



COMPTROLLER GENERAL OF THE UNITED STATES
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To the President of the Senate and the
Speaker of the House of Representatives

The Congress envisioned that the Internal Revenue Service's (IRS') taxpayer assistance activities would help taxpayers to better meet their responsibilities under the Nation's self-assessment tax system. However, in recent years, the administration has sought to reduce the amounts spent on taxpayer assistance activities.

This report discusses IRS' administration of its taxpayer

BY THE COMPTROLLER GENERAL

Report To The Congress

OF THE UNITED STATES

Need To Better Assess Consequences Before Reducing Taxpayer Assistance

In recent years, as part of an overall effort to deal with escalating federal budget deficits, the administration has sought to reduce the amounts spent by IRS on taxpayer assistance activities. As a result, the availability of telephone and walk-in assistance has declined. Despite that decline, the administration proposed to further reduce IRS' taxpayer assistance programs in fiscal years 1983 and 1984. The Congress reacted unfavorably to these proposals, in part because of insufficient information on potential effects--not the least of which could be a decline in tax compliance levels. During each of those fiscal years, the Congress directed IRS to operate taxpayer assistance programs at prior year staffing and funding levels.

This report provides the Congress with some of the information it needs to decide the level of funding for this program. It also recommends steps IRS can take to (1) provide the Congress with better information to evaluate the potential impact of further assistance program reductions and (2) continue improving the cost-effectiveness of its telephone and walk-in assistance activities. IRS agreed with the report's conclusions and recommendations.



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D I G E S T

Because our income tax laws are complex, taxpayers often turn to the Internal Revenue Service (IRS) for help in preparing their tax returns. In fiscal year 1982, IRS received 39.2 million telephone calls from taxpayers; 8.1 million visits to its walk-in offices; and over 100,000 letters of inquiry. IRS spent \$130 million to meet the demand for taxpayer assistance in fiscal year 1982.

Nonetheless, escalating federal budget deficits and the administration's efforts to reduce federal spending have prompted IRS to revise and/or reduce certain aspects of its taxpayer service program. For example, IRS' taxpayer assistance program budget declined from 4,953 staff years in 1980 to 4,080 in 1982--an 18-percent decrease. In light of this program reduction, the Chairman of the Senate Governmental Affairs Subcommittee on Oversight of Government Management asked GAO to evaluate IRS' taxpayer assistance activities and to report the results of that evaluation to the Congress.

GAO's objective was to evaluate three key IRS taxpayer assistance activities--telephone, walk-in, and correspondence--by (1) assessing their accuracy, timeliness, and availability during the 1982 filing season; (2) using questionnaires to determine who used IRS-provided taxpayer assistance and to identify what kinds of assistance users and other taxpayers needed; and (3) identifying ways in which IRS could improve assistance activities.

TELEPHONE ASSISTANCE

IRS believes telephone assistance is the most efficient way to answer taxpayers' questions. And, in fiscal year 1982, IRS was able to handle 20 percent more calls than it handled in 1979 while devoting 14 percent fewer staff years to that task. IRS was able to achieve

this productivity gain with little reduction in the accuracy and timeliness of responses-- at least for those taxpayers who were able to reach an IRS assistor and get an answer to a question. But an increasing demand for telephone assistance made it difficult for many taxpayers to get through to an IRS assistor due to busy signals, excessive waiting time on hold, or disconnected calls.

By taking the latter problem into account, together with statistics on the percentage of erroneous responses made by IRS assistors (13 percent in 1978 and 14 percent in 1982), it becomes clear that the overall utility of IRS' telephone assistance has declined. GAO's analysis shows that, on the average, for each 100 telephone calls made to IRS in 1982, 72 resulted in contact with an IRS assistor who correctly answered a question. In comparison, in 1978, 80 out of every 100 calls, on the average, resulted in contact with an IRS assistor who correctly answered a question. The remaining calls (28 in 1982, 20 in 1978) either did not get answered, were cut off, or resulted in assistors providing erroneous answers. (See pp. 5 to 10.)

WALK-IN ASSISTANCE

During much of the past decade, IRS walk-in offices have answered taxpayers' tax law questions, helped taxpayers prepare their own tax returns, prepared tax returns for taxpayers, reviewed returns prepared by taxpayers, and clarified correspondence sent by IRS to taxpayers.

In recent years, however, IRS has reduced the number of its walk-in offices and changed the focus of the services provided in the remaining offices. These actions were prompted by an 18-percent decrease in staff years devoted to taxpayer assistance between fiscal years 1980 and 1982. To deal with that cutback, IRS essentially stopped preparing and reviewing returns for taxpayers and concentrated instead on self-help as the primary means for return preparation. Under that approach, one IRS employee typically is assigned to lead taxpayers through the return preparation process on a group basis.

Revisions to IRS' walk-in assistance program have achieved mixed results. On the one hand, by deemphasizing time-consuming return preparation and return review assistance in 1982, IRS was able to enhance the overall productivity of assistors and provide assistance to taxpayers in a more timely fashion. On the other hand, the overall accessibility of walk-in assistance declined in 1982 because IRS decided to close many walk-in offices and to reduce the operating hours of others. Moreover, IRS does not know if or how walk-in assistance program changes have affected tax return accuracy rates. (See pp. 10 to 18.)

CORRESPONDENCE ASSISTANCE

IRS consistently receives about 100,000 written inquiries from taxpayers each year. IRS has not sought to reduce its correspondence assistance program. Instead, it has maintained a practice of responding to all such inquiries. GAO tested the timeliness and accuracy of efforts to handle written inquiries at 5 of IRS' 59 districts in 1982. GAO found that the five districts generally handled inquiries within 14 calendar days--IRS' established goal for timeliness. Furthermore, GAO found that IRS' responses were accurate in 99 percent of the correspondence cases reviewed. (See pp. 18 and 19.)

ASSISTANCE PROGRAM CUTBACKS DISPROPORTIONATELY AFFECTED CERTAIN TAXPAYER GROUPS

Although IRS can often predict the effects of taxpayer assistance program changes on the number of taxpayers affected, it lacks adequate data on their characteristics. Through questionnaires, GAO sought to identify the characteristics of users of IRS assistance and to compare them to taxpayers in general. The data GAO developed and compared dealt with taxpayer age, education, income level, and residence location. While the information GAO developed on users of IRS telephone and walk-in assistance is not statistically projectible to the universe of IRS assistance users, it does indicate the characteristics of those taxpayers who responded to these questionnaires.

GAO found that reductions in the availability of telephone and walk-in assistance have had disproportionate effects on various taxpayer groups within GAO's sample. For example, college graduates, individuals with incomes over \$20,000, and individuals age 65 and over were affected more than other groups by the decline in the availability of telephone assistance. That is, these groups were affected more so than others by increased difficulties associated with getting through to an IRS assistor--busy signals, excessive waiting time on hold, and disconnected calls. Individuals with incomes of \$5,000 to \$10,000 and individuals age 65 or over were proportionately more affected than other groups by the recent walk-in assistance program changes. In particular, these groups were affected more so than others by IRS' deemphasis of return preparation and return review assistance and by closure of numerous walk-in offices and reductions in operating hours for other offices. (See pp. 19 to 24.)

GAO's questionnaire results also indicated that further reductions in taxpayer assistance levels could have adverse effects on the tax system. That is, some users of IRS-provided assistance told GAO that further program reductions would prompt them to either (1) not file tax returns or (2) not fill out parts of tax returns they file. Although taxpayers could react differently when faced with an actual decision rather than a response to a questionnaire, their responses nevertheless raise concerns about the potential effects of further assistance program reductions on voluntary compliance levels. (See pp. 31 to 34.)

BETTER MANAGEMENT INFORMATION NEEDED

Although the availability of telephone and walk-in assistance had declined in 1982, IRS nevertheless proposed further taxpayer assistance program reductions in fiscal years 1983 and 1984. As part of an overall effort to deal with the problem of escalating federal budget deficits, the administration proposed to reduce IRS' taxpayer assistance program budget from 4,080 staff years in fiscal year 1982 to 2,394 staff years in fiscal year 1983.

The Congress intervened, however, through the appropriations process and required that IRS continue its taxpayer assistance activities in fiscal year 1983 at fiscal year 1982 staffing and funding levels. For fiscal year 1984, IRS' budget proposal called for 3,319 staff years for taxpayer service activities. But again, the Congress intervened and required IRS to operate its 1984 taxpayer assistance program at a service level comparable to that offered in fiscal year 1983. (See pp. 25 and 26.)

Congress' decision to not accept the administration's proposals seems appropriate because there is insufficient management information available on how taxpayers would react to such program reductions and how their reactions would affect the revenues collected through the tax system. Some issues that should be considered with respect to these matters include the following.

- Do taxpayers still find it difficult to understand IRS forms and publications? Historically, taxpayers have found it difficult to do so. (See pp. 27 and 28.)
- Will volunteer groups and paid preparers be able to compensate for IRS assistance program reductions? These groups would be called on to fill at least some of the void created by any further taxpayer assistance program reduction. (See pp. 28 to 30.)
- Will proposed reductions in telephone assistance have undesirable effects on other aspects of IRS operations? For example, would taxpayers seek out IRS auditors to get answers to their tax law questions, thus diverting auditors from their primary task? (See pp. 30 and 31.)
- Will reduced assistance levels affect voluntary compliance levels? That is, would taxpayers be less inclined to file tax returns or to fill out parts of tax returns? (See pp. 31 to 34.)
- As previously discussed, will further IRS assistance program cutbacks disproportionately affect certain taxpayer groups? (See pp. 34 and 35.)

Each of these issues should be evaluated in considering further program cutbacks. Meanwhile, there are actions IRS can take to improve its taxpayer assistance activities. In particular, IRS should decide whether further consolidations of telephone sites would prove cost-effective without unreasonably decreasing the utility of telephone service from the taxpayer's perspective. Also, IRS should seek to divert more taxpayers who have tax law and account-related questions from walk-in assistors to telephone assistors. By so doing, IRS could achieve cost savings while continuing to afford taxpayers with answers to their tax law questions. Further, IRS should continue to experiment with and, where feasible, promote the use of audio and video tapes by taxpayers seeking assistance. (See pp. 36 to 47.)

RECOMMENDATIONS TO THE COMMISSIONER OF INTERNAL REVENUE

To make possible a more informed assessment of the consequences of any future cutbacks in taxpayer assistance activities, GAO recommends that the Commissioner develop better management information on the overall utility of IRS' taxpayer assistance program. In particular, the Commissioner should develop management information on the five issues discussed in the preceding section. GAO also recommends that the Commissioner take a series of actions to improve the efficiency and effectiveness of IRS' taxpayer assistance activities. (See pp. 48 and 49.)

RECOMMENDATION TO THE CONGRESS

IRS cannot now provide the Congress with data which will reasonably ensure that the potential adverse effects of taxpayer assistance program cutbacks will not exceed the cost reductions to be achieved. Therefore, given the potential risks associated with further program cutbacks--especially a possible decline in voluntary compliance levels--GAO recommends that the Congress continue to provide IRS with funds to operate telephone, walk-in, and correspondence assistance programs. In deciding on the level of funding for future appropriations, the Congress should consider the

information contained in this report on the (1) accuracy, availability, and timeliness of service being provided at current funding levels and (2) kinds of assistance needed as identified by users of IRS' various programs. (See p. 49.)

AGENCY COMMENTS

The Acting Commissioner of Internal Revenue, in providing IRS' comments on a draft of this report, generally agreed with GAO's conclusions and recommendations. The Acting Commissioner stated that IRS would pursue efforts to (1) develop better management information on the overall utility of the Service's taxpayer assistance activities and (2) improve the efficiency and effectiveness of these activities. (See pp. 49 and 50.)

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CHAPTER 1

INTRODUCTION

Because our tax laws have evolved into a complicated array of exemptions, exclusions, deductions, and credits, taxpayers often need assistance in understanding the tax laws and in preparing their returns. For over a decade, IRS has had a formal program for assisting taxpayers and, until recently, has sought to expand and/or improve that program. Recently, however, due to escalating federal budget deficits and the administration's efforts to reduce federal spending, IRS decided to revise and reduce its taxpayer service program and announced that it was contemplating further revisions and reductions for future years. In light of these IRS actions, the Chairman of the Senate Governmental Affairs Subcommittee on Oversight of Government Management asked us to evaluate IRS' taxpayer assistance activities.

During fiscal year 1982, most taxpayers requesting IRS assistance relied on telephone contacts--about 39.2 million telephone calls were made to IRS on toll-free assistance lines. Some taxpayers visited IRS walk-in offices--about 8.1 million visits were made to these offices. Other taxpayers corresponded with IRS for assistance--IRS districts received about 100,000 letters from taxpayers seeking answers to questions or requesting assistance to resolve problems. During fiscal year 1982, IRS spent a total of \$130 million on taxpayer assistance activities.

HOW IRS' TAXPAYER SERVICE PROGRAM EVOLVED

IRS began providing assistance to taxpayers informally in the early 1940's through such practices as providing basic tax information over public address systems in federal buildings. An expanded program was established in the early 1950's as part of IRS' audit and collection responsibilities. The program, which was offered primarily during the tax filing season,¹ consisted of IRS auditors and clerks providing information to taxpayers so that they could prepare their own tax returns.

IRS' taxpayer service program continued to expand during the 1960's and 1970's and, as it did, the program gradually separated from IRS' audit and collection activities and began to develop its own organizational identity. In 1963, taxpayer

¹The tax filing season is the period each year which begins on January 1 and ends on April 15. This is the time frame during which most taxpayers file their tax returns with IRS.

service was established as a branch of the Collection Division in IRS' national office. In 1971, IRS reorganized the taxpayer service function and, in so doing, upgraded it organizationally to reflect an increased emphasis on providing effective assistance to taxpayers. Specifically, IRS established a separate Taxpayer Service Division in its national office under an Assistant Commissioner for Accounts, Collection, and Taxpayer Service. However, in each district office, taxpayer service remained part of IRS' collection activity.

Even so, the reorganization brought with it full-time tax assistors and a year-round taxpayer service program in district offices. IRS also began to use seasonal employees during the tax-filing period to reduce program reliance on technical and semi-technical employees detailed from other activities. The seasonal employees received specialized training to help them assist taxpayers in preparing their returns.

In 1977 and 1978, in response to complaints from taxpayers and taxpayer groups, various congressional committees and subcommittees conducted evaluations of the effectiveness of IRS' taxpayer service program. In 1978, the House Government Operations Committee concluded that IRS had substantially improved its taxpayer service program. However, the Committee said that it still was not satisfied that IRS was providing the quality of assistance to which taxpayers were entitled. The Committee recommended that IRS continue to upgrade its taxpayer assistance activities so taxpayers could better meet their responsibilities under the Nation's self-assessment system. Concurrently, various members of the Congress considered requiring that IRS create and maintain in its national office a separate Assistant Commissioner position solely for taxpayer service.

In July 1978, as part of an overall reorganization, IRS established a separate Assistant Commissioner position for taxpayer service, although Congress had not enacted legislation requiring this position. At that time, IRS officials stated that the change was needed to separate taxpayer service from collection, which is an enforcement function, and to provide for the first time a completely separate organizational and executive identity to taxpayer service. IRS further stated that the reorganization afforded taxpayer service a voice equal to that of enforcement activities in establishing national policy. By October 1978, IRS had created separate taxpayer service divisions in each of its 58 districts.

IRS HAS REEVALUATED ITS COMMITMENT TO TAXPAYER SERVICE

In recent years, as a result of the generally tight federal budget, the trend toward increasing taxpayer service staff year budgets has not only stopped but has been reversed. IRS' budget

proposals for its taxpayer service program which provides for taxpayer assistance, tax privacy enforcement, tax forms distribution, document matching, and the problem resolution program have been declining since fiscal year 1980. In 1980, the Congress authorized 5,591 staff years for all IRS taxpayer service program activities compared to 4,818 staff years for fiscal year 1982, a decrease of 14 percent. The taxpayer assistance portion of the budget declined from 4,953 staff years in 1980 to 4,080 in 1982, a decrease of 18 percent. That portion of the budget represents the bulk of the total program budget and includes telephone, walk-in, and correspondence assistance, as well as taxpayer information and education activities.

In formulating its fiscal year 1982 budget request, IRS decided to eliminate direct return preparation and return review assistance at walk-in offices. With direct return preparation assistance, IRS personnel actually filled out parts or all of a return for an individual taxpayer. With return review assistance, IRS personnel checked individual taxpayers' returns for mathematical accuracy and completeness before the return was filed. Exceptions were made for physically handicapped taxpayers and for taxpayers who were unable to use self-help return preparation assistance. In addition, IRS also significantly reduced the number of walk-in offices. In fiscal year 1982, for example, IRS operated 632 walk-in offices compared to the 844 offices it operated in fiscal year 1980, a 25-percent reduction.

While this reduced level of assistance is significant, IRS' fiscal year 1983 budget proposed even more drastic reductions to taxpayer assistance programs. IRS' proposed fiscal year 1983 budget for the taxpayer assistance portion of its program called for 2,394 staff years, a decrease of 1,686 staff years, or 41 percent, from the 1982 budget. And, with 2,394 staff years, IRS expected to be able to handle only 17.9 million taxpayer contacts, which represented a 62-percent decrease from the 47.4 million contacts it handled in fiscal year 1982. However, the Congress intervened via the appropriations process and ordered IRS to operate taxpayer assistance programs in fiscal year 1983 at levels equivalent to those provided in fiscal year 1982.

OBJECTIVE, SCOPE, AND METHODOLOGY

Our objective was to measure the economy, efficiency, and effectiveness of IRS' taxpayer assistance activities. We sought to accomplish this objective in three phases. In phase one, we measured the accuracy, timeliness, and availability of each of IRS' three taxpayer assistance activities--telephone, walk-in, and correspondence--during the 1982 filing season. We discussed the preliminary results of this work in testimony before the Subcommittee on Oversight of Government Management, Senate

Committee on Governmental Affairs, on March 24, 1982. In phase two, using questionnaires, we determined who used IRS-provided taxpayer assistance and identified what kinds of assistance users and other taxpayers needed.² In phase three, we sought to identify ways in which IRS could improve the economy and efficiency of its taxpayer assistance activities.

We used standard statistical techniques to evaluate IRS accuracy and timeliness and to select taxpayers for our questionnaire mailings. During the 1982 filing season, we visited 5 of the 59 IRS district offices to observe taxpayer assistance activities, to discuss these activities with responsible IRS officials, and to review available records. We also discussed taxpayer assistance activities with IRS headquarters officials and obtained and reviewed available records from those officials. Our methodology is discussed in greater detail in chapter 4. This review was performed in accordance with generally accepted government auditing standards.

²Our questionnaires were sent to (1) taxpayers in general (the results are projectible to the universe of all taxpayers), (2) users of IRS telephone assistance and users of IRS walk-in assistance (the results for each are projectible only to those taxpayers who responded), and (3) users of IRS correspondence assistance (the results are projectible to the five IRS district offices we visited).

CHAPTER 2

BUDGETARY CONSTRAINTS HAVE REDUCED IRS' ABILITY TO ASSIST TAXPAYERS

Like many other federal agencies, IRS has had to cope with resource limitations in recent years. However, through productivity gains and program revisions, IRS has sought to maintain effective taxpayer assistance programs. Although IRS has coped well with resource limitations, the availability of telephone and walk-in assistance declined in fiscal year 1982 as compared to fiscal year 1979. In contrast, the availability of correspondence assistance remained steady.

Although IRS can often predict the effects of taxpayer assistance program changes in terms of the number of taxpayers affected, it lacks adequate data on the characteristics of those taxpayers. Such data is essential both to the Congress and to IRS because informed taxpayer assistance program decisions cannot be made without knowledge of the characteristics of the groups who will be affected. Through questionnaires, therefore, we sought to identify the characteristics of users of IRS assistance and to compare them to taxpayers in general. We were able to develop and compare data on taxpayer age, education, income level, and residence location.

Among other things, we found that reductions in the availability of certain forms of IRS assistance disproportionately affected certain taxpayer groups. The reduced availability of telephone assistance, for example, negatively affected the primary users of that form of assistance--college graduates, individuals with incomes over \$20,000, and individuals age 65 and older. Reductions in the availability of walk-in assistance negatively affected individuals with incomes of \$5,000 to \$10,000 and individuals age 65 and older--the primary users of walk-in assistance. Conversely, the correspondence assistance program, which was not reduced, benefited college graduates and individuals with incomes over \$30,000.

TELEPHONE ASSISTANCE: PRODUCTIVITY GAINS HAVE NOT KEPT PACE WITH GROWING DEMAND

IRS has long considered the telephone to be the most efficient means of assisting taxpayers with tax law and account-related questions. In fiscal year 1982, IRS responded to 39.2 million telephone calls compared to 32.6 million in fiscal year 1979, a 20-percent increase. At the same time, the number of staff hours devoted to answering calls decreased by 14 percent. And, IRS was able to achieve this productivity gain without sacrificing much in the way of accuracy and timeliness of

responses--at least for those taxpayers who were able to reach an IRS telephone assistor and get an answer to a question. On the other hand, the overall availability of telephone assistance declined substantially. That is, many taxpayers either could not get through to an IRS assistor or did not get their questions answered before being cut off.

The productivity of telephone assistance has increased substantially

Historically, IRS has considered telephone assistance to be the most efficient method for helping taxpayers. IRS therefore has encouraged taxpayers to use the telephone when seeking answers to tax law and account-related questions and as a means for ordering forms and publications. Currently, IRS operates toll-free telephone systems in 52 different locations throughout the United States and Puerto Rico. During fiscal year 1982, about 83 percent of IRS' taxpayer assistance workload was handled by telephone.

In recent years, the demand for IRS-provided telephone assistance has been growing. Still, IRS has been able to handle some of the increased demand without a corresponding increase in staff resources devoted to telephone assistance, as shown in the following table.

	<u>Fiscal year</u>			
	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>
<u>Taxpayer telephone calls</u>				
Number of calls answered (in millions)	32.6	34.5	36.0	39.2
Percent increase over fiscal year 1979	-	6.0	10.4	20.4
<u>IRS telephone assistor staff hours</u>				
Number of hours (in millions)	2.8	2.9	2.7	2.4
Percent increase (decrease) over fiscal year 1979	-	2.1	(4.1)	(13.6)
<u>Calls handled per staff hour</u>	11.6	12.1	13.4	16.2

In fiscal year 1982, IRS responded to 39.2 million telephone calls compared to 32.6 million in fiscal year 1979, a 20.4 percent increase. At the same time, IRS used only 2.4 million staff hours in fiscal year 1982 to provide this service compared to 2.8 million staff hours in fiscal year 1979, a 13.6-percent decrease. In effect, IRS increased the number of calls handled per staff hour in fiscal year 1982 to 16.2 from 11.6 in fiscal year 1979.

Moreover, while increasing absolute productivity in terms of calls handled per staff hour, IRS was able to avoid decreases in the accuracy and timeliness of telephone assistance. Nevertheless, IRS' productivity gains have not been sufficient to completely offset increased demand. In this regard, the overall availability of telephone assistance has declined.

The accuracy and timeliness
of telephone assistance
has remained stable

The accuracy of IRS' telephone assistance has remained fairly stable according to IRS data and according to tests we conducted in 1978 and 1982. During the 1978 filing season, we made 873 telephone calls over a 3-day period at randomly selected times to 20 of the then existing 70 IRS answering sites. We developed 14 tax law questions for use in measuring the accuracy of IRS' answers. During the 1982 filing season, we conducted a similar test, making 1,092 telephone calls over a 66-day period to 49 of IRS' 52 answering sites.¹ We used 20 tax law questions for the 1982 test--10 from our 1978 test and 10 newly developed ones. Of the new questions, seven related to tax changes contained in the Economic Recovery Tax Act of 1981. IRS emphasized these changes when training tax assistors for the 1982 filing season. Our test results² revealed the following about the accuracy of IRS' telephone assistance.

- IRS' overall accuracy in responding to tax law questions differed only slightly, changing from 87 percent in 1978 to 86 percent in 1982.
- For the 10 questions used during both our 1978 and 1982 tests, IRS' accuracy rate remained steady at 87 percent.
- For the seven new questions related to the Economic Recovery Tax Act of 1981, IRS responses were accurate 81 percent of the time.

¹We excluded Anchorage, Alaska; Honolulu, Hawaii; and San Juan, Puerto Rico.

²The percentages are based on calls responded to by an assistor (803 in 1978 and 916 in 1982).

--For the three new questions we developed which were not related to the Economic Recovery Act of 1981, IRS responses were accurate 96 percent of the time.

IRS' own data also showed that its accuracy rate remained steady at about 98 percent. The difference between our statistics on accuracy and IRS' data can be explained in part by the fact that our tests related only to specific tax law questions, while IRS' statistics also included calls made by taxpayers to obtain forms and publications. In this regard, IRS' data showed that, during fiscal year 1981, telephone assistants responded to 36 million inquiries--about 21.7 million, or 60 percent, involved tax law questions; about 10.5 million, or 29 percent, involved account-related questions; and about 3.8 million, or 11 percent, pertained to requests for forms, instructions, or publications.

As to the timeliness of telephone assistance, we found that there had been only a slight decline in IRS' efficiency--at least with respect to those taxpayers who were able to get through to an IRS assistant. We found, for example, that each time a taxpayer called IRS in 1982, there was a 44-percent probability of being placed on hold before reaching an assistant. In 1978, we found that 42 percent of callers were placed on hold. We also found that it took a taxpayer an average of 45 seconds to reach an IRS assistant in 1982. IRS records indicate that, during fiscal years 1979 through 1981, the majority of taxpayers reached an IRS assistant within 20 to 40 seconds.

Thus, for those taxpayers who reached an IRS assistant, the accuracy and timeliness of telephone assistance remained relatively stable in 1982. Conversely, many taxpayers found it more difficult to get through to IRS via telephone in 1982.

Despite productivity gains, the availability of telephone assistance has declined substantially

Although IRS has maintained stable accuracy and timeliness levels for telephone assistance, productivity gains have not kept pace with the growing demand for that assistance. As a result, the overall availability of telephone assistance has declined substantially.

According to our sample results, taxpayers could expect to reach an IRS assistant on their first call only 62 percent of the time in 1982 compared to 78 percent of the time in 1978. Furthermore, taxpayers willing to make multiple calls to IRS had only an 85-percent chance in 1982 of reaching an assistant within a total of five call attempts. In 1978, taxpayers could expect to reach an IRS assistant 96 percent of the time within five call attempts.

Calls may not be completed for a variety of reasons. For example, IRS can disconnect a taxpayer's call before an assistor answers; a taxpayer can personally terminate a call after waiting on hold for a period of time;³ or a taxpayer may encounter a busy signal or a continuous ringing without an answer. The following table summarizes our sample results in this regard.

	1978		1982	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Total calls attempted	873	100	1,092	100
Calls not completed	<u>34</u>	<u>4</u>	<u>159</u>	<u>15</u>
Completed calls	<u>839</u>	<u>96</u>	<u>933</u>	<u>85</u>

Besides problems with calls not completed, taxpayers also experienced problems with inaccurate responses. In both 1978 and 1982, about 12 percent of the total calls made to IRS resulted in taxpayers getting an inaccurate IRS response to a question. By combining the inaccuracy rates with data on calls not completed for the years 1978 and 1982, we were able to compare the overall utility of IRS' telephone assistance program for those 2 years, as shown in the following table.

	1978		1982	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Total calls attempted, less:	<u>873</u>	<u>100</u>	<u>1,092</u>	<u>100</u>
Calls not completed	34	4	159	15
Terminated calls ⁴	36	4	17	2
Completed calls resulting in inaccurate responses	<u>108</u>	<u>12</u>	<u>125</u>	<u>11</u>
Total calls made which were completed and resulted in an accurate response	<u>695</u>	<u>80</u>	<u>791</u>	<u>72</u>

³For our test, we waited on hold for 30 minutes.

⁴Terminated calls include those lost during discussion with an assistor and those lost during referral to a back-up assistor.

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Thus, while IRS has encouraged taxpayers to use the telephone when seeking assistance, our sample results indicate that the overall adequacy of telephone assistance has declined. The above statistics mean that for each 100 telephone calls made to IRS in 1982, only 72 resulted in contact with an IRS assistor who correctly answered a question. The remaining 28 calls either did not get answered, were cut off, or resulted in assistors providing erroneous answers. In comparison, in 1978, 80 out of every 100 calls, on the average, resulted in contact with an IRS assistor who correctly answered a question. A decline in the adequacy of telephone assistance between 1978 and 1982 is also confirmed by IRS data. The IRS data showed that, in 1982, 29 percent of the taxpayers who called IRS had difficulty reaching an assistor. Comparable IRS data for 1979 indicates that only 19 percent of the taxpayers who called experienced similar difficulties that year.

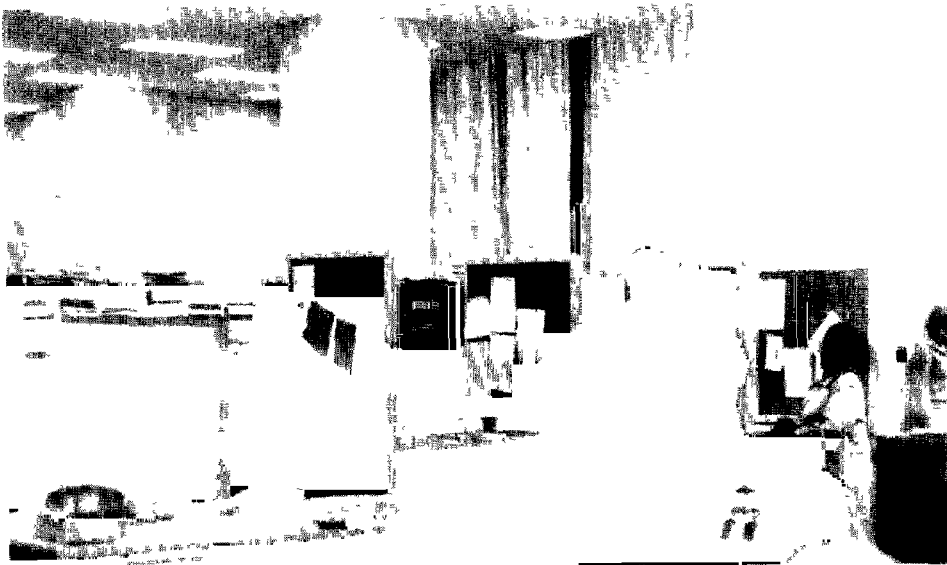
Moreover, the significance of the decline in the adequacy of telephone assistance has been heightened by a reduction in the availability of an alternative form of assistance--walk-in assistance.

WALK-IN ASSISTANCE: A
SUBSTANTIALLY REVISED PROGRAM HAS
PROVIDED LIMITED SERVICES TO
TAXPAYERS IN SELECTED GEOGRAPHICAL AREAS

Like the situation with telephone assistance, IRS has also had to deal with resource limitations which have affected walk-in assistance activities. And again, like the situation with telephone assistance, IRS has generally responded well to that challenge. Specifically, through program revisions and productivity gains, IRS has achieved some success in continuing a useful walk-in assistance program. Still, the overall availability of walk-in assistance has declined in recent years.

Budget constraints caused IRS to
substantially revise its walk-in
assistance program

During much of the past decade, IRS walk-in offices have provided assistance such as answering taxpayers' tax-law questions, helping taxpayers prepare their own tax returns (self-help return preparation), preparing tax returns for taxpayers (direct return preparation), reviewing returns prepared by taxpayers (return review), and clarifying account-related correspondence sent by IRS to taxpayers.



Taxpayer receiving assistance at IRS walk-in office.



IRS classroom equipped with oversized charts of tax forms for self-help instruction

As early as fiscal year 1979, IRS began discouraging direct return preparation by its personnel. IRS records show that, as a result, the number of returns prepared by IRS personnel declined from 608,000 in fiscal year 1979 to 175,000 in fiscal year 1981, a decrease of 71 percent. At the same time, IRS encouraged taxpayers to use self-help and/or return review assistance. From fiscal years 1979 to 1981, the number of returns IRS personnel helped taxpayers prepare increased by 24 percent from 1.7 million to 2.1 million, and the number of taxpayer-prepared returns reviewed by IRS personnel increased 26 percent from 272,000 to 344,000.

Despite the continuing high demand for assistance at walk-in offices, however, IRS decided to discontinue all forms of return preparation assistance at walk-in offices for the 1982 filing period. That decision evoked criticism from various members of the Congress and the public, and on December 21, 1981, IRS headquarters instructed district offices to continue self-help assistance. Unfortunately, the media had already informed the public of IRS' plans to stop providing tax preparation assistance at its walk-in offices. The apparent effect was a 32-percent decline in the number of taxpayers receiving self-help assistance during filing season 1982 in comparison to filing season 1981. Moreover, IRS proceeded with its plans to eliminate direct return preparation and return review assistance. Exceptions were made, however, for physically handicapped taxpayers and for taxpayers who were unable to use the self-help concept.

The program revisions made by IRS achieved their intended effect. That is, the time spent by taxpayer assistance personnel on return preparation and review activities fell from 42 percent during the 1979 filing season to 25 percent during the 1982 filing season. This is the main reason why IRS has been able to continue to meet much of the demand for walk-in assistance. In fiscal year 1979, for example, IRS responded to 8.3 million walk-in contacts compared to 8.1 million in fiscal year 1982, a 2-percent decrease. At the same time, the number of staff hours devoted to walk-in contacts decreased from 1.6 million to 1 million, a 38-percent decrease. In effect, IRS' productivity increased from 5.2 contacts per staff hour in fiscal year 1979 to 8.1 contacts per staff hour in fiscal year 1982.

Thus, during the past few years, IRS has made many changes to its walk-in assistance program--with mixed results in terms of effects on the timeliness and availability of this form of taxpayer assistance.

Recent program revisions have affected the timeliness and availability of walk-in assistance

Revisions to IRS' walk-in assistance program have achieved mixed results. As previously indicated, the overall productivity of assistors increased substantially in 1982. Also, as discussed below, assistance was provided to taxpayers in a more timely fashion. In spite of this, the overall availability of walk-in assistance declined in 1982. Moreover, IRS lacks information on what, if any, effects the program changes may have had on accuracy rates.

Effects of program revisions on the accuracy of walk-in assistance are unknown

For a variety of reasons, IRS has only limited data on the accuracy of assistance provided taxpayers at walk-in offices. As a result, it has been unable to assess whether and how recent program revisions have affected the accuracy of walk-in assistance activities.

When a taxpayer seeks return preparation assistance from IRS at a walk-in office, that individual may choose to (1) complete and file the return on the spot or (2) take a partially completed or draft tax return home for completion and filing at a later time. During fiscal year 1981, 2.6 million taxpayers received return review assistance at IRS walk-in offices. Of these, 400,000, or 15 percent, completed and filed the return on the spot. IRS has collected data on the mathematical accuracy and quality of returns filed by these individuals.

IRS uses its service center computers to test the mathematical accuracy of returns filed on the spot at walk-in offices. This is possible because walk-in office personnel place an identifying stamp on returns left with them so that service center personnel can readily identify those returns. With respect to return quality, IRS districts annually review statistical samples of returns prepared or reviewed at walk-in offices. Quality reviews differ from mathematical checks in that they seek to verify the logic and completeness of a tax return. For example, a quality review might note that a particular taxpayer failed to list the names of claimed dependents on form 1040--an omission which service center computers would not detect via mathematical calculations.

IRS' dual analysis of returns prepared and/or reviewed by IRS personnel during fiscal years 1980 and 1981 indicated that such returns reflected a high degree of accuracy and quality.

For example, IRS service centers found that the mathematical accuracy rate for the returns was 96.6 percent in both fiscal year 1980 and 1981. In comparison, the mathematical accuracy rate for tax returns in general was 93.1 percent in fiscal year 1980 and 92.6 percent in 1981. Also, district office quality reviews of returns prepared or reviewed at walk-in offices found that accuracy levels were 94.9 percent and 95.8 percent, respectively, for fiscal years 1980 and 1981.

On the other hand, IRS has no data on the accuracy of the 2.2 million returns which were prepared and/or reviewed at--but not filed with--walk-in offices in 1981. Also, IRS has no ready means for checking the accuracy of answers provided taxpayers by walk-in office personnel with respect to tax law and account-related questions. Thus, overall, IRS has only limited data on the accuracy of walk-in assistance. As a result, it has been unable to measure the effects of recent program changes on walk-in assistance accuracy levels.

In contrast, IRS has better data on the effects of program revisions on the timeliness of walk-in assistance.

Program revisions enabled
IRS to deliver walk-in
assistance in a more timely
fashion

For a variety of reasons, the overall timeliness of IRS-provided walk-in assistance improved during the 1982 filing season, in comparison to the 1979 filing season. Chief among the reasons for the improvement, however, were program revisions which deemphasized the more time-consuming forms of assistance--direct return preparation and return review. Still, by deemphasizing those activities, IRS was able to achieve productivity gains which generally translated into shorter waiting times and shorter actual assistance times for taxpayers.

As previously discussed, IRS all but eliminated direct return preparation and return review assistance in fiscal year 1982. Also, IRS initially intended to eliminate self-help assistance as well. The Congress intervened, however, and IRS decided to retain self-help assistance. Furthermore, IRS decided to provide direct return preparation and/or return review assistance, on a case-by-case basis, for those taxpayers with special needs.

IRS' initial decision to eliminate all forms of return preparation assistance was heavily publicized throughout the Nation. And, although IRS partially reversed its initial decision, the early publicity, combined with actual deemphasis of direct return preparation and return review, had the effect of

greatly decreasing the demand for assistance. In this regard, IRS provided some form of return preparation assistance (direct, return review, or self-help) at walk-in offices to 2.2 million taxpayers during the 1979 filing season. In contrast, only 1.2 million taxpayers obtained similar assistance in filing season 1982--a 45-percent decline.

The decreased demand for these forms of assistance enabled IRS to reduce taxpayer waiting time for each of the three kinds of return preparation assistance, as shown in the following table. The table also indicates that actual assistance time remained relatively stable for self-help and return review, but declined substantially for direct return preparation.

Type of assistance	Average waiting time (minutes)			Average assistance time (minutes)		
	(note ^a)			(note ^a)		
	1979	1982	Percent increase or (decrease)	1979	1982	Percent increase or (decrease)
Self-help	14.0	10.5	(25)	13.9	13.7	(1)
Direct return preparation	18.9	9.0	(52)	13.4 ^b	11.0 ^b	(18)
Return review	15.3	5.0	(67)	6.7	7.0	4
Account-related inquiry	5.9	12.1	105	10.7	7.7	(28)
Tax law inquiry	5.3	4.0	(25)	5.7	5.2	(9)

^aThe statistics contained in the above table were derived from data we developed on the timeliness of services provided at 15 IRS walk-in-offices during the 1979 filing season and 25 walk-in offices during the 1982 filing season. The 25 offices included in our 1982 sample consisted of the same 15 offices visited in 1979 and 10 additional IRS walk-in offices. The methodology we followed in collecting that data is discussed in detail on pages 52 and 53.

^bThese statistics reflect the fact that IRS self-help return preparation assistance consists of an instructor leading a group of individuals through the return preparation process. Thus, if an instructor were to spend 1 hour with a group of six taxpayers, the average return preparation time would equate to 10 minutes.

Neither we nor IRS can readily explain why there was, on average, an 18-percent decrease in the time IRS spent on direct

return preparation assistance. Certainly, fewer taxpayers received such assistance in 1982 as compared to 1979. Presumably, those taxpayers who received direct assistance in 1982 were the physically handicapped and/or those who were unable to use self-help. Yet, why that group, on average, needed less actual assistance time than the 1979 group remains unknown.

In any case, however, the decreased demand for return preparation assistance may have contributed to an increase in demand for answers to tax-related questions. In this regard, IRS walk-in offices responded to 3.7 million inquiries in 1982, compared to 3.1 million in 1979--a 19-percent increase.

Concerning tax law inquiries at walk-in offices, IRS was able to reduce taxpayer waiting time by 25 percent, from 5.3 minutes, on average, in 1979 to 4 minutes, on average, in 1982. Concurrently, the actual time required to respond to a question also declined by 9 percent from 5.7 to 5.2 minutes. IRS attributed the former improvement to the fact that more assistors were available to answer taxpayers' questions because IRS had deemphasized return preparation assistance. The latter improvement was attributed to continuing efforts to better train the assistors who respond to tax law questions and to the continued growth in expertise among assistors in general.

On a related matter, we found that taxpayer waiting time for account-related inquiries increased by 105 percent from 5.9 minutes in 1979 to 12.1 minutes in 1982. Concurrently, however, actual assistance time needed to respond to questions declined by 28 percent from 10.7 to 7.7 minutes. Concerning these findings, IRS noted that taxpayers who sought account-related information at walk-in offices in 1982 had to wait in line along with taxpayers seeking answers to tax law questions and/or return preparation assistance. In prior years, this was not always the case because taxpayers were able to make appointments with IRS to discuss account-related questions. Also, in prior years, IRS sometimes employed "roving" assistors to provide quick answers to relatively simple tax law or account-related questions. On the other hand, IRS said that once an assistor became available and gained access to a terminal during 1982, he or she was able to get answers to questions faster due to better training and increased familiarity with the equipment used at walk-in offices.

Thus, for a variety of reasons, the timeliness of IRS-provided walk-in assistance improved in 1982, as compared to 1979, at least for those taxpayers who were able to seek assistance at walk-in offices. As discussed in the next section, however, overall improvements in walk-in assistance timeliness declined somewhat because many taxpayers were unable to use this form of assistance.

The overall availability of walk-in assistance to taxpayers declined

The overall availability of IRS walk-in assistance to taxpayers declined substantially in 1982 compared to prior years. This is because, in an effort to reduce costs, IRS decided to close down many walk-in offices and to reduce the operating hours of others. Basically, these reductions mean that many taxpayers no longer have access to IRS-provided walk-in assistance.

IRS data shows that the number of walk-in offices in operation during the filing season declined from 844 in 1980 to 632 in 1982, a decrease of 25 percent. In addition, many offices had reduced their hours of operation compared to previous years. We did not verify IRS' data. However, we did obtain certain information from IRS pertaining to the 100 walk-in offices operated in 1981 by the 5 IRS districts we visited during this review. We then compared IRS' data to similar data we collected for 1982. We found that 19 of the 100 walk-in offices had been closed. And, of the remaining 81 offices, 32 had reduced their hours of operation.

For example, IRS' Detroit district closed a walk-in office in Southfield, Michigan. The office had handled 14,800 taxpayer contacts in 1981, about 1,850 of which were for self-help or direct return preparation. In this case, however, there were IRS walk-in offices close by. In Pontiac, Michigan, for example, which is 10 miles from Southfield, the walk-in office showed an 89 percent gain in activity for filing season 1982. IRS representatives in that office attributed the increase to the closing of the Southfield office.

In contrast, in the upper peninsula of Michigan--an area also covered by IRS' Detroit district--four of the five walk-in offices which IRS had operated in fiscal year 1981 were closed in fiscal year 1982. These four offices--Sault Ste. Marie, Ironwood, Escanaba, and Houghton--had handled 1,986 taxpayer contacts during the 1981 filing season, about 950 of which were for either self-help or direct return preparation. The remaining walk-in office in Marquette, located at least 100 miles from each of the other four offices, handled 3,431 contacts in 1982 which represented only a 19-percent increase over the 2,885 contacts handled in 1981. Thus, it seems that many taxpayers who reside in the upper peninsula of Michigan did not have ready access to IRS walk-in assistance in 1982.

Similarly, since 1980, IRS' St. Louis district office has closed 6 of 17 walk-in offices in Missouri and has tentative plans to close another 3 offices late in fiscal year 1983. As a result, taxpayers in many areas of the State--particularly in the Northeast, North Central, and South Central areas--do not have ready access to an IRS walk-in office.

Furthermore, in January 1982, the Subcommittee on Oversight of Government Management, Senate Committee on Governmental Affairs, sent a questionnaire to IRS district offices in Maine to obtain data on walk-in office closings. According to the responses, nine Maine offices were closed in fiscal year 1982, two of which had assisted a total of 10,000 taxpayers in fiscal year 1981.

Thus, on an overall basis, the availability of IRS walk-in assistance to taxpayers has declined substantially. In contrast, as discussed below, IRS has maintained an effective correspondence assistance program.

CORRESPONDENCE ASSISTANCE: IRS
HAS ESTABLISHED AN EFFECTIVE PROGRAM

Annually, IRS receives over 100,000 written inquiries from taxpayers. In 1982, these inquiries were handled in a very timely manner by IRS, the answers provided taxpayers displayed a high level of accuracy, and there was no question as to availability because IRS responded to all written requests.

To analyze the timeliness and technical accuracy of IRS replies to taxpayers' written inquiries, we reviewed a randomly selected sample of 424 correspondence cases handled by five IRS districts in 1982. Our sample methodology is discussed in detail on pages 53 and 54.

Concerning timeliness, we found that IRS had established 14 calendar days as the goal for providing responses to taxpayer inquiries. Of the 424 cases in our sample, we had sufficient data to make a timeliness determination for 372, or 88 percent. We found that 338, or 91 percent of the 372 replies were in fact handled within 14 calendar days. Moreover, all of the remaining 34 replies were handled within a total of 30 calendar days.

Concerning accuracy, we found that IRS had not established specific goals for correspondence replies or implemented a formal system to measure the accuracy of correspondence assistance in quantifiable terms. However, interviews with IRS officials at the five districts indicated that correspondence replies were afforded a supervisory review before being sent to taxpayers. In analyzing the technical accuracy of responses on the 424 correspondence cases we sampled, sufficient information was available to determine accuracy on 395, or 93 percent of the replies. Significantly, we found that 389, or 99 percent of the 395 replies were technically accurate.

It seems then that IRS' 1982 correspondence assistance program was effective from the standpoints of availability, timeliness, and accuracy. Furthermore, IRS budget data for fiscal

years 1979 to 1982 indicates that the (1) anticipated volume of correspondence inquiries has remained constant at 100,000 annually and (2) costs associated with handling correspondence inquiries also have remained relatively steady. This budget data, combined with our 1982 assessment of the program, indicates that IRS has established a relatively steady and effective correspondence assistance program. This is in marked contrast to the previously discussed reductions in the availability of both telephone and walk-in assistance. And, as discussed below, those reductions have disproportionately affected certain taxpayer groups.

ASSISTANCE PROGRAM CUTBACKS
DISPROPORTIONATELY AFFECTED
CERTAIN TAXPAYER GROUPS

Although IRS can often predict the effects of taxpayer assistance program changes in terms of the number of taxpayers affected, it lacks adequate data on the characteristics of those taxpayers. Through questionnaires, therefore, we sought to identify the characteristics of users of IRS assistance and to compare them to taxpayers in general. We were able to develop and compare data on age, education, income levels, and residence locations (rural, urban, or suburban).

To develop data on taxpayers in general, we sent questionnaires to a randomly selected nationwide sample of 606 taxpayers who filed tax returns in 1981 (see appendix V). Then, for comparison purposes, we sent separate questionnaires to a randomly selected sample of 550 taxpayers who used IRS telephone assistance on selected days during 1982; 1,498 taxpayers who used IRS walk-in assistance on selected days during 1982; and 389 taxpayers who corresponded with IRS for assistance from January 1 through March 15, 1982 (see appendixes VI, VII, and VIII). Further details on our methodology with respect to the various questionnaires can be found on pages 54 and 55.

Among other things, our sample results showed that commercial return preparers were not the primary users of IRS-provided assistance. In this regard, paid preparers accounted for 6.3 percent of the telephone calls made to IRS, 3 percent of the walk-in visits, and 13.5 percent of the letters IRS received.

Analysis by age level

The following table details our questionnaire results on the age levels of taxpayers in general versus users of the various forms of IRS assistance.

Comparison of age levels of taxpayers in general to age levels of users of IRS taxpayer assistance in 1982

<u>Age level</u>	<u>Taxpayers in general</u>	<u>Users of telephone assistance</u>	<u>Users of walk-in assistance</u>	<u>Users of correspondence assistance</u>
	- - - - - (percent) - - - - -			
Under 21	7.5	4.0	1.8	2.1
21-34	37.2	36.7	27.1	25.0
35-44	17.5	18.2	15.1	14.9
45-54	11.0	10.9	11.5	16.5
55-64	16.8	15.2	18.2	21.8
65 or older	9.9	14.4	24.5	18.1
Unknown	<u>0.1</u>	<u>0.6</u>	<u>1.8</u>	<u>1.6</u>
Total	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>

The above statistics indicate that IRS' telephone, walk-in, and correspondence assistance programs are being used extensively by taxpayers. In this regard, each taxpayer age group--from those under age 21 to those over age 65--uses the various forms of IRS assistance. Still, certain taxpayer groups use certain forms of IRS assistance more or less, in comparison to their representation among taxpayers in general.

For example, the age 21 to 34 taxpayer group used walk-in and correspondence assistance significantly less than might be expected from that group based on its representation among taxpayers in general. On the other hand, three separate taxpayer groups--those age 35 to 44, 45 to 54, and 55 to 64--used the various forms of IRS assistance at levels fairly consistent with their representation among taxpayers in general. In contrast, taxpayers age 65 and over used each form of IRS assistance extensively. Those age 65 or over made up 9.9 percent of the taxpayer population in general but represented 14.4 percent of the users of telephone assistance, 24.5 percent of the users of walk-in assistance, and 18.1 percent of the users of correspondence assistance.

Analysis by education levels

The following table details our questionnaire results with respect to education levels for taxpayers in general and users of the various forms of IRS assistance.

Comparison of education levels of
taxpayers in general to education
levels of users of IRS
assistance in 1982

<u>Education level</u>	<u>Taxpayers in general</u>	<u>Users of telephone assistance</u>	<u>Users of walk-in assistance</u>	<u>Users of correspondence assistance</u>
	- - - - - (percent) - - - - -			
Eighth grade or less	6.3	4.1	6.0	4.3
Grade 9 to 11	9.1	8.3	9.1	5.4
High school graduate	29.7	23.9	26.0	26.9
Some college	27.9	24.2	25.8	21.4
College graduate	27.0	39.2	30.3	39.8
Unknown	<u>0</u>	<u>0.3</u>	<u>2.8</u>	<u>2.2</u>
Total	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>

Perhaps the most notable aspect of the above statistics is the relative consistency between the educational characteristics of each group of taxpayers in general and the extent to which that group uses each form of IRS assistance. The only exception to the above observation relates to college graduates--they use telephone and correspondence assistance more than one might expect based on their representation among taxpayers in general.

Analysis by income levels

The statistics in the following table detail our questionnaire results using income levels for comparisons among taxpayers in general and users of the various forms of IRS assistance.

Comparison of income levels of
taxpayers in general to income
levels of users of IRS taxpayer
assistance in 1982

<u>Income level for tax year 1981</u>	<u>Taxpayers in general</u>	<u>Users of telephone assistance</u>	<u>Users of walk-in assistance</u>	<u>Users of correspondence assistance</u>
	- - - - - (percent) - - - - -			
Less than \$5,000	19.4	9.3	11.7	11.8
\$5,000 to \$9,999	16.4	13.9	21.5	14.5
\$10,000 to \$19,999	28.1	29.8	29.1	19.0
\$20,000 to \$29,999	17.6	23.6	17.0	19.0
\$30,000 to \$39,999	10.8	9.0	9.6	14.5
\$40,000 or more	7.7	10.8	6.2	12.3
Unknown	<u>0</u>	<u>3.6</u>	<u>4.9</u>	<u>8.9</u>
Total	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>

The above statistics demonstrate that IRS has been serving taxpayer groups at all income levels via telephone, walk-in, and correspondence assistance. Beyond that observation, however, interpreting the statistics becomes more difficult. Clearly, taxpayers with incomes below \$5,000 used each form of IRS-provided assistance less than might have been expected based on their representation among taxpayers in general. On the other hand, taxpayers with incomes of \$5,000 to \$9,999 used IRS telephone and correspondence assistance at a rate roughly equivalent to their representation among taxpayers in general. Further, this group also used walk-in assistance more than might be expected based on its representation among taxpayers in general.

Taxpayers at the \$10,000 to \$19,999 income level used telephone and correspondence at rates almost equivalent to their representation among taxpayers in general. But that group of taxpayers did not extensively use correspondence assistance.

Like the previous two groups, taxpayers at the \$20,000 to \$29,000 income level used two of the three forms of IRS assistance--walk-in and correspondence--at rates close to that which would be expected based on their representation among taxpayers in general. Taxpayers with incomes of \$30,000 to \$39,999 used telephone and walk-in assistance at rates closely approximating their representation among taxpayers in general. However, that group used correspondence assistance more than might be expected.

Finally, taxpayers with incomes of \$40,000 or more used walk-in assistance at a rate closely approximating their representation among taxpayers in general. To some extent, however, this taxpayer group made greater use of telephone and correspondence assistance than might be expected.

Analysis by residence location

The following table presents our sample results as they pertain to taxpayers residing in rural, suburban, and urban areas.

Comparison of residence location of
taxpayers in general to residence
location of users of IRS tax-
payer assistance in 1982

<u>Residence location</u>	<u>Taxpayers in general</u>	<u>Users of telephone assistance</u>	<u>Users of walk-in assistance</u>	<u>Users of correspondence assistance</u>
	- - - - - (percent) - - - - -			
Rural	27.9	19.8	21.0	21.5
Suburban	49.2	50.2	38.8	50.3
Urban	<u>22.9</u>	<u>30.0</u>	<u>40.2</u>	<u>28.2</u>
Total	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>

The table indicates that taxpayers residing in rural areas made substantially less use of each form of IRS-provided assistance than might be expected based on their representation among taxpayers in general. In contrast, taxpayers residing in suburban areas used telephone and correspondence assistance at rates very closely approximating their representation among taxpayers in general. They did not, however, use walk-in assistance to that same extent.

Finally, individuals residing in urban areas made very extensive use of each form of IRS-provided assistance. Of particular significance, urban residents, who made up only 22.9 percent of the overall taxpayer population, represented 40.2 percent of the users of IRS walk-in assistance. This seems to stem from the fact that taxpayers residing in urban areas generally have more ready access to IRS walk-in offices.

CONCLUSIONS

With the advent of extensive federal budget deficits in recent years, the administration has been seeking to reduce federal spending. One area which the administration has identified as a target for budget cuts is IRS' taxpayer assistance program. As a result, IRS has had to cope with the task of trying to meet increasing demands for assistance with fewer dollars and people. IRS has sought to meet that challenge through a variety of productivity gains and program revisions. Nonetheless, the overall utility of IRS' taxpayer assistance program has declined due to a reduction in the availability of telephone and walk-in assistance. Simply put, IRS has not maintained the level of assistance--from the standpoint of availability--that it had attained in prior years.

As might be expected, reductions in the availability of telephone and walk-in assistance have had disproportionate effects on various taxpayer groups, based upon those groups' representation among taxpayers in general. For example, college graduates and individuals with incomes over \$20,000 were affected more than other groups by the reduced availability of telephone assistance which resulted from busy signals, excessive waiting time on hold, and disconnected calls. As a group, individuals age 65 and over also were more affected by that reduction.

Concerning walk-in service, individuals with incomes of \$5,000 to \$10,000 and individuals age 65 or over were proportionately greater users of this form of assistance. Therefore, those groups were disproportionately affected by IRS' deemphasis of direct return preparation and return review activities at walk-in offices as well as the reduction in the number of walk-in offices operated by IRS.

With respect to correspondence assistance, IRS seems to have maintained an effective program from the standpoints of accuracy, timeliness, and availability. And, certain taxpayer groups have benefited disproportionately from IRS' action in this regard. That is, as groups, college graduates and individuals with incomes over \$30,000 have had access to a relatively steady IRS correspondence assistance program at a time when other taxpayer groups have experienced reduced availability of telephone and walk-in assistance.

CHAPTER 3

IRS NEEDS BETTER MANAGEMENT INFORMATION ON THE POTENTIAL EFFECTS OF FURTHER TAXPAYER ASSISTANCE PROGRAM CUTBACKS

Although the overall availability of telephone and walk-in assistance had declined in 1982, the administration nevertheless proposed further taxpayer assistance program reductions for fiscal years 1983 and 1984. Each year, however, the Congress intervened and directed IRS to operate taxpayer assistance programs at prior year staffing and funding levels.

If the Congress had concurred with the administration's proposals, cost savings certainly would have accrued to the federal government. What is not certain, however, is how taxpayers would have reacted to the reductions and how those reactions would have affected the tax system. Some issues that should be considered in this regard include:

- Do taxpayers still find it difficult to understand IRS forms and publications?
- Will volunteer groups and paid preparers be able to compensate for IRS assistance program reductions?
- Will proposed reductions in telephone assistance have undesirable effects on other aspects of IRS operations?
- Will reduced assistance levels affect voluntary compliance levels?
- Will further IRS assistance program cutbacks disproportionately affect certain taxpayer groups?

Each of these issues should be thoroughly evaluated in considering future program changes. Meanwhile, IRS needs to do all it can to improve the efficiency and effectiveness of its taxpayer assistance activities. This perhaps can best be accomplished through further productivity gains and program revisions. Also, IRS should continue to experiment with and, where appropriate, expand the use of audio and visual tapes by taxpayers seeking assistance.

FURTHER TAXPAYER ASSISTANCE PROGRAM CUTBACKS COULD HAVE SEVERAL UNDESIRABLE EFFECTS ON TAXPAYERS AND ON THE TAX SYSTEM

As discussed in chapter 2, due to the generally tight federal budget, IRS proposed to implement drastic reductions in the levels of assistance to be provided to taxpayers in fiscal year

1983. The Congress intervened through the appropriations process, however, requiring that IRS operate the taxpayer assistance program at fiscal year 1982 staffing and funding levels.

Subsequently, however, IRS continued its effort to de-emphasize taxpayer assistance. For fiscal year 1984, for example, IRS proposed a series of assistance program reductions, including the elimination of toll-free telephone assistance for tax law questions. Specifically, IRS' fiscal year 1984 budget for taxpayer assistance called for a reduction to 3,319 staff years, a decrease of 986 staff years, or 23 percent, from the fiscal year 1983 budget of 4,305 staff years. And, with 3,319 staff years, IRS expected to be able to handle only 29.3 million taxpayer contacts, a 37-percent decrease from the 46.7 million contacts it expected to handle in fiscal year 1983. Recently, however, as part of a continuing resolution on IRS' fiscal year 1984 budget, the Congress added \$25 million and 986 positions to the taxpayer assistance portion of IRS' budget request. The Congress also directed IRS to operate taxpayer assistance programs at fiscal year 1983 staffing and funding levels.

IRS believes that significant taxpayer assistance program reductions can safely be implemented for several reasons. For example, IRS believes that taxpayers can get answers to their tax law questions from current IRS publications. Similarly, IRS believes that sufficient return preparation assistance is available to taxpayers from volunteers and paid preparers. Furthermore, the Service believes that some relatively new and innovative IRS programs will help fill the gap created by decreases in traditional IRS-provided assistance activities. For example, in recent years, IRS has (1) developed and is using pre-recorded telephone responses to standard tax law questions and (2) implemented an outreach program designed to expand the availability of walk-in service to taxpayers.

Innovative IRS assistance programs may have the potential to enhance the accuracy, timeliness, and availability of IRS-provided assistance over the long term. In the short term, however, these innovative programs cannot be expected to completely fill the assistance gaps that would result from immediate, additional budget cuts. This is because the development and implementation of a new form of assistance is, in itself, a long-term proposition: funding must be secured; equipment must be purchased; office space is needed; employees need to be trained; policies and procedures have to be developed; the proposed program must be tested, evaluated, and revised as necessary; etc. Accordingly, further budget cuts in the near future could lead to a series of undesirable results, some of which are discussed in detail below.

Do taxpayers still find it difficult to understand IRS forms and publications?

In proposing to stop answering taxpayers' tax law questions over the telephone in fiscal year 1983, the Commissioner of Internal Revenue said that the answers to a majority of tax law questions could easily be found in IRS publications and form packages. However, taxpayers historically have had difficulty understanding IRS forms and publications.

For instance, according to a 1977 Roper Organization, Inc. study, taxpayers had serious problems in understanding IRS' forms and instructions. The opinion polling firm interviewed a nationwide cross-section of adults about their understanding of the federal income tax system and their attitude toward it. Of the 1,656 adults interviewed who filed a tax return, 54 percent said they went to a professional preparer. Of these, about half said they did so because IRS forms and instructions were too difficult to understand.

Similarly, in a 1978 report entitled Further Simplification of Income Tax Forms and Instructions is Needed and Possible (GGD-78-74, July 5, 1978), we concluded that form 1040 packages were written at a reading level beyond the comprehension of many taxpayers. As a result, IRS initiated actions to make forms and instructions easier to read and understand. In fiscal year 1982, for example, IRS tested a simplified version of the form 1040A and accompanying instructions. Over 15 million taxpayers used that form when filing their 1982 tax returns. These and similar IRS actions could perhaps facilitate a future transition from IRS-provided assistance to greater reliance on forms, instructions, and publications. But, our fiscal year 1982 survey of taxpayers in general and users of IRS assistance indicated that a significant percentage of taxpayers continue to have difficulty understanding IRS tax forms, instructions, and publications.

With respect to the latter point, as discussed in chapter 2, we sent questionnaires to (1) taxpayers in general, (2) users of IRS telephone assistance, (3) users of IRS walk-in assistance, and (4) users of IRS correspondence assistance. Our sample of taxpayers in general was selected from the IRS-identified universe of individuals who filed tax returns in 1981. The remaining samples were drawn from the various universes of users of IRS-provided assistance in 1982. And, as shown below, the results indicated that a significant percentage of taxpayers continued to have difficulty understanding IRS tax forms, instructions, and publications in 1982.

Percent of taxpayers who said they
have difficulty understanding:

<u>Taxpayer categories</u>	<u>Tax forms and instructions</u>	<u>Publications</u>
Taxpayers in general	41	22
Telephone assistance users	33	29
Walk-in assistance users	43	36
Correspondence assistance users	39	35

Thus, our questionnaire results indicate that many taxpayers still need some form of assistance in preparing their returns. If IRS stops answering tax law questions, these taxpayers may rely on their own interpretations of the issues, perhaps seeking the advice of friends and/or relatives in doing so, or they may turn to paid preparers and/or volunteers for needed assistance.

Will volunteer groups and paid preparers be able to compensate for assistance program reductions?

Recognizing that some taxpayers still find it difficult to understand IRS publications and form packages, the Commissioner suggested that such taxpayers would be able to get assistance from volunteer groups and/or paid preparers. However, a recent report¹ by the Senate Subcommittee on Oversight of Government Management indicates that these sources will not be able to compensate for extensive reductions in IRS-provided assistance. The Subcommittee concluded that if IRS' 1983 taxpayer assistance budget reduction proposal had gone into effect, taxpayers who needed tax law assistance would have been (1) offered a publication, which they might not have been able to understand; (2) directed to seek commercial assistance, which they might not have been able to afford; or (3) directed to contact a volunteer group, which might not have had the expertise needed to help them.

Concerning commercial return preparation, the Subcommittee expressed concern about taxpayers' ability to afford that form of assistance. Data we developed from our questionnaires lends credence to that concern. We found that 9.3 percent of the users of IRS telephone assistance in 1982 had incomes below \$5,000; another 13.9 percent had incomes of from \$5,000 to \$9,999. And, if IRS were to stop answering tax law questions

¹Report by the Senate Governmental Affairs Subcommittee on Oversight of Government Management entitled Oversight of IRS Taxpayer Assistance Programs, July 1982.

over the telephone, it is conceivable that some users of that form of assistance would turn to commercial preparers. Paid preparers, of course, generally answer tax law questions only as part of the return preparation process for which they charge a fee. Also, we found that 11.7 percent of the users of IRS walk-in assistance had incomes of \$5,000 or less; another 21.5 percent had incomes of from \$5,000 to \$9,999. Thus, many taxpayers who currently use IRS telephone and walk-in assistance might find it difficult to afford commercial return preparation assistance.

On a related matter, in a January 1983 report,² we pointed out that, for many years, IRS has experienced problems with incompetent, negligent, and/or fraudulent paid preparers of tax returns. We further noted that, although the Congress had authorized IRS to begin assessing civil penalties against paid preparers in 1977, the paid preparer noncompliance problem had not been solved. In this regard, we stated that, since the penalties went into effect, IRS has been very successful in getting an important segment of the preparer population--those who provide some but not all of the identification data required on tax returns--to more fully comply with disclosure requirements. In contrast, the extent to which IRS has been successful in dealing with other segments of the preparer population--those who understate taxpayers' tax liabilities, either willfully or through ignorance and/or those who do not identify themselves at all on returns they prepare--is unknown. This is because IRS' administration of these penalties has been uneven and because IRS has not developed needed management information. We pointed out that, as a result, neither IRS nor the Congress has adequate assurance that the penalty provisions have achieved their desired effect.

We recommended that IRS develop a more accurate picture of the preparer noncompliance problem and resolve questions about the appropriateness of certain compliance approaches, the consistency of penalty decisions, and the overall effectiveness of preparer penalties as compliance tools. IRS generally agreed with and is acting on our recommendations. The digest of the aforementioned report is included in appendix II.

Thus, although IRS is seeking to better deal with the problem of incompetent, negligent, and fraudulent return preparers, it has been unable so far to identify the size of the problem. To the extent that there are additional taxpayer assistance program cutbacks, it seems reasonable to conclude that more taxpayers will seek assistance from commercial preparers. This in turn may have the effect of further compounding IRS' current difficulties with problem preparers.

²IRS' Administration of Penalties Imposed on Tax Return Preparers (GAO/GGD-83-6, Jan. 6, 1983).

Concerning volunteers, the Senate Subcommittee expressed concern over their ability to provide taxpayers with sufficient, effective assistance. The Subcommittee noted that IRS had reported in 1981 that 47,400 volunteers had prepared 372,000 federal tax returns. In contrast, the Subcommittee pointed out that IRS' proposed fiscal year 1983 budget reductions would have meant that some 20 million fewer taxpayers would receive IRS assistance that year as compared to fiscal year 1982. The Subcommittee thus noted that volunteers would find it difficult to fill the assistance gap created by the budget reductions.

The Subcommittee also said that IRS lacked information on the availability and quality of volunteer-provided assistance and that volunteer sites were not well located. We, through past work, confirmed that problems existed in terms of the availability of volunteer assistance. Specifically, in April 1980, in testimony before the House Ways and Means Oversight Subcommittee, we noted that 8, or 21 percent, of 39 volunteer sites we visited that year were not operating because volunteers were unavailable.

Consequently, while paid preparers and volunteers could pick up some of the slack if IRS were to further cut back its assistance programs, it is difficult to picture a smooth, short-term transition to such a system. And, faced with the task of getting needed assistance at the right price, some taxpayers might choose to turn not to commercial preparers or volunteers but to IRS personnel whose major functions may or may not relate to taxpayer assistance. This could have undesirable effects on other IRS operations.

Will proposed reductions in telephone assistance have undesirable effects on other aspects of IRS operations?

If telephone assistance for tax law questions is deleted, as IRS has proposed in its fiscal year 1984 budget request, many taxpayers might avail themselves of other forms of assistance still provided by the Service. That taxpayers are flexible in this regard perhaps was best demonstrated when, during the early part of fiscal year 1982, publicity by the news media convinced many taxpayers that there would no longer be return preparation assistance at walk-in offices. The demand for telephone assistance grew from 36 million contacts in fiscal year 1981 to 39.2 million contacts in fiscal year 1982, a 9-percent increase. Conversely, if telephone assistance were to be discontinued, it seems likely that many taxpayers would turn to walk-in offices for help.

In fact, our questionnaire results indicate that many taxpayers already use multiple forms of IRS-provided assistance. For example, of those taxpayers who used telephone assistance in

1982, 43 percent also used IRS-provided walk-in assistance and 25 percent also used correspondence assistance. This indicates that many taxpayers are well aware that IRS offers a variety of taxpayer assistance programs. And, furthermore, taxpayers seem willing to use different forms of IRS-provided assistance.

Thus, in future years, taxpayers who previously used telephone assistance could make increasing use of walk-in and/or correspondence assistance. IRS could possibly increase staffing to handle the higher demand for the latter services. However, on the basis of comparative costs, this could increase IRS' costs beyond what they would have been if telephone assistance were continued. Based on fiscal year 1981 data, assistance was provided by telephone at a per call cost of \$2.09, while the same assistance provided by an IRS walk-in office cost \$3.53. The unit cost for correspondence assistance was even higher at \$9.82. On the other hand, IRS could allow long lines to build at walk-in offices and long waiting times to develop for replies to correspondence. But then, to avoid these frustrations, taxpayers might attempt to get questions answered by examination or collection personnel.

Before the formation of IRS' taxpayer assistance program, the taxpayer assistance role was carried out by examination and collection personnel. If the program is cut substantially, taxpayers might again seek out those personnel. IRS estimates that, in carrying out their normal duties, examiners generate \$10 for every dollar spent while collection personnel generate \$16 to \$20 for every dollar spent. If these personnel were to be diverted from their regular duties, significant revenues would be foregone.

Thus, providing taxpayers assistance with personnel from other IRS operations could prove more costly than the present approach. Even more costly, however, might be an IRS refusal to provide assistance at all.

Will reduced assistance levels affect
voluntary compliance levels?

In responding to our questionnaires, both taxpayers in general and users of IRS-provided assistance indicated that they would take certain courses of action if IRS were to reduce its assistance levels. Some of the specified courses of action would prove undesirable from the standpoint of our voluntary compliance tax system. Although taxpayers could react differently when faced with an actual decision situation rather than a questionnaire, their responses nevertheless raise concerns about the potential effects of further assistance program cutbacks on voluntary compliance levels.

We asked taxpayers in general, i.e., individuals who filed tax returns in 1981, to specify the extent to which they would be inclined to take certain actions if IRS were to stop answering questions related to income, deductions, expenses, schedules, etc. Among other things, taxpayers were asked to specify the extent (very great, great, moderate, some, or little or no) to which they (1) would not fill out the parts of the tax form on which they had questions, but would then fill out the rest of the form and send it in, or (2) would not send the tax form in. Fourteen percent said that, at least to some extent, they would consider not filling out parts of the tax form on which they had questions but would fill out the rest of the form and send it in. Also, 6 percent said that, at least to some extent, they would consider not sending the tax form in if IRS stopped answering tax law questions.

In another question, we asked these taxpayers to specify the extent to which they would be inclined to take certain actions if IRS were to stop helping people fill out their tax forms. Fifteen percent said that, at least to some extent, they would consider not filling out the part of the form where they needed help but would fill out the rest and send it in. Another 3 percent said that, at least to some extent, they would consider not sending the form in to IRS.

We also sought to determine how users of IRS telephone assistance would react if IRS were to stop answering their tax law questions. That is, we asked the telephone assistance users in 1982 to indicate the extent to which they would be inclined to substitute different forms of assistance for IRS-provided assistance. According to our questionnaire results, reactions would be as follows.

- Eighty-nine percent of the users would, at least to some extent, seek answers to their questions in IRS' publications. Unfortunately, however, 77 percent of the users also indicated that they had consulted IRS' publications in 1982 but still had found it necessary to telephone the Service.
- Fifty-six percent said that they would, at least to some extent, be inclined to turn to a volunteer for assistance. But only 9 percent said that they had used volunteer assistance in 1982, and it seems highly unlikely that the current pool of volunteers could handle an increase in demand of this size.

--Sixty percent said that, at least to some extent, they would be inclined to turn to paid preparers for assistance. Yet, only 23 percent of telephone assistance users said that they relied on paid preparers in 1982. In comparison, 44 percent of the overall taxpayer population said they relied on preparers in 1982. Thus, if IRS were to stop answering tax law questions over the telephone, many taxpayers who now prepare their own returns would apparently have to turn to paid preparers for help.

--Fourteen percent said that, at least to some extent, they would be inclined to not fill out parts of the return on which they had questions. Another 7 percent said that, at least to some extent, they would be inclined to not send the tax return in if they could not get answers to their questions.

Taxpayers who used walk-in assistance in 1982 indicated that if IRS no longer helped them fill out their returns, they, at least to some extent, would be inclined to take the following actions:

--Eighty-nine percent would look for the answer in an IRS publication. Unfortunately, however, 80 percent of the users also indicated that they had consulted an IRS publication in 1982 but still had found it necessary to use IRS walk-in assistance.

--Sixty-two percent said they would turn to a volunteer for help in filling out their tax returns. In 1982, only 12 percent of these users got help from volunteers and it seems highly unlikely that the current pool of volunteers could handle an increase in demand of this size.

--Fifty-four percent said that they would be inclined to turn to paid preparers for assistance. Only 22 percent of walk-in assistance users relied on paid preparers in 1982. In comparison, 44 percent of the overall taxpayer population relied on paid preparers in 1982. Thus, if IRS were to stop assisting with return preparation at walk-in offices, many taxpayers who now prepare their own returns would apparently turn to paid preparers for help.

--Nineteen percent said that they would be inclined to not fill out parts of the return on which they had questions. Another 7 percent said that they would be inclined to not send the tax return in if they could not get help in filling it out.

Taxpayers who used correspondence assistance in 1982 indicated that if IRS no longer answered their tax-law questions, they, at least to some extent, would take the following actions:

--Eighty-eight percent would look for the answer in a tax publication. But 81 percent of correspondence users said that they had consulted an IRS publication in 1982 and still had found it necessary to correspond with the Service.

--Forty-four percent said that they would be inclined to turn to a volunteer to get an answer to a question. In 1982, only 14 percent of correspondence users got help from a volunteer and, once again, it seems that volunteers would be hard-pressed to meet a significantly increased demand for assistance.

--Fifty-five percent said that they would be inclined to turn to paid preparers for assistance.

--Nineteen percent said that they would be inclined to not fill out parts of the return on which they had questions. Another 5 percent said that they would be inclined to not send the tax return in if they could not get an answer to their question.

Thus, further cutbacks in IRS-provided assistance programs could have a variety of possible effects on taxpayers--not the least of which could be a decline in voluntary compliance. In this regard, we are concerned about those taxpayers who indicated that, at least to some extent, they would be inclined to not fill out parts of a tax return or not file a return. In earlier reports,³ we noted that nonfiling and incorrect reporting already are serious national problems. Thus, IRS can ill afford to take steps which might compound that problem. The digests of the previous reports are included in appendixes III and IV.

Also of concern is the fact that further assistance program cutbacks could have disproportionate effects on various taxpayer groups.

Will further assistance program cutbacks disproportionately affect certain taxpayer groups?

As noted in chapter 2, IRS usually can predict the effects of taxpayer assistance program revisions in terms of the number of taxpayers affected, but lacks data on the characteristics of those taxpayers. Through questionnaires, however, we were able to determine, for the 1982 filing season, the characteristics of

³Who's Not Filing Income Tax Returns? IRS Needs Better Ways To Find Them And Collect Their Taxes (GGD-79-69, July 14, 1979) and Further Research Into Noncompliance Is Needed to Reduce Growing Tax Losses (GAO-GGD-82-34, July 23, 1982)

the users of IRS-provided assistance in terms of age, education, income levels, and residence locations (urban, suburban, or rural). Also, we were able to compare users' characteristics to the characteristics of taxpayers in general. Through our analysis we determined that assistance program cutbacks disproportionately affected certain taxpayer groups. Furthermore, our questionnaires provided insights into how taxpayers might react to further assistance program cutbacks.

The data we developed may prove useful to IRS in terms of analyzing possible future taxpayer assistance program revisions. We intend to make our data base available to the Service for that purpose.⁴ Still, we recognize that the data we developed does not answer all of the pertinent questions concerning the users of IRS-provided assistance. Moreover, our data provides only a one-time picture of the situation; the attitudes of both taxpayers in general and users of IRS assistance can change over time. Thus, in our view, there will be a continuing need for IRS to collect and analyze data on the characteristics and attitudes of the latter groups. Without such data, IRS will be hard-pressed to effectively predict the probable results of any future taxpayer assistance program revisions.

Moreover, as discussed in the next section, IRS needs to develop better management information--in addition to data on the characteristics and attitudes of users of IRS assistance--on the utility of its taxpayer service programs in comparison to other IRS activities.

IRS NEEDS BETTER MANAGEMENT INFORMATION ON THE RELATIVE UTILITY OF ITS TAXPAYER ASSISTANCE PROGRAM

IRS has long believed that willingness to comply is but one aspect of compliance and that, in addition, taxpayers must also have the ability to comply. With this in mind, IRS designed the taxpayer assistance program to enhance taxpayers' ability to comply. As recently as October 1981, the Commissioner of Internal Revenue stated that, without IRS' help, large numbers of taxpayers would interpret the law in a way favorable to themselves or would ignore it, with little likelihood of detection. Also, the Commissioner stated that potential revenue losses would be great, making widespread deterioration of voluntary compliance possible.

⁴Since respondents to our questionnaire were afforded a pledge of confidentiality, any data supplied to IRS will be stripped of identifying information.

In our report entitled Further Research into Noncompliance is Needed to Reduce Growing Tax Losses (GAO/GGD-82-34, July 23, 1982), we pointed out that noncompliance is already a massive problem. Billions of dollars in tax revenues are lost to the government each year because citizens either do not file or do not accurately report their income. In 1981, individual and corporate taxpayers voluntarily filed about 97 million returns and paid \$407 billion in income taxes to the government. However, IRS estimates that as much as \$81.5 billion in tax revenue was not collected because many taxpayers failed to comply. Some major components of the \$81.5 billion estimate were (1) unreported income--\$52.2 billion; (2) overstated business expenses and personal deductions--\$12.9 billion; and (3) nonfiling--\$2.9 billion.

In light of the noncompliance problem, IRS' budget allocation decisions for fiscal year 1983 reflected a conscious shift in priorities away from taxpayer assistance and toward enforcement. For example, while proposed taxpayer service program staff years for fiscal year 1983 were decreased by 1,691 staff years, budgeted staff years for examinations and appeals increased by 1,195 staff years. And, although IRS' proposal for taxpayer service program staff years was rejected by the Congress, the Service has again proposed major taxpayer service program cuts for fiscal 1984.

IRS' desire to cut back on taxpayer service activities and to enhance compliance efforts stems in part from the fact that the Service has developed data which demonstrates, at least to some extent, the utility of specific compliance programs. That is, IRS can measure the revenue yield associated with some of its enforcement activities more readily than it can for others. For instance, IRS estimates that it produces \$5 in additional taxes for every \$1 spent on examinations. On the other hand, IRS has not determined whether revenues are also enhanced through maintenance of a taxpayer assistance program. We believe that, to the extent possible, IRS needs to develop better management information on the compliance impact of all programs, including taxpayer assistance. Without such information, IRS is not in a position to predict, with reasonable certainty, the effects of major program revisions.

FURTHER PRODUCTIVITY GAINS AND
PROGRAM REVISIONS COULD IMPROVE
THE EFFICIENCY AND EFFECTIVENESS
OF IRS' TAXPAYER ASSISTANCE PROGRAM

As discussed above, IRS needs better management information on the overall utility of its taxpayer assistance program, particularly from the standpoint of the program's effects on voluntary compliance levels. And, once that information has been

gathered and analyzed--a long-term proposition--IRS may indeed find that it can further cut back on its assistance activities, without adversely affecting the tax system. Meanwhile, however, IRS needs to continue, and to expand on, its efforts to provide assistance to taxpayers in the most cost-effective manner. In particular, IRS should decide whether further consolidations of telephone sites would prove cost-effective without unreasonably decreasing the utility of telephone service from the taxpayer's perspective. Also, IRS should seek to divert more taxpayers who have tax law and account-related questions from walk-in assistants to telephone assistants. Further, IRS should continue to experiment with and, where feasible, promote the use of audio and video tapes by taxpayers seeking assistance.

Consolidating telephone assistance sites

Since 1977, IRS has been evaluating the issue of whether and to what extent it ought to consolidate toll-free telephone assistance sites. By 1981, these evaluations had resulted in a reduction of the number of answering sites from 70 to 52. However, since 1981, IRS has implemented no further consolidations despite available data which indicates that consolidations would prove cost-effective. One reason why IRS was hesitant to implement further consolidation was its decision to seek congressional approval to stop answering tax law questions over the telephone. If the Congress had approved IRS' proposal in this regard, the demand for telephone assistance would have been limited to account-related questions, and the cost-effectiveness of various consolidation proposals would vary accordingly.

For fiscal year 1984, IRS again proposed to eliminate telephone assistance for tax law questions. However, the Congress rejected this proposal and, therefore, IRS has initiated a further detailed study of the consolidation issue. Given this congressional decision, the Service should translate the results of the current study into appropriate action on the consolidation issue. And, in deciding what action to take, IRS needs to take into account the fact that modern telephone equipment would better enable the Service to meet taxpayers' needs.

In 1977, IRS initiated and completed a major study directed at determining whether there was a need to consolidate its then existing 70 toll-free telephone answering sites. The study group reported that both quantifiable and non-quantifiable benefits would accrue from consolidation, with only a limited number of associated problems. Specifically, the study group estimated that consolidation into 20 answering sites would result in an annual savings from operations of \$3.3 million, excluding one-time

consolidation start-up costs. Subsequently, IRS estimated that such a consolidation would result in net savings of almost \$17 million over a 10-year period, after considering one-time consolidation start-up costs.

Moreover, the study group concluded that non-quantifiable benefits would accrue to IRS in the form of a better managed, more consistent telephone assistance program. In particular, the group noted that consolidation of telephone sites would enable the Service to rely on a smaller but better trained and more experienced cadre of telephone assistance program managers. Also, the group believed that these managers would be able to better train and promote accuracy and consistency on the part of telephone assistants. Finally, the group stated that better, more consistent management information could be collected at 20, rather than 70, sites and that such information would enable IRS to more readily identify problems and implement any needed corrective actions.

The group also noted that benefits from consolidation would not be achieved without some disruption of personnel. For example, the study group estimated that consolidation from 70 to 20 sites would require the reassignment of 43 percent of IRS' permanent telephone assistance site staff and would result in severance of 41 percent of IRS' temporary staff. The group also said that the consolidation could have a detrimental effect on the grade levels of the residual taxpayer service work force in districts no longer having toll-free telephone operations. Without this operation, districts would lose a portion of their allocated staff years and, as a result, some positions might need to be reclassified to lower grade levels.

Also, managers in districts no longer having a toll-free telephone operation would not be able to continue the practice of switching employees between the walk-in and telephone areas as workload changed. The study group further noted that in districts with consolidated telephone operations, telephone managers would not be as flexible in calling on technical expertise from other functions when necessary. In this regard, providing technical back-up to a large, consolidated telephone operation might put a substantial strain on the other functions in the district.

IRS took some action on the basis of the 1977 study report. In fiscal years 1977 and 1978, it implemented 6 consolidations. Further, in 1979, IRS sought to update and verify the accuracy of the 1977 report. In so doing, IRS determined that there was a need to begin implementing further consolidations. And, by September 1981, IRS had consolidated from 64 to 52 answering sites.

However, further consolidations were suspended as of the end of fiscal year 1981 due to an IRS Internal Audit Division report which recommended that the cost-effectiveness of consolidations be verified. The Internal Audit Division's report concluded that the mathematical model used in the 1977 study to estimate savings, although effective for identifying the optimum number and location of sites, was not designed to forecast actual cost savings. Responding to the Internal Audit Division's findings and its recommendation that the Service verify the cost-effectiveness of consolidation efforts, IRS completed an analysis in May 1982 which showed that completed consolidations had in fact proven cost-effective. The analysis, based on actual costs before and after consolidation, showed that each of three consolidated sites was less costly to operate than were comparable, separate sites for fiscal year 1981. IRS also noted that the consolidated sites had realized further efficiency improvements and additional cost savings as experience was gained in managing the larger operations.

Despite its findings in this regard, however, IRS has not implemented any further telephone site consolidations. This was due in part to the fact that the Service had proposed to eliminate telephone assistance for tax law questions. But the Congress rejected IRS' proposal through the appropriations process and, therefore, there is a need for IRS to again give consideration to the consolidation issue in the near future. Specifically, IRS needs to take into account the fact that modern communications equipment would enable the Service to operate a more efficient telephone assistance program.

Concerning the latter point, we found that IRS already has enough modern equipment to staff 13 telephone assistance sites without purchasing additional equipment. That is, 13 of IRS' 52 telephone assistance sites have computer-assisted telephone equipment which conceivably could handle much, if not all, of IRS' total annual call volume. Such equipment was available at three of the five districts we visited in 1982. At each of these three sites, we found that even with existing circuitry, the equipment was not being used to its fullest capacity during the filing season. In fact, filing season equipment usage ranged from 64 to 87 percent of maximum circuited capacity at the three sites during fiscal year 1981. During that year, the three sites answered 1.3, 1.6, and 2.1 million calls, respectively. But each site could have handled more calls if the equipment had been recircuited with additional lines and used to its fullest capacity. Thus, if IRS had apportioned its fiscal year 1981 call volume of 36 million among the 13 sites with computer-assisted equipment, and had recircuited that equipment, each site could have handled a technically feasible average of 2.8 million calls.

In contrast, two districts we visited in 1982 did not have computer-assisted telephone equipment. Officials at both districts told us that outdated equipment affected the quality of service provided to taxpayers. According to an official at one district, the equipment could not meet the level of demand for service in part because malfunctions caused many incoming calls to go unanswered. Both districts had submitted requests to replace the outdated equipment with computer-assisted equipment, but these requests had been deferred due to budget constraints.

Results from our test of the adequacy of IRS' telephone assistance during the 1982 filing season also demonstrated that computer-assisted equipment rendered better service than did other IRS telephone equipment. Of the 1,092 calls we placed, 512, or 47 percent, were made to locations with computer-assisted equipment. Only 3, or less than 1 percent, of the 512 calls made to locations with computer-assisted equipment were lost while on hold. In contrast, 72, or 12 percent, of the 580 calls made to sites which did not have computer-assisted equipment were lost while on hold.

Although IRS already has much of the equipment it would need to operate its toll-free telephone assistance program from 13 sites, equipment is but one aspect in deciding whether to consolidate. Numerous other factors need to be taken into account in determining the optimum number of telephone sites to operate. In any case, however, IRS probably could not operate efficiently with less than 13 sites. In this regard, for fiscal year 1981, account-related inquiries comprised about 40 percent of IRS' total call volume. For a telephone assistor, the methodology for handling an account-related inquiry differs substantially from the methodology for handling a tax law question or a request for forms or publications. This is because account-related inquiries frequently require IRS telephone assistants to make a computer-assisted search of records maintained at a service center. Since an individual's tax records are maintained at only 1 of IRS' 10 service centers--the service center to which the taxpayer mailed the tax return--answering sites seemingly would have to be arranged by service center area to accommodate account inquiries. Furthermore, the existing sites in Anchorage, Alaska; Honolulu, Hawaii; and San Juan, Puerto Rico probably would have to be retained due to the geographical distances involved.

IRS has recognized that the Congress may insist that the current toll-free telephone assistance program be maintained and has determined that decisions on consolidation are still needed. To this end, IRS has contracted for a more detailed study

to determine the cost-effectiveness of potential consolidation actions. The contract involves developing a complex computer model to sort out the numerous alternatives for future toll-free telephone system consolidations. IRS expects to receive the study results early in calendar year 1984.

Once IRS has received the study results, it should be in a position to make decisions on consolidation, and it should do so. Meanwhile, IRS should also begin seeking to develop methods for diverting taxpayers who have tax law or account-related questions from walk-in to telephone assistors.

Diverting taxpayers with tax law questions from walk-in to telephone assistors

Historically, IRS has provided taxpayers with answers to tax law and account-related questions both over the telephone and at walk-in offices. Yet the cost associated with providing the same kind of assistance through these activities differs substantially. That is, it is much more expensive to handle tax law and account-related questions at walk-in offices than via telephone. Therefore, to the extent that IRS can expand its recent efforts to channel such questions to telephone assistors in future years, it may achieve some significant cost savings. To do so, IRS may find it useful to educate both taxpayers and walk-in office employees as to the benefits of increased reliance on telephone assistance.

Tax law and account-related inquiries represent the bulk of telephone inquiries. During fiscal year 1981, IRS telephone assistors responded to about 36 million calls, of which 32 million, or 89 percent, were tax law and account-related inquiries; 4 million, or 11 percent, pertained to requests for forms and/or publications.

Tax law and account-related inquiries also represent a major portion of IRS' walk-in contacts. In fiscal year 1981, IRS handled 8.7 million walk-in contacts. Of these, only 2.6 million, or 30 percent, involved help in return preparation and/or return review. The remaining 6.1 million, or 70 percent, involved "other walk-in contacts," which included tax law and account-related inquiries. IRS' data does not separate tax law and account-related inquiries from "other walk-in contacts." However, according to IRS, about 96 percent of IRS' non-return preparation and review contacts are for tax law and account-related inquiries. Assuming that this same percentage rate applied for fiscal year 1981, IRS would have handled 5.9 million such inquiries at walk-in offices that year.

If tax-law and account-related inquiries were handled exclusively over the telephone, IRS' costs would decrease. According to IRS data, the Service can provide answers to these inquiries at less cost by telephone than at walk-in offices. For each call answered in fiscal year 1981, IRS spent an average of \$2.09. For each walk-in contact involving tax law or account-related inquiries, IRS spent an average of \$3.53. Thus, IRS spent \$1.44, or 69 percent more per walk-in contact to handle inquiries which could have been handled at a lower cost by a telephone assistant. The difference in cost is attributable partly to the fact that telephone assistants can handle a higher volume of inquiries than can walk-in assistants and partly to the fact that telephone assistants have a lower pay scale than do walk-in assistants.

If the 5.9 million tax law and account-related inquiries had not been handled at walk-in offices at a cost of \$3.53 each, IRS could have reduced the cost of providing assistance at its walk-in offices by \$20.8 million. Meanwhile, the 5.9 million inquiries could have been handled over the telephone for \$12.3 million, which is \$8.5 million less than the cost of handling them at walk-in offices. Although it is infeasible to expect IRS to divert all questions from walk-in to telephone assistants, these cost comparisons illustrate the benefits that could be derived from even a partial shift of emphasis from walk-in to telephone assistance.

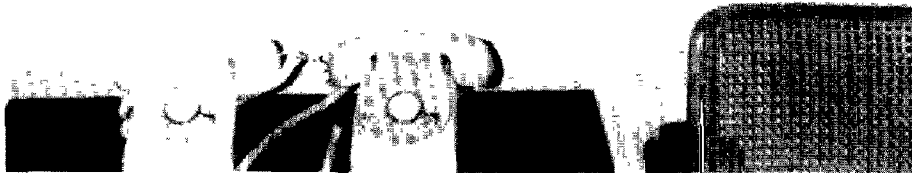
IRS has recognized the potential benefits that could be derived from greater reliance on telephone assistance for tax law and account-related inquiries. In fact, IRS encourages taxpayers, who visit walk-in offices for answers to such inquiries, to use the telephone. In some walk-in offices, for example, IRS has "hot-line" telephones which automatically connect taxpayers to the toll-free lines; in other offices, IRS provides telephones with signs directing taxpayers with questions to dial the applicable toll-free telephone number. The pictures on the following page illustrate these IRS efforts.

Based on our observations at the five IRS districts we visited, however, both the availability and the extent of use of these telephones was limited. For example, one district did not have the telephones in any offices while the other four districts provided telephones only in some offices. Also, in some walk-in offices, signs publicizing the hot-line telephone service were inadequate and telephones were not in prominent locations. Thus, many taxpayers may not have been aware of the availability of the telephones. In other instances, IRS walk-in office personnel did not encourage use of the telephones because they believed the telephone lines would be busy and/or because they felt that taxpayers preferred to have inquiries handled personally.



Sign in a walk-in office notifying taxpayers of the availability of a "hot-line" telephone for answers to questions

YOU MAY RECEIVE TECHNICAL TAX
 INFORMATION AND OR INFORMATION
 ON YOUR TAX RETURN BY USING
 THE TELEPHONE. YOUR CALL WILL
 BE AUTOMATICALLY DIALED AND
 ANSWERED BY OUR TOLL FREE
 PHONE IF YOU CALL 800-242-6750



Direct dial telephone in walk-in office with sign explaining how taxpayers seeking answers to questions can use the toll-free lines



Sign in IRS walk-in office informing taxpayers of IRS' toll-free telephone number

Many taxpayers do in fact prefer to visit IRS in person to get answers to tax law and account-related inquiries. According to our questionnaire results, of those who made such inquiries at walk-in offices during the 1982 filing season, 67 percent preferred in-person assistance for a variety of reasons. For example, some taxpayers felt that they could better explain their problem in person; others said they could better understand IRS' answer in person. Some taxpayers also expressed the view that getting an answer to a question via walk-in assistance took less time than did a telephone inquiry.

Thus, for several reasons, some taxpayers prefer to get answers to their questions from walk-in rather than telephone assistors. IRS, of course, can and should take taxpayers' preferences into account in deciding how best to structure its assistance activities. But IRS also needs to take cost considerations into account when making program management decisions. And, on balance the mix of considerations indicate that, in this instance, IRS should seek to divert as many questions as possible from walk-in to telephone assistors. Therefore, IRS may want to further promote the use of telephone assistance for tax law and account-related questions. Concurrently, IRS may want to educate its walk-in office employees as to the need for and desirability of such a change in program emphasis. This is because walk-in office personnel could be instrumental in getting taxpayers to adapt to using the telephone as the means for getting answers to tax law and account-related questions.

On a related matter, IRS also may be able to further enhance its taxpayer assistance program by getting more taxpayers to adapt to use of audio and video tapes.

Expanding use of audio and
video equipment to assist
taxpayers

In recent years, IRS has responded to the problem of reduced taxpayer assistance program resources in part by taking advantage of technological developments. In particular, IRS has experimented with using audio and video tapes to answer specific tax law questions and to assist taxpayers in filling out tax returns. IRS' efforts have demonstrated that there is a potential for increased use of audio and video tapes in future years. By relying more on tapes in the future, IRS may be able to reduce its taxpayer assistance program costs. However, with respect to library audio tapes, IRS needs to collect and analyze information on the extent to which taxpayers' needs are being met.

Expanding use of telephone audio tapes

During fiscal year 1982, IRS began experimenting with telephone audio tapes as a means for answering taxpayers' tax law questions. This system used cassette tapes to provide tax information on 118 different topics such as filing requirements, dependents, itemized deductions, and tax credits. Unlike regular IRS toll-free telephone assistance, "Tele-tax" was available to taxpayers in the test area 24 hours a day, 7 days a week. To use Tele-tax, an individual needed to have (1) a touch tone telephone so as to be able to designate the 3-digit number of the desired tape and (2) knowledge of the subject category under which a particular question might be answered.

IRS considered its test results for Tele-tax to be encouraging and therefore decided to expand the service to 112 locations nationwide for fiscal year 1983. Among other things, IRS found that the cost of answering a question via Tele-tax was 82 cents on average. In comparison, it cost IRS \$2.09 on average, during fiscal year 1981, for an assistor to respond to a tax question on the toll-free telephone lines.

Thus, Tele-tax appears to have some potential for reducing IRS' taxpayer assistance program costs. IRS has been collecting data on the utility of Tele-tax, particularly on the issue of whether taxpayers are in fact getting satisfactory answers to their questions. As of July 1983, however, IRS was still analyzing the data it had collected on taxpayers' use of Tele-Tax during the 1983 filing season.

In any case, however, the utility of the Tele-tax program is limited by the touch tone telephone requirement. This is because, according to American Telephone and Telegraph Corporation officials, slightly less than 50 percent of its customers nationwide have touch tone telephones. Still, Tele-tax appears to have the potential to better enable IRS to provide more efficient and effective assistance to taxpayers.

Expanding use of library audio tapes

In fiscal year 1979, IRS began making audio cassette tapes available in libraries across the country. The tapes provide taxpayers with line-by-line instructions on how to prepare Federal tax forms 1040 and 1040A and schedules A (itemized deductions) and B (dividend and interest income). However, IRS' data indicates that taxpayers have made only limited use of the tapes for a variety of reasons. IRS perhaps can remedy this situation by further promoting taxpayer use of the audio tapes. Concurrently, however, IRS should seek to determine the extent to which the audio tapes prove useful to taxpayers.

According to the latest available IRS data, taxpayers made only limited use of library audio tapes during fiscal years 1979 through 1981, as shown in the following table.

<u>Fiscal year</u>	<u>Number of participating libraries</u>	<u>Number of patrons using tapes</u>
1979	1,677	8,185
1980	2,994	12,805
1981	2,555	11,467

Thus, in fiscal year 1981, only 11,467 persons reportedly used IRS-furnished library audio tapes. In contrast, during that fiscal year, IRS provided self-help return preparation assistance to 2 million persons at walk-in offices. Undoubtedly, some of the 2 million persons using return preparation assistance at walk-in offices could instead have used a library audio tape at home. And if IRS could increase taxpayer use of library tapes, significant cost savings could accrue. IRS' average cost, per taxpayer, for library tapes is about \$1 per person assisted. In comparison, self-help assistance provided at walk-in offices costs an average of \$2.05 per person assisted.

Several factors may account for limited use of the library audio tapes by taxpayers. First, there is the obvious limitation that a taxpayer must have access to a cassette recorder in order to take advantage of library audio tapes. Second, some libraries allow patrons to check out tapes for as long as 3 to 5 weeks, thereby limiting the number of persons who can use the tapes. For fiscal year 1983, IRS sought to have libraries limit check-out of the tapes to 3 or 4 days to increase circulation. Third, IRS officials believe that few taxpayers are aware of the library audio tape program. IRS did prepare some publicity materials for use by district offices but these materials have proven insufficient. IRS needs to afford greater emphasis--from a publicity standpoint--to the library audio tape program. By so doing, IRS may be able to increase taxpayer reliance on such tapes while concurrently reducing the Service's assistance program costs.

On a related matter, there is also a need for IRS to better assess the utility of audio tapes to taxpayers. Currently, IRS collects data only on the extent of use of the tapes; it does not seek to assess taxpayers' satisfaction with the tapes. Such data is essential, however, because IRS conceivably could be incurring unnecessary additional costs. For example, a taxpayer who gets insufficient information from an audio tape might follow up by calling IRS or visiting a walk-in office. In such a case, the cost associated with the audio tape may have been an unnecessary IRS expense. And IRS can best avoid this problem by collecting and analyzing data on the extent to which taxpayers are satisfied with the use of audio tapes.

Expanding use of video tapes

In fiscal year 1982, IRS began experimenting with the use of a video tape as a means for providing self-help return preparation assistance with respect to Form 1040A at walk-in offices. IRS found that, at test sites, many taxpayers were able to follow the video tape and were able to complete their tax returns without further assistance. IRS therefore expanded its video tape program to include coverage of Form 1040 and Schedules A and B. IRS tested these video tapes during the 1983 filing season.

According to IRS officials, expanded use of video tapes in walk-in offices could, in future years, reduce IRS' assistance program costs. Furthermore, industry officials estimated that, as of January 1, 1983, about 4.5 million home video cassette recorders were in use. IRS, therefore, foresees a potential for home use of video tapes by taxpayers in the future.

CONCLUSIONS

IRS' fiscal year 1984 budget request calls for further reductions in taxpayer assistance programs, including elimination of toll-free telephone assistance for tax law questions. IRS, however, lacks adequate data on the potential effects of its proposals on taxpayers and on the tax system. Prior tax administration reports we have issued together with data we developed while conducting this review indicate that the contemplated program cuts could have potentially serious, negative effects. Chief among these potential negative effects is a possible decline in voluntary compliance levels.

Thus, given the risks involved, IRS ought not to seek further taxpayer assistance program cutbacks without first developing better data regarding the effects those cutbacks would have. IRS needs to develop better data on the overall utility of taxpayer assistance activities in part by seeking more complete answers to the questions raised in this chapter (see p. 25). IRS may indeed be able to cut back on its assistance activities without the adverse effects outweighing the cost reductions that would accrue. But it does not presently have sufficient information for making an informed decision in this regard.

While developing that data, IRS should also further improve its telephone and walk-in assistance. IRS can do so by (1) deciding whether and, if so, to what extent and when it ought to consolidate toll-free telephone answering sites, (2) expanding its efforts to divert taxpayers having tax law or account-related questions from walk-in to telephone assistants, and (3) continuing to experiment with new methods for assisting taxpayers, especially through use of audio and video tapes.

RECOMMENDATIONS TO THE COMMISSIONER
OF INTERNAL REVENUE

To make possible a more informed assessment of the consequences of any future cutbacks in taxpayer assistance activities, we recommend that the Commissioner develop better management information on the overall utility of the Service's taxpayer assistance program. We recognize the difficulties inherent in measuring the direct impact of the taxpayer assistance program on revenue yields and voluntary compliance levels. On the other hand, there are ways to indirectly measure the utility of taxpayer assistance activities. For example, the Service could collect and analyze additional information on issues we have raised in this chapter such as the understandability of IRS forms and publications to assistance program users; the acceptability of available private sector and voluntary organization substitutes for IRS' assistance activities; the impact reductions in telephone assistance may have on other aspects of IRS operations; the potential effect that reduced assistance may have on voluntary compliance levels; and how further assistance program cutbacks would affect certain taxpayer groups.

We intend to make available to IRS the data we developed on these issues. IRS, in turn, will need to collect additional data if it is to develop more definitive answers to these questions. IRS, in response to previous recommendations and at its own initiative, is already planning research projects on compliance related issues. Thus, IRS can consider the questions raised in this report while designing those projects.

Also, IRS can obtain considerable additional information at little additional cost by modifying its current management information systems. For example, through its taxpayer assistance-related data gathering efforts, IRS currently collects data on the utility of its Tele-Tax program by asking taxpayers to respond to a tape-recorded question. IRS could gather information on the characteristics of users of Tele-Tax by asking them to respond to certain additional tape-recorded questions. Similarly, IRS also could consider modifying other management information systems it now operates. For example, the Service could consider using its Taxpayer Compliance Measurement Program as a means for determining who uses IRS-provided taxpayer assistance and what kinds of assistance users need. That program measures taxpayer compliance through specialized examinations of randomly selected returns. Thus, the program could possibly be used as a vehicle for gathering additional data on the extent to which IRS-provided taxpayer assistance contributes to citizens' willingness and ability to comply with the tax laws. Thus, there are a variety of ways IRS can readily collect better data on the utility of its taxpayer assistance programs.

While this is being done, we also recommend that, to improve the efficiency and effectiveness of IRS' taxpayer assistance activities, the Commissioner:

- Decide whether and, if so, to what extent and when IRS should consolidate its current toll-free telephone assistance sites.
- Educate and encourage taxpayers who have tax law or account-related questions to use telephone rather than walk-in assistance and better inform walk-in office assistors on the need for and utility of diverting taxpayers with such questions to telephone assistors.
- Test the feasibility of expanding the use of library audio tapes by taxpayers. One approach could be to determine, in selected areas, whether greater promotion efforts have the effect of motivating more taxpayers to use library audio tapes. Concurrently, data should be developed in those areas on the extent to which taxpayers are benefiting from and are satisfied with the audio tapes. Without such data, IRS cannot be sure that its audio tape program is cost-effective.

RECOMMENDATION TO THE CONGRESS

IRS cannot now provide the Congress with data which will reasonably ensure that the adverse effects of taxpayer assistance program cutbacks will not exceed the cost reductions to be achieved. Therefore, given the potential risks associated with further program cutbacks--especially in terms of a possible decline in voluntary compliance levels--we recommend that the Congress continue to provide IRS with funds to operate telephone, walk-in, and correspondence assistance programs. In deciding on the level of funding for future appropriations, the Congress should consider the information contained in this report on the (1) accuracy, availability, and timeliness of service being provided at current funding levels and (2) kinds of assistance needed as identified by users of IRS' various programs.

AGENCY COMMENTS AND OUR EVALUATION

By letter dated October 20, 1983, the Acting Commissioner of Internal Revenue, in providing IRS' comments on a draft of this report, generally agreed with GAO's conclusions and recommendations. The Acting Commissioner stated that IRS would

- Seek to measure the utility of taxpayer assistance programs through analysis of Taxpayer Compliance Measurement Program data and specific tax assistance program data;

- Conduct a general purpose survey on the sufficiency, availability, and quality of the various taxpayer assistance programs;
- Undertake new research to provide necessary information for determining what programs and levels of tax assistance are appropriate;
- Continue its program directed at improving the readability of tax forms, instructions, and taxpayer publications and analyze taxpayer error patterns to identify areas needing further clarification and simplification; and
- Use the data we developed to supplement IRS efforts to determine the most efficient and effective methods for providing appropriate types of assistance to taxpayers.

In response to our recommendations that IRS improve the efficiency and effectiveness of its taxpayer assistance activities, the Acting Commissioner said that IRS would (1) develop a long-range plan on consolidation actions which will assure efficient and cost-effective operation of the Service's telephone assistance program, (2) emphasize use of telephone assistance by taxpayers through use of posters in walk-in offices which will advise taxpayers of toll-free telephone assistance and hot lines connecting walk-in offices to telephone answering sites, where feasible, and (3) test the feasibility of expanding the use of library audio tapes by taxpayers.

The actions specified by the Acting Commissioner are fully responsive to our recommendations. Appendix I contains a copy of the Acting Commissioner's comments.

CHAPTER 4

OBJECTIVE, SCOPE, AND METHODOLOGY

Our review objective was to evaluate the economy, efficiency, and effectiveness of IRS assistance to taxpayers over the telephone, at walk-in offices, and through correspondence during the 1982 filing season. The objective was accomplished in three phases. In phase one, we measured the accuracy, timeliness, and availability of each of IRS' three taxpayer assistance activities. In phase two, we identified the characteristics of users of IRS-provided taxpayer assistance and determined what kinds of assistance users needed. In phase three, we sought to identify ways in which IRS could improve taxpayer assistance activities, increase productivity, and cut costs.

MEASURING THE ACCURACY, TIMELINESS, AND AVAILABILITY OF TELEPHONE ASSISTANCE

We obtained available information from IRS on its goals for providing accurate and timely telephone assistance during fiscal year 1982 and 3 prior years. We then compared this information to IRS-developed data on the accuracy and timeliness of assistance actually provided. IRS units contacted included the Office of the Commissioner of Internal Revenue as well as IRS' Taxpayer Service, Internal Audit, and Statistics Divisions. We also obtained data from IRS on the accuracy and timeliness of assistance provided taxpayers at five districts selected for detailed coverage during this review. To obtain geographic coverage, we selected IRS districts located in different parts of the country--Atlanta, Georgia; Detroit, Michigan; Newark, New Jersey; San Francisco, California; and St. Louis, Missouri.

As an independent check on information in IRS records, we made 1,092 telephone calls from January 25 to March 31, 1982, to 49 of IRS' 52 toll-free telephone sites. We excluded sites in Anchorage, Alaska; Honolulu, Hawaii; and San Juan, Puerto Rico, because of the geographic distances involved. Calls were made according to standard statistical techniques, which took into account the telephone site to be called, the question to be asked, the date the call was to be placed, and the time and day the call was to be made.

The tax-related questions we asked included 10 from a similar test we made in 1978. The results of our 1978 test were discussed by the Director of GAO's General Government Division in testimony before the Subcommittee on Commerce, Consumer and Monetary Affairs, House Committee on Government Operations, on March 22, 1978. Using the same questions for our 1978 and 1982 tests enabled us to compare results for the two periods. But we

also developed seven new questions related to tax changes contained in the Economic Recovery Act of 1981 and three new questions related to energy tax credits, the interest exclusion, and the earned income credit.

Among other things, we determined whether IRS answered each question accurately and we collected detailed data on the timeliness and availability of telephone assistance. For example, for each telephone call made, we recorded when the call was made, how much time elapsed before the call was answered, whether the call was placed on hold and, if so, for how long, etc. By compiling such data, we were able to develop an overall picture of the efficiency and effectiveness of IRS' toll-free telephone assistance program.

MEASURING THE ACCURACY, TIMELINESS, AND AVAILABILITY OF WALK-IN ASSISTANCE

From IRS headquarters records and records of the five selected districts, we obtained information on IRS goals for providing accurate and timely walk-in assistance during fiscal year 1982 and 3 prior years. We also obtained information from these same sources on the accuracy and timeliness of assistance actually provided and then compared that data to IRS' goals.

As an independent check on the timeliness data contained in IRS records, we used standard statistical techniques to obtain information on the length of time taxpayers waited for IRS assistance during the 1982 filing season and the length of time IRS took to provide assistance. At walk-in sites in 25 districts, we asked IRS to randomly sample taxpayers who visited the sites for assistance on 5 randomly selected days (January 29, February 11 and 22, and March 17 and 30). At walk-in sites, IRS issues a serially pre-numbered contact card to each taxpayer requesting assistance. This card provides space for information on the type of assistance provided and the time spent providing the assistance. We asked IRS assistors to select taxpayers for our survey using certain pre-numbered contact cards we had selected at random.

When IRS assistors issued contact cards with the selected numbers, they were to ask the taxpayers receiving the cards to participate in our survey. IRS asked 4,311 taxpayers to participate in our survey through this methodology and 3,188, or 74 percent, agreed. As 3,188 was more than we needed for statistical purposes, we randomly selected 1,498 for questionnaire mailings. The U.S. Postal Service was able to deliver 1,469 of the questionnaires we mailed to the 1,498 taxpayers, and we received responses from 1,209.

The 25 districts where we followed the above procedure included 15 districts included in an earlier review which resulted in a report entitled Taxpayer Waiting Time at IRS' Walk-in Service Offices (GGD-79-53, Apr. 10, 1979). These 15 districts were:

Augusta, Maine	Chicago, Illinois
Boston, Massachusetts	Milwaukee, Wisconsin
Portsmouth, New Hampshire	Helena, Montana
Manhattan, New York	Aberdeen, South Dakota
Wilmington, Delaware	Seattle, Washington
Jacksonville, Florida	Portland, Oregon
Jackson, Mississippi	Los Angeles, California
Little Rock, Arkansas	

Because we included these 15 districts, we were able to use our previously developed data base as a baseline from which to measure changes in assistance time. But we also included the following 10 additional districts in this review--Albany, New York; Philadelphia, Pennsylvania; Richmond, Virginia; Nashville, Tennessee; St. Louis, Missouri; Houston, Texas; Dallas, Texas; Albuquerque, New Mexico; Denver, Colorado; and Boise, Idaho. These 10 districts were randomly selected from the 44 districts not included in our 1979 review.

MEASURING THE ACCURACY AND TIMELINESS OF CORRESPONDENCE ASSISTANCE

IRS does not record information on the accuracy and timeliness of the correspondence assistance it provides. However, we sampled correspondence IRS received during January 1 through March 15, 1982, at the five IRS district offices selected for detailed coverage. For each taxpayer in our sample, we obtained a copy of the inquiry and a copy of IRS' reply. We then evaluated IRS' reply for accuracy and timeliness. Our accuracy test was judgmental in nature. That is, based on our knowledge of the tax laws, we sought to assess whether IRS' responses were accurate. But we also verified that an IRS supervisor had, as required, reviewed and approved each response. Concerning timeliness, we compared the dates letters were received by IRS to the dates of IRS' responses and compared those time frames against IRS' 14 day goal for replies to correspondence. The number of taxpayers selected at each of the five IRS districts, using standard statistical techniques, was as follows:

<u>District office</u>	<u>Universe</u>	<u>Sample size</u>
Atlanta	100	96
Detroit	156	75
Newark	406	100
San Francisco	72	70
St. Louis	247	83
Total	981	424

DETERMINING WHO USES IRS ASSISTANCE
AND WHAT TYPES OF ASSISTANCE USERS
AND OTHER TAXPAYERS NEED

To determine who used IRS' assistance and what types of assistance users and other taxpayers needed, we developed two questionnaires. The first questionnaire was mailed to 550 taxpayers who requested IRS assistance by telephone, 1,498 who requested IRS assistance at walk-in offices, and 389 who requested IRS assistance via correspondence during the 1982 filing season. Using standard statistical techniques prescribed by GAO, IRS personnel obtained names and addresses of taxpayers telephoning IRS' 52 answering sites. That is, IRS personnel selected three calls per site on each of 5 days during the 1982 filing season (January 29, February 11 and 22, March 17 and 30) and asked the selected taxpayers for their names, addresses, and telephone numbers. Of the 780 taxpayers who were asked, 550, or 71 percent, agreed to identify themselves. The 4,311 taxpayers selected for our timeliness check of walk-in assistance were also asked for their names and addresses; 3,188, or 74 percent cooperated. As 3,188 represented more than the number needed for statistical purposes, we randomly selected 1,498, or 47 percent, for questionnaire mailing. Of our sample of 424 taxpayers who corresponded with IRS for assistance, only 389, or 92 percent, had sufficient address information for questionnaire mailing.¹

The second questionnaire was mailed to taxpayers who had filed a Form 1040 or 1040A during the 1981 filing season. Following standard statistical techniques we prescribed, IRS randomly selected 606 taxpayers from its records of 93 million taxpayers who filed tax returns in 1981. Our sample was drawn from taxpayers filing during 1981 because names and addresses of those filing in 1982 were not yet available. Nevertheless, our questionnaire was directed at obtaining information related to the 1982 filing season.

¹Where address information was insufficient, IRS frequently was able to use the telephone to respond to taxpayers' letters.

The questionnaires mailed and the number of responses received are summarized below:

<u>Group sampled</u>	<u>Questionnaires mailed</u>	<u>Questionnaires undeliverable</u>	<u>Questionnaire responses</u>	<u>Responses as a percent of deliverables</u>
Telephone users	550	31	423	82
Walk-in users	1,498	29	1,209	82
Correspondence users	389	11	312	83
Taxpayers in general	606	27	367	63

We made a computer analysis of the information we collected on our questionnaires. In population surveys, implementation of a sampling design does not always proceed exactly as planned. We expected that more randomly selected taxpayers who used IRS telephone and/or walk-in assistance would agree to participate in our survey than did. We have no data base to ascertain whether those who did not participate would have answered questions in the same way as did taxpayers included in our sample. Therefore, for these two samples, the percentages contained in the body of the report and appendixes VI and VII represent only the responses of those taxpayers who chose to participate in our survey.

Our sampling design for taxpayers in general and taxpayers using correspondence to ask IRS for assistance proceeded more as planned. And we were able to make tests which demonstrated that there was not a non-respondent bias in our sample of taxpayers in general. For these samples, we weighted the sample data to reflect the relative size of each sample universe to the overall universe. In presenting projected data, we used the weighted mean as the best estimate because the projections were based on a statistical sample rather than a complete count.

Additional details on our methodology for each sample are included with our summary questionnaires (appendixes V through VIII).

COMMISSIONER OF INTERNAL REVENUE

Washington DC 20224

OCT 20 1983

Mr. William J. Anderson
Director, General Government Division
United States General Accounting Office
Washington, D.C. 20548

Dear Mr. Anderson:

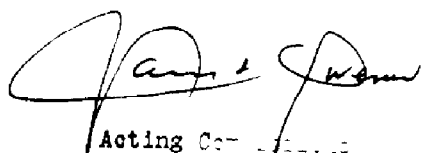
I appreciate the opportunity to review your draft report entitled, "Need to Better Assess Consequences Before Cutting Taxpayer Assistance."

In general, we agree with the report's conclusions and recommendations. In fact, the recommendations are a confirmation of many of the actions taken by the Service over the last several years. We have already sponsored public opinion surveys of various forms of taxpayer assistance and needs, studied and implemented consolidations of toll-free telephone sites, and encouraged taxpayers to use the telephone for assistance. We will continue our efforts in these and other areas in an attempt to provide the most beneficial and cost-effective taxpayer service possible.

Specific comments on each of the report's recommendations are enclosed.

With kind regards,

Sincerely,



Acting Commissioner

Enclosure

IRS Comments on GAO Recommendations
In Draft Report Entitled "Need to Better
Assess Consequences Before Cutting Taxpayer Assistance"

Page 48, Recommendation #1

To provide reasonable assurance that proposed cutbacks in the Service's taxpayer assistance programs will not have adverse effects on the tax system, we recommend that the Commissioner develop better management information on the overall utility of the Service's various taxpayer assistance activities.

Comments

We agree with the recommendation. We will build upon our extensive past research and continue to pursue efforts to develop better management information on the overall utility of the Service's taxpayer assistance programs. During the 1983 Budget formulation we decided to concentrate our efforts in providing account and procedural assistance to all taxpayers seeking that type of assistance, and continuation of our self-help return preparation assistance for those most in need of that help. It was our intention to redirect the requests for technical tax law assistance to less-costly, alternative forms and forums, while still providing the assistance necessary to comply with the tax law. Our plans are to offer the Service's existing tax law assistance programs in FY 1984 and for the foreseeable future based on the actions of both the Senate and House Appropriations Committees on our FY 1984 Budget request. However, the Service will pursue improved, more cost effective, less labor intensive methods of providing taxpayer assistance through various methods

As stated in the GAO report, there are difficulties inherent in measuring the direct impact of taxpayer assistance on revenue yields and voluntary compliance levels. Such an undertaking would be very time-consuming and costly, and we are not sure that current research techniques would allow us to answer these questions with any real degree of certainty.

One of the ways we plan to measure the utility of taxpayer assistance is to continue on-going efforts mentioned in the GAO report such as using general Taxpayer Compliance Measurement Programs (TCMP) data and specific tax assistance program data similar to that collected by the new Tele-Tax Program.

- 2

As needed, we will update management information available to us from previous research. For example, in 1974 and 1978, we surveyed taxpayers who visited walk-in areas to determine the demographics of those who used our programs and their perceptions of our assistance efforts. In 1977, we studied the impact of our Returns Preparation and Review Program, determining both the demographics of users of that program, as well as the cost/benefit relationships arising from the assistance. We used questionnaires in our 1977 tax package to update demographic and perception information, and conducted a taxpayer telephone satisfaction survey in 1978. In 1979, the Service began collecting, through our walk-in card system, measures of waiting time, assistance time and other factors relating to walk-in assistance.

In addition, the Service has sponsored public opinion surveys over the years in which we queried taxpayers' perceptions of, and attitudes toward, various forms of taxpayer assistance. A contract to conduct a new general purpose opinion survey has been awarded. We intend to include questions in this survey on sufficiency, availability and quality of various taxpayer assistance programs, including information dissemination programs.

As we look to the future, we will be undertaking new research to provide the necessary information for determining the programs and levels of tax assistance to be conducted. One effort we plan to initiate this year should provide the Service with additional information. We will be assisted by an outside contractor in a study on Taxpayer Service Alternative Technologies. The study design includes a complete review and evaluation of the current taxpayer assistance program and extensive exploration of all uses of media and high-technology communications applicable to the program. The contract has recently been awarded and study results are expected by July 1984.

As additional alternatives are proposed, tested, and implemented, we will continue to measure their utility to both taxpayers and the Service. We expect that the data developed by GAO will be very useful in supplementing our on-going efforts to determine the most efficient and effective methods for providing an appropriate type of assistance to all taxpayers.

- 3 -

Lastly, we would like to note that the Service is continuing its program of reducing the readability level of the tax forms, instructions, and taxpayer publications. In addition, in 1982 we introduced a new Form 1040EZ. This form, even shorter than Form 1040A, has only 11 lines and was well received by the public. The overwhelming majority of persons filing the new form prepared it themselves. For the coming year, the Service expects to expand the use of Form 1040A by adding lines for new items. We have been testing different versions of an expanded form in various locations throughout the country. Results so far indicate that we can expand the use of the form without appreciably increasing the burden on taxpayers already able to file it. The Form 1040A and instructions are generally considered to be simpler and more easily understood than the Form 1040 and instructions. Thus, one of our goals is to enable more current Form 1040 filers to file the Form 1040A.

As part of the forms, instructions and publications simplification process, we are not only continuing our testing program, but expanding it. By analyzing the test error patterns, as well as the error rates on forms actually filed, we are identifying areas needing further clarification and simplification.

Page 49, Recommendation #2

Decide whether and, if so, to what extent and when IRS should consolidate its current toll-free telephone assistance sites.

Comments

We agree with the recommendation

The Service has and will continue to examine and implement consolidations of toll-free sites where it is cost effective and promotes management and staff efficiencies. We had 52 answering sites at the time of GAO's study. Since that time, eight more consolidations have been approved and three others are pending approval. If the latter three are approved, the Service's toll-free network will consist of 41 answering sites.

Further, based on results of a feasibility study of the Collection and Taxpayer Service Divisions sharing the same Automated Call Distributor equipment, the results of the re-evaluation of the 1977 Site Study, determination of equipment priorities, and appropriate funding availability, we intend to develop in FY 1984 a long-range plan for further consolidations/enhancements. The plan will provide direction and establish a Taxpayer Service position on consolidation actions and enhancement of equipment which represents the most efficient and cost effective operation for the telephone program.

Page 49, Recommendation #3

Educate and encourage taxpayers who have tax law or account-related questions to use telephone rather than walk-in assistance and better inform walk-in office assistants on the need for and utility of diverting taxpayers with such questions to telephone assistants.

Comments

Generally, we agree with the recommendation. In the past, the Service has encouraged the taxpaying public to use the telephone for assistance. We will continue to emphasize the use of the telephone in all of our contacts with the public and in our forms, instructions, publications, and media releases. We will continue to provide posters in the walk-in areas which advise taxpayers of the toll-free telephone assistance, as well as hot lines connecting walk-in areas to telephone answering sites, where feasible.

Page 49, Recommendation #4

Test the feasibility of expanding the use of library audio tapes by taxpayers.

Comments

We agree with the recommendation. We propose to test the utility of our library audio (and visual) tapes as a part of our overall Taxpayer Service Alternative Technologies Study. That study, conducted with the assistance of an independent contractor expert in all areas of communications, will be completed in late 1984.

COMPTROLLER GENERAL'S REPORT
TO THE JOINT COMMITTEE ON
TAXATION
CONGRESS OF THE UNITED STATES

IRS' ADMINISTRATION OF
PENALTIES IMPOSED ON
TAX RETURN PREPARERS

D I G E S T

For many years, IRS has experienced problems with an unknown universe of incompetent, negligent, and/or fraudulent paid return preparers. To supplement existing criminal penalties and to provide IRS with another means for dealing with those problems, the Congress, through the Tax Reform Act of 1976, authorized assessment of civil penalties against paid preparers. The penalties, which range from \$5 to \$500 per violation, can be categorized into three types-- disclosure, recordkeeping, and conduct.

Disclosure penalties may be assessed when preparers provide some but not all of the identification data required or do not identify themselves at all on returns they prepare. Recordkeeping penalties may be assessed when preparers do not maintain required lists of returns prepared and persons employed. Conduct penalties may be assessed when preparers negligently, intentionally, or willfully understate taxpayers' tax liabilities. Conduct penalties also may be assessed when preparers, with or without taxpayers' permission, endorse or negotiate the refund checks of their clients. During 1977 through 1981, IRS assessed more than 192,000 disclosure and recordkeeping penalties and more than 39,000 conduct penalties.

Since the penalty provisions went into effect, they have proven controversial. Individual preparers and preparer groups have complained about IRS' administration of the provisions. For this and other reasons, the Joint Committee on Taxation asked CAO to determine whether the provisions were achieving their desired effect of helping IRS to deal effectively with problem return preparers.

Tear Sheet

1

GAO/GGD-83-6
JANUARY 6, 1983

DISCLOSURE AND RECORDKEEPING VIOLATIONS

Through penalty assessment, educational efforts, development and use of tolerance levels, and dialogue with industry representatives, IRS has been very successful in getting an important segment of the preparer population--those who provide some but not all of the identification data required on tax returns--to more fully comply with the disclosure requirements of the law. However, that success may prove short lived because, due to budget constraints, IRS discontinued this portion of its return preparer compliance program in 1982. (See pp. 7 to 9.)

In contrast, it seems questionable whether IRS has been as successful in dealing with a more troublesome segment of the preparer population--those who do not identify themselves at all on returns they prepare and/or do not keep required records. While available evidence indicates that there are a number of such preparers, the overall extent of the problem is unknown. IRS needs to gather and analyze data on these preparers with a view toward determining the extent of the problem and the relative effectiveness of its compliance activities in this regard. GAO suggested that the Service consider using an existing IRS data collection program as one means for obtaining some of the needed data. (See pp. 9 to 11 and pp. 35 to 37.)

CONDUCT VIOLATIONS

For a variety of reasons, IRS' administration of conduct-related penalties has been uneven. Nonetheless, the Service's efforts have demonstrated that negligent and/or dishonest preparers still pose a threat to the tax system. To deal more effectively with these continuing problems, IRS needs to take steps to (1) further improve administration of the penalty for negligent misconduct, (2) clarify the circumstances under which the willful misconduct penalty ought to be asserted, and (3) reevaluate its compliance approach with respect to preparers who endorse or negotiate taxpayers' refund checks.

On the basis of general guidelines issued by IRS headquarters, IRS examiners began asserting penalties against paid preparers for negligent misconduct in October 1977. Almost immediately,

preparers began complaining that examiners were asserting the penalty on an inconsistent basis. As a result, IRS reevaluated its guidelines and subsequently made a strong effort to further clarify what exactly constitutes negligent misconduct. This should help assure application of this penalty on a more consistent basis. However, IRS still needs to resolve persistent confusion over the question of how examiners ought to take tax law complexity into account when making penalty assertion decisions. Otherwise, examiners will have to continue relying heavily on subjective judgement in determining whether a particular provision of the law is or is not complex. Also, IRS should ensure that case files contain the information IRS managers and internal auditors need to assess the appropriateness and consistency of examiners' penalty decisions. (See pp. 12 to 18.)

IRS' administration of the penalty for willful misconduct also has been hampered by inadequate guidelines. Examiners have been afforded only general guidance as to what constitutes willful misconduct. The lack of specific guidelines, together with minimal documentation in case files, has limited IRS' ability to assess the effectiveness of its efforts to detect and deter preparers who willfully understate taxpayers' tax liabilities. (See pp. 18 to 21.)

With respect to the preparer penalty for endorsement or negotiation of a taxpayer's refund check, IRS relied primarily on its existing enforcement mechanisms to detect violations. However, one district developed and used an innovative approach to detect violators. As a result, that district accounted for a majority of the refund check penalties assessed during 1980 and 1981. IRS' remaining 58 district offices have not detected nearly as many preparers who negotiated taxpayers' refund checks. (See pp. 21 to 23.)

PROGRAM ACTION CASES

Although IRS relied primarily on its existing enforcement structure to administer the preparer penalty provisions of the 1976 Tax Reform Act, it also recognized the need to supplement that approach with a special program aimed at detecting and deterring preparers who consistently violate the law. Such preparers are of

particular concern to IRS because they can undermine the tax system. Further, occasional penalty assessments may not effectively deter those preparers whose financial gains from violations of the law greatly exceed penalty amounts assessed against them.

To deal with this segment of the population, IRS sought to develop "program action cases." Through such cases, IRS sought to assert multiple penalties against preparers who committed multiple violations. Although IRS' approach to program action cases had some limitations, it did enable the Service to detect and deter some preparers who had committed multiple violations. However, primarily due to budget constraints, IRS stopped keypunching certain preparer-related information in service center computers in January 1982. This made it more difficult for IRS to detect preparers who committed multiple violations.

Subsequently, however, IRS concluded that there was a need to reconsider the decision to stop keypunching the preparer data. In June 1982, the Commissioner did so and decided to reinstitute a limited version of the keypunching operation. If sufficient funds are available, the revised keypunching operation will be implemented in January 1983. This should facilitate development of program action cases in future years. (See pp. 23 to 25.)

BETTER MANAGEMENT INFORMATION NEEDED

When IRS decided to seek the legal authority to assess civil penalties against paid preparers, it believed that such an enforcement tool would provide an effective means for dealing with what was believed to be a small group of problem preparers. However, GAO sent questionnaires to preparers and the results indicated that the preparer problem was, and still may be, larger than originally anticipated. In any case, IRS has not sought to specifically identify the size of the problem preparer group. (See pp. 26 and 27.)

Furthermore, IRS has not collected the data needed to assess the effectiveness of its administration of the penalty provisions. In particular, IRS lacks data on the extent to which penalties have been assessed consistently against the same preparers over the course of several years. In

this regard, if multiple penalty assessments have not caused a preparer to comply, then questions arise as to the utility of existing penalty provisions. IRS' Internal Audit Division alerted top Service managers to the need for management information in a January 1981 report. However, IRS has not yet collected the needed information. (See pp. 29 to 33.)

RECOMMENDATIONS

The Commissioner of Internal Revenue needs to collect and analyze better management information on the preparer population and on preparer penalties. Without such information, IRS cannot fully assess the extent of preparer noncompliance or the effectiveness of its overall compliance program. In addition, the Commissioner should resolve specific questions about the appropriateness of certain compliance approaches and the consistency of penalty-related decisions. GAO makes several recommendations on these matters. (See pp. 35 to 37.)

AGENCY COMMENTS

The Commissioner of Internal Revenue expressed general agreement with GAO's recommendations and specified that various corrective actions would be initiated. In GAO's view, however, the Commissioner could further assure consistent application of the willful misconduct penalty by seeking to develop guidelines which would better define for IRS personnel and preparers the circumstances under which that penalty may be asserted.

GAO also points out that current IRS plans call for substantial reductions in the Service's taxpayer assistance programs. These planned reductions may well have the effect of forcing many more taxpayers to seek assistance from paid preparers in future years. Thus, GAO suggests that, in developing a timetable for implementing corrective actions to the return preparer program, the Commissioner take into account the expected status of the taxpayer assistance program and the continuing problem of tax law complexity. (See pp. 37 to 39.)

COMPTROLLER GENERAL'S
REPORT TO THE CONGRESS

WHO'S NOT FILING INCOME TAX
RETURNS? IRS NEEDS BETTER
WAYS TO FIND THEM AND
COLLECT THEIR TAXES

D I G E S T

Some 87 million taxpayers filed individual Federal income tax returns in 1978, accounting for \$213 billion in gross tax collections. However, each year many taxpayers do not file, and as a result, the Internal Revenue Service (IRS) is not able to collect billions legally owed to the United States.

Some 68 million people were required to file Federal income tax returns in tax year 1972-- the most recent year for which reasonably complete data was available for estimating the number of nonfilers. GAO estimates that about 5 million, owing about \$2 billion in taxes, did not file in tax year 1972. These "nonfilers" represent a "delinquency gap," or the difference between the number of people required to file returns and those who did.

IRS was able to reduce this gap by about 600,000, or 12 percent, of the estimated 5 million nonfilers. The remaining nonfilers were not pursued by IRS primarily because of limited resources. (See pp. 5 and 6.)

IRS needs to be more systematic and vigorous in detecting and pursuing nonfilers. Also, the Congress needs to consider whether additional resources are needed to improve IRS nonfiler efforts after IRS provides it with specific cost estimates.

IRS NEEDS TO MORE FULLY
EXAMINE THE NONFILER POPULATION

To get some perspective on the problem, GAO developed an estimate of the nonfiler population and a profile of its characteristics. While nonfilers generally are similar to those who file, certain

differences help explain their identity and the reasons they do not comply.

--About 26 percent had 8 years of schooling or less; they may have found the tax laws too complicated to understand that returns should be filed.

--About 17 percent of the nonfilers are self-employed individuals whose business income is not reported to IRS; they may have less incentive to file since IRS has no record of their earnings.

Occupations with the highest nonfiling rates were

--laborers (about 17 percent),

--service workers (about 16 percent),

--craftsmen (about 13 percent), and

--clerical workers (about 13 percent).
(See pp. 6 to 17 and app. III.)

To determine the number and identity of these nonfilers, their reasons for not filing, and the action needed to promote compliance with the laws, IRS needs to estimate the nonfiler population and analyze its characteristics. Without such information IRS is not in a position to determine the best way to reduce the delinquency gap or the best use of its nonfiler resources.

IRS has certain data, such as information returns, Social Security Administration records, and its own master file records, from which periodic estimates of the nonfiler population and its characteristics could be made. This could provide the operational data needed to attack the nonfiler problem systematically. (See pp. 18 to 20.)

IRS NEEDS A MORE EFFECTIVE
PROGRAM FOR CATCHING NONFILERS

IRS' primary means for detecting and investigating nonfilers is the Taxpayer Delinquency Investigation Program. Its major weaknesses result from

- criteria for selecting potential nonfilers for investigation,
- policies and procedures restricting the investigation of those selected,
- various practices in managing non-filer cases. (See p. 22.)

IRS selects potential nonfilers for investigation on the basis of data taken from information returns, social security tax records, and its master file. Selection is based generally on whether a person's income, as shown by these sources, indicates a predetermined tax liability. It is not based on whether a person is technically required to file. In fact, IRS' data sources do not always show the requirement to file. As a result, many people who are not required to file are selected for investigation, while many who may be required to file are not selected.

For example, to determine which potential nonfilers to pursue for tax year 1975, IRS used accumulated records on about 110.3 million individuals. Not all of these people were nonfilers--persons required to file a tax return--because the records included deceased persons and those who had little or no income. Of the 110.3 million individuals, IRS selected about 1.3 million for investigation under its Taxpayer Delinquency Investigation Program but secured delinquent returns in only 31 percent of the cases investigated.

Of the 109 million people not selected for investigation as potential nonfilers, about 90 million were not selected

because of insufficient information or because they were deceased. The other 19 million were not selected because they had low income with little or no potential tax liability.

Overall GAO estimates that about 2 million of the 109 million people not selected for investigation had sufficient income to be technically required to file. GAO's analysis of the 19 million low-income people not selected for investigation shows that IRS selection criteria excluded about 700,000 persons who were required to file but did not. (See pp. 23 to 26.)

A better way for IRS to select potential nonfilers for investigation and use its resources is to develop a model assuring, with a high degree of probability, that individuals selected for investigation are indeed required to file returns.

GAO developed a model which predicts, with about 83 percent certainty, potential nonfilers most likely to be required or not required to file. Using GAO's example, IRS should create a similar model for nationwide use. (See pp. 26 and 27.)

Because resources are limited, IRS policies and procedures for investigating potential nonfilers intentionally limit the extent to which they are pursued. Moreover, IRS procedures do not ensure that nonfilers, once caught, will file all their delinquent tax returns; nor do the procedures require that delinquent returns be checked to identify unreported income.

GAO reviewed 962 randomly selected cases in 7 district offices from IRS' Taxpayer Delinquency Investigation Program for tax year 1975. About 46 percent of the cases were closed successfully either because IRS had secured delinquent returns or because the individuals were not required to file or had filed previously. Generally the unsuccessful

closures were due to IRS' decision not to investigate the taxpayers sufficiently to locate them or verify whether they were required to file.

When--at GAO's request--IRS investigated 389 of GAO's sample cases, successful closures increased to about 69 percent. Investigating such cases thoroughly increased costs, but revenues to the Government outweighed costs 3 to 1.

On the basis of the sample cases, GAO estimates that IRS did not investigate thoroughly 56,000 nonfiler cases in 7 districts for tax year 1975. This means IRS did not

--secure about 25,000 delinquent returns involving \$15.8 million in taxes owed and \$7.7 million in refunds or

--uncover about \$14.8 million in unreported income with potential tax liabilities of \$2.2 million. (See pp. 28 to 42.)

IRS can also improve its Taxpayer Delinquency Investigation Program by making a number of improvements in its caseload management practices. (See pp. 42 to 51.)

IRS officials stated that more resources are needed to increase the number of nonfilers it can thoroughly investigate. For example, IRS district offices would have needed at least \$29 million to adequately investigate about 630,000 nonfiler cases referred by the service centers nationwide for tax year 1975, yet IRS spent only about \$15 million.

Additional resources alone will not increase program effectiveness. IRS also needs to improve the way it uses the money and people it has. (See pp. 51 to 53.)

IRS ACTIONS OUTSIDE THE TAXPAYER
DELINQUENCY INVESTIGATION PROGRAM
CAN HELP REDUCE THE DELINQUENCY GAP

Once IRS has estimated the nonfiler population and analyzed its characteristics, it will be in a better position to take other actions to complement its Taxpayer Delinquency Investigation Program and develop a balanced attack on the nonfiler problem.

For example, the characteristics of the approximately 5 million nonfilers estimated by GAO for tax year 1972 indicate that Returns Compliance Programs might be aimed at

- industries, such as retail trade, services, and construction; and
- occupations, such as managers, craftsmen, and sales workers.

IRS' only active program to date is directed at some self-employed professionals who make up less than 1 percent of GAO's estimated nonfiler population. (See pp. 59 to 61.)

Using State tax-related data on Federal nonfilers would also help IRS identify nonfilers that are not easily detected through its Taxpayer Delinquency Investigation Program. GAO noted this in a May 1978 report (GGD-78-23).

Yet, IRS still has not seriously explored the feasibility of using State data to identify potential Federal income tax nonfilers. Only one of six States reviewed by GAO provided such information to IRS; even then, IRS was not adequately processing or using the information. (See pp. 61 to 63.)

EXCESS INTEREST PAID TO
DELINQUENT TAXPAYERS DUE REFUNDS

Delays in processing tax refunds to delinquent filers are costly to the Government. IRS paid about \$6 million in interest on refunds to nonfilers who filed their returns after being identified and caught by IRS' 1975 Taxpayer Delinquency Investigation Program.

IRS had to pay out such interest because it did not process these returns within 45 days after they were filed, as required by law. To avoid having to pay such interest, IRS should make sure that delinquent tax returns involving refund claims are processed within 45 days of being filed. (See pp. 64 and 65.)

DELINQUENT TAXPAYERS DUE REFUNDS
ARE NOT PENALIZED FOR LATE FILING

Section 6651(a) of the Internal Revenue Code imposes a penalty on those delinquent taxpayers who owe additional tax. It does not assess any charge against delinquent taxpayers due refunds. This situation is contrary to the voluntary compliance concept since it does not encourage people to comply with the April 15 filing deadline, regardless of whether they are due a refund.

For tax year 1975, GAO estimated that IRS had to spend almost \$4 million to identify nonfilers due refunds and interest of about \$226 million. It is incumbent on IRS to do all it can to make sure that taxpayers due refunds receive them. GAO recognizes that, although the Government has use of the taxpayers' unclaimed refunds, the Government's primary goal is to encourage timely compliance by taxpayers, who would likewise profit from receiving refunds sooner. (See pp. 66 to 68.)

MATTER FOR CONSIDERATION
BY THE CONGRESS

The Congress should consider alternative ways to amend section 6651(a) to impose a late filing charge on nonfilers whom IRS identifies and who subsequently file returns resulting

in refunds. The Congress should request IRS to provide it with a series of alternatives. (See p. 70.)

IRS COMMENTS

IRS agrees with the substance of many of GAO's recommendations and will implement the recommendations to the extent practical. It stated, however, that its present nonfiler program is cost beneficial and that due to limited resources, it can thoroughly investigate only the more productive nonfiler cases. IRS also emphasized that because of its limited resources, devoting additional resources to detecting and investigating nonfilers would reduce other enforcement programs, such as audit and collection.

IRS selects nonfiler cases on the basis of a predetermined tax liability and not on whether the persons are likely to be required to file. It believes that such cases will have a high tax yield.

GAO agrees that IRS' nonfiler program is productive in terms of taxes, penalties, and interest assessed against those caught. However, IRS still selects many persons who are not required to file and does not secure returns from many because it fails to investigate them thoroughly. Furthermore, many persons from whom IRS secured returns had shown some intent to file even before IRS investigated them as nonfilers.

IRS could be more effective in reducing the delinquency gap and fostering compliance with the filing requirements if it more systematically selected for investigation nonfilers who are most likely required to file and thoroughly investigated those persons.

IRS stated that the amount of enforcement resources it allocates to detecting nonfilers must be weighed against and balanced with its declining audit coverage and its increasing accounts receivable inventory.

GAO shares IRS' concerns and agrees that the choices are difficult.

Although additional resources may be needed to fully implement GAO's recommendations for improving IRS' nonfiler activities, they should not be taken from other important enforcement programs. Given the amount of resources the Administration wants to direct at nonfiling and other noncompliance problems, the size of the nonfiler population, and its potential adverse effect on the Nation's voluntary tax assessment system, the Congress should determine whether IRS' nonfiler efforts are being funded at a level sufficient to cope with the magnitude of the problem. (See pp. 56 to 58.)

RECOMMENDATION TO THE CONGRESS

The Congress should request IRS to develop and provide to the appropriate congressional committees information on the amount of additional funds needed to improve the effectiveness of IRS nonfiler efforts. This information should include cost estimates for (1) estimating and analyzing the nonfiler population, (2) developing a better nonfiler case selection method, and (3) investigating thoroughly all nonfilers selected. The Congress then can decide whether additional funds are needed. (See p. 58.)

COMPTROLLER GENERAL'S
REPORT TO THE CONGRESSFURTHER RESEARCH INTO
NONCOMPLIANCE IS NEEDED TO
REDUCE GROWING TAX LOSSESD I G E S T

There is a growing trend in the Nation toward disregard for the principle of voluntary tax compliance--a trend which IRS estimates increased tax revenue losses from \$12 billion in 1976 to at least \$20 billion in 1980. 1/

IRS has attempted to reverse this trend, but with little success. It needs more complete information and insight on what makes people willing to comply. Such data is essential for determining the most cost-effective strategy in combating unreported income, IRS' most severe compliance problem by far.

GAO concluded that, until IRS has better compliance data, it should place more emphasis on increasing the tax revenue yield from its various programs. To do so, IRS must use its present cost/yield data more effectively.

GAO made this review because the Congress has frequently indicated through hearings, proposed legislation, and in other ways a strong interest in the degree of compliance with the Nation's tax laws.

MORE COMPLIANCE RESEARCH NEEDED

IRS has nine principal programs for deterring noncompliance. Relying on the examination of tax returns as its primary strategy for stimulating compliance, IRS has allocated more than one-half of its compliance resources to the examination program, distributing the balance among the remaining eight. (See pp. 12 to 18.)

The examination program, however, has not stemmed the decline in voluntary compliance. Moreover, the compliance of all income tax groups that IRS measures has declined. In one extreme

1/In May 1982, after GAO finished its work, IRS released preliminary estimates which indicate that the total tax revenue loss from noncompliance for 1981 may be as much as \$97 billion. (See p. 7.)

case, business taxpayers with income under \$10,000, the compliance rate dropped from 78 percent to 43 percent between 1965 and 1976. Compliance among corporate taxpayers has also declined. (See pp. 19 to 20.)

A decrease in the percentage of tax returns that IRS examines may be a factor in the decline in voluntary compliance. But, the actual effect of the examination program on voluntary compliance is, at best, unclear. For example, although IRS increased the percentage of returns examined in some earlier years, compliance still declined. (See pp. 20 to 24.)

IRS' most severe compliance problem involves unreported income, which accounts for almost three-fourths of the estimated tax revenue lost through taxpayer noncompliance. This problem is compounded by the fact that normal audit procedures are not very successful in detecting unreported income. In this regard, IRS' recent studies of the unreported income problem indicate that even its most intensive examinations--those performed as part of its taxpayer compliance measurement program--were only detecting about 25 percent of the income not reported by those persons audited. This fact has obvious implications regarding the extent to which IRS can rely on its normal, less intensive audits to detect unreported income. Thus, IRS needs to find out which of its various compliance programs can be brought to bear in dealing with this problem. (See pp. 24 to 29.)

IRS has completed some research to find out how the examination program affected taxpayers who were selected for examination. These people, however, constitute a small and decreasing percentage of the taxpaying population. Although IRS had several compliance research projects planned or underway at the time of GAO's review

--none was designated a high priority;

--none addressed the impact of IRS' compliance programs on taxpayers not contacted in a program, the "ripple effect;" and

--none related to how well compliance programs deal with unreported income. (See pp. 29 to 31.)

GAO does not know the extent to which IRS can measure the overall effects of its compliance programs. However, given the billions of dollars of tax revenue at stake, GAO believes that further research is necessary.

INCREASING TAX REVENUE
YIELD SHOULD BE AN INTERIM GOAL

Until IRS has better data on how its programs actually affect voluntary compliance, it should place greater emphasis on increasing the tax revenue yield from its programs.

IRS has allocated resources within and among its compliance programs on the premise that voluntary compliance is a function of the examination of tax returns. In so doing, IRS has purposely sacrificed some tax revenue by trying to stimulate voluntary compliance through broad coverage of the taxpaying population, rather than maximizing the tax revenue available from the examination program. Some resource shifts could, GAO believes, increase tax revenue yield. For example, IRS could increase tax revenue by examining a higher percentage of tax returns which historically have extremely favorable cost/yield ratios and by shifting resources to programs, such as the taxpayer delinquent accounts program, that have a higher average yield-to-cost ratio than other programs.

IRS generally lacks cost and marginal yield data needed to maximize revenue from its programs--a notable exception being the examination program. Adequate data are available, however, to show that the tax revenue yield is, on the average, much higher for some IRS programs than for others. Thus, even a small shift of resources to those programs could increase overall tax revenue. Using average yield data, GAO determined, for example, that a 1- or 2-percent shift of resources among four IRS programs could increase annual tax revenue by \$93 million and \$190 million, respectively. (See pp. 36 and 37.)

Allocating resources to obtain maximum revenues would also increase tax revenue in the examination program. GAO determined that such an approach would

--increase the costs assigned to the examination program,

--change the percentage of tax returns examined for various taxpayer classes, and

--increase tax revenue. (See pp. 38 to 48.)

Better cost/yield data needed

While IRS can immediately increase tax revenue yield from its programs, it still needs more complete data to determine how it should allocate resources effectively over the longer term. IRS has no agencywide information system, however, to provide complete cost/yield and other needed data. (See pp. 49 to 52.)

Although IRS recognized the need for an agencywide system as early as 1976, no information system is yet operational. Such a system is long overdue. (See pp. 52 and 54.)

IRS' RESOURCES LAG BEHIND GROWING DEMANDS

IRS' resources have not kept pace with the increasing demands placed on the tax system. One measure of the resource gap is the growth in tax return filings compared to increases in IRS' budget. Although increases in return filings do not necessarily require a proportionate increase in budget, the number of returns will have grown 17 percent between 1976 and 1983, whereas IRS' fiscal 1983 budget request provides only 5 percent more staffyears than its 1976 budget.

IRS needs, along with more compliance research and better resource allocations, adequate resources to effectively and efficiently operate the Nation's tax system. (See p. 31.)

RECOMMENDATIONS

GAO recommends that IRS do further compliance research, with emphasis on learning how to get people to accurately report their income and how people, in general, respond to IRS programs. (See p. 33.)

GAO also recommends that, until IRS better understands how its programs affect voluntary compliance, it emphasize getting maximum tax revenue from its programs. Specifically, GAO recommends that IRS use existing cost/revenue data to reallocate resources within and among

certain programs. Also, to improve IRS' compliance management, including resource allocations, GAO recommends that IRS implement a system to provide agencywide cost, revenue, and other data for its programs. (See pp. 54 and 55.)

IRS COMMENTS AND GAO'S EVALUATION

IRS agreed that GAO's recommendations have merit and stated that it intends to continue research to determine the impact of its programs on voluntary compliance.

However, IRS felt that GAO's recommendations failed to consider certain IRS limitations and offered little guidance as to how IRS should proceed. GAO recognizes that completing the needed compliance research will be a difficult and long-term endeavor. GAO believes that IRS is headed in the right direction with some of its ongoing research projects and that IRS should assign a higher priority to compliance research.

IRS also stated that although it had long recognized the urgent need for a management information system, it has been unable to develop one because of a lack of resources. IRS said that it has sent its plan for obtaining better management information to Treasury. IRS requested funds for fiscal year 1983 to implement such a system. GAO views these actions as major steps toward meeting a critical need and encourages IRS to continue the emphasis on filling that need.

IRS provided various comments on GAO's findings regarding the examination program. These and IRS' other comments are included as appendix IV. GAO's evaluations of those comments are on pages 34 and 35 and pages 55, 56, and 57.

MATTER TO BE CONSIDERED BY THE CONGRESS

To help determine appropriate IRS resource levels, the Congress may wish to request that IRS periodically provide additional data showing the cost, revenue, and other effects of its programs at various funding levels.

RESULTS FROM QUESTIONNAIRE SURVEY
OF TAXPAYERS IN GENERAL

This questionnaire summarizes the responses we received on questionnaires mailed to taxpayers who filed returns for individuals (Form 1040 or Form 1040A) during the 1981 filing season. We used standard statistical techniques in selecting a sample of 606 taxpayers from the 93 million taxpayers who filed individual returns in 1981. The U.S. Postal Service was able to deliver 579 of the questionnaires we mailed to the 606 taxpayers and we received replies from 367. The summary of responses by the 367 taxpayers is shown as percents next to each question. For example, in response to question 1, 30 percent of the 367 taxpayers indicated that they were high school graduates.

Because we sent questionnaires to a statistical sample of taxpayers, each percent developed from the sample has a measurable precision or sampling error. The sampling error is the maximum amount by which the percents obtained from the statistical sample can be expected to differ from the universe percents. Sampling errors are usually stated at certain confidence levels--in this case 95 percent. This means that the chances are 95 out of 100 that if we sent questionnaires to all taxpayers, the results obtained would not differ from the percents we obtained through our sample by more or less than the sampling errors of the estimates. The table below shows sampling errors at the 95 percent confidence level for various ranges of percents in the following questionnaire. The percents in our questionnaire will differ at most from responses from the true population of 93 million taxpayers by the percents shown in the table.

SAMPLING ERRORS FOR ESTIMATED PERCENTS

<u>Estimated</u> <u>percents</u>	<u>Approximate</u> <u>sampling error</u> <u>(percent)</u>
Less than 5	1.4
5 to 10	2.4
11 to 20	3.3
21 to 40	4.2
41 to 60	4.6
61 to 80	4.2
81 to 90	3.3
91 to 95	2.4
More than 95	1.4

U S GENERAL ACCOUNTING OFFICE
 SURVEY OF INDIVIDUALS FILING
 FEDERAL TAX RETURNS

4-----
 (1-4)

	1	What was the highest grade you completed in school? (Check one)	(5)
<u>PERCENT</u>			
6	1	<input type="checkbox"/> 8th grade or less	
9	2	<input type="checkbox"/> 9 - 11	
30	3	<input type="checkbox"/> High school graduate or GED	
28	4	<input type="checkbox"/> Some college	
27	5	<input type="checkbox"/> College graduate or more	
	2	How old are you? (Check one)	(6)
<u>PERCENT</u>			
7	1	<input type="checkbox"/> Less than 21	
37	2	<input type="checkbox"/> 21 - 34	
18	3	<input type="checkbox"/> 35- 44	
11	4	<input type="checkbox"/> 45- 54	
17	5	<input type="checkbox"/> 55-64	
10	6	<input type="checkbox"/> 65 or older	
	3.	What best describes where you live? (Check one)	(7)
<u>PERCENT</u>			
28	1	<input type="checkbox"/> Rural	
40	2.	<input type="checkbox"/> Suburban	
23	3	<input type="checkbox"/> Urban	
	4	Did you file a 1981 personal Federal income tax return (during 1982)? (Check one)	(8)
<u>PERCENT</u>			
97	1	<input type="checkbox"/> Yes (GO TO QUESTION 5) -----> OVER	
3	2	<input type="checkbox"/> No (GO TO QUESTION 17) -----> PAGE 6	

5 What was your adjusted gross income (line 31 on form 1040 or line 10 on form 1040A) as reported on the Federal tax form you filed in 1982? (Check one) (9)

- PERCENT
- 19 1 Less than \$5,000
 - 16 2 \$5,000 to \$9,999
 - 20 3 \$10,000 to \$19,999
 - 18 4 \$20,000 to \$29,999
 - 1 5 \$30,000 to \$39,999
 - 4 6 \$40,000 or more

6. Altogether during the 1982 tax filing season (January 1, 1982 to April 15, 1982) how many times did you contact IRS about anything in each of the following ways?

SEE BELOW

- (1) About _____ time(s) by telephone (10-11)
(If none, enter "0")
- (2) About _____ time(s) by mail (12-13)
(If none, enter "0")
- (3) About _____ time(s) in person at IRS office (14-15)
(If none, enter "0")

7 If you contacted IRS during the 1982 tax filing season, which of the following help or information did you ask for? (Check all that apply)

- PERCENT
- 76 1 Did not contact IRS (16)
 - 4 2 Help completing tax return (17)
 - 1 3 Information about tax refund (18)
 - 5 4 information about notice, letter, or bill IRS sent to me (19)
 - 5 5 Help correcting a tax account (20)
 - 3 6 Information about taxes in general (21)
 - 11 7 Tax forms (22)
 - 8 8 Tax publications (for example, booklets on income, deductions, expenses, how to fill out forms, etc) (23)
 - 2 9 Other (specify) _____ (24)

NUMBER OF CONTACTS	PERCENT BY TELEPHONE	PERCENT BY MAIL	PERCENT IN PERSON
0	90	94	92
1	5	4	6
2	2	1	1
3	1	0	0
4 or more	2	1	1

8. Where did you get tax forms for your own personal Federal income tax return which you filed in 1982? (Check all that apply)

PERCENT <u>68</u>	1	<input checked="" type="checkbox"/>	IRS automatically sent me all the basic forms that I needed	(25)
	2	<input checked="" type="checkbox"/>	I asked IRS for the basic forms that I needed	(26)
	6	<input checked="" type="checkbox"/>	I asked IRS for special forms that I needed	(27)
	23	<input checked="" type="checkbox"/>	Person paid to prepare my taxes	(28)
	1	<input checked="" type="checkbox"/>	My employer	(29)
	3	<input checked="" type="checkbox"/>	Friend or relative	(30)
	16	<input checked="" type="checkbox"/>	Bank, post office, library, office building, etc	(31)
	3	<input checked="" type="checkbox"/>	Other (specify) _____	(32)

9. How easy or difficult do you feel it is to understand IRS tax forms and the instructions for them? (Check one)

PERCENT <u>8</u>	1.	<input checked="" type="checkbox"/>	Very easy	(33)
	24	<input checked="" type="checkbox"/>	Somewhat easy	
	27	<input checked="" type="checkbox"/>	Not easy - not difficult	
	27	<input checked="" type="checkbox"/>	Somewhat difficult	
	14	<input checked="" type="checkbox"/>	Very difficult	

10. Where did you get tax publications for your own personal Federal income tax return which you filed in 1982? (Do not consider the instruction booklet which came with the tax form) (Check all that apply)

PERCENT <u>45</u>	1	<input checked="" type="checkbox"/>	I had no need for tax publications	(34)
	8	<input checked="" type="checkbox"/>	I asked IRS for any I needed	(35)
	31	<input checked="" type="checkbox"/>	Person paid to prepare my taxes	(36)
	1	<input checked="" type="checkbox"/>	My employer	(37)
	6	<input checked="" type="checkbox"/>	Friend or relative	(38)
	8	<input checked="" type="checkbox"/>	Bank, post office, library, office building, etc	(39)
	4	<input checked="" type="checkbox"/>	Publication which I buy	(40)
	2	<input checked="" type="checkbox"/>	Other (specify) _____	(41)

11. How easy or difficult do you feel it is to understand IRS tax publications? (Check one)

PERCENT <u>2</u>	1	<input checked="" type="checkbox"/>	Very easy	(42)
	15	<input checked="" type="checkbox"/>	Somewhat easy	
	21	<input checked="" type="checkbox"/>	Not easy - not difficult	
	14	<input checked="" type="checkbox"/>	Somewhat difficult	
	8	<input checked="" type="checkbox"/>	Very difficult	
	40	<input checked="" type="checkbox"/>	Never use any	

12. There are two basic steps in preparing a tax form,

- (1) any tax questions you have on income, deductions, expenses, schedules, etc must be answered and then,
- (2) the form must actually be filled out.

Before your personal Federal income tax form which you filed in 1982 was actually filled out, to what extent did each of the following help answer any tax questions on income, deductions, expenses, schedules, etc., that you had?

(Check one box for each line)	1 2 3 4 5					PERCENT	
	Very great extent	Great extent	Moderate extent	Some extent	Little or no extent		
(1) IRS personnel	2	3	4	6	85	(43)	
(2) IRS publications	6	13	14	73	54	(44)	
(3) Publications which I buy	2	4	7	4	83	(45)	
(4) Voluntary income tax assistance (VITA or TCE)	1	2	2	2	93	(46)	
(5) Other volunteer help center	0	2	2	3	93	(47)	
(6) Someone paid to prepare my taxes	32	9	5	3	51	(48)	
(7) My employer	1	2	4	5	88	(49)	
(8) Friend or relative	14	7	8	10	61	(50)	
(9) Other (specify) _____	32	21	21	11	15	(51)	

13. When your personal Federal income tax form which you filed in 1982 was actually being filled out, to what extent did each of the following help in filling it out?

(Check one box for each line)	1 2 3 4 5					PERCENT	
	Very great extent	Great extent	Moderate extent	Some extent	Little or no extent		
(1) IRS personnel	2	1	4	2	91	(52)	
(2) Voluntary income tax assistance (VITA or TCE)	1	1	1	5	92	(53)	
(3) Other volunteer help center	0	1	2	2	95	(54)	
(4) Someone paid to prepare my taxes	34	8	4	2	52	(55)	
(5) My employer	1	1	3	2	93	(56)	
(6) Friend or relative	14	7	7	9	63	(57)	
(7) Other (specify) _____	51	8	7	7	27	(58)	

14. Were you aware that during the 1982 tax filing season IRS would have provided instruction to taxpayers at its walk-in offices on how to prepare personal income tax returns? (Check one) (59)
- PERCENT
63
1. Yes (GO TO QUESTION 15)
- 37 2. No (GO TO QUESTION 16)
15. Did you get such assistance from IRS in preparing your 1981 personal Federal income tax return? (Check one) (60)
- PERCENT
6
- 94 1. Yes } GO TO QUESTION 17
2. No }
16. If you had been aware of this kind of assistance in preparing tax returns, would you have gone to IRS for that kind of assistance? (Check one) (61)
- PERCENT
- 9 1. Definitely yes
- 31 2. Probably yes
- 10 3. Neither yes nor no
- 38 4. Probably not
- 12 5. Definitely not

17. Consider that you are going to send in your personal tax return, that it is similar to those you have sent in the last several years, but that there are some tax questions that need to be answered first

If IRS no longer answered questions you have on income, deductions, expenses, schedules, etc, by telephone, at walk-in offices or by mail, to what extent would you use each of the following to get the answers that you need?

(Check one box for each line)

	1 Very great extent	2 Great extent	3 Moderate extent	4 Some extent	5 Little or no extent	
	PERCENT					
(1) I would try to figure out the answer myself without consulting anyone or any tax publications, I would then fill out the tax form and send it in	14	13	10	22	41	(62)
(2) I would at least look for the answer in a tax publication, I would then fill out the tax form and send it in	21	22	17	16	24	(63)
(3) I would at least ask a friend or relative for the answer, I would then fill out the tax form and send it in	14	19	16	16	35	(64)
(4) I would at least go to a volunteer center to get the answer, I would then fill out the tax form and send it in	11	15	14	1	43	(65)
(5) I would not fill out the parts of the form in which I had questions, I would then fill out the rest of the tax form and send it in	3	2	2		86	(66)
(6) I would pay someone to handle the question(s) and fill out the tax form for me and send it in	39	13	10	8	30	(67)
(7) I would not send the tax form in	2	1	1	2	94	(68)

18. Consider that you are going to send in your personal income tax return, that there are no tax questions to be answered, but that you need help in actually filling out the form

If IRS stops helping people fill out their tax forms to what extent would you use each of the following in getting help to fill out your tax form

(Check one box for each line)

	1 Very great extent	2 Great extent	3 Moderate extent	4 Some extent	5 Little or no extent	
	PERCENT					
(1) I would fill out the whole form myself the best way I could and I would send it in	25	16	13	15	31	(69)
(2) I would ask a friend or relative to fill it out for me and I would send it in	17	11	10	13	49	(70)
(3) I would go to a volunteer center and ask them to fill it out for me and I would send it in	11	9	18	15	47	(71)
(4) I would not fill out the parts of the form where I needed help, I would fill out the rest of it and send it in	1	2	5	7	85	(72)
(5) I would pay someone to fill out the form for me and I would send it in	43	13	9	6	29	(73)
(6) I would not send the form in	1	1	0	1	97	(74)

Part III: Your opinions on possible changes in IRS assistance

19. How much of a problem would it be to you next year if IRS did each of the following?

(Check one box for each line)

	1	2	3	4	5	
	Very great problem	Great problem	Moderate problem	Some problem	Little or no problem	
	PERCENT					
(1) No longer answered questions about income, deductions, expenses, schedules, etc., by mail but still answered them in person at the IRS offices or by telephone	11	5	8	10	66	(75)
(2) No longer answered questions about income, deductions, expenses, schedules, etc., in person at IRS offices but still answered them by mail or by telephone	6	8	11	13	62	(76)
(3) No longer answered questions about income, deductions, expenses, schedules, etc., by telephone but still answered them by mail or in person at IRS offices	11	8	13	11	57	(77)
(4) No longer answered any questions about income, deductions, expenses, schedules, etc., by mail, by telephone, or in person	30	10	10	10	40	(78)
(5) No longer helped taxpayers prepare their own personal tax returns at walk-in IRS offices	16	9	10	1	58	(79)
(6) No longer mailed out special tax forms/publications upon request	33	12	13	0	33	(80)

20. If IRS had to charge a small fee to offset the cost of providing certain kinds of assistance how willing or unwilling would you be to pay a fee for each of the following services?

(Check one box for each line)

	1	2	3	4	5	
	Very willing	Somewhat willing	Not willing	Somewhat unwilling	Very unwilling	
	PERCENT					
(1) Charged for tax forms	3	6	9	7	75	(81)
(2) Charged for tax publications	4	7	11	14	64	(82)
(3) Charged for answering questions about filing tax returns	2	4	9	11	74	(83)
(4) Charged for reviewing a tax return you filled out	3	8	11	11	67	(84)
(5) Charged for helping you fill out a tax return	9	14	10	12	55	(85)
(6) Charged a flat fee for answering questions about tax returns that were called in by telephone	1	2	10	9	77	(86)

21. If you have anything else to say about any of the questions in this questionnaire or about IRS taxpayer assistance please do so here. (87)

<u>COMMENTS</u>	<u>NUMBER OF TAXPAYERS WHO MADE COMMENT</u>
Forms too complicated	24
Charging fee is not OK	17
Taxpayer not satisfied with assistance	16
IRS is not competent	13
Taxpayer assistance needed	11
Telephone unreliable	7
More walk-in offices	5
More noncompliance without assistance	4
IRS should be held to information provided	4
Taxpayer satisfied with assistance	3
IRS is competent	1
Taxpayer not aware of walk-in	1
Charging fee is OK	1

RESULTS FROM QUESTIONNAIRE SURVEY
OF TAXPAYERS WHO USED IRS TELEPHONE
ASSISTANCE DURING THE 1982 FILING SEASON

This questionnaire summarizes the responses we received on questionnaires mailed to taxpayers who used IRS telephone assistance from January 29 through March 30, 1982. IRS personnel asked 780 randomly selected taxpayers to participate in our survey, and 550, or 71 percent, agreed. The U.S. Postal Service was able to deliver 519 of the questionnaires we mailed to the 550 taxpayers and we received 423 responses. The summary of replies by the 423 taxpayers is shown as percents next to each question. For example, in response to question 1, 73 percent of the 423 taxpayers indicated that they contacted IRS about their own personal taxes.

We designed a sampling plan so that at the 95 percent confidence level, the maximum amount by which sample results would differ from the true universe would be 5 percent. This means the chances would be 95 out of 100 that if we sent questionnaires to all of the 22 million taxpayers who made telephone calls (for tax law questions) to IRS during the 1982 filing season, the results obtained would not differ from the percents we obtained by more or less than 5 percent. However, in population surveys, implementing a sampling design does not always proceed exactly as planned. We expected that more than 71 percent of the randomly selected taxpayers would agree to participate in our survey. We have no data base to ascertain whether the 29 percent who did not participate would have answered the questionnaire in the same way as the taxpayers included in our sample. Therefore, it would not be meaningful to compute and show sampling errors for the tabulated percents in our questionnaire. This is because we have no way of knowing how the non-participant bias affects the percents computed from the survey, and the percents should not be considered representative of all taxpayers who used IRS telephone assistance during the 1982 filing season. They can be considered representative only of those taxpayers who chose to participate in our survey.

U S GENERAL ACCOUNTING OFFICE
 SURVEY OF INDIVIDUALS WHO CONTACTED
 IRS DURING THE 1982 FILING SEASON

Earlier this year, during the 1982 Federal Tax filing season, you contacted IRS either by mail, by telephone or in person at an IRS office on the date shown in the label to the right

Part I: Information on your contact with IRS		3 How old is the person who had the tax problem or question? (Check one) (7)	
Questions in Part I relate to the contact you made with IRS as shown in the label		PERCENT	
1	Whose taxes were the main reason for your contacting the IRS at that time? (Check one) (5)	4	1 <input type="checkbox"/> Less than 21
PERCENT		37	2 <input type="checkbox"/> 21 - 34
73	1. <input type="checkbox"/> Your own personal taxes	18	3 <input type="checkbox"/> 35 - 44
9	2. <input type="checkbox"/> Taxes of a friend or relative	11	4 <input type="checkbox"/> 45 - 54
2	3. <input type="checkbox"/> Taxes of someone who came to you while you were serving as a volunteer	15	5 <input type="checkbox"/> 55 - 64
6	4. <input type="checkbox"/> Taxes of a client from whom you received a fee	14	6 <input type="checkbox"/> 65 or older
5	5. <input type="checkbox"/> Taxes of your employer	1	7 <input type="checkbox"/> Don't know
5	6. <input type="checkbox"/> Other (specify) _____	4	4 What was the adjusted gross income (line 31 on form 1040 or line 10 on form 1040A) as reported on the Federal tax form filed in 1982 by the person who had the tax problem or question? (Check one) (8)
		PERCENT	
		9	1 <input type="checkbox"/> Less than \$5,000
		14	2 <input type="checkbox"/> \$5,000 to \$9,999
		30	3 <input type="checkbox"/> \$10,000 to \$19,999
		24	4 <input type="checkbox"/> \$20,000 to \$29,999
2	In questions 2-5 we want to get some background information on the person (you, your friend or relative) whose tax problem was the main reason for your contact with IRS	9	5 <input type="checkbox"/> \$30,000 to \$39,999
		11	6 <input type="checkbox"/> \$40,000 or more
		3	7 <input type="checkbox"/> Don't know
	What was the highest grade completed in school by the person who had the tax problem or question? (Check one) (6)	PERCENT	
PERCENT		5	5 What best describes where the person who had the tax problem or question lives? (Check one) (9)
4	1 <input type="checkbox"/> 8th grade or less	20	1 <input type="checkbox"/> Rural
9	2 <input type="checkbox"/> 9 - 11	50	2 <input type="checkbox"/> Suburban
24	3 <input type="checkbox"/> High school graduate or GED	30	3 <input type="checkbox"/> Urban
24	4 <input type="checkbox"/> Some college		
39	5 <input type="checkbox"/> College graduate or more		
0	6. <input type="checkbox"/> Don't know		

- 6 Consider the main reason you contacted IRS at that time. Which of the following help or information did you ask for? (Check all that apply)
- | | | | |
|---------|---|--------------------------|--|
| PERCENT | | | |
| 35 | 1 | <input type="checkbox"/> | Help completing tax return (10) |
| 6 | 2 | <input type="checkbox"/> | Information about tax refund (11) |
| 8 | 3 | <input type="checkbox"/> | Information about notice, letter, or bill IRS sent to me (12) |
| 5 | 4 | <input type="checkbox"/> | Help correcting a tax account (13) |
| 24 | 5 | <input type="checkbox"/> | Information about taxes in general (14) |
| 26 | 6 | <input type="checkbox"/> | Tax forms (15) |
| 22 | 7 | <input type="checkbox"/> | Tax publications (for example, booklets on income, deductions, expenses, how to fill out forms, etc.) (16) |
| 17 | 8 | <input type="checkbox"/> | Other (specify) _____ (17) |

7 Altogether during the 1982 tax filing season (January 1, 1982 to April 15, 1982) how many times did you contact IRS about anything in each of the following ways? (Be sure to count the time mentioned in the label.)

SEE BELOW

- (1) About _____ time(s) by telephone (18-19)
(If none, enter "0")
- (2) About _____ time(s) by mail (20-21)
(If none, enter "0")
- (3) About _____ time(s) in person at IRS office (22-23)
(If none, enter "0")

8. Which is the best way for you to contact IRS? (Check one) (24)
- | | | | |
|---------|---|--------------------------|---|
| PERCENT | | | |
| 87 | 1 | <input type="checkbox"/> | By telephone |
| 0 | 2 | <input type="checkbox"/> | By mail |
| 7 | 3 | <input type="checkbox"/> | In person at IRS office |
| 6 | 4 | <input type="checkbox"/> | One way is <u>not</u> better than another |
- } (GO TO QUESTION 9)
- } (GO TO PART II)

9 Why is this the best way for you to contact IRS? (Check all that apply)

- | | | | |
|---------|---|--------------------------|---|
| PERCENT | | | |
| 69 | 1 | <input type="checkbox"/> | Takes less of my time this way (25) |
| 41 | 2 | <input type="checkbox"/> | Easier to explain my problem this way (26) |
| 21 | 3 | <input type="checkbox"/> | I can better understand IRS's answer this way (27) |
| 60 | 4 | <input type="checkbox"/> | I get answers faster this way (28) |
| 20 | 5 | <input type="checkbox"/> | I don't have the chance to do it any other way (29) |
| 1 | 6 | <input type="checkbox"/> | I get my answer in writing this way (30) |
| 8 | 7 | <input type="checkbox"/> | Other (specify) _____ (31) |

Part II Information about your own personal tax needs

If your contact with IRS on the date mentioned in the label was about someone else's taxes--

GO TO QUESTION 22 (PART III)
PAGE 7 →

If your contact was about your own personal taxes--

GO TO QUESTION 10 →

10 Did you file a 1981 personal Federal income tax return (during 1982)? (Check one) (32)

- | | | | |
|---------|---|--------------------------|---------------------------------|
| PERCENT | | | |
| 99 | 1 | <input type="checkbox"/> | Yes (GO TO QUESTION 11) → OVER |
| 1 | 2 | <input type="checkbox"/> | No (GO TO QUESTION 20) → PAGE 5 |

NUMBER OF CONTACTS	PERCENT BY TELEPHONE	PERCENT BY MAIL	PERCENT IN PERSON
0	1	75	57
1	41	13	25
2	25	7	11
3	17	1	4
4 or more	16	4	3

11. Where did you get tax forms for your own personal Federal income tax return which you filed in 1982? (Check all that apply)
- | PERCENT | | | | |
|---------|---|--------------------------|---|------|
| 68 | 1 | <input type="checkbox"/> | IRS automatically sent me all the basic forms that I needed | (33) |
| 10 | 2 | <input type="checkbox"/> | I asked IRS for the basic forms that I needed | (34) |
| 36 | 3 | <input type="checkbox"/> | I asked IRS for special forms that I needed | (35) |
| 11 | 4 | <input type="checkbox"/> | Person paid to prepare my taxes | (36) |
| 1 | 5 | <input type="checkbox"/> | My employer | (37) |
| 2 | 6 | <input type="checkbox"/> | Friend or relative | (38) |
| 27 | 7 | <input type="checkbox"/> | Bank, post office, library, office building, etc | (39) |
| 3 | 8 | <input type="checkbox"/> | Other (specify) _____ | (40) |

12. How easy or difficult do you feel it is to understand IRS tax forms and the instructions for them? (Check one) (41)
- | PERCENT | | | | |
|---------|---|--------------------------|--------------------------|--|
| 11 | 1 | <input type="checkbox"/> | Very easy | |
| 27 | 2 | <input type="checkbox"/> | Somewhat easy | |
| 29 | 3 | <input type="checkbox"/> | Not easy - not difficult | |
| 27 | 4 | <input type="checkbox"/> | Somewhat difficult | |
| 6 | 5 | <input type="checkbox"/> | Very difficult | |

13. Where did you get tax publications for your own personal Federal income tax return which you filed in 1982? (Do not consider the instruction booklet which came with the tax form) (Check all that apply)
- | PERCENT | | | | |
|---------|---|--------------------------|---|------|
| 23 | 1 | <input type="checkbox"/> | I had no need for tax publications | (42) |
| 46 | 2 | <input type="checkbox"/> | I asked IRS for any I needed | (43) |
| 4 | 3 | <input type="checkbox"/> | Person paid to prepare my taxes | (44) |
| 1 | 4 | <input type="checkbox"/> | My employer | (45) |
| 4 | 5 | <input type="checkbox"/> | Friend or relative | (46) |
| 10 | 6 | <input type="checkbox"/> | Bank, post office, library, office building, etc. | (47) |
| 6 | 7 | <input type="checkbox"/> | Publication which I buy | (48) |
| 1 | 8 | <input type="checkbox"/> | Other (specify) _____ | (49) |

14. How easy or difficult do you feel it is to understand IRS tax publications? (Check one) (50)
- | PERCENT | | | | |
|---------|---|--------------------------|--------------------------|--|
| 7 | 1 | <input type="checkbox"/> | Very easy | |
| 24 | 2 | <input type="checkbox"/> | Somewhat easy | |
| 24 | 3 | <input type="checkbox"/> | Not easy - not difficult | |
| 24 | 4 | <input type="checkbox"/> | Somewhat difficult | |
| 5 | 5 | <input type="checkbox"/> | Very difficult | |
-
- 16 6 Never use any

15 There are two basic steps in preparing a tax form,

- (1) any tax questions you have on income, deductions, expenses, schedules, etc must be answered and then,
- (2) the form must actually be filled out.

Before your personal Federal income tax form which you filed in 1982 was actually filled out to what extent did each of the following help answer any tax questions on income, deductions, expenses schedules, etc, that you had?

	1	2	3	4	5	
(Check one box for each line)	Very great extent	Great extent	Moderate extent	Some extent	Little or no extent	
	PERCENT					
(1) IRS personnel	15	22	21	20	22	(51)
(2) IRS publications	12	2	24	14	23	(52)
(3) Publications which I buy	5		5	62		(53)
(4) Voluntary income tax assistance (VITA or TCE)	2		2	4	91	(54)
(5) Other volunteer help center	6		2	3	94	(55)
(6) Someone paid to prepare my taxes	14		5	2	15	(56)
(7) My employer	0		4	3	93	(57)
(8) Friend or relative	4		8	11	70	(58)
(9) Other (specify) _____			4	0	84	(59)

16 When your personal Federal income tax form which you filed in 1982 was actually being filled out, to what extent did each of the following help in filling it out?

	1	2	3	4	5	
(Check one box for each line)	Very great extent	Great extent	Moderate extent	Some extent	Little or no extent	
	PERCENT					
(1) IRS personnel	11	11	15	48		(60)
(2) Voluntary income tax assistance (VITA or TCE)			6	2	94	(61)
(3) Other volunteer help center	6		2	2	95	(62)
(4) Someone paid to prepare my taxes	1			7		(63)
(5) My employer	0		1	2	96	(64)
(6) Friend or relative	2		4	8	76	(65)
(7) Other (specify) _____	13		8	0	76	(66)

17. Were you aware that during the 1982 tax filing season IRS would have provided instruction to taxpayers at its walk-in offices on how to prepare personal income tax returns? (Check one) (67)

- | | |
|----------------|---|
| <u>PERCENT</u> | |
| 70 | 1. <input type="checkbox"/> Yes (GO TO QUESTION 18) |
| 30 | 2. <input type="checkbox"/> No (GO TO QUESTION 19) |

18. Did you get assistance in preparing your 1981 personal federal income tax return? (Check one) (68)

- | | |
|----------------|---------------------------------|
| <u>PERCENT</u> | |
| 39 | 1. <input type="checkbox"/> Yes |
| 61 | 2. <input type="checkbox"/> No |
- } GO TO QUESTION 20

19. If you had been aware of this kind of assistance in preparing tax returns, would you have gone to IRS for that kind of assistance? (Check one) (69)

- | | |
|----------------|--|
| <u>PERCENT</u> | |
| 16 | 1. <input type="checkbox"/> Definitely yes |
| 34 | 2. <input type="checkbox"/> Probably yes |
| 16 | 3. <input type="checkbox"/> Neither yes nor no |
| 25 | 4. <input type="checkbox"/> Probably not |
| 9 | 5. <input type="checkbox"/> Definitely not |

20. Consider that you are going to send in your own personal tax return, that it is similar to those you have sent in the last several years, but that there are some tax questions that need to be answered first.

If IRS no longer answered questions you have on income, deductions, expenses, schedules, etc, by telephone, at walk-in offices or by mail, to what extent would you use each of the following to get the answers that you need?

(Check one box for each line)

	1	2	3	4	5	
	Very great extent	Great extent	Moderate extent	Some extent	Little or no extent	
	PERCENT					
(1) I would try to figure out the answer myself without consulting anyone or any tax publications, I would then fill out the tax form and send it in	15	16	14	21	34	(70)
(2) I would at least look for the answer in a tax publication, I would then fill out the tax form and send it in	29	34	14	12	11	(71)
(3) I would at least ask a friend or relative for the answer, I would then fill out the tax form and send it in	7	14	16	25	38	(72)
(4) I would at least go to a volunteer center to get the answer, I would then fill out the tax form and send it in	11	13	13	19	44	(73)
(5) I would not fill out the parts of the form on which I had questions, I would then fill out the rest of the tax form and send it in	3	2	4	5	86	(74)
(6) I would pay someone to handle the question(s) and fill out the tax form for me and send it in	23	13	11	13	40	(75)
(7) I would not send the tax form in	3	1	1	2	93	(76)

21. Consider that you are going to send in your personal income tax return that there are no tax questions to be answered, but that you need help in actually filling out the form.

If IRS stops helping people fill out their tax forms, to what extent would you use each of the following in getting help to fill out your tax form?

(Check one box for each line)

	1	2	3	4	5	
	Very great extent	Great extent	Moderate extent	Some extent	Little or no extent	
	PERCENT					
(1) I would fill out the whole form myself the best way I could and I would send it in	39	24	11	7	19	(77)
(2) I would ask a friend or relative to fill it out for me and I would send it in	3	12	13	15	57	(78)
(3) I would go to a volunteer center and ask them to fill it out for me and I would send it in	11	10	18	14	47	(79)
(4) I would not fill out the parts of the form where I needed help, I would fill out the rest of it and send it in	4	2	3	7	84	(80)
(5) I would pay someone to fill out the form for me and I would send it in	26	12	11	14	37	(81)
(6) I would not send the form in	2	1	0	2	96	(82)

Part III: Your opinions on possible changes in IRS assistance

22. How much of a problem would it be to you next year if IRS did each of the following?

(Check one box for each line)

		1	2	3	4	5	
		Very great Problem	Great Problem	Moderate Problem	Some Problem	Problem Little or No Problem	
	PERCENT						
(1) No longer answered questions about income, deductions, expenses, schedules, etc., by mail but still answered them in person at the IRS offices or by telephone	12	7	10	12	59		(83)
(2) No longer answered questions about income, deductions, expenses, schedules, etc., in person at IRS offices but still answered them by mail or by telephone	5	7	14	12	58		(84)
(3) No longer answered questions about income, deductions, expenses, schedules, etc., by telephone but still answered them by mail or in person at IRS offices	28	20	22	13	17		(85)
(4) No longer answered any questions about income, deductions, expenses, schedules, etc., by mail, by telephone, or in person	64	12	11	5	8		(86)
(5) No longer helped taxpayers prepare their own personal tax returns at walk-in IRS offices	19	8	10	9	54		(87)
(6) No longer mailed out special tax forms/publications upon request	48	18	12	8	4		(88)

23. If IRS had to charge a small fee to offset the cost of providing certain kinds of assistance how willing or unwilling would you be to pay a fee for each of the following services?

(Check one box for each line)

		1	2	3	4	5	
		Very willing	Somewhat willing	Not willing	Not unwilling	Somewhat unwilling	Very unwilling
	PERCENT						
(1) Charged for tax forms	6	6	10	7	71		(89)
(2) Charged for tax publications	6	13	10	13	58		(90)
(3) Charged for answering questions about filing tax returns	3	7	12	11	67		(91)
(4) Charged for reviewing a tax return you filled out	7	14	12	13	54		(92)
(5) Charged for helping you fill out a tax return	10	19	14	10	47		(93)
(6) Charged a flat fee for answering questions about tax returns that were called in by telephone	4	5	8	9	74		(94)

24. If you have anything else to say about any of the questions in this questionnaire or about IRS taxpayer assistance please do so here. (95)

<u>COMMENTS</u>	<u>NUMBER OF TAXPAYERS WHO MADE COMMENT</u>
Taxpayer satisfied with service	66
Taxpayer not satisfied with service	38
Charging fee is not OK	38
Forms too complicated	35
Taxpayer assistance needed	31
IRS is not competent	24
Telephone assistance unreliable	10
IRS should be held responsible for information	7
More noncompliance without assistance	5
IRS is competent	4
Telephone better than correspondence	3
Charging fee is OK	2
Special groups need assistance	2
Taxpayer not aware of walk-in	2
Extend walk-in rural	2
Correspondence help no good	2
Forms not too complicated	1

RESULTS FROM QUESTIONNAIRE SURVEY
OF TAXPAYERS WHO USED IRS WALK-IN
ASSISTANCE DURING THE 1982 FILING SEASON

This questionnaire summarizes the responses we received on questionnaires mailed to taxpayers who used IRS walk-in assistance from January 29 through March 30, 1982. IRS personnel asked 4,311 randomly selected taxpayers to participate in our survey, and 3,188, or 74 percent, agreed. As 3,188 was more than we needed for statistical purposes, we randomly selected 1,498 for questionnaire mailings. The U.S. Postal Service was able to deliver 1,469 of the questionnaires we mailed to the 1,498 taxpayers and we received 1,209 responses. The summary of replies by the 1,209 taxpayers is shown as percents next to each question. For example, in response to question 1, 83 percent of the 1,209 taxpayers indicated that they contacted IRS about their own personal taxes.

We designed a sampling plan so that at the 95 percent confidence level, the maximum amount by which our sample results would differ from the true universe would be 5 percent. This means that chances would be 95 out of 100 that if we sent questionnaires to the universe of 5 million taxpayers who visited IRS walk-in offices during the 1982 filing season, the results obtained would not differ from the percents we obtained by more or less than 5 percent. However, in population surveys, implementing a sampling design does not always proceed exactly as planned. We expected that more than 74 percent of the randomly selected taxpayers would agree to participate in our survey. We have no data base to ascertain whether the 26 percent who did not participate would have answered the questionnaire the same way as the individuals included in our sample. Therefore, it would not be meaningful to compute and show sampling errors for the tabulated percents in our questionnaire. This is because we have no way of knowing how the non-participant bias affects the percents computed from the survey, and the percents should not be considered representative of all taxpayers who used IRS walk-in assistance during the 1982 filing season. They can be considered representative only of those taxpayers who chose to participate in our survey.

U S GENERAL ACCOUNTING OFFICE
 SURVEY OF INDIVIDUALS WHO CONTACTED
 IRS DURING THE 1982 FILING SEASON

Earlier this year, during the 1982 Federal Tax filing season, you contacted IRS either by mail, by telephone or in person at an IRS office on the date shown in the label to the right

Part I: Information on your contact with IRS

Questions in Part I relate to the contact you made with IRS as shown in the label

1. Whose taxes were the main reason for your contacting the IRS at that time? (Check one) (5)
- | | | | | | |
|---------------|---|--------------------------|--|---|--------------------|
| PERCENT
83 | 1 | <input type="checkbox"/> | Your own personal taxes | } | (GO TO QUESTION 2) |
| 8 | 2 | <input type="checkbox"/> | Taxes of a friend or relative | | |
| 0 | 3 | <input type="checkbox"/> | Taxes of someone who came to you while you were serving as a volunteer | | |
| 3 | 4 | <input type="checkbox"/> | Taxes of a client from whom you received a fee | | |
| 4 | 5 | <input type="checkbox"/> | Taxes of your employer | | |
| 2 | 6 | <input type="checkbox"/> | Other (specify) | | |

2. In questions 2-5 we want to get some background information on the person (you, your friend or relative) whose tax problem was the main reason for your contact with IRS

What was the highest grade completed in school by the person who had the tax problem or question? (Check one) (6)

- | | | | |
|--------------|----|--------------------------|-----------------------------|
| PERCENT
6 | 1. | <input type="checkbox"/> | 8th grade or less |
| 9 | 2 | <input type="checkbox"/> | 9 - 11 |
| 26 | 3 | <input type="checkbox"/> | High school graduate or GED |
| 26 | 4 | <input type="checkbox"/> | Some college |
| 30 | 5 | <input type="checkbox"/> | College graduate or more |
| 3 | 6 | <input type="checkbox"/> | Don't know |

3. How old is the person who had the tax problem or question? (Check one) (7)

- | | | | |
|---------------|---|--------------------------|--------------|
| PERCENT
27 | 1 | <input type="checkbox"/> | Less than 21 |
| 27 | 2 | <input type="checkbox"/> | 21 - 34 |
| 14 | 3 | <input type="checkbox"/> | 35 - 44 |
| 1 | 4 | <input type="checkbox"/> | 45 - 54 |
| 14 | 5 | <input type="checkbox"/> | 55 - 64 |
| 4 | 6 | <input type="checkbox"/> | 65 or older |
| | 7 | <input type="checkbox"/> | Don't know |

4. What was the adjusted gross income (line 31 on form 1040 or line 10 on form 1040A) as reported on the Federal tax form filed in 1982 by the person who had the tax problem or question? (Check one) (8)

- | | | | |
|---------------|---|--------------------------|----------------------|
| PERCENT
17 | 1 | <input type="checkbox"/> | Less than \$5,000 |
| 7 | 2 | <input type="checkbox"/> | \$5,000 to \$9,999 |
| 29 | 3 | <input type="checkbox"/> | \$10,000 to \$19,999 |
| | 4 | <input type="checkbox"/> | \$20,000 to \$29,999 |
| 11 | 5 | <input type="checkbox"/> | \$30,000 to \$39,999 |
| 1 | 6 | <input type="checkbox"/> | \$40,000 or more |
| 1 | 7 | <input type="checkbox"/> | Don't know |

5. What best describes where the person who had the tax problem or question lives? (Check one) (9)

- | | | | |
|---------------|---|--------------------------|----------|
| PERCENT
21 | 1 | <input type="checkbox"/> | Rural |
| 49 | 2 | <input type="checkbox"/> | Suburban |
| 11 | 3 | <input type="checkbox"/> | Urban |

- 6 Consider the main reason you contacted IRS at that time. Which of the following help or information did you ask for? (Check all that apply)
- | | | |
|---------------|---|---|
| PERCENT
43 | 1 | <input type="checkbox"/> Help completing tax return (10) |
| 7 | 2 | <input type="checkbox"/> Information about tax refund (11) |
| 6 | 3 | <input type="checkbox"/> Information about notice, letter, or bill IRS sent to me (12) |
| 5 | 4 | <input type="checkbox"/> Help correcting a tax account (13) |
| 18 | 5 | <input type="checkbox"/> Information about taxes in general (14) |
| 37 | 6 | <input type="checkbox"/> Tax forms (15) |
| 31 | 7 | <input type="checkbox"/> Tax publications (for example, booklets on income, deductions, expenses, how to fill out forms, etc.) (16) |
| 13 | 8 | <input type="checkbox"/> Other (specify) _____ (17) |

7. Altogether during the 1982 tax filing season (January 1, 1982 to April 15, 1982) how many times did you contact IRS about anything in each of the following ways? (Be sure to count the time mentioned in the label)
- (1) About _____ time(s) by telephone (18-19)
(If none, enter "0")
- (2) About _____ time(s) by mail (20-21)
(If none, enter "0")
- (3) About _____ time(s) in person at IRS office (22-23)
(If none, enter "0")

- 8 Which is the best way for you to contact IRS? (Check one) (24)
- | | | | |
|---------------|---|--|----------------------|
| PERCENT
18 | 1 | <input type="checkbox"/> By telephone | } (GO TO QUESTION 9) |
| 1 | 2 | <input type="checkbox"/> By mail | |
| 70 | 3 | <input type="checkbox"/> In person at IRS office | |
| 11 | 4 | <input type="checkbox"/> One way is <u>not</u> better than another | } (GO TO PART II) |

NUMBER OF CONTACTS	PERCENT BY TELEPHONE
0	42
1	25
2	17
3	7
4 or more	9

- 9 Why is this the best way for you to contact IRS? (Check all that apply)
- | | | |
|---------------|---|--|
| PERCENT
79 | 1 | <input type="checkbox"/> Takes less of my time this way (25) |
| 2 | 2 | <input type="checkbox"/> Easier to explain my problem this way (26) |
| 3 | 3 | <input type="checkbox"/> I can better understand IRS's answer this way (27) |
| 4 | 4 | <input type="checkbox"/> I get answers faster this way (28) |
| 5 | 5 | <input type="checkbox"/> I don't have the chance to do it any other way (29) |
| 6 | 6 | <input type="checkbox"/> I get my answer in writing this way (30) |
| 7 | 7 | <input type="checkbox"/> Other (specify) _____ (31) |

Part II: Information about your own personal tax needs

If your contact with IRS on the date mentioned in the label was about someone else's taxes—

GO TO QUESTION 22 (PART III) PAGE 7 →

If your contact was about your own personal taxes—

GO TO QUESTION 10 ↙

- 10 Did you file a 1981 personal Federal income tax return (during 1982)? (Check one) (32)

- | | | |
|--------------|---|--|
| PERCENT
7 | 1 | <input type="checkbox"/> Yes (GO TO QUESTION 11) → OVER |
| 2 | 2 | <input type="checkbox"/> No (GO TO QUESTION 20) → PAGE 5 |

PERCENT BY MAIL	PERCENT IN PERSON
86	3
8	55
4	25
0	10
2	7

11. Where did you get tax forms for your own personal Federal income tax return which you filed in 1982? (Check all that apply)
- | | | |
|----------------------|---|------|
| <u>PERCENT</u>
70 | 1. <input type="checkbox"/> IRS automatically sent me all the basic forms that I needed | (33) |
| 17 | 2. <input type="checkbox"/> I asked IRS for the basic forms that I needed | (34) |
| 41 | 3. <input type="checkbox"/> I asked IRS for special forms that I needed | (35) |
| 7 | 4. <input type="checkbox"/> Person paid to prepare my taxes | (36) |
| 1 | 5. <input type="checkbox"/> My employer | (37) |
| 1 | 6. <input type="checkbox"/> Friend or relative | (38) |
| 11 | 7. <input type="checkbox"/> Bank, post office, library, office building, etc | (39) |
| 2 | 8. <input type="checkbox"/> Other (specify) _____ | (40) |

12. How easy or difficult do you feel it is to understand IRS tax forms and the instructions for them? (Check one) (41)
- | | | |
|---------------------|--|--|
| <u>PERCENT</u>
6 | 1. <input type="checkbox"/> Very easy | |
| 21 | 2. <input type="checkbox"/> Somewhat easy | |
| 30 | 3. <input type="checkbox"/> Not easy - not difficult | |
| 31 | 4. <input type="checkbox"/> Somewhat difficult | |
| 12 | 5. <input type="checkbox"/> Very difficult | |

13. Where did you get tax publications for your own personal Federal income tax return which you filed in 1982? (Do not consider the instructor booklet which came with the tax form) (Check all that apply)
- | | | |
|----------------------|---|------|
| <u>PERCENT</u>
24 | 1. <input type="checkbox"/> I had no need for tax publications | (42) |
| 11 | 2. <input type="checkbox"/> I asked IRS for any I needed | (43) |
| 3 | 3. <input type="checkbox"/> Person paid to prepare my taxes | (44) |
| 1 | 4. <input type="checkbox"/> My employer | (45) |
| 2 | 5. <input type="checkbox"/> Friend or relative | (46) |
| 10 | 6. <input type="checkbox"/> Bank, post office, library, office building, etc. | (47) |
| 6 | 7. <input type="checkbox"/> Publication which I buy | (48) |
| 3 | 8. <input type="checkbox"/> Other (specify) _____ | (49) |

14. How easy or difficult do you feel it is to understand IRS tax publications? (Check one) (50)
- | | | |
|---------------------|--|--|
| <u>PERCENT</u>
5 | 1. <input type="checkbox"/> Very easy | |
| 20 | 2. <input type="checkbox"/> Somewhat easy | |
| 17 | 3. <input type="checkbox"/> Not easy - not difficult | |
| 17 | 4. <input type="checkbox"/> Somewhat difficult | |
| 9 | 5. <input type="checkbox"/> Very difficult | |
| ----- | | |
| 2 | 6. <input type="checkbox"/> Never use any | |

15. There are two basic steps in preparing a tax form.

- (1) any tax questions you have on income, deductions, expenses, schedules, etc. must be answered and then,
- (2) the form must actually be filled out

Before your personal Federal income tax form which you filed in 1962 was actually filled out to what extent did each of the following help answer any tax questions on income, deductions, expenses schedules, etc., that you had?

	1 2 3 4 5					
	Very great extent	Great extent	Modest extent	Some extent	Little or no extent	
(Check one box for each line)	PERCENT					
(1) IRS personnel	26	22	18	17	17	(51)
(2) IRS publications		27	24	17	20	(52)
(3) Publications which I buy		7	6	5	79	(53)
(4) Voluntary income tax assistance (VITA or TCE)		4	3	3	67	(54)
(5) Other volunteer help center		1	2	4	91	(55)
(6) Someone paid to prepare my taxes	12	4	3	3	78	(56)
(7) My employer	1		2	3	93	(57)
(8) Friend or relative	5	4	6	8	77	(58)
(9) Other (specify) _____	9	3	4	1	83	(59)

16. When your personal Federal income tax form which you filed in 1962 was actually being filled out, to what extent did each of the following help in filling it out?

	1 2 3 4 5					
	Very great extent	Great extent	Modest extent	Some extent	Little or no extent	
(Check one box for each line)	PERCENT					
(1) IRS personnel	22	15	13	16	34	(60)
(2) Voluntary income tax assistance (VITA or TCE)	3	4	2	3	88	(61)
(3) Other volunteer help center	2	2	1	2	93	(62)
(4) Someone paid to prepare my taxes	12	4	2	2	79	(63)
(5) My employer	1	1	0	2	96	(64)
(6) Friend or relative	4	4	5	6	81	(65)
(7) Other (specify) _____	22	1	0	1	70	(66)

17. Were you aware that during the 1962 tax filing season IRS would have provided instruction to taxpayers at its walk-in offices on how to prepare personal income tax returns? (Check one) (67)
- PERCENT
89
- 1 Yes (GO TO QUESTION 18)
- 11 2 No (GO TO QUESTION 19)
- 18 Did you get assistance in preparing your 1961 personal federal income tax return? (Check one) (68)
- PERCENT
67
- 33 1 Yes } GO TO QUESTION 20
2 No }
19. If you had been aware of this kind of assistance in preparing tax returns, would you have gone to IRS for that kind of assistance? (Check one) (69)
- PERCENT
38
- 24 1 Definitely yes
- 8 2 Probably yes
- 26 3. Neither yes nor no
- 4 4. Probably not
- 4 5 Definitely not

20. Consider that you are going to send in your own personal tax return, that it is similar to those you have sent in the last several years, but that there are some tax questions that need to be answered first.

If IRS no longer answered questions you have on income, deductions, expenses, schedules, etc, by telephone, at walk-in offices or by mail, to what extent would you use each of the following to get the answers that you need?

(Check one box for each line)

	1	2	3	4	5	
	Very great extent	Great extent	Moderate extent	Some extent	Little or no extent	
	PERCENT					
(1) I would try to figure out the answer myself without consulting anyone or any tax publications, I would then fill out the tax form and send it in	20	16	13	14	37	(70)
(2) I would at least look for the answer in a tax publication, I would then fill out the tax form and send it in	35	28	16	10	11	(71)
(3) I would at least ask a friend or relative for the answer, I would then fill out the tax form and send it in	10	11	15	19	45	(72)
(4) I would at least go to a volunteer center to get the answer, I would then fill out the tax form and send it in	20	14	15	17	34	(73)
(5) I would not fill out the parts of the form on which I had questions, I would then fill out the rest of the tax form and send it in	5	3	4	7	81	(74)
(6) I would pay someone to handle the question(s) and fill out the tax form for me and send it in	21	11	12	13	46	(75)
(7) I would not send the tax form in	4	1	2	2	91	(76)

21. Consider that you are going to send in your personal income tax return that there are no tax questions to be answered, but that you need help in actually filling out the form.

If IRS stops helping people fill out their tax forms, to what extent would you use each of the following in getting help to fill out your tax form

(Check one box for each line)

	1	2	3	4	5	
	Very great extent	Great extent	Moderate extent	Some extent	Little or no extent	
	PERCENT					
(1) I would fill out the whole form myself the best way I could and I would send it in	39	22	12	8	19	(77)
(2) I would ask a friend or relative to fill it out for me and I would send it in	8	8	12	13	59	(78)
(3) I would go to a volunteer center and ask them to fill it out for me and I would send it in	20	12	15	15	38	(79)
(4) I would not fill out the parts of the form where I needed help, I would fill out the rest of it and send it in	4	2	5	8	81	(80)
(5) I would pay someone to fill out the form for me and I would send it in	22	11	14	10	43	(81)
(6) I would not send the form in	3	0	2	2	93	(82)

Part III: Your opinions on possible changes in IRS assistance

22. How much of a problem would it be to you next year if IRS did each of the following?

(Check one box for each line)

	1	2	3	4	5	
	Very great problem	Great problem	Moderate problem	Some problem	Little or no problem	
(1) No longer answered questions about income, deductions, expenses, schedules, etc., by mail but still answered them in person at the IRS offices or by telephone	15	6	12	9	58	(83)
(2) No longer answered questions about income, deductions, expenses, schedules, etc., in person at IRS offices but still answered them by mail or by telephone	23	17	21	15	24	(84)
(3) No longer answered questions about income, deductions, expenses, schedules, etc., by telephone but still answered them by mail or in person at IRS offices	18	10	17	12	43	(85)
(4) No longer answered any questions about income, deductions, expenses, schedules, etc., by mail, by telephone, or in person	59	14	11	6	10	(86)
(5) No longer helped taxpayers prepare their own personal tax returns at walk-in IRS offices	39	11	10	9	31	(87)
(6) No longer mailed out special tax forms/publications upon request	47	13	14	10	16	(88)

23. If IRS had to charge a small fee to offset the cost of providing certain kinds of assistance how willing or unwilling would you be to pay a fee for each of the following services?

(Check one box for each line)

	1	2	3	4	5	
	Very willing	Somewhat willing	Not willing	Not unwilling	Somewhat unwilling	Very unwilling
(1) Charged for tax forms	6	7	8	10	69	(89)
(2) Charged for tax publications	5	10	10	16	59	(90)
(3) Charged for answering questions about filing tax returns	5	9	9	12	65	(91)
(4) Charged for reviewing a tax return you filled out	8	13	12	13	54	(92)
(5) Charged for helping you fill out a tax return	13	18	12	12	45	(93)
(6) Charged a flat fee for answering questions about tax returns that were called in by telephone	4	4	8	11	73	(94)

24. If you have anything else to say about any of the questions in this questionnaire or about IRS taxpayer assistance please do so here. (95)

<u>COMMENTS</u>	<u>NUMBER OF TAXPAYERS WHO MADE COMMENT</u>
Satisfied with service	263
Taxpayer assistance needed	128
Forms too complicated	100
Unsatisfied with service	93
Charging a fee is not OK	87
IRS is competent	32
IRS is not competent	29
Special groups need assistance	23
Telephone unreliable	23
More noncompliance without assistance	19
Charging a fee is OK	14
IRS should be held to information provided	8
Walk-in offices good	7
Need more walk-in offices	6
Correspondence help no good	3
Forms not too complicated	4
Extend walk-in rural	2
Misinformed by IRS about help available	2
Self help is good	1

RESULTS FROM QUESTIONNAIRE SURVEY
OF TAXPAYERS WHO USED IRS CORRESPONDENCE
ASSISTANCE DURING THE 1982 FILING SEASON

This questionnaire summarizes the responses we received on questionnaires mailed to taxpayers who used IRS correspondence assistance from January 1 through March 15, 1982, at the five district offices included in our review. We used standard statistical techniques in selecting a sample of 389 taxpayers from the 981 taxpayers who corresponded with the five districts during that period. The U.S. Postal Service was able to deliver 378 of the questionnaires we mailed to the 389 taxpayers and we received 312 replies. The summary of responses by the 312 taxpayers is shown as percents next to each question. For example, in response to question 1, 63 percent of the 312 taxpayers indicated that they contacted IRS about their own personal taxes.

Because we sent questionnaires to a statistical sample of taxpayers, each percent developed from the sample has a measurable precision or sampling error. The sampling error is the maximum amount by which percents obtained from the statistical sample can be expected to differ from the universe percents. Sampling errors are usually stated at certain confidence levels--in this case 95 percent. This means that the chances are 95 out of 100 that if we sent questionnaires to all 981 taxpayers who corresponded with the five districts, the results obtained would not differ from the percents we obtained through our sample by more or less than the sampling errors of the estimates. The table below shows sampling errors at the 95 percent confidence level for various ranges of percents in the following questionnaire. The percents in the questionnaire will differ at most from responses for all 981 taxpayers by the percents shown in the table.

SAMPLING ERRORS FOR ESTIMATED PERCENTS

<u>Estimated percents</u>	<u>Approximate sampling error (percent)</u>
5 to 10	2.4
11 to 20	3.3
21 to 40	4.2
41 to 60	4.6
61 to 80	4.2
81 to 90	3.3
91 to 95	2.4
More than 95	1.4

U.S. GENERAL ACCOUNTING OFFICE
 SURVEY OF INDIVIDUALS WHO CONTACTED
 THE IRS DURING THE 1982 FILING SEASON

Earlier this year, during the 1982 Federal Tax filing season, you contacted IRS either by mail, by telephone or in person at an IRS office on the date shown in the label to the right.

Part I. Information on your contact with IRS

Questions in Part I relate to the contact you made with IRS as shown in the label.

1		Whose taxes were the main reason for your contacting the IRS at that time? (Check one) (5)	
PERCENT	1	<input type="checkbox"/>	Your own personal taxes
63			
	4	<input type="checkbox"/>	Taxes of a friend or relative
	1	<input type="checkbox"/>	Taxes of someone who came to you while you were serving as a volunteer
	14	<input type="checkbox"/>	Taxes of a client from whom you received a fee
	7	<input type="checkbox"/>	Taxes of your employer
	11	<input type="checkbox"/>	Other (specify)

(GO TO QUESTION 2)
 (GO TO QUESTION 4)

2		In questions 2-5 we want to get some background information on the person (you, your friend or relative) whose tax problem was the main reason for your contact with IRS.	
What was the highest grade completed in school by the person who had the tax problem or question? (Check one) (6)			
PERCENT	1	<input type="checkbox"/>	8th grade or less
4			
	5	<input type="checkbox"/>	9 - 11
	27	<input type="checkbox"/>	High school graduate or GED
	22	<input type="checkbox"/>	Some college
	40	<input type="checkbox"/>	College graduate or more
	2	<input type="checkbox"/>	Don't know

3		How old is the person who had the tax problem or question? (Check one) (7)	
PERCENT	2	<input type="checkbox"/>	Less than 21
25			
	2	<input type="checkbox"/>	21 - 34
	15	<input type="checkbox"/>	35 - 44
	16	<input type="checkbox"/>	45 - 54
	22	<input type="checkbox"/>	55 - 64
	18	<input type="checkbox"/>	65 or older
	4	<input type="checkbox"/>	Don't know

4		What was the adjusted gross income (Line 31 on form 1040 or line 10 on form 1040A) as reported on the Federal tax form filed in 1982 by the person who had the tax problem or question? (Check one) (8)	
PERCENT	1	<input type="checkbox"/>	Less than \$5,000
12			
	2	<input type="checkbox"/>	\$5,000 to \$9,999
	14	<input type="checkbox"/>	\$10,000 to \$19,999
	19	<input type="checkbox"/>	\$20,000 to \$29,999
	19	<input type="checkbox"/>	\$30,000 to \$39,999
	15	<input type="checkbox"/>	\$40,000 or more
	14	<input type="checkbox"/>	Don't know

5		What best describes where the person who had the tax problem or question lives? (Check one) (9)	
PERCENT	1	<input type="checkbox"/>	Rural
22			
	4	<input type="checkbox"/>	Suburban
	5	<input type="checkbox"/>	Urban

- 6 Consider the main reason you contacted IRS at that time. Which of the following help or information did you ask for? (Check all that apply)
- | | |
|----------------------|---|
| <u>PERCENT</u>
12 | 1 <input type="checkbox"/> Help completing tax return (10) |
| 8 | 2 <input type="checkbox"/> Information about tax refund (11) |
| 11 | 3 <input type="checkbox"/> Information about notice, letter, or bill IRS sent to me (12) |
| 10 | 4 <input type="checkbox"/> Help correcting a tax account (13) |
| 18 | 5 <input type="checkbox"/> Information about taxes in general (14) |
| 30 | 6 <input type="checkbox"/> Tax forms (15) |
| 26 | 7 <input type="checkbox"/> Tax publications (for example, booklets on income, deductions, expenses, how to fill out forms, etc.) (16) |
| 29 | 8 <input type="checkbox"/> Other (specify) _____ (17) |

- 7 Altogether during the 1982 tax filing season (January 1, 1982 to April 15, 1982) how many times did you contact IRS about anything in each of the following ways? (Be sure to count the time mentioned in the label)
- SEE BELOW
- | | |
|--|---------|
| (1) About _____ time(s) by telephone (18-19)
(If none, enter "0") | (20-21) |
| (2) About _____ time(s) by mail (If none, enter "0") | (22-23) |
| (3) About _____ time(s) in person at IRS office (If none, enter "0") | |

- 8 Which is the best way for you to contact IRS? (Check one)
- | | | | |
|----------------------|---|---|--------------------|
| <u>PERCENT</u>
43 | 1 <input type="checkbox"/> By telephone | } | (GO TO QUESTION 9) |
| 34 | 2 <input type="checkbox"/> By mail | | |
| 6 | 3 <input type="checkbox"/> In person at IRS office | | |
| 17 | 4 <input type="checkbox"/> One way is not better than another | } | (GO TO PART II) |

NUMBER OF CONTACTS
0
1
2
3
4 or more

PERCENT BY TELEPHONE
15
30
26
7
22

- 9 Why is this the best way for you to contact IRS? (Check all that apply)
- | | |
|----------------------|--|
| <u>PERCENT</u>
47 | 1 <input type="checkbox"/> Takes less of my time this way (25) |
| 24 | 2 <input type="checkbox"/> Easier to explain my problem this way (26) |
| 24 | 3 <input type="checkbox"/> I can better understand IRS's answer this way (27) |
| 4 | 4 <input type="checkbox"/> I get answers faster this way (28) |
| 10 | 5 <input type="checkbox"/> I don't have the chance to do it any other way (29) |
| 24 | 6 <input type="checkbox"/> I get my answer in writing this way (30) |
| 7 | 7 <input type="checkbox"/> Other (specify) _____ (31) |

Part II: Information about your own personal tax needs

If your contact with IRS on the date mentioned in the label was about someone else's taxes—
GO TO QUESTION 22 (PART III)
PAGE 7 →

If your contact was about your own personal taxes—
GO TO QUESTION 10 →

- 10 Did you file a 1981 personal Federal income tax return (during 1982)? (Check one)
- | | |
|----------------------|---|
| <u>PERCENT</u>
95 | 1. <input type="checkbox"/> Yes (GO TO QUESTION 11) → OVER |
| 5 | 2. <input type="checkbox"/> No (GO TO QUESTION 20) → PAGE 5 |

PERCENT BY MAIL
8
44
22
7
9

PERCENT IN PERSON
62
20
10
5
3

11. Where did you get tax forms for your own personal Federal income tax return which you filed in 1982? (Check all that apply)
- | | | | |
|---------|----|--|------|
| PERCENT | | | |
| 64 | 1. | <input type="checkbox"/> IRS automatically sent me all the basic forms that I needed | (33) |
| 11 | 2. | <input type="checkbox"/> I asked IRS for the basic forms that I needed | (34) |
| 34 | 3. | <input type="checkbox"/> I asked IRS for special forms that I needed | (35) |
| 16 | 4. | <input type="checkbox"/> Person paid to prepare my taxes | (36) |
| 0 | 5. | <input type="checkbox"/> My employer | (37) |
| 3 | 6. | <input type="checkbox"/> Friend or relative | (38) |
| 16 | 7. | <input type="checkbox"/> Bank, post office, library, office building, etc | (39) |
| 3 | 8. | <input type="checkbox"/> Other (specify) _____ | (40) |

12. How easy or difficult do you feel it is to understand IRS tax forms and the instructions for them? (Check one)
- | | | | |
|---------|----|---|------|
| PERCENT | | | |
| 13 | 1. | <input type="checkbox"/> Very easy | (41) |
| 22 | 2. | <input type="checkbox"/> Somewhat easy | |
| 26 | 3. | <input type="checkbox"/> Not easy - not difficult | |
| 26 | 4. | <input type="checkbox"/> Somewhat difficult | |
| 13 | 5. | <input type="checkbox"/> Very difficult | |

13. Where did you get tax publications for your own personal Federal income tax return which you filed in 1982? (Do not consider the instructor booklet which came with the tax form) (Check all that apply)
- | | | | |
|---------|----|--|------|
| PERCENT | | | |
| 18 | 1. | <input type="checkbox"/> I had no need for tax publications | (42) |
| 47 | 2. | <input type="checkbox"/> I asked IRS for any I needed | (43) |
| 20 | 3. | <input type="checkbox"/> Person paid to prepare my taxes | (44) |
| 2 | 4. | <input type="checkbox"/> My employer | (45) |
| 5 | 5. | <input type="checkbox"/> Friend or relative | (46) |
| 15 | 6. | <input type="checkbox"/> Bank, post office, library, office building, etc. | (47) |
| 10 | 7. | <input type="checkbox"/> Publication which I buy | (48) |
| 2 | 8. | <input type="checkbox"/> Other (specify) _____ | (49) |

14. How easy or difficult do you feel it is to understand IRS tax publications? (Check one)
- | | | | |
|---------|----|---|------|
| PERCENT | | | |
| 9 | 1. | <input type="checkbox"/> Very easy | (50) |
| 21 | 2. | <input type="checkbox"/> Somewhat easy | |
| 27 | 3. | <input type="checkbox"/> Not easy - not difficult | |
| 25 | 4. | <input type="checkbox"/> Somewhat difficult | |
| 10 | 5. | <input type="checkbox"/> Very difficult | |
| ----- | | | |
| 8 | 6. | <input type="checkbox"/> Never use any | |

15 There are two basic steps in preparing a tax form.

- (1) any tax questions you have on income, deductions, expenses, schedules, etc must be answered and then,
- (2) the form must actually be filled out

Before your personal Federal income tax form which you filed in 1982 was actually filled out to what extent did each of the following help answer any tax questions on income, deductions, expenses schedules, etc , that you had?

(Check one box for each line)

	1	2	3	4	5	
	Very great extent	Great extent	Moderate extent	Some extent	Little or no extent	
	PERCENT					
(1) IRS personnel	10	10	17	17	46	(51)
(2) IRS publications	19	18	23	21	19	(52)
(3) Publications which I buy	1	11	14	4	65	(53)
(4) Voluntary income tax assistance (VITA or TCE)	0	5	3	6	86	(54)
(5) Other volunteer help center	0	1	4	5	88	(55)
(6) Someone paid to prepare my taxes	26	5	10	2	57	(56)
(7) My employer	2	0	7	3	88	(57)
(8) Friend or relative	6	4	11	7	72	(58)
(9) Other (specify) _____	1	0	6	6	76	(59)

16 When your personal Federal income tax form which you filed in 1982 was actually being filled out, to what extent did each of the following help in filling it out?

(Check one box for each line)

	1	2	3	4	5	
	Very great extent	Great extent	Moderate extent	Some extent	Little or no extent	
	PERCENT					
(1) IRS personnel	4	6	11	4	70	(60)
(2) Voluntary income tax assistance (VITA or TCE)	0	5	3	0	92	(61)
(3) Other volunteer help center	0	2	2	1	94	(62)
(4) Someone paid to prepare my taxes	24	9	3	3	60	(63)
(5) My employer	0	1	2	1	95	(64)
(6) Friend or relative	0	4	5	9	79	(65)
(7) Other (specify) _____	1	0	0	0	83	(66)

17. Were you aware that during the 1962 tax filing season IRS would have provided instruction to taxpayers at its walk-in offices on how to prepare personal income tax returns? (Check one) (67)
- PERCENT
76
1. Yes (GO TO QUESTION 18)
- 24 2. No (GO TO QUESTION 19)
18. Did you get assistance in preparing your 1961 personal federal income tax return? (Check one) (68)
- PERCENT
31
1. Yes } (GO TO QUESTION 20)
- 69 2. No }
19. If you had been aware of this kind of assistance in preparing tax returns, would you have gone to IRS for that kind of assistance? (Check one) (69)
- PERCENT
24
1. Definitely yes
- 27 2. Probably yes
- 22 3. Neither yes nor no
- 22 4. Probably not
- 5 5. Definitely not

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20. Consider that you are going to send in your own personal tax return, that it is similar to those you have sent in the last several years, but that there are some tax questions that need to be answered first.

If IRS no longer answered questions you have on income, deductions, expenses, schedules, etc, by telephone, at walk-in offices or by mail, to what extent would you use each of the following to get the answers that you need?

(Check one box for each line)

	1	2	3	4	5	
	Very great extent	Great extent	Moderate extent	Some extent	Little or no extent	
	PERCENT					
(1) I would try to figure out the answer myself without consulting anyone or any tax publications, I would then fill out the tax form and send it in	20	16	11	13	40	(70)
(2) I would at least look for the answer in a tax publication, I would then fill out the tax form and send it in	37	24	21	6	12	(71)
(3) I would at least ask a friend or relative for the answer, I would then fill out the tax form and send it in	6	11	17	18	48	(72)
(4) I would at least go to a volunteer center to get the answer, I would then fill out the tax form and send it in	12	13	7	12	56	(73)
(5) I would not fill out the parts of the form on which I had questions, I would then fill out the rest of the tax form and send it in	3	5	3	8	81	(74)
(6) I would pay someone to handle the question(s) and fill out the tax form for me and send it in	25	16	4	10	45	(75)
(7) I would not send the tax form in	1	3	1	0	95	(76)

21. Consider that you are going to send in your personal income tax return that there are no tax questions to be answered, but that you need help in actually filling out the form.

If IRS stops helping people fill out their tax forms, to what extent would you use each of the following in getting help to fill out your tax form

(Check one box for each line)

	1	2	3	4	5	
	Very great extent	Great extent	Moderate extent	Some extent	Little or no extent	
	PERCENT					
(1) I would fill out the whole form myself the best way I could and I would send it in	45	16	13	7	19	(77)
(2) I would ask a friend or relative to fill it out for me and I would send it in	4	8	11	16	61	(78)
(3) I would go to a volunteer center and ask them to fill it out for me and I would send it in	7	9	11	16	57	(79)
(4) I would not fill out the parts of the form where I needed help, I would fill out the rest of it and send it in	5	2	3	5	85	(80)
(5) I would pay someone to fill out the form for me and would send it in	31	13	7	9	40	(81)
(6) I would not send the form in	2	2	0	2	94	(82)

Part III: Your opinions on possible changes in IRS assistance

22. How much of a problem would it be to you next year if IRS did each of the following?

(Check one box for each line)

	1	2	3	4	5	
	Very great Problem	Great Problem	Moderate Problem	Some Problem	Little or no Problem	
	PERCENT					
(1) No longer answered questions about income, deductions, expenses, schedules, etc., by mail but still answered them in person at the IRS offices or by telephone	17	3	17	13	40	(83)
(2) No longer answered questions about income, deductions, expenses, schedules, etc., in person at IRS offices but still answered them by mail or by telephone	11	7	11	8	63	(84)
(3) No longer answered questions about income, deductions, expenses, schedules, etc., by telephone but still answered them by mail or in person at IRS offices	18	15	15	0	58	(85)
(4) No longer answered any questions about income, deductions, expenses, schedules, etc., by mail, by telephone, or in person	57	11	10	7	15	(86)
(5) No longer helped taxpayers prepare their own personal tax returns at walk-in IRS offices	16	0	6	7	65	(87)
(6) No longer mailed out special tax forms/publications upon request	44	15	16	5	12	(88)

23. If IRS had to charge a small fee to offset the cost of providing certain kinds of assistance how willing or unwilling would you be to pay a fee for each of the following services?

(Check one box for each line)

	1	2	3	4	5	
	Very willing	Somewhat willing	Not willing	Somewhat unwilling	Very unwilling	
	PERCENT					
(1) Charged for tax forms	9	8	10	8	67	(89)
(2) Charged for tax publications	8	10	10	14	58	(90)
(3) Charged for answering questions about filing tax returns	8	5	8	8	71	(91)
(4) Charged for reviewing a tax return you filled out	11	8	4	8	59	(92)
(5) Charged for helping you fill out a tax return	15	12	2	10	51	(93)
(6) Charged a flat fee for answering questions about tax returns that were called in by telephone	7	4	9	8	72	(94)

24. If you have anything else to say about any of the questions in this questionnaire or about IRS taxpayer assistance please do so here (95)

<u>COMMENTS</u>	<u>NUMBER OF TAXPAYERS WHO MADE COMMENT</u>
Unsatisfied with service	41
Forms too complicated	26
Satisfied with service	23
IRS is not competent	18
Charging a fee is not OK	18
Taxpayer assistance needed	16
Telephone unreliable	9
IRS should be held to information provided	7
More noncompliance without assistance	4
Charging a fee is OK	3
Extend walk-in rural	2
Need more walk-in offices	2
IRS is competent	1
Forms not too complicated	1
Telephone better than correspondence	1
Taxpayer not aware of walk-in	1
Correspondence help no good	1

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