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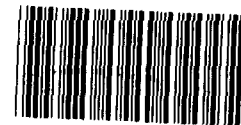
Testimony

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IRS' Efforts to Help Taxpayers During
the 1987 Tax Filing Season

Statement of
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Before the
Subcommittee on Commerce, Consumer
and Monetary Affairs
Committee on Government Operations
House of Representatives



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Mr. Chairman and Members of the Subcommittee:

We are pleased to be here today to assist the Subcommittee in its inquiry into IRS' efforts to help taxpayers during the current tax filing season. Our testimony is based on work performed during the past few months in response to this Subcommittee's request. Specifically, you asked us to assess the availability, timeliness, and accuracy of IRS' telephone and walk-in taxpayer assistance programs. In addition, you asked us to provide the Subcommittee with information concerning IRS' efforts to assist taxpayers who live outside the United States.

Interim results of our current work indicate that 61 percent of the calls we made from February 17 through March 20, 1987, were completed on the first call attempt; and 87 percent were completed within five call attempts. For the questions asked during the calls, IRS assisters provided correct answers 63 percent of the time, correct but incomplete answers 15 percent of the time, and incorrect answers 22 percent of the time. We should note that our work will continue through April 15 and the interim results may change.

In terms of walk-in assistance, offices we examined began providing service to 71 percent of taxpayers within 10 minutes; 90 percent of all assistance was provided in about 15 minutes.

We also noted that about 44 percent of the walk-in contacts involved questions concerning tax laws or procedures.

Our survey of four foreign locations showed that taxpayers can generally expect to obtain accurate information when they reach an IRS assister. On the other hand, we experienced difficulties in reaching some assisters.

TYPES OF ASSISTANCE PROVIDED
TO TAXPAYERS

IRS has provided some form of assistance to taxpayers since the early 1940s. The assistance has evolved from providing tax information over public address systems in federal buildings to the current program, in which assistance is provided over the telephone, at walk-in offices, and through correspondence and special community programs.

The overall objective of IRS' taxpayer assistance program is to encourage voluntary compliance with tax laws by informing taxpayers of their responsibilities and by providing guidance and assistance that will assist them in meeting their obligations. Through its various activities, IRS assists taxpayers inquiring about tax laws, their accounts, and IRS' notices and procedures. According to IRS data, during fiscal year 1986, IRS responded to 38.2 million inquiries over telephone lines; 7.9 million calls to

the tele-tax system; 8.1 million walk-in inquiries; 241,000 written requests; and 376,000 contacts through community outreach programs conducted by IRS employees. IRS also responded to 1.3 million calls to its tax form distribution centers. The majority of this assistance occurred during the 1986 tax filing season.

In addition, IRS-trained volunteers in the Tax Counseling for the Elderly (TCE) and Volunteer Income Tax Assistance (VITA) programs assisted 1.8 million taxpayers. While TCE volunteers provide tax assistance to taxpayers who are 60 or older, VITA volunteers provide assistance to a broad range of taxpayers, including lower income, elderly, non-English-speaking, and handicapped. Both types of assistance are usually provided in neighborhood centers, libraries, and churches.

IRS provides a similar range of taxpayer assistance services to the approximately 4 million U.S. citizens and military personnel residing abroad. IRS provides this assistance in 14 foreign offices and through periodic visits to other foreign cities during the tax filing season. Taxpayer assistance is also provided overseas by IRS with the cooperation of the Departments of Defense and State.

IRS' TAXPAYER SERVICE

PROGRAM HAS CHANGED

Primarily because of budget reductions, IRS has changed the taxpayer assistance program since 1980. IRS considers telephone assistance to be the most economical and efficient method for helping taxpayers. Therefore, IRS has increased the number of toll-free telephone lines, upgraded its equipment, reduced the number of walk-in offices, and refocused the type of assistance provided at walk-in offices. IRS is also increasing its use of automated equipment.

According to IRS officials, budget reductions to the taxpayer assistance program over the past several years have had an adverse impact on staffing levels. To provide additional resources for taxpayer service, IRS has redirected staff and funds from other programs. IRS data indicate that fiscal year 1987 total taxpayer service staffing levels will decrease from the previous year's average number of positions of 5,696 to 5,395 positions. For fiscal year 1987, IRS expects to redirect 500 average positions and \$22 million from other functions to the Taxpayer Service Program. IRS expects that total program expenditures for fiscal year 1987 will be about \$260 million.

Following are some of the more significant changes made to the program:

-- IRS has increased the use of automated equipment within the Taxpayer Service Program. Included is a tele-tax system which provides pre-recorded tax messages in response to tax questions and automated responses to refund inquiries. In addition, plans are underway for an automated system to provide all taxpayer assisters immediate access to a tax information data base and taxpayers' accounts. This system, referred to as the Automated Taxpayer Service System, is scheduled to be tested in 1988 and implemented in 1989 if testing is successful. According to IRS, the objective of this initiative is to decrease the time needed to research tax questions and provide consistent responses from site to site. IRS has also (1) begun to use a videotape in walk-in offices to direct taxpayers to specific sources of information and (2) established a system for taxpayers to call centralized form distribution centers to order tax forms and publications.

-- IRS has implemented a procedure whereby assisters make follow-up phone calls to taxpayers instead of having taxpayers make a second call to IRS. The objective is to reduce the number of second-time callers and, thus, the demand for telephone assistance.

-- IRS has significantly reduced the number of walk-in offices in operation--from 844 in 1980 to 479 in 1987. The largest reduction took place between 1980 and 1982, when 212 walk-in offices were closed. Despite the significant reduction in offices, the number of walk-in contacts has remained relatively constant. In 1980 there were 8.4 million contacts, and in 1986 there were 8.1 million. IRS expects 8.2 million walk-in contacts in 1987.

-- In 1982, IRS walk-in offices discontinued preparing taxpayers' tax returns and reviewing returns prepared by taxpayers. Exceptions are now made only for physically handicapped taxpayers and those taxpayers who IRS assisters determine are unable to use self-help service. Currently, return preparation assistance consists of a self-help approach, whereby an IRS assister "explains" or "walks through" a tax return step-by-step with taxpayers who actually prepare their own tax returns. According to IRS officials, the Service encourages taxpayers who seek return preparation or review assistance to use the VITA or TCE programs located in their communities.

With these changes, IRS has tried to keep pace with the demand for taxpayer service. IRS considers an 85 percent level of service the "optimum" for its toll-free telephone assistance.

At this level, IRS believes it can provide a high level of service to taxpayers while also achieving the best utilization of its staff. Due to resource constraints over the past several years, however, IRS has only been able to respond to 80 percent of the demand, which it considers to be a minimally acceptable level of service. According to IRS, this difference of 5 percent represents about 2 million taxpayer contacts.

IRS' fiscal year 1987 budget provided for an even lower level of service--75 percent--which did not account for any additional demand that the Tax Reform Act of 1986 might cause. IRS has submitted a supplemental budget request for 1987 to meet this estimated increased demand. The proposed budget for fiscal year 1988, again provides for less service--65 percent of the demand for telephone assistance based on IRS estimates.

TOLL-FREE TELEPHONE

ASSISTANCE PROGRAM

As noted previously, the vast majority of taxpayers seeking assistance use IRS' toll-free Telephone Assistance Program. Historically, IRS has considered telephone assistance to be the most economical and efficient method of helping taxpayers. Accordingly, IRS has devoted substantial resources--personnel and equipment--to telephone assistance and encourages taxpayers to use the telephone to seek assistance on tax law and account-

related questions. During fiscal year 1987, IRS plans to have 3,454 toll-free telephone lines available to taxpayers. Using these lines, about 3,500 IRS assisters will answer approximately 34.1 million toll-free calls. Table 1 provides historical data on IRS' Telephone Assistance Program.

Table 1: Comparison of Toll-Free Telephone Operations
for Fiscal Years 1984 Through 1987

	1984	1985	1986	1987
	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Estimated</u>
Number of lines	a	3,036	3,372	3,454
Toll-free staff	a	2,700	3,400	3,476
Toll-free calls				
answered	41.4M	41.1M	37.9M	34.1M
Number of				
answering sites	45	36	34	32

^aSummary data not available.

Of the calls received through the Telephone Assistance Program in 1986, about one-third involved questions about tax laws; one-third were account related; and one-third were related to procedures or tax forms.

IRS' toll-free telephone assistance is supplemented by tele-tax--multifunctional telephone equipment that provides recorded tax information as well as automated refund information. The tele-tax system provides information on about 150 topics ranging from general information to specific tax issues. As shown in table 2, IRS dramatically increased the number of tele-tax telephone lines from 718 in 1985 to 1,504 during fiscal year 1986. Table 2 also shows the number of calls made to the tele-tax system for fiscal years 1984 through 1987.

Table 2: Comparison of Tele-Tax Telephone Activity
for Fiscal Years 1984 Through 1987

	1984	1985	1986	1987
	<u>Estimated</u>	<u>Actual</u>	<u>Actual</u>	<u>Estimated</u>
Telephone				
lines	560	718	1,504	1,650
Answered				
calls	3.4M	8.3M	7.9M	8.5M

Of the 7.9 million calls made to the tele-tax system during fiscal year 1986, 6.4 million, or 81 percent, involved refund inquiries.

INTERIM RESULTS OF GAO'S 1987

TELEPHONE ASSISTANCE SURVEY

Our test of IRS' Telephone Assistance Program is designed to cover the period February 17 through April 15, 1987. Posing as taxpayers, we will place a total of 1,600 calls to 29 of IRS' 32 telephone call sites. The calls will be made in accordance with a statistically valid sampling plan that will allow us to project the results to the 29 call sites at a 95 percent confidence level and with a maximum sampling error rate of plus or minus 3 percent.

This is our fifth survey of IRS' telephone assistance; previous surveys were conducted in 1986, 1985, 1982, and 1978. We are asking 21 tax law questions--17 of which were used in the 1986 survey. Four are new because of tax law changes. IRS taxpayer service officials reviewed the questions and agreed that they were representative of questions they would expect assisters to answer correctly. IRS officials also agreed with the answers we are seeking.

The results presented today represent 24 days of calls made or attempted between February 17 and March 20, 1987. The 918 calls attempted during this period represent about 57 percent of the 1,600 planned calls. Accordingly, the information represents

only interim results of the overall test. Our final report, which will include calls through April 15, will be presented to the Subcommittee at a later date.

Timeliness of telephone
assistance

Our preliminary analysis indicates that a taxpayer could expect to reach an IRS assister on the first attempted call 61 percent of the time. If this rate continues, it would represent a decrease from the 68 percent completion rate for first calls attempted in our 1986 survey.

A taxpayer willing to make multiple calls had an 87 percent chance of reaching an assister within five call attempts. This too, if it continues, would represent a decrease from the 91 percent we found in 1986. The other 13 percent of our calls were not completed either because of busy telephone lines, no answer by assisters after 10 rings, or disconnections after being automatically placed on hold.

Of the calls that we did complete, about 50 percent were initially placed on hold until a front line assister was available. For these calls, the wait time averaged 56 seconds and was as high as 4 minutes and 26 seconds. While this year's average wait is greatly improved from the 1 minute and 50 seconds

wait in 1986, it nonetheless falls short of meeting IRS' objective that a taxpayer should reach an assister in 20 to 40 seconds, or on average 30 seconds, after placing the call.

We also analyzed the length of time we were placed on hold while front-line assisters researched answers to our questions. Our analysis showed that we were placed on hold for 16 percent of the completed calls, and the amount of time on hold after initially asking the question averaged 1 minute and 16 seconds and was as high as 4 minutes and 42 seconds.

Accuracy of IRS assister responses

Our preliminary analysis of completed calls showed that taxpayers could expect the majority of their questions to be answered correctly. Of the 793 answers we received, 503 (63 percent) were correct; 117 (15 percent) were correct but incomplete; and 173 (22 percent) were incorrect. We initially completed another six calls but terminated them before IRS answered our questions. We terminated two calls because we were on hold longer than five minutes and four calls were terminated because a backup assister was not available.

A further analysis of our calls showed that 21 were referred to backup assisters who answered our question. Of these 21

calls, 18 (86 percent) were answered correctly, and 3 (14 percent) were answered incorrectly.

When analyzing accuracy by individual question, we found that the rates ranged from 34 percent to 100 percent. Responses to 13 of the 21 questions exceeded the overall accuracy rate of 78 percent. Questions dealing with Form 1040A, how to report income from pensions, and Form W-4 were more likely to receive an incorrect response. For these questions the accuracy rates were 34, 40, and 47 percent, respectively.

Questions relating to recent changes in the tax law were also less likely to be answered correctly. Of the questions dealing with recent tax law changes, 66 percent were answered correctly as compared to 81 percent for questions dealing with tax provisions in effect for a number of years.

We also analyzed the accuracy rate by the number of calls completed at the 29 sites and found that volume did not appreciably affect the accuracy of responses. We compared accuracy rates for the 10 sites that handled the largest number of our calls (56 percent), the 10 sites that handled the next largest number of our calls (28 percent), and the 9 sites that handled the smallest number of our calls (16 percent). The accuracy rate for each group--76 percent for the largest sites, 79 percent for the next largest sites, and 85 percent for the

smallest sites--was comparable to the 78 percent accuracy rate for all sites.

TIMELINESS AND ACCURACY OF
WALK-IN ASSISTANCE

Despite IRS' preference that taxpayers use toll-free telephone lines, a large number of taxpayers continue to seek assistance at walk-in offices. As table 3 shows, the number of walk-in offices has fluctuated in recent years. IRS now handles a volume of contacts comparable to 1982 with 153 fewer walk-in offices.

Table 3: Number of Walk-in Offices and Contacts
Fiscal Years 1982 Through 1987

Fiscal year	<u>Walk-in offices</u>		<u>Walk-in contacts</u>	
	<u>Number</u>	Annual increase/ <u>(decrease)</u>	<u>Number</u>	Annual increase/ <u>(decrease)</u>
1982	632	--	8,092,792	--
1983	507	(125)	7,165,865	(926,927)
1984	471	(36)	7,699,294	533,429
1985	462	(9)	8,144,486	445,192
1986	476	14	8,114,371	(30,115)
1987	479	3	8,227,868 ^a	113,497 ^a

^aEstimated

The objective of IRS' Walk-In Assistance Program is to provide timely and accurate assistance to every taxpayer who visits a walk-in office. On the basis of data we collected at selected walk-in offices across the country, IRS seems to be meeting its timeliness objective. We also found that many taxpayers visiting the walk-in offices included in our sample were seeking assistance with tax laws or procedures. As previously mentioned, IRS encourages taxpayers with these questions to seek telephone assistance. We did not collect information as to why these taxpayers visited walk-in offices for help with their questions rather than use IRS' toll-free telephone lines.

The IRS manual calls for employees to record certain information each time they provide assistance to taxpayers visiting walk-in offices. Contact cards are available to capture basic data for each walk-in taxpayer inquiry, such as office identification and date, the time the taxpayer entered the office, the time assistance started, the time assistance was completed, and the type of assistance provided.

We found that some walk-in offices do not complete the contact cards on a systematic basis. However, because these cards could provide the type of information needed to address the Subcommittee's questions, we developed a plan to use them to gather information on taxpayer waiting and service times and on

the types of assistance provided. At our request, IRS officials requested walk-in offices to prepare contact cards for taxpayers visiting the offices. We collected cards from 11 of IRS' 64 district offices. These 11 district offices, which are included in table 4, encompass 102 of the 479 permanent, part-time, and filing season walk-in offices.

Table 4: IRS District Offices in GAO's
Sample of Walk-In Offices

Atlanta, GA	Los Angeles, CA
Baltimore, MD	Manhattan, NY
Chicago, IL	Portland, OR
Cincinnati, OH	Richmond, VA
Dallas, TX	San Francisco, CA
Detroit, MI	

Each week, we randomly selected approximately 250 contact cards from the total cards available at each district office. Our analysis covers the 3-week period--February 23 through March 13, 1987. This period is not necessarily representative of the normal volume of walk-in visits; according to IRS, demand is traditionally slower during this period than for other weeks during the filing season.

Timeliness of walk-in assistance

For the walk-in offices included in our survey, taxpayers waited an average of about 11 minutes before service began. The length of waiting time was influenced by the type of service sought by the taxpayer. For example, taxpayers with tax law or procedural questions waited an average of about 8 minutes, while taxpayers seeking self-help assistance had to wait about 17 minutes. Taxpayers seeking self-help assistance waited longer because offices prefer to provide such assistance to a group.

The length of time it took assisters to provide service averaged about 7 minutes. Again, the type of service requested influenced the amount of time expended. Tax assisters answered tax questions in about 4 minutes, but they took about 18 minutes to provide form 1040 self-help assistance.

For the 3-week period of our survey, the volume of taxpayers visiting the walk-in offices varied according to the day of the week. Taxpayers were more likely to visit walk-in offices on Monday and Tuesday and least likely to visit an office on Thursday or Friday. In regard to the hour of the day, volume remained relatively constant throughout the day.

Regarding the type of assistance provided at the walk-in offices we surveyed, assistance on tax questions was most

frequent, representing 44 percent of the services rendered. Direct preparation and return review assistance were the least rendered types of service--about 2 percent. This indicates that IRS is following its policy of discouraging such assistance, except for taxpayers who are unable to prepare their returns.

Accuracy of walk-in assistance

Because of time and logistical constraints, it was not feasible for us to independently test the accuracy of assistance provided in walk-in offices. We also found that IRS has limited data on the accuracy of assistance provided to taxpayers at walk-in offices. The only type of national data IRS maintains is included in a weekly report generated by the service centers that shows the mathematical error rate on tax returns completed by various preparers, including IRS assisters. For 1986, the mathematical accuracy of tax returns filed by taxpayers who received return preparation assistance at walk-in offices was comparable to the accuracy of returns prepared by all categories of preparers--94 percent.

IRS is not capturing data on the accuracy of responses to tax law and account-related inquiries which, as previously mentioned, constitute the majority of the assistance provided at walk-in offices. According to IRS, it is not feasible to calculate an accuracy rate for this type of assistance because no

documentation is maintained at walk-in offices to indicate the response provided by the assister. Therefore, IRS believes its current practice of periodic monitoring by managers is the most feasible method for determining the quality of the assistance, providing feedback to staff, and revising training as needed.

According to IRS guidelines, each District Office is required to establish a review system to assess the self-help program. This should entail a review of the quality of the returns prepared, including mathematical and technical accuracy, and the completeness of the return. IRS officials told us that currently this review is not performed on a formal basis because the walk-in program now deemphasizes return preparation and most walk-in contacts involve tax and account-related questions. Under the current review process, office managers are to periodically review the returns prepared by assisters and monitor and observe assisters providing answers to taxpayers' inquiries. IRS officials told us that no overall report is prepared on the results of these reviews.

IRS TAXPAYER ASSISTANCE ACTIVITIES

OUTSIDE THE UNITED STATES

Like taxpayers living in the United States, the approximately 4 million U.S. taxpayers living in foreign countries also have access to IRS to ask questions, obtain

information, or receive copies of IRS forms and publications. In this regard, IRS has about 40 staff members permanently assigned to offices located in 14 foreign countries. In addition to the permanently assigned staff, staff members from the United States are assigned temporarily to assist in examination, collection, and taxpayer service activities.

IRS establishes its foreign offices on the basis of the concentration of U.S. taxpayers, availability of office space in a U.S. embassy or consulate, and foreign government attitudes toward a U.S. tax administration presence. With the exception of the office located in Ottawa, Canada, the territory of a foreign office comprises several countries. For example, the London, England, office is also responsible for the Scandinavian countries. In these cases, IRS staff periodically travel to the other locations in order to carry out their responsibilities.

IRS' taxpayer assistance activities overseas include walk-in, telephone, and correspondence assistance. During fiscal year 1986, there were about 137,800 taxpayer contacts for taxpayer assistance overseas. In addition to assisting taxpayers at its 14 overseas posts, IRS also sends taxpayer assisters to other foreign cities during the tax filing season. In this regard, IRS taxpayer assisters are scheduled to visit about 81 cities in 53 foreign countries during the current filing season.

In addition to its direct taxpayer assistance programs overseas, IRS coordinates with and assists the Departments of Defense and State which perform certain taxpayer assistance activities. For example, in some locations the Department of Defense may independently, or in cooperation with IRS, conduct taxpayer assistance courses for military personnel and their spouses, who would then assist other personnel.

Besides providing office space for IRS officials overseas, the Department of State distributes tax forms and publications and assists in the coordination of IRS' taxpayer assistance overseas. In this regard, the Department of State provides logistical and administrative support for IRS taxpayer assisters' visits to embassies and consulates. It also provides tax information to government personnel who are assigned to positions overseas and provides, at all passport offices, an informational booklet on income tax benefits for U.S. citizens who go overseas.

To test the timeliness and accuracy of IRS' telephone assistance program overseas, we prepared a list of 10 tax questions that would be relevant to a U.S. taxpayer living overseas. We then placed eight telephone calls to IRS offices in Bonn, West Germany; Paris, France; London, England; and Rome, Italy, during the period March 9 through March 12, 1987. Of the 32 calls, we reached an IRS office on 24 of the calls within 5 attempts. An IRS assister was available for all but 3 of the 24

calls. For 20 of the 21 calls in which we reached an assister, the answers to our questions were accurate and concise.

We experienced problems reaching IRS assisters in Rome and London--the 8 calls for which we did not reach an IRS assister occurred in these two cities. In both cities, our initial calls went through the central switchboard serving the U.S. Embassy. We encountered problems in getting through to the switchboard, or when we were connected with the switchboard, we experienced difficulty reaching the IRS office. The London office uses a telephone answering machine. When the machine was activated, callers were asked to leave a (1) name and address if they wanted copies of tax forms and publications or (2) name and phone number if they needed technical assistance. Callers were informed that their calls would be returned by the IRS assister. In addition, the caller was provided information on the official U.S. dollar/British pound conversion rate. Since we were calling from another country, we did not leave our name and phone number with the IRS office in London.

In addition to placing telephone calls, we met with IRS officials at their office located in Bonn, West Germany. According to the officials, the IRS office has little walk-in traffic because the U.S. Embassy in Bonn is not centrally located. The IRS office has one telephone line dedicated for the taxpayer assister who takes calls Monday through Thursday from

9 a.m. to 1 p.m. and from 2 p.m. to 4 p.m. Friday is reserved for responding to correspondence requests for assistance. The taxpayer assister is also trained to perform collections duties outside the tax filing season.

In Bonn, the tax assister does not return telephone calls and does not make appointments for walk-in visits. When the assister is not available, callers are told to call at another time. According to the assister, about 40 percent of the phone calls received are in German, and a large number are from tax preparers who are preparing tax returns for U.S. taxpayers. In addition, the phone calls are very different from those received by tax assisters in the U.S. in that the calls are often longer, the callers more sophisticated in their knowledge of tax law, and the questions more complicated.

IRS officials recognize that the telephone system is a problem for the taxpayer assistance effort at the IRS office in Bonn. The officials said that many callers get a busy signal when they dial the only taxpayer assistance line, and callers may have to make five or six calls before finally getting through. They believe that a telephone answering system like the one used by the IRS office in London could improve the effectiveness and efficiency of their taxpayer assistance efforts.

In summary, Mr. Chairman, the interim results of our test of IRS's Telephone Assistance Program during the current tax filing season indicate that the majority of taxpayers can expect to be successful in contacting telephone assisters and obtaining accurate answers to their questions. However, it appears that the program is running a bit behind last year's in terms of timeliness. Of the telephone calls we made as of March 20, 1987, 61 percent were completed on the first attempt, and 87 percent were completed within five calls. Further, for the questions asked during the calls, IRS assisters provided correct answers 63 percent of the time, correct but incomplete answers 15 percent of the time, and incorrect answers 22 percent of the time. We plan to continue placing calls to IRS through the end of the filing season--April 15--and issue a report to the Subcommittee on the overall results of our test.

Regarding the timeliness of IRS' Walk-In Assistance Program, the results of our sample of 102 walk-in offices indicate that taxpayers visiting these offices can expect to spend about 18 minutes obtaining assistance--11 minutes of waiting time and 7 minutes to obtain service.

On the basis of the results of our work concerning IRS' taxpayer assistance efforts overseas, it seems that taxpayers need to be patient when seeking assistance over the telephone.

If they can get through to the tax assisters, it is likely that the assistance they receive will be accurate.

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This concludes my statement. I would be pleased to respond to any questions you may have.