

REPORT BY THE

11437

Comptroller General

OF THE UNITED STATES

How Taxpayer Satisfaction With IRS' Handling Of Problem Inquiries Could Be Increased

At the request of the Joint Committee on Taxation, GAO assessed taxpayers' satisfaction with the way the Internal Revenue Service (IRS) handles their problem inquiries--those requiring the taxpayer to contact IRS more than once for a solution. GAO also examined their satisfaction with other more difficult inquiries requiring IRS to do research and recontact the taxpayer.

The majority of the 2,223 taxpayers responding to GAO's questionnaire were satisfied; 32 percent were not.

Most dissatisfied taxpayers complained about how IRS communicated its answers and because solving their problems took too many contacts and too much time.

IRS can better serve such taxpayers by refining its special handling system, known as the Problem Resolution Program.



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COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

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To the Chairman and Vice Chairman
Joint Committee on Taxation
Congress of the United States

TNT 01400

This report, in response to your Committee's request, discusses the Internal Revenue Service's potential for providing better taxpayer service by refining its special system for handling taxpayers' problems. The Service generally agreed with most of our recommendations which, if fully implemented, should improve the effectiveness of the problem solving system.

As arranged with your Committee, unless you publicly announce the contents earlier, we plan no further distribution of the report until 30 days from its date. At that time, we will send copies to interested parties and make copies available to others upon request.

Frederic A. Stearns

Comptroller General
of the United States



COMPTROLLER GENERAL'S
REPORT TO THE JOINT
COMMITTEE ON TAXATION

HOW TAXPAYER SATISFACTION
WITH IRS' HANDLING OF
PROBLEM INQUIRIES COULD
BE INCREASED

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D I G E S T

The Internal Revenue Service (IRS) could increase taxpayer satisfaction with its service on problem inquiries--those requiring taxpayers to contact IRS more than once for a solution--by

- improving certain aspects of its special handling system (see pp. 15 to 26) and
- examining and improving its methods for responding to taxpayers (see pp. 9 to 11).

Problem inquiries and other more difficult inquiries requiring IRS to do research and recontact the taxpayer are only a small part of all the inquiries IRS handles. However, these inquiries, involving matters such as misplaced refund checks and confusing or conflicting bills, are the ones most likely to frustrate the taxpayer and lead to dissatisfaction with IRS practices. (See pp. 2 to 4.)

The majority of 2,223 randomly selected taxpayers responding to a GAO questionnaire were satisfied with the way IRS handled their inquiries; about 32 percent were dissatisfied. Most dissatisfied taxpayers complained because of the way IRS communicated its answers and because resolving, or not resolving, their problems took too many contacts and too much time. — B

While GAO recognizes taxpayers may not always be right, extensive taxpayer dissatisfaction could affect their compliance with the tax laws. (See pp. 8 to 15.))

Presently, IRS handles taxpayer inquiries through two systems--normal handling and special handling. The normal system used by IRS' district offices is intended to answer most taxpayer inquiries on the first contact, including those difficult) B

inquiries requiring research and recontact of the taxpayer. A special system, called the Problem Resolution Program, was established in January 1977 to handle problem inquiries. This system has most of the features of a good problem solving system-- control, independence, and followup and evaluation. (See pp. 5 to 7.)

Due to weaknesses in implementing the special handling system, however, many problem inquiries which should have received special handling either did not or were referred too late. Of the taxpayers GAO sampled at the districts, about 50 percent of those responding to GAO's questionnaire who received only normal handling and about 73 percent who received special handling had to contact IRS three or more times about their problems. As a result, by the time they received special handling, these taxpayers had become frustrated and dissatisfied with IRS' handling of their inquiries.

During 1977, the six districts GAO reviewed gave special handling to about 4,100 problem inquiries. GAO estimates that during the same period, those districts did not give special handling to at least 25,000 other problem inquiries because of weaknesses in implementing IRS' referral and control procedures. (See pp. 15 to 22.)

Followup of taxpayers with problem inquiries is too limited. Taxpayers whose problems are not solved after the first attempt either have to keep trying in frustration or give up. Followup with taxpayers is needed to see that their problems are solved and that they are satisfied to the extent possible. Followup would also provide data for the systematic evaluation of possible problem causes. (See pp. 23 to 26.)

IRS could increase taxpayer satisfaction by making the district offices' special handling units the focal point for controlling more such inquiries. The national office and the service centers also handle problem inquiries, but they are further removed from the taxpayers

and are not primarily intended to handle taxpayer problems.

GAO estimates that while about 32 percent of the taxpayers responding to its questionnaire were dissatisfied with IRS' handling of their inquiries, about 54 percent of the taxpayers handled by the national office and 40 percent handled by service centers were dissatisfied. Only about 24 percent of those handled by the district offices were dissatisfied.

Improving the special handling system will necessarily increase the number of problem inquiries handled and controlled at IRS' district offices. However, the number of unnecessary and time-consuming recontacts by taxpayers should decrease. (See pp. 26 to 32.)

RECOMMENDATIONS TO IRS

The Commissioner of Internal Revenue should

- require that all IRS employees contacted by taxpayers obtain information on any prior contacts to make sure that problem inquiries are properly referred for special handling and controlled;
- increase the extent problem inquiries are handled and controlled by the district offices;
- send comprehensive followup questionnaires to a statistically valid selection of all taxpayers with problem inquiries;
- increase evaluation and correction of the common causes of taxpayer problem inquiries, particularly those identified by GAO's taxpayer questionnaire survey; and
- make sure that IRS looks for ways to improve its communication of responses to taxpayers' inquiries, as part of its efforts to simplify tax forms and instructions. (See pp. 34 and 35.)

IRS COMMENTS

The Commissioner of Internal Revenue generally agreed with most of GAO's recommendations. The major disagreement related to IRS' belief that it should obtain information about previous contacts on the same question or problem from only certain taxpayers requesting assistance. GAO believes such information must be obtained from all taxpayers calling IRS for assistance.

IRS plans to query only about 15 percent of the taxpayers making inquiries on previous contacts, based on fiscal year 1978 data. IRS believes that querying all taxpayers could put a possible strain on its taxpayer service resources.

Because many inquiries are similar and deciding which ones are "problem inquiries" would be subjective, IRS established the second contact as the criteria for referring an inquiry for special handling. Unless IRS identifies all second time contacts and provides those inquirers with special handling, the situation will continue--some deserving persons will not get special service, while others who do not meet the criteria, but who complain the most, will receive it.

With respect to GAO's recommendation on its special handling followup procedures, IRS was not clear on whether it would include all taxpayers in its random selection of persons to receive followup questionnaires. It was silent on whether it would begin using a more comprehensive questionnaire. (See app. I for IRS' detailed comments and pp. 35 to 38 for GAO's evaluation.)

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ABBREVIATIONS

GAO	General Accounting Office
IRS	Internal Revenue Service

CHAPTER 1

INTRODUCTION

Our Nation's tax system is based on voluntary compliance. Each individual and business is responsible for filing all required tax returns, assessing the amount of the tax, and paying that amount. To assess the correct amount is not always easy because the Federal tax laws, publications, and forms are complex. Therefore, taxpayers often need answers to difficult questions.

To reach the highest possible level of taxpayer satisfaction and compliance, the Internal Revenue Service (IRS) must respond quickly and precisely to those who experience frustration in assessing and paying their taxes. Over 137 million returns were filed in 1978. To handle all the items of information associated with these returns is no easy task, and errors are made by both IRS and taxpayers. Thus, it is important to maintain an efficient and effective system for resolving tax-related problems and errors.

CONGRESSIONAL INTEREST IN TAXPAYER SERVICE

Over the years, the Congress has appropriated substantial funds to improve the quality of IRS' taxpayer service activities for helping taxpayers comply with their Federal tax obligations. In fiscal year 1978, the Congress provided IRS \$152 million for such activities, \$3.1 million of which was used for its special handling system, commonly known as the Problem Resolution Program (see ch. 2). ✓

In 1976, the Subcommittee on Commerce, Consumer, and Monetary Affairs of the House Government Operations Committee found that IRS needed to improve the quality of information provided to taxpayers. In response to the Subcommittee's report, IRS instituted a number of improvements in taxpayer services. One was the establishment of a Problem Resolution Office in each district office to respond to taxpayers' complaints. 1501

In 1978, the House Government Operations Committee concluded that IRS had substantially improved in recent years; but it was not satisfied that IRS provided enough assistance on taxpayers' complaints. The Committee recommended that IRS continue to upgrade its taxpayer assistance activities so taxpayers could meet their responsibilities under the Nation's self-assessment system.

The Joint Committee on Taxation is also interested in taxpayer service because the Committee asked us to review the effectiveness and timeliness of IRS responses to taxpayer problems and taxpayer satisfaction concerning the response. The Committee also asked us to comment on the adequacy of IRS resources for resolving taxpayer problems and the impact of IRS' July 1978 reorganization on taxpayer service.

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Finally, the oversight of the House Committee on Ways and Means was very concerned about the adequacy of the Service's Problem Resolution Program. During our review, the Subcommittee issued a report on the Program, making several recommendations for improvement. We, of course, considered the impact of these recommendations and subsequent IRS actions on the program's results.

WHAT ARE TAXPAYER PROBLEMS?

Problems handled by IRS are primarily those which require taxpayer contact IRS more than once to resolve the problem. According to IRS, the term "problem" includes initial inquiries and those requiring additional contact. It is difficult to establish criteria, based on the type of inquiry, for determining when an inquiry is a "problem." Both types of inquiries involve things such as refunds, billing questions, and tax law questions. Therefore, IRS defines problem inquiries as those requiring a second taxpayer contact.

For review purposes, we based on problem inquiries, as well as the more difficult first-time inquiries--generally, those requiring IRS to research the question or problem, and recontact the taxpayer. We examined the first-time inquiries because of their potential for becoming problem inquiries and because they are similar in nature to problem inquiries. More specifically, the inquiries in our review were those handled by

- the district offices, through their problem resolution of inquiries through their normal handling system, because the taxpayer had to be recontacted,
- the service centers' special units, because they handle the more difficult inquiries at the service centers and

--IRS' national office, because normally the taxpayer would have already unsuccessfully contacted the district offices and/or service centers.

Problem inquiries and those first-time inquiries requiring IRS to do research and recontact the taxpayer are generally more difficult to resolve and cause more taxpayer frustration and dissatisfaction. However, they make up only a small portion of all taxpayer inquiries.

IRS advertises the availability of taxpayer service at its district offices through its bills, notices, and publications; the media; and city telephone directories. District offices receive most inquiries by telephone. However, some taxpayers visit IRS offices or write letters. The inquiries generally involve asking IRS' help in answering administrative or technical questions, completing forms, obtaining publications, or correcting errors.

Taxpayer service units in IRS' district offices handled 38 million inquiries ^{1/} in calendar year 1977. About 34.6 million, or 91 percent, were handled immediately by taxpayer service personnel receiving the inquiries. These generally involved questions or requests for publications. The taxpayer contacts were counted for statistical purposes, but no record was made of the person's identity or nature of the inquiry.

Inquiries involving an administrative problem or tax law question which could not be answered immediately were referred to other IRS units for research and resolution. About 3.4 million, or 9 percent, of the total inquiries received by IRS district offices in 1977 were referred to other IRS units, including the problem resolution offices. Some of these were less difficult; thus, they were handled immediately without losing initial contact with the taxpayer. Therefore, they were not included in our review. For example, a taxpayer's question may have been referred to a tax law expert assigned to the taxpayer service unit and answered immediately without losing initial contact with the taxpayer.

^{1/}This is not equivalent to the number of taxpayers who contacted IRS, since a taxpayer could make more than one inquiry. Information was not available on the number of individual taxpayers served.

For other taxpayer inquiries, referred for resolution, research was needed and the taxpayer had to be recontacted. These inquiries were generally more difficult to handle and, thus, were included in our review. IRS keeps some record of these inquiries so that its employees can recontact the taxpayer. However, IRS has no idea what portion of the 3.4 million total referrals these inquiries comprise. Its statistical accounting for referrals, in general, is independent of its records and does not distinguish between those referrals which do or do not require more than one contact with the taxpayer.

IRS service centers do not have regular taxpayer service units like the district offices. However, the service centers receive taxpayer inquiries usually through correspondence about refund problems, tax billings, or notices. IRS estimates that its 10 service centers received about 6 million such inquiries in 1977.

Service centers also have special units which handle technical cases of a more difficult nature. IRS estimates that its service centers handled about 75,000 such inquiries in 1977, primarily through correspondence.

Although IRS' national office taxpayer service division in Washington, D.C., is primarily responsible for providing overall policy direction, it does handle some taxpayer inquiries. The division receives most of these inquiries through correspondence from taxpayers seeking help with problems they may have been unsuccessful in resolving through other IRS units. Often national office inquiries are referred from the President or Members of Congress.

In 1977, IRS' national office taxpayer service division received about 15,900 taxpayer inquiries. It handled about 7,200 of these and referred the remaining 8,700 to the district offices or service centers.

CHAPTER 2

HOW IRS HANDLES TAXPAYER INQUIRIES

IRS has two systems for handling taxpayers' problems--normal and special. The normal handling system, used by district offices, is intended to resolve most taxpayer problems at the time of initial contact. This system is both visible and accessible. However, it lacks the other critical elements of a good problem solving system--control, independence, and followup and evaluation. (See ch. 4 for a brief discussion of these elements.)

To help overcome these shortcomings, IRS introduced in January 1977 a special handling system, commonly referred to as the Problem Resolution Program, to (1) give priority to handling problem inquiries--those not resolved on first contact through IRS' normal handling system and (2) bring recurring taxpayer service problem areas to management's attention. Although the special handling system at the district offices is limited in visibility and accessibility, it meets the criteria for a good problem solving system.

NORMAL HANDLING SYSTEM

District offices use the normal taxpayer service system to handle taxpayers' initial inquiries even though they may be similar in nature to many problem inquiries received by IRS. Taxpayer service unit personnel receiving first-time problems research them and then recontact the taxpayers. When the receiving unit does not have the expertise to resolve the question or problem, or when a taxpayer's account must be adjusted, the inquiry is referred to the appropriate district unit or a service center for resolution. Generally, when the district taxpayer service unit refers an inquiry to another IRS unit, it closes the case and relies on that unit to recontact the taxpayer.

The district normal handling units are not required to have controls to assure that the processing units properly and timely resolve referred inquiries. Followup and evaluation is also not required. Unit employees are expected to informally identify the causes of taxpayer problems and report systemic problems to management, but no formal reporting is required.

SPECIAL HANDLING SYSTEM

The special handling system is used by district offices to handle problem inquiries, as defined by IRS. The service

centers and national office also special handle some inquiries.

District offices

In January 1977 IRS established special handling units, called problem resolution offices, at all district offices to handle taxpayers who

- make a second contact on the same issue,
- have problems normal handling units cannot resolve, and
- have problems which indicate a need for systemic change.

The problem resolution offices have been limited in visibility and accessibility because IRS did not intend for them to replace the normal handling system. However, they control each case by recording it on a form, dating it, and assigning it a number. Standards have been set to assure timely actions.

A problem inquiry may be researched by special handling personnel or referred to other district units or service centers for processing. If referred, however, the processing unit suggests action to be taken and special handling personnel independently review the action taken. If special handling personnel disagree with a processing unit's proposed resolution of the problem, the case can be sent to the district director for a final decision.

Problem resolution offices follow up with taxpayers when they believe it will be helpful. They use evaluation questionnaires to determine taxpayers' satisfaction with the resolution of their problems. Also, district special handling personnel are required to identify recurring and systemic problems while processing cases. District problems are reported quarterly to the regional offices where they are summarized and forwarded to the national office for further analysis and initiation of action plans to correct problem causes.

Service centers

At the service centers, the more difficult inquiries are controlled, researched, and answered by special handling unit personnel. The service centers refer some cases to district offices but generally do not see that the problems are

resolved. Also, the centers generally do not follow up formally with taxpayers to see that inquiries are resolved, nor do they formally evaluate problem causes. However, they do report to the regions on systemic problems involving cases they designate as special.

National office

Historically, IRS' national office taxpayer service division has controlled every inquiry it received, including those referred to district offices and service centers, until it considered the problem resolved. After the special handling system was established, the national office, starting in June 1977, designated cases meeting the special handling criteria as "special." However, it continued to use the same procedures to process all cases.

The national office does not have provisions for following up and evaluating the taxpayer inquiries it special handles. However, it evaluates recurring and systemic problems reported by district offices and service centers and takes action to correct them.

CHAPTER 3

MANY TAXPAYERS DISSATISFIED--IRS'

SYSTEM FOR HANDLING PROBLEM

INQUIRIES NEEDS IMPROVEMENT

The majority of taxpayers responding to our questionnaire were satisfied with the way IRS handled their problems, but many--an estimated 32 percent--were not. This is particularly disturbing in view of the importance of taxpayer service in encouraging voluntary compliance. Taxpayers were primarily dissatisfied with how IRS communicated its responses to their questions or problems. However, they were also concerned with IRS' inability to resolve their problems, and with the number of personal contacts and time it took to obtain a response.

IRS could increase taxpayer satisfaction with its service on problem inquiries by (1) improving certain aspects of its special handling system and (2) examining and improving its methods for communicating its responses to taxpayers. IRS should be able to make these changes with little or no increase in taxpayer service resources.

LEVEL OF TAXPAYER DISSATISFACTION

HIGH--VARIOUS FACTORS HAVE CONTRIBUTED

On the basis of 2,223 questionnaires completed by taxpayers sampled at 11 IRS locations, we estimate that 32 percent of 63,977 taxpayers served by those locations during 1977 were dissatisfied with IRS' overall handling of their problems; about 58 percent were satisfied. ^{1/} (The sampling methodology and statistical analysis we used to evaluate taxpayer responses to our questionnaire are discussed in app. II.)

In our questionnaire we asked taxpayers to address various factors such as timeliness, usefulness, and correctness of IRS' responses to their inquiries. Then, through

^{1/}The percentages of dissatisfied and satisfied taxpayers do not equal 100 because some taxpayers said they were neither satisfied nor dissatisfied. Also, because of the fragmented normal handling records at some IRS district offices, part of our sample included only the last few months of 1977 or first few months of 1978.

a statistical technique called regression analysis, we were able to (1) examine the relationship of the various factors to overall taxpayer satisfaction and (2) identify those factors which best explained why some taxpayers were satisfied and some were not. (Appendix IV contains a copy of the taxpayer questionnaire we used with a summary of the responses for each question.)

While human factors such as IRS employees' courtesy and willingness to help play a part in influencing taxpayer satisfaction, systemic factors are more important. Communications-related factors, such as the usefulness and clarity of the responses, contributed the most to taxpayer dissatisfaction. Also, many taxpayers felt that their problems were not resolved by IRS and that it took too many contacts and too much time to resolve their problems.

Communication problems: the primary cause of taxpayer dissatisfaction

In our questionnaire, we asked taxpayers to record how IRS communicated with them in terms of the usefulness, clarity, completeness, fairness, and correctness of IRS' responses to their inquiries.

These quality factors were very interrelated because when a taxpayer was dissatisfied with one factor, he/she was likely to check one or more of the others as well. Therefore, we treated them as a single factor--communications--when measuring their impact on the level of taxpayer satisfaction.

Although the results of our analysis showed that communication affected overall taxpayer satisfaction the most, the actual percentage of taxpayers expressing dissatisfaction on each of the communications-related factors was still lower than the overall 32 percent dissatisfaction rate, as follows:

<u>Quality of response</u>	<u>Percentage of taxpayers expressing dissatisfaction</u>
Usefulness	31
Clarity	26
Completeness	27
Fairness	21
Correctness	22

Also, 109, or about 9 percent, of 1,179 narrative comments we received from the 2,223 taxpayers answering our questionnaire related to conflicting, confusing, unclear, imprecise, or incomplete responses by IRS. (The narrative comments we received from the taxpayers are categorized in app. V.) The comments showed that some taxpayers were unhappy with the way IRS communicated its response even when the question involved was resolved in the taxpayer's favor. For example, one taxpayer made several telephone calls to IRS and was assured that her refund would be released. Yet the taxpayer said she was not satisfied because even though she received the refund, IRS did not explain why the refund was delayed or why the amount was "different than she expected." The taxpayer wanted to know "what the problem was" and "what to do next year" if she has trouble again.

Other unhappy taxpayers whose problems were apparently resolved, but not explained, made the following comments.

"I received a notice I was receiving a certain amount (of refund) which I didn't get. Later a much lesser amount was received with not a word of what it was for. So I kept looking for a check in the original amount."

"I received general information but hardly any of my specific questions had been answered."

"IRS sends form (response) letters that are Greek. When you write or call you can't find anyone who knows anything about your case."

Communication problems also were partially attributable to the taxpayers' inability to obtain answers on complex tax questions. We received 108 narrative comments related to problems arising from the complexity of the tax law, regulations, and forms. These taxpayers were often dissatisfied with the way IRS communicated the answer. For example, one taxpayer wrote to an IRS district office asking whether travel and tuition for her child's attendance at a learning center could be deducted as a medical expense for tax purposes. The district's letter to the taxpayer provided only general information, stating "You should review the circumstances in your situation and determine the appropriateness of the medical deduction."

Other dissatisfied taxpayers commented as follows:

"The tax is too complicated in many areas and the explanation is often ambiguous or difficult to come by."

"IRS tried but the answers were completely unreal; they made no sense. I paid, but am still not satisfied."

"I did not want to incur attorney fees to fight it and the form they sent me was too complicated for me to comprehend."

"One IRS office said yes; another said no. I was sent a booklet I couldn't understand; neither could they."

In contrast, taxpayers receiving specific answers to complex technical questions seemed satisfied with the way IRS handled their questions. For example, one satisfied taxpayer telephoned an IRS district office to determine whether expenses incurred while writing a book are deductible for tax purposes. The district sent her a letter explaining in detail that the expenses would be deductible against any proceeds from sale of the book.

We focused our review on IRS' system for resolving taxpayer problem inquiries and based our findings primarily on taxpayer questionnaires. Therefore, we do not know the precise problems with IRS' method and format for responding to taxpayer inquiries; nor can we be sure that IRS' responses were not communicated clearly. However, since the taxpayers believed IRS' responses were unclear, there is a need for IRS to reassess how it communicates its answers.

We have no specific suggestions for improving the way IRS communicates with taxpayers regarding specific inquiries. However, in a July 1978 report, "Further Simplification of Income Tax Forms and Instructions Is Needed and Possible" (GGD-78-74), we identified the need for IRS to simplify its tax forms and instructions to make them more understandable to the average taxpayer. More recently, the Revenue Act of 1978 required the Department of Treasury to simplify the tax law, forms, and instructions. Therefore, as part of its simplification efforts, IRS should look into ways of improving its methods for communicating answers to taxpayer inquiries.

IRS leaves too many
problems unresolved

Many taxpayers believe that their inquiries are not resolved to their satisfaction. We estimate that 23

percent of the taxpayers sampled felt their inquiries were still not resolved. While it seems unlikely that IRS will ever be able to satisfy all taxpayers, this level of dissatisfaction is high particularly since these cases were considered closed by IRS.

Whether problems are resolved to a taxpayer's satisfaction has an impact on the taxpayer's appraisal of the way IRS handled his or her inquiry, as illustrated by the answers to our questionnaire.

<u>Taxpayer considered problem resolved</u>	<u>Percentage of taxpayers' dissatisfaction with overall service</u>
Yes	21
No	70

For example, one taxpayer questioned a minor interest charge assessed him for late payment of taxes which he said was caused by IRS losing the check he attached to his return. IRS contended that it never received the check and that the law requires interest to be charged. In response to our questionnaire, the taxpayer said he was very dissatisfied and still did not consider the problem resolved. He said IRS lost his payment and he should not have to pay interest.

Some other taxpayers complaining about unresolved problems stated:

"IRS researched the information very satisfactorily and sent a card asking me to call them for the answer. When I called they were never available to talk on the telephone. I was told to call back. I still had not received the answer in four weeks and had to file before I got the information."

"I called three times to get information and each time I talked to a different person, who, despite the fact that each one asked for a load of data, knew nothing of my request having been made. I had the impression that my request was received, filed in some place unknown to the people taking the request, and never acted upon * * *. I gave up with no results, no answer."

"I have never had my problem really solved. All forms they say should have been filed have been, but still no credit. Where do I go for correct help?"

"They helped with the immediate problem but not the overall problem. To date, the IRS office has no record of my filing and I'm in their area."

These problems may be resolved if IRS improves the way it communicates its responses to taxpayers. However, some systemic changes, which we discuss later, should also help reduce taxpayer dissatisfaction due to lack of problem resolution.

Taxpayers have to contact
IRS too often

We estimate that the universe of 63,977 taxpayers from which we drew our statistically valid sample had to contact IRS over 165,000 times--an average of three contacts per taxpayer--in trying to resolve their problem. The large number of contacts taxpayers had to make also helped to contribute to the overall level of dissatisfaction. Taxpayers expressing the highest degree of dissatisfaction with IRS' attempts to help them made proportionately more contacts with IRS. Many taxpayers faced with responses they could not understand had no real alternative other than to return again and again to IRS.

As shown below, taxpayer dissatisfaction tends to increase in relation to the number of contacts a person has to make to resolve his or her problem.

<u>Number of contacts reported by taxpayers</u>	<u>Percentage of taxpayers</u>	
	<u>Satisfied</u>	<u>Dissatisfied</u>
One	89	11
Two	86	14
Three	71	29
Four	50	50
Five	50	50
Over five	28	72

For example, one taxpayer had a dispute over whether he was entitled to interest on a refund check not received because IRS mailed it to the wrong address. At first, IRS said it was mailed to the correct address but later reversed its position and paid interest. In response to our questionnaire, the taxpayer said he contacted IRS at least 20 times concerning this matter. He indicated that even though he finally received the interest, he was very dissatisfied with the way IRS had handled his problem.

"I contacted IRS seven times I know of, maybe more."

"I made at least 10 contacts of which four letters went unanswered. One telephone assistant said to call back in a week for an answer."

"I must have made at least 20 contacts over a 3-year period."

"I made a total of 6 or 7 long distance telephone calls to a service center."

"I made at least eight contacts, maybe more. Several were with the district and several with the service center."

IRS takes too much time
to respond to taxpayers

Another major factor contributing to overall taxpayer dissatisfaction with IRS' service was the time it took for many taxpayers' problems to be resolved. We could not determine the average time it took for IRS to resolve or attempt to resolve the problem in the cases we sampled. IRS records from which we drew our sample related to one specific taxpayer contact on a problem and contained some data on the time it took IRS to handle that contact. IRS does not keep data on all contacts related to a particular inquiry. Therefore, since the average taxpayer took three contacts to resolve a problem, data on one contact was meaningless for evaluation purposes.

However, our questionnaire responses leave no doubt that many taxpayers believe IRS takes too long to answer their inquiries. About 31 percent of the taxpayers answering our questionnaire specifically expressed dissatisfaction with the time it took to get responses. Also, 181, or about 15 percent, of the 1,179 narrative comments related to excessive time. For example, a taxpayer filed a return calling for a refund but made a mistake in recording her social security number. After the error was discovered, the taxpayer filed forms to correct the error and received her refund check. This taxpayer said she was very dissatisfied with the time it took to get a response from IRS. She commented that her problem was finally resolved after 6 months and 7 phone calls.

Examples of other taxpayers who had time problems with IRS follow.

- A taxpayer waited "almost 1 1/2 years to receive our refund" and contacted IRS more than five times.
- More than a year elapsed before a refund was received by a taxpayer who indicated he contacted IRS four times.
- A taxpayer who was told by IRS to "sit tight and wait," waited several months and made more than five contacts with IRS, but still heard nothing.

TAXPAYER SATISFACTION COULD BE
INCREASED BY IMPROVING IRS'
SPECIAL HANDLING SYSTEM

Other than the communications factors which relate more to the way IRS answers taxpayers' inquiries, factors contributing to taxpayer dissatisfaction generally stem from weaknesses in IRS' system for handling taxpayer problem inquiries. Taxpayer satisfaction should increase beyond the estimated 58 percent level if IRS

- improves its referral and control of problem inquiries at the district level;
- expands its followup efforts to cover all closed problem inquiries on a sample basis; and
- increases its evaluation of the causes of taxpayer problems to prevent recurrence.

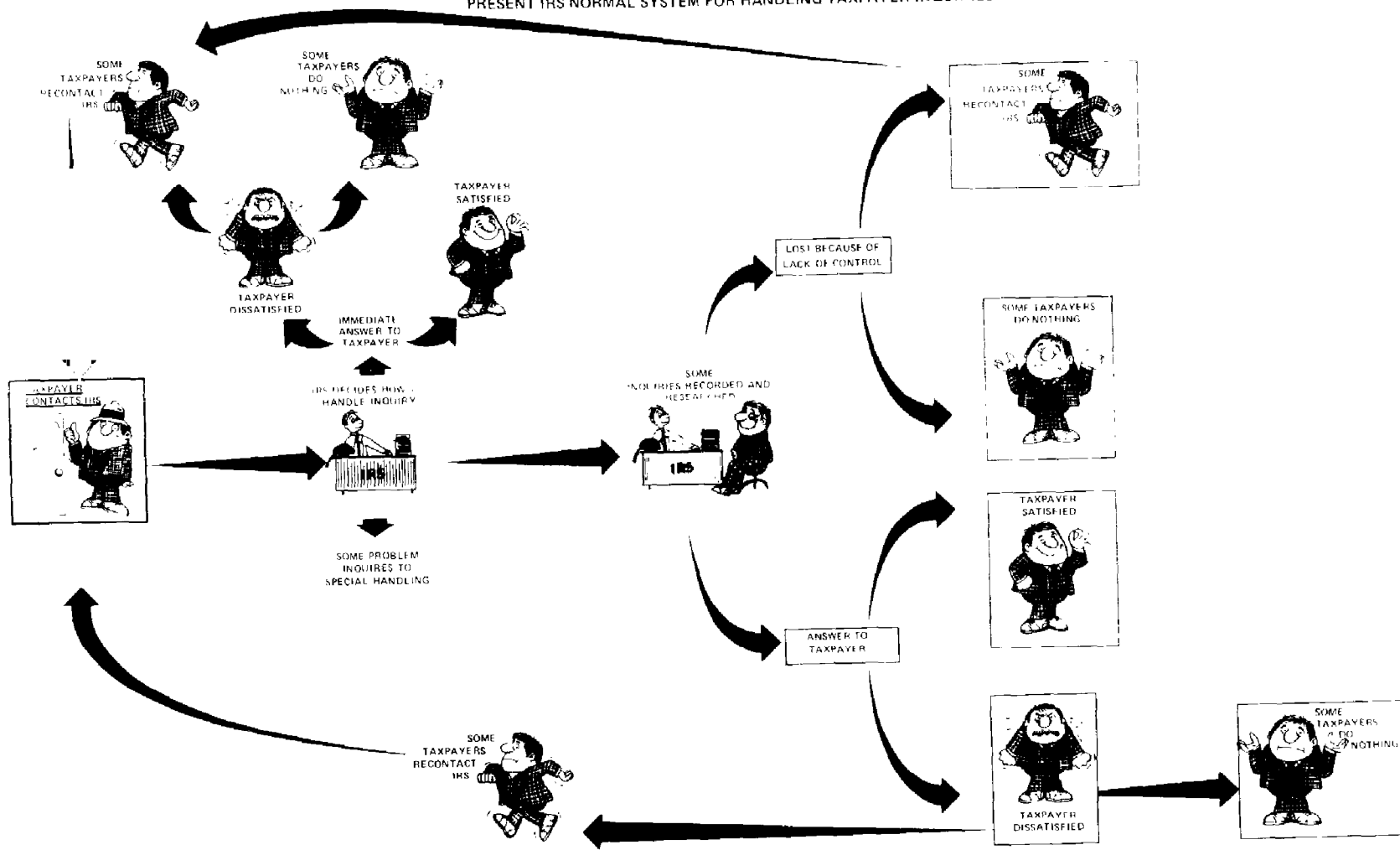
In addition, IRS should make better use of its organizational resources by controlling and resolving more problem inquiries at the district level, where taxpayer service resources are centered, rather than at the service centers or national office.

Since these improvements should reduce the number of contacts and amount of time required to resolve taxpayers' inquiries, the additional cost, if any, should be negligible.

Weaknesses in present
taxpayer service procedures
at the district level

Under IRS' present procedures, as shown in flow chart A on page 16, a taxpayer's question or problem requiring IRS to do research and recontact the taxpayer is initially processed through the normal handling system with routine inquiries--

FLOW CHART A
PRESENT IRS NORMAL SYSTEM FOR HANDLING TAXPAYER INQUIRIES

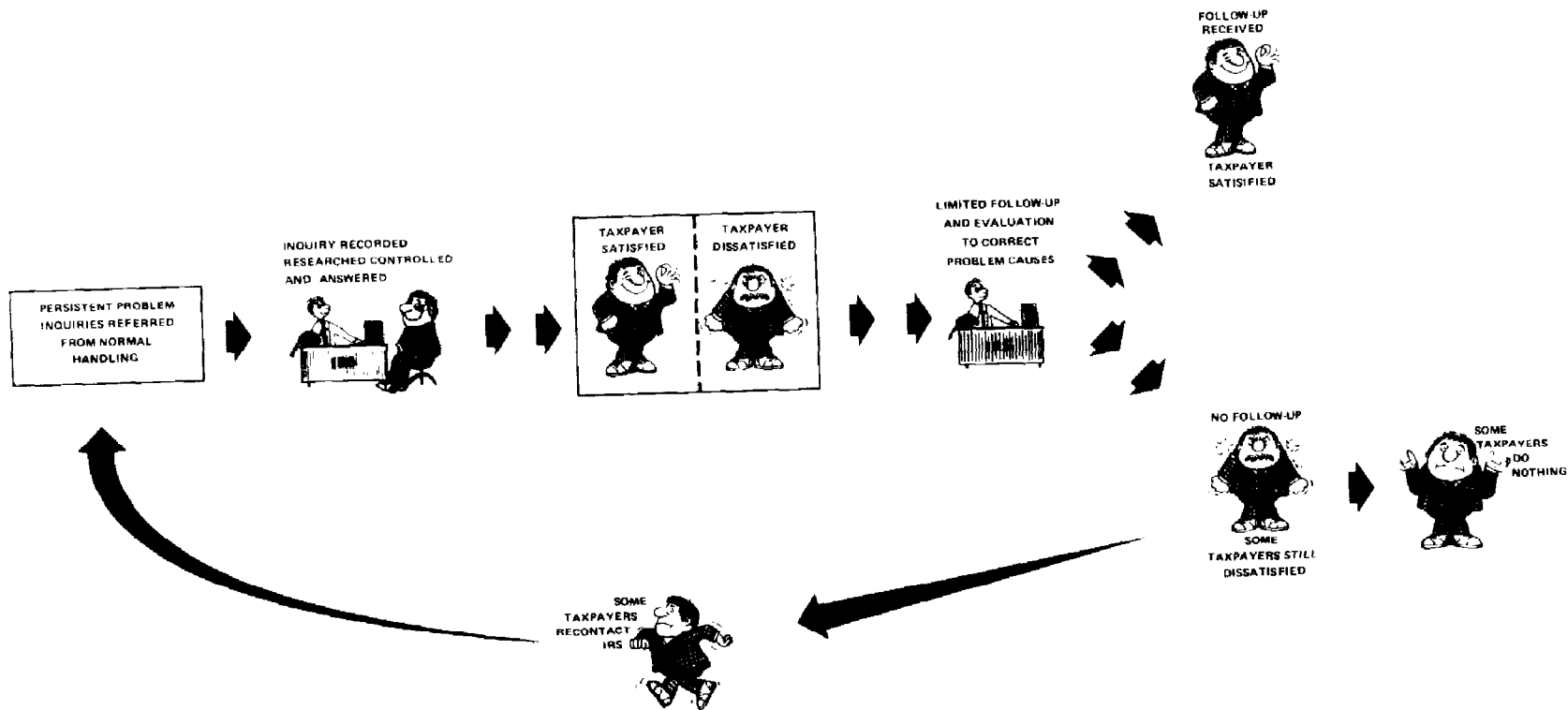


those which are answered immediately without loss of contact with the taxpayer. Since this system has no formal control mechanism, a taxpayer could repeatedly re-enter the system, either at the same or a different IRS location, with the same problem unless he or she is properly referred to the problem resolution office on the second contact, as required.

However, problem inquiries have not always been referred to special handling when required. As a result, the number of contacts and time it takes for the taxpayer to resolve, or not resolve, his or her problem increases. The taxpayer, of course, becomes increasingly frustrated and dissatisfied. Also, if the taxpayer never gets to the special handling system, the benefit of any control, followup, and evaluation is lost, even though the problem may be typical of those which receive special handling.

As shown in flow chart B on page 18, even if a taxpayer's problem inquiry is properly referred to and handled through the special handling system, it may not be adequately resolved. Thus, the taxpayer may become and remain dissatisfied because of the lack of followup. IRS obviously will never be able to completely satisfy everyone even if it were to followup with each taxpayer served--a step which we are not advocating. However, the chances of taxpayers remaining dissatisfied or having to contact IRS to resolve their problems after receiving special handling is greater because of inadequate followup and evaluation coverage.

FLOW CHART B
PRESENT IRS SPECIAL HANDLING SYSTEM FOR HANDLING TAXPAYER PROBLEM INQUIRIES



Need for improved referral and control
of problem inquiries at the district level

About 24 percent of the taxpayers responding to our questionnaire who had their problems handled by district offices expressed overall dissatisfaction with the way their inquiries were handled. Their dissatisfaction was caused by a weakness in the district office procedures for referring problem inquiries for special handling.

Under IRS criteria, taxpayers should not have to contact IRS more than twice to receive special handling. However, of the taxpayers we sampled at the district, about 50 percent of those who had received only normal handling said they had to contact IRS three or more times about their problems. About 73 percent who received special handling claimed they made three or more contacts. As discussed earlier, taxpayer concern over the number of contacts and the time involved contributed significantly to dissatisfaction.

During 1977, the six districts we reviewed special handled about 4,100 problem inquiries which met IRS criteria. We estimate that during the same period those districts did not special handle at least 25,000 ^{1/} problem inquiries because of weaknesses in implementing IRS' referral and control procedures.

The following are examples of dissatisfied taxpayers who received special handling too late because they were not referred as required by IRS procedures.

--After 2 years, one taxpayer who was being special handled at the time he was selected in our sample was still having trouble correcting a mixup in his wife's social security number. The special handling office, to save the taxpayer the expense of a long distance telephone call, contacted a social security office to send the taxpayer the forms needed to obtain a valid number. The taxpayer was generally dissatisfied with the way IRS responded to his inquiry because he had made over 15 telephone calls to resolve it. Unaware he had finally received special handling, he commented that whoever finally assisted him was "excellent, but the other people contacted were a discredit to the IRS."

^{1/}Seventy-five percent of 35,041 normal handled cases sampled at the district level made two or more contacts accounting for our estimate of 25,000.

- A taxpayer who said he contacted IRS seven times regarding his question said that "They finally told me to call a place where special problems are solved. I think they should have done that sooner."
- A taxpayer who contacted IRS five times stated "I finally found the Problem Resolution Office and spoke to a woman. She listened to my story, called back in a couple of hours to say that she had located my tax return and would have a copy sent shortly. I could not ask for better service than she gave after I got in touch with her. Prior to that, service was unsatisfactory."
- Joint taxpayers, who had to contact IRS three times before their problem was resolved, stated that "In answer to our inquiries we received only additional assessment notices. This problem was presented to the newly activated Problem Resolution Office which handled it promptly, courteously and with complete satisfaction to all."
- A taxpayer who had contacted IRS four times before being referred to the Problem Resolution Office said "IRS has the capability to resolve problems expeditiously if one can get through the front ranks. I was most pleased with the actions taken and the response obtained from the local Problem Resolution Office, once they got to work on it."

The delay in referring taxpayers to special handling is due partially to incomplete taxpayer service records, which are caused by the lack of a formal control process. IRS personnel, when receiving inquiries, did not ask taxpayers whether they had previously contacted IRS on the same matter. Also, taxpayers generally were not aware of the availability of the special handling system; it had not been made publicly visible and accessible, so they did not ask for the service.

As shown in the table below, the taxpayers we questioned claimed they contacted IRS far more than IRS was formally aware through its records system. About 75 percent of the taxpayers who were in normal handling had contacted IRS two or more times, and, thus, should have been referred. Similarly, almost as many of those who were in special handling when we questioned them, apparently were referred to special handling later than required by IRS criteria.

<u>Taxpayer contacts</u>	<u>Percentage of taxpayers receiving</u>			
	<u>Special handling according to</u>		<u>Normal handling according to</u>	
	<u>IRS records</u>	<u>Responses to our questionnaire</u>	<u>IRS records</u>	<u>Responses to our questionnaire</u>
One	62	13	86	25
Two	16	14	9	25
Three	13	15	3	19
Four	6	10	2	10
Five	2	12	(a)	8
More than five	(a)	36	(a)	13

a/Less than 1 percent.

IRS' district office special handling system already contains control features. Cases are supposed to be numbered and logged for easy reference and their status is periodically checked to assure resolution within established time standards and to prevent losing or ignoring the inquiry.

Under a properly operating control system, information on all taxpayer contacts after the first would be kept in one file. This is not presently the case because even when the taxpayer is finally referred to special handling, those personnel may not be aware of prior taxpayer contacts on the same problem. Having information on the same problem scattered in different locations rather than at one makes it impossible for IRS to adequately evaluate problem causes or the total time taken to resolve the problem.

Seventy-nine, or about 6 percent, of the 1,179 narrative comments we received from taxpayers cited too many IRS contact points as a problem contributing to the unsatisfactory resolution of their inquiries. More effectively controlling inquiries after the first contact would prevent such problems. The following are examples of the comments of dissatisfied taxpayers regarding the advantage of a control point.

"There should be a centralized IRS collection office thereby eliminating the shuffling of paper from one IRS unit to another."

"There should be one place with a taxpayer's file and it should be kept there and concluded by the same person."

"When you talk to someone they should be able to help and not have to let you go through three or four people to get your answer."

"Every time I called I'd get someone different and a different answer. Until one person handled my case, I was quite upset about the 9 to 10 months wait for my tax refund."

In its April 26, 1978, report on IRS' district office special handling program, the House Ways and Means Subcommittee on Oversight commented on weaknesses in IRS' special handling referral and control procedures:

"In order for PRP [the Problem Resolution Program] to have an opportunity to assist those taxpayers that IRS' ordinary channels have failed to help, IRS personnel must properly refer all calls from such taxpayers to the PRP Office. Notwithstanding the importance of this objective, the IRS has failed to require that review procedures be established to monitor and promote reliable internal referral of PRP problems. Such review procedures would involve little or no administrative costs.

"The publicity given the PRP program by many IRS districts had been insufficient. As a consequence, taxpayer awareness of the Problem Resolution Program is, in some areas, much less than it easily could and should be."

In October 1978, in response to the Subcommittee's recommendations to solve these weaknesses, IRS revised its special handling procedures to provide for (1) better recordkeeping by and better monitoring of taxpayer service receiving units to assure proper referral and (2) increased publicity to improve taxpayer awareness.

However, there is no provision for receiving units to solicit information from taxpayers on the number of prior contacts. Taxpayers with prior contacts who do not voluntarily provide such information may still not receive special handling soon enough. This problem could be corrected if the personnel in the normal handling groups would simply ask callers if they had previously contacted IRS about their questions or problems.

Need for increased followup and
evaluation of taxpayer satisfaction
and problem causes

IRS needs to followup with more taxpayers to assure problems are resolved and taxpayers are satisfied to the extent possible. It also needs to more systematically evaluate and correct the causes of problem inquiries.

Followup with taxpayers too limited

Followup is considered a necessary element of complaint systems to assure problems are resolved satisfactorily and to provide data for correcting problem causes. The IRS Problem Resolution Program provides for followup, but only limited followup was being done. IRS districts followed up with only 274, or 24 percent, of the 1,149 special handled taxpayers we sampled in the district offices we visited. Also, its followup questionnaire was not designed to obtain adequate data. Of course, the normal system, which handles those problem inquiries not properly referred to special handling, does not have provisions for followup.

The following contrasting examples illustrate the value of followup to assure taxpayer problems are resolved.

- In response to a taxpayer's inquiry about a refund, a service center reviewed the taxpayer's returns and advised him by telephone that he was not entitled to a refund. The IRS records showed "he understood" and the case was closed. IRS did not follow up with this taxpayer. Yet, in response to our questionnaire, the taxpayer said he was generally dissatisfied with the way IRS responded and that the question had not been resolved to his satisfaction, because he still did not understand why he did not get the refund.
- After contacting a district special handling office about an overdue refund, the taxpayer subsequently received a refund check but for a smaller amount than expected. After the taxpayer replied to a followup letter that he was not satisfied, the special handling office telephoned the taxpayer and explained why the reduction was proper. In response to our questionnaire, the taxpayer expressed satisfaction with IRS' service.

In its April 26, 1978, report on IRS' district office special handling program, the House Ways and Means Subcommittee on Oversight made the following comments on IRS' followup procedures:

"The final step of the PRP [Problem Resolution Program] is to send a follow-up questionnaire to taxpayers who have been assisted by PRP in order to determine whether PRP was successful in resolving the taxpayer's problem or complaint. However, the results of the questionnaire have been of rather doubtful value because low-level PRP personnel have been exercising personal judgement on whether it would be 'useful' to send a particular taxpayer a follow-up questionnaire. In one district, fewer than one in four of the taxpayers served by PRP were sent a questionnaire.

Under a new rule, IRS districts have been instructed to send follow-up questionnaires to only a 'sample' of the taxpayers served by PRP. The sample is to be chosen from those taxpayers who are left after the PRP employees have eliminated non-useful cases, as described above. Further, each district has been left to constitute the sample as it sees fit. Without national guidelines, there is no guarantee that the results will be statistically valid or comparable from one district to another. The Subcommittee thinks the sample approach is an acceptable efficiency device. However, the sampling technique should be statistically valid and done uniformly throughout the country and, as pointed out above, there should be no preselection on the basis of personal judgement."

In October 1978, in response to the Subcommittee's recommendations, IRS revised its special handling procedures to improve followup. A sample selection procedure was provided which should reduce the extent "personal judgement" is used. However, certain types of inquiries still receive no followup. These include (1) congressional requests on behalf of constituents, (2) referrals from IRS' national office or regional offices, and (3) inquiries not resolved to the taxpayers' satisfaction because they involved questions of law or technical decisions which adversely affected the taxpayers.

In addition, the question IRS proposed to use for followup purposes--"Were you satisfied with the service you received under the Problem Resolution Program? (Yes or

No)"--is too broad. The responses of the taxpayers we questioned show the benefits of sending a more comprehensive questionnaire to a statistically valid sample of all taxpayers who had problem inquiries during a certain time period.

More evaluation of
problem causes needed

The benefits of a formal approach to recognizing systemic problems have been illustrated and recognized under the special handling system. Several weaknesses in IRS' operations have been identified and corrected through the evaluation of the causes of special handled problem inquiries. For example, the special handling system is credited by IRS officials with finally helping IRS take corrective action on scrambled and invalid social security numbers of taxpayers. For several years, IRS was aware of the problem but not its extent. Several IRS regions reported the problem and with followup and evaluation it was found the problem existed in all regions. As a result, IRS and the Social Security Administration defined the parameters of the problem and prepared an action plan for dealing with it.

Other types of actions have been taken under the special handling system to evaluate and correct systemic problems.

--A district special handling unit received a taxpayer's letter sent to a Congressman. The letter stated that IRS had not responded to an amended return filed 5 months earlier calling for a refund. The office replied to the Congressman that the taxpayer should receive the refund within 4 weeks. The district also sent the taxpayer's letter to the cognizant service center stating it may be an indicator of a processing problem at the center.

--A taxpayer complained to a district office that he was being asked for the third straight year to provide IRS auditors support for alimony payments even though prior audits of such payments resulted in no change to the income tax he owed. The matter was referred to the special handling office. After checking the records, the office convinced the auditors to cancel the audit and closed the case. The special handling office then suggested a systemic change--since the telephone number the auditors had furnished the taxpayer was "always busy * * * steps must be taken to provide personnel to answer taxpayer inquiries via the telephone." An additional telephone line was installed.

As discussed earlier, not all problem inquiries reach the special handling system. Thus, problems which could lead to taxpayer dissatisfaction could go unattended if they are not systematically evaluated and corrected. For example, many taxpayers cited communication problems as a reason for their dissatisfaction, which certainly indicates that this area needs evaluation. Of course, taxpayers also noted excessive time, contacts, and contact points as problem areas, which might have been uncovered through better systematic evaluation of the causes of problem inquiries.

NEED TO CAPITALIZE ON STRENGTHS OF THE TAXPAYER SERVICE ORGANIZATION

Spurred by congressional interest in improving taxpayer service, IRS has made several organizational changes in recent years aimed at putting its taxpayer service role on an equal footing with its enforcement role. The organization for providing taxpayer service is now established. However, it could be used more effectively.

IRS' national office taxpayer service division could improve taxpayer satisfaction by concentrating more on evaluating and correcting problem causes and less on handling individual taxpayer inquiries. By the time their inquiries reach the national office, taxpayers are too frustrated to feel satisfied with the service they receive.

Service centers perform a valuable technical role in processing tax returns and maintaining account balances, but their taxpayer service role should be to support the district offices. Taxpayers complained of communication problems at all levels in IRS, but they criticized the centers the most.

IRS intends for its districts to be the focal point for taxpayer contacts. To a large extent, they are. But, added emphasis on having districts handle and control more inquiries, including problem inquiries, now handled by the national office and service centers would help solve many of the problems discussed earlier.

IRS national office taxpayer service activities should focus more on overall evaluation and correction of problem causes

During the period 1960-75, IRS' taxpayer service program was gradually separated from its audit and collection activities. Taxpayer service was established organizationally at the national office in 1963 as a branch of the Collection Division. A separate Taxpayer Service Division was created at the national office in 1971 under the Assistant Commissioner for Accounts, Collection and Taxpayer Service. The latest taxpayer service reorganization, in July 1978, established a new position of Assistant Commissioner for Taxpayer Service and Returns Processing. IRS officials said the major impact of this change is that taxpayer service will have a voice equal to that of enforcement activities in establishing national IRS policy.

The national office often handles specific taxpayer problems after lower levels in IRS have failed to resolve them or when such problems are referred from the President or a Member of Congress. The national office does not encourage taxpayer inquiries. Over 50 percent of inquiries it receives are referred back to the cognizant district offices or service centers. It then monitors the action taken on those referrals by obtaining copies of the replies sent to the taxpayers. The national office attempts to answer

- questions on policy, procedures, or points of law;
- complaints about service at district offices or service centers; and
- inquiries requiring an official reply by IRS or Department of Treasury headquarters.

By the time taxpayers reach the national office with their inquiries, they often are frustrated by their entire IRS experience and are extremely difficult to satisfy. This is evidenced by the fact that 54 percent of the taxpayers from our national office sample expressed dissatisfaction with IRS' service, compared to only 32 percent overall. This is not necessarily a reflection on the national office's handling of inquiries. In fact, the inquiries were often finally resolved at the national office--too late to "satisfy." The taxpayers we sampled commented on their total experience because they were generally unaware of whether they had received normal or special handling. Thus,

controlling and resolving their problems sooner at the district level should increase their satisfaction.

The national office taxpayer service division should concentrate more on overall evaluation of problem causes identified by the districts. Some inquiries, such as those asking for a binding tax ruling relating to a complex set of specific facts, require national office technical attention. However, based on our sampled cases, such inquiries are few in number. We estimate that only 12 percent of the inquiries handled by the national office taxpayer service division in 1977 involved tax law questions. We estimate that 71 percent related to refund checks not received, which is also the most common district-handled problem.

Inquiries not requiring national office technical attention should be referred back to the districts. The taxpayer service division could continue to monitor the resolution of the problems by reviewing district office responses similar to the procedures followed on current referrals. This would free division resources to concentrate on finding and correcting problem causes. Controlling the inquiries at the districts would provide the national office taxpayer service division with the records and data needed for meaningful evaluation.

Service center taxpayer service activities should be supportive of district office activities

Service centers are not organized to provide service to taxpayers who telephone or walk-in. Their primary function is to process tax returns, maintain taxpayer accounts, and answer related correspondence.

IRS does not encourage taxpayers with questions to contact the service centers. The service centers do not have toll-free telephone service. The "stuffers" accompanying the service centers' bills and notices advise taxpayers to contact district offices by toll-free telephone to resolve their questions. Yet, the service centers still receive a substantial number of inquiries either directly from the taxpayer or through the district offices.

The four service centers we reviewed special handled 17,652 inquiries alone in 1977. One reason for this large number of inquiries could be that the address of the service center is printed on the face of the bill or notice, causing some taxpayers to write to the service centers rather than telephoning or visiting the district offices. Also, officials

at three of the four centers we visited said the districts are referring problems to them which the districts should be handling.

We estimate that about 40 percent of taxpayers we sampled whose inquiries were handled by service centers were dissatisfied compared to the overall 32 percent dissatisfaction level.

Seventy-six, or about 6 percent, of the 1,179 narrative comments from the taxpayers related to service center or computer insensitivity. Taxpayers complained of the service centers not reading or responding to letters, refusing to answer questions, or relying on unclear computer responses.

The following are examples of taxpayers who had difficulty resolving their problems through the service centers.

--A taxpayer complained to a district office that he had received an IRS bill because an estimated tax payment had not been credited to his account. The district office checked IRS records which showed the payment had been credited to the wife's individual account rather than the joint account. The district asked a service center to transfer the funds to the proper account. Even though the problem was resolved to his satisfaction, the taxpayer was dissatisfied with the way his case was handled because he had to contact IRS three times before the problem was resolved and because he got "no response" to letters written to service centers.

--A taxpayer wrote an IRS service center and enclosed a check to pay an estimated tax penalty but complained that prior letters asking questions on the case were answered with "irrelevant government forms and letters and nothing addressed to the questions." The service center replied to the taxpayer explaining that taxpayers who do not receive estimated tax forms from IRS must obtain them through other means and file them timely. This taxpayer said she was very dissatisfied because IRS simply refused to answer the questions directed to them and instead sent copies of forms which in no way related to her questions.

--A taxpayer wrote to IRS in "surrender," submitting a check. She asked for a brief explanation of why the additional amount was owed and why that previous letters had not been answered. The service center replied to the taxpayer that the amount was a penalty which should not have been assessed and that it would be refunded. The taxpayer was dissatisfied with IRS' service, even though the problem was resolved to her satisfaction, because IRS did not respond to her letters and telephone calls.

As shown by our sample analysis, the types of problem inquiries handled by service centers are generally no different than those handled by the districts.

<u>Nature of problem</u>	<u>Percentage of taxpayers</u>	
	<u>Service centers</u>	<u>Districts</u>
Refund check not received	37	34
Tax law question	4	8
Bill from IRS	16	14
Account balance status	11	9
Request for information	2	2
Audit of return	4	8
Other	<u>26</u>	<u>25</u>
Total	<u>100</u>	<u>100</u>

Also, district office employees have the technical expertise to handle most of the problems that centers handle. One exception, as stated by a district official, would be a mixup in social security numbers. In this case, the center would be better equipped to resolve the problem. While we do not know precisely how many mixups were handled by the four service centers we reviewed, these matters were included in the category "entity" problems (included under "other" in the above table), which represented only 7 percent of the total problems sampled at the four centers.

Therefore, if taxpayers contacted the districts rather than the service centers, more inquiries could be handled and controlled by the districts which are generally more accessible to and better organized to deal with taxpayers.

District offices are a logical point for handling and controlling most problem inquiries

At the district level, taxpayer service and collection activities were combined until 1974. By July 1978, separate taxpayer service divisions had been authorized for 46 districts. Taxpayer service branches were authorized in combined collection and taxpayer service divisions for the remaining 12 smaller districts.

IRS' reorganization in July 1978 added disclosure and public affairs activities to the responsibilities of the taxpayer service divisions at the 46 district offices. The taxpayer service function within the remaining 12 smallest districts continued to be organized as a taxpayer service branch within the collection and taxpayer service division until October 1978, when the functions were separated. IRS officials stated that any changes from the reorganization would not impact on the ability of IRS personnel to serve the taxpayer.

IRS encourages taxpayers to use district office taxpayer service units when asking IRS for assistance. District offices are organized to provide taxpayers with three ways to contact IRS for assistance: toll-free telephone, walk-in, or correspondence. The districts have staffed the service units with personnel trained in taxpayer assistance. In addition, the districts have problem resolution offices to special handle problem inquiries.

IRS already has recognized the need for the national office and service centers to refer as many problems as possible to districts. Our analysis supports this recognition. About 24 percent of the taxpayers we sampled who were served by the districts were dissatisfied with IRS' handling of their inquiries, while overall 32 percent were dissatisfied. However, both the national office and the service centers are still handling problems that could be handled by the district offices.

We recognize that cost may be a factor in improving the referral and control of, and increasing followup and evaluation of, problem inquiries at the district offices. These actions, in addition to further encouraging taxpayers to bring their problems to the districts, will necessarily increase the number of controlled cases.

However, for fiscal year 1979, IRS has budgeted an increase of 60 positions for its special handling system, or

problem resolution program--an increase of 48 percent over the 126 positions allocated to special handling during our review. Also, in the long run, improved control, followup, and evaluation should decrease the number of unnecessary recontacts by dissatisfied taxpayers, thus requiring less of IRS' resources. For example, we estimate that the almost 64,000 taxpayer inquiries sampled at 11 locations for 1977 were resolved only after 165,000 contacts between the taxpayers and IRS. Controlling and/or resolving these inquiries on the second contact might have eliminated the need for IRS staff to deal with almost 37,000 additional taxpayer contacts.

CONCLUSIONS

Taxpayer problem inquiries and those first-time inquiries requiring IRS to do research and recontact the taxpayer are only few in relation to the total volume of inquiries IRS handles. However, they are generally more difficult to deal with and most likely to cause taxpayer frustration and dissatisfaction.

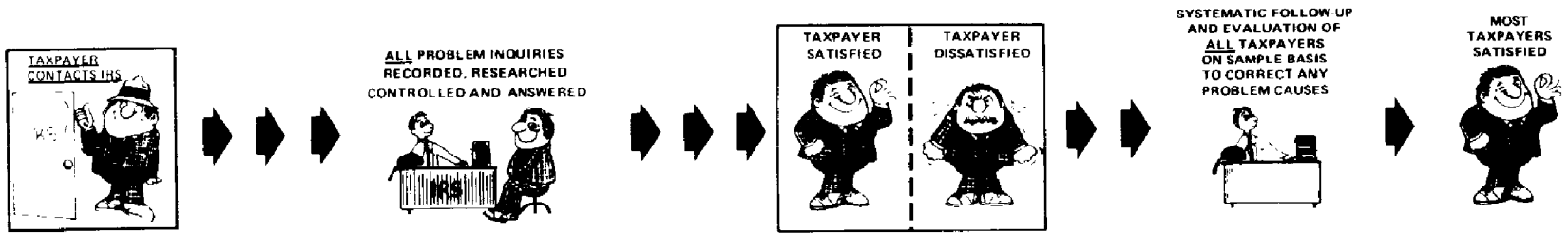
About 32 percent of the taxpayers responding to our questionnaire were dissatisfied with IRS' handling of their inquiries. While we recognize that the taxpayers may not always be right, their dissatisfaction could impact on the extent to which they comply with the tax laws. Therefore, it is important that IRS handle their problems as completely and expeditiously as possible.

Many of the taxpayers we surveyed were dissatisfied because IRS did not adequately communicate its responses to their inquiries and because it took too many contacts and too much time. IRS can overcome these problems by improving the efficiency and effectiveness of its special handling system or problem resolution program. The results, as illustrated in flow chart C on page 33, will be more satisfied taxpayers.

The special handling system already has most of the features of a sound problem solving system--control, independence, and followup and evaluation. However, because of weaknesses in implementing the system, some inquiries intended to be special handled do not reach it soon enough or at all. Many problem inquiries eventually require three or more contacts to resolve.

Recent actions by IRS to improve the special handling system should help. Better recordkeeping and monitoring of referrals and increased publicity should result in more

FLOWCHART C
PROPOSED SYSTEM FOR HANDLING PROBLEM INQUIRES



problem inquiries receiving special handling. However, IRS' referral and control procedures should be tightened up to make sure that all problem inquiries receive special handling.

IRS should follow up with taxpayers whose problems are considered resolved to test the adequacy of the special handling system and to provide a better basis for evaluating probable causes of problems. More corrective action should be taken to prevent similar causes of problems in the future. The fact that our questionnaire, answered by 2,223 randomly selected taxpayers, identified communication as a big cause of taxpayer dissatisfaction illustrates the benefits of followup and evaluation. In this regard, IRS, as part of its ongoing effort to simplify tax forms and instructions, should look into the causes of communication problems and ways of improving its methods for responding to taxpayer inquiries.

IRS also needs to capitalize more on the strengths of its taxpayer service organization by making district office special handling units the focal point for controlling problem inquiries, except for the small percentage requiring national office or service centers technical attention. The national office and service centers, which are further removed from the taxpayers, are not intended to handle taxpayers' problems. In fact, the chances are a taxpayer will be less satisfied if handled by those organizational entities. We estimate that while, overall, 32 percent of the taxpayers we sampled were dissatisfied with IRS' handling of their problem, about 54 percent and 40 percent of those handled by the national office and service center, respectively, were dissatisfied. Only about 24 percent of those handled by the district offices were dissatisfied.

Improving the special handling system, in the long run, could cost little or nothing more than the present cost of handling problem inquiries. Improved control, referral, and followup and evaluation should decrease the number of unnecessary and time-consuming recontacts and thus involve less IRS resources.

RECOMMENDATIONS TO THE
COMMISSIONER OF INTERNAL REVENUE

We recommend that the Commissioner:

- Require that all IRS employees contacted by taxpayers obtain information on any prior contacts to make sure that problem inquiries

are properly referred for special handling and controlled.

- Increase the extent problem inquiries are handled and controlled by district problem resolution offices by (1) increasing emphasis on encouraging, through IRS' publications and instructions, taxpayers with problems to contact district offices rather than the national office or service centers, (2) instructing the national office to refer all problem inquiries not requiring its technical attention to the cognizant district offices for control and handling, and (3) instructing district offices to refer to the national office and service centers only those problem inquiries they cannot resolve.
- Send comprehensive followup questionnaires to a statistically valid selection of all taxpayers with problem inquiries.
- Increase evaluation and correction of the common causes of taxpayer problem inquiries, particularly those identified by our taxpayer questionnaire survey.
- Make sure that IRS looks for ways to improve its communication of responses to taxpayers' inquiries, as part of its efforts to simplify tax forms and instructions.

IRS COMMENTS AND OUR EVALUATION

In a July 20, 1979, letter, the Commissioner of Internal Revenue stated that IRS generally agreed with most of our recommendations. (See app. I.)

IRS implied that had we reviewed data from the fiscal year 1979 Problem Resolution Program rather than from 1977 and 1978, our findings may have been different. IRS attributed the deficiencies we found to (1) the latitude given each district in implementing the Problem Resolution Program during its first year, (2) limitations on resources initially available to operate the Program, and (3) IRS' cautious approach to avoid overloading the Program. IRS stated that the Problem Resolution Program has made a considerable contribution to its taxpayer service function. It expressed confidence that, as IRS employees increase their awareness of the Program's role, its importance will increase.

The Problem Resolution Program has made a valuable contribution to the delivery of taxpayer service. But it will make an even greater contribution when all persons deserving special attention under IRS' second contact criteria receive it.

We had to select our sample cases when the Problem Resolution Program was operating for only a year at all districts and considerable latitude had been given to the districts. Yet, instructions requiring referral to special handling on the second contact had been provided to the districts. Our data shows these instructions were not properly followed, and, therefore, IRS was not successfully reaching all those persons deserving special handling; sometimes others not eligible for such handling were receiving it. Improper handling was due to inadequate referral practices, as well as inadequate followup, which resulted in a lack of information to identify the referral problem. Since these shortcomings still exist, we have no reason to believe that a more current sampling period would significantly change our findings.

With respect to our first recommendation, IRS plans to obtain information about prior contacts on the same problem only from "appropriate" callers. It believes that obtaining such information from all inquiring taxpayers with an inquiry could put a "possible strain on (taxpayer service) resources."

IRS plans to question only about 15 percent ^{1/} of the taxpayer inquiries as to prior contacts they may have had with IRS on the same inquiry, based on fiscal year 1978 data. It does not plan to pursue prior contacts concerning technical or administrative questions, questions unrelated to accounts, and questions related to forms or publications. It will not pursue prior contacts because, according to IRS, only a few inquiries of this nature are currently reaching the special handling program.

The fact that few such inquiries are reaching special handling could be a reflection of the inadequate procedures. In addition, some of the dissatisfied taxpayers we questioned had the types of problems IRS wants to exclude. In view of our finding that poor communications is the primary cause

^{1/}IRS plans to question refund inquiries (8.8 percent of fiscal year 1978 total), questions on service center notices (4.4 percent) and account related inquiries (2.0 percent).

of taxpayer dissatisfaction, it is particularly important that taxpayers whose questions are not answered after one contact receive adequate responses the second time they try.

IRS adopted the second time criteria because no other administratively feasible way existed, because of the similarity of many inquiries, to determine which deserve special handling. Unless IRS identifies all second-time contacts and provides special handling service, as promised, the situation will continue--some deserving persons will not get special service, and others who do not deserve it, but who complain the most will receive it.

Until IRS properly implements its referral criteria for the special handling system, it will never know how much, if any, of a strain it will have on resources. IRS needs to implement our recommendation, at least on a test basis, so it can determine (1) how many, if any, additional resources are required to query all persons with inquiries as to previous contacts and (2) what impact proper referral to the special handling system has had on the system's effectiveness in servicing taxpayers and on taxpayers' satisfaction. IRS would then be better able to determine whether it needs different criteria for identifying problem inquiries and/or whether it needs to devote more resources to operating its special handling system.

With respect to our third recommendation, IRS only agreed to consider including all taxpayers in its statistically valid sample for sending questionnaires. Moreover, it was silent on the nature and depth of the questionnaire.

As pointed out on page 24, certain taxpayer inquiries are not included in IRS' followup process. Thus, IRS does not have a statistically valid basis for assessing the effectiveness of its taxpayer service activities or evaluating all the causes of taxpayers' problems. IRS needs to include all taxpayers with problem inquiries in its followup sample universe.

Also, without a more comprehensive taxpayer questionnaire than is currently used, the results of followup will continue to be of limited value. For example, the current format contains no request for information on prior contacts. Without this information, IRS will not be able to evaluate its effectiveness in resolving problem inquiries.

IRS agreed with our recommendations to increase the extent problem inquiries are handled and controlled by districts. However, it has not instructed its service centers to refer all problem inquiries not requiring their technical attention to the cognizant district offices for control and handling. Instead IRS stated that it recently established problem resolution offices at the service centers to improve the centers' handling and control of problem inquiries. While IRS will continue to encourage taxpayers to initiate inquiries at the district level, it stated that the district or service center Problem Resolution Office originally receiving an inquiry will control the handling of the inquiry to avoid taxpayer complaints about being referred from one office to another.

We agree with IRS that when taxpayers contact centers with a problem inquiry, referral back to a district office for control purposes could generate complaints. However, at the time of our review, the service centers, in addition to being removed from the taxpayers, had no system for handling problem inquiries. Therefore, we recommended that all taxpayer problem inquiries not needing service center technical attention be referred to the appropriate district offices because they had problem resolution program offices for more effectively handling such inquiries. Also these offices are closer to the taxpayer.

IRS' establishment of problem resolution offices at the service centers should resolve our concern and increase the satisfaction of those taxpayers whose inquiries are handled by service centers. Therefore, we have revised our recommendation to delete the requirement that service centers refer problem inquiries to the district offices. However, care must be taken by IRS to ensure that service centers generally handle only those problem inquiries that districts do not have the technical expertise to handle. If taxpayers are properly motivated to contact districts, as we recommend, the number contacting centers should be minimal. Also, IRS should closely monitor the newly established service center problem resolution offices to make sure they are adequately handling and controlling problem inquiries and that taxpayers are reasonably satisfied.

CHAPTER 4

SCOPE OF REVIEW

Our review covered taxpayer problem inquiries as defined in chapter 1, as well as other generally more difficult inquiries which required IRS to research the problem and recontact the taxpayer. We did audit work at the IRS national office in Washington, D.C., and at six district offices in Augusta, Maine; Columbia, S.C.; Detroit, Mich.; Milwaukee, Wis.; Oklahoma City, Okla.; and Seattle, Wash. We also reviewed four service centers in Andover, Mass.; Atlanta, Ga.; Cincinnati, Ohio; and Memphis, Tenn.

We examined IRS' policies, procedures, and practices for handling taxpayer problems, using as criteria those elements generally considered to be essential in an effective problem solving system. These are:

- (1) Visibility and accessibility--The general public should be made aware of and have ready access to the service.
- (2) Control--Inquiries and problems should be numbered and logged, periodically checked for status, and kept open until resolved.
- (3) Independence--Problems should not be referred to units that may have caused them without control and review by an independent unit.
- (4) Followup and Evaluation--Persons served should be followed up to evaluate the adequacy of the service and identify the causes of any problems so future service can be improved.

The results of our review are based primarily on 3,487 closed cases randomly selected from 63,977 such cases at IRS' national office and the 10 field locations we visited, and on 2,223 questionnaires completed by the taxpayers involved in these cases. About 63 percent of the questionnaires we sent were completed and returned. Our sampling methodology and statistical analysis of taxpayer questionnaires are discussed in appendix II. A copy of our questionnaire with summary totals of the taxpayers' responses is included as appendix IV.

COMMISSIONER OF INTERNAL REVENUE

Washington, DC 20224

JUL 26 1979

Mr. Allen R. Voss
Director, General Government Division
General Accounting Office
Washington, DC 20548

Dear Mr. Voss:

We have carefully reviewed your draft report to the Joint Committee on Taxation entitled, "Taxpayer Satisfaction with IRS' Handling of Problem Inquiries Could Be Increased."

We completely agree that providing efficient taxpayer service and handling taxpayers' problems expeditiously contributes significantly to voluntary compliance. The fact that we have devoted increasing resources to our taxpayer service efforts in recent years, even in the face of tight budgetary constraints, is evidence of our commitment to this proposition.

While we found your report helpful and agree generally with the thrust of most of your recommendations, the usefulness of the report would have been increased had it covered a more current period.

The report is based largely on 1977 and early 1978 data. The Problem Resolution Program was first tested during 1976 in four districts and 1977 was the first year that it was implemented nationwide. During the first year of implementation, each region was given considerable latitude as to the organization and operation of PRP because we wanted the opportunity to try various structures before making decisions on a national basis. Since no funds were included in the 1977 budget for PRP it was implemented out of existing resources which imposed constraints on its size. For Fiscal Year 1979, the Service received additional funding for the PRP program and the staffing has increased.

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Mr. Allen R. Voss

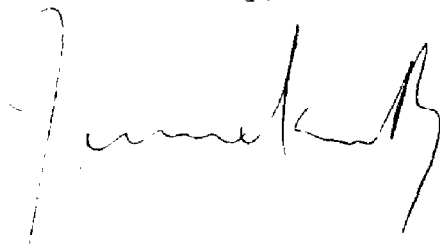
National program guidelines and instructions were revised and issued in October of 1978. This Manual Supplement provides for a structured, uniform and visible program and expands PRP to all Service Centers as well as District offices. These revised guidelines implement a number of actions to improve the program along some of the lines suggested in your report.

We have implemented this program cautiously to avoid the possibility of overloading it with the attendant risk that taxpayers might encounter the same type of delays in dealing with PRP that had led them to PRP in the first place. We believe this program has made a considerable contribution to our taxpayer service function, and have confidence that as our employees increase their awareness of its role its importance will increase. We are giving it careful management attention and appreciate your comments and suggestions.

Our comments on the specific recommendations in the report are enclosed.

With kind regards,

Sincerely,

A handwritten signature in cursive script, appearing to read "James B. [unclear]".

Enclosures

Recommendation: The Service should require that all IRS employees contacted by taxpayers obtain information on any prior contacts to make sure that all problem inquiries are properly referred for special handling and controlled.

Response: We agree that cases that meet our PRP criteria should be promptly identified and referred.

Many taxpayers who find it necessary to recontact the Service on the same issue clearly state that fact. However, to assure that the problem inquiries are readily identified and referred to our Problem Resolution personnel, we will issue specific instructions to our front-line assistants to clarify the need for and the importance of probing on appropriate calls to obtain information about prior contacts.

During FY 1978, we answered approximately 29 million calls through our Taxpayer Service toll-free numbers. Our Quality Review System indicates that this workload consisted of the following: technical questions, 65.9%; requests for forms and publications, 11.3%; refund inquiries, 8.8%; administrative questions (i.e., office location, hours, etc.), 7.6%; questions regarding service center notices, 4.4%; and account related inquiries, 2.0%.

The vast majority of PRP cases involve refund or account related inquiries and questions regarding service center notices. Therefore, our assistants will be instructed to probe for any prior contacts when handling these types of inquiries. At the present time, we are concerned about the possible strain on resources if we attempt to obtain information on possible prior contacts on all calls raising technical or administrative (i.e., office location, hours, etc.) questions unrelated to accounts, or all requests for forms and publications. However we will continue to keep this possibility in mind as the program develops and we gain more information.

Recommendation: The Service should increase the extent problem inquiries are handled and controlled by district problem resolution offices (1) increasing emphasis on encouraging through its publications and instructions, taxpayers with problems to contact district offices rather than the national office or service centers; (2) instructing the national office and service centers to refer all problem inquiries not requiring their technical attention to the cognizant district offices for control and handling; and (3) instructing district offices to refer to the national office and service centers, only those problem inquiries they cannot resolve.

Response: (1) We agree. We will continue to review instructions, notices and letters (including references to stuffers) to emphasize that the taxpayer should contact the appropriate district office and to call attention to the existence of toll-free telephone numbers.

- 2 -

In addition, the Deputy Commissioner recently directed all district offices to arrange for the listing of their PRP office in all local telephone directories, using the toll-free telephone number as a referral point. (2) We agree. Current instructions in the Correspondence Handbook (Internal Revenue Manual 1(15)29, section 613) provide that correspondence received in the national office will be controlled and analyzed by a central mail handling unit and then referred to the appropriate field or national office component. The vast majority of account-related correspondence is referred to districts and service centers.

To improve handling of problem cases in the service centers, the revised PRP Manual Supplement (12G-206) provides in section 2.01, for the establishment of a formal Problem Resolution Program in all service centers. We are currently gathering data to use in augmenting PRP guidelines applicable to service center operations.

Because of the concern regarding complaints by taxpayers that they have been referred from one IRS office to another, the PRP Manual Supplement provides in section 8.02 that the PRP office first receiving the inquiry or complaint will be the office to assure that the problem is resolved. Even if it is necessary for other districts, or service centers to assist in resolving the taxpayer's problem, the responsibility and control remains with the originating PRP office.

(3) We agree that district offices should refer to the national office and service centers only those problem inquiries they cannot resolve and will issue necessary instructions to assure that this is done.

Recommendation: The Service should send comprehensive follow-up questionnaires to a statistically valid selection of all taxpayers with problem inquiries.

Response: The Manual Supplement issued in October 1978, provided new instructions for sending follow-up questionnaires based on a statistically valid sampling plan. During the current reporting year, questionnaires have been sent to approximately 27% of the closed PRP cases. We will consider whether the criteria for exclusion from follow-up should be revised.

Recommendation: The Service should increase evaluation and correction of the common causes of taxpayer problem inquiries, particularly those identified by our taxpayer questionnaire survey.

- 3 -

Response: Substantive efforts are underway as described in Manual Supplement. Section 4.03 and section 11.01-.05 of Manual Supplement 12G-206 provides that in addition to the responsibility for promptly resolving taxpayer problems, the Problem Resolution Officer (PRO) has a primary responsibility for identifying systemic weaknesses, procedural inefficiencies or problem trends from in-depth analysis of PRP case files and for recommending actions to correct them. In addition, as outlined in section 4.014-015 and section 11.06, a national office interfunctional committee reviews recurring and systemic problems which are reported to the national office for management attention.

Recommendation: The Service should make sure that, in its efforts to simplify tax forms and instructions, it looks for ways to improve methods for communicating responses to taxpayers' inquiries.

Response: Until the tax laws are simplified, some notices and form letters will of necessity remain complex. Because of our awareness of this problem, we periodically review and modify our notices and letters to more clearly convey the information required in individual situations. Results of past efforts both from in-house and contractor studies have been used to support this effort. Since its inception, PRP has served as another means of identifying notices and form letters that are unclear or troublesome to taxpayers. These evaluations will continue.

SAMPLING AND TAXPAYERQUESTIONNAIRE ANALYSIS METHODOLOGY

We developed a questionnaire to obtain the opinions and experiences of taxpayers who had used IRS' system for handling taxpayer problems. We mailed questionnaires to taxpayers randomly selected from closed case files available at 11 different geographic IRS locations. A closed case is one where IRS has completed its activity and considers the inquiry resolved.

SELECTION OF INDIVIDUAL CASES

IRS had a two-level system for handling problems at seven locations, and a single-level system at four locations. We sampled each level at each location separately for a total of 18 sample groups. We used random number tables to select cases for review from each sample group. From the 63,977 cases available at the 11 locations, we selected 3,487 cases for review. We mailed a questionnaire to each taxpayer. (See app. III and IV.)

PROJECTION OF SAMPLE RESULTS

In population surveys, implementing a sampling design does not always proceed exactly as planned because one does not always have complete control of the sample. For example, the sampling universe may change, the nonresponse rate may be greater than expected, or every respondent may not answer every question. The deletion of invalid sample elements and the corresponding adjustments decrease the sample size. We weighted the sample data to reflect the relative size of each sampled universe to the overall universe of 63,977 cases.

For report purposes percentages have been rounded; however, none of them are off more than one percentage point. In presenting projected data, we used the weighted means as the best estimate because the projections were based on a statistical sample rather than a complete count. The figures presented are subject to sampling errors of ± 2.6 percent.

PURPOSE OF ANALYSIS

Our analysis was made to determine (1) whether there were associations between questionnaire responses and the significance of these associations and (2) the impact certain factors had on a given variable. The chi-square test of independence and regression analysis were used.

Chi-square

The chi-square test of independence was used to (1) establish whether there is an association between the variable tested and (2) determine the significance of the identified association.

To illustrate, data collected on one variable showed the following proportions of taxpayer satisfaction with two separate programs.

Taxpayer satisfaction value	Program	Program	<u>Total</u>
	<u>1</u>	<u>2</u>	
	-----Percent-----		
1	64	36	100
2	61	39	100
3	40	60	100
4	42	58	100
5	30	70	100

The satisfaction value varies from 64 percent in program 1 to 36 percent in program 2. But is the difference in proportion significant or merely the result of chance? The chi-square test of independence can be used to evaluate these possibilities.

We used the chi-square test on identified associations to determine if the questionnaire data were products of chance. In interpreting the analysis results, we used a confidence level of 95 percent or greater as being significant unless otherwise specified.

Regression analysis

Regression analysis was used to determine what impact certain factors had on a given variable. For example, can the variance in taxpayers' satisfaction be explained in terms of certain characteristics of the cases (e.g., the completeness of the answer). Again, a 95-percent confidence level was used.

SAMPLE CASES SELECTED FOR REVIEW

	<u>Records available</u> (note a)		<u>Universe</u>	<u>Questionnaires</u>	
	<u>Period</u> <u>From</u>	<u>To</u>		<u>Mailed</u>	<u>Received</u>
<u>NATIONAL OFFICE</u>					
Normal cases	1/77	12/77	7,064	200	116
Designated special cases	6/77	12/77	<u>138</u>	<u>b/138</u>	<u>91</u>
			<u>7,202</u>	<u>338</u>	<u>207</u>
<u>DISTRICT OFFICE</u>					
Normal handling					
Augusta	1/77	12/77	4,063	200	128
Columbia	1/78	3/78	1,307	200	101
Detroit	7/77	12/77	12,405	200	138
Milwaukee	7/77	12/77	3,380	200	140
Oklahoma City	8/77	12/77	3,886	200	127
Seattle	1/78	3/78	10,000	<u>200</u>	<u>156</u>
			<u>35,041</u>	<u>1,200</u>	<u>790</u>
Special handling					
Augusta	1/77	12/77	149	<u>b/149</u>	91
Columbia	1/77	12/77	330	200	127
Detroit	1/77	12/77	2,059	200	125
Milwaukee	1/77	12/77	607	200	135
Oklahoma City	1/77	12/77	604	200	128
Seattle	1/77	12/77	<u>333</u>	<u>200</u>	<u>126</u>
			<u>4,082</u>	<u>1,149</u>	<u>732</u>
<u>SERVICE CENTER</u>					
Andover	1/77	12/77	1,837	200	122
Atlanta	1/77	12/77	10,184	200	114
Cincinnati	1/77	12/77	4,350	200	129
Memphis	1/77	12/77	<u>1,281</u>	<u>200</u>	<u>129</u>
			<u>17,652</u>	<u>800</u>	<u>494</u>
Total			<u>c/63,977</u>	<u>3,487</u>	<u>2,223</u>

See page 48 for notes a, b, and c.

- a/We attempted to sample calendar year 1977 taxpayer inquiries. However, record retention practices varied at some locations, accounting for the differences in the periods of selection.
- b/At these locations we selected the entire population because their size was relatively small.
- c/As discussed in chapter 1, data is not available at IRS to relate our universe of 63,977 to the total volume of inquiries. We sampled all special handled inquiries at the national office and at 4 of the 10 service centers we visited. The districts in our review handled about 10 percent of the total inquiries received by all IRS districts.



U.S. GENERAL ACCOUNTING OFFICE

TAXPAYER SURVEY

INTRODUCTION

The U.S. General Accounting Office is the agency of Congress responsible for evaluating Federal Programs. We have been asked by a Congressional Committee to examine how the Internal Revenue Service (IRS) helps taxpayers when they have questions or problems. One of the most important parts of this work is to find out from the taxpayers how they feel about contacts they have had with the Internal Revenue Service.

Why you? We can't ask all 80 million taxpayers their opinions, so we asked the Internal Revenue Service to give us a list of people it attempted to help during the past year. Your name was randomly selected from the list. This questionnaire is numbered only to aid us in our follow up efforts and will not be used to identify you with your response. Your answers will be held in confidence.

Because you are one of only a small number of taxpayers we are contacting, your reply is of great importance to us. If you don't answer these questions, our work will be made more difficult and it's possible that the committee will not know if the Internal Revenue Service is helping taxpayers when they need it.

Throughout this questionnaire there are numbers printed within parentheses to assist our keypuncher in coding responses for computer analysis. Please disregard these numbers.

We made the questionnaire as short and simple to answer as we could. Please take the time to answer and return it to us. In answering the following questions please consider only the contact(s) you had with the Internal Revenue Service regarding the question or problem stated in the attached letter.

^{1/} Percentages shown next to questions summarize responses of 2,223 taxpayers answering our questionnaire. Percentages are rounded and are subject to a sampling error of ± 2.6 percent.

1. Which of the following tax activities led to your question or problem? (Check one.)

	Response percentages
1) <input type="checkbox"/> Filing my return	32
2) <input type="checkbox"/> IRS tax audit	8
3) <input type="checkbox"/> IRS tax bill (collection)	9
4) <input type="checkbox"/> Tax refund	37
5) <input type="checkbox"/> Tax account correction	12
6) <input type="checkbox"/> Appeal of an IRS audit	2
7) <input type="checkbox"/> Other (Please specify)	_____
	100

2. About how many contacts (in person, by telephone, or in writing) did you, or someone on your behalf, make with IRS regarding your question or problem? (Check one.)

	Response percentages
1) <input type="checkbox"/> One contact	24
2) <input type="checkbox"/> Two contacts	24
3) <input type="checkbox"/> Three contacts	19
4) <input type="checkbox"/> Four contacts	10
5) <input type="checkbox"/> Five contacts	8
6) <input type="checkbox"/> More than five (please specify)	15
	100

3. How satisfied or dissatisfied were you with each of the following aspects of the IRS response to your question or problem? (Check one box per line)

Response percentages	1) Very satisfied	2) Generally satisfied	3) Neither satisfied nor dissatisfied	4) Generally dissatisfied	5) Very dissatisfied
1) Time it took to get response	27	30	12	13	18
2) Usefulness of response	31	27	11	12	19
3) Clarity of response	31	31	12	10	16
4) Completeness of response	32	27	14	10	17
5) Fairness of response	35	28	16	6	15
6) Correctness of response	36	26	16	7	15
7) Courtesy of response	48	31	10	4	7
8) Other (Please specify) _____					

4. Overall, how satisfied or dissatisfied were you with the way the IRS responded to your question or problem? (Check one.)

	Response percentages
1) <input type="checkbox"/> Very satisfied	29
2) <input type="checkbox"/> Generally satisfied	29
3) <input type="checkbox"/> Neither satisfied nor dissatisfied	10
4) <input type="checkbox"/> Generally dissatisfied	15
5) <input type="checkbox"/> Very dissatisfied	17
	<u>100</u>

5. To what extent, if any, did the IRS try to help resolve your question or problem? (Check one.)

	Response percentages
1) <input type="checkbox"/> Very large extent	20
2) <input type="checkbox"/> Substantial extent	29
3) <input type="checkbox"/> Moderate extent	20
4) <input type="checkbox"/> Some extent	13
5) <input type="checkbox"/> Little or no extent	18
	<u>100</u>

6. Has your problem or question been resolved to your satisfaction? (Check one)

	Response percentages
1) <input type="checkbox"/> Yes	77
2) <input type="checkbox"/> No	23
	<u>100</u>

It has been suggested that taxpayers' questions or problems should be handled by people who do not work for IRS. This could require that a new government agency be set up. Of course everybody does not necessarily agree. Regardless, to what extent, if at all, do you agree or disagree with the above suggestion? (Check one.)

	Response percentages
1) <input type="checkbox"/> Strongly agree	13
2) <input type="checkbox"/> Generally agree	10
3) <input type="checkbox"/> Neither agree nor disagree	21
4) <input type="checkbox"/> Generally disagree	21
5) <input type="checkbox"/> Strongly disagree	35
	<u>100</u>

8. If you feel there is anything else about your experience that might be helpful to us, please comment below

PLEASE RETURN THIS RESPONSE FORM IN THE ENCLOSED POSTAGE PAID ENVELOPE. THANK YOU.

TAXPAYERS' COMMENTSON OUR QUESTIONNAIRE (note a)

<u>COMPLIMENTARY COMMENTS</u>	<u>Number of comments</u>
General praise	99
Special handling service satisfactory	31
IRS employees courteous, efficient or competent	30
	<u>160</u>
 <u>CRITICAL COMMENTS</u>	
General criticism	168
Time excessive	181
IRS employees discourteous, inefficient, or incompetent	176
Communications poor	109
Tax law and forms complex	108
Service center insensitive	76
Contact points excessive	79
IRS attitude inflexible	58
Social security number corrections difficult	35
Unresolved problem	15
Obtaining forms	14
	<u>1,019</u>
 TOTAL	 <u>1,179</u>

a/We coded for computer summarization the taxpayers' unsolicited comments on the strengths and weaknesses in IRS' operations. This included a maximum of two complimentary and two critical comments made on each questionnaire.

(268054)

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