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GENERAL GOVERNMENT
DIVISION



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The Honorable J.J. Pickle
Chairman, Subcommittee on
Oversight
Committee on Ways and Means
House of Representatives

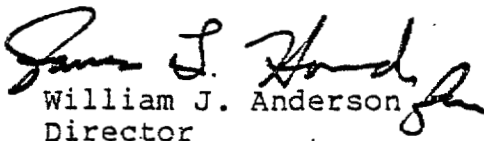
Dear Mr. Chairman:

The enclosed document summarizes information on IRS' taxpayer assistance activities on which we briefed your staff on April 24, 1985. The document contains information on the (1) difficulty taxpayers have understanding IRS forms and publications (2) changes in the way IRS is distributing its staff resources, and (3) results of a GAO survey of IRS' toll free telephone assistance system during part of the 1985 filing season.

Since we only had several weeks to complete the work for the briefing, we were unable to do as much work as we have done in prior reviews of taxpayer assistance matters. Therefore, the data should be viewed individually and not as a trend or absolute measures of the level of service provided.

We trust this information will be useful in your evaluations of the adequacy of the quality and quantity of IRS' taxpayer assistance activities. If you have any questions, please let us know.

Sincerely yours,


William J. Anderson
Director

Enclosure

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TAXPAYER DIFFICULTY IN UNDERSTANDING
IRS FORMS AND PUBLICATIONS

Our prior reviews and a recent review by IRS indicate that taxpayers continue to have difficulty in understanding IRS forms and publications.

In our 1978 report on 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, IRS tested a simplified version of the Form 1040A and accompanying instructions. In fiscal year 1983, IRS introduced Form 1040 EZ which has half as many lines as the form 1040A. IRS reported that between January 1 and August 11, 1984 approximately 19 million 1040As and 15 million 1040EZs were filed.

Our report on the Need to Better Assess Consequences Before Reducing Taxpayer Assistance (GGD-84-13, April 5, 1984) showed that taxpayers were still having difficulty understanding IRS' written materials. The questionnaire we sent to taxpayers in 1982 contained a question relating to the clarity of IRS tax forms, instructions, and publications. And, as shown below, the responses we received indicated that, even after IRS' simplification efforts, a significant percentage of taxpayers continued to have difficulty in understanding IRS' written documents.

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

An IRS sponsored survey conducted during the period May to July 1984 also showed a continuing problem for taxpayers. Most people surveyed (55 percent) rated IRS forms and rules for their particular tax situation as complicated and difficult to understand. Thus, IRS action taken so far continues to leave about half of the individual taxpayer population having difficulty understanding IRS forms and publications.

Because the Internal Revenue Code has evolved into an extremely complicated array of exemptions, exclusions, deductions, and credits, taxpayers often need assistance in meeting their tax obligations. Among other things, taxpayers frequently need help in the form of return preparation and/or answers to questions relating to tax law requirements. In fiscal year 1984, 42 million, or 44 percent, of the 96 million individual tax returns filed were prepared by someone other than the taxpayer--IRS, commercial and volunteer assisters. IRS also answered tax law questions over the telephone, at walk-in offices, and through correspondence. According to IRS statistics, during fiscal year 1984, taxpayers asked IRS about 23.4 million tax law questions--20.7 million by telephone, 2.6 million at walk-in offices, and 67,000 via correspondence.

IRS RESOURCES DEVOTED TO TAXPAYER
ASSISTANCE FOR FISCAL YEAR 1985

Our review of IRS 1985 budget estimates and discussions with IRS officials indicate that there has been a reduction in the number of personnel available to assist taxpayers in recent years. Since actual figures are unavailable, we used IRS' budget estimates to estimate the number of available assisters. Our estimate shows that available assisters will decline from 8,243 in 1984 to 7,416 in 1986.

In fiscal year 1985, IRS redistributed its staff resources devoted to taxpayer assistance. As shown in appendix I, IRS planned to increase the number of permanent taxpayer positions for fiscal year 1985 by 158 and to detail in an

additional 124 staff years from other IRS units to taxpayer service on a temporary basis. At the same time, IRS planned to decrease the number of staff years for part time/temporary employees by an estimated 351. IRS' budget reduction of staff years for part time/temporary personnel results in the loss of many more assistance personnel than the actual number of staff years reduced. For permanent positions, one staff year provides for only one person working the entire year. For temporary positions, one staff year usually provides for several persons working part of the year to address the peak demand during the filing season.

IRS does not have information on the impact of this redistribution on availability of assisters during the filing season. However, IRS officials acknowledge that there has been a decline in the number of assisters available. To obtain an indication of the impact, we prepared an estimate based on the assumption that all temporary assisters work during the filing season. As shown in appendix I, this estimate indicates that the number of assisters available declined by about 523 between the 1984 and 1985 filing seasons. However, this estimate does not show the precise number of assisters available each year because, among other things, not all temporary assisters work during the filing season. Rather, this estimate is intended to show that the effect on the number of assisters available is greater than the staff year reduction shown in the budgets.

According to IRS headquarters officials, this redistribution of staff resources was done because more full time employees were needed year round to handle an increase in workload during the May-September post filing period. These officials attributed this increase workload to taxpayer demand for assistance regarding refunds and service center notices. An IRS official at the district level, however, told us that this redistribution of resources adversely affected the timeliness and accuracy of the telephone assistance provided to taxpayers during the 1985 filing season.

IRS' PLANNED TAXPAYER ASSISTANCE
RESOURCES FOR FISCAL YEAR 1986

Our review of budget estimates and discussions with IRS officials indicate that the reduction in the number of personnel available to assist taxpayers will continue in fiscal year 1986.

In fiscal year 1986, IRS plans a further redistribution of its staff resources devoted to taxpayer assistance. As illustrated in appendix II, IRS plans to decrease the number of permanent taxpayer service positions for fiscal year 1986 by 82 and the number of detailed-in staff years by 84. At the same time, IRS plans to increase the number of staff years for part time/temporary employees by 10. Again, assuming that each detailed-in and part time/temporary taxpayer service staff year budgeted would provide about three assisters during the filing season, the maximum number of assisters available will decrease by 304 for the fiscal year 1986 filing season.

RESULTS OF 1985 SURVEY OF
IRS TELEPHONE ASSISTANCE

To assess the effect of IRS' reallocation of resources on telephone assistance, we conducted a telephone survey during the 15-day period March 27, 1985 to April 10, 1985 similar to the ones we conducted during the 1978 and 1982 filing seasons. The methodology we used on the three surveys is shown in appendixes III, VI and IX. Although the surveys were similar, there are differences in methodology, e.g., periods covered. Therefore, caution must be taken in making any year-to-year comparisons. However, IRS national office officials said that the trend for services provided is downward.

As shown in appendixes IV, VII, and X, we estimated that a taxpayer could expect to reach an IRS assister on the first call 31 percent of the time in 1985, 62 percent of the time in 1982,

and 78 percent of the time in 1978. Furthermore, a taxpayer willing to make multiple calls to IRS had a 70 percent chance in 1985 of reaching an assister within a total of five call attempts. Taxpayers in 1982 and 1978 could expect to reach an IRS assister 85 percent and 86 percent of the time, respectively, within five call attempts. The results of the three tests should not be viewed as precise measures of the level of IRS provided assistance.

Calls may not be completed for a variety of reasons. For example, IRS can disconnect a taxpayer's call before an assister answers; a taxpayer can personally terminate a call after waiting on hold for a period of time (for our test, we waited on hold for 15 minutes); or a taxpayer may encounter a busy signal, a recording advising the taxpayer to call back at another time, or a continuous ringing without an answer.

Besides problems with calls not completed, taxpayers also could experience problems with inaccurate responses. As shown in appendixes V, VIII, and XI, in 1978 12 percent and in 1982 11 percent of the total calls made to IRS resulted in an inaccurate response to a question. In 1985, 14 percent of the telephone assister responses were inaccurate. IRS officials reviewed our questions and answers and agreed that the answers we sought were correct.

Appendixes V, VIII, and XI show the inaccuracy rates with data on calls not completed and terminated calls for each test period. The data show that for each 100 telephone calls made to IRS in 1985, 52 resulted in contact with an IRS assister who correctly answered a question. The remaining 48 calls either did not get answered, were cut off, or resulted in assisters providing erroneous answers. In 1982, 72 calls out of 100 resulted in contact with an IRS assister who correctly answered a question. On 1978, 80 calls out of 100 resulted in a correct answer.

IRS national office officials responsible for IRS taxpayer assistance program concurred with our 1985 test results which indicated that the availability of assistance declined while the accuracy of assistance remained about the same. They attributed the decline in availability to public reaction to the widespread publicity given to alleged problems with refunds and shredding of returns which started in late January 1985.

TAXPAYER SERVICE BUDGET ESTIMATES
FISCAL YEAR 1984 TO 1985 COMPARISON

| <u>Average positions</u> | <u>Staff years</u> | | <u>Filing season impact</u> | |
|---------------------------------|--------------------|-------------|--------------------------------|--|
| | <u>1984</u> | <u>1985</u> | <u>Increase (Decrease)</u> | <u>Persons per Increase staff yr. (Decrease)</u> |
| <u>Full time permanent</u> | | | | |
| Taxpayer service specialist | 534 | 758 | | |
| Taxpayer service representative | 1036 | 1188 | | |
| Other permanent | <u>967</u> | <u>749</u> | | |
| Subtotal | <u>2537</u> | <u>2695</u> | 158 | 1 |
| <u>Part time/temporary</u> | <u>1846</u> | <u>1495</u> | (351) | 3 |
| <u>Detailed-in</u> | | | | |
| Revenue officer | 4 | 14 | | |
| Tax auditor | 15 | 104 | | |
| Revenue agent | <u>37</u> | <u>62</u> | | |
| Subtotal | <u>56</u> | <u>180</u> | 124 | 3 |
| Total | <u>4439</u> | <u>4370</u> | (69) | <u>(523)</u> |
| | ===== | ===== | | ===== |

TAXPAYER SERVICE BUDGET ESTIMATES
FISCAL YEAR 1985 TO 1986 COMPARISON

| <u>Average positions</u> | <u>Staff years</u> | | <u>Filing season impact</u> | |
|---------------------------------|--------------------|-------------|--------------------------------|---|
| | <u>1985</u> | <u>1986</u> | <u>Increase (Decrease)</u> | <u>Persons per staff yr. Increase (Decrease)</u> |
| <u>Full time permanent</u> | | | | |
| Taxpayer service specialist | 758 | 733 | | |
| Taxpayer service representative | 1188 | 1155 | | |
| Other permanent | <u>749</u> | <u>725</u> | | |
| Subtotal | <u>2695</u> | <u>2613</u> | (82) | 1 (82) |
| <u>Part time/temporary</u> | <u>1495</u> | <u>1505</u> | 10 | 3 30 |
| <u>Detailed-in</u> | | | | |
| Revenue officer | 14 | 14 | | |
| Tax auditor | 104 | 30 | | |
| Revenue agent | <u>62</u> | <u>52</u> | | |
| Subtotal | <u>180</u> | <u>96</u> | (84) | 3 (252) |
| Total | <u>4370</u> | <u>4214</u> | (156) | <u> </u> (304) |

1978 GAO TELEPHONE SURVEY--METHODOLOGY

| | |
|-------------------------------------|----------|
| No. of telephone calls | 873 |
| Time period: | |
| Dates | 3/6-3/8 |
| Calendar days | 3 |
| Business days | 3 |
| No. of existing IRS sites contacted | 20 of 70 |
| No. of tax law questions used | 14 |

1978 GAO TELEPHONE SURVEY--COMPLETED CALLS

| | <u>Number</u> | <u>Percent</u> |
|--|---------------|----------------|
| Calls placed before reaching assister | | |
| 1 | 682 | 78 |
| 2 | 96 | 11 |
| 3 | 34 | 4 |
| 4 | 17 | 2 |
| 5 | <u>10</u> | <u>1</u> |
| Total completed calls | 839 | 96 |
| | | |
| Calls not completed | <u>34</u> | <u>4</u> |
| Total calls attempted | <u>873</u> | <u>100</u> |

1978 GAO TELEPHONE SURVEY--SUCCESSFUL CALLS

| | <u>Number</u> | <u>Percent</u> |
|---|---------------|----------------|
| Total calls attempted: | <u>873</u> | <u>100</u> |
| Calls not completed | 34 | 4 |
| Terminated calls 1/ | 36 | 4 |
| Completed calls resulting in in- accurate answers | 108 | 12 |
| Total calls made which were completed and resulted in an accurate response | <u>695</u> | <u>80</u> |

1/ Terminated calls include those lost during discussion with an assister and those lost during referral to back up assisters.

1982 GAO TELEPHONE SURVEY--METHODOLOGY

| | |
|-------------------------------------|-------------|
| No. of telephone calls | 1092 |
| Time period: | |
| Dates | 1/25-3/31 |
| Calendar days | 66 |
| Business days | 48 |
| No. of existing IRS sites contacted | 49 of 52 1/ |
| No. of tax law questions used | 20 2/ |

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

2/ Includes 10 questions from our 1978 test and 10 newly developed questions.

1982 GAO TELEPHONE SURVEY--COMPLETED CALLS

| | <u>Number</u> | <u>Percent</u> |
|--|-----------------|----------------|
| Calls placed before reaching assister | | |
| 1 | 676 | 62 |
| 2 | 132 | 12 |
| 3 | 67 | 6 |
| 4 | 33 | 3 |
| 5 | 25 | 2 |
| Total completed calls | <u>933</u> | <u>85</u> |
| Calls not completed | 159 | 15 |
| Total calls attempted | <u>1092</u> | <u>100</u> |

1982 GAO TELEPHONE SURVEY--SUCCESSFUL CALLS

| | <u>Number</u> | <u>Percent</u> |
|---|---------------|----------------|
| Total calls attempted: | <u>1092</u> | <u>100</u> |
| Calls not completed | 159 | 15 |
| Terminated calls 1/ | 17 | 2 |
| Completed calls resulting in in- accurate answers | 125 | 11 |
| Total calls made which were completed and resulted in an accurate response | <u>791</u> | <u>72</u> |

1/ Terminated calls include those lost during discussion with an assister and those lost during referral to back up assisters.

1985 GAO TELEPHONE SURVEY--METHODOLOGY

| | |
|-------------------------------|-------------|
| No. of telephone calls | 577 |
| Time period: | |
| Dates | 3/27-4/10 |
| Calendar days | 15 |
| Business days | 11 |
| No. of existing IRS | |
| sites contacted | 33 of 36 1/ |
| No. of tax law questions used | 17 2/ |

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

2/ Includes 17 of the 20 questions from our 1982 test--3 of the questions were no longer applicable.

1985 GAO TELEPHONE SURVEY--COMPLETED CALLS

| | <u>Number</u> | <u>Percent</u> |
|--|-------------------|-------------------|
| Calls placed before reaching assister | | |
| 1 | 182 | 31 |
| 2 | 102 | 18 |
| 3 | 54 | 9 |
| 4 | 40 | 7 |
| 5 | 27 | 5 |
| | <u> </u> | <u> </u> |
| Total completed calls | 405 | 70 |
| Calls not completed | 172 | 30 |
| | <u> </u> | <u> </u> |
| Total calls attempted | <u>577</u> | <u>100</u> |

1985 GAO TELEPHONE SURVEY--SUCCESSFUL CALLS

| | <u>Number</u> | <u>Percent</u> |
|---|---------------|----------------|
| Total calls attempted: | <u>577</u> | <u>100</u> |
| Calls not completed | 172 | 30 |
| Terminated calls 1/ | 22 | 4 |
| Completed calls resulting in in- accurate answers | 80 | 14 |
| Total calls made which were completed and resulted in an accurate response | <u>303</u> | <u>52</u> |

1/ Terminated calls include those lost during discussion with an assister and those lost during referral to back up assisters.