

REINVENTING



Service

AT THE IRS

Vice President Al Gore
Treasury Secretary Robert E. Rubin
with the Front-line
Employees of the IRS



REINVENTING SERVICE AT THE IRS

Report of the Customer Service Task Force

Vice President
Al Gore

Treasury Secretary
Robert E. Rubin



THE VICE PRESIDENT
WASHINGTON

Dear Mr. President:

We are pleased to present to you this report by the IRS Customer Service Task Force, the result of the intensive review we commissioned last May.

For the past five years, this Administration has been committed not just to a fairer tax code, including cutting taxes for middle-class families, but also to fairer tax collection. Our philosophy is simple: the taxpayers don't work for us, we work for them.

We know that the vast majority of IRS employees are decent, hard-working public servants who want to provide quality service to the American people. We also know that even a single instance of unfair treatment of taxpayers is unacceptable — and we will not tolerate it. But most important, we know that a system that fails to meet taxpayers' needs simply must be changed.

This report — the work of the Treasury Department, the National Performance Review, and 30 front-line IRS employees and managers from across the country — reflects tens of thousands of hours of work. The Task Force reviewed customer complaints and reports on the IRS, interviewed experts and employees, and above all, listened to the concerns of the American taxpayer. The IRS has already begun to implement some of the report's recommendations: for example, in November, 1997, it began holding monthly Problem Solving Days, and in January, 1998, it extended the hours of telephone service to six days a week, 16 hours a day.

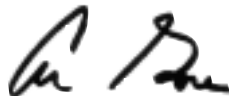
The report builds upon our actions in recent years to better serve the taxpayer. In July, 1996, you signed the Taxpayers' Bill of Rights 2 to give taxpayers more protection in dealing

with the IRS. The massive job of modernizing IRS computer systems is moving back on track, although there is a long road ahead. The IRS has become a leader in the use of the Internet to deliver information and forms to taxpayers. And in September, TeleFile, the IRS's telephone filing service, was one of just two federal programs recognized by the Ford Foundation and Harvard University's Kennedy School for outstanding innovation in government.

However, much more needs to be done. The Task Force identified more than 200 actions that can help improve how the IRS serves taxpayers. These actions are based on the idea that taxpayers deserve customer service from the IRS that is comparable to the best of the private sector. Customers deserve clearer forms and notices, timely answers to their questions, accurate resolution of their problems, and fair and courteous treatment.

We must work together with the Congress to ensure adequate funding of the initiatives necessary to advance these goals. While some of the actions in this report can be made within planned budget levels, others will require additional resources. In addition, these changes can only be made in partnership with the National Treasury Employees Union, which represents front-line employees. Bargaining unit employees served on the Task Force, and their enthusiasm for the actions gives us confidence that front-line employees will work with IRS management to create a customer-friendly IRS.

We must have an IRS that is on taxpayers' side, providing the help they need. We know we have a long way to go. But the good news is that the reform of the IRS has begun. With this report as a compass to help guide the way and with our new Commissioner Charles Rossotti's commitment to serving taxpayers, we can proceed on that important journey.



Al Gore



Robert E. Rubin



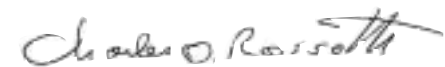
DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

A Message to the Reader:

I wish to extend my personal thanks to the many fine IRS employees who participated on this task force and contributed to this excellent report. I also want to thank Vice President Gore and Secretary Rubin for their leadership in promoting high-quality service at the IRS. Without their support, this report would not have been possible.

I believe the recommendations outlined in this report will help us in creating an IRS that provides services that are consistently as good as those in the private sector. We will not be able to achieve this transformation overnight, but we have already begun to do more to meet our customers' needs. For example, on Saturday, November 15, 1997, we held our first national "Problem Solving Day," which allowed taxpayers nationwide to come into IRS offices to get their problems solved. Yet Problem Solving Day is only the beginning. There is clearly more that we can and must do.


This report provides a framework for me and the rest of the organization as we create a new customer service focus at the IRS. Each chapter title in the report is, in fact, a customer service goal for the IRS. For example, Chapter II.a. says "Simplify Forms, Notices and Correspondence." I wholeheartedly embrace these goals. They are the foundation from which we can build an IRS focused on providing the best service to American taxpayers. The task force recommendations in this report provide a road map which will enable us to make this vision a reality.



Charles O. Rossotti

REINVENTING SERVICE AT THE IRS

Contents



I.	Summary	1
II.	A New Direction For Service	11
a.	Simplify Forms, Notices And Correspondence	13
	• Use Plain, Clear And Courteous Language	15
	• Eliminate Unnecessary Notices And Contact With The IRS	16
	• Tailor Communication To Customers	18
	• Reinvent How Notices Are Managed	19
	• Forward The Mail	20
b.	Provide Better Telephone Service	22
	• Provide Telephone Services 24 Hours A Day, Seven Days A Week	24
	• Support Service With Modern Technology	25
	• Customize More Services To Meet Taxpayer Needs	25
c.	Provide Better Face-To-Face Service	28
	• Expand Walk-In Services	30
	• Make Forms More Available	31
d.	Help Small Businesses	32
	• Help Start-Up Businesses	33
	• Communicate More Clearly With Less Paper	35
	• Provide Knowledgeable, Convenient Help	37
	• Promote One-Stop Service	39
	• Help Businesses With Problems	39
e.	Create A Problem Solving System That Works	42
	• Resolve Customer Problems In One Contact	44
	• Make It Easy For People To Get Problems Solved	47
	• Track And Use Data On Complaints	48

Contents

f.	Prepare For A Paperless Future	51
	• Upgrade Technology To Improve Customer Service	53
	• Offer More Electronic Filing Options	53
	• Introduce New Payment Options	55
	• Promote One-Stop Service On A World Class Web Site On The Internet	55
III.	A Customer Service Revolution	57
a.	Treat Taxpayers As Customers	59
	• Lead The Way	63
	• Build A System That Focuses On Customers	64
	• Seek Changes In The Tax Code	65
	• Develop A New Mission Statement	66
b.	Ensure Fair Treatment For Taxpayers	67
	• Help Taxpayers Get It Right	71
	• Promote Fair, Consistent Treatment	73
c.	Measure What You Want To Get	75
	• Create A Balanced Scorecard	77
	• Measure Performance On The Right Things	79
d.	Help Employees Serve Customers	82
	• Give Employees The Tools They Need To Do Their Jobs	84
	• Reinvent Training For Better Customer Service	86
	• Get The Right People In The Right Jobs	87
	• Foster A Family-Friendly Workplace	88
	• Create An Ideas Advocate	89
	• Get The Customer Service Message Out	90
IV.	Conclusion	91
	Appendix: Listing of Actions	A.1
	Contacting The IRS	A.23

I. Summary

“For the vast majority of Americans who want to do the right thing, the IRS should do right by them, and that means treating them with respect and trust. And, it means recognizing that taxpayers are its customers.”

Vice President Gore

Far too many Americans feel the Internal Revenue Service is not doing right by them, or that it doesn't treat them with the respect and trust they deserve. Taxpayers can't understand complex IRS forms, notices and procedures. IRS phones and toll-free numbers are often busy. Taxpayers who get through frequently get put on hold or transferred to a person who cannot answer specific questions. Taxpayers who do not speak English are unlikely to reach an employee who speaks their language. And even the simplest problems can take far too long to resolve.

On May 20, 1997, Vice President Al Gore and Treasury Secretary Robert Rubin launched a National Performance Review study to find ways to improve customer service at the IRS. The IRS Customer Service Task Force consisted of over 60 front-line IRS employees and managers, Department of Treasury officials, and members of the National Performance Review. The Task Force interviewed hundreds of people: it listened to complaints, read letters from taxpayers and met with tax preparers. The Task Force gathered ideas from others in government and the private sector, including businesses that excel in customer service and consultants who help those companies improve customer service.

The Task Force also looked at IRS pilot programs that have improved customer service and compliance and collected ideas from front-line employees. For example,

the IRS has run programs with small businesses that were on the verge of bankruptcy because of tax troubles. Special IRS teams moved in to work with these businesses and designed plans that allowed them to pay off tax debts and keep afloat, saving jobs and contributing to the local economy. In the process the IRS doubled the tax revenues collected in one area. As a preventive measure, the teams also set up an intensive taxpayer education program to teach businesses what the IRS expects them to do and how to do it.

The Task Force studied other government reinvention efforts and found ample evidence that enforcement is not the only good method of ensuring compliance with the law. It examined programs that prove that agencies that treat people like customers and partners can be more

successful in encouraging people to obey the law, and can then focus enforcement efforts on those who deliberately violate it. For example, until the U.S. Customs Service began working with airlines, importers and the rest of the trade community, Customs at the Miami Airport had a history of long lines for passengers and endless waits for cargo. Customs designed and implemented a plan that enabled them to identify high risk passengers or freight before a plane landed. This resulted in an increase in drug seizures, faster passage through customs

for law-abiding passengers and less waiting time for importers. Similar results were found at the Environmental Protection Agency and the Occupational Safety and Health Administration when these agencies joined with

the people and companies they regulate to solve problems — results such as cleaner air, fewer injuries and fewer violations and fines.

The report of the Task Force contains more than 200 actions which share a clear goal: to ensure that every taxpayer is treated with fairness and respect and that IRS customer service begins to meet the same standards that characterize private sector firms. Together these actions will make the IRS easier to deal with in everything from finding forms to filing taxes, from getting information to resolving a problem.

Highlights of the Actions:

1. Ban Measures That Undermine Fair Treatment of Taxpayers

- The IRS will immediately ban measures such as using enforcement activities to rank districts and assigning dollar goals for districts and service centers (MS01).
- The IRS will work with the National Treasury Employees Union to design and test a balanced scorecard to evaluate the IRS and its employees in 1998. The scorecard will rate performance on: (1) customer service, based on customer satisfaction surveys; (2) employee satisfaction; and (3) business results (MS02).
- Over the longer term, the IRS will change how it selects, trains, evaluates, rewards and supports its employees so they can better serve customers (HP01.1).

2. Provide Better Telephone Service

- *Increase Hours*

To make service more convenient, the IRS will by January 1, 1998 expand telephone service to 6 days a week, 16

¹ Numbers refer to Actions of Reinventing Service in the IRS accompanying reports (See Appendix for actions grouped by topic in Sections II and III of this report).

What IRS Customers Say They Want

- Fair, respectful and courteous treatment
- Minimum contact with the IRS
- Easier, simpler forms and notices
- Easy access to help
- Quick resolution of problems

hours a day. By January 1, 1999 the IRS will expand telephone service to 7 days a week, 24 hours a day (C101.2). Currently, callers can get their questions answered by an IRS customer service representative only 5 days a week, 12 hours a day. Expanded phone service will be achieved by putting more of the current workforce on the phones during peak calling periods, using a new national call-routing system to route calls to the next available customer service representative, and forwarding calls to employees in other time zones during late night hours.

- *Expand Customized Services*

In 1999 the IRS will begin using new call-routing technology to provide information that is geared to specific customers' needs — such as the tax implications of the sale of a house, retirement or job change and multilingual service (C101.1). The IRS will also provide nationwide telephone services for tax preparers (C101.6).

3. Make It Easier To Get Answers

- *Institute New "Problem Solving Days"*

Beginning on November 15, 1997 the IRS instituted monthly "Problem Solving Days" in every district, during which employees listen to and resolve taxpayer problems (C107.1).

- *Expand Office Hours*

Beginning in 1998 the IRS will open district offices on Saturdays during the busiest weekends of the filing season (C104.2).

- *Open More Convenient Locations*

Beginning in 1999 the IRS will open additional temporary community-based locations such as banks, libraries or shopping malls during peak tax season to distribute

publications and forms (C104.1). It will also expand the telephone information system so that people can find out when and where they can get help (C104.3).

- *Improve Tracking of Complaints*

Using the Taxpayer Advocate's Problem Resolution Information System (PROMIS), the IRS will track complaints (FP06.1) and, if unresolved in a reasonable period of time, reassign the case to the next higher level of management (C107.2). These changes will go hand in hand with the strengthened Taxpayer Advocate and Citizen Advocacy Panels described in II.e.

- *Review Unnecessary Penalties*

The Administration will undertake a comprehensive review of the fairness and effectiveness of all penalties, report to Congress in 1998 and make recommendations for legislative changes (FP04.1).

4. Reduce and Simplify Forms and Notices

- *Rewrite Notices*

By 1999 the IRS will completely rewrite in plain language its most frequently used notices, like those for late payment or mathematical errors. These notices will be released only after they are tested for clarity and acceptance by taxpayers who do not have accounting or tax law backgrounds (NC01.1).

- *Eliminate 30% of All Notices*

By the end of 1998 the IRS will eliminate additional unnecessary notices. This will eliminate more than 45 million pieces of mail — almost one-third of the notices the IRS has been sending to taxpayers (NC02.5).

- *Simplify Forms and Brochures*

During 1999 the IRS will create easy-to-read brochures to

provide important information on tax benefits and obligations when and where taxpayers need it, such as at banks or realty companies after the purchase of a home (CM04.2). By 2000 the IRS will rewrite the basic 1040 instruction package and test it for clarity on ordinary taxpayers (CM01.2).

5. Strengthen Customized Support For Small Businesses

- *Help Start-Up Businesses*

Beginning in 1998 the IRS will team up with other federal agencies, financial institutions, tax preparers, state and local authorities and others to provide tax information, training and consultative services to small start-up businesses. These services are designed to make record keeping, filing and payment requirements as simple and easy as possible (SB01.2).

- *Provide Specialized Phone Services*

In 1998 the IRS will offer small businesses the opportunity to use TeleFile, expanding a successful pilot program nationwide. The IRS will provide small businesses with 24 hour a day phone assistance geared to their needs by the 1999 tax season (SB07.1).

- *Work With Troubled Small Businesses*

The IRS will work with troubled small businesses to help them comply, stay in business and avoid future tax problems, expanding on successful pilot programs in California, Maine and elsewhere (SB05.8).

6. Expand Electronic Filing

- *TeleFile*

By 1998 the IRS will increase by 3 million, or about 10 percent, the number of taxpayers who are eligible to use

TeleFile — the telephone filing system. Also, the IRS will extend the use of TeleFile for business (FP09.2).

- *Electronic Filing*

The IRS will increase the number of forms that can be filed electronically and educate customers about the benefits of electronic filing — fewer hassles, fewer contacts with the IRS and faster refunds (FP09.4).

- *Paperless Taxes*

In 1999 the IRS will work to enable taxpayers to file paperless returns by eliminating the need for mailing in W-2s and other forms and for paper signatures (FP09.7).

7. Introduce New Payment Options

- For the first time, beginning in 1999 taxpayers who file electronically will be able to pay their taxes with a direct withdrawal from their bank accounts. In addition, the IRS is seeking credit industry partners to test credit cards for taxpayers who file electronically in 1999 (FP09.8). These new options will build upon the successful experience with about 15 million taxpayers whose refunds are deposited electronically.

8. Eliminate Unnecessary Filing

- In 1998 the IRS will step up its public efforts to inform nearly two million older and lower-income taxpayers who are currently filing federal tax forms that they don't need to file, saving them and the IRS time and money (FP01.1).

9. Upgrade Technology to Improve Customer Service

- In the long term, the IRS Modernization Blueprint will improve assistance to customers by making accurate,

electronically accessible and up-to-date information available on taxpayer returns and accounts while providing stringent protection of taxpayer privacy (C101.7). In 1998, for example, the IRS will pilot a national call-routing system and provide simpler menus to let taxpayers get information more easily, including a much more reliable TeleTax system to check on the status of their refunds (C101.8).

10. Improve Customer Service Training

- Before the 1998 filing season the IRS will have an intensive agency-wide special training program. This program will initiate the new approach to customer service and make specific plans for the 1999 filing season (HP15.1). In addition, IRS managers, including the Commissioner, will spend time each year serving customers (HP18.2).



Taken together, these actions promise to introduce a new culture of customer service at the IRS. Accountability at all levels for customer satisfaction, greater access to telephone and walk-in service, easier-to-understand forms and notices, expanded electronic filing, improved technology, an effective complaint system — all this will make it simpler to get questions answered, fill out forms and pay taxes. This program will provide new support for small business, the lifeblood of the American economy and the taxpayers who face the greatest hurdles in achieving compliance.

These actions will help ensure that the IRS meets Vice President Gore's statement that taxpayers have the right to fair treatment. "The goal is this: to treat them with trust, with respect, with accuracy and with fairness. It's that simple."

Top management's recent apology for poor treatment of taxpayers was both courageous and necessary. This action, taken with this report, signals the change within the IRS and in the relationship between the IRS and the American taxpayer. These changes signal a new era in which the IRS employees can earn the trust of the taxpayers and take greater pride in the changes they're making on their behalf.

The more than 100,000 employees of the IRS were represented on the Task Force by people like Nancy Eik, a customer service representative in a walk-in center in Missoula, Montana. Ms. Eik spends every Saturday during the tax season at the public library helping people fill out their tax forms. This is the type of IRS employee service that will help rebuild the pride, energy and professionalism of the IRS.

Task Force members believe that by taking the steps in this report, IRS employees will be able to provide better customer service and work to restore the morale of the workforce. For government reinvention to be successful — legitimate and lasting — it must come from both the front-line workers and the customers. This report is based on that honest feedback from the front lines and the customers of the IRS.

The IRS is the agency of the federal government that most Americans must deal with every year. Nothing else in government reaches out and touches so many Americans so directly. And no agency has a greater responsibility to protect its customers and serve our nation's citizens with fairness, courtesy and respect.

II. A New Direction For Service

What if the Internal Revenue Service thought of taxpayers as customers? What would a customer-driven IRS look like? How would the experience of taxpayers change as they filed their taxes? What can the IRS learn from business, other government agencies and its own employees about serving its customers?

These questions were the starting point of this report. The IRS Customer Service Task Force was asked to follow President Clinton's Executive Order 12862, "Setting Customer Service Standards," which called for a customer service revolution in government. The members of the Task Force reviewed a decade's worth of surveys, reports and other data about what taxpayers want and what they complain about. They looked at the experiences of different customer segments — for example, individual taxpayers, small businesses and tax preparers. They compared IRS performance and practices with some of America's best companies and public agencies. They talked to hundreds of taxpayers and IRS employees to find ways to dramatically change how information and services are delivered by the IRS to its customers.

There is no doubt that the IRS can become more responsive to taxpayers and offer customer services that are equal to the best of government and business. This fall

"How can people trust government to do big things if we can't do little things like answer the telephone promptly and politely?"

Vice President Gore

the IRS TeleFile program was honored as one of the top ten innovations in government for 1997 by the Ford Foundation and Harvard University's Kennedy School of Government. Under this model program, taxpayers using the 1040EZ tax return can file quickly and easily by telephone. Nearly five million taxpayers filed by telephone through the TeleFile program in 1997, a 65 percent increase from the previous year. Customers aren't charged anything to use TeleFile — the number is toll free — and it is also popular with users because they get faster refunds. Refunds — which can be deposited directly in taxpayer bank accounts — take an average of three weeks, compared with six to eight weeks for paper returns.

TeleFile is one example of the kinds of changes that the IRS is making to be more responsive to the needs of taxpayers. Despite the success of TeleFile and other modernization efforts, however, the IRS hasn't kept pace with the improvements in business practices, customer service and related technology that individuals have come to expect in the private sector.

The Task Force focused on how the IRS deals with taxpayers, defining more than 200 specific actions to improve the products and services that the IRS provides. This section describes many of those actions and how they will affect the IRS's customers.

II.a Simplify Forms, Notices And Correspondence

Background: Customer surveys, focus groups and reports reviewed by the Task Force document taxpayer complaints about how hard it is to understand tax forms and IRS notices. Form 1040, the most common tax package (used by 66 million individuals), looks basically the same as it did 20 years ago — hard to use, too many lines and lots of small print. Additionally, even tax professionals list “lack of clear notices” among their top complaints. Considering that the IRS sends out more than 100 million notices every year, this is no small problem. Unclear forms and notices also lead to taxpayer mistakes and account for many telephone inquiries and visits to IRS walk-in centers, resulting in costs for taxpayers. Along with increasingly complex tax laws, hard-to-understand forms and instructions are certainly part of the reason that 50 percent of taxpayers hire a professional to do their taxes.

Although the IRS has begun to rewrite its notices, forms, and publications, the Task Force found that many are still difficult to understand and use technical language that would not make sense to the average taxpayer.

Public and private entities are finding that there are powerful benefits to using plain language that people can understand. The National Performance Review, which has promoted the use of plain language across the

government, worked with the Task Force to demonstrate what is possible. Together they rewrote IRS Notice Number CP-2000, a notice that is sent to nearly one million taxpayers each year advising them that the IRS is proposing changes to their tax returns. The current notice is five pages packed with single-spaced paragraphs written all in capital letters, with explanations and instructions interspersed. The one-page rewrite has a simple explanation of the proposed changes, a few explanatory paragraphs and clear directions for what to do if the taxpayer agrees or disagrees with the IRS. The redesigned notice also gives a telephone number and the hours during which taxpayers can call if they have questions.

Current Notice Format

WE'RE PROPOSING CHANGES TO YOUR 1996 TAX RETURN

WE ARE PROPOSING CHANGES TO YOUR 1996 TAX RETURN BECAUSE THE INFORMATION ON YOUR TAX RETURN DOES NOT MATCH THE INFORMATION REPORTED TO US BY YOUR EMPLOYERS, BANKS, AND OTHER PAYERS.

THIS NOTICE EXPLAINS WHAT TO DO IF YOU AGREE OR DISAGREE WITH OUR PROPOSED CHANGES. PAGE 2 SHOWS THE PROPOSED CHANGES TO YOUR 1996 ACCOUNT. WE PROPOSE TO INCREASE YOUR TAX. IF YOU AGREE WITH THIS CHANGE, YOU WILL OWE US \$4,060.

PLEASE COMPARE YOUR RECORDS WITH THE PAYER INFORMATION SHOWN ON PAGE 2 OF THIS NOTICE. IF YOU AGREE WITH THE PROPOSED CHANGES ON PAGE 2:

- CHECK BOX A ON THE LAST PAGE OF THIS NOTICE.
- SIGN AND DATE THE CONSENT TO TAX INCREASE.
- ENCLOSE YOUR PAYMENT IN FULL, IF POSSIBLE, IN THE ENCLOSED ENVELOPE.
- RETURN THE LAST PAGE OF THIS NOTICE ALONG WITH YOUR PAYMENT IN THE ENCLOSED ENVELOPE.

IF YOU DON'T AGREE WITH THE PROPOSED CHANGES ON PAGE 2:

THIS NOTICE EXPLAINS WHY YOU DISAGREE, AND YOU WISH US TO CONSIDER, AND ON THE LAST PAGE OF THIS NOTICE WITH YOUR INCLUDE A TELEPHONE NUMBER, INCLUDING AN AREA CODE.

IF YOU COMPLETE YOUR RESPONSE WITHIN 30 DAYS FROM THE DATE OF THIS NOTICE, WE WILL RE-EVALUATE YOUR TAX. IF YOU DON'T AGREE WITH OUR COMPUTATION OR CAN'T PAY THE RESPONSE, INTEREST ON ANY AMOUNT YOU OWE WILL BE ADDED TO YOUR TAX. IF YOU DON'T PAY THE TOTAL AMOUNT YOU OWE, WE WILL FILE AN AMENDED FEDERAL AND STATE TAX RETURN FOR YOU AND INTEREST YOU OWE. IF YOU DON'T PAY ANY ADDITIONAL TAX AND INTEREST AS REQUIRED, WE WILL FILE AN AMENDED FEDERAL AND STATE TAX RETURN FOR YOU AND INTEREST YOU OWE. IF YOU DON'T PAY ANY ADDITIONAL TAX AND INTEREST AS REQUIRED, WE WILL FILE AN AMENDED FEDERAL AND STATE TAX RETURN FOR YOU AND INTEREST YOU OWE.

We are Proposing Changes to your 1997 Tax Return

We are proposing changes to your 1996 income tax return because information you reported does not match what was reported to us by your employers, banks, and/or other payers. Our proposed amount you owe is \$4,060. See our proposed changes on Form XXXX and the payer information on Form XXXX.

Please compare your records with the payer information. It shows the information that we used for our proposed changes. To assist you in reviewing your return, the payer information may show both reported and unreported amounts. However, the proposed changes shown on Form XXXX are based on the unreported amounts only.

If you AGREE with Our Proposed Changes:

- Check Box A on the response page of this notice.
- Sign and date the total agreement statement, and
- Send us the response page in the enclosed envelope.
- If possible, enclose your payment in full. If you cannot pay the full amount, you can request an installment agreement.

If you DISAGREE with Our Proposed Changes:

- Check Box B on the response page of this notice.
- Enclose a signed statement explaining each change you disagree with and why you disagree.
- Include any supporting documents you wish us to consider, and
- Send us the response page with your statement and supporting documents in the enclosed envelope.

It is important that we receive your response by February 5, 1998. If we do not receive your response, we will conclude that our proposed changes are correct. Then we will send you a Notice of Deficiency followed by a bill for the proposed amount you owe plus additional interest.

Revised Notice Format

Plain Language Pays

- Citibank's plain English loan form cut staff training in half.
- A U.S. Navy study showed that plain writing took Naval officers 17 to 23 percent less time to read than material written in a bureaucratic style.
- Great Britain's Customs Service redesigned its lost baggage form and reduced errors from 55 percent to 3 percent.
- The Canadian province of Alberta's agriculture department found that their rewritten plain language forms saved at least 10 minutes per form in staff time, about \$3.5 million total annual savings.
- The Federal Communications Commission eliminated public inquiries about the requirements for Ham Radio and Operators when it rewrote the regulation in plain English.

When the Task Force looked at the experience of other government agencies using plain language, it also learned how important it is to get ordinary individuals, rather than just tax professionals, to review notices. For example, the Department of Veterans Affairs did extensive testing when it began to rewrite all of its communications with veterans and their families. One such letter informed veterans that the agency was issuing a replacement check for a check that hadn't been cashed. During testing, veterans were asked what they'd do when they got the letter. They all said they'd telephone to find out when the check would be issued. An additional sentence saying when to expect the check headed off needless telephone calls.

Problem: IRS notices, forms and letters are often unclear.

Actions: *Notices and Correspondence:* The IRS will work with the National Performance Review's Plain Language Team to rewrite the "top 10 worst offenders" by the end of 1997 (NCO1.3). By 1999 the IRS will completely rewrite in plain language its most frequently used notices,

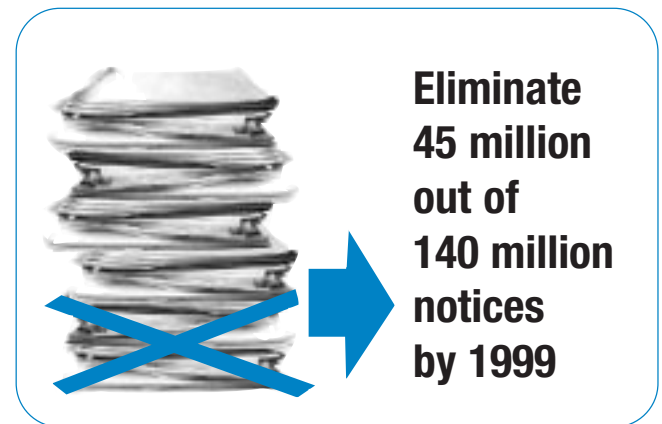
like those for late payment or mathematical errors. These notices will only be released after they are tested for clarity and acceptance by taxpayers without accounting or tax law expertise (NC01.1).

The IRS should ensure acknowledgment of the communications it receives from taxpayers about problems and apologize when it makes a mistake (CM01.4). To improve the quality of its correspondence, the IRS should immediately review and carry out all appropriate recommendations contained in a 1990 IRS study of correspondence — for example, requiring that all non-computer-generated notices and letters contain the signature and telephone number of the employee who will be working on the account (NC03.1). It should also standardize the format and content of written responses, using appropriate commercial computer software (NC03.4). With a view to more timely communication with customers, the IRS should review past records of incoming correspondence to see which categories could be better handled by making a telephone call, rather than writing a letter, and make recommended changes (NC03.2, NC03.3).

Forms: The IRS should redesign its most important forms and publications, focusing on clarity and ease of use (CM01.1). By 2000 the IRS will rewrite the basic 1040 instruction package, testing it for clarity with people who do not have tax law or accounting backgrounds (CM01.2).

- **Eliminate Unnecessary Notices And Contact With The IRS**

Problem: Taxpayers want to keep their contact with the IRS to a minimum. The IRS has a record of sending out notices whose costs (both to the taxpayer and to the



IRS) are greater than their benefit. Based on a major re-engineering project, the IRS identified more than 50 notices that could be done away with and has already eliminated 33 notices. In addition, the IRS reviews and processes tax returns that do not need to be filed. In 1996, for example, nearly two million senior citizens, students and other low income taxpayers who didn't need to file tax returns did so anyway, either from habit, or from fear of getting in trouble with the IRS.

Actions: By the end of 1998 the IRS will eliminate additional low-value notices. This will eliminate more than 45 million pieces of mail annually, almost one-third of the total number of notices the IRS has been sending to taxpayers (NC02.5). In 1998 the IRS will step up its efforts to inform the nearly two million older and lower-income taxpayers who are currently filing federal tax returns that they don't need to do so, saving the taxpayers and the IRS time and money (FP01.1).

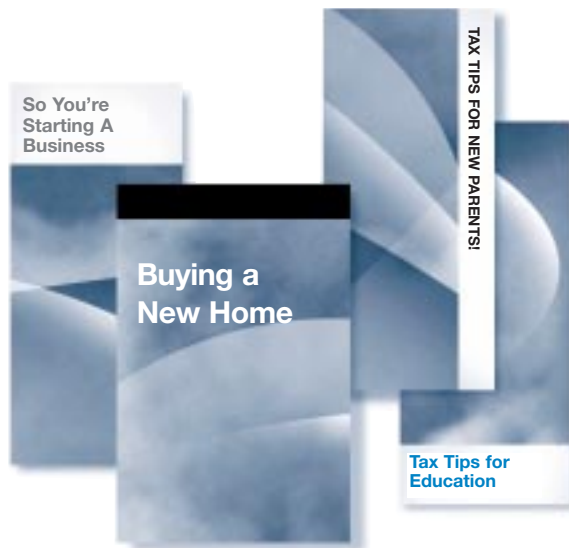
The IRS should study doing away with the requirement to file Form 4868, Application of Automatic Extension of Time to File U.S. Individual Income Tax Return, except when a

payment is due (FP02.1). Barring any statutory impediments, the IRS should also find ways to reduce the number of notices sent to taxpayers concerning small amounts of money. As a first step, the IRS should review all relevant information to determine if the dollar level at which notices are issued can be increased (NC02.9, NC02.10).

- **Tailor Communication To Customers**

Problem: Taxpayers complain that the publications and correspondence they receive from the IRS don't answer their questions or fit their particular situations. For example, when they buy a house, they want easy access to the relevant tax information. In addition, there is a rapidly growing group of taxpayers who do not speak English. They need information about their tax obligations in languages they understand.

Actions: The IRS should tailor its publications and products more closely to the needs of its customers (CM04.1). It should improve and expand the availability of



tax products and information in Spanish and other languages as needed (CM03.1, CM03.2). During 1999 the IRS should create easy-to-read brochures to provide important information on tax benefits and obligations when and where taxpayers need it, such as at banks or realty companies during the process of purchasing a home (CM04.2). The IRS should also ensure prompt distribution of information about new tax laws and other issues to its employees (CM01.3).

- **Reinvent How Notices Are Managed**

Problem: The Task Force found that when and how notices are issued has an impact on workloads elsewhere in the IRS. Most notably they contribute to a surge in telephone calls at certain times of the year and on certain days of the week. For example, IRS experience indicates that mailing notices between Wednesday and Friday contributes to the significant spike of telephone calls that clog lines on Mondays and Tuesdays.

Actions: The Task Force identified many ways in which better management of when and how notices are issued significantly benefits customers and the IRS. To distribute the workload and demand on telephone lines more evenly, the IRS should map the pattern of when and how notices are issued (NC02.1) and merge those with telephone performance data (NC02.2). This will enable the IRS to identify problem areas, adjust the notice issuance pattern from peak to non-peak periods and even out the notice issuance pattern throughout each tax year. The IRS will make sure that if a notice includes a telephone number, it will be the telephone number for employees who can answer questions that the notice might generate (NC02.3, NC02.6, NC02.7, NC02.8). The IRS should integrate these

changes into its overall network management, call-routing, forecasting and scheduling system (NC02.4).

The IRS should establish a new full-time position of a “notices gatekeeper,” who will have the authority and accountability to manage the entire notice process (NC02.13). The responsibilities of the job should include:

- Ensuring adherence to IRS policies regarding the use, generation, and mailing of corporate notices (NC02.14);
- Providing a linkage with automated call-routing capability (NC02.15);
- Providing input into the standard-setting for new notices (NC02.16);
- Determining the appropriate software solution to create rewritten notices and merge them with the appropriate account data (NC01.2);
- Alerting all customer service assistants, walk-in managers and customer advocates about any new, irregular, or problem notices (NC02.17); and
- Establishing an improved “early warning system” so that the IRS can notify tax preparers and others promptly when problem notices are generated and mailed (NC02.18).

- **Forward The Mail**

Problem: The IRS has not had the authorization to use U.S. Postal Service change of address information to update its address lists. With 40 million households and

businesses moving every year, this creates problems for customers who, for example, don’t receive refund checks or notices about errors or penalties. This problem costs the U.S. Treasury an estimated \$100 million annually in lost revenues attributed to undelivered mail addressed to business customers alone.

Actions: The Task Force identified several ways to address the problem of undelivered mail, most of which can be carried out without changes in the law.

The IRS should track returned and undelivered mail, review current procedures for handling it, and determine precisely how much this process costs the IRS (NC04.1). Since updating addresses in IRS computer files with information from third parties may require regulatory or legislative changes, the IRS should examine the legal issues involved and propose any necessary changes (NC04.2).

The IRS should use change of address information to forward mail. Specifically, it should develop procedures for getting change of address information from taxpayers over the telephone or from a third-party source such as the United States Postal Service (NC04.3). The IRS should explore using the United States Postal Service’s existing change of address mechanisms to ensure that mail is forwarded to the right addresses (NC04.4). Utilizing this method for address changes could save the IRS and the taxpaying public millions of dollars due to more accurate efficient mailing processes. After developing a system for electronically updating addresses in its computer files, the IRS should install and maintain the system (NC04.5).

II.b Provide Better Telephone Service

Background: The IRS runs the nation's most heavily used 800-number operation, larger than private industry's two largest call centers, United Airlines and the General Electric Answer Center. As of September 1997, an estimated 103 million callers had reached the IRS by phone, up from 90.3 million in 1996 and 100.9 million the previous fiscal year.

In the ten-month period ending in August 1997, two-thirds of the people who called the IRS eventually got through. But many of those people had to make multiple calls to the IRS — either because they couldn't get through the first time, got put on hold, or gave up for some other reason. The IRS estimates that 162 million calls (as opposed to callers) got a busy signal in 1996.

After consistent complaints about the accuracy of answers that taxpayers receive to their inquiries, the IRS made an aggressive effort to improve the accuracy of answers provided by customer service representatives. The General Accounting Office reported that the IRS had raised the accuracy of answers from 63 percent in 1993 to 89 percent in 1996 and, according to the IRS, to 95 percent in 1997.

Taxpayer expectations of telephone service are based on private industry standards: customers have their calls

answered in ten seconds, receive a busy signal less than one percent of the time, and have their question answered or problem solved with a single phone call 85 percent of the time.

In the public sector, the Social Security Administration has shown what can be done with a concerted, broad and sustained effort to improve telephone service — establishing an 800-number service that, according to an independent customer survey by Dalbar, Inc., is bigger and better than such top-ranked private operations as L.L. Bean, Disney, Xerox and Southwest Airlines. Even after receiving this top rating, Social Security continued to improve service and reduce the time required to reach a customer service representative — shifting staff to its call centers during peak periods, converting data centers to handle overflow calls on the busiest days, and setting up an easy-to-use 24 hour automated system to answer the most frequently asked questions.

The Task Force found that best-practice companies and public agencies tap the knowledge of front-line representatives for ideas because, according to Tony Nicely, the Chief Executive Officer of GEICO, "The front-line worker who answers 25,000 calls a year knows more about the customer and the operation than anyone."² These companies also use many strategies to improve telephone service, including reducing the customers' need to call for information. For example, utilities facing a power outage automatically send faxes to radio stations and other media outlets to get urgent information out to affected customers, giving them the information they need and cutting the number of telephone inquiries.

² Tony Nicely, CEO, GEICO at an IRS Customer Service Task Force presentation.

Some of the actions that the Task Force calls for elsewhere in this report — such as writing notices in plain language and providing better computer support to front-line employees — will contribute to substantially improved telephone services. The actions below focus on the telephone system itself.

- **Provide Telephone Services 24 Hours A Day, Seven Days A Week**

Problem: IRS customer surveys, General Accounting Office reports, and other data that the Task Force reviewed are clear — taxpayers want better phone service. They want it available when it is convenient for them, including weekend and evening hours. Customers want to be able to get through and don't want to get busy signals or be put on hold. They want an easy-to-use telephone menu and to be able to reach an IRS representative. They want accurate answers to and fast resolution of problems.

Actions: By January 1, 1998 the IRS will expand telephone service to 6 days a week, 16 hours a day. By January 1, 1999 the IRS will expand telephone services to 7 days a week, 24 hours a day (C101.2). In addition, the IRS will use multiple strategies to reduce demand on the telephone lines, such as educating customers on when to expect refunds (C101.4).

Telephone Service

- **1997**

12 hours a day / 5 days a week

- **1998**

16 hours a day / 6 days a week

- **1999**

24 hours a day / 7 days a week



- **Support Service With Modern Technology**

Problem: With the current automated telephone menu, many callers hang up before getting to the services offered on the menu. Callers are also often frustrated because they cannot get accurate answers to their questions.

Actions: Over the long term, the IRS Modernization Blueprint (see p. 27) will improve assistance to customers by making accurate, electronically accessible, and up-to-the-minute information on taxpayer returns and accounts available to authorized employees (C101.7). These technological improvements will help employees resolve taxpayer problems in a single telephone call while protecting taxpayer privacy with stringent security systems. In 1999 the IRS will take steps to make the TeleTax refund information system more reliable to help more taxpayers check on the status of their refunds over the phone (C101.8). The IRS should also complete a study of why people hang up when they use the automated menu and recommend ways to fix this problem (C102.1).

- **Customize More Services To Meet Taxpayer Needs**

Problem: Taxpayers with questions often have trouble reaching a representative who has the information they need, speaks their language, or has specialized expertise such as that needed by tax preparers.

Actions: The IRS should provide more customized services that respond to the needs of tax practitioners, small businesses, those who don't speak English, and other customer segments with particular needs. As part of

the IRS Modernization Blueprint, in 1998 the IRS will begin using new call-routing technology to gear service to specific customer needs — such as the sale of a house, a job change or retirement (CI01.1) — as well as providing simpler telephone menus to let customers access information more easily.

The IRS should also provide nationwide telephone services for tax preparers through special phone gates (CI01.6), and continue to provide specialized assistance to large corporations in its service centers (CI03.13). The IRS should conduct a study to determine if having only one toll-free telephone number is sufficient to meet customer needs (CI03.12).

To further improve the quality of phone service, the IRS should allow employees with multilingual skills to assist customers in Spanish and other languages (HP14.1). Also, IRS notices should advise taxpayers the best time of day to call to discuss their particular type of question. In turn, the IRS should use its data systems to let employees answering the telephones know when to expect these kinds of calls so that they are prepared to help (CI01.3).

Modernization Blueprint

On May 15, 1997, the Department of the Treasury and the IRS published a plan to dramatically modernize the information technology systems of the IRS. The Blueprint clearly gives priority to implementing those aspects of the plan that will have direct benefits for taxpayers. When fully created, the Modernization Blueprint will:

- **Create a “data engine” to give the IRS capabilities comparable to customer-oriented, private sector financial service companies;**
- **Let taxpayers reach the IRS via the Internet and telephone to facilitate filing and resolve taxpayer account issues;**
- **Give taxpayers user-friendly, computerized taxpayer assistance;**
- **Let taxpayers work with authorized customer service representatives who have on-line access to current, complete and accurate information; and**
- **Provide stringent systems and data security to protect taxpayer privacy.**

To carry out the Modernization Blueprint, the IRS is joining with the private sector to develop technologies that meet the best practices of industry and are in full compliance with applicable federal laws, rules and regulations. The customer service component of the Blueprint is scheduled to begin on October 1, 1998, with the competitive award of a Prime Systems Integration Services Contract to a team of technology companies.

The U.S. Congress has concluded that the “... IRS has made significant progress in putting together a workable modernization program” and, to support the modernization of its information technology, has appropriated \$325 million in fiscal year 1998 to fund the Modernization Blueprint.

II.c Provide Better Face-To-Face Service

Background: “The biggest complaint I hear from taxpayers is ‘There’s no place to get forms and no one to talk to face-to-face when you have a problem.’ We have no taxpayer service and no forms in this building,” says revenue officer James Watkins of the Dallas, Texas District Office, adding that taxpayers seeking forms and services must drive 15 miles and contend with downtown traffic and parking problems in order to get the help and forms that they need.

Focus group interviews conducted by the IRS between 1993-1997 confirm this complaint. Many of those interviewed said that they liked walk-in services as a way to find forms, get answers to complex questions, and resolve issues concerning their tax accounts — especially during the tax filing season. Customers complained that, because telephone service has been difficult to access and because they aren’t yet accustomed to doing business over the Internet, office closures and inconvenient hours and office locations make it difficult to deal with the IRS.

Because telephone and Internet services are preferred by so many customers, the IRS is working aggressively to improve the quality of those products and services. However, face-to-face help is likely to remain an important part of IRS customer service. Elderly taxpayers in particular prefer face-to-face assistance. But the elderly aren’t

alone. “Last week a younger couple drove to Bismarck from Minot (110 miles) after they had called the toll-free number, had been on the phone for an hour, and still were confused as to what action to take and didn’t feel that their problem was resolved. Within 5 minutes of visiting me, they had the resolution to their problem,” reports Joan Ostby, an IRS employee who works in the Bismarck, North Dakota IRS office.

Since 1995 budget constraints have forced the IRS to close 127 walk-in centers; only 267 of the remaining 422 centers offer a full range of services, including access to forms and taxpayer and collection assistance. Furthermore, only half of the centers are open seven hours a day and none are open after 5 p.m. or on Saturdays, even during the tax season. When the IRS cut back on the number of walk-in offices in an effort to cut costs and improve efficiency, and as a result customers couldn’t get forms and personal help where they had previously, the negative reaction was strong. And demand for face-to-face services is growing; in 1997 the IRS served 9 million walk-in customers, a 50 percent increase over 1996, even though there were fewer walk-in offices.

In searching for cost-effective ways to provide more face-to-face service and better access to forms, the Task Force found that many public agencies are working with each other and with private groups to offer one-stop services that are more convenient for the public and more cost-effective for the agencies concerned. For example, the National Park Service and the Forest Service teamed up with REI, a major Seattle-based sporting goods retailer, and established a booth in REI’s flagship store where

rangers provide information on park openings, river and trail conditions and more. Rangers reach more than twice as many outdoor enthusiasts this way. The booth is also more convenient for customers and open for longer hours and on weekends, and the government has saved money on office costs.

In Minnesota, after state tax authorities converted a drive-in fast food stand to an outlet for tax forms, the IRS joined in the operation. Today drive-through taxpayers do one-stop shopping at what's known as the "great Minnesota tax shelter."

- **Expand Walk-In Services**

Problem: Walk-in offices are often closed when taxpayers need them most — for example, on weekends during the filing season — and many do not provide key services.

Actions: Beginning in 1998 the IRS will open district offices on Saturdays during the busiest weekends of the filing season (C104.2). It should also offer a more comprehensive range of services in walk-in offices so they are more responsive to customer needs — including employees with the training and ability to solve problems, better equipment, a full stock of forms on CD-ROMS and other material to serve customers. The IRS should also expand the telephone information system so that people can find out when and where they can get face-to-face help (C104.3). And it should study the feasibility of extending audit appointments to include evenings and weekends for the convenience of the customer (C106.13).

Because the IRS believes that some customer segments still rely on walk-in services, before closing a walk-in

office, the IRS should create a plan for effective alternatives to serve those customers (C105.1). If an office with walk-in services must close, the district should conduct a public media campaign to inform the public of the closure and where to seek help in the future (C105.2).

- **Make Forms More Available**

Problem: Customers often complain that they have a hard time finding the forms they need when they need them.

Actions: The IRS should make forms more available to those customers who do not use the Internet, and publicize the location of forms to taxpayers (CM02.3). Beginning in 1999 the IRS will open additional temporary community-based locations during the peak season to make publications and forms available in banks, libraries, shopping malls and other locations (C104.1). The IRS should work with state and local tax agencies to establish one-stop "tax stores," locations where forms and other tax services can be provided (C104.4).

The IRS has developed new ways to distribute tax forms and publications electronically through CD-ROM technology, fax-on-demand and personal computers, and should expand the use of CD-ROMs to ensure that forms and publications are available in all walk-in offices. It should also make available master versions of basic 1040 forms and tax tables in copy stores and other locations where they can be photocopied (CM02.2). The IRS should also make expanded use of the Internet to meet taxpayer needs, supplementing current forms and publications with updated tax information (CM02.1).

II.d Help Small Businesses

Background: Small businesses are both the fastest growing part of the national economy and a critical player in the nation's tax system. They pay billions of dollars in taxes and file 99 percent of all business tax returns. Collectively, small business is the nation's largest private employer, accounting for 53 percent of private sector jobs. Small businesses are also the backbone of the wage reporting and withholding system that assists federal, state and local authorities in collecting taxes. Based on these numbers, it is not surprising that small businesses represent more than half of the compliance cases that the IRS handles. And, despite the vigor of the small business sector, many close their doors each year. In 1996, 50,000 of them went through bankruptcy. When a small business gets in trouble, tax issues compound its problems. Everyone — small businesses, taxpayers and the IRS — stands to gain by making it easier for small businesses to fulfill their tax obligations.

To deal with problems like these, the IRS established a Small Business Affairs Office and has also developed EZ forms to simplify tax filing for many businesses, including the Form 1040 Schedule C-EZ, which let two million small business owners file a very much simplified return in 1996. The IRS has worked with other federal agencies to create a "U.S. General Store" in Houston to provide

convenient tax and other services for small businesses. Similar centers have been established in Indiana, Minnesota, Mississippi and other states. The Kansas City Service Center established a Federal Tax Deposit Penalty Help Line to help business customers make deposits correctly.

Many of the actions that the Task Force has called for in other parts of the report will benefit small businesses directly and indirectly. The following actions are intended to benefit them specifically, but apply to the self-employed and larger businesses as well.

- **Help Start-Up Businesses**

Problem: Many small businesses struggle right from the start, having a hard time simply learning what the tax and regulatory rules are and how to comply with them. The checklist of what is required for a new small business is daunting (see box on p. 34).

Just one of the requirements, the Federal Tax Deposit system, requires businesses with employees to withhold and deposit a portion of their employees' wages and salaries for federal income, Social Security and Medicare taxes, in addition to state and local requirements. According to the General Accounting Office, a small business in Cleveland, Ohio with six employees would have to submit at least 56 federal, state and local tax deposits over the course of a single tax year, including the collection and payment of seven different employment taxes. Many make mistakes on their Federal Tax Deposits. While the IRS generally waives the penalty the first time small businesses make a mistake on these deposits, it has not used this first mistake as an opportunity to help small businesses get it right the next time.

Federal Tax Checklist For Starting A New Business

- ✓ Apply for Employer Identification Number (Form SS-4)
- ✓ Begin estimating tax payments (Form 1040 ES)
- ✓ Report annual taxes, profit or loss (Form 1040, Schedules C, C-EZ or F)
- ✓ Report any supplemental income and loss (Form 1040, Schedules E and S)
- ✓ Figure withholding for federal income tax, Social Security and Medicare (Circulars E and A)
- ✓ Make Federal Tax Deposits (Form 8109B, Over the Counter or EFTPS)
- ✓ Report annual taxes (Forms 1065 and 1120)
- ✓ Report capital gains or losses (Form 1065, Schedule E)
- ✓ Report partner's shares (Schedule K-1)
- ✓ S-corporations (Form 2553)
- ✓ Report shareholder's shares (Form 1120S, Schedule K-1)
- ✓ Heavy vehicle uses (Form 2290)
- ✓ Report cash payments over \$10,000 (Form 8300)
- ✓ Pay federal unemployment taxes (Form 940)
- ✓ Pay quarterly taxes on employees (Forms 941, 943, 943A)
- ✓ Ask employees to complete withholding certificates (Forms W-4 and W-5)
- ✓ Issue wage and withholding information to employees (Form W-2)
- ✓ Issue wage information to sub-contractors (Form 1099)
- ✓ Report information from W-2s issued (Form W-3)
- ✓ Report information from 1099s issued (Form 1096)

Actions: To assist new small businesses, beginning in 1998 the IRS should team up with other federal agencies, financial institutions, tax preparers, state and local authorities and others to provide tax information, training and consultative services to small start-up businesses. These services will be designed to make record keeping, filing and payment requirements as simple and easy as possible (SB01.2).

The IRS should create and make available to new businesses a start-up kit with multi-agency tax information (SB02.2). The organization should also assist new employers who have just applied for Federal Employer Identification Numbers with information on relevant tax requirements (SB01.1). It should send a letter to business customers who have made first-time deposit errors to tell them if the penalty has been waived and to tell them how to avoid mistakes in making their next deposit (SB05.1). Furthermore, the IRS should develop and publish clear, simple brochures giving tax tips on new obligations as businesses change — for example, when hiring employees, expanding the business, converting from a sole proprietorship to a partnership, incorporating, or shutting down (SB03.3).

• Communicate More Clearly With Less Paper

Problem: The tax laws — and the regulations, forms and instructions that translate them into reality — are complex. Small business people told the Task Force in focus groups that they decided not to hire employees just to avoid dealing with the record keeping, reporting and withholding requirements. Small businesses need simpler forms, clearer instructions, notices and letters. But getting it right is such a challenge that they also need special

attention. Giving small business this kind of special help, especially when they are starting up, can not only help keep businesses in business, but can also drive down the IRS workload, saving taxpayers money.

Actions: The IRS should reduce the paperwork burden for small businesses, encouraging them to use e-mail to resolve tax account problems (once the IRS develops a way to protect the privacy of taxpayer information over e-mail) (SB04.3) and continuing the development of EZ forms for incorporated businesses and other filing entities (SB03.4).

In 1998 the IRS should expand the successful TeleFile program to allow many small businesses to use their telephones to file Form 941 and report employment taxes (SB04.2). The IRS should seek ways to let small businesses use credit cards as a payment option for tax balances due at no cost to the government (SB04.5). It should also find out how to help and encourage small businesses to use the Electronic Federal Tax Payment System, conducting focus groups to get feedback on the system from small business customers and marketing the electronic system in ways that make clear how it can benefit small businesses (SB05.3).

To ensure that correspondence, notices and forms are easy to understand, the IRS should test new forms and publica-

tions for clarity with small business owners and employees (SB03.2); rewrite notices in a manner that they understand (SB08.1); and standardize the format and content of written responses to reduce inconsistencies in notices that are sent to small businesses (SB08.5). The IRS should also find ways to notify small business customers promptly if problem notices are generated and mailed (SB08.3), and also identify notices that can be eliminated or sent less frequently (SB08.2). The IRS should develop a permanent method to seek feedback from small businesses about which forms, publications and specific line items are the most problematic (SB03.1).

• Provide Knowledgeable, Convenient Help

Problem: Small businesses have difficulty getting their tax questions answered and problems resolved.

Actions: By the 1999 tax season, IRS should provide small businesses with 24 hour a day phone assistance geared to their needs, within the menu options available on the toll-free assistance line (SB07.1) and should also seek to route telephone calls from small businesses to employees who have the training and the authority to answer business tax questions and resolve account problems (SB07.2). Furthermore, the IRS should review the existing and proposed uses of IRS interactive voice response units to ensure that small business needs are met in a cost-effective manner (SB07.3). Since small businesses prefer to do business over the phone, the IRS should explore the use of telephone calls instead of written notices or letters (SB07.4).

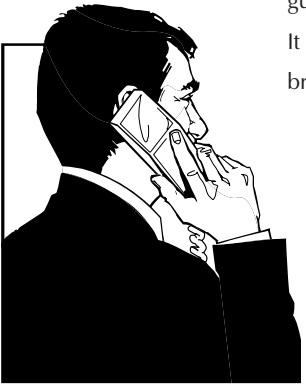
The IRS should continue exploring new methods of communicating with small businesses (SB08.4), as well as partnering with trade associations to provide timely, updated

What Small Businesses Say They Want³

- Easy-to-understand forms
- Reduced burden for reporting, filing and record keeping
- Sincere help solving problems
- Employees who listen to and understand taxpayer concerns
- Service provided correctly the first time
- Understandable letters and notices
- Fair treatment consistent with the law

tax information specific to small businesses in a variety of industries. Through association newsletters, trade journals, websites, and other communication systems (SB01.3), the IRS could communicate with small businesses more effectively.

Because of the growing number of companies that conduct business in languages other than English, the IRS should improve multilingual communications with them, including written, face-to-face and telephone communication (SB09.1). To begin meeting the needs of some of those customers, the IRS should — depending on demand — provide a nationwide toll-free Spanish language telephone service for small business owners (SB09.2). It should also create forms, publications, notices and brochures in Spanish (SB09.3).



“¿Como le puedo servir?”

• Promote One-Stop Service

Problem: Small businesses are sometimes frustrated by the time required to deal with so many different government entities — federal, state and local — and with the many filing and reporting requirements that have similar, but not identical, data needs. They are also frustrated when they try to get answers or resolve problems and cannot reach the IRS by telephone or in person, have correspondence go unanswered, or deal with IRS employees who lack the training to deal with business questions.

Actions: So that small businesses will be able to submit a single report with tax and wage data to meet the requirements of the Internal Revenue Service, Social Security Administration, the Department of Labor, and state agencies, the IRS should continue to work to support the Simplified Tax and Wage Reporting System program (SB04.1) and develop a strategy to open more one-stop business assistance centers in partnership with federal, state, and local agencies (SB02.3). The IRS should promote further use of “joint installment agreements” for businesses that have federal and state tax liabilities (SB04.4). And in partnership with small business stakeholders, it should make use of electronic tools — such as a small business corner on the IRS home page — or provide one-stop information, education, and registration service to the small business community (SB02.1).

• Help Businesses With Problems

Problem: Small businesses often have compliance problems because they don’t understand their obligations under the tax code. According to a 1995 IRS survey of

2,000 small businesses, “small business owners continue to perceive the IRS as strong in enforcement and generally weak in providing understandable tax information and empathetic customer service.”

One of the biggest problems small businesses have is penalties on their federal tax deposits. The IRS assesses many tax deposit penalties, although many are subsequently waived or reduced — an average of 40 percent of them during a recent three-year period. In addition, because many IRS offices administer federal tax deposit penalties, and because the interpretation of penalty administration regulations can be somewhat subjective, inconsistent treatment frequently occurs.

Small businesses are particularly affected by these problems. The IRS has found that many new business owners make mistakes on the forms or during the deposit process, and end up facing a penalty simply because they do not understand the requirements.

At the IRS Kansas City Service Center, a group of tax examining assistants took a very active approach to the problem of deposit errors. A federal tax deposits Help Line was established with the purpose of resolving business customers’ problems within 24 hours. This group has been able to resolve almost 10,000 issues for each of the past three tax years. Just as importantly, they have been able to identify problems with forms and programs. Changes resulting from these findings could help reduce the error rate on these deposits.

Actions: To help small businesses deal with the federal tax deposit system, the IRS should work with payroll

and accountant groups to help educate individuals who make deposits for small businesses (SB05.4). The IRS should test using specially trained employees to make educational telephone calls to new employers, and specifically to new employers when the IRS first discovers a mistake in their handling of their federal tax deposits (SB05.2). And it should expand the approach of the Penalty Help Line developed in Kansas City to provide assistance to small businesses (SB05.6).

To encourage greater consistency throughout the country, the IRS should develop training materials and courses to educate IRS employees about deposit requirements, penalties and consistent use of reasonable cause provisions for waiving penalties (SB05.5). It should also analyze the costs and benefits of handling all federal tax deposit penalties in one centralized location (FP04.2).

The IRS should study and make improvements regarding penalty administration for small businesses, including considering raising the threshold for forgiving penalties based on oral testimony (SB06.1). The IRS should also test the use of outgoing telephone calls in lieu of written notices in certain potential penalty situations (SB05.7). As described in Section III.b. (see p. 67), the IRS should work with troubled small businesses to help them comply, stay in business, and avoid future tax problems, expanding on successful pilot programs in California, Maine and elsewhere (SB05.8).

II.e Create A Problem Solving System That Works

“A taxpayer who has been treated unfairly should have somewhere to go, someone to fight on his or her side, someone to make the agency listen.”

President Clinton

Background: When people have a tax problem, they want to get it resolved quickly. When they are unable to resolve it, what may be a simple problem can quickly turn into a complaint. The IRS needs a better system for solving problems before they become complaints.

The IRS has Taxpayer Advocates and a Problem Resolution Program to assist taxpayers with problems relating to the organization’s administration of the tax laws. Last year, nearly 300,000 cases were brought to the attention of Taxpayer Advocate offices around the country, and cases were resolved in an average of 38 days.

The Task Force also looked at a successful IRS Taxpayer Advocate program in North Carolina that reaches taxpayers who haven’t been able to get their tax problems solved through normal channels. The IRS North Carolina district Taxpayer Advocate, Tina Junciewicz, has an annual “IRS Listens” day. She publicizes the event in area media, and then anyone with a grievance or a question involving the IRS can come in during that day and consult privately with a member of her staff. The program has been cutting red tape by

resolving a number of problems on the spot.

The Task Force found that the best companies in America handle customer problems by making it easy for employees to resolve problems and easy for customers to complain when they are dissatisfied. These companies cherish complaints as a valuable source of information about their operations and about underlying problems that they can fix at the source.

When dealing with a company with a good problem solving system, a customer can get a problem solved with one telephone call, one visit, or one letter. The Task Force found tremendous benefits in one-stop problem resolution. Not only does this practice result in much greater customer satisfaction, it can also reduce the costs of handling problems — in some cases by more than 50 percent. Every company and public sector department and agency that the Task Force looked at was seeking ways to give front-line employees the ability to solve customer problems in a single interaction.

A good problem solving system also values complaints. Generally, complaints represent the tip of the iceberg. Research shows that fewer than one in twenty people who are unhappy will formally complain to the organization. In the private sector, people don’t complain for a variety of reasons: they feel it is not worth the hassle; they don’t know where or how to complain; they don’t believe the company will do anything; or they are afraid of negative consequences. More likely, when people have a complaint, they tell their friends or neighbors; research shows that people with a complaint are likely to tell eight to ten other people.

Solving Problems: What Do the Best in Business Do?⁴

- Make it easy for customers to get their problems solved and easy to complain when they are not.
- Train and empower employees to resolve most problems in one contact.
- Track complaint data, analyze and fix root causes and report performance to top management.
- Value complaints as critical customer feedback.
- Use complaints as a key element to drive change.

The Task Force found that a good problem solving system is valuable for another reason — company after company has used it as a key part of their overall strategy. When a complaint is handled well, it reduces costs and can turn a critic into a supporter. When a complaint leads an organization to understand and fix an underlying problem, overall performance improves. And, in the public sector, when a government agency listens to people with problems and solves them, it helps establish confidence and trust.

• Resolve Customer Problems In One Contact

Problem: Customers complain that it takes too many contacts with the IRS to get tax problems resolved. They are often asked to play telephone tag with various offices to get their problems solved. These difficulties often arise because customer data are stored in multiple computer files. Employees cannot solve some taxpayer problems quickly because the informa-

tion they need is not all in one place, and different files can contain conflicting information about a taxpayer's account.

Problems with Powers of Attorney also make it difficult to resolve problems in a single contact. Taxpayers and their representatives complain that Powers of Attorney —

required so that taxpayer's representative, such as an accountant, can deal with the IRS on the taxpayer's behalf — are frequently not honored because the Power of Attorney information is not available to the IRS employee assisting them.

Actions:

One Contact: To ensure that customers get problems resolved in a single contact, the IRS should establish a process in every office that puts any run-around burden on the IRS, and removes it from the customer (C102.2). This policy would require an IRS employee either to solve the problem or find the office or person who can, and hold the employee accountable for doing so. This will entail modification of the current program requirements for "gating" or automatically transferring certain types of calls. It will require better training of front-line employees, especially in customer service techniques, as well as empowering them to use their judgment in doing everything they can to resolve an issue before it is transferred. Training and related issues are covered later in this report.

The IRS often sends taxpayers letters when there are discrepancies between what taxpayers report on tax returns and what is reported to the IRS about those same taxpayers by banks, employers or other third parties. The IRS should ensure that there is sufficient technical staffing at the telephone numbers given to taxpayers for assistance on these "underreporter" notices, and find ways to overcome the barriers to resolving these cases by telephone (C102.3). It should also develop and carry out a cost-effective plan to expand the number of IRS assistance centers working on underreporter cases, again — where possible

— using more telephone calls instead of written notices to resolve cases (C102.5).

In cases where issues could best be resolved in writing, the IRS should specifically advise taxpayers on what information and documents they need to provide (C102.4). This would help keep customers from wasting time on telephone calls when written documentation is required, or writing to IRS when a quick telephone call will resolve the problem. The IRS should also conduct an analysis and develop plans to refine and improve its toll-free service to help clarify to customers what can and cannot be resolved by telephone (C103.2, C103.3).

Empowered Employees: To ensure that employees are equipped to help customers, the IRS should ensure that an adequate supply of forms and materials are available to allow employees to do their jobs (C103.6); that employees are properly and promptly informed of new information (C103.7); and that employees have access, when appropriate, to the multiple databases and systems needed to resolve customer issues in one contact (C103.8). Working with the National Treasury Employees Union, the IRS should create more flexible job descriptions to better support the workload demand (C103.1). To empower employees who answer telephone calls, the IRS should provide simplified, agency-wide guidance that spells out what kinds of cases employees are able to resolve over the telephone (C103.4) and revisit these guidelines on a continuing basis to identify procedural changes or training needs (C103.5).

Information Support: To begin to address the problem of separate computer files, the IRS should collect its “Non-Master File accounts” in one place, load them onto a

secure on-line system to improve their accessibility (FP07.1, FP07.2), and ensure that the units in the service centers that service these accounts are properly staffed (FP07.3). For a long-term solution, the Modernization Blueprint calls for the consolidation of all accounts into a new unified system (FP07.4).

Streamlined Powers of Attorney: The IRS should emphasize to all employees the need to honor all valid Powers of Attorney and to process them promptly (FP03.1). In addition, the IRS should improve training in this area (FP03.2); establish a telephone center for authorizations (FP03.3); improve processing procedures (FP03.4, FP03.5, FP03.6, FP03.8); establish a centralized computer database to speed authorizations (FP03.9); and be able to accept Power of Attorney authorizations electronically and record them immediately while meeting privacy and security requirements (FP03.10).

• Make It Easy For People To Get Problems Solved

Problem: Taxpayers told the Task Force that they have difficulty getting problems resolved and are not sure where to turn to get help. They complain about the amount of time it takes and say they feel that normal channels are not responsive to their complaints and problems.

Actions: Even prior to the publication of this report, the IRS launched Problem Solving Days, a new initiative — patterned on the North Carolina “IRS Listens” effort — to help taxpayers get their problems solved. The first Problem Solving Day was held on November 15, 1997, at all 33 IRS district offices. Approximately 6,300 taxpay-

ers attended the event, and the vast majority were tremendously satisfied with the service they received. In fact, 75 percent of customers who responded to the day's satisfaction survey gave the IRS the top mark for overall service. The IRS will continue to hold these sessions once every month within every IRS district (C107.1).

Questions About Problem Solving Days?

Call 1-800-829-1040

In addition to creating Problem Solving Days, the Administration took other steps this fall to improve IRS performance in resolving taxpayer complaints. On October 10, 1997, President Clinton announced two major steps — the strengthening of the office of the Taxpayer Advocate and the creation of Citizen Advocacy Panels nationwide (see boxes on opposite page).

Moreover, so that IRS employees can help taxpayers in situations of emergency or hardship, the IRS should implement a policy that allows District Directors to approve and issue emergency tax refunds to customers in one business day (FP11.1).

- **Track And Use Data On Complaints**

Problem: Some problems can drag out for two or three years if the IRS and the taxpayer don't agree on an issue. IRS management needs an effective complaint tracking system to ensure that taxpayer complaints are being addressed promptly. That system must also elevate

IRS Taxpayer Advocate

To strengthen the IRS Taxpayer Advocate, the Administration will:

- expand the powers of the Taxpayer Advocate to provide relief when there have been unreasonable delays in resolving a taxpayer's issue or when a taxpayer may be subject to serious harm;
- increase local and national Taxpayer Advocates' staffs; and
- expand the Taxpayer Advocate's reporting obligations to Congress to cover informal interventions.

Independent Citizen Advocacy Panels

The Administration is creating 33 local Citizen Advocacy Panels to assist taxpayers with problems. These Panels will be made up of private citizens and will:

- refer taxpayer complaints to the Taxpayer Advocate;
- refer complaints about resolution of cases by local Taxpayer Advocates to the national Taxpayer Advocate;
- monitor local IRS customer service;
- track complaints on a local level;
- make public reports; and
- make recommendations for improvements to the national Taxpayer Advocate and the IRS Commissioner.

The Citizen Advocacy Panels will be phased in, with the first four beginning operations in selected IRS districts in 1998 and expanding nationally as quickly as possible.

those problems that aren't being addressed to higher levels in the organization. Such a system should also help the IRS identify — and then address — any systemic issues that are creating problems for taxpayers.

Actions: Beginning immediately, using the Taxpayer Advocate's Problem Resolution Information System, the IRS should track complaints (FP06.1) and, if a complaint is still unresolved after a reasonable period of time, reassign it to the next higher management level (CI07.2). To tighten accountability in the future, the IRS should set up a system that systematically raises the priority of cases that have not been addressed to ensure that the appropriate management level is involved (FP06.2). It should also design a system to ensure that individual employees and managers are held accountable for the fair and speedy resolution of problems (FP03.7). The Taxpayer Advocate should develop a process for identifying solutions to systemic problems identified by taxpayers. These solutions should be brought to the attention of the Commissioner when necessary (HP13.3).

II.f Prepare For A Paperless Future

Background: Currently, the IRS processes more than two billion transactions a year, including 200 million individual and business tax returns, interest and dividend forms, employer withholding reports, and payments. Most of these transactions still take place on paper and have to be converted into an electronic format by scanning or manually entering data — an error-prone and resource-intensive process.

The steady progress of TeleFile gives a hint of the potential for electronic filing: less paper, no mail, error rates 100 times less than with paper returns, faster refunds, and happy customers. David Gergen, Chairman of the Awards Program of the Ford Foundation and Harvard's Kennedy School of Government, said of the award-winning Telefile program, "Filing taxes can often be a complicated, time-consuming process. It's good to see that the IRS is simplifying the procedures and reducing the paperwork for citizens."

INNOVATIONS IN AMERICAN GOVERNMENT



A. Alfred Taubman Center for State and Local Government
John F. Kennedy School of Government, Harvard University

Yet, despite the advantages, only 10 percent of the 200 million individual and business returns are filed electronically, even though a much higher percentage of returns are prepared on computers. The actions recommended by the Task Force to increase the use of electronic filing build on the positive momentum of the IRS Electronic Tax Administration program.

While the IRS still relies heavily on paper for its one-on-one transactions with taxpayers, it is beginning to use technology to disseminate information to taxpayers more broadly — primarily through the Internet. As part of a financial world that is being revolutionized by information technology, the IRS is already making aggressive use of the World Wide Web to deliver information and forms to taxpayers. Last tax season six million forms and publications were downloaded from the IRS website and 117 million hits were logged.

For anyone with access to the Internet, the IRS Homepage is already the best place to go for tax forms and information. It is available 24 hours a day. It has virtually all IRS forms and publications. It summarizes tax regulations and has the answers to the most frequently asked taxpayer questions, among other information. The IRS Homepage has established a monthly (bi-weekly during the tax season) electronic publication called the Digital Dispatch, which has the latest tax news from the IRS.

As part of a long-term strategy to set up a system to answer taxpayer questions quickly and expertly, the IRS is also answering taxpayer questions over the Internet. During the last fiscal year, it answered more than 52,000 e-mail messages about tax laws and regulations. Sixty

percent of the e-mails were answered in one day and 93 percent within three days. Like private sector firms and other government agencies, the IRS must overcome issues related to electronic signatures, security and privacy so that all transactions can be carried out safely via the Internet.

- **Upgrade Technology To Improve Customer Service**

Problem: The IRS has not had the technology to support customer service or to support IRS employees in ways that have become standard in private industry and are increasingly common in government.

Actions: The IRS Modernization Blueprint will improve assistance to customers by making accurate, electronically accessible and up-to-the-minute information available on taxpayer returns and accounts while protecting taxpayer privacy (CI01.7).

- **Offer More Electronic Filing Options**

Problem: The IRS and taxpayers are only beginning to take advantage of the benefits of electronic filing. Many taxpayers are unaware of the benefits. Some taxpayers are not able to file electronically because their wages or interest or dividend income exceed a certain level. Issues surrounding electronic signatures and documents like W-2s that normally accompany returns, plus privacy and security concerns about electronic transactions on the Internet, also keep the electronic numbers down.

Actions:

Expand TeleFile: By 1998 the IRS should increase by 3 million, or about 10 percent, the number of taxpayers who are eligible to use TeleFile — the telephone filing system (FP09.2). The IRS should market TeleFile aggressively to individual taxpayers (FP09.5), and extend TeleFile for businesses to allow small companies to meet federal tax deposit reporting requirements over the phone (FP09.3). The



IRS should also continue to expand eligibility for TeleFile by raising the dollar ceilings on income for electronic filers and by raising the dollar limits for interest and dividends in TeleFile options.

Develop Paperless Tax Filing: The IRS should increase the number of forms that can be filed electronically and

educate customers about the benefits of electronic filing — fewer hassles, fewer contacts with the IRS, and faster refunds (FP09.4). To get a truly “paperless” system of electronic filing, in 1999 the IRS should work to eliminate the need for mailing in W-2s, other forms and paper signatures (FP09.7). The IRS should also determine how to issue notices electronically (NC02.11, NC02.12).

Work With the Private Sector: The IRS should solicit ideas from private industry and tax practitioners to increase the use of electronic filing (FP09.1). The organization should also conduct extensive market research to find out how electronic filing can better meet customer needs (FP09.6), and use this information as a basis for new services (FP09.9).

These services should include allowing taxpayers to resolve tax questions by e-mail, rather than having to write or telephone the IRS, if the IRS can do so without jeopardizing taxpayer privacy (FP09.10). Also, tax practitioners should be offered the option of filing an electronic Power of Attorney which could be processed in one day instead of the average of 26 days it currently takes to process the hard copy version (FP09.11).

• **Introduce New Payment Options**

Problem: Although 15 million taxpayers receive tax refunds through electronic deposits to their bank accounts, there are no provisions for taxpayers to use automatic withdrawals, debit cards or credit cards to pay their taxes.

Actions: For the first time, beginning in 1999 taxpayers who file their returns electronically will be able to pay their taxes with a direct withdrawal from their bank accounts — in much the same way consumers now pay their mortgages or utility bills (FP09.8). The IRS is also seeking credit industry partners to pilot-test credit cards for taxpayers who file electronically in 1999 (FP09.12). The idea is popular with taxpayers, and a number of state and local jurisdictions have already successfully allowed the use of both debit and credit cards for tax payments.

• **Promote One-Stop Service On A World Class Web Site On The Internet**

Problem: As the information technology and communications industries evolve, the IRS will need to continue to move aggressively to take full advantage of the potential of the Internet to provide enhanced customer services on its website.

Actions: The IRS should continue to improve and promote the use of the Internet to provide new services and products (FP09.13).

Got A Question for the IRS?

Try the IRS Homepage on the World Wide Web

<http://www.irs.ustreas.gov>



III. A Customer Service Revolution

In 1993, President Clinton issued an Executive Order calling for a “customer service revolution” in how government agencies provide services to the American public. Nothing less could change the underlying systems and behavior that have evolved in many government agencies over decades of doing business the old way.

Since its creation in 1862, the IRS has always had two roles. It is charged with collecting nearly all of the revenue due to the federal government. Yet it is also expected to promote voluntary compliance with the tax laws by serving its customers, the taxpayers. As the National Commission on Restructuring the Internal Revenue Service brought to light in its 1997 report, the IRS often gets conflicting messages from oversight organizations about which role comes first. In the past, the IRS has heavily favored tax collection, with customer service taking a back seat. Perhaps this is no more clearly illustrated than in staff distribution: 60 percent of the more than 100,000 IRS employees are engaged in enforcement, 8 percent in customer service.⁵ Similarly, the current mission statement of the IRS does not place enough emphasis on customer service.

The President, the Congress, oversight bodies and the public have recently said in no uncertain terms that they

⁵ IRS 1996 Data Book.

expect more than tax collection from the IRS. They are calling for the same customer service revolution that has transformed American industry over the last decade. Their expectations have been rising, especially as information technology has enabled banks and credit card companies, for example, to offer information and service 24 hours a day with even higher standards of accuracy, courtesy and convenience. National parks, the Postal Service, and other public agencies, including federal regulatory agencies, are showing that it is possible to provide customer service that is equal to the best in business.

As President Clinton said on October 10, 1997, "It is clear that in spite of our best efforts, there remain significant problems and challenges at the IRS." To achieve lasting change in how the IRS interacts with the public, the organization must fundamentally change how it views and treats taxpayers. The IRS must work much harder to prevent violations and penalties in the first place and turn to one-on-one enforcement as a last resort. Old measures that strongly emphasize enforcement must be balanced with new measures that encourage customer service. And the IRS must shift how it selects, trains and supports its employees so that they can provide the service that the American people deserve.

These changes could lead to the kind of cultural shift that is needed so that the IRS can not only provide first-class service but also regain the trust and confidence of its customers — the vast majority of America's taxpayers who work hard, obey the law and pay their fair share.

III.a Treat Taxpayers As Customers

"When it comes to the IRS — indeed when it comes to every part of government — our philosophy is simple: the taxpayers don't work for us, we work for them."

Vice President Gore

Background: Making the shift to a customer-focused organization requires major changes for the IRS — listening to customers through surveys and other methods, measuring how well it serves customers, holding managers and employees accountable for how taxpayers are treated, and acting rapidly to address complaints. In sum, it requires a revolution in customer service.

The problem, in this case, is not information; the IRS knows a lot about its customers. Using surveys and focus groups conducted by the IRS and outside groups since the 1960s, the Task Force was able to get a clear picture of the IRS customers. The data documented how different the needs and concerns were of different customer segments. Looking at five different customer segments — individuals, the self-employed, small businesses, large businesses and tax preparers — the Task Force found that each group had very different needs at different points in time.

Telephone assistance illustrates the differences. All taxpayers want improved access on the telephone, fewer busy signals, shorter waits and more accurate responses to their questions. Small business people, for their

Customer Segment Profiles

Customer Segment	Definition	Selected Key Events
Individuals	Taxpayers who receive income subject to tax reporting.	Enter job market, relocate, retire, receive inheritance, marry, have a child, pay child care expenses, die, divorce, buy or sell a home.
Self-Employed	Individuals subject to business tax reporting (e.g., sole proprietors).	Start business, keep up with major regulatory law and market changes, deal with investment or financial loss, keep tax records for both individual and business taxes.
Small Businesses	Businesses (partnerships, proprietorships, corporations, exempt organizations) that have fewer than 500 employees, regardless of revenue generated.	Start new product lines, hire employees, develop the business, add new locations, incorporate, incur casualty or operating losses, change technology, keep tax records, prepare tax return(s), sell or merge business.
Large Businesses	Businesses (corporations, partnerships, exempt organizations) that have more than 500 employees.	Hire employees, develop new product lines, add space or equipment, experience domestic market or regulatory changes, restructure, add fringe benefits, change business strategy, maintain tax records, sell or merge business, close business.
Partners	Organizations that work with taxpayers or the IRS on tax administration issues (e.g., tax preparers, state and local governments).	Educate the public about tax requirements, prepare returns, recommend ways for the IRS to improve operations and customer service.

part, want to be able to reach the IRS after business hours and on weekends. Large businesses want to get through during business hours but want their employees to be able to call the IRS after work. Individuals and the self-employed want to talk to the IRS at almost any time of day — whatever accommodates their particular situation. Tax practitioners were the most satisfied group; they were pleased with the dedicated telephone services that the IRS has in place in local offices during business hours.

A second Task Force finding was that all groups face periodic changes in their tax status. They have to learn new tax rules at precisely those times when they confront major changes in their lives — getting married, buying a house, having a baby, starting a new business, experiencing a spouse's death, or retiring. Although they want to “get it right” at these times in their lives, learning about changing tax requirements is rarely a primary consideration.

The Task Force found that there were other customer characteristics that were important to how the IRS delivers its services. Language is a growing issue for both individual taxpayers and businesses, with more than 13 million Spanish-speaking adults in the U.S. today and more than 860,000 Hispanic-owned businesses. Many older Americans need forms with larger type and convenient in-person assistance. First-time filers need customized help. Customers who have been hit by a flood or other natural disaster need extra time and special help. Finally, the Task Force found that customer needs change over time as the population itself changes.

Actions throughout this report address the needs of various customer segments. To continue the focus on customer

Future Customer Trends* / Potential Impact on the IRS

An older population

17% of population over 65 by 2020 (A 25% increase since 1990)

- Increased demand for assistance
- Increased medical expenses, pension income

Older, working-age population

Fastest growth in 50 to 64 year old group between 1996-2006

- More complicated returns
- More use of preparers

Smaller households

Continued growth of single-person households and single-parent families to nearly 35% of the population by 2010

- Need for assistance after normal working hours and on weekends
- Special tax credit issues, such as the Earned Income Tax Credit

Larger foreign language speaking population

Immigration will account for 66% of U.S. population growth over the next 50 years

- Increased need for tax products and information in other languages

More self-employed taxpayers

72% growth from 1970 to 1994

- Need for better educational materials for both the employers and the employees

* Data provided by the Bureau of Labor Statistics

information, the Task Force calls for customer feedback to be integrated effectively into the IRS measurement system (See Section III.c.).

In its examination of private sector models, the Task Force found three common characteristics among successful service companies — they value and act upon customer feedback; their organizations are aligned to serve customers; and customer satisfaction is at the core of their measurement systems.

In customer-focused organizations, data about customers affect everything the companies do. They influence what the companies produce and market and the services they provide. These companies value customer feedback and

complaints, and customers' concerns are assessed as a routine part of decision-making. Managers welcome feedback from front-line employees and seek opportunities to interact with customers. These companies are also organized to respond to customer needs and see customers as a core part of their mission.

• Lead The Way

Problem: If the IRS is to become customer-focused, senior managers across the organization must send a clear message that change is required and remove the barriers to providing top-quality customer service.

Actions: Leadership will set the pace for the reinvention of customer service in the IRS. Managers from the Commissioner on down should spend time each year serving customers directly (HP18.2). IRS leadership should review and remove barriers, both organizational and structural, that prevent effective job performance (HP11.3) and establish a uniform set of leadership competencies for all levels of management (HP18.1).

Managers will encourage and empower teams in a customer-focused workplace. IRS employees trained to answer a customer's inquiry should be allowed to answer that question whether assigned to that specific issue or not (HP11.2). Furthermore, to encourage greater innovation, front-line managers should be able to approve employees' suggestions to improve customer services and products, but need to get the approval of the next level of management before turning down their suggestions. Any proposals that are turned down need to be shared with the Ideas Advocate (See Section III.d.) (HP11.1).

• Build A System That Focuses On Customers

Problem: Most of the IRS is organized around internally-defined functions, rather than the needs of customers. Furthermore, there has not been an internal champion for customers or for spreading the ideas and best practices that would improve customer services and products. The Task Force found that customer satisfaction data have been rarely used in making operational decisions and have historically had only a limited impact on IRS operations. For example, without knowing how important the dedicated telephone service is to tax preparers, the IRS had planned to eliminate it as part of a budget-cutting exercise. In another example of the organization's internal focus, the Task Force found that the IRS often tested its notices for clarity on employees already familiar with the subject of the notice, rather than on customers.

Actions: The IRS should begin to refine customer segments and key events for each of those segments as they relate to those customers' tax responsibilities (CF02). Any realignment of the IRS organization should include an emphasis on excellent customer service (CF03). Many of the recommended actions in this report will help create a system that is focused on customers — a measurement and performance system that values customers and a feedback system that regularly obtains and uses customer input (CF04).

The IRS should create a long-term program to make its culture more customer-friendly. The program should engage the IRS workforce at all levels; challenge long-held values and beliefs about how the organization works and carries out its mission; and hold the IRS and its

employees accountable for providing excellent customer service (HP10.1). To be successful, the program should use four fundamental strategies:

- Establish and write out a clear mission statement to guide the bureau;
- Engage all executives and managers in leading change;
- Align the bureau's policies, procedures, systems, and structures to support employees as they work toward the accomplishment of the new purpose; and
- Gain the commitment of all members of the workforce (HP10.2, HPI0.3).

The IRS should also continue to compare its performance with benchmarks from private industry and other government agencies and establish a means to institutionalize best practices (HP13.1). Another important method of reinforcing the organizational change is to communicate early successes in program and policy changes throughout the organization (CM06.1).

• Seek Changes In The Tax Code

Problem: The Tax Code's complexity burdens taxpayers and impedes compliance. While the Task Force did not focus its efforts on tax reform, it identified a number of ways in which the complications of the tax code make it difficult for the IRS to meet customers' needs.

Actions: As it has done in the past, the IRS should identify provisions of the Internal Revenue Code requiring improvement or simplification, consistent with other important tax policy goals — including considerations of fairness, equity, economic efficiency, progressiveness and

revenue collection (FP05.1). The IRS should maintain ongoing communication with the Treasury Department to identify existing Code provisions that are sources of significant compliance or administrative burdens for taxpayers or the IRS, and develop proposals to reduce these burdens (FP05.2). In addition, the IRS should work with private sector groups, such as bar associations, professional tax associations and academic groups, to identify and develop proposals to forward to the Treasury Department to improve and simplify the Code (FP05.3).

- **Develop A New Mission Statement**

Problem: The IRS mission statement does not provide a clear direction that emphasizes service to the taxpayer.

Actions: The IRS should develop a simpler and more focused mission statement that commits to serve taxpayers as customers (CF01). In line with the new IRS mission, taxpayers will be able to pay their taxes with a check made out to the United States Treasury instead of the IRS (FP08.1).

III.b Ensure Fair Treatment For Taxpayers

Background: Voluntary compliance is the cornerstone of the U.S. tax system. Over the past 15 years, 83 cents of every dollar due to the U.S. government has been paid voluntarily by taxpayers, a compliance rate that is one of the highest in the world. Nonetheless, the rate has been essentially unchanged for almost two decades.

The stakes are high. The voluntary compliance rate of 83 percent still means that 17 cents of every dollar due is not voluntarily paid. Every one percent in additional compliance represents an additional nine billion dollars for the U.S. Treasury. Uncollected revenue affects every American who pays taxes in full and on time, and gives an unfair advantage to those who do not pay their fair share.

The IRS, responsible for fairly collecting the money to pay America's bills, seeks the most effective strategies to do so. Like most other regulatory agencies, the IRS has focused on one-on-one enforcement — audit, collection, and investigation of fraud. Last year, IRS enforcement efforts collected \$30 billion in revenue beyond taxes paid voluntarily, pushing the collection rate up to 87 percent. Penalties, part of the “downstream” end of compliance, have mushroomed. From the original 13 penalties listed in the 1954 Internal Revenue Code, today there are about

150 penalties, which amounted to \$13.2 billion in assessments in 1996.

Customers have several appeal options if they do not agree with the IRS's position on the amount of taxes they owe. One is to seek an internal remedy using an IRS Appeals Officer. Appeals officers may reverse all or part of an audit recommended assessment, based upon individual case circumstances and facts. Currently, there is no national tracking system that records the reasons why some audit-recommended assessments are reversed while others are not.

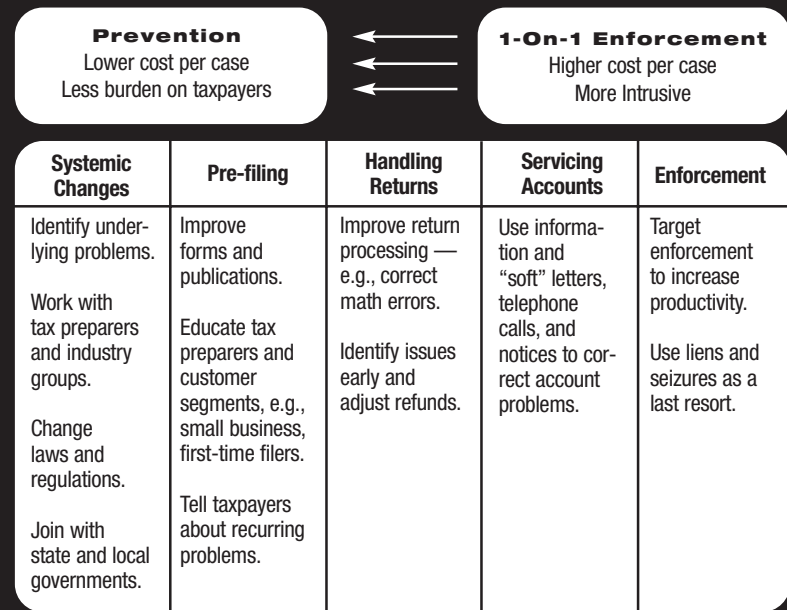
Increasingly, the IRS and other regulatory agencies are concluding that giving more attention to early intervention and preventing problems have a significant impact on compliance. Regulatory agencies are working "smarter" — seeking to understand where compliance problems lie and to focus efforts on them. The Task Force found that in many other agencies this involves establishing a partnership with the groups that are regulated.

The focus on prevention and partnership is getting results. For example, the Coast Guard, without adding a single regulation, worked with the towing and barge industry to help reduce safety violations and cut by half fatalities among crew members. By working with the pharmaceutical industry, the Food and Drug Administration cut the average time for approval of drugs from 23 months to 15.

Successful IRS research and pilot projects demonstrate the benefits of moving compliance efforts upstream. For example, in 1995 the North Florida District Office's research staff analyzed the problem of 6.2 million returns nationally that contained Social Security numbers for

dependents who were claimed on at least two tax returns (a dependent can be claimed on only one return). Rather than assuming this entire population of taxpayers was flouting the law, the researchers took a closer look and found that there were a number of reasons for the duplicate numbers. Many taxpayers had correctly claimed the deduction. Some had made a mistake on a Social Security number, others simply didn't understand the law and still others were knowingly claiming a fraudulent deduction. Furthermore, about a third of the taxpayers made the same claim year after year.

Moving Compliance Efforts Upstream



The North Florida District researchers next tested a tailored approach to improve compliance. They sent two "soft" letters to a sample of some 14,000 taxpayers. One

letter asked them simply to correct the problem the following year if necessary. The second letter added a request for an amended return. Both worked; the percentage of taxpayers who repeated the duplicate claim dropped from a rate of 35 percent to 15 percent. Because of this test, the IRS will be able to focus its future enforcement efforts on the much smaller group of taxpayers who failed to respond to the “soft” approach. The IRS estimates that using this approach in the next filing season could generate more than \$100 million in annual revenue and place less burden on taxpayers who want to get their taxes right.

Another innovative group of IRS employees, the Ag Team, has been working with agricultural businesses in Central California’s wine-producing San Joaquin Valley to help growers and labor contractors comply with tax laws. The Ag Team activities include visiting farm shows and fairs, and even speaking about taxes at the annual growers luncheon. “Ninety-five percent [of these businesses] want to do things right, but only fifty percent know how. We still need to be tough with the five percent who could care less. But the real payoff is in teaching the honest folks the rules,” says one of the Ag Team members. In 1993 businesses in the Ag Team’s jurisdiction owed the government \$11.1 million in past due taxes. As of last year, that figure was down to \$240,000.

Elsewhere in the country similar approaches to working with industries are being tried and adopted by the IRS. In the Maine fishing industry, battered by brutal foreign and domestic competition for depleted fishing stocks, many fishermen developed serious tax problems, from unreported income to improperly claimed credits for fuel

taxes. To resolve the fuel tax problem, the IRS sent a low-key letter to about 1,400 fishermen informing them of the problem and indicating that if it applied to them, they might want to amend their tax returns. More than 1,000 of them voluntarily did so and sent in payments, which totaled more than \$500,000.

The Task Force found that encouraging voluntary compliance requires a range of approaches. No single organizational approach or model can be applied across the IRS or across every industry. What works with California labor contractors may not work with restaurant owners in New York City, so research and customer feedback is critical to developing effective approaches. The specific strategies may vary by location and customer segment, but these principles are common to nearly all situations:

- Help people understand their obligations and how to meet them;
- Catch problems early;
- Treat taxpayers equitably;
- Work with customers and others who are affected;
- Decrease the burden on taxpayers;
- Test alternative strategies; and
- Use enforcement as the last resort.

• Help Taxpayers Get It Right

Problem: Like most other regulatory agencies, the IRS has focused more on pursuing violators than on preventing violations. Prevention is less costly for the IRS than traditional one-on-one enforcement, far less threatening and traumatic for taxpayers, and, as pilot projects and best practices from other agencies demonstrate, more effective in some situations.

Actions: The IRS should identify compliance trends and customer segments where tax assistance, education and other “upstream” methods can help people pay their taxes correctly, thus avoiding tax trouble. The IRS should — where appropriate — expand prevention strategies, such as the approach tested by the North Florida District Office of Research and Analysis, to other districts (C106.2).

To generate more effective preventive strategies, the IRS should continue to develop its compliance research database and models to analyze compliance behavior. It should also continue to support existing research and analysis programs in district offices and the data models at the heart of the research database (C106.1, C106.3).

The Electronic Transcript Delivery System has been tested under small-scale field testing. This system was developed to provide fast, accurate taxpayer information to customers who have been authorized by Congress or given explicit permission by taxpayers to receive it. This system is being tested to provide income and compliance verification electronically within 24 hours rather than days or even weeks. To help people get the right information from the IRS when they need it, the IRS should roll out this transcript delivery system (C106.4) to provide more accurate information to customers and to authorized third parties on a 24 hour turn-around. This should translate into faster production of tax records for people seeking bank loans, less red tape for disaster victims struggling to put their lives back on track, and — an important benefit to lenders and the government as a whole — less loan fraud.

The IRS should develop a transition plan to improve compliance (C106.5), and find a way for districts to share effec-

tive compliance improvement strategies more easily (C106.6). It should also establish a new internal measurement system, the Alternative Treatment Revenue Measure, to give districts credit for results from these new compliance strategies (C106.7). The IRS should move more of its workload “upstream” in the compliance process to reduce costs and to resolve customer account problems sooner (C106.9), and a new Strategic Compliance Planning Model should allocate resources to areas that have successfully improved compliance (C106.8).

To improve the consistency with which compliance cases are handled and to ensure that smaller cases are resolved before they escalate, the IRS should test new workload selection criteria (C106.10) and include these criteria in its modernization program (C106.11). These new workload selection criteria should allow smaller dollar cases to be resolved quickly. Resolving accounts early in the collection process will mean less burden, less interest and fewer penalties for taxpayers and lower costs for the IRS.

• Promote Fair, Consistent Treatment

Problem: Inconsistent treatment, slow resolution of cases, and penalties that are unevenly applied contribute to taxpayers’ perception that they are not treated fairly by the IRS. Currently, customers living in different IRS jurisdictions may get different appeal results on similar issues following an audit.

A 1987 IRS report described many inconsistencies in the use and administration of penalties, even among employees in the same office, because of differing attitudes about fairness, noncompliance and the purpose of penalties. In 1992, the IRS opened an Office of Penalty Administration

to resolve inconsistent administration and measure the effectiveness of penalties. However, with 40 percent of penalties being waived today, the Task Force questioned whether the current system of penalties was working effectively to encourage on-time payment of taxes without undue burden on taxpayers. Some even worried that the system has evolved into one in which penalties can be used to raise revenue, rather than to change taxpayer behavior.

Actions: To promote greater consistency in the appeals process, regardless of where a taxpayer lives, the IRS should develop an automated database to record, analyze and use national appeals data to promote fair treatment in appeals (CI06.12). The organization should undertake a comprehensive review of the fairness and effectiveness of all penalties, report to Congress and make recommendations for legislative changes (FP04.1). To streamline the overall process for handling penalties, the IRS should consider raising the current administrative threshold giving employees expanded authority to eliminate or reduce penalties on the spot, during first contacts with taxpayers and based on oral testimony (FP04.3). This could allow employees to close more cases and reduce more penalties in appropriate circumstances, without requiring documentation or other more formal verification.

III.c Measure What You Want To Get

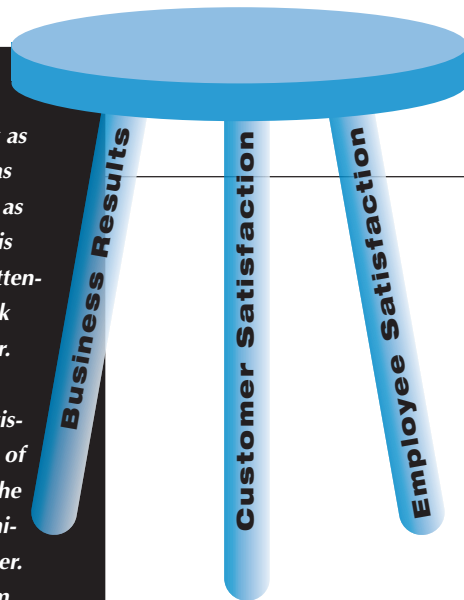
Background: The Internal Revenue Service is a huge organization that, consistent with established management principles and the Government Performance and Results Act, uses a sophisticated measurement system to gauge its performance and that of its employees. However, recent testimony before Congress demonstrated that this system includes measures that have inadvertently resulted in the unfair treatment of taxpayers.

In early October 1997, Acting Commissioner Mike Dolan suspended the use of dollar goals and quotas to rank the 33 district IRS offices based on their financial results; the use of goals for field offices for revenue from collections and audits; and the inclusion of penalties as part of exam-recommended assessments. In announcing a complete ban on these and any similar measures that might lead to unfair treatment, Vice President Gore said, "One of the points the IRS front-line employees made to us over and over again is: 'You get what you measure.'" If you have a performance measurement and rewards system based on dollar goals, it can drive employees toward actions that can lead to problems in their relationship with taxpayers.

The Task Force found that a balanced system of measures is a core management tool in successful companies. This

“Think of the organization as a three-legged stool, with one leg as the employees, the second leg as customer service, and the third as profits. The length of each leg is determined by the amount of attention given to it. If you only look at profits, the stool will fall over. If you don’t see that employee satisfaction equals customer satisfaction, that the everyday work of the frontline employee is how the customer experiences the organization then the stool will tip over. A balanced measurement system guarantees that you can easily see the status of your critical indicators and thus know how well the entire organization is functioning.”

John West, Federal Express



is what John West, who built the measurement system at Federal Express, calls “the three legs of the stool” — customer service, employee satisfaction, and business results. At Federal Express, the CEO and other top executives spend a half day each week personally resolving employee grievances.

The bonus pool for FedEx executives gives equal importance to business performance, employee satisfaction and customer satisfaction. At American Express, the evaluation formula includes traditional shareholders’ indicators of business success, such as return on equity and net profit growth, and productivity measures such as cost per call. Equally important, however, are customer and employee satisfaction. Customer satisfaction measures include timeliness and professionalism. Employee satisfaction surveys count for 25 percent of management evaluations.

In recent years, the Government Performance and Results Act has required federal agencies to begin measuring the effectiveness of their programs and their overall performance. President Clinton’s Executive Order 12862, “Setting Customer Service Standards,” encouraged these agencies to use customer satisfaction in their performance measures. The Task Force found that public agencies with strong enforcement missions, such as the Securities and Exchange Commission, the Occupational Safety and Health Administration, and the Customs Service, are creating customer service standards and measures that encourage voluntary compliance with the law. They are also using customer feedback to improve operations. Customer service standards include such measures as customers’ assessment of courtesy, timeliness, clarity and accuracy of information.

Under a balanced scorecard system, the IRS would reward the success of a customer-oriented approach to tax collection, heading off tax problems before they reach enforcement. Similarly, an employee might be rewarded for a good record of solving customer problems with one telephone call rather than for cutting calls short because the goal is to spend as few minutes per telephone call as possible.

• Create A Balanced Scorecard

Problem: IRS performance measures are production driven, overvalue enforcement, focus on isolated steps, not outcomes, and may inadvertently encourage unfair treatment of taxpayers. However, getting rid of the wrong measures is only part of the solution; the other part is to put the right measures in place.

The lack of balance in the IRS’s measures is illustrated by the 1996 IRS Data Book. Page after page describes financial and

enforcement results in detail — \$1.5 trillion collected, \$30 billion collected from delinquent accounts, 10,000 seizures of everything from jewelry to houses and cars, 750,000 liens, 3,109,000 levies on wages and accounts, 9,559 requests for a grand jury, and numbers of indictments, convictions and individuals “sent to prison” by region. Yet Table 10, “Taxpayer Assistance and Education Programs,” takes up only one-third of a page in the 44 page document. It records 99 million taxpayers assisted by telephone, but says nothing about how many callers received busy signals or were placed on hold. It reports that 6.4 million taxpayers visited walk-in service sites but says nothing about how long people waited or if they were able to get the forms or answers they needed. And, despite all the workload statistics, there is nothing about the people who do the work, other than their number, job, and race or national origin.

Actions: Effective October 1997, the IRS banned measures that used enforcement activities to rank districts and assign dollar goals to districts and service centers (MS01). As an immediate next step, in December 1997, the IRS and the National Treasury Employees Union (NTEU) President Bob Tobias conferred to determine a joint labor/management approach to identify additional measures that could lead to mistreatment of taxpayers and that should be discontinued. The IRS should also work with the NTEU to design and test, in 1998, a balanced scorecard that should rate the performance of the IRS and its employees on: (1) customer service; (2) employee satisfaction; and (3) business results (MS02). The balanced scorecard should draw on direct customer feedback,

A Balanced Scorecard: Illustrative Measures

Business Results	Customer Satisfaction	Employee Satisfaction
q % of customers complying with tax laws	q % satisfied customers	q leadership and management
q % accurate returns	q convenient access	q customer knowledge and empathy
q % returns with full payment	q accuracy of products and services	q partnership with unions, local business and others
q revenue collected	q courtesy	q quality of worklife
q unsecured dollars (dollars lost+dollars owed)	q clarity of communication	
q cost of work	q completeness of resolution	
q tax gap (a measure of non-compliance)	q timeliness of services	

including an annual independent survey of customers (MS02.1), and on input from employees in an annual survey (MS02.2).

• Measure Performance On The Right Things

Problem: An organizational emphasis on dollars collected from enforcement activities discourages managers from putting resources into customer service, outreach, education, or creating partnerships with specific industries to correct or prevent tax problems. The Task Force found little room in the existing measurement system for managers or staff to be acknowledged for revenue generated as the result of successful efforts to encourage voluntary compliance. The goal is compliance — the measurement system needs to focus on the goal and encourage multiple strategies to achieve it.

Actions:

Communicate Standards: To send a clear message across the organization that customer and employee satisfaction are important, the balanced scorecard needs to be integrated with performance measurement, management and the reward systems. The IRS should begin by putting in place standards that clearly describe expectations for business results, customer satisfaction and employee satisfaction (MS03.1). It should revise the critical evaluation elements and the reward structure for employees, beginning with executives and managers, to reflect a balanced measurement system (MS02.3).

Accountability and Recognition for Performance: The IRS should take a number of steps to support and reinforce the shift in how it measures the performance of the institution and its employees. It should not only make clear to every employee that rude or discourteous treatment of taxpayers is unacceptable, but should also provide more reinforcement for positive behavior. It should establish specific customer service expectations for individuals in key high-level, high-visibility positions (HP05.1) and specific standards for customer service in every manager's performance plan (HP05.2). To make it clear to front-line employees that it values customer service as well as financial performance, the IRS should first rewrite the critical job elements for all customer service representatives (HP06.1) and then for other positions, especially those dealing directly with the public (HP06.2), to reflect customer satisfaction outcomes.

Team Recognition: The IRS should move from individual rewards for performance to a system that rewards

employees for successful team efforts (HP07.1). It should develop a revised system of measures that goes beyond the current emphasis on individual productivity (HP07.2) to emphasize team accomplishments, especially in providing excellent customer service. Individual special act awards should also be focused on excellence in competencies and customer service (HP07.3).

The IRS should set up a competency-based pass/fail appraisal system for employees (HP03.1) that promotes ongoing learning, counseling, and training geared to individual needs (HP03.2). This new system should separate individual appraisals from awards, although both should remain focused on excellence (HP03.3). The IRS should also evaluate the merit of making changes in the pay system in the future (HP04.1).

Recognize Customer Service: IRS managers and executives should reward and recognize employees who provide outstanding customer service, introducing such rewards as recognition for outstanding customer service managers, peer customer service awards, and awards for outstanding field executives in customer service excellence (HP16.1, HP16.2).

III.d Help Employees Serve Customers

Background: One-half of the IRS's more than 100,000 employees deal directly with customers. Although only eight percent of them work directly in taxpayer services, more than 40,000 other employees also deal with taxpayers on audits, collections or other activities.

Success in reinventing service at the IRS depends crucially upon these front-line employees, their managers and the other employees who support them. If, as industry has learned, employee satisfaction and support are prerequisites for customer satisfaction, then the IRS has significant work ahead. According to a 1995 employee survey by the IRS, only 56 percent of the employees were satisfied with their jobs. Most employees do not believe that they are rewarded for providing high-quality service to taxpayers. Less than half feel that they are encouraged to come up with new and better ways of doing things or that other employees, the union or management are receptive to change. Only about one-third feel that the IRS encourages risk-taking without fear of punishment. Just a quarter believe that management follows up on employee suggestions for products, services and operational improvements.

Each of the front-line IRS employees on the Task Force represented hundreds more from all over the country who were interviewed by the Task Force or wrote in their concerns and suggestions for change to the Task Force.

Many of their letters and e-mail messages describe IRS employees battling delays and roadblocks to do their jobs right — such as extracting needed information from separate and incompatible computer systems to solve simple taxpayer problems.

“This job is frustrating enough without having to feel like an idiot because it takes so long to do things. The computer goes down half the time, sometimes in the middle of a conversation. It’s difficult to access some things because of the way the command codes are . . . At times the forms we have to fill out are low in supply or no supply and we have to hunt for a form. Or there’s no paper in the printers and we can’t find any!!” wrote Colleen Mathis, an employee in the IRS office in Nashville, Tennessee.

Just as the vast majority of Americans work hard and pay their fair share of taxes, the vast majority of IRS employees are dedicated, hard-working, civil servants. To help them serve taxpayers, IRS employees need systems that balance voluntary compliance, customer service and enforcement, and they need the tools to do the job properly.

Experience from private sector companies demonstrates that real improvement in customer service requires full participation of the workforce. The CEO of Citibank recently said that the single most important performance measure is employee well-being, which leads to customer satisfaction and in turn to business results. At Toyota, when the company asked employees to recommend ideas for improvement, it implemented 95 percent of the 38,000 proposals in a single year with spectacular results. At a Xerox company event in the early 1980s, the CEO

publicly bemoaned management's belated discovery that the company's profits had plummeted because it was making shoddy merchandise. One of the manufacturing employees spoke up, telling the CEO that line employees had known all along that equipment was substandard, but no one in management had asked about it. Starting with this exchange, front-line employees became full participants in a complete refocusing of the company. The final result was a corporate turnaround that involved employees and the union in quality control and won the company the Baldrige Award for corporate excellence in 1989.

- **Give Employees The Tools They Need To Do Their Jobs**

Problem: Too many IRS employees simply do not have access to the information and tools they need to do their jobs. Employees are as frustrated as customers when they can't get current information about changes in the tax laws or don't have a fax machine, tax forms or other information they need to serve customers.

Actions:

Give Employees Electronic Access to Tax Law Information: New technology can give IRS employees much easier and faster access to the huge amount of tax information — technical, procedural and account-related — that they need to provide outstanding customer service. The IRS should expand work on the Electronic Performance Support System being developed by the Electronic Performance Support System Institute to give employees access to tax law information (HP09.1). Early work should focus on creating and deploying the first generation of technology specifically directed at serving customers (HP09.3). The overall goal is to expand electronic performance support

systems both within the customer service departments and across the entire organization (HP09.4). All efforts to improve employees' access to information should contain mechanisms to protect the privacy of taxpayer information.

Support IRS Employees Who Deal With the Public: As it carries out the Modernization Blueprint, the IRS should ensure that all employees who deal with the public have electronic tools on their desk as their primary source of information and technical support (HP13.4). To achieve this, the IRS should determine the needs of customer service representatives and ensure that the Modernization Blueprint's electronic tools support these employees in meeting customer service goals (HP09.2, HP09.5). The IRS should also build additional applications directed at providing customer service so that all applications and systems designs will be performance-based and fully integrated with the IRS business systems (HP09.6, HP09.7). This also means using the Modernization infrastructure to deliver employee performance assistance methods and training capabilities to the employee desktop whenever possible (HP02.8).

Provide Appropriate Support in an Electronic Environment: To employees who deliver customer service, even small steps make a big difference. Where possible, the IRS should provide employees with access to fax machines so that they can send forms and other information to customers (CI03.9). The IRS should also review the need to improve employees' immediate workstations to better serve their customers (CI03.11). Also, as information technology changes how the organization does business, the IRS should continue to ask employees for ideas on how automation can improve operations (CI03.10).

- **Reinvent Training For Better Customer Service**

Problem: Today IRS employees are not adequately trained to serve customers. According to a 1995 IRS employee survey, only 44 percent of the employees thought that they receive the training they need. An IRS workforce that serves its customers needs the behavioral and technical skills to answer questions, resolve problems and meet other customer needs.

Actions:

Assess and Train Employees in The Skills and Behaviors They Need: The IRS should close the gap between its business needs and the skills possessed by its employees, building on the Performance-Based Development System (HP02.2) that is currently under development. This System has defined the required general competencies, the gap between present and those desired competencies, and competency training needs. The IRS should assess the skills of its employees and match their skills to jobs (HP02.1, HP02.3). It should also provide training where there is a gap between the skills demonstrated by employees and those needed by the IRS (HP02.4, and HP02.5).

Set Goals: To serve as an incentive, the IRS should set a goal of achieving core customer service skills for IRS employees that are higher than the national average for business (HP02.6). To sustain its focus on learning and skill development, the IRS should also begin annual reviews of gaps between employee skills and organizational requirements (HP02.7).

Use Emerging Technologies to Support Learning: High-quality training is an important factor in creating excellent customer service. Traditional, classroom-bound

methods are insufficient. The IRS should use interactive video training during the initial rollout of the proposed changed mission, and follow up by continuing regular programs focusing on customer service and organizational goals relating to customer satisfaction (HP08.2). Video training should become the major training delivery system for all-employee and other large-group training sessions (HP08.1).

- **Get The Right People In The Right Jobs**

Problem: The IRS needs to do a better job of selecting, training, evaluating, rewarding and supporting those employees who directly serve customers. The employee selection process has too many unproductive steps and excessive reviews and too little focus on identifying candidates with the necessary job skills. The process leaves managers with little flexibility or authority and results in the hiring of potentially unqualified employees.

The Task Force believes that to really make a difference in how the IRS serves customers, the IRS must fundamentally change how it selects, trains, evaluates, rewards and supports its employees (HP01.1). This begins with defining the skills that are required to serve customers and then making them part of the process for recruiting, selecting and promoting employees. The IRS has already identified specific behavioral skills, such as customer sensitivity and listening, that are needed for customer service positions, and has made progress defining technical skills, such as knowledge of tax law, needed for other positions.

Actions:

Change How Employees Are Selected: The IRS should use pre-employment screening and testing of skills in hiring, starting with customer service personnel (HP01.6, HP01.9,

HP01.10, HP01.11, HP01.12). It should define measurable technical and behavioral skills required for all positions (HP01.2) and apply them to the selection of executive, managerial and bargaining unit positions (HP01.7, HP01.8). It should also use the Internet to let candidates know what skills IRS is seeking (HP02.9).

Create a Diverse Pool of Qualified Candidates: To shorten the process of hiring internal candidates and to identify and select qualified employees, the IRS should offer a self-administered pre-qualification test to interested individuals (HP01.3), create a pre-qualified pool of internal candidates possessing these skills, and fill vacancies from this pool (HP01.4, HP01.5).

• **Foster A Family-Friendly Workplace**

Problem: Employees and the work environment in an organization often have an impact on the way customers are treated. One element of this work environment included in the Task Force review was the IRS's implementation of President Clinton's June 1996 Presidential memorandum to all Executive Branch Heads and the Federal Employees Family-Friendly Leave Act. Across the federal government, as well as in the private sector, workers are trying to balance work and family responsibilities. The IRS has made positive strides in implementing a family-friendly work environment, but there is not yet an organization-wide understanding of these initiatives. As a result, they have not been implemented evenly across the IRS.

Actions: The Task Force calls for building on the IRS's successes and expanding current programs to foster a family-friendly workplace. The IRS should, where appropriate, allow more employees to use flexible hours

(HP17.2), and should solicit more employee feedback about current family-friendly programs (HP17.4). To the maximum extent possible, the IRS should make child care more affordable for IRS employees (HP17.1) and expand flexi-place or telecommuting arrangements (HP17.3).

• **Create An Ideas Advocate**

Problem: Front-line employee knowledge about customer needs and ways to satisfy those needs is the backbone of successful customer service organizations. Currently, there is no effective avenue for front-line employees to submit their ideas directly to decision-makers. Nor is there a central place for coordination and communication of the various efforts and new ideas that are being pursued on an ad hoc basis within the organization.

Action: The IRS should, within current resources, create an Ideas Advocate who will communicate directly with the Commissioner regarding employee suggestions for improvement (HP12.1). The Ideas Advocate should:

- Encourage and collect ideas from employees; ideas should be able to go directly from any employee through the Ideas Advocate, to the Commissioner;
- Provide feedback to employees about individual suggestions that are implemented; and
- Communicate with IRS employees and others to promote customer service.

• Get The Customer Service Message Out

Problem: In an organization as large as the IRS, it takes much too long for front-line employees to learn about new procedures, changing operations and goals.

Actions:

Start Right Away: Before the end of the 1998 filing season, the IRS should have an intensive, organization-wide special training program to introduce employees to the new approach to customer service (HP15.1).

To further support the new emphasis on customer service, the IRS should:

- develop an annual IRS-wide customer service orientation for all employees (HP15.2);
- create a customer service brochure to highlight and communicate the customer service expectations of IRS employees (HP15.3);
- centralize oversight and responsibility for major communication initiatives (CM05.1); and
- give the course entitled “Leading Empowered Workgroups” to all managers and employees (HP11.5, HP11.6).

Use Every Means to Get the Message Out: The IRS should use the new tools of electronic communication, including the Voice Messaging System, IRS Intranet, bulletin boards, interactive video teleconferencing, as well as paper communications, to deliver quarterly reports on IRS performance to all employees (HP13.2). It should also use the Intranet to reinforce a consistent customer service message (HP15.4), and use Intranet and other technology to improve the distribution of information that employees need to keep up with changes that affect customers, such as changes in tax laws and procedures (CM05.2).

IV. Conclusion

On May 20, 1997, Vice President Gore and Treasury Secretary Rubin set forth a broad challenge to the IRS: to dramatically improve the way it serves its customers — the American taxpayers. The Customer Service Task Force spent five months interviewing customers, analyzing data, and evaluating best practices in an effort to meet that challenge.

The IRS has already begun to build a new relationship with its customers. On Saturday November 15, it held the first of monthly “Problem Solving Days,” where customers met face-to-face with IRS officials to solve their tax problems. Approximately 6,300 taxpayers attended the first Problem Solving Day, and 75 percent of respondents to the day’s satisfaction survey gave the IRS the highest rating for overall service.

The IRS has also already stopped ranking district offices based on revenue measures and has implemented an interim procedure to ensure that the seizures of taxpayer property are made only when appropriate. These and other recent activities demonstrate the IRS’s commitment to rebuild the trust of the American people. It may be impossible to hope that the public will ever love the tax collector, but in time they may agree that the IRS does a difficult job fairly, respectfully, and courteously.

This report covers a wide variety of issues, ranging from

telephone service to notices to electronic filing. It also addresses the needs of a variety of customers, including individuals and small businesses. The changes it recommends will not occur overnight, for many of them require new computer systems, legislative changes, or a substantial transformation in the way the organization thinks and operates. The speed with which the recommendations can be implemented also depends significantly upon the availability of resources and the support of both IRS management and front-line IRS employees. Regardless of the pace of implementation, however, the recommendations represent a new way for the IRS to do business. The Customer Service Task Force report helps pave the way for creating an IRS that the American public deserves.

Appendix Listing Of Actions

This appendix provides a summary of the actions recommended in the preceding report. The actions are listed in the order of the topic heading under which they appear in the text. In addition to a tracking number, each action has a two-letter code, which refers to the team on the Customer Service Task Force that developed the recommendation (see list of abbreviations below).

Team Abbreviation	Team Title
<i>CM</i>	Communications
<i>CI</i>	Customer Interaction
<i>CF</i>	Customer Focus
<i>FP</i>	Filing and Payment
<i>HP</i>	Human Potential
<i>MS</i>	Measures
<i>NC</i>	Notices and Correspondence
<i>SB</i>	Small Business

CUSTOMER SERVICE TASK FORCE
Listing Of Actions

Action #	Description of Action
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II. A New Direction For Service

II.a. Simplify Forms, Notices and Correspondence

• **Use Plain, Clear And Courteous Language**

- NC01.1** By 1999, rewrite in plain language the most frequently used notices, like those for late payment or mathematical errors. These notices will be released only after they are tested for clarity and acceptance by taxpayers who do not have accounting or tax law expertise.
 - NC01.3** Work with the National Performance Review's Plain Language Team to rewrite the "top 10 worst offenders" by the end of 1997.
 - NC03.1** Immediately review and carry out all appropriate recommendations contained in a 1990 IRS study of correspondence — for example requiring that all non-computer-generated notices and letters contain the signature and telephone number of the employee who will be working on the account.
 - NC03.2** Review past records of incoming customer correspondence.
 - NC03.3** Determine which categories could be better handled by making a telephone call, rather than writing a letter, and make recommended changes.
 - NC03.4** Standardize the format and content of written responses, using appropriate commercial computer software.
 - CM01.1** Redesign the most important forms and publications, focusing on clarity and ease of use.
 - CM01.2** By 2000, rewrite the basic 1040 instruction package and test it for clarity on people who do not have tax law or accounting backgrounds.
 - CM01.4** Acknowledge the communications it receives from the taxpayers about problems and apologize when it makes a mistake.
- **Eliminate Unnecessary Notices And Contact With The IRS**
- NC02.5** By the end of 1998, eliminate additional low value notices. This will eliminate more than 45 million pieces of mail annually, almost one-third of the total number of notices the IRS has been sending to taxpayers.

CUSTOMER SERVICE TASK FORCE
Listing Of Actions

Action #	Description of Action
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- NC02.9** Review all relevant information to determine if the dollar tolerance level at which notices are issued can be increased.
 - NC02.10** Coordinate with Internal Audit , Compliance Research, and Customer Service to determine if IRS has collected any data to support or negate the proposal to increase the dollar level at which notices are issued.
 - FP01.1** In 1998 step up its efforts to inform the nearly two million older and lower-income taxpayers who are currently filing federal tax returns aware that they don't need to do so, saving the taxpayers and the IRS time and money.
 - FP02.1** Study doing away with the requirement to file Form 4868, Application of Automatic Extension of Time to File U.S. Individual Income Tax Return, except when a payment is due.
- **Tailor Communication To Customers**
- CM04.1** Tailor publications and products more closely to the needs of customers.
 - CM04.2** During 1999, create easy-to-read brochures to provide important information on tax benefits and obligations when and where taxpayers need it, such as at banks or realty companies during the process of purchasing a home.
 - CM03.1** Improve and expand the availability of tax products and information in Spanish.
 - CM03.2** Expand availability of tax products and information in languages other than English and Spanish, as appropriate.
 - CM01.3** Ensure prompt distribution about new tax laws and other issues to employees.
- **Reinvent How Notices Are Managed**
- NC02.1** Map the pattern of when and how notices are issued.
 - NC02.2** Merge notice issuance pattern data with telephone performance data.
 - NC02.3** Identify the impact of notice issuance patterns on telephone performance.
 - NC02.4** Integrate changes to notice issuance processes into overall network management, call routing, forecasting and scheduling system.
 - NC02.6** Adjust the notice issuance pattern from peak to non-peak periods.

CUSTOMER SERVICE TASK FORCE
Listing Of Actions

Action #	Description of Action
NC02.7	Determine which notices direct customers to telephone numbers where the issue cannot be resolved on-line.
NC02.8	Flatten the notice issuance pattern throughout each tax year.
NC02.13	Establish a new full-time position of a "notices gatekeeper," who will have the authority and accountability to manage the entire notice process.
NC02.14	The responsibilities of the gatekeeper should include adherence to IRS policies regarding the use, generation, and mailing of corporate notices.
NC02.15	Link gatekeeper responsibility with the automated call routing capability.
NC02.16	Make the gatekeeper responsible for providing input into the standard-setting for new notices.
NC02.17	Empower the notice gatekeeper to be responsible for alerting all customer service assistants, walk-in managers and customer advocates about any new, irregular, or problem notices.
NC02.18	Institute an improved "early warning system," so that the IRS can notify tax preparers and others promptly when problem notices are generated and mailed.
NC01.2	Determine the appropriate software solution to create rewritten notices, and merge them with the appropriate account data.
	<ul style="list-style-type: none"> • Forward The Mail
NC04.1	Track returned and undelivered mail, review current procedures for handling it, and determine precisely how much this process costs the IRS.
NC04.2	Examine the legal issues involved in using third-party change of address information and, if necessary, propose legislation to allow the use of this information to update taxpayer accounts.
NC04.3	Develop procedures for getting change of address information from taxpayers over the telephone or from a third-party source such as the U.S. Postal Service.
NC04.4	Explore using the U.S. Postal Service's existing change of address mechanisms to ensure that IRS mail is forwarded to the right addresses.
NC04.5	After developing a system for electronically updating addresses in its computer files, the IRS should install and maintain the system.

CUSTOMER SERVICE TASK FORCE
Listing Of Actions

Action #	Description of Action
	<p>II.b. Provide Better Telephone Service</p> <ul style="list-style-type: none"> • Provide Telephone Services 24 Hours A Day, Seven Days A Week
CI01.2	By January 1, 1998, expand telephone service to 6 days a week, 16 hours a day. By January 1, 1999, expand telephone services to 7 days a week, 24 hours a day.
CI01.4	Use multiple strategies to reduce demand on the telephone lines such as educating customers on when to expect refunds.
	<ul style="list-style-type: none"> • Support Service With Modern Technology
CI01.7	Over the long term the IRS Modernization Blueprint will improve assistance to customers by making accurate, electronically accessible and up-to-the-minute information available to authorized employees.
CI01.8	In 1999, take steps to make TeleTax refund information system more reliable to help more taxpayers check on the status of their refunds over the phone.
CI02.1	Complete a study of why most people hang up when they use the automated menu and recommend needed modifications to current plans.
	<ul style="list-style-type: none"> • Customize More Services To Meet Taxpayer Needs
CI01.1	In 1998, begin using new call routing technology to provide information that is geared to specific customer needs — such as the tax implications of the sale of a house, retirement or job change.
CI01.3	IRS notices should advise taxpayers the best time of day to call to discuss their particular type of question. The IRS should use its data systems to let the employees answering the telephone know when to expect these kinds of calls so that they are prepared to help.
CI01.6	Continue existing tax preparer telephone services. Provide a nationwide telephone service for tax preparers.
CI03.12	Conduct a study to determine if having only one toll-free telephone number is sufficient to meet customers needs.
CI03.13	Continue to provide specialized assistance to large corporations in the service centers.
HP14.1	To further improve the quality of phone service, the IRS should allow employees with multilingual skills to assist customers in Spanish and other languages.

CUSTOMER SERVICE TASK FORCE
Listing Of Actions

CUSTOMER SERVICE TASK FORCE
Listing Of Actions

Action #	Description of Action
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Action #	Description of Action
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II.c. Provide Better Face-To-Face Service

II.d. Help Small Business

• **Expand Walk-In Services**

• **Help Start-Up Businesses**

- CI04.2** Beginning in 1998 open district offices on Saturdays during the busiest weekends of the filing season.
- CI04.3** Expand the telephone information system so that people can find out when and where they can get face-to-face help.
- CI05.1** Before closing a walk-in office, the IRS should create a plan for effective alternatives to serve customers.
- CI05.2** If an office with walk-in services must close, the district should conduct a public media campaign to inform the public of the closure and where to seek help in the future.
- CI06.13** Study the feasibility of extending audit appointments to include evenings and weekends for the convenience of the customer.
- **Make Forms More Available**
- CM02.1** Make expanded use of the Internet to meet taxpayer needs, supplementing current forms and publications with updated tax information.
- CM02.2** Expand use of CD-ROMs to ensure that forms and publications are available in all walk-in offices. Make master versions of basic 1040 forms and tax tables available in copy stores and other locations where they can be photocopied.
- CM02.3** Make more forms more available for those customers that do not use Internet, and publicize the location of forms to taxpayers.
- CI04.1** Beginning in 1999, open additional temporary community-based locations during peak season to make publications and forms available in banks, libraries, shopping malls, and other locations.
- CI04.4** Work with state and local tax agencies to establish "tax stores" — locations where forms and a range of other tax services can be provided.

- SB01.1** Assist new employers who have just applied for a Federal Employer Identification Number (FEIN) with information on relevant tax information where possible.
- SB01.2** Beginning in 1998 team up with other federal agencies, financial institutions, tax preparers, state and local authorities and others to provide tax information, training and consultative services to small start-up businesses. These services are designed to make record keeping, filing and payment requirements as simple and easy as possible.
- SB02.2** Create and make available to new businesses a start-up kit with multi-agency tax information.
- SB03.3** Develop and publish clear, simple brochures giving tax tips on new obligations as businesses change — for example, when hiring employees, expanding the business, converting from a sole proprietorship to a partnership, incorporating, or shutting down.
- SB05.1** Send a letter to business customers who have made first-time deposit errors to tell them if the penalty has been waived and to tell them how to avoid mistakes in making their next deposit.
- **Communicate More Clearly With Less Paper**
- SB03.1** Develop a permanent method to seek feedback from small businesses about which forms, publications and specific line items are the most problematic.
- SB03.2** Test new forms and publications for clarity with small business owners and employees.
- SB03.4** Continue the development of EZ forms for incorporated businesses and other filing entities.
- SB04.2** In 1998 expand the successful TeleFile program to let many small businesses to use their telephones to file Form 941 and report employment taxes.
- SB04.3** Provide e-mail for small businesses to resolve tax account problems, once the IRS develops a way to protect the privacy of taxpayer information over e-mail.

CUSTOMER SERVICE TASK FORCE
Listing Of Actions

Action #	Description of Action
SB04.5	Seek a feasible no-cost solution to let small businesses use credit cards as a payment option for tax balances due.
SB05.3	Help and encourage small businesses to use the Electronic Federal Tax Payment Systems (EFTPS), conduct focus groups to get feedback on the system from small business customers and market the electronic system in ways that make clear how it can benefit small businesses.
SB08.1	Rewrite notices in a manner small business owners understand.
SB08.2	Identify notices that can be eliminated or sent less frequently.
SB08.3	Find ways to notify small business customers promptly if problem notices are generated and mailed.
SB08.5	Standardize the format and content of written responses to reduce inconsistencies in notices that are sent to small business customers.
	<ul style="list-style-type: none"> • Provide Knowledgeable, Convenient Help
SB01.3	Partner with trade associations to provide timely, updated information specific to small businesses in a variety of industries through association newsletters, trade journals, web sites, and other communication systems.
SB07.1	By the 1999 tax season, provide small businesses with 24 hour a day phone assistance geared to their needs.
SB07.2	Seek to route telephone calls from small businesses to specific individuals who have training and the authority to answer business tax questions and resolve tax account problems.
SB07.3	Review the existing and proposed uses of IRS interactive voice response units to ensure that small business needs are met in a cost-effective manner.
SB07.4	Explore the use of telephone calls instead of written notices or letters.
SB08.4	Explore for new ways of communicating with the small businesses.
SB09.1	Improve communications with those small business customers who do not use English as their primary language by carrying out a multilingual strategy that includes written, face-to-face, and telephone communication.
SB09.2	Provide nationwide toll-free Spanish language telephone service for small business owners.

CUSTOMER SERVICE TASK FORCE
Listing Of Actions

Action #	Description of Action
SB09.3	Create forms, publications, notices and brochures in Spanish.
	<ul style="list-style-type: none"> • Promote One-Stop Service
SB02.1	Working in partnership with other small business stakeholders, make use of electronic tools, creating a Small Business Corner on the IRS Home Page, or provide one-stop information, education, and registration services to the small business community.
SB02.3	Develop a strategy to open more one-stop business assistance centers in partnership with federal, state, and local agencies.
SB04.1	To give small businesses a single point reporting of tax and wage data to meet the requirements of the Internal Revenue Service, Social Security Administration, the Department of Labor, and state agencies, continue to work to support the Simplified Tax and Wage Reporting System program.
SB04.4	Promote further use of "joint installment agreements" for businesses that have federal and state tax liabilities.
	<ul style="list-style-type: none"> • Help Businesses With Problems
SB04.2	Analyze the costs and benefits of handling of all Federal Tax Deposit penalties in one centralized location.
SB05.2	Test the use of specially trained employees to make educational telephone calls to new employers, and specifically to new employers when the IRS first discovers a mistake in handling their Federal Tax Deposits.
SB05.4	Work with payroll and accountant groups to help educate individuals who make deposits for small businesses.
SB05.5	Develop training materials and courses to educate IRS employees about deposit requirements, penalties and consistent use of reasonable cause provisions for waiving penalties.
SB05.6	Expand the approach of the Penalty Help Line developed in Kansas City if it proves to be an effective way to provide assistance to small businesses.
SB05.7	Test the use of outgoing telephone calls in lieu of written notices in certain potential penalty situations.

Listing Of Actions

Action #	Description of Action
<i>SB05.8</i>	Work with troubled small businesses to help them comply, stay in business, and avoid future tax problems, expanding on successful pilot programs in California, Maine and elsewhere.
<i>SB06.1</i>	Study and make improvements regarding penalty administration for small businesses, including considering raising the threshold for forgiving penalties based on oral testimony.
<p>II.e. Create A Problem Solving System That Works</p> <ul style="list-style-type: none"> • Resolve Customer Problems In One Contact 	
<i>CI02.2</i>	Establish a process in every office that puts any run-around burden on the IRS, and removes it from the customer.
<i>CI02.3</i>	Ensure that there is sufficient technical staffing at the telephone numbers given to taxpayers for assistance on these “underreporter” notices, and find ways to overcome the barriers to resolving these cases by telephone.
<i>CI02.4</i>	In cases where issues could best be resolved in writing the IRS should specifically advise taxpayers on what information and documents they need to provide.
<i>CI02.5</i>	The IRS should develop and carry out a cost effective plan to expand the number of IRS assistance centers working on underreporter cases, again — where possible — using more telephone calls instead of written notices to resolve cases.
<i>CI03.1</i>	Working with NTEU, IRS should create more flexible job descriptions to better support the workload demand.
<i>CI03.2</i>	Conduct an analysis and develop plans to refine and improve its toll-free service.
<i>CI03.3</i>	Conduct an analysis to increase, or consistently define, what an IRS employee can resolve over the telephone. Do not place the 1-800-829-8815 number or notices that cannot be resolved by telephone.
<i>CI03.4</i>	Provide simplified, agency-wide guidance that spells out what kinds of cases employees are able to resolve over the telephone.
<i>CI03.5</i>	Continually revisit the guidelines to identify procedural changes or training needs.

Listing Of Actions

Action #	Description of Action
<i>CI03.6</i>	Ensure an adequate supply of forms and materials are available to allow employees to do their jobs.
<i>CI03.7</i>	Ensure employees are properly and promptly informed on new information.
<i>CI03.8</i>	Ensure employees have access, when appropriate, to the multiple databases and systems needed to resolve customer issues in one contact.
<i>FP07.1</i>	Load all Non-Master File (NMF) accounts in one place and load them into a secure on-line data system to improve their accessibility.
<i>FP07.2</i>	Put currently uncollectible accounts in the automated Non-Master File, where appropriate.
<i>FP07.3</i>	Ensure that the special units in the service centers that service these accounts are properly staffed.
<i>FP07.4</i>	To reach a long-term solution, the Modernization Blueprint calls for the consolidation of all accounts into a new unified system.
<i>FP03.1</i>	Emphasize to all employees the need to honor all valid Powers of Attorney, and to process them promptly.
<i>FP03.2</i>	Improve training on Powers of Attorney.
<i>FP03.3</i>	Establish telephone assistance service centers for authorizations.
<i>FP03.4</i>	Expedite input from locations that do not process authorizations by faxing them to sites that process them.
<i>FP03.5</i>	Draft regulations for acceptance of oral tax information authorizations.
<i>FP03.6</i>	Give all locations the ability to input authorizations and hold the person receiving the authorization responsible for assuring input.
<i>FP03.8</i>	Accept oral tax information authorizations.
<i>FP03.9</i>	Establish a centralized computer database to speed authorizations.
<i>FP03.10</i>	Accept electronic authorizations and record them immediately while meeting privacy and security requirements.

CUSTOMER SERVICE TASK FORCE
Listing Of Actions

Action #	Description of Action
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- **Make It Easy For People To Get Problems Solved**

CI07.1 Beginning on November 15, 1997, institute monthly “IRS Problem Solving Days” in every district where employees will meet with taxpayers to hear and resolve problems.

FP11.1 Implement a policy that will allow District Directors to approve and issue emergency tax refunds to customers in one business day.

- **Track And Use Data On Complaints**

FP06.1 Beginning immediately, using the Taxpayer Advocate’s Problem Resolution Information System (PROMIS), the IRS should track complaints.

FP06.2 Set up a system that systematically raises the priority of cases which have not been addressed to ensure that the appropriate management level is involved.

CI07.2 When any complaint is unresolved after a reasonable period of time, reassign the case to the next higher management level.

FP03.7 Design a system to ensure that individual employees and managers are held accountable for the fair and speedy resolution of problems.

HP13.3 The Taxpayer Advocate should develop a process to identify solutions to systemic problems identified by taxpayers. These solutions should be brought to the attention of the Commissioner when necessary.

II.f. Prepare For A Paperless Future

- **Upgrade Technology To Improve Customer Service**

CI01.7 The IRS Modernization Blueprint will improve assistance to customers by making accurate, electronically accessible and up-to-the-minute information available on taxpayer returns and accounts while protecting taxpayer privacy.

- **Offer More Electronic Filing Options**

FP09.1 Solicit ideas from private industry and tax practitioners to increase the use of electronic filing.

FP09.2 By 1998, the IRS should increase by 3 million, or about 10%, the number of taxpayers who are eligible to use TeleFile — the telephone filing system.

CUSTOMER SERVICE TASK FORCE
Listing Of Actions

Action #	Description of Action
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FP09.3 Extend TeleFile for businesses to allow small companies to meet federal tax deposit reporting requirements over the phone.

FP09.4 In 1998 increase the number of forms that can be filed electronically and educate customers about the benefits of electronic filing — fewer hassles, fewer contacts with the IRS and faster refunds.

FP09.5 Market TeleFile aggressively to individual taxpayers.

FP09.6 Conduct extensive market research to find out how electronic filing can better meet customer needs.

FP09.7 In 1999, the IRS should work to enable taxpayers to file paperless by eliminating the need for mailing in W-2s and other forms and for paper signatures.

FP09.9 Use information from private industry and tax practitioners as a basis for new services.

FP09.10 Allow taxpayers to resolve tax questions by e-mail without jeopardizing taxpayer privacy.

FP09.11 Offer tax practitioners the option of filing an electronic Power of Attorney for their clients.

NC02.11 Determine the feasibility of issuing notices electronically — test and implement.

NC02.12 Re-examine the work on filing and notices previously completed to determine current usability.

- **Introduce New Payment Options**

FP09.8 For the first time, beginning in 1999 taxpayers who file their returns electronically will be able to pay their taxes with a direct withdrawal from their bank accounts.

FP09.12 Offer credit card payment for balances due. Seek credit industry partners to pilot-test credit cards for taxpayers who file electronically in 1999.

Listing Of Actions

Action #	Description of Action
	<ul style="list-style-type: none"> • Promote One-Stop Service On A World Class Web Site On The Internet
FP09.13	The IRS should continue to improve and promote the use of the Internet to provide new services and products.
<hr/> <h3>III. A Customer Service Revolution</h3> <hr/> <h4>III.a. Treat Taxpayers As Customers</h4>	
	<ul style="list-style-type: none"> • Lead The Way
HP11.1	Empower front-line managers to approve employees' suggestions, but a "no" needs to be referred to the next level of management and to the Ideas Advocate.
HP11.2	Allow employees who have been trained to answer a customer's inquiry, to answer that question whether assigned to that specific issue or not.
HP11.3	IRS leadership should review and remove barriers, including organizational and structural obstacles, that prevent effective job performance.
HP18.1	Establish a uniform set of leadership competencies for all levels of management.
HP18.2	IRS managers from the Commissioner on down should spend time each year serving customers directly.
	<ul style="list-style-type: none"> • Build A System That Focuses On Customers
CF02	Collect data that will help the IRS understand the particular needs of customer segments and their key life events.
CF03	Any realignment of the IRS organization should include an emphasis on excellent customer service.
CF04	Develop a measurement and performance system that regularly obtains and uses customer input.

Listing Of Actions

Action #	Description of Action
HP10.1	Create a long-term program to make the IRS culture more customer-friendly. Engage the entire IRS workforce at all levels; challenge long-held values and beliefs about how the organization works and carries out its mission; and hold the IRS and its employees accountable for providing excellent customer service.
HP10.2	Use four fundamental strategies: (1) establish and write out a clear mission statement to guide the bureau; (2) create executive and management buy-in; (3) align the organization's policies, procedures, systems, and structures to support employees as they work toward the accomplishment of the new purpose; and (4) gain the commitment of all members of the workforce.
HP10.3	Manage implementation of the cultural change through methods identified in the plan.
HP13.1	Continue benchmarking with industry and other government agencies and establish a means to institutionalize best practices within the IRS.
CM06.1	Communicate early successes in program and policy changes throughout the organization.
	<ul style="list-style-type: none"> • Seek Changes In The Tax Code
FP05.1	Identify provisions of the Internal Revenue Code requiring improvement or simplification, consistent with other important tax policy goals — including considerations of fairness, equity, economic efficiency, progressiveness and revenue collection.
FP05.2	Maintain ongoing communication with the Treasury Department to identify existing Code provisions that are sources of significant compliance or administrative burdens for taxpayers or the IRS and develop proposals for reducing these burdens.
FP05.3	Work with private sector groups, such as bar associations, professional tax associations and academic groups, to identify and develop proposals to forward to the Treasury Department to improve and simplify the Code.
	<ul style="list-style-type: none"> • Develop A New Mission Statement
CF01	Develop a simpler and more focused mission statement that commits to serve taxpayers as customers.
FP08.1	Make checks payable to the United States Treasury instead of the Internal Revenue Service.

CUSTOMER SERVICE TASK FORCE
Listing Of Actions

Action #	Description of Action
III.b. Ensure Fair Treatment For Taxpayers	
• Help Taxpayers Get It Right	
CI06.1	Continue to support existing research and analysis programs in district offices and the data models at the heart of the compliance research database.
CI06.2	Where appropriate, expand prevention strategies to other districts such as the approach tested by the North Florida District Office of Research and Analysis.
CI06.3	Continue to support the development of research database and models.
CI06.4	Test and roll out the Electronic Transcript Delivery System to help people get the right information from the IRS when they need it.
CI06.5	Develop a transition plan to improve compliance.
CI06.6	Find a way for IRS districts to share effective compliance improvement strategies more easily.
CI06.7	Implement a new internal measurement system, the Alternative Treatment Revenue Measure, to give districts credit for results from these new compliance strategies.
CI06.8	Implement a Strategic Compliance Planning Model (SCPM) to allocate resources to areas which have successfully improved compliance.
CI06.9	Begin to move additional workload “upstream” in the compliance process to reduce costs and to resolve customer account problems sooner.
CI06.10	Test new workload selection criteria.
CI06.11	Include new workload selection criteria in its modernization program.
• Promote Fair, Consistent Treatment	
CI06.12	Develop an automated database to record, analyze and use national appeals data to promote fair treatment in appeals.
FP04.1	The organization should undertake a comprehensive review of the fairness and effectiveness of all penalties, report to Congress and make recommendations for legislative changes.

CUSTOMER SERVICE TASK FORCE
Listing Of Actions

Action #	Description of Action
FP04.3	Consider raising the current administrative threshold giving IRS employees expanded authority to eliminate or reduce penalties on the spot, during first contacts with taxpayers and based on oral testimony.
III.c. Measure What You Want To Get	
• Create A Balanced Scorecard	
MS01	Effective immediately, the IRS will ban measures such as using enforcement activities to rank districts and assigning dollar goals for districts and service centers.
MS02	Work with the NTEU to design and test a balanced scorecard to evaluate the IRS and its employees in 1998. The scorecard will rate performance on: (1) customer service; (2) employee satisfaction; and (3) business results.
MS02.1	Link balanced scorecard on direct customer feedback, including an annual independent survey of customers.
MS02.2	Link the balanced scorecard on input from employees in an annual employee survey.
• Measure Performance On The Right Things	
MS03.1	Put in place standards which clearly describe expectations for business results, customer satisfaction and employee satisfaction.
MS02.3	Revise critical evaluation elements and the reward structure for employees, to reflect a balanced measurement system. Start with executives and managers.
HP05.1	Establish specific customer service expectations for individuals in key, high-level, high-visibility positions.
HP05.2	Establish specific standards for customer service in every IRS manager's performance plan.
HP06.1	Rewrite critical job elements for all customer service representatives.
HP06.2	Rewrite the critical job elements, for all occupations, especially those dealing directly with the public.
HP07.1	Move from individual rewards for performance to a system that rewards the members of the organization for successful team efforts.

CUSTOMER SERVICE TASK FORCE
Listing Of Actions

Action #	Description of Action
HP07.2	Develop a revised system of measures that goes beyond the agency's current emphasis on individual productivity.
HP07.3	Individual special act awards should be focused on excellence in competencies and customer service.
HP03.1	Set up a competency-based pass/fail appraisal system.
HP03.2	Replace the current evaluation process with one that promotes on-going learning, counseling and training geared to individual needs.
HP03.3	Separate individual appraisals from awards, although both should remain focused on excellence.
HP04.1	Evaluate the merit of pursuing pay system changes in the future.
HP16.1	Managers and executives at all levels must support efforts to reward and recognize employee contributions toward better customer service.
HP16.2	Implement such awards as: peer customer service award; extra mile award; practitioner's award; outstanding customer service manager; outstanding customer service employee; single biggest customer service contribution; and, outstanding field executive for customer service excellence.

III.d. Help Employees Serve Customers

• **Give Employees The Tools They Need To Do Their Jobs**

HP09.1	Expand work on the Electronic Performance Support System being developed by the Electronic Performance Support System Institute to give employees access to tax law information.
HP09.2	Determine the needs of customer service representatives and incorporate into the Modernization Blueprint.
HP09.3	Create and deploy the first generation of performance support technology specifically directed at serving customers.
HP09.4	Expand electronic performance support systems within the customer service departments and across the entire IRS organization.

CUSTOMER SERVICE TASK FORCE
Listing Of Actions

Action #	Description of Action
HP09.5	Incorporate desktop performance support tools into the Modernization Blueprint.
HP09.6	Build additional applications targeted to customer needs.
HP09.7	Ensure that all applications and systems designs at this stage are performance-centered and integrated with the business system.
HP13.4	As it carries out the Modernization Blueprint, ensure that all employees who deal with the public have electronic tools on their desks as their primary source of information and technical support.
HP02.8	Use the planned "Modernization" infrastructure to deliver employee performance assistance methods and training capabilities to each employee's desktop, whenever possible.
CI03.9	Provide employees with access to fax machines, where possible, so that they can send forms and other information to customers.
CI03.10	Continue to ask employees for ideas on how automation could improve operations.
CI03.11	Review the need to improve employees' immediate workstations to better service their customers.
• Reinvent Training For Better Customer Service	
HP02.1	Create a skills bank that identifies the skills of its employees.
HP02.2	Close the gap between IRS's business needs and skills possessed by employees.
HP02.3	Change the internal listing of required employee skills to place greater emphasis on skills needed for customer service. Assess the skills of IRS employees and match their skills to jobs.
HP02.4	Assess the skills of its employees and train those with the most critical needs.
HP02.5	Train additional employees with critical skills needs.
HP02.6	Set a goal of achieving core customer service skills that are higher than the national average for business.

CUSTOMER SERVICE TASK FORCE
Listing Of Actions

Action #	Description of Action
HP02.7	Begin annual reviews of gaps between employee skills and organizational requirements.
HP08.1	Make interactive video training the major training delivery system for all employees and other large-employee-group training subjects.
HP08.2	Use interactive video training extensively during the initial rollout of the proposed changed mission. Follow up by continuing regular programs focusing on customer service, and organizational goals relating to customer satisfaction.
	<ul style="list-style-type: none"> • Get The Right People In The Right Jobs
HP01.1	Over the long term change how the IRS selects, trains, evaluates, rewards and supports its employees so they can better serve customers.
HP01.2	Define measurable technical and behavioral skills for all IRS positions.
HP01.3	Offer a pre-qualification test for interested employees.
HP01.4	Create a diverse pool of qualified candidates scored against needed skills.
HP01.5	Make selections for vacancies from a pool of pre-qualified internal applicants when vacancies occur.
HP01.6	Apply existing technical and behavioral skills for all Customer Service Representative selections.
HP01.7	Develop and apply technical and behavioral skills for managerial, non-bargaining unit, and executive selections.
HP01.8	Develop and apply technical and behavioral skills for all other bargaining unit positions.
HP01.9	Use a pre-employment screening assessment tool, based on technical and behavioral skills, for all external applicants.
HP01.10	Use behavioral interviews to screen external applicants for positions in IRS.
HP01.11	Use pre-employment screening and testing of skills in hiring, starting with customer service personnel.

CUSTOMER SERVICE TASK FORCE
Listing Of Actions

Action #	Description of Action
HP01.12	Develop competencies for all other occupations where the IRS anticipates hiring or selecting.
HP02.9	Use Internet technology to reach out to future employees by sharing IRS competency needs.
	<ul style="list-style-type: none"> • Foster A Family-Friendly Workplace
HP17.1	To the maximum extent possible, make child care more affordable for IRS employees.
HP17.2	Allow more employees to use flexible hours.
HP17.3	To the maximum extent possible, expand flexiplace or telecommuting arrangements within budgetary and regulatory constraints.
HP17.4	Solicit more employee feedback about current family-friendly programs.
	<ul style="list-style-type: none"> • Create An Ideas Advocate
HP12.1	The IRS should, within current resources, create an Ideas Advocate who will communicate directly with the Commissioner regarding "Ideas Advocate" issues.
	<ul style="list-style-type: none"> • Get The Customer Service Message Out
HP11.5	Roll out Corporate Education's Leadership Department course entitled "Leading Empowered Workgroups" to all managers to facilitate the movement of decision-making to the front line.
HP11.6	Roll out the "Leading Empowered Workgroups" course to all employees.
HP13.2	Use all available forms of communication including the Voice Messaging System, IRS Intranet, bulletin boards, interactive video teleconferencing, and paper products to communicate quarterly reports on IRS performance to all employees.
HP15.1	Before the end of the 1998 filing season, have an intensive organization-wide special training program. This program will introduce to employees the new approach to customer service.
HP15.2	Develop an annual IRS-wide customer service orientation for all IRS employees.

CUSTOMER SERVICE TASK FORCE

Listing Of Actions

Action #	Description of Action
HP15.3	Create a customer service brochure to highlight and communicate the customer service expectations of its employees.
HP15.4	Use the IRS Intranet to reinforce a consistent customer service message.
CM05.1	Centralize oversight and implementation authority for major communicators initiatives.
CM05.2	Improve national distribution of information to IRS employees.

Contacting The IRS

Problem Resolution Day: 1-800-829-1040

If you have questions regarding Problem Resolution Day please call the number above for assistance.

TeleTax: 1-800-829-4477

Call for recorded tax information on over 140 tax topics and for automated refund information.

Forms and Publications: 1-800-829-3676

Order a free copy of IRS forms and publications.

Hearing-Impaired: 1-800-829-4059

Get tax assistance through TTY/TDD equipment.

Tax Assistance: 1-800-829-1040

If you can't answer your own questions by reading the tax form instructions or the free tax publications, call the IRS for assistance.

Internet:

Access the IRS home page to get federal tax forms with instructions, publications, tax law changes, "frequently asked questions," and other tax information for individuals and businesses.

World Wide Web — <http://www.irs.ustreas.gov>

File Transfer Protocol — <ftp.irs.ustreas.gov>

Telnet — <iris.irs.ustreas.gov>

Modem: (703) 321-8020

Federal Tax Forms CD-ROM:

Order CD with current year and prior year tax forms with instructions and tax publications from Government Printing Office's Superintendent of Documents at (202) 512-1800 or through Internet at: http://www.access.gpo.gov/su_docs.

IRS Tax Fax:

From a fax machine, dial (703) 487-4160 and follow voice prompts to get IRS tax forms with instructions and other tax information materials faxed back to you.

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