



Treasury Inspector General for Tax Administration

THE INTERNAL REVENUE SERVICE PROVIDES HELPFUL TAX LAW ASSISTANCE BUT STILL HAS PROBLEMS WITH TAX RETURN PREPARATION ASSISTANCE

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Highlights

Highlights of Report Number: 2007-40-164 to the Internal Revenue Service Commissioner for the Wage and Investment Division.

IMPACT ON TAXPAYERS

Taxpayers who seek Internal Revenue Service (IRS) assistance with tax law questions or tax return preparation have various options, including Taxpayer Assistance Centers, the Toll-Free Telephone Assistance Line, the Automated TeleTax Telephone Line, the Free File Program, and IRS.gov. Auditors posing as taxpayers used these services and generally had positive experiences obtaining answers to tax law questions; however, tax return preparation assistance was limited and presented challenges. These challenges can unnecessarily burden taxpayers.

WHY TIGTA DID THE AUDIT

This audit was initiated to determine the quality of customer service the IRS provides taxpayers who seek assistance when preparing their tax returns. Providing quality customer service to taxpayers is the IRS' first step toward achieving taxpayer compliance. During Tax Year 2005, approximately 49 million taxpayers prepared their own tax returns without the assistance of a paid preparer. The IRS estimated that approximately 55 percent of these taxpayers contacted the IRS for assistance in the past 2 years.

WHAT TIGTA FOUND

Although the IRS provides helpful tax law assistance, it still has problems with tax return preparation assistance. The overall experiences of auditors who posed as taxpayers to obtain answers to tax law questions were positive. Using Taxpayer Assistance Centers, the Toll-Free Telephone Assistance Line, the Automated TeleTax Telephone Line, and IRS.gov, auditors obtained correct answers for 50 (94 percent) of 53 questions. However, because of the complexity of the tax law and the need to assist more than 361,000 taxpayers with tax law questions, Taxpayer Assistance Center assistants are not trained

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to answer all types of tax law questions. Instead, they are trained to answer questions dealing with specific tax topics and are authorized to answer only those questions within their scope of expertise. Because the topics are not published on IRS.gov, taxpayers may be unaware of these limitations and unnecessarily travel to Taxpayer Assistance Centers to ask their questions.

For tax preparation services, auditors were not always able to obtain correctly prepared tax returns when using Taxpayer Assistance Center services and the Free File Program. In total, 24 (67 percent) of 36 tax returns were prepared correctly. If 7 of the 12 incorrectly prepared tax returns had been filed, taxpayers would have overpaid their taxes by \$1,808. Alternately, if the 5 remaining incorrectly prepared tax returns had been filed, taxpayers would have underpaid their taxes by \$5,120.

Although auditors found the Free-File Program software easy to use, the software did not always provide much assistance in understanding tax law and did not always ask appropriate interview questions. Additionally, taxpayers may need to visit Taxpayer Assistance Centers multiple times before they receive appointments to have returns prepared.

WHAT TIGTA RECOMMENDED

TIGTA recommended the Commissioner, Wage and Investment Division, include on IRS.gov the types of questions Taxpayer Assistance Center assistants are authorized to answer, ensure taxpayers know the scope of tax return preparation services offered at Taxpayer Assistance Centers and what is required of them to schedule appointments and/or to have tax returns prepared, and revise the appointment scheduling procedures to alleviate taxpayer burden.

In their response to the report, IRS officials agreed with the recommendations. Management plans to include on IRS.gov a list of in-scope topics Taxpayer Assistance Center assistants are authorized to answer, a link to the alphabetical list of in-scope tax law topics, and the scope and procedures for tax return preparation services offered at Taxpayer Assistance Centers. They also plan to consider options for revising appointment procedures to alleviate taxpayer burden, including gathering data on repeat visits to determine the causes.

READ THE FULL REPORT

To view the report, including the scope, methodology, and full IRS response, go to:

<http://www.treas.gov/tigta/auditreports/2007reports/200740164fr.pdf>

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