

**Statement of
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**Before the Subcommittee on Oversight for the
House Committee on Ways and Means**

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Mr. Chairman and Distinguished Members of the Subcommittee:

I am pleased to make my first appearance before the Congress since I assumed the job of the National Taxpayer Advocate of the Internal Revenue Service. I welcome the opportunity to share with you my vision of the Taxpayer Advocate ' s role, the progress we made during fiscal year 1998 and the agenda we hope to carry out in fiscal year 1999 on behalf of America ' s taxpayers.

I appreciate the support Commissioner Rossotti expressed in his testimony. Consistent with his words, he has supported me with his actions and is committed to a strong Taxpayer Advocate organization. He believes that the Taxpayer Advocates have a unique vantage point that will help us determine how we can serve taxpayers more effectively. As you may remember, he strongly encouraged Congress to strengthen the Advocate role in the Internal Revenue Service Restructuring and Reform Act of 1998. He has great expectations that I will be able to use my expanded authority as you intended to meet the taxpayers ' needs for assistance in dealing with the Service.

Since starting work on September 8, 1998, I have spent a great deal of time learning the organization and getting to know people both inside and outside the Advocate ' s office. As a

member of Commissioner Rossotti's top management team, I have spent time meeting with the agency's leaders. In addition to learning from these leaders, I have used these meetings to promote a more taxpayer sensitive and service-oriented IRS.

The climate has changed and support for the Advocate's Office is at an all time high. Commissioner Rossotti and Treasury Department officials have been very supportive of me and the new independent role. The local taxpayer advocates are also enthusiastic about the new structure and they are responding well to the new organization. More taxpayers and stakeholders are aware of the new role and are expecting the National Taxpayer Advocate to have a strong customer service influence on the IRS. With such strong support from all directions I am optimistic that we will succeed.

The annual report that I recently submitted to Congress covers the fiscal year ended September 30, 1998. As I stated in the foreward, the format and the underlying statistical information were determined before I arrived. The format is based on the management information systems that have existed for many years. While much of the material is prescribed by statutes, I will be evaluating the style and format during the next year and will be developing new approaches and ways to communicate the recommendations.

Nevertheless, I reviewed the recommendations that were made through the process put in place last year, validated the contents of the report with the local taxpayer advocates, and recommended the results to you for action. The taxpayer treatment initiatives and legislative proposals in the 1998 annual report reflect the direction that I will pursue on behalf of America's taxpayers in the future.

Fiscal Year (FY) 1998 was a busy year on many fronts for the Taxpayer Advocate

organization. The intense scrutiny on the IRS heightened the visibility of my office and its programs. I believe that the resulting legislation, the RRA '98, will help the National Taxpayer Advocate organization to effectively promote change and to work as a catalyst in creating better treatment for taxpayers and enhancing customer service.

During FY 1998, the Taxpayer Advocates resolved more than 272,000 cases and received requests for assistance on 32,049 potential hardship cases. We were able to grant relief or provide assistance to 74% of the taxpayers who applied for Taxpayer Assistance Orders (TAOs). Local Advocates in only 3 instances could not agree with the local functional area with responsibility for action. In those cases, the local advocates issued and enforced the TAOs.

In 1,444 cases, the law prevented us from providing the relief sought. The largest number of cases in this category concerned the offset of refund payments to other liabilities. Because the taxpayer's refund was used to collect liabilities owed to other government agencies, we were not able to provide hardship relief as intended by the statutes. My report contains legislative proposals aimed at correcting this problem.

In April of 1998, the National Taxpayer Advocate was delegated new authority by the Commissioner to issue Taxpayer Advocate Directives (TADs). This authority allows the National Taxpayer Advocate to grant the equivalent of a Taxpayer Assistance Order for agency wide procedural issues and correct actions that negatively impact a group of taxpayers. On December 7, 1998 I issued the first TAD which directed the districts and service centers to abate penalties on "innocent spouse cases" on which the IRS suspended action pending guidance on the new equitable treatment provisions in RRA '98. The TAD also recommended that the regulation interpreting the abatement of interest statute be reopened to allow more taxpayers to

qualify for the benefits of this statutory provision. This delegated authority is a powerful tool to change systemic, procedural and management practices that are inequitable and burdensome. To the extent possible under the law and the regulations, there is a desperate need to change processes and practices up front before there is a need for a Taxpayer Advocate to intervene in a difficult case. I intend to be involved in the development of new processes and implementation of new tax laws. I will continue to issue TADs when I feel it is appropriate to alleviate taxpayer inequity and burden.

During my years in the tax business, I became familiar with the phrase, "protecting the interests of the government." Studying RRA '98 and applying the spirit as well as the letter of the law, I am convinced that Congress liberated the IRS from this philosophy, where the phrase "protecting the interest of the government" means "maximizing the revenue to the government." It is obvious to me that Congress intends that the IRS will balance the interest of the taxpayer with the interest of the government. This balanced approach will require the IRS to walk away from issues and situations that they may not have done in the past.

Last year many of you expressed concern that the Taxpayer Advocate 's Office was one of the IRS 's best kept secrets. We have worked hard to remedy your concerns. We have published the phone number of each local taxpayer advocate in the phone directory and we are in the process of setting up the other independent communications systems that are called for in RRA '98. We have also established a separate toll-free telephone number for the Taxpayer Advocate 's program. This new number (1-877-777-4778) was operational beginning November 1, 1998. The telephone service is provided in four sites, two (Richmond and Pittsburgh) during "normal" business hours and two (Atlanta and Fresno Service Centers) for

"after hours" service. The sites are staffed with employees trained and equipped to effectively handle these sensitive calls. This new number has been widely advertised and is listed in this year's Form 1040 packet under "getting help."

Another initiative we began last year was the Taxpayer Equity Task Force. It was created to identify issues and recommend changes that will promote fairness and equity in tax administration and balance the need for equity in individual cases, with the need for equity for all taxpayers. The Task Force members represent all the functional areas of the IRS and is supported by staff of the Taxpayer Advocate's Office. Input is solicited from all areas of the IRS for equity issues and regular meetings are held with outside stakeholders.

The Task Force assesses the need for changes using evidence from case problems and other sources, determines priorities, and fully researches the problems accepted for review. Where change is recommended, it is determined whether the recommendation requires administrative or legislative changes. Conclusions and recommendations coming from the Taxpayer Equity Task Force are considered at the highest levels of the IRS. Administrative recommendations endorsed by the National Taxpayer Advocate are sponsored by the affected function(s) for implementation as soon as possible. A recent example of this group's impact is illustrated by the agreement by the Operations area to establish a National Interest Administrator. This new office will provide uniform guidance and consistency for computing taxpayer interest. I might add, the computation of interest was a major issue identified in Problem Solving Days.

One of our greatest successes last year was Problem Solving Days (PSD). National PSDs provided the opportunity for taxpayers to have face-to-face contact with an IRS employee to

assist them in resolving problems with the IRS. The first national PSD was held on November 15, 1997, and approximately 6,300 taxpayers attended throughout the country that day. We continued to hold monthly events (frequently on Saturdays and evenings, as well as week days) in all districts offices. Approximately 43,000 taxpayers attended these events from November 1997 through December 1998. The Advocate 's Office provides program direction for PSDs and IRS district offices implement the program. It is truly an agency-wide effort which has also created a great deal of enthusiasm within the IRS as employees experienced first hand that taxpayers need face-to-face contact with knowledgeable representatives who have the authority to act. Customer satisfaction surveys and employee surveys are conducted at each PSD. An outside contractor analyzes these surveys and provides reports. Follow-up taxpayer telephone surveys were also conducted in May and November, 1998. Survey results indicate:

- Taxpayers want to discuss their problems face-to-face with IRS employees; and
- IRS employees like the cross-functional approach to assisting taxpayers, providing the technical expertise necessary to resolve problems; and
- Taxpayers like being able to make appointments and come in on evenings and Saturdays.

PSDs are scheduled to occur monthly in every district office through the end of 1999. These monthly schedules are published in a number of places, including the Internet at www.irs.ustreas.gov. The events are also publicized through public service announcements in national and local newspapers, TV, radio, and various trade publications.

Problem Solving Days are an extremely important tool for helping taxpayers, but in the

long-term we must make "every day a problem solving day." The IRS is continuing to gather data to analyze the effectiveness of PSDs and determine the best way to deliver top quality customer service to taxpayers. By building our experiences of PSDs into the IRS day-to-day operation, the agency can improve the level of customer service in all areas, including walk-in service. To best serve the interest of the taxpayers, there should not be a gap in service between "regular" days and "Problem Solving Days."

Another exciting initiative involving the Taxpayer Advocate 's Office is the creation of the Citizen Advocacy Panels (CAPs). The mission of the program is to:

- Provide citizen input into enhancing IRS customer service by identifying problems and making recommendations for improvements of local IRS systems and procedures; and
- Elevate the problems to the appropriate IRS official and monitor the progress to effect change, and refer individual taxpayers to the appropriate IRS office for assistance in resolving problems.

Each CAP will consist of 8 to 15 volunteers from the district who are willing to commit approximately 100 hours each year to the panel, and may include one or more tax practitioners. The applicants are screened and interviewed by an outside contractor who recommends the top 20 applicants to the Treasury Department. The Secretary of the Treasury then decides the panel 's membership.

CAPs will hold public meetings at least twice a year in various locations throughout the districts. They will receive and review written correspondence from taxpayers to identify customer service issues, obtain information, identify taxpayer concerns, and solicit feedback on

proposed panel recommendations for improvement. The panel will also review recommendations for action from the IRS, prepare special reports, monitor local IRS effectiveness in serving customers and handling complaints, and make recommendations to improve service.

The first CAP was established in June of 1998 in the South Florida District. Three other CAPs will be started in the following areas during FY 1999: Brooklyn (comprising the boroughs of Brooklyn and Queens and the counties of Nassau and Suffolk on Long Island), Midwest (comprising the states of Wisconsin, Iowa and Nebraska) and Pacific-Northwest (comprising the states of Washington, Oregon, Alaska and Hawaii).

The Southern Florida CAP has already developed several recommendations in the short time they have been in existence. Our initial assessment indicates that these panels will provide excellent feedback as the IRS strives to improve customer services and be more responsive to taxpayer needs.

In closing, I would like to thank the Subcommittee for giving me this opportunity to report on the activities of the office and to share my vision for the future of the program. I will do everything within my power to see that taxpayer rights are protected and that the IRS treats all taxpayers with dignity and respect. I will also continue to recommend administrative and legislative changes that I feel are needed to make the nation's tax system more responsive and less burdensome. I know that this will be an enormous task. However, I am confident that with the sustained commitment of Congress, the Treasury Department, the Commissioner, and IRS employees, we can meet the challenge to provide better service and greater equity to America's taxpayers.