



## ONLINE ACCOUNT ACCESS FOR TAXPAYERS AND TAX PROFESSIONALS

Digital Services Remain Inadequate, Impeding Efficient Case Resolution and Forcing Millions of Taxpayers to Call or Send Correspondence to the IRS

### WHY THIS IS A SERIOUS PROBLEM FOR TAXPAYERS

Taxpayers and tax professionals lack a comprehensive online account<sup>1</sup> with integrated digital communication tools to access tax information and services that are essential for tax administration and quality service. Taxpayers and tax professionals wanting to interact online need and deserve quality self-service options and quick responses from the IRS. When taxpayers cannot quickly communicate with the IRS to resolve issues and receive answers to their questions simply and securely, it negatively affects the taxpayer experience, which in turn impacts taxpayers' overall satisfaction and trust in the IRS. The lack of an intuitive, self-service avenue to interact online with the IRS forces taxpayers and tax professionals to pursue alternative methods that delay resolution, such as calling for assistance, seeking in-person assistance at a Taxpayer Assistance Center (TAC), forgoing assistance, or submitting paper documents. Unfortunately, the COVID-19 pandemic caused delays and frustration that severely limited these conventional methods.<sup>2</sup>

### EXPLANATION OF THE PROBLEM

Bringing the IRS into the 21st century by expanding digital functionality is necessary to improve the taxpayer experience and raise taxpayers' overall satisfaction and trust in the IRS. Public trust in the IRS is at the core of our nation's system of self-assessment and voluntary tax compliance.<sup>3</sup>

- 1 Collectively Individual Online Accounts (IOLAs), Business Tax Accounts (BTAs), and Tax Pro Accounts (Tax Pro). The analysis reflects online account upgrades through November 30, 2023.
- 2 Treasury Inspector General for Tax Administration (TIGTA), Ref. No. 2024-400-006, *Final Results of the 2023 Filing Season* (2023), <https://www.tigta.gov/sites/default/files/reports/2023-11/2024400006fr.pdf>.
- 3 See Office of Management and Budget (OMB) Circular No. A-11, 280.1-280.4 (Aug. 2023), <https://www.whitehouse.gov/wp-content/uploads/2018/06/a11.pdf>; Exec. Order No. 14058, 86 Fed. Reg. 71,357 (Dec. 13, 2021), <https://www.federalregister.gov/documents/2021/12/16/2021-27380/transforming-federal-customer-experience-and-service-delivery-to-rebuild-trust-in-government>; Taxpayer First Act, Pub. L. No. 116-25, 133 Stat. 981 (2019).

When taxpayers lack digital service options, such as communicating with the IRS online, accessing tax data online, or digitally signing documents, the IRS forces them to use more conventional methods (*e.g.*, mailing or faxing paper documents, calling customer service lines, or visiting in person at a TAC). If a taxpayer has the option to use self-help methods to answer questions or resolve issues, the conventional assistance channels have shorter wait times for those taxpayers that need or want in-person or telephone assistance. Providing multiple service channels would allow the IRS to provide faster service and responses and eliminate delays, which would improve customer service for all taxpayers. A win-win.

Robust online accounts and digital services would provide taxpayers flexibility.<sup>4</sup> A key benefit of expanding online account functionalities and digital services is providing taxpayers and tax professionals faster service with the convenience of 24/7 availability.

Here are some examples of how the IRS harms taxpayers and tax professionals with its insufficient online account tools:

- The lack of robust functionality forces taxpayers to resort to more conventional forms of communication, thereby resulting in slower resolution times, increased taxpayer frustration and confusion, and scarce IRS resources for those that need the personal touch.
- Individual online accounts (IOLAs) still lack comprehensive features, including the ability to track submissions through the entire lifecycle of a return (filing through the closing of any controversy issue), submit offers in compromise online, chat with a revenue officer, and calculate payoffs for any balances due.
- Business taxpayers have little access to online services and tools, forcing them to call the IRS or fax or mail in documents, thus slowing resolution times and increasing taxpayer frustration.
- Tax Pro Accounts (Tax Pro) for tax professionals offer too few functionalities and thus remain underutilized. Without expanded functionalities, including access to client tax data, the IRS forces tax professionals to call for assistance or submit paper documents on behalf of taxpayers.
- Reporting agents have little access to online services, forcing them to either call the IRS or fax or mail in documents, thus slowing resolution times and increasing frustration.
- The Document Upload Tool (DUT) only provides taxpayers and tax professionals with the ability to electronically upload documents, eliminating the need to mail, fax, or email a document. It does not provide a backend workflow process. Without an efficient DUT backend workflow process and integration with an enterprise case management system, the IRS requires its employees to manually process DUT submissions, which will cause delays. Until the IRS implements a backend workflow process and case management system integration, the National Taxpayer Advocate is concerned this will cause the next backlog of submissions. Additionally, failure to manage taxpayer expectations for DUT will create confusion regarding expected response times.
- The IRS could enhance the taxpayer experience through increased promotion of online account options for both taxpayers and tax professionals and through IRS employee training on how to use these resources to better assist taxpayers.
- Taxpayers and tax professionals who struggle with completing the identity verification process required to set up online accounts are unable to use these vital resources.<sup>5</sup>

4 See also OMB Memorandum No. M-23-22, *Delivering a Digital-First Public Experience* (Sept. 2023), <https://www.whitehouse.gov/omb/management/ofcio/delivering-a-digital-first-public-experience/>.

5 Twenty-one percent of new users failed a step in the verification process. IRS response to TAS information request (Oct. 13, 2023).

## ANALYSIS

A 2022 TAS research report compared online accounts and the digital services available for individuals on IRS.gov to the taxing authorities of 41 U.S. states, the District of Columbia, Puerto Rico, and three foreign countries.<sup>6</sup> The report identified three areas where the IRS website lacked features commonly found on other taxing authority websites:

1. Filing options on the taxing authority's own website;<sup>7</sup>
2. The ability to receive and respond to most notices online; and
3. Robust in-person and digital contact options.

In April 2023, the IRS released the IRS Strategic Operating Plan (SOP) outlining how it intends to use the Inflation Reduction Act (IRA) funding.<sup>8</sup> If completed accordingly, many of the objectives have the potential to transform the modernization of online accounts and digital services through projects, such as improving self-service options, building status-tracking tools, and expanding digital response options. Additionally, the objectives would address the examples of taxpayer and tax professional issues listed previously.<sup>9</sup> Many projects and initiatives are underway; however, the IRS still has much work to complete. As the IRS implements its SOP, it should continue developing online account functionality with a taxpayer-centric approach that prioritizes the experience and needs of individual and business taxpayers and tax professionals with input from stakeholders.

On September 22, 2023, the Office of Management and Budget (OMB) issued memorandum M-23-22, *Delivering a Digital-First Public Experience*, which provides guidance to agencies on how to design and deliver websites and digital services to the public. It includes and summarizes many best practices for digital services shared by the National Taxpayer Advocate including:

- Provide services to the public in a manner that maximizes self-service or transaction completion;
- Design and deliver digital options with users at the center of the experience;
- Prioritize customization to help users complete more relevant tasks more quickly;
- Ensure accessibility for people of diverse abilities;
- Provide content that is authoritative and easy to understand;
- Ensure the design of digital services incorporates appropriate privacy safeguards; and
- Build a digital workforce capable of delivering information and services to the public.<sup>10</sup>

6 National Taxpayer Advocate 2022 Annual Report to Congress 222 (TAS Research Report: A Review of Online Accounts and Web Services Offered by U.S. State and Foreign Country Taxing Authorities), [https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2023/01/ARC22\\_CA\\_Online-Accounts.pdf](https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2023/01/ARC22_CA_Online-Accounts.pdf). These foreign countries are the United Kingdom, Australia, and Canada.

7 For purposes of the study, online filing did not include those websites that simply referred visitors to third-party filing options, such as Free File or commercial service providers. National Taxpayer Advocate 2022 Annual Report to Congress 229 (TAS Research Report: A Review of Online Accounts and Web Services Offered by U.S. State and Foreign Country Taxing Authorities), [https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2023/01/ARC22\\_CA\\_Online-Accounts.pdf](https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2023/01/ARC22_CA_Online-Accounts.pdf). The IRS is conducting a Direct File pilot during the 2024 filing season. IRS, Pub. 5788, Inflation Reduction Act § 10301(1)(B) IRS-run Direct e-File Tax Return System (May 2023), <https://www.irs.gov/pub/irs-pdf/p5788.pdf>.

8 IRS, Pub. 3744, IRS Inflation Reduction Act Strategic Operating Plan (Apr. 2023), <https://www.irs.gov/pub/irs-pdf/p3744.pdf>; An Act to Provide for Reconciliation Pursuant to Title II of S. Con. Res. 14 (commonly referred to as the "Inflation Reduction Act of 2022"), Pub. L. No. 117-169, § 10301, 136 Stat. 1818, 1831-32 (2022).

9 IRS, Pub. 3744, IRS Inflation Reduction Act Strategic Operating Plan 26-27, 42, 52 (Apr. 2023), <https://www.irs.gov/pub/irs-pdf/p3744.pdf>.

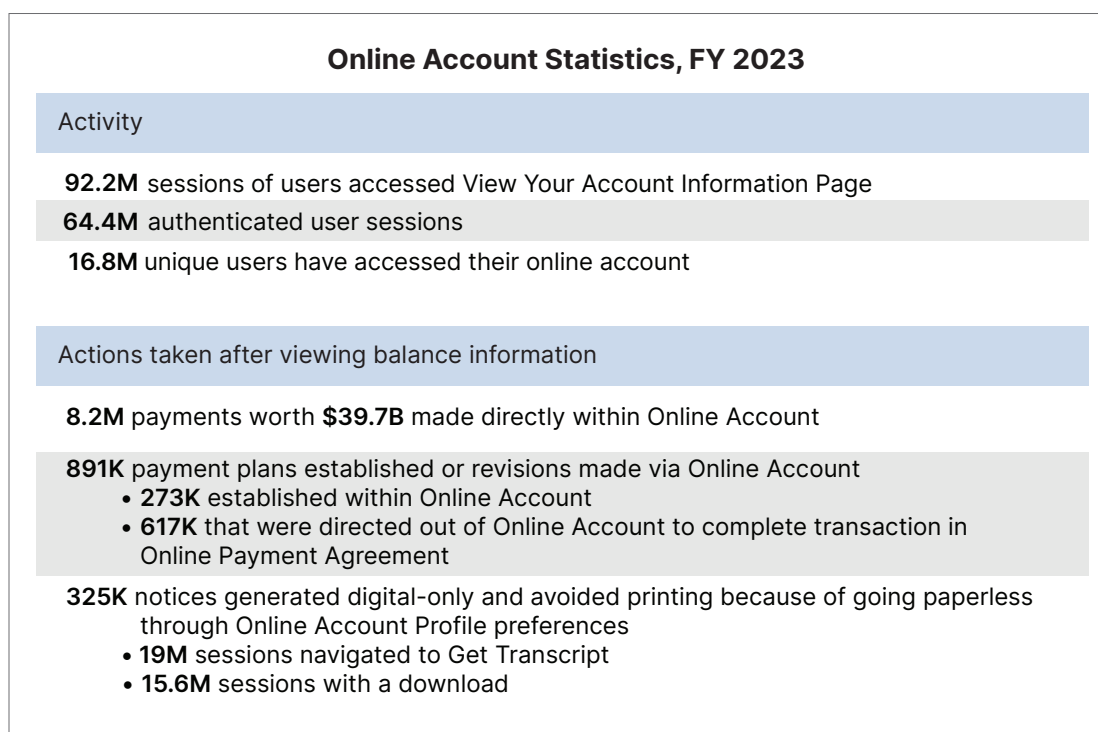
10 OMB Memorandum No. M-23-22, *Delivering a Digital-First Public Experience* (Sept. 2023) (implementing the 21st Century Integrated Digital Experience Act, Pub. L. No. 115-336, 132 Stat. 5025 (2018)), <https://www.whitehouse.gov/omb/management/ofcio/delivering-a-digital-first-public-experience/>.

## Individual Online Accounts Still Lack Full Functionality

The IRS continued to expand IOLA functionality over the past year and plans to further develop it as part of its SOP.<sup>11</sup> In 2023, IOLAs allow individual taxpayers to view basic account information, make payments, enter into payment plans, and view and download certain notices. TAS commends the IRS for continuing to expand the functionality and capabilities within IOLA. However, the IRS has more work to do before achieving fully functional accounts that entice taxpayers to select IOLA as their preferred communication method. We look forward to working with the IRS on continued improvements.

Almost 17 million unique users accessed IOLAs in fiscal year (FY) 2023. As shown in Figure 2.7.1, taxpayers made 8.2 million payments worth \$39.7 billion through online accounts in FY 2023. Additionally, the IRS sent approximately 325,000 notices as digital-only because taxpayers opted to go paperless.<sup>12</sup> This is a good start that benefits both taxpayers and the IRS. For many taxpayers and tax professionals, paperless is seen as more efficient, and it is also more efficient for the IRS. When the IRS does not have to process a paper submission or paper notice, it saves time and shifts resources to other customer service functions.

**FIGURE 2.7.1<sup>13</sup>**



As shown in Figure 2.7.2, there are 16 active IRS self-assistance applications, and only four are available within IOLA. The remaining 12 are only available outside of the IOLA account. And these 12 applications do not require the same level of authentication so they can only provide very limited information.<sup>14</sup>

11 IRS, Pub. 3744, IRS Inflation Reduction Act Strategic Operating Plan 26-27, 42, 52 (Apr. 2023), <https://www.irs.gov/pub/irs-pdf/p3744.pdf>.

12 IRS response to TAS information request (Oct. 25, 2023).

13 *Id.*

14 *Id.*



**FIGURE 2.7.2, IRS Online Self-Assistance Applications<sup>15</sup>**

Application Name	Available Tool(s)	Information From Application Reflected in Online Account	Type of User	Number of Transactions or Sessions, FY 2023
Online Account	View key information such as balance due and payment history, make a payment online, request a plan via Online Payment Agreement, or access tax records via Get Transcript	N/A	Individual	64,379,786
Get Transcripts Online	Retrieve a variety of transcripts online to view, print, or download	Yes	Individual	82,522,766
Get Transcripts by Mail	Receive a return or account transcript through mail	Yes	Individual and Business	614,905
Where's My Refund?	Learn status of refund	No	Individual	303,132,924
Where's My Amended Return?	Verify receipt and processing status for amended return (Form 1040-X)	No	Individual	13,951,765
Direct Pay	Pay directly from bank account	Yes	Individual	12,536,719
Online Payment Agreements	Request a payment agreement for certain taxpayers	Yes	Individual	2,020,102
Identity and Tax Return Verification Service (ID Verify)	Verify identity so the IRS can process a federal income tax return filed with the taxpayer's name and Taxpayer Identification Number	No	Individual	824,934
IP PIN	Validate identity and retrieve an Identity Protection Personal Identification Number online	No	Individual	2,272,461
Modernized Internet Employer Identification Number	Apply for and receive an Employer Identification Number online	No	Individual and Business	7,202,661
Transcript Delivery Service – Reporting Agents	Retrieve a variety of account transcripts through mail, fax, or online	No	Individual and Business	1,009,057
Transcript Delivery Service – States	Retrieve a variety of account transcripts through mail, fax, or online	No	Individual and Business	314,753
Transcript Delivery Service – Third Parties	Retrieve a variety of account transcripts through mail, fax, or online	No	Individual and Business	885,556,641
Income Verification Express Service	Retrieve transcripts from an online secure mailbox to verify income of a borrower	No	Individual and Business	4,830,097

<sup>15</sup> IRS response to TAS information request (Oct. 25, 2023).

## Most Serious Problem #7: Online Account Access for Taxpayers and Tax Professionals

Application Name	Available Tool(s)	Information From Application Reflected in Online Account	Type of User	Number of Transactions or Sessions, FY 2023
Free Application for Federal Student Aid (FAFSA) Online	Access tax return information and transfer it directly to the FAFSA form	No	Individual	15,852,507
Tax Withholding Estimator	Estimate income tax for current tax year and compare that estimate with current withholding	No	Individual	4,205,039
Interactive Tax Assistant	Receive answers to basic tax law questions	No	Individual and Business	1,558,618

In the National Taxpayer Advocate's 2020 and 2022 Annual Reports to Congress, TAS recommended making all self-assistance applications available through the IOLA as well as a standalone application.<sup>16</sup> The IRS declined to adopt these recommendations.<sup>17</sup> TAS's recommendation was not to make self-assistance applications available exclusively within IOLA but rather accessible from IOLA. Having a one-stop shop, in our opinion, will increase usage and improve the customer experience for those who select IOLA as their preferred method of communication. In 2020, the IRS responded that adopting our recommendation would add to taxpayer burden because IOLA requires a more thorough authentication process than some of the more basic self-assistance applications (*e.g.*, Where's My Refund?, Where's My Amended Return?, Tax Withholding Calculator).<sup>18</sup> But the IRS missed the point. These applications do not provide the necessary information when taxpayers encounter a problem. In 2022, the IRS responded that even though the recommendation "is consistent with taxpayer expectations," it would not commit to a one-click access framework.<sup>19</sup> TAS continues to recommend that once a user authenticates and logs into a secure online account, they should have one-click access to all self-assistance applications as well as access to applications outside of IOLA. Additionally, TAS recommends the IRS provide expanded information through self-assistance applications if the taxpayer logs into a secure online account. The IRS needs to design IOLA as a mobile-friendly and device-agnostic service. Taxpayers have a *right to be informed* about delays, the cause of the delay, and how they can correct the problem; that information is not available with the lower level of authentication.<sup>20</sup>

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- 16 National Taxpayer Advocate 2022 Annual Report to Congress 99 (Most Serious Problem: *Online Access for Taxpayers and Tax Professionals: Inadequate Digital Services Impede Efficient Case Resolution and Force Millions of Taxpayers to Call or Send Correspondence to the IRS*), [https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2023/01/ARC22\\_MSP\\_05\\_Online-Access.pdf](https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2023/01/ARC22_MSP_05_Online-Access.pdf); National Taxpayer Advocate 2020 Annual Report to Congress 55 (Most Serious Problem: *Online Records Access: Limited Electronic Access to Taxpayer Records Through an Online Account Makes Problem Resolution Difficult for Taxpayers and Results in Inefficient Tax Administration*), [https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2021/01/ARC20\\_MSP\\_03\\_OnlineRecords.pdf](https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2021/01/ARC20_MSP_03_OnlineRecords.pdf).
- 17 TAS Recommendations and IRS Responses, TAS Recommendation 5-1 (2022), <https://www.taxpayeradvocate.irs.gov/news/directory-entry/2022-msp-05-online-access-for-taxpayers-and-tax-professionals/> (last visited Sept. 19, 2023); TAS Recommendations and IRS Responses, TAS Recommendation 3-4 (2020), <https://www.taxpayeradvocate.irs.gov/news/directory-entry/2020-msp-3-online-records/> (last visited Dec. 5, 2023).
- 18 TAS Recommendations and IRS Responses, TAS Recommendation 3-4 (2020), <https://www.taxpayeradvocate.irs.gov/news/directory-entry/2020-msp-3-online-records/> (last visited Dec. 5, 2023).
- 19 TAS Recommendations and IRS Responses, TAS Recommendation 5-1 (2022), <https://www.taxpayeradvocate.irs.gov/news/directory-entry/2022-msp-05-online-access-for-taxpayers-and-tax-professionals/> (last visited Dec. 5, 2023).
- 20 See IRC § 7803(a)(3)(A).

To improve the customer experience, we recommend online accounts increase functionality, including the ability to:

- Verify receipt of submissions and documents;
- Track submissions throughout the entire lifecycle of a tax return (processing, examination, collections, administrative appeal);
- Determine where their return is in the process, including the assigned employee and manager's names and contact information;
- View and import Forms W-2 and 1099 into their tax return software;
- Submit offers in compromise online;
- Calculate payoffs for any balances due;
- Request penalty relief or abatement;
- View taxpayer-specific disaster relief postponement dates;
- Determine assessment and collection statute expiration dates;
- View a calendar of relevant due dates;
- View all IRS communications;
- Access the online tools for people of diverse abilities;
- Chat with IRS personnel and schedule a follow-up call if necessary; and
- Communicate with personnel from Examination, Appeals, or Counsel or their manager.

### **Business Tax Accounts Are Only Available to Limited Business Taxpayers<sup>21</sup>**

In the fall of 2023, the IRS launched an early version of Business Tax Accounts (BTA) that is only available to sole proprietors. The very limited functionality allows sole proprietors to view their business profile, manage authorized users, and generate and download Letters 6575, Tax Certificate for Award Use, and 6574, Business Tax Compliance Report. The IRS SOP describes numerous features, including several TAS has recommended, that the IRS could make available in the near future (2024-2026).<sup>22</sup> The IRS should continue deployment of additional features with a taxpayer-centric approach. Unless BTA provides a suite of useful tools available for all businesses, the IRS should not expect large numbers of business taxpayers to sign up and use it. TAS recommends the IRS develop a comprehensive online account for business taxpayers by FY 2025, including features such as document upload, secure messaging, due date reminders for upcoming tax return or information return filings, payment options, and refund tracking.

### **Tax Pro Accounts Lack Comprehensive Features**

In 2021, the IRS introduced Tax Pro for use by tax professionals who have met certain requirements.<sup>23</sup> Once tax professionals are able to access Tax Pro, they are only able to perform limited functions, such as electronically filing Forms 2848, Power of Attorney and Declaration of Representative, or 8821, Tax Information Authorization; viewing a list of their active authorizations for individual taxpayers; withdrawing authorizations for individual taxpayers; and requesting individual clients' transcripts of account.<sup>24</sup> Even with proper authorizations, tax professionals cannot view any business taxpayer information in Tax Pro, forcing tax professionals to call the IRS or submit material on paper.

<sup>21</sup> Internally, the IRS refers to these accounts as Business Online Accounts (BOLAs).

<sup>22</sup> IRS, Pub. 3744, IRS Inflation Reduction Act Strategic Operating Plan (Apr. 2023), <https://www.irs.gov/pub/irs-pdf/p3744.pdf>.

<sup>23</sup> A Centralized Authorization File (CAF) number is a unique nine-digit identification number that is assigned the first time a representative files a third-party authorization with the IRS. See IRS, What is a CAF number?, <https://www.irs.gov/businesses/small-businesses-self-employed/what-is-a-caf-number> (last visited Dec. 5, 2023). To use Tax Pro, tax professionals must have a CAF number and be in good standing with the IRS, and their associated address must be in one of the 50 states or the District of Columbia.

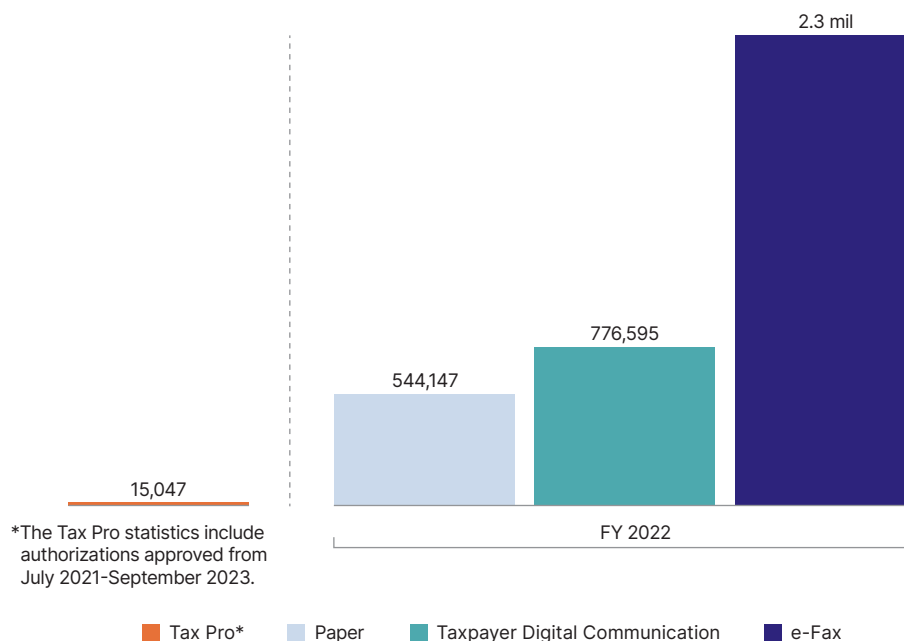
<sup>24</sup> See Erin M. Collins, Attention Tax Professionals: Check Your Tax Pro Account, NATIONAL TAXPAYER ADVOCATE BLOG (Aug. 30, 2023), <https://www.taxpayeradvocate.irs.gov/news/nta-blog-attention-tax-professionals-check-your-tax-pro-account/>.

Tax professionals play a vital role in the tax system. They assist with tax administration issues and alleviate taxpayer barriers to compliance. Improving the functionality and ease of Tax Pro would support tax professionals and the taxpayers who rely on these professionals. When a representative cannot perform the necessary functions to service a client's tax account through Tax Pro, the representative must contact the IRS. Time-intensive contacts, such as drafting correspondence and making phone calls with lengthy hold times, inhibits quick resolution of issues and can increase the cost the taxpayer must pay for the representative's services.

Since Tax Pro launched in July 2021, tax professionals and their clients have completed only 11,342 power of attorney authorizations and 3,705 tax information authorizations through Tax Pro, as the system was clunky.<sup>25</sup> In comparison, during FY 2022, tax professionals submitted 2.3 million authorizations through e-Fax; 776,595 authorizations through Taxpayer Digital Communication (TDC); and 544,147 authorizations on paper.<sup>26</sup>

**FIGURE 2.7.3<sup>27</sup>**

**Power of Attorney and Tax Information Authorizations by Source**



The IRS must enhance its capabilities and add access to self-assistance and digital communication tools within Tax Pro. Robust functionality will not only make this application more appealing to tax professionals and help boost usage, but it will provide better customer service and potentially reduce unnecessary client fees and delays.

25 IRS response to TAS information request (Oct. 25, 2023). See also TIGTA, Ref. No. 2023-40-033, *Opportunities Exist to Improve the Accuracy of Information in the Centralized Authorization File and Increase the Use of the Tax Pro Account System* (2023), <https://www.tigta.gov/reports/audit/opportunities-exist-improve-accuracy-information-centralized-authorization-file-and>.

26 TIGTA, Ref. No. 2023-40-033, *Opportunities Exist to Improve the Accuracy of Information in the Centralized Authorization File and Increase the Use of the Tax Pro Account System* 9 (2023), <https://www.tigta.gov/reports/audit/opportunities-exist-improve-accuracy-information-centralized-authorization-file-and>.

27 IRS response to TAS information request (Oct. 25, 2023). See also TIGTA, Ref. No. 2023-40-033, *Opportunities Exist to Improve the Accuracy of Information in the Centralized Authorization File and Increase the Use of the Tax Pro Account System* (2023), <https://www.tigta.gov/reports/audit/opportunities-exist-improve-accuracy-information-centralized-authorization-file-and>.



TAS held focus groups during the 2022 IRS Nationwide Tax Forums to gather ideas from tax professionals about taxpayers' needs and preferences for online services. Participants expressed feeling frustrated, exasperated, disappointed, and angry with their inability to effectively communicate with the IRS.<sup>28</sup> TAS recommends the IRS expand Tax Pro's features to allow authorized representatives access to all their clients' tax records through the representative's Tax Pro account to provide and perform the full scope of assistance. Through Tax Pro and with appropriate authorization, tax professionals should have the ability to perform actions on behalf of their clients such as:

- View the entirety of their clients' online account information (to the extent of their authorization);
- Request an installment payment agreement;
- View the status of a tax return;
- View all notices and correspondence;
- Respond to correspondence and notices;
- Request an offer in compromise;
- Verify submissions;
- Track submissions throughout the entire process lifecycle of a tax return (processing, examination, collections, administrative appeal);
- Calculate payoffs for any balances due;
- Communicate with the IRS throughout the process;
- Have the ability to schedule a call with an IRS employee;
- Request a Centralized Authorization File number;
- View taxpayer-specific disaster relief postponement dates;
- Determine assessment and collection statute expiration dates;
- Request penalty relief or abatement for their client; and
- Apply for an extension of time to file for their client.

Tax Pro should also expand to include clients who are business taxpayers, not only individual taxpayers. While the IRS ultimately plans to expand functionality and include business taxpayers, this must be a priority as the agency moves toward a 21st century digital tax system.

### Reporting Agents Lack Online Account Access

Reporting agents (RAs) play a major role in the tax system. When authorized by Form 8655, Reporting Agent Authorization, RAs may sign and file returns and make tax deposits and payments on behalf of their clients.<sup>29</sup> Even though RAs file millions of returns and make substantial deposits and payments with the IRS, they are not eligible for any of the three existing online accounts (*i.e.*, IOLA, BTA, or Tax Pro) and do not have a version of online accounts that reflect the scope of RA authorization.<sup>30</sup> For tax year (TY) 2022, the IRS authorized RAs to file over 3.4 million Form 940 filings and nearly 3.9 million Form 941 filings.<sup>31</sup>

28 Observations from TAS's Focus Group Interviews, 2022 IRS Nationwide Tax Forums.

29 IRS, Form 8655, Reporting Agent Authorization (Oct. 2018), <https://www.irs.gov/pub/irs-pdf/f8655.pdf>.

30 Tax Pro requires a CAF number, but RA authorizations are at the company level so no CAF number exists. See IRS, Tax Pro Account, <https://www.irs.gov/tax-professionals/tax-pro-account> (last visited Dec. 5, 2023); IRS, Form 8655, Reporting Agent Authorization (Oct. 2018), <https://www.irs.gov/pub/irs-pdf/f8655.pdf>.

31 IRS, Compliance Data Warehouse (CDW), Business Return Transaction File (BRTF), TY 2022 (Nov. 15, 2023).

Because RAs lack an intuitive, self-service avenue to interact online with the IRS, they are forced to call for assistance, forgo assistance, or submit paper documents. Given the important role RAs play in the tax system,<sup>32</sup> TAS recommends providing RAs access to online accounts with a set of tools that reflect the scope of RA authorization.

### **Document Upload Tool Lacks an Efficient Workflow Process**

In 2023, the IRS continued to expand the availability of DUT.<sup>33</sup> DUT allows taxpayers or tax professionals to securely provide documentation online for notices requiring a response.<sup>34</sup> However, TAS has concerns about the IRS workflow to process documents received through DUT. Currently, documents received through DUT require a manual process after receipt. So once again, the IRS is getting it half right. Although DUT allows taxpayers and tax professionals to reduce paper submissions, the IRS has not established an efficient backend workflow to process DUT submissions without creating a new type of backlog. As shown in Figure 2.7.4, after receiving a document on DUT, IRS Business Operating Divisions (BODs) must log into the DUT tool, download the response, and then route the document to the network location designated by the BOD.<sup>35</sup>

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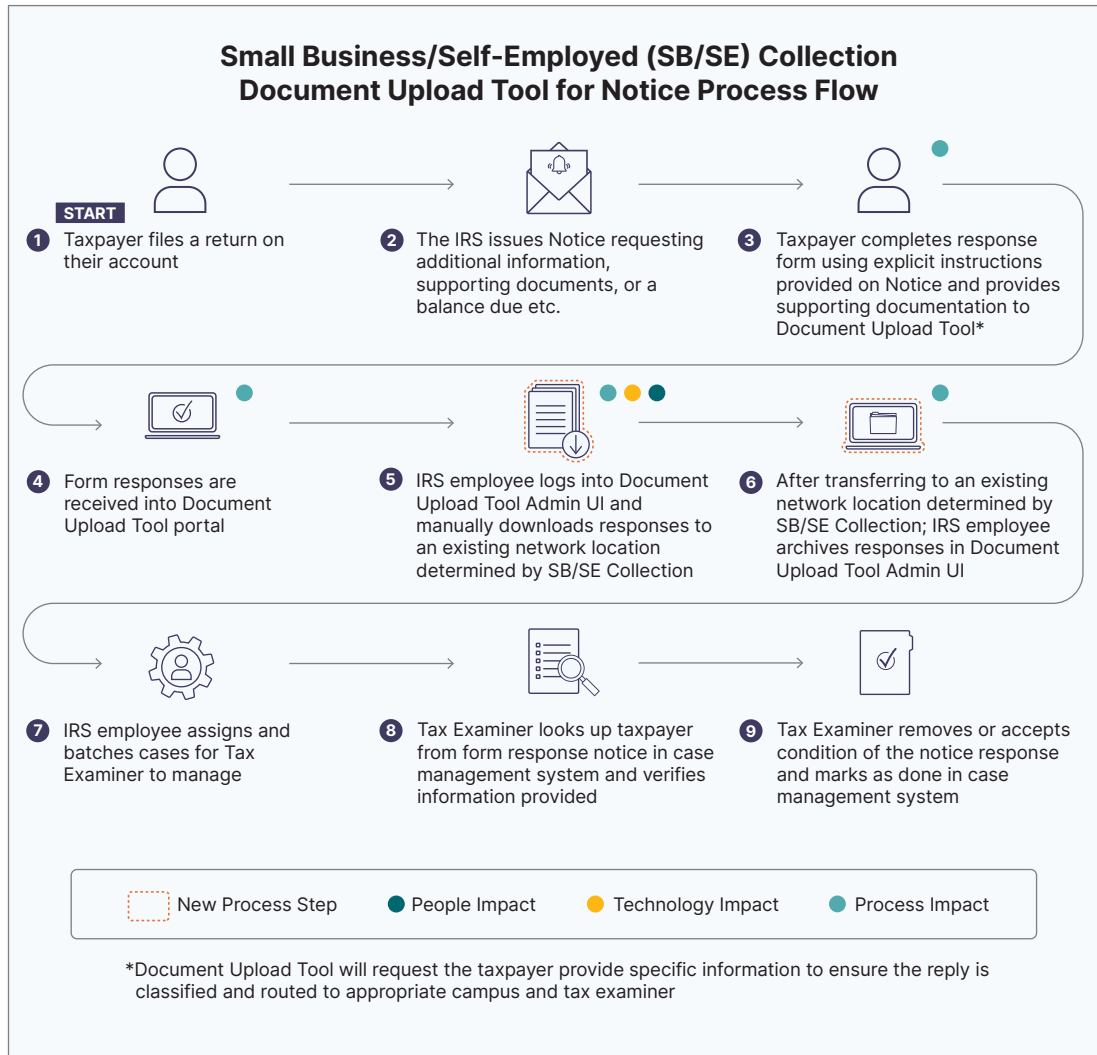
32 See IRS, Reporting Agents File (RAF), <https://www.irs.gov/businesses/small-businesses-self-employed/reporting-agents-file-raf> (last visited Dec. 5, 2023).

33 TIGTA, Ref. No. 2023-IE-R010, *Inflation Reduction Act: Assessment of the IRS's Efforts to Deliver Expected Improvements for the 2023 Filing Season* (2023), <https://www.tigta.gov/reports/inspection-evaluation/inflation-reduction-act-assessment-irss-efforts-deliver-expected>; IRS News Release, IR-2023-148, *Inflation Reduction Act 1-Year Report Card: IRS Delivers Dramatically Improved 2023 Filing Season Service, Modernizes Technology, Pursues High-Income Individuals Evading Taxes* (Aug. 16, 2023), <https://www.irs.gov/newsroom/inflation-reduction-act-1-year-report-card-irs-delivers-dramatically-improved-2023-filing-season-service-modernizes-technology-pursues-high-income-individuals-evading-taxes>; Janet L. Yellen, Sec'y of the Treasury, Remarks at IRS Headquarters in Washington, D.C. (Nov. 7, 2023), <https://home.treasury.gov/news/press-releases/jy1888>.

34 IRS, IRS Document Upload Tool (Oct. 27, 2023), <https://www.irs.gov/help/irs-document-upload-tool>; IRS response to TAS information request (Oct. 13, 2023).

35 IRS response to TAS information request (Oct. 12, 2023).

FIGURE 2.7.4<sup>36</sup>



TAS recommends the IRS develop an IRS-wide workflow for processing DUT submissions and integrate submissions with an enterprise case management system to deliver documents quickly and efficiently to the correct IRS employees.

### The IRS Fails to Adequately Promote Awareness of Online Accounts

The IRS should improve awareness of online accounts and standalone digital services among taxpayers, tax professionals, and IRS employees. Not only should the IRS provide education about how to make the most of the available online accounts and digital services, but it should also timely provide notification to taxpayers, tax professionals, and IRS employees of upgrades and new features.

36 IRS response to TAS information request (Oct. 12, 2023).

The IRS offers information to employees monthly during “Digital Day” information sharing events. However, attendance at the events is optional, and only approximately 2,000 of the IRS’s approximately 91,000 employees attend Digital Day events annually.<sup>37</sup> If IRS employees are not familiar with online account capabilities, their ability to assist and educate taxpayers and tax professionals about online accounts will be severely limited. TAS recommends providing mandatory training about online accounts to all taxpayer-facing employees and IRS-wide updates about new features and upgrades to online accounts and standalone digital services.

The IRS should continue to promote online accounts and educate taxpayers and tax professionals about the user benefits and data safety within online accounts. All communications with taxpayers and tax professionals present opportunities to promote and educate. The IRS has undertaken some practices to inform taxpayers and tax professionals about the availability of online accounts, including through links on the IRS.gov homepage. Additionally, for example, when the IRS mails paper copies of digitally available notices that are viewable in online accounts, it includes an additional paper notice in the envelope that informs taxpayers about online accounts.<sup>38</sup> The IRS conducts a biannual webinar with a step-by-step demonstration of online accounts for approximately 5,000 tax professionals.<sup>39</sup> However, the IRS should use all communications with taxpayers and tax professionals as an opportunity to promote online accounts. For example, if a taxpayer receives a notice with an invitation to use the unauthenticated DUT,<sup>40</sup> the IRS should offer the taxpayer an opportunity to register for an online account after using the DUT. The annual filing season community events provide an opportunity to demonstrate online accounts, educate taxpayers about the benefits of their use, and respond to online account questions. Also, TAS recommends that when a taxpayer or practitioner signs into online accounts, the IRS provide a “What’s New” banner at the top of the screen to highlight recent upgrades to online accounts.

### Taxpayers Need More Options for Identity Proofing

To ensure the security of taxpayer data, taxpayers and tax professionals must create an account using an identity proofing process that confirms the identity of the account creator. The IRS outsources identity proofing and credential management services to a Credential Service Provider (CSP), and the CSP is also responsible for assisting taxpayers who have difficulty completing the process.<sup>41</sup> There is no government CSP that meets the security requirements.<sup>42</sup>

Taxpayers can have trouble completing the identity proofing process for many reasons, including having unacceptable documents or being former victims of identity theft. Twenty-one percent of would-be users failed a step in the identity proofing process. The most common issues were: (1) failing the financial records or telecom verification checks (23 percent of failures) and (2) uploading and verifying identity documents, typically due to blurry images or failed document security checks (19 percent of failures). Where taxpayers cannot complete this process, the CSP serves as a “trusted referee” to assist the taxpayer with identity proofing. Fourteen percent of all CSP credentials are completed using a trusted referee.<sup>43</sup>

37 IRS response to TAS information request (Oct. 25, 2023).

38 IRS response to TAS information request (Sept. 13, 2023).

39 IRS response to TAS information request (Oct. 25, 2023).

40 Unauthenticated DUT allows taxpayers to use the invitation from the IRS to submit documents without creating an online account.

41 ID.me serves as the only IRS CSP.

42 TIGTA, Ref. No. 2023-2S-070, *Key Events of the IRS’s Planning Efforts to Implement Login.gov for Taxpayer Identity Verification* (2023), <https://www.tigta.gov/sites/default/files/reports/2023-10/20232S070fr.pdf>.

43 IRS response to TAS information request (Oct. 13, 2023). Prior to the involvement of trusted referees, the CSP offers multiple layers of real-time human review to assist users during the self-service identity verification process. Discussions with outside stakeholders (Nov. 16, 2023).

The IRS should maintain the security of taxpayer information but also strive to improve the taxpayer experience for those who need or want additional assistance accessing online accounts. Not all taxpayers have the technological literacy or internet availability to prove their identity without assistance. Some taxpayers simply prefer to complete identity proofing in person. In its SOP, the IRS stated a goal of expanding the number of CSPs in FY 2023 to give taxpayers and tax professionals choices, but it has not implemented this.<sup>44</sup> In May 2023, the IRS launched an in-person identity proofing pilot for those who experience challenges completing the process online. The IRS sent approximately 24,000 invitations to authenticate in person. Of those invited, 597 taxpayers scheduled in-person verification appointments, and the IRS verified 189 to receive credentials.<sup>45</sup> TAS recommends the IRS continue to explore in-person identity proofing options and expanding the number of CSPs so that all taxpayers can create online accounts if they choose.

## CONCLUSION AND RECOMMENDATIONS

The IRS has the potential to transform tax administration and bring the IRS into the 21st century with the modernization of online services for taxpayers and tax professionals using IRA funding and the IRS SOP.<sup>46</sup> This year, the IRS launched BTA and expanded the services available in IOLA and Tax Pro, but it has more work to do. As the IRS continues to expand the services and functionality available in online accounts, it should remain focused on improving the taxpayer experience with efficient, understandable tools. Taxpayers and tax professionals need and deserve reliable, quality customer service using their chosen communication method.

### Administrative Recommendations to the IRS

The National Taxpayer Advocate recommends that the IRS:

1. Add increased capabilities and functionality to IOLA, including the ability to track submissions through the entire process, submit offers in compromise online, and calculate payoffs for any balances due, to provide individuals with robust self-service options available at the convenience of the taxpayer.
2. Provide individual and business taxpayers with one-click access to all authenticated and unauthenticated self-assistance applications from an intuitive, centralized location.
3. Deploy a comprehensive online account for business taxpayers by FY 2025, including features such as due date reminders for upcoming tax return or information return filings, payment options, and refund tracking.
4. Add increased capabilities and functionality to Tax Pro, such as viewing notices and letters and uploading requested documents, to provide authorized representatives seamless access to their clients' online accounts through Tax Pro.
5. Provide RAs with access to online services with the ability to file Form 8655 electronically, access return transcripts, and verify business name and Employer Identification Numbers electronically.
6. In FY 2024, create an IRS-wide digital backend workflow for processing DUT submissions and integrate submissions with an enterprise case management system to deliver the document quickly and efficiently to the correct IRS employees.

44 IRS, Pub. 3744, IRS Inflation Reduction Act Strategic Operating Plan 44 (Apr. 2023), <https://www.irs.gov/pub/irs-pdf/p3744.pdf>; TIGTA, Ref. No. 2023-2S-070, *Key Events of the IRS's Planning Efforts to Implement Login.gov for Taxpayer Identity Verification* (2023), <https://www.tigta.gov/sites/default/files/reports/2023-10/20232S070fr.pdf>. See Jonathan Curry, *Declared Dead 18 Months Ago, ID.me Is Now Top IRS ID Checker*, TAX NOTES, Aug. 28, 2023, at 1514-16, <https://www.taxnotes.com/lr/resolve/tax-notes-today-federal/declared-dead-18-months-ago-id-me-is-now-top-irs-id-checker/7h4nx>.

45 IRS response to TAS information request (Oct. 13, 2023).

46 Pub. L. No. 117-169, § 10301, 136 Stat. 1818, 1831-32 (2022); IRS, Pub. 3744, IRS Inflation Reduction Act Strategic Operating Plan (Apr. 2023), <https://www.irs.gov/pub/irs-pdf/p3744.pdf>.



7. Require mandatory annual training for IRS employees on IOLA, Tax Pro, BTA, and digital communication tools to allow employees to educate taxpayers about the applications.
8. Timely notify taxpayers, tax professionals, and IRS employees of new features and upgrades available in IOLA, Tax Pro, BTA, and digital communication tools.
9. Expand taxpayer identity proofing options, including increasing the number of CSPs and expanding in-person identity assistance to taxpayers.
10. Provide kiosks in central locations to give taxpayers access to their online account.
11. Incorporate best practices set forth in OMB Memorandum M-23-22, *Delivering a Digital-First Public Experience*.

## RESPONSIBLE OFFICIALS

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