

Taxpayers F.I.R.S.T.

Call to Action: Crafting a New Taxpayer Service Experience

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Introduction

Congress passed the Inflation Reduction Act (IRA) in 2022, which included just under \$80 billion in additional funding for the Internal Revenue Service (IRS) over a ten-year period, [increasing its funding by over 50 percent](#).¹ Though approximately \$21 billion was later rescinded, the IRS remains set to benefit from a significant boost to its funding over the next decade.

But while additional funding should expand the IRS's capabilities, the IRA left things fairly open-ended as to how exactly the IRS should direct these new resources and what metrics it should be focusing on. In order to fill this gap and provide the IRS and policymakers with expert advice on reform and modernization while spending plans develop, the National Taxpayers Union Foundation (NTUF) launched its Taxpayers for IRS Transformation (Taxpayers FIRST) project.

At the core of the Taxpayers FIRST project is the convening of an advisory board made up of former IRS officials, academics, practitioners, accountants, and policy experts. These advisory board members have diverse views and backgrounds, but are united in the shared goal of ensuring the taxpayer dollars entrusted to the IRS help make it more efficient, effective, and accountable.

Informed by the discussions of the Taxpayers FIRST Advisory Board, NTUF will publish four reports covering areas IRA funding was meant to address. The ideas in these papers do not necessarily reflect the specific views of any single member; rather, they are synthesized views after critical debate, discussion, and review by the Advisory Board.

This is the second installment in the series, focusing on improving customer service at the IRS. There is significant overlap between this discussion and that of IRS modernization. Indeed, the success of many proposals to improve the IRS's customer service will likely be determined by how well they modernize and streamline technological capabilities. However, improving customer service at the IRS will require more than system and technology upgrades – it will also require policymakers to shift priorities and adopt more useful metrics of success. That is the focus of this second report.

Recent Efforts to Improve IRS Customer Service

Paying taxes can indeed be a daunting and stressful task for many people. Law-abiding citizens aim to complete their forms accurately to avoid the dreaded audit notice, but tax laws can be complex and confusing. This is why taxpayers frequently turn to the IRS for assistance, whether it be during the filing process, to inquire about the status of a refund or submitted documents, or to address issues such as identity theft. The IRS provides a range of services (in multiple languages) through its website (which includes a chat bot for frequently asked questions), phone support, correspondence (both digital and on paper), and taxpayer assistance centers.

In this paper, the terms “taxpayer services” and “customer services” are used interchangeably. While it is beneficial for the IRS to cultivate a culture of treating taxpayers as valued customers, it is crucial to recognize that taxpayers differ from typical consumers due to the mandatory nature of taxation. This is why it is important to ensure that taxpayers have access to exceptional service when they have a question or a problem.

Efforts to improve customer service at the IRS go back many years, paralleling broader initiatives to modernize its technology. These efforts gained significant momentum in the mid-1990s when policymakers began to prioritize enhancing public interactions with federal agencies. The shift was largely formalized with the establishment of the National Performance Review, later re-dubbed the National Partnership for Reinventing Government, a Clinton administration initiative

¹ Congressional Research Service, “IRS-Related Funding in the Inflation Reduction Act,” CRS-IN11977, Updated October 20, 2022, <https://crsreports.congress.gov/product/pdf/IN/IN11977>.

aimed at making the government less bureaucratic and more customer-focused.² Many of these principles were incorporated into the IRS Restructuring and Reform Act of 1998, which, in addition to overhauling its structure and setting mandates for modernization, also sought to promote a more service-oriented approach.³

In the years leading up to the passage of the IRA, much of the new legislation targeting the IRS emphasized both modernization and the enhancement of customer service. Such legislation included:

- **The American Recovery and Reinvestment Act of 2009:** Required the IRS to enhance its customer service to efficiently manage and explain new tax credits and incentives due to the economic crisis.⁴
- **The Taxpayer First Act of 2019:** Focused directly on IRS reform, this Act mandated a comprehensive customer service strategy, including technology upgrades and an Independent Office of Appeals to assist taxpayers.⁵
- **The Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020:** In response to the COVID-19 pandemic, the IRS had to quickly adapt its services to manage the distribution of stimulus payments and provide clear, updated guidance on tax-related changes.⁶

The Inflation Reduction Act

While the bulk of the IRA funding was reserved for tax enforcement, it also included \$3.2 billion for taxpayer services, \$4.8 billion for business system modernization, and \$25.3 billion for operations support. But taxpayer services typically account for about a quarter of the IRS's annual budget.⁷ The IRS's Strategic Operating Plan (SOP), released in 2023 as the blueprint of the Administration's objectives for the increased funds, listed improvements to taxpayer services as its top priority.⁸ The SOP includes broad targets for customer service improvements ranging from expanding digital services to updating self-service options.

According to the recently released 2024 update to the SOP and supplemental document, several new initiatives have been rolled out to enhance customer service such as the Simple Notice Initiative.⁹ While the updated documents outline some improvements that have been made through this process, such as the review and redesign of 31 notices,¹⁰ many of these changes are still in the early stages.

The Current State of Taxpayer Services

The IRS has reported substantial improvements to its taxpayer services over the past two years, many of them publicly credited to the resources provided by the IRA. Despite these positive developments, the IRS still faces customer service challenges. According to a recent report by the National Taxpayer Advocate, these include major delays in processing returns and assisting victims of identity theft, problems with phone service despite widely touted improvements, a lack

² Charles Clark, "Reinventing Government -- Two Decades Later," April 16, 2023, <https://www.govexec.com/management/2013/04/what-reinvention-wrought/62836/>.

³ Internal Revenue Manual 13.1.2 https://www.irs.gov/irm/part13/irm_13-001-002.

⁴ American Recovery and Reinvestment Act of 2009, Pub. L. No. 111-5, 123 Stat. 115, <https://www.congress.gov/111/plaws/publ5/PLAW-111publ5.pdf>

⁵ Taxpayer First Act, Pub. L. No. 116-25, 113 Stat. 981, <https://www.govinfo.gov/content/pkg/PLAW-116publ25/pdf/PLAW-116publ25.pdf>

⁶ Coronavirus Aid, Relief, and Economic Security Act, Pub. L. No. 116-136, 134 Stat. 281, <https://www.govinfo.gov/content/pkg/PLAW-116publ136/pdf/PLAW-116publ136.pdf>

⁷ Andrew Lautz, "IRS Funding Reallocation Could Improve Taxpayer Service, Modernization Efforts," March 31, 2023, National Taxpayers Union Foundation, <https://www.ntu.org/foundation/detail/irs-funding-reallocation-could-improve-taxpayer-service-modernization-efforts>.

⁸ IRS, "Internal Revenue Service Inflation Reduction Act Strategic Operating Plan," 2023, <https://www.irs.gov/pub/irs-pdf/p3744.pdf>

⁹ IRS, "IRA Strategic Operating Plan Annual Update," 2024, <https://www.irs.gov/pub/irs-pdf/p3744b.pdf>.

¹⁰ IRS, IRA Strategic Operating Plan Annual Update Supplemental," 2024, <https://www.irs.gov/pub/irs-pdf/p3744a.pdf>.

of transparency, inadequate in-person services, and a significant deficiency in basic online tools.¹¹

Tax Filing. The voluntary nature of our tax system relies on taxpayers filing their own taxes in a timely and honest manner. The IRS offers several methods for tax filing generally divided between paper filing options and electronic filing options. While the IRS does not generally file taxes for taxpayers, it does support free tax preparation services for qualifying low-income taxpayers through the Volunteer Income Tax Assistance (VITA) and Tax Counseling for the Elderly (TCE) programs. VITA and TCE programs are operated by independent organizations, staffed with volunteers, and funded with grants from the IRS. In 2022, 39 TCE grantees received \$11 million in awards and 305 VITA grantees received \$30 million in awards.¹² Together, volunteers with these services helped prepare almost 2.6 million tax returns in Fiscal Year 2023 with 97.3 percent accuracy.¹³

Return Processing. In recent times, the IRS has entered each year with a sizable backlog of unprocessed returns, correspondence, and account management cases, driven by both the COVID-19 pandemic as well as pre-existing issues. As of October 2023, the backlog was roughly 6.2 million items – mostly unprocessed amended returns. While that number had decreased from its peak of 10.5 million returns (plus millions of other items) in 2021, it was more than double the size of the pre-pandemic backlog reported in 2019. In addition, nearly 70% of that unprocessed inventory was classified as overdue, up from 60% in 2021. Prior to the start of the 2023 Filing Season, the IRS shifted significant resources from processing activities to telephone services (more on that below). The change in priorities slowed further progress by the IRS in addressing its processing backlog after the end of the pandemic.¹⁴

The ongoing processing backlog for amended returns results in delayed refunds for millions of taxpayers. For example, in recent years, 1040-X amended returns filed by individual taxpayers have taken an average of 162 days – over five months – to process. In addition to making taxpayers' lives more difficult, this also has significant fiscal implications for the federal government. By law, the IRS must pay interest on taxpayer refunds that are not paid out in a timely fashion. Delays in processing 2022 returns required the IRS to pay roughly \$1.4 billion in interest.¹⁵

Taxpayers may face other challenges as their returns are processed which delay or complicate completion by the IRS. Errors present one such issue and can be the fault of either the taxpayer or the IRS. The Error Resolution System (ERS) is used to identify potential errors made by taxpayers while submitting a tax return. If an error is confirmed by the ERS, the IRS will subject the return to further review and request additional information as necessary.¹⁶ IRS employees can also introduce errors while processing returns through improper return preparation, incorrect data entry, and improper review of taxpayer identifying information, such as from keypunching in submitted paper returns. GAO has found that these types of errors have risen from 12.6 percent of documents subject to review in 2020 to 15.5 percent in 2023.¹⁷

¹¹ Taxpayer Advocate Service, "National Taxpayer Advocate delivers Annual Report to Congress; focuses on taxpayer impact of paper processing delays," January 10, 2023 <https://www.taxpayeradvocate.irs.gov/reports/2023-annual-report-to-congress/newsroom/>

¹² IRS, "IRS seeking applications for TCE and VITA grants; organizations provide free tax return help for seniors, underserved," April 28, 2023, <https://www.irs.gov/newsroom/irs-seeking-applications-for-tce-and-vita-grants-organizations-provide-free-tax-return-help-for-seniors-underserved>.

¹³ IRS, "2023 IRS Data Book," April 2024, <https://www.irs.gov/pub/irs-pdf/p55b.pdf>.

¹⁴ Id.

¹⁵ Id., page 7.

¹⁶ Taxpayer Advocate Service, "Lifecycle of a Tax Return," Last Updated: February 8, 2024, <https://www.taxpayeradvocate.irs.gov/news/nta-blog/nta-blog-lifecycle-of-a-tax-return/2021/05/>

¹⁷ GAO, "2023 TAX FILING: IRS Improved Customer Service, but Could Further Improve Processing and Evaluate Expedited Hiring," January 2024, <https://www.gao.gov/assets/d24106581.pdf>

Identity Theft. The IRS created the Identity Theft Victim Assistance (IDTVA) program to help taxpayers resolve their identity theft issues.¹⁸ Victims of tax-related ID theft working with the IDTVA wait an average of 19 months for the IRS to process their returns and issue refunds.¹⁹ Even worse, almost 70% of taxpayers whose cases were resolved through the IDTVA were in low-income households – households that are particularly disadvantaged by refund delays.²⁰ This situation worsened during the pandemic due to staffing reallocations within the IRS. And, like the overall processing backlog, this problem was exacerbated by the decision to reassign IRS customer service representatives handling IDTVA claims to answer taxpayer phone calls.²¹

The IRS's Taxpayer Protection Program (TPP) screens tax returns with a broad range of filters to identify potentially fraudulent returns and correspondence. While this process is necessary to protect taxpayers, it often flags legitimately filed returns, creating all new delays for innocent taxpayers. In recent years, the IRS has sought to cap its false detection rate (FDR) at 50 percent, which is in line with private-sector standards. The TPP has exceeded that target almost every year, except in 2022 when its FDR was 47 percent.²² When a legitimate return gets flagged, the taxpayer is required to authenticate their identity, a process that takes about 46 days on average.²³

Telephone Services. Since the passage of the IRA, the administration has made improvements to telephone service one of its top priorities. In late 2022, the IRS made a commitment to “transform the IRS into a 21st Century agency,” with a specific goal to achieve an 85 percent level of service (LOS) for incoming calls and reduce average call wait times to five minutes or less during the 2023 filing season.²⁴ While the IRS achieved these goals, TAS pointed out that the LOS metric used by the IRS is “a highly technical measure that excludes the majority of the calls the IRS receives from its calculation.”²⁵ Further, the volume of calls received by the IRS has decreased (from 39 million in 2019 to 26 million in 2023), which may contribute to the improved LOS level.²⁶

The IRS only includes calls to its Account Management lines in its LOS metrics, excluding more than 7 million calls made to other lines. The tabulation also omits calls dropped before queuing and those routed to automated lines. In the days surrounding the 2023 filing deadline, the IRS received just under 32 million calls, but only about 9 million calls were included in its LOS figures. In other words, about 35 percent of all calls made to the IRS during that time were answered by live agents, up from only 10 percent the previous year, which also saw more than twice as many calls. While the topline number represents an improvement, the IRS could do more to boost efficiency of its telephone services, do so without harming service priorities, and measure results.²⁷

Additionally, the LOS metric only reflects the number of calls answered, not the quality of service. It does not account for other key details such as average call duration or the rate of transferred or abandoned calls. Moreover, it provides no insight into the outcome of the calls, the resolution of issues, or customer satisfaction. In fact, guidance from the Office of Management and Budget

¹⁸ IRS, “IRS identity theft victim assistance: How it works,” Updated May 1, 2024 <https://www.irs.gov/individuals/how-irs-id-theft-victim-assistance-works>

¹⁹ National Taxpayer Advocate, “The Most Serious Problems Encountered by Taxpayers,” 2023 https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2024/01/ARC23_MSP.pdf

²⁰ Id., page 79.

²¹ Id., page 80.

²² Id., page 81.

²³ Id., page 82.

²⁴ U.S. Department of the Treasury, “Remarks by Secretary of the Treasury Janet L. Yellen at the IRS facility in New Carrollton, Maryland,” September 15, 2022 <https://home.treasury.gov/news/press-releases/jy0952>

²⁵ Taxpayer Advocate Service, “National Taxpayer Advocate delivers Annual Report to Congress; focuses on taxpayer impact of paper processing delays,” January 10, 2023 <https://www.taxpayeradvocate.irs.gov/reports/2023-annual-report-to-congress/newsroom/>

²⁶ National Taxpayer Advocate, “The Most Serious Problems Encountered by Taxpayers,” 2023 https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2024/01/ARC23_MSP.pdf; Government Accountability Office, “2023 Tax Filing: IRS Improved Customer Service, but Could Further Improve Processing and Evaluate Expedited Hiring” at 25, Jan. 2024, <https://www.gao.gov/assets/d24106581.pdf>.

²⁷ National Taxpayer Advocate, “Objectives Report to Congress, Fiscal Year 2024,” page 12, 2024 https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2023/06/JRC24_FullReport.pdf

has identified seven factors that impact customers' experiences with federal services, including satisfaction, confidence or trust, and simplicity.²⁸ None of these are addressed in the IRS's current LOS metric.

A November 2023 study by the Treasury Inspector General for Tax Administration (TIGTA) included test calls to all the IRS's active telephone lines, and found that "improvements are needed to ensure that taxpayers receive top quality service when contacting IRS customer service telephone lines." Specifically, TIGTA's test calls revealed several issues including incorrect phone numbers, inconsistencies in language options and scam alert messages, excessive hold times, and unreturned calls.²⁹ Further, the National Taxpayer Advocate office's interactions at the 2023 IRS Nationwide Tax Forums revealed that many tax professionals still face long wait times and receive inadequate responses from the Practitioner Priority Service (PPS) line. This discrepancy between reported metrics and lived experience can cause significant confusion and frustration among professionals.³⁰

In-Person Services. Observers have also noted shortcomings in the IRS in-person services, particularly at Taxpayer Assistance Centers (TACs). These centers are staffed by IRS employees trained to assist taxpayers with a wide range of federal tax issues, including identity verification, transcripts, refund inquiries, and payment-related concerns. In the aftermath of the pandemic, the number of taxpayers seeking assistance at TACs has increased significantly. Most customer satisfaction surveys give high marks to the quality of service at TACs – with ratings averaging 88 percent or higher in 2023. The most frequently cited problems do not concern the quality of service at TACs, but rather their availability.³¹

The Biden administration took steps to expand access to TACs in 2023. For example, 16 TACs that had closed since the start of the pandemic were reopened and new TACs in Puerto Rico and Mississippi were added. IRS employees at TACs assisted more taxpayers in 2023 than in prior years.

But accessibility problems persist. This is true for several reasons, including historic staffing shortages, which have hindered full operation of many TACs. The geographical distribution of the centers remains uneven, leaving some taxpayers with long travel times to the nearest center. Further, TIGTA has found that information on the IRS website may erroneously lead taxpayers to believe that they can seek assistance at non-TAC IRS locations.³² The IRS expanded service hours to include Saturdays, but those were limited to just one additional day a month during the filing season which proved insufficient to meet the high demand. While virtual service options have improved dramatically in recent years, they still face challenges in reach and effectiveness, limiting their ability to fully substitute for in-person services.³³

Online Services. In 2022, a National Taxpayer Advocate study compared the online services provided by the IRS to those offered by other tax jurisdictions, including 41 states, the District of Columbia, and three foreign countries.³⁴ The study identified significant shortfalls in the IRS's

²⁸ National Taxpayer Advocate, "The Most Serious Problems Encountered by Taxpayers," 2023 https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2024/01/ARC23_MSP.pdf

²⁹ TIGTA, "Actions Are Needed to Improve the Quality of Customer Service in Telephone Operations," November 6, 2023 <https://www.tigta.gov/sites/default/files/reports/2023-11/2024ier001fr.pdf>

³⁰ Waggoner, Martha, "Tax pros give mixed reviews to wait times, service on PPS line," Journal of Accountancy, August 25, 2023, <https://www.journalofaccountancy.com/news/2023/aug/tax-pros-give-mixed-reviews-to-wait-times-service-on-pps-line.html>.

³¹ TIGTA, "Actions Are Needed to Improve the Quality of Customer Service in Telephone Operations," November 6, 2023 <https://www.tigta.gov/sites/default/files/reports/2023-11/2024ier001fr.pdf>

³² TIGTA, "Actions Need to Be Taken to Address Inaccurate Internet Search Engine Taxpayer Assistance Center Location Information Which Poses a Threat to Employee Safety," February 26, 2024, <https://www.tigta.gov/sites/default/files/reports/2024-02/2024ier009fr.pdf>.

³³ TIGTA, "Actions Are Needed to Improve the Quality of Customer Service in Telephone Operations," November 6, 2023 <https://www.tigta.gov/sites/default/files/reports/2023-11/2024ier001fr.pdf>

³⁴ Taxpayer Advocate Service, "A Review of Online Accounts and Web Services Offered by U.S. State and Foreign Country Taxing," 2022 https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2023/01/ARC22_CA_Online-Accounts.pdf.

digital offerings compared to the other taxing authorities. For example, the IRS website lacked a direct tax filing option, with users often being redirected to third-party services. It also failed to provide functionalities for online management of notices or robust options for digital and in-person contact.³⁵ These types of deficiencies leave the IRS unable to provide a modern online service experience comparable to what is already available in many other jurisdictions.

The National Taxpayer Advocate has also reported on how usable and functional the IRS website is overall. IRS.gov has potentially millions of pages of information, yet when taxpayers search within the website, they are often unable to find answers to their questions.³⁶ There are also inconsistencies and duplication in names and landing pages throughout the website. For example, the IRS has two separate pages with information about its estimates of the tax gap with the website titles “The Tax Gap”³⁷ and IRS: The tax gap.”³⁸ The National Taxpayer Advocate has made several recommendations to improve the website, including using a logic-driven menu paths to organize information access, creating consistency through naming and landing location conventions, and reforming the Interactive Tax Assistant (ITA) tool.³⁹

In terms of online account access, the IRS does not provide fully integrated accounts to taxpayers and tax professionals or the digital communications tools necessary to utilize tax information and services, as exist in the private sector and much of the public sector. A lack of efficient digital options forces many taxpayers to resort to slower, less efficient methods like phone calls, in-person visits to TACs, or skipping assistance altogether.

Transparency. While the IRS has made significant progress in recent years, many taxpayers and tax professionals continue to face challenges in obtaining information from the IRS. Many such challenges were outlined in recent reports by the National Taxpayer Advocate, including the continued lack of clear and timely information, which leaves taxpayers and professionals struggling to understand IRS procedures and requirements. The IRS’s public messaging often lacks detail and can create unrealistic expectations about service improvements. There are also significant delays and a lack of updates or confirmations on the status of inquiries and filings, further complicating taxpayer interactions. These types of communication shortcomings contribute to the widespread frustration, confusion, and diminished taxpayer trust.

The 2024 Filing Season

Last fall, the IRS announced several additional customer service improvements for the 2024 Filing Season, and the IRS has begun releasing statistics on the success of the initiatives.⁴⁰

Direct File. The most high-profile IRS customer service initiative for 2024 was Direct File, a free public option for taxpayers to file returns directly to the IRS.⁴¹ Piloted in 12 states during the 2024 tax season, Direct File is a service optimized to “work as well on a mobile phone as it does on a laptop, tablet, or desktop computer.”⁴² At the end of April, the IRS announced that over 140,000 taxpayers filed returns using Direct File, though “several hundred thousand taxpayers”

³⁵ Taxpayer Advocate Service, “A Review of Online Accounts and Web Services Offered by U.S. State and Foreign Country Taxing,” 2022 https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2023/01/ARC22_CA_Online-Accounts.pdf

³⁶ National Taxpayer Advocate, “IRS.gov – How Usable Is It? (Part One),” August 9, 2022, <https://www.taxpayeradvocate.irs.gov/news/nta-blog/nta-blog-irsgov-website-1/2022/08/>.

³⁷ IRS, “The Tax Gap,” 2023 <https://www.irs.gov/newsroom/the-tax-gap>.

³⁸ “IRS: The tax gap,” <https://www.irs.gov/statistics/irs-the-tax-gap>.

³⁹ National Taxpayer Advocate, “IRS.gov – How Usable Is It? (Part Two),” August 11, 2022, <https://www.taxpayeradvocate.irs.gov/news/nta-blog/nta-blog-irsgov-website-2/2022/08/>.

⁴⁰ U.S. Department of the Treasury, “Filing Season 2024 Report Card: IRS Builds On 2023 Progress, Delivers World Class Customer Service Thanks to Inflation Reduction Act,” April 15, 2024 <https://home.treasury.gov/news/press-releases/jy2250>

⁴¹ IRS, “Direct File Pilot,” Updated April 24, 2024 <https://www.irs.gov/about-irs/strategic-plan/irs-direct-file-pilot>

⁴² IRS, “IRS achieves key Paperless Processing Initiative goal, outlines improvements for filing season 2024,” November 25, 2023 <https://www.irs.gov/newsroom/irs-achieves-key-paperless-processing-initiative-goal-outlines-improvements-for-filing-season-2024>

signed up for accounts. The announcement also cited data from a General Services Administration Touchpoints survey revealing that 90 percent of respondents ranked their experience with the program as “Above Average” or better.⁴³

In the days leading up to the filing deadline, a report released by the Government Accountability Office (GAO) found that the IRS had not fully measured the true costs or benefits of the pilot program. Specifically, GAO concluded that the IRS lacked proper methodology for estimating costs related to customer service, technology updates, and state tax integration, among others.⁴⁴

While the IRA earmarked \$15 million to study the potential of providing a direct filing option, the IRS announced it would initiate a pilot program almost immediately after releasing its study, leading some to question the program.⁴⁵ The IRS has released a report detailing features of the Direct File pilot after the 2024 filing season but has not yet announced its plans for the program in 2025 or beyond.⁴⁶

Paperless Processing. In 2023, the IRS launched the Paperless Processing Initiative, aimed at allowing taxpayers to submit all correspondence and response notices through its Document Upload Tool.⁴⁷ By April, the IRS reported that it had received nearly 900,000 responses to notices through the online tool. The IRS anticipates this project will eliminate the need for 94 percent of taxpayers to send physical mail to the IRS.⁴⁸

Improved Digital Services. The IRS made several enhancements to its most widely used online tool, “Where’s My Refund?” in 2024. The updated site now offers taxpayers clearer and more detailed updates.⁴⁹ For example, the prior version of “Where’s My Refund” offered only three updated statuses: return accepted, return in process, and refund issued. The improved version provides detailed information about filing status as well as information on when taxpayers can expect to receive their refund, whether by direct deposit or paper check.⁵⁰

Phone and In-Person Service Improvements. The IRS once again touted improvements to its phone services in 2024, claiming that it reached 88 percent LOS and an average wait time of three minutes. It also introduced an expanded callback feature for callers facing wait times over 15 minutes, saving taxpayers 1.4 million hours of hold time during the filing season. However, the “Report Card” released by the Department of the Treasury on April 15 did not include any data about the quality of service provided in these calls.⁵¹

⁴³ IRS, “Direct File pilot officially closes after more than 140,000 taxpayers successfully use direct e-filing system in 12 states, including integration with 4 state tax systems,” April 26, 2024 <https://www.irs.gov/newsroom/direct-file-pilot-officially-closes-after-more-than-140000-taxpayers-successfully-use-direct-e-filing-system-in-12-states-including-integration-with-4-state-tax-systems>

⁴⁴ U.S. Government Accountability Office, “IRS Direct File: Actions Needed during Pilot to Improve Information on Costs and Benefits,” April 9, 2024 <https://www.gao.gov/products/gao-24-107236>

⁴⁵ NTUF, “Government Watchdog Finds IRS Has Not Properly Estimated Cost of Direct File,” April 19, 2024 <https://www.ntu.org/foundation/detail/government-watchdog-finds-irs-has-not-properly-estimated-cost-of-direct-file>

⁴⁶ IRS, “IRS Direct File Pilot Program Filing Season 2024 After Action Report,” May 3, 2024, <https://www.irs.gov/pub/irs-pdf/p5969.pdf>.

⁴⁷ U.S. Department of the Treasury, “IRS Launches Paperless Processing Initiative,” August 2, 2023 <https://home.treasury.gov/news/press-releases/jy1666>

⁴⁸ IRS, “IRS achieves key Paperless Processing Initiative goal, outlines improvements for filing season 2024,” November 25, 2023 <https://www.irs.gov/newsroom/irs-achieves-key-paperless-processing-initiative-goal-outlines-improvements-for-filing-season-2024>

⁴⁹ IRS, “IRS achieves key Paperless Processing Initiative goal, outlines improvements for filing season 2024,” November 25, 2023 <https://www.irs.gov/newsroom/irs-achieves-key-paperless-processing-initiative-goal-outlines-improvements-for-filing-season-2024>

⁵⁰ Id.

⁵¹ U.S. Department of the Treasury, “Filing Season 2024 Report Card: IRS Builds On 2023 Progress, Delivers World Class Customer Service Thanks to Inflation Reduction Act,” April 15, 2024 <https://home.treasury.gov/news/press-releases/jy2250>.

The IRS also continued to expand access to in-person services by opening or reopening 54 additional TACs by the start of the 2024 Filing Season. According to the IRS, TACs provided 11,000 more hours of service and assisted in the preparation of approximately 200,000 more returns than the previous year.⁵²

Ideas for Action to Improve Customer Service

While the IRS has clearly made significant customer service improvements over the past two years, much more work needs to be done. Informed by the discussions among the experts on the Taxpayer FIRST Advisory Board, we offer the following recommendations to better utilize the additional funds provided under the IRA and enhance customer service at the IRS:

1. Ensure Modernization Efforts Also Improve Customer Service. In a forthcoming report on IRS modernization, we offer a series of recommendations on how the administration could better utilize funds from the IRA to modernize the IRS. These recommendations include ensuring technological modernization at the IRS keeps up with the broader environment and implementing structural changes to improve accountability within the IRS. These ideas would yield both direct and indirect enhancements to customer service. Indeed, the effectiveness of many newly introduced technologies and shifts in modernization strategy will ultimately be measured by their impact on customer service.

2. Adopt More Metrics and Publicize Results. Over the last two filing seasons, the IRS highlighted its customer service improvements, crediting the IRA for making it possible. However, the IRS has favored cumulative, high-level metrics. Most notably, in 2023 and 2024, the IRS publicly praised its LOS on Account Management telephone lines, but those statistics do not measure the quality of service provided on those calls or whether customers' needs were adequately met. Even as a high-level measure of service, the IRS's LOS figures exclude many taxpayer calls from the totals.

The IRS has taken a similar approach when assessing its other customer service upgrades, including Direct File, Paperless Processing, and upgraded online tools. In almost every case, they cite topline numbers – like the number of returns filed, documents uploaded, or website views. Observers wanting to know whether these increased interactions yielded better results for taxpayers need something more.

As with all federal agencies, the IRS is mandated by Executive Order to collect customer satisfaction data, historically using tools like the Comprehensive Taxpayer Attitude Survey. Additionally, there are widely used external benchmarks like the American Customer Satisfaction Index and the Forrester Federal Customer Service Index.⁵³ The IRS tends to score higher on the former than the latter.

Going forward, the IRS should adopt metrics that focus on outcomes rather than merely counting inputs or outputs. It could find useful examples in the private sector where in-depth customer satisfaction research is increasingly common. It could also consider the approach of the Department of Veterans Affairs, which has successfully allocated resources to thoroughly evaluate service quality and enhance accountability.⁵⁴ One simple improvement could be to add a question about the quality of service provided at the end of a taxpayer's call to the IRS.

⁵² Id.

⁵³ Taxpayer Advocate Service, "Measuring the Taxpayer Experience – External Evaluations Show the IRS is Failing to Provide the Quality of Customer Service Expected by Taxpayers (Part 2 of 2)," October 3, 2008 <https://www.taxpayer-advocate.irs.gov/news/nta-blog/ntablog-measuring-the-taxpayer-experience-external-evaluations-show-the-irs-is-failing-to-provide-the-quality-of-customer-service-expected-by-taxpayers-part-2-of-2/2018/10/>.

⁵⁴ Eric Egan, "With Customer Satisfaction at a New Low, Federal Agencies Still Fail to Measure It Well or Provide Enough Digital Services," ITIF, October 24, 2022, <https://itif.org/publications/2022/10/24/federal-hisp-digital-customer-experience/>.

The IRS could also enhance collection and analysis of paradata which may be generated as a by-product of the data collection process. For example, the IRS could collect data on how many taxpayers click the link to a certain website such as the “Where’s My Refund?” page as well as paradata such as how long the taxpayer stays on that page. This could provide information about the diligence of the taxpayer seeking information as well as the usefulness of the website. Similarly, the IRS could measure and report the amount of time taxpayers take to respond to survey questions to improve the design of future surveys.

Most crucially, the IRS should make the results of such data collection public so taxpayers and stakeholders get a complete picture of the state of customer service at the nation’s chief tax collector. Indeed, transparency has become more essential in recent years as observers are continually looking to assess the return on the IRA’s investments.

3. Improving Services for Historically Underserved Communities. Many economically vulnerable populations – including rural residents, persons with disabilities, and those with lower incomes – are often overlooked when it comes to taxpayer services. Many programs designed to assist these individuals are administered by the IRS, but often go underutilized. The most obvious example is the Earned Income Tax Credit (EITC), one of the largest anti-poverty programs in the United States. According to the IRS, more than 20 percent of taxpayers eligible for the EITC do not claim the credit, and those tend to be people living in underserved and vulnerable communities. In addition, geographic limitations to TACs leave many people without an opportunity to access in-person services.

To better serve these communities, the IRS could enhance its outreach efforts to inform more taxpayers about their eligibility for programs like the EITC and how to access other taxpayer services. Currently, initiatives like “EITC Awareness Day” offer limited engagement opportunities, which are insufficient to significantly broaden the reach of these essential programs. One way to increase outreach could be to deploy mobile tax services during tax season to reach those in rural areas or areas with limited access to broadband internet or focus public outreach efforts towards community access-points such as public libraries in these areas. The IRS could also focus on enhancing pathways for those in underserved communities to volunteer with VITA. In tribal areas and areas where there may be language barriers, ensuring that members of an underserved community are represented through these services could provide significant benefit.

Of note, the IRS has launched its Lifting Communities Up (LCU) initiative to create employment opportunities and provide additional services in underserved communities. However, LCU’s goals focus mainly on developing economic opportunities through employment in these areas, and TIGTA has pointed out that the IRS is stagnating in these goals.⁵⁵

Conclusion

While the IRS provisions of the Inflation Reduction Act were primarily meant to strengthen tax enforcement, that is only one concern for taxpayers. Many view the IRS as a large and powerful government entity that significantly impacts their day-to-day lives but offers poor service. Despite recent efforts to improve its customer service, the IRS remains a largely opaque entity that most taxpayers hope to avoid.

It is crucial that the IRS’s ongoing customer service initiatives be designed to provide real assistance to taxpayers. This will require the IRS to do more than answer a larger number of phone calls – it must develop a more comprehensive strategy that prioritizes transparency and provides better information access for customers and practitioners. This approach will ensure that the services provided by the IRS are not only more accessible but also genuinely beneficial to the taxpayers they are meant to serve.

⁵⁵ TIGTA, “Actions Need to Be Taken to Ensure the Success of the Lifting Communities Up Initiative in Expanding Services and Assistance to Taxpayers in Underserved Populations,” May 1, 2024, <https://www.tigta.gov/sites/default/files/reports/2024-05/2024ier012fr.pdf>.

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