All were measured at the zip code level. The target populations were defined as follows:

1. Low Income returns – The number of tax year 2002 Wage and Investment 1040 returns with adjusted gross income of \$34,178 or less;³⁸⁵
2. “Problem Returns” – The sum of
 - a. Tax year 2004 returns with a balance due after remittance; and
 - b. Tax year 2004 returns that were filed late; and
3. Estimated total 2006 population. This data came from the ZipFind data, and is a forward projection from 2000 Census data based on current population growth rates.

³⁸⁵ \$34,178 was the threshold for claiming the Earned Income Credit for TY2004. The coverage rate analysis used TY 2002 tax return data as it was the most complete data set at the time of the analysis. The coverage rate model will be updated to incorporate up-to-date data as it becomes available.

Distance Measure and Coverage Rate Computation

The estimated travel time from any given zip code to any other zip code is computed as follows:

1. Each zip code is first classified into one of four categories on the basis of population density, and then assigned an average travel speed based on the assigned category. Density for this purpose is defined as the maximum of either population or total employment in the zip code divided by the zip code area in square miles. (This is done to avoid misclassifying urban zip codes with high concentrations of employment, but small residential populations.) The four density categories and their associated travel speeds are
 - a. Rural, density of 500 (residents or employees per square mile) or less, travel speed of 45 MPH;
 - b. Suburban, density of 500-2500 (residents or employees per square mile), travel speed of 30 MPH;
 - c. Urban, density of 2500-7500 (residents or employees per square mile), travel speed of 20 MPH; and
 - d. Superurban, density of more than 7500 (residents or employees per square mile), speed of 10 MPH.
2. For any given set of TACs, a computer program uses a spherical trigonometry formula to compute the distance in miles from the population-weighted centroid of each zip code to the centroid of the closest zip code containing a TAC.
3. This distance is converted to estimated travel time by dividing the mileage by the average of the travel speeds in the two zip codes. If this distance is less than the specified radius (30 minutes travel time), the zip code is identified as “covered”.

The “coverage rate” for any given set of TACs is computed as the sum of the target populations in all zip codes that are covered by at least one TAC, divided by the total target population in all zip codes.

Optimization Methodology

To identify a set of optimal locations under a specified set of constraints on the total number of TACs to be considered for relocation (or expansion), the above described coverage algorithm is used iteratively as described below. (Note: For the sake of clarity, the following discussion assumes that the optimization is being done using a distance criterion of 30 minutes, and a maximum of 400 TACs³⁸⁶.)

Step 1: Assign each zip code to each TAC that is within 30 minutes.

Step 2: "Consolidate" TACs using the following procedure:

- Identify the single TAC with the largest "covered" population and select it as the first "Stage 1" TAC;
- Remove any zip code already assigned to the selected TAC from the set of covered zips for any other TAC;
- Identify the remaining TAC with the largest covered population after removal of those zips, and repeat the procedure; and

³⁸⁶ The analysis focused only on the 50 US states. The Puerto Rico TAC was omitted from the analysis – geographic isolation means that it would have no impact on the optimization analysis.

- Repeat this process until all covered zip codes have been assigned to an existing TAC. The end result is that some current TACs are eliminated because all of the zip codes they cover are also covered by another existing TAC—these TACs are identified as being “saturated”. When we use a thirty minute radius, there are 6 “saturated” TACs.

Step 3: Treat each zip code in the country as if it were a TAC, and repeat Step 1 – that is, for each zip, create a “cluster” of all the zip codes that are within 30 minutes of that zip. This produces a set of 1,000,000+ “candidate clusters”, with a great deal of overlap among them.

Step 4: Repeat Step 2 for the “candidate clusters”—that is select the single zip code that serves the largest population, place it in the set of “optimal” TACs, remove the zip codes covered by that cluster from all other clusters, and repeat until the best 400 clusters are identified. **If we were to locate a TAC in the “core” zip code of each of these clusters, the result would be the maximum possible coverage that could be achieved with 400 TACs.**

Step 5. Repeat Steps 3 and 4 for all zip codes that are **not** covered by any current TAC. If Step 4 is repeated for N times, this will produce a new set of N “candidate clusters” that would maximize the **additional** coverage that could be achieved by adding N new TACs. Refer to this set of clusters as “NEWLOC”.

Step 6. Run a series of relocation scenarios as follows:

- Step 6a. Remove the saturated TACs from the list of current TACs.
- Step 6b. Select the largest clusters from the NEWLOC set to replace the saturated TACs, add these TACs to the list of current TACs and remove the zip codes covered by those clusters from the original set of uncovered zip codes.
- Step 6c. Remove N current TACs with the smallest covered populations from the list of current TACs (where N is greater than the number of saturated TACs), and add the zip codes those TACs previously covered to the set of uncovered zip codes.
- Step 6d. Repeat Step 5 with the remaining uncovered zip codes, this time selecting N optimal clusters. **The result of this will be the maximum total coverage that could be achieved by replacing the N current TACs with the smallest coverage with N optimal TACs.**

Example Scenario to Relocate 100 TAC Locations

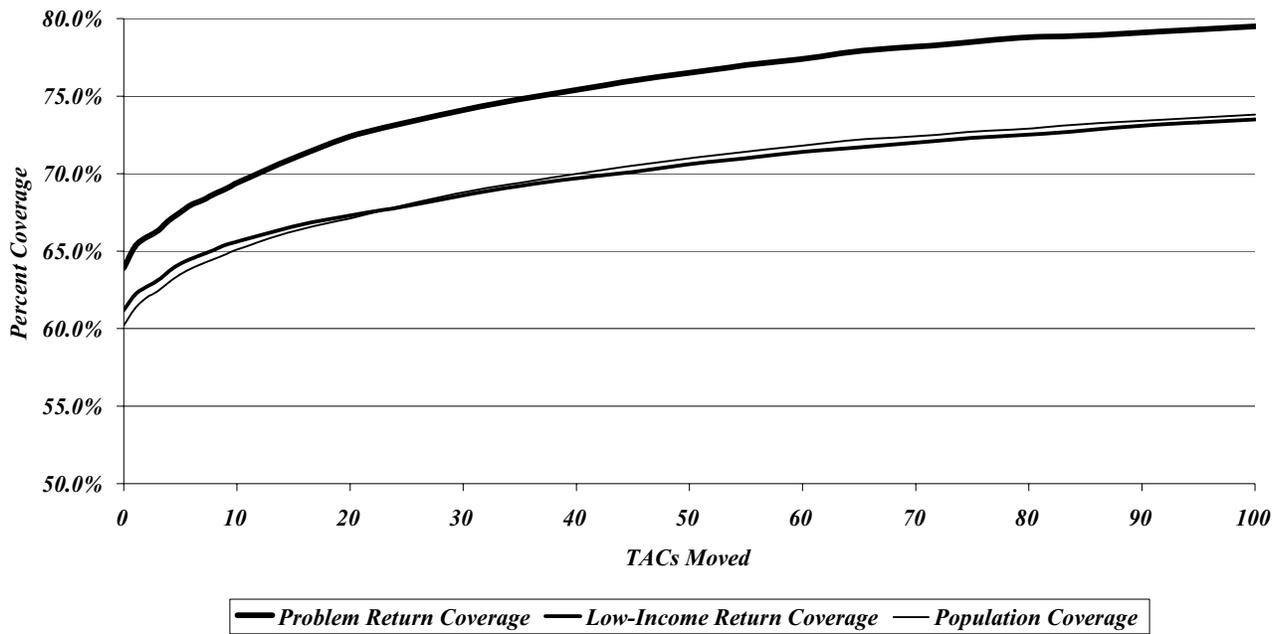
Figure A-12. Example Scenario to Relocate 100 TAC Locations

| TACs Moved | Problem Return Coverage | Low Income Return Coverage | Population Coverage |
|------------|-------------------------|----------------------------|---------------------|
| 0 | 63.9% | 61.2% | 60.2% |
| 1 | 65.3% | 62.2% | 61.3% |
| 2 | 65.9% | 62.7% | 62.0% |
| 3 | 66.3% | 63.1% | 62.4% |
| 4 | 67.0% | 63.7% | 63.0% |
| 5 | 67.5% | 64.2% | 63.5% |
| 6 | 68.0% | 64.5% | 63.9% |
| 7 | 68.3% | 64.8% | 64.2% |
| 8 | 68.7% | 65.1% | 64.5% |
| 9 | 69.0% | 65.4% | 64.8% |
| 10 | 69.4% | 65.6% | 65.1% |
| 15 | 71.0% | 66.6% | 66.3% |
| 20 | 72.4% | 67.3% | 67.1% |
| 25 | 73.3% | 67.9% | 68.0% |
| 30 | 74.1% | 68.6% | 68.8% |
| 35 | 74.8% | 69.2% | 69.4% |
| 40 | 75.4% | 69.7% | 70.0% |
| 45 | 76.0% | 70.1% | 70.5% |
| 50 | 76.5% | 70.6% | 71.0% |
| 55 | 77.0% | 71.0% | 71.4% |
| 60 | 77.4% | 71.4% | 71.8% |
| 65 | 77.9% | 71.7% | 72.2% |
| 70 | 78.2% | 72.0% | 72.4% |
| 75 | 78.5% | 72.3% | 72.7% |
| 80 | 78.8% | 72.5% | 72.9% |
| 85 | 78.9% | 72.8% | 73.2% |
| 90 | 79.1% | 73.1% | 73.4% |
| 95 | 79.3% | 73.3% | 73.6% |
| 100 | 79.5% | 73.5% | 73.8% |

Figure A-12. Example Scenario to Relocate 100 TAC Locations (continued)

*If TACs Are Moved to Increase Problem Return Coverage,
 Low-Income Return and Population Coverage Also Increase*

All Three Coverage Criteria Are Highly Correlated



Taxpayer and Government TAC Evaluation Criteria

Figure A-13. Taxpayer and Government TAC Evaluation Criteria

Taxpayer Criteria

| | Criteria | Definition |
|----|--|--|
| 1 | Total Population Coverage Rate | Percent of Population, by zip code, located within 30 minute travel time of TAC |
| 2 | Low Income Return Coverage Rate | Percent of Low Income Return Population, by zip code, located within 30 minute travel time of TAC |
| 3 | Problem Return Coverage Rate | Percent of potentially noncompliant return Population, by zip code, located within 30 minute travel time of TAC |
| 4 | Percent change in overall Low Income Return coverage rate by eliminating TAC | Remove TAC from geographic coverage analysis and recalculate overall TAC coverage for Low Income Returns |
| 5 | Percent change in overall Problem Return coverage rate by eliminating TAC | Remove TAC from geographic coverage analysis and recalculate overall TAC coverage for potentially noncompliant returns |
| 6 | Percent change in Total Population coverage rate by eliminating TAC | Remove TAC from geographic coverage analysis and recalculate overall TAC coverage for Total Population |
| 7 | Percent of Total Volume deliverable via IRS.gov | Percent of TAC contacts delivered by given TAC during last full FY that could be delivered via IRS.gov |
| 8 | Percent Total Contacts deliverable via IRS.gov per FTE | Percent of TAC contacts delivered by given TAC during last full FY that could be delivered via IRS.gov per FTE expended in given TAC |
| 9 | Proximity to another TAC | Distance to next closest TAC |
| 10 | Proximity to VRPP Site | Distance to closest VRPP site |
| 11 | Capacity of nearest TACs and VRPP sites to absorb displaced volume | Do the to nearest TAC or VRPP sites have the requisite capacity to absorb the total volume estimated to be migrated from given TAC |

Government Criteria

| | Criteria | Definition |
|----|--|---|
| 1 | Leased/Own | Is the TAC space leased or owned by the government? |
| 2 | Lease Expiration | Lease Expiration Date |
| 3 | Square Feet | Total Square Footage |
| 4 | TAC Rent | Annual Rent Expenditure |
| 5 | Costs of releasing space | If no imminent lease expiration, what is the estimated cost of releasing the space? |
| 6 | Rather than release space, does another OD need the space | May not save overall rent, but space may be more effectively used by other function. |
| 7 | Is TAC the entry point to POD for other Taxpayers and Employees? | Consider impact on other IRS employees and customers |
| 8 | Allocated FTE | Number of full time equivalent employees allocated to given TAC in the Field Assistance ASP |
| 9 | On Rolls | Number of employees currently employed in TAC |
| 10 | Retirement Eligibility | Number of employees eligible for retirement by the estimated date of closure |
| 11 | Total Volume | Total number of contacts delivered in given TAC during last full FY |
| 12 | Percent of Total Volume to be delivered via assisted service | Percent of Total contacts delivered in given TAC during last full FY that would continue to be delivered through assisted service if FSM were implemented in given TAC |
| 13 | Total Contacts per FTE | Number of contacts delivered in given TAC during last full FY per FTE |
| 14 | Total Assisted Contacts per FTE | Number of contacts delivered in given TAC during last full FY that would continue to be delivered through assisted service if FSM were implemented in given TAC per FTE |
| 15 | Modernization Efforts Applied (TAC Model) | Have investments already been made in installing TAC Model in given TAC? (If POD is moving ignore this criteria) |



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