

**WRITTEN TESTIMONY OF
KENNETH C. CORBIN
COMMISSIONER, WAGE AND INVESTMENT DIVISION
AND CHIEF TAXPAYER EXPERIENCE OFFICER
INTERNAL REVENUE SERVICE
BEFORE THE
HOUSE WAYS AND MEANS COMMITTEE
SUBCOMMITTEE ON OVERSIGHT
ON IRS OPERATIONS AND IMPROVING THE TAXPAYER EXPERIENCE
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INTRODUCTION

Chairman Pascrell, Ranking Member Rice and Members of the Subcommittee, thank you for the opportunity to discuss IRS operations and our efforts to ensure equity and fairness as we work to enhance the taxpayer experience.

As both the Commissioner of the IRS's Wage and Investment Division and the agency's Chief Taxpayer Experience Officer, I am a firm believer that taxpayer service remains the most significant IRS priority. The IRS has implemented many new, innovative strategies in an effort to improve our overall level of service and meet the challenges we face today, especially those posed by the pandemic, but we want to do more, and will continue our efforts to improve, both in the short and long term. Further, the President's Executive Order on Transforming Customer Experience, signed in December last year, included specific commitments to improve the taxpayer experience and underscored the importance of earning the public's trust through simple, seamless, and secure service experiences.

The IRS has a responsibility to ensure everyone who interacts with us has both options and access: Everyone should be able to choose how they interact with the IRS and have access to the information they need. They should be able to accomplish these interactions without difficulty. This scenario is true for all those who deal with the IRS – individual and business taxpayers, exempt organizations, tax professionals, and stakeholders in the tax community and elsewhere. If we can ensure they have consistently helpful experiences, that increases trust in the services we provide and makes us better able to bring taxpayers into compliance with integrity and fairness for all.

Enhancing the experience of everyone who interacts with the IRS is especially critical, given the significant role that the IRS plays in the overall health of our country. The fact that the IRS collects approximately \$4.1 trillion in gross revenue per year, representing about 96 percent of the gross revenue of the U.S., clearly shows that the success of our nation is closely tied to the success of the IRS. As a further illustration of the IRS's critical role, we were called upon during the

pandemic to provide economic relief while also fulfilling our routine responsibilities of tax administration – including successfully delivering two extended filing seasons in 2020 and 2021. The IRS's response to COVID-19 included delivering more than \$800 billion in Economic Impact Payments (EIP) to help Americans cope with the financial effects of COVID-19, and delivering more than 200 million advance payments of the Child Tax Credit (CTC) totaling \$93 billion to eligible families between July and December of last year.

IRS employees want to do more to help taxpayers. We want to be able to answer the phones and respond to questions. We want to be ready, whenever a crisis hits, to deliver economic relief quickly — as our employees demonstrated repeatedly during the current pandemic, working long hours to deliver crucial programs.

Our employees continue to expend every effort to balance the confluence of multiple, unprecedented demands, while looking for additional ways to enhance the taxpayer experience and minimize burden for taxpayers, tax professionals and businesses. We remain committed to ensuring the tax system is administered fairly and impartially and that every American receives the nature and quality of services they deserve.

PROVIDING ASSISTANCE TO TAXPAYERS

The most visible taxpayer service the IRS provides is the delivery of the tax filing season each year. During the filing season and throughout the year, the IRS offers assistance so that people can file their returns and receive their refunds as quickly and easily as possible, and this assistance comes through a variety of channels – including online, over the phone and by mail. We also offer important front-line, in-person assistance at our Taxpayer Assistance Centers (TACs) around the country. We maintain 358 TACs but, due to attrition and resource limitations, 32 are currently unstaffed, meaning there are no technical employees permanently assigned to these TACs. All staffed TACs offer appointments as well as the ability to walk in.

Another important way the IRS facilitates in-person assistance is through our support of more than 9,000 Volunteer Income Tax Assistance (VITA) and Tax Counseling for the Elderly (TCE) sites around the country, including military bases. These sites provide free tax preparation assistance to low-income taxpayers, older Americans, people with disabilities and those with limited proficiency in English. During the pandemic, to ensure the health and safety of taxpayers and volunteers, many of these sites have been offering virtual help to taxpayers, either over the phone or online. Even with the challenges posed by the pandemic, volunteers have helped prepare more than 2 million individual returns this year.

The 2022 tax filing season

Due to many factors, the 2022 tax filing season has been a complex and challenging one for taxpayers, tax professionals and for the IRS as well. For that reason, the IRS worked diligently to encourage people to take extra precautions this year to allow them to receive their refund quickly and avoid processing delays. For example, we encouraged people to file electronically, file an accurate return and request a direct deposit of their refund.

We took many important steps this year to further enhance the taxpayer experience, including the following:

- **EIP/CTC letters.** Early in the filing season we sent out more than 250 million letters to help two groups of people: those claiming the Recovery Rebate Credit (RRC) because they did not receive the third EIP for which they were eligible in 2021 and those who needed to reconcile advance CTC payments on their return. IRS Letter 6475, *Your Third Economic Impact Payment*, and IRS Letter 6419, *2021 Advance Child Tax Credit*, set forth the amounts those individuals received in 2021 to help them match IRS records and prevent delays in processing their returns.
- **Expansion of “Customer Callback”** to cover approximately 70 percent of our toll-free telephone demand. During FY 2022, we have offered this option – allowing taxpayers to receive a callback from us, rather than wait on hold – to more than 5.3 million taxpayers with an acceptance rate exceeding 57 percent. We estimate this feature has saved taxpayers more than 1.7 million hours.
- **Offering Online Live Assistance** through Voice Bots and Chat Bots (in English and Spanish) to better enable taxpayers to interact with us. Online Live Assistance leverages limited employee resources, with a single employee responding to multiple taxpayers at a time. We began using voice and chat bots on two of our specialized toll-free telephone lines and IRS.gov, enabling taxpayers with simple payment or collection notice questions to get what they need quickly and avoid waiting.
- **Expanded Saturday openings of certain TACs** to assist taxpayers during the 2022 filing season in more than 90 cities around the country.
- **Increased access to online self-service tools.** Over the last several months, more than 10 million individuals have created their individual online account through IRS.gov.
- **An enhanced Earned Income Tax Credit (EITC) Assistant tool** on IRS.gov to make it more user friendly, so individuals can more easily determine their potential eligibility. This important tool not only serves taxpayers but also helps to reduce erroneous EITC claims.
- **Special filing season alerts page on IRS.gov.** We launched this page in February to provide the latest details and information affecting the 2022 filing season and our ongoing efforts to address the inventory of previously filed tax returns.

While the filing season has presented no major disruptions or surprises, we know we have a great deal of work to do in many other areas of the IRS. The IRS continues to focus on working to reduce paper correspondence inventory and process paper tax returns from 2021 – a situation that was compounded by the pandemic and related issues.

Actions the IRS has taken to address the inventory include surge teams, mandatory overtime, innovating to expedite case closures and suspending various notices. Additionally, many of the steps mentioned above designed to help people navigate the 2022 filing season have also helped us with current and projected inventories – either by reducing the need for taxpayers to write the IRS or freeing up resources from other areas to help us process paper returns and correspondence. The IRS is continuing to assess other changes and system modifications to assist taxpayers on an array of issues. We have redeployed and reallocated resources throughout the IRS and have implemented innovative strategies in an ongoing effort to provide a meaningful reduction in our inventories. We must continue pursuing innovative strategies to fulfill our commitment to return inventories to a healthy level before entering the 2023 filing season.

IRS phone operations have also faced an unusually challenging environment over the past year, with an unprecedented level of phone assistance demand. In 2021, we answered four million more taxpayer calls than the year before, but had a lower level of service than prior years because demand was so high. In the first half of 2021 alone, we received more than 199 million calls – about 400 percent more calls than we get in an average year. For comparison, we received a total of 42 million calls in all of 2018, 40 million calls in 2019, and 55 million calls in 2020. On March 15, 2021, we received 8.6 million calls on just that one day, which is an average of about 1,500 calls per second. The high call volume has significantly hampered our ability to manage telephone demand.

Given that incredibly high call volume has continued again this tax season, we understand the filing experience has been more difficult for taxpayers who need to interact with us. But we continue to make improvements and are confident this work will have us trending in the right direction. Additionally, the funding increase for taxpayer services proposed in the President's Fiscal Year (FY) 2023 Budget provides a projected Level of Service (LOS) on our toll-free help line of 85 percent in FY 2023. This projection assumes phone demand and IRS in-person services both return to pre-pandemic levels.

We are also encouraging taxpayers with questions to turn first to online resources. This area has been a huge focus for the IRS, and critical tools are available that people may overlook. These options range from the Where's My Refund online tool to several other automated tools now available through the Online Account on IRS.gov. For many, there are ways to get help without calling.

Improving service to diverse communities

The IRS continues to focus on improving service to diverse communities. An important way we serve these taxpayers is by communicating with them in their most comfortable language. We are committed to enhancing the experience of all taxpayers, including those who have limited English proficiency. We know that these taxpayers respond to our efforts – as just one example, there were nearly 90 million visits to non-English pages on IRS.gov last year. This year, through April 10, there have been about 17.7 million visits to non-English pages.

Since 2021, the IRS has taken important steps to further improve the amount of service we offer in multiple languages:

- Provided the Form 1040 in Spanish during the 2021 filing season for the first time.
- Gave taxpayers the opportunity to indicate on new Schedule LEP (Limited English Proficiency) whether they want to be contacted by us in a language other than English. This schedule, filed with the 1040, allows taxpayers to select one of 20 languages in which to receive communications from the IRS. During Calendar Year (CY) 2021, the IRS received approximately 326,000 Schedule LEPs.
- Made Publication 1, *Your Rights as a Taxpayer*, available in 20 languages.
- Issued a new, streamlined version of Publication 17, *Your Federal Income Tax*, that is available in seven languages.

These efforts continue this year. We have completed conversion of 34 Spanish notice inserts to Braille, text, audio and large print as of January. We also recently converted Form 1040 and its main schedules, as well as Form 1040 NR, Form 1040 SR, Form W-4 and six publications, into Spanish Braille, text, and large print. We continue working to increase our communications and outreach materials – including information shared on social media channels – into additional languages. To ensure that taxpayers can easily provide their preferences in this area, we also released new Form 9000, *Alternative Media Preference*, this filing season. This form allows taxpayers to tell us they want to receive notices in Braille, large print, audio, or text, and can be filed alone or with the 1040.

While those steps are all important, the IRS is continuing to do more to enhance the taxpayer experience for those who are more comfortable using a language other than English. We are, for example:

- Pursuing efforts to translate website applications for these taxpayers. We have already identified 17 of the most frequently used applications for translation into additional languages.
- Exploring opportunities to employ machine translation to help us add more multilingual content. This is a significant challenge, given how complex many tax terms are. We will need to carefully evaluate automated translation tools, so we anticipate this effort will be ongoing for several years.

TRANSFORMING THE TAXPAYER EXPERIENCE

Along with our day-to-day efforts to help those who interact with us and to enforce the tax laws, our agency is also committed to delivering on the promise of a new IRS. We are continuing the work begun in 2019 with passage of the Taxpayer First Act (TFA) to develop an innovative approach to the future of tax administration that will better serve everyone, including those in underserved communities. The IRS is using the implementation of the TFA to make significant improvements in the way we serve taxpayers, enforce the tax laws in a fair and impartial manner, and ensure our workforce is well-trained.

Last year, the IRS released the Taxpayer First Act Report to Congress and introduced the first-ever Taxpayer Experience Strategy. Following publication of the strategy, I assumed the role of the Chief Taxpayer Experience Officer and started standing up our Taxpayer Experience Office.

This office is unifying and expanding the work being done across the agency to serve taxpayers, setting the strategic direction for improving the taxpayer experience and identifying opportunities to make continuous improvements in real time for taxpayers and the tax professional community. The Taxpayer Experience Office will identify changing taxpayer expectations and industry trends, focus on customer service best practices, and promote a consistent voice and experience across all taxpayer segments by developing agency-wide taxpayer experience guidelines and expectations.

An important part of our vision for the future taxpayer experience involves transforming the traditional way of providing services by gaining an understanding of what service is from the perspective of the person or entity interacting with us. We are also trying to move away from a “point of service” method, where a particular transaction occurs, such as a taxpayer trying to get a question answered or a tax professional submitting an online power of attorney. Instead, we want to look at the customer’s whole relationship with our agency over his or her lifetime. So, the experience someone has with the IRS goes beyond “customer service” to solve a problem, instead encompassing all transactions across our service, compliance and other program areas – whether it involves visiting IRS.gov for more information, calling the toll-free line with a question or meeting with a revenue agent during an exam. It also encompasses every interaction with community partners and stakeholders.

We view the taxpayer experience as a cornerstone of the IRS mission, and our implementation of the Taxpayer Experience Strategy will ensure the IRS meets the needs of all types of taxpayers and stakeholders who rely on the IRS for information and services. Reflecting both near-term and long-term goals, the Taxpayer Experience Strategy focuses on six areas:

- Expanding Digital Services;
- Integrating digital tools with other service channels to provide seamless experiences;
- Undertaking proactive outreach and education by providing the information that taxpayers are seeking at the time, in the language, and through the method they prefer;
- Building on our longstanding and successful partnerships, ensuring we grow and nurture the community of partners;
- Reaching traditionally marginalized communities to address barriers that some face in getting access to tax information and services; and
- Using Data and Advanced Analytics to make data-driven, agency-wide decisions around the taxpayer experience.

It is important to note the improvements envisioned under the Taxpayer Experience Strategy are not all digital, and the progress we have made, and will continue to make, toward this vision involves improvements across multiple service channels. For example, we continue making improvements to our phone and in-person service channels, as our launch of Customer Callback, use of over-the-phone interpreter services and the decision to open TACs on certain Saturdays during the 2022 filing season all illustrate. Additionally, expanding digital offerings and encouraging their use by taxpayers that want to use them frees up capacity on other service channels, especially our toll-free phone line, for customers that want or need to interact with us without going online.

Although planning is still underway to successfully implement the Taxpayer Experience Strategy, the IRS has already made considerable progress across various focus areas, including the following:

- **IRS Online Account.** We are continually working to expand the transactions that individuals can conduct through this account. Last year, we launched a new feature allowing people to authorize their tax practitioner to represent them before the IRS with a Power of Attorney, and to view their tax accounts with a Tax Information Authorization. Tax professionals can go to the Tax Pro Account on IRS.gov to initiate these transactions. We will continue building functionality so that other transactions involving tax professionals can be completed online in a secure digital environment.
- **Customer Callback.** As noted above, more than 70 percent of our toll-free call demand is now eligible for the Customer Callback feature. We will continue expanding this feature, with a goal of 95 percent eligible for callback by FY 2024.
- **Get My Payment.** We gave citizens the ability to monitor the status of EIPs and enter bank information through the Get My Payment tool, which was launched on IRS.gov just three weeks after the enactment of the Coronavirus Aid, Relief and Economic Security (CARES) Act that provided for the initial round of EIPs.
- **Advance CTC Payments.** We developed online tools to help eligible families ensure they received the advance CTC payments provided for

last year under the American Rescue Plan. These tools allowed people to, for example, provide bank account information so they could receive payments electronically, update their number of qualifying children, or opt-out of receiving advance payments.

- **Enhanced Digital Communications.** We now provide online chat features for taxpayers and their authorized representatives to securely interact with designated IRS revenue agents and tax examiners.
- **Forms Modernization.** To coincide with the enhancements to the IRS Online Account described above, we enabled the digital submission of Form 2848, *Power of Attorney* and Form 8821, *Tax Information Disclosure Authorization*. Additional forms that now can be submitted digitally include Form 911, *Request for Taxpayer Advocate Service Assistance* and Form 3949-A, *Information Referral*, the form individuals can use to report tax violations to the IRS.

CHALLENGES: ENSURING ADEQUATE RESOURCES AND PERSONNEL

IRS budget

Like all federal agencies, the IRS is best able to accomplish our mission when we receive the resources necessary to do so. Our need for resources has become more evident as we are now serving more people and entities in a global environment than ever before, while handling new and bigger responsibilities. This was the case before the pandemic and has only increased since then.

Over the course of the last decade, the IRS's budget has decreased by more than 15 percent in real terms. Because of this decrease, in FY 2021 we realized fewer than 79,000 full-time equivalents (FTEs), which is close to 1974 staffing levels. Since 2010, IRS enforcement FTEs have decreased by 30 percent, while the nation's real Gross Domestic Product has increased by 29 percent, and the filing population has increased by 14 percent. Over the next six years, we estimate we will need to hire 52,000 employees just to maintain our current staffing levels. Every measure that is important to effective tax administration has suffered tremendously in recent years, with profound deficiencies resulting from underinvestment in human capital and information technology.

The President's FY 2023 Budget proposal, which seeks to provide \$14.1 billion for the IRS, will allow the agency to take important steps forward in improving taxpayer service, modernizing our systems and ensuring fairness in the tax system. Among its proposals, the Budget contains a request for funding to continue implementation of the Taxpayer First Act, including the Taxpayer First Strategy mentioned earlier in this testimony.

The increase in funding will improve the ways taxpayers interact with the IRS by enhancing and expanding the range of modern, digital tools to deliver a service

experience comparable to that available in the private sector. By empowering taxpayers to address certain needs without requiring live assistance, development of these tools is essential to the IRS's long-term success in satisfying taxpayer expectations and meeting the ongoing growth in demand for assistance.

While the President's FY 2023 Budget would allow us to make important progress on many fronts, the IRS also needs stable, multi-year funding to be in place to truly deliver for the American people and to realize our vision for transforming the taxpayer experience.

Nothing is more important than having those resources in place to make it possible for us to appropriately serve the American people. Absent consistent, timely, multi-year funding, we have largely been a paper-based organization operating in a digital environment. In 2022, IRS employees should not be transcribing paper returns by hand. Taxpayers should not have to wait and wait on the phone—often to no avail. All of us at the IRS want to better serve the American people. We will be able to do so if Congress provides us the stable, multi-year funding we need.

Hiring efforts

The IRS continues to experience significant challenges recruiting talent to support the critical work the agency does for taxpayers and our nation, particularly in the current labor market. With our limited funding, we have been hard at work to do all we can to bring talent on board.

Working with Treasury, the Office of Personnel Management and the National Treasury Employees Union, the IRS recently secured direct hiring authority for a total of 10,000 positions – with a goal of onboarding 5,000 employees in the next several months, as well as an additional 5,000 new hires to be made over the course of the next year. Also, we are grateful for the additional flexibilities Congress included in the Omnibus budget legislation (Consolidated Appropriations Act, FY22) enacted earlier this year. We anticipate that this authority will improve our ability to be competitive in cities where these employees are most needed and enable us to bring talent on board more swiftly.

For example, we have major processing center operations in Austin, TX; Kansas City, MO; and Ogden, UT where we are working to attract eligible applicants for more than 5,000 vacant positions. We have been holding both in-person and virtual job fairs in those three cities where, using direct hiring authority, we have been able to make more than 2,500 conditional offers at the conclusion of the interviews.

CONCLUSION

Chairman Pascrell, Ranking Member Rice and Members of the Subcommittee, thank you again for the opportunity to discuss IRS operations.

The IRS will continue doing everything it can to improve service and meet the challenges we face today, while continuing our longer-term efforts to enhance the experience of everyone who interacts with the IRS.

The reality at the IRS is that we know we need to do better; we are committed to doing better, and we are trending in a positive direction. Our employees are doing everything they can. But we need Congress to help us by providing adequate resources and a sustained, multiyear investment in the agency. This concludes my statement.