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## Internal Revenue Service Midyear Report Card

INTERNAL REVENUE SERVICE, TAX  
BY SCHNEIDER DOWNS PROFESSIONAL

National Taxpayer Advocate Nina Olson recently provided a midyear report card to the United States Congress, noting key observations regarding the performance of the Internal Revenue Service ("IRS"). In her commentary regarding the 2017 tax filing season, Ms. Olson indicated the IRS ran a generally successful campaign, documenting some significant improvements, but also provided recommendations for continuing advancements for enhancing taxpayer service.

The report included praise for the IRS for the increased effort to reduce the occurrence of identity theft. The new requirements for accelerated Form W-2 ("W-2") reporting allowed the IRS more time to match W-2 forms against returns claiming tax refunds. This in turn allowed more time to identify mismatches, detect the possibility of a fraudulent filing and investigate as deemed appropriate. By the end of March 2017, the IRS noted a nearly 30% increase in W-2s received when comparing the same time period from the year before. A similar surge was noted in the number of Forms 1099-MISC the IRS received in 2017 as compared to 2016.

However, as in most report cards there are often areas that need improvement and the IRS is no exception. Olson pointed out that taxpayers in need of assistance from the IRS are still facing major challenges based in part on budgeting and funding restraints. More than 60% of the IRS's budget is dedicated to enforcement activities, but only 4% is allocated for taxpayer outreach and education. Since fiscal year 2010, Congress has cut funding to the IRS by nearly 20% after adjusting for inflation.

As a direct result of the reduced and redirected resources, the walk-in services at many Taxpayer Assistance Centers were eliminated and replaced with a new appointment-only system. The Centers also stopped answering out-of-scope tax law questions during the filing season, and many no longer offer free tax preparation for elderly, low-income, and disabled taxpayers. The response time on IRS compliance phone lines showed some significant declines from prior tax seasons. Olson noted that "the failure to meet the needs of taxpayers who rely on these services causes added stress for them and may reduce their willingness or ability to comply."

Closing comments from Olson included recommendations that the IRS expand its outreach and education activities, improve its phone service and continue the advancements in curtailing identity theft. The American taxpayer can continue to hope for measurable improvements on the next IRS report card, but offer encouragement to keep up the good work!

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