NATIONAL TAXPAYER ADVOCATE

ANNUAL REPORT TO CONGRESS

2025



CELEBRATING 25 YEARS OF ADVOCACY

25

TAXPAYER ADVOCATE SERVICE

YOUR VOICE AT THE IRS

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NATIONAL TAXPAYER ADVOCATE 2026 PURPLE BOOK: Compilation of Legislative Recommendations to Strengthen Taxpayer Rights and Improve Tax Administration

(published as separate volume)

Preface: Introductory Remarks by the National Taxpayer Advocate

HONORABLE MEMBERS OF CONGRESS:

It is my privilege to submit for your consideration the National Taxpayer Advocate's 2025 Annual Report to Congress. This report is intended to help Congress strengthen taxpayer rights, reduce taxpayer burden, and improve IRS performance. As required by law, the report identifies and discusses what I believe were the ten most serious problems taxpayers faced in their dealings with the IRS during fiscal year (FY) 2025, summarizes the tax issues most frequently litigated in the U.S. Tax Court (Tax Court) and other federal courts, and makes administrative and legislative recommendations to mitigate taxpayer problems and improve the taxpayer experience.[1] Our legislative recommendations are presented in a companion volume, the National Taxpayer Advocate 2026 Purple Book, *Compilation of Legislative Recommendations to Strengthen Taxpayer Rights and Improve Tax Administration*.[2]

I am pleased to report that during the final weeks of 2025, Congress enacted three recommendations from the National Taxpayer Advocate's 2025 Purple Book. The Internal Revenue Service Math and Taxpayer Help Act significantly improves the clarity of math error notices,[3] and the Disaster Related Extension of Deadlines Act[4] implements our recommendations to prevent taxpayers from losing refunds due to deadline confusion and to stop collection notices from being issued before the deadline for paying tax.[5] Both bills passed with unanimous bipartisan support. Although neither is front page news, they meaningfully reduce avoidable disputes and provide important protections for millions of taxpayers.

The House has passed additional legislation drawn from the 2025 Purple Book that is now pending in the Senate. H.R. 1152, the Electronic Filing and Payment Fairness Act, would extend the "mailbox rule" applicable to mailed documents and payments to electronically submitted documents and payments. H.R. 5346, the Fair and Accountable IRS Reviews Act, would require supervisory approval of certain penalties before written communication imposing a penalty is sent to a taxpayer. H.R. 5349, the Tax Court Improvement Act, would implement two National Taxpayer Advocate Purple Book recommendations – one authorizing Tax Court judges to sign subpoenas to facilitate discovery before scheduled hearings and the other authorizing Tax Court judges to make exceptions to the 90-day deadline for filing a petition contesting a notice of deficiency for good cause, such as when a taxpayer misses the deadline due to a medical emergency.

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1 IRC § 7803(c)(2)(B)(ii). As required by law, this report is submitted directly to the congressional tax-writing committees "without any prior review or comment from the Commissioner, the Secretary of the Treasury, the Oversight Board, any other officer or employee of the Department of the Treasury, or the Office of Management and Budget," except for the validation of statistical information. *See* IRC § 7803(c)(2)(B)(iii).

2 The National Taxpayer Advocate's annual report is due on December 31, and we generally make it available during the first week in January. The report is delayed this year due to the government shutdown, as most TAS employees were furloughed for over a month.

3 Pub. L. No. 119-39, 139 Stat. 659 (2025) (implementing National Taxpayer Advocate 2025 Purple Book, *Compilation of Legislative Recommendations to Strengthen Taxpayer Rights and Improve Tax Administration* 21 (*Require That Math Error Notices Describe the Reason(s) for the Adjustment With Specificity, Inform Taxpayers They May Request Abatement Within 60 Days, and Be Mailed by Certified or Registered Mail*), https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2024/12/ARC24_PurpleBook_03_ImproveAssmtCollect_9.pdf).

4 Pub. L. No. 119-64, 139 Stat. 1984 (2025).

5 *See* National Taxpayer Advocate 2025 Purple Book, *Compilation of Legislative Recommendations to Strengthen Taxpayer Rights and Improve Tax Administration* 133 (*Amend the Lookback Period for Allowing Tax Credits or Refunds to Include the Period of Any Postponement or Additional or Disregarded Time for Timely Filing a Tax Return*), https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2024/12/ARC24_PurpleBook_08_MiscRecs_55.pdf, and 2025 Purple Book 136 (*Protect Taxpayers in Federally Declared Disaster Areas Who Receive Filing and Payment Relief From Inaccurate and Confusing Collection Notices*), https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2024/12/ARC24_PurpleBook_08_MiscRecs_56.pdf.

The Senate Finance Committee has also focused on taxpayer rights. Chairman Crapo and Ranking Member Wyden released a discussion draft of a far-reaching tax administration bill, the Taxpayer Assistance and Service Act (or "TAS Act"), containing over 65 provisions, more than half of which reflect Purple Book recommendations.[6] Their staffs are working to incorporate public comments, and a bill is likely to be introduced in 2026.

Turning back to the IRS: In this preface, I will summarize key taxpayer service results from 2025, describe major challenges the IRS will face in 2026, and summarize the most serious problems and priority legislative recommendations I have identified.

TAXPAYER NEEDS WERE LARGELY MET DURING 2025, BUT 2026 PRESENTS CHALLENGES

Filing Season as a Year-Round System

Over the past five years, I have had the opportunity to closely observe the extraordinary amount of planning, coordination, and sustained effort required each year to deliver a successful filing season. Filing season is not a single event; it is a year-round undertaking that depends on the alignment of technology, staffing, training, legal guidance, and operational execution across the IRS that begins six to 12 months before the start of the filing season. When this alignment works well, taxpayers experience predictability and timely service. When it does not, the consequences are immediate and sometimes financially devastating.

I want to begin by acknowledging the dedication and professionalism of IRS employees and leadership. Throughout a period marked by unprecedented disruption, IRS employees continued to serve taxpayers under extraordinarily challenging conditions, often with limited resources and evolving guidance. Their commitment to public service was evident during some of the most difficult filing seasons in recent history and played a critical role in the operational improvements achieved more recently.

The COVID-19 pandemic fundamentally disrupted tax administration and reshaped filing season operations. Facility closures reduced on-site staffing, and the rapid transition to remote work, sweeping legislative changes, and delivery of multiple economic relief programs through the tax system placed extraordinary strain on IRS operations that impacted multiple filing seasons. These disruptions had direct and lasting consequences for taxpayers, including delayed refunds, unresolved correspondence, repeated and confusing notices, and limited access to assistance. Paper inventories, particularly amended returns, correspondence, and account adjustments, grew to levels not seen in decades, creating backlogs that persisted well beyond the immediate crisis. Although filing season performance has improved dramatically in recent years, inventories of amended returns and correspondence remained higher than normal as of the end of 2025.

For taxpayers, these operational challenges had real financial and emotional consequences. Delayed refunds disrupted household budgets, unresolved notices caused confusion and anxiety, and difficulty reaching the IRS eroded confidence in the tax system. The pandemic years underscored how closely taxpayers' financial well-being is tied to the IRS's ability to process work timely and resolve issues efficiently.

The more recent filing seasons have demonstrated meaningful improvement. Increased staffing, improved planning, and greater operational stability contributed to a smoother filing season and more timely refund processing for many taxpayers during 2025. These improvements underscore the value of sustained investment

6 Taxpayer Assistance and Service (TAS) Act, 119th Cong. (Discussion Draft 2025), https://www.finance.senate.gov/download/tax-admin-bill.

and thoughtful preparation. However, they should not obscure the structural and operational challenges that remain, particularly as the IRS enters the 2026 filing season facing workforce reductions and the implementation of major tax law changes enacted in the One Big Beautiful Bill (OBBB) Act.[7]

The convergence of two other major refund-related changes in the 2026 filing season is expected to affect millions of taxpayers and materially alter how and when they receive their refunds. First, pursuant to Executive Order 14247, refunds paid during the 2026 filing season generally will be delivered electronically, as the IRS phases out paper refund checks. Taxpayers who do not provide direct deposit information may experience significant refund delays, as the IRS will generally hold refunds for up to six weeks while requesting banking information or determining whether an exception applies, with paper checks only issued afterward. This transition is expected to disproportionately affect unbanked, underbanked, disabled, elderly, and other vulnerable taxpayers for whom paper checks have often been the only practical means of receiving refunds needed to cover basic living expenses.[8]

Second, the 2026 filing season may be the first in several years in which federal tax refunds are again subject to offset for defaulted federal student loan debt, although the timing of that change remains uncertain.[9] During the pandemic, student loan offsets were suspended, and many taxpayers came to rely on receiving their full refunds to meet essential household expenses. When student loan offsets resume, some taxpayers will see their refunds reduced or eliminated, creating unexpected financial hardship and frustration. Unsurprisingly, many taxpayers will turn to the IRS seeking explanations or assistance, even though the IRS does not control offset decisions. This change is likely to increase taxpayer confusion and anxiety, generate higher call volumes, and complicate refund administration, particularly as offsets for student loan debt may reduce or displace refunds otherwise applied to other federal obligations during an already demanding filing season.

Taxpayer Service in 2025

Taxpayers generally fared well in their dealings with the IRS during 2025. The IRS processed more than 165 million individual income tax returns.[10] About 94% were submitted electronically, and 6% (about 11 million) were filed on paper.[11] Approximately 104 million taxpayers (63%) received refunds, with an average refund amount of $3,167.

7 An Act to Provide for Reconciliation Pursuant to Title II of H. Con. Res. 14, Pub L. No. 119-21, 139 Stat. 72 (2025) [hereinafter referred to as the "One Big Beautiful Bill Act"].

8 For additional background on the phaseout of paper checks, see Erin M. Collins, As the IRS Phases Out Paper Checks, Vulnerable Taxpayers Must Not Be Left Behind, National Taxpayer Advocate Blog (Oct. 1, 2025), https://www.taxpayeradvocate.irs.gov/news/nta-blog/as-the-irs-phases-out-paper-checks-vulnerable-taxpayers-must-not-be-left-behind/2025/10.

9 In April 2025, the U.S. Department of Education announced that its Office of Federal Student Aid was resuming collections on defaulted federal student loans, including by using the Treasury Offset Program to withhold federal payments such as tax refunds and Social Security benefits for borrowers in default. *See* Press Release, U.S. Dep't of Educ., *U.S. Department of Education to Begin Federal Student Loan Collections, Other Actions to Help Borrowers Get Back into Repayment* (Apr. 21, 2025), https://www.ed.gov/about/news/press-release/us-department-of-education-begin-federal-student-loan-collections-other-actions-help-borrowers-get-back-repayment. On January 16, 2026, however, the Education Department announced a "temporary delay" in enforced collections to give it time to implement student loan reforms enacted as part of the One Big Beautiful Bill Act. *See* Press Release, U.S. Dep't of Educ., *U.S. Department of Education Delays Involuntary Collections Amid Ongoing Student Loan Repayment Improvements* (Jan. 16, 2026), https://www.ed.gov/about/news/press-release/us-department-of-education-delays-involuntary-collections-amid-ongoing-student-loan-repayment-improvements. The Department did not specify how long the temporary delay will remain in effect, so contrary to its April 2025 announcement, it is now uncertain whether tax offsets will be required in 2026.

10 IRS, Filing Season Statistics for Week Ending Dec. 26, 2025, https://www.irs.gov/newsroom/filing-season-statistics-for-week-ending-dec-26-2025.

11 *Id.*

In prior years, particularly during the pandemic, large numbers of taxpayers experienced refund delays because the IRS was slow to process paper-filed returns or suspended the processing of returns that fall into one of the categories shown in Figure 1.1.1. Even during a relatively smooth filing season, millions of taxpayers experience refund delays due to processing delays. More than 30 million individual income tax returns were suspended during processing in FY 2025, broken out as follows:[12]

FIGURE 1.1.1, Individual Taxpayer Submissions Suspended During Processing, FY 2025

Category	Volume
Unpostables	17,731,621
Error Resolution Cases	9,045,056
Processing Rejects	2,828,923
Suspected ID Theft Returns	2,914,180
Suspected Fraudulent Returns	1,025,132
Total	**33,544,912**

While most suspended returns did not result in significant refund delays, about 3.6 million taxpayers received their refunds beyond the IRS's normal processing time, with an average wait time of seven weeks for e-filers and 14 weeks for paper filers.[13] My office, the Taxpayer Advocate Service (TAS), continued to receive substantial volumes of cases involving these issues. TAS received approximately 34,000 pre-refund wage verification hold cases, 14,000 cases involving returned or stopped refunds, 7,000 cases involving lost or stolen refunds, and 7,000 Taxpayer Protection Program cases requiring identity verification before refunds could be released.[14]

Case Resolution Time for Identity Theft Victim Assistance Cases Remains Unconscionably Long at Nearly Two Years

In my 2023 annual report to Congress, I highlighted that the IRS was taking nearly 19 months to resolve self-reported identity theft cases in its Identity Theft Victim Assistance (IDTVA) unit. I called the delay "unconscionable," and the IRS agreed to expedite the processing of these cases. In my 2024 report, I recommended the IRS keep all IDTVA employees working on identity theft cases – and not reassign them to answer telephone calls or perform other work – until the average time for resolving IDTVA cases is reduced to 90 days.

12 IRS, Submission Processing Filing Season Statistics Reports for the weeks ending Oct. 4, 2024 through Sept. 26, 2025; IRS, Compliance Data Warehouse (CDW), Individual Master File (IMF) (Jan. 6, 2026). Generally, unpostable returns are returns that cannot "post" to the taxpayer's account due to errors or mismatched data (*e.g.*, a recently married taxpayer signs her tax return using her new spouse's last name so her name and Social Security number don't match); Error Resolution cases arise when a taxpayer makes a math error on a return or an IRS employee makes an error transcribing a paper-filed return, and an IRS employee must review the return to address the identified issue; processing rejects are returns that cannot be processed, usually due to missing or incorrect information; suspected identity theft returns are returns flagged by IRS identity theft filters; and suspected fraudulent returns are returns flagged by IRS non-identity theft refund fraud filters. For additional explanation of these categories, see Erin M. Collins, Lifecycle of a Tax Return, National Taxpayer Advocate Blog (May 18, 2021), https://www.taxpayeradvocate.irs.gov/news/nta-blog/nta-blog-lifecycle-of-a-tax-return/2021/05.

13 IRS, CDW, Individual Returns Transaction File, IMF, and Notice Delivery System (Tax Year 2024 Form 1040 return filings).

14 Data obtained from Taxpayer Advocate Management Information System (TAMIS) (Oct. 1, 2023; Oct. 1, 2024; Aug. 1, 2025) and Phoenix (Nov. 17, 2025). Note: Phoenix is a dynamic system; the data could change based on when the query is run.

Resolution times for IDTVA cases remain unacceptably long – nearly two years on average – leaving affected taxpayers without refunds to which they are entitled and prolonging financial hardships. The IRS ended FY 2025 with an inventory of approximately 316,000 IDTVA cases and had taken an average of 21 months to resolve them.[15] I reiterate my prior recommendation that the IRS keep IDTVA employees focused on identity theft casework until average resolution time is reduced to 90 days.

The 2026 Filing Season: Complexity Amid Constraint

Staffing Reductions May Impact Workload Capacity

Among the reasons the 2025 filing season went well was that the IRS had its largest workforce in many years and faced no major tax law changes that required implementation during the filing season. Entering 2026, the landscape is markedly different. The IRS is simultaneously confronting a reduction of 27% of its workforce, leadership turnover, and the implementation of extensive and complex tax law changes mandated by the OBBB Act, many of which apply retroactively and require significant IRS programming, guidance, changes to tax forms and instructions, and taxpayer education.

Staffing reductions have been significant. In January 2025, the IRS workforce consisted of more than 102,000 employees. By December, that number had been reduced to about 74,000 employees. The impact of these departures is not merely numeric. Many departing employees were experienced workers whose institutional knowledge and technical expertise cannot easily be replaced.

As shown in Figure 1.1.2, staffing levels have decreased in virtually every IRS Business Operating Division (BOD) and function.[16]

15 IRS, Accounts Management Weekly Identity Theft Report (week ending Oct. 4, 2025); IRS, Accounts Management Research, Analysis and Data, Correspondence Imaging System Closed Case Cycle Time Report (FY 2025).
16 IRS, Chief Financial Officer data as of Dec. 18, 2025.

FIGURE 1.1.2, IRS Personnel Losses by BOD/Function (as of December 18, 2025) ,

IRS Business Operating Division/Function	Staffing as of January 25, 2025	Staffing as of December 18, 2025	Percent Change From January 25, 2025
Chief Counsel	2,741	2,260	▼ -17.55%
Chief Financial Office (CFO)	578	414	▼ -28.37%
Chief Operating Officer (COO)	139	366	▲ 163.31%
Chief Tax Compliance Officer (CTCO)	10	4	▼ -60.00%
Communications and Liaison (C&L)	379	205	▼ -45.91%
Criminal Investigation (CI)	3,588	3,118	▼ -13.10%
Direct File (DF)	26	3	▼ -88.46%
Enterprise Case Management Office (ECMO)	51	12	▼ -76.47%
Facilities Management and Security Services (FMSS)	1,212	889	▼ -26.65%
Human Capital Office (HCO)	2,927	2,057	▼ -29.72%
Independent Office of Appeals (Appeals)	1,775	1,263	▼ -28.85%
Information Technology (IT)	8,647	5,954	▼ -31.14%
IRS Headquarters (HQ)	50	17	▼ -66.00%
Large Business and International (LB&I)	6,763	5,023	▼ -25.73%
Office of Chief Risk Officer (CRO)	37	21	▼ -43.24%
Office of Civil Rights and Compliance (OCRC)	177	85	▼ -51.98%
Office of Professional Responsibility (OPR)	21	14	▼ -33.33%
Online Services (OLS)	220	0	▼ -100.00%
Privacy, Governmental Liaison and Disclosure (PGLD)	656	457	▼ -30.34%
Procurement	585	306	▼ -47.69%
Research, Applied Analytics and Statistics (RAAS)	619	453	▼ -26.82%
Return Preparer Office (RPO)	119	81	▼ -31.93%
Small Business/Self-Employed (SB/SE)	24,122	15,012	▼ -37.77%
Tax Exempt/Government Entities (TE/GE)	2,286	1,590	▼ -30.45%
Taxpayer Advocate Service (TAS)	1,971	1,475	▼ -25.16%
Taxpayer Experience Officer (TXO)	106	48	▼ -54.72%
Taxpayer Services (TS)	42,122	33,264	▼ -21.03%
Transformation and Strategy Office (TSO)	80	0	▼ -100.00%
Whistleblower Office (WO)	94	74	▼ -21.28%
TOTAL	**102,101**	**74,465**	**▼ 27.07%**

Leadership attrition has compounded these challenges. As of November 12, the IRS leadership chart listed 28 positions classified as "top officials," the majority of which were either vacant or filled by acting officials. The loss of experienced managers has been mirrored throughout the agency and inevitably affects planning, coordination, and execution during filing season.

Among key functions IRS employees perform is programming the IRS's tax return processing systems to reflect changes in the tax law, answering taxpayer telephone calls, and processing taxpayer correspondence. There has been a significant reduction of employees in each of these areas, including a 22% reduction in customer service representatives.[17] Although the Taxpayer Services division has been given authority to backfill some of these positions, the numbers will be smaller, and new hires generally need to be trained from scratch.

To fulfill its mission, the IRS must align hiring decisions with operational needs and emerging challenges, rather than target a predetermined staffing level. Workforce planning should be guided by the work necessary to provide timely, accurate service to taxpayers and to protect taxpayer rights, as well as by the most effective ways to deliver those outcomes. As the IRS considers its hiring model, it should emphasize process improvements and strategic investments in technology that improve the taxpayer experience, reduce unnecessary burden, and ensure staffing resources are aligned with mission-critical functions that support both compliance and fair treatment of taxpayers.

Significant Changes in Tax Law Made by the One Big Beautiful Bill Act Create Implementation Challenges for the IRS and Compliance Challenges for Taxpayers

The OBBB Act made more than 100 changes in the tax code.[18] Many are complex and have required significant IRS programming, guidance, changes to tax forms and instructions, and taxpayer education. While the OBBB Act is generally taxpayer-favorable in that it expands eligibility for certain deductions and benefits, the deductions and benefits are subject to complex eligibility rules, income thresholds, and phaseouts that will be difficult for many taxpayers to understand and for the IRS to administer accurately during the filing season. By the end of 2025, the IRS had programmed the changes associated with the OBBB Act provisions impacting the 2026 filing season, including a new Schedule 1-A, Additional Deductions. This schedule was created to enable taxpayers to claim several new "above the line" deductions (meaning deductions taxpayers can claim even if they do not itemize their deductions). Taxpayers claiming deductions related to tips, overtime pay, car loan interest, and an additional senior citizen deduction will need to fill out the new schedule and carry the totals to Form 1040.

To illustrate the scope and intricacy of the changes that must be implemented before the 2026 filing season, the following examples highlight several new deductions for which many taxpayers may qualify and the detailed rules that taxpayers, practitioners, and IRS systems must navigate correctly:

- **Tax deduction for interest paid on auto loans.**[19] Taxpayers may claim an above-the-line deduction for interest paid on auto loans, but only if numerous conditions are met. The vehicle must be new (used car purchases don't qualify); the vehicle must have been purchased for personal use (lease payments don't qualify); the loan must have originated after December 31, 2024; the loan must be secured by a lien on the vehicle; the vehicle must carry a gross vehicle weight rating of less than 14,000 pounds; the vehicle identification number must be included on the tax return; the loan must not have been obtained from a related party; and the vehicle must have undergone "final assembly in the United

17 IRS, CFO data as of Dec. 18, 2025 (reduction from pay period 23 in 2024 to pay period 23 in 2025).
18 One Big Beautiful Bill Act, Pub L. No. 119-21, 139 Stat. 72, 74-77 (2025) (listing of tax provisions, which are included in Title VII, Subtitle A of the bill).
19 *Id.* at § 70203.

States."[20] The deduction is capped at $10,000 and begins to phase out for taxpayers with modified adjusted gross income (MAGI) over $100,000 for single taxpayers and $200,000 for married filing jointly taxpayers at a rate of 20% for each additional dollar of income, fully phasing out for single filers with MAGI over $150,000 and joint filers with MAGI over $250,000. Each of these requirements must be verified, increasing the risk of errors and delays based upon the taxpayer's filings.

- **Tax deduction for certain tip income.**[21] Employees and self-employed individuals may claim tips as an above-the-line deduction, but only if they receive them in occupations the IRS lists as having customarily and regularly received tips on or before December 31, 2024, and that are reported to the taxpayer and the IRS on an information reporting return. To qualify, a tip must be "paid voluntarily without any consequence in the event of nonpayment" ("mandatory gratuities" added by some restaurants and other businesses are ineligible), and the deduction applies only for income tax purposes. Employment taxes still must be reported and paid on amounts deducted. The deduction is capped at $25,000 and is subject to an income phaseout. The deduction begins to phase out for taxpayers with MAGI over $150,000 for single taxpayers and $300,000 for married filing jointly taxpayers at a rate of 10% for each additional dollar of income, fully phasing out for single filers with MAGI over $400,000 and joint filers with MAGI over $550,000. These distinctions are likely to confuse taxpayers and increase disputes, particularly when employer practices or information reporting are inconsistent.
- **Tax deduction for certain overtime pay.**[22] Taxpayers may claim an above-the-line deduction for the portion of overtime pay that exceeds their regular rate of pay. For example, if an employee is normally paid $20 an hour and is paid $30 for overtime (time-and-a-half), the employee will be able to deduct the $10 amount that exceeds the regular rate of pay, but not the $20 amount that is the same as the regular rate of pay. The deduction is capped at $12,500 ($25,000 for joint filers) and begins to phase out for taxpayers with MAGI over $150,000 for single taxpayers and $300,000 for married filing jointly taxpayers at a rate of 10% for each additional dollar of income, fully phasing out for single filers with MAGI over $275,000 and joint filers with MAGI over $550,000. Implementing this deduction will require coordination among employers, payroll systems, tax software, and IRS processing filters, increasing the likelihood of mismatches and taxpayer telephone calls or correspondence.
- **Additional standard deduction for senior citizens.**[23] Seniors will be able to deduct $6,000 ($12,000 for seniors who elect "married filing jointly" filing status) in addition to the current deduction for individuals age 65 and over. While the current deduction is only available to taxpayers who take the standard deduction, the new additional deduction will be available to all taxpayers (meaning taxpayers who itemize their deductions will also be eligible to claim it). The deduction begins to phase out for taxpayers with MAGI over $75,000 for single taxpayers and $150,000 for married filing jointly taxpayers at a rate of 6% for each additional dollar of income, fully phasing out for single filers with MAGI over $175,000 and joint filers with MAGI over $250,000. Taxpayers who elect "married filing separately" filing status may not claim the additional deduction. Taxpayers must understand how this new deduction interacts with existing age-based deductions and filing status rules, increasing complexity for a population that often relies heavily on accurate IRS guidance and telephone calls to the IRS.

20 Final assembly is defined as "the process by which a manufacturer produces a vehicle at, or through the use of, a plant, factory, or other place from which the vehicle is delivered to a dealer with all component parts necessary for the mechanical operation of the vehicle included with the vehicle, whether or not the component parts are permanently installed in or on the vehicle." One Big Beautiful Bill Act, Pub L. No. 119-21, § 70203(a), 139 Stat. 72, 176 (2025).
21 One Big Beautiful Bill Act, Pub L. No. 119-21, § 70201, 139 Stat. 72, 170 (2025).
22 *Id*. at § 70202.
23 *Id*. at § 70103.

- **Increased maximum tax deduction for state and local taxes.**[24] The maximum deduction for state and local taxes will increase from $10,000 to $40,000 for both single filers and taxpayers filing jointly (half for married taxpayers filing separate returns). The deduction will only be available to taxpayers who itemize their deductions, and it is subject to an income limitation but not a full phaseout. The deduction begins to phase down for taxpayers with MAGI over $500,000 at a rate of 30% for each additional dollar of income, but it will remain at $10,000 for taxpayers with MAGI of $600,000 or more.

Other taxpayer-favorable but complex provisions include the creation of Trump retirement accounts.[25]

It takes considerable work for IRS technology personnel to program IRS systems to administer each of these changes (*e.g.,* to distinguish vehicles that underwent final assembly in the United States from those that did not). At the same time, taxpayers and tax professionals must learn and correctly apply dozens of new rules. Major law changes of this scope historically increase return errors, false positive rates in processing filters, taxpayer correspondence, and taxpayer contacts. These changes will place additional strain on IRS systems and employees at the very moment when staffing levels have been significantly reduced, heightening the risk that the 2026 filing season will be more difficult, frustrating, and costly for taxpayers, practitioners, and the IRS. The good news is the IRS leadership and its employees have worked hard to provide guidance, implement changes to its forms and instructions, and program its systems for the OBBB Act changes in advance of the filing season. The question remains whether taxpayers will understand these benefits and claim them correctly.

The IRS Plans to Outsource the Processing of a Large Portion of Paper-Filed Tax Returns to Private Contractors, Which Creates Risks

The overwhelming majority of individual taxpayers file their returns electronically. But about 11 million individuals continue to file on paper. IRS submission processing employees historically have transcribed paper-filed returns by keying every relevant digit from the returns into IRS systems. I have criticized the IRS in the past for continuing to rely on manual data transcription and have urged it to implement scanning technology to automate the data intake process.[26]

In April, the IRS launched a "Zero Paper Initiative" to digitize a wide swath of the agency's operations, including return processing. Rather than do the work itself, the IRS entered into contracts with several private companies to scan returns using optical character recognition technology. While this approach has the potential to reduce processing times for paper returns, it introduces operational and confidentiality risks, particularly because most of these contractors have not previously worked with the IRS.

Historically, IRS submission processing employees transcribed paper-filed returns on IRS campuses within a culture that places overriding emphasis on safeguarding tax return information. Although contracts require vendors to implement confidentiality protections and to require their employees who handle tax returns to take the same training as IRS employees, contractors doing this work for the first time may take shortcuts or otherwise fail to maintain adequate systemic safeguards. It was just a few years ago that an employee of an IRS contractor, Charles Littlejohn, stole the return information of thousands of taxpayers and sent it to media outlets. In the Purple Book, I make a recommendation to enhance penalties on contractors if they fail to protect taxpayer return information.[27] While I am pleased to see movement toward the use of scanning technology, the progress of this outsourcing initiative is still in its infancy stage and bears watching.

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24 One Big Beautiful Bill Act, Pub L. No. 119-21, § 70120, 139 Stat. 72, 170 (2025).
25 One Big Beautiful Bill Act, Pub L. No. 119-21, § 70204, 139 Stat. 72, 179 (2025).
26 *See, e.g.,* Erin M. Collins, IRS Deputy Commissioners Respond to Taxpayer Advocate Directive on Scanning Technology; National Taxpayer Advocate Appeals Decision to Commissioner, National Taxpayer Advocate Blog (Aug. 4, 2022), https://www.taxpayeradvocate.irs.gov/news/nta-blog/nta-blog-irs-deputy-commissioners-respond-to-taxpayer-advocate-directive/2022/08.
27 *See* National Taxpayer Advocate 2026 Purple Book, *Compilation of Legislative Recommendations to Strengthen Taxpayer Rights and Improve Tax Administration* 175 (*Strengthen Incentives for IRS Contractors to Ensure Their Employees Keep Taxpayer Return Information Confidential*).

Measuring What Matters

From the taxpayer's perspective, a successful filing season is measured by outcomes rather than internal IRS metrics. Taxpayers want to file accurately, receive acknowledgment of filing, receive refunds quickly, resolve issues without prolonged delays, and obtain assistance when needed. While telephone accessibility is an important component of service, access alone does not resolve most taxpayer problems.

Historically, the IRS's primary measure of taxpayer service has been a telephone metric known as the "Accounts Management Customer Service Representative Level of Service" (LOS), which generally measures the percentage of calls answered by a live assistor among calls routed to live assistors. Although the LOS loosely measures access, it does not measure whether taxpayers receive accurate information, whether their issues are resolved, or whether they must call back repeatedly about the same unresolved problem. It is also a misleading measure, because taxpayers often assume the LOS reflects the percentage of callers who reach an IRS employee. It does not. During FY 2025, the LOS was 60% on the Accounts Management (AM) telephone lines, yet only 26% of callers spoke with an IRS employee.[28] We have written extensively about the flaws in this measure in past reports.[29] Even among calls answered, a call that does not resolve the taxpayer's issue is not a successful interaction. The Treasury Inspector General for Tax Administration (TIGTA) has also been critical of the IRS's use of the LOS measure. In a report released in August 2025 on IRS telephone service, TIGTA concluded that the LOS and average wait times, key performance metrics, do not reflect the actual taxpayer experience.[30]

Many of the issues that most directly affect taxpayers, such as amended returns, correspondence responses, penalty abatement requests, and account adjustments, require manual processing that IRS employees cannot complete during a telephone call. When underlying inventories remain unresolved, taxpayers often have no choice but to call the IRS for updates or clarification, increasing call volumes without resolving the root problem. One of the most persistent challenges facing the IRS is balancing the demand for telephone service with the need to process paper and manual workloads. The same AM employees who answer taxpayer calls are also responsible for resolving paper cases. When staffing is limited and call volumes increase, resources are often shifted to maintain a high telephone LOS. While this may improve reported access in the short term, it is often a net negative overall, as it exacerbates paper backlogs, delays refunds and account resolutions, and ultimately increases repeat contacts from taxpayers seeking updates.

In recent years, the IRS has set a goal of achieving an LOS of 85% during the filing season. While that goal is laudable, it results in over a million hours of idle employee time each filing season. That's because to answer 85% of calls routed to telephone assistors, the IRS must staff the phone lines to meet call demand at peak times. As a consequence, the phone lines are substantially overstaffed at other times. The IRS has not yet found a way to shift its customer service representatives seamlessly between answering the phones at peak periods and processing correspondence at other times, so representatives in recent years have spent as much as 34% of their time simply waiting for the phone to ring.[31] During the 2023 filing season, that translated to nearly 1.3 million hours.[32] Customer service representatives closed an average of 1.21 cases per hour in the

28 The LOS measure only reflects calls that the IRS telephone system routes to customer service representatives. During FY 2025, about 27 million calls were routed to voice bots and about 11 million were reported as "primary abandons" (where taxpayers hung up before they were placed into a calling queue, often because they didn't believe they would receive timely or satisfactory service). These roughly 38 million calls and certain others were excluded from the LOS calculation. Taking into account all calls received on the Accounts Management telephone lines, only 26% reached a customer service representative. IRS, Joint Operations Center, Snapshot Reports: Enterprise Snapshot, Accounts Management (week ending Sept. 30, 2025); IRS response to TAS information request (Dec. 22, 2025).

29 *See, e.g.*, National Taxpayer Advocate 2023 Annual Report to Congress 48 (Most Serious Problem: *Telephone and In-Person Service: Despite Improvements in Its Service Levels, the IRS Still Does Not Provide Taxpayers and Tax Professionals with Adequate, Timely Telephone and In-Person Service*), https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2024/01/ARC23_MSP_04_Telephone-InPerson.pdf.

30 TIGTA, Ref. No. 2025-100-040, *Telephone Level of Service and Average Wait Times Do Not Fully Reflect the Taxpayer Experience* (2025).

31 IRS, Ready Agent Hours Report (Jan. 1 – Apr. 22, 2023).

32 IRS, Ready Agent Hours Report (Jan. 1 – Apr. 22, 2023).

tax adjustments inventory that year.[33] Therefore, if the telephone idle time of nearly 1.3 million hours had been allocated to resolving paper inventories, the IRS would have processed and closed more than 1.5 million additional cases.

It is not practical to eliminate all idle time, but if the IRS set a lower LOS goal, it would get more bang for the buck; AM employees would have considerably less idle time and would resolve more taxpayer issues more quickly. In essence, an overly high LOS can create a self-perpetuating cycle: Customer service representatives spend significant time idle rather than resolving underlying account issues, those unresolved issues prompt taxpayers to call repeatedly or submit duplicative correspondence, and the resulting increase in calls and correspondence further strains IRS resources and delays resolution.

The recent workforce reductions have heightened the need to maximize productivity and reduce idle time. Although the IRS has received authorization to hire additional AM employees, delays have limited its success. What was already a lengthy hiring process is now lengthier, with additional approvals required by the Treasury Department and the Office of Personal Management adding many weeks or months to the process. As a result, the IRS sought to hire about 3,500 customer service representatives for the upcoming filing season, but it fell over 1,000 employees short.

Lessons Learned

When staffing is limited, shifting resources to maintain telephone access may improve reported LOS in the short term, but it exacerbates paper backlogs, delays refunds and account resolutions, and ultimately increases repeat contacts. A high LOS achieved at the expense of timely case resolution can worsen the overall taxpayer experience rather than improve it, and combined with recent workforce reductions, it is likely to create a big hole from which the IRS will spend months or years digging out. I recommend the IRS eliminate the LOS as a benchmark performance measure and replace it with a suite of performance measures that better reflect the taxpayer experience and drive improvements in the quality of taxpayer service.

In recent years, the IRS has consistently managed to navigate formidable challenges to deliver relatively successful filing seasons. Despite unprecedented obstacles, it even managed to run the filing season and issue timely refunds to most taxpayers during the COVID-19 pandemic. I am optimistic it will do so again in 2026. For the significant majority of taxpayers who file their returns electronically, who include their direct deposit information, and whose returns are not stopped by IRS processing filters, the process will be seamless. Their returns will be processed quickly, and if they are due a refund, they will receive it without delay. But as always, the success of the filing season will be defined by how well the IRS is able to assist the millions of taxpayers who experience problems.

MOST SERIOUS PROBLEMS ENCOUNTERED BY TAXPAYERS

As required by statute, this report describes the ten most serious problems taxpayers experienced in their dealings with the IRS over the past year and makes recommendations to address them. A quick summary of the "Top 10" follows:

- **Refund delays and unclear and confusing disallowance notices harm taxpayers and jeopardize their rights to administrative and judicial review.** During FY 2025, the IRS processed about 1.6 million business amended returns and took an average of over 13 months to do so. Although delays for individual amended returns were less extreme, it took the IRS an average of over five months to process 3.7 million such returns. Refund delays can cause financial harm for taxpayers, as businesses may need their refunds for cash flow purposes and individuals, particularly low-income individuals,

33 IRS, Accounts Management Research, Analysis and Data, FY24 Paper Efficiency Target Report (week ending Sept. 28, 2024) (showing 1.21 cases closed per employee per hour in the Adjustments inventory).

may require refunds to pay their basic living expenses. When the IRS disallows a refund claim, it often issues a notice that is unclear and does not provide vital information, including the deadline by which the taxpayer must either file a refund suit in court or get the IRS to execute an extension of the filing deadline. We recommend the IRS take additional steps to automate the processing of amended tax returns so it can process them more quickly, and we recommend it improve the clarity of the information it provides in notices of claim disallowance and establish procedures to execute Form 907, Agreement to Extend the Time to Bring Suit, to protect taxpayer rights from harm caused by IRS delays.

- **Outdated paper processes and procurement delays harm taxpayers.** The IRS's challenges in modernizing its technology systems are longstanding, and as I discussed earlier, the need to digitize its operations is becoming more critical. When the IRS processes paper-filed original tax returns, amended tax returns, and taxpayer correspondence through paper processing methods, taxpayers must wait longer to receive their refunds or correspondence responses. In addition, transcription errors are often made that create problems and often require additional back-and-forth between the taxpayer and the IRS to resolve. The IRS's struggles in modernizing its technology are largely attributable to the agency's large number of data systems and the way they interact with each other. The agency's Zero Paper Initiative is currently a top priority. We recommend the IRS conduct a comprehensive study of the pros and cons of contracting with external vendors as compared with building in-house capacity staffed by IRS employees to perform scanning and other digital operations, and we recommend the IRS refine its procurement processes to reduce bid protests and consequent delays.
- **The IRS does not accurately measure the quality of telephone service.** Telephone service remains the primary method by which taxpayers contact the IRS to ask questions or resolve account problems. Taxpayers called the IRS over 100 million times last year. Despite the importance of this communication method, the IRS does not have adequate measures to assess whether taxpayer needs are being met. Historically, the IRS has published the LOS performance measure, which we have criticized because most calls the IRS receives are excluded from the measure and the measure does not capture the quality or resolution of the calls. During 2025, the IRS routed about 35 million calls to new voicebot technology; these calls also are not included in its benchmark LOS telephone performance measure, except for calls transferred to telephone assistors.[34] So far, taxpayers generally have not been satisfied with the voicebots. In taxpayer satisfaction surveys, only about half of taxpayers reported that they found the *Where's My Refund?* bot helpful and only 40% found the *Where's My Amended Return?* bot helpful. We recommend the IRS implement comprehensive outcome-based measures for all telephone lines, including measurement of "first contact resolution."
- **Taxpayers and tax professionals continue to raise concerns about the independence of the Independent Office of Appeals (Appeals), undermining public confidence in the appeals process.** One of the ten rights in the Taxpayer Bill of Rights is the *right to appeal a decision of the Internal Revenue Service in an independent forum*.[35] It is critical that taxpayers receive a prompt and independent review of determinations made by the IRS compliance functions and, equally important, that taxpayers have confidence that Appeals' reviews are independent and do not merely rubber stamp compliance actions. Among our concerns: taxpayers often experience significant delays in obtaining Appeals hearings; Appeals personnel sometimes lack adequate training; an Alternative Dispute Resolution (ADR) mediation process is vastly underutilized; and concerns about independence persist, particularly when Appeals Officers invite Compliance or Chief Counsel personnel to attend taxpayer conferences. We recommend the IRS establish binding timeline standards, require annual training on hazards-of-litigation analysis, reinvigorate and publicize the ADR program, update

34 IRS response to TAS information request (Dec. 22, 2025).
35 *See* Taxpayer Bill of Rights (TBOR), https://www.taxpayeradvocate.irs.gov/taxpayer-rights (last visited Dec. 26, 2025). The rights contained in TBOR are also codified in IRC § 7803(a)(3).

procedures to emphasize independence, and require Appeals Officers to obtain taxpayer consent to include Compliance or Chief Counsel personnel in taxpayer conferences.[36]

- **Online accounts for tax professionals lack critical functionality required to enable them to effectively represent taxpayers.** About 11 million taxpayers have active tax professional authorizations with the IRS, either authorizing a tax professional to receive their tax information or authorizing a tax professional to represent them in tax controversies. Tax professionals assist taxpayers with a wide range of issues, including responding to IRS notices, representing them in audits and collection cases, and providing support on other account-related matters. Yet the online account for tax professionals (Tax Pro Account) is far more limited than taxpayer online accounts, often requiring tax professionals to communicate with the IRS via snail mail or telephone. The limitations on their ability to access taxpayer information online delays case resolution, allows penalties and interest to accumulate, and drives up representation costs. We recommend the IRS expand Tax Pro Account functionality so representatives can access the same features and information that their clients can access through their individual and business online accounts.
- **Taxpayers face delays and inadequate responses to their administrative requests for records from the IRS.** The Freedom of Information Act (FOIA) was enacted in 1966 to increase transparency about federal policies and decision-making.[37] At the IRS, however, taxpayers more frequently rely on FOIA to obtain their own tax records. When a taxpayer receives a notice proposing additional tax or penalties or receives a collection notice, the taxpayer or representative may want to review all documents the IRS received or created in making its determination to help them advocate for their position. Filing a FOIA request is often the only way to get those documents. The FOIA process is cumbersome and often results in significant delays and failure to obtain the information the taxpayer is entitled to receive. We recommend the IRS make more information available directly to taxpayers or their representatives without the need to file FOIA requests and improve IRS digital records systems to ensure consistency in providing responses.
- **Systemic failures undermine taxpayer rights to representation, due process, and quality service.** The IRS maintains the Centralized Authorization File (CAF) to manage and track the authority of tax professionals to represent taxpayers before the IRS. It must balance processing taxpayer authorization forms efficiently with preventing unauthorized access to taxpayer records. Practitioners report that the authorization process still relies heavily on manual processing and, as a result, is slow and error prone. In addition, some practitioners have had their CAF numbers suspended or deactivated. This makes it nearly impossible for practitioners to communicate with the IRS on behalf of their clients, harming the taxpayer and effectively preventing the practitioners from doing their jobs. We recommend the IRS take several steps to improve CAF processing, including improving operational efficiencies, notifying practitioners if their CAF numbers are suspended, and developing procedures to limit the harm to taxpayers and practitioners when a CAF suspension occurs.
- **The negative tax influence of social media harms taxpayers.** Taxpayers understandably want to minimize their tax burden, and social media abounds with tempting but false information, such as purported tax credits that don't exist or claims that income not reported on a Form W-2 does not need to be reported on a tax return. At the same time, the IRS now uses social media to communicate

36 The Purple Book contains a legislative recommendation to require that Appeals Officers obtain taxpayer consent in order to include Compliance or Chief Counsel personnel in taxpayer conferences. *See* National Taxpayer Advocate 2026 Purple Book, *Compilation of Legislative Recommendations to Strengthen Taxpayer Rights and Improve Tax Administration* 87 (*Require Taxpayers' Consent Before Allowing IRS Counsel or Compliance Personnel to Participate in Appeals Conferences*).

37 Lyndon B. Johnson, Statement by the President Upon Signing the "Freedom of Information Act," The American Presidency Project (July 4, 1966), https://www.presidency.ucsb.edu/documents/statement-the-president-upon-signing-the-freedom-information-act. FOIA is codified at 5 U.S.C. § 552.

accurate information to taxpayers. To maximize the benefits of social media and minimize its downsides, we recommend the IRS conduct an analysis of how strategies used to identify and deter ghost preparers may be adapted to address social media misinformation, partner with trusted community organizations to develop and distribute accurate and helpful content, work with secondary school systems to teach tax and financial literacy, and continue to improve its own social media outreach.

- **U.S. taxpayers living abroad face severe compliance burdens.** U.S. taxpayers living abroad face both statutory and administrative burdens. From a statutory perspective, the United States is one of very few countries that taxes its citizens on income earned overseas, and it requires many taxpayers to file a Report of Foreign Bank and Financial Accounts (FBAR) and comply with the reporting requirements of the Foreign Account Tax Compliance Act (FATCA).[38] From an administrative perspective, taxpayer service is difficult to obtain overseas. There are no Taxpayer Assistance Centers, no free Volunteer Income Tax Assistance and Tax Counseling for the Elderly programs except on certain military bases, no toll-free telephone option, no callback option, and no ability to make tax payments from or receive tax refunds in foreign bank accounts. We recommend the IRS take several steps to improve the accessibility of IRS services for taxpayers living abroad, and in our Purple Book, we recommend Congress eliminate duplicative FBAR and FATCA reporting requirements and remove the reporting requirement for financial accounts a U.S. person maintains in the country in which the person is a *bona fide* resident.[39]
- **Taxpayers face long delays and hardships with IRS processes designed to offer relief from international withholding requirements.** The U.S. tax system requires payors of certain income to foreign taxpayers to withhold tax that, in some cases, far exceeds the taxpayer's tax liability. Foreign income recipients may spend years trying to recover funds unnecessarily withheld. At the same time, U.S. payors who fail to comply with withholding obligations may face personal liability, plus penalties and interest. Common problems include long processing delays, lack of e-filing options, IRS errors that seem to arise from manual data entry, and lack of access to IRS employees who can help to resolve problems. We recommend the IRS create a timeline for developing e-filing capability, online portals, and other digital tools to assist taxpayers with withholding programs, study the causes of unwarranted failure-to-file and failure-to-pay penalty assessments under the Foreign Investment in Real Property Tax Act (FIRPTA), and post and update processing times on IRS.gov, so taxpayers know what to expect.[40]

LEGISLATIVE RECOMMENDATIONS

The National Taxpayer Advocate Purple Book this year makes 71 recommendations to strengthen taxpayer rights and improve tax administration. Most recommendations in this volume are non-controversial, common-sense reforms. I highlight the following ten legislative recommendations for particular attention:

- **Authorize the IRS to establish minimum standards for federal tax return preparers and revoke the identification numbers of sanctioned preparers (Recommendation #5).** The IRS receives over 160 million individual income tax returns each year, and most are prepared by paid tax return preparers. While some tax return preparers must meet licensing requirements (*e.g.,* certified public accountants, attorneys, and enrolled agents), most tax return preparers are not credentialed. Numerous studies have found that non-credentialed preparers disproportionately prepare inaccurate returns, causing some taxpayers to overpay their taxes and other taxpayers to underpay, which subjects them to penalties and interest charges. Non-credentialed preparers also drive much of the high improper

38 Pub. L. No. 111-147, Title V, Subtitle A, § 511, 124 Stat. 71, 109-10 (2010).
39 *See* National Taxpayer Advocate 2026 Purple Book, *Compilation of Legislative Recommendations to Strengthen Taxpayer Rights and Improve Tax Administration* 19 (*Eliminate Duplicative Reporting Requirements Imposed by the Bank Secrecy Act and the Foreign Account Tax Compliance Act*).
40 Foreign Investment in Real Property Tax Act of 1980, Pub. L. No. 96-499, §§ 1121-1125, 94 Stat. 2599, 2682-2691 (1980).

payment rate attributable to wrongful Earned Income Tax Credit (EITC) claims. In FY 2024, 27.3% of EITC payments, amounting to $15.9 billion, were estimated to be improper, and among tax returns claiming the EITC prepared by paid tax return preparers, 96% of the total dollar amount of EITC audit adjustments was attributable to returns prepared by non-credentialed preparers.

Federal and state laws generally require lawyers, doctors, securities dealers, financial planners, actuaries, appraisers, contractors, motor vehicle operators, barbers, and beauticians to obtain licenses or certifications. The Obama, first Trump, and Biden administrations each recommended that Congress authorize the Treasury Department to establish minimum standards for federal tax return preparers. To protect taxpayers and the public fisc, we likewise recommend that Congress provide the Treasury Department with this authorization as well as authorization to revoke the Preparer Tax Identification Numbers (PTINs) of preparers who have been sanctioned for improper conduct.[41]

- **Expand the Tax Court's jurisdiction to hear refund cases (Recommendation #43).** Under current law, taxpayers seeking to challenge an IRS tax due adjustment can file a petition in the Tax Court, while taxpayers who have paid their tax and are seeking a refund must file suit in a U.S. district court or the U.S. Court of Federal Claims. Litigating in a U.S. district court or the Court of Federal Claims is generally more challenging – filing fees are more costly, rules of civil procedure are complex, the judges generally do not have tax expertise, and proceeding without a lawyer is difficult and uncommon. By contrast, taxpayers litigating their cases in the Tax Court face a low $60 filing fee, face less formal procedural rules, are generally assured their positions will be fairly considered, even if they don't present them well, because of the tax expertise of the Tax Court's judges, and thus they can more easily represent themselves without a lawyer. For these reasons, the requirement that refund claims be litigated in a U.S. district court or the Court of Federal Claims effectively deprives many taxpayers of the right to judicial review of an IRS refund disallowance. In FY 2024, about 97% of all tax-related litigation was adjudicated in the Tax Court.[42] We recommend Congress expand the jurisdiction of the Tax Court to give taxpayers the option to litigate all tax disputes, including refund claims, in that forum.
- **Enable Low Income Taxpayer Clinics to assist more taxpayers in controversies with the IRS (Recommendation #64).** The Low Income Taxpayer Clinic (LITC) Program assists low-income taxpayers and taxpayers who speak English as a second language. When the LITC Program was established as part of the IRS Restructuring and Reform Act of 1998, the law limited annual grants to no more than $100,000 per clinic.[43] The law also imposed a 100% "match" requirement, so a clinic cannot receive more in grants than it raises from other sources. The nature and scope of the LITC Program have evolved considerably since 1998, and those requirements are preventing the program from expanding assistance to a larger universe of eligible taxpayers. We recommend Congress remove the per-clinic cap and allow the IRS to reduce the match requirement to 25%, where doing so would expand coverage to additional taxpayers.
- **Require the IRS to timely process claims for credit or refund (Recommendation #2).** Millions of taxpayers file refund claims with the IRS each year. Under current law, there is no requirement that the IRS pay or deny them. It may simply ignore them. A taxpayer's only remedy in that circumstance is to file suit in a U.S. district court or the U.S. Court of Federal Claims. For many taxpayers, that is not a realistic or affordable option. The absence of a processing requirement is a poster child for non-responsive government. While the IRS generally does process refund claims, the claims can and

41 In general, a PTIN must be obtained by a tax return preparer who is compensated for preparing or assisting in the preparation of all or substantially all of a federal tax return or claim for refund. The preparer must then include the PTIN on any returns or claims for refund prepared.

42 Data compiled by the IRS Office of Chief Counsel (Nov. 8, 2024). IRS, Counsel Automated Tracking System, TL-711 and TL-712. This data does not include cases on appeal and declaratory judgments.

43 Pub. L. No. 105-206, § 3601, 112 Stat. 685, 774 (1998). In recent years, Congress has increased the per-clinic maximum grant to $200,000 through annual appropriations legislation.

sometimes do spend months and even years in administrative limbo within the IRS. We recommend Congress require the IRS to act on claims for credit or refund within one year and impose certain consequences on the IRS if it fails to do so.

- **Allow taxpayers to claim the Child Tax Credit and Earned Income Tax Credit for a child who meets all statutory requirements except having a Social Security number by the due date of the tax return (Recommendation #58).** For taxpayers to claim their children for purposes of the Child Tax Credit (CTC) or EITC, their children must have Social Security numbers (SSNs) by the tax return filing deadline. The intent of this requirement is to limit the tax credits to U.S. persons, but in a variety of circumstances, taxpayers cannot or do not obtain SSNs for their children in time and lose out on thousands of dollars of tax credits for which they otherwise qualify. For example, a taxpayer may otherwise be eligible to claim a child born on December 31 but not receive the child's SSN by April 15 and therefore miss out on the credits.

  Among taxpayers who lose out on the credits: military and other expatriate families stationed overseas who must take additional steps to obtain SSNs; parents who don't obtain SSNs in time when a birth takes place outside a hospital setting and the parents don't file a timely SSN application, a hospital misplaces the paperwork, the Social Security Administration (SSA) makes a processing error, or the parents move and their mail isn't forwarded; parents of adopted children who have not yet received SSNs; parents of children who are born and die before the SSA issues an SSN; and taxpayers who do not obtain SSNs for their children due to religious beliefs (*e.g.*, some Amish sects). In these circumstances, U.S. citizens are being denied valuable benefits intended by Congress. We recommend Congress allow taxpayers who obtain SSNs after the filing deadline to timely file amended returns to claim CTC and EITC benefits or, in the case of those opposed to SSNs for religious reasons, to submit other forms of substantiation.[44]

- **Provide consistent and predictable tax relief for victims of federally declared disasters (Recommendation #53).** After a hurricane, flood, wildfire, or other natural disaster has destroyed homes or businesses, Congress often passes legislation to provide tax relief to those affected. But there is no consistency regarding whether or which forms of tax relief are granted. Taxpayers may receive extensive relief, some relief, or no relief at all. Relief, even when granted, generally is not authorized until months later. The current *ad hoc* approach creates uncertainty for disaster victims and their communities and often means that similarly situated taxpayers receive different results. We recommend Congress determine which forms of tax relief to grant in the case of federally declared disasters and provide that relief automatically. In the alternative, and recognizing that different types of disasters may warrant different forms of relief, we recommend Congress authorize a menu of relief options and direct the Treasury Department to prescribe regulations for determining which forms of relief to provide based on the nature and severity of the disaster.

- **Extend the reasonable cause defense for the failure-to-file penalty to taxpayers who rely on return preparers to e-file their returns (Recommendation #31).** The tax law imposes a penalty of up to 25% of the tax due for failing to file a timely tax return, but the penalty is waived where a taxpayer can show the failure was due to "reasonable cause." Most taxpayers pay tax return preparers to prepare and file their returns for them. In 1985, when all returns were filed on paper, the Supreme Court held that a taxpayer's reliance on a preparer to file a tax return did not constitute reasonable cause to excuse the failure-to-file penalty if the return was not timely filed. In 2023, a U.S. Court of Appeals held that reasonable cause is also not a defense when a taxpayer relies on a preparer to file a tax return electronically.

  For several reasons, it is often much more difficult for taxpayers to verify that a return preparer has e-filed a return than to verify that a return has been paper-filed. Unfortunately, many taxpayers are not familiar with the electronic filing process and do not have the tax knowledge to ask for the right document or

44 The IRS is currently making an administrative exception in the case of children who die before an SSN is issued.

proof of filing. Penalizing taxpayers who engage preparers and do their best to comply with their tax obligations is grossly unfair and undermines the congressional policy to encourage e-filing. Under the court's ruling, astute taxpayers would be well advised to ask their preparers to give them paper copies of their prepared returns and then transmit the returns by certified mail themselves so they can ensure compliance. We recommend Congress clarify that reliance on a preparer to e-file a tax return may constitute reasonable cause for penalty relief and direct the Secretary to prescribe regulations detailing what constitutes ordinary business care and prudence for purposes of evaluating reasonable cause requests.

- **Promote consistency with the Supreme Court's *Boechler* decision by making the time limits for bringing all tax litigation subject to equitable judicial doctrines (Recommendation #45).** Taxpayers who seek judicial review of adverse IRS determinations generally must file petitions in court by statutorily imposed deadlines. The courts have split over whether filing deadlines may be waived under extraordinary circumstances. Most tax litigation takes place in the Tax Court, where taxpayers are required to file petitions for review within 90 days of the date on a notice of deficiency (150 days if addressed to a person outside the United States). The Tax Court has held it lacks the legal authority to waive the 90-day (or 150-day) filing deadline even, to provide a stark example, if the taxpayer had a heart attack on Day 75 and remained in a coma until after the filing deadline. The Supreme Court has held that filing deadlines are subject to "equitable tolling" in the context of Collection Due Process hearings. We recommend Congress harmonize the conflicting court rulings by providing that all filing deadlines to challenge the IRS in court are subject to equitable tolling where timely filing was impossible or impractical.
- **Strengthen incentives for IRS contractors to ensure their employees keep taxpayer return information confidential (Recommendation #70).** The IRS annually receives about 11 million paper-filed Forms 1040, U.S. Individual Income Tax Return, nine million paper-filed Forms 941, Employer's Quarterly Federal Tax Return, and two million paper-filed Forms 940, Employer's Annual Federal Unemployment (FUTA) Tax Return. In the past, IRS employees have transcribed these returns on IRS campuses. Beginning in 2026, the IRS plans to send a large portion of these returns to private contractors to scan in their own facilities. Particularly in light of the recent case involving Charles Littlejohn, a contractor's employee who stole the tax return information of thousands of taxpayers and provided it to news organizations, we recommend Congress strengthen penalties applicable to government contractors whose employees improperly inspect or disclose tax return information to incentivize them to implement and maintain more stringent systemic safeguards.
- **Provide that assessable penalties are subject to deficiency procedures (Recommendation #14).** The IRS ordinarily must issue a notice of deficiency giving taxpayers the right to appeal an adverse IRS determination in the Tax Court before it may assess tax.[45] In limited situations, however, the IRS may assess penalties without first issuing a notice of deficiency. These penalties are generally subject to judicial review only if a taxpayer first pays the penalties and then sues for a refund. Assessable penalties can be substantial, sometimes running into the millions of dollars. Under current IRS interpretation, these penalties include but are not limited to international information reporting penalties under IRC §§ 6038, 6038A, 6038B, 6038C, and 6038D. The inability of taxpayers to obtain judicial review on a preassessment basis and the requirement that taxpayers pay the penalties in full to obtain judicial review on a post-assessment basis can effectively deprive taxpayers of the right to judicial review. To ensure taxpayers have an opportunity to obtain judicial review before they are required to pay often-substantial penalties they do not believe they owe, we recommend Congress require the IRS to issue a notice of deficiency before imposing assessable penalties.

45 In the case of "mathematical or clerical errors," the IRS may issue a "math error" notice that assesses tax without providing the right to judicial review. The taxpayer has 60 days to request that the IRS abate the math error assessment. If the taxpayer makes the request, the IRS is required to abate the assessment, and if the IRS decides to challenge the taxpayer's position, it must then issue a notice of deficiency. *See* IRC § 6213(b).

CONCLUSION

Taxpayers ultimately judge the tax system the same way they judge any essential public service – by whether it works when they need it. For most people, filing is straightforward. But when something goes wrong – a refund delayed, an identity theft case unresolved, an amended return unprocessed, an unclear or inaccurate notice received, or a penalty assessed in error or without adequate safeguards – the consequences are not abstract. When taxpayers experience delays in receiving their refunds, particularly lower-income taxpayers who qualify for significant refundable tax credits, they may be unable to meet their basic living expenses or, in the case of business taxpayers, they may face cash flow problems and be unable to pay their employees or other expenses. Timely delivery of taxpayer refunds is a core IRS responsibility.

The past year has been one of extraordinary transition for the IRS. The agency began the year with its largest workforce in recent memory, and then after absorbing a 27% reduction, it ended the year with one of its smallest. Reductions of this magnitude almost surely will affect operations, particularly in areas that already depend heavily on manual work and experienced employees, such as processing correspondence, amended returns, and other account adjustments, including identity theft cases. As the IRS enters the 2026 filing season while implementing extensive changes enacted by the OBBB Act, the agency's challenge will be to ensure that taxpayers continue to receive timely service and fair treatment, even as it operates with fewer resources.

I have been encouraged by the IRS's renewed focus on modernizing its technology. If the agency follows through by automating high-volume tasks, digitizing paper workflows, and connecting online tools to real-time account information, it can deliver service that matches what taxpayers already experience in their dealings with private sector financial institutions. Taxpayers want, and deserve, a 21st century tax administration – one that provides clear communication, transparent processing timeframes, secure digital options that resolve problems, and a smooth handoff to live assistance when automation is not sufficient.

The good news is that improvement is achievable. The operational gains seen in 2024 and 2025, along with Congress's enactment of targeted bipartisan taxpayer protections, show that practical reforms can translate into better outcomes for millions of taxpayers. The task now is to make those gains durable so that service not only improves when conditions are unusually favorable but remains reliable through workforce constraints, major law changes, and inevitable future disruptions. That requires sustained modernization and, equally important, modern performance measurement. Success should be defined by what taxpayers deserve: timely refunds, accurate information, first-contact resolution where possible, and timely processing of cases that cannot be resolved on a phone call.

I look forward to working with Congress and the IRS as the agency refines and implements its modernization plans. Together with my TAS team, we stand ready to help strengthen taxpayer service and tax administration for the benefit of all taxpayers – and to continue to serve as the taxpayer's safety net when the system falls short.

Respectfully submitted,



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Taxpayer Rights and Service Assessment: IRS Performance Measures and Data Relating to Taxpayer Rights and Service

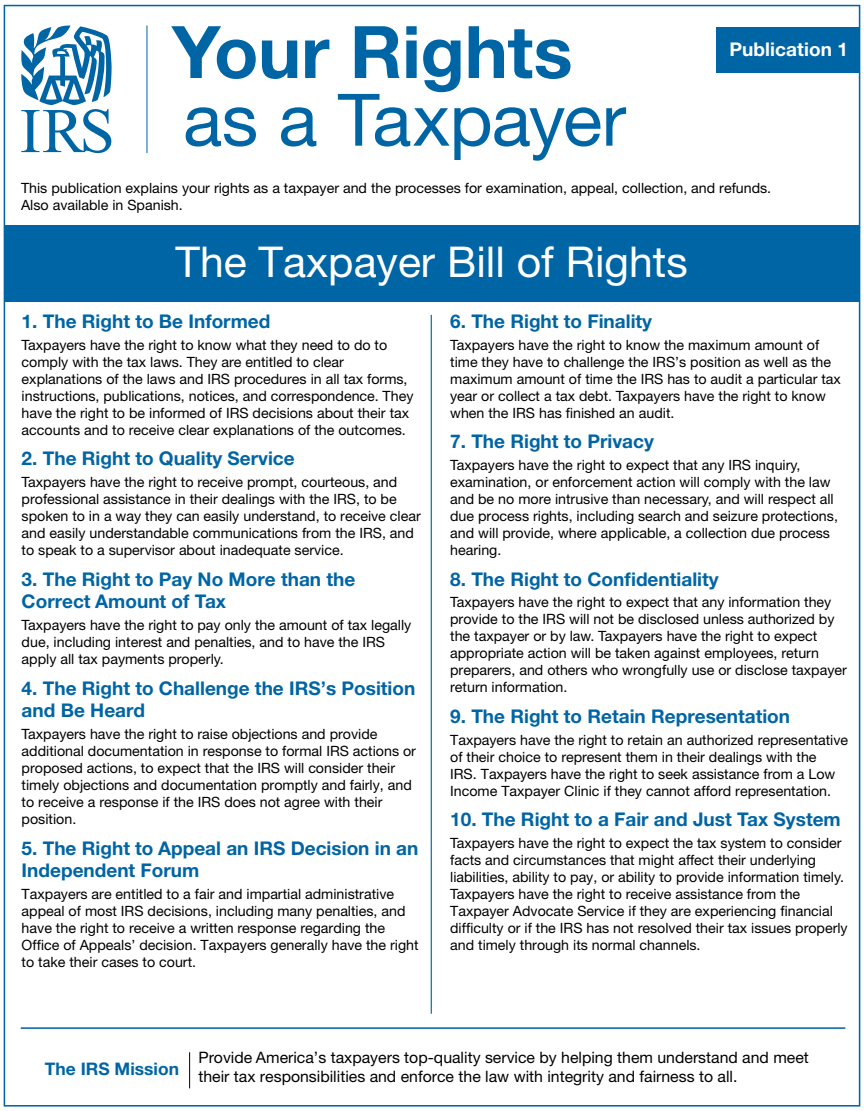
INTRODUCTION

The Taxpayer Rights and Service Assessment provides the IRS, Congress, and other stakeholders with an annual "report card" to evaluate how the agency protects taxpayer rights and provides various services to taxpayers, while promoting compliance with the tax laws. This report card highlights the enormous volume of returns and information documents processed by the IRS, the breadth of services provided to taxpayers, and key compliance actions undertaken during the three recently completed fiscal years (FYs). Each performance measure is examined through the lens of the Taxpayer Bill of Rights (TBOR) to assess how effectively the IRS is meeting its obligations to taxpayers. A comparison of the services provided by the IRS and its compliance actions across three FYs provides insight into the agency's progress – and continued challenges – in embedding the TBOR into the administration of the tax system.[1]

The Taxpayer Bill of Rights Has Been Law for the Past Ten Years – But IRS Actions Are What Make Taxpayers Rights a Reality

At the urging of the National Taxpayer Advocate, the IRS incorporated the TBOR into its official policy on June 10, 2014 – a milestone the National Taxpayer Advocate celebrated in her Annual Report to Congress last year.[2] This year, the National Taxpayer Advocate commemorates ten years since the TBOR was codified into law as IRC § 7803(a)(3).[3] The IRS explains these rights in Publication 1, Your Rights as a Taxpayer, which accompanies nearly all IRS correspondence to taxpayers. These rights spell out what taxpayers can expect when dealing with the IRS, including good service, prompt resolution of issues, and fair application of the tax laws.

FIGURE 1.2.1



IRS

Your Rights as a Taxpayer

Publication 1

This publication explains your rights as a taxpayer and the processes for examination, appeal, collection, and refunds. Also available in Spanish.

The Taxpayer Bill of Rights

1. The Right to Be Informed

Taxpayers have the right to know what they need to do to comply with the tax laws. They are entitled to clear explanations of the laws and IRS procedures in all tax forms, instructions, publications, notices, and correspondence. They have the right to be informed of IRS decisions about their tax accounts and to receive clear explanations of the outcomes.

2. The Right to Quality Service

Taxpayers have the right to receive prompt, courteous, and professional assistance in their dealings with the IRS, to be spoken to in a way they can easily understand, to receive clear and easily understandable communications from the IRS, and to speak to a supervisor about inadequate service.

3. The Right to Pay No More than the Correct Amount of Tax

Taxpayers have the right to pay only the amount of tax legally due, including interest and penalties, and to have the IRS apply all tax payments properly.

4. The Right to Challenge the IRS's Position and Be Heard

Taxpayers have the right to raise objections and provide additional documentation in response to formal IRS actions or proposed actions, to expect that the IRS will consider their timely objections and documentation promptly and fairly, and to receive a response if the IRS does not agree with their position.

5. The Right to Appeal an IRS Decision in an Independent Forum

Taxpayers are entitled to a fair and impartial administrative appeal of most IRS decisions, including many penalties, and have the right to receive a written response regarding the Office of Appeals' decision. Taxpayers generally have the right to take their cases to court.

6. The Right to Finality

Taxpayers have the right to know the maximum amount of time they have to challenge the IRS's position as well as the maximum amount of time the IRS has to audit a particular tax year or collect a tax debt. Taxpayers have the right to know when the IRS has finished an audit.

7. The Right to Privacy

Taxpayers have the right to expect that any IRS inquiry, examination, or enforcement action will comply with the law and be no more intrusive than necessary, and will respect all due process rights, including search and seizure protections, and will provide, where applicable, a collection due process hearing.

8. The Right to Confidentiality

Taxpayers have the right to expect that any information they provide to the IRS will not be disclosed unless authorized by the taxpayer or by law. Taxpayers have the right to expect appropriate action will be taken against employees, return preparers, and others who wrongfully use or disclose taxpayer return information.

9. The Right to Retain Representation

Taxpayers have the right to retain an authorized representative of their choice to represent them in their dealings with the IRS. Taxpayers have the right to seek assistance from a Low Income Taxpayer Clinic if they cannot afford representation.

10. The Right to a Fair and Just Tax System

Taxpayers have the right to expect the tax system to consider facts and circumstances that might affect their underlying liabilities, ability to pay, or ability to provide information timely. Taxpayers have the right to receive assistance from the Taxpayer Advocate Service if they are experiencing financial difficulty or if the IRS has not resolved their tax issues properly and timely through its normal channels.

The IRS Mission Provide America's taxpayers top-quality service by helping them understand and meet their tax responsibilities and enforce the law with integrity and fairness to all.

Publication 1 (Rev. 9-2017) Catalog Number 64731W Department of the Treasury **Internal Revenue Service** www.irs.gov

The codification of the TBOR was a significant step toward ensuring that the IRS treats taxpayers appropriately and that its policies and actions focus on meeting taxpayers' needs. Although these rights were already in existence prior to becoming law, formalizing the rights was an important step for the IRS, as the TBOR highlights the IRS's commitment to maintaining taxpayer rights, most visibly by the service it provides to taxpayers. The TBOR also enables taxpayers to have confidence the tax laws will not only be administered impartially, but also in a manner that emphasizes the value of the taxpayer. Since the adoption of the TBOR, the IRS has incorporated TBOR guidance and references within nearly every chapter of the Internal Revenue Manual, established an IRS.gov TBOR page, and provided IRS employees with annual training regarding taxpayer rights and the role of the Office of the Taxpayer Advocate as required by statute.[4]

TAS recognizes the IRS's ongoing promotion of the TBOR. However, the TBOR must be more than a framework of guiding principles. The IRS must deliver quality service to taxpayers and their representatives, protect the confidentiality of taxpayer data, and administer and enforce the tax law justly. While the IRS is

exploring and implementing new technologies to improve taxpayer service, in FY 2025 the IRS eliminated about 25% of its staffing, reducing service, increasing the time spent conducting many of its audits, and limiting its enforcement actions against noncompliant taxpayers.[5] These results have the potential to relegate the TBOR to a group of tenets or aspirational goals rather than rights guaranteed by law. The IRS must do more than advise taxpayers of their ten rights guaranteed by the TBOR when interacting with the IRS. It must also take the necessary actions to ensure the TBOR permeates the daily work of IRS employees and guides employee interactions with taxpayers. In fact, the TBOR should guide the IRS as it develops policy and procedures and puts them into practice. Failing to do otherwise would be an act of hypocrisy and undermine the agency's stated commitment to taxpayer rights.

Taxpayer Rights Must be More Than Words on a Page

From FY 2010 to FY 2021, the IRS struggled to fully integrate the TBOR into its administration of the tax laws, largely due to ongoing decreases in its funding. The IRS's inflation-adjusted budget appropriation declined by about 20% from FY 2010 through FY 2021,[6] impairing its ability to deliver on taxpayers' *right to quality service*.[7]

In August 2022, Congress provided billions of dollars in additional IRS funding. However, the amounts allotted to taxpayer services and business modernization were only about 10% of the nearly $80 billion.[8] Even so, this funding allowed the IRS to implement numerous service improvements. During filing seasons 2023 through 2025, the IRS maintained at least an 85% Level of Service (LOS) on its Accounts Management (AM) lines, which include the telephone numbers that taxpayers call to obtain answers to tax law questions and make account inquiries.[9] In April 2023, the IRS released its Strategic Operating Plan (SOP), outlining how it would deploy the multiyear Inflation Reduction Act (IRA) funds to improve tax administration, especially by emphasizing the customer service experience.[10] About a year later, the IRS presented the first annual update, reporting on important improvements made during its first year of this increased funding. Specifically, the IRS had improved live assistance for taxpayers, reduced call wait times, expanded online services, and simplified taxpayer notices.[11] The IRS is continuing to improve its suite of digital services offered to taxpayers and their representatives. These improvements include additional online account functionality for individuals and tax professionals as well as providing an online account for business taxpayers.[12] Although the IRS implemented several service improvements for taxpayers with the IRA funding, neither the SOP nor the following annual update mentioned the rights afforded to taxpayers by the TBOR. This omission is concerning. Expansion of digital tools and modernized systems is essential, but such investments must support taxpayer rights – not substitute for them.

The expansion of IRS digital service and the deployment of better technology are both important steps to providing quality service to taxpayers. However, the IRS now faces a significant decrease in funding. While technology may help mitigate staffing losses, the IRS must remain committed to providing personal service to taxpayers who need to speak directly with IRS representatives, either due to the complexity of the issue or a taxpayer's inability to effectively use methods that rely on less personal means to address their tax issues. The IRS must remain accountable to Congress, taxpayers, and other stakeholders as it allocates its remaining IRA funding to improve service to taxpayers, enforce the tax laws, and maintain taxpayer rights, while collecting over $5 trillion of federal revenue annually.[13]

Although the National Taxpayer Advocate acknowledges the IRS's progress, sustaining these improvements with roughly 25% fewer employees than at the start of FY 2025 will be challenging.[14] Furthermore, while providing quality customer service is one of the most important taxpayer rights, the IRS cannot forget that it is responsible for the privacy and confidentiality of taxpayer information. The IRS must continue to efficiently spend its remaining IRA funding to foster the reality of taxpayer rights, while compensating for fewer staff resources. This means that the IRS must be able to process taxpayer calls and correspondence more efficiently

while providing more online resources for those taxpayers who can avail themselves of this technology. Yet, current IRS reporting on IRA spending does not articulate how the agency will maintain quality service or honor the TBOR amid reduced staffing.

The measures reported in the following sections shed light on the IRS's recent performance and ongoing challenges. While the IRS has made improvements, it must ensure that all future strategies – in technology, staffing, and service delivery – are anchored in the TBOR. The IRS must consider these questions as it implements improvements:

1. How will new technologies affect taxpayer rights?
2. How will the IRS ensure taxpayers unable to use new technology receive the same level of service?
3. Will these new initiatives and applications raise new risks to the taxpayer *rights to privacy* and *to confidentiality*?
4. How will the IRS balance taxpayer service and compliance to maintain taxpayers' *right to a fair and just tax system*?
5. Will new technologies only benefit the IRS, or will they also provide a similar benefit to taxpayers?[15]
6. How will the IRS measure the quality of service taxpayers receive?

Taxpayer rights must guide IRS decision-making, not simply serve as statements of principle. Taxpayers should experience their rights through their interactions with the IRS – not merely read about them.

TAXPAYER SERVICE: TAX RETURN PROCESSING

Each year, taxpayers file over 250 million returns with the IRS. Return processing represents one of the most fundamental taxpayer services and is often the sole interaction many taxpayers have with the agency.

Millions of returns will contain errors or other deficiencies that must be resolved before processing. Additionally, the IRS must evaluate the returns to ensure their legitimacy, detect unreported income and overstated expenses, initiate appropriate audits, and collect unpaid liabilities.

Taxpayers expect the IRS to adhere to the tenets of the TBOR during their interaction with the agency. Tax return processing is a fundamental IRS service and return filing metrics are an important measure of IRS workload and taxpayer service. The IRS meets the rights and expectations of taxpayers by timely processing their returns, including issuing claimed refunds. Taxpayers have the responsibility to timely file and pay their taxes; however, the IRS must in turn meet its responsibility by quickly and accurately processing the returns, issuing appropriate refunds, and conducting any necessary compliance actions. Each of these IRS actions demonstrate its level of commitment to provide taxpayers their *rights to quality service* and *to a fair and just tax system*.

The IRS's projected number of tax returns filed in FY 2025 has decreased slightly, from over 271 million tax returns (including supplemental documents such as extensions to file federal income tax returns) received in FY 2023 to about 270 million returns in FY 2025. Even though the percentage of returns filed electronically continues to increase, taxpayers are expected to file over 10 million individual income tax returns on paper in FY 2025. Paper processing remains labor-intensive, time-consuming, and vulnerable to long delays and backlogs.[16] Although the IRS has announced its intent to digitally process all paper-filed returns by the 2025 filing season, it has not yet met this goal.[17]

The cost of filing is another key aspect of taxpayer service. In FY 2025, only about 3 million taxpayers elected one of the IRS's free filing options. The IRS estimates that 44% of taxpayers, about 68.5 million, will use commercial software to self-prepare and file their 2024 Forms 1040. Subtracting taxpayers who use one of the

free options to file their returns, means that about 65.5 million taxpayers will self-prepare their income tax returns using software. If the software to prepare and file these returns costs only $50, as a whole, taxpayers will spend over $3.3 billion.[18]

The high volume of returns processed by the IRS each year shows the size of the task laid upon the IRS's shoulders. However, in addition to all these tax returns, the IRS must also process billions of information returns to enable it to review the compliance of the more than 160 million individual income tax returns. While the increased use of electronic filing greatly reduces the IRS resources necessary to process returns, taxpayers bear more of this cost.[19] The IRS must balance its resource constraints with its obligation to protect taxpayer rights. Timely return processing, transparent issuance of refunds, and appropriate detection and resolution of filing errors all reflect the agency's commitment to the TBOR, including the *rights to quality service* and *to a fair and just tax system*.

FIGURE 1.2.2, Income Tax Returns and Information and Reporting Documents Filed, FYs 2023-2025

Measure/Indicator	FY 2023	FY 2024	FY 2025
Returns Filed (Primary Types)[20]	271,462,415	266,580,671	269,568,400
Total Individual Income Tax Returns[21]	163,124,867	161,052,673	163,173,500
Total Individual Income Tax Returns Filed on Paper[22]	15,159,438	10,785,093	9,649,200
Total Individual Income Tax Returns Filed Electronically[23]	147,965,429	150,267,580	153,037,300
Free File Consortium (Tax Year)[24]	2,437,000	2,569,472	2,702,389
Fillable Forms (Tax Year)[25]	449,653	399,181	367,371
Total Corporation Income Tax Returns[26]	8,269,075	8,281,313	8,210,200
Total Corporation Income Tax Returns Filed on Paper[27]	1,356,072	944,939	910,100
Total Corporation Income Tax Returns Filed Electronically[28]	6,913,003	7,336,374	7,300,100
Total Forms W-2[29]	278,908,239	275,028,211	270,623,300
Total Forms 1099[30]	4,669,826,769	3,904,183,196	4,041,175,200

Observation: The percentage of electronically filed individual income tax returns continues to rise. In FY 2025, the IRS expects over 94% of individual taxpayers to file their income tax returns electronically, which is an increase of nearly 3 million returns from FY 2024. Meanwhile, the IRS expects the volume of paper-filed individual income tax returns to decrease to less than 10 million. Overall, the IRS expects fewer corporate returns to be filed, and it expects the percentage of corporate returns filed electronically to remain relatively constant. The IRS Form W-2 submissions dropped by approximately 1.4% from 2023 to 2024 and is expected to drop by about 1.6% in 2025. On the other hand, after over a 16% decrease in Forms 1099 filed from 2023 to 2024, the number is expected to rise by about 4% in 2025. However, the volume is still expected to be over 600 million documents below the 2023 level. The IRS should continue pursuing solutions that reduce the volume of paper returns, including ensuring that all return types can be filed electronically. This step would improve processing speed, reduce backlogs, and advance taxpayers' *right to quality service*.

TAXPAYER SERVICE: EXAMINATION AND COLLECTION

Although return processing affects all taxpayers, examination and collection impact a smaller subset of individuals and businesses. Nevertheless, the IRS's audit, automated underreporter, and collection actions touch millions of taxpayers each year. The compliance actions are intended to ensure taxpayers report and pay the correct amount of tax both now and in the future. To do this effectively, the IRS must administer its compliance actions in a way that protects taxpayer rights, especially the *rights to quality service*, *to pay no more than the correct amount of tax, to challenge the position of the IRS and be heard,* and *to appeal an IRS decision in an independent forum*.

In FY 2026, the IRS expects staffing levels to be about 25% lower and its budget to fall by roughly 20% from FY 2025 levels.[31] To offset these losses, the IRS plans to rely more heavily on technology, including AI. The IRS has over 65 AI projects, many of which focus on compliance activities.[32] The Government Accountability Office (GAO) has recommended the IRS use AI to decrease the tax gap.[33] AI tools are being used to select large partnerships, hedge funds, private equity groups, real estate investors, and law firms for audit. Overall, greater use of AI may reduce the IRS audit no-change rate.[34] In FY 2025, the IRS audit no-change rate for taxpayers with less than $50,000 of total positive income was almost half of the FY 2024 no-change rate, which, in turn, was less than half of the FY 2023 no-change rate for this group of taxpayers; however, the no-response rate for this group of audited taxpayers continues to increase, rising over ten percentage points from FY 2024 to FY 2025. The IRS must ensure that declining audit no-change rates reflect stronger case selection based on the merits of the case, rather than selecting cases where taxpayers are unlikely to respond to the audit, effectively increasing the no-change rate, even though the taxpayer and the IRS never discuss the audit issues.

AI certainly has the potential to improve IRS compliance efforts. Its use can result in better returns selected for audit and the prioritization of outstanding liabilities with the greatest likelihood of collection. As noted last year, however, the IRS still must have employees with the requisite skills to conduct audits fairly and collect liabilities without placing undue burden on taxpayers. The IRS must also have staff capable of training the AI for compliance uses in a way that preserves taxpayer rights. It remains to be seen whether the IRS will be able to provide adequate compliance services to taxpayers with its reduced workforce and expected budget reduction. Effective compliance is not limited to audits and enforced collection; it also requires high-quality customer service, collaborative problem solving, and the ability to reach fair resolutions without creating hardship. Not only does the IRS need a compliance staff trained to respect and provide taxpayer rights, but it must also have sufficient staff to make those rights a reality. Audit and collection issues are often complex and require personal contact. Reduced staffing may also force taxpayers to use self-service options or their issues may remain unresolved. From FY 2024 to FY 2025, while installment agreements (IAs) completed with chatbots increased by over 68%, total IAs decreased by 7%. The Treasury Inspector General for Tax Administration has warned that staffing shortages may pose challenges in FY 2026 and intends to conduct a review of the IRS to ensure it is effectively meeting taxpayer needs.[35]

FIGURE 1.2.3, Type of Audit, Outcomes, and Time to Complete by Income, FYs 2023-2025

Measure/Indicator	FY 2023	FY 2024	FY 2025
Examination			
Total Open Audits Pending in Exam[36]	323,401	335,157	205,364
Total Closed Audits – **Individual Tax Returns**[37]	518,811	444,258	441,543
Total Positive Income (Under $50,000)			
No-Change Rate	11.6%	5.6%	2.9%
Agreed Rate[38]	16.2%	12.9%	10.2%
Taxpayer Failed to Respond Rate[39]	47.2%	53.7%	64.3%
Average Days to Audit Completion	259.9	249.9	228.3
Average Total Exam Time (Hours) Correspondence Audits	1.5	1.5	1.2
Average Total Exam Time (Hours) Field Exams	31.3	30.0	35.3
Percent of Correspondence Audits[40]	91.6%	92.4%	94.3%
Total Positive Income (Greater Than or Equal to $50,000 and Under $10,000,000)			
No-Change Rate	13.1%	13.2%	17.7%
Agreed Rate	41.0%	38.3%	34.2%
Taxpayer Failed to Respond Rate	18.7%	21.9%	23.5%
Average Days to Audit Completion	295.2	304.7	271.0
Average Total Exam Time (Hours) Correspondence Audits	2.7	2.8	2.9
Average Total Exam Time (Hours) Field Exams	37.4	41.1	57.8
Percent of Correspondence Audits[41]	68.0%	75.1%	80.8%
Total Positive Income (Greater Than or Equal to $10,000,000)			
No-Change Rate	36.3%	37.9%	38.3%
Agreed Rate	46.0%	44.4%	43.4%
Taxpayer Failed to Respond Rate	0.7%	0.2%	0.4%
Average Days to Audit Completion	679.3	635.4	544.1
Average Total Exam Time (Hours) Correspondence Audits	8.6	7.4	6.2
Average Total Exam Time (Hours) Field Exams	115.4	116.2	116.8
Percent of Correspondence Audits[42]	18.3%	15.4%	9.4%

Observation: After slightly increasing from FY 2023 to FY 2024, the number of open audits in FY 2025 decreased by almost 39% from the previous FY. The smaller open audit inventory is likely driven by significant staffing losses during FY 2025. Closed audit numbers continue to decline but the FY 2025 number of closed audits is only a few thousand less than in FY 2024. The rate of correspondence audits for taxpayers with incomes below $50,000 increased nearly two percentage points to over 94%. The time to complete these audits for this group of taxpayers also decreased by 20%, with correspondence audits only taking an average of slightly over one hour of the examiner's time for taxpayers in this lowest income group. On one hand, this represents an increasingly efficient use of IRS resources, but on the other hand the National Taxpayer Advocate is concerned that examiners may be spending little time reviewing the issues under audit and communicating with taxpayers before adjusting and closing cases. The audit no-response rate for taxpayers

with incomes less than $50,000 is undoubtedly responsible for most of the reduction in examiner time, as the no-response rate increased by almost 20% from FY 2024 and has increased by over 36% when compared to FY 2023. When looking at the two higher categories of total positive income in Figure 1.2.3, the failure-to-respond rates and the no-change rates rose. While from FY 2024 to FY 2025, the average time spent on an audit by a field examiner increased only slightly for taxpayers with incomes over $10 million, the average time spent on an audit by a field examiner increased over 40% for taxpayers with more than $50,000 but less than $10 million of income.

FIGURE 1.2.4, Offers in Compromise, Installment Agreements, and the Queue, FYs 2023-2025

Measure/Indicator	FY 2023	FY 2024	FY 2025
Collection			
OICs Submitted[43]	30,163	33,591	38,797
OICs Accepted[44]	28.5%	21.3%	15.6%
Individual and Business IAs[45]	2,696,963	3,403,214	3,160,047
IAs With Bots[46]	16,379	23,662	39,759
Rejected Taxpayer Requests for IAs[47]	8,625	8,155	23,117
Cases Pending Assignment (in the Queue) (Taxpayers)[48]	22.6%	19.3%	18.5%
Cases Pending Assignment (in the Queue) (Modules)[49]	29.5%	25.9%	26.0%
Age of Individual Delinquencies Pending Assignment (in the Queue)[50]	4.9 years	4.9 years	4.9 years

Observation: The number of taxpayers submitting Offers in Compromise (OICs) continues to increase – by 11% from FY 2023 to FY 2024 and by 15% from FY 2024 to FY 2025. However, the percentage of accepted OICs has decreased by more than 25% for each of the prior two years. The IRS should initiate a program to encourage the submission of appropriate OICs from taxpayers who qualify for this collection alternative. IRS acceptance of reasonable offers will benefit the IRS as it copes with reduced resources and will promote future tax compliance.[51] The taxpayer will receive a needed fresh start, and an accepted OIC helps achieve the taxpayer's *right to finality*. Although the IRS still accepts over 99% of taxpayer requests for IAs, the number of rejected IAs almost tripled from FY 2024 to FY 2025. The age of delinquencies in the queue remains static at 4.9 years, which is an unreasonable delay causing uncertainty and stress. The existence of unresolved delinquencies waiting for assignment for in-person collection violates taxpayers' *right to finality* and causes the taxpayers to pay significantly more in interest.

TAXPAYER SERVICE: TAXPAYER-FACING COMMUNICATION CHANNELS

The number of taxpayers receiving in-person assistance remained constant from FY 2024 to FY 2025. The number of taxpayers who did not receive a Taxpayer Assistance Center (TAC) appointment after calling the IRS toll free line to schedule a TAC appointment dropped by over 30% from the prior year, corresponding to a decrease of over 20% in both net attempts to and CSR calls answered on the TAC appointment line. The average cycle time to work individual taxpayer correspondence between FY 2024 to FY 2025 fell by 16 days, continuing its decrease from FY 2023 to FY 2024, where the average cycle time for individual correspondence fell by over four weeks. The IRS also received and answered about the same number of phone calls to the AM lines in FY 2025, however, the wait time increased by about a minute. For the last few years, the IRS has committed to and delivered an LOS of at least 85% on its AM lines during the filing season.[52] Unfortunately, it only provides this high LOS for about three months, from the opening of the filing season until mid-April. When considering all of FY 2025, however, the LOS was only about 60%. Taxpayers who contact the IRS about a problem outside filing season encounter a much lower LOS. The IRS also began using voicebots to

answer nearly 8 million calls in FY 2025. While the National Taxpayer Advocate appreciates the IRS using new technologies to meet taxpayer needs, the quality of this service must be improved. The voicebots only answered 29% of the calls. The remaining 71% of taxpayer calls were either disconnected or abandoned, most likely because the taxpayer wanted to speak to a customer service representative (CSR), not a robot. Customer satisfaction with the calls routed to voicebots was also dismal. From January to August 2025, about half of taxpayers rated the service provided by voicebots on the *Where's My Refund?* line as not helpful.[53] While using technology to handle calls reduces the need for CSRs, benefitting the IRS, taxpayers are only benefited if the voicebots can meet taxpayer needs by providing helpful information. If the TBOR were placed at the core of developing and implementing new technologies, the outcome for taxpayers would be much better. These rights determine the standard of service a taxpayer should receive when working with the IRS, regardless of the method of contacting the IRS or the function contacted.

FIGURE 1.2.5, In-Person Service, Correspondence, Telephone Service, and Online Service, FYs 2023-2025

Measure/Indicator	FY 2023	FY 2024	FY 2025
In-Person Service			
TAC Offices[54]	363	363	363
Number of Face-to-Face TAC Contacts[55]	1.6 million	1.9 million	1.9 million
Calls to the TAC Appointment Line That Did Not Result in a Scheduled Appointment[56]	913,000	1,300,000	906,000
Correspondence[57]			
Individual Correspondence[58]	6,690,427	5,639,271	5,568,198
Average Cycle Time to Work Individual Correspondence (Individual Master File)[59]	139 days	110 days	94 days
Inventory Overage[60]	63.2%	56.6%	63.8%
Business Correspondence[61]	5,750,123	3,594,311	3,648,882
Average Cycle Time to Work Business Correspondence[62] (Business Master File)	148 days	147 days	319 days
Inventory Overage[63]	74.5%	85.1%	76.2%
Telephone Service			
Total Calls to IRS[64]	92,875,396	98,927,201	103,949,041
Calls Answered by IRS Employees[65]	27,257,751	30,491,251	28,559,087
Percentage of Calls Answered by IRS Employees[66]	29.3%	30.8%	29.0%
IRS LOS[67]	51.30%	55.6%	53.3%
IRS Average Speed of Answer[68]	13.3 minutes	11.7 minutes	14.4 minutes
Practitioner Priority: Percentage of Calls Answered (LOS)[69]	34.0%	60.1%	62.0%
Practitioner Priority: Average Speed of Answer[70]	16.2 minutes	11.9 minutes	13.4 minutes
Online Service			
Visits to IRS.gov[71]	825,426,918	928,711,651	958,867,542
Page Views[72]	3,225,792,650	3,818,621,200	4,302,635,594
Online IAs[73]	2,020,102	1,826,497	1,841,015
Where's My Refund? Inquiries[74]	303,133,000	382,815,000	362,000,000

Observation: After increasing for the past several FYs, the number of in-person TAC visits remained unchanged from FY 2024 to FY 2025. The individual correspondence inventory has continued to decline over the last three FYs; however, the rate of decline for this inventory decreased significantly from FY 2024 to FY 2025, while the business correspondence inventory increased slightly in FY 2025. The average age of closed individual correspondence decreased by 16 days from FY 2024 to FY 2025, but the percentage of overaged correspondence from individuals reached a three-year high, rising over seven percentage points from last FY. The average age of closed business correspondence more than doubled from FY 2024 to FY 2025, even as the percentage of overaged correspondence from business taxpayers decreased. The combination of these two statistics suggests that the IRS closed out a considerable amount of business correspondence and is now able to timely process more correspondence from businesses. The number of telephone calls received by the IRS has been increasing, while the number of calls answered by CSRs has been relatively consistent over the past three FYs. The IRS LOS measure decreased by over two percentage points from FY 2024 to FY 2025, going from 55.6% to 53.3%. While the percentage of calls answered by an IRS assistor remained relatively constant from the prior FY, the IRS routed over 35 million calls to be serviced by voicebots, answering only about 24% of the calls.[75]

The number of FY 2025 online IAs remained nearly unchanged from the prior FY. *Where's My Refund?* inquiries decreased by over 20 million, a decrease of over 5%.

TAXPAYER SERVICE: INFORMATION TECHNOLOGY

The IRS continues to use Business Modernization funding to expand the number of digital services available to taxpayers and tax professionals. The IRS received approximately $4.8 billion of IRA funding to use for Business Systems Modernization.[76] As of the end of FY 2024, the IRS reported it has spent about $2 billion of this amount to modernize various Information Technology systems.[77] At the end of FY 2024, the IRS reported that it had 23 active business modernization projects including a modernization of its archaic Individual and Business Master Files.[78] The IRS has continued to modernize its customer services in FY 2025. However, in March 2025, the IRS paused these 23 active modernization projects for reevaluation of their priorities. In June 2025, the IRS introduced a draft modernization framework that focused on nine initiatives, including a unified application program database, an increased digitization of paper records, and increased taxpayer services.[79] Even though the IRS determined the need to make a course correction in its modernization effort, in its response to GAO audit findings on its modernization efforts the IRS mentioned three significant modernization accomplishments: expansion of individual online account features, taxpayer-facing chat and chatbot functionality, and increased digitization of paper.[80]

The IRS's accomplishment of three modernization efforts to positively affect taxpayers' experiences, and its reevaluation of its priorities for spending the Business Modernization funding to include an increased emphasis on taxpayer service, is a good sign for the taxpaying public. Nevertheless, providing taxpayers with modernized services is only effective if the technological advances result in a better experience for taxpayers. Certainly, some of the new individual online account features are beneficial to taxpayers, and taxpayers are starting to notice, with nearly 51 million taxpayers having established individual online accounts.[81] The IRS is also expanding its online accounts for tax professionals and businesses, although they still lag behind the features found in individual accounts.[82] Each of these efforts is good news for taxpayers. Despite these advances, significant challenges remain. The number of backlogged features for each of these online account types is extensive.[83] Additionally, taxpayer feedback indicates that some of the new technology is not helpful and is not meeting expectations. For example, IRS surveys show that 80% of taxpayers found the IRS chatbots to not be helpful.[84] To be effective, the IRS needs to efficiently use its Business Modernization funding to provide the digital services taxpayers expect in the 21st century, but these services must be focused on the TBOR. IRS implementation of new technology is only beneficial to taxpayers if that technology improves their experiences when interacting with the IRS.

Endnotes

1 The TBOR is a list of ten rights organized to help taxpayers and IRS employees alike gain a better understanding of the dozens of discrete taxpayer rights scattered throughout the multi-million word IRC. *See* TBOR, https://www.taxpayeradvocate.irs.gov/get-help/taxpayer-rights/ (last visited Dec. 5, 2025). The rights contained in the TBOR are also codified in IRC § 7803(a)(3). These measures are presented as a sample of indicators and are not intended to be read as a comprehensive listing of performance benchmarks.

2 National Taxpayer Advocate 2024 Annual Report to Congress XV (Preface: *Taxpayer Rights and Service Assessment: IRS Performance Measures and Data Relating to Taxpayer Rights and Service*), https://www.taxpayeradvocate.irs.gov/reports/2024-annual-report-to-congress/full-report/

3 Consolidated Appropriations Act, 2016 (Division Q commonly referred to as the "Protecting Americans From Tax Hikes Act of 2015"), Pub. L. No. 114-113, Div. Q, § 401, 129 Stat. 2241, 3043 (2015). *See also* National Taxpayer Advocate 2014 Annual Report to Congress 275 (Legislative Recommendation: *Codify the Taxpayer Bill of Rights and Enact Legislation that Provides Specific Taxpayer Protections*), https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2020/08/2014-ARC_VOL-1_S2_LR-1-508.pdf. The National Taxpayer Advocate continues to push for further elevation of the TBOR within the IRC; *see* National Taxpayer Advocate 2026 Purple Book, *Compilation of Legislative Recommendations to Strengthen Taxpayer Rights and Improve Tax Administration* (*Elevate the Importance of the Taxpayer Bill of Rights by Redesignating It as Section 1 of the Internal Revenue Code*).

4 *See* TBOR, https://www.taxpayeradvocate.irs.gov/get-help/taxpayer-rights/ (last visited Dec. 5, 2025); Taxpayer First Act, Pub. L. No. 116-25, § 2402(2), 133 Stat. 981, 1014 (2019).

5 Memorandum from Treasury Inspector General for Tax Administration (TIGTA) to Scott Bessent, Sec'y of the Treasury 2 (Oct. 15, 2025). The TIGTA report notes a 25% decrease in IRS staffing as of May 2025; however, by December 2025, the IRS staffing decrease had risen to over 27%, as shown in Figure 1.2.

6 IRS response to TAS fact check (Dec. 14, 2020); U.S. Dep't of the Treasury FY 2022 Budget in Brief (2021), https://home.treasury.gov/about/budget-financial-reporting-planning-and-performance/budget-requestannual-performance-plan-and-reports/budget-in-brief/fy-2022-budget-in-brief

7 IRS response to TAS fact check (Dec. 14, 2020); U.S. Dep't of the Treasury FY 2022 Budget in Brief (2021), https://home.treasury.gov/about/budget-financial-reporting-planning-and-performance/budget-requestannual-performance-plan-and-reports/budget-in-brief/fy-2022-budget-in-brief

8 An Act to Provide for Reconciliation Pursuant to Title II of S. Con. Res. 14, Pub. L. No. 117-169, 136 Stat. 1818 (2022) [hereinafter referred to as the "Inflation Reduction Act"]; Further Consolidated Appropriations Act, 2024, Pub. L. No. 118-47, 138 Stat. 460 (2024); Fiscal Responsibility Act of 2023, Pub. L. No. 118-5, 137 Stat. 10 (2023).

9 National Taxpayer Advocate Fiscal Year 2026 Objectives Report to Congress 8 (*Review of the 2025 Filing Season*), https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2025/06/JRC26_SAO_ReviewFiling.pdf

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

11 IRS, Pub. 3744-B, IRA Strategic Operating Plan: Annual Update (Apr. 2024), https://www.irs.gov/pub/irs-pdf/p3744b.pdf

12 *See* Most Serious Problem: *Tax Pro Account: Online Accounts for Tax Professionals Lack Critical Functionality Required to Effectively Represent Taxpayers*, *infra*. IRS, Pub. 55-B, 2024 IRS Databook, Table 1, Collections and Refunds, by Type of Tax, Fiscal Years 2023 and 2024, at 3 (May 2025), https://www.irs.gov/pub/irs-pdf/p55b.pdf

13 Congress reduced the nearly $80 billion of IRA funding to $37.6 billion. TIGTA, Ref. No. 2025-100-040, *Telephone Level of Service and Average Wait Times Do Not Fully Reflect the Taxpayer Experience* 2 (2025).

14 Memorandum from TIGTA to Scott Bessent, Sec'y of the Treasury 2 (Oct. 15, 2025).

15 For an example, see Erin M. Collins, IRS Proposed Regulations on Third Party Contacts Unfairly Erode Taxpayer Notice Requirements, National Taxpayer Advocate Blog (Nov. 7, 2024), https://www.taxpayeradvocate.irs.gov/news/nta-blog/irs-proposed-regulations-on-third-party-contacts-unfairly-erode-taxpayer-notice-requirements/2024/11/

16 For a further discussion of processing delays, see National Taxpayer Advocate 2024 Annual Report to Congress 21 (Most Serious Problem: *Return Processing: Continuing Delays in IRS Return Processing Are Frustrating Taxpayers and Causing Refund Delays*), https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2024/12/ARC24_MSP_02_Processing.pdf *See also* National Taxpayer Advocate 2023 Annual Report to Congress 5 (Most Serious Problem: *Processing: Ongoing Processing Delays Burden and Frustrate Taxpayers Awaiting Refunds and Other Account Actions*), https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2024/02/ARC23_MSP_01_Processing-Delays_FINAL_01292024.pdf; National Taxpayer Advocate 2022 Annual Report to Congress 34 (Most Serious Problem: *Processing Delays: Paper Backlogs Caused Refund Delays for Millions of Taxpayers*), https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2023/01/ARC22_MSP_01_Processing-Delays.pdf; National Taxpayer Advocate 2021 Annual Report to Congress 37 (Most Serious Problem: *Processing and Refund Delays: Excessive Processing and Refund Delays Harm Taxpayers*), https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2022/01/ARC21_MSP_01_Processing-Delays.pdf

17 *See* National Taxpayer Advocate 2024 Annual Report to Congress 21 (Most Serious Problem: *Return Processing*: *Continuing Delays in IRS Return Processing Are Frustrating Taxpayers and Causing Refund Delays*), https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2024/12/ARC24_MSP_02_Processing.pdf

18 The IRS estimates 44% of tax year 2024 returns will be self-prepared using software. IRS, Research, Applied Analytics & Statistics (RAAS), Knowledge Development and Application (KDA), (BRDN) (Dec. 4, 2025). Tax Year 2024 returns are generally filed in FY 2025. Taxpayers self-prepared and filed about 68.5 million tax year 2024 returns. Overall, the IRS estimates that taxpayers who self-prepare their returns using software will spend $100 per return in out-of-pocket costs, but this estimate includes other costs beside the direct cost to prepare and file the return. IRS, Compliance Data Warehouse (CDW), Individual Master File (IMF) Returns Transaction File (Dec. 5, 2025).

19 The IRS estimates it costs $70 more to use software to prepare and file a return versus completing and filing a paper return. IRS, RAAS, KDA, BRDN (Dec. 4, 2025).

20 IRS, Pub. 6292, Fiscal Year Return Projections for the United States: 2024-2031, at 4 (Sept. 2024), https://www.irs.gov/pub/irs-prior/p6292--2024.pdf. The FY 2024 figure has been updated from what was reported in the 2024 Annual Report to Congress. IRS, Pub. 6292, Fiscal Year Return Projections for the United States: 2025-2032, at 4 (Sept. 2025), https://www.irs.gov/pub/irs-pdf/p6292.pdf. The FY 2025 figure is a projected number. Data for FY 2023 and FY 2024 for each figure was accurate as of the close of each FY; however, the IRS often refines the data as additional information becomes available. Therefore, this data may differ slightly from other data sources with a later publication date. Primary types of returns include, but are not limited to, individual and business income, estate, gift, employment, fiduciary, excise, and several other types of tax returns. Publication 6292 contains a complete listing. The number of returns and related metrics are proxies for IRS workload and provide context for the environment in which taxpayers seek quality service and other rights from the TBOR.

21 IRS, Pub. 6292, Fiscal Year Return Projections for the United States: 2024-2031, at 4 (Sept. 2024), https://www.irs.gov/pub/irs-prior/p6292--2024.pdf. The FY 2024 figure has been updated from what was reported in the 2024 Annual Report to Congress. IRS, Pub. 6292, Fiscal Year Return Projections for the United States: 2025-2032, at 4 (Sept. 2025), https://www.irs.gov/pub/irs-pdf/p6292.pdf. The FY 2025 figure is a projected number and differs from actual calendar year 2025 volumes of individual income tax returns cited elsewhere in this report.

22 IRS, Pub. 6292, Fiscal Year Return Projections for the United States: 2024-2031, at 4 (Sept. 2024), https://www.irs.gov/pub/irs-prior/p6292--2024.pdf. The FY 2024 figure has been updated from what was reported in the 2024 Annual Report to Congress. IRS, Pub. 6292, Fiscal Year Return Projections for the United States: 2025-2032, at 4 (Sept. 2025), https://www.irs.gov/pub/irs-pdf/p6292.pdf. The FY 2025 figure is a projected number and differs from actual calendar year 2025 volumes of individual income tax returns cited elsewhere in this report.

23 IRS, Pub. 6292, Fiscal Year Return Projections for the United States: 2024-2031, at 4 (Sept. 2024), https://www.irs.gov/pub/irs-prior/p6292--2024.pdf. The FY 2024 figure has been updated from what was reported in the 2024 Annual Report to Congress. IRS, Pub. 6292, Fiscal Year Return Projections for the United States: 2025-2032, at 4 (Sept. 2025), https://www.irs.gov/pub/irs-pdf/p6292.pdf. The FY 2025 figure is a projected number and differs from actual calendar year 2025 volumes of individual income tax returns cited elsewhere in this report.

24 The FYs 2024 and 2025 numbers are from IRS, CDW, Electronic Tax Administration Research and Analysis System (ETARAS) Modernized e-File for Individuals. The FY 2023 figures represent tax year 2022 tax returns. The FY 2024 figures represent tax year 2023 tax returns. The FY 2025 figures represent tax year 2024 tax returns through September 30, 2025. FY 2023 data was updated in accordance with revised data provided by the IRS during its November 2024 fact check response.

25 Numbers for FYs 2023-2025 numbers are from IRS, CDW, ETARAS Modernized e-File for Individuals. The FY 2023 figures represent tax year 2022 tax returns. The FY 2024 figures represent tax year 2023 tax returns. The FY 2025 figures represent tax year 2024 tax returns through September 30, 2025.

26 IRS, Pub. 6292, Fiscal Year Return Projections for the United States: 2024-2031, at 4 (Sept. 2024), https://www.irs.gov/pub/irs-prior/p6292--2024.pdf. The FY 2024 figure has been updated from what was reported in the 2024 Annual Report to Congress. IRS, Pub. 6292, Fiscal Year Return Projections for the United States: 2025-2032, at 4 (Sept. 2025), https://www.irs.gov/pub/irs-pdf/p6292.pdf. The FY 2025 figure is a projected number.

27 IRS, Pub. 6292, Fiscal Year Return Projections for the United States: 2024-2031, at 4 (Sept. 2024), https://www.irs.gov/pub/irs-prior/p6292--2024.pdf. The FY 2024 figure has been updated from what was reported in the 2024 Annual Report to Congress. IRS, Pub. 6292, Fiscal Year Return Projections for the United States: 2025-2032, at 4 (Sept. 2025), https://www.irs.gov/pub/irs-pdf/p6292.pdf. The FY 2025 figure is a projected number.

28 IRS, Pub. 6292, Fiscal Year Return Projections for the United States: 2024-2031, at 4 (Sept. 2024), https://www.irs.gov/pub/irs-prior/p6292--2024.pdf. The FY 2024 figure has been updated from what was reported in the 2024 Annual Report to Congress. IRS, Pub. 6292, Fiscal Year Return Projections for the United States: 2025-2032, at 4 (Sept. 2025), https://www.irs.gov/pub/irs-pdf/p6292.pdf. The FY 2025 figure is a projected number.

29 IRS, Pub. 6961, Calendar Year Projections of Information and Withholding Documents for the United States and IRS Campuses: 2024 Update 6 (Sept. 2024), https://www.irs.gov/pub/irs-prior/p6961--2024.pdf. Pub. 6961, Calendar Year Projections of Information and Withholding Documents for the United States and IRS Campuses: 2025 Update 6 (Sept. 2025), https://www.irs.gov/pub/irs-pdf/p6961.pdf. The FY 2025 figure is a projected number. The IRS only publishes information and withholding document volumes on a calendar year basis; however, these documents are generally due to the IRS no later than March 31 of each calendar year (depending on document type and filing method).

30 IRS, Pub. 6961, Calendar Year Projections of Information and Withholding Documents for the United States and IRS Campuses: 2024 Update 6 (Sept. 2024), https://www.irs.gov/pub/irs-prior/p6961--2024.pdf; Pub. 6961, Calendar Year Projections of Information and Withholding Documents for the United States and IRS Campuses: 2025 Update 6 (Sept. 2025), https://www.irs.gov/pub/irs-pdf/p6961.pdf. The FY 2025 figure is a projected number. The IRS only publishes information and withholding document volumes on a calendar year basis; however, these documents are generally due to the IRS no later than March 31 of each calendar year (depending on document type and filing method).

31 Memorandum from TIGTA to Scott Bessent, Sec'y of the Treasury 2 (Oct. 15, 2025).

32 TIGTA, Ref. No. 2025-IE-R003, *Governance Efforts Should be Accelerated to Ensure the Safe, Secure, and Trustworthy Development and Use of Artificial Intelligence* 6 (2025).

33 GAO, *Artificial Intelligence May Help IRS Close the Tax Gap*, Watchblog: Following the Federal Dollar (June 26, 2024), https://www.gao.gov/blog/artificial-intelligence-may-help-irs-close-tax-gap.

34 Memorandum from TIGTA to Scott Bessent, Sec'y of the Treasury 2 (Oct. 15, 2025).

35 *Id.* at 3.

36 IRS responses to TAS information requests (Oct. 16, 2023; Oct. 29, 2024; Dec. 22, 2025).

37 *Id.* These numbers reflect examination cases closed by the IRS and do not account for subsequent appeals or litigation.

38 An audit is closed as agreed when the IRS proposes changes, and the taxpayer understands and agrees with the changes.

39 The non-response rate includes taxpayers with undelivered IRS audit notices or statutory notices of deficiencies and taxpayers who did not respond to the IRS audit notices.

40 The non-response rate includes taxpayers with undelivered IRS audit notices or statutory notices of deficiencies and taxpayers who did not respond to the IRS audit notices.

41 This represents the percentage of correspondence audits for taxpayers with total positive income greater than or equal to $50,000 and under $10,000,000.
42 This represents the percentage of correspondence audits for taxpayers with total positive income greater than or equal to $10,000,000.
43 IRS, Small Business/Self-Employed (SB/SE), Collection Activity Report (CAR) No. 5000-108, Monthly Report of Offer in Compromise Activity, cumulative through September, FY 2023 (Oct. 2, 2023); FY 2024 (Sept. 29, 2024); FY 2025 (Sept. 28, 2025).
44 *Id*. The figure calculations include all dispositions, including not-processable dispositions.
45 IRS, SB/SE, CAR No. 5000-6, FY 2023 (Oct. 1, 2023); FY 2024 (Sept. 28, 2024); FY 2025 (Sept. 28, 2025). This number includes short-term payment agreements and continuous wage levies.
46 IRS, SB/SE, CAR No. 5000-6, FY 2023 (Oct. 1, 2023); FY 2024 (Sept. 28, 2024); FY 2025 (Sept. 28, 2025). This number includes short-term payment agreements and continuous wage levies.
47 IRS, CDW, FY 2023 (Oct. 2023); FY 2024 (Sept. 26, 2024), FY 2025 (Dec. 2, 2024). The IRS accepts about 99% of requests for IAs that meet the processable criteria.
48 IRS, SB/SE, CAR No. 5000-2, Taxpayer Delinquent Account Cumulative Report, FY 2023 (Oct. 1, 2023); FY 2024 (Sept. 28, 2024); FY 2025 (Sept. 28, 2025). When taxpayers incur delinquent tax liabilities, the IRS sends them a series of notices during an approximately six-month period in which the taxpayers are in "notice status." If the taxpayer does not resolve their liability during the notice status, the account enters taxpayer delinquent account status. The IRS then determines whether it will refer the case to the Automated Collection System (ACS), assign it directly for in-person contact by a revenue officer, assign it to the Collection queue to await assignment to a revenue officer or other collection status, or shelve it. ACS may also assign cases to the Collection queue. The IRS shelves cases prior to assigning the case to a private collection agency.
49 IRS, SB/SE, CAR No. 5000-2, Taxpayer Delinquent Account Cumulative Report, FY 2023 (Oct. 1, 2023); FY 2024 (Sept. 28, 2024); FY 2025 (Sept. 28, 2025). Modules are the number of accounts attributable to a taxpayer. For example, if an individual taxpayer owes unpaid taxes on the 2017 and 2018 Forms 1040, they are one taxpayer with two modules.
50 Query by TAS Research of tax delinquent accounts with queue status in IRS, CDW, Accounts Receivable Dollar Inventory, IMF, Modules. Age of balance due cases in the collection queue as of cycle 37 of FY 2023, cycle 37 of FY 2024, and cycle 28 of FY 2025. We did not consider the age of Taxpayer Delinquency Investigations.
51 National Taxpayer Advocate 2017 Annual Report to Congress vol. 2, at 54-55 (*A Study of the IRS Offer in Compromise Program*), https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2020/08/ARC17_Volume2_03_StudyCompromise.pdf.
52 The National Taxpayer Advocate believes the IRS relies on a LOS measurement that does not meaningfully measure taxpayers' phone experience.
53 IRS response to TAS information request (Nov. 21, 2025).
54 As of September 2023, 266 of the 363 TACS (73%) were less than fully staffed, limiting service appointments available to taxpayers. IRS responses to TAS information requests (Dec. 4, 2023; Oct. 28, 2024; Dec. 10, 2025).
55 IRS response to TAS fact check (Dec. 4, 2023); IRS response to TAS information request (Oct. 28, 2024; Dec. 10, 2025).
56 Note these numbers include both calls resolved by CSRs (thus negating the need for a TAC appointment) and calls where the taxpayer could not schedule an appointment at the available times.
57 Correspondence represents AM inquiries and responses received from taxpayers who do not belong specifically to another area.
58 IRS, Joint Operations Center (JOC), Adjustments Inventory Reports: July-September FY Comparison (FYs 2023-2025). These are IMF cumulative fiscal year receipts for Correspondence, Amended, Carryback, Injured Spouse, and Individual Taxpayer Identification Number. These metrics measure taxpayer correspondence requesting account adjustment.
59 IRS, Research Analysis and Data (RAD), AM Reports: Correspondence Imaging System (CIS) Closed Case Cycle Time (FYs 2023-2025). The FY 2023 figure has been updated from what TAS reported in the 2023 Annual Report to Congress.
60 IRS, Weekly Enterprise Adjustments Inventory Report (weeks ending Sept. 30, 2023; Sept. 28, 2024; Sept. 27, 2025). The IRS must work certain inventories within a specific timeframe to be considered timely. If not closed in that timeframe, the inventory item will be classified as "overaged."
61 IRS, JOC, Adjustments Inventory Reports: July-September FY Comparison (FYs 2023-2025). These metrics measure taxpayer correspondence requesting account adjustment.
62 IRS, RAD, AM Reports: CIS Closed Case Cycle Time (FYs 2023-2025).
63 IRS, Weekly Enterprise Adjustments Inventory Report (weeks ending Sept. 30, 2023; Sept. 28, 2024; Sept. 27, 2025).
64 IRS, JOC, Snapshot Reports: Enterprise Snapshot (weeks ending Sept. 30, 2023; Sept. 30, 2024).
65 IRS, JOC, Snapshot Reports: Enterprise Snapshot (weeks ending Sept. 30, 2023; Sept. 30, 2024, Sept. 30, 2025). The IRS answered approximately 17 million, 18 million, and 9 million additional calls, respectively, by automation or information messaging for the indicated fiscal years.
66 IRS, JOC, Snapshot Reports: Enterprise Snapshot (weeks ending Sept. 30, 2023; Sept. 30, 2024, Sept. 30, 2025).
67 IRS, JOC, Snapshot Reports: Enterprise Snapshot (weeks ending Sept. 30, 2023; Sept. 30, 2024, Sept. 30, 2025). The IRS generally defines its LOS measure as Numerator = Assistor Calls Answered + Info Messages and Denominator = Assistor Calls Answered + Info Messages + Emergency Closed + Secondary Abandons + (Add either Calculated Busy Signals OR Network Incompletes) + (Add either Calculated Network Disconnects OR Total Disconnects). The IRS now uses a new LOS measure that incorporates the use of automation. This metric uses the following formula: Assistor Calls Answered + Info Messages + Integrated Customer Communication(s) Environment (ICCE) Open Hours Completions + Voicebot Completions / Assistor Calls Answered + Info Messages + ICCE Open Hours Completions + Voicebot Completions + Emergency Closed + Secondary Abandons. The IRS does not consider primary abandons that is those taxpayers who hang-up before being place in the queue to be answered, in its LOS calculation.
68 IRS, JOC, Snapshot Reports: Product Line Detail (weeks ending Sept. 30, 2023; Sept. 30, 2024; Sept. 30, 2025).
69 IRS, JOC, Snapshot Reports: Product Line Detail (weeks ending Sept. 30, 2023; Sept. 30, 2024; Sept. 30, 2025).
70 *Id*.
71 IRS response to TAS information request (Nov. 17, 2025). The IRS provided updated data for FYs 2023 and 2024.

72 IRS response to TAS information request (Nov. 17, 2024). The IRS provided updated data for FYs 2023 and 2024.
73 IRS, SB/SE, CAR No. 5000-6, Installment Agreement Cumulative Report, FY 2023 (Oct. 1, 2023); FY 2024 (Sept. 28, 2024); FY 2025 (Sept. 28, 2025). This number includes short-term payment plans.
74 IRS response to TAS information request (Oct. 29, 2024). The FY 2023 figures has been updated from what TAS reported in the 2023 Annual Report to Congress. IRS response to TAS information request (Dec. 10, 2025).
75 IRS response to TAS information request (Dec. 10, 2025).
76 GAO, Ref. No 25-107611, *Information Technology: The IRS Is Developing a New Modernization Framework*, 1 (Sept. 2025), https://www.gao.gov/assets/gao-25-107611.pdf
77 *Id*. at 3.
78 *Id*. at 8-10.
79 *Id*. at 13.
80 *Id*. at Appendix 3.
81 IRS response to TAS information request (Oct. 15, 2025).
82 *See* Most Serious Problem: *Tax Pro Account: Online Accounts for Tax Professionals Lack Critical Functionality Required to Effectively Represent Taxpayers*, *infra*.
83 IRS response to TAS information request (Oct. 15, 2025).
84 *Id*.

Introduction: The Most Serious Problems Encountered by Taxpayers

IRC § 7803(c)(2)(B)(ii)(III) requires the National Taxpayer Advocate to submit an annual report to Congress that contains a summary of the ten "Most Serious Problems" encountered by taxpayers.[1] Although the process described below guides our selection, identifying the Most Serious Problems necessarily involves a degree of judgment and is inherently subjective in certain respects.

METHODOLOGY OF THE MOST SERIOUS PROBLEMS LIST

The National Taxpayer Advocate is in a unique position to identify the most serious problems facing taxpayers because we receive information from a wide range of sources. Through our Case Advocacy operations, TAS helps hundreds of thousands of taxpayers to resolve their account-related problems with the IRS every year. We help many types of taxpayers, including individuals, businesses, and exempt organizations, and we work with both unrepresented taxpayers and taxpayers represented by tax professionals. Some cases come to us directly while others come through referrals from congressional offices and the IRS.

As part of our Systemic Advocacy operations, TAS leaders regularly engage with organizations that work in the tax administration field, and we maintain an online portal that allows members of the public and IRS employees to call our attention to systemic problems that affect groups of taxpayers or taxpayers generally.[2] We receive hundreds of submissions each year. We review each one and develop "advocacy projects" to address critical problems. TAS employees also participate in cross-functional teams with other IRS offices to address areas affecting taxpayer rights and taxpayer service.

Drawing on these sources, the National Taxpayer Advocate considers the input and assesses the following factors in selecting the Most Serious Problems encountered by taxpayers:

- Impact on taxpayer rights;
- Number of taxpayers impacted;
- Financial impact on taxpayers;
- Visibility, sensitivity, interest to stakeholders and Congress, and external indicators (*e.g.,* media);
- Barriers to tax law compliance, including cost, time, and burden;
- TAS Case Advocacy inventory data;[3]
- Emerging issues; and
- Input from TAS Local Taxpayer Advocates.

1 Prior to 2019, Congress tasked the National Taxpayer Advocate with identifying at least 20 of the most serious problems encountered by taxpayers. The Taxpayer First Act, enacted in 2019, amended the law to require the National Taxpayer Advocate to identify the ten most serious problems encountered by taxpayers. *See* Pub. L. No. 116-25, 133 Stat. 981 (2019).

2 Phoenix (formerly the Systemic Advocacy Management System) is a database through which IRS employees and members of the public can submit issues for TAS's consideration and on which TAS employees record subsequent action on those issues. IRS, Systemic Advocacy: Report a Systemic Issue, https://www.irs.gov/advocate/systemic-advocacy-management-system-sams (last updated Nov. 19, 2025). TAS reviews and analyzes all submissions and determines a course of action, such as an advocacy project.

3 In August 2025, TAS took a major step to enhance the taxpayer and employee experience by transitioning from an outdated legacy case management system called Taxpayer Advocate Management Information System (TAMIS) to a more modern, agile Customer Relationship Management system, Phoenix.

#1 Amended Returns

Taxpayers are harmed by the IRS's delays in processing amended returns, the issuance of confusing or incomplete notices of claim disallowance, and the absence of clear, accessible procedures for extending the statutory period during which the taxpayer must file suit or the IRS must issue a refund. Together, these failures impose significant financial hardship, jeopardize taxpayers' statutory rights, and undermine confidence in tax administration.

#2 IRS Modernization and Digitalization

Taxpayers continue to bear the consequences of the IRS's heavy reliance on paper-based processes. Paper filings and correspondence often result in long delays, processing errors, and uncertainty – particularly when refunds or time-sensitive notices languish in manual workflows. Until the IRS can reliably convert paper to digital formats at scale and modernize its procurement processes to deploy effective technology more quickly, taxpayers will remain subject to avoidable delays and frustration caused by outdated systems.

#3 Telephones

Telephone service often serves as the gateway for taxpayers to resolve complex tax issues and meet filing and payment obligations. Effective service depends not merely on whether calls are answered but whether the issues prompting the call are resolved, such as whether the IRS has timely processed a return or issued a refund. When telephone service fails, taxpayers bear the consequences through increased burden, uncertainty, and financial harm.

#4 Independent Office of Appeals

Appeals is meant to provide taxpayers a fair and independent forum to resolve federal tax disputes without litigation, but taxpayers increasingly face long delays, limited transparency, and perceptions that settlement decisions are constrained by other IRS functions. Appeals must strengthen timeliness, perceived independence, and communication to protect taxpayer rights and preserve confidence in the administrative dispute resolution system.

#5 Tax Pro Account

Tax professionals are indispensable to IRS operations and taxpayer compliance, yet the IRS has not equipped them with the digital tools necessary to represent taxpayers effectively in a modern, digital environment. Providing tax professionals with a fully functional Tax Pro Account would allow representatives to resolve client issues more efficiently, speeding resolutions for taxpayers and reducing costs.

#6 Records Access

Taxpayers and their representatives often struggle to obtain records from the IRS that they need to advocate for their positions and understand the agency's rationale for its decisions. This lack of access leads to unnecessary frustration, repeated calls and correspondence with the IRS, and confusion among IRS employees who may incorrectly believe confidentiality rules or privileges prevent them from releasing information. Timely and consistent access to records is essential for taxpayers and their representatives to ensure taxpayers are informed, treated fairly, and able to exercise their rights within the tax system.

#7 Centralized Authorization File

The IRS Centralized Authorization File system still relies heavily on manual processing, creating delays that expose taxpayers to missed deadlines, incorrect notices, and potential enforcement actions. Although the IRS has introduced digital tools, improvements are needed to ensure authorizations are processed quickly and reliably, allowing taxpayers uninterrupted access to representation.

#8 Social Media

Taxpayers are increasingly exposed to identity theft, scams, and misleading tax information on social media platforms. False or inaccurate content can spread rapidly, leading taxpayers to make harmful decisions and increasing the burden on tax administration. The IRS must play a proactive role in the social media environment and continue investing in tools and outreach that protect taxpayers from fraud and misinformation.

#9 Taxpayers Living Abroad

U.S. citizens living abroad are subject to U.S. tax laws, including the requirements to file federal tax and international information returns and pay any tax they owe. However, the complexity of the tax laws, lack of IRS assistance and services, and incompatibility of IRS systems create significant challenges for U.S. taxpayers abroad, discouraging compliance and eroding trust in the fairness of the nation's tax administration. Unless the IRS takes meaningful steps to improve its services, guidance, and systems for these taxpayers, the frustration and fear experienced by Americans abroad will continue to grow, harming not only them but also the integrity of the tax system as a whole.

#10 International Withholding Relief

Taxpayers affected by programs such as the Foreign Investment in Real Property Tax Act (FIRPTA), U.S. Residency Certification, and Form 8233 face significant delays and hardship due to outdated, manual IRS processes. While these programs may impact a smaller population, the consequences for affected taxpayers are often severe, including cash-flow disruptions and uncertainty. As part of its broader modernization efforts, the IRS should prioritize these programs and develop reliable electronic filing options to reduce taxpayer burden.

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1 AMENDED RETURNS

Refund Delays and Unclear and Confusing Disallowance Notices Harm Taxpayers and Jeopardize Their Rights to Administrative and Judicial Review

Taxpayers are harmed by the IRS's delays in processing amended returns, the issuance of confusing or incomplete notices of claim disallowance, and the absence of clear, accessible procedures for extending the statutory period during which the IRS must issue refunds. Together, these failures impose significant financial hardship, jeopardize taxpayer rights, put taxpayers at risk of losing their refunds, and undermine confidence in tax administration. However, these harms are preventable.

Amended return processing remains an area where the IRS has yet to fully recover from pandemic-related backlogs.[1] These delays cause tangible harm. For individuals – particularly low-income taxpayers – delayed refunds can mean the inability to meet basic living expenses, reliance on credit cards or high-cost loans, missed payments, late fees, or damage to credit. For businesses, delayed refunds disrupt cash flow, impede payroll, and limit reinvestment. Beyond financial harm, prolonged uncertainty creates frustration, increases compliance costs, and erodes trust in the tax system. Delays also stall downstream tax actions that depend on resolution of amended returns, including injured spouse claims, net operating loss carryforwards, and credit carryforwards.

1 IRS, Accounts Management (AM), Customer Accounts Services (CAS) Paper Inventory Reports; National Detail Report (week ending Sept. 27, 2025).

Taxpayers receiving a notice of claim disallowance face a new set of challenges, beginning with the complexity of the notice and difficulty understanding the next steps. These notices often fail to clearly state what was disallowed and why, and what steps taxpayers must take to protect their rights.

Taxpayers who appeal such notices often experience substantial delays before their case reaches an Appeals Officer in the Independent Office of Appeals (Appeals). Under IRC § 6532, the issuance of a notice of disallowance begins a two-year statutory period. During this period, the IRS may issue a refund, or the taxpayer must file suit in a U.S. district court or the U.S. Court of Federal Claims. If the two-year period expires without a lawsuit being filed or an extension being requested and executed by the IRS, the IRS is barred from issuing a refund.[2] Despite the high stakes impacting taxpayers, the IRS lacks a clear standardized process by which taxpayers may request an extension of this two-year period. As a result, taxpayers may inadvertently lose their right to a refund or to judicial review. These procedural deficiencies, combined with lengthy processing delays and unclear notices, create taxpayer confusion, undermine rights, and diminish taxpayer compliance. This disproportionately harms taxpayers who lack representation or the resources to navigate a complex administrative system.

EXPLANATION OF THE PROBLEM

When taxpayers discover an error or omission on an original tax return, they may file an amended return to correct it. Taxpayers often experience long wait times for the IRS to process their amended returns and issue any corresponding refunds. For amended returns processed in fiscal year (FY) 2025, individuals waited an average of five months, and businesses waited an average of 13 months.[3] During this time, taxpayers typically received little meaningful information about the status of their amended returns.

In situations where a taxpayer's amended return claims a refund, the IRS will generally either pay the refund or issue a notice of claim disallowance. The notice issuance starts the running of a two-year statutory time period in which the IRS can issue a refund or the taxpayer can file suit in a U.S. district court or the U.S. Court of Federal Claims.[4] Yet, these notices are often confusing or incomplete, and do not adequately inform taxpayers of the consequences of failure to act within the two-year window.[5] Moreover, the IRS's process for reviewing the taxpayer's administrative protest is often slow and cumbersome. Because of these delays, taxpayers are frequently forced to seek extensions from the IRS of the two-year statutory period without clear guidance on how to do so.[6]

Key factors contributing to the problem include:

- *Lengthy Processing Time for Amended Returns:* Business amended returns are processed almost entirely through manual routing and review, significantly increasing processing times. Conversely, the IRS has begun automating processing of individual amended returns, but progress has been slow as it only applied the automated review process to 935 amended returns from when automation began on July 28, 2025 through September 30, 2025.[7]
- *Complex Reviews:* Amended returns that necessitate a more comprehensive review by the IRS's Exam function have significantly increased processing times due to the complexity of the returns and the manual process for transferring these cases between operating divisions. In fact, in FY 2025 through

2 IRC §§ 6514, 6532(a).
3 IRS, Compliance Data Warehouse (CDW), Business Master File (BMF) Transaction History, and Individual Master File (IMF) Transaction History (Dec. 8, 2025).
4 IRC § 6532.
5 National Taxpayer Advocate 2026 Purple Book, *Compilation of Legislative Recommendations to Strengthen Taxpayer Rights and Improve Tax Administration* (*Require Notices of Claim Disallowance to Clearly State the Reasons for Disallowance, Explain Administrative and Judicial Appeal Options, and Specify Applicable Timeframes*).
6 IRC § 6532(a).
7 IRS response to TAS information request (Dec. 1, 2025).

August 22, 2025, it took the Small Business/Self-Employed (SB/SE) Division's Exam function an average of 435 days to review and close 6,772 individual amended return claims.[8]

- *Lack of Transparency:* Taxpayers who want more information about their amended returns can use the *Where's My Amended Return?* tool. However, the *Where's My Amended Return?* tool provides only limited, high-level status updates that do not meaningfully inform taxpayers.[9] Additionally, this tool is not available to business taxpayers and those who have an address outside the United States.[10] However, on December 8, 2025, the IRS deployed the International Live Chat to assist overseas taxpayers with the status of their amended returns.[11]
- *The Cost of Lengthy Delays:* The IRS must pay interest on refunds when processing amended returns exceeds certain timeframes. In FY 2025, the IRS paid more than $11.1 billion in interest on delayed refunds claimed on business amended returns.[12]
- *Confusing and Incomplete Notices:* In some situations, the IRS omitted critical information from its notices of claim disallowance. TAS review found that these notices of claim disallowance lacked essential information on appeal rights, judicial review, and how to request an extension to a critical statutory time period.[13]
- *Lack of a Standard Extension Process:* Despite years of TAS's advocacy and its participation in an IRS working group designed to address this issue, the IRS still lacks a simple, standardized procedure for taxpayers to request extensions of the two-year statutory period under IRC § 6532.

ANALYSIS

Background and Current Processing Performance

When taxpayers file amended returns, they have a limited amount of time to claim a refund.[14] Filing an amended return begins the IRS administrative review process. The IRS states it will typically take eight to 12 weeks to process individual amended returns, but as long as 16 weeks in certain circumstances.[15] Business amended returns may take even longer but the IRS does not provide timeframe information on IRS.gov. For both individual and business amended returns, processing times can significantly increase if the amended return contains errors, has significant changes, or requires review by another IRS Compliance function.[16]

Business Taxpayers Have to Wait Months or Longer for Their Amended Returns to Be Processed

Business taxpayers often experience lengthy delays when seeking refunds through amended returns, resulting in prolonged financial uncertainty and cash-flow disruptions. Average processing times for business amended returns peaked at 401 days in FY 2025, driven largely by outdated and mostly manual routing and review processes.[17] These delays can be particularly harmful for businesses that rely on timely refunds to meet payroll, cover operating expenses, or reinvest in their operations.

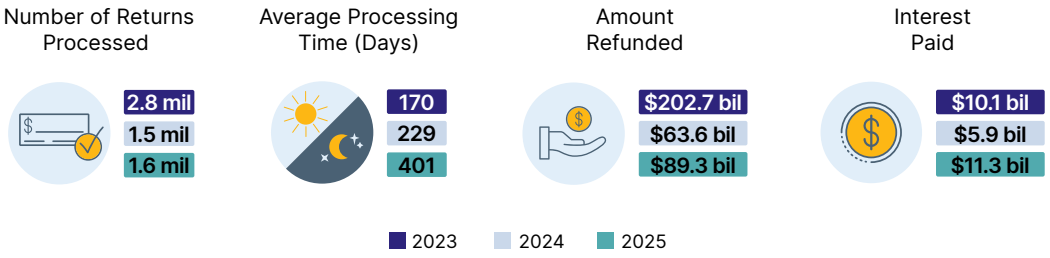
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8 IRS response to TAS information request (Nov. 24, 2025).
9 Internal Revenue Manual (IRM) 21.2.1.59, Where's My Amended Return (WMAR) (Oct. 1, 2024), https://www.irs.gov/irm/part21/irm_21-002-001r; *see also* IRS, Where's My Amended Return?, https://www.irs.gov/filing/wheres-my-amended-return (last updated Sept. 2, 2025).
10 IRS response to TAS information request (Dec. 1, 2025).
11 IRS, Contact My Local Office Internationally, https://www.irs.gov/help/contact-my-local-office-internationally (last updated Dec. 8, 2025).
12 IRS, CDW, BMF Transaction History (Dec. 8, 2025).
13 IRC § 6532(a). TAS examined a random sample of 100 cases where taxpayers received a 105C letter between October 1, 2024, and July 31, 2025, and checked these letters for inclusion of the right to file an appeal, the right to file suit in a U.S. district court or the U.S. Court of Federal Claims, and instructions for filing Form 907 to extend the two-year timeframe to protest the disallowance.
14 IRC § 6511(a).
15 IRS, Form 1040-X, Amended U.S. Individual Income Tax Return: Frequently Asked Questions, https://www.irs.gov/filing/amended-return-frequently-asked-questions (last updated Sept. 2, 2025).
16 *Id.*
17 IRS, CDW, BMF Transaction History (Dec. 8, 2025).

Unfortunately, the IRS has no immediate plans to automate processing of business amended returns, even though it uses automation to process individual amended returns.[18] Most amended business returns and attached forms, statements, and supporting documentation can be filed electronically. However, if the original return was not electronically filed or if the return is not supported by IRS's Modernized e-File (MeF) the return must be paper filed, causing further processing delays.[19]

FIGURE 2.1.1[20]

Business Amended Return Processing and Interest, FYs 2023-2025



Another factor contributing to IRS delays in processing business amended returns was the surge of Forms 941-X, Adjusted Employer's Quarterly Federal Tax Return or Claim for Refund, claiming the Employee Retention Credit (ERC). Figure 2.1.2 shows data on ERC claims the IRS processed from Calendar Year (CY) 2020 through 2025.[21]

18 IRS response to TAS information request (Dec. 1, 2025).

19 *Id.* The IRS allows taxpayers to submit 13 business-related returns electronically. *See also* IRS.gov, Modernized e-File (MeF) Overview, https://www.irs.gov/e-file-providers/modernized-e-file-overview (last updated Oct. 30, 2025).

20 IRS, CDW, BMF Transaction History (Dec. 8, 2025). The IRS has also experienced delays in processing other types of claims for refund, such as Form 1139, Corporation Application for Tentative Refund (Dec. 2025), https://www.irs.gov/pub/irs-pdf/f1139.pdf In FY 2023, the IRS was taking 140 days to process these forms; however, as of FY 2025 that processing time has decreased to 77 days, a nearly 50% reduction. IRS, CDW, BMF Transaction History (Nov. 26, 2025). IRS response to TAS information request (Dec. 1, 2025). The IRS allows taxpayers to submit 17 related business returns electronically.

21 National Taxpayer Advocate 2024 Annual Report to Congress 4 (Most Serious Problem: *Employee Retention Credit: IRS Processing Delays Are Resulting in Uncertainty and Are Harming and Frustrating Business Owners*), https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2024/12/ARC24_MSP_01_ERC.pdf. Initially, the IRS quickly processed taxpayer's ERC claims and paid out refunds, but it slowed and eventually stopped doing so as concerns regarding fraudulent claims increased.

FIGURE 2.1.2[22]

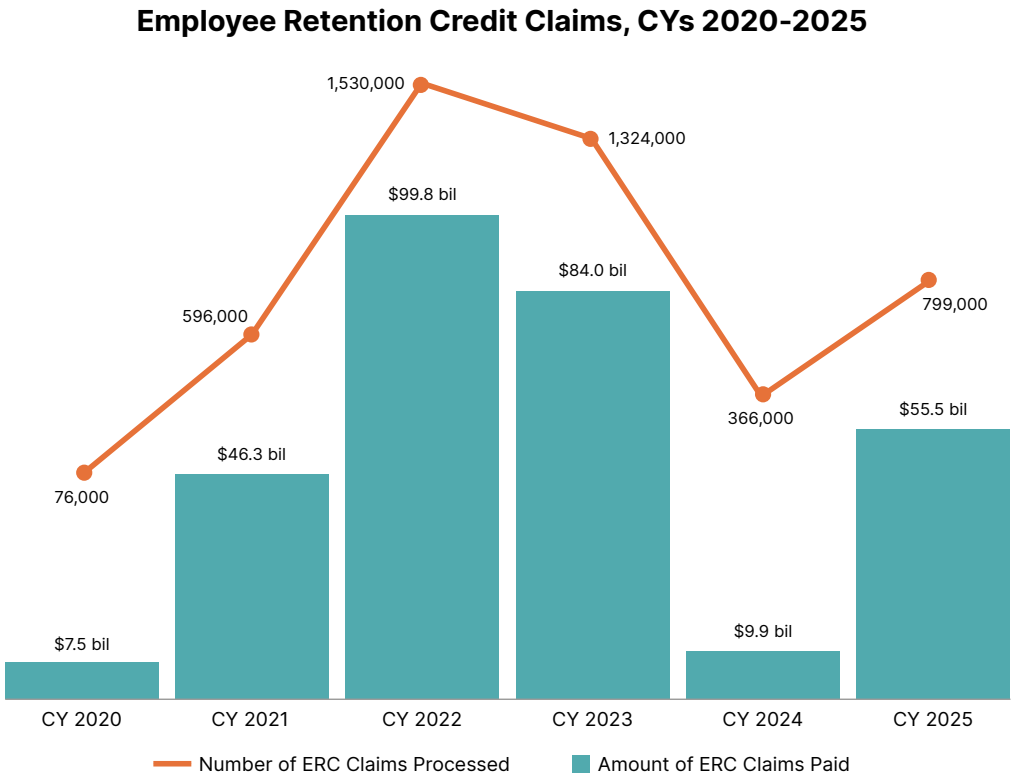


Figure 2.1.2 also shows that the IRS has made significant progress in processing the remaining ERC claims in CY 2025. As of the end of CY 2025, the IRS closed approximately 4.9 million ERC cases for over $300 billion since the start of the program.[23] However, approximately 41,000 ERC claims remain in Exam or Compliance awaiting review or examination.[24] The IRS's elimination of its ERC backlog should allow it to redirect its resources on reducing processing times for other business amended returns.

Despite this progress, challenges remain for taxpayers with ERC amended returns. Taxpayers' frustrations have shifted from waiting for initial processing of ERC claims to waiting for responses from Exam, waiting for responses from their administrative protest to a notice of disallowance, or assignment of their case to Appeals. In fact, taxpayers are reporting that their protests are moving very slowly or, in some instances, have stalled altogether.

As discussed below in the Form 907 discussion, these prolonged delays create additional and serious risks for these taxpayers. When amended returns or ERC protests remain unresolved for extended periods, taxpayers may unknowingly approach or permanently miss the two-year deadline under IRC § 6532 to file suit or protect their refund rights. As of August 30, 2024, the IRS had issued a total of 83,000 notices of claim disallowance for ERC claims. Of these, approximately 28,000 notices reflecting ERC disallowances were issued during the summer of 2024, leaving fewer than six months remaining on the two-year statute

22 IRS, CDW, BMF Transaction History, Business Return Transaction File, Processing Years 2020-2025 (Dec. 8, 2025).
23 IRS Taxpayer Services Division, ERC Inventory Projected Status (Dec. 30, 2025) (on file with TAS).
24 *Id.*

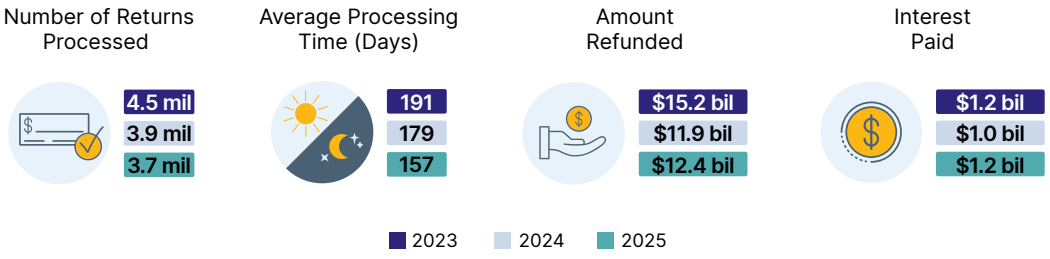
of limitations for those businesses.[25] Without clear visibility into this deadline or timely guidance from the IRS, taxpayers face the risk of permanently losing their ability to pursue administrative appeals or judicial review through no fault of their own. Lengthy processing delays thus compound taxpayer harm and further undermine taxpayers' *rights to quality service* and *to a fair and just tax system*.

The IRS Has Improved Processing Times for Individual Amended Returns But Delays Persist

IRS processing times for individual amended returns soared when the IRS was straining to manage the effects of the COVID-19 pandemic. However, as shown in Figure 2.1.3, volumes have decreased, and processing times have improved.[26]

FIGURE 2.1.3[27]

Individual Amended Return Processing and Interest, FYs 2023-2025



The IRS anticipates processing times for individual amended returns will continue improving as it moves away from manual processes towards automation. In CYs 2023 and 2024, the IRS implemented an automation program for processing certain pre-selected returns. This program can process individual amended returns in as little as two to three days.[28] The automated system processed 935 Forms 1040-X, Amended U.S. Individual Income Tax Return, from when automation began on July 28, 2025 through September 30, 2025, achieving an accuracy rate of about 93%.[29] The biggest drawback of this program is that it is limited in scope.[30] It remains to be seen if the IRS can maintain its improved processing times and accuracy rate once it increases the number of amended returns processed through automation, as its long-term scalability and accuracy have yet to be demonstrated. If the IRS increases automated processing of amended returns while maintaining a high accuracy rate, employees will be freed up to work more complex amended returns. However, achieving this objective appears to be months – if not years – down the road.

25 IRS response to TAS information request (Sept. 24, 2024); IRS News Release, IR-2024-203, IRS Moves Forward With Employee Retention Credit Claims: Agency Accelerates Work On Complex Credit as More Payments Move Into Processing; Vigilance, Monitoring Continues on Potentially Improper Claims (Aug. 8, 2024), https://www.irs.gov/newsroom/irs-moves-forward-with-employee-retention-credit-claims-agency-accelerates-work-on-complex-credit-as-more-payments-move-into-processing-vigilance--monitoring-continues-on-potentially-improper-claims. Unfortunately, the IRS has not continued tracking the number of ERC notices of disallowance issued; therefore TAS does not have updated numbers. IRS response to TAS information request (Dec. 1, 2025).

26 The IRS has also experienced delays in processing other types of claims for refund, such as Form 1045, Application for Tentative Refund. In FY 2023, the IRS took 286 days to process these forms; however, as of FY 2025 that processing time has declined to 124 days, a reduction of more than half. IRS, CDW, IMF Transaction History (Nov. 26, 2025). Although this is a marked improvement, the IRS needs to further reduce its processing times.

27 IRS, CDW, IMF Transaction History (Dec. 8, 2025).

28 IRS response to TAS information request (Dec. 1, 2025).

29 *Id.*

30 *Id.*

Transfers Between IRS Functions Drive Excessive Delays

When a taxpayer's amended return is simple or straightforward, IRS processing should be smooth. However, when a taxpayer files an amended return requiring an IRS compliance review, IRS timeframes for reviewing and processing the amended return may soar. Such situations include:

- Amended returns manually transferred to SB/SE Exam: In FY 2025 through August 22, 2025, after Accounts Management (AM) transferred claims to SB/SE Exam for review, SB/SE closed 6,772 individual amended return claims that had been open an average of 435 days.[31] For the same time period, SB/SE closed 2,235 business amended return claims that had been open an average of 555 days.[32]
- Amended returns manually transferred to the Large Business and International (LB&I) Division Exam: After AM transferred claims to LB&I Exam for review in FY 2025, LB&I closed 1,527 business amended return claims (Forms 1120, 1120S, and 1065) that had been open an average of 572 days.[33]
- Amended returns filed while a taxpayer's case is in Collection: If a taxpayer whose case is in Field Collection files an amended return, the Revenue Officer sends the return to AM to be logged and processed. This extra step creates back-and-forth between offices and slows down how quickly the IRS reviews and processes amended returns.[34]

These delays are exacerbated by manual case transfers and poor communications between IRS functions. Exam functions need to prioritize the review of amended returns. Both individual and business taxpayers can experience significant hardships while waiting long periods for the IRS to review and process their claims. In today's technological environment, amended returns should move seamlessly between IRS functions without relying on manual processes. As it modernizes its systems, the IRS should enhance communication between the function handling the taxpayer's case and the function processing the amended return, or allow the function working the case to make the necessary adjustments to the taxpayer's account.

Lack of Transparency

Taxpayers are further frustrated by how little information they can obtain about where their amended return is in the maze of the IRS process. The IRS provides limited status updates on the *Where's My Amended Return?* tool, taxpayer's individual online accounts (IOLA), and on IRS.gov.[35] Specifically, the *Where's My Amended Return?* tool provides only high-level information and is not designed to explain delays or resolve problems. It shows just three basic statuses:

- **Received -** Taxpayers should check the status around three weeks after they submit their amended return and allow eight to 12 weeks for processing to be completed.[36]
- **Adjusted -** Taxpayer is given the adjustment posting date and advised to wait three weeks to receive their refund and/or notice;[37] and
- **Completed -** Taxpayer is notified their refund or notice information has been issued.[38]

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31 IRS response to TAS information request (Nov. 24, 2025). These Exam-transfer cases represent a subset with substantially longer cycle times than the overall average.
32 IRS response to TAS information request (Nov. 24, 2025).
33 IRS response to TAS information request (Nov. 20, 2025). These Exam-transfer cases represent a subset with substantially longer cycle times than the overall average.
34 IRM 5.1.15.5, Adjustments – General Procedures Form 3870 (Mar. 17, 2025), https://www.irs.gov/irm/part5/irm_05-001-015r
35 IRS response to TAS information request (Dec. 1, 2025). *See also* IRS, Where's My Amended Return, https://www.irs.gov/filing/wheres-my-amended-return (last updated Sept. 2, 2025). Opening an IOLA requires the taxpayer to authenticate their identity.
36 IRS, Where's My Amended Return, https://www.irs.gov/filing/wheres-my-amended-return (last updated Sept. 2, 2025).
37 IRM 21.2.1.59, Where's My Amended Return (WMAR) (Oct. 1, 2024), https://www.irs.gov/irm/part21/irm_21-002-001r
38 *Id.*

The tool does not give real-time updates or disclose the specific reason a refund is delayed, such as identity verification, error correction, fraud review, or correspondence being issued. Additionally, even these basic tools are not available to taxpayers with foreign addresses.[39]

When delays or problems occur, these vague updates do not provide meaningful answers and often fail to dissuade taxpayers from calling the IRS for assistance. The IRS should improve the *Where's My Amended Return?* tool by cross-referencing the taxpayer's online account and providing taxpayer-specific information. The online account should allow taxpayers to see the status of each stage of processing, identify which IRS function is currently working on their amended return, and include appropriate contact information, giving taxpayers a clearer understanding of where their amended return is in the processing pipeline.

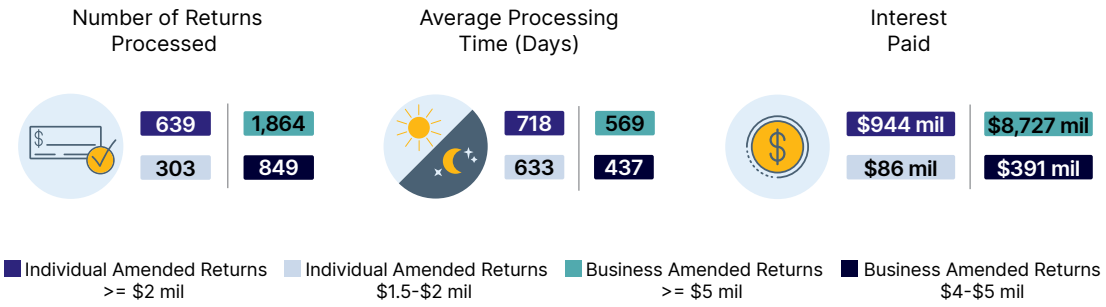
IRS Delays in Processing Amended Returns is Costly for Taxpayers and the IRS

IRS delays in processing amended returns imposes significant burdens on taxpayers, often resulting in prolonged financial uncertainty and hardship. Business owners, in particular, rely on timely refunds to meet basic needs, pay down debt, or make critical financial decisions. For business owners, delayed refunds can affect cash flow, limit the ability to reinvest in their businesses, and, in some cases, jeopardize payroll obligations. These delays undermine taxpayers' *rights to quality service* and *to a fair and just tax system*. In addition to the direct harm to taxpayers, prolonged processing times also increase costs to the government. When the IRS takes more than 45 days to process a claim for refund on an original or amended return, it must pay interest on the refund. These interest payments, while intended to compensate taxpayers for the use of their money, can become substantial when delays persist, diverting resources that could otherwise be used to improve taxpayer service and reduce backlogs.[40]

A significant contributor to these delays is the statutory requirement that these large refunds be reviewed by the Joint Committee on Taxation (JCT).[41] Once the JCT has conducted its review, any adjustments must be calculated by an IRS computation group.[42] As Figure 2.1.4 shows, when comparing the processing times for refund amounts above and just below the JCT threshold, individual refunds requiring JCT review take an average of 13% longer to process, while business refunds requiring JCT review take an average of 30% longer to process.[43]

FIGURE 2.1.4[44]

Individual and Business Amended Return Refunds Reviewed by the Joint Committee on Taxation Compared to Refunds Just Below the Threshold, FYs 2023-2025



39 IRS response to TAS information request (Dec. 1, 2025); *see also* IRS, *Where's My Amended Return?*, https://www.irs.gov/filing/wheres-my-amended-return (last updated Sept. 2, 2025).
40 IRC § 6611(b). Congress requires the IRS to pay interest on overpayments; however, under IRC § 6611(e)(2), interest will not accrue between the time a taxpayer files a claim to when a refund is issued *if* the IRS issues the refund within 45 days of the taxpayer filing the claim. *See also* Treas. Reg. § 301.6611-1.
41 IRC § 6405(a). Certain refunds exceeding $2,000,000 ($5,000,000 for C corporations) must be reviewed by the JCT.
42 IRM 4.36.3.6.3 Joint Committee Spreadsheets (Nov. 2, 2023), https://www.irs.gov/irm/part4/irm_04-036-003.
43 IRS, CDW IMF Transaction History and BMF Transaction History (Dec. 8, 2025).
44 IRS, CDW IMF Transaction History and BMF Transaction History (Dec. 8, 2025). The comparison group includes refunds just below the threshold for more comparable refunds.

The IRS should review its JCT procedures to identify and implement efficiencies that would improve processing delays. For affected taxpayers, these additional delays mean extended periods without access to funds that may be critical to household stability or business operations, reinforcing the perception that the tax system is unresponsive to taxpayer needs.

When the IRS Disallows a Refund Claim, Taxpayers May Find Themselves Racing Against the Clock to Navigate a Confusing and Complex Administrative Process

If the IRS disagrees with all or part of a taxpayer's refund claim, it issues a notice of claim disallowance. This notice is supposed to explain what the IRS disallowed, why it made that decision, and how the taxpayer can appeal. In FY 2025, the IRS issued about 637,000 notices of claim disallowance to taxpayers.[45] These notices start a critical two-year period during which the IRS may pay a refund or the taxpayer may file a lawsuit in a U.S. district court or the U.S. Court of Federal Claims.[46] Once this two-year period expires, the IRS cannot issue a refund even if the taxpayer is otherwise entitled to one.[47] Although IRS procedures require these notices to include clear information about appeal rights, judicial review, and applicable deadlines, that information is often missing. Based on feedback from practitioners and its own casework, TAS has found this to be a recurring problem.[48]

In an informal review of 100 notices issued in the first ten months of FY 2025, TAS found that 30 (30%) were missing information on appeal rights, judicial review, Form 907, Agreement to Extend the Time to Bring Suit, or some combination of these items.[49] TAS has previously reported practitioner concerns about notices disallowing the ERC to the IRS functions.[50]

Even when the required information is included, these notices are often complex and hard to understand. Key details such as how to submit a protest or how long the taxpayer has to take certain actions are frequently buried at the end of the notice, making it harder for taxpayers to protect their rights in time.

Even after reading IRS Letter 105C, most taxpayers will not clearly understand what they need to do, when they need to do it, or why it matters. The IRS could make small changes that would make a big improvement. First, the notices should clearly state the exact date by which the taxpayer must file suit in a U.S. district court or the U.S. Court of Federal Claims, or by which the IRS must pay the refund.[51] This approach would be consistent with other important IRS notices, such as statutory notices of deficiency and math error notices,

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45 IRS, CDW Notice Delivery System and IMF Transaction History (Dec. 5, 2025). This includes both Letters 105C, Disallowance of the Employee Retention Credit (ERC), and 106C, Claim Partially Disallowed.

46 IRC §§ 6514, 6532.

47 IRC § 6514(a)(2).

48 National Taxpayer Advocate 2024 Annual Report to Congress 4, 12 (Most Serious Problem: *Employee Retention Credit: IRS Processing Delays Are Resulting in Uncertainty and Are Harming and Frustrating Business Owners*), https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2024/12/ARC24_MSP_01_ERC.pdf

49 TAS examined a random sample of 100 cases where taxpayers received a 105C letter between October 1, 2024, and July 31, 2025, and checked these letters for inclusion of the right to file an appeal, the right to file suit in a U.S. district court or the U.S. Court of Federal Claims, and instructions for filing Form 907 to extend the two-year timeframe to protest the disallowance.

50 National Taxpayer Advocate 2024 Annual Report to Congress 4, 12 (Most Serious Problem: *Employee Retention Credit: IRS Processing Delays Are Resulting in Uncertainty and Are Harming and Frustrating Business Owners*), https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2024/12/ARC24_MSP_01_ERC.pdf. In response to a change in the law under the One Big Beautiful Bill Act, the IRS recently issued notices of claim disallowance because the IRS recorded on taxpayer's accounts that the claim was made after January 31, 2024. Section 70605(d) of the One Big Beautiful Bill Act prohibits the IRS from allowing or refunding ERCs after July 4, 2025, for the third and fourth quarters of 2021 if those claims were filed after January 31, 2024. Unfortunately, practitioners have reported that the IRS has incorrectly notated the date the taxpayer mailed the claim. It is likely the IRS will receive protests on this, and it is requiring taxpayers not only to dispute the date but also provide additional documentation substantiating their claim. *See* IRS Fact Sheet, FS-2025-07, IRS Frequently Asked Questions (FAQs) Address Employee Retention Credits Under ERC Compliance Provisions of the One, Big, Beautiful Bill (Oct. 22, 2025), https://www.irs.gov/newsroom/irs-frequently-asked-questions-faqs-address-employee-retention-credits-under-erc-compliance-provisions-of-the-one-big-beautiful-bill; and An Act to Provide for Reconciliation Pursuant to Title II of H. Con. Res. 14 (commonly referred to as the "One Big Beautiful Bill Act"), Pub L. No. 119-21, 139 Stat. 286 (2025).

51 TAS has recommended to the IRS through its formal notice review process that it incorporate these changes into notices of claim disallowance. Unfortunately, the IRS did not adopt TAS's recommendation.

each of which contain an exact date by which taxpayers must take certain actions.[52] The notices should also use simple language to explain that once this date has passed, the IRS can no longer pay a refund and the taxpayer can no longer file suit.[53] Finally, the notices should tell taxpayers that before this deadline they must either secure an extension of the time period from the IRS or file suit, and it should explain how to seek that extension as well as the consequences of not doing anything before the time expires.[54]

Form 907: A Broken Safeguard

Taxpayers who need to extend the two-year deadline to protect their refund rights must submit a Form 907, which must be signed by both the taxpayer and the IRS. However, the expiration date of the two-year period does not appear on taxpayer accounts, thus requiring IRS employees to manually search case files. Unlike other statutory deadlines that IRS employees can easily see on a taxpayer's account, determining the deadline for filing suit requires a manual review of the file.[55] As a result, both taxpayers and IRS employees can inadvertently miss the expiration of this two-year period. TAS, through an IRS working group, has recommended that the IRS add the two-year expiration date to taxpayer accounts similar to the period in which the IRS can assess a tax so both taxpayers and employees can easily monitor the deadline. The IRS's Taxpayer Services Division has agreed to start using such an indicator, but as of the publication of this report has not done so.[56] The IRS should implement this change without further delay to better protect taxpayer rights.

Unfortunately, many taxpayers and practitioners don't even know that Form 907 exists, or that there is an option to request an extension to the IRC § 6532 time period. As a result, taxpayers may unknowingly let the two-year period expire, permanently barring them from receiving a refund or seeking judicial review. This lack of awareness is largely due to the IRS's failure to explain the form in its notices and on its website. Although IRS.gov hosts the Form 907, it provides no explanation of what the form does, how to complete it, where to submit it, or the consequences of not getting the IRS to execute the form timely. Taxpayers are left to navigate this process on their own or hire professional help, which can be costly.[57]

The process becomes even more difficult when a taxpayer's case is in transition. If a taxpayer is actively working with a Revenue Agent or Appeals Officer, that employee should be able to provide the Form 907 to the taxpayer, who can then sign and return it to the IRS employee for their signature. But if the case is in an administrative limbo such as waiting for AM to transfer a protest to Appeals, or for Appeals to assign the case to an Appeals Officer, taxpayers have no clear path to submit the form. The form's instructions do not identify where it should be sent or whether it can be submitted electronically, increasing the risk that taxpayers will miss the deadline through no fault of their own.

These deficiencies in the Form 907 process have been especially harmful to taxpayers protesting ERC claim disallowances who would have benefited from executing a Form 907 because of IRS delays.[58] In the summer of 2024, the IRS issued about 28,000 ERC disallowance notices after running the claims through its risk-

52 IRC § 6212. *See also* Erin M. Collins, A Win for Taxpayers: Internal Revenue Service Math and Taxpayer Help Act, National Taxpayer Advocate Blog (Dec. 1, 2025), https://www.taxpayeradvocate.irs.gov/news/nta-blog/a-win-for-taxpayers-internal-revenue-service-math-and-taxpayer-help-act/2025/12/

53 IRC § 6514.

54 IRC § 6532(a).

55 IRC §§ 6212, 6213(a).

56 IRS response to TAS information request (Dec. 1, 2025).

57 When conducting a search for IRS Form 907, one of the few IRS websites that comes up as a search result is a Taxpayer Advocate Service blog. *See* Erin M. Collins, Notice of Claim Disallowance: Don't Make This Mistake, National Taxpayer Advocate Blog (April 6, 2022), https://www.taxpayeradvocate.irs.gov/news/nta-blog/nta-blog-notice-of-claim-disallowance-dont-make-this-mistake/2022/04/

58 National Taxpayer Advocate 2024 Annual Report to Congress 4, 14 (Most Serious Problem: *Employee Retention Credit: IRS Processing Delays Are Resulting in Uncertainty and Are Harming and Frustrating Business Owners*), https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2024/12/ARC24_MSP_01_ERC.pdf

scoring analysis.[59] Because these claims were not previously examined, IRS examiners are now reviewing the protests before transferring them to Appeals. Practitioners report that these protests remain unaddressed and stalled in IRS inventory.

At the same time, the notices of claim disallowance that the IRS issued in the summer of 2024 are coming up on the two-year expiration within months, yet the IRS has not assigned many of these administrative protests to Appeals. The IRS already rejected 316 taxpayer ERC protests because the two-year deadline expired.[60] Without immediate steps to improve the Form 907 process, this number is sure to increase, as tens of thousands of taxpayers risk losing their administrative appeal rights, being forced into premature litigation, or permanently forfeiting their refunds. The IRS needs to address this issue immediately and provide clear, proactive guidance to affected taxpayers.

The deficiencies in the Form 907 process lead many taxpayers to seek assistance from TAS to work with the IRS to execute the extension form. In fact, since 2021 through August 25, 2025, TAS secured 1,261 Forms 907 from taxpayers.[61] TAS intervention would have been unnecessary in many of these cases if the IRS simply added a two-year indicator on taxpayer accounts and instructed Revenue Agents and Appeals Officers to notify taxpayers when their cases are nearing the two-year deadline. It is inequitable that only taxpayers who seek TAS assistance are able to protect the two-year period, while similarly situated taxpayers who lack awareness or access to TAS assistance may permanently lose their refund and their right to seek judicial review. The IRS must fix this broken safeguard promptly to ensure all taxpayers are treated fairly.

CONCLUSION AND RECOMMENDATIONS

When taxpayers submit an amended return, they often enter a lengthy and arduous administrative process. Despite recent improvements, IRS processing delays for amended returns remain excessive – particularly for business taxpayers. These delays impose real financial hardship, increase frustration, undermine confidence in tax administration, and jeopardize taxpayers' statutory rights.

IRS notices disallowing a claim for refund frequently fail to clearly explain what was denied, why it was denied, and most critically, what taxpayers must do next to protect their rights. Unlike other significant IRS notices, these notices do not clearly state the exact deadline by which the taxpayer must file suit or by which the IRS must issue a refund. Instead, taxpayers are left to decipher complex and confusing language that obscures the serious consequences of inaction.

For taxpayers who need additional time because of IRS delays, the process for extending the critical two-year period under IRC § 6532 is opaque and poorly designed. The IRS provides little or no guidance on how to request an extension using Form 907, does not display the expiration date on the notice of disallowance or on taxpayer accounts, and offers no clear submission instructions. As a result, taxpayers may unknowingly lose their right to a refund or judicial review through no fault of their own. Many are forced to seek assistance from TAS simply to preserve their rights – a burden that should not exist.

Deadlines must be explicit, trackable, and visible, and extension procedures must be standardized and accessible. These problems can be addressed through targeted, low-burden reforms, including requiring claim disallowance notices to prominently state the specific "sue-by" or payment date; publishing plain-language guidance on Form 907 and allowing electronic submission; and displaying the IRC § 6532 expiration date on taxpayer accounts. These are reasonable procedural protections that align with how the IRS already communicates other high-stakes deadlines.

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59 National Taxpayer Advocate 2024 Annual Report to Congress 4, 14 (Most Serious Problem: *Employee Retention Credit: IRS Processing Delays Are Resulting in Uncertainty and Are Harming and Frustrating Business Owners*), https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2024/12/ARC24_MSP_01_ERC.pdf

60 IRS response to TAS information request (Dec. 1, 2025).

61 TAS, Internal Technical Advisor Program (ITAP) Form 907 Spreadsheet (2021-2025) (on file with TAS).

Administrative Recommendations to the IRS

The National Taxpayer Advocate recommends that the IRS:

1. **Expand automated processing of amended returns.** Continue expanding automated processing of amended returns to reduce processing delays while maintaining a high accuracy rate and establishing an electronic routing and tracking process between functions.
2. **Enhance transparency by improving the *Where's My Amended Return?* tool and the taxpayer's online account.** By 2027, enhance transparency in both the *Where's My Amended Return?* tool and taxpayer's online account, allowing taxpayers to see the status of each stage of the amended return processing, identify which IRS function is working their amended return, and include appropriate IRS contact information.
3. **Streamline submission of amended returns for taxpayers in Collection.** When taxpayers file an amended return and they currently have a case in Collection, by September 30, 2026, revise procedures so a copy of the amended return is automatically sent to Collection.
4. **Revise the notice of claim disallowance.** By September 30, 2026, revise notices of claim disallowance to clearly state the exact deadline to file suit or receive a refund, using plain language to explain the consequences of missing that deadline, prominently explaining appeal rights and next steps while providing straightforward instructions on how and where to file Form 907.
5. **Create a webpage for Form 907 information and guidance.** By September 30, 2026, create a webpage for Form 907 information and guidance on IRS.gov that describes what the Form 907 is, how to submit it, and the process for getting it approved.
6. **Establish a clear, standardized extension process for Form 907.** By April 30, 2026, establish a clear and standardized extension process for Forms 907 related to disallowed ERC claims, including instructions for how taxpayers may submit the form and how the IRS will notify taxpayers when their request is approved. Create a centralized unit to receive Forms 907 and route them to the appropriate IRS employee with signing authority. By September 30, 2026, establish procedures that provide a clear, standardized process for executing Forms 907 for non-ERC claims and that clearly advise taxpayers of their rights following a notice of claim disallowance.
7. **Add IRC § 6532 indicators to taxpayer accounts.** By January 30, 2027, add IRC § 6532 indicators to taxpayer accounts to allow taxpayers and the IRS to track the expiration of the IRC § 6532 two-year period. Similar to expiring assessment statutes, ensure proactive communication by requiring Revenue Agents and Appeals Officers to alert taxpayers six months before the deadline that the statute expiration is imminent and explain how to request an extension.

Legislative Recommendations to Congress

The National Taxpayer Advocate recommends that Congress:

1. Amend IRC § 6402(l) to require that every notice of claim disallowance include:
   - A clear, specific, and accurate explanation of the disallowance;
   - An explanation of how to appeal the disallowance;
   - A statement that the taxpayer has the right to file suit to recover the refund;
   - In bold at the top of the notice, the precise date by which taxpayer must file suit in a U.S. district court or the U.S. Court of Federal Claims under IRC § 6532(a); and
   - A statement that the taxpayer has the right to request an extension of the two-year period to appeal the disallowance, accompanied by an explanation of the extension process.

2. Amend IRC § 6402(l) to authorize the IRS to rescind a notice of claim disallowance when the notice fails to provide a specific explanation of the disallowance and/or omits required information regarding administrative or judicial review. This authority would enable the IRS to correct defective notices and ensure that taxpayers are not disadvantaged by agency error.

RESPONSIBLE OFFICIALS

Kenneth Corbin, Chief, Taxpayer Services

Jarod Koopman, Chief Tax Compliance Officer

Amalia Colbert, Commissioner, Small Business/Self Employed Division

Mabeline Baldwin (acting), Commissioner, Large Business and International Division

David Borden, Chief, IRS Independent Office of Appeals



2 IRS MODERNIZATION AND DIGITALIZATION

Outdated Paper Processes and Procurement Delays Harm Taxpayers

The difference between a digital and a paper interaction with the IRS is about more than mere convenience: It is about fairness, predictability, and financial stability. When returns, amended filings, or correspondence must be processed on paper, resolution and processing times slow dramatically.[1] Taxpayers bear the cost through delayed refunds, prolonged disputes, and months of anxiety and uncertainty about their financial standing.

The National Taxpayer Advocate has repeatedly warned that "paper is the IRS's kryptonite" and that the agency remains "buried in it." Paper returns require line-by-line manual data entry by an IRS employee. This process is time-consuming, error-prone, and unsustainable.[2] Procurement and modernization delays have compounded this problem, preventing the timely deployment of digital tools that could dramatically reduce backlogs and improve accuracy.

Taxpayers should be able to rely on the IRS to process their returns and correspondence within reasonable and transparent timeframes, regardless of the format in which they file. If the IRS remains dependent on outdated paper-based processes and slow procurement cycles, taxpayers will continue to experience delayed refunds, late or unanswered correspondence, and avoidable financial hardship. Taxpayers bear the cost of these inefficiencies not only in dollars,

1 National Taxpayer Advocate 2024 Annual Report to Congress 21 (Most Serious Problem: *Return Processing: Continuing Delays in IRS Return Processing Are Frustrating Taxpayers and Causing Refund Delays)*, https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2024/12/ARC24_MSP_02_Processing.pdf

2 Erin M. Collins, Getting Rid of the Kryptonite: The IRS Should Quickly Implement Scanning Technology to Process Paper Tax Returns, National Taxpayer Advocate Blog (Mar. 30, 2022), https://www.taxpayeradvocate.irs.gov/news/nta-blog/nta-blog-getting-rid-of-the-kryptonite-the-irs-should-quickly-implement-scanning-technology-to-process-paper-tax-returns/2022/03/

but in time, including hours spent calling the IRS, re-mailing documents, and proving the agency received what they already sent. These delays are not merely frustrating; they can deprive taxpayers of the *right to quality service* and erode confidence that the system treats them fairly.

EXPLANATION OF THE PROBLEM

The IRS's struggle with paper has deep institutional roots. The agency's core processing systems date back decades, and for most of that time paper was the default medium. In 2025, electronic filing made up a large percentage of filings, but tens of millions of returns are still submitted on paper each year along with tens of millions of letters, responses to notices, and supporting documents.[3] The National Taxpayer Advocate has repeatedly raised this issue in her congressional reports and blogs.[4] In a 2025 report on the 2024 filing season, the Government Accountability Office (GAO) confirmed that, while the IRS has improved aspects of customer service, paper processing remains a persistent bottleneck and the primary driver of timeliness shortfalls.[5]

These delays harm taxpayer rights, including the *rights to quality service*, *to pay no more than the correct amount of tax*, and *to a fair and just tax system*.[6] When paper-driven bottlenecks slow refunds, postpone resolution of disputes, or cause the IRS to use outdated account information, taxpayers may temporarily pay too much or too little tax, incur avoidable penalties or interest, or lose access to credits on which they depend. Low-income taxpayers and small businesses are disproportionately affected since they are more likely to file on paper or rely on mailed correspondence. These taxpayers often have the least flexibility to absorb refund delays, unexpected account adjustments, or prolonged disruptions.

Several structural issues converge to create this problem. These include:

- The IRS cannot effectively process paper, causing severe delays and taxpayer hardship;
- The Zero Paper Initiative (ZPI) faces implementation setbacks that threaten its ambitious goals;
- Federal procurement roadblocks under the Federal Acquisition Regulation (FAR) slow the IRS's ability to acquire critical technology upgrades;
- Efforts to modernize the federal acquisition system are too limited and slow to fully support IRS digitalization needs; and
- The IRS has not fully adopted private-sector modernization principles, leaving a gap between modernization goals and taxpayer experience.

3 IRS, Accounts Management (AM), Customer Accounts Services (CAS) Paper Inventory Reports (2025); IRS, Filing Season Statistics Reports (2025).

4 *See, e.g.*, National Taxpayer Advocate 2023 Annual Report to Congress 5 (Most Serious Problem: *Processing: Ongoing Processing Delays Burden and Frustrate Taxpayers Awaiting Refunds and Other Account Actions)*, https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2024/01/ARC23_MSP_01_Processing-Delays_FINAL_01292024.pdf; Erin M. Collins, National Taxpayer Advocate Urges Congress to Maintain IRS Appropriations But Re-Direct Some Funds Toward Taxpayer Service and Information Technology Modernization, National Taxpayer Advocate Blog (Mar. 16, 2023), https://www.taxpayeradvocate.irs.gov/news/nta-blog/nta-blog-nta-urges-congress-to-maintain-irs-appropriations-but-re-direct-some-funds-toward-taxpayer-service-and-it-modernization/2023/03; National Taxpayer Advocate 2024 Annual Report to Congress 21 (Most Serious Problem: *Return Processing: Continuing Delays in IRS Return Processing Are Frustrating Taxpayers and Causing Refund Delays),* https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2024/12/ARC24_MSP_02_Processing.pdf.

5 GAO, GAO-25-107375, *IRS Improved Live Service and Began to Modernize Some Operations, but Timeliness Issues Persist* (Jan. 30, 2025), https://www.gao.gov/products/gao-25-107375.

6 *See* Taxpayer Bill of Rights (TBOR), https://www.taxpayeradvocate.irs.gov/taxpayer-rights (last visited Dec. 23, 2025). The rights contained in the TBOR are also codified in IRC § 7803(a)(3).

ANALYSIS

The IRS Cannot Effectively Process Paper, Causing Severe Delays and Taxpayer Hardship

Despite decades of technological advances, the IRS remains heavily burdened by paper. In 2025, the agency received tens of millions of paper-filed returns and tens of millions of pieces of paper correspondence.[7] The GAO reported that during the 2024 filing season, the IRS did not meet its 13-day processing goal for individual paper returns, instead averaging 20 days, and that similar problems persisted from prior seasons.[8] When processing volumes peak and the IRS must correspond with taxpayers to resolve errors, delays can extend to months, particularly for amended returns and correspondence cases.[9] Uncertainty can be as damaging as the delay itself, particularly for taxpayers with limited savings or fixed incomes.

The impact on taxpayers is significant. Delayed refunds mean delayed access to funds that many households rely upon for basic expenses or to keep small businesses afloat.[10] Paper-driven delays also contribute to billions of dollars in interest payments on late refunds, effectively a hidden cost of inefficiency borne by the federal fisc.[11]

Understandably, taxpayers may respond to delays by repeatedly calling the IRS, generating higher call volumes and longer wait times, or by filing duplicate returns or correspondence, which further complicates case resolution. The National Taxpayer Advocate has documented these delays disproportionately harm vulnerable populations, including identity theft victims and low-income taxpayers whose cases often require paper documentation.[12]

Moreover, paper delays can distort compliance, as the IRS's failure to timely address returns and correspondence triggers downstream problems. When the IRS processes returns and taxpayer correspondence out of sequence, taxpayers may receive automated collection notices before their returns or responses have been fully processed, leading to confusion and, in some cases, inappropriate enforcement actions. This can push taxpayers into avoidable collection pipelines, require additional documentation, and escalate routine issues into prolonged disputes. These outcomes undermine taxpayers' perceptions that the system is fair and predictable, which in turn can weaken taxpayer compliance. Ensuring timely processing of paper submissions is therefore a core customer service and taxpayer rights issue.

The IRS has the ambition and policy support to modernize but success will depend on disciplined execution, realistic sequencing, and a relentless focus on taxpayer impact. Until modernization efforts are aligned with operational reality and procurement agility, taxpayers will continue to experience a system that promises digital efficiency but may deliver paper-era delays. For taxpayers, delays translate into hardship.

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7 IRS, AM CAS Paper Inventory Reports, (2025); IRS, Filing Season Statistics Reports (2025).

8 GAO, GAO-25-107375, *IRS Improved Live Service and Began to Modernize Some Operations, but Timeliness Issues Persist* (Jan. 30, 2025), https://www.gao.gov/products/gao-25-107375.

9 National Taxpayer Advocate 2024 Annual Report to Congress 21 (Most Serious Problem: *Return Processing: Continuing Delays in IRS Return Processing Are Frustrating Taxpayers and Causing Refund Delays*), https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2024/12/ARC24_MSP_02_Processing.pdf *See also* Most Serious Problem: *Amended Returns: Refund Delays and Unclear and Confusing Disallowance Notices Harm Taxpayers and Jeopardize Their Rights to Administrative and Judicial Review*, *supra,* for a detailed discussion of the harm caused to taxpayers by the continued delays in processing amended returns.

10 National Taxpayer Advocate 2023 Annual Report to Congress 5 (Most Serious Problem: *Processing: Ongoing Processing Delays Burden and Frustrate Taxpayers Awaiting Refunds and Other Account Actions*), https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2024/01/ARC23_MSP_01_Processing-Delays_FINAL_01292024.pdf

11 *Id*.

12 National Taxpayer Advocate 2023 Annual Report to Congress 5 (Most Serious Problem: *Processing: Ongoing Processing Delays Burden and Frustrate Taxpayers Awaiting Refunds and Other Account Actions*), https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2024/01/ARC23_MSP_01_Processing-Delays_FINAL_01292024.pdf; National Taxpayer Advocate 2024 Annual Report to Congress 34, 36 (Most Serious Problem: *Identity Theft: Processing and Refund Delays Are Harming Victims of Tax-Related Identity Theft*), https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2024/12/ARC24_MSP_03_Identity-Theft.pdf

The Zero Paper Initiative Faces Implementation Setbacks That Threaten Its Ambitious Goals

In April 2025, the IRS launched ZPI to digitize IRS operations. This initiative aims to convert incoming paper filings and mail into streamlined digital formats for electronic processing. A centerpiece of the plan for the 2026 filing season is to use contractors for Scanning-as-a-Service (SCaaS), which includes scanning and data-extracting all paper-filed individual Forms 1040 and payroll Forms 940 and 941. Together, these forms account for about 78% of all paper-filed tax forms.[13]

In theory, this would allow paper submissions to be processed just like e-filed returns, thereby greatly decreasing processing time. IRS leadership envisions ZPI to mitigate recent staffing losses in the agency's Submission Processing function by replacing manual data entry with automated scanning.[14] In other words, technology would reduce the number of human hands needed to do the work. However, the National Taxpayer Advocate cautions the IRS not to put all its eggs in one basket by eliminating or severely reducing the Submission Processing employees needed to process paper returns before validating technology performance.

In prior years, the IRS anticipated turnover in Submission Processing and replaced departing employees as part of its normal workforce cycle. This year, the IRS lost a significant number of employees due to the Deferred Resignation Program (DRP) and Voluntary Separation Incentive Payments (VSIP). Then, as a result of the 2025 hiring freeze, the agency was only able to onboard 1,745 new hires, which is substantially below its hiring target of 3,305.[15] This situation increases the stakes of ZPI's phased rollout and amplifies taxpayer risk if digital capacity does not match filing season volumes by early 2026.

Initial progress has fallen short of expectations. By the end of the 2024 filing season, before ZPI's full rollout, the IRS had only piloted scanning on a fraction of returns. About 82,000 individual 1040 paper returns (roughly 2% of all paper Forms 1040) and 800,000 business employment returns (about 16% of paper Forms 940 and 941) were processed through offsite scanning vendors as part of a digital intake pilot.[16] These modest pilots demonstrated the feasibility of scanning, but scaling up to handle the tens of millions of incoming documents remains a much bigger challenge and there are concerns whether the vendors can timely process the incoming volume of returns.

Given that paper return receipts surge during peak periods, the IRS must ensure that contractor scanning capacity is sized for those spikes, not just for average weekly volumes, or paper inventories will continue to build and push out processing and refund timeframes.

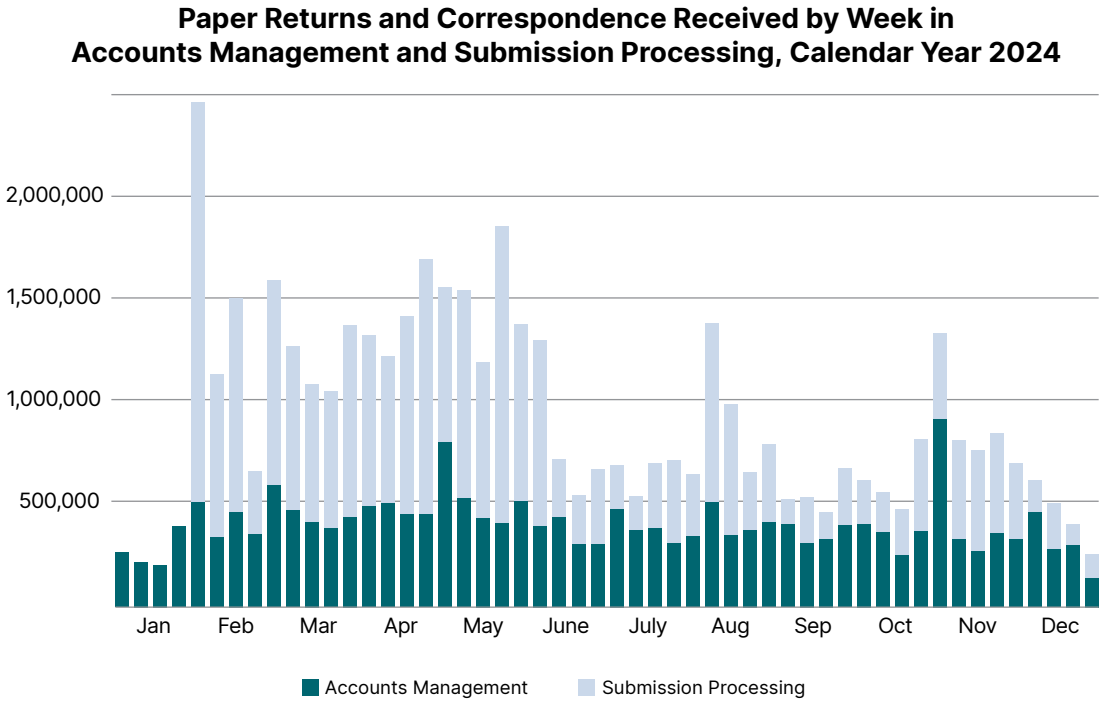
The current vendor contracts call for a minimum processing threshold of 70,000 returns per vendor per week.[17] Once a vendor proves they can maintain that level, the IRS plans to progressively increase the amount of returns and correspondence for the vendors to process.[18] As of December 2025, only one of the four scanning vendors had maintained the minimum threshold of 70,000 returns per week. No other vendor has met the minimum.[19]

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13 Treasury Inspector General for Tax Administration (TIGTA), Ref. No. 2025-400-048, *Final Results of the 2025 Filing Season* 15 (Sept. 29, 2025).
14 *Id.*
15 IRS response to TAS fact check (Jan. 12, 2026). The IRS states that it received authorization to hire 1,600 Submission Processing employees for FY 2026. *Id.* At the time this report goes to press, it is unclear the level of success the IRS has met with these hiring efforts.
16 GAO, GAO-25-107375, *IRS Improved Live Service and Began to Modernize Some Operations, but Timeliness Issues Persist* (Jan. 30, 2025), https://www.gao.gov/products/gao-25-107375.
17 IRS response to TAS information request (Dec. 9, 2025).
18 *Id.*
19 IRS response to TAS fact check (Jan. 12, 2026).

As shown in Figure 2.2.1, during peak 2024 filing season, the IRS received well over 2 million returns and correspondence in a week. To achieve this capacity would require a significant increase from the 70,000 per week minimum target even when spread across all four vendors. This is a concern if the IRS plans to be completely paperless by the 2026 filing season.

FIGURE 2.2.1[20]



When the IRS kicked off ZPI in 2025, it quickly encountered significant delays in vendor implementation. For example, IRS management reports that in May 2025 they shipped over 800,000 paper returns to a scanning contractor, yet 600,000 of those returns had to be sent back to the IRS for manual processing because the vendor could not process them fast enough.[21] The contractor was overwhelmed by either the volume or complexity, resulting in the IRS having to fall back on its employees to manually enter the data for the majority of those returns. This is precisely the outcome ZPI was meant to avoid.

The IRS has struggled to demonstrate it can implement scanning technology at scale and has encountered difficulties securing a vendor with the necessary technical capabilities to handle millions of paper returns.[22] These setbacks have put ZPI behind schedule, making the IRS's goal of largely paperless processing by 2026 unattainable. The question remains: Will ZPI be able to provide results that are any better than the IRS's in-house processes?

20 IRS, AM CAS Paper Inventory Reports (2024); IRS, Filing Season Statistics Reports (2024); IRS response to TAS fact check (Jan. 12, 2026). These are only receipts, not the IRS's current inventory.
21 TIGTA, Ref. No. 2025-400-048, *Final Results of the 2025 Filing Season* 15 (2025).
22 National Taxpayer Advocate 2024 Annual Report to Congress 21 (Most Serious Problem: *Return Processing: Continuing Delays in IRS Return Processing Are Frustrating Taxpayers and Causing Refund Delays*), https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2024/12/ARC24_MSP_02_Processing.pdf

The IRS has been working on multiple fronts to rescue the timeline. In addition to outsourcing scanning, during the 2024 filing season the IRS used increased funding from 2022 to purchase new high-speed scanning machines for its own processing centers.[23] These machines promised to boost in-house capacity to convert paper into digital data. However, there are delays in deployment. IRS officials explained that existing IRS scanning software, the decades-old Service Center Recognition/Image Processing System (SCRIPS), had to be reconfigured before the new hardware could be fully utilized.[24] Although the new scanners were delivered to IRS sites by early 2024, they were not used for live tax return processing in the 2025 filing season due to software and integration hurdles.[25]

Modernizing the SCRIPS system for full-page, high-volume scanning was still "in development" as of November 2024.[26] The IRS has begun using the machines in the interim to scan billions of old archival documents currently in warehouses, which will eventually save money and space once those paper documents can be destroyed but does not solve the problem of processing current tax returns or correspondence.[27]

The primary mission of scanning incoming current-year returns must be achieved sooner to deliver relief for taxpayers. IRS management has indicated that if the agency cannot digitally process all paper returns by 2026, it will need to hire additional clerks to keep up with manual processing. This dual-track model is neither cost-efficient nor sustainable because the IRS must pay for new digital intake capacity and additional contract expenses while also maintaining their own manual processing to cover shortfalls.[28] But relying solely on ZPI when it is still an unproven process is also a concern for taxpayers.

If successful, a fully implemented ZPI reflects the kind of innovation that would benefit taxpayers, including eliminating paper at intake, processing everything digitally, and shortening turnaround times. Yet, the execution so far has stumbled due to procurement and technology bottlenecks. Every month of delay keeps millions of taxpayers stuck in paper-bound queues awaiting refunds or responses.[29] For the initiative to succeed, the vendors must rapidly overcome performance issues and integrate new scanning tools into the IRS's workflow. Unfortunately, the IRS's ability to do so is heavily constrained by another longstanding problem: the federal procurement system.

Federal Procurement Roadblocks Under the Federal Acquisition Regulation Slow the IRS's Ability to Acquire Critical Technology Upgrades

The IRS's difficulties in standing up SCaaS are symptomatic of an outdated and cumbersome procurement process. IRS officials cannot simply partner with an appropriate technology firm and deploy a new solution overnight. Instead, they must comply with the FAR, which is a sprawling set of procurement rules that has grown increasingly complex since its rollout in 1984.[30]

23 GAO, GAO-25-107375, *IRS Improved Live Service and Began to Modernize Some Operations, but Timeliness Issues Persist*, 7, 35, 39 (Jan. 30, 2025), https://www.gao.gov/products/gao-25-107375.
24 *Id*. at 40.
25 *Id*.
26 *Id*.
27 *Id*. at 40-41.
28 TIGTA, Ref. No. 2025-400-048, *Final Results of the 2025 Filing Season* 15 (2025).
29 IRS, AM CAS Paper Inventory Reports, (2025); IRS, Filing Season Statistics Reports (2025).
30 48 CFR ch. 1. The history of the FAR began with a 1972 report by the Commission on Government Procurement, which identified inconsistencies in federal contracting rules. The FAR was created to standardize these regulations, and its first version became effective on April 1, 1984. It was established under the joint authority of the Department of Defense, the General Services Administration, and the National Aeronautics and Space Administration, with the goal of creating a uniform, efficient, and transparent procurement system. *See* Congressional Research Service, *The Federal Acquisition Regulation (FAR): Answers to Frequently Asked Questions* (Apr. 7, 2025), https://www.congress.gov/crs-product/R42826.

The FAR, along with agency-specific supplements, dictates every step of acquiring goods and services. In theory, it has the laudable aims of fairness, transparency, and safeguarding taxpayer dollars. In practice, however, dense regulations and highly technical procedures have been added to the FAR. Some of these provisions go beyond what any statute strictly requires, often adding paperwork and delay without improving outcomes.[31]

Even relatively simple information technology (IT) purchases can become protracted exercises in regulatory compliance. It is not uncommon for major federal IT acquisitions to take months or even years from solicitation to contract award, whereas a comparable private-sector project might be initiated in a matter of weeks. By the time a federal contract is in place, the technology specified may be an entire generation out of date.[32]

The IRS's experience trying to procure scanning services highlights several structural problems. First, the timeline for competition and award is too slow to meet urgent needs. For example, the IRS began planning for digital scanning pilots as early as 2021.[33] But the full-scale implementation contracts were not in place by the 2025 filing season, necessitating the interim measures discussed. Facing the looming deadline to eliminate paper and a deadline reinforced by an April 2025 executive order, the IRS resorted to awarding a bridge task order for scanning services without full competition.[34] This sole-source award was justified under urgent and compelling need, since any lapse in scanning would jeopardize the ZPI timeline.

The award was challenged in court by competing vendors, arguing the IRS should have held a competitive bidding. In adjudicating the case, the U.S. Court of Federal Claims acknowledged the IRS's dilemma. Following the lengthy standard procurement route would have caused a "critical break in service" at a cost the IRS estimated to be "at least $173,000 per day, or $63.2 million per year, to the American taxpayers" if scanning were delayed.[35] In other words, every day of procurement delay carries a real price tag due to more paper piling up and more interest accruing on late refunds.

The court ultimately allowed the bridge contract to proceed while ordering the IRS to better document its justification,[36] but the episode lays bare the troubling fact that the IRS had to bypass the normal procurement process to try to meet a presidential mandate for digital processing, and doing so brought about legal challenges that threatened ZPI's implementation. It is reasonable to conclude that such workarounds should not be necessary. Instead, the procurement system should be simple enough to acquire critical technology fast enough to respond to taxpayers' needs.

Second, the federal procurement system's rigidity and risk aversion limit the IRS's access to innovation. Under the FAR's detailed rules, contracting officers often face a compliance checklist that can run to an extensive number of items. Such an environment favors established, large contractors who can navigate the red tape and discourages newer, innovative firms that lack armies of procurement lawyers and contract specialists.

The National Taxpayer Advocate has previously noted that the IRS's pilot brought in several vendors but "currently the IRS has not indicated that any can accommodate the millions of … returns" to be scanned, and indeed no vendor has yet proven capable of handling the full volume.[37] This suggests either a gap in the market's capabilities or in the IRS's ability to effectively contract for those capabilities. It is telling that the IRS

31 White House, *The Office of Federal Procurement Policy Launches Landmark Update to FAR, Ushering in a New Era for Commercial Buying* (Aug. 15, 2025), https://www.whitehouse.gov/briefings-statements/2025/08/the-office-of-federal-procurement-policy-launches-landmark-update-to-far-ushering-in-a-new-era-for-commercial-buying/

32 Conversation with Treasury Chief Information Officer (Sept. 22, 2025).

33 *GovCIO, LLC v. United States*, 177 Fed. Cl. 579 (2025), https://ecf.cofc.uscourts.gov/cgi-bin/show_public_doc?2025cv0809-73-0.

34 *Id.*

35 *Id.*

36 *Id.*

37 National Taxpayer Advocate 2024 Annual Report to Congress 24 (Most Serious Problem: *Return Processing: Continuing Delays in IRS Return Processing Are Frustrating Taxpayers and Causing Refund Delays),* https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2024/12/ARC24_MSP_02_Processing.pdf

initially planned to rely heavily on outside vendors for scanning yet now is also investing in internal solutions to "reduce the agency's use of outside vendors."[38] As noted above, until vendors are able to demonstrate timely and accurate processing with scalable capacity this dual-track system reduces efficiency and increases costs, even as the IRS continues to process critical filing season work. But the risk of failure is not acceptable.

In a more agile procurement environment, the IRS might have engaged in iterative, performance-based contracts or technology demonstrations with startups and industry leaders to quickly find the best solution. Instead, the IRS is juggling multiple approaches, all while complying with onerous regulations that slow progress. When a contract is approved, the threat of bid protests further slows progress since a protest can automatically halt a project for up to 100 days while disputes are resolved.[39] This compounds the already lengthy bidding process.

Procurement delays are also a taxpayer service issue. Every additional form that a contractor fails to scan on time and every extra month spent ironing out contract details directly translate into longer wait times for taxpayers. When procurement falters, the domino effect is felt by taxpayers who experience stalled resolutions. As the National Taxpayer Advocate has previously noted, modernizing tax processing requires implementing widespread scanning, electronic processing of paper, and automating manual work to "reduce errors and processing delays."[40] In effect, procurement delays become service delays, and service delays become financial harm for taxpayers.

The IRS has bet on the success of ZPI. Submission Processing staffing has fallen from prior levels even as ZPI vendors have not demonstrated that they can reliably absorb peak seasonal volume.[41] Each year, the January through April filing season is the period of highest taxpayer vulnerability, and it is not an environment where the IRS can afford to reduce legacy capacity faster than it can validate ZPI performance or other internal modernization efforts. If ZPI does not meet volume needs on schedule, taxpayers will experience delayed refunds and extended account resolution times.[42]

The procurement system should help enable the IRS's modernization mandate from Congress. But progress under the FAR will be limited if it takes years to hire vendors or if contracts get stuck in procedural purgatory. In short, the structural inefficiencies of federal acquisition are impeding the IRS's ability to transition fully into its ZPI operations to serve taxpayers in a timely way.

Efforts to Modernize the Federal Acquisition System Are Too Limited and Slow to Fully Support IRS Digitalization Needs

Policymakers are aware of government-wide procurement challenges, and 2025 has brought a major push to update the process. In August 2025, the Office of Federal Procurement Policy and the FAR Council launched what is being called the "Revolutionary FAR Overhaul," the first comprehensive overhaul of the FAR.[43] This

38 GAO, GAO-25-107375, *IRS Improved Live Service and Began to Modernize Some Operations, but Timeliness Issues Persist* 39 (Jan. 30, 2025), https://www.gao.gov/products/gao-25-107375.

39 Conversations with outside stakeholders (Nov. 20, 2025); *see* 31 U.S.C. § 3554(a)(1). *See also* Jon W. Burd, *Defense Industry Should Be Up in Arms Over Proposed NDAA Bid Protest "Reforms,"* Wiley (June 2016) (arguing that bid protest reforms are "necessary to improve the integrity of [the] acquisition process"), https://www.wiley.law/newsletter-Defense-Industry-Should-Be-Up-in-Arms-Over-Proposed-NDAA-Bid-Protest-Reforms.

40 National Taxpayer Advocate 2024 Annual Report to Congress 24 (Most Serious Problem: *Return Processing: Continuing Delays in IRS Return Processing Are Frustrating Taxpayers and Causing Refund Delays*), https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2024/12/ARC24_MSP_02_Processing.pdf

41 *See* TIGTA, Ref. No. 2025-400-048, *Final Results of the 2025 Filing Season* 13 (2025) (citing a loss of 17% of employees in Accounts Management and a 19% loss in Submission Processing beyond the IRS's normal annual attrition). The IRS notes that it received authorization to hire 1,600 employees in Submission Processing in November of 2025. IRS response to TAS information request (Dec. 9, 2025).

42 Per the IRS, the current vendor contracts include a penalty if they exceed the IRS's maximum cycle time. IRS response to TAS fact check (Dec. 22, 2025).

43 Acquisition.gov, *Revolutionary FAR Overhaul (RFO)* (last updated Jan. 13, 2025), https://www.acquisition.gov/far-overhaul.

initiative seeks to streamline and simplify procurement rules on a grand scale. Agencies have been authorized to immediately eliminate one third of the requirements they currently include in contracts that are not mandated by statute or executive order and that do not meaningfully affect contract outcomes.[44]

In practical terms, this means paring away some of the regulatory framework. The guiding philosophy, as one senior official put it, is "the old rules were built for paperwork; the new rules are built for performance."[45] The goals of the FAR overhaul are explicitly to enable faster acquisitions, greater competition, and better mission outcomes, all while maintaining core principles of fairness.[46]



"The old rules were built for paperwork; the new rules are built for performance."

- faster acquisitions
- greater competition
- better mission outcomes

While these reforms are promising, the question remains: Will they be enough, and will they be soon enough, to address the IRS's mounting modernization needs from a taxpayer's perspective? There is reason for cautious optimism, but regulatory change alone will not quickly resolve operational failures that taxpayers experience most acutely through delayed refunds. The FAR overhaul is a multiyear endeavor. As of late 2025, the first set of revised FAR parts has just begun rolling out, focusing on commercial item acquisitions and simplified procedures, with more to follow in fiscal year (FY) 2026.[47] This timeline means tangible improvements might come too slowly to support the IRS's 2026 paperless processing goal. There remain near-term concerns that contractor scanning capacity is insufficient for the upcoming filing season.[48] This heightens the risk that paper inventories will continue to build and delay refunds if ZPI performance does not meet peak seasonal volumes.

Moreover, some causes of procurement delay are statutory or structural. For example, the requirement to compete for procurements absent a justified exception and the availability of bid protests are rooted in law and will remain even if the FAR changes aim to manage them better.[49] The IRS will still need to forecast its needs well in advance and perhaps build in award time for potential protests, which agencies can override only in truly urgent circumstances.[50]

44 White House, *The Office of Federal Procurement Policy Launches Landmark Update to FAR, Ushering in a New Era for Commercial Buying* (Aug. 15, 2025), https://www.whitehouse.gov/briefings-statements/2025/08/the-office-of-federal-procurement-policy-launches-landmark-update-to-far-ushering-in-a-new-era-for-commercial-buying/

45 *Id.*

46 Acquisition.gov, *Revolutionary FAR Overhaul (RFO)* (last updated Jan. 13, 2025), https://www.acquisition.gov/far-overhaul.

47 *See id.*; The Coalition for Common Sense in Government Procurement, *The Next Steps in the Revolutionary FAR Overhaul* (Sept. 19, 2025), https://thecgp.org/2025/09/19/the-next-steps-in-the-revolutionary-far-overhaul/

48 *See* TIGTA, Ref. No. 2025-400-048, *Final Results of the 2025 Filing Season* 2 (2025) ("[W]e expect workforce reductions to impact key processing programs and customer service going forward. We are concerned about how this will impact the 2026 Filing Season. Key IRS functions responsible for managing the filing season have lost 17 to 19% of their workforce. The IRS initiated a Zero Paper Initiative effort to expand scanning and digital processing of paper-filed tax returns. It was expected to mitigate the impact of some of the staffing losses on the 2026 Filing Season. However, the initiative is already delayed.").

49 *See* 10 U.S.C. § 3201; 41 U.S.C. § 3301; FAR 6.101.

50 *See* Jon W. Burd, *Defense Industry Should Be Up in Arms Over Proposed NDAA Bid Protest "Reforms,"* Wiley (June 2016), https://www.wiley.law/newsletter-Defense-Industry-Should-Be-Up-in-Arms-Over-Proposed-NDAA-Bid-Protest-Reforms.

Another consideration is whether the FAR overhaul's focus on "commercial buying" aligns with the IRS's particular challenges. Scanning hardware and OCR software are indeed commercial technologies, so simplifying commercial-item rules should help.[51] But some IRS procurements such as bespoke IT systems or complex taxpayer service contracts may not benefit as directly from the initial wave of reforms. The IRS might still face lengthy negotiations for integration with legacy systems, stringent security requirements, and other factors that slow things down.

Even if the FAR overhaul ultimately reduces paperwork, the IRS cannot wait for multiyear regulatory change to resolve acquisition bottlenecks that are already impeding digitalization. Zachary Prince's congressional testimony in July of 2025 underscores that bid protests are relatively rare, representing less than 2% of awards, and that GAO protests have become less frequent over the past decade.[52]

But the testimony also highlights that protests remain highly effective, with GAO effectiveness rates above 50% in recent years. This means many protested acquisitions contain real legal flaws.[53] The implication for IRS modernization is that delays are often downstream of preventable procurement errors and unclear communication, not an overabundance of protests. To accelerate digitalization without undermining competition or oversight, the IRS should focus on administrative fixes within its control that reduce error, improve transparency, and allow vendors to understand award decisions without resorting to litigation.

Inadequate debriefings are a primary driver of protests. Enhanced debriefings, including meaningful explanations of discriminators and limited post-debrief Q&As, have materially reduced protest volume in Department of Defense (DoD) procurements.[54] For IRS modernization buys, robust debriefs would reduce uncertainty and deter reflexive protests that stall deployment.

Second, Prince notes that policymakers and agencies lack reliable, accessible data on protest patterns, corrective actions, serial protesters, and time-to-award impacts, and he urges systematic tracking to identify true friction points.[55] Without similar analytics, the IRS cannot distinguish between delays caused by vendor performance, internal evaluation weaknesses, or protest-induced stays. Building an IRS protest analytics and lessons-learned program would create a feedback loop to tighten solicitations, improve evaluation documentation, and shorten acquisition timelines for digital tools. Finally, because high effectiveness rates signal that many protests expose genuine evaluation flaws, the IRS should institute pre-award protest-risk quality reviews in major modernization procurements to confirm that evaluation criteria are clear, consistently applied, and thoroughly documented before award.[56]

These targeted administrative steps can meaningfully reduce avoidable protests and corrective actions, strengthening competition while speeding delivery of digitalization solutions taxpayers urgently need.

No doubt, the FAR overhaul is a needed step and sends the right message, but by itself it might not fully liberate the IRS from procurement bottlenecks that slow modernization and directly affect taxpayers. To avoid continued delays that taxpayers experience as late refunds and prolonged uncertainty, the IRS will still need to pair government-wide reforms with administrative actions it can implement immediately to reduce preventable delays. This includes using enhanced debriefings and structured post-award Q&As to increase transparency and deter reflexive protests, building a protest analytics and lessons-learned program to identify

51 *See* FAR pt. 12.
52 Zachary D. Prince, Testimony Before the H. Comm. on Oversight & Gov't Reform, Subcomm. on Gov't Operations 1 (written testimony) (noting protests are "substantially less than 2%" of awards and have declined by roughly 31%), https://publicprocurementinternational.com/wp-content/uploads/2025/07/Written-Testimony-of-Zachary-Prince-to-the-Government-Operations-Subcommittee-1.pdf
53 *Id.* at 1.
54 *Id.* at 6 (explaining thorough debriefings lower protests and that DoD's enhanced debriefing regime has had "meaningful impact").
55 *Id.* at 7.
56 *See id.* at 1 (tying effectiveness to legal errors in protested decisions).

recurring friction points, and conducting pre-award protest-risk quality reviews in major modernization procurements to ensure evaluations are clear, consistent, and well documented. With sustained leadership attention to these internal fixes, the IRS will be better positioned to use new FAR flexibilities effectively and deliver digital tools like ZPI more quickly providing taxpayers with faster refunds, clearer communication and more timely resolution.

The IRS Has Not Fully Adopted Private-Sector Modernization Principles, Leaving a Gap Between Modernization Goals and Taxpayer Experience

While changes to the FAR are important, true transformation also requires embracing the operational mindset of modern private-sector technology deployment. The IRS's top leadership and oversight bodies have articulated a vision for a more agile, technology-enabled IRS that in many ways mirrors best practices from industry. At its core, this vision calls for speed, iterative development, and automation to replace the IRS's historically slow, monolithic approach to technology.



The vision for a more agile, technology-enabled IRS calls for

SPEED | **ITERATIVE DEVELOPMENT** | **AUTOMATION**

to replace the IRS's historically slow, monolithic approach to technology.

Delivering Projects at Speed and in Phases

In the private sector, large IT initiatives are typically broken into smaller, incremental projects that deliver value quickly.[57] The IRS is beginning to move in this direction. For example, rather than waiting years to perfect an all-encompassing digital correspondence system, the IRS rolled out the Document Upload Tool (DUT) prototype in 2021 for a limited set of notices, then expanded it to cover nearly all notice responses by 2024.[58] Taxpayers have submitted over one million documents through this digital portal so far.[59]

Although the DUT still has limitations, such as the need to sometimes print uploaded documents on the back end,[60] it illustrates the principle that if the agency launches something useful it can then refine it iteratively. The National Taxpayer Advocate has urged the agency to take this phased approach to "not just recreate the paper process" in digital form, but to pilot new tools, learn from them, and build on successes rather than striving for instant perfection.[61] For Congress and stakeholders, this means supporting the IRS when it deploys partial solutions as stepping stones. Iterative progress is far better than waiting endlessly for a perfect system. The IRS's ability to first phase in scanning with certain forms then roll out online accounts and other tools in stages must be the direction of future modernization efforts.

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57 *See, e.g.*, IBM Center for The Business of Government, *A Roadmap for IT Modernization in Government* (2018), https://www.businessofgovernment.org/sites/default/files/A%20Roadmap%20for%20IT%20Modernization%20in%20Government_1.pdf

58 GAO, GAO-25-107375, *IRS Improved Live Service and Began to Modernize Some Operations, but Timeliness Issues Persist* 42 (Jan. 30, 2025), https://www.gao.gov/products/gao-25-107375.

59 *Id.*

60 *Id.* at 43.

61 National Taxpayer Advocate 2026 Objectives Report to Congress xi (Preface), https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2025/06/JRC26_Preface.pdf

Automation and End-to-End Digital Processing

Private firms have had automated high-volume transactions for years.[62] For example, consider how banks process checks with imaging or how insurance companies scan and auto-index claims. The IRS has the same opportunity with tax returns and correspondence. The ultimate outcome is a "fully digital processing pipeline – from intake through resolution – with as little manual intervention as possible."[63] This means both scanning paper into PDFs and extracting data. It also means using software for processing and involving human employees to make determinations when appropriate. As the National Taxpayer Advocate has previously observed, genuine modernization is achieved only when paper is digitized *and* downstream processes are automated, otherwise tools like the DUT "merely shift workload rather than reduce it" if IRS employees still re-print and handle the responses.[64] Expanding digital downstream processes is essential for the IRS to continue its work on digitalization.

The private sector focuses on straight-through processing. It is high time the IRS did the same. Encouragingly, the IRS set certain targets, such as scanning 99.9% of paper tax forms by 2025 and digitally processing up to 50% of paper correspondence by 2025.[65] As of the beginning of FY 2025, the IRS was only about halfway to those goals (58% of forms, 53% of letters processed digitally).[66]

Private-sector management principles would further measure and drive such metrics. IRS leadership should ensure tracking of digitization rates, error rates, and cycle times and hold managers accountable based upon outcomes achieved. When automation is fully implemented, taxpayers will benefit from faster refunds, fewer errors, and less need to interact with IRS staff for routine matters, allowing the agency to assist taxpayers struggling with more complex issues.

Customer-Centric and Innovative Culture

One reason technology firms succeed is relentless focus on user experience and openness to new ideas. In tax administration, this translates to things like fully functional online taxpayer accounts, real-time communication options such as chat and secure messaging, and personalized self-service tools. Many of these are standard in banking or e-commerce but are only now emerging at the IRS.

The National Taxpayer Advocate has previously highlighted features such as digital notice responses, secure messaging, and mobile-friendly filing as options that have been standard for years in the private sector and are finally being introduced for taxpayers.[67] She rightly calls this a "leap forward into the 21st century for the IRS," while cautioning that most of these are still in pilot or limited rollout.[68] The IRS must continue leveraging appropriate private-sector ideas and deploying them more broadly.

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62 National Taxpayer Advocate 2024 Annual Report to Congress iv (Preface), https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2024/12/ARC24_Pro.pdf

63 National Taxpayer Advocate 2026 Objectives Report to Congress xi (Preface) https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2025/06/JRC26_Preface.pdf

64 *Id.*

65 *See* National Taxpayer Advocate 2024 Annual Report to Congress 24 (Most Serious Problem: *Return Processing: Continuing Delays in IRS Return Processing Are Frustrating Taxpayers and Causing Refund Delays*), https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2024/12/ARC24_MSP_02_Processing.pdf; IRS, Portfolio Dashboard Overview (Oct. 16, 2024) (on file with TAS). *See also* IRS Fact Sheet, FS-2023-18, IRS Launches Paperless Processing Initiative (Aug. 2023), https://www.irs.gov/newsroom/irs-launches-paperless-processing-initiative.

66 National Taxpayer Advocate 2024 Annual Report to Congress 24 (Most Serious Problem: *Return Processing: Continuing Delays in IRS Return Processing Are Frustrating Taxpayers and Causing Refund Delays*), https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2024/12/ARC24_MSP_02_Processing.pdf; *see also* IRS Fact Sheet, FS-2023-18, IRS Launches Paperless Processing Initiative (Aug. 2023), https://www.irs.gov/newsroom/irs-launches-paperless-processing-initiative.

67 National Taxpayer Advocate 2024 Annual Report to Congress iv (Preface), https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2024/12/ARC24_Pro.pdf

68 *Id.*; *see also*, Matt Bracken, *National Taxpayer Advocate Calls on Congress to Boost IRS Modernization Funds*, FedScoop (Jan. 9, 2025), https://fedscoop.com/irs-modernization-taxpayer-services-report-technology-funding/

Additionally, a culture of innovation needs to be nurtured within the IRS's procurement and IT teams. In private companies, procurement is about more than just negotiating the lowest price. It is a strategic function that works closely with end users and developers to source the best solutions, often via creative contracting approaches. A 2021 GAO study found that leading companies' procurement leaders collaborate extensively with internal stakeholders and use outcome-oriented metrics like delivery timeliness and end-user satisfaction to measure success.[69] By contrast, federal procurement has traditionally been compliance driven. The IRS can improve by empowering its procurement officials to act as problem solvers rather than gatekeepers, rewarding them for bringing in new technology on time and on budget. Efforts such as IRS's Procurement Innovation Branch and use of "commercial solutions openings" in limited cases could be expanded so procurement can, for instance, run a rapid competition among technology firms to scan a subset of returns as a trial then quickly scale up the winner.[70] This is a method more akin to Silicon Valley hackathons than typical FAR procedures and should be encouraged.

In sum, IRS leadership should strive to infuse the IRS's modernization programs with the agility and responsiveness of the private sector while maintaining results and accountability to taxpayers. The IRS does not have a profit motive like a business, but it does have a mission motive to efficiently collect revenue and serve the public while protecting taxpayer rights. Faster and smarter technology adoption directly serves that mission.

Each principle (speed, iterative deployment, automation, user-centric design) ties back to improving the taxpayer experience. For example, if the IRS had already digitized all paper and automated most processing, taxpayers might not have to wait months for a response or spend unnecessary time on hold on the phone. Instead, errors could be corrected in days and refunds issued in a predictable timeframe, much like an online bank transaction. That level of service builds trust and can even enhance taxpayer compliance, as the public beholds a more competent, modern tax agency. Predictable timeframes are a core element of a fair tax system whereas the downstream consequences of paper backlogs make outcomes unpredictable and can feel arbitrary to taxpayers.

It is encouraging that Treasury and IRS leaders have set goals of "providing high quality service" and a "fully digital processing pipeline."[71] Achieving these goals will require proper allocation of funding and internal reforms and updating the external framework of laws and regulations that the IRS operates within, particularly the FAR and other procurement rules. To achieve its modernization objectives, the IRS should reform both.

CONCLUSION AND RECOMMENDATIONS

At its core, this problem is not about paper, scanners, or procurement rules. It is about service. It is about taxpayers waiting too long for answers, refunds, and resolution. Every delayed return or unanswered response represents a taxpayer left in limbo, unsure of their financial standing, unable to plan, and too often forced to spend additional time and money trying to get the IRS to process what was already submitted.

The IRS's continued reliance on paper-based processing and its slow, rigid procurement environment presents a serious and ongoing threat to taxpayer rights, financial stability, and trust in the tax system. Despite meaningful investments and a vision for digital transformation, taxpayers remain trapped in outdated workflows that delay refunds, prolong disputes, and create unnecessary hardship, particularly for low-income taxpayers and small businesses who are least able to absorb delays.

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69 GAO, GAO-21-491, *Federal Contracting: Senior Leaders Should Use Leading Companies' Key Practices to Improve Performance* (July 27, 2021), https://www.gao.gov/assets/gao-21-491.pdf

70 *See* Robert K. Ackerman, *IRS Jumps on the Innovation Bandwagon*, Signal (June 4, 2021), https://www.afcea.org/signal-media/irs-jumps-innovation-bandwagon.

71 National Taxpayer Advocate 2026 Objectives Report to Congress ix-xi (Preface), https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2025/06/JRC26_Preface.pdf

The Zero Paper Initiative represents a necessary step toward modernization, but execution has not kept pace with ambition. Vendor capacity constraints, delayed deployment of internal scanning technology, and reductions in Submission Processing staffing before proven scalable performance have increased the risk that taxpayers will experience longer delays during peak filing season periods. At the same time, procurement delays governed by the Federal Acquisition Regulation continue to impede the IRS's ability to acquire and deploy modern technology at the speed required to meet taxpayer needs and congressional and executive mandates.

While recent government-wide efforts to streamline federal procurement are promising, they are unlikely to produce improvements quickly enough to support the IRS's near-term goal of largely paperless processing by the 2026 filing season. Without immediate administrative and operational reforms paired with realistic contingency planning to protect taxpayers if scanning capacity falls short, the gap between modernization goals and taxpayer experience will persist.

True modernization is not achieved by digitizing paper alone, but by reengineering end-to-end processes, embracing automation, and adopting a customer-centric, iterative approach modeled on private-sector best practices. Until the IRS aligns its staffing, procurement, technology deployment, and performance management with these principles, taxpayers will continue to bear the cost of institutional inertia. Modernization should be judged by what taxpayers experience: faster refunds, fewer errors, clear communication, and timely resolution not simply by internal technology milestones. Solving the paper problem is, therefore, more than a mere operational challenge. It is essential to protecting taxpayer rights, restoring confidence in the tax system, and delivering the level of service the public deserves.

Administrative Recommendations to the IRS

The National Taxpayer Advocate recommends that the IRS:

1. **Establish clear performance benchmarks for ZPI.** Establish measurable ZPI metrics that assess capacity not just against average receipt volume, but against peaks during filing season, including (i) weekly scanning throughput relative to peak-period inventory and intake to confirm the program can meet surges; (ii) error rates and resulting rework volumes; (iii) end-to-end cycle times for paper-originated returns from receipt through posting; and (iv) refund timeliness, including comparisons between scanned and manually processed returns.
2. **Evaluate scanning options and risks.** Conduct a comprehensive cost and risk analysis for SCaaS that compares the long-term costs of using external vendors with the costs of building and operating in-house digital intake capacity staffed by IRS employees. The analysis should also evaluate data security, operational resilience, and taxpayer rights risks inherent in outsourcing sensitive return and correspondence data to private vendors, including lessons learned from the IRS's prior experience with private vendors for core services such as collections.
3. **Maintain internal processing capacity until ZPI vendors deliver at scale.** The IRS should not further reduce Submission Processing staffing until ZPI vendors and internal scanning systems consistently demonstrate the ability to handle peak filing season volumes, not just average throughput. A temporary dual-track model remains necessary to protect taxpayers from systemic delays or failure.
4. **Improve vendor debriefings.** Adopt enhanced debriefings for major IRS procurements, especially modernization and digitalization contracts, by providing timely, substantive post-award debriefs that clearly explain evaluation strengths, weaknesses, and key discriminators, with proprietary information appropriately redacted.

5. **Track and learn from protests.** By September 30, 2026, establish an IRS acquisition protest analytics and lessons-learned program to track protest frequency, outcomes, corrective actions, repeat protesters, and time-to-award impacts, and use this data to refine solicitation design, evaluation practices, and procurement timelines for modernization initiatives.
6. **Review major acquisitions for protest risk.** By September 30, 2026, ensure pre-award protest-risk quality assurance reviews for major modernization acquisitions to confirm that solicitation requirements are unambiguous, evaluation criteria are faithfully applied, and the award decision is fully documented before contract award.
7. **Implement immediate procurement process improvements within IRS control.** While broader FAR reform proceeds, the IRS should expand enhanced post-award debriefings to reduce protest risk; create a procurement protest analytics and lessons-learned program; conduct pre-award protest-risk quality reviews for major modernization procurements; leverage Chief Counsel assistance when appropriate; and use performance-based, phased contracts where possible to validate vendor capability before scaling.

Legislative Recommendation to Congress:

The National Taxpayer Advocate recommends that Congress:

1. Strengthen incentives for IRS contractors to ensure their employees keep taxpayer return information confidential.[72]

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72 For an in-depth analysis of this recommendation, see National Taxpayer Advocate 2026 Purple Book, *Compilation of Legislative Recommendations to Strengthen Taxpayer Rights and Improve Tax Administration* (*Strengthen Incentives for IRS Contractors to Ensure Their Employees Keep Taxpayer Return Information Confidential*).



3 TELEPHONES

The IRS Does Not Accurately Measure the Quality of Telephone Service

Taxpayers calling the IRS are often seeking help with urgent and stressful issues, such as an unexpected notice, a delayed refund, a pending deadline, an inability to make a payment, or uncertainty about their tax obligations. For many taxpayers, particularly those without reliable internet access or the ability to access or navigate online tools, calling the IRS is the most direct and sometimes only way to resolve these problems.

When the IRS fails to provide quality telephone service, taxpayers suffer real and measurable harm. They may receive incorrect or incomplete information, miss filing or payment deadlines, incur penalties and interest, or spend the time to make repeated calls without resolution. These experiences undermine taxpayer *rights to quality service* and *to be informed* and can erode trust in the tax system.

Vulnerable populations bear this burden more heavily. Low-income taxpayers, older individuals, rural residents, and taxpayers with limited English proficiency rely disproportionately on telephone assistance. These taxpayers report lengthy wait times, dropped calls, repeated transfers, and conversations with representatives who cannot fully resolve their issues. When these taxpayers cannot get the help they need, they are more likely to fall out of compliance through no fault of their own.

Poor telephone service also creates a cycle of frustration and inefficiency. When a taxpayer's issue is not resolved during a call, the taxpayer must call back, send correspondence, or seek assistance elsewhere. This increases taxpayer burden and places additional strain on IRS resources. To break this cycle, the IRS must measure telephone service in a way that reflects what taxpayers actually experience, including whether they can reach the IRS, receive accurate and respectful assistance, and resolve their issue – preferably on the first contact.

From a taxpayer's perspective, telephone service does not operate in a vacuum. When paper returns, amended returns, and correspondence go unprocessed for months, taxpayers are left without answers and often have no choice but to call the IRS for updates or clarification. Staffing decisions that emphasize meeting telephone Level of Service (LOS) targets without addressing these delays can unintentionally worsen backlogs in other service channels, pushing more taxpayers onto the phones and forcing them to make repeated calls about the same unresolved issue. When success is measured primarily by answered calls rather than timely resolution across all channels, the result is not reduced burden but a shifting of that burden onto taxpayers.

EXPLANATION OF THE PROBLEM

Each year, tens of millions of taxpayers attempt to call one of approximately 100 IRS telephone lines.[1] In fiscal year (FY) 2025, taxpayers placed almost 104 million calls, and customer service representatives (CSRs) only answered about 30 million of them.[2] Most of these calls were made to the Accounts Management (AM) telephone lines, where taxpayers seek help with refunds, notices, payment issues, and account discrepancies.[3] In FY 2025, the IRS received over 70 million calls on the AM telephone lines, with about 19 million of those calls answered by CSRs.[4] However, even when taxpayers are able to reach a CSR, resolution is not guaranteed. When the IRS cannot meet taxpayers' reasonable expectations for telephone service, taxpayers experience increased burden or an inability to resolve their tax issues, violating their *rights to quality service* and *to be informed*.[5]

Despite this volume, during FY 2025, AM CSRs sat idle for approximately 1.3 million hours because they cannot perform other work, such as processing paper submissions, while waiting for incoming calls.[6] This represents longer delays for taxpayers, not only on the phone but also in processing paper submissions and resolving account issues through other channels, and lost productivity for the agency. It also highlights how current performance measures can distort resource allocation rather than promote efficiency.

Because telephone service is often the gateway to resolving tax issues, its effectiveness depends not merely on whether calls are answered but also on whether taxpayers receive timely, accurate, and complete assistance that resolves their concerns. Measuring and improving the quality of telephone service is therefore essential to protecting taxpayer rights, promoting taxpayer compliance, and ensuring efficient tax administration.

The IRS primarily measures success in telephone performance using its LOS metric, which measures the percentage of calls answered by a live assistor.[7] A collective LOS calculated for only AM telephone lines is considered the primary benchmark for the agency's performance. LOS, however, does not measure what matters most to taxpayers such as whether their questions are answered correctly and whether their issues

1 *See* Treasury Inspector General for Tax Administration (TIGTA), Ref. No. 2025-100-040, *Telephone Level of Service and Average Wait Times Do Not Fully Reflect the Taxpayer Experience* 4 (2025).
2 Email from Taxpayer Services (Dec. 22, 2025) (on file with TAS).
3 Accounts Management (AM) is a subset of 35 IRS telephone lines, including the Individual Income Tax Services (primary line for individual taxpayers), Business and Specialty Tax Services, and Practitioner Priority Service lines.
4 Email from Taxpayer Services (Dec. 22, 2025) (on file with TAS). Typically, the IRS receives more calls in years following significant changes in the tax law, so the total calls received are likely to increase for FY 2026 because of the One Big Beautiful Bill Act changes.
5 *See* Taxpayer Bill of Rights (TBOR), https://www.taxpayeradvocate.irs.gov/taxpayer-rights (last visited Nov. 25, 2025). The rights contained in TBOR are also codified in IRC § 7803(a)(3).
6 IRS response to TAS information request (Nov. 21, 2025) (data through Sept. 6, 2025).
7 The LOS formula is: (Assistor Calls Answered + Info Messages) divided by (Assistor Calls Answered + Info Messages + Emergency Closed + Secondary Abandons) + (Add either Calculated Busy Signal or Network Incompletes) + (Add either Calculated Network Disconnects or Total Disconnects).

are resolved at first contact. From a taxpayer's perspective, a call that is answered but ends with incomplete information, a transfer to another line, or a dropped connection is not a successful interaction. LOS does not capture these outcomes. It also does not account for taxpayers who give up after long wait times or who must call back multiple times to resolve the same issue.

Although LOS may appear to reflect strong performance, it is a limited and misleading indicator. IRS systems prevent CSRs from shifting between telephone work and paper processing, meaning staffing decisions focused on meeting LOS targets leave taxpayers waiting longer for the IRS to process paper returns and correspondence. For taxpayers, this results in unanswered letters, unresolved account issues, and the need to call the IRS repeatedly for updates. As a result, high LOS can coexist with delayed resolutions and increased taxpayer burden. Together, these dynamics create a feedback loop in which LOS-driven staffing decisions increase paper backlogs, those backlogs drive additional calls, and rising call volumes further strain telephone service. Therefore, a meaningful assessment of IRS telephone service should, across all telephone lines, reflect the quality of the interaction and whether the taxpayer's issue was resolved, not simply whether a call was answered.

Providing taxpayers with quality service is a core component of the IRS's mission statement and a stated priority of the Secretary of the Treasury. Achieving this goal requires modernizing both internal processes and service performance measurement, including using a taxpayer-centered measurement framework that would evaluate telephone service across all lines and focus on outcomes – whether the taxpayer received accurate information, was treated professionally, and had their issue resolved, ideally during the first contact. Without meaningful reform, taxpayers will continue to experience inadequate telephone service due to systemic issues, including:

- The absence of a comprehensive, taxpayer-centered measurement framework for telephone service;
- Inadequate tracking of service quality and outcomes;
- Limited and insufficient performance measurement for chatbot and voicebot interactions; and
- Delayed full implementation of Taxpayer 360, which could significantly improve CSR efficiency and service quality.

ANALYSIS

Improvements in LOS Came at the Expense of Timely Paper Processing

Over the past several years, the IRS has made notable and commendable progress in improving telephone access on its AM lines during the filing season (FS). After reaching historic lows during the pandemic when LOS fell to approximately 14% in FS 2021 and 16% in FS 2022, the agency significantly improved reported performance by prioritizing telephone staffing.[8] LOS increased to roughly 85% in FS 2023, rose further to about 88% in FS 2024, and remained strong at approximately 87% in FS 2025.[9] During this same period, average wait times on the AM lines declined and stabilized from approximately 19 and 28 minutes, respectively, for FSs 2021 and 2022, to three minutes, respectively, for FSs 2023, 2024, and 2025.[10]

8 IRS, Joint Operations Center (JOC), Snapshot Reports: Enterprise Snapshot, AM (weeks ending Apr. 17, 2021; Apr. 16, 2022). When looking at full FY 2021 and FY 2022, LOS was 19% and 17%, respectively. IRS, JOC, Snapshot Reports: Enterprise Snapshot, AM (weeks ending Sept. 30, 2021; Sept. 30, 2022).

9 IRS, JOC, Snapshot Reports: Enterprise Snapshot, AM (weeks ending Apr. 15, 2023; Apr. 20, 2024; Apr. 19, 2025). When looking at full FY 2023-FY 2025, LOS was 52%, 65%, and 60%, respectively. IRS, JOC, Snapshot Reports: Enterprise Snapshot, AM (weeks ending Sept. 30, 2023; Sept. 30, 2024; Sept. 30, 2025).

10 IRS, JOC, Snapshot Reports: Enterprise Snapshot, AM (weeks ending Apr. 17, 2021; Apr. 16, 2022; Apr. 15, 2023; Apr. 20, 2024; Apr. 19, 2025). When looking at full FYs, the average wait times for 2021 and 2022 were 21 and 26 minutes, respectively, and 10, 8, and 9 minutes for 2023, 2024, 2025, respectively. IRS, JOC, Snapshot Reports: Enterprise Snapshot, AM (weeks ending Sept. 30, 2021; Sept. 30, 2022; Sept. 30, 2023; Sept. 30, 2024; Sept. 30, 2025).

However, these improvements also illustrate the fundamental limitation of LOS as a measure of service quality. At the enterprise level, the taxpayer experience remains uneven and, in many cases, poor. Across all IRS telephone lines, average wait times have remained substantially longer – approximately eight minutes during FSs 2023, 2024, and 2025 – and considerably longer on certain non-AM lines.[11] For example, during FSs 2023, 2024, and 2025 taxpayers calling the Taxpayer Protection Program (TPP) line, often because their refunds were frozen due to suspected identity theft, experienced average wait times ranging from 16 to 20 minutes, while LOS on that line remained as low as 17% in FS 2024.[12] For these taxpayers, telephone access is not merely informational; it is a prerequisite to receiving their refunds. LOS figures focused on AM lines obscure these disparities and fail to reflect the experience of taxpayers who are unable to resolve critical issues despite repeated attempts to call.

More importantly, the IRS's emphasis on meeting LOS targets has required significant tradeoffs that LOS itself does not capture. To achieve high LOS on prioritized telephone lines, the IRS has repeatedly redirected staff away from processing paper returns, amended returns, and taxpayer correspondence, harming taxpayers awaiting refunds or responses to their correspondence. As a result, during FS 2025, the IRS still carried inventories of approximately 2.6 million unprocessed amended returns and nearly 750,000 unresolved correspondence cases.[13] For taxpayers, large backlogs of unprocessed amended returns and correspondence translate into months of uncertainty and unanswered questions. When mail goes unanswered and returns go unprocessed, calling the IRS is often the only way taxpayers can seek information or reassurance about their case, further straining telephone resources. Staffing strategies that emphasize answering calls – measured primarily through LOS – without addressing these underlying delays can trap taxpayers in a cycle of waiting, calling, and waiting again.



Outcomes That Matter to Taxpayers:

- fewer repeat contacts
- timely processing of paper submissions
- accurate and prompt resolution

Maintaining reasonable telephone wait times is critically important, particularly for taxpayers who rely on live assistance. LOS can be an indication of access, but when the IRS treats it as a primary or standalone indicator of success, it becomes misleading and drives staffing decisions that increase taxpayer burden. Telephone service, automated assistance, and paper processing are not separate or competing functions from the taxpayer's perspective – they are interconnected parts of a single service experience. The IRS needs to move beyond reliance on LOS as the primary measure and adopt integrated telephone, chatbot, voicebot, and paper processing metrics that focus on outcomes that matter to taxpayers: accurate information, first contact resolution, timely processing of submissions, and fewer repeat contacts across all channels. Without an integrated, outcome-based approach, improvements in one service channel risk shifting taxpayer burden to another rather than reducing it.

11 IRS, JOC, Snapshot Reports: Enterprise Snapshot, Enterprise Total (weeks ending Apr. 15, 2023; Apr. 20, 2024; Apr. 19, 2025). When looking at full FYs 2023-2025 across all IRS telephone lines, average wait times ranged from 12-14 minutes. IRS, JOC, Snapshot Reports: Enterprise Snapshot, Enterprise Total (weeks ending Sept. 30, 2023; Sept. 30, 2024; Sept. 30, 2025).

12 IRS, JOC, Snapshot Reports: Product Line Detail, TPP (weeks ending Apr. 15, 2023; Apr. 20, 2024; Apr. 19, 2025). When looking at full FYs 2023-2025, taxpayers calling the TPP line experienced average wait times ranging from 16 to 20 minutes, while LOS on that line remained as low as 20% in FY 2024. IRS, JOC, Snapshot Reports: Product Line Detail, TPP (weeks ending Sept. 30, 2023; Sept. 30, 2024; Sept. 30, 2025).

13 National Taxpayer Advocate Fiscal Year 2026 Objectives Report to Congress 4 (Review of the 2025 Filing Season), https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2025/06/JRC26_SAO_ReviewFiling.pdf

The IRS Needs to Prioritize Outcome Based Service Metrics

Congress recognized the importance of taxpayer service when it enacted the Taxpayer First Act, which directed the IRS to adopt strategies used by leading service organizations.[14] A 2024 TAS research report found that most large public and private call centers do not rely on LOS-type measures. Instead, they use outcome-based metrics that focus on resolution and customer experience. The IRS was the only reviewed call center that used the LOS metric.[15]

LOS fails to capture the quality of the taxpayer's experience or whether their issue was resolved. A more accurate assessment of IRS phone service would adopt common metrics from the private sector, including the quality and resolution of the taxpayer's interaction. Figure 2.3.1 reflects the conclusion of the 2024 TAS research report on the most common indicators used by private industry to measure telephone service performance.

FIGURE 2.3.1, Most Common Indicators Used to Measure Telephone Service Performance Among Private Industry[16]

Indicator	Definition
First Contact Resolution Rate	A metric that measures a call center's performance for resolving customer interactions on the first call or contact, eliminating the need for follow-up contacts.
Customer Satisfaction Score	A score based on a post-call phone or email survey conducted within one business day of an interaction. Score scales vary, but most common is a five-point scale.
Net Promoter Score	A one-question survey, typically on a zero to ten scale, to gauge customer loyalty and satisfaction.
Average Handle Time	The average time for an agent to resolve a customer issue or problem. Average Handle Time (*i.e.*, agent talk time + hold time + after-call task time) starts when an agent answers the customer's call and ends after they wrap up the call.
Service Level and Response	A call center's ability to answer a certain number of calls in a predetermined amount of time. The call center industry standard for service level is to answer 80% of calls in 20 seconds.
Average Speed of Answer	A measure of a call center's average time to answer a call. It is typically calculated by taking the total wait time of answered calls and dividing by the total number of answered calls.
Occupancy Rate	The percentage of time that agents spend handling (*e.g.*, talk, hold, and wrap-up time) customer inquiries and problems. Occupancy rate is a common measurement of how busy agents are dealing with customers.
Abandon Rate	The percentage of calls dropped by customers before they can reach an agent. The call center industry standard for call abandon rate is 6%.
Callers Put on Hold	The average on-hold time is 55 seconds. The call center industry standard for callers put on hold when talking to an agent is 46 seconds.
Calls Transferred	The call center industry standard for the percentage of callers' calls transferred to another agent or supervisor is 19%.
Complaint Calls	Most call centers underreport the percentage of calls that callers would describe as complaint calls. The call center industry standard for callers who describe their call as a complaint is 13%.

14 Taxpayer First Act, Pub. L. No. 116-25, § 1101, 133 Stat. 981, 985 (2019); TIGTA, Ref. No. 2025-100-040, *Telephone Level of Service and Average Wait Times Do Not Fully Reflect the Taxpayer Experience* 3 (2025).

15 *See* National Taxpayer Advocate 2024 Annual Report to Congress 210 (TAS Research Reports: *Improving IRS Telephone Service: A Review of Best Practice Processes and Measures Used by Large Government and Private Sector Call Centers*), https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2024/12/ARC24_RR_Research_2.pdf.

16 *Id.* at 215-216.

While the IRS does track some of the metrics identified in Figure 2.3.1, it has not modernized its performance framework to meet the benchmarks for quality service that private sector call centers have already achieved.[17] Taxpayers care most about the length of wait time, receiving professional and respectful treatment, having the CSR answer their question or provide useful and accurate alternative resources, and ultimately whether the IRS resolves their issue, often during the first contact.[18] When the IRS measures performance without considering these outcomes, it risks reporting improvement while taxpayers continue to experience unresolved problems.

Importantly, outcome-based metrics should be applied in a way that reflects the interdependence of IRS service channels. First contact resolution, customer satisfaction, and abandonment rates should be analyzed alongside paper inventory levels and correspondence cycle times. Without this holistic view, the IRS risks optimizing one channel at the expense of another and overstating improvements in taxpayer service that do not translate into faster or more complete resolution of taxpayer issues.

The IRS has begun transitioning to two new measures of service, Assistor Service Rate (ASR) and Enterprise Service Completion Rate (ESCR), which would replace LOS and LOS (Automation) measures in FY 2027. ASR would serve as a resource-driven measure to help determine live assistance funding. It would revise the existing LOS measure and include service provided by assistors over the phone and through live chat. ESCR would provide a holistic view of the live assistance services provided to taxpayers across the IRS, including those provided by new technology.[19] These measures have the potential to better reflect whether taxpayers receive meaningful assistance.

As new measures are implemented, the IRS should ensure they are used not only to assess live assistance demand but also to inform staffing decisions that balance telephone coverage with the timely processing of paper returns and correspondence. If the IRS uses ASR and ESCR to justify increased telephone staffing without accounting for unresolved inventories and repeat contacts, they risk replicating the same distortions inherent in LOS. The National Taxpayer Advocate supports this shift away from the LOS measure but emphasizes that successful implementation must remain focused on taxpayer outcomes, not just operational efficiency.

Quality of IRS Telephone Service Needs Improvement

TAS routinely hears from taxpayers and practitioners who describe frustrating and unsuccessful attempts to reach the IRS by phone. For taxpayers, these experiences often mean starting over, retelling their story, and waiting again sometimes multiple times. Common complaints include:[20]

- Extended hold times on numerous telephone lines;
- An inability to get through on various telephone lines even when the taxpayer attempts to call multiple days and at different times;
- Receiving inconsistent information from CSRs;
- Receiving incorrect information from CSRs;
- CSRs with whom they spoke did not have enough knowledge or research skills to resolve issues;
- CSRs disconnecting calls;[21] and
- Repeated transfers, including transfers back and forth to the same telephone lines.

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17 The IRS tracks, but does not necessarily include in the LOS calculation, average speed of answer, occupancy rate, abandon rate, and call transfers.

18 *See* National Taxpayer Advocate 2024 Annual Report to Congress 46 (Most Series Problem: *IRS Service: Taxpayer Service is Often Not Timely or Adequate*), https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2024/12/ARC24_MSP_04_Service.pdf

19 IRS response to TAS information request (Nov. 21, 2025).

20 Conversations with outside stakeholders (Aug. 20, 2025; Aug. 27, 2025); Systemic Advocacy Management System (SAMS) FY 2025 submissions (data obtained from Phoenix (Sept. 26, 2025)). TIGTA reported similar complaints. TIGTA, Ref. No. 2026-1E-R001, *Limited Testing Shows Taxpayers Generally Received Courteous and Professional IRS Telephone Service* (2026); TIGTA, Ref. No. 2025-100-040, *Telephone Level of Service and Average Wait Times Do Not Fully Reflect the Taxpayer Experience* (2025).

21 The IRS tracks the number of disconnected calls, but not the reasons. IRS response to TAS information request (Nov. 21, 2025).

In many cases, there is no clear way to report poor service or ensure accountability. According to the Treasury Inspector General for Tax Administration (TIGTA), taxpayers submit CSR complaints to a variety of sources, including through TIGTA and TAS. Traditionally complaints about negative CSR experiences are made to the CSR's manager, but that method relies on CSRs providing their manager's information or the line staying connected.[22] A single, accessible online tool for reporting negative CSR experiences would allow taxpayers to share feedback without having to endure another phone call. It would also help the IRS identify service gaps and improve training, ultimately reducing repeat contacts and taxpayer burden.

As the IRS moves toward modernizing its technology and processes, providing quality service remains essential. To that end, the IRS needs to adequately track taxpayer complaints and take prompt action to address negative service interactions.

The IRS Does Not Adequately Measure Chatbot and Voicebot Service

As part of its modernization efforts, the IRS started incorporating, and plans to continue incorporating, chatbots and voicebots into existing taxpayer service options. While these tools have the potential to improve efficiency, the IRS does not currently measure their performance using a comprehensive, taxpayer-centered framework. Instead, it relies largely on limited yes/no surveys asking whether information was "useful."[23] Without outcome-based service measures that assess resolution and accuracy, the IRS cannot ensure quality service to taxpayers.

On IRS.gov, the IRS offers unauthenticated and authenticated chatbots that help taxpayers with procedural and tax questions.[24] Chatbots simulate human conversation through web-based text interaction that uses AI-powered software to respond to natural language prompts. Taxpayers unable to resolve their issue with a chatbot can request connection to a live assistor during regular business hours.[25]

From January to August 2025, users overwhelmingly responded that the chatbot was not helpful. With an 80% negative response rate, it is imperative that the IRS implement a more thorough quality measurement framework to identify the causes of negative user responses and take corrective action. The good news is the IRS has a more comprehensive survey in the final stages of implementation.[26]

Similar to chatbot technology, voicebots enable users to obtain information by speaking their queries on a telephone line. For taxpayers calling with common questions, voicebots can provide quick answers. Voicebots similarly lack performance evaluation.

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22 TIGTA, Ref. No. 2024-100-053, *Customer Satisfaction Survey Results Are Not Used Effectively to Improve Taxpayer Services* 12 (2024).

23 IRS response to TAS information request (Oct. 6, 2025; Nov. 21, 2025).

24 Authenticated chatbots require the user to verify their identity to receive account-specific information. Unauthenticated chatbots do not provide account-specific information.

25 *See* National Taxpayer Advocate 2023 Annual Report to Congress 59 (Most Serious Problem: *Telephone and In-Person Service: Despite Improvements in Its Service Levels, the IRS Still Does Not Provide Taxpayers and Tax Professionals With Adequate, Timely Telephone and In-Person Service*), https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2024/01/ARC23_MSP_04_Telephone-InPerson.pdf.

26 IRS response to TAS information request (Nov. 21, 2025). The Small Business/Self-Employed (SB/SE) managed chatbots do not use a survey. IRS response to TAS fact check (Jan. 6, 2026).

The IRS measures voicebot performance as a component of the LOS (Automation) metric.[27] Through September 6, 2025, the IRS's FY 2025 LOS (Automation) was 70.5%. Like LOS, LOS (Automation) is a quantitative measure, not a qualitative measure, lacking insight into the taxpayer's experience or whether the interaction resolved the taxpayer's issue.[28] A more accurate assessment of IRS voicebot service should include the quality and resolution of the taxpayer's interaction, not just whether the voicebot answered a call.

In March 2024, the IRS launched the Conversational 1040 voicebot on the toll-free 1040 line.[29] In FY 2025, approximately 23.4 million taxpayers who called the IRS's toll-free 1040 line were directed to the voicebot technology, with about 14.5 million, or approximately 62%, of these callers transferring to a live assistor.[30]

When taxpayers cannot resolve their issue after interacting with a voicebot, they can request to speak with a live assistor. Of the 69.7 million total callers who interacted with a voicebot on the AM and compliance lines, approximately 34.3 million ultimately needed a transfer to speak with a live assistor.[31] These voicebots, managed by the Small Business/Self-Employed Division, use a "containment" metric, which reflects calls contained or resolved within the voicebots. In FY 2025, through the week ending September 13, the containment rate, the number of calls limited to or resolved within the voicebot, was 2.98%.[32] Due to limitations in current systems, the IRS is unable to capture information from the voicebot interaction and provide it to the live assistor.[33] When taxpayers are required to repeat the same information, it increases frustration and wastes the time of both the taxpayer and the live assistor.

The IRS offers limited surveys following a voicebot interaction. The *Where's My Refund?* (WMR) and *Where's My Amended Return?* (WMAR) voicebots ask a yes/no question to determine whether the information provided was useful. On November 6, 2025, the IRS deployed a more comprehensive survey, but there was not enough data available at the time of publication to provide any meaningful results. From January to August 2025, 49% of WMR voicebot users and 60% of WMAR voicebot users reported that the interaction was not helpful. Similar to chatbots, the IRS should determine the causes of negative user responses and take corrective action to improve outcomes for taxpayers.[34]

Utilizing chatbot and voicebot technology could be a game changer for improving taxpayer service, but only if it accurately addresses the issues and focuses on the outcomes taxpayers expect and need. The IRS should measure bot performance using a taxpayer-centered, outcome-based framework that evaluates quality, accuracy, and resolution. Without outcome-based performance measurement and corrective action informed by user feedback, bot technology will not improve the taxpayer service experience.

Taxpayer 360 Has the Potential to Dramatically Improve Service

For CSRs to consistently provide quality phone service, it is essential for IRS systems to provide tax and account information they need in real time. However, fragmented IRS data systems hinder CSRs' ability to quickly and effectively assist taxpayers. CSRs navigate through several databases or systems to get a complete view of the caller's tax account. As CSRs navigate several screens for the same taxpayer, they often need to memorize (or take notes) and synthesize this information to provide the taxpayer a complete answer to their

27 The LOS (Automation) formula is: (Assistor Calls Answered + Info Messages + Integrated Customer Communications Environment (ICCE) Open Hours Completions + Voicebot Completions) divided by (Assistor Calls Answered + Info Messages + ICCE Open Hours Completions + Voicebot Completions + Emergency Closed + Secondary Abandons). IRS response to TAS information request (Nov. 21, 2025). The SB/SE managed voicebots are not included in LOS (Automation). IRS response to TAS fact check (Jan. 6, 2026).
28 IRS response to TAS information request (Nov. 21, 2025).
29 *See* National Taxpayer Advocate 2024 Annual Report to Congress 52 (Most Series Problem: *IRS Service: Taxpayer Service Is Often Not Timely or Adequate*), https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2024/12/ARC24_MSP_04_Service.pdf
30 JOC, Voice Bot Report_FY25, 1040 Voice Bot Metrics.
31 JOC, Voice Bot Report_FY25, Enterprise Voice Bot Report.
32 IRS response to TAS information request (Oct. 6, 2025).
33 IRS response to TAS information request (Nov. 21, 2025).
34 IRS response to TAS information request (Nov. 21, 2025); IRS response to TAS fact check (Jan. 6, 2026).

inquiry and frequently place callers on hold for five to seven minutes while they navigate standalone and unintegrated databases. This process results in delays and frustration for both taxpayers and CSRs. It also creates a risk that the CSR will miss something in the taxpayer history that is relevant to the inquiry.[35]

To modernize the ability of CSRs to assist taxpayers, the IRS launched the Taxpayer 360 initiative to consolidate taxpayer information onto a single integrated platform. Once fully implemented, CSRs will have access to complete taxpayer data including returns and correspondence at their fingertips, allowing them to respond to taxpayer queries more accurately and efficiently. This change will be extremely beneficial to taxpayers, practitioners, and employees and is essential to improving CSRs' ability to serve taxpayers.[36]

Beginning September 29, 2025, the IRS launched a small pilot that includes approximately 300 CSRs in Fresno, Brookhaven, Andover, Portland, and Puerto Rico. The pilot allows CSRs to conduct Individual Master File basic and high-risk disclosure and perform AI-enabled Internal Revenue Manual research.[37] This is a meaningful step forward in providing high-quality service to taxpayers. To realize the full benefits for taxpayers and employees, the IRS should prioritize full deployment of Taxpayer 360 and address pilot feedback by the end of FY 2026.

CONCLUSION AND RECOMMENDATIONS

For tens of millions of taxpayers each year, IRS telephone service is the most accessible and trusted channel for resolving tax problems. The use of IRS telephone service for many taxpayers is not optional; it is necessary. Providing high-quality telephone assistance allows the IRS to meet taxpayers where they are and ensures that those who cannot rely on digital tools are not left without meaningful support. When telephone service fails, taxpayers bear the consequences through increased burden, uncertainty, and financial harm.

Measuring success based on answered calls alone does not reflect whether taxpayers receive the help they need. Success should mean that taxpayers can reach the IRS, receive professional and accurate assistance, and resolve their issues without repeated contacts. Achieving this outcome performance requires a taxpayer-centered approach to telephone service that would focus on resolution, accuracy, and fairness with an emphasis on first contact resolution, then utilize those metrics to drive meaningful change. By measuring what taxpayers actually experience and using those insights to drive improvement, the IRS can better protect taxpayer rights and strengthen taxpayer compliance.

Sustainable improvement in taxpayer service requires balance. While reasonable telephone wait times are essential, answering more calls alone does not reduce taxpayer burden if underlying issues remain unresolved due to processing delays in other channels. A taxpayer-centered service strategy must align telephone access, paper processing, and performance measurement around a single goal: resolving taxpayer issues accurately and efficiently, preferably on the first contact. Without outcome-based metrics that capture this full experience, improvements in LOS may continue to mask systemic delays rather than solve them.

35 *See* National Taxpayer Advocate 2024 Annual Report to Congress 52-53 (Most Series Problem: *IRS Service: Taxpayer Service Is Often Not Timely or Adequate*), https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2024/12/ARC24_MSP_04_Service.pdf

36 *See id.*

37 IRS response to TAS information request (Nov. 21, 2025).

Administrative Recommendations to the IRS

The National Taxpayer Advocate recommends that the IRS:

1. **Adopt an alternative service metric that measures taxpayers' telephone experience.** By the end of FY 2026, adopt an alternative metric of service for telephones that measures the taxpayer experience, including outcome-based attributes related to quality, first contact resolution, and the impact of staffing decisions on paper processing and correspondence inventories.
2. **Track disconnected calls.** By the end of FY 2026, implement procedures to track, identify, and analyze the causes of disconnected calls while taxpayers are speaking with a CSR.
3. **Provide an online tool for reporting negative CSR experiences.** By the end of FY 2026, establish an online submission tool for taxpayer feedback and reporting negative CSR experiences.
4. **Adopt a service metric that measures taxpayers' chatbot and voicebot experience.** By the end of FY 2026, adopt a metric of service for chatbots and voicebots that measures the taxpayer experience, including attributes related to the quality of service provided and whether the IRS resolved the taxpayer's issue.
5. **Prioritize Taxpayer 360 deployment.** Expedite deployment of the Taxpayer 360 platform by the end of FY 2026 to enhance all CSRs' access to taxpayer data and research, enabling quicker, more accurate responses and increased first contact resolution.

RESPONSIBLE OFFICIAL

Kenneth Corbin, Chief, Taxpayer Services



4 INDEPENDENT OFFICE OF APPEALS

Taxpayers and Tax Professionals Continue to Raise Concerns About Independence, Undermining Public Confidence in the Appeals Process

Congress created the IRS Independent Office of Appeals (Appeals) to provide taxpayers a fair and impartial forum to resolve tax disputes without litigation. Appeals is central to tax administration. Each year, it resolves a substantial share of controversies, promotes taxpayer compliance, and strengthens public trust by demonstrating that IRS decisions can be reviewed independently and resolved equitably to both taxpayers and the government.

When Appeals falls short of this mission, the harm to taxpayers is immediate and concrete. Extended delays before a case reaches an Appeals Officer (AO), inconsistent case handling, limited transparency, and perceptions that decisions are being driven by IRS compliance functions instead of applying the hazards of litigation to the facts and law deny taxpayers timely and impartial consideration.[1] These deficiencies create prolonged uncertainty, higher costs, and diminished confidence that the system is fair. In some cases, taxpayers abandon the administrative path altogether and turn to litigation simply to obtain some sense of action. Such breakdowns erode taxpayer rights, increase burdens on the courts, and risk weakening the tax administration system.

1 We use the monikers Appeals Officer or AO to means any series 0930 employee; what Appeals refers to as an Appeals Technical Employee or ATE. These include official titles such as Appeals Officer, Settlement Officer, and Appeals Team Case Lead.

EXPLANATION OF THE PROBLEM

Appeals plays an essential role in tax administration by providing taxpayers an impartial and independent administrative forum to resolve IRS disputes without going to court. Its importance is underscored by the Taxpayer Bill of Rights (TBOR) and the Taxpayer First Act, which emphasize the *rights to challenge the position of the IRS and be heard* and *to appeal an IRS decision in an independent forum*.[2] Despite this mandate, many taxpayers and practitioners find the process lacking. Some perceive Appeals as little more than a rubber stamp for Exam, prompting doubts about whether participation in Appeals meaningfully advances dispute resolution.

Key challenges include:

- Prolonged and opaque case processing delays confuse taxpayers;
- Staffing constraints contribute to growing Appeals inventories and create taxpayer delays;
- Perceived limits on AOs' autonomy in settlement decisions persist;
- Inadequate training impairs effective hazards-of-litigation analysis and exacerbates delays;
- Alternative Dispute Resolution (ADR) remains underutilized; and
- Outdated communication and case management tools compound taxpayer confusion.

ANALYSIS

Prolonged and Opaque Case Processing Delays Confuse Taxpayers

Cases reach Appeals through a multistep process that begins in an originating IRS function and ends when Appeals accepts jurisdiction and assigns it to an AO. Delays and visibility gaps can occur both before and after Appeals receives a case.

After Exam proposes an adjustment, it issues a letter giving the taxpayer 30 days to request Appeals consideration by filing a written protest.[3] The protest must satisfy Internal Revenue Manual (IRM) content requirements and usually be submitted with at least one year remaining on the statute of limitations. After receiving a timely, sufficient protest, Exam may prepare a rebuttal and transmit the case to Appeals for intake and assignment.

After the issuance of the proposed adjustment letter, taxpayers generally have a 30-day window to provide a valid protest, but Exam has no enforceable deadline to prepare a rebuttal or to transmit a case to Appeals.[4] A protest requesting Appeals consideration is a written response a taxpayer submits after receiving the IRS's proposed examination adjustments (the 30-day letter). In the protest, the taxpayer explains why they disagree with the examiner's findings and asks that the case be reviewed by Appeals, which is separate from Exam and seeks to resolve disputes without litigation. Submitting a timely protest transfers the dispute to Appeals for an independent review of the facts and law. During this pre-transfer period, cases often languish in a pre-Appeals holding status.[5]

2 Congress codified the TBOR in 2015. Protecting Americans from Tax Hikes Act of 2015, Pub. L. No. 114-113, div. Q, title IV, § 401(a), 129 Stat. 2242, 3117 (codified at IRC § 7803(a)(3)). In 2019, Congress codified the Independent Office of Appeals. Taxpayer First Act of 2019, Pub. L. No. 116-25, § 1001(a), 133 Stat. 981, 983 (codified at IRC § 7803(e)).

3 IRM 4.10.8.12.1, 30-Day Letters (April 10, 2023), https://www.irs.gov/irm/part4/irm_04-010-008r

4 IRM 4.10.8.12.9.3.1, Timely Actions – Request for Appeals Conference (Sept. 13, 2019), https://www.irs.gov/irm/part4/irm_04-010-008r

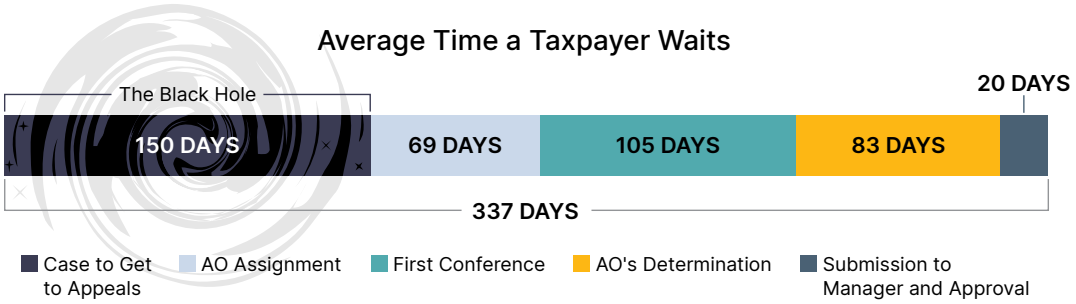
5 This is called Status "13" in the IRS operating systems. *See* IRM 4.23.22.6(16), 30-Day Letters: Unagreed Case Procedures (Feb. 27, 2025), https://www.irs.gov/irm/part4/irm_04-023-022.

In fiscal year (FY) 2025, nearly 88% of protested cases sat in this pre-Appeals holding status for greater than 50 days.[6] For those delayed cases, the average time in the pre-Appeals holding status was 201 days, with the shortest delay at four days and 102 cases taking more than a year before reaching Appeals.[7] These figures show that taxpayers wait on average more than half a year for their request to leave Exam even after they have invoked their statutory right to independent review with Appeals.

Appeals' own data further demonstrate the cumulative effect of these delays.[8] In FY 2025, the average time from when a taxpayer requested an appeal to the date the Appeals manager approved the final disposition was 337 days.[9] As shown in Figure 2.4.1, more than half of that time elapsed before an AO could begin any substantive work, as cases moved slowly from the originating function to Appeals intake and AO assignment.[10]

FIGURE 2.4.1

Average Times From Taxpayer Request for Appeal to Appeal Manager Closing Approval



Average times in individual stages of the Appeals process are not additive to the overall average length of the Appeals non-docketed case processing time.

This gap creates long unexplained waiting periods that the National Taxpayer Advocate describes as a "black hole" for both examination and collection appeals.[11] The taxpayer has only 30 days to request Appeals consideration, yet there is no reciprocal assurance that the IRS will rebut, transmit, assign, and initiate contact within defined timeframes. The IRS should publish firm timelines to transmit a case to Appeals, such as a 30- to 45-day deadline for Exam to issue a rebuttal to the taxpayer after a valid protest is received.

6 IRS response to TAS information request (Jan. 9, 2026). Cases returned from pre-appeals status to the examiner for further case development were omitted from this analysis.

7 *Id*

8 Appeals independently tracks each step of the process through its own internal measures. These are called "P measures." P1 is the period from a taxpayer request for an appeal to the date received in Appeals (149.98 days for FY 2025). P2 is the date received in Appeals to the date an AO receives the case (69.48 days). P4 is the period from when an AO receives the case to the first conference (104.82 days). P5 is the date of the first conference to the AO's determination (82.52 days). P6 is the period from the AO's determination to submission for manger's approval (16.38 days). P9 is from the date submitted for approval to the date of actual approval (3.40 days). IRS response to TAS information request (Oct. 8, 2025).

9 Appeals provided data from October 1, 2024, through August 31, 2025. IRS response to TAS information request (Oct. 8, 2025). All numbers are rounded. These statistics are for non-docketed cases only.

10 For FY 2025, the average period from the date a taxpayer requested an appeal to the date Appeals assigned an AO was about 219 days, and the average time from initial request to Appeals' disposition was about 337 days. These numbers represent only non-docketed cases. IRS response to TAS information request (Oct. 8, 2025). A taxpayer's request for an appeal is sometimes received directly by Taxpayer Services when there is no open case assigned to any IRS function. This is often the case when the taxpayer is responding to a Letter 105C, Claim Disallowance. In such a situation, there is no indicator added to the taxpayer's account that an appeal was ever received. In fact, the IRM allows Taxpayer Services broad discretion as to whether it even forwards the requests to Appeals. IRM 21.5.3.4.6.2(2), Appeals and Responses to Letter 105C and Letter 106C (Oct. 1, 2025), https://www.irs.gov/irm/part21/irm_21-005-003r

11 Conversations with outside stakeholders (Sept. 5, 2025).

IRS systems should be updated to include an indicator on the account when an Appeals request is received, allowing the taxpayer and the IRS to monitor the status of the request. Appeals should be required to meet assignment and initial contact standards, and the IRS should provide information on the taxpayer's online account showing case progress from originating-function review including rebuttal processing, Appeals intake, AO assignment, conference pending, and final settlement determination.

Staffing Constraints Contribute to Growing Appeals Inventories and Create Taxpayer Delays

Persistent delays in Appeals are now being driven as much by capacity and experience gaps as by process. In FY 2025, Appeals' average inventory per employee increased in every category except Innocent Spouse.[12] The average total inventory of all AOs increased from 28.5 cases in FY 2024 to 49.28 in FY 2025, an increase of 73%.[13] If the trend continues, progress noted in prior years may reverse, leaving more taxpayers waiting longer for an independent review.

FIGURE 2.4.2, Average Inventory Per Appeals Employee, FYs 2024-2025[14]

Case Type	FY 2024	FY 2025 (Through August)	Percent Change FY 2024-2025
Collection Due Process	23.33	59.55	▲ 155%
Offer in Compromise	5.81	6.24	▲ 7%
Innocent Spouse	10.05	6.78	▼ 33%
Post Penalty	5.67	7.60	▲ 34%
Coordinated Industry Case	2.86	3.72	▲ 30%
International Case	4.59	5.83	▲ 27%
Exam and Tax Exempt and Government Entities	21.93	30.15	▲ 37%
Other	3.55	3.82	▲ 8%

Staffing reductions explain much of this shift. Appeals reported 1,745 total employees in FY 2024, including 890 AOs.[15] As of August 23, 2025, staffing fell to 1,274 employees and 645 AOs, meaning Appeals lost 471 employees overall and 245 AOs in less than a year,[16] representing a roughly 27% reduction in the total workforce and a 28% reduction in the officer cadre.[17] Most departures resulted from participation in the Deferred Resignation Program (DRP) or similar program, and Appeals has limited authority to replace these losses. Appeals reports a tentative FY 2026 allocation of 47 external hires and 73 backfills, plus approval to rescind ten DRP separations, five of whom have returned.[18] Even if fully realized, these hires would restore only a fraction of FY 2025 losses.

Much like TAS, Appeals cannot decline a case simply because it has an insufficient number of personnel. Until the IRS restores staffing to sustainable levels, taxpayers will continue to face prolonged waits and uneven case handling even after meeting every procedural requirement to obtain Appeals review.

12 IRS response to TAS information request (Oct. 8, 2025).
13 *Id.* FY 2025 data is only through August 2025.
14 *Id.*
15 *Id.*
16 *Id.*
17 *Id. See also*, Erin Slowey, *IRS Chief of Appeals to Depart Amid Exit of Workers, Case Uptick*, Daily Tax Rep. (July 22, 2025) ("[Appeals] will see close to 30% of its workers leave by the end of the year."), https://www.bloomberglaw.com/product/tax/bloombergtaxnews/daily-tax-report/X4JR0R6S000000.
18 IRS response to TAS information request (Oct. 8, 2025).

Perceived Limits on AO Autonomy in Settlement Decisions Persist

Although Appeals is statutorily independent, many stakeholders report that their perception is Appeals autonomy in settlement decision-making is more myth than reality.[19] The National Taxpayer Advocate has previously documented concerns about perceived autonomous decision-making, the presence of Chief Counsel attorneys during conferences, and a compliance culture among Appeals personnel as serious problems for taxpayers.[20] Those perceptions persist.

Taxpayers and their representatives continue to report that coordinated or high-profile issues often leave AOs unable to settle based on hazards of litigation applied to their taxpayer's particular facts and circumstances because technical guidance coordinators (TGCs) or Counsel attorneys must approve any deviation from undisclosed settlement parameters.[21] Practitioners describe being told by AOs that they "won't do better than [the Exam result] because Counsel or a technical specialist won't allow it."[22] Some AOs say their "hands are tied" and that, regardless of hazards arguments, the settlement cannot deviate from generally approved ranges.[23] When taxpayers are told that settlement outcomes cannot move because "Counsel will not allow it," they are deprived of an independent appeal and left negotiating with an unseen enforcement function. In these circumstances the promise of an independent appeal is hollow. This undermines the *rights to challenge the IRS and be heard* and *to appeal an IRS decision in an independent forum*.[24]

Stakeholders also point to the extended influence of Counsel and technical advisors, whether through attendance at conferences or behind the scenes direction. Because Appeals must accept nearly all cases, including those that involve highly complex or specialized issues, it is understandable and often appropriate for AOs to seek help from Counsel attorneys or TGCs to understand the substantive law and properly weigh litigation hazards. However, those consultations should remain advisory. AOs must ultimately evaluate the facts, apply the law, and independently weigh litigation hazards.

But practitioners report that this does not always occur, with Counsel or TGCs effectively dictating outcomes. In one case, an AO refused to settle after Counsel instructed that no concession should be offered, which forced the taxpayer to petition the Tax Court. Counsel later settled the case during litigation on terms Appeals could have offered at the administrative stage.[25] Continued failure to resolve an issue prior to litigation reinforces the perception that Appeals is not independently weighing litigation risk.

Appeals' settlement authority is structured so that final approval may rest with Appeals Team Managers and Appeals Team Case Leaders in appropriate cases, and we do not recommend changing that supervisory framework.[26] Final approval authority, however, should not be misunderstood as shifting decision-making away from the AO. The AO must independently evaluate the facts, apply the law, and weigh hazards of litigation to develop a settlement proposal. TGCs and Chief Counsel attorneys may provide legal or technical assistance to Appeals as authorized by IRC § 7803(e)(6)(B), but their role must remain advisory rather

19 Several practitioners reported that Congress's rebranding of Appeals as "independent" has resulted in little substantive transformation. *See, e.g.*, conversations with outside stakeholders (Aug. 22, 2025; Sept. 8, 2025; Sept. 10, 2025; Sept. 16, 2025).

20 National Taxpayer Advocate 2023 Annual Report to Congress 132 (Most Serious Problem: *Appeals: Despite Some Improvements, Many Taxpayers and Tax Professionals Continue to Perceive the IRS Independent Office of Appeals as Insufficiently Independent*), https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2024/01/ARC23_MSP_10_Appeals.pdf

21 *Id. See also* conversations with outside stakeholders (Aug. 22, 2025; Sept. 8, 2025; Sept. 10, 2025; Sept. 16, 2025).

22 Conversations with outside stakeholders (Sept. 10, 2025; Sept. 16, 2025).

23 Conversations with outside stakeholders (Sept. 8, 2025; Sept. 10, 2025; Sept. 16, 2025) ("Too often, an [AO] seems to just deliver a canned result or a proposal that is no better than what Exam offered, rather than truly exercising settlement discretion.").

24 *See* Taxpayer Bill of Rights (TBOR), https://www.taxpayeradvocate.irs.gov/taxpayer-rights (last visited Dec. 3, 2025). The rights contained in TBOR are also codified in IRC § 7803(a)(3).

25 Conversations with outside stakeholders (Aug. 22, 2025).

26 Currently, the IRM requires manager approval of the AO's independent settlement decision. *See* IRM 8.20.7.2(11) Introduction to Closing Procedures (May 19, 2022), https://www.irs.gov/irm/part8/irm_08-020-007. Such approval does not take away from the AO's ability to independently arrive at a settlement decision.

than outcome determinative. Appeals should emphasize in the IRM that AOs must independently develop settlement proposals and that outside consultations are intended to inform the hazards analysis, not supply the result.

Appeals should distinguish between AOs consulting Counsel or technical experts outside the taxpayer conference and allowing Counsel to participate in the conference itself.[27] AOs should remain free to seek legal or technical advice throughout the Appeal. But when Counsel is to attend a taxpayer conference, either at the request of Appeals or at Counsel's own initiative, the AO should obtain taxpayer consent and apply clear criteria that limit in-person participation to situations where the AO determines that Counsel's presence at the conference is necessary to arrive at a proper settlement or other case disposition. These safeguards would better protect the taxpayer's right to an independent appeal. Appeals should also publish data on how often Counsel participates in conferences and should consider piloting an internal legal advisory unit that is not embedded in enforcement.

Inadequate Training Impairs Effective Hazards-of-Litigation Analysis and Exacerbates Delays

Practitioners consistently report that Appeals' training and experience often fall short as cases grow more complex. Appeals work requires mastery of substantive tax law, evaluation of factual records, hazards-of-litigation judgment, and skill in mediating disputes for both sophisticated and *pro se* taxpayers. Yet many AOs lack litigation experience or formal legal training while making quasi-judicial determinations. For example, one practitioner reports that an AO's stated reason for not settling was, "Counsel told me a substantiation case doesn't present any hazards [of litigation]." This statement reflects a basic misunderstanding of litigation risk.[28]

Many AOs are promoted from within the IRS and are not required to have law degrees.[29] They may bring tax accounting expertise, but are less prepared to assess evidentiary burdens, administrative law arguments, or understand how a Tax Court judge is likely to approach unsettled issues.[30] Without litigation perspective, hazards analyses can become shallow and AOs may overestimate the IRS's likelihood of success or defer reflexively to Counsel or TGCs. The result is weaker settlement decision-making and longer resolution times.[31]

Appeals offers courses on mediation and technical tax topics, but training competes with caseload pressure and is not required or credited toward performance goals, so many AOs treat it as optional. In 2023, Appeals debuted a week-long ADR training taught by outside mediators, yet according to one practitioner, many AOs did not attend because it did not further the Critical Job Elements, which are metrics upon which their annual performance is rated.[32] Formal litigation exposure is also rare. Some managers require AOs to observe

27 AOs may seek legal advice from Counsel without the taxpayer present, and such communications are generally permitted under the *ex parte* rules so long as Counsel did not personally act as an advocate for the originating function on the same issue in the same case. *See* Rev. Proc. 2012-18, §§ 2.02(3), 2.06(3)(a)-(b), 2012-10 I.R.B. 455; IRM 8.1.10.4.4(1), Communications with Counsel (Oct. 1, 2012) (stating that Appeals employees are entitled to obtain legal advice from Counsel and "are permitted to do so under the *ex parte* communication rules," subject to limitations when a field attorney previously advocated the same issue in the same case), https://www.irs.gov/irm/part8/irm_08-001-010.

28 Conversations with outside stakeholders (Sept. 8, 2025). AOs are required to evaluate and weigh the hazards of litigation when considering whether to settle a case. This means they do not only decide whether the IRS or the taxpayer is "right" as Exam might. Instead, they ask: "If this case went to court, what is the likelihood each party would prevail on the issues?" Appeals can then settle a case based on the relative risks based on those probabilities. *See* IRM 8.11.1.2.7.5(5), Hazards of Litigation, (July 3, 2019) ("Litigating hazards generally fall into three categories: factual, legal and evidentiary."), https://www.irs.gov/irm/part8/irm_08-011-001.

29 *Cf.* Stephen Josey & Brie Barry, *IRS Update to Fast Track Settlement Program a Welcome First Step*, Daily Tax Rep. (Nov. 26, 2025) ("[A]ppeals officers often begin and build their careers within the IRS examination function"), https://news.bloombergtax.com/tax-insights-and-commentary/irs-update-to-fast-track-settlement-program-a-welcome-first-step.

30 *See* Keith Fogg, *Judging Litigation Hazards Without Seeing or Following Litigation*, Procedurally Taxing Blog (July 6, 2015) ("It would be curious to poll Appeals Officers and Settlement Officers to determine the percentage that had ever set foot in Tax Court."), https://www.taxnotes.com/procedurally-taxing/judging-litigation-hazards-without-seeing-or-following-litigation/2015/07/06/7h5cq.

31 To gain more litigation experience amongst its employees, Appeals hired 92 AOs in FY 24 from outside the IRS and 31 in FY 2025 prior to the hiring freeze that began in January 2025. IRS response to TAS information request (Oct. 8, 2025).

32 Conversations with outside stakeholders (Sept. 12, 2025).

Tax Court calendars and trials, but this is not institutionalized.[33] These gaps are most damaging in complex matters such as cryptocurrency, syndicated conservation easements, international tax, and partnership cases spanning Tax Equity and Fiscal Responsibility Act of 1982 and Bipartisan Budget Act of 2015 regimes.

Without stronger, institutionalized training expectations, AOs are less equipped to resolve disputes independently and efficiently and are more likely to rely on Counsel or TGCs because they do not fully understand the issues or how to apply the law to the taxpayer's particular facts and circumstances. Appeals should embed litigation observation, mediation practice, and continuing education into AO performance expectations so officers can evaluate hazards independently, resolve disputes earlier, and restore confidence in Appeals' expertise.

Alternative Dispute Resolution Remains Underutilized

ADR offers taxpayers a faster, less costly path to resolution, often saving hundreds of days compared to traditional Appeals processing. Despite decades of congressional and IRS support, ADR use has remained minimal and declined for years. Although Appeals has recently taken steps to rebuild ADR infrastructure and early data show modest improvement, ADR still represents less than 0.25% of Appeals receipts. Many practitioners report little awareness of ADR options or resistance when ADR is requested.

Appeals offers three forms of ADR: Fast Track Settlement (FTS), Fast Track Mediation (FTM), and Post Appeals Mediation (PAM).[34] One benefit of ADR is that it can resolve cases and provide certainty within months, saving taxpayers roughly 277 days compared to traditional Appeals timelines.[35] In many cases, disputes that could be resolved in three to six months through ADR instead remain in Appeals for a year or more, and litigation adds still more time.[36]

However, it is imperative for the IRS Compliance function to be knowledgeable about and supportive of ADR, particularly FTS and FTM. These programs depend on early, informed, and good-faith engagement by Compliance personnel to succeed. FTS and FTM occur before cases reach traditional Appeals, with Compliance retaining ownership of the case and Appeals serving only as a neutral facilitator. When Compliance employees understand ADR's purpose, authority, and flexibility, they are more likely to recommend appropriate cases, participate constructively, and approach the process as problem solving rather than positional advocacy. Without that understanding and support, ADR risks becoming ineffective and continuing to be underutilized despite its sound design.

Strong Compliance support for ADR enables earlier resolution of disputes, conserves IRS resources, reduces Appeals and litigation inventories, and enhances taxpayer trust in the fairness of the system. Conversely, lack of familiarity can lead to unnecessary delays, hardened positions, and increased costs, undermining both Compliance goals and taxpayer compliance. Ultimately, the credibility and success of FTS and FTM are driven by Compliance buy-in, and informed participation helps ensure these programs function as intended to promote efficient, fair, and effective tax administration.

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33 Conversations with outside stakeholders (Sept. 12, 2025).

34 Erin M. Collins, Appeals Improves Alternative Dispute Resolution Programs, But Barriers Remain, National Taxpayer Advocate Blog (May 22, 2025), https://www.taxpayeradvocate.irs.gov/news/nta-blog/appeals-improves-adr-programs-but-barriers-remain/2025/05/

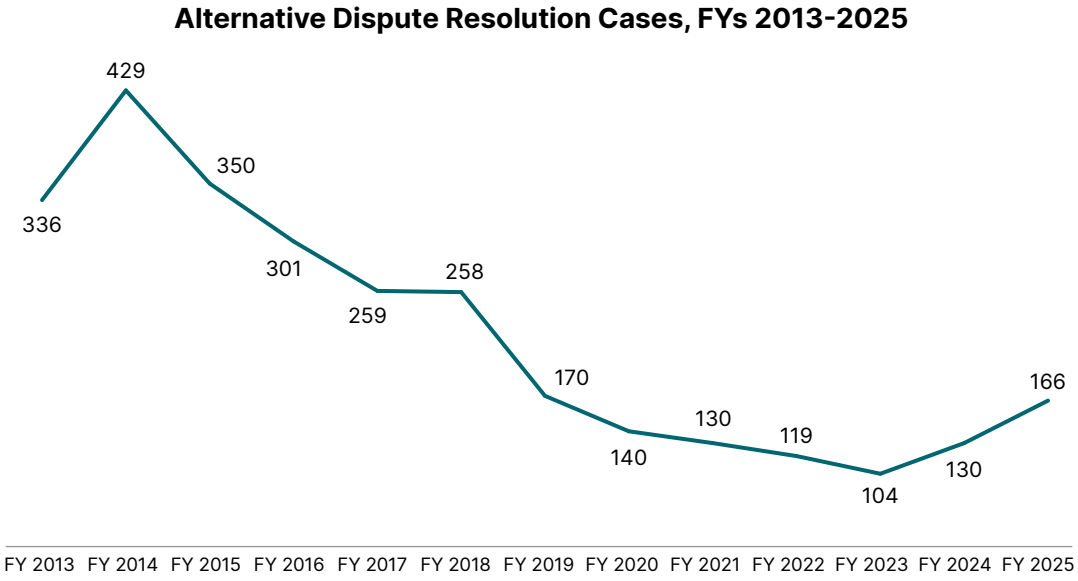
35 Appeals' P measures (P1 to P9) show a total average of 337 days for a closed non-docketed case in FY 2025 through August. IRS response to TAS information request (Oct. 8, 2025). ADR reports an average of 60 days to resolution. Erin M. Collins, Appeals Improves Alternative Dispute Resolution Programs, But Barriers Remain, National Taxpayer Advocate Blog (May 22, 2025), https://www.taxpayeradvocate.irs.gov/news/nta-blog/appeals-improves-adr-programs-but-barriers-remain/2025/05/; *see also*, Government Accountability Office (GAO), GAO-23-105552, *Tax Enforcement: IRS Could Better Manage Alternative Dispute Resolution Programs to Maximize Benefits* 6 (May 31, 2023), https://www.gao.gov/products/gao-23-105552.

36 Baker McKenzie, Tax Dispute Resolution Timelines: United States (Feb. 1, 2023) (noting that in large cases, Appeals may take "one to three years" and full litigation can extend much longer), https://resourcehub.bakermckenzie.com/en/resources/tax-dispute-resolution-timelines/north-america/united-states.

Congress and the IRS had promoted ADR for decades as a quicker, cost-effective alternative to a full appeal or litigation.[37] The model is straightforward: Appeals serves as a neutral mediator to help taxpayers and the IRS reach early resolution. Despite this promise, ADR use has long been minimal and then declined sharply.

In FY 2013, Appeals only closed 336 ADR cases. As shown in Figure 2.4.3, ADR use fell by 65% to 119 closed cases in FY 2022, accounting for less than 0.5% of Appeals' total closures for the year.[38] The Government Accountability Office (GAO) found that the IRS had not collected basic data on why taxpayers avoid ADR or what happens when they request it.[39] At the time, IRS officials could not explain the decline.[40] As a result, GAO identified structural weaknesses: unclear objectives, inconsistent guidance, and almost no monitoring of taxpayer satisfaction.[41] In effect, the IRS had allowed ADR to atrophy.

FIGURE 2.4.3[42]



Practitioners' experiences align with that diagnosis. Many report never using ADR, not because of poor outcomes but because it rarely seems integrated into IRS case handling.[43] Several practitioners were only vaguely aware the programs existed, and none recalled the IRS recommending ADR as a path to resolution.[44]

37 *See, e.g.*, Restructuring and Reform Act of 1998, Pub. L. No. 105-206, § 3465(a), 112 Stat. 685, 767 (1998) (amending the Code to authorize arbitration and mediation pilot programs for tax disputes). IRC § 7123. Past IRS support includes Rev. Proc. 2002-44, 2002-2 C.B. 10 (establishing procedures for Post-Appeals Mediation), Rev. Proc. 2003-41, 2003-1 C.B. 1047 (establishing the Fast Track Settlement program for LMSB (now LB&I) cases), and IRM 8.26.1.1.2, Authority (Mar. 13, 2025) (stating that ADR is intended "to resolve tax controversies at the lowest level without sacrificing the quality and integrity of those determinations."), https://www.irs.gov/irm/part8/irm_08-026-001.

38 GAO, GAO-23-105552, *Tax Enforcement: IRS Could Better Manage Alternative Dispute Resolution Programs to Maximize Benefits* 10 (May 31, 2023), https://www.gao.gov/products/gao-23-105552.

39 *Id.* at 10-11.

40 *Id.* at 10.

41 *Id.* at 20-21.

42 The FY 2013 through FY 2022 data comes from the GAO report and represents ADR cases *closed* annually. The FY 2023, 2024, and 2025 data were reported by Appeals and represents ADR cases *received* in Appeals annually. IRS response to TAS information request (Oct. 8, 2025). While the numbers are not an exact comparison, an examination of FY 2022 data of closed ADR cases and received ADR cases shows the numbers are close (119 closed vs. 136 received). GAO, GAO-23-105552, *Tax Enforcement: IRS Could Better Manage Alternative Dispute Resolution Programs to Maximize Benefits* 11 (May 31, 2023), https://www.gao.gov/products/gao-23-105552; IRS response to TAS information request (Oct. 8, 2025) and IRS response to TAS supplemental information request (Dec. 9, 2025).

43 Conversations with outside stakeholders (Aug. 22, 2025).

44 Conversations with outside stakeholders (Aug. 25, 2025; Sept. 8, 2025).

Some also report resistance when ADR is requested. In one Employee Retention Credit refund dispute, a practitioner requested PAM after partial Exam concession. Although leadership publicly encouraged ADR, the assigned AO issued a closure letter before processing the request and then denied PAM as unavailable because the case was closed.[45] The practitioner viewed the matter as well-suited to mediation and concluded ADR failed due to lack of training, incentives, or both.[46] FTS presents similar variability. Where managers encourage it, Exam personnel raise ADR proactively; where managers do not, Exam resists.[47] The cultural signal is that if IRS employees do not treat ADR as meaningful, taxpayers will not either.

The IRS has begun to respond. In April 2024, Appeals created an ADR Program Management Office (PMO) to rebuild program infrastructure and stated it will track ADR requests and outcomes through the Enterprise Case Management system expected in 2026.[48] Early results are promising. ADR receipts increased 25% in FY 2024 and 28% in FY 2025. Within FY 2025, FTS cases rose in both the Large Business and International (LB&I) and the Small Business/Self-Employed (SB/SE) Divisions. PAM non-collection receipts increased substantially, and other ADR streams reported higher resolution rates and faster timelines.[49] Still, ADR remains a tiny share of Appeals work. ADR case counts rose from 104 in FY 2023 to 130 in FY 2024 and 166 in FY 2025. Against total Appeals receipts of 60,933 in FY 2025, ADR represented only 0.272% of cases.[50]

Infrastructure alone will not revive ADR. The PMO charter sets broad goals but lacks measurable objectives and timelines. To make ADR a real channel rather than a niche option, the IRS must pair program management with cultural change. Appeals and Exam employees should be trained to identify ADR-appropriate disputes; taxpayers and practitioners should be informed early and clearly about ADR availability and advantages; and IRS operating divisions should be held accountable for considering ADR requests in good faith. With waves of complex disputes such as Employee Retention Credit claims and syndicated conservation easements, a functioning ADR program could triage cases, reduce backlog, and limit unnecessary litigation. If the IRS follows through on GAO's recommendations to track data, set clear goals, and integrate ADR into strategic planning, Appeals can lead an enduring revitalization of ADR and meaningfully improve timeliness across the dispute resolution system.

Outdated Communication and Case Management Tools Compound Taxpayer Confusion

In FY 2025, Appeals operated with fragmented casefile and communication systems that make it hard for taxpayers to know where their appeal stands or what record Appeals is using. Appeals relies on the Appeals Centralized Database System, which is not fully integrated with other IRS platforms, so documents and case milestones are not captured in a single authoritative file across functions. Because Exam units use different case management systems and other case types route through separate platforms, gaps arise during transfer and intake. These gaps can delay assignment, complicate conferences, and undermine the taxpayer's right to a complete administrative file. The good news is that in November 2025, Appeals rolled out a new case management system, which is an important step toward improving file integrity and coordination within Appeals.[51]

45 Conversations with outside stakeholders (Sept. 10, 2025).
46 Conversations with outside stakeholders (Sept. 8, 2025; Sept. 10, 2025).
47 Conversations with outside stakeholders (Aug. 22, 2025; Sept. 10, 2025; Sept. 12, 2025).
48 IRS, News Release: IRS Independent Office of Appeals Forms Alternative Dispute Resolution Program Management Office, IR-2024-119 (Apr. 24, 2024), https://www.irs.gov/newsroom/irs-independent-office-of-appeals-forms-alternative-dispute-resolution-program-management-office.
49 FTS cases in LB&I increased 28%, with 86% of cases achieving resolution, typically within four months. FTS cases in SB/SE surged 33%, with 50% of cases resulting in agreement, typically within two months. PAM Non-Collection case receipts increased by 75%, with 67% of cases reaching agreement, typically within five months. IRS response to TAS supplemental information request (Dec. 9, 2025).
50 IRS response to TAS information request (Oct. 8, 2025).
51 Appeals began implementing a new Salesforce Case Management System in November of 2025. Memorandum for All IRS Independent Office of Appeals Employees, from Steven M. Martin, Director, Operations Support (Nov. 24, 2025), https://www.irs.gov/pub/foia/ig/appeals/ap-08-1125-0019.pdf *See also*, Interim Guidance, Appeals Case Management System (ACMS) procedure updates for IRM 8.1.3, Working Cases in Appeals (Nov. 25, 2025), https://www.irs.gov/pub/foia/ig/appeals/ap-08-1125-0040.pdf

Even when the administrative file exists, access is often slow and cumbersome.[52] The Taxpayer First Act entitles taxpayers to obtain their administrative file at least ten days before a conference, yet practitioners report late delivery, disorganized productions, and heavy redactions that include taxpayer-supplied materials.[53] While the IRS is taking steps to provide secure digital access to files, Appeals still generally fulfills requests for the administrative file by mailing CDs or paper copies.[54] The Treasury Inspector General for Tax Administration (TIGTA) found instances where Appeals failed to send files timely or did not document that taxpayers were informed of their right to request them.[55] Many taxpayers resort to filing redundant Freedom of Information Act requests to see the same record Appeals is reviewing, which adds time and expense and erodes confidence in the process.[56]

Appeals should also address inconsistent access to Appeals Case Memoranda. An Appeals Case Memorandum (ACM) is the written closing memorandum prepared by the AO that summarizes the issues, the hazards-of-litigation analysis, and the rationale for the resolution.[57] Taxpayers typically do not receive the ACM unless they know to ask, leaving them without the agency's written articulated reasoning even though Compliance may have access to it.

The National Taxpayer Advocate has long recommended that Appeals provide the ACM to taxpayers at the close of each case.[58] In June 2025, Appeals agreed to remind its employees that taxpayers may obtain the ACM upon an informal request.[59] Prior to this change, practitioners report Appeals employees denying such requests.[60] While this reminder is a step forward, it does not go far enough. To ensure fairness, Appeals should either automatically provide the ACM to taxpayers when a case closes or classify the ACM as an "internal only" document, withheld from both taxpayers and IRS Compliance.

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52 *See* TIGTA, Ref. No. 2023-15-010, *Actions Have Been Taken to Implement Taxpayer First Act Provisions Related to the IRS Independent Office of Appeals; However, Some Improvements Are Still Needed* (2023) (reporting that Appeals uses scanned, redacted file transfers rather than always offering direct electronic access). However, Appeals is moving toward digital delivery. *See Revised Guidance for Taxpayer First Act (TFA) Access to Case Files*, at 1-3, 5 (IRS mem. June 14, 2024) (requiring AOs to submit redaction requests to STARS), https://www.irs.gov/pub/foia/ig/spder/ap-08-0624-0011-public.pdf; IRM 8.27.2, Redaction Support – TFA Casework Processing (Aug. 25, 2025) (describing STARS' mission, procedures, and service request portal roles). STARS (the Shared Team of Administrative and Redaction Support) is a centralized Appeals unit tasked with scanning, copying, and redacting case files upon request under the Taxpayer First Act.

53 Conversations with outside stakeholders (Sept. 5, 2025).

54 *Id*.

55 TIGTA, Ref. No. 2024-300-060, *Review of the IRS Independent Office of Appeals*, at 17-18 (Sept. 20, 2024).

56 Conversations with outside stakeholders (Sept. 5, 2025). For a discussion on taxpayer issues with administrative requests for records, see Most Serious Problem: *Records Access: Taxpayers Face Delays and Inadequate Responses to Their Administrative Requests for Records From the IRS*, *infra*.

57 IRM 8.6.2.2(2), Introduction to Appeals Case Memos (Aug. 17, 2017) ("The ACM is a report the [AO] prepares to adequately explain and support the basis on which a [case] is disposed."), https://www.irs.gov/irm/part8/irm_08-006-002.

58 *See, e.g.*, Erin M. Collins, IRS Appeals Moves Toward Greater Transparency by Sharing Appeals Case Memoranda With Taxpayers, National Taxpayer Advocate Blog (Aug. 12, 2025), https://www.taxpayeradvocate.irs.gov/news/nta-blog/irs-appeals-moves-toward-greater-transparency-by-sharing/2025/08/; Erin M. Collins, The Good, the Bad, and the Concerning (Part 2 of 3), The IRS Responds to TAS's Most Serious Problem Recommendations, National Taxpayer Advocate Blog (July 17, 2024), https://www.taxpayeradvocate.irs.gov/news/nta-blog/the-good-the-bad-and-the-concerning-part-2-of-3/2024/07/; National Taxpayer Advocate 2023 Annual Report to Congress 132 (Most Serious Problem: *Appeals: Despite Some Improvements, Many Taxpayers and Tax Professionals Continue to Perceive the IRS Independent Office of Appeals as Insufficiently Independent*) https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2024/01/ARC23_MSP_10_Appeals.pdf. National Taxpayer Advocate 2022 Annual Report to Congress 141, 142 (Most Serious Problem: *Appeals: Staffing Challenges and Institutional Culture Remain Barriers to Quality Taxpayer Service Within the IRS Independent Office of Appeals*), https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2023/01/ARC22_MSP_09_Appeals.pdf

59 Appeals issued an internal "reminder" to its technical employees that IRM 8.1.1.6.4(2), Requests for Appeals to Produce Records (Feb. 10, 2012), https://www.irs.gov/irm/part8/irm_08-001-001, requires Appeals to provide a copy of the ACM even if the taxpayer requests it informally. For the National Taxpayer Advocate's response to this action, see Erin M. Collins, IRS Appeals Moves Toward Greater Transparency, *supra* note 58.

60 Conversations with outside stakeholders (Sept. 8, 2025).

Poor communication tools prolong uncertainty, and outdated equipment wastes time for both the IRS and taxpayers. As the National Taxpayer Advocate has observed before, paper is the IRS's "kryptonite," and Appeals must break free of its paper shackles.[61] Modernizing Appeals' systems by providing secure digital file access, consistent e-communication, and properly documented case files is essential for transparency and taxpayer trust. Technology and file management failures are not merely administrative. Incomplete or poorly organized records can lead to incorrect decisions, and weak communication prolongs uncertainty. Even though some Exam and Collection cases arrived in Appeals electronically, many are still arriving in paper form, requiring manual handling and increasing the risk of missing documents. Appeals modernization should continue to reduce paper processing dependence as new systems mature.[62]

Appeals should allow both individual and business taxpayers and their representatives to upload and access documents through their online account or through a dedicated Appeals portal that provides secure messaging, digital file access, and real-time status tracking. Taxpayers' account transcripts should show when the IRS receives their appeal requests.

Modernizing Appeals' technology is essential. Secure digital access, consistent e-communication, and real-time status tracking are not conveniences; they are prerequisites for meaningful administrative review and taxpayer trust.

CONCLUSION AND RECOMMENDATIONS

Appeals serves an essential role in tax administration and is one of the IRS's most important taxpayer rights safeguards. Appeals should be recognized and commended for the role they play in resolving a large share of disputes without litigation, bringing finality to taxpayers and conserving government resources. This work reflects the skill and commitment of many AOs, managers, and support staff. The concerns described herein do not diminish the value of Appeals or the dedication of its workforce. They highlight specific operational gaps that, if left unaddressed, risk eroding confidence in an office that Congress intended to be both independent and accessible. By eliminating the black hole and requiring pre-transfer and assignment procedures, reinforcing AO autonomy in hazards-based settlements, modernizing communication and file access, strengthening training, and fully integrating effective ADR into dispute resolution, the IRS can build on Appeals' strengths, reduce delays, and better protect taxpayer rights while demonstrating its independence.

Administrative Recommendations to the IRS

The National Taxpayer Advocate recommends that the IRS:

1. **Establish enforceable timeliness standards from protest to conference.** Create and publish binding timelines for the full Appeals path, including: (i) Exam rebuttal after a protest, (ii) transfer to Appeals after rebuttal or waiver, (iii) Appeals receipt to assignment, and (iv) assignment to initial contact and opening conference. Track milestone compliance and report results annually.
2. **Reaffirm AO independence in developing settlements.** Revise the IRM to emphasize that AOs independently evaluate facts, law, and hazards of litigation and develop settlement proposals, even when final approval rests with Appeals Team Managers or Appeals Team Case Leaders. Reiterate that TGC and Counsel input is advisory and require supervisory review to document concurrence or disagreement with the AO's hazards analysis.

61 *See* Erin M. Collins, Getting Rid of the Kryptonite: The IRS Should Quickly Implement Scanning Technology to Process Paper Tax Returns, National Taxpayer Advocate Blog (Mar. 30, 2022), https://www.taxpayeradvocate.irs.gov/news/nta-blog/nta-blog-getting-rid-of-the-kryptonite-the-irs-should-quickly-implement-scanning-technology-to-process-paper-tax-returns/2022/03/

62 *See* Most Serious Problem: *IRS Modernization and Digitalization: Outdated Paper Processes and Procurement Delays Harm Taxpayers*, *supra*.

3. **Increase transparency of outside input and closing rationale.** Require AOs to document when Counsel or TGC input is sought and the issue consulted on. If advice was provided, include a brief non-privileged summary in the administrative file. Automatically provide taxpayers a redacted ACM at closure or treat ACMs as internal-only unless shared with the taxpayer on equal terms.
4. **Require taxpayer consent for Counsel attendance in Appeals conferences.** Obtain affirmative taxpayer consent before Counsel or Compliance attends an Appeals conference. Limit attendance to situations where Appeals determines that having Counsel or Compliance in the conference is necessary to address novel, difficult, or factually intensive issues, or where the taxpayer requests their participation. Appeals should provide advance notice explaining the reason for attendance and publish annual data on attendance rates and outcomes.
5. **Allow taxpayers to verify that an appeal protest was received.** Create an indicator that can be added to the taxpayer's transcript when the IRS receives an appeal. Include indicators on the taxpayer's transcript and online account.
6. **Modernize communication and file access through a unified digital portal.** Provide individual and business taxpayers a secure portal, through the IRS online account or an Appeals interface, for document upload, secure messaging, and real-time status tracking from protest to closure. Ensure Appeals' current system exchanges status and file data with originating functions so all parties rely on a single authoritative record.
7. **Embed litigation-focused training into performance expectations.** Require annual AO training on hazards-of-litigation analysis, evidentiary concepts, administrative law, negotiation, and taxpayer rights. Institutionalize Tax Court observation for all AOs and count training and courtroom exposure toward Critical Job Elements.
8. **Reinvigorate ADR with measurable goals and accountability.** Direct the ADR PMO to set targets for ADR offers, acceptance, resolution rates, and time to resolution by program and Business Operating Division. Require good-faith ADR consideration in eligible cases, and incorporate ADR use into managerial performance measures. Beginning FY 2027, include ADR training as a Critical Job Element in Compliance and Appeals, as appropriate.

Legislative Recommendations to Congress

The National Taxpayer Advocate recommends that Congress:

1. Require taxpayers' consent before allowing IRS Counsel or Compliance personnel to participate in Appeals conferences.[63]
2. Authorize Appeals to hire its own attorneys.[64]

RESPONSIBLE OFFICIALS

David Borden, Chief, IRS Independent Office of Appeals

Jarod Koopman, Chief Tax Compliance Officer

63 For an in-depth analysis of this recommendation, see National Taxpayer Advocate 2026 Purple Book, *Compilation of Legislative Recommendations to Strengthen Taxpayer Rights and Improve Tax Administration* (*Require Taxpayers' Consent Before Allowing IRS Counsel or Compliance Personnel to Participate in Appeals Conferences*).

64 For an in-depth analysis of and legislative language generally consistent with this recommendation, see Taxpayer Assistance and Service (TAS) Act, 119th Cong. § 601 (Discussion Draft 2025), https://www.finance.senate.gov/download/tax-admin-bill.



5 TAX PRO ACCOUNT

Online Accounts for Tax Professionals Lack Critical Functionality Required to Effectively Represent Taxpayers

When taxpayers receive an IRS notice, face an audit, or are subject to collection action, many cannot navigate the process on their own. They rely on tax professionals to understand what the IRS is asking, respond accurately and on time, and protect them from unnecessary penalties, interest, and enforcement actions. For these taxpayers, effective representation is often the difference between timely resolution and prolonged financial distress. As of the end of fiscal year (FY) 2025, tax practitioners had approximately 11 million active authorizations for individual taxpayers to receive taxpayer information or represent taxpayers before the IRS.[1] These authorizations are the mechanism by which the IRS permits representatives to assist in resolving audits, responding to notices, addressing collection issues, and handling other account-related matters and are essential to helping resolve issues. They are fundamental to timely issue resolution.

Yet, despite taxpayers' heavy reliance on and the critical role of tax professionals within tax administration, the IRS's digital tools for representatives fall far short of what is needed. As a result, taxpayers and their representatives must still rely heavily on paper forms, postal mail, portals, fax submissions, and telephone calls, methods that are slow, labor-intensive, and costly. These inefficiencies predictably result in higher representation fees for taxpayers.

1 Compliance Data Warehouse (CDW), Individual Master File (IMF) (Nov. 14, 2025) (authorizations on IRS, Form 2848, Power of Attorney and Declaration of Representative, and IRS, Form 8821, Tax Information Authorization, for tax years 2022 through present).

The consequences fall squarely on taxpayers. This lack of a fully functional digital platform imposes burdens on taxpayers, who experience delays in case resolution, prolonged exposure to penalties and interest, and increased representation costs, and the IRS, which must devote substantial staff time to activities that it could otherwise automate or allow tax professional self-service. Until Tax Pro Account is equipped to meet the day-to-day needs of taxpayers who rely on professional representation, taxpayers will continue to face unnecessary obstacles in exercising their *right to retain representation*.[2]

EXPLANATION OF THE PROBLEM

When the IRS audits a tax return, issues a notice, or takes a collection action, many taxpayers choose to retain a tax professional to help them understand the issue and represent them before the IRS.[3] Tax professionals can greatly assist the IRS in resolving issues with both individual and business tax returns. Representatives are trained tax professionals, who are familiar with IRS procedures, understand the applicable tax law, and can interpret account adjustments reflecting tax, credits, payments, and associated penalties or interest.

Providing tax professionals with a fully functional Tax Pro Account would allow representatives to resolve client issues more efficiently. In turn, the IRS would benefit if representatives could access client tax information and perform normal representation tasks instead of calling the IRS or submitting paper correspondence. However, the existing Tax Pro Account has fewer capabilities compared to the IRS's individual online account. In addition, representatives continue to struggle with the authorization submission feature when clients do not already have an individual online account established or the authorization requires multiple representatives, forcing those practitioners to rely on the tax information authorization (TIA) and power of attorney (POA) upload submission tool outside of Tax Pro Account or other traditional submission channels.[4]

Although the IRS has made some improvements to Tax Pro Account during FY 2025, functionality remains limited, and tax professionals still cannot perform many basic tasks needed to efficiently represent clients. Tax professionals report the following issues:

- Tax Pro Account authorization submission works only for individual clients with their own online accounts, leaving millions of taxpayers – including all business taxpayers – outside the digital process.
- Challenges arise when taxpayers use multiple representatives.
- Tax Pro Account lags significantly behind the individual online account in available functionality.
- The Tax Pro Account authorization function does not provide reliable processing, with frequent errors and inconsistent performance.
- Tax Pro Account authorization withdrawal does not provide the ability to make bulk withdrawals.
- The IRS has not shared the Tax Pro Account update schedule with stakeholders, which could help the IRS correctly prioritize additional functions based on the needs of tax professionals.

2 *See* Taxpayer Bill of Rights (TBOR), https://www.taxpayeradvocate.irs.gov/taxpayer-rights (last visited Dec. 18, 2025). The rights contained in TBOR are also codified in IRC § 7803(a)(3).
3 *See id.*
4 Conversations with outside stakeholders (Nov. 19, 2025; Nov. 20, 2025). *See* IRS, Submit Forms 2848 and 8821 Online, https://www.irs.gov/tax-professionals/submit-forms-2848-and-8821-online (last updated Nov. 14, 2025).

ANALYSIS

Establishment and usage of IRS online accounts continues to increase, as shown in Figure 2.5.1.

FIGURE 2.5.1, IRS Online Accounts: Accounts Created and Usage[5]

Account Type and Function	FY 2023	FY 2024	FY 2025
Individual Accounts Established	16.7 mil	18.8 mil	27.7 mil
Individual Account Usage	67.8 mil	90 mil	157 mil
Business Accounts Established	0	0.7 mil	1.1 mil
Business Account Usage	0	1.5 mil	2.6 mil
Tax Pro Accounts Established	0.08 mil	0.16 mil	0.25 mil
Tax Pro Account Usage	0.2 mil	0.8 mil	1.4 mil

When a representative cannot perform the necessary tasks to service a client's tax account through Tax Pro Account, they must contact the IRS through traditional channels. Time-intensive contacts, such as drafting correspondence and making phone calls with lengthy hold times, inhibit quick resolution of issues and can increase error rates and raise the cost of representation. In FY 2025, the IRS Practitioner Priority Service line received over 5.7 million calls from practitioners, but assisters only answered about 57% of these calls. The IRS took over 13 minutes on average to answer each call. Taxpayers ultimately bear the cost of this inefficiency.[6]

Digital Expectations Have Evolved – Tax Administration Must Keep Pace

For at least two decades, financial institutions have offered online access allowing individuals and authorized third parties to perform nearly every account function digitally. The IRS has made meaningful progress toward similar capabilities for taxpayers through its individual online accounts. But unlike the private sector, the IRS still does not provide tax professionals, who serve as critical intermediaries for millions of taxpayers, with the same level of access or digital functionality. To fully support taxpayers, tax professionals must be equipped with modern digital tools.

The IRS has made laudable progress in increasing functionality of online accounts. Individual taxpayers can perform such tasks as viewing key data, accessing transcripts of their accounts, checking the status of their refunds, viewing digital copies of most IRS notices, accessing several information returns, making payments, creating payment plans, and viewing their balances. Business Tax Account, while less mature in development, is moving in the right direction. By contrast, Tax Pro Account remains far more limited and does not include features tailored to the day-to-day needs of representatives. Tax Pro Account should allow representatives to perform all online functions available to individual and business taxpayers, while also offering other features and tools specifically designed for tax professionals conducting business with the IRS.

Tax Pro Account Lacks the Critical Features Available in Individual Online Accounts

There is some positive momentum. The IRS is adding new features to its Tax Pro Account. Figure 2.5.2 compares the features of an individual online account to those available through the Tax Pro Account. An asterisk notes features added to Tax Pro Account in FY 2025.

5 IRS response to TAS information request (Oct. 15, 2025).
6 IRS Joint Operations Center, Snapshot Reports: Product Line Detail, Practitioner Priority Service (ending Sept. 30, 2025).

FIGURE 2.5.2, Comparison of Features Available in Individual Online Account and Tax Pro Account[7]

Capability	Individual Account	Tax Pro Account
View key tax return information, including your adjusted gross income, and access transcripts or tax compliance report	✓	✓
Check the status of your refund or amended return	✓	
View digital notices from the IRS	✓	
View your audit status (currently available for certain audits conducted by mail)	✓	✓*
View available information return documents, such as Forms W-2 and certain Forms 1099	✓	
Make a same-day payment or schedule payments up to 365 days in advance from your bank account	✓	✓
View up to five years of payment history, including your estimated tax payments	✓	✓
View pending and scheduled payments	✓	✓
View balances owed to the IRS by tax year	✓	✓
Learn about payment plan options and apply for a new payment plan	✓	✓*
View and revise details of your existing payment plan	✓	✓*
Create a payment plan for the amount you expect to owe in the current tax year	✓	✓*
Offer in compromise pre-qualifier tool	✓	
Offer in compromise submission tool	✓	
Get email notifications for new account information or activity	✓	
Go paperless for certain IRS notices	✓	
Get an Identity Protection PIN (IP PIN)	✓	
**Feature added in FY 2025*		

As shown in Figure 2.5.2, Tax Pro Account lacks several key features available in individual online accounts. Particularly problematic is the inability to view notices sent to taxpayers and a taxpayer's available information return documents such as Forms W-2 and many types of Form 1099. Tax professionals need to quickly receive and respond to IRS notices. Enabling tax professionals to view notices directly in Tax Pro Account would reduce taxpayer burden by eliminating the need for taxpayers to download, print, and transmit notices to their representatives; reduce the risk that taxpayers will inadvertently fail to respond; and allow tax professionals to begin reviewing and responding to the IRS on behalf of or in coordination with the taxpayer without delay. Sadly, the IRS prioritized features that focus on collection matters rather than assisting taxpayers with their needs.

7 IRS response to TAS information request (Oct. 15, 2025); IRS, Online Account for Individuals, https://www.irs.gov/payments/online-account-for-individuals (last updated Oct. 10, 2025); IRS, Tax Pro Account, https://www.irs.gov/tax-professionals/tax-pro-account (last updated Dec. 8, 2025).

Individual taxpayers have downloaded over three million information documents using their individual online accounts.[8] The ability to see information return documents would greatly benefit tax professionals, particularly when they are preparing or amending a tax return for their client. Ideally, the IRS should provide authorized tax preparers the ability to download their clients' information returns from Tax Pro Account into the software of choice early in the filing season. Tax professionals prepare a high percentage of returns, completing over half of the 165 million individual tax returns filed in 2025.[9] Because tax professionals file a substantial portion of all individual returns, enabling such exports early in the filing season would significantly improve accuracy, reduce mismatches, and prevent downstream problems.

A Tax Pro Account that meets the day-to-day needs of tax professionals would also streamline communication with the IRS Business Operating Divisions (BODs) working on the accounts. Tax professionals should see all notices and other communications and be able to respond directly through their Tax Pro Account. Incorporating secure messaging into the system for all BODs would allow representatives to utilize a single communication channel, respond more quickly to IRS inquiries, and ensure all documentation is organized and accessible in one place.

The Tax Pro Account Authorization Function Remains Limited and Unreliable

As of the end of FY 2025, Tax Pro Account's authorization feature remains limited to individual taxpayers and cannot be used for businesses or other non-individual entities. Even for individual taxpayers, practitioners report the tool often fails to display updated authorizations in real time; generates paper notices when errors occur rather than digital alerts; revokes other authorizations if a taxpayer approves multiple representatives on different days; does not allow updating of contact information; does not consistently allow withdrawals; and does not allow bulk withdrawal of authorizations.[10] These shortcomings force representatives back to traditional submission methods (mail, fax, form upload), which all require time-consuming manual processing by the IRS.

Although the IRS intends to expand Tax Pro Account availability to business taxpayers, it has not provided a specific timeline.[11]

Expanding the Tax Pro Account authorization tool for all types of taxpayers eligible for an online account reduces authorization processing time, allows tax professionals to serve taxpayers faster, and reduces IRS resource demands associated with manual processing.[12]

Taxpayer Authorization Process Struggles Can Limit Effective Representation

To communicate with the IRS on a taxpayer's behalf, representatives must first obtain a Form 8821, Tax Information Authorization, or a Form 2848, Power of Attorney and Declaration of Representative. Once the IRS processes these forms, the IRS may share information or engage with the representative directly.

Currently, there are four avenues to submit an authorization: Tax Pro Account, upload to an online portal, fax, or mail. In practice, however, the Tax Pro Account option is not user-friendly, is limited to individual taxpayers, requires both the representative and the taxpayer to access their online accounts, and makes it challenging to submit authorizations with more than one representative. The other methods all require manual processing by the IRS, yielding slower results that delay the benefits of representation.[13]

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8 IRS response to TAS information request (Oct. 15, 2025).
9 IRS, Filing Season Statistics for Week Ending December 26, 2025, https://www.irs.gov/newsroom/filing-season-statistics-for-week-ending-dec-26-2025 (last updated Jan. 2, 2026).
10 Conversations with outside stakeholders (Sept. 5, 2025; Sept. 9, 2025; Sept. 29, 2025); Phoenix Systemic Issue 2528 (July 16, 2025).
11 IRS response to TAS information request (Oct. 15, 2025) (update listed in planned FY 2026-2029 updates).
12 For a discussion of the issues with the traditional authorization process, see Most Serious Problem: *Centralized Authorization File: Systemic Failures Undermine Taxpayer Rights to Representation, Due Process, and Quality Service*, *infra*.
13 *Id*.

To use their Tax Pro Account, a tax professional must log in, type in the required client information on the form, and submit an electronic authorization request. The system then notifies the taxpayer, assuming the taxpayer has an online account and can access it.[14] Otherwise, they will receive a paper notification.[15] The taxpayer must then log into their online account and approve the authorization. Once approved, the taxpayer should appear in the tax professional's list of active authorizations in real time.[16] In theory, this sounds straightforward; in reality, the process is fragile and limited in scope.

Tax Pro Account Functions Do Not Always Work Reliably

In addition to limited functions, tax professionals report persistent issues with existing functions, including creating, viewing, and maintaining client authorizations. These issues can frustrate tax professionals and discourage use of Tax Pro Account.

According to the IRS, Tax Pro Account provides real-time processing of POAs and TIAs for individuals.[17] However, tax professionals report:[18]

- Delays between authorization approval and display in the "active authorizations" list;
- Paper notices sent to taxpayers when errors occur in the online process, undermining the benefits of digital engagement;[19]
- Revocation of prior authorizations when multiple representatives are approved on different days;
- Inability to use the Tax Pro Account authorization tool when adding a new representative later, requiring the new representative to rely on traditional channels;[20]
- Inability to update basic contact information, such as address or fax number;
- Inability to search active authorizations by client name;
- Continued appearance of clients the practitioner no longer represents, creating potential IRC § 6103 disclosure concerns; and
- Inconsistent performance of the authorization withdrawal function and the absence of a bulk withdrawal feature (*e.g.*, when a practitioner leaves a firm), requiring tax professionals to submit withdrawal notices using traditional submission channels.

Practitioners report that many of their clients lack awareness of online accounts and the available tools, creating challenges for their use of Tax Pro Account features.[21]

Tax professionals want comprehensive, common-sense functions that allow them to use Tax Pro Account as a "go-to" service.[22] They do not just need more features, they need the existing features to work correctly and consistently. When Tax Pro Account features fail, practitioners must revert to paper or phone contacts, increasing costs for taxpayers and delaying resolution.

14 *See* IRS, Tax Pro Account, https://www.irs.gov/tax-professionals/tax-pro-account (last updated Dec. 8, 2025).
15 IRS Letter 2645C confirms receipt of documents but states that the IRS needs additional time for review and acceptance. It does not provide specific details about the issue resulting in delayed acceptance.
16 *See* IRS, Tax Pro Account, https://www.irs.gov/tax-professionals/tax-pro-account (last updated Dec. 8, 2025).
17 *Id*
18 Conversations with outside stakeholders (Sept. 5, 2025; Sept. 8, 2025; Sept. 29, 2025); Phoenix System Issue 2528 (July 16, 2025).
19 IRS Letter 2645C confirms receipt of documents but states that the IRS needs additional time for review and acceptance. It does not provide specific details about the issue resulting in delayed acceptance.
20 *See* IRS, Tax Pro Account, https://www.irs.gov/tax-professionals/tax-pro-account (last updated Dec. 8, 2025). Forms 2848 and 8821 provide a checkbox to retain prior authorizations. This does not appear on the Tax Pro Account authorization tool.
21 Conversations with outside stakeholders (Sept. 29, 2025; Dec. 10, 2025).
22 Conversations with outside stakeholders (Sept. 5, 2025; Sept. 8, 2025; Sept. 29, 2025); Phoenix Systemic Issue 2528 (July 16, 2025).

The IRS Needs to Increase Online Account Development Transparency

Continuing to develop the available online account functionalities of Tax Pro Account benefits taxpayers and protects their rights. Many taxpayers are unaware that IRS online accounts exist or that they can authorize representatives digitally. As a result, taxpayers are more likely to miss deadlines, delay representation, and rely on slower paper-based processes – outcomes that increase costs and prolong enforcement exposure. To ensure maximum value to taxpayers, the IRS must provide clear and detailed communication to taxpayers, tax professionals, Congress, and stakeholders regarding the scope, contract status, timeline, and anticipated benefits of enhanced online account functionality.[23] Without such transparency and the opportunity to provide feedback from the tax community, there is a real risk these developments could stall or deviate from a user-centric development plan.

The IRS should improve awareness among tax professionals of Tax Pro Account functionalities and consult with stakeholders to assist with prioritizing features. The IRS's primary outreach vehicle is the IRS annual summer Nationwide Tax Forums. While these events afford ample opportunity for tax practitioners to attend presentations that highlight Tax Pro Account features and provide their feedback on features important to them, the forums reach only a small percentage of tax professionals. In 2025, the IRS tax forums were held in five cities with a total attendance of approximately 13,000 tax professionals, a small fraction of the total preparer population.[24]

Improving taxpayer outcomes therefore requires more than adding new digital features. The IRS must proactively inform taxpayers – clearly and consistently – about available online accounts, authorization options, and the benefits of using them. Without meaningful outreach and education, even well-designed tools will fail to deliver timely relief to taxpayers who need assistance from their representative navigating IRS processes.

CONCLUSION AND RECOMMENDATIONS

Taxpayers increasingly rely on representatives to help them understand IRS actions, respond to notices, resolve disputes, and avoid unnecessary penalties and enforcement. When representatives cannot access basic account information or act efficiently on a taxpayer's behalf, taxpayers bear the consequences. Delays in authorization processing, lack of access to notices and documents, unreliable system performance, and continued reliance on paper-based processes all undermine timely resolution and increase financial and emotional burdens for taxpayers. Although the IRS has made progress expanding digital services for individual taxpayers, it has not provided comparable tools for taxpayers who choose or need professional representation.

Modernizing Tax Pro Account is not merely a technology improvement, it is a taxpayer rights issue. A fully functional, reliable, and transparent Tax Pro Account would allow taxpayers to benefit from timely representation, reduce unnecessary delays and costs, and improve confidence in the fairness and efficiency of tax administration. Until the IRS prioritizes development of Tax Pro Account with taxpayers' needs at the center, millions of taxpayers will continue to face avoidable obstacles in resolving their tax matters.

23 As part of its information technology modernization strategy, the IRS has established nine "vertical" projects that are designed to meet specific technology demands and address longstanding technology issues. One of the vertical projects, Taxpayer Experience, includes improving online accounts.

24 IRS response to TAS information request (Oct. 15, 2025).

Administrative Recommendations to the IRS

To improve Tax Pro Account functionality and advance taxpayer rights, the National Taxpayer Advocate recommends that the IRS:

1. **Expand Tax Pro Account functionality.** Provide authorized tax professionals with access to all features available to individual and business taxpayers' online accounts by the end of FY 2026.
2. **Add POA and TIA upload tool to Tax Pro Account.** Allow tax professionals to upload executed Forms 8821 and 2848 directly through Tax Pro Account regardless of whether the client has an online account.
3. **Expand Tax Pro Account authorization tool.** Allow tax professionals to use the Tax Pro Account authorization tool for all types of taxpayers who can create an online account. Additionally, simplify multi-representative authorizations and add a bulk withdraw feature.
4. **Promote online accounts and new functions.** Increase awareness of new online account functionalities by timely highlighting the new additions and their uses on the online account pages and in email alerts.
5. **Provide transparency on development priorities.** Publish a public roadmap by the end of FY 2026 with quarterly public updates post-FY 2026 detailing planned online account enhancements, scope, timelines, and anticipated benefits, and solicit stakeholder input at least annually.

RESPONSIBLE OFFICIALS

Director, Office of Online Services

Kaschit Pandya, Chief Information Officer

Kenneth Corbin, Chief, Taxpayer Services

Todd Newnam, Chief Financial Officer



6 RECORDS ACCESS

Taxpayers Face Delays and Inadequate Responses to Their Administrative Requests for Records From the IRS

Taxpayers and their representatives often struggle to obtain records from the IRS that they need to advocate for their positions and understand the agency's rationale for its decisions. This lack of access leads to unnecessary frustration, repeated calls and correspondence with the IRS, and confusion among IRS employees who may incorrectly believe confidentiality rules or privileges prevent them from releasing information. As a result, taxpayers may submit multiple requests to different IRS employees and under the Freedom of Information Act (FOIA), which, in turn, may exacerbate backlogs and delays in producing documents. For time-sensitive information, taxpayers may not receive it before statutory or procedural deadlines expire, depriving them of their *rights to be informed* and *to a fair and just tax system.* Timely access to records is not a luxury – it is essential to ensuring due process and meaningful participation in administrative proceedings.

EXPLANATION OF THE PROBLEM

Getting adequate records and timely information from the IRS for use in administrative proceedings has been noted as a top source of anxiety for tax professionals and their clients.[1] To understand the basis of IRS determinations and know what steps to take to seek relief, taxpayers and their representatives need the IRS to timely provide them with complete records that do not contain excessive redactions. While the IRS offers "routine access" procedures through which taxpayers can directly request their records, these methods are not always available and do not always result in taxpayers getting everything they need. When those methods fail, taxpayers often resort to FOIA, a statute primarily intended to provide transparency into government policy and decision-making, not to be an efficient way for individuals to seek their own records.

At this important inflection point for the IRS, as it is developing its strategy for digitization and increasing connectivity between case management systems, the IRS must factor into that design the efficient delivery of records to taxpayers. Ideally, IRS employees should be able to pull up the complete list of taxpayer records at the touch of a button. Currently, it can be surprisingly time-consuming and complicated just to locate or identify the records the taxpayer is requesting, much less gather all responsive documents, redact privileged or confidential material, and provide copies to the taxpayer. Ideally, IRS employees should be able to generate a complete set of records with minimal effort, but the current system architecture makes that difficult.

ANALYSIS

The Path to Taxpayer Records Ends at FOIA

FOIA is not the most efficient way for taxpayers to get their own records and was not designed to be taxpayers' primary tool for doing so.[2] When taxpayers or their representatives submit FOIA requests for records that could be provided through alternative methods, the Internal Revenue Manual (IRM) instructs IRS employees to steer requesters to those non-FOIA processes when possible.[3] These alternatives to FOIA – namely, "routine access" procedures – theoretically allow taxpayers to obtain certain documents more directly and quickly.

For example, taxpayers in an ongoing administrative proceeding can use the "Respond Directly" process to request copies of their records directly from the IRS employee handling their case, who should then provide the records subject to any required withholding or redactions.[4] A FOIA request, by contrast, involves multiple additional steps, including intake through the IRS's Privacy, Governmental Liaison and Disclosure (PGLD) office, assignment to one of ten offices in IRS Disclosure (a subgroup within PGLD), evaluation for processability, preparation of a search memorandum for the IRS business unit records, contact with the business unit, preparation of responsive documents, review by both Disclosure employees and the business units for FOIA exemptions and needed redactions, preparation of a response letter, and release of records.[5]

1 Conversations with outside stakeholders (Aug. 27, 2025).
2 FOIA is codified at 5 U.S.C. § 552. The Privacy Act of 1974, Pub L. No. 93-579, 88 Stat 1896 (Dec. 31, 1974), codified at 5 U.S.C. § 552a, is a related provision that restricts disclosure of information about individuals and allows requests for certain information. IRC §§ 6103 and 7852(e) limit the utility of the confidentiality provisions of the Privacy Act as applied to federal tax. For information requests that could fall under either the Privacy Act or FOIA, the IRS applies the statute that provides greater access, which is generally FOIA. IRM 11.3.41.13.3.14(4), Unclear Requests (Apr. 18, 2025), https://www.irs.gov/irm/part11/irm_11-003-041. This discussion will not separately address requests made only under the Privacy Act.
3 *See* IRM 11.3.41.13.3.16, Routine Established Agency Procedures (Apr. 18, 2025), https://www.irs.gov/irm/part11/irm_11-003-041.
4 IRC § 6103(e); IRS, Routine Access to IRS Records, https://www.irs.gov/privacy-disclosure/routine-access-to-irs-records (last updated Dec. 6, 2025). IRS business units can establish their own policies for implementing Respond Directly.
5 IRS response to TAS information request (Aug. 20, 2025); IRM 11.3.41, Disclosure Case Processing and Inventory Management (Apr. 18, 2025), https://www.irs.gov/irm/part11/irm_11-003-041; IRS response to TAS fact check (Dec. 23, 2025).

Routine access procedures are not always available, do not always result in taxpayers getting the records they need, and can sometimes take longer than requests made through FOIA. When taxpayers have nowhere else to turn, they turn to FOIA. Each additional FOIA request for taxpayer records then bogs down an already resource-limited FOIA team with a higher workload and growing backlog.

What Is the Point of FOIA?

In response to growing concerns about government secrecy, FOIA was enacted in 1966 to increase transparency into government operations and thereby better inform the electorate.[6] Signing the bill on Independence Day, President Lyndon B. Johnson stated:

> This legislation springs from one of our most essential principles: A democracy works best when the people have all the information that the security of the Nation permits. No one should be able to pull curtains of secrecy around decisions which can be revealed without injury to the public interest.[7]

FOIA's Initial Purpose and Its Misalignment With Current Use

The initial concept of FOIA was that journalists could use it to access information of broad societal interest and then disseminate that knowledge to the public.[8] Today, journalist use of FOIA makes up only a small percentage of requests.[9] At many government agencies, the primary use of FOIA is people seeking their own records ("first-person" or "first-party" requests).[10] The IRS did not provide TAS with information on the percentage of FOIA requests at the IRS that are first-person requests.[11] One scholar studying the area described first-person requests as "overwhelmingly" the most common type of IRS FOIA request.[12]

First-person requests have led to much greater overall usage of FOIA than expected.[13] When Congress amended FOIA in 1974, strengthening it into its more current form, the expectation was that the legislative changes would not entail significant costs and that agencies thus did not need additional funding to implement them.[14] Largely due to the unexpected ways the public uses FOIA, actual costs turned out to be much higher than

6 *See Env't Prot. Agency v. Mink*, 410 U.S. 73, 80 (1973) ("Without question, [FOIA] is broadly conceived. It seeks to permit access to official information long shielded unnecessarily from public view and attempts to create a judicially enforceable public right to secure such information from possibly unwilling official hands."); *NLRB v. Robbins Tire & Rubber Co.*, 437 U.S. 214, 242 (1978) ("The basic purpose of FOIA is to ensure an informed citizenry, vital to the functioning of a democratic society, needed to check against corruption and to hold the governors accountable to the governed").

7 Statement by the President Upon Signing the "Freedom of Information Act" (July 4, 1966), https://www.presidency.ucsb.edu/documents/statement-the-president-upon-signing-the-freedom-information-act.

8 Margaret B. Kwoka, *FOIA Inc.*, 65 Duke L.J. 1361, 1371 (2016), https://scholarship.law.duke.edu/cgi/viewcontent.cgi?article=3846&context=dlj ("FOIA was thus designed largely by journalists, for journalists, and with the particular goal in mind that journalists would use access to government information to provide knowledge to the public, which would, in turn, facilitate the public's effective participation in democratic governance").

9 *See* Margaret B. Kwoka, *First-Person FOIA*, 127 Yale L.J. 2204, 2213 (2018), https://yalelawjournal.org/pdf/Kwoka_2s1ppe51.pdf

10 *See id.,* at 2209.

11 *See* IRS response to TAS information request (Sept. 22, 2025; Nov. 25, 2025).

12 Margaret B. Kwoka, Saving the Freedom of Information Act 95 (2021); *see also* Margaret B. Kwoka, *First-Person FOIA*, 127 Yale L.J. 2204 (2018), https://yalelawjournal.org/pdf/Kwoka_2s1ppe51.pdf

13 An additional source of the growth in requests are commercial – *i.e.,* private entities seeking information as part of their profit-making enterprise. *See* Margaret B. Kwoka, *FOIA Inc.*, 65 Duke L.J. 1361 (2016), https://scholarship.law.duke.edu/cgi/viewcontent.cgi?article=3846&context=dlj.

14 Eric J. Sinrod, *Freedom of Information Act Response Deadlines: Bridging the Gap Between Legislative Intent and Economic Reality*, 43 Am. U. L. Rev. 325, 334 (1994); H.R. Rep. No. 93-876, at 129 (1974), https://nsarchive2.gwu.edu/nsa/foialeghistory/H.R.%20Rep.%20No.%2093-876%20(Mar.%205,%201974).pdf (The legislation "does not create costly new administrative functions" and the "activities required by this bill should be carried out by Federal agencies with existing staff").

anticipated.[15] The total cost of FOIA to the IRS in fiscal year (FY) 2025 was about $8.7 million.[16] Agencies may charge user fees for certain categories of FOIA requests but do not recover much money through fees.[17] In FY 2025, the IRS collected just over $13,500, which is about 0.15% of total FOIA costs.[18]



The FOIA process can be an effective tool for taxpayers who need copies of their records and cannot access them another way. But the IRS needs to ensure that taxpayers have more efficient alternatives in many cases.[19]

Why Routine Access to Records Is Often Not Enough

The primary routine access methods for taxpayer records at the IRS are the Respond Directly process and certain document-specific requests, such as Form 4506, Request for Copy of Tax Return.[20] These methods are often insufficient to provide taxpayers with all the records they need.

Respond Directly

Respond Directly, also called "Direct Release," is a fancy term for the rule that taxpayers and their authorized representatives can request open case files directly from the IRS employee working their case. Tax professionals identified several challenges they face with the Respond Directly process (although most who spoke with TAS did not refer to the process by that name).[21] The key limitation with Respond Directly is that it is available only when taxpayers are working with someone at the IRS. In many situations, taxpayers do not have a current contact, such as when they are seeking audit reconsideration for prior years. Taxpayers may also receive notices or bills that do not provide sufficient detail on the reason for an assessment, do not arise from audits, or do not list any specific IRS contact information.[22] In these situations, the taxpayers and their representatives need additional records to understand the details of the tax issue before they can determine how to resolve it, and FOIA may be their only way to get the information.

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15 *See* David E. Pozen, *Freedom of Information Beyond the Freedom of Information Act*, 165 U. Pa. L. Rev. 1097, 1123 (2017), https://scholarship.law.upenn.edu/cgi/viewcontent.cgi?article=9579&context=penn_law_review ("Critics note that Congress grossly underestimated compliance costs when writing and rewriting the Act in 1966 and 1974").

16 IRS response to TAS information request (Dec. 2, 2025). The annual FOIA costs that agencies report may underestimate the true total cost to the agency. *See* David E. Pozen, *Freedom of Information Beyond the Freedom of Information Act*, 165 U. Pa. L. Rev. 1097, 1123-1131 (2017), https://scholarship.law.upenn.edu/cgi/viewcontent.cgi?article=9579&context=penn_law_review ("[C]osting methodology is thus conservative as well as imprecise. The entire enterprise is also misleadingly narrow, in my view, because FOIA imposes numerous harder-to-quantify 'costs' on the administrative state.").

17 5 U.S.C. § 552(a)(4); Treas. Reg. § 601.702(f).

18 IRS response to TAS information request (Dec. 2, 2025).

19 *See* Administrative Conference of the United States, *Obtaining Government Records for Use in Agency Proceedings* (Dec. 8, 2025), https://www.acus.gov/sites/default/files/documents/Obtaining%20Government%20Records%20for%20Use%20in%20Agency%20Proceedings%20Draft%20Recommendation%2012.08.2025.pdf (draft recommendation) (identifying best practices for making government records available for use in agency proceedings).

20 IRS, Routine Access to IRS Records, https://www.irs.gov/privacy-disclosure/routine-access-to-irs-records (last updated Dec. 6, 2025).

21 Conversations with outside stakeholders (Sept. 12, 2025).

22 Conversations with outside stakeholders (Aug. 21, 2025; Aug. 22, 2025).

When Respond Directly is available, tax professionals say results vary depending on the IRS employee with which they are working.[23] Some IRS employees provide more documents than others. Also, the adversarial nature of administrative proceedings does not always fit well with the collaborative nature of sharing taxpayer records, particularly if there are no mechanisms to resolve disputes. Tax professionals reported to TAS that when there are disputes in Respond Directly, such as over-redactions or withholdings, they have no way to challenge the IRS employee's decision. At times, they say, the IRS employee tells them to go "file a FOIA."[24]

The IRS should consider developing processes in the IRM to resolve such disputes without requesters having to resort to FOIA, which then creates unnecessary duplicative work. IRS employees are understandably cautious when deciding whether to release documents, out of concern for releasing privileged information or making unauthorized disclosures, for example if any third-party records are involved.[25] One possibility would be to bring in an additional – and relatively neutral – perspective, such as by allowing joint discussions between the IRS employee, the taxpayer and their representative, and IRS local Counsel or Disclosure.

Another problem tax professionals report is that they receive different – and sometimes more complete – responses through FOIA than Respond Directly. Several told TAS that each request to the IRS will generally produce a different set of records and that there is no consistent understanding of the files that the IRS must provide for a given request or administrative proceeding.[26] IRS business units may set policies, within the limits of applicable statutes and regulations, for what they will provide taxpayers through Respond Directly and may exclude some documents that taxpayers request. The Large Business and International (LB&I) Division, for example, does not provide copies of any documents that taxpayers submitted to the IRS.[27]

Inconsistency in responses is a systemic concern for the IRS because it encourages multiple document requests by taxpayers and their representatives. When requesters get different responses and different sets of information depending on whom they ask, the natural incentive is to keep asking until they get all the records they can. This increases the volume of requests the IRS must process and contributes to backlogs and delays. At least one business unit, LB&I, now imposes a 12-month ban on the use of Respond Directly for any requester discovered to have made both a Respond Directly request and FOIA request for the same information.[28]

The IRS should clarify in the IRM how employees must comply with Respond Directly and what constitutes an adequate search for documents.[29] This policy should be as consistent as possible across business units. Clear IRM guidance is helpful not only to IRS employees but also to tax professionals, who can point IRS employees to the IRM procedures to explain and justify their requests.[30]

Requests for Specific Documents

The IRS makes some documents available by specific request, such as copies of transcripts and tax returns. These types of requests are available only for those specific documents, which does not help if taxpayers need something different or more comprehensive.

23 Conversations with outside stakeholders (Aug. 22, 2025; Sept. 4, 2025; Sept. 12, 2025).
24 Conversations with outside stakeholders (Aug. 22, 2025).
25 The IRC does not generally prohibit the IRS from providing taxpayers with their own records, but disclosure issues can arise if, for example, the records contain references to third parties or other potentially protected information.
26 Conversations with outside stakeholders (Sept. 4, 2025).
27 IRS response to TAS information request (Nov. 21, 2025). IRS response to TAS fact check (Dec. 23, 2025).
28 IRS, LB&I: Direct Release Requests for Open Compliance Files Practice and Procedure 4 (Oct. 16, 2023), https://www.irs.gov/pub/irs-pgld/lbi-directrelease-requests-practice-and-procedure.pdf.
29 Note that different business units have different processes for Respond Directly, which may contribute to confusion for taxpayers.
30 Conversations with outside stakeholders (Aug. 22, 2025).

One tax professional who works with international taxpayers reported difficulties obtaining clients' returns using Form 4506. Although taxpayers may have their own copy of the original return, they may also need a copy with the IRS stamp. In the tax professional's experience, when the IRS cannot produce the record in response to Form 4506, the tax professional will submit a FOIA request; however, IRS Disclosure will not process the request and instead will direct them to submit Form 4506. It is not until much later, when challenging penalties at Appeals, that the IRS locates and provides a copy of the stamped return.[31] Having to go through Appeals to resolve the issue involves extra cost, time, and stress for the taxpayer that could be avoided if the IRS produced the documents from the outset.

Form 4506 requires a $30 user fee for each return requested with no waiver for low-income taxpayers.[32] This can be a burden and impediment to low-income taxpayers accessing the information they need.

FOIA – A Flexible But Imperfect Tool

FOIA allows any person to submit a request for federal agency records, subject to various limitations including those for personal privacy and national security.[33] At its best, taxpayers and their representatives can use FOIA to make highly tailored requests to the IRS to find precisely the records they need for their situation. However, inadequate resources and technology hamper the IRS's capacity to provide prompt and complete responses to FOIA requests.

The National Taxpayer Advocate acknowledges and respects the hard-working employees in IRS Disclosure and throughout the agency who respond to document requests. They work diligently through high volumes of material on deadlines that are difficult or even impossible to meet. Inadequate tools, disconnected case management systems, the manual nature of the process, high workload, insufficient training, and other systemic issues create a challenging environment where IRS employees will naturally struggle. The challenge lies not in lack of effort but in the systemic constraints that make timely compliance unrealistic.

Human-Powered Processes

An IRS study on FOIA backlogs found that with current processes and technology the IRS would need 375 FOIA caseworkers to timely process 8,000 FOIA cases annually.[34] In FY 2025, IRS Disclosure had the equivalent of roughly 63 full-time employees performing FOIA work.[35] In 2025, Disclosure lost about 39% of its employees through voluntary resignation and other departures.[36] The backlog study provided to TAS

31 Conversations with outside stakeholders (Sept. 5, 2025).
32 IRS, Form 4506, Request for Copy of Tax Return (Apr. 2025), https://www.irs.gov/pub/irs-pdf/f4506.pdf.
33 *See* 5 U.S.C. § 552; IRS, IRS Freedom of Information Act, https://www.irs.gov/privacy-disclosure/irs-freedom-of-information-act (last updated Apr. 15, 2025).
34 IRS response to TAS information request (Sept. 22, 2025). The IRS received an average of 7,740.8 requests per year from FY 2020 to FY 2024. FOIA.gov, Received, Processed and Pending FOIA Requests, https://www.foia.gov (last visited Dec. 19, 2025).
35 IRS response to TAS information request (Dec. 2, 2025). This includes full-time employees and an equivalent full-time employee figure that adds the percentages of time dedicated to FOIA duties by employees performing FOIA work less than full-time. *See* Dep't of Just., *Department of Justice Handbook for Agency Annual Freedom of Information Act Reports* 58 (Sept. 9, 2024), https://www.justice.gov/d9/2024-10/DOJ%20Handbook%20for%20Agency%20Annual%20FOIA%20Reports%20%282024%20update%29.pdf.
36 IRS response to TAS fact check (Dec. 23, 2025).

did not focus on how better automation and technology might reduce the burden on IRS staff or affect the number of needed caseworkers. The IRS did not provide TAS with information on how it uses or plans to use AI or similar automation to streamline FOIA processing.[37]

Tax professionals have noticed changes related to the loss of personnel in 2025. One tax professional mentioned that Disclosure specialists have been calling requesters to note the reassignment of existing requests and that they need more information to get up to speed.[38] Another mentioned that the quality of responses seems to have degraded significantly over the past year and might include only "one of the five things from the initial request," and that the IRS seems to be trying to churn out responses faster but with less thorough searches.[39]

Employee departures in IRS business units outside of Disclosure also affect response quality and timeliness, and taxpayers pay the price. To coordinate searches on certain requests, IRS Disclosure works with "FOIA functional coordinators," who are employees in other IRS business units. Experienced functional coordinators greatly improve the efficiency of searches by understanding both FOIA requirements and the intricacies of records in their business unit. IRS Disclosure does not directly track the turnover of functional coordinators but reported to TAS that the overall number of coordinators fell from 38 to 36 between January 1, 2025, and September 20, 2025.[40] Some functional coordinators told TAS that Disclosure does not effectively keep track of the changes to functional coordinator positions, sometimes sending requests to people who are no longer in those positions or no longer at the IRS.[41]

IRS Executives Search Their Own Records to Respond to Requests About Themselves

The IRS's approach to seeking responsive records to a FOIA request broadly involves identifying the IRS employees who may have access to the records, sending them a request for information, and having those employees manually conduct searches and identify records.[42] When a FOIA request relates to the actions of agency executives, the people who ultimately conduct the document searches are typically the high-level decision-makers themselves or their staffs, who search the executive's own emails and documents, produce responsive documents, and describe proposed redactions and the rationale for the redactions. IRS Disclosure does not assign disinterested parties to conduct these searches by accessing the executive's files.[43]

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37 IRS response to TAS information request (Sept. 22, 2025; Nov. 25, 2025). For information on technological updates, the IRS referred TAS to the Treasury FOIA Annual Reports and Chief FOIA Officer Reports available online. *See* U.S. Dep't of the Treasury, FOIA Reports, https://home.treasury.gov/footer/freedom-of-information-act/foia-reports. While the yearly Chief FOIA Officer Report includes a section focused on technological improvements, agency responses are typically vague and provide little insight on developments. The FY 2023 report is the most recent with an update specifically addressing the IRS. *See* Dep't of the Treasury, *2023 Chief Freedom of Information Act Officer Report to the Attorney General of the United States* 15, https://home.treasury.gov/system/files/236/Department-Treasury-2023-Chief-FOIA-Officer-Report-to-the-Attorney-General-of-the-United-States.pdf. It provides:

> IRS continues to leverage its case management system to automate searches for, and redaction of, sensitive information more consistently than its prior manual processes. The use of e-Discovery technology helps to facilitate quicker internal review of documents and the removal of duplicate information. IRS continues to leverage the support of their IT administrators to ensure that FOIA professionals have the tools necessary to work complex requests, requests with voluminous records or with records provided on media other than paper. A continued challenge is that IRS is required to protect any information that meets the criteria of Title 26 USC §6103. This often results in delays and complications with any technology that does not meet the IT standards used to protect this sensitive information.

38 Conversations with outside stakeholders (Sept. 4, 2025).

39 Conversations with outside stakeholders (Sept. 5, 2025).

40 IRS response to TAS information request (Sept. 22, 2025).

41 Disclosure explained that it is the responsibility of each business unit to advise Disclosure of any changes to FOIA functional coordinator personnel. IRS response to TAS fact check (Dec. 23, 2025). Disclosure maintains a FOIA functional coordinator listing on its internal SharePoint site, which it updates when the business units or others notify Disclosure of personnel changes. IRS response to TAS information request (Sept. 22, 2025). The business units and functional coordinators outside Disclosure do not have direct access to this SharePoint site.

42 *See* IRM 11.3.41.13.5.1.1, Search Memos (Apr. 18, 2025), https://www.irs.gov/irm/part11/irm_11-003-041.

43 IRS response to TAS information request (Sept. 22, 2025). If the employee is not available to perform the search, the business unit is responsible for completing the search and providing any responsive records to Disclosure. IRS response to TAS fact check (Dec. 23, 2025).

This process is not the most effective way to seek executive records. Even when IRS officials and their staffs conduct searches with the utmost diligence, they have other competing priorities and may not find every relevant document. Although Disclosure provides a search memorandum explaining the parameters of the search, the IRS employee conducting the search is not likely an expert on FOIA, privilege, and related rules, and will conduct the search based on their personal understanding and intuition. They may also lack information technology expertise on how to thoroughly search government laptops and phones, make sure they include all email attachments, and avoid common errors that lead to overlooking relevant material. While the legal burden is on Disclosure to ensure that searches are adequate and formally check all required boxes, the practical burden of ensuring a thorough and accurate search can fall on the requester, who must raise questions and push back when responses appear incomplete.[44] However, as discussed throughout this Most Serious Problem, tax professionals report that it is difficult to productively push back on incomplete or inadequate FOIA responses, either directly with Disclosure or through administrative or judicial challenges. If the IRS wants to ensure quality responses, there must be a more hands-on and consistent approach to document searches, guided by staff who specialize in locating IRS documents, rather than just handing request memos to employees with other full-time jobs and hoping for the best.

Complying with FOIA requests is also time-consuming for executives, who must repeat the process each time a similar request comes in. Following high-profile events or cases, the IRS may receive multiple requests from different news outlets and other requesters seeking documents relating to specific agency officials. As discussed in a later section, the IRS could reduce the FOIA burden on IRS executives by more actively working to identify "frequently requested documents" and post them to IRS.gov.[45]

Inconsistent Communication From Disclosure

Tax professionals reported that some Disclosure specialists are great communicators and can be helpful in facilitating requests, whereas other specialists may rarely if ever communicate despite months of delays.[46] As one tax professional described their negative experiences: "You can't get anyone on the phone and can't talk to anyone. If you send a letter, you don't get a response… There's someone listed in the disclosure letter, but they usually don't answer the phone, and if you leave a voicemail, they don't respond."[47]

Ineffective communication can create barriers to obtaining records. For example, the IRS has begun issuing some FOIA acknowledgment letters saying the agency will interpret the request to exclude taxpayer-provided documents and certain correspondence from the response unless the requester contacts the IRS within ten days to disagree.[48] Without adequate means to dispute the exclusion, the automatic narrowing of requests can effectively bar access to those records, and tax professionals have reported difficulties getting the IRS to remove this limitation. Correspondence and taxpayer-provided records are important because tax professionals cannot always rely on their clients to provide full and accurate copies of documents, particularly from periods before the representation began.[49]

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44 *See* IRM 11.3.41.13.5.1, Adequacy of Search (Apr. 18, 2025), https://www.irs.gov/irm/part11/irm_11-003-041. The IRS response to the TAS information request on this issue emphasized that requesters have administrative and judicial options to challenge the adequacy of the search or otherwise seek further clarity. IRS response to TAS information request (Sept. 22, 2025). IRS response to TAS fact check (Dec. 23, 2025).

45 *See* IRS, FOIA Library, https://www.irs.gov/privacy-disclosure/foia-library (last updated Aug. 7, 2025). FOIA requires government agencies to proactively disclose frequently requested records – *i.e.*, records that are requested three or more times or that are likely to be subject to multiple requests because of the nature of their subject matter. 5 U.S.C. § 552(a)(2)(D).

46 Conversations with outside stakeholders (Aug. 21, 2025; Sept. 12, 2025).

47 Conversations with outside stakeholders (Aug. 22, 2025).

48 Disclosure acknowledgment letter (2025) (on file with TAS); conversations with outside stakeholders (Sept. 4, 2025); IRS response to TAS fact check (Dec. 23, 2025).

49 Conversations with outside stakeholders (Sept. 4, 2025).

Another frustration for tax professionals is that the IRS does not generally explain what search methods were used, short of a declaration in a subsequent lawsuit.[50] Some FOIA responses come back with the IRS having found no responsive information, even when tax professionals are aware of specific documents they know exist and specifically ask for them.[51] Tax professionals say that when they offer to work with the IRS to give more information on the nature of the documents or where to find them, the IRS seems to ignore them.[52]

Part of this is a training and communication issue at the IRS. The IRS could improve training and develop regular communication between Disclosure offices and FOIA functional coordinators to discuss emerging issues and develop agency-wide consistency in responses. Improvements to job guides or additional detail in the IRM could also establish and clarify common procedures. Additionally, the IRS should not narrow the scope of a request by default but only when the requester affirmatively agrees to it.

Painstaking Redactions

Due to the introduction of email and other digital communications, the volume of documents responsive to FOIA requests has grown over the years.[53] Disclosure must manually review each document before release, including emails, making this increased volume a major bottleneck in the process. As of December 2025, the IRS had over 5 million documents in its queue waiting for review and redaction.[54]

The tool IRS employees use to manage inventory and make redactions is FOIAXpress (FX).[55] The FX tool displays digital versions of documents that IRS employees manually redact. However, FX sometimes freezes, has trouble navigating between pages, cannot always rotate documents so they are upright and readable, and sometimes times out, causing Disclosure specialists to lose their work and have to start over.[56] Some records in the tool are thousands of pages long.[57] Because the redactions can be so time-consuming, Disclosure sometimes reaches out to tax professionals on large-volume responses to ask if the requester would be willing to narrow the scope of the request to get the documents more quickly.[58]

The IRS does not always sufficiently explain redactions, according to some tax professionals.[59] At times, FOIA responses will include "pages of blank paper saying denied, with just a number on it, with no description of what the item was or how it meets the criteria of the exception."[60] One tax professional said that the IRS is overbroad with its use of the law enforcement exception, noting that while the exception allows the IRS to withhold details of the algorithms it uses for certain programs, it does not allow the IRS to withhold all information related to the existence of the programs themselves.[61]

50 Conversations with outside stakeholders (Sept. 4, 2025).
51 *Id*.
52 *Id*.
53 *See* Melanie Ann Pustay, *Memorandums to Messages: The Evolution of FOIA in the Age of the Internet*, 126 Yale L.J. F. 252 (Nov. 21, 2016), https://yalelawjournal.org/essay/memorandums-to-messages.
54 IRS response to TAS fact check (Dec. 23, 2025).
55 IRM 11.3.41.1.4, Program Management and Review (Dec. 8, 2022), https://www.irs.gov/irm/part11/irm_11-003-041.
56 Conversations with outside stakeholders (Aug. 15, 2025).
57 *Id*.
58 Conversations with outside stakeholders (Sept. 4, 2025).
59 Conversations with outside stakeholders (Aug. 22, 2025).
60 *Id*.
61 Conversations with outside stakeholders (Sept. 4, 2025).

Delays

It is widely recognized and reported that responses to FOIA requests government-wide are often subject to long delays, sometimes lasting years.[62] Excessive delays can make FOIA useless for people who need their records quickly. Not providing taxpayers the records they need when they need them can violate taxpayer rights and infringe on due process rights.

By statute, federal agencies generally have 20 business days to gather and review documents, identify which material they must redact or withhold, and issue the response.[63] In FY 2024, according to IRS data, the IRS took on average 47.8 business days to process requests.[64] However, tax professionals who spoke to TAS generally reported much longer wait times – of months or years – during which the IRS routinely sends a series of letters notifying them that more time is needed.[65]

The IRS had 803 backlogged requests at the end of FY 2025, a significant reduction from the 1,208 backlogged requests at the end of FY 2024.[66] The overall inventory remaining at the end of FY 2025, as noted in Figure 2.6.1, is higher because "backlogged" requests refers to inventory that is both pending and beyond the statutory time period for a response.[67]

FIGURE 2.6.1, FOIA Inventory and Receipts, FY 2025[68]

Inventory	
Beginning Inventory	1,993
Requests Received	9,340
Requests Processed	9,811
Remaining Inventory	**1,522**

The IRS does not directly track the most common reasons for processing delays. According to an IRS study addressing FOIA backlogs, factors affecting the timeliness of responses include:[69]

62 *See, e.g.*, Government Accountability Office, GAO-24-106535, *Freedom of Information Act: Additional Guidance and Reliable Data Can Help Address Agency Backlogs* (2024), https://www.gao.gov/assets/gao-24-106535.pdf; Staff of H. Comm. on Oversight & Gov't Reform, 114th Cong., FOIA Is Broken: A Report 34-39 (Jan. 2016), https://oversight.house.gov/wp-content/uploads/2016/01/FINAL-FOIA-Report-January-2016.pdf; Amanda Athanasiou & Lauren Loricchio, *The IRS Is Getting Fewer FOIAs. Why Aren't Response Times Improving?*, Tax Notes, Apr. 7, 2025, at 203, https://www.taxnotes.com/tax-notes-federal/transparency/irs-getting-fewer-foias-why-arent-response-times-improving/2025/04/07/7rnwj.

63 *See* 5 U.S.C. § 552(a)(6)(A); *Citizens for Resp. & Ethics in Washington v. Fed. Election Comm'n*, 711 F.3d 180, 188 (D.C. Cir. 2013) (Within the 20-day period in 5 U.S.C. § 552(a)(6)(A), the agency "must at least: (i) gather and review the documents; (ii) determine and communicate the scope of the documents it intends to produce and withhold, and the reasons for withholding any documents; and (iii) inform the requester that it can appeal whatever portion of the 'determination' is adverse").

64 FOIA.gov, Processed Requests - Response Time in Day Increments, https://www.foia.gov (last visited Dec. 19, 2025). This average combines the data provided for simple, complex, and expedited requests.

65 *See, e.g.*, conversations with outside stakeholders (Sept. 10, 2025) ("FOIA is worthless because by the time you put in your FOIA request, it takes forever [and] you never get a legitimate response. If you want anything you have to sue... It is neither quick, nor cheap, nor efficient. A royal pain in the butt."); conversations with outside stakeholders (Sept. 8, 2025) ("There are a lot of cases where I don't pursue the FOIA request because I need the information before 18-24 months... Once I do get the information 18 months from now, it's going to be heavily redacted and I'm going to get one third of the file."); conversations with outside stakeholders (Sept. 22, 2025) ("Our biggest frustration on FOIA is time. Theoretically the expectation under the law you will get things in a timely manner. You get serial letters saying we need another 60, 30 days... They're form letters that say we need another 30 days. They say you have no right to appeal the fact that this is taking so long unless you are going to court. We're not moving that quickly and you can't do anything about it.").

66 IRS response to TAS information request (Nov. 25, 2025).

67 Dep't of Just., *Department of Justice Handbook for Agency Annual Freedom of Information Act Reports* 19 (Sept. 9, 2024), https://www.justice.gov/d9/2024-10/DOJ%20Handbook%20for%20Agency%20Annual%20FOIA%20Reports%20%282024%20update%29.pdf For purposes of this data, the statutory time period for requests is 20 working days from receipt of the perfected request unless there are unusual circumstances, in which case the time period may be extended for an additional ten working days.

68 IRS response to TAS information request (Nov. 25, 2025).

69 IRS response to TAS information request (Sept. 22, 2025).

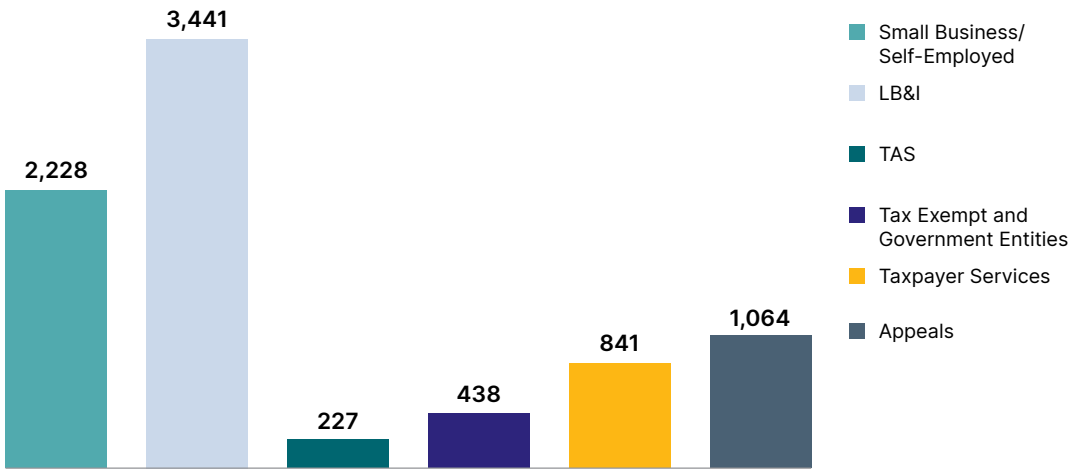
- The number and type of incoming FOIA requests or the volume of records responsive to a request;
- The inadequacy of the statutory 20-day FOIA timeframe for responses for IRS records;
- Delays receiving records from the custodians of records;
- Personnel turnover and untimely backfills of Disclosure vacancies;
- The length of time it takes to fully train personnel;
- Automated case management system problems; and
- IRS culture that prioritizes Business Operating Division work over FOIA work, including Servicewide policy deficiencies between Respond Directly and FOIA.

Unlike formal denials of requests, taxpayers cannot appeal delays or "constructive denials of records." If the IRS Independent Office of Appeals (Appeals) receives this type of appeal, it informs requesters that their only recourse is to seek judicial review in court or continue to wait for the initial determination.[70] This lack of an internal remedy undermines taxpayers' rights to timely and meaningful access to their records. The IRS should develop an internal escalation or review mechanism for cases where responses exceed statutory timeframes, ensuring accountability without forcing taxpayers into costly litigation.

In general, the IRS does not capture reliable data on the length of time it takes for each business unit to produce documents for FOIA requests. According to IRS procedures, employees in business units outside of Disclosure must report all hours spent on FOIA requests using a specific time code (see Figure 2.6.2).[71] Implementation of this time code may vary by business unit.

FIGURE 2.6.2[72]

FY 2025 Business Unit Hours Spent Responding to FOIA Requests



70 IRM 11.3.13.5.3(5), Administrative Appeals (Oct. 6, 2025), https://www.irs.gov/irm/part11/irm_11-003-013.
71 IRM 11.3.13.7.1.3(3) Note, Cost Data (Apr. 19, 2017), https://www.irs.gov/irm/part11/irm_11-003-013.
72 IRS response to TAS fact check (Dec. 23, 2025).

There is little available data to compare business unit time spent on FOIA responses with time spent on Respond Directly. Unlike with FOIA, business units do not have a time code to record employee time spent complying with Respond Directly requests, although at least one, LB&I, tracks these hours in a separate case management system.[73] Most business units do not track the timing of Respond Directly responses or taxpayer satisfaction with the process. LB&I provided the data reflected in Figure 2.6.3 on the use of Respond Directly.

FIGURE 2.6.3, LB&I Respond Directly Requests , FYs 2022-2025 [74]

Fiscal Year	FY 2022	FY 2023	FY 2024	FY 2025
Total Requests	56	97	49	45
Average Response Time	166 days	162 days	140 days	100 days
Total Issue Management System Hours for Direct Requests	2,200	5,173	2,386	3,152

New Online Portal Has Improved FOIA Request Process

Tax professionals spoke positively about the IRS's recently created online portal for FOIA requests, which allows users to submit and receive documents electronically and provides real-time updates on the status of requests.[75] They like that documents appear in the portal immediately when uploaded. Some professionals mentioned that accessing the online portal requires authentication through ID.me and that some requesters are unable to get past this stage.[76]

Additionally, some tax professionals recommended that the IRS update the online portal to include features for tax professionals who submit FOIA requests on behalf of their clients. Currently, tax professionals submit their clients' requests from their own individual account, which can lead to confusion. They recommended that the IRS add tools or steps in the process to allow tax representatives to indicate they are submitting the request on behalf of a client, separately upload power of attorney/tax information authorization documentation, and easily distinguish which responsive documents from the IRS relate to which client.[77]

The IRS Must Modernize How It Stores and Manages Records

Currently, the IRS digitally stores taxpayer documents and information in multiple case management systems that not all employees are aware of or have access to. Additionally, many records, particularly older ones, are available only on paper. As the IRS develops its strategy on digitization, file storage, and connectivity between case management systems, the IRS needs to keep in mind how IRS employees can use record management systems to respond to document requests. Streamlining the organization of and access to records would make it much simpler for IRS employees to consistently provide all relevant documents upon request.

Sometimes when taxpayers and their representatives reach out to the IRS for records, they have a specific tax issue in mind but do not know exactly what records to ask for.[78] This can lead taxpayers to request "all my files" or "all records concerning me." However, IRS guidance treats such requests as ambiguous or overbroad.[79]

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73 IRS responses to TAS information request (Nov. 18, 2025; Dec. 4, 2025; Dec. 5, 2025; Dec. 12, 2025).
74 IRS response to TAS information request (Nov. 21, 2025); IRS response to TAS fact check (Dec. 23, 2025). The Issue Management System (IMS) is a case management application used by LB&I to capture LB&I staff time spent on Respond Directly. Total IMS Hours do not capture all LB&I staff time spent on Respond Directly, only that of LB&I employees assigned to the IMS case, and may exclude, for example, hours spent by LB&I FOIA analysts and management. IRS response to TAS information request (Dec. 12, 2025).
75 IRS, Request Status, https://foiapublicaccessportal.for.irs.gov/app/CheckStatus.aspx (last visited Dec. 19, 2025); conversations with outside stakeholders (Aug. 21, 2025; Sept. 8, 2025; Sept. 19, 2025).
76 Conversations with outside stakeholders (Sept. 5, 2025; Sept. 8, 2025).
77 Conversations with outside stakeholders (Sept. 8, 2025).
78 Conversations with outside stakeholders (Sept. 5, 2025).
79 IRM 11.3.41.13.3.11, Requests for All Records Concerning Me (Aug. 26, 2021), https://www.irs.gov/irm/part11/irm_11-003-041.

The IRS is required to help identify the documents that requesters need as long as requesters "reasonably describe" what they are looking for. Requests do not have to name specific, identifiable records, and the agency must interpret requests "liberally."[80] However, tax professionals reported that IRS Disclosure caseworkers are not always as cooperative as they could be. One tax professional said his efforts to work with the IRS to identify and request records can feel like an unnecessary "battle," when a collaborative tone and approach would be more productive.[81]

Alarmingly, multiple tax professionals reported that the IRS sometimes tells them that there are no documents responsive to their request even though the requesters can name specific documents that the IRS should have found or in other circumstances where there is zero doubt that responsive documents exist, such as when the taxpayer has gone through an extensive audit.[82]

This should all be simpler. Some of these issues may relate to turnover and newer employees' lack of familiarity with processes and records. Ultimately, though, employees should not need deep institutional knowledge of IRS processes to be able to find taxpayer records. A more organized and intuitive records management system should guide even inexperienced employees to the files they need. Effectively updating records systems will require long-term investment and planning.

In the meantime, the IRS should consider developing guidance for requesters that describes certain default categories of requests and includes lists of common documents and sample language. This guidance should be easy to find and integrate with the IRS's online request platform. The IRS should treat any default categories or examples as the minimum of what the IRS should provide, not the limit of what taxpayers can request.

Proactive Disclosure

Routine access and FOIA are both based on requests for records. In many contexts, it would benefit both taxpayers and the IRS to make taxpayer records available automatically without the need for a request.

One positive emerging tool in this area is IRS online accounts, which automatically posts copies of certain IRS notices and correspondence issued to the taxpayer.[83] The IRS continues to expand the documents available on online accounts, and any taxpayer who logs in to their account can automatically see them. One area for growth is that the IRS must make all client records available to their authorized representatives through their separate Tax Pro Accounts.[84] Tax professionals cannot always rely on clients to provide them with complete and adequate records.[85]

The IRS can also proactively disclose relevant taxpayer records by prescheduling disclosures at certain stages of administrative proceedings. This would ensure that taxpayers have the same information the IRS has, putting the parties on equal footing. Leveling the playing field of information in administrative proceedings is part of a taxpayer's *rights to be informed* and *to a fair and just tax system*. For example, as the National Taxpayer

80 *Inst. for Just. v. IRS*, 941 F.3d 567, 572 (D.C. Cir. 2019); Treas. Reg. § 601.702(c); IRM 11.3.41.13.3.1 FOIA Acknowledgement (Dec. 8, 2022), https://www.irs.gov/irm/part11/irm_11-003-041.
81 Conversations with outside stakeholders (Sept. 5, 2025).
82 Conversations with outside stakeholders (Sept. 4, 2025; Sept. 11, 2025).
83 For further discussion of online accounts, see Most Serious Problem: *Tax Pro Account: Online Accounts for Tax Professionals Lack Critical Functionality Required to Effectively Represent Taxpayers*, *supra*.
84 Recent draft legislation would require the IRS to upgrade online accounts so that authorized tax professionals could view images of their clients' tax returns, documents, notices, and letters sent or received by the IRS. *See* Taxpayer Assistance and Service (TAS) Act, 119th Cong. § 104(b) (Discussion Draft 2025), https://www.finance.senate.gov/download/tax-admin-bill; Improving IRS Customer Service Act, S. 5280, 118th Cong. § 4(b) (2024).
85 Conversations with outside stakeholders (Sept. 4, 2025).

Advocate discusses elsewhere in this report, taxpayers have long faced challenges receiving timely and complete administrative case files at Appeals. By prescheduling these disclosures promptly and automatically, the IRS could strengthen taxpayer rights and reduce the number of requests for these records.[86]

Frequently Requested Records

For high-profile or politicized topics, the IRS often receives multiple requests for the same records, repeatedly sending those requests to the same group of officials to provide responses. To deal with this issue, the law requires government agencies to proactively disclose frequently requested records – *i.e.*, records that are requested three or more times or that are likely to be subject to multiple requests because of the nature of their subject matter.[87] By providing these resources online, agencies can reduce the number of requests for such records and also more quickly respond to the requests that do come in by directing the requester to the online resource.

The IRS lists frequently requested documents on its FOIA Library webpage but does not adequately maintain it. The list of documents online is short and badly out of date, including some annually released revenue procedures last updated almost a decade ago.[88] The IRM contains no specific instructions on frequently requested records, and the IRS does not generally send instructions or information to business units on how to identify such records or notify Disclosure of repeated requests.

Materials Removed From IRS.gov

The statutory framework of FOIA requires federal agencies to proactively disclose certain documents, including administrative staff manuals.[89] The IRS publishes a wide range of material in compliance with these rules, including making the IRM available online.

One notable change occurred in January 2025. In response to executive orders affecting language in government materials and policies, the IRS took down many online versions of documents, including sections of the IRM, to make updates.[90] The IRS took months to modify and repost many of those documents, even though the executive order requirements did not affect most IRS procedures. Eleven months later, at the time of preparing this report, some material has not yet been restored. Although IRM provisions are not binding, they provide invaluable insight into IRS procedures, and tax professionals can use the provisions to fix account issues and resolve disputes with the IRS by pointing out agency requirements.[91] The IRS should repost any remaining materials as soon as possible, as required under FOIA.

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86 For further discussion, see Most Serious Problem: *Independent Office of Appeals: Taxpayers and Tax Professionals Continue to Raise Concerns About Independence, Undermining Public Confidence in the Appeals Process*, *supra*.

87 5 U.S.C. § 552(a)(2)(D); *see also* Treas. Reg. § 601.702(b)(1)(i)(D). Note that the regulation has not yet been updated to reflect the current version of the statute, which was amended on this issue in 2016 by the FOIA Improvement Act of 2016, Pub. L. No. 114-185, § 2, 130 Stat 538 (2016).

88 IRS, FOIA Library, https://www.irs.gov/privacy-disclosure/foia-library (last updated Aug. 7, 2025).

89 5 U.S.C. § 552(a)(2). Other provisions also require proactive disclosure of certain materials, such as IRC § 6110 ("written determinations" including rulings, determination letters, technical advice memorandums, and Chief Counsel advice) and IRC § 6104 (certain information about tax-exempt organizations).

90 IRS, Internal Revenue Manuals, https://www.irs.gov/irm (last visited Dec. 19, 2025) (stating: "Some content is temporarily unavailable. We're updating information to meet policy changes from recent executive orders."); Lauren Loricchio & Fred Stokeld, *Concerns Mount Over Removal of Information From IRS Website*, Tax Notes, Mar. 3, 2025, at 1710, https://www.taxnotes.com/tax-notes-federal/tax-system-administration/concerns-mount-over-removal-information-irs-website/2025/03/03/7rbjb.

91 Nick Xanthopoulos, *Half a Year Later, Many IRM Provisions Are Still Missing*, Tax Notes, Aug. 11, 2025, at 935, https://www.taxnotes.com/tax-notes-federal/tax-system-administration/half-year-later-many-irm-provisions-are-still-missing/2025/08/11/7sx04; conversations with outside stakeholders (Aug. 22, 2025; Sept. 22, 2025).

The Difficulty of Challenging IRS Determinations on Records Requests

Requesters have opportunities to challenge IRS decisions under FOIA, but tax professionals told TAS that these options are not always productive. With Respond Directly, there is no direct method to challenge; rather, the next step for dissatisfied taxpayers is often to file a FOIA request. Taxpayers who wish to challenge the IRS's determinations on a FOIA request have several options, but all have limitations or costs. These include:

- IRS Appeals. Notably, some tax professionals told TAS that Appeals review of FOIA determinations can feel like a "rubber stamp" and that Appeals frequently upholds IRS FOIA determinations with seemingly little independent judgment, even when the IRS determinations appear to be "manifestly wrong."[92]
- The Office of Government Information Services (OGIS), which provides FOIA assistance and mediation. The drawbacks are that OGIS's decisions are non-binding and confidentiality rules in the tax code limit what the IRS may disclose in mediation.
- Judicial relief by filing suit in district court. This can involve high costs and potentially lengthy delays, limiting its usefulness.[93]

CONCLUSION AND RECOMMENDATIONS

Timely and consistent access to records is essential for taxpayers and their representatives to understand the IRS's actions, advocate for their positions, and ensure fair treatment under the law. Yet, despite statutory and procedural mechanisms for obtaining records, taxpayers still face substantial delays, inconsistent practices, and unnecessary barriers.

Routine access procedures such as Respond Directly and document-specific requests are intended to provide efficient alternatives to FOIA. In practice, however, these procedures are frequently unavailable, inconsistently applied, or produce incomplete results. Consequently, many taxpayers are forced to rely on FOIA – an important transparency tool, but one ill-suited to serve as the primary means of obtaining personal or case-specific records. While FOIA must remain an essential backstop for taxpayers seeking their own information, it should not be the default pathway. As the IRS continues to modernize its systems and integrate case management tools, improving taxpayer access to records must be a central design goal. Locating and providing taxpayer records should be one of the simplest and most routine functions IRS employees can perform, not an unpredictable, time-consuming, and inconsistent process that differs from case to case.

Ensuring efficient, consistent, and transparent delivery of records will not only protect taxpayers' fundamental *rights to be informed* and *to a fair and just tax system* but also strengthen trust in the integrity of the tax system.

Administrative Recommendations to the IRS

The National Taxpayer Advocate recommends that the IRS:

1. **Implement more effective technology and automation tools to improve redaction and document review.** Effective software or automated processes should be implemented to reduce manual labor in reviewing documents and to better explain redactions and withholdings.
2. **Establish a FOIA response team to conduct searches on behalf of IRS employees when the FOIA request relates to that employee's own work.** When a FOIA request that is not a first-person request seeks records associated with an IRS employee, such as an IRS executive, a neutral team of records specialists should conduct the search on the employee's behalf. These records specialists should be

92 Conversations with outside stakeholders (Sept. 4, 2025; Sept. 11, 2025).
93 Conversations with outside stakeholders (Aug. 22, 2025).

knowledgeable about relevant records and applicable privilege rules, understand the case management systems and record types in the employee's business unit, and have the technological expertise necessary to search for, locate, and prepare responsive records.

3. **Address authentication barriers and continue improving the FOIA online portal.** The IRS should proactively identify and resolve authentication barriers that prevent users from accessing the FOIA online portal, make necessary fixes to ensure accessibility for all users, and consider developing features tailored to tax professionals who submit requests on behalf of taxpayers. The IRS should regularly solicit and incorporate user feedback to identify persistent problems and prioritize meaningful enhancements.
4. **Publish examples of standard or default document requests.** The IRS should develop and publicly post clear, plain-language guidance identifying common types of taxpayer document requests, including standard categories and sample requested language. Providing these examples would help taxpayers and tax professionals submit more precise requests, reduce processing delays, and improve the efficiency and accuracy of FOIA requests.
5. **Require affirmative consent before narrowing FOIA requests.** For first-person requests, narrow the scope of requests only when the requesters have affirmatively agreed to the narrowing and do not treat the lack of a response as consent.
6. **Waive user fees for low-income taxpayers requesting records.** Create fee waivers for low-income taxpayers who request tax return and other taxpayer records, including requests submitted on Form 4506 and other requests for taxpayer records, where applicable.
7. **Maintain and expand "Frequently Requested Records" on IRS.gov.** The IRS should regularly update and expand the list of Frequently Requested Records on IRS.gov to ensure it reflects current taxpayer needs and commonly requested materials, and provide clear guidance in the IRM directing employees how to identify, categorize, and proactively post such records.
8. **Develop metrics to evaluate the effectiveness of Respond Directly and drive improvement.** The IRS should establish and regularly review performance metrics for Respond Directly, including usage rates, turnaround times, and taxpayer satisfaction. These metrics should be used to identify gaps, prioritize improvement, and assess how enhancement to Respond Directly can reduce duplicative FOIA requests for the same information.

RESPONSIBLE OFFICIALS

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Amalia Colbert, Commissioner, Small Business/Self-Employed Division

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Edward Killen, Commissioner, Tax Exempt and Government Entities Division



7

CENTRALIZED AUTHORIZATION FILE

Systemic Failures Undermine Taxpayer Rights to Representation, Due Process, and Quality Service

For many taxpayers, authorizing a qualified representative is essential to navigating the IRS. Taxpayers facing audits, collection actions, identity theft, or financial hardship often rely on tax professionals to interpret notices, communicate with the IRS, and protect their rights.[1] The IRS's Centralized Authorization File (CAF) is the mechanism that enables this representation by recording powers of attorney and tax information authorizations.

When the CAF process breaks down, taxpayers are the ones who bear the consequences.[2] Delays in processing Forms 2848 and 8821, inconsistent rejection of valid authorizations, and sudden suspension of representatives' CAF numbers can abruptly sever a taxpayer's

1 This process is attractive to cybercriminals because it is a gateway to sensitive taxpayer information needed to commit sophisticated refund fraud and identity theft, requiring security measures that can sometimes impede administrative efficiency.

2 The IRS has in the past reminded tax professionals to check their authorization forms to avoid common mistakes that cause CAF submission errors and rejections and to safeguard CAF numbers from cybercriminals. *See, e.g.*, IRS Fact Sheet, FS 2018 21, IRS Offers Tips to Tax Professionals to Reduce CAF Number Errors, Better Protect Data From Cyberthieves, (Dec. 2018), https://www.irs.gov/newsroom/irs-offers-tips-to-tax-professionals-to-reduce-caf-number-errors-better-protect-data-from-cyberthieves. In May 2024, the IRS announced increased security measures for the CAF program and adopted new guidelines for tax professionals. *See* IRS News Release, IR 2024 136, To Protect Against Identity Theft, IRS Adds Additional Protections to Centralized Authorization File, Transcript Delivery System; Changes Designed to Protect Sensitive Tax Pro, Taxpayer Information (May 8, 2024), https://www.irs.gov/newsroom/to-protect-against-identity-theft-irs-adds-additional-protections-to-centralized-authorization-file-transcript-delivery-system-changes-designed-to-protect-sensitive-tax-pro-taxpayer-information. The Internal Revenue Service Advisory Council (IRSAC), an independent advisory council consisting of external stakeholders, has also expressed concerns about the CAF operational challenges. *See* IRS, Pub. 5316, Internal Revenue Service Advisory Council (IRSAC) Report 178 (Dec. 2025).

access to their chosen representative.[3] Taxpayers may suddenly discover that their representative can no longer access account information, receive or respond to IRS correspondence, or intervene before automated enforcement actions proceed.[4] In these moments, taxpayers are left to navigate the IRS alone, often without understanding what went wrong or how to fix it.

These failures are not isolated or rare.[5] Each year, millions of taxpayers submit authorization forms so that the IRS can communicate with their representatives. Yet the CAF system continues to rely on outdated, manual processes that struggle to handle this volume. As a result, taxpayers may miss deadlines, receive incorrect notices, experience unnecessary enforcement actions, or endure prolonged uncertainty while their cases remain unresolved even when they have done everything required to authorize a representative to act on their behalf. This harms the taxpayers' *rights to be informed, to quality service,* and *to retain representation.*[6]

EXPLANATION OF THE PROBLEM

Imagine a taxpayer who has taken the appropriate step of hiring a qualified tax professional to address an IRS notice, resolve a collection issue, or respond to an audit. Without warning, the taxpayer's representative discovers that their CAF number has been placed in "pending review" status.[7] The representative cannot access the taxpayer's account, obtain transcripts, or communicate with the IRS on the taxpayer's behalf.[8] Calls to the Practitioner Priority Service (PPS) provide no resolution, as customer service representatives (CSRs) often lack the authority or information needed to address CAF issues.[9]

For the taxpayer, the impact is immediate and severe. IRS notices and automated enforcement actions may continue while the taxpayer is effectively left without representation. In many cases, neither the taxpayer nor the representative is told why access was revoked, how long the review will take, or what steps are required to restore representation.[10]

When a representative serves multiple taxpayers, a single CAF suspension can simultaneously disrupt representation for hundreds or thousands of active taxpayer authorizations. This amplifies taxpayer harm and erodes confidence in both the representative and the tax administration system. These scenarios are not hypothetical; they reflect recurring breakdowns in the CAF process driven by outdated systems, inconsistent internal standards, limited communication channels, and insufficient due process protections.

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3 Tax professionals report extensive processing delays and a high incidence of errors in the CAF system. Conversations with outside stakeholders (Aug. and Sept. 2025). TAS conducted extensive outreach with external stakeholders, including tax professionals, about their experiences with IRS processes when resolving CAF-related issues. *See also* IRS, Pub. 5316, Internal Revenue Service Advisory Council (IRSAC) Report 178 (Dec. 2025) (explaining the parts of the process that involve manual processing, with forms processed by the CAF Units on a first-in, first-out basis, regardless of the method used to submit the authorization). The IRS uses a system called eGain, which queues the forms for review, but the work is still manually processed. Internal Revenue Manual (IRM) 21.3.7.1.6(1), Taxpayer Digital Communication (TDC) CAF Overview (May 31, 2022), https://www.irs.gov/irm/part21/irm_21-003-007; IRM 21.3.7.1.6.4(4), TDC Case Processing (Mar. 17, 2025), https://www.irs.gov/irm/part21/irm_21-003-007. IRS has started using an AI process called Robotic Process Automation (RPA), but that technology is currently not used with eGain in the TDC process. IRM 21.3.7.1.8, Robotics Process Automation (Mar. 17, 2025), https://www.irs.gov/irm/part21/irm_21-003-007

4 External stakeholders have raised concerns that the IRS is using a flawed process to address potential identity theft involving tax professionals' CAF numbers, often freezing them without prior notice or explanation. Accordingly, there is a concern that this action lacks due process and transparency. Professionals sometimes struggle for months to resolve issues. *See* Robert Kerr, *A Better Way to Protect Centralized Authorization File Numbers* 185 Tax Notes Fed., Nov. 4, 2024, at 923, https://www.taxnotes.com/tax-notes-today-federal/practice-and-procedure/better-way-protect-centralized-authorization-file-numbers/2024/10/31/7msbf

5 Conversations with outside stakeholders (Aug. and Sept. 2025).

6 *See* Taxpayer Bill of Rights (TBOR), https://www.taxpayeradvocate.irs.gov/taxpayer-rights (last visited Nov. 24, 2025). The rights contained in TBOR are also codified in IRC § 7803(a)(3).

7 *See* IRS, Pub. 5316, Internal Revenue Service Advisory Council (IRSAC) Report 179, 190 (Dec. 2025).

8 Conversations with outside stakeholders (Aug. and Sept. 2025). *See also* IRS Office of Professional Responsibility (OPR), Issue Number 2025-14, CAF Numbers in 'Pending Review' Status (Oct. 1, 2025), https://www.irs.gov/pub/opr-taxpros/508-2025-14-caf-numbers-in-pending-review-status.pdf (explaining that tax professionals get a "P" freeze on their account and "are asked to verify their identities by sending to the IRS a notarized document" that includes pictures of their photo identification).

9 Conversations with outside stakeholders (Aug. and Sept. 2025).

10 *Id.*

The CAF process faces other significant problems, primarily stemming from its reliance on outdated manual processing.[11] These issues cause substantial delays in processing Forms 2848, Power of Attorney and Declaration of Representative, and Forms 8821, Tax Information Authorization. This taxpayer harm directly impinges on several fundamental taxpayer rights under the Taxpayer Bill of Rights, most notably the *right to retain representation*.[12] When the IRS does not promptly process authorization forms, tax professionals cannot access taxpayer records, obtain transcripts, or communicate with the IRS on their clients' behalf, effectively leaving taxpayers without representation. The resulting delays also compromise the *rights to a fair and just tax system* and *to quality service,* as taxpayers face unnecessary burdens, frustration, and potential adverse actions (such as erroneous late notices or unmerited enforcement actions) from the IRS's automated systems while waiting for their authorizations to be processed.[13]

At its core, the CAF process is meant to protect taxpayers by ensuring that sensitive information is disclosed only to properly authorized individuals. However, when security measures are layered onto outdated systems and IRS procedures without adequate safeguards for timeliness, transparency, and due process, they can instead harm the very taxpayers they are intended to protect.[14] The cumulative effect of CAF processing failures is a system that too often leaves taxpayers without assistance at the moments they need it most.

ANALYSIS

The Role of the Centralized Authorization File in Taxpayer Representation

To assist taxpayers, tax professionals must submit documents such as Form 2848, Power of Attorney and Declaration of Representative, or Form 8821, Tax Information Authorization.[15] These authorizations are recorded in the CAF system, which enables ongoing access to a taxpayer's account information.[16] These documents legally empower tax professionals to access sensitive taxpayer information and/or act on the taxpayer's behalf. If the IRS does not timely process these forms, it hinders taxpayers' ability to receive professional assistance and effective communication between the IRS and authorized representatives or designees.

Once a tax professional files their first authorization form, the IRS issues a CAF number, a unique nine-digit identification number.[17] The CAF number allows the IRS to verify that a taxpayer's representative is properly authorized to access the taxpayer's information and communicate with the IRS on the taxpayer's behalf. Once processed, the IRS mails the CAF number to the representative, and that CAF number is used for all future representations.[18]

11 Conversations with outside stakeholders (Aug. and Sept. 2025).
12 *See* TBOR, https://www.taxpayeradvocate.irs.gov/taxpayer-rights (last visited Nov. 24, 2025). The rights contained in TBOR are also codified in IRC § 7803(a)(3).
13 *Id.*
14 Conversations with outside stakeholders (Aug. and Sept. 2025).
15 The regulations governing practice before the IRS can be found in Circular 230. 31 CFR, Subtitle A, Part 10.
16 IRS Form 2848, available at https://www.irs.gov/pub/irs-pdf/f2848.pdf, is used to authorize an individual to represent a taxpayer before the IRS for specific tax matters and years. IRS Form 8821, available at https://www.irs.gov/pub/irs-pdf/f8821.pdf, is used to designate a third party to inspect and/or receive a taxpayer's confidential tax information but does not grant them the power to represent the taxpayer. These authorization forms must state the type of tax and period(s) to which they relate. *See* IRS, Instructions for Form 2848 (Sept. 2021), http://www.irs.gov/pub/irs-pdf/i2848.pdf
17 IRS, What Is a CAF Number?, https://www.irs.gov/businesses/small-businesses-self-employed/what-is-a-caf-number (last updated June 6, 2025). To use Tax Pro Account, 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.
18 IRS, Pub. 947, Practice Before the IRS and Power of Attorney (Feb. 2018), https://www.irs.gov/publications/p947. IRM 21.3.7, Processing Third-Party Authorizations Onto the Centralized Authorization File (CAF) (Aug. 26, 2025), https://www.irs.gov/irm/part21/irm_21-003-007r

Unlike a Preparer Tax Identification Number or Social Security number, the CAF number is used by the IRS to confirm that a tax professional is authorized to receive information or act on behalf of a client, whether for receiving tax transcripts or engaging in other communications regarding their clients' tax matters.[19] By cross-referencing the CAF number, IRS employees ensure they are only disclosing sensitive taxpayer data to individuals with proper authorization, thereby upholding taxpayer privacy as mandated by federal tax law.[20]

Submission Methods and Processing Failures

Tax professionals may submit authorizations by mail, fax, the Taxpayer Digital Communication (TDC) platform, or the Tax Pro Account. When submitted through mail or fax, the forms require original, or "wet," signatures from both the taxpayer and their representative.[21] Employees in the CAF Unit must transcribe the contents of the form into the CAF system.[22] Tax professionals may also submit authorizations online via the TDC platform using an electronic signature.[23] For these processes, the assigned employee manually transcribes the information into the CAF system and authenticates the identities of the tax professional and taxpayer.[24] The CAF Unit may reject the forms for various reasons, including missing or incomplete information or signature discrepancies.[25] The IRS publishes processing times for these forms.[26]

19 *See* IRS, OPR, Issue Number 2025-14, CAF Numbers in 'Pending Review' Status. (Oct. 1, 2025), https://www.irs.gov/pub/opr-taxpros/508-2025-14-caf-numbers-in-pending-review-status.pdf

20 IRM 11.3.3, Disclosure to Designees and Practitioners (July 28, 2023), https://www.irs.gov/irm/part11/irm_11-003-003.

21 *See* IRS, OPR, Issue Number 2025-14, CAF Numbers in 'Pending Review' Status (Oct. 1, 2025), https://www.irs.gov/pub/opr-taxpros/508-2025-14-caf-numbers-in-pending-review-status.pdf *See also* IRS, OPR, Issue Number: 2025-19, Practitioners Have Multiple Options for Submitting Powers of Attorney and Tax Information Authorizations (Dec. 16, 2025) (explaining tax professionals' options for submitting authorization requests, the limitations on the acceptance of faxed forms, unless they contain the taxpayer's handwritten (wet) signature, the introduction of the online portal and Tax Pro Account, and the current OPR procedures for processing these forms).

22 *See* IRM 21.3.7, Processing Third-Party Authorizations Onto the Centralized Authorization File (CAF) (Aug. 26, 2025), https://www.irs.gov/irm/part21/irm_21-003-007r

23 The IRS requires the use of a third-party technology provider, ID.me, to verify the identity of individuals and tax professionals accessing sensitive online accounts like the IRS online account, Get Transcript Online, and the Tax Pro Account. This system, which involves providing photo identification and a selfie or engaging in a video chat, is designed to enhance security measures, prevent identity theft, and ensure the protection of confidential taxpayer data. *See* IRS, How to Register for IRS Online Self-help Tools, https://www.irs.gov/privacy-disclosure/how-to-register-for-irs-online-self-help-tools (last updated Jan. 7, 2026). The IRS's TDC secure messaging systems, as well as IRS Online Account, both require ID.me for identity verification to access the online portal. IRM 21.3.7, Processing Third-Party Authorizations Onto the Centralized Authorization File (CAF) (Aug. 26, 2025), https://www.irs.gov/irm/part21/irm_21-003-007r. Secure Access Digital Identity (SADI) accounts require ID.me for login services to most tax tools, and an email address must be used for SADI login to force updates when accessing secure messaging. IRM 3.42.7, EPSS Help Desk Support (Oct. 1, 2025), https://www.irs.gov/irm/part3/irm_03-042-007

24 Authorizations received in the TDC platform do not change the verification procedure, which still requires manual processing. IRM 21.3.7.1.6(4), TDC Case Processing (Mar. 17, 2025), states that "[t]he same procedure for paper authorizations are followed when controlling a case or determining the validity of the authorizations in this system." https://www.irs.gov/irm/part21/irm_21-003-007r *See* Erin M. Collins, The IRS Hasn't Processed My Power of Attorney Form. Should I Submit Another?, National Taxpayer Advocate Blog (Jan. 19, 2022), https://www.taxpayeradvocate.irs.gov/news/nta-blog/nta-blog-the-irs-hasnt-processed-my-power-of-attorney-form-should-i-submit-another/2022/01/ (explaining that in 2021 "submitters have needed to wait four weeks or more for the CAF units to process authorizations" and that the IRS "needs to set reasonable processing time expectations for practitioners").

25 For a list of common reasons a POA form is rejected, refer to IRS, Common Reasons for Power of Attorney (POA) Rejection, https://www.irs.gov/businesses/small-businesses-self-employed/common-reasons-for-power-of-attorney-poa-rejection (last updated June 6, 2025).

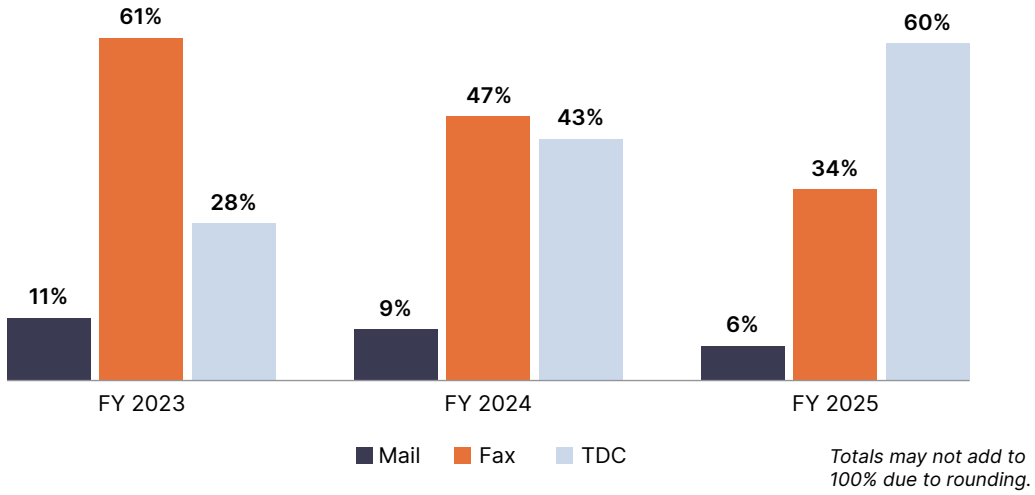
26 *See* IRS, Submit Forms 2848 and 8821 Online, https://www.irs.gov/tax-professionals/submit-forms-2848-and-8821-online (last updated Nov. 14, 2025) (stating that digital requests via the Tax Pro Account are processed "promptly (within 48 hours)"); IRS, Processing Status for Tax Forms https://www.irs.gov/help/processing-status-for-tax-forms#forms2848and8821 (last updated Jan. 9, 2026) (showing the dynamic updated processing time for Forms 2848 and 8821).

Tax professionals may also submit the forms digitally via the IRS Tax Pro Account platform.[27] However, the Tax Pro Account adoption remains limited, in part because the platform is incomplete and cumbersome[28] and also requires their client, an individual taxpayer, to access their active IRS online account to authorize the power of attorney (POA) form.[29]

Figure 2.7.1 provides the percent of authorization forms, both Forms 2848 and Forms 8821, received during fiscal years (FYs) 2023 through 2025 by method of receipt. The volume of authorizations received each year is significant, with nearly seven million authorization forms received in FY 2025.[30]

FIGURE 2.7.1

Comparison of Forms 2848 and 8821 Receipt Methods, FYs 2023-2025



As Figure 2.7.1 demonstrates, over the past three years tax professionals have increased their use of digital channels as the primary mechanism for submitting Forms 2848 and 8821. Tax professionals' submissions by fax have decreased significantly, while mailed submissions rate decreased slightly. The IRS needs to prioritize improving the technical functionality of the online submission process, including the Tax Pro Account.

27 IRS, Tax Pro Account, https://www.irs.gov/tax-professionals/tax-pro-account (last updated Dec. 8, 2025).

28 A 2023 audit by the Treasury Inspector General for Tax Administration (TIGTA) found the IRS's Tax Pro Account is rarely used, despite being a more secure option than traditional paper or digital methods. The review also revealed persistent, insufficient controls for ensuring the accuracy of the CAF database. The audit stressed that promoting the underused secure digital account could help the IRS reallocate resources to address its significant backlogs. *See* 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). Tax professionals have noted that the Tax Pro Account usage is still low among the tax professional community but indicated optimism that future improvements to procedural impediments and more ease of access would improve usage. Conversations with outside stakeholders (Aug. and Sept. 2025).

29 For a more in-depth discussion of the IRS Tax Pro Account and its usage by the tax professional community, see Most Serious Problem: *Tax Pro Account: Online Accounts for Tax Professionals Lack Critical Functionality Required to Effectively Represent Taxpayers*, *supra*. *See also* IRS, Pub. 5316, Internal Revenue Service Advisory Council (IRSAC) Report 176 (Dec. 2025).

30 IRS, Joint Operations Center (JOC), Accounts Management (AM) Research, Analysis and Data (RAD) Reports: FY 2026 CAF Report, FY 2025 CAF Report, and FY 2024 CAF Report. These figures do not include or account for IRS Tax Pro Account usage. *See also*, IRS response to TAS fact check (Jan. 6, 2026) (on file with TAS). Some of the percentages from the data provided do not add up to 100%.

The IRS continues to experience processing delays due to its reliance on manual transcription and digitization of paper and faxed submissions, as well as periodic system downtime.[31] Additionally, the digital options present limitations. Authorizations submitted through TDC are still routed through traditional manual verification processes.[32] The Tax Pro Account itself is not a comprehensive or fully functional digital platform for all POA-related activities, has many limitations, and needs more improvements to encourage use.[33] Amendments or withdrawals of authorizations may still require non-digital submission methods. These limitations underscore the need for a fully integrated, end-to-end digital system to improve the efficiency and reliability of the authorization process for tax professionals and the taxpayers they represent.

The IRS Should Establish a Dedicated CAF Contact Channel to Prevent Disruptions in Taxpayer Representation

A significant source of disruption for taxpayers arises when their authorized practitioners are unable to obtain timely assistance from the CAF Unit. Currently, tax professionals experiencing authorization problems are referred to the PPS line, where PPS CSRs often lack authority or access needed to resolve CAF-related issues.[34] As a result, authorization errors go uncorrected, representation is delayed, and taxpayers may be left without representation while their cases continue to move forward.

To ensure tax professionals can resolve authorization issues in a timely manner, the IRS should implement a dedicated point of contact for CAF matters. This could be achieved by introducing a specialized phone number or by leveraging existing secure communication platforms like the Tax Pro Account or a live assistor chat feature. An alternative solution involves expanding the authority of PPS line CSRs, empowering them to address and resolve a broad spectrum of CAF issues instead of transferring the call to another line for assistance.

Implementing a direct contact channel for the CAF unit would expedite the resolution of representation and authorization issues. Tax professionals could more quickly notify the IRS of transcription errors, promptly revise and resubmit authorization forms following a rejection, and ensure representation is recorded accurately. Allowing quick corrections would lead to reduced processing delays, prevent repeated resubmission of forms, and result in a more efficient tax administration system for taxpayers, tax professionals, and the IRS.[35]

The IRS Should Integrate Technology-Based Solutions for Document Digitization and to Reduce Manual Data Entry and Processing

The IRS's continued reliance on manual processing of authorization forms is labor-intensive, error-prone, and directly harmful to taxpayers who are waiting for representation.[36] The IRS continues to process a substantial number of Forms 2848 and 8821 received by mail or fax. The manual workflows contribute to processing delays that leave taxpayers without representation during critical stages of their cases. The IRS ended FY 2025 with an inventory of 34,856 authorization forms awaiting processing.[37] During the same fiscal year, the

31 Conversations with tax professionals indicated that a large amount of these forms are initially submitted via mail or fax to the IRS officials with whom they are communicating (*e.g.*, the examiners) who then send the forms to the CAF Unit for processing. Therefore, this data is not captured in the traditional CAF statistics for TDC, fax, paper, and Tax Pro Account. Conversations with outside stakeholders (Aug. and Sept. 2025). For more information on the CAF authorization rules and processes, see IRM 21.3.7, Processing Third-Party Authorizations Onto the Centralized Authorization File (CAF) (Aug. 26, 2025), https://www.irs.gov/irm/part21/irm_21-003-007r *See also* IRS, Pub. 5316, Internal Revenue Service Advisory Council (IRSAC) Report 177, 182 (Dec. 2025).
32 IRM 21.3.7.1.6.4, TDC Case Processing (Mar. 17, 2025), https://www.irs.gov/irm/part21/irm_21-003-007r
33 For an in-depth discussion of recommendations for the IRS Tax Pro Account as it relates to the CAF process, see Most Serious Problem: *Tax Pro Account: Online Accounts for Tax Professionals Lack Critical Functionality Required to Effectively Represent Taxpayers, supra*.
34 Many tax practitioners have lamented that the PPS line does not assist tax professionals with resolving their CAF issues. Conversations with outside stakeholders (Aug. and Sept. 2025).
35 *See* IRS, Pub. 5316, Internal Revenue Service Advisory Council (IRSAC) Report 176 (Dec. 2025).
36 *See id.,* at 178-179.
37 IRS, JOC, AM RAD Reports: FY 2026 CAF Report.

IRS spent 972,073 hours processing CAF submissions, which took on average about 11 days to process.[38] Throughout these delays, taxpayers are unable to obtain assistance, respond to IRS notices, or prevent automated enforcement actions from moving forward.

To reduce reliance on manual transcription of paper authorizations, the IRS should adopt technology-based solutions. One option would be to allow tax professionals to upload executed Forms 2848 and 8821 directly through their Tax Pro Account, regardless of whether the taxpayer has an online account. Alternatively, the IRS could improve its Enterprise File Storage system, or implement other technology such as Optical Character Recognition (OCR) to bridge the gap, dramatically reducing the manual data entry burden and accelerating processing times.[39] Any of these options are preferable to paper forms.

By modernizing the CAF intake process through enhancements to the Tax Pro Account, the Enterprise File Storage system, enhancements in the use of OCR, or comparable technologies, the IRS could shorten authorization processing times, reduce errors, and improve service delivery. Faster and more reliable processing would allow taxpayers to obtain representation sooner, reduce delays in resolving tax matters, improve overall service while increasing operational efficiency within the CAF program, and increase overall confidence in the fairness and responsiveness of the tax administration system.

The IRS Must Enhance the Tax Pro Account to Serve as a Comprehensive Digital Hub for All POA Activities

By further enhancing digital tools like the Tax Pro Account, the IRS can reduce reliance on manual, error-prone processes while improving scalability and efficiencies without compromising the integrity of the tax administration. The Tax Pro Account authorization process is not yet fully developed and continues to present usability challenges. Representatives continue to struggle with the authorization submission feature when clients do not already have an individual online account, forcing those practitioners to rely on the Taxpayer Information Authorization (TIA) or POA upload submission tool outside of Tax Pro Account or other traditional submission channels.[40] As of the end of FY 2025, Tax Pro Account's authorization feature remains limited to individual taxpayers and cannot be used for businesses or other non-individual entities.[41] Although the IRS has made some improvements to its Tax Pro Account during FY 2025, functionality remains limited, and tax professionals still cannot perform many basic tasks needed to efficiently represent clients. The National Taxpayer Advocate strongly encourages the IRS to enhance the Tax Pro Account functionality and supports the IRS's efforts in continuing to listen to user concerns as they arise.

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38 IRS, JOC, AM RAD Reports: FY 2026 CAF Report.

39 The IRS has already started a paperless processing initiative. *See* IRS Fact Sheet, FS-2023-18, IRS Launches Paperless Processing Initiative (Aug. 2, 2023), https://www.irs.gov/newsroom/irs-launches-paperless-processing-initiative. TAS has repeatedly advocated for the IRS to go paperless. *See, e.g.,* Erin M. Collins, Getting Rid of the Kryptonite: The IRS Should Quickly Implement Scanning Technology to Process Paper Tax Returns, National Taxpayer Advocate Blog (Mar. 30, 2022), https://www.taxpayeradvocate.irs.gov/news/nta-blog/nta-blog-getting-rid-of-the-kryptonite-the-irs-should-quickly-implement-scanning-technology-to-process-paper-tax-returns/2022/03/. Another technology-based solution would be RPA. *See* IRS, Pub. 5316, Internal Revenue Service Advisory Council (IRSAC) Report 176 (Dec. 2025). The IRS is currently exploring a form of Robotic Process automation. For more information, see IRM 21.3.7.1.8, Robotic Process Automation (Mar. 17, 2025), https://www.irs.gov/irm/part21/irm_21-003-007r. OCR systems are not perfect, but the inaccuracies can be mitigated over time. *See The Comprehensive Guide to OCR Technology*, FileCenter, https://www.filecenter.com/blog/the-comprehensive-guide-to-ocr-technology/ (last visited Dec. 29, 2025). *See also* Greg Council, *Using OCR: How Accurate is Your Data?*, TDWI, https://tdwi.org/articles/2018/03/05/diq-all-how-accurate-is-your-data.aspx (last visited Dec. 29, 2025). *What Is OCR?*, Zebra, https://www.zebra.com/us/en/resource-library/faq/what-is-ocr.html (last visited Dec. 29, 2025). The IRS Enterprise File Storage (EFS) system enables the transition from paper-based processing of faxed inventory with a paperless electronic workflow system and secure digital repository and customized reporting. Users will retrieve and process documents electronically, eliminating printing, storage, and disposal costs. IRS, Privacy and Civil Liberties Impact Statement #7849 (June 21, 2023), https://www.irs.gov/pub/irs-pia/fbp-pia.pdf (describing the EFS system).

40 Conversations with outside stakeholders (Nov. 19, 2025; Nov. 20, 2025). *See* IRS, Submit Forms 2848 and 8821 Online, https://www.irs.gov/tax-professionals/submit-forms-2848-and-8821-online (last updated Nov. 14, 2025).

41 For an in-depth discussion of recommendations for the IRS Tax Pro Account as it relates to the CAF process, see Most Serious Problem: *Tax Pro Account: Online Accounts for Tax Professionals Lack Critical Functionality Required to Effectively Represent Taxpayers*, *supra*.

To Achieve Uniformity, the IRS Should Standardize the Signature Acceptance Procedures for All Power of Attorney Forms Across the IRS

The IRS maintains distinct signature requirements for POA and TIA forms based on the method of submission.[42] Forms submitted via mail or fax require a "wet" ink signature for security reasons.[43] In contrast, the IRS accepts various forms of electronic signatures, such as a scanned image or a signature created by third-party software, for Forms 2848 and 8821 that are submitted through digital tools.[44]

The current system creates challenges for tax professionals who interact with different IRS Business Operating Divisions (BODs). Tax professionals may submit authorization requests directly to different BODs within the IRS or may be required to attach a copy of an active authorization in the course of representing a taxpayer.[45] For new authorizations, the BOD is responsible for sending the authorization on to the CAF Unit after performing an initial review of the authorization.[46] For active authorizations, the BOD confirms the authorization is active on the CAF and authenticates the authorization before providing any taxpayer information.

Tax practitioners report inconsistent standards for electronic signatures when the submission is through a BOD.[47] Driving many of the rejections is ambiguity surrounding signature requirements for non-electronic submissions. The IRS does not consistently accept e-signatures on forms that are mailed or faxed, even if the form was submitted online concurrently with another form, leading to rejections regardless of whether the physical copy reaches a general IRS intake unit or the specialized CAF Unit. This leads to frequent rejections of otherwise valid authorizations, impeding timely case resolution. These rejections introduce unnecessary administrative burdens and increase costs for both tax professionals and their clients.

Uniform E-Signature Acceptance Would Protect Taxpayer Access to Representation

The IRS should establish a uniform, IRS-wide standard for accepting electronic signatures on Forms 2848 and 8821, regardless of the method of submission or the BOD reviewing the form. The IRS has already incorporated permanent e-signature guidelines into its Internal Revenue Manual for specific forms when submitted online, acknowledging that no single technology is required, but this is not uniformly applied across all platforms.[48] Standardizing e-signature acceptance would reduce unnecessary rejections, minimize repeated submissions, and ensure that taxpayers can reliably access their chosen representatives. At the same time, uniform standards would improve processing efficiency, reduce administrative burden, and promote consistent application of authorization rules across the IRS. The IRS should address inconsistent internal review and revise its outdated signature technology acceptance policy.

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42 IRS, Submit Forms 2848 and 8821 Online, https://www.irs.gov/tax-professionals/submit-forms-2848-and-8821-online (last updated Nov. 14, 2025).

43 *See* IRS, Pub. 5316, Internal Revenue Service Advisory Council (IRSAC) Report 179 (Dec. 2025).

44 *See* IRS, Submit Forms 2848 and 8821 Online, https://www.irs.gov/tax-professionals/submit-forms-2848-and-8821-online (last updated Nov. 14, 2025).

45 *See* IRS, Power of Attorney and Other Authorizations, https://www.irs.gov/businesses/small-businesses-self-employed/power-of-attorney-and-other-authorizations (last updated June 6, 2025). Copies of authorizations may be required to be submitted concurrently with certain forms. *See, e.g.*, IRS, Instructions for Form 843, Claim for Refund and Request for Abatement 2 (Dec. 2024), https://www.irs.gov/pub/irs-pdf/i843.pdf ("If your authorized representative files Form 843, the original or copy of Form 2848, Power of Attorney and Declaration of Representative, must be attached. You must sign Form 2848 and authorize the representative to act on your behalf for the purposes of the request.").

46 *See* IRS, OPR, Issue Number 2025-14, CAF Numbers in "Pending Review"' Status (Oct. 1, 2025), https://www.irs.gov/pub/opr-taxpros/508-2025-14-caf-numbers-in-pending-review-status.pdf *See also* IRM 21.3.7 Processing Third-Party Authorizations Onto the Centralized Authorization File (Oct. 1, 2025), https://www.irs.gov/irm/part21/irm_21-003-007r

47 Conversations with outside stakeholders (Aug. and Sept. 2025). Tax professionals may be required to submit an additional paper authorization with a wet signature directly to a business unit even after their authorization has been approved through Tax Pro Account.

48 *See* IRM 10.10.1 IRS Electronic Signature (e-Signature) Program (Aug. 12, 2024), https://www.irs.gov/irm/part10/irm_10-010-001.

The IRS Should Reduce Harm to Taxpayers and Tax Professionals From CAF "Pending Review" Suspensions

Cybercriminals are increasingly targeting CAF authorizations, making strong security controls essential to protect sensitive taxpayer data.[49] The IRS's use of fraud-prevention tools, including enhanced identity proofing and monitoring for suspicious activity, reflects a necessary response to growing identity theft risks. However, the "pending review" CAF procedures, while intended as a protective measure, often impose disproportionate harm on legitimate tax professionals and the taxpayers who rely on them.[50] When a CAF number is placed in "pending review" status, frequently due to automated fraud indicators or "false positives," the tax professional is immediately barred from representing clients, accessing transcripts, or communicating with the IRS on behalf of any taxpayer associated with that CAF number.[51] As a result, taxpayers can be left without representation during audits, collection actions, or other critical proceedings, despite having properly authorized a representative.

On October 1, 2025, the IRS revised its CAF review procedures in response to sustained concerns about significant disruptions that had been raised by practitioners, TAS, the Office of Professional Responsibility, and professional tax organizations.[52] These changes, outlined in Notice 2025-14, represent an important acknowledgment that prolonged CAF suspensions can cause real harm. Under the revised procedures, the IRS notifies practitioners of a pending review, typically through a letter from IRS Criminal Investigation, and provides instructions to expedite resolution through identity verification, including submission of notarized documentation.[53] When a CAF number is confirmed to be compromised, the IRS will cancel the affected CAF number, issue a new one, and transfer client authorizations, allowing representation to resume more quickly.[54] While this change is welcome and long overdue, it does not fully address the systemic challenges created by the current CAF suspension framework.

The IRS's reliance on heightened identity proofing protocols that are required every time a tax professional contacts the IRS have unintentionally created productivity bottlenecks that delay case resolution, refunds, and access to information. Failed authentication attempts may result in mailed responses instead of electronic delivery or, in some cases, trigger a CAF review. Once a CAF enters "pending review" status, resolution can take weeks or months, during which time taxpayers may continue to receive automated notices or enforcement actions without the assistance of their authorized representative.[55] These delays undermine both taxpayer rights and efficient tax administration.

Equally concerning is the lack of due process protections for tax professionals whose CAF numbers are suspended. There is no formal appeal or expedited review mechanism, no guaranteed timeline for resolution, and often limited communication regarding the reason for the suspension.[56] Erroneous suspensions can

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49 *See* IRS, Pub. 4557, Safeguarding Taxpayer Data (June 2024), https://www.irs.gov/pub/irs-pdf/p4557.pdf *See also* James Bramwell, *IRS Adds Security Protections for CAF Program, Transcript Requests*, CPA Prac. Advisor, May 15, 2024, https://www.cpapracticeadvisor.com/2024/05/15/irs-bolsters-security-for-transcripts-and-caf/105452/ *See also* IRS, IRS Nationwide Tax Forums, Cybersecurity for Tax Professionals (Feb. 5, 2025), https://www.irs.gov/pub/irs-npl/2024ntf-cybersecurity-for-tax-professionals.pdf

50 *See* IRS, OPR, Issue Number 2025-14, CAF Numbers in "Pending Review" Status (Oct. 1, 2025), https://www.irs.gov/pub/opr-taxpros/508-2025-14-caf-numbers-in-pending-review-status.pdf

51 *Id.*

52 *Id.*

53 *Id.*

54 *Id.*

55 *See* James Bramwell, *IRS Adds Security Protections for CAF Program, Transcript Requests*, CPA Practice Advisor, May 15, 2024, https://www.cpapracticeadvisor.com/2024/05/15/irs-bolsters-security-for-transcripts-and-caf/105452 (explaining that failure to authenticate will cause transcripts to be mailed to the taxpayer's address rather than deposited in the taxpayer representative's Secure Object Repository mailbox).

56 Conversations with outside stakeholders (Aug. and Sept. 2025).

impose severe reputational, financial, and ethical consequences on practitioners, including lost clients and the inability to meet professional obligations.[57] At the same time, taxpayers may miss deadlines, experience unnecessary enforcement actions, or lose confidence in the fairness and reliability of the tax system.[58]

To better balance fraud prevention with taxpayer and practitioner protections, the IRS should further refine its CAF "pending review" procedures. The IRS should study and implement ways to shorten the duration of CAF investigations that place CAF numbers in "pending review" status. This includes looking at reducing the duration of suspensions, improving transparency, and strengthening due process safeguards. In developing standardized procedures that safeguard due process, the IRS should provide prompt, detailed, plain-language notifications explaining the reason for the review, the specific steps required for resolution, and realistic timelines. Tax professionals should have access to a dedicated CAF contact or specialist to facilitate communication and resolution.

Additionally, the IRS should modernize its identity verification process by adopting secure, real-time alternatives such as video-based identity verification similar to methods already used for remote taxpayer authentication.[59] Real-time verification would allow the IRS to quickly distinguish legitimate practitioners from fraudulent actors, reinstate access more efficiently, and maintain strong security standards without unnecessarily disrupting representation.[60]

Ultimately, protecting taxpayer data and combating fraud must remain paramount, but these goals should not come at the expense of taxpayer access to representation or the livelihoods of compliant tax professionals. By establishing standardized, transparent, and timely CAF review procedures with meaningful due process protections and modern verification tools, the IRS can safeguard taxpayer information while ensuring continuity of representation, improving administrative efficiency, and reinforcing confidence in the integrity and fairness of the tax system.

CONCLUSION AND RECOMMENDATIONS

The IRS CAF process is foundational to taxpayers' ability to obtain and maintain their chosen representation before the IRS. When that system fails, taxpayers, not just tax professionals, experience delayed resolution, lost advocacy, confusion, and increased exposure to automated enforcement actions. To protect taxpayer rights and restore confidence in the authorization system, the IRS must adopt a comprehensive, multi-pronged approach to modernizing the CAF process.

Although the IRS has introduced digital tools, continued reliance on paper submissions, manual processing, inconsistent procedures, and inadequate due process protections continue to undermine taxpayer rights. In conjunction with improvements in the overall CAF process, the IRS should enhance its capabilities for tax professionals within the Tax Pro Account to create a more efficient and user-friendly system for all POA activities. These proposed improvements are not just about administrative efficiency, they should be guided by clear outcome measures such as reduced processing times, fewer authorization errors, and improved access for authorized representatives that demonstrate meaningful improvements for taxpayers thereby upholding the fundamental taxpayer *rights to be informed, to quality service,* and *to retain representation*. By modernizing the

57 Conversations with outside stakeholders (Aug. and Sept. 2025).
58 *What to Do If Your CAF Number Is in "Pending Review,"* Nat'l Ass'n of Tax Pros. (Oct. 9, 2025), https://www.natptax.com/news-insights/blog/what-to-do-if-your-caf-number-is-in-pending-review/
59 The IRS uses video teleconferencing for remote in-person authentication to verify taxpayer identity without physical presence. The process involves an IRS employee inspecting a government-issued photo ID via video and comparing it to the taxpayer's live image, while also verifying sensitive information against secondary documentation to confirm identity before accessing tax data. For more details, see IRM 10.10.3, Centralized Authentication Policy Centralizing Identity Proofing for Authentication Across All IRS Channels (Apr. 14, 2025), https://www.irs.gov/irm/part10/irm_10-010-003r
60 The Government Accountability Office (GAO) also recently recommended in July 2025 that the IRS should strengthen oversight of its identity-proofing program. *See* GAO, GAO-25-107273, *Taxpayer Identity Verification: IRS Should Strengthen Oversight of Its Identity-Proofing Program* (2025), https://www.gao.gov/products/gao-25-107273.

CAF process with a clear focus on taxpayer impact and measurable results, the IRS can move toward a system that reliably supports taxpayers and prioritizes timeliness, transparency, and a fair, efficient resolution of tax matters.

Administrative Recommendations to the IRS

The National Taxpayer Advocate recommends that the IRS:

1. **Establish a dedicated CAF contact channel.** Make direct contact information for the CAF Unit readily available to authorized tax professionals who are experiencing authorization delays, rejects, or CAF number suspensions. This contact channel, whether through telephone, live chat, or other technology, should be separate from the PPS line and staffed by specialists trained in CAF protocols, CAF internal routing systems, and CAF database troubleshooting.
2. **Reduce reliance on manual processing.** Adopt a technology-based solution, whether Tax Pro Account, OCR, or another technology solution, which reduces reliance on human transcription and assists in digitalization of paper submissions.
3. **Standardize electronic signature acceptance across all IRS channels.** Standardize e-signature acceptance for all POA forms. The acceptance of electronic signatures for IRS Form 8821 and IRS Form 2848 submissions should be made uniform across all channels and methods of submission to eliminate confusion and ensure a consistent, modernized approach to third-party authorization.
4. **Study ways to shorten and mitigate CAF "pending review" suspensions.** Study and implement ways to shorten the duration of CAF investigations that place CAF numbers in "pending review" status. The IRS should also explore interim measures to minimize disruption to taxpayers and their representatives while reviews are ongoing, particularly when no confirmed compromise exists.
5. **Strengthen due process and communication when CAF access is suspended.** Develop standardized procedures that safeguard due process when a tax professional's CAF number is suspended or placed under review. These procedures should include prompt, detailed notices explaining the reason for the review, clear instructions for resolving the issue, and access to a dedicated CAF contact.
6. **Expand Tax Pro Account.** Enhance the Tax Pro Account to serve as a comprehensive digital hub for submitting, amending, and withdrawing authorizations without requiring paper submissions or taxpayer online account access.

RESPONSIBLE OFFICIALS

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8 SOCIAL MEDIA

The Negative Tax Influence of Social Media Harms Taxpayers

Social media has fundamentally changed how taxpayers obtain and consume information about their tax obligations, benefits, and rights. Guidance once sought from trusted professionals and official IRS sources is now increasingly offered by online influencers through short video posts on social media, typically without proper context, verification, or accountability.[1] Social media harbors risks like scams, identity theft, and tax misinformation that often exploit tax complexity and limited tax literacy for influence.[2] Misguided taxpayers can have their entire refunds frozen, incur significant penalties, and suffer long-term financial harm. As social media continues to shape taxpayer behavior at scale, its growing influence poses a direct and urgent threat to taxpayer rights, fairness in tax administration, and confidence in the tax system itself.

1 IRS, Recognize Tax Scams and Fraud (last updated Oct. 17, 2025), https://www.irs.gov/help/tax-scams/recognize-tax-scams-and-fraud; IRS News Release, IR 2025 26, Dirty Dozen Tax Scams for 2025: IRS Warns Taxpayers to Watch Out for Dangerous Threats (Feb. 27, 2025), https://www.irs.gov/newsroom/dirty-dozen-tax-scams-for-2025-irs-warns-taxpayers-to-watch-out-for-dangerous-threats

2 The IRS reports an increase of these activities on social media. IRS News Release, IR 2025 118, IRS and Security Summit Partners Announce 10th Annual National Tax Security Awareness Week (Dec. 3, 2025), https://www.irs.gov/newsroom/irs-and-security-summit-partners-announce-10th-annual-national-tax-security-awareness-week (quoting IRS Chief Executive Officer Frank Bisignano, During this holiday season, people face the heightened risk of identity theft as criminals ramp up efforts to trick people into sharing sensitive personal information: identity thieves might use this information to try filing false tax returns and stealing refunds.). The IRS generally considers tax misinformation to be false or inaccurate information that influences tax behavior and is shared under a badge of expertise, financial/social gain and/or out of ignorance. This report applies the same general working definition. IRS response to TAS information request (Nov. 17, 2025).

EXPLANATION OF THE PROBLEM

Taxpayers face an increasing number of harmful risks, including an abundance of tax misinformation, online. Changes in tax law and other events often create uncertainty, which bad actors and influencers alike exploit to their benefit by spreading false or misleading guidance. Social media platforms amplify these harms by enabling tax misinformation to reach hundreds of thousands of people almost instantaneously while often targeting the taxpayers least equipped to evaluate its accuracy. Scams, schemes, and tax misinformation thrive on social media and complicate compliance for taxpayers, strain the private tax and financial sectors, and burden the IRS.

Although the IRS has made important progress through fraud detection initiatives, prevention efforts, and taxpayer outreach, significant challenges remain.

- A growing and interconnected threat environment poses risks and obstacles;
- Social media as a primary vector of harm;
- Taxpayers must exercise caution when engaging paid return preparers; and
- The IRS continues to struggle with harmful problems exacerbated by social media.

ANALYSIS

A Growing and Interconnected Threat Environment Poses Risks and Obstacles

The sheer variety of threats makes it difficult for the IRS to timely identify, prevent, and respond to improper activity. These challenges strain limited IRS resources and more importantly, result in significant harm to taxpayers who fall victim to an identity theft scheme, a fraudulent tax scam, or unscrupulous preparers.[3] Taxpayers face harm of delayed refunds, improper assessments, financial loss, emotional distress, and prolonged uncertainty, all of which undermine the taxpayers' *rights to be informed, to quality service,* and *to a fair and just tax system*.[4] Social media compounds the risk of taxpayer harm by accelerating the spread of misinformation and fraud while obscuring accountability. As threats become more sophisticated, the risks and harm faced by taxpayers – and the need for the IRS to protect taxpayer rights – intensify. Absent sustained technological investments and strategic partnerships, the IRS will continue to struggle to efficiently combat fraud and safeguard taxpayer rights.[5] As threats become more sophisticated, so too must the IRS's response.

Tax complexity further exacerbates challenges for taxpayers.[6] The rise of advanced tools such as AI makes it even harder for taxpayers to distinguish credible guidance from convincingly packaged misinformation. Taxpayers who rely on inaccurate information often face unexpected tax liabilities, penalties, and interest.

3 IRS, Pub. 3415, Elec. Tax Admin. Advisory Comm. Annual Report to Congress 28 (Recommendation 8: The IRS Needs Additional Tools to Combat Scams and Schemes Promoted on Social Media and Other Communication Platforms) (June 2025), https://www.irs.gov/pub/irs-pdf/p3415.pdf. The National Taxpayers Union Foundation (NTUF) supports this recommendation. *See* NTUF, NTUF's Assessment of IRS Advisory Committee's 2025 Reform Agenda (July 29, 2025), https://www.ntu.org/foundation/detail/ntufs-assessment-of-irs-advisory-committees-2025-reform-agenda.

4 *See* Taxpayer Bill of Rights (TBOR), https://www.taxpayeradvocate.irs.gov/taxpayer-rights (last visited Dec. 30, 2025). The rights contained in TBOR are also codified in IRC § 7803(a)(3).

5 *See id.*

6 Kathleen DeLaney Thomas & Erin Scharff, *Fake News and the Tax Law*, 80 Wash. & Lee L. Rev. 803 (2023). The National Taxpayer Advocate notes that this article discusses other potential political and policy implications that are not considered in this report.

Numerous Types of Dangers Confront Taxpayers and the IRS

Tax scams and schemes have become more sophisticated and tailored to target individual taxpayers, businesses, tax professionals, and even the IRS.[7] Technology and digital tools enable scammers to more easily identify and manipulate victims.[8] Taxpayers may unwittingly expose sensitive personal information or jeopardize their finances on social media or other online services. For example, some online casinos may not follow proper customer fraud protection practices, meaning some bettors could also be gambling with their identity.[9] The IRS needs to fight fire with fire and leverage its technology and its partnerships with the tax community and the public.

Every year, the IRS publishes its "Dirty Dozen" list highlighting known and emerging tax threats. Examples include aggressive promoters misrepresenting offer in compromise relief,[10] ghost preparers who disappear to avoid accountability, and phishing and smishing schemes designed to steal refunds or confidential data.[11] In fiscal year 2025, the IRS Criminal Investigation Division identified nearly $4.5 billion in tax fraud and $6.1 billion in financial crimes.[12]

Limited Relief for Some Scam Victims

Victims of tax fraud often suffer financial harm that extends beyond the immediate loss. In years past, taxpayers were generally able to deduct casualty and theft losses, but current law largely restricts personal casualty losses to victims of federally or state declared disasters.[13] Despite the financially crippling outcomes many scam victims suffer, personal casualty and theft loss deductions are largely unavailable outside federally or state declared disasters. Unfortunately, many scam victims receive little or no tax relief despite devastating outcomes.

Although investment scam losses may sometimes be deductible, IRS guidance clarified that emotional scams, like romance scams or kidnapping scams, generally do not qualify for a personal theft loss deduction. These schemes are typically motivated by desires for love and companionship, rather than financial profit.[14] As a result, victims may be emotionally induced to take actions that trigger adverse tax consequences, compounding their financial distress.

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7 IRS News Release, IR-2025-26, Dirty Dozen Tax Scams for 2025: IRS Warns Taxpayers to Watch Out for Dangerous Threats (Feb. 27, 2025), https://www.irs.gov/newsroom/dirty-dozen-tax-scams-for-2025-irs-warns-taxpayers-to-watch-out-for-dangerous-threats. Notes from TAS meeting with IRS Director of Return Integrity Verification Program (Aug. 28, 2025) (on file with TAS). In addition to trying to elude detection, bad actors also go on the offensive by engaging in cyber-attacks that try to sabotage IRS security capabilities. For example, "frog boiling" is a tactic that attempts to disrupt IRS filters by instilling poison data to manipulate results.

8 Federal Trade Commission (FTC) News Release, As Nationwide Fraud Losses Top $10 Billion in 2023, FTC Steps Up Efforts to Protect the Public (Feb. 9, 2024), https://www.ftc.gov/news-events/news/press-releases/2024/02/nationwide-fraud-losses-top-10-billion-2023-ftc-steps-efforts-protect-public.

9 Luke Barr and Patricio Chile, *Sports Bettors Could Become Victims of Fraud If Proper Protections Aren't Followed: IRS Official*, ABC News, Sept. 13, 2025, https://abcnews.go.com/US/sports-bettors-become-victims-fraud-proper-protections-irs/story?id=125538003 (interview with IRS Criminal Investigation Chief Guy Ficco).

10 IRS News Release, IR-2025-26, Dirty Dozen Tax Scams for 2025: IRS Warns Taxpayers to Watch Out for Dangerous Threats (Feb. 27, 2025), https://www.irs.gov/newsroom/dirty-dozen-tax-scams-for-2025-irs-warns-taxpayers-to-watch-out-for-dangerous-threats. The Offer in Compromise (OIC) program is a collection alternative that allows qualifying taxpayers to settle their federal tax debts with the IRS when they are unable to pay in full. Taxpayers face risks from "OIC mills" that use misleading and harmful practices.

11 IRS News Release, IR-2025-26, Dirty Dozen Tax Scams for 2025: IRS Warns Taxpayers to Watch Out for Dangerous Threats (Feb. 27, 2025), https://www.irs.gov/newsroom/dirty-dozen-tax-scams-for-2025-irs-warns-taxpayers-to-watch-out-for-dangerous-threats. *See also* Shay Trotter, *Officials Are Warning About a New Tax Refund Scam – Here's How to Protect Your Financial Information*, Woman's World (Sept. 23, 2025), https://www.womansworld.com/life/money/officials-warn-about-a-new-tax-refund-scam-targeting-your-bank-account.

12 IRS, Pub. 3583, IRS Criminal Investigation Annual Report 2025, at 4 (Dec. 2025), https://www.irs.gov/pub/irs-pdf/p3583.pdf

13 IRC § 165(h)(5). *See* National Taxpayer Advocate 2026 Purple Book, *Compilation of Legislative Recommendations to Strengthen Taxpayer Rights and Improve Tax Administration (Reinstate the Theft Loss Deduction So Scam Victims Are Not Taxed on Amounts Stolen From Them*).

14 The IRS Office of Chief Counsel concluded that some scam victims may claim theft loss deductions, even under the Tax Cut and Job Act's restrictions, if the taxpayer had a profit motive when entering into the scam transaction. The memorandum considered either investment or protection of an investment as sufficient to establish a profit motive. IRS Office of Chief Counsel, IRS Legal Memorandum 202511015 (Jan. 17, 2025, released Mar. 14, 2025).

For example, particularly harsh outcomes arise when victims withdraw retirement funds due to scams. If a scam victim is duped into taking a distribution from a retirement account before reaching age 59½, in addition to incurring tax on the taxable portion of the distribution, they will generally owe the 10% early distribution additional tax because the law does not provide an exception for distributions due to scams.[15] Even when all the distributed funds are stolen, the victim will generally still owe taxes on the distribution and may potentially incur penalties and interest if the funds they have left after being scammed are insufficient to timely pay their resulting tax bill in full. For some scam victims, being taxed on the hard-earned money they had stolen from them is the proverbial straw that breaks the camel's back. These harsh outcomes raise serious concerns about equity and undermine confidence that our tax system is fair, particularly for taxpayers who acted in good faith and were victimized. Congress should consider addressing these draconian consequences in future legislation to better align the tax system to protect the fundamental rights of taxpayers.[16]

Collateral Damage of False Wage Reporting Fraud

False Form W-2 and Form 1099 filings present significant risk not only to federal tax administration, but also to multiple government benefit programs and private industry that rely on wage data as a trusted input. In a typical fraud scenario, a criminal uses personally identifiable information often stolen from sources like social media to fabricate reporting forms showing fictitious employment and income. The false wage document is then electronically submitted under a compromised or shell employer account and it is added by IRS and Social Security Administration (SSA) systems before the legitimate taxpayer or employer becomes aware of the activity.

Thereafter, the fraudster files an individual income tax return to report the false information, claiming a refund of the false withholding and possibly even refundable credits such as the Earned Income Tax Credit (EITC) or Additional Child Tax Credit. Because the fabricated income information exists in IRS wage databases, there is risk the IRS may issue an improper refund if it does not detect the fraud. Collateral damage from false wage data may impact taxpayers beyond federal tax administration. At the same time, SSA records may report the fictitious wages as legitimate earnings, corrupting the taxpayer's earnings history and potentially affecting future eligibility or benefit calculations for Social Security retirement, disability, or Medicare programs.

In addition, state workforce agencies routinely use wage information derived from federal tax filings to determine eligibility for unemployment insurance benefits. The presence of false wage records could allow fraudsters to claim unemployment benefits, resulting in improper payments from state trust funds and, in some cases, federally financed unemployment programs. Further, federal and state human services agencies rely on income data from the IRS and SSA to administer means-tested programs such as Medicaid and the Supplemental Nutrition Assistance Program. False income records may cause eligible individuals to be improperly denied benefits or have their benefits reduced, or they may be required to repay assistance they did not cause to be incorrect.

Other important programs may be similarly affected. Federal student aid determinations use IRS income data to calculate eligibility for Pell Grants and other assistance, while housing programs administered by the Department of Housing and Urban Development rely on tax records to set rent and benefit levels. In each case, inaccurate wage information could lead to improper benefit determinations, increased administrative burdens,

15 IRC § 72(t). Unless an exception applies, there is a 10% additional tax on early distributions from qualified retirement plans made before the victim reaches age 59½. The statute does not list theft loss as an exception to the early distribution additional tax. *See* National Taxpayer Advocate 2026 Purple Book, *Compilation of Legislative Recommendations to Strengthen Taxpayer Rights and Improve Tax Administration* (*Reinstate the Theft Loss Deduction So Scam Victims Are Not Taxed on Amounts Stolen From Them*).

16 For detailed legislative recommendations, see National Taxpayer Advocate 2026 Purple Book, *Compilation of Legislative Recommendations to Strengthen Taxpayer Rights and Improve Tax Administration* (*Reinstate the Theft Loss Deduction So Scam Victims Are Not Taxed on Amounts Stolen From Them*).

and financial harm to innocent taxpayers. Victims of wage-based identity theft often spend several years trying to resolve the conflicts in their records across multiple agencies, while the government incurs significant costs associated with audits, investigations, benefit corrections, and attempts to recover improper payments.

This demonstrates how a single instance of false wage reporting can propagate across interconnected government systems, resulting in improper payments, loss of public funds, and erosion of data integrity. It also highlights the importance of the IRS's work to detect fraudulent filings early on to prevent improper payments and reduce the risk of collateral impact to taxpayers and other government entities. The IRS estimates its fraud detection efforts protect $40 billion of tax revenue per year. The National Taxpayer Advocate is appreciative of the employees that dedicate their careers to preventing fraud and protecting taxpayers.

Social Media as a Primary Vector of Harm

Social media first appeared in the IRS's 2020 "Dirty Dozen" list and the risk to taxpayers has only amplified since then.[17] According to the Federal Trade Commission (FTC), consumers lost more than $12 billion to fraud in 2024.[18] The most common methods by which scammers reached consumers was email, followed by phone calls, text messages, and social media.[19] While social media accounted for only 12% of fraud reports, it represented the highest rate of financial loss, ballooning to 68% in 2023, and further to 70% in 2024.[20] While the methods of bad actors may change, one thing is constant – taxpayers are harmed.

Social Media Platforms Allow Threats to Reach a Large Audience and Channel Tax Misinformation to Particularly Susceptible Taxpayers

Whether we like it or not, understanding the allure, popularity, and consequences of social media is essential. Under conventional business models, success was largely driven by tangible products or services, brand reputation earned over time, regulatory oversight, and accountability to consumers. Businesses competed for consumer trust, and objectionable practices were constrained by market forces, professional standards, and legal consequences. Expertise generally carried a cost, and credibility was merited through education, licensure, or demonstrated performance.

Social media has fundamentally altered this landscape. Attention rather than expertise, accuracy, or accountability has become the primary currency. Platforms such as Instagram, X (formerly Twitter), YouTube, and TikTok provide instant access to news, entertainment, and peer networks, while algorithms are designed to amplify content that provokes engagement, regardless of accuracy. In this environment, virtually anyone can present themselves as a tax professional and distribute advice to massive audiences without credentials, vetting, or meaningful consequences.

Unlike traditional business models, social media rewards speed, simplicity, and emotional appeal. Content that is novel, sensational, or promises quick financial gain spreads rapidly, attracting users toward viral ideas irrespective of accuracy. In some cases, influencers monetize their popularity directly, creating powerful

17 *See, e.g.*, IRS News Release, IR-2020-160, IRS Unveils "Dirty Dozen" List of Tax Scams for 2020; Americans Urged to Be Vigilant to These Threats During the Pandemic and Its Aftermath (July 16, 2020), https://www.irs.gov/newsroom/irs-unveils-dirty-dozen-list-of-tax-scams-for-2020-americans-urged-to-be-vigilant-to-these-threats-during-the-pandemic-and-its-aftermath; IRS News Release, IR-2024-302, National Tax Security Awareness Week, Day 2: IRS, Security Summit Partners Urge People to Watch Out for Bad Tax Advice on Social Media (Dec. 3, 2024), https://www.irs.gov/newsroom/national-tax-security-awareness-week-day- 2-irs-security-summit-partners-urge-people-to-watch-out-for-bad-tax-advice-on-social-media (quoting former Commissioner Danny Werfel as saying, "[t]he growth of bad tax advice on social media continues to grow, luring unsuspecting taxpayers into filing bad tax returns.... We urge people to do some research before falling for these scams. Finding a trusted tax professional or visiting IRS.gov is a better way to research a tax issue than relying on someone talking in their car or their kitchen about a non-existent tax hack.").

18 FTC, All Fraud Reports by Amount Lost (All Four Quarters of 2024) (last updated Dec. 11, 2025), https://public.tableau.com/app/profile/federal.trade.commission/viz/FraudReports/FraudLosses.

19 FTC, All Fraud Reports by Contact Method (All Four Quarters of 2024) (last updated Dec. 11, 2025), https://public.tableau.com/app/profile/federal.trade.commission/viz/FraudReports/FraudFacts.

20 *Id.*

financial incentives to exaggerate, oversimplify, or distort legitimate tax credits, deductions, or changes to the law. As posts are reshared and repackaged, misinformation can persist long after it is shared by the original source, often evolving from deliberate misrepresentation into being considered "common knowledge."

With virtually unlimited reach and minimal barriers, content creators can rapidly disseminate tax misinformation, scams, and schemes with little immediate opposition. Although some of the tax provisions promoted on social media are real, their application is frequently incorrect or dangerously incomplete. Taxpayers, especially those with limited tax literacy, are often ill-equipped to distinguish credible guidance from misinformation in this environment, particularly when advice is delivered confidently and repeatedly across multiple social media platforms.

This dynamic explains part of why social media is a potent force in shaping taxpayer behavior. It combines the persuasive power of peer influence, the velocity of digital distribution, and financial incentives that reward engagement over the value of accuracy. Unlike conventional business interactions where accountability is clearer and harm is more easily traced, social media allows misinformation to spread anonymously, leaving taxpayers to bear the consequences long after the attention has moved on.



Social Media Is a Potent Force in Shaping Taxpayer Behavior

- persuasive power of peer influence
- velocity of digital distribution
- financial incentives that reward engagement over accuracy

Once tax misinformation circulates on social media, it can be endlessly repeated and reshared by other people, gaining influence even as the bad intent often transforms into mere ignorance the further it travels from the original source. Some practitioners have become so frustrated they are trying to marshal the tax information on social media themselves.[21] Taxpayers are often poorly equipped to discern what is tax misinformation as opposed to good advice on social media.

Social Media Generates Costly Consequences for Taxpayers

Recent filing seasons demonstrate there is a clear link between social media tax content and increases in inaccurate return filings. Misinformation about the Fuel Tax Credit, the Sick and Family Leave Credit, and household employment taxes promoted on social media greatly impacted the 2024 tax filing season.[22] Returns

21 Cole Reynolds, *Tax Influencers Face Off Over Scams and Tips, While IRS Looks On*, Bloomberg Tax (Aug. 15, 2025), https://news.bloombergtax.com/daily-tax-report/tax-influencers-face-off-over-scams-and-tips-while-irs-looks-on.

22 IRS News Release, IR-2024-139, IRS Warns Taxpayers They May Be Scam Victims If They Filed for Big Refunds; Misleading Advice Leads to False Claims for Fuel Tax Credit, Sick and Family Leave Credit, Household Employment Taxes (May 14, 2024), https://www.irs.gov/newsroom/irs-warns-taxpayers-they-may-be-scam-victims-if-they-filed-for-big-refunds-misleading-advice-leads-to-false-claims-for-fuel-tax-credit-sick-and-family-leave-credit-household-employment-taxes.

claiming those particular tax benefits increased dramatically and the IRS flagged hundreds of thousands of questionable returns for further scrutiny.[23] Thus far, the IRS has assessed over 32,000 penalties for improper claims related to tax misinformation from social media.[24]

The consequences for taxpayers are considerable, including a penalty up to $5,000 for each improper claim plus the potential to incur additional penalties.[25] A penalty of that amount can pose a significant financial hit, especially for taxpayers who have minimal savings or get by paycheck to paycheck. Although the IRS flagged the return and gave taxpayers the opportunity to correct the erroneous position taken, many taxpayers chose to rely on the social media representations and declined to amend their returns. As a result, the IRS assessed $162 million in penalties for improper claims that were tied to social media.[26]

Social media also gives life to fabricated tax benefits and legal positions. Conspiracy theories about tax arguments and positions that courts have routinely dismissed as clearly frivolous are able to gain traction, and repetition through resharing gives them an air of legitimacy. In 2024, a bogus "self-employment tax credit" heavily marketed on social media raised enough concern for the IRS to issue an alert and set the record straight that such a credit exists only on social media.[27] Another fictitious scheme that circulated on social media in 2025 promoted the so-called "tribal tax credits" that have no basis in fact or law.[28] The IRS has also issued alerts about other emerging schemes on social media, including one that promotes taxpayers to incorrectly overstate their withholdings.[29] Relying on tax guidance from social media can cause taxpayers to have their entire refunds frozen, incur significant penalties, and potentially face criminal prosecution, even when they may not understand how or why the harm occurred.[30]

Burdens Caused by Social Media Hurt Taxpayers With Legitimate Claims

When taxpayers rely on bad tax advice or misinformation from social media, the IRS is bombarded with inaccurate claims that can overwhelm its systems and result in processing backlogs that delay refunds of taxpayers with legitimate claims. In sifting through the influx of claims, the IRS is tasked with discerning between legitimate and dishonest claims, often forcing affected taxpayers into lengthy verification processes.

Increases in inaccurate return filings harm taxpayers that legitimately qualify for tax deductions or credits. While necessary for fraud prevention, the IRS flags questionable returns to halt further processing and freezes refunds from being issued during its inspection. These controls enable the IRS to root out improper claims

23 IRS News Release, IR-2024-215, IRS, States, Tax Industry Announce New Joint Effort to Combat Growing Scams and Schemes; Ongoing Coordination to Follow In Footsteps of Security Summit's Identity Theft Efforts to Help Taxpayers and Protect Revenue (Aug. 16, 2024), https://www.irs.gov/newsroom/irs-states-tax-industry-announce-new-joint-effort-to-combat-growing-scams-and-schemes-ongoing-coordination-to-follow-in-footsteps-of-security-summits-identity-theft-efforts-to-help-taxpayers-and; IRS response to TAS information request (Nov. 17, 2025).

24 IRS News Release, IR-2025-90, IRS Assesses $162 Million in Penalties Over False Tax Credit Claims Tied to Social Media (Sept. 8, 2025), https://www.irs.gov/newsroom/irs-assesses-162-million-in-penalties-over-false-tax-credit-claims-tied-to-social-media.

25 IRC § 6702. This section imposes a civil penalty for filing frivolous tax returns.

26 IRS News Release, IR-2025-90, IRS Assesses $162 Million in Penalties Over False Tax Credit Claims Tied to Social Media (Sept. 8, 2025), https://www.irs.gov/newsroom/irs-assesses-162-million-in-penalties-over-false-tax-credit-claims-tied-to-social-media.

27 IRS News Release, IR-2024-187, IRS Warns Taxpayers About Misleading Claims About Non-Existent "Self Employment Tax Credit;" Promoters, Social Media Peddling Inaccurate Eligibility Suggestions (July 15, 2024), https://www.irs.gov/newsroom/irs-warns-taxpayers-about-misleading-claims-about-non-existent-self-employment-tax-credit-promoters-social-media-peddling-inaccurate-eligibility-suggestions.

28 *See* IRS, Internal Revenue Manual (IRM) Procedural Update TS-03-0825-3547, IRM 3.11.15 Tribal Tax Credit Scheme (Aug. 7, 2025), https://www.irs.gov/pub/foia/ig/spder/ts-03-0825-3547.pdf; IRM Procedural Update TS-03-0825-3551, IRM 3.12.15 Tribal Tax Credit Scheme (Aug. 7, 2025), https://www.irs.gov/pub/foia/ig/spder/ts-03-0825-3551_public.pdf

29 IRS News Release, IR-2024-139, Taxpayers Who Filed These Claims Mistakenly Need to Follow Advice on Letters; Consider Filing Amended Return or Talking to a Trusted Tax Professional (May 14, 2024), https://www.irs.gov/newsroom/irs-warns-taxpayers-they-may-be-scam-victims-if-they-filed-for-big-refunds-misleading-advice-leads-to-false-claims-for-fuel-tax-credit-sick-and-family-leave-credit-household-employment-taxes; IRS News Release, IR-2025-26, Dirty Dozen Tax Scams for 2025: IRS Warns Taxpayers to Watch Out for Dangerous Threats (Feb. 27, 2025), https://www.irs.gov/newsroom/dirty-dozen-tax-scams-for-2025-irs-warns-taxpayers-to-watch-out-for-dangerous-threats.

30 IRS, Criminal Investigation, Identify Tax Schemes, Tax Fraud Alerts (last updated Dec. 4, 2025), https://www.irs.gov/compliance/criminal-investigation/tax-fraud-alerts.

but can mistakenly entangle taxpayers with legitimate claims that must then wait for IRS notification and ensure they take the correct steps to secure their delayed refunds. These measures and delays can impose significant emotional and financial burdens on innocent taxpayers.[31] While the IRS has developed review streams for many known schemes, some emerging schemes can lead the IRS to suspect identity theft, causing it to freeze the taxpayer's entire refund until the taxpayer verifies their identity.[32]

Current Events Fuel Taxpayer Confusion and Harm

Changes in tax law frequently generate confusion that bad actors exploit. In 2025, misinformation surrounding provisions of the One Big Beautiful Bill Act, particularly "no tax on tips" and "no tax on overtime," spread rapidly across social media.[33] Many well-intentioned taxpayers likely have unknowingly amplified inaccurate information, spreading confusion and increasing compliance risk.

Entirely fabricated events further intensify confusion by encouraging inaccurate and false content to go viral on social media. Early in 2025, speculation over the supposed impending issuance of government stimulus payments went viral across social media, despite no basis in fact.[34] To add to the confusion, scammers produced AI-generated videos impersonating government officials. This is just another example of how social media can manufacture false urgency and credibility.[35]

Tax Complexity Factors Into the Equation

Actual and perceived tax complexity is a factor in taxpayer susceptibility.[36] Whether actual or perceived, complexity of our tax laws is part of what makes it hard for taxpayers to tell whether tax information is good, bad, or may require further inquiry. Tax complexity compounds these risks for taxpayers. The Employee Retention Credit offers a cautionary example of aggressive marketing and misinformation, which led to ineligible claims, delayed refunds for legitimate claims, and severe financial consequences for affected businesses.[37]

Although the IRS encourages taxpayers to verify information on IRS.gov or consult reputable professionals, the website's usability challenges limit its effectiveness as a resource for taxpayers trying to self-navigate the sheer complexity of the tax code. Tax complexity imposes enormous costs estimated at over $536 billion annually and drives many taxpayers toward paid preparers.[38] Complexity is likely a primary reason that many taxpayers seek out and pay for tax return preparation services, sometimes without adequate protections.

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31 IRS Fact Sheet, FS-2024-24, Misleading Social Media Advice Leads to False Claims for Fuel Tax Credit, Sick and Family Leave Credit, Household Employment Taxes; FAQs Help Address Common Questions, Next Steps for Those Receiving IRS Letters, Q1 (July 8, 2024), https://www.irs.gov/newsroom/misleading-social-media-advice-leads-to-false-claims-for-fuel-tax-credit-sick-and-family-leave-credit-household-employment-taxes-faqs-help-address-common-questions-next-steps-for-those-receiving-irs.

32 But even after authentication, the IRS continued to freeze their refunds. *See* IRS Fact Sheet, FS-2024-24, Misleading Social Media Advice Leads to False Claims for Fuel Tax Credit, Sick and Family Leave Credit, Household Employment Taxes; FAQs Help Address Common Questions, Next Steps for Those Receiving IRS Letters, Q1 (July 8, 2024), https://www.irs.gov/newsroom/misleading-social-media-advice-leads-to-false-claims-for-fuel-tax-credit-sick-and-family-leave-credit-household-employment-taxes-faqs-help-address-common-questions-next-steps-for-those-receiving-irs.

33 An Act to Provide for Reconciliation Pursuant to Title II of H. Con. Res. 14 (commonly referred to as the "One Big Beautiful Bill Act"), Pub L. No. 119-21, § 70201-70202, 139 Stat. 72, 170-175 (2025).

34 Melissa Goldin, *Fact Focus: No, Taxpayers Will Not Receive New Stimulus Checks This Summer*, Associated Press (Aug. 15, 2025), https://apnews.com/article/fact-check-stimulus-checks-irs-treasury-hawley-4225dbe6c3e67499166a01ad4c3a7235.

35 Austin Williams, *$1,390 IRS Stimulus Checks Are Not In the Works, Despite Viral Rumors*, Live Now Fox (Aug. 15, 2025), https://www.livenowfox.com/news/irs-stimulus-check-rumor-fact-check.

36 *See, e.g.*, National Taxpayer Advocate 2022 Annual Report to Congress 45 (Most Serious Problem: *Complexity of the Tax Code: Complexity of the Tax Code Burdens Taxpayers and the IRS Alike*), https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2023/01/ARC22_MSP_02_Complexity.pdf

37 *See* Most Serious Problem: *Amended Returns: Refund Delays and Unclear and Confusing Disallowance Notices Harm Taxpayers and Jeopardize Their Rights to Administrative and Judicial Review, supra*.

38 Sam Cluggish & Alex Muresianu, *Tax Complexity Now Costs the US Economy Over $536 Billion Annually*, Tax Found. (Aug. 27, 2025), https://taxfoundation.org/data/all/federal/irs-compliance-complexity-tax-costs/

Underdeveloped Tax Literacy Increases Taxpayer Vulnerability

Financial literacy is foundational for economic success and Secretary of the Treasury Scott Bessent has emphasized its importance.[39] Intertwined within financial literacy is the critical and often overlooked element of tax literacy. Yet, the concerning reality is that many taxpayers lack a basic understanding of how taxes work, increasing susceptibility to misinformation and costly mistakes.[40] When taxpayers struggle to apply basic tax concepts or do not reasonably grasp their own tax situation, it makes them more susceptible to social media misinformation and more vulnerable to numerous tax and financial pitfalls. For example, a family that is eligible but does not claim the EITC may miss out on thousands of dollars in refunds and end up paying more in taxes because they misunderstand the rules, meaning the families who need these funds the most are likely missing this tax benefit.[41]

Over two decades ago, Congress established the Financial Literacy and Education Commission (FLEC) to promote financial education, yet its statutory focus excludes tax literacy.[42] FLEC focuses on making financial literacy more accessible for consumers, including developing resources such as MyMoney.gov. However, FLEC is legally mandated to focus on consumer issues, and to properly integrate a tax component would require Congress to amend the law.[43] Alternatively, Congress could form a new interagency commission designed to emphasize tax literacy. In the interim, the cross-agency structure of FLEC can serve as a blueprint for the IRS to develop symbiotic partnerships to further its tax literacy efforts. By coordinating with other federal agencies to incorporate tax literacy into broader educational efforts, the IRS could expand its reach into more taxpayer audiences. Expanding tax literacy efforts, either through legislative action or interagency collaboration, could meaningfully reduce taxpayer harm.

Although the level of tax knowledge will always vary among taxpayers, a rising tide of tax literacy should help reduce susceptibility to risks.[44] Ideally, tax literacy starts by educating our children before they are responsible for filing their own tax returns and making their own financial choices. Several states have made completing a financial education course a high school graduation requirement.[45] However, only 7.5% of respondents to a 2023 survey reported learning how to do taxes in high school, whereas 62% learned on their own.[46] Understandably, some taxpayers may be hesitant to research tax issues themselves or may lack confidence their tax research is correct. This also drives many taxpayers to paid return preparation services.

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39 Scott Bessent, Sec'y of the Treasury, Remarks Before the Power of Innovation Summit (Dec. 5, 2025), https://home.treasury.gov/news/press-releases/sb0329

40 Zoe Callaway, *New National Tax Literacy Poll Highlights Need for Better Tax Education*, Tax Found. (Apr. 8, 2024), https://taxfoundation.org/blog/national-tax-literacy-poll-education.

41 IRC § 32. The EITC is a refundable credit designed to incentivize work and support taxpayers with lower incomes. On average, over 20% of eligible taxpayers did not claim the EITC between tax years 2014 and 2022, and tax literacy is likely a primary factor. IRS, EITC Participation Rate By State, https://www.irs.gov/tax-professionals/eitc-central/eitc-participation-rate-by-state (last updated Aug. 21, 2025).

42 Financial Literacy and Education Improvement Act, Pub. L. No. 108-159, Title V, 117 Stat. 1952, 2003 (2003) (codified at 20 U.S.C. §§ 9701-9707); *see also* U.S. Dep't of the Treasury, *Financial Literacy and Education Commission*, https://home.treasury.gov/policy-issues/consumer-policy/financial-literacy-and-education-commission.

43 *See* National Taxpayer Advocate 2025 Purple Book, *Compilation of Legislative Recommendations to Strengthen Taxpayer Rights and Improve Tax Administration* (*Improve Tax and Financial Literacy by Promoting Interagency Collaboration and Modernizing the Requirement That the IRS Publish Graphics Summarizing Government Revenue and Spending*), https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2024/12/ARC24_PurpleBook_08_MiscRecs_67.pdf

44 "Unfortunately, scams and fraud are evolving and expanding faster than ever, putting many families at risk. [...] The agencies represented on the FLEC also play a key role by warning Americans of risks and teaching them how to avoid scams." Scott Bessent, Sec'y of Treasury, Remarks Before the Financial Literacy and Education Commission (Sept. 24, 2025), https://home.treasury.gov/news/press-releases/sb0262.

45 *See* National Endowment for Financial Education (NEFE), *Existing K-12 Financial Education Requirements* (last visited Dec. 14, 2025), https://www.nefe.org/impact/policy-and-advocacy/exisiting-k12-fin-ed-requirements.aspx; NextGen Personal Finance, *NGPF's 2024 State of Financial Education Report* (Mar. 2024), https://d3f7q2msm2165u.cloudfront.net/aaa-content/user/files/Files/NGPF_Annual_Report_2024.pdf

46 Caroline Bruckner & Barbara J. Robles, *Understanding Tax Literacy Gaps for Small Business and the Growing Gig Workforce*, Am. Univ. (Apr. 2023) (The survey was sent to 90,000 small businesses, self-employed, independent contractors, freelancers and gig workers), https://8614653.fs1.hubspotusercontent-na1.net/hubfs/8614653/Small-Business-Literacy-Infographic_rd1.pdf



Although the level of tax knowledge will always vary among taxpayers, a rising tide of tax literacy should help reduce susceptibility to risks.

Taxpayers Must Be Cautious When Engaging Paid Return Preparers

Sources estimate the paid tax return preparation service industry generates tens of billions of dollars in annual revenue, and some projections forecast more growth over the coming years.[47] Taxpayers expect return preparers to act professionally and ethically with their sensitive material like Social Security numbers and financial account information.

Return preparers play a significant role in guiding taxpayers to take appropriate positions on their returns. Most paid tax return preparers are non-credentialed.[48] The IRS has annually received over 160 million individual income tax returns. Of returns prepared by return preparers, approximately 55% are prepared by non-credentialed return preparers, year over year.[49] Yet, the IRS does not have the legal authority to regulate the practice of return preparation.[50] This gap exposes taxpayers to increased risk of harm.

Additionally, the IRS cannot establish and enforce minimum standards for return preparers.[51] This lack of minimum competency and conduct standards for paid return preparers places taxpayers at increased risk of encountering incompetent or unscrupulous preparers.[52] During the first half of 2025, there were 3,037 fraud reports to the FTC under the category "tax preparers" and a total reported loss of $7 million.[53] Both data points are on track to exceed the 5,440 fraud reports made against "tax preparers" and the total loss of about $11 million reported to the FTC in 2024.[54] Fraud related to tax preparers also causes fiscal loss to the government.

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47 Estimates among sources varied but generally appear to be in the $14 billion range. *But cf.* Amra & Elma, *Top 20 Tax Preparer Marketing Statistics of 2025* (last visited Dec. 30, 2025), https://www.amraandelma.com/tax-preparer-marketing-statistics/; Kentley Insights, *Tax Preparation Services – 2025 U.S. Market Research Report* (Jan. 2026), https://www.kentleyinsights.com/tax-preparation-services-industry-market-research-report/

48 Over 60% of all preparers with required Preparer Tax Identification Numbers (PTINs) were non-credentialed preparers in tax year 2023. National Taxpayer Advocate 2024 Annual Report to Congress 68 (Most Serious Problem: *Tax-Related Scams: More Taxpayers Are Falling Victim to Tax-Related Scams*), https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2024/12/ARC24_MSP_05_Tax-Scams.pdf

49 IRS, Compliance Data Warehouse (CDW), Individual Return Transaction File, Return Preparers and Providers, Tax Years 2020-2024 (Dec. 10, 2025).

50 *See* National Taxpayer Advocate 2026 Purple Book, *Compilation of Legislative Recommendations to Strengthen Taxpayer Rights and Improve Tax Administration* (*Authorize the IRS to Establish Minimum Standards for Federal Tax Return Preparers and to Revoke the Identification Numbers of Sanctioned Preparers);* Taxpayer Assistance and Service (TAS) Act, 119th Cong. § 101 (Discussion Draft 2025), https://www.finance.senate.gov/download/tax-admin-bill.

51 *See id.*

52 Numerous studies have found that non-credentialed tax return preparers routinely prepare inaccurate returns. *See, e.g.*, Government Accountability Office (GAO), GAO-14-467T, *Paid Tax Return Preparers: In a Limited Study, Preparers Made Significant Errors* (2014), https://www.gao.gov/products/gao-14-467t; GAO, GAO-06-563T, *Paid Tax Return Preparers: In a Limited Study, Chain Preparers Made Serious Errors* (2006), https://www.gao.gov/products/gao-06-563t; Treasury Inspector General for Tax Administration, Ref. No. 2008-40-171, *Most Tax Returns Prepared by a Limited Sample of Unenrolled Preparers Contained Significant Errors* (2008); Jamie Woodward, Acting Comm'r, N.Y. Dep't of Tax'n and Fin., Remarks at the IRS Tax Return Preparer Review Public Forum (Sept. 2, 2009).

53 FTC, Fraud Reports by Contact Method (Q1 and Q2 for 2025), https://public.tableau.com/app/profile/federal.trade.commission/viz/FraudReports/FraudFacts (last updated Dec. 11, 2025).

54 *Id.*

A project conducted during the 2025 return filing season randomly "test shopped" commercial non-credentialed paid tax return preparers, and it revealed concerning results for taxpayers.[55] Based on the study, inconsistency was a consistent theme, and taxpayers faced several risks. In addition to poor and inaccurate work product, some of the non-credentialed paid preparers did not affix legally required IRS Preparer Tax Identification Numbers (PTINs) on the returns they prepared.[56] Omitting the PTIN is a calling card of "ghost preparers."[57]

The IRS tested a new taxpayer engagement initiative to address the ghost preparer problem. It sent about 10,000 letters to taxpayers requesting details about their return preparer. The initiative was successful, with many taxpayers responding with information on suspected ghost preparers. The IRS should continue building on this success and consider expanding the initiative to a wider group of taxpayers in 2026.[58]

The IRS Struggles With Problems Caused by Social Media

Strengthening Through Teamwork

The breadth and complexity of today's broad threat landscape exceed what the IRS can effectively address on its own. However, the agency is building on successful collaborative efforts developed to better inform and protect taxpayers. One such effort is the Security Summit, a public-private partnership through which the IRS works with state tax agencies, tax software providers, financial institutions, and the tax professional community to combat tax-related identity theft. By sharing data and applying coordinated analysis, Security Summit partners have improved the IRS's ability to identify emerging threats and detect suspicious activity. The Security Summit also serves as a critical forum for raising awareness and equipping taxpayers and tax professionals with practical information aimed at preventing fraud before it occurs.[59]

Expanding on the effectiveness of this collaborative model, the IRS formed the Coalition Against Scam and Scheme Threats (CASST) in 2024, a public-private alliance designed to address tax scams and schemes. The alliance quickly demonstrated its value, including in response to a social media-driven scheme that caused significant taxpayer harm and administrative burden. Following a surge of improper Fuel Tax Credit claims fueled by misinformation on social media, CASST partners acted swiftly to revise the relevant tax form and implement safeguards to prevent improper claims. This coordinated response protected honest taxpayers from penalties and delays while reducing future strain on IRS resources.

55 Center for Taxpayer Rights, Tax Chat, 2025 Filing Season Mystery Shopping Visits, https://taxpayer-rights.org/wp-content/uploads/2025/07/2025-CTR-Mystery-Shopping-Visits.pdf, (July 28, 2025); *see also* Benjamin Valdez, *Faux Preparer Visits Highlight Need for Education, Groups Say*, Tax Notes (July 29, 2025), https://www.taxnotes.com/tax-notes-today-federal/return-preparation/faux-preparer-visits-highlight-need-education-groups-say/2025/07/29/7swgv

56 IRC § 6109(a)(4).

57 IRS News Release, IR-2025-26, Dirty Dozen Tax Scams for 2025: IRS Warns Taxpayers to Watch Out for Dangerous Threats (Feb. 27, 2025), https://www.irs.gov/newsroom/dirty-dozen-tax-scams-for-2025-irs-warns-taxpayers-to-watch-out-for-dangerous-threats.

58 Benjamin Valdez, *IRS Sees Results From Preparer Outreach Campaign*, Tax Notes (Sept. 11, 2025), https://www.taxnotes.com/tax-notes-today-federal/return-preparation/irs-sees-results-preparer-outreach-campaign/2025/09/11/7t0ds.

59 IRS News Release, IR-2025-83, Security Summit: Protect Against Tax identity Theft With Multi-Factor IDs, Identity Protection PINs, IRS Online Accounts (Aug. 12, 2025), https://www.irs.gov/newsroom/security-summit-protect-against-tax-identity-theft-with-multi-factor-ids-identity-protection-pins-irs-online-accounts.

The IRS has generally responded to emerging social media threats by issuing alerts on IRS.gov to inform taxpayers and provide tips to reduce risk.[60] While these efforts are important, to fully protect taxpayers from the risk and harm of social media is a demanding objective. Effective mitigation requires collaboration with external partners that can leverage social media's reach and speed more effectively than the IRS acting alone, helping to prevent fraud, reduce taxpayer harm, and better protect taxpayer rights.[61]

Through CASST, the IRS benefits from partners with shared objectives and industry expertise that offer strategic and resource advantages that the agency alone cannot replicate. External partners are often less constrained and better positioned to operate effectively on social media platforms, enabling them to respond more rapidly to emerging misinformation and to amplify accurate tax guidance. Leveraging these strengths allows the IRS to extend its reach and effectiveness in environments where it faces inherent limitations.

As social media continues to evolve and threats become more agile, expanding and formalizing these partnerships is essential. Fostering strong, sustained collaboration with external partners will help the IRS keep pace with the speed and influence of social media while mitigating taxpayer harm in an increasingly complex information-sharing environment.

Informing Taxpayers in the Social Media Era

While social media poses risks, it also offers opportunities.[62] The IRS has adopted some contemporary formats, including short-form videos, to communicate with taxpayers on social media. Continued investment in social media capabilities, including rapid-response messaging shared through trusted partners, can help counter misinformation before it spreads widely. The IRS needs to be proactive in the social media space to protect taxpayers.

An Approach to the Challenges of Countering Fraud

The IRS faces a significant challenge in balancing transparency and accountability with protecting its fraud detection systems. While Congress and taxpayers benefit from understanding that the IRS actively works to prevent fraudulent refunds, providing detailed operational information such as thresholds, scoring algorithms, or specific red-flag indicators could inadvertently educate fraudsters and allow them to evade detection. To address this, the IRS should continue to communicate high-level, outcome-focused processes rather than internal scoring methods. Public and oversight communications should emphasize that the IRS uses risk-based analytics, third-party income verification, and tiered refund release procedures to safeguard federal revenue, while ensuring most compliant taxpayers receive refunds promptly.

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60 *See, e.g.*, IRS News Release, IR-2024-139, IRS Warns Taxpayers They May Be Scam Victims If They Filed for Big Refunds; Misleading Advice Leads to False Claims for Fuel Tax Credit, Sick and Family Leave Credit, Household Employment Taxes (May 14, 2024), https://www.irs.gov/newsroom/irs-warns-taxpayers-they-may-be-scam-victims-if-they-filed-for-big-refunds-misleading-advice-leads-to-false-claims-for-fuel-tax-credit-sick-and-family-leave-credit-household-employment-taxes; IRS News Release, IR-2024-98, Dirty Dozen: Taking Tax Advice on Social Media Can Be Bad News for Taxpayers; Inaccurate or Misleading Tax Information Circulating (Apr. 8, 2024), https://www.irs.gov/newsroom/dirty-dozen-taking-tax-advice-on-social-media-can-be-bad-news-for-taxpayers-inaccurate-or-misleading-tax-information-circulating; IRS News Release, IR-2024-302, National Tax Security Awareness Week, Day 2: IRS, Security Summit Partners Urge People to Watch Out for Bad Tax Advice on Social Media (Dec. 3, 2024), https://www.irs.gov/newsroom/national-tax-security-awareness-week-day-2-irs-security-summit-partners-urge-people-to-watch-out-for-bad-tax-advice-on-social-media (warning the public "about the growing threat of bad tax advice on social media that continues to dupe people into filing inaccurate tax returns"); IRS Tax Tip 2025-53, IRS Verified Social Media Accounts and E-News Services Are Best Sources for Tax-Related Information (July 31, 2025), https://www.irs.gov/newsroom/irs-verified-social-media-accounts-and-e-news-services-are-best-sources-for-tax-related-information.

61 James Alm, et al., *Tax Compliance, Social Norms, and Influencers*, 103 Neb. L. Rev. 595 (2025), https://digitalcommons.unl.edu/nlr/vol103/iss4/3/ The authors advance the idea of using social media influencers to foster a positive social norm of compliance.

62 Many federal agencies use social media to get important information and alerts to the public quickly. *Cf.* Ann Gynn, *How TSA Pulls Off Funny Social Content About Serious Business* (June 6, 2024) ("TSA uses that so-called dad joke to give a fresh squeeze to a standard reply on TSA's Instagram AMA (ask me anything), which they operate in real time for about 10 hours every day."), https://contentmarketinginstitute.com/social-media-content/how-tsa-pulls-off-funny-social-content-about-serious-business; Tajha Chappellet-Lanier, *Consumer Product Safety Commission Brings a Touch of 'Weird Twitter' to the Federal Government*, FedScoop (Jan. 22, 2018), https://fedscoop.com/consumer-product-safety-commission-weird-twitter/

The agency should also highlight protections for legitimate filers, including notifications for verification delays, automatic refund release after discrepancies are resolved, and monitoring of potential fraud networks. Detailed operational procedures and analytical criteria should remain internal, available for secure review by oversight bodies such as the Treasury Inspector General for Tax Administration or Congress. This approach allows the IRS to be accountable and transparent without providing a roadmap for bad actors to exploit.

CONCLUSION AND RECOMMENDATIONS

Social media has become a powerful and permanent force shaping taxpayer behavior, operating largely outside the traditional safeguards designed to protect taxpayers from misinformation, fraud, and abuse. As this Most Serious Problem demonstrates, social media amplifies tax complexity, accelerates the spread of misinformation, and disproportionately harms taxpayers with limited tax literacy, constrained financial resources, or that may struggle to access reliable professional guidance. The resulting outcomes and long-term financial and emotional distress erode trust in the tax system and undermine taxpayer rights.[63]

Although the IRS has taken meaningful steps to combat fraud and inform taxpayers, the scale, speed, and persuasive nature of social media-driven threats exceed what the agency can address alone. Without sustained investment, modernized communication strategies, and strong public-private partnerships, taxpayer harm will continue to grow as threats outpace traditional enforcement and outreach tools. At the same time, social media presents an opportunity for strategic collaboration that can serve as a powerful channel for delivering timely and accurate tax information and protecting taxpayers.

Protecting taxpayers in the social media era requires a coordinated response that combines education, enforcement, partnership, and legislative action. Addressing the negative tax influence of social media is not merely an administrative challenge, it is essential to preserving fairness, compliance, and confidence in the federal tax system.

Administrative Recommendations to the IRS

The National Taxpayer Advocate recommends that the IRS:

1. **Evaluate strategies to address social media risks.** Analyze by September 30, 2026, whether similar strategies to those used to identify and deter ghost preparers can be adapted to address risks driven by social media, including the spread of tax misinformation, scams, and improper claims.
2. **Leverage TAS as a strategic partner in taxpayer protection.** Partner with TAS to support and enhance anti-fraud educational initiatives and efforts by September 30, 2026, positioning TAS as an advocacy-focused resource for internal and external stakeholders for collaborative taxpayer outreach, engagement, and communications.
3. **Strengthen public-private partnerships for social media.** Coordinate partnerships with external stakeholders to develop and implement strategies to enable faster dissemination of timely alerts and warnings to taxpayers across social media platforms by September 30, 2026, helping to intercept misinformation and reduce taxpayer harm.
4. **Explore security measures for business accounts.** Study and issue a report by September 30, 2026, on the feasibility of establishing monitoring for employer identity verification and Employer Identification Number (EIN) monitoring without increasing burdens on compliant businesses.

63 *See* Taxpayer Bill of Rights (TBOR), https://www.taxpayeradvocate.irs.gov/taxpayer-rights (last visited Dec. 15, 2025). The rights contained in TBOR are also codified in IRC § 7803(a)(3).

Consider strengthening authentication requirements for electronic Form W-2 and Form 1099 submissions and offering voluntary protection tools, such as usage alerts, employer-controlled locks, or the EIN equivalent to an IRS Identity Protection PIN.

5. **Improve tax literacy and taxpayer education.** Develop collaborative partnerships and a plan to focus on tax literacy that efficiently educates taxpayers and reduces susceptibility to tax misinformation by September 30, 2026.

Legislative Recommendations to Congress

The National Taxpayer Advocate recommends that Congress:

1. Repeal the current limitation in IRC § 165(h)(5) and reinstate the pre-Tax Cuts and Jobs Act rules allowing personal theft loss deductions.[64]
2. Amend IRC § 72(t) to create an exception to the 10% additional tax on early distributions from qualified plans (*e.g.*, IRC § 401(k), IRA, or other tax-deferred accounts) that were withdrawn because of a scam.[65]
3. Consider amending 20 U.S.C. § 9703 to include the promotion of tax literacy among the duties of FLEC (or creating a similar multi-agency commission focused on tax literacy).[66]
4. Authorize the Secretary of the Treasury to establish minimum federal standards for paid tax return preparers and to revoke the identification numbers of sanctioned preparers.[67]

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64 National Taxpayer Advocate 2026 Purple Book, *Compilation of Legislative Recommendations to Strengthen Taxpayer Rights and Improve Tax Administration* (*Reinstate the Theft Loss Deduction So Scam Victims Are Not Taxed on Amounts Stolen From Them*).
65 *Id.*
66 National Taxpayer Advocate 2026 Purple Book, *Compilation of Legislative Recommendations to Strengthen Taxpayer Rights and Improve Tax Administration* (*Improve Tax and Financial Literacy by Promoting Interagency Collaboration and Modernizing the Requirement That the IRS Publish Charts on Government Revenue and Outlays*).
67 National Taxpayer Advocate 2026 Purple Book, *Compilation of Legislative Recommendations to Strengthen Taxpayer Rights and Improve Tax Administration* (*Authorize the IRS to Establish Minimum Standards for Federal Tax Return Preparers and to Revoke the Identification Numbers of Sanctioned Preparers*).



9 TAXPAYERS LIVING ABROAD

U.S. Taxpayers Living Abroad Face Severe Compliance Burdens

U.S. taxpayers living abroad face significant and often overwhelming challenges in complying with their federal tax obligations.[1] Although they live and work under foreign legal, financial, and tax systems, they remain subject to the full scope of U.S. tax laws. As a result, they must navigate not only the complex U.S. tax code but also extensive and confusing international information reporting requirements. The interaction between U.S. tax laws and the tax systems of their countries of residence compounds the complexity. Harsh and disproportionate penalties that may apply even when taxpayers make good-faith mistakes or owe no U.S. tax intensify these burdens.

Despite being aware of these difficulties, the IRS provides limited guidance, minimal resources, and restricted access to IRS systems and services for taxpayers living abroad. As a result, many are forced to pay high fees for professional assistance simply to comply with the law, while others – facing frustration, fear, or confusion – choose not to file at all, or even renounce their U.S. citizenship to escape the complexity. The lack of meaningful IRS support and the excessive compliance burdens undermine taxpayers' ability and willingness to meet their obligations, and infringe upon their *rights to be informed, to quality service, to pay no more than the correct amount of tax,* and *to a fair and just tax system.*[2]

1 This discussion focuses on the burdens and issues affecting U.S. citizens living abroad. However, the IRC also applies to nonresident aliens (*see* IRC § 7701(b)) and foreign businesses with U.S. source income and operations. The IRC's application is so broad that it captures many types of taxpayers in addition to U.S. citizens residing abroad including foreign students or citizens of other countries temporarily in the United States and foreign individuals who receive dividends from a U.S. corporation, among others.

2 *See* Taxpayer Bill of Rights (TBOR), https://www.taxpayeradvocate.irs.gov/taxpayer-rights (last visited Dec. 23, 2025). The rights contained in the TBOR are also codified in IRC § 7803(a)(3).

In short, the current system imposes unnecessary harm on U.S. taxpayers abroad, discouraging compliance and eroding trust in the fairness of the nation's tax administration. Unless the IRS takes meaningful steps to improve its services, guidance, and systems for these taxpayers, the frustration and fear experienced by Americans abroad will continue to grow, harming not only them but also the integrity of the tax system as a whole.

EXPLANATION OF THE PROBLEM

Like domestic taxpayers, U.S. citizens living abroad are subject to U.S. tax laws, including the requirements to file returns and pay any tax they owe. They also must report all foreign bank accounts, assets, gifts, inheritances, and interests in foreign entities. Yet these taxpayers face difficulties and obstacles that domestic taxpayers do not. The National Taxpayer Advocate has highlighted the burdens taxpayers living abroad face in previous reports.[3] However, significant problems persist, making it difficult for them to comply with their obligations. Specifically:

- Complex U.S. tax laws make compliance difficult for taxpayers living abroad;
- The lack of IRS assistance, outreach, and services for taxpayers abroad exacerbates the burdens they face; and
- IRS systems and functions are inaccessible to or incompatible with the needs of taxpayers living abroad, creating unnecessary barriers to compliance.

ANALYSIS

Unique Features of the U.S. Tax System

The United States is one of the few countries that taxes individuals based on citizenship rather than residency.[4] This means that U.S. citizens must report worldwide income and pay any tax due, regardless of where they live or earn income. They must also report certain foreign accounts and assets. For those living abroad, compliance is complex, confusing, and often expensive.

Scope of the Problem

The population of U.S. taxpayers living abroad is sizable, as is the tax revenue they generate. However, because the IRS must administer taxes globally, ensuring compliance is problematic. One challenge the IRS has in addressing tax compliance issues for U.S. citizens abroad is defining the population. There is no accurate way

3 *See* National Taxpayer Advocate 2023 Annual Report to Congress 116 (Most Serious Problem: *Compliance Challenges for Taxpayers Abroad: Taxpayers Abroad Continue to Be Underserved and Face Significant Challenges in Meeting their U.S. Tax Obligations*), https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2024/01/ARC23_MSP_09_Compliance-Abroad.pdf; National Taxpayer Advocate 2022 Annual Report to Congress 157 (Most Serious Problem: *Overseas Taxpayers: Taxpayers Outside of the United States Face Significant Barriers to Meeting Their U.S. Tax Obligations*), https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2023/01/ARC22_MSP_10_Overseas.pdf

4 This has been the case since 1913 although the practice dates back to the Civil War. *See, e.g.*, Joseph J. Thorndike, *Tax History: Why We Tax Everyone on Everything,* Tax Notes, Mar. 17, 2014, https://www.taxnotes.com/tax-history-project/tax-history-why-we-tax-everyone-everything/2014/03/17/fd4h. There have been attempts to change this system but so far none have succeeded. *See, e.g.*, Residence-Based Taxation for Americans Abroad Act, H.R. 10468, 118th Cong. (2024), for the most recent proposal. *See also* Charles P. Rettig & Tom Cullinan, *Modernizing Our Tax System: A Matter of Fairness For Americans Abroad*, https://www.taxfairnessabroad.org/blog/modernizing-our-tax-system-a-matter-of-fairness-for-americans-abroad.

to quantify the number of U.S. citizens residing overseas.[5] Further, some taxpayers abroad may file income tax returns using a U.S. address, and others fail to file returns altogether.[6] While estimates vary, in a recent report the U.S. government estimated the number of U.S. citizens residing abroad is about 4.4 million.[7]

While the total number is unknown, certain demographic information is available. For example, for tax years (TYs) 2020 through 2023, U.S. citizens living abroad filed approximately 3.5 million individual income tax returns.[8] Figure 2.9.1 shows the top ten countries by filers for TY 2023.

FIGURE 2.9.1[9]

Top Ten Countries by Filers, TY 2023



During TYs 2020 to 2023, taxpayers living abroad reported an average of $10.8 billion in tax per year.[10] This amount is significant, and the average exceeds the IRS's entire budget request for fiscal year (FY) 2026.[11]

5 U.S. citizens abroad are not required to register in their country of residence and the U.S. government does not maintain a list of U.S. citizens residing abroad.

6 Many, including Accidental Americans who are citizens of a foreign country who were born in the United States and only lived there a brief period of time or were born outside the United States to a parent with U.S. citizenship, may not even be aware of their obligation to file returns.

7 *See* U.S. Dep't of Def., Fed. Voting Assistance Program, *2022 Post-Election Report to Congress* (Aug. 2023) (reporting results of its Overseas Citizen Population Analysis), https://www.fvap.gov/info/reports-surveys/2022postelectionreporttocongress. The U.S. State Department previously cited a figure around 9 million, though it no longer officially uses that number because of data limitations. *See* U.S. Dep't. of State, Bureau of Consular Affs., Consular Affairs by the Numbers (2020), https://travel.state.gov/content/dam/travel/CA-By-the-Number-2020.pdf. Some independent sources (*e.g.*, World Population Review) suggest there could be 8 million+ Americans living abroad, but these figures are rough and based on extrapolations rather than official counts. *American Expats by Country 2025*, World Population Review, https://worldpopulationreview.com/country-rankings/american-expats-by-country (last visited Dec. 23, 2025). Different studies count different populations (*e.g.,* U.S.-born vs. all citizens, including naturalized and dual citizens). Some estimates include military personnel and their families; others do not.

8 IRS, Compliance Data Warehouse (CDW), Individual Return Transaction File (IRTF), TYs 2020–2023 (through Sept. 24, 2025). These numbers consist of the Forms 1040 and 1040NR filed with an address outside of the United States and do not include returns filed by taxpayers residing in U.S. territories.

9 IRS, CDW, IRTF, TY 2023 (through Sept. 24, 2025).

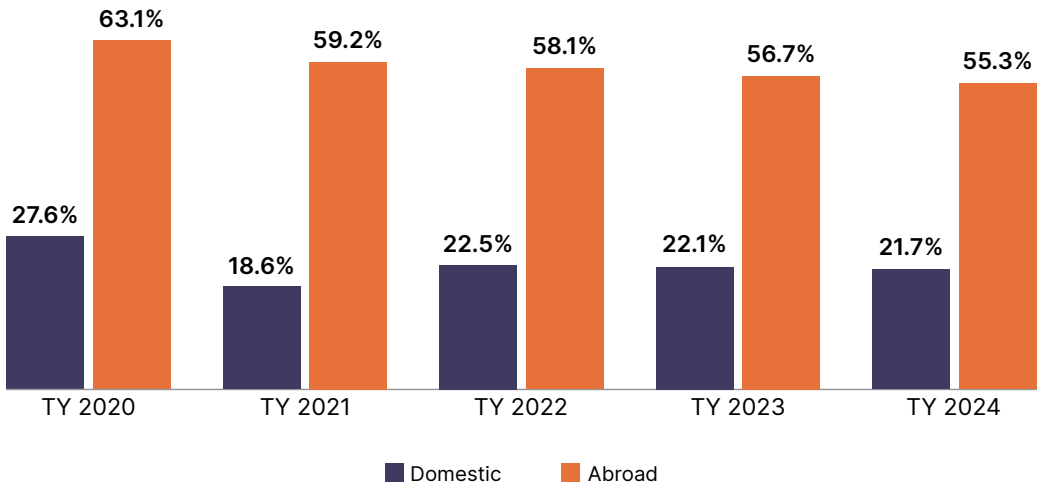
10 IRS, CDW, IRTF, TYs 2020–2023 (through Aug. 16, 2025).

11 IRS, Pub. 5330, Fiscal Year 2026 Budget in Brief (June 2025), https://www.irs.gov/pub/irs-pdf/p5530.pdf

While the amount of tax revenue from taxpayers living abroad may appear large, it is not reflective of the income of the majority of these taxpayers. Despite the common perception that Americans living abroad are all wealthy, the overwhelming majority are not. Rather, for TY 2023, about 56% of individual international filers reported adjusted gross income (AGI) of less than $25,000, 81% reported AGI less than $100,000, and less than 4.2% reported AGI greater than $400,000.[12] Additionally, as shown in Figure 2.9.2, the percent of individual international tax returns reporting no tax liability is significantly higher than domestic taxpayers.[13]

FIGURE 2.9.2

Individual Tax Returns Reporting No Tax Liability, TYs 2020-2024



Complex U.S. Tax Laws Make Compliance Difficult for Taxpayers Living Abroad

The Complexity of the IRC Creates Compliance Problems

"The IRC is notoriously complex, and its sections must be read in the context of the entire Code, the Treasury Regulations, and the court decisions that interpret it."[14] This complexity is magnified for taxpayers living abroad who have to further navigate the interplay of the laws of their own country of residence and applicable tax treaties.[15] These treaties are often long and too intricate for ordinary taxpayers to understand.[16] Taxpayers living abroad often need to file difficult, time-consuming forms like Form 1116, Foreign Tax Credit, and

12 IRS, CDW, IRTF, TY 2023 (through Sept. 16, 2025).
13 IRS, CDW, IRTF, TYs 2020–2024 (through Dec. 9, 2025). No tax liability is defined as having a "Total Tax" of $0 before payments and refundable credits.
14 IRS, Tax Code, Regulations and Official Guidance, https://www.irs.gov/privacy-disclosure/tax-code-regulations-and-official-guidance (last updated Sept. 4, 2025). *See also* National Taxpayer Advocate 2022 Annual Report to Congress 45 (Most Serious Problem: *Complexity of the Tax Code: The Complexity of the Tax Code Burdens Taxpayers and the IRS Alike*), https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2023/01/ARC22_MSP_02_Complexity.pdf
15 One area of particular complexity for small businesses operating abroad involved the global intangible low-taxed income (GILTI) provisions under IRC § 951A. The recently enacted One Big Beautiful Bill Act removed the deemed tangible income return component so there is no longer a qualified business asset investment (QBAI) computation. This is welcome news to taxpayers abroad as they will no longer need to compute QBAI or specified interest expense. IRC § 951A has been renamed Net CFC Tested Income. *See* An Act to Provide for Reconciliation Pursuant to Title II of H. Con. Res. 14 (commonly referred to as the "One Big Beautiful Bill Act"), Pub L. No. 119-21, § 70323, 139 Stat. 72, 205 (2025).
16 For example, the income tax treaty with Canada, including technical explanation and protocol, is 190 pages long. *See* IRS, Canada – Tax Treaty Documents, https://www.irs.gov/businesses/international-businesses/canada-tax-treaty-documents (last updated Aug. 7, 2025).

Form 2555, Foreign Earned Income, to determine their income, credits, and tax.[17] As shown in Figures 2.9.3 and 2.9.4, for TYs 2020-2024 taxpayers abroad filed these forms at significantly higher rates than domestic taxpayers.[18]

FIGURE 2.9.3, Individual Tax Returns With Form 1116, TYs 2020-2024

Taxpayer Location	TY 2020	TY 2021	TY 2022	TY 2023	TY 2024
Domestic	3.2%	3.2%	3.5%	3.6%	3.7%
Abroad	30.7%	33.9%	34.7%	35.0%	33.5%

FIGURE 2.9.4, Individual Tax Returns With Form 2555, TYs 2020-2024 ,

Taxpayer Location	TY 2020	TY 2021	TY 2022	TY 2023	TY 2024
Domestic	0.1%	0.1%	0.1%	0.1%	0.1%
Abroad	32.2%	32.3%	31.0%	29.6%	28.4%

Onerous International Information Return Filing Requirements Add to Already Difficult Compliance Problems

On top of complicated income tax filing requirements, the IRC subjects taxpayers living abroad to onerous international information return (IIR) reporting requirements for certain foreign income and assets. These IIRs encompass Report of Foreign Bank and Financial Accounts (FBAR), Foreign Account Tax Compliance Act (FATCA), and foreign gifts, inheritance, and trust reporting rules, including Passive Foreign Investment Company (PFIC), among others. These reporting regimes are complex, overlapping, and punitive. Taxpayers may face harsh penalties for failing to file or to timely file required forms even when no U.S. tax is owed.[19]

FBAR and FATCA reporting is often duplicative. U.S. taxpayers with foreign accounts and assets are subject to two sets of information reporting requirements – one for the IRS and one for the Financial Crimes Enforcement Network (FinCEN). The Bank Secrecy Act (BSA) requires U.S. citizens and residents to report foreign accounts to FinCEN when the combined value of these accounts exceeds $10,000 at any time during the calendar year.[20] FATCA requires U.S. citizens, residents, and certain non-residents to report to the IRS foreign financial assets exceeding specified reporting thresholds, including certain financial accounts maintained at foreign financial institutions.[21] Taxpayers must file both forms if they meet the reporting

17 Taxpayers use Form 1116 to claim the foreign tax credit. *See* IRC § 901; IRS, Instructions for Form 1116 (2025), https://www.irs.gov/instructions/i1116 (last updated Jan. 15, 2026). Taxpayers must file Form 2555 to figure their foreign earned income exclusion and housing exclusion or deduction. *See* IRS, About Form 2555, Foreign Earned Income, https://www.irs.gov/forms-pubs/about-form-2555 (last updated Jan. 28, 2025). In TYs 2022 and 2023, international taxpayers filed 302,577 and 308,787 Forms 1116, and 270,114 and 261,349 Forms 2555, respectively. IRS, CDW, IRTF, TYs 2022–2023 (through Sept. 24, 2025).

18 IRS, CDW, IRTF, TYs 2020–2024 (through Dec. 9, 2025).

19 *See, e.g.*, National Taxpayer Advocate 2023 Annual Report to Congress 101 (Most Serious Problem: *International: The IRS's Approach to International Information Return Penalties Is Draconian and Inefficient*), https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2024/01/ARC23_MSP_08_International.pdf

20 31 U.S.C. § 5314; 31 C.F.R. § 1010.306(c). Taxpayers comply through FinCEN Report 114, Report of Foreign Bank and Financial Accounts (FBAR). The authority to enforce FBAR reporting requirements has been redelegated from FinCEN to the IRS. *See* 31 C.F.R. § 1010.810(g). The BSA was enacted in 1970 and the $10,000 FBAR threshold has never been raised. Increasing this threshold would help ease the burden on taxpayers living abroad but the IRS does not have the authority to adjust it; any change must be made by either FinCEN or Congress.

21 Pub. L. No. 111-147, Title V, Subtitle A, § 511, 124 Stat. 71, 109-10 (2010) (codified at IRC § 6038D). Taxpayers file Form 8938, Statement of Specified Foreign Financial Assets, with their annual income tax return to comply.

thresholds even though much of the information they must include is duplicative. If they fail to file one or both forms, they are subject to significant penalties even if they do not owe any tax.[22] These overlapping reporting requirements increase the time and expense of reporting compliance for taxpayers living abroad.

Other complex requirements include gifts and inheritances subject to IRC § 6039F reporting and foreign trust reporting. IRC § 6039F generally requires U.S. persons who receive large foreign gifts or inheritances to submit information returns (Forms 3520, Part IV) to the IRS. IRC § 6048 requires taxpayers to report information concerning certain reportable events of foreign trusts.[23] IRC § 6677 imposes penalties if taxpayers fail to timely file them. Taxpayers generally must also report if they are direct or indirect shareholders of a PFIC by filing Form 8621, Information Return by a Shareholder of a Passive Foreign Investment Company or Qualified Electing Fund.[24] This may encompass foreign retirement accounts and mutual funds. The law regarding PFICs is complicated and while there are exceptions, they are extremely difficult to discern.[25] An example illustrates some of the complexities of the IRC and the corresponding hardship on taxpayers living abroad:

> Sue, a U.S. citizen, has lived and worked in Australia for many years after marrying her Australian husband, Sam. As a dual citizen, Sue pays Australian income taxes on her wages but also remains subject to U.S. tax laws. They have been advised their income is always less than the foreign earned income exclusion.[26] They have joint checking and savings accounts in an Australian bank, and on various paydays the combined balance of their joint accounts exceeds $10,000 USD. Sue participates in an Australian superannuation, a compulsory system for retirement savings. Three years ago, she inherited some stock shares from her Australian aunt, which she keeps in the same brokerage house that maintained her aunt's account. Sue and Sam have not filed a U.S. income tax return or an FBAR. Sue eventually learns that because she is a U.S. citizen she must also file a U.S. tax return to report her Australian income, with Forms 3520, 3520-A, 8938, and 8621 (depending on the investment in the superannuation). They also must electronically file FinCEN Form 114 (FBAR) using FinCEN's BSA E-Filing system. If they file tax returns, they may owe U.S. taxes and penalties thereon.[27] They would also be subject to foreign trust penalties for failing to disclose Sue's Australian pension plan, FATCA and FBAR penalties, and possibly foreign gift penalties for failure to disclose her Australian inheritance that is not subject to tax.[28]

Sue's situation is not unlike that of many average domestic citizens who work, contribute to a retirement plan, and maintain bank accounts. Yet taxpayers living abroad face significant compliance challenges and potentially severe penalties that domestic taxpayers do not. To avoid bringing a non-citizen spouse's income and property

22 FATCA penalties begin at $10,000 and the IRS can assess an additional penalty up to $50,000. IRC § 6038D(d). The maximum civil penalty for a non-willful FBAR violation is $10,000 (adjusted for inflation) and the maximum civil penalty for a willful violation is the greater of $100,000 (adjusted for inflation) or 50% of the account balance at the time of the violation. 31 U.S.C. § 5321(a)(5)(B)(i), (a)(5)(C)(i).

23 These are reported on Forms 3520, Annual Return to Report Foreign Transactions With Foreign Trusts and Receipt of Certain Foreign Gifts, and 3520-A, Annual Information Return of Foreign Trust With a U.S. Owner.

24 A PFIC is a foreign corporation which meets one of two tests: 1) 75% of its gross income for the taxable year consists of passive income, or 2) 50% or more of the average value of its assets consist of assets that produce or are held for the production of passive income. *See* IRC § 1297(a).

25 The IRS estimates the burden on taxpayers who file Form 8621 to be almost 49 hours. *See* IRS, Instructions for Form 8621, p. 16 (Dec. 2025), https://www.irs.gov/pub/irs-pdf/i8621.pdf

26 IRC § 911. Alternatively, they would be eligible to claim a foreign tax credit for the Australian income taxes they paid but IRC § 911(d)(6) does not allow a double benefit of a foreign earned income exclusion and a foreign tax credit.

27 The IRS would automatically assess delinquency penalties for failure to timely file and pay under IRC § 6651 and estimated tax penalties under IRC § 6654 on any taxes they owe.

28 IRC §§ 6677, 6038D(d); 31 USC § 5321(a). In October 2024, the IRS ended its practice of automatically assessing penalties at the time of filing for late-filed Forms 3520, Part IV, which deals with reporting foreign gifts and bequests. *See* Erin M. Collins, IRS Hears Concerns From TAS and Practitioners, Makes Favorable Changes to Foreign Gifts and Inheritance Filing Penalties, National Taxpayer Advocate Blog (Oct. 24, 2024), https://www.taxpayeradvocate.irs.gov/news/nta-blog/irs-hears-concerns-from-tas-and-practitioners-makes-favorable-changes-to-foreign-gifts-and-inheritance-filing-penalties/2024/10/. While the IRS stopped automatically assessing the penalty upon filing, the penalty may still apply depending upon the circumstances.

into the U.S. tax system, some taxpayers abroad may choose to file married-filing-separate (MFS).[29] Further, to avoid the burdens of the IIR requirements and potential penalties, some may choose not to participate in retirement plans or to transfer their income and assets into their non-U.S. citizen spouse's name.[30] This approach may reduce their U.S. filing obligations, but could also jeopardize their legal and financial independence and security.

Congress established the IIR penalty regime primarily to combat offshore tax avoidance and discourage U.S. taxpayers from hiding income and assets abroad. However, ordinary taxpayers like Sue, who are not offshore tax evaders the laws were designed to combat, are severely burdened by the IIR requirements. As a result, taxpayers living abroad may not be able to maintain joint bank accounts, hold stock, own property, or even contribute to their own retirement accounts. Further, because of the overwhelming requirements of these laws and severe financial consequences of running afoul of them, taxpayers abroad may simply decide not to file.

To reduce reporting burdens and potential penalties, Congress should amend IRC § 6038D and 31 U.S.C. § 5314 to eliminate duplicative reporting of assets on IRS Form 8938 when a foreign financial account is correctly reported on an FBAR. Congress should further provide for a "same-country exception" from FATCA reporting by amending IRC § 6038D to exclude from the reporting requirement accounts maintained by a financial institution organized under or licensed to conduct business in the country of which a U.S. person is a *bona fide* resident.[31] This would lessen the burden on taxpayers like Sue who have bank accounts in their country of residence: Accounts opened by U.S. citizens in a foreign country of *bona fide* residence generally have legitimate purposes and are not "offshore" accounts used for tax avoidance. Additionally, the IRS should institute a general awareness campaign for taxpayers living abroad informing them of their U.S. tax and IIR reporting obligations, including specific plain language explanations and guidance on reporting requirements regarding foreign workplace and other retirement and pension plans and exceptions from reporting requirements.[32]

The Lack of IRS Assistance and Services Exacerbates Compliance Burdens

Access to Free IRS Return Preparation Assistance and Other IRS Support is Limited

Given the complexity of their filing obligations, taxpayers living abroad often need assistance preparing their returns, yet IRS-supported free return preparation programs, including Volunteer Income Tax Assistance (VITA) and Tax Counseling for the Elderly (TCE), are virtually unavailable outside the United States and U.S. territories.[33] While VITA is offered to military members through the Armed Forces Tax Council, it is generally only offered internationally on military bases and civilian taxpayers living abroad generally cannot access these programs.[34] Thus, these essential free programs are virtually inaccessible to taxpayers living abroad. As shown in Figure 2.9.5, for TYs 2020 through 2024, domestic taxpayers were able to obtain free VITA and TCE services about 17 times more frequently than taxpayers living abroad.[35]

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29 Outside stakeholders advise that taxpayers living abroad often file MFS for this very reason. Conversations with outside stakeholders (Aug. 18, 2025). Data supports this: For TY 2023, approximately 31.5% of individuals living outside the United States filed MFS versus 2.5% domestically. IRS, CDW, IRTF, TY 2023 (through Sept. 18, 2025). As the MFS filing threshold is only $5.00, practically every U.S. citizen abroad meets it. The IRS should consider raising this threshold.

30 Conversations with outside stakeholders (Aug. 18, 2025; Aug. 27, 2025).

31 *See* National Taxpayer Advocate 2026 Purple Book, *Compilation of Legislative Recommendations to Strengthen Taxpayer Rights and Improve Tax Administration* (*Eliminate Duplicative Reporting Requirements Imposed by the Bank Secrecy Act and the Foreign Account Tax Compliance Act*).

32 Outside stakeholders advise that the complexities of reporting with respect to workplace and other retirement plans and pensions cause confusion and misunderstanding resulting in taxpayers either not reporting interests which should be reported or reporting ones which are exempt from reporting out of a lack of understanding and an abundance of caution. Conversations with outside stakeholders (Aug. 1, 2025; Aug. 4, 2025; Aug. 18, 2025).

33 *See* IRS, Free Tax Return Preparation for Qualifying Taxpayers, https://www.irs.gov/individuals/free-tax-return-preparation-for-qualifying-taxpayers (last updated Oct. 17, 2025).

34 *See* Military One Source, Installation Volunteer Income Tax Assistance Locator, https://www.militaryonesource.mil/resources/tools/conus-oconus-volunteer-income-tax-assistance-locations/ (last visited Dec. 23, 2025).

35 IRS, CDW, IRTF, TYs 2020–2024 (through Dec. 9, 2025).

Figure 2.9.5, Individual Tax Returns Prepared Using VITA or TCE, TYs 2020-2024 ,

Taxpayer Location	TY 2020	TY 2021	TY 2022	TY 2023	TY 2024
Domestic	1.2%	1.4%	1.6%	1.7%	1.8%
Abroad	0.1%	0.1%	0.1%	0.1%	0.1%

VITA and TCE are valuable resources for lower-income taxpayers and would be extremely beneficial to taxpayers living abroad. As partners run the VITA and TCE sites, the IRS would not need to invest in an in-person presence to offer these services abroad. The IRS should work with international groups and U.S. consulates to explore the possibility of expanding the VITA and TCE programs to taxpayers outside of the United States, including offering remote and online options.

Other IRS Support Is Limited or Inaccessible

Other IRS support is similarly difficult for international taxpayers to obtain. Communication with the IRS is difficult for them as the IRS international telephone line hours are not convenient for many taxpayers in different time zones and the wait times can be very long.[36] The IRS does not have, and does not plan to add, a toll-free or local-rate phone number for taxpayers outside of the United States or U.S. territories.[37] Additionally, there is no callback option. [38] Calls placed in response to a letter, using one of the provided phone numbers, reach voicemail: IRS's Large Business and International (LB&I) Division does not take live calls.[39] LB&I also does not provide any virtual appointments to taxpayers and has no plans to do so.[40]

Taxpayers who do not speak English or have limited English proficiency (LEP) also experience language barriers when dealing with the IRS. Unfortunately, it appears that these issues may get worse. The IRS has the Over-the-Phone-Interpreter (OPI) Service, which provides IRS employees the ability to communicate with LEP taxpayers in over 350 languages.[41] With the signing of Executive Order (EO) 14224, *Designating English as the Official Language of the United States*, however, the IRS has limited the OPI translation services to only seven languages: Spanish, Mandarin, Cantonese, Korean, Vietnamese, Russian, and Haitian Creole.[42] This is also true for tax forms. Publication 1, Your Rights as a Taxpayer, was previously available in over 20 languages. Now, the IRS will only keep and maintain this in the seven languages.[43] This limitation raises concerns under the Taxpayer Bill of Rights for taxpayers living abroad with limited English proficiency.

36 Practitioners state that they often call the IRS the moment they start the day and are on hold for two hours before the IRS automatically disconnects the call at the U.S. close of business. Conversations with outside stakeholders (Aug. 6, 2025).
37 IRS response to TAS information request (Nov. 21, 2025).
38 IRS response to TAS information request (Nov. 21, 2025). The IRS states that it is not feasible to implement callback for international taxpayers. *Id.*
39 IRS response to TAS information request (Oct. 3, 2025); IRS response to TAS fact check (Dec. 22, 2025).
40 IRS response to TAS information request (Oct. 3, 2025). While the IRS has discussed the possibility of offering video conference options for taxpayers abroad, it has not determined its feasibility and impact on current service delivery. *Id.*
41 IRS response to TAS information request (Nov. 21, 2025).
42 IRS response to TAS information request (Nov. 21, 2025). *See also* Exec. Order 14224, *Designating English as the Official Language of the United States*, 90 Fed. Reg. 11363 (Mar. 1, 2025), https://www.federalregister.gov/documents/2025/03/06/2025-03694/designating-english-as-the-official-language-of-the-united-states. Although the IRS has cut OPI services, there is no mandate to do so under the EO. The EO specifically states "nothing in this order . . . requires or directs any change in the services provided by any agency" and "[a]gency heads are not required to amend, remove, or otherwise stop production of documents, products, or other services prepared or offered in languages other than English." *Id.* at § 3(b).
43 IRS response to TAS information request (Nov. 21, 2025). *See also* IRS, Prior Year Forms and Instructions, https://www.irs.gov/prior-year-forms-and-instructions?find=Your%20Rights%20As&items_per_page=200&order=prior_year_products_picklist_revision_date&sort=desc (last visited Dec. 23, 2025). The IRS will also begin including the following disclaimer on all IRS.gov webpages and forms in foreign languages: "Executive Order 14224, Designating English as the Official Language of the United States, designates English as the official language of the United States. Accordingly, the English language versions of all documents are the authoritative versions of all federal information." IRS response to TAS information request (Nov. 21, 2025).

There is some good news on the communication front though. On August 7, 2025, the IRS deployed an unauthenticated chatbot specifically for international taxpayers and deployed a live chat feature on December 8, 2025.[44] The chatbot has the option to self-guide users through several articles relating to regulations and procedures specific to international taxpayers, or to use the AI intent engine to guide users to a specific topic for their question.[45] The live chat allows taxpayers to speak with an IRS representative without incurring the expense of an international call. However, it is only available in English and Spanish from 7 a.m. to 11 p.m. Eastern Time and only addresses amended return statuses and transcript inquiries.[46] While initial survey results indicate the chatbot was only helpful 11.5% of the time, this chatbot has the potential to be a useful tool if the IRS reviews usage information and tailors it to address the needs of taxpayers abroad.[47]

The IRS's lack of education and outreach to taxpayers abroad also adds to compliance burdens. The IRS's efforts in this regard were minimal in FYs 2024 and 2025. It did not conduct any in-person outreach outside of the United States in these years and only conducted eight external webinars accessible to taxpayers outside the United States.[48]

Affordable, Qualified Tax Return Preparers Are Scarce

The complexity of the IRC and lack of free IRS return preparation assistance or other customer service leave many taxpayers abroad with no choice but to use a paid return preparer or try to work through the international tax complexities themselves, potentially subjecting them to harsh penalties. But affordable, qualified return preparation assistance is often hard to find as there is a shortage of return preparers abroad with sufficient knowledge and expertise to prepare the myriad of forms and IIRs taxpayers abroad may need to file. As a result, qualified preparers are often expensive.[49] Outside stakeholders note that the scarcity of qualified preparers may be due in part to difficulties in taking the Special Enrollment Examination (SEE).[50] The SEE is administered by an outside agency and is offered outside the United States in only five countries.[51] Practitioners who want to become enrolled agents thus often have to go to great expense to travel to another country for the exam. Fortunately, beginning in 2026 the IRS is planning to offer international testing via remote proctoring, thereby eliminating the need for candidates to travel.[52]

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44 IRS response to TAS information request (Nov. 21, 2025).

45 IRS response to TAS information request (Nov. 21, 2025). The chatbot is able to provide information or links to articles on IRS.gov on general information, notices and letters, forms, withholding, Employer Identification Numbers, Individual Taxpayer Identification Numbers, and FATCA. Between August 7, 2025, and September 14, 2025, 1,150 articles were viewed through the chat. *Id* *See* IRS, International Taxpayers, https://www.irs.gov/individuals/international-taxpayers, (last updated Aug. 21, 2025).

46 IRS response to TAS information request (Nov. 21, 2025). *See* IRS, Contact My Local Office Internationally, https://www.irs.gov/help/contact-my-local-office-internationally, (last updated Dec. 8, 2025).

47 The chatbot has a yes/no question at the end of the session asking whether the information was useful. Out of 200 instances, 23 responses (only 11.5%) indicated it was helpful. IRS response to TAS information request (Nov. 21, 2025).

48 IRS response to TAS information request (Oct. 3, 2025). The IRS states it plans to improve outreach to taxpayers outside the United States by continuing to develop educational letters, update relevant IRS.gov websites, and hold external webinars. It also states: "The IRS has webinars and educational letters planned to be delivered sometime in 2026." *Id*.

49 Outside stakeholders report the costs for a simple return can be approximately $500. If IIRs need to be prepared also, fees can run to four figures as preparers may charge several hundred dollars per form. One practitioner noted a going rate of $5,000 for preparation of a Form 5471. Conversations with outside stakeholders (Aug. 27, 2025).

50 Conversations with outside stakeholders (Aug. 6, 2025). In order to become an Enrolled Agent, individuals must pass the Special Enrollment Examination. *See* IRS, Become an Enrolled Agent, https://www.irs.gov/tax-professionals/enrolled-agents/become-an-enrolled-agent (last updated Oct. 21, 2025).

51 In FY 2025, the SEE was offered in seven cities in five countries. IRS response to information request (Nov. 19, 2025).

52 Remote proctoring allows a candidate the opportunity to test at home or office. The candidate is remotely checked in and monitored closely by a vendor employee from another location. It is secure proctored online testing. IRS response to information request (Nov. 19, 2025).

IRS Systems and Functions Are Incompatible With the Needs of Taxpayers Living Abroad and Create Barriers to Compliance

Taxpayers Continue to Experience Difficulties in Creating Online Accounts

Access to IRS online accounts is particularly important for taxpayers living abroad, yet identity verification requirements pose significant barriers.[53] The IRS offers an individual online account that allows taxpayers to do many things online.[54] To establish an online account, taxpayers first must complete an identity verification through a credential service provider (CSP).[55] To prove their identity, they generally need to upload government documents and a video selfie, and fill out personal information. Taxpayers without a U.S. phone number, mailing address, or Social Security number must also participate in a video call. Taxpayers living abroad encounter verification issues at substantially higher rates than domestic users, and many abandon the process altogether.

In FY 2025, 9.8 million ID.me users established an ID.me account for the first time, 28,000 of which were taxpayers living abroad.[56] While stakeholders note an improvement in the process overall, some taxpayers abroad still struggle with completing the identity verification process necessary to create their account.[57] In FYs 2024 and 2025, 6.9% and 5.4% of taxpayers living abroad requested support from ID.me, as opposed to only 2.6% and 1.6% of domestic users.[58] In 2025, the most common issues preventing taxpayers residing abroad from completing the process were: (i) abandoned document (*i.e.*, abandoned when asked to upload a document), (ii) failed document (*i.e.*, the taxpayer uploaded their document and the document failed verification), and (iii) abandoned liveliness (*i.e.*, abandoned when asked to take a selfie).[59] In FY 2025, 11% of individuals residing outside the United States who attempted to set up an ID.me account were unsuccessful; however, this number does not include the 17.8% who abandoned the process prior to successfully setting up an account.[60]

Efforts are being made to improve the ability of taxpayers abroad to complete the identity verification process, including expanding international documents that can be accepted through the self-service pathway (resulting in fewer abandoned documents) and an initiative to support e-Passports.[61] However, problems remain for these taxpayers. If they cannot verify their identities, or authenticate after verification, the IRS has no practical alternative method for them to gain access to the IRS's authenticated online account options. The IRS needs to provide a clear pathway with added support to online accounts for taxpayers abroad who either cannot verify their identity or authenticate through CSPs.

53 If taxpayers abroad can conduct business through their online account, they can avoid costly phone calls with long waits, access their account at convenient times, and avoid mail delays.

54 IRS, Online Accounts for Individuals, https://www.irs.gov/payments/online-account-for-individuals (last updated Oct. 10, 2025). Taxpayers can access tax records, make and view payments, view account balances, create and view payment plans, get transcripts, and more.

55 The IRS outsources identity proofing and credential management to a CSP. ID.me is currently the IRS's only CSP and is the only full service provider that can support different international user groups including U.S. citizens living abroad. IRS response to TAS information request (Sept. 26, 2025).

56 IRS response to TAS information request (Sept. 18, 2025). The number is through September 9, 2025, and consists of individuals with an address or phone number outside of the United States (inclusive of pre-verified individuals).

57 Conversations with outside stakeholders (Aug. 1, 2025; Aug. 4, 2025; Aug. 6, 2025).

58 IRS response to TAS information request (Sept. 18, 2025). The FY 2025 number is through September 9, 2025. On a positive note, 99% of the support tickets for taxpayers abroad for each FY have been resolved. *Id*

59 IRS response to TAS information request (Sept. 18, 2025). Outside stakeholders note that if taxpayers don't have a U.S. footprint, it is often impossible to get through the verification process. They also say they sometimes cannot create an account or have difficulties accessing online applications after verification because they cannot authenticate. Conversations with outside stakeholders (Aug. 20, 2025). Two-factor authentication is a problem as it generally cannot be sent to a foreign phone number and depending on the taxpayer's location, they may be unable to use a foreign IP address because it is geo-blocked. *Id.*

60 IRS response to TAS information request (Sept. 18, 2025; Oct. 3, 2025).

61 IRS response to TAS information request (Sept. 18, 2025). Additionally, the IRS is coordinating with CSPs to evaluate newly published National Institute Standards and Technology requirements. *Id*

Limited Payment and Refund Options Persist

The IRS payment system is also incompatible with the needs of taxpayers living abroad. The ability to accept tax payments and issue refunds is a critical function for effective tax administration, yet the current IRS system cannot electronically issue payments to or accept payments from foreign bank accounts.[62] Electronic payments can only be made through a U.S. financial institution or U.S. corresponding bank.[63] Similarly, taxpayers abroad can only make an international wire transfer from a U.S. financial institution or corresponding bank or a bank that has a banking relationship with a U.S. bank if they have a bank account with the foreign bank.[64] This leaves many taxpayers abroad unable to conduct financial transactions with the IRS electronically, requiring them to pay their tax either by a paper remittance or credit card.

The IRS's ability to directly deposit refunds due to taxpayers living abroad is practically nonexistent. Currently, the only option that the IRS has to directly deposit refunds to foreign accounts is through the International Treasury Service (ITS).[65] Refunds through the ITS are exceedingly rare. During FYs 2024 and 2025, the IRS only made 11 and 27 refunds, respectively, through ITS to taxpayers residing outside of the United States.[66]

The IRS's inability to make and receive electronic payments to and from foreign bank accounts is inconsistent with EO 14247, *Modernizing Payments To and From America's Bank Account.*[67] The EO generally requires all federal agencies to cease issuing paper checks by September 30, 2025.[68] It also authorizes the Secretary of the Treasury to approve limited exceptions including for "individuals without access to banking services or electronic payment systems."[69] The IRS recognizes that taxpayers abroad may fall into this category and states in processing year 2026, taxpayers with international bank accounts will be excepted from electronic payments "until more scalable and accessible systems are available."[70] Electronic payments are a faster and more secure way to get refunds into the hands of taxpayers. The IRS should explore options to expand the ability to make and receive payments electronically for taxpayers living abroad to put taxpayers abroad on the same footing as domestic taxpayers.

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62 IRS response to TAS information request (Nov. 21, 2025). The IRS does not, and is not planning to, accept or accommodate foreign banking information on IRS systems. *Id.*

63 IRS response to TAS information request (Nov. 21, 2025). *See also* IRS, Helpful Tips for Effectively Receiving a Tax Refund for Taxpayers Living Abroad, https://www.irs.gov/individuals/international-taxpayers/helpful-tips-for-effectively-receiving-a-tax-refund-for-taxpayers-living-abroad (last updated May 22, 2025).

64 *See* IRS, Foreign Electronic Payments – Tax Type Codes, https://www.irs.gov/individuals/international-taxpayers/foreign-electronic-payments-tax-type-codes (last updated Sept. 22, 2025). This can be expensive and the process is confusing.

65 The Bureau of the Fiscal Service allows federal agencies to make international payments through the ITS web application, ITS.gov, to more than 240 countries in over 100 currencies. *See* International Treasury Service, https://fiscal.treasury.gov/its/ (last visited Dec. 23, 2025).

66 IRS response to TAS information request (Nov. 21, 2025). The IRS states the "current process to issue refunds using ITS.gov is a very manual, resource intensive, process in which each individual payment is keyed by Data Entry Operator into the ITS.gov and Secure Payment System (SPS) systems. All taxpayer, foreign bank account, and refund information must be captured. The information is then reviewed/verified by a Certifying Officer in both systems and payment is manually certified. The current process would make it very challenging to handle a larger volume of refunds." *Id.*

67 Exec. Order 14247, *Modernizing Payments to and From America's Bank Account,* 90 Fed. Reg. 14001 (Mar. 25, 2025) https://www.federalregister.gov/documents/2025/03/28/2025-05522/modernizing-payments-to-and-from-americas-bank-account.

68 *Id.* Additionally, government agencies must electronically process all payments received as soon as possible. The EO aims to streamline government operations, enhance payment security, and reduce administrative burdens and costs. The National Taxpayer Advocate applauds the goal of modernization, particularly efforts to reduce the IRS's dependence on paper. *See* Erin M. Collins, As the IRS Phases Out Paper Checks, Vulnerable Taxpayers Must Not Be Left Behind, National Taxpayer Advocate Blog (Oct. 1, 2025), https://www.taxpayeradvocate.irs.gov/news/nta-blog/as-the-irs-phases-out-paper-checks-vulnerable-taxpayers-must-not-be-left-behind/2025/10/ *See also* Most Serious Problem: *IRS Modernization and Digitalization: Outdated Paper Processes and Procurement Delays Harm Taxpayers*, *supra*.

69 Exec. Order 14247, *Modernizing Payments to and From America's Bank Account,* § 4(a)(i), 90 Fed. Reg. 14001 (Mar. 25, 2025), https://www.federalregister.gov/documents/2025/03/28/2025-05522/modernizing-payments-to-and-from-americas-bank-account.

70 IRS response to TAS information request (Nov. 21, 2025). Taxpayers "with only international bank accounts will have to declare they do not have a U.S. bank account as an exception" and their refund will be released as a paper check. *Id.* The IRS should clearly communicate the steps necessary for taxpayers to declare this exception.

Tax Return Filing Difficulties Still Exist for Taxpayers Living Abroad

Many taxpayers abroad still struggle to electronically file their income tax returns. In TYs 2022 and 2023 only about 63.6% and 67% of taxpayers living abroad, respectively, filed their returns electronically as opposed to 94% and 94.6%, respectively, of domestic taxpayers.[71] This is due in part to the fact that certain common forms taxpayers abroad need to file are only available for paper filing.[72]

Timely processing of the discretionary two-month extension of time to file their income tax returns is one example of filing difficulties taxpayers abroad face. Taxpayers outside of the United States are allowed an automatic two-month extension of time to file their tax return and pay their tax, and can also file Form 4868, Application for Automatic Extension of Time to File U.S. Individual Income Tax Return, to request an automatic six-month extension.[73] Additionally, they can request a further two-month discretionary extension to December 15, by sending a letter to the IRS explaining the reason why they need the additional extension.[74] Practitioners state discretionary requests are not processed timely and often are not processed before the return is filed, resulting in the IRS assessing delinquency penalties despite a timely request being filed.[75] This causes added stress on taxpayers abroad who must expend additional time and money to get erroneous penalties abated.

The December 15 extended due date is also inconsistent with IRS e-file timelines. As the IRS generally closes its e-filing system in November of each year, many taxpayers living abroad who have an extension to file until December 15 are forced to file paper returns. The IRS should increase the number of forms common for taxpayers living abroad that they can file electronically. The IRS should also provide an electronic filing option to request the discretionary two-month extension of time to file their income tax returns. Further, it should consider leaving open the e-filing option for taxpayers abroad or consider other secure options for taxpayers abroad to electronically file their returns.

IRS Address and ZIP Code System Limitations Adversely Affect Taxpayers Living Abroad

Although the IRS is tasked with administering tax on a worldwide basis, its systems struggle to accommodate international ZIP codes or addresses. The system limitations cause difficulties for taxpayers, sometimes in unanticipated ways. An example is the IRS's declaration of Israel, Gaza, and the West Bank regions as federal disaster zones, which was a welcomed relief for many taxpayers.[76] An IRS declared disaster zone automatically extends various U.S. tax deadlines for affected taxpayers within the zones.[77] However, the IRS system that tracks disaster relief eligibility generally relies on ZIP codes but fails to recognize codes with incompatible

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71 IRS, CDW, IRTF, TYs 2022-2023 (through Oct. 1, 2025).

72 *See, e.g.*, IRS, International Filers, https://www.irs.gov/filing/free-file-fillable-forms/free-file-fillable-forms-military-and-international-filers (last updated Jan. 23, 2025). Additionally, self-service electronic filing options are limited. *See, e.g.*, IRS, U.S. Citizens and Resident Aliens Abroad, https://www.irs.gov/individuals/international-taxpayers/us-citizens-and-resident-aliens-abroad (last updated Aug. 25, 2025).

73 Taxpayers must meet certain requirements for the automatic two-month extension. *See* IRS, U.S. Citizens and Resident Aliens Abroad – Automatic 2-month Extension of Time to File, https://www.irs.gov/individuals/international-taxpayers/us-citizens-and-resident-aliens-abroad-automatic-2-month-extension-of-time-to-file (last updated Apr. 3, 2025). A qualifying taxpayer whose return is normally due on April 15 would be allowed until June 15 to file and pay, but interest still applies on any tax not paid by the regular due date of their return. *See also* IRS, U.S. Citizens and Resident Aliens Abroad – Automatic 6-month Extension of Time to File, https://www.irs.gov/individuals/international-taxpayers/us-citizens-and-resident-aliens-abroad-automatic-6-month-extension-of-time-to-file (last updated June 7, 2025). Taxpayers may electronically file the Form 4868 by either the original or extended due date. The six-month extension runs concurrently with the two-month extension for a total of six months.

74 IRS, Publication 54 (12/2025), Tax Guide for U.S. Citizens and Resident Aliens Abroad, https://www.irs.gov/publications/p54#en_US_2022_publink100047334 (last updated Jan. 15, 2026). While this is discretionary and must be approved by the IRS, outside stakeholders state the IRS rarely denies timely requests. Conversations with outside stakeholders (Aug. 6, 2025).

75 Conversations with outside stakeholders (Aug. 6, 2025). This may be due in part to the long delays inherent in international mail delivery.

76 *See* IRS News Release, IR-2025-97, IRS Announces New Relief for Eligible Taxpayers Affected by Ongoing Events in Israel: Due Dates for Eligible Returns and Payments May Be Postponed to Sept. 30, 2026; Additional Relief May Be Available (Sept. 30, 2025), https://www.irs.gov/newsroom/irs-announces-new-relief-for-eligible-taxpayers-affected-by-ongoing-events-in-israel-due-dates-for-eligible-returns-and-payments-may-be-postponed-to-sept-30-2026-additional-relief-may-be-available.

77 *Id.*

characters and may exclude taxpayers without ZIP codes. These limitations highlighted system incompatibility and required the IRS to employ alternative methods for taxpayers living abroad. What was intended to relieve stress and provide relief ended up creating an immediate barrier for taxpayers abroad as the IRS was unable to identify some affected taxpayers.[78] Unfortunately, it caused the IRS to erroneously assess penalties and added stress and expense to get taxpayers properly identified and penalties abated.[79] Another challenge is taxpayers abroad are also unable to use the IRS's *Where's My Amended Return?* tool because the authentication methods for the tool do not accommodate international postal codes.[80] System limitations as basic as not recognizing foreign addresses prevent the IRS from efficiently administering the tax laws globally and harm taxpayers abroad.

CONCLUSION AND RECOMMENDATIONS

The IRS is tasked with administering a worldwide tax system. Along with that responsibility comes the duty to educate, assist, and support taxpayers in complying with their tax obligations. However, the IRS is not living up to its obligations to taxpayers living abroad. These taxpayers are overwhelmed by the extraordinary complexity of the IRC and IIR reporting requirements. This impacts them in life-changing ways including the ability to maintain bank accounts, own property, or even save for retirement. While the IRS provides filing assistance to domestic taxpayers, virtually none of its efforts are focused on or dedicated to taxpayers outside of the United States. The lack of IRS assistance and lack of qualified affordable tax return preparers creates huge barriers for taxpayers abroad. Further, the IRS's systems are not aligned with the needs of taxpayers living abroad, resulting in more taxpayers having to file paper returns. System limitations also prevent them from receiving a refund or paying their taxes electronically and cause many to be unable to interact with the IRS through online accounts. The IRS has an obligation to meet taxpayers where they live, but it is not doing so for taxpayers living abroad. These failures discourage compliance and undermine trust in the tax system. Until the IRS meaningfully improves its guidance, assistance, and services for these taxpayers, taxpayer compliance will continue to erode, and fewer taxpayers abroad will be able to timely file their returns and pay their taxes.

Administrative Recommendations to the IRS

The National Taxpayer Advocate recommends that the IRS:

1. **Better inform taxpayers abroad of their U.S. tax obligations.** Institute a general awareness campaign for taxpayers living abroad informing them of their U.S. tax and IIR reporting obligations, including specific plain-language guidance on reporting requirements regarding foreign workplace and other retirement and pension plans and exceptions from reporting requirements.
2. **Expand access to free return preparation and assistance programs.** Work with international groups and U.S. consulates to explore the possibilities of expanding the VITA and TCE programs, including the possibilities of remote and online options, to taxpayers outside of the United States.
3. **Provide online account access and identity verification options.** Deliver alternative identity verification pathways to online account access with added support for taxpayers abroad who either cannot verify their identity or authenticate through CSPs.
4. **Expand electronic payment and refund capabilities.** Expand the ability to make and receive payments electronically from taxpayers abroad or other alternatives to encourage moving away from paper checks.

78 IRS response to TAS information request (Dec. 8, 2025); IRS response to TAS fact check (Jan. 21, 2026).
79 To correct these cases, practitioners must call the disaster relief hotline where they face long waits and limits on the number of cases, creating further obstacles. Conversations with outside stakeholders (Aug. 6, 2025).
80 IRS response to TAS information request (Nov. 21, 2025).

5. **Increase e-filing availability and simplify extension requests.** Increase the number of forms common for taxpayers living abroad that can be electronically filed and consider practical alternatives for taxpayers abroad to electronically request the additional discretionary two-month extension of time to file their income tax returns.
6. **Align e-filing timelines with international filing deadlines.** To reduce unnecessary paper filings, the IRS should extend the e-filing window for international taxpayers through December 15, the final extended due date for many abroad. Alternatively, the agency should create a secure electronic submission option for taxpayers abroad who file after e-file systems close each year.

Legislative Recommendations to Congress

The National Taxpayer Advocate recommends that Congress:

1. Amend IRC § 6038D and 31 U.S.C. § 5314 to eliminate duplicative reporting of assets on IRS Form 8938 when a foreign financial account is correctly reported on an FBAR, while ensuring each agency's continued access to information.
2. Amend IRC § 6038D to exclude accounts maintained by a financial institution organized under or licensed to conduct business in the country of which a U.S. person is a *bona fide* resident from the specified foreign financial accounts required to be reported on IRS Form 8938.

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10

INTERNATIONAL WITHHOLDING RELIEF

Taxpayers Face Long Delays and Hardships With IRS Processes Designed to Offer Relief From International Withholding Requirements

The U.S. tax system requires upfront withholding on certain payments to foreign taxpayers. In some situations, the required withholding amounts far exceed the taxpayer's actual tax liability. The IRS provides processes through which taxpayers can apply to reduce or eliminate this withholding, but some of these programs suffer from extensive delays and lack effective methods for taxpayers to contact IRS employees to get help with problems. As a result, taxpayers may spend years trying to recover funds unnecessarily withheld, receiving penalty notices for reasons they cannot understand, and paying professionals to help them navigate what feels like an IRS maze with no path out.

U.S. withholding requirements affect both foreign and U.S. taxpayers. People in the United States who make payments to foreign taxpayers may be unaware that they are subject to withholding requirements and can face personal liability not only for failing to withhold but also for associated penalties and interest. As a result, both foreign taxpayers and the people who pay them can unexpectedly receive collection notices and struggle to find a path toward resolution.

EXPLANATION OF THE PROBLEM

To investigate IRS processes relating to international withholding requirements, TAS spoke to tax professionals about their experiences with:

- Foreign Investment in Real Property Tax Act (FIRPTA), which establishes tax and withholding rules for dispositions of U.S. real property interests by foreign taxpayers;
- Form 8802, Application for United States Residency Certification, through which the IRS provides certificates of residency that U.S. taxpayers need for relief from certain withholding and taxes in foreign countries; and
- Form 8233, Exemption From Withholding on Compensation for Independent (and Certain Dependent) Personal Services of a Nonresident Alien Individual, which is an application to exempt withholding on payments to eligible nonresident taxpayers for services they perform in the United States.

TAS estimates that over the past three fiscal years (FYs) it has received about 2,000 assistance requests from taxpayers experiencing hardships related to one of these three processes.[1] While they are not the only IRS processes for seeking withholding relief in cross-border contexts, they demonstrate some problems and inefficiencies in these processes that impose costs and challenges not only on taxpayers but also on the IRS.[2] Common complaints include long delays in processing times, the lack of e-filing options, IRS errors that seem to arise from manual data entry, and lack of access to IRS employees who can help resolve problems.

ANALYSIS

Foreign Investment in Real Property Tax Act: 'Hardships 18 Ways to Sunday'

Foreign taxpayers who sell U.S. real property can face years trying to recover amounts withheld under FIRPTA.[3] In some cases, the taxpayers owe no tax on the sale, have little equity in the property, and need the withheld amounts to pay off a mortgage or other debts. As one tax professional described the situation, FIRPTA creates "hardships 18 ways to Sunday."[4]

Congress enacted FIRPTA in 1980 out of concerns that foreign investors could avoid U.S. tax when buying and selling U.S. real property.[5] Currently, FIRPTA applies special tax treatment to foreign persons who dispose of U.S. real property interests and imposes withholding requirements on the buyers (or certain other transferees).[6] Generally, buyers must withhold 15% of the amount realized, which is the total value of

1 IRS, Taxpayer Advocate Management Information System (TAMIS) (Nov. 24, 2025). Due to TAMIS application transition, FY 2025 cases excluded August and September data. Estimate is based on case issue codes and case history information indicating one of these three issues.
2 For an overview of withholding requirements on payments to foreign persons, see IRS, Pub. 515, Withholding of Tax on Nonresident Aliens and Foreign Entities (Feb. 5, 2025), https://www.irs.gov/pub/irs-pdf/p515.pdf.
3 Conversations with outside stakeholders (Aug. 14, 2025; Aug. 26, 2025; Sept. 5, 2025).
4 Conversations with outside stakeholders (Sept. 5, 2025).
5 Foreign Investment in Real Property Tax Act of 1980, Pub. L. No. 96-499, §§ 1121-1125, 94 Stat. 2599, 2682-2691 (1980); *see* H.R. Rep. No. 96-1167, at 511 (1980) ("[It] is essential to establish equity of tax treatment in U.S. real property between foreign and domestic investors…" Prior law "affords the foreign investor a number of mechanisms to minimize or eliminate his tax on income from the property while at the same time effectively exempting himself from U.S. tax on the gain realized on disposition of the property.").
6 *See* IRC §§ 897, 1445. For simplicity, this discussion will generally refer to the transferee with the withholding obligation as the "buyer."

what the buyer provides in the exchange, including money and other property.[7] The buyers must send the withholding to the IRS and submit Form 8288, U.S. Withholding Tax Return for Certain Dispositions by Foreign Persons, and Form 8288-A, Statement of Withholding on Certain Dispositions by Foreign Persons.[8]

Excessive Withholding Can Take Years to Recover

Tax professionals told TAS that the required withholding amount commonly exceeds the seller's tax liability, creating unnecessary overwithholding.[9] Taxpayers can apply to reduce the withholding amount to the amount of their tax liability by submitting Form 8288-B, Application for Withholding Certificate for Dispositions by Foreign Persons of U.S. Real Property Interests. By statute, the IRS has 90 days to act on the Form 8288-B.[10] However, tax professionals reported to TAS that in their experience it commonly takes the IRS nine to 12 months to issue a determination.[11] The IRS does not track the time from receipt of Form 8288-B to issuance of a determination and thus could not provide an average.[12]

> *Example:* A Canadian couple sells property they own in New York for $2 million. Under FIRPTA, the U.S. buyer must withhold $300,000 from the payment unless the IRS approves a reduced amount. The sellers will not owe tax on the sale and timely file Form 8288-B with the IRS to request zero withholding. Out of caution, the escrow agent retains the $300,000 until the IRS issues its response, which reportedly takes nine to 12 months.[13] This long delay will also affect when the sellers can later file their tax return or claim for refund for any excess FIRPTA withholding amounts.

The IRS shared some common reasons for delays:[14]

- Incomplete applications: Line 8 and supporting documentation are frequently missing;
- Incorrect addresses on forms: Incorrect addresses can lead to IRS correspondence coming back as undeliverable;
- Substantial documentation: Application documentation can be up to three inches thick, requiring extensive review;
- Delays in documentation: For example, when applicants submit documents by mail instead of fax, this can slow down overall processing time; and
- Technology limitations: The IRS's database includes small comment fields and sometimes times out.[15]

Delays in processing continue even though receipts have been steadily declining over the past several years, as shown in Figure 2.10.1.

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7 IRC § 1445(a). Withholding rules for distributions by corporations, partnerships, trusts, or estates are found in IRC § 1445(e). The general withholding rate is subject to modification and exemptions depending on the circumstances. Notably, when the buyer will use the property as a residence, the withholding rate drops to 10% when the amount realized is $1 million or less and to zero when the amount realized is $300,000 or less. IRC § 1445(b)(5), (c)(4). Note that other rules may apply; this discussion does not provide a comprehensive overview of the FIRPTA regime.

8 IRS, Form 8288, U.S. Withholding Tax Return for Certain Dispositions by Foreign Persons (Jan. 2026), https://www.irs.gov/pub/irs-pdf/f8288.pdf; IRS, Form 8288-A, Statement of Withholding on Certain Dispositions by Foreign Persons (Jan. 2023), https://www.irs.gov/pub/irs-access/f8288a_accessible.pdf.

9 Conversations with outside stakeholders (Aug. 26, 2025).

10 IRC § 1445(c)(3)(B).

11 Conversations with outside stakeholders (Sept. 12, 2025).

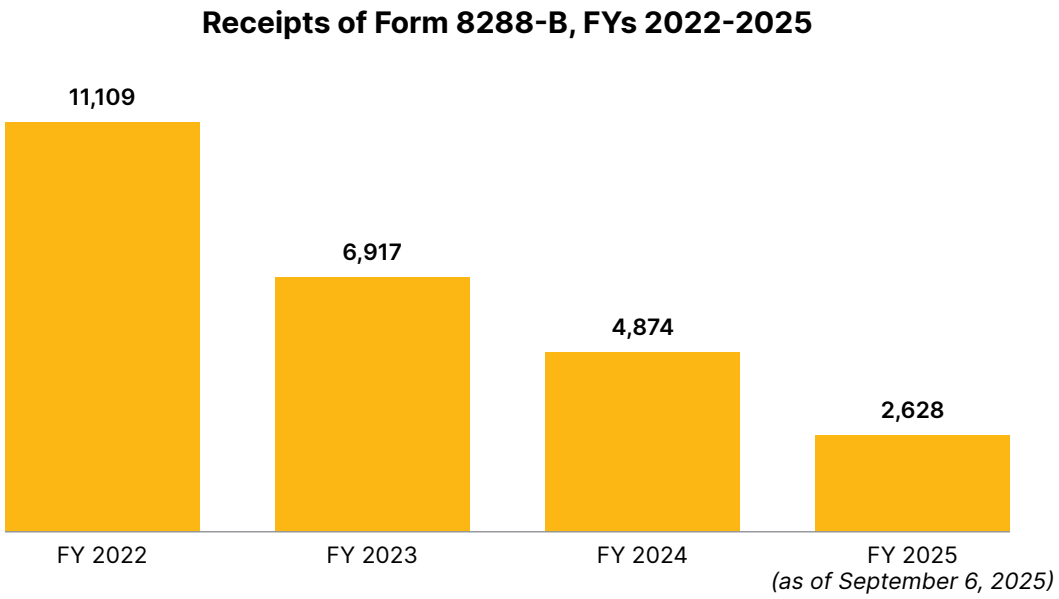
12 IRS response to TAS information request (Dec. 9, 2025).

13 This is based on estimates tax professionals provided TAS based on their experience. Conversations with outside stakeholders (Sept. 12, 2025).

14 IRS response to TAS information request (Dec. 9, 2025).

15 Although the IRS described the time-outs as a cause of delays, the IRS also considers them a system security feature. IRS response to TAS fact check (Dec. 22, 2025). Thus, it is unlikely the IRS would correct this issue through system upgrades.

FIGURE 2.10.1[16]



Delays in Issuing Withholding Statements

Tax professionals also report delays in when the IRS sends sellers documentation of the withholding.[17] When buyers withhold payment, they must send that amount to the IRS along with Form 8288 and Form 8288-A for each person subject to withholding. The due date for filing is 20 days from the date of transfer or 20 days from the date the IRS sends the withholding certificate, whichever is later. The IRS must then process the payment and issue the seller a stamped copy of the Form 8288-A reporting the withholding amount.[18]

The seller must attach the stamped Form 8288-A to their tax return to receive credit for the withheld amount.[19] Tax professionals reported it can take more than a year to receive the stamped Form 8288-A, although this appears to be inconsistent with data the IRS provided to TAS.[20] According to the IRS, for processable returns, the average time it takes for the IRS to mail Form 8288-A to the seller after receiving the Forms 8288 and 8288-A from the buyer is 26 days.[21]

Taxpayers who do not timely receive Form 8288-A can file a tax return relying on alternative evidence to prove their refund.[22] However, tax professionals report that returns using alternative evidence also face significant delays. Taxpayers typically wait to file "until the final hour in the hope that they get the stamped copy."[23]

16 IRS response to TAS information request (Dec. 9, 2025).
17 Conversations with outside stakeholders (Sept. 12, 2025; Sept. 22, 2025).
18 Treas. Reg. § 1.1445-1(c).
19 Treas. Reg. § 1.1445-1(f)(2).
20 Conversations with outside stakeholders (Sept. 22, 2025).
21 IRS response to TAS information request (Nov. 17, 2025). The average is for the period of January 1, 2022, to September 29, 2025.
22 Treas. Reg. § 1.1445-1(f)(3).
23 Conversations with outside stakeholders (Sept. 22, 2025).

According to the IRS, three common factors that may delay the issuance of Form 8288-A are:[24]

1. The seller's Taxpayer Identification Number was not included or was incorrect;
2. Third parties in the transaction (such as title companies, attorneys, and accountants) incorrectly listed themselves as the transferor and provided their own information, resulting in the IRS sending them the Forms 8288-A and posting payments to their accounts; and
3. Payments sent to the IRS are not properly labeled.

Uniquely Complicated Problems That Can Take Years to Unwind

The IRS does not currently offer e-filing for FIRPTA forms.[25] Applicants must submit the forms on paper, and IRS staff at the FIRPTA unit then manually enter information into IRS systems. According to tax professionals who spoke to TAS, FIRPTA data entry errors can create complicated problems.[26]

Not all data errors are the IRS's fault. They can also arise from other parties in the transaction who submit forms to the IRS, including the buyer and professional intermediaries like settlement agents and escrow agents. Once a data mistake enters the system, it can trigger a cascade of problems that become difficult to sort out, such as:[27]

- The IRS accepts the taxpayer's withholding application but fails to correctly input the amount of withholding. The approval letter omits a digit from the number, changing the withholding amount by a factor of ten.
- The IRS credits the withholding to the buyer's account, not the seller's. The seller files a tax return expecting a refund but receives a bill for unpaid tax.
- The IRS issues a notice that it will deny the withholding application unless the parties provide additional information within 30 days, but the parties never receive the letter. The buyer later receives a denial letter with a 20-day deadline to pay the full statutory withholding amount.
- When crediting the withholding, the IRS puts the decimal point in the wrong place, resulting in an incorrect credit amount.
- A title company submits an incorrect transaction date on a form to the IRS, resulting in the issuance of late-filing penalties and a notice of levy to the taxpayer, who struggles to find someone at the IRS who can correct the mistake and resolve the issue.

Although each data entry error is unique, tax professionals say that they are so frequent as to be a systemic problem. As one phrased it: "These kinds of problems are endemic as far as I can tell. Everyone I know who practices in this area of the law will tell you that they have had these kinds of experiences."[28]

Taxpayers may not realize there is a problem with the transaction or the filings until they receive a collection notice.[29] At that point, the taxpayers or their representatives must begin to trace what went wrong, which can be challenging. Tax professionals report that it is exceedingly difficult to connect with someone in the IRS FIRPTA unit who can identify and explain issues, much less resolve them.[30]

24 IRS response to TAS information request (Nov. 17, 2025).
25 *See* IRS, Modernized e-File (MeF) Forms, https://www.irs.gov/e-file-providers/modernized-e-file-mef-forms (last updated Oct. 20, 2025).
26 Conversations with outside stakeholders (Aug. 14, 2025; Aug. 26, 2025).
27 Summary of select TAS case issues (Sept. 15, 2025) (on file with TAS); conversations with outside stakeholders (Aug. 14, 2025).
28 Conversations with outside stakeholders (Aug. 26, 2025).
29 Conversations with outside stakeholders (Sept. 11, 2025).
30 Conversations with outside stakeholders (Sept. 12, 2025).

The IRS does not have a dedicated telephone line for most FIRPTA issues.[31] The IRS instead generally directs taxpayers to the Business Master File international phone line.[32] Tax professionals told TAS that IRS customer service representatives at the international help desk do not appear to be trained on FIRPTA issues and cannot provide help even on basic questions.[33] According to the IRS, case-specific correspondence does include the tax examiner's voicemail and fax numbers.[34] However, tax professionals say that when they call the FIRPTA unit they do not get a response, and no one at the IRS responds to their voicemails.[35]

The IRS team that processes paper Forms 8288 and 8288-A has had a steady loss of experienced staff over the past several years.[36] The IRS explained that the current team is largely new to the subject matter, and institutional knowledge has diminished.[37]

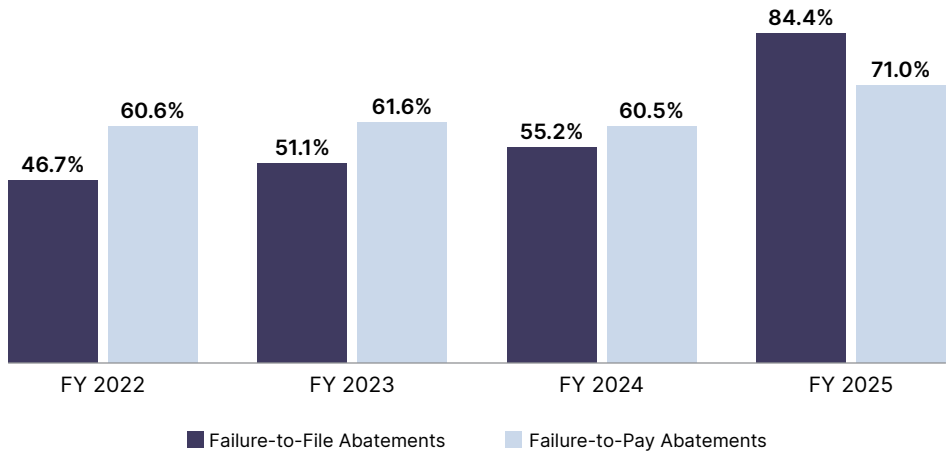
High Abatement Rates for FIRPTA Filing Penalties

The IRS imposes penalties for late filing of Form 8288 and late payment of the withholding.[38]

Based on cases brought to TAS, taxpayers do not always receive notices the FIRPTA unit sends and thus do not always respond timely, which can contribute to unnecessary penalty assessments.[39] Fortunately, many taxpayers can work with TAS or directly with the IRS to abate the penalties. As shown in Figure 2.10.2, the IRS abates a high percentage of penalties assessed.

FIGURE 2.10.2[40]

Abatements as a Percentage of Penalty Amounts Assessed, FYs 2022-2025



31 The exception is that there is a dedicated phone line for Form 8288-A. IRS response to TAS fact check (Dec. 22, 2025).
32 IRS response to TAS information request (Dec. 9, 2025).
33 Conversations with outside stakeholders (Sept. 12, 2025).
34 IRS response to TAS information request (Dec. 9, 2025).
35 Conversations with outside stakeholders (Sept. 12, 2025).
36 IRS response to TAS information request (Dec. 9, 2025). This group also processes Form 8288-C, Statement of Withholding Under Section 1446(f)(4) on Dispositions by Foreign Persons of Partnership Interests.
37 IRS response to TAS information request (Dec. 9, 2025).
38 IRC § 6651.
39 Summary of select TAS case issues (Sept. 15, 2025) (on file with TAS); conversations with outside stakeholders (Aug. 14, 2025).
40 IRS, Compliance Data Warehouse, Business Master File, Fiscal Years 2022-2025 (Dec. 18, 2025).

In 2022, TAS identified a systemic error in the FIRPTA case management system that led to penalty assessments based solely on the transfer date rather than the later of that date or the date of the withholding certificate.[41] The IRS took steps to resolve the issue. As of January 1, 2023, the IRS updated its systems to prevent this error going forward.[42] This may account for some of the abatements in the table, at least for 2022. However, abatements have continued at a high rate. While it is positive that many taxpayers ultimately get relief from these penalties, the IRS must revise its procedures to reduce unnecessary penalties before assessment rather than after, so taxpayers do not have to go through the stress of receiving penalty notices and seeking abatement.

The IRS Must Invest in E-Filing

The IRS could drastically reduce delays and data errors for FIRPTA filings by introducing e-filing or other digital processes. By accepting data digitally, the IRS could eliminate much of the time it now spends processing paper applications and manually entering data. An online portal could also help with communication problems, potentially providing taxpayers with digital records of IRS correspondence, updates on the status of filings, and an interface through which to request assistance or upload documents.

The IRS advised TAS that although there is no implementation date yet, Forms 8288 and 8288-B are on the electronic development list for a future year to be determined pending available resources. As part of the Zero Paper Initiative, the IRS has considered using a third-party vendor to scan Forms 8288-B into Digital Inventory Management.[43]

Because FIRPTA transactions involve multiple parties – at minimum a buyer and seller – ideally an e-filing platform would allow separate access and protect confidentiality for each party involved. If that is not feasible, simpler e-filing improvements would still benefit taxpayers. The IRS may be able to adapt existing systems for some processes.

If the IRS implements e-filing options, some taxpayers may still continue filing on paper. The IRS should incorporate into FIRPTA processes scanning technology that can recognize text on paper applications and input it into IRS data systems. This technology reduces transcription errors and would speed up the processing of paper.

Develop Tools and Update Guidance to Speed the Process

The IRS should look to modify policies and release new guidance that would strategically reduce the time required to process certain filings. The IRS generally processes Forms 8288-B on a first-in, first-out basis, and tax professionals report that IRS delays are consistent regardless of the level of complexity of the application.[44] The IRS should look for ways to fast-track certain applications.

The IRS should consider developing AI tools or other filters to identify Form 8288-B applications that pose the least risk and could receive expedited review. For example, tax professionals reported to TAS that the IRS sometimes sends information requests for Form 8288-B applications that seem unnecessarily detailed, ask for information that would make no difference to the final calculation, and seem to be inconsistent from one application to another.[45] Information requests not only delay the IRS's determination but can result in denials

41 Systemic Advocacy Project 000023, FIRPTA Unit in Ogden, Utah, Is Incorrectly Assessing Failure to File and Failure to Pay Penalties (on file with TAS).
42 Internal Revenue Manual (IRM) 21.8.2.11(10), Form 8288, Form 8288-A, and Form 8288-C (Oct. 1, 2025), https://www.irs.gov/irm/part21/irm_21-008-002r
43 IRS response to TAS information request (Dec. 9, 2025).
44 Conversations with outside stakeholders (Aug. 26, 2025).
45 Conversations with outside stakeholders (Sept. 5, 2025; Sept. 12, 2025).

if taxpayers do not receive the IRS's request and respond within 30 days.[46] An AI algorithm could assist FIRPTA examiners in determining when it is necessary and useful to submit information requests and when it is not, which could increase consistency in the process.

Additionally, the IRS should update FIRPTA guidance in ways that would streamline procedures and provide additional certainty for taxpayers, particularly for transactions involving larger entities. The IRS should seek feedback from tax professionals to identify the major areas of concern and potential solutions. For example, tax professionals told TAS that the IRS should simplify procedures for distributions from U.S. real property holding corporations that constitute a return of capital to shareholders.[47] Even though these transactions do not result in gain or loss, taxpayers face burdens and uncertainty in complying with FIRPTA withholding requirements.[48]

Tax professionals also noted that the IRS should update regulations to reflect changes to generally accepted accounting principles on the treatment of leases.[49] The accounting changes have made it more difficult for certain domestic corporations with operating leases like restaurants and gas stations to meet a regulatory safe harbor that could shield them from FIRPTA compliance requirements.[50]

U.S. Residency Certification: Why Does It 'Take More Than a Day'?

Taxpayers apply for U.S. residency certification from the IRS to reduce or eliminate certain foreign taxes and withholding under treaty provisions and to claim exemptions from value added tax.[51] Although the tax imposed is foreign, the U.S. resident must apply to the IRS for documentation to submit to the foreign government for relief.

Essentially, residency certification requires the IRS to verify that the taxpayer filed a U.S. tax return as a resident of the United States for the relevant year.[52] According to tax professionals who spoke to TAS and from reviewing TAS case inventory, it is not uncommon for taxpayers to wait months for their certification.[53] As one tax professional explained, the IRS residency certification program "is wasting time on doing useless stuff," and the whole process should not generally "take more than a day."[54]

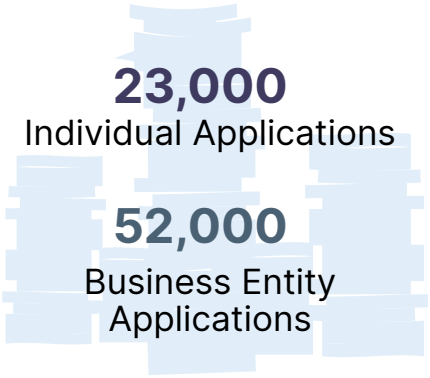
The IRS does not track yearly average processing times but indicated that for FYs 2024 and 2025, the general timeframe for processing ranged from around ten to 16 weeks, which can fluctuate due to factors such as volume of incoming receipts.[55] On average, the IRS each year receives about 23,000 individual applications and 52,000 business entity applications.[56] Business entity applications can take much longer to process than individual applications due to the additional length of the applications. While an individual application may be just a few sheets of paper, a single application for a large business can fill an entire IRS document cart.[57] Partnership applications are some of the lengthiest because they must include a correctly completed Form 8821, Tax Information Authorization, for every partner, in addition to the documentation for the application itself.

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46 IRM 21.8.5.4.2, Initial Review Form 8288-B or Formal Letter Application (Oct. 1, 2021), https://www.irs.gov/irm/part21/irm_21-008-005r
47 Conversations with outside stakeholders (Sept. 12, 2025; Sept. 22, 2025).
48 *See* Ilene Fine, *Revisiting FIRPTA and Return-of-Capital Distributions*, The Tax Advisor, July 1, 2024, https://www.thetaxadviser.com/issues/2024/jul/revisiting-firpta-and-return-of-capital-distributions/
49 Conversations with outside stakeholders (Sept. 22, 2025); Financial Accounting Standards Board, Accounting Standards Update 2016-02, Leases (Topic 842) (Feb. 2016).
50 *See* Treas. Reg. § 1.897-2(b).
51 *See* IRS, Instructions for Form 8802, at 12-14 (Oct. 2024), https://www.irs.gov/pub/irs-pdf/i8802.pdf
52 *See* IRM 21.8.4.2, Certification Overview (Oct. 1, 2025), https://www.irs.gov/irm/part21/irm_21-008-004r
53 Conversations with outside stakeholders (Sept. 17, 2025); summary of select TAS case issues (Nov. 15, 2025) (on file with TAS).
54 Conversations with outside stakeholders (Sept. 17, 2025).
55 IRS response to TAS information request (Dec. 2, 2025). The IRS posts its current general processing status for Form 8802 on IRS.gov. IRS, Processing Status for Tax Forms, https://www.irs.gov/help/processing-status-for-tax-forms (last updated Jan. 9, 2026).
56 IRS response to TAS information request (Nov. 14, 2025). Average is calculated based on the U.S. residency certification applications the IRS received between FY 2022-2024.
57 Discussion from site visit (Sept. 30, 2025).



General processing timeframe for FYs 2024 and 2025



Received each year, on average

When taxpayers do not timely get a residency certification, they can incur additional foreign taxes and face other hardships. Cases brought to TAS include situations where U.S. taxpayers working abroad said they are unable to receive payments or withholding tax refunds from foreign governments while they wait for the U.S. certification.[58] Tax planners looking to structure business transactions must factor in a potential months-long delay for residency certification, which complicates planning and potentially increases expenses.[59]

When taxpayers pay additional tax to foreign countries because they cannot timely get a U.S. residency certificate, they may be able to claim U.S. foreign tax credits to reduce their U.S. tax, resulting in potential revenue loss to the United States. Often, however, taxpayers are unable to claim these credits because of limitations under U.S. rules.[60] This exposes the taxpayers to double taxation unless they can get a refund for the foreign tax, which can be burdensome and would not be necessary if the IRS timely processed U.S. residency certifications.[61]

Because residency certifications generally last only one year, some taxpayers may need to apply for certification every year, beginning the cycle anew.

Processing Challenges for Residency Certifications

Taxpayers must submit the residency certification application and supporting documents to the IRS on paper, through e-fax, or through a recently developed digital application for individual taxpayers.[62] All methods require IRS employees to manually enter data from the application and supporting documents into IRS systems.[63] None of the options allow the IRS to digitally extract information or automatically populate its systems with the data. Thus, while e-fax and the digital application save taxpayers from having to mail paper documents, they do not change much about how the IRS ultimately processes these applications. In fact, the e-fax system can be more time-consuming for the IRS to process because clerks must manually input certain

58 Summary of select TAS case issues (Nov. 15, 2025) (on file with TAS).
59 Conversations with outside stakeholders (Sept. 17, 2025).
60 *See* IRS, Foreign Tax Credit, https://www.irs.gov/individuals/international-taxpayers/foreign-tax-credit (last updated Sept. 14, 2025).
61 Conversations with outside stakeholders (Sept. 17, 2025).
62 The digital application is not available for business entities, which must submit applications either through mail or e-fax. IRS response to TAS information request (Dec. 2, 2025).
63 IRS response to TAS information request (Dec. 2, 2025).

data from these applications twice, first into the e-fax database and then again into the case management system for residency certifications.[64] Paper and digital applications only require clerks to input data into a single system.

The manual nature of the process means the speed of certification will vary depending on the number of employees available. The U.S. Residency Certification team lost 30 employees, nearly one-fourth of its staff, between January 1, 2025, and August 2, 2025.[65]

New Digital Application Is a Good Step Forward

The IRS launched the new digital application process for Form 8802 in September 2025.[66] It allows individual taxpayers with an IRS online account to walk through a series of prompts to complete and submit the form online.[67] Although the IRS must still manually process the digitally submitted applications, the digital process represents a step forward, and the IRS should continue to build on it and provide a similar option for business entities.

A plain-language digital process with prompts can help taxpayers complete forms more easily and correctly, cutting down on errors that lead to processing delays. For example, one common source of delays with U.S. residency certifications is that applicants routinely miswrite the penalty of perjury statement.[68] Form 8802 includes a large empty box in which applicants must include all applicable penalty of perjury statements.[69] To find the correct statements, applicants must consult the list from the form instructions, identify the statements relevant to their application, and then write the statements correctly on the form.[70] If there is an error, the IRS examiner must contact the taxpayer so they can send a corrected statement. A digital application process could streamline this by automatically populating this information through a checklist or other automated steps, resulting in fewer processing delays and less frustration for taxpayers.

True E-Filing Could Make Certification Virtually Automatic

The IRS must prioritize developing a true e-filing process for residency certification and look for ways to integrate residency certification with other IRS systems that could automatically verify the taxpayer's eligibility for residency certification, at least for simple cases.

Verifying that taxpayers have filed a return should be one of the most straightforward tasks the IRS can perform. Individual taxpayers can use their IRS online account to verify that their filing status is current. If individuals can view this information themselves in online accounts, the IRS should be able to use similar information to automate residency certification for taxpayers whose returns have posted. The IRS Advisory Committee has for several years recommended that the IRS create a streamlined e-filing system for U.S. residency certification and in its 2024 report to Congress recommended adding such a feature to business online accounts.[71]

The IRS may always need to evaluate some applications manually, even with e-file and other digital options. But the more the IRS can automate the processing of certain applications, the more time and resources it will have left to devote to the filings for which automation does not work.

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64 IRS response to TAS information request (Dec. 2, 2025).
65 IRS response to TAS information request (Nov. 14, 2025).
66 IRS response to TAS information request (Dec. 2, 2025).
67 IRS response to TAS information request (Nov. 14, 2025); *see* IRS, Mobile-Friendly Forms, https://www.irs.gov/forms-pubs/mobile-friendly-forms (last updated Dec. 16, 2025).
68 IRS response to TAS information request (Nov. 14, 2025).
69 IRS, Form 8802, Application for United States Residency Certification (Nov. 2018), https://www.irs.gov/pub/irs-pdf/f8802.pdf
70 IRS, Instructions for Form 8802, at 12-14 (Oct. 2024), https://www.irs.gov/pub/irs-pdf/i8802.pdf
71 IRS, Pub. 5316, Internal Revenue Service Advisory Council Public Report 58, 66 (Nov. 2024), https://www.irs.gov/pub/irs-prior/p5316--112024.pdf

Form 8233: 'It Was a Nightmare' to Allocate Compensation to Time Spent in the United States

Withholding requirements generally apply by default to payments to nonresidents for services they provide in the United States. When nonresidents are exempt from tax on this compensation under a tax treaty provision, they can apply for an exemption from the withholding by filing Form 8233.[72]

One of the biggest hurdles to this process is the complexity of the applicable U.S. tax and treaty rules. Before submitting Form 8233, taxpayers must understand whether a treaty exemption applies, what their expected income in the United States will be, how to coordinate the form with the person who will be paying them, and whether they have a valid U.S. Taxpayer Identification Number or need to apply for one. Only then do taxpayers reach the point of parsing IRS Form 8233 procedures. This complexity can be a tall order for someone who comes to the United States for just a month or two for work. Many such individuals are not familiar with the U.S. tax system, do not have ready access to straightforward guidance in their language, and may have trouble finding affordable professional tax assistance. As discussed in the section below, even highly paid athletes and their representatives can struggle to figure out exactly what the law and the IRS require.

The IRS receives on average roughly 35,000 Forms 8233 per year, and the average time between receipt of a Form 8233 and issuance of a determination is one to three months.[73]

Multinational Sports Events and Clarifying Complexity

In 2025, the United States hosted the Fédération Internationale de Football Association (FIFA) Club World Cup, a soccer tournament in which 32 teams from leagues around the world gathered for about one month to compete for a prize pool of roughly $1 billion.[74] Because many of the players were not U.S. residents and would be performing services in the United States by participating in the tournament, their teams needed to determine how to allocate compensation according to their time in the United States and how much, if any, to withhold from payments.

Anticipating a surge of Forms 8233 and applications for Individual Taxpayer Identification Numbers (ITINs) associated with the tournament, the IRS developed a special FIFA-related process and set aside resources to quickly address these filings. As it turned out, however, the IRS received relatively few Forms 8233 or ITIN applications related to FIFA.[75]

The lack of submissions may relate to the fundamental problem of determining whether any given person even qualifies to use Form 8233 and, if so, also needs to apply for an ITIN. The answer for each person depends on facts specific to them, including where they normally reside, whether they are an athlete or team staff member, and how much time they spend in the United States outside of the tournament, among other potential factors. Unfortunately for the players, many of them are ineligible to use the Form 8233 process. It does not apply to residents of countries that do not have a bilateral income tax treaty with the United States, and for players who are residents of a treaty country, the "Entertainers and Sportsmen" treaty article in most treaties denies the tax exemption on U.S.-source compensation to athletes who make more than a certain amount of income.[76]

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72 *See* IRS, Instructions for Form 8233, at 1-3 (Dec. 2025), https://www.irs.gov/pub/irs-pdf/i8233.pdf; IRM 21.8.6.4, Form 8233, Exemption from Withholding on Compensation for Independent (and Certain Dependent) Personal Services of a Nonresident Alien Individual (Oct. 1, 2025), https://www.irs.gov/irm/part21/irm_21-008-006.

73 IRS response to TAS information request (Nov. 14, 2025).

74 Andrew Greif, *Winning FIFA's Club World Cup Earns More Than Bragging Rights. $1 Billion Is on the Line,* NBC News, June 15, 2025, https://www.nbcnews.com/sports/soccer/fifa-club-world-cup-billion-rcna212757

75 IRS response to TAS information request (Sept. 22, 2025).

76 *See* IRS, United States Model - Tax Treaty Documents, https://www.irs.gov/businesses/international-businesses/united-states-model-tax-treaty-documents (last updated Aug. 12, 2025) (listing U.S. model treaties and technical explanations); *see also* IRS, Instructions for Form 8233, at 1-3 (Dec. 2025), https://www.irs.gov/pub/irs-pdf/i8233.pdf

An added consequence of ineligibility to file Form 8233 is a longer wait time to file an ITIN application. The general rule for ITINs is that taxpayers cannot apply for one before they file their tax return.[77] Certain exceptions to that rule, such as eligibility to use Form 8233, allow taxpayers to file ITIN applications earlier.[78] It is generally helpful to have a Taxpayer Identification Number as early as possible. Withholding for people without Taxpayer Identification Numbers can lead to matching problems and other difficulties when those taxpayers later try to claim credit for the withheld amounts.

Summing up the experience with the 2025 FIFA Club World Cup, one tax professional told TAS: "It was a nightmare figuring out how to allocate the compensation between the U.S. and anywhere else," adding that players "need ITINs. They can't get the ITINs until they file a tax return, which is by definition after the W-2s are issued. Why would the IRS not be willing when asked to give an artificial number for this purpose? It would be trivially easy."[79]

The IRS will again see an influx of athletes and support staff for the 2026 FIFA World Cup and the 2028 Olympics, both of which take place in the United States. The IRS should proactively issue guidance, in light of the experience gained in 2025. It will be important to publicize the guidance so that all people who can use it are aware of it. The IRS should consider creating a centralized website with information, developing an online tool that walks nonresidents through the rules and exemptions that apply to them, and designating a group of subject matter experts who are able to respond to questions.

E-Filing and Digital Tools for All

It is not a simple task for the IRS to provide one-size-fits-all guidance for events like the FIFA Club World Cup. The United States has over 60 bilateral tax treaties currently in effect with foreign countries, default U.S. tax rules apply in the absence of treaties, and many factors can affect any given nonresident's U.S. tax liability and eligibility for withholding relief.[80]

But if this is difficult for the IRS to succinctly explain, it is much more difficult for nonresidents to figure out on their own before they come to the United States. All nonresidents with a filing obligation must find a way to determine their tax obligations and rights and file correctly. If not, they may fail to recover amounts withheld from them and potentially face other problems including penalties. The same is also true for the people who make payments to nonresidents, since they can face personal liability and penalties for not meeting withholding requirements.

To encourage compliance and improve the taxpayer experience, the IRS should invest in permanent, user-friendly online tools with guided prompts to help nonresident taxpayers understand which tax rules and exemptions apply when they come to the United States to perform services. These tools should go beyond eligibility determinations and actively assist taxpayers in preparing required applications, with the ability to either e-file directly or generate completed forms that taxpayers can sign and mail. Providing this support would reduce errors, improve compliance, and lower administrative burdens for both taxpayers and the IRS.

77 IRM 3.21.263.5.2, Filing Tax Return Versus Exception Criteria (Jan. 30, 2025), https://www.irs.gov/irm/part3/irm_03-021-263r; Instructions for Form 8233, at 4 (Dec. 2025), https://www.irs.gov/pub/irs-pdf/i8233.pdf

78 Instructions for Form W-7, at 5, 11 (Dec. 2024), https://www.irs.gov/pub/irs-pdf/iw7.pdf

79 Conversations with outside stakeholders (Aug. 26, 2025).

80 IRS, United States Income Tax Treaties - A to Z, https://www.irs.gov/businesses/international-businesses/united-states-income-tax-treaties-a-to-z (last updated Jan. 3, 2026).

CONCLUSION AND RECOMMENDATIONS

TAS's review of FIRPTA, U.S. Residency Certification, and Form 8233 reveals programs burdened by outdated, manual processes that impose unnecessary hardship on taxpayers and inefficiencies on the IRS. Modernization and e-filing are essential. Even if these programs affect a smaller share of taxpayers, the consequences are severe for those impacted. The IRS must prioritize these areas as part of its broader modernization strategy. Even small steps and improvements would go a long way to reducing the burdens on these taxpayers.

Administrative Recommendations to the IRS

The National Taxpayer Advocate recommends that the IRS:

1. **Provide a timeline for developing e-filing, online portals, and other digital tools to assist taxpayers with these programs.** Provide a plan for when the IRS will implement e-filing and secure communication portals for FIRPTA, U.S. Residency Certification, Form 8233, and other comparable programs that provide status updates, post copies of correspondence, help taxpayers understand their eligibility for certain programs, complete forms, and allow taxpayers and certain other interested parties to submit messages.
2. **Clearly advise taxpayers about processing delays.** Prominently display average processing times and clear notices of potential delays on IRS.gov pages where taxpayers access the forms for these programs so the taxpayers using them will be likely to see them, have realistic expectations, and be able to make informed decisions about timing.
3. **Identify and address the causes of FIRPTA penalty assessments.** Analyze the underlying drivers of failure-to-file and failure-to-pay penalty assessments related to FIRPTA to identify systemic issues and prevent unnecessary penalties before they occur.
4. **Implement AI or other tools to expedite review of certain FIRPTA withholding certificate applications.** Deploy AI or other risk-based algorithms to identify and flag low-risk Form 8288-B applications for expedited review.
5. **Update FIRPTA guidance and regulations to simplify compliance.** Evaluate and update FIRPTA guidance and regulations to reduce unnecessary complexity, including addressing challenges related to return-of-capital transactions and issues arising from lease-accounting rule changes.
6. **Consider automating U.S. Residency Certification requests.** Evaluate and where feasible, implement an automated process for U.S. Residency Certification requests through IRS online accounts for taxpayers whose returns have posted.
7. **Create and publicize centralized international event tax guidance.** Develop, maintain, and actively promote a centralized website providing clear tax guidance for major international events, including the 2026 FIFA World Cup and the 2028 Olympics. The site should include practical compliance information, timelines, and dedicated contact information for additional support to ensure affected taxpayers can easily access assistance.

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MOST LITIGATED ISSUES

IRC § 7803(c)(2)(B)(ii)(XI) requires the National Taxpayer Advocate to identify in her Annual Report to Congress the ten tax issues most litigated in federal courts and make recommendations to mitigate litigation. A variety of courts share concurrent jurisdiction over federal tax litigation. They include Article I (*i.e.*, special courts created by Congress) and Article III (*i.e.*, constitutional) courts. Litigation generally includes a right of appeal to the U.S. Courts of Appeals,[1] although some taxpayers elect to give up their appeal rights and pursue binding but less formal proceedings.[2] The taxpayer's choice of judicial forum depends on many factors, including whether the taxpayer is required to pay the tax before litigation, the court's procedures, the burden of proof, and the controlling precedent. Tax litigation takes place in:

- U.S. Tax Court;
- U.S. district courts;
- U.S. bankruptcy courts;
- U.S. Court of Federal Claims;
- U.S. Courts of Appeals; and
- U.S. Supreme Court.

1 See IRC § 7482, which provides that the U.S. Courts of Appeals (other than the U.S. Court of Appeals for the Federal Circuit) have jurisdiction to review the decisions of the Tax Court. There are exceptions to this general rule. *See also* 28 U.S.C. § 1294 (appeals from a U.S. district court are to the appropriate U.S. Court of Appeals); 28 U.S.C. § 1295 (appeals from the U.S. Court of Federal Claims are heard in the U.S. Court of Appeals for the Federal Circuit); 28 U.S.C. § 1254 (appeals from the U.S. Courts of Appeals may be reviewed by the U.S. Supreme Court).

2 For example, IRC § 7463 provides special procedures for small Tax Court cases (where the amount of deficiency or claimed overpayment totals $50,000 or less) for which appellate review is not available.

The U.S. district courts and the U.S. Court of Federal Claims have concurrent jurisdiction over tax matters in which (i) the tax has been assessed and paid in full and (ii) the taxpayer has filed an administrative claim for refund.[3] The U.S. district courts, along with the bankruptcy courts in very limited circumstances, provide the only forum in which a taxpayer can request a jury trial.[4] Bankruptcy courts can adjudicate tax matters not adjudicated before filing a bankruptcy case.[5]

Congress created the U.S. Tax Court (Tax Court) as a forum where taxpayers can bring suit to contest IRS-proposed assessments and determinations without prepayment.[6] It has jurisdiction over a variety of tax issues, including deficiencies, certain declaratory judgment actions, appeals from administrative hearings, relief from joint and several liability, and determinations of employment status.[7] The Tax Court is a "prepayment" forum, which is one major advantage for taxpayers as their case can be adjudicated on the merits without paying the disputed tax in advance.[8] In fiscal year (FY) 2025, taxpayers submitted 15,911 petitions seeking judicial review in the Tax Court, which is slightly less than the 16,117 petitions submitted by taxpayers in FY 2024 seeking judicial review in the Tax Court.[9]

METHODOLOGY

To identify the top ten Most Litigated Issues, TAS used commercial legal research databases to locate and review published opinions involving a substantive civil tax issue decided on the merits in federal courts during the FY 2025 period from October 1, 2024, through September 30, 2025 (the reporting period).[10]

TAS also reviewed the statutory notices of deficiency for each petition taxpayers filed with the Tax Court during the reporting period. A statutory notice of deficiency, also called a notice of deficiency, a 90-day letter, or ticket-to-Tax Court, is a legal notice in which the IRS Commissioner determines a taxpayer's tax deficiency. IRC § 6212 requires the IRS to issue a statutory notice of deficiency before assessing additional income tax, estate tax, gift tax, and certain excise taxes unless the taxpayer agrees to the assessment. A statutory notice of deficiency also starts the 90-day period in which the taxpayer can file a petition with the Tax Court.[11]

3 28 U.S.C. § 1346(a)(1); IRC § 7422(a). *See Flora v. United States*, 362 U.S. 145 (1960). *See also* National Taxpayer Advocate 2026 Purple Book, *Compilation of Legislative Recommendations to Strengthen Taxpayer Rights and Improve Tax Administration (Expand the U.S. Tax Court's Jurisdiction to Hear Refund Cases*).

4 The bankruptcy courts may only conduct a jury trial if the right to a trial by jury applies, all parties expressly consent, and the district court specifically designates the bankruptcy judge to exercise such jurisdiction. 28 U.S.C. § 157(e).

5 *See* 11 U.S.C. § 505(a)(1), (a)(2)(A).

6 *See* IRC §§ 7441, 7442.

7 IRC §§ 6214, 7476-7479, 6330(d), 6015(e), and 7436.

8 IRC § 6213(a). For example, a taxpayer who wishes to contest an IRS determination in a statutory notice of deficiency can do so in the Tax Court without needing to pay the disputed tax first; in contrast, if the taxpayer wanted to file a suit for refund in another forum, such as a U.S. district court, the taxpayer must generally prepay the entire amount in dispute.

9 IRS response to TAS information request (Oct. 7, 2025). National Taxpayer Advocate 2024 Annual Report to Congress 153 (Most Litigated Issues), https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2024/12/ARC24_MostLitigatedIssues.pdf

10 We excluded from our count all federal tax case opinions decided on a procedural issue, including bench orders that were not final opinions in a case. Furthermore, legal issues raised by a party but not addressed in a substantive opinion by the court were also excluded from our count.

11 Note that if the statutory notice of deficiency "is addressed to a person outside of the United States," the period for filing a petition with the Tax Court is 150 days from the date of mailing instead of 90 days. *See* IRC § 6213(a). The Tax Court has construed this language broadly, concluding among other things that the 150-day period for filing a petition applies when a notice of deficiency is mailed to an address outside the United States as well as when a notice of deficiency is mailed to an address within the United States, but the taxpayer is located outside the United States. *See, e.g.*, *Levy v. Comm'r*, 76 T.C. 228 (1981) (holding that the 150-day rule is applicable to a U.S. resident who is temporarily outside of the country when the notice is mailed and delivered); *Looper v. Comm'r*, 73 T.C. 690 (1980) (holding that the 150-day rule is applicable where a notice is mailed to an address outside the United States); *Lewy v. Comm'r*, 68 T.C. 779 (1977) (holding that the 150-day rule is applicable to a foreign resident who is in the United States when the notice is mailed but outside the United States when the notice is delivered); *Hamilton v. Comm'r*, 13 T.C. 747 (1949) (holding that the 150-day rule is applicable to a foreign resident who is outside the United States when the notice is mailed and delivered).

Our analysis identified 370 court opinions, with 158 opinions issued by the Tax Court in the reporting period.[12] We also reviewed 212 court opinions from other federal courts, including U.S. district courts, U.S. Courts of Appeals, U.S. Court of Federal Claims, U.S. bankruptcy courts, and the U.S. Supreme Court.[13] The total number of opinions represents an 11% decrease from the 414 cases we identified last year.[14]

The second part of our analysis reviewed 15,911 petitions submitted by taxpayers in FY 2025 seeking judicial review in the Tax Court to identify the issues appearing most frequently, using data provided by the IRS Independent Office of Appeals (Appeals). We identified the issues in statutory notices of deficiency to determine the unagreed audit issues.[15] Our research team compiled the data for our analysis using information from the Compliance Data Warehouse (CDW), Individual Master File (IMF) Transaction History table for FY 2025, and the Examination Operational Automation Database.

MOST LITIGATED ISSUES IN TAX COURT OPINIONS

We reviewed all 158 Tax Court opinions issued during FY 2025 that ruled on the merits of a substantive tax issue to identify the top ten Most Litigated Issues in the Tax Court.[16] We identified the issues before the court and whether the litigant was a Form 1040, U.S. Individual Income Tax Return, taxpayer or non-Form 1040 taxpayer.[17] Tax Court cases involving Form 1040 taxpayers (101 cases) outnumbered non-Form 1040 taxpayers (57 cases).

FIGURE 3.1, Top Ten Issues in Tax Court Opinions for Form 1040 Taxpayers, FY 2025[18]

Ranking	Issue Category	Opinions Discussing Issue
1	Collection Due Process (CDP) (IRC §§ 6320 and 6330)	27
2	Unreported or Underreported Gross Income (IRC § 61 and Related IRC Sections)	25
3	Accuracy-Related Penalty (IRC § 6662)	24
4	Schedule C Income and Expenses (Sole Proprietorships)	19
5	Additions to Tax (IRC §§ 6651, 6654, 6655) (Failure-to-File, Failure-to-Pay, and Estimated Tax Penalties)	17
6	Passive Activity (Schedule E Income and Expenses)	11
7	Schedule A Itemized Deductions, Excluding Charitable Contribution Deductions	9
8	Fraud Penalty (IRC § 6663)	8 (tie)
9	Frivolous Issues Penalty (IRC §§ 6673, 7482(c)(4), 1927, or Tax Court Rule 38)	8 (tie)
10	Adjusted Gross Income (AGI) Exclusions and Deductions	7

12 Our analysis does not include cases on appeal and declaratory judgments.
13 Many cases are resolved before the court issues an opinion. Some taxpayers reach a settlement with the IRS before trial while the courts dismiss other taxpayers' cases for a variety of reasons, including lack of jurisdiction and lack of prosecution. Courts can issue less formal "bench opinions," which are not published or precedential. We did not include bench orders and summary judgments in this report.
14 National Taxpayer Advocate 2024 Annual Report to Congress 153 (Most Litigated Issues), https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2024/12/ARC24_MostLitigatedIssues.pdf.
15 IRS response to TAS information request (Oct. 7, 2025). TAS matched this data to information from CDW, IMF Transaction History table for FY 2025, and the Examination Operational Automation Database (Nov. 2025).
16 We excluded from our count all federal tax case opinions decided on a procedural issue, including bench orders that were not final opinions in a case. Furthermore, legal issues raised by a party but not addressed in a substantive opinion by the court were also excluded from our count.
17 In prior years, we had used "Individual" and "Business" category labels, but going forward, we are adopting the terms Form 1040 and non-Form 1040 to be more precise and indicative of all the different types of taxpayers that encompass each category. Form 1040 is generally for individuals and sole proprietors, while other entities like corporations, partnerships, trusts, and estates use separate forms. Another change we made from prior years was to include accuracy-related penalties, Collection Due Process, and fraud penalties in our most litigated issues count, instead of counting them in a separate category of "other issues."
18 In cases of a tie between categories, we listed them in alphabetical order. Some opinions resolved multiple substantive tax issues in the same opinion.

FIGURE 3.2, Top Ten Issues in Tax Court Opinions for Non-Form 1040 Taxpayers, FY 2025[19]

Ranking	Issue Category	Opinions Discussing Issue
1	Accuracy-Related Penalty (IRC § 6662)	18
2	Partnership Income or Expenses (excluding Cost of Goods Sold (COGS))	13
3	Charitable Contributions Including Conservation Easements (IRC § 170)	12
4	Corporate Income or Expenses (excluding COGS)	7
5	Schedule K-1 Flow-Through Items reported on Forms 1120-S and 1065	4 (tie)
6	Unreported or Underreported Gross Income (IRC § 61 and Related IRC Sections)	4 (tie)
7	Whistleblower Award Determinations (IRC § 7623(b)(1))	3
8	AGI Exclusions and Deductions	2 (tie)
9	CDP (IRC §§ 6320 and 6330)	2 (tie)
10	Qualified Business Income (IRC §§ 199 and 199A)	2 (tie)

MOST LITIGATED ISSUES PETITIONED TO THE TAX COURT

We identified the top ten issues petitioned to the Tax Court to provide insight into the matters that taxpayers bring before the Tax Court and to allow us to compare those issues to the top ten issues that required a court ruling to resolve.[20]

FIGURE 3.3, Top Ten Issues Petitioned to the Tax Court for Form 1040 Taxpayers, FY 2025[21]

Ranking	Issue Category	Petitions Discussing Issue
1	Unreported or Underreported Gross Income (IRC § 61 and Related IRC Sections)	11,865
2	Statutory Adjustment	3,641
3	Schedule C Income and Expenses (Sole Proprietorships)	2,085
4	Payments and Other Credits	1,622
5	Filing Status and Dependents	1,066
6	Accuracy-Related Penalty (IRC § 6662)	782
7	AGI Exclusions and Deductions	769
8	Schedule A Itemized Deductions, Excluding Charitable Contribution Deductions	768
9	Family Status Related Credits (excluding Earned Income Tax Credit (EITC))	661
10	EITC	656

19 In cases of a tie between categories, we listed them in alphabetical order. Some opinions resolved multiple substantive tax issues in the same opinion.

20 IRS response to TAS information request (Oct. 6, 2025). TAS matched this data to information from CDW, IMF Transaction History table for FY 2025, and the Examination Operational Automation Database (Nov. 2025).

21 IRS response to TAS information request (Oct. 6, 2025). TAS matched this data to information from CDW, IMF Transaction History table for FY 2025, and the Examination Operational Automation Database (Nov. 2025). We removed Impact of *De Minimus* Issues from this list, which was an issue in 2,880 petitions, because of the add-on nature of the category. The categories are further defined in the glossary below.

FIGURE 3.4, Top Ten Issues Petitioned to the Tax Court for Non-Form 1040 Taxpayers, FY 2025[22]

Ranking	Issue Category	Petitions Discussing Issue
1	Corporate or Partnership Trade or Business Expenses	321
2	Corporate or Partnership Gross Income	246
3	Accuracy-Related Penalty (IRC § 6662)	136
4	Schedule K-1 Flow-Through Items Reported on Forms 1120-S and 1065	82
5	Miscellaneous Items	39
6	Balance Sheet - Assets	30
7	Balance Sheet - Stockholder Equity	29
8	Charitable Contributions	28
9	Balance Sheet - Liabilities	24
10	Other Penalties	15

MOST LITIGATED ISSUES IN U.S. DISTRICT COURT OPINIONS

We reviewed all U.S. district court opinions issued during FY 2025 that ruled on the merits of a substantive tax issue to identify the top ten Most Litigated Issues in the U.S. district courts. We identified the issues before the court and whether the litigant was a Form 1040 or non-Form 1040 taxpayer. U.S. district court cases involving Form 1040 taxpayers (89 cases) outnumbered non-Form 1040 taxpayers (29 cases).

FIGURE 3.5, Top Issues in U.S. District Court Opinions for Form 1040 Taxpayers, FY 2025[23]

Ranking	Issue Category	Opinions Discussing Issue
1	Civil Actions to Enforce Federal Tax Liens or to Subject Property to Payment of Tax (IRC §§ 6321 and 7403)	29
2	Summons Enforcement (IRC §§ 7602(a), 7604(a), and 7609(a))	14
3	Civil Actions for Refund (IRC § 7422)	13
4	Unreported or Underreported Gross Income (IRC § 61 and Related IRC Sections)	10
5	Civil Damages for Unauthorized Collection (IRC § 7433)	7
6	Criminal Tax Evasion (IRC § 7201)	6
7	Return Preparer Injunctions (IRC §§ 7407 and 7408)	5
8	Additions to Tax (IRC §§ 6651, 6654, 6655) (Failure-to-File, Failure-to-Pay, and Estimated Tax Penalties)	3 (tie)
9	Prosecution of Foreign Bank and Financial Accounts (FBAR) Penalty (Bank Secrecy Act) (FinCEN Form 114)	3 (tie)

(continued on next page)

22 IRS response to TAS information request (Oct. 6, 2025). TAS matched this data to information from CDW, IMF Transaction History table for FY 2025, and the Examination Operational Automation Database (Nov. 2025). The categories are further defined in the glossary below.

23 The categories are further defined in the glossary below.

10	Disgorgement of Ill-Gotten Gains (IRC § 7402(a))	2 (tie)
11	Freedom of Information Act	2 (tie)
12	Passport Certification (IRC § 7345)	2 (tie)
13	Willful Attempts to Interfere With Administration of Internal Revenue Laws (IRC § 7212)	2 (tie)
14	Willful Fraud and False Statements (IRC § 7206)	2 (tie)

FIGURE 3.6, Top Ten Issues in U.S. District Court Opinions for Non-Form 1040 Taxpayers, FY 2025[24]

Ranking	Issue Category	Opinions Discussing Issue
1	Summons Enforcement (IRC §§ 7602(a), 7604(a), and 7609(a))	5 (tie)
2	Trust Fund Recovery Penalty (IRC § 6672)	5 (tie)
2	Civil Actions to Enforce Federal Tax Liens or to Subject Property to Payment of Tax (IRC §§ 6321 and 7403)	4
3	Civil Actions for Refund (IRC § 7422)	3 (tie)
4	Freedom of Information Act	3 (tie)
5	Accuracy-Related Penalty (IRC § 6662)	2 (tie)
6	Attorney Fees (IRC § 7430)	2 (tie)
7	Corporate – Income or Expenses (excluding COGS)	2 (tie)
8	Employee Retention Credit (IRC § 3134)	2 (tie)
9	Excise Taxes (IRC § 4051)	2 (tie)
10	Partnership – Income or Expenses (excluding COGS)	2 (tie)

MOST LITIGATED ISSUES IN U.S. BANKRUPTCY COURT OPINIONS

We reviewed all U.S. bankruptcy court opinions issued during FY 2025 that ruled on the merits of a substantive tax issue to identify the Most Litigated Issues in the U.S. bankruptcy courts. We identified the issues before the court and whether the litigant was a Form 1040 or non-Form 1040 taxpayer. U.S. bankruptcy court cases involving Form 1040 taxpayers (15 cases) outnumbered non-Form 1040 taxpayers (4 cases).

With three cases each, the top Form 1040 taxpayer issues for U.S. bankruptcy court opinions were federal tax liens and unreported or underreported gross income. For non-Form 1040 taxpayer issues, the top issue for U.S. bankruptcy court opinions was employment taxes.[25]

MOST LITIGATED ISSUES IN U.S. COURT OF FEDERAL CLAIMS OPINIONS

We reviewed all U.S. Court of Federal Claims opinions issued during FY 2025 that ruled on the merits of a substantive tax issue to identify the Most Litigated Issues in the U.S. Court of Federal Claims. We identified the issues before the court and whether the litigant was a Form 1040 or non-Form 1040 taxpayer. U.S. Court of Federal Claims cases involving Form 1040 taxpayers (5 cases) outnumbered non-Form 1040 taxpayers (1 case).

24 The categories are further defined in the glossary below.
25 *Id.*

The top Form 1040 taxpayer issues for the U.S. Court of Federal Claims opinions was the IRC § 6672 trust fund recovery penalty. For non-Form 1040 taxpayers, the only issue for the U.S. Court of Federal Claims opinions related to passive activity.[26]

MOST LITIGATED ISSUES IN U.S. COURTS OF APPEALS OPINIONS

We reviewed all U.S. Courts of Appeals opinions issued during FY 2025 that ruled on the merits of a substantive tax issue to identify the top ten Most Litigated Issues in the U.S. Courts of Appeals. We identified the issues before the court and whether the litigant was a Form 1040 or non-Form 1040 taxpayer. U.S. Courts of Appeals cases involving Form 1040 taxpayers (46 cases) outnumbered non-Form 1040 taxpayers (22 cases).

FIGURE 3.7, Top Issues in U.S. Court of Appeals Opinions for Form 1040 Taxpayers, FY 2025[27]

Ranking	Issue Category	Opinions Discussing Issue
1	Frivolous Issues Penalty (IRC §§ 6673, 7482(c)(4), 1927, or Tax Court Rule 38)	6 (tie)
2	Unreported or Underreported Gross Income (IRC § 61 and Related IRC Sections)	6 (tie)
3	Accuracy Related Penalty (IRC § 6662)	5 (tie)
4	Self Employed (Sole Proprietorships) – Schedule C Income	5 (tie)
5	Time For Filing a Tax Court Petition and Restriction on Assessment (IRC § 6213)	5 (tie)
6	CDP (IRC §§ 6320 and 6330)	4 (tie)
7	Criminal Tax Evasion (IRC § 7201)	4 (tie)
8	Whistleblower Award Determinations (IRC § 7623(b)(1))	4 (tie)
9	Civil Actions to Enforce Federal Tax Liens or to Subject Property to Payment of Tax (IRC §§ 6321 and 7403)	2 (tie)
10	Fraud Penalty (IRC § 6663)	2 (tie)
11	Limitations on Assessment Period (IRC § 6501)	2 (tie)
12	Schedule K-1 Flow-Through Items Reported on Forms 1120-S and 1065	2 (tie)
13	Supervisory Preassessment Penalty Approval (IRC § 6751(b)(1))	2 (tie)
14	Willful Fraud and False Statements (IRC § 7206)	2 (tie)

26 The categories are further defined in the glossary below.
27 *Id*

FIGURE 3.8, Top Issues in U.S. Court of Appeals Opinions for Non-Form 1040 Taxpayers, FY 2025[28]

Ranking	Issue Category	Opinions Discussing Issue
1	Corporate – Income or Expenses (excluding COGS)	7
2	Civil Actions for Refund (IRC § 7422)	6
3	Excise Taxes	3
4	Accounting Method Change (IRC § 446(e))	2 (tie)
5	Allocation of Income (IRC § 482)	2 (tie)
6	Charitable Contributions Including Conservation Easements (IRC § 170)	2 (tie)
7	Civil Actions to Enforce Federal Tax Liens or to Subject Property to Payment of Tax (IRC §§ 6321 and 7403)	2 (tie)
8	Exempt Organizations (IRC § 501)	2 (tie)
9	Summons Enforcement (IRC §§ 7602(a), 7604(a), and 7609(a))	2 (tie)

MOST LITIGATED ISSUES IN U.S. SUPREME COURT OPINIONS

We reviewed all U.S. Supreme Court opinions issued during FY 2025 that ruled on the merits of a substantive tax issue to identify the Most Litigated Issues in the U.S. Supreme Court. As discussed in the Significant Cases section below, the U.S. Supreme Court ruled on one case involving the merits of a substantive tax claim, which related to CDP and lien/levy issues.[29]

CRIMINAL TAX VIOLATIONS

The IRS Criminal Investigation (CI) Division holds the sole authority to investigate criminal violations of the IRC. IRS CI agents are highly trained financial investigators who follow the money trail to investigate a wide range of federal crimes beyond just tax crimes. In FY 2025, IRS CI identified a total of $6.09 billion in financial crimes, including $4.49 billion worth of tax fraud.[30]

In FY 2025, nearly 49% of IRS CI's direct investigative time was dedicated to tax crimes. IRS CI investigates abusive tax schemes, international tax fraud, employment tax fraud, identity theft, corporate tax fraud, cybercrimes, and other tax crimes.[31] In FY 2025, IRS CI initiated 2,792 investigations, with 1,380 concerning tax-related matters and 1,412 involving non-tax financial crimes.[32] From these investigations, IRS CI recommended 834 tax cases for prosecution by the U.S. Department of Justice (DOJ). In total, IRS CI recommended prosecution in 2,043 total investigations, leading to 1,611 convictions and a high conviction rate of 89%.[33] Data derived from the U.S. Courts Federal Judiciary Caseload Statistics through March 31,

28 We did not include issues in the table unless they were discussed in more than one opinion during the reporting period. The categories are further defined in the glossary below.
29 The categories are further defined in the glossary below. In addition to *Comm'r v. Zuch*, 605 U.S. 422 (June 12, 2025), the Supreme Court also decided *United States v. Miller*, 604 U.S. 518 (Mar. 26, 2025), a Chapter 7 bankruptcy case, in which the Court ruled that the Bankruptcy Code's sovereign-immunity waiver applies only to IRC § 544(b) claim itself, not to underlying state law claims nested within the federal claim. We excluded this case from our count because it was not on the merits of a substantive tax issue.
30 IRS, Pub. 3583, Internal Revenue Service: Criminal Investigation Annual Report (Dec. 2025), https://www.irs.gov/compliance/criminal-investigation/irs-criminal-investigation-annual-reports.
31 *Id.*
32 *Id.*
33 *Id.*

2025 shows 316 criminal tax fraud cases were commenced in U.S. district courts, an increase from 291 in the prior year.[34] Through March 31, 2025, 340 defendants appeared in district courts for criminal tax fraud offenses, and 304 entered guilty pleas, while 324 were convicted and sentenced. Trials were held in 20 cases.[35]

MOST LITIGATED ISSUES – NATIONAL TAXPAYER ADVOCATE RECOMMENDATIONS TO MITIGATE DISPUTES

The National Taxpayer Advocate recommends that Congress:[36]

- Clarify that supervisory approval is required under IRC § 6751(b) before proposing penalties. Amend IRC § 6751(b)(1) to clarify that no penalty under Title 26 shall be assessed or entered in a final judicial decision unless the penalty is personally approved (in writing) by the immediate supervisor of the individual making such determination, or such higher-level official as the Secretary may designate, prior to the first time the IRS sends a written communication to the taxpayer proposing the penalty as an adjustment.
- Require an employee to determine and a supervisor to approve all negligence penalties under IRC § 6662(b)(1). Amend IRC § 6751(b)(2)(B) to clarify that the exception for "other penalties automatically calculated through electronic means" does not apply to the penalty for negligence or disregard of rules or regulations under IRC § 6662(b)(1).
- Require the IRS to specify the information needed in third-party contact notices. Amend IRC § 7602(c) to require the IRS to provide taxpayers with tailored notices that identify the specific information it plans to request from a third party. Before the IRS seeks such information from a third party, it should include the third-party contact notice with another IRS notice requesting the information to give taxpayers a reasonable opportunity to respond and provide the information, unless an exception under IRC § 7602(c)(3) applies.
- Extend the time limit for taxpayers to sue for damages for improper collection actions. Amend IRC § 7433(d)(1) to provide that before a taxpayer may file a civil action, the taxpayer must first file an administrative claim with the IRS within two years from the date a right of action accrues. Additionally, amend IRC § 7433(d)(3) to allow taxpayers to file a civil action in a U.S. district court (i) no earlier than six months from the date on which the administrative claim was filed, and (ii) no later than the earlier of two years from the date on which the IRS sends its decision on the administrative claim to the taxpayer by certified or registered mail or, if the IRS does not render a decision, five years from the date the right of action accrued to file the administrative claim with the IRS.
- Extend the deadline for taxpayers to file a refund suit when they request Appeals reconsideration of a notice of claim disallowance and the IRS has not timely decided their claim. Amend IRC § 6532(a) to remove subsection (a)(4) and to provide that where a taxpayer has submitted a written request for reconsideration of a disallowed claim by Appeals within two years of the mailing of a notice of claim disallowance, the time to bring a suit for refund shall not expire before the later of (i) the standard two-year period provided in IRC § 6532(a)(1) or (ii) six months after the date of the Appeals closing letter.

34 U.S. Courts' 2025 Federal Judicial Caseload Statistics, Table D-2, U.S. District Courts – Criminal Defendants Commenced (Excluding Transfers), by Offense. Data is from the 12-month period between March 31, 2024, and March 31, 2025, https://www.uscourts.gov/sites/default/files/document/fjcs_d2_0331.2025.xlsx.

35 U.S. Courts' 2025 Federal Judicial Caseload Statistics, Table D-4, U.S. District Courts – Criminal Defendants Disposed of, by Type of Disposition and Offense. Data is from the 12-month period between March 31, 2024, and March 31, 2025, https://www.uscourts.gov/sites/default/files/document/fjcs_d4_0331.2025.xlsx.

36 For further discussion, see National Taxpayer Advocate 2026 Purple Book, *Compilation of Legislative Recommendations to Strengthen Taxpayer Rights and Improve Tax Administration*.

- Provide stronger taxpayer protections before the IRS may recommend the filing of a lien foreclosure suit on a taxpayer's principal residence. Amend IRC § 7403 to codify current Internal Revenue Manual administrative protections, including that an IRS employee must receive executive-level written approval to proceed with a lien foreclosure suit referral. Additionally, amend IRC § 7403 to preclude the IRS from requesting that the DOJ file a civil action in a U.S. district court seeking to enforce a tax lien and foreclose on a taxpayer's principal residence unless and until:
  - The IRS has determined that the taxpayer's other property or rights to property, if sold, would be insufficient to pay the amount due, including the expenses of the proceedings, and no reasonable alternative exists for collection of the taxpayer's debt;
  - The IRS has determined that the foreclosure and sale of the residence would not create an economic hardship due to the financial condition of the taxpayer; and
  - If the property is owned by the taxpayer but is used as the principal residence of the taxpayer's spouse, former spouse, or minor child, the IRS has sent a notice addressed in the name of the taxpayer's spouse or ex-spouse, individually or on behalf of any minor children.
- Expand the Tax Court's jurisdiction to hear refund cases. Amend IRC §§ 7442 and 7422 to give the Tax Court jurisdiction to determine liabilities in refund suits to the same extent as the U.S. district courts and the U.S. Court of Federal Claims.
- Allow taxpayers to dispute an underlying tax liability in a Collection Due Process hearing if they have not had a prior opportunity to dispute the liability in the U.S. Tax Court. Amend IRC § 6330(c)(2)(B) to allow taxpayers to raise challenges to the existence or amount of an underlying tax liability at a CDP hearing for any tax period if the taxpayer did not receive a valid notice of deficiency for such liability, or in a non-deficiency case, the taxpayer did not have an opportunity to dispute the liability in the Tax Court. Also, clarify that IRC § 6330(c)(4)(A) applies only to collection issues and not to liability issues, which are addressed exclusively in IRC § 6330(c)(2)(B).
- Provide that assessable penalties are subject to deficiency procedures. Amend IRC § 6212 to require the Secretary to establish procedures to send a notice of international information return (IIR) penalties to the taxpayer by certified mail or registered mail for adjudication with the Tax Court prior to assessing any IIR penalty or other IIR penalty listed in Chapter 61, Subchapter A, Part III, Subpart A of the IRC.
- Require the IRS to timely process claims for credit or refund. Amend IRC § 6402 to require the IRS to act on timely claims for credit or refund within 12 months by allowing the claim (in whole or in part), disallowing the claim (in whole or in part), or initiating an audit of the tax year for which the taxpayer made the claim. Additionally, provide that if the IRS fails to act on a timely refund claim within 12 months, it must pay interest at the rate set forth in IRC § 6621(a)(1), plus two percentage points, on the amount of the claim ultimately allowed. Also, amend IRC § 6402 to give the IRS the authority to rescind a notice of claim disallowance with the written consent of the taxpayer.
- Give taxpayers abroad additional time to request a Collection Due Process hearing and to file a petition challenging a notice of determination in the Tax Court. Amend IRC §§ 6320(a)(3)(B), 6330(a)(3)(B), and 6330(d)(1) to allow 90 days (*i.e.*, an additional 60 days) (i) to request a CDP hearing after the issuance of a CDP lien or levy notice and (ii) to file a petition for review in the Tax Court after the issuance of a notice of determination if the notice is addressed to a person outside the United States.
- Require independent managerial review and written approval before the IRS may assert multiyear bans barring taxpayers from receiving certain tax credits and clarify that the Tax Court has jurisdiction to review the assertion of multiyear bans. Amend IRC §§ 24(g), 25A(b)(4), and 32(k) to require independent managerial review and written approval based on consideration of all relevant facts and circumstances before the IRS may assert a multiyear ban. Also amend IRC § 6214 to clarify that the Tax Court has jurisdiction (i) to review the IRS's final determination to impose a multiyear ban under IRC §§ 24(g), 25A(b)(4), or 32(k) in any proceeding involving the years in which the notice of deficiency disallows the Child Tax Credit, Credit for Other Dependents, American Opportunity

Tax Credit, or EITC on the basis of a multiyear ban and (ii) to allow the affected credit if it finds a multiyear ban was improperly imposed and the taxpayer otherwise qualifies for the credit.

- Authorize the Tax Court to order refunds or credits in Collection Due Process proceedings where liability is at issue. Amend IRC § 6330(d)(1) to grant the Tax Court jurisdiction to determine overpayments for the tax periods at issue and to order refunds or credits in a CDP case, subject to the limitations of IRC §§ 6511(a) and 6512(b)(3), if the court determines that the taxpayer's underlying tax liability for a taxable year is less than the amounts paid or credited for that year.
- Promote consistency with the Supreme Court's *Boechler* decision by making the time limits for bringing all tax litigation subject to equitable judicial doctrines. Enact a new section of the tax code to clarify that the time periods in the IRC within which taxpayers may petition the Tax Court or file suit in other federal courts are not jurisdictional and are subject to equitable judicial doctrines. Specify that equitable tolling periods are included in timeliness determinations for purposes of enjoining any actions or proceedings or ordering any refunds or relief.
- Authorize the Tax Court to sign subpoenas for the production of records held by a third party prior to a scheduled hearing. Amend IRC § 7456(a) to expand the authority of the Tax Court to issue subpoenas directing the production of records held by a third party prior to a scheduled hearing.
- Provide that the scope of judicial review of innocent spouse determinations under IRC § 6015 is *De Novo*. Replace IRC § 6015(e)(7) with the following: "The standard and scope of review of any petition or request for relief filed under this section in the Tax Court or other court of competent jurisdiction shall be *de novo*."
- Clarify that taxpayers may raise innocent spouse relief as a defense in collection, bankruptcy, and refund cases. Amend IRC §§ 66(c) and 6015 to clarify that taxpayers are entitled to raise innocent spouse relief as a defense in proceedings brought under any provision of Title 26 (including §§ 6213, 6320, 6330, 7402, 7403, and 7422) and in cases arising under Title 11 of the United States Code.
- Fix the donut hole in the Tax Court's jurisdiction to determine overpayments by non-filers with filing extensions. Amend the flush language in IRC § 6512(b)(3) by inserting the word "original" before "due date" and striking the parenthetical clause "(with extensions)."
- Require notices of claim disallowance to clearly state the reasons for disallowance, explain administrative and judicial appeal options, and specify applicable timeframes. Amend IRC § 6402(l) to require that every notice of claim disallowance include (i) a clear, specific, and accurate explanation for the disallowance; (ii) an explanation of how to appeal the disallowance; (iii) a statement that the taxpayer has the right to file suit to recover the refund; (iv) in bold at the top of the notice, the precise date by which taxpayers must file suit in the district court or the U.S. Court of Federal Claims under § 6532(a); and (v) a statement that the taxpayer has the right to request an extension of the two-year period to appeal the disallowance, accompanied by an explanation of the extension process. Also amend § 6402(l) to authorize the IRS to rescind a notice of claim disallowance when the notice fails to provide a specific explanation for the disallowance and/or omits required information regarding administrative or judicial review. This authority would enable the IRS to correct defective notices and ensure that taxpayers are not disadvantaged by agency error.
- Clarify that late-filed tax returns qualify as "returns" for bankruptcy discharge purposes. Amend Section 523(a) of the Bankruptcy Code to specify that an otherwise valid tax return does not lose its status as a "return" solely because it was filed after the statutory deadline.
- Eliminate the IRS's "roadmap for evading tax court review" in Collection Due Process cases. Amend IRC § 6330(d)(1) to provide that the Tax Court retains jurisdiction to determine the existence and amount of a liability properly raised under IRC § 6330(c)(2)(B) (*i.e.*, in any case where the IRS abandons the collection action or proposed collection action at issue, the abandonment shall not deprive the Tax Court of jurisdiction). The IRS should not be able to divest the court of jurisdiction through unilateral action. Also clarify under IRC § 6330(d) that the Tax Court may redetermine the correct amount of the liability. Limitations similar to those found in IRC § 6214(a)-(b) should

apply. Finally, amend IRC § 6330(e)(1) to include tolling of the periods in IRC § 6511 (relating to limitations on credit or refund) during the pendency of a CDP hearing and any related appeals.

SIGNIFICANT CASES

This section summarizes FY 2025 decisions that address issues of broad importance to federal tax administration and taxpayer rights.[37] This year's opinions continue to reshape the boundaries of the Tax Court's jurisdiction, clarify how and when equitable tolling applies to statutory deadlines, and underscore the need for clear statutory authority before the IRS deploys its most powerful collection tools.

If a Levy Is Off the Table, So Is the Tax Court's Collection Due Process Jurisdiction

In *Commissioner v. Zuch,* the U.S. Supreme Court narrowed the Tax Court's authority in IRC § 6330 CDP cases to review of the Appeals Officer's binary determination as to whether a levy may proceed.[38] When the basis for a levy is eliminated, either by fully satisfying the assessed balance or because the IRS no longer needs to or intends to levy, the Tax Court's CDP jurisdiction under IRC § 6330(d)(1) ends.

In this case, the taxpayer filed suit under IRC § 6330(d)(1) to contest a proposed levy. While the petition was pending, the IRS applied subsequent-year overpayments to reduce her liability to zero. As the agency no longer intended to pursue the levy, the government moved to dismiss Zuch's petition as moot.

The Supreme Court agreed, holding that IRC § 6330(d)(1) confers jurisdiction only to review the CDP "determination," which refers to the "binary decision whether a levy may proceed." The matters considered at the Appeals hearing, including the verification requirement, issues raised, and balancing requirement, all inform the determination of whether the levy should proceed. In making its determination, the Court emphasized that the statute focuses on the levy itself, and as a result, it would be anomalous if a taxpayer could go forward with a tax dispute disconnected from a levy.

Zuch clarifies the boundary of Tax Court CDP jurisdiction but invites important operational questions for taxpayers and the IRS. Because jurisdiction turns on the presence of a levy determination, the IRS can resolve or withdraw the levy during litigation and thereby remove the court's power to continue the CDP case. This raises a deeper issue: whether the IRS will continue to take additional collection actions after unilaterally abandoning the proposed levy in an instance where the liability is not fully paid. Because a taxpayer only receives one CDP hearing per tax period, the taxpayer is without recourse to challenge the proposed collection action, even though Congress enacted the CDP regime to make sure taxpayers had a meaningful opportunity to contest an IRS collection action before an independent tribunal.

Further, stripping the court of jurisdiction may disrupt adjudication of liability issues taxpayers properly raised in the CDP process and that the Appeals Officer considered as part of the levy determination. Congress provided that a taxpayer may challenge their tax liability in a CDP hearing only if they had no prior

37 When identifying the ten most litigated issues, TAS analyzed federal court decisions issued during the period October 1, 2024, through September 30, 2025 (FY 2025). For purposes of this section, we used the same period. *See* Taxpayer Bill of Rights (TBOR), https://www.taxpayeradvocate.irs.gov/taxpayer-rights (last visited Nov. 25, 2025). The rights contained in TBOR are also codified in IRC § 7803(a)(3).

38 *Comm'r v. Zuch*, 605 U.S. 422 (2025) (holding Tax Court lacks IRC § 6330 jurisdiction absent an ongoing levy; "determination" is the levy decision under IRC § 6330(c)(3); skepticism that IRC § 6330(e)(1) relief extends beyond enjoining levy).

opportunity to do so before collection.[39] Yet, *Zuch* constrains that review to only the period during which the levy remains extant. The practical consequence is a forum shift. Once the levy is no longer on the table, taxpayers generally must seek relief through costly refund suits.[40]

Tax Court orders applying *Zuch* demonstrate both the ruling's jurisdictional limits and the procedural discretion that remains for managing mixed or overlapping issues. For example, in *Homnick v. Commissioner*, the Tax Court held it lacked IRC § 6330 jurisdiction for the year in which Appeals did not sustain the proposed levy because the balance was paid but retained the case for the other periods where jurisdiction hinged on equitable tolling.[41] This shows a court will look at jurisdiction for each year or period included in the determination, which could lead to a split result in some cases where a taxpayer is able to challenge their liability for some years included in the determination but not for others that become fully paid during litigation. Such mixed outcomes may become more common, leaving taxpayers able to challenge a liability for some years but requiring refund suits for others, creating an additional strain on judicial resources by prompting a taxpayer to potentially file in multiple courts.

Zuch also leaves open questions about what constitutes sufficient "abandonment" of a levy when a balance remains and how the decision applies in post-levy CDP hearings involving state tax refunds or jeopardy assessments where there is no proposed levy. The IRS should clarify these issues in guidance and procedures so that taxpayers understand when CDP protections begin and end.

While *Zuch* promotes textual fidelity, it has the practical effect of shifting some taxpayer disputes to slower, costlier refund pathways. Clear IRS procedures and thorough Appeals records are essential to preserve a taxpayer's opportunity to challenge collection actions meaningfully and to secure the taxpayer *right to a fair and just tax system*.

No "Wet Signature" Required in Tax Court

In *Donlan v. Commissioner*, the Tax Court clarified that when taxpayers use the court's electronic filing system, Docket Access Within a Secure Online Network (DAWSON), to generate and e-file a petition, a typed name in the signature block paired with the filer's authorization to e-file constitutes a valid signature.[42] The Office of Chief Counsel moved to dismiss for lack of jurisdiction, arguing that the *pro se* petitioners had not properly signed the petition generated by the Tax Court's e-filing system, but the court denied the motion without requiring petitioners to respond.

Counsel should refrain from litigating hyper-technical threshold (or "gotcha") issues that add little value to tax administration, particularly when dealing with *pro se* taxpayers who may be unfamiliar with federal court procedures. This does not foreclose the government from raising genuine jurisdictional concerns where they exist, but Counsel should make sure its litigation positions are consistent with promoting the taxpayer *right to a fair and just tax system* and confidence in the courts and their procedures.

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39 *See* H.R. Rep. No. 105-599, at 266 (1998) (Conf. Rep.) (explaining that, under IRC § 6330(c)(2)(B), a taxpayer may contest the existence or amount of the underlying tax liability at a CDP hearing only if the taxpayer did not receive a statutory notice of deficiency or otherwise have an earlier opportunity to dispute the liability); *see also* S. Rep. No. 105-174, at 67 (1998).

40 To resolve this costly result, the National Taxpayer Advocate recommends Congress grants the U.S. Tax Court pre-payment jurisdiction in such matters. *See* National Taxpayer Advocate 2026 Purple Book, *Compilation of Legislative Recommendations to Strengthen Taxpayer Rights and Improve Tax Administration* (*Expand the U.S. Tax Court's Jurisdiction to Hear Refund Cases*).

41 *Homnick v. Comm'r*, No. 16834-23L (U.S. Tax Ct. June 27, 2025) (granting in part and denying in part motion to dismiss; no IRC § 6330 jurisdiction for paid year where levy not sustained; retaining year where equitable tolling and proper levy notice intertwined with merits).

42 *Donlan v. Comm'r*, 164 T.C. No. 3 (2025) (denying motion to dismiss for lack of jurisdiction; holding typed names on an electronically authorized DAWSON petition constitute signatures under the Court's rules).

For a tribunal that hears tens of thousands of disputes annually, many of which are brought by *pro se* filers, the Court's holding advances fairness, reduces threshold dismissals, and conserves judicial and administrative resources.

The court's electronic filing system guides taxpayers or their representatives through a series of questions and check boxes. When the taxpayer is prompted to sign the document, the instructions state the following:

> If the document you are filing requires a signature: The combination of DAWSON username (email address) and password serves as the signature of the individual filing the document.

The Tax Court relied on its own rules in determining that the electronic signature on the petition was valid.[43] The court noted the consistency of this approach with broader federal e-filing norms.[44] For *pro se* litigants, which comprise most Tax Court petitioners, this system reduces the threshold barrier to entry to the judicial system by easing the process of filing a petition.

The Tax Court's holding is a step forward in efficient tax administration. The decision conserves judicial resources by boosting faith in electronic filing and promoting consistency in electronic signature requirements across the federal judiciary.

Donlan also paves the way (or at least makes the road smoother) for modern administrative developments such as the IRS's Zero Paper Initiative, which seeks to rid the agency of paper and, therefore, any "wet" signature requirements.[45] By aligning its e-signature rules with modern practice, the Tax Court lowers barriers for *pro se* petitioners and reduces needless dismissals, advancing taxpayer *rights to be informed* and *to challenge the IRS's position and be heard.* The National Taxpayer Advocate applauds the Tax Court for applying common sense and plans to monitor how the Office of Chief Counsel applies *Donlan* to avoid litigating technical issues that offer little administrative value.

Circuit Courts Broaden the Split on Tax Court Deficiency Deadline Jurisdiction

Is the 90-day deadline for filing a deficiency petition in the Tax Court a jurisdictional bar or a claims-processing rule? The answer to that question, remains for now, "it depends on where the taxpayer lives."[46]

The landscape for deficiency jurisdiction fundamentally changed in 2022 when the Supreme Court announced that a deadline is only jurisdictional if Congress clearly states that it is.[47] Following that decision, the Third Circuit in *Culp* was the first to rule that IRC § 6213's deadline is a claims-processing rule.[48] In 2025, the Second Circuit in *Buller* and the Sixth Circuit in *Oquendo* joined the Third Circuit in holding the deadline nonjurisdictional and subject to equitable tolling.[49]

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43 Rule 23(a)(3) provides that "[a] person's name on a signature block on a paper that the person authorized to be filed electronically … constitutes the person's signature." Rule 34(e), which governs signatures on petitions, expressly points e-filers to Rule 23(a)(3).

44 *See* Fed. R. Civ. P. 5(d)(3)(C); Fed. R. App. P. 25(a)(2)(B)(iii) (treating authorized e-filing, with a filer's name on the signature block, as the filer's signature).

45 *See* Most Serious Problem: *IRS Modernization and Digitalization: Outdated Paper Processes and Procurement Delays Harm Taxpayers*, *supra*.

46 IRC § 7482(b)(1)(A). In the case of a corporation, it would depend on where the principal place of business or principal office or agency of the corporation was located. IRC § 7482(b)(1)(B).

47 *Boechler, P.C. v. Comm'r*, 596 U.S. 199 (2022).

48 *Culp v. Comm'r*, 75 F.4th 196 (3d Cir. 2023).

49 *Buller v. Comm'r*, 152 F.4th 84 (2d Cir. 2025) (holding IRC § 6213(a) is a nonjurisdictional, claim-processing rule and subject to equitable tolling; reversing and remanding); *Oquendo v. Comm'r*, No. 24-1205 (6th Cir. Aug. 25, 2025) (holding the same; remanding for equitable tolling analysis; describing older "jurisdictional" cases as "vestiges of a bygone era"). *Culp v. Comm'r*, 75 F.4th at 203-204.

Outside these circuits, the Tax Court continues to treat the deadline as jurisdictional, following *Hallmark Research Collective* and *Sanders*.[50] The court briefly paused dismissals after *Buller*, then resumed issuing jurisdictional dismissals in September 2025.[51] That institutional posture keeps the split alive and ensures continued appeals until a national rule emerges. The dismissals have spurred new appeals, including *O'Neill* in the Ninth Circuit, and *Laurenzano* in the Fourth Circuit.[52] We identified five cases in the Tax Court during the review period where the Court ruled a petition timely or untimely based on IRC § 6213.

Treating IRC § 6213(a) as a claims-processing rule preserves the intended pathway to Tax Court review while still permitting the government to insist on timeliness absent equitable circumstances. Despite IRS claims to the contrary, applying equitable tolling to deficiency cases will not upend the tax system.[53] The number of late-filed deficiency petitions each year is quite small, and meeting the high bar for equitable tolling to apply will reduce this number even more.[54]

Equitable tolling operates as a narrow safeguard for taxpayers who miss the deadline because of circumstances beyond their control. When available, it preserves the intended option for Tax Court review prior to payment while still allowing the government to enforce timeliness in ordinary cases. The specific contours of that standard and how strictly the Tax Court currently applies it are discussed in more detail in the Litigation Trend section, *infra*.

The current patchwork of equitable tolling being available in some circuits but not others creates unequal access to justice, erodes confidence in tax administration, and introduces uncertainty into the deficiency process. Uniformity (either judicially or legislatively) would reduce expensive threshold litigation and allow the parties and the court to focus on whether the proposed deficiency is correct.[55]

Equitable Tolling Also Applies to Worker Classification Cases

Belagio Fine Jewelry, Inc. v. Commissioner[56] involves a Tax Court ruling that the 90-day deadline for challenging an IRS employment status determination under IRC § 7436(b)(2) is a nonjurisdictional claim processing rule and, in principle, subject to equitable tolling. The ruling extends the logic of the Supreme Court's *Boechler,*

50 *See Hallmark Research Collective v. Comm'r*, 159 T.C. 126 (2022); *Sanders v. Comm'r*, 161 T.C. 112 (2023) (both continuing to treat IRC § 6213(a) as jurisdictional).

51 *See, e.g.*, *Jiles v. Comm'r,* No. 7428-25 ("In a deficiency case, this Court's jurisdiction depends on the issuance of a valid notice of deficiency and the timely filing of a petition within 90 days, or 150 days if the notice is addressed to a person outside the United States, after the notice of deficiency is mailed.").

52 Appeals of Tax Court orders of dismissal for lack of jurisdiction that are pending or anticipated include *Maniktala v. Comm'r*, No. 25-1366 (8th Cir.); *Kyick Holdings LLC v. Bessent*, No. 25-1429 (1st Cir.), *O'Neill v. Comm'r*, No. 28075-22 (9th Cir.); *Laurenzano v. Comm'r*, No. 2203-25 (4th Cir.).

53 *Culp v. Comm'r*, 75 F.4th at 211-212 (rejecting the IRS's contention that permitting equitable tolling of § 6213(a)'s deadline would disrupt tax administration and explaining that equitable tolling is reserved for exceptional cases and does not alter the basic pre-payment review framework).

54 *Boechler, P.C. v. Comm'r*, 596 U.S. at 210-211 (noting that equitable tolling is reserved for "rare" or "extraordinary" cases and generally requires a litigant to show both diligent pursuit of rights and that some extraordinary circumstance stood in the way); s*ee also* Keith Fogg, *What Happens After Boechler – Part 2: The IRS Argues the Floodgates Will Open if the Tax Court Follows Boechler in Interpreting IRC § 6213(a)*, Procedurally Taxing Blog (Apr. 26, 2022) (reviewing Tax Court dismissal orders and estimating that roughly 600 cases per year are dismissed for untimely petitions, that only about 90 cases annually would likely involve litigated equitable tolling defenses, and that perhaps 30 cases or about 0.1% of the Tax Court's docket would ultimately warrant tolling), https://www.taxnotes.com/procedurally-taxing/what-happens-after-boechler-part-2-irs-argues-floodgates-will-open-if-tax-court-follows-boechler/2022/04/26/7h5n1.

55 On December 1, 2025, the U.S. House of Representatives passed H.R. 5349, the Tax Court Improvement Act, 118th Cong. (2025). The bill would amend IRC § 7451(b) to give the Tax Court express authority to equitably toll the IRC § 6213(a) deficiency petition deadline "based on the facts and circumstances." H.R. 5349, § 5(a). It would also amend IRC § 7459(d) to apply prospectively to petitions filed after the date of enactment. H.R. 5349, § 5(c)-(d). Thus, if enacted, the legislation would codify the court's equitable tolling authority for future § 6213(a) deficiency petitions, but it would not resolve the treatment of pre-enactment deficiency petitions or the jurisdictional and tolling questions that continue to arise under other Tax Court filing deadlines, such as IRC §§ 6330(d)(1), 7436(b)(2), 6015(e), and 7623(b)(4). These would remain for the courts to address through future litigation.

56 *Belagio Fine Jewelry, Inc. v. Comm'r*, 164 T.C. No. 7 (2025) (*Belagio II*); *see* IRC § 7436(b)(2), describing worker classification petitions.

P.C. v. Commissioner decision in analyzing whether a deadline is jurisdictional and whether it was subject to equitable tolling in separate analyses.[57] The holding confirms that workers' classification disputes in the Tax Court are not automatically foreclosed when a petition is filed late.

The IRS assessed employment taxes and penalties against the taxpayer, a retail jeweler, after determining that one of its workers had been misclassified as an independent contractor. On August 23, 2021, the IRS mailed its determination letter, triggering a 90-day window under IRC § 7436(b)(2) to petition the Tax Court for review. The taxpayer's counsel mailed the petition four days before the deadline using a FedEx service that was not a designated private delivery service under IRC § 7502(f). The petition arrived one day late, on November 23, 2021.

The government moved to dismiss, initially arguing that timely filing was a jurisdictional prerequisite. The Tax Court rejected that argument and held that the 90-day period is a nonjurisdictional claim-processing rule rather than a jurisdictional requirement, allowing the court to retain the case even if the petition was untimely.[58]

In *Belagio II*, the court examined whether (i) the 90-day deadline was subject to equitable tolling, and (ii) the circumstances warranted it. Nonjurisdictional deadlines are presumptively subject to equitable tolling, but that presumption may be rebutted if tolling is inconsistent with the text of the statute. The Tax Court examined the text of IRC § 7436 and found that none of the hallmarks to rebut the presumption of tolling were present.[59]

The court then took the second step, applying the equitable tolling framework and concluding that tolling was not warranted because the delay resulted from routine clerical error by counsel's staff in choosing a slower, non-designated delivery service.[60] The court characterized this as "garden-variety neglect" that did not meet the high bar for equitable relief and dismissed the petition for failure to state a claim.[61]

This case marks a significant procedural development for taxpayers in worker classification disputes. It ensures IRC § 7436(b)(2)'s deadline does not automatically strip the Tax Court of power to hear a late petition and recognizes a narrow safeguard for extraordinary cases.[62] At the same time, *Belagio* underscores that taxpayers and their representatives must treat the deadline with the utmost care: Ordinary mailing mistakes will not excuse a late filing. Together, these features affect taxpayers' ability to obtain prepayment judicial review in classification cases and bear directly on the taxpayer *rights to challenge the IRS's position and to be heard* and *to a fair and just tax system*.

Tax Court Doubles Down on Lack of IRS Authority to Assess IRC § 6038(b) Penalties

The case of *Mukhi v. Commissioner* addresses who may impose and collect the civil penalty for failing to timely file Form 5471, Information Return of U.S. Persons With Respect To Certain Foreign Corporations, under IRC § 6038(b)(1).[63] In a supplemental opinion, the Tax Court reaffirmed that the IRS lacks statutory

57 *Boechler, P.C. v. Comm'r*, 596 U.S. 199 (2022).
58 *Belagio Fine Jewelry, Inc. v. Comm'r*, 162 T.C. 243, 250-60 (2024) (*Belagio I*).
59 *Belagio Fine Jewelry, Inc. v. Comm'r*, 164 T.C. No. 7, 3 (2025). The court distinguished *United States v. Brockamp*, 519 U.S. 347 (1997) on both text and structure. IRC § 6511's refund deadline is framed in an "unusually empathetic" and "highly detailed, technical" way, with multiple cross-referenced exceptions and massive claim volume such that tolling would disrupt the statutory scheme and create the "administrative nightmare" the Supreme Court feared. By contrast, IRC § 7436(b)(2) is a simple, nonjurisdictional claim processing rule with one narrow exception, no anti-tolling language, and relatively few cases, so allowing equitable tolling would not undercut Congress's design or overwhelm the IRS.
60 *Belagio Fine Jewelry, Inc. v. Comm'r*, 164 T.C. No. 7, 5-6 (2025) (*Belagio II*).
61 Similarly, the Tax Court also denied equitable tolling upon remand after the Supreme Court's review in *Boechler, P.C. v. Comm'r*, No. 18578-17L (Tax Ct. July 15, 2025).
62 The court's detailed reasoning on why IRC § 7436(b)(2) is nonjurisdictional and subject to equitable tolling and how it applied the "extraordinary circumstances" standard is discussed further in Litigation Trend, *infra*.
63 *Mukhi v. Comm'r*, 163 T.C. No. 8 (Nov. 18, 2024) (supplemental) (reaffirming lack of IRS authority to assess IRC § 6038(b)(1) penalty; lien/levy collection barred).

authority to assess the IRC § 6038(b)(1) penalty.[64] Where Congress has not made a penalty assessable or instructed that the penalty is to be "assessed and collected in the same manner as taxes," the default mode of recovery is a civil action in federal district court. Because the IRS lacked the statutory authority to assess the penalties, the court held that the IRS may not proceed with collection.

Generally, U.S. persons must file information returns with respect to foreign business entities they control under IRC § 6038(a). Failure to file may result in penalties under IRC §§ 6038(b)(1) or 6038(c). In this case, the petitioner failed to timely file Forms 5471 for 2002 through 2013. The IRS assessed IRC § 6038(b)(1) penalties totaling $120,000 and sustained lien and levy actions to collect them following a CDP hearing. The petitioner timely appealed to the Tax Court.

Mukhi is one of a handful of cases that address whether the IRS has the authority to assess the IRC § 6038(b)(1) penalty.[65] The Tax Court first addressed this issue in 2023 in *Farhy v. Commissioner*, holding that IRC § 6038(b)(1) penalties are not assessable.[66] The taxpayer appealed, and in 2024, the D.C. Circuit reversed, concluding the penalties are assessable. The D.C. Circuit relied on a close reading of IRC § 6038's text, structure, and history to conclude that Congress made IIR penalties "assessable by implication" under IRC § 6201(a).[67] Following the D.C. Circuit's decision in *Farhy*, the government filed a motion for reconsideration in *Mukhi*.

But the Tax Court reaffirmed their original holding in *Mukhi*, noting that any appeal in the case would lie in the Eighth Circuit, which unlike the D.C. Circuit has not decided the issue.[68] The court examined and rejected the D.C. Circuit's analysis, which had given a broad reading of the IRS's assessment authority under IRC § 6201(a). Further analyzing the text of IRC § 6038, the Tax Court noted it was distinguishable from penalties Congress had expressly indicated were assessable.[69] The Tax Court rejected the government's remaining arguments, including those based on the legislative history, administrability of the reasonable cause exception, enforcement burden, and alleged congressional ratification.

Mukhi is significant for taxpayer rights and federal tax administration. First, it restores the statutory baseline where agencies require clear congressional authorization to deploy powerful administrative collection tools. Where Congress has not made a penalty assessable or "treated as a tax," due process is maintained by routing collection through the courts, with the DOJ bearing the burden to prove the penalty. That structure protects the *right to challenge the IRS and be heard* and ensures a forum to challenge the penalty prior to collection.[70]

64 *Mukhi v. Comm'r*, 162 T.C. No. 8 (2024) (holding in a CDP case that the IRS lacked authority to assess IRC § 6038(b) penalties and thus could not proceed with collection).
65 *See also Safdieh v. Comm'r*, No. 11680-20L (T.C. Dec. 5, 2024); *Cauchon v. Comm'r*, No. 23863-22L (T.C. Dec. 5, 2024).
66 *Farhy v. Comm'r*, 100 F.4th 223 (D.C. Cir. 2024).
67 *Farhy*, 100 F.4th at 236 ("Congress can make a penalty assessable by implication, and it did so here.").
68 The Tax Court acknowledged the reversal but declined to follow it under *Golsen* because an appeal of *Mukhi* lies to the Eighth Circuit.
69 The court noted that "most of these civil penalty statutes direct the IRS to assess the penalties in the same manner as those collected under section 6671(a) or 6665(a) or a penalty assessable thereunder." *Mukhi*, 163 T.C. at 161 (collecting statutes).
70 While a taxpayer could raise a challenge to the penalty in CDP, this relies on the IRS taking a collection action. If the IRS does not file a notice of federal tax lien or issue a notice of intent to levy, a taxpayer's only recourse to challenge the penalty in court would be to file a refund suit. There is currently pending refund litigation challenging the assessment authority for the IRC § 6038(b) penalty. *See Ho v. Comm'r*, 4:24-CV-01538 (N.D. Cal.).

Second, the opinion highlights that high-volume, automated penalty regimes can drift from statutory foundations.[71] The court notes that many IRC § 6038 penalties have been systemically assessed and frequently abated, underscoring the risk of overinclusion when assessment proceeds without explicit authority.[72] Requiring DOJ litigation in this narrow category promotes targeting the most serious cases while preserving deterrence (penalties accrue annually and can be substantial). Congress can clarify the statute to eliminate future uncertainty and litigation.[73]

Third, the decision preserves administrability: Nothing in *Mukhi* prevents the IRS from evaluating reasonable cause or from using other statutory tools (*e.g.*, accuracy-related penalties for undisclosed foreign assets) to encourage compliance. And because *Mukhi* turns on text, it invites a legislative solution if Congress wishes to make IRC § 6038(b)(1) expressly assessable.

Together, those features ensure that IIR penalties are imposed through procedures consistent with a taxpayer's *right to challenge the IRS's position and be heard* before the agency engages in enforced collection.

Litigation Trends

Jurisdictional Challenges and the Expanded Use of Equitable Tolling

Since the Supreme Court held in *Boechler, P.C. v. Commissioner* that the 30-day deadline to petition for review of a CDP determination is a nonjurisdictional claims processing rule subject to equitable tolling, courts have increasingly been asked to decide two questions: (i) whether particular IRC-based filing deadlines are nonjurisdictional and therefore presumptively subject to equitable tolling, and (ii) if so, what "extraordinary circumstances" and level of diligence are required to toll those deadlines. Litigants have continued to challenge filing deadlines as nonjurisdictional, reshaping the contours of Tax Court jurisdiction. Recent decisions show the Tax Court actively examining the equitable tolling doctrine, drawing sharp lines that leave some taxpayers without a remedy even when they miss deadlines by only a day or two.

TEFRA Deadlines Remain Jurisdictional

In *North Wall Holdings LLC v. Commissioner*, the Tax Court held that the Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA) petition deadlines in IRC § 6226(a) and (b) are jurisdictional and not subject to equitable tolling.[74] Applying the Supreme Court's "clear statement" framework, the court emphasized that the filing periods are embedded in the core jurisdictional grant in IRC § 6226(f) and that all of the prerequisites for a TEFRA partnership-level case are structured as timing conditions on the court's power to act, not merely

71 National Taxpayer Advocate 2024 Annual Report to Congress 118 (Most Serious Problem: *Civil Penalty Administration: The IRS's Administration of Penalties Is Often Unfair, Is Inconsistently Deterring Improper Behavior, Is Not Promoting Efficient Administration, and Thus Is Discouraging Tax Compliance*), https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2024/12/ARC24_MSP_09_Civ-Pen-Admin.pdf.

72 *See generally* Stephen J. Olsen, *Status of Section 6039F Cases Similar to* Mukhi *and* Farhy, 188 Tax Notes Fed. 107 (July 7, 2025) (describing refund suits challenging the IRS's authority to assess the IRC § 6039F(c) penalty for failure to report foreign gifts on the same theory advanced in *Farhy* and *Mukhi*; explaining that, like IRC § 6038, IRC § 6039F appears in chapter 61 rather than chapter 68 and is neither expressly assessable nor subject to deficiency procedures; and summarizing the government's reliance on IRC § 6201(a), the "upon notice and demand … in the same manner as tax" language in IRC § 6039F(c)(1)(B), and the D.C. Circuit's reasoning in *Farhy* to defend systemic assessment of IRC § 6039F penalties in other cases), https://www.taxnotes.com/procedurally-taxing/status-section-6039f-cases-similar-muhki-and-farhy/2025/06/30/7slqw *See, e.g.*, *Tomkinson v. United States*, No. 3:24-cv-01638 (N.D. Cal. Mar. 15, 2024); *Tsuda v. United States*, No. 1:23-cv-00967 (Fed. Cl. June 26, 2023); *Junke v. United States*, No. 2:23-cv-01334 (W.D. Pa. July 25, 2023); *Beidler v. United States*, No. 1:25-cv-06074 (N.D. Ill. May 30, 2025); *Fuentes v. United States*, No. 1:25-cv-01387 (D.D.C. May 7, 2025); *Zhang v. IRS*, No. 3:24-cv-08210 (N.D. Cal. Nov. 20, 2024); *Yang v. IRS*, No. 8:25-cv-00130 (C.D. Cal. Jan. 23, 2025); *Huang v. United States*, No. 3:24-cv-06298 (N.D. Cal. May 28, 2025).

73 This issue aligns with the National Taxpayer Advocate legislative recommendation on IIR penalties, which urges Congress to clarify assessment authority and procedures. *See* National Taxpayer Advocate 2026 Purple Book, *Compilation of Legislative Recommendations to Strengthen Taxpayer Rights and Improve Tax Administration* (*Provide That Assessable Penalties Are Subject to Deficiency Procedures*). *See also* H.R. 5349, Tax Court Improvement Act, 118th Cong. (2025).

74 165 T.C. No. 9 (2025) (reviewed).

as claim processing rules. The court also stressed that, for over 40 years, courts and Congress have treated TEFRA petition deadlines as jurisdictional, with Congress's targeted fix for "premature" petitions in IRC § 6226(b)(5) confirming that late petitions otherwise must be dismissed.

The court further articulated that, even if the deadlines were not jurisdictional, the TEFRA framework "leaves no room" for equitable tolling. TEFRA's unified audit and litigation scheme is highly detailed and exception-laden: It coordinates multiple petition windows, prioritizes among overlapping actions in different courts, tolls and restarts limitation periods for partner-level assessments, and binds all partners to a single proceeding. Allowing equitable tolling for one partner would invite gamesmanship, threaten the carefully calibrated priority rules (including the possibility that a late Tax Court petition could displace a timely refund or district court case), and destabilize the assessment and collection process TEFRA was enacted to streamline.[75]

Concurring opinions acknowledged that recent appellate decisions (*Culp*, *Buller*, *Oquendo*, all discussed *supra*) have opened the door to equitable tolling in deficiency cases under IRC § 6213.[76] However, the Tax Court concluded that TEFRA's design is fundamentally different, and its petition deadlines cannot be relaxed without undermining the statutory structure.

Partnership Challenges Under the Bipartisan Budget Act of 2015 are Ongoing

The Tax Court has not yet decided whether the 90-day deadline in IRC § 6234(a) for a partnership to file a petition for readjustment (after a notice of a final partnership adjustment is mailed) is jurisdictional. But two ongoing cases will potentially reach that issue in a case of first impression.[77] There are other potential grounds for dismissal, including whether the notices were invalid. However, these cases highlight that petitioners will continue to challenge filing deadlines in light of *Boechler*.[78]

Nonjurisdictional Deadline for Employee Classification Cases

As discussed above, the Tax Court in *Belagio Fine Jewelry, Inc. v. Commissioner* ("*Belagio I*") applied the Supreme Court's "clear statement" framework from *Boechler* to IRC § 7436. The court held that the 90-day period for petitioning the Tax Court to review an employment status determination under IRC § 7436(b)(2) is not phrased in jurisdictional terms and therefore is best understood as a nonjurisdictional claims processing rule.[79] That conclusion aligns worker classification cases with CDP cases in recognizing that certain Tax Court petition deadlines, absent clear jurisdictional language, do not automatically deprive the court of power to hear a late-filed case.

In a subsequent opinion ("*Belagio II*"), the court then addressed whether the IRC § 7436(b)(2) deadline is subject to equitable tolling.[80] Relying on *Boechler*, the court held that it is. The opinion emphasized that IRC § 7436 is not drafted in unusually emphatic or highly technical terms, contains only limited exceptions, and governs a relatively narrow universe of disputes. Against that backdrop, the court concluded that Congress had not displaced the usual presumption that nonjurisdictional deadlines may be equitably tolled in appropriate cases. As a result, taxpayers seeking to challenge worker classification determinations in the Tax Court now have the same theoretical access to equitable tolling that CDP petitioners possess.

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75 The Tax Court applied its reasoning from *North Wall Holding* when it dismissed for lack of jurisdiction untimely petitions filed by partnerships challenging a notice of final partnership administrative adjustment. *Island Shoals Henry 430 LLC v. Comm'r*, Nos. 30074-21, 31759-21, 32936-21 (Oct. 22, 2025).

76 *See Culp v. Comm'r*, 75 F.4th 196 (3d Cir. 2023); *Buller v. Comm'r*, No. 24-1557 (2d Cir. Aug. 14, 2025); *Oquendo v. Comm'r*, 148 F.4th 820 (6th Cir. 2025).

77 *Commissioners Creek Reserve, LLC, Adoette Holdings, LLC, Partnership Representative, v. Commissioner*, No. 20545-23 (Tax Court), and *Piedmont Kaolin Reserve, LLC, Adoette Holdings, LLC, Partnership Representative, v. Commissioner*, No. 20547-23 (Tax Court).

78 *See also Frutiger v. Commissioner*, 162 T.C. 98 (2024) (examining whether the 90-day deadline under section 6015 for innocent spouse relief is jurisdictional).

79 *Belagio Fine Jewelry, Inc. v. Comm'r*, 162 T.C. 243, 250-260 (2024) (*Belagio I*).

80 *Belagio Fine Jewelry, Inc. v. Comm'r*, 164 T.C. No. 7 (2025) (*Belagio II*).

Turning to the facts, however, the court declined to toll the deadline in *Belagio* itself. Applying the diligence and "extraordinary circumstances" requirements discussed above, the court found that the taxpayer had not alleged facts showing diligent pursuit of its rights and that the one-day delay resulted from the attorney's staff using a non-designated private delivery service under IRC § 7502(f) instead of a designated overnight service.[81] The court characterized this misstep as "garden-variety neglect" rather than an obstacle beyond the taxpayer's control and therefore denied equitable tolling, granting the IRS's motion to dismiss for failure to state a claim.

Together, *Belagio I* and *Belagio II* both broaden and sharpen the equitable tolling landscape. They extend *Boechler*'s doctrinal logic beyond CDP while simultaneously signaling that, in practice, only truly extraordinary circumstances, not routine mailing or calendaring errors, are likely to justify relief from statutory petition deadlines.

The High Bar for "Extraordinary Circumstances"

On remand from the Supreme Court's 2022 *Boechler* decision, the Tax Court was tasked with deciding whether the taxpayer's late CDP petition met the equitable tolling standard. In doing so, the court expressly adopted the Supreme Court's two-prong test: The taxpayer must show (i) diligent pursuit of its rights, and (ii) that some "extraordinary circumstance" beyond the taxpayer's control stood in the way and prevented timely filing.[82]

The court further noted that equitable tolling is to be applied "sparingly," and that ordinary negligence, miscalendaring, or misunderstanding of the law by the taxpayer or its representative generally will not qualify as extraordinary circumstances.

Applying those standards, the Tax Court denied equitable tolling in *Boechler* on remand, concluding that the record did not establish the required combination of reasonable diligence and truly extraordinary obstacles, even though the Supreme Court had already confirmed that the CDP deadline is nonjurisdictional.

Implications for Taxpayer Rights and IRS Policy

Taken together, *Belagio I* and *II*, *Boechler* on remand, *North Wall*, and related appellate decisions illustrate an emerging but uneven equitable tolling landscape. On the one hand, taxpayers have obtained important doctrinal victories: Several key deadlines have now been held nonjurisdictional. On the other hand, the bar for obtaining tolling remains high in practice, and some regimes (such as TEFRA partnership petitions) remain categorically closed to equitable tolling, regardless of how compelling a partner's circumstances may be.

For taxpayers, this trend creates uncertainty about which circumstances qualify as "extraordinary." The Tax Court appears to read "extraordinary circumstances" narrowly, leaving some taxpayers unsure what does and does not constitute acceptable criteria for the court to equitably toll a deadline.

For TAS, these developments reinforce three key recommendations regarding equitable tolling. First, Congress should consider clarifying, on a provision-by-provision basis, which Tax Court filing deadlines are nonjurisdictional and subject to equitable tolling, particularly where the deadlines appear in statutory schemes designed to protect taxpayers' *right to challenge the IRS's position and be heard*. In the alternative, Congress can consider making the time limits for bringing all tax litigation subject to equitable judicial doctrines, consistent with the National Taxpayer Advocate's previous recommendations.[83]

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81 For example, by monitoring counsel's efforts to ensure timely filing. *Belagio Fine Jewelry, Inc. v. Comm'r*, 164 T.C. No. 7 (2025) (*Belagio II*).

82 *See Holland v. Florida*, 560 U.S. 631, 649 (2010) (quoting *Pace v. DiGuglielmo*, 544 U.S. 408, 418 (2005)).

83 *See* National Taxpayer Advocate 2026 Purple Book, *Compilation of Legislative Recommendations to Strengthen Taxpayer Rights and Improve Tax Administration* (*Promote Consistency with the Supreme Court's* Boechler *Decision by Making the Time Limits for Bringing All Tax Litigation Subject to Equitable Judicial Doctrines*).

Second, the IRS, in consultation with TAS, should issue guidance that illustrates the types of circumstances that may warrant equitable tolling while making clear that ordinary neglect or misunderstanding of the law will not suffice. Examples may include serious illness, natural disasters, misdirected IRS notices, or other obstacles beyond the taxpayer's control. Doing so would give taxpayers and their representatives clearer expectations and better effectuate the taxpayer *rights to be informed* and *to challenge the position of the IRS and be heard*.

Third, the IRS should enhance its notices and procedures to ensure that taxpayers receive clear, prominent, and accurate information about filing deadlines, potential avenues for relief when those deadlines are missed, and the consequences of untimely petitions. In regimes where deadlines remain jurisdictional, such as TEFRA partnership petitions under current case law, Congress should consider whether that status is consistent with modern taxpayer rights principles or whether more "unusually protective" statutory structures should be extended.

Glossary of Case Table Categories

Category	Summary
Accounting Method Change (IRC § 446(e))	Under IRC § 446(e), generally, once an accounting method is adopted, it may not be changed without the Commissioner's permission. A taxpayer changes its method of accounting if it changes the overall plan of accounting for gross income or deductions or the treatment of any material item used in such overall plan.
Accuracy-Related Penalty (IRC § 6662)	Under IRC § 6662, the IRS can impose a substantial civil penalty (typically 20%) on the portion of a tax underpayment that results from negligence or a substantial understatement of income tax.
Additions to Tax (IRC §§ 6651, 6654, 6655) (Failure-to-File, Failure-to-Pay, and Estimated Tax Penalties)	This issue category covers common civil penalties imposed when taxpayers do not meet basic compliance obligations such as failing to file a return by the due date, failing to pay the tax owed by the due date, or failing to make sufficient estimated tax payments throughout the year.
AGI Exclusions and Deductions	This issue category deals with disputes of inclusion, exclusion, or deduction of income reported by taxpayers. Common issues often relate to the incorrect reporting of foreign earned income exclusions, ineligible IRA contributions, or improper claims for student loan interest deductions or alimony payments.
Allocation of Income (IRC § 482)	This issue category covers cases where two or more organizations owned or controlled directly or indirectly by the same interests, the Secretary may distribute, apportion, or allocate gross income, deductions, credits, or allowances between or among such organizations, trades, or businesses, if he determines that such distribution, apportionment, or allocation is necessary in order to prevent evasion of taxes or clearly to reflect the income of any of such organizations, trades, or businesses.
Attorney Fees (IRC § 7430)	This issue category deals with disputes over whether a prevailing party (the taxpayer) in a tax dispute against the U.S. may be awarded reasonable administrative and litigation costs, including attorney fees, if they meet certain requirements.
Balance Sheet Assets, Liabilities, and Stockholder Equity	This issue category covers issues on an organization's balance sheet, which provides a snapshot of a business's financial position at a specific point in time (*e.g.*, Schedule L on Form 1120 for corporations).
Charitable Contributions (IRC § 170) Including Conservation Easements	Disputes in this issue category typically revolve around the valuation of non-cash donations (especially complex conservation easements) under IRC § 170, related substantiation requirements (contemporaneous written acknowledgments), and related percentage limitations based on AGI.
Civil Actions for Refund (IRC § 7422)	This issue category deals with cases initiated by taxpayers in U.S. district court or the Court of Federal Claims (after fully paying the disputed tax and filing an administrative claim for refund with the IRS) to recover an alleged overpayment of tax.

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Civil Actions to Enforce Federal Tax Liens or to Subject Property to Payment of Tax (IRC §§ 6321 and 7403)	This issue category involves civil lawsuits in federal court to establish the priority of an IRS tax lien against other creditors and force the sale of specific property owned by the taxpayer to satisfy an outstanding tax liability. These are typically court actions initiated by the Department of Justice on behalf of the IRS.
Civil Damages for Unauthorized Collection (IRC § 7433)	This issue category deals with circumstances in which taxpayers sue the U.S. government in federal court under IRC § 7433 for damages if an IRS employee intentionally, recklessly, or negligently disregarded provisions of the Internal Revenue Code or regulations while performing a collection action.
Collection Due Process (IRC §§ 6320 and 6330)	This issue category pertains to a taxpayer's right to challenge an IRS collection action, specifically after receiving a Notice of Intent to Levy or a Notice of Federal Tax Lien Filing.
Corporate Income or Expenses (excluding Cost of Goods Sold)	This issue category addresses the specific rules for reporting income and expenses for corporations. Disputes often center on the characterization of expenses and basis limitations.
Corporate or Partnership Gross Income	This issue category addresses the specific rules for calculating income for corporations and partnerships.
Corporate or Partnership Trade or Business Expenses	This issue category addresses the specific rules for trade or business expenses for corporations and partnerships.
Criminal Tax Evasion (IRC § 7201)	This issue category involves criminal prosecution brought by the DOJ on behalf of the IRS against individuals who willfully attempt to evade or defeat any tax imposed by the IRC.
Disgorgement of Ill-Gotten Gains (IRC § 7402(a))	District courts have broad authority to issue orders and judgments "as may be necessary or appropriate for the enforcement of the internal revenue laws," including the equitable remedy of disgorgement. Examples of ill-gotten gains include tax preparation fees gained using misappropriated Electronic Filing Identification Numbers or not including the number when required (*i.e.*, "ghost preparers").
Earned Income Tax Credit	Involves the eligibility and calculation of the EITC under IRC § 32.
Employee Retention Credit (IRC § 3134)	This issue category covers the Employee Retention Credit, originally created by the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The credit was designed to encourage eligible employers to keep employees on their payroll during the COVID-19 pandemic.
Employment Tax Issues	This issue category encompasses compliance with rules related to Federal Income Tax Withholding, Social Security, Medicare (FICA), and Federal Unemployment Tax Act (FUTA) taxes. Disputes often arise regarding worker classification (employee vs. independent contractor) and timely deposits of payroll taxes.
Excise Taxes (IRC § 4051)	This issue category covers the imposition of tax on heavy trucks and trailers sold at retail.
Exempt Organizations (IRC § 501)	This issue category covers certain organization exempt from tax under Title 26 of the United States Code.
Family Status Related Credits	Concerns the eligibility and calculation of refundable tax credits such as the Child Tax Credit under IRC § 24, designed for low- to moderate-income working individuals and families. Disputes often involve meeting the complex rules for qualifying children and income thresholds.
Federal Tax Liens (IRC § 6321)	This issue category involves liens on all property and rights to property, whether real or personal, belonging to the taxpayer.
Filing Status and Dependents	This issue category involves disputes over a taxpayer's correct filing status (*e.g.*, Single, Head of Household, Married Filing Jointly/Separately) and whether individuals claimed meet the definitions of a qualifying child or qualifying relative for dependency purposes. This category generally deals with IRC §§ 2 (definitions of filing status) and 152 (definition of dependent) and related sections.
Fraud Penalty (IRC § 6663)	Under IRC § 6663, the IRS assesses this civil penalty (typically 75% of the underpayment) when it proves that a portion of the underpayment of tax is due to fraud with the intent to evade tax. It is a higher standard than negligence and is distinct from other criminal charges that may apply.

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Freedom of Information Act	The Freedom of Information Act, or FOIA, gives any person the right to access federal agency records or information.
Frivolous Issues Penalty (IRC §§ 6673, 7482(c)(4), 1927, or Tax Court Rule 38)	This issue category involves types of penalties applied by the IRS or by courts to discourage the filing of tax returns or the taking of positions in tax court that are based on clearly incorrect legal arguments or are intended to delay or impede tax administration.
Limitations on Assessment Period (IRC § 6501)	This issue category involves the timeframe during which the IRS legally has the authority to assess additional tax liability against a taxpayer. The standard limit is generally three years from the filing date, but exceptions (*e.g.*, substantial omission of income, fraud) can extend this period.
Partnership Income or Expenses (excluding COGS)	This issue category addresses the specific rules for reporting income and expenses for partnerships. Disputes often center on the characterization of expenses and basis limitations.
Passive Activity (Schedule E Income and Expenses)	This issue category involves the application of rules that limit the ability of taxpayers to use losses from passive business activities (typically rental activities or businesses in which the taxpayer does not materially participate) to offset non-passive income (like wages or active business income).
Passport Certification (IRC § 7345)	If the IRS certifies that an individual has a seriously delinquent debt, the IRS shall transmit such certification to the Secretary of State for action with respect to denial, revocation, or limitation of a passport pursuant to section 32101 of the Fixing America's Surface Transportation (FAST) Act. The taxpayer may bring a civil action against the United States in a district court, or against the Commissioner in the Tax Court, to determine whether the certification was erroneous or whether the IRS has failed to reverse the certification.
Payments and Other Credits	The Payments and Other Credits category includes taxes on qualified retirement plans, including individual retirement accounts, Social Security and Medicare tax on tip income, and various credits such as the Retirement Savings Contribution Credit under IRC § 25B, mortgage interest credit under IRC § 25, and credits and carryforwards from alternative minimum tax under IRC § 55.
Prosecution of Foreign Bank and Financial Accounts Report (FBAR) Penalty	While technically a Bank Secrecy Act action enforced by the Department of the Treasury, the IRS enforces civil and criminal penalties for the willful failure to file FinCEN Form 114 to report a financial interest in or signature authority over foreign financial accounts exceeding $10,000 in aggregate value. This issue category deals with the penalties involved in enforcement of statutes 31 U.S.C. § 5321 (civil penalties) and 31 U.S.C. § 5322 (criminal penalties).
Qualified Business Income (QBI)	This issue category involves the complex calculation and application of the deduction allowed under IRC §§ 199 and 199A, which generally permits eligible owners of sole proprietorships, partnerships, and S corporations to deduct up to 20% of their qualified business income.
Return Preparer Injunctions (IRC §§ 7407 and 7408)	This issue category covers suits to enjoin return preparers from continuing to prepare returns or engage in other specified conduct.
Schedule A Itemized Deductions, Excluding Charitable Contribution Deductions	This issue category covers the substantiation and eligibility criteria for various personal itemized deductions claimed by individuals, such as state and local taxes (SALT), home mortgage interest, and medical expenses, as opposed to taking the standard deduction. It does not cover charitable deductions or conservation easements which are categorized separately.
Schedule C Income and Expenses (Sole Proprietorships)	This issue category pertains to the correct reporting of gross income, cost of goods sold, and deductible business expenses for individuals operating a sole proprietorship trade or business. Common disputes involve substantiation of expenses or mischaracterization of personal versus business costs.
Schedule K-1 Flow-Through Items reported on Forms 1120-S and 1065	This issue category focuses on the correct reporting of income, loss, deduction, and credit items that flow from a pass-through entity (partnership or S Corporation) onto the owner's individual return via a Schedule K-1, under IRC §§ 701-761 (Partnerships) and IRC §§ 1361-1379 (S Corporations).

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Self-Employed (Sole Proprietorship) - Gross Income	This issue category addresses the specific rules for calculating income for sole proprietorships.
Sole Proprietorship Trade or Business Expense	This issue category addresses the specific rules for trade or business expenses for sole proprietorships.
Statutory Adjustment	Statutory adjustments are automatically generated adjustments due to the correct application of the tax law, such as the statutory eligibility requirements (*e.g.*, maximum allowable income) for claiming credits.
Summons Enforcement (IRC §§ 7602(a), 7604(a), and 7609(a))	This issue category involves legal proceedings initiated by the IRS through the DOJ to compel a taxpayer or a third party (*e.g.*, a bank) to provide testimony or produce requested books, papers, records, or data as part of an examination or investigation.
Supervisory Preassessment Penalty Approval (IRC § 6751(b)(1))	This issue category covers whether the IRS satisfied the procedural requirement that mandates that specific types of penalties cannot be assessed unless the initial determination of the penalty assessment is personally approved in writing by an immediate supervisor of the individual making that determination.
Time For Filing a Tax Court Petition and Restriction on Assessment (IRC § 6213)	This issue category covers whether the taxpayer timely filed a petition for review in the Tax Court or whether the IRS timely assessed a deficiency.
Trust Fund Recovery Penalty (IRC § 6672)	This issue category deals with the collection of unpaid trust fund taxes (primarily withheld income and employment taxes) from individuals determined to be "responsible persons" who willfully failed to collect, account for, or pay over those taxes to the government.
Unreported or Underreported Gross Income (IRC § 61 and Related IRC Sections)	This issue category deals with the central issue of accurately capturing all reportable income from whatever source derived, under IRC § 61 and related IRC sections defining specific types of income. Disputes arise when the IRS identifies income (*e.g.*, from third-party reporting via Forms 1099 or W-2) that a taxpayer failed to include on their return.
Whistleblower Award Determinations (IRC § 7623(b)(1))	This issue category involves IRC § 7623(b)(1) and the administrative process whereby the IRS Whistleblower Office reviews submissions regarding substantial tax underpayments and determines if the whistleblower is entitled to an award (usually up to 30% of the collected proceeds) based on the information provided to the IRS.
Willful Attempts to Interfere With Administration of Internal Revenue Laws (IRC § 7212)	This issue category includes criminal charges for corruptly (*e.g.*, through bribery) or by force or threats of force (including any threatening letter or communication) endeavors to intimidate or impede any officer or employee of the United States acting in an official capacity.
Willful Fraud and False Statements (IRC § 7206)	This issue category includes criminal charges applied to individuals who willfully make and subscribe to any return, statement, or other document that they know to be false or fraudulent as to any material matter under IRC § 7206.



TAS ADVOCACY

Over the past 25 years, TAS has assisted more than 5.8 million taxpayers in resolving their IRS-related issues.[1] Throughout this period, TAS has served as a cornerstone for protecting taxpayer rights and ensuring an independent voice for taxpayers in their interactions with the IRS. By law, the National Taxpayer Advocate appoints Local Taxpayer Advocates and ensures that at least one is available in every state.[2] Since its inception, TAS's Case Advocacy and Systemic Advocacy divisions have fulfilled Congress's mandate to:[3]

1. **Assist taxpayers in resolving problems with the IRS;**
2. **Identify areas in which taxpayers are experiencing problems with the IRS;**
3. **Advocate for and propose changes in the IRS's administrative practices to mitigate those identified problems; and**
4. **Identify and propose potential legislative changes to mitigate such problems.**

1 Data obtained from the Taxpayer Advocate Management Information System (TAMIS) (Oct. 1, 2000; Oct. 1, 2001; Oct. 1, 2002; Oct. 1, 2003; Oct. 1, 2004; Oct. 1, 2005; Oct. 1, 2006; Oct. 1, 2007; Oct. 1, 2008; Oct. 1, 2009; Oct. 1, 2010; Oct. 1, 2011; Oct. 1, 2012; Oct. 1, 2013; Oct. 1, 2014; Oct. 1, 2015; Oct. 1, 2016; Oct. 1, 2017; Oct. 1, 2018; Oct. 1, 2019; Oct. 1, 2020; Oct. 1, 2021; Oct. 1, 2022; Oct. 1, 2023; Oct. 1, 2024; Aug. 1, 2025) and Phoenix (Nov. 17, 2025). Note: Phoenix is a dynamic system; the data could change based on when the query is run.
2 IRC § 7803(c)(2)(D)(i)(I).
3 IRC § 7803(c)(2)(A).

TAS also administers the Low Income Taxpayer Clinic (LITC) grant program[4] and oversees the Taxpayer Advocacy Panel (TAP).[5]

This section of the report tells the story of TAS's advocacy efforts and identifies key trends from fiscal year (FY) 2025.

TAS CASE ADVOCACY

Mission and Criteria

Case Advocacy's mission is to protect taxpayer rights and advocate for resolution on behalf of taxpayers. TAS accepts all cases that meet its case acceptance criteria, with limited exceptions, and does not shut its doors after receiving a specific number of cases. If a taxpayer is experiencing or about to experience economic harm or the IRS failed to timely respond to or resolve a taxpayer's issue because of a failure in an IRS process, system, or procedure, the taxpayer may qualify for TAS assistance. However, TAS is not a "second IRS." Rather, it is a safety net for situations when a taxpayer cannot resolve their issues through normal IRS channels.

Many taxpayers who seek TAS assistance are experiencing economic hardship due to IRS action or inaction, or because the IRS has not responded in a timely manner. TAS strives to help taxpayers (*e.g.*, individuals, businesses, and tax-exempt entities) resolve IRS problems completely and within a reasonable amount of time.

TAS receives requests for assistance from a variety of sources: taxpayers or their representatives, IRS employees, and congressional offices. In addition to cases that meet the case acceptance criteria, the National Taxpayer Advocate may accept cases that raise broader policy concerns or highlight the impact of IRS policies and procedures on taxpayer rights.

Fiscal Year 2025 Accomplishments

In FY 2025, TAS utilized technology to improve both taxpayer service and employee support. TAS's significant accomplishments included streamlining case intake and processing, providing real-time access to technical information, supporting iterative improvements to new features and processes, and strengthening TAS's workforce by enhancing knowledge-management tools.

Phoenix Implementation

In August 2025, TAS took a major step to enhance the taxpayer and employee experience by transitioning from an outdated legacy case management system called Taxpayer Advocate Management Information System (TAMIS) to a more modern, agile Customer Relationship Management system, Phoenix. TAS completed the transition with minimum disruption to service. Phoenix is fully operational, and TAS is planning and executing new iterations of service offerings and process improvements as it expands its capabilities. To support employees and continue to develop a highly skilled workforce, TAS created knowledge-management tools within Phoenix that allow employees to quickly access current technical information and better advocate on behalf of taxpayers. As TAS continues to build on this initial release, additional enhancements will strengthen its workforce and position TAS to deliver faster, more effective service in the years ahead.

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4 The LITC Program provides matching grants of up to $200,000 per year to qualifying organizations to operate clinics that represent low-income taxpayers in disputes with the IRS and educate taxpayers for whom English is a second language about their taxpayer rights and responsibilities. *See* IRS, Pub. 3319, Low Income Taxpayer Clinics Grant Application Package and Guidelines (May 2025), https://www.irs.gov/pub/irs-pdf/p3319.pdf. LITCs provide services to eligible taxpayers for free or a nominal fee. *See* IRC § 7526.

5 TAP is a Federal Advisory Committee established by the Department of Treasury to provide a taxpayer perspective on improving IRS service to taxpayers. TAS provides oversight and support to the TAP program. The Federal Advisory Committee Act (5 U.S.C. Appendix (1972)) prescribes standards for establishing advisory committees when those committees furnish advice, ideas, and opinions to the federal government. 5 U.S.C. Appendix; 5 U.S.C. ch. 10; 41 C.F.R. Part 102-3 (2001).

Centralized Intake

Another key improvement was centralizing intake of paper and email requests for assistance. Previously, taxpayers submitted paper and email requests to one of its 75 local TAS offices. In August 2025, TAS centralized this function for taxpayers to submit requests for assistance to one central location. Centralized intake makes it easier for taxpayers to reach TAS, improves coordination of case intake, and enables more efficient allocation of resources, allowing TAS to provide faster service to taxpayers.

Automation Improvements

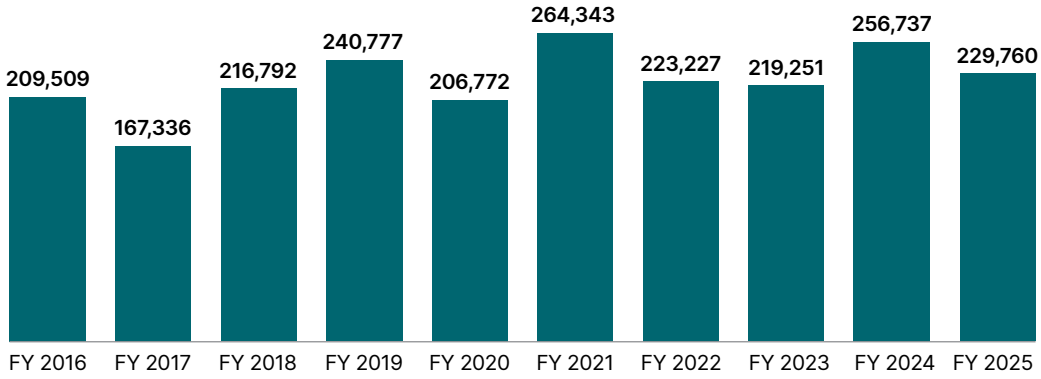
Throughout FY 2025, TAS incorporated new automations into Phoenix. For example, TAS streamlined the process to accept new IRS referrals. During FY 2025, most IRS referrals began to feed directly into Phoenix, automatically pulling taxpayer information directly from internal IRS systems. This new automation will allow Intake Advocates to focus more of their time and effort on making critical case criteria determinations and educating taxpayers on information needed to resolve their issues. TAS's ongoing modernization efforts will further leverage all available tools and systems to improve service delivery.

Workforce Transitions and Inventory Realignment

In FY 2025, TAS supported its workforce through significant transitions in staffing and workload challenges. Shortly after the conclusion of the traditional filing season in FY 2025 (April 15), many employees began to retire or voluntarily separate from TAS. As a result, TAS pivoted in its process to distribute cases between local offices. Some offices experienced little or no attrition, while other TAS offices lost a substantial portion of their staff. This created challenges with existing cases assigned to those departing employees, combined with new cases that would normally be routed to those offices that lost most of their staff. TAS effectively realigned case inventory to provide the best possible service to taxpayers by maintaining service levels and distributing work more equitably. As shown in Figure 4.1, annual TAS case receipts over the last ten years have ranged from a low of 167,336 to a high of 264,343.

FIGURE 4.1[6]

Cases Received in TAS, FYs 2016-2025



6 Data obtained from TAMIS (Oct. 1, 2016; Oct. 1, 2017; Oct. 1, 2018; Oct. 1, 2019; Oct. 1, 2020; Oct. 1, 2021; Oct. 1, 2022; Oct. 1, 2023; Oct. 1, 2024; Aug. 1, 2025) and Phoenix (Nov. 17, 2025). Note: Phoenix is a dynamic system; the data could change based on when the query is run.

In FY 2025, TAS introduced new approaches to prioritize work and allocate its limited resources. For example, TAS centralized the inventory from departing Case Advocates and new taxpayer requests for assistance so it could strategically assign cases to its remaining Case Advocates to ensure equitable distribution of the workload among the remaining Case Advocates. TAS also reduced Case Advocates' workload by creating centralized groups to assist taxpayers with similar tax issues or taxpayers facing systemic issues through bulk processes. These approaches allow TAS to advocate on behalf of multiple taxpayers and multiple tax periods using a single bulk request for action.[7] Together, these changes increased flexibility in case assignments and case processing efficiencies across the organization. TAS is very grateful for its employees who have persisted through these transitions and for their continued dedication to providing the best possible taxpayer service.

Fiscal Year 2025 Case Receipt Trends

Taxpayers seek TAS assistance for many reasons, but most often for issues involving individual returns or accounts. Figure 4.2 shows the top ten reasons taxpayers sought TAS assistance in FY 2025, compared to FYs 2023 and 2024.

FIGURE 4.2, Top Ten Issues in Cases Received in TAS, FYs 2023-2025[8]

Rank	Issue Description	FY 2023	FY 2024	FY 2025	Percent Change FYs 2024-2025
1	Processing Amended Returns	36,171	48,008	38,381	▼ 20.1%
2	Pre-Refund Wage Verification Holds *(Refund holds due to income/withholding mismatch)*	26,052	37,071	34,517	▼ 6.9%
3	Returned or Stopped Refunds	7,639	13,761	13,710	▼ 0.4%
4	Identity Theft	11,915	13,649	10,897	▼ 20.2%
5	Decedent Account Refunds	12,695	12,230	8,539	▼ 30.2%
6	Lost or Stolen Refunds	7,792	8,188	7,463	▼ 8.9%
7	Taxpayer Protection Program (TPP) Issues *(Returns on hold until taxpayer verifies identity)*	9,516	10,119	7,252	▼ 28.3%
8	Closed Automated Underreporter Program *(Reconsiderations of unpaid assessments resulting from automated information returns not matching income, deductions, and credits claimed on tax returns)*	4,123	5,321	5,985	▲ 12.5%
9	Other Collection Issues	3,382	5,207	5,836	▲ 12.1%
10	Missing and Incorrect Payments	3,091	5,239	5,426	▲ 3.6%
Other TAS Receipts		**96,875**	**97,944**	**91,754**	▼ 6.3%
Total Receipts		**219,251**	**256,737**	**229,760**	▼ 10.5%

7 For example, taxpayers experiencing a delay of more than 30 calendar days or who have not received a response or resolution by the date provided to them by the IRS.

8 Data obtained from TAMIS (Oct. 1, 2023; Oct. 1, 2024; Aug. 1, 2025) and Phoenix (Nov. 17, 2025). Note: Phoenix is a dynamic system; the data could change based on the query run date. The Other TAS Receipts category encompasses the remaining issues not in the top ten. The Pre-Refund Wage Verification Hold is the IRS program to detect and prevent non-IDT refund fraud. *See* Internal Revenue Manual (IRM) 25.25.3.1(1), Program Scope and Objectives (Aug. 30, 2019), https://www.irs.gov/irm/part25/irm_25-025-003r Taxpayer Protection Program (TPP) issues occur when the TPP process detects a return as a potential IDT return, requiring the taxpayer to verify their identity prior to the IRS posting or releasing a refund. *See* IRM 25.25.6, Taxpayer Protection Program (Aug. 14, 2025), https://www.irs.gov/irm/part25/irm_25-025-006r

From FY 2024 to FY 2025, the top four issues for taxpayers seeking TAS assistance remained the same: Processing Amended Returns, Pre-Refund Wage Verification Holds, Returned or Stopped Refunds, and Identity Theft (IDT). The good news is the total case receipts for each of these top four issues declined compared to FY 2024, which may indicate improvement in IRS performance in these areas.

Error Resolution System/Rejects

One notable issue that does not appear in the top ten list in Figure 4.2 for FY 2025 is Error Resolution System/Rejects. In FY 2024, TAS received 12,245 Error Resolution System/Reject cases, making it one of the top five issues for cases received by TAS in FY 2024.[9] In FY 2025, Error Resolution System/Reject cases decreased to only 2,263, a drop of over 80%.[10] Error Resolution System/Reject issues occur when the taxpayer's return contains errors, causing the IRS to request additional information from the taxpayer before the IRS can process the return. These errors most often occur on paper filed tax returns. The significant drop in case receipts for this issue is likely attributable to a variety of factors, including a decrease in paper filing. As indicated in Figure 4.3, the IRS continues to see a decrease in paper returns, which often have transcription errors or missing forms/schedules that require suspension of the return until the error can be corrected. TAS expects this trend to continue and will continue monitoring this issue for spikes or drops in the Error Resolution System/Reject cases TAS receives.

FIGURE 4.3, Total Tax Returns Received by the IRS, Paper Vs. E-Filed, Filing Seasons 2024 and 2025[11]

Tax Returns Received by the IRS	Filing Season 2024 (as of Oct. 18, 2024)	Filing Season 2025 (as of Oct. 17, 2025)
Total E-Filed Returns Received	150,811,000 (93.4%)	153,597,000 (93.9%)
Total Paper Returns Received	10,678,000 (6.6%)	9,997,000 (6.1%)
Total Returns Received	**161,489,000**	**163,594,000**

Decedent Account Refunds

Another noteworthy highlight from Figure 4.2 is the decline in TAS cases involving decedent account refunds. Although decedent account refunds remain in the top ten TAS case issues in FY 2025, these cases decreased from over 12,000 per year in both FYs 2023 and 2024 to 8,539 cases in FY 2025, a decrease of over 30%.[12] This decline is a good example of the interplay between case and systemic advocacy. As part of TAS's review of systemic issues, TAS identified an upward trend involving increased issues with decedent account refunds. We elevated it to the IRS for further investigation and worked collaboratively with the IRS to identify root causes and implement a solution. These efforts identified a processing error with Form 1310, Statement of Person Claiming Refund Due a Deceased Taxpayer, which is generally filed by the taxpayer's personal representative or surviving spouse to claim a refund for any overpayment in the taxpayer's year of death and refunds due on returns not filed in preceding years. TAS's advocacy regarding decedent account refunds will reduce burden for the families of deceased taxpayers and will help reduce the frequency of this type of refund delay in the future.

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9 *See* National Taxpayer Advocate 2024 Annual Report to Congress 182, 185 (TAS Advocacy), https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2024/12/ARC24_CA.pdf.

10 Data obtained from TAMIS (Oct. 1, 2024; Aug. 1, 2025) and Phoenix (Nov. 17, 2025). Note: Phoenix is a dynamic system; the data could change based on when the query is run.

11 IRS, Filing Season Statistics for Week Ending October 17, 2025 (last updated Oct. 24, 2025), https://www.irs.gov/newsroom/filing-season-statistics-for-week-ending-oct-17-2025.

12 *See* National Taxpayer Advocate 2024 Annual Report to Congress 182, 185 (TAS Advocacy), https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2024/12/ARC24_CA.pdf. FY 2025 data obtained from TAMIS (Oct. 1, 2023; Oct. 1, 2024; Aug. 1, 2025) and Phoenix (Nov. 17, 2025). Note: Phoenix is a dynamic system; the data could change based on when the query is run.

Refund Statute and Refund Hold Increases

Although not in the top ten list of TAS case issues in FY 2025, TAS saw an 86% increase in cases with refund statute issues in FY 2025 compared to FY 2024.[13] Generally, taxpayers must file a claim for credit or refund of any tax within the Refund Statute Expiration Date (RSED), which is three years from the time the return was filed, or two years from the time the tax was paid, whichever period expires later.[14] If a taxpayer fails to file a claim for refund within the RSED and is not eligible for one of the limited exceptions, the IRS is legally barred from issuing a refund.[15] TAS is actively investigating the cause of this increase and will continue to monitor for future spikes. Similarly, TAS saw an increase in refund hold (Delinquent Return Refund Hold Program) issues of over 1,467%, with 55 cases in FY 2024 and 862 cases in FY 2025. A refund hold occurs when the IRS holds an individual income tax refund or credit elect when the taxpayer has a past-due, unfiled tax return to ensure the taxes owed from the unfiled tax years are paid.[16] Once the taxpayer has filed the past-due tax return, the IRS will release the refund hold. While these numbers are not significant, TAS is attempting to identify and understand any underlying conditions that may be contributing to the rise in case issues and will continue to monitor the issue for future spikes.

Processing Amended Returns

In FY 2025, over 38,000 taxpayers contacted TAS for assistance with the processing of amended returns. Although this represents a 20% decrease from FY 2024 (48,008 cases), amended returns remained the most common reason taxpayers sought TAS assistance.

Bulk Advocacy for Category A Determinations

Category A determinations are the process through which the IRS reviews a tax return to identify if it includes an issue that meets certain conditions that may warrant an in-depth review or examination. To gain insight and improve efficiency in working these cases, TAS took an unconventional approach: Rather than assigning these inquiries to individual Case Advocates, it centralized the cases into several targeted teams. One team focused on investigating the "why" behind the systemic delays impacting the processing of individual amended returns and quickly identified that for many taxpayers the reason for the delay was obtaining Category A determinations.[17] If an issue meets Category A criteria, the IRS will refer the return to Examination Classifiers prior to allowing the taxpayer's claim. The Classifier will review the issue(s) and determine what issue(s), if any, should be subject to additional scrutiny via an examination. If selected for an examination, Category A will route the tax return to the proper examination team.

Normally, TAS Case Advocates would send Operations Assistance Requests (OARs) to the IRS for each individual taxpayer in an attempt to expedite the Category A determination. However, in FY 2025, TAS proposed a new, more efficient process. TAS collaborated with the IRS to pilot a process that allows TAS to advocate on behalf of multiple taxpayers and multiple tax periods using a bulk request for action. The pilot was successful, and TAS and the IRS agreed to continue submitting bulk requests for assistance with Category A issues. TAS has successfully worked with the IRS to negotiate bulk OARs on several other issues, and the amount of time and effort that the bulk OAR process saves TAS and the IRS is significant, allowing Case Advocates to focus more of their time and energy on taxpayers with unique issues who may be facing imminent economic harm.

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13 Data obtained from TAMIS (Oct. 1, 2024; Aug. 1, 2025) and Phoenix (Nov. 17, 2025). Note: Phoenix is a dynamic system; the data could change based on when the query is run.
14 IRC § 6511(a).
15 IRC § 6511(b)(1), (h)(1).
16 Per IRC § 6402(b), the IRS is authorized to credit an overpayment against estimated tax for the succeeding taxable year. A credit under IRC § 6402(b) is referred to as a "credit elect overpayment" or simply a "credit elect."
17 Data obtained from TAMIS (Dec. 17, 2024). *See* IRM 21.5.3-2, Examination Criteria (CAT-A) – General (Aug. 13, 2025), https://www.irs.gov/irm/part21/irm_21-005-003r

Advocacy for Employee Retention Credit Claims

Businesses, tax-exempt organizations, and employers (including Certified Professional Employer Organizations (CPEOs) and Professional Employer Organizations (PEOs)) also experienced delays in amended return processing. Close to 23% of amended return cases resulted from these taxpayers seeking TAS assistance with delays in the processing of Employee Retention Credit (ERC) claims submitted on amended returns.[18]

During the COVID-19 pandemic, Congress created the ERC to support struggling businesses and tax-exempt organizations impacted by government-imposed restrictions by providing a tax credit intended to help employers keep employees on payroll.[19] In FY 2025, TAS regularly met with the IRS Taxpayer Services and Small Business/Self-Employed Divisions on behalf of businesses and tax-exempt organizations to use the bulk OAR process to request expedite review of ERC claims for those facing hardships and those who rightfully claimed the ERC. Throughout FY 2025, TAS submitted a series of bulk OARs on behalf of multiple businesses and tax-exempt organizations for multiple tax periods, requesting the IRS risk assess and process ERC claims. Using this process, TAS advocated on behalf of over 6,500 businesses and tax-exempt organizations to finalize processing of more than 20,000 ERC claims.[20]

Impact of the One Big Beautiful Bill Act

Many businesses and tax-exempt organizations sought TAS assistance about the impact of the One Big Beautiful Bill (OBBB) Act on ERC claims, including delays in processing appeals of ERC claim disallowances.[21] The OBBB Act retroactively barred the IRS from processing third and fourth quarter 2021 ERC claims filed after January 31, 2024.[22] In FY 2025, TAS determined that the IRS was delaying the processing of timely third and fourth quarter 2021 ERC claims due to internal records erroneously indicating that the ERC claims were filed after January 31, 2024. TAS advocated on behalf of these taxpayers by meeting regularly with Taxpayer Services and Small Business/Self Employed Divisions until procedures were established to either process timely claims or issue disallowance letters with appeal rights. TAS also identified delays in processing appeals of ERC claim disallowances. In FY 2025, TAS met with the IRS and negotiated a bulk OAR process to efficiently advocate on behalf of taxpayers awaiting Category A and appeal determinations. Beginning in FY 2026, TAS will use a bulk OAR process to regularly submit requests to the IRS on behalf of taxpayers facing the same issue.

Identity Theft

As shown in Figure 4.2, victims seeking assistance with tax-related identity theft (IDT) remained one of TAS's top four issues for case receipts in FY 2025. TAS received 10,897 cases from taxpayers who were requesting assistance because they were victims of tax-related IDT, compared to 13,649 cases in FY 2024.[23] Although TAS receipts declined, IDT remains one of the top four reasons taxpayers seek TAS assistance.

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18 Data obtained from TAMIS (Aug. 1, 2025) and Phoenix (Nov. 17, 2025). Note: Phoenix is a dynamic system; the data could change based on when the query is run. CPEOs and PEOs filed ERC claims on behalf of businesses by reporting the client's ERC claim on Schedule R, Allocation Schedule for Aggregate Form 941 Filers, of the CPEO or PEO's Form 941, Employer's Quarterly Federal Tax Return.

19 Coronavirus Aid, Relief, and Economic Security (CARES) Act, Pub. L. No. 116-136, § 2301, 134 Stat. 281, 347-351 (2020); Consolidated Appropriations Act, 2021, Pub. L. No. 116-260, Div. EE, Title II, §§ 206-207, 303, 134 Stat. 1181, 3059-65, 3075-3079 (Div. EE is known as the Taxpayer Certainty and Disaster Tax Relief Act of 2020); American Rescue Plan Act of 2021 (ARPA), Pub. L. No. 117-2, § 9651, 135 Stat. 4, 176-182 (2021); Infrastructure Investment and Jobs Act, Pub. L. No. 117-58, § 80604, 135 Stat. 429, 1341 (2021).

20 Data obtained from TAMIS (Aug. 1, 2025) and Phoenix (Nov. 17, 2025). Note: Phoenix is a dynamic system; the data could change based on when the query is run.

21 For further discussion of appeals of ERC claim disallowance issues, see Most Serious Problem: *Amended Returns*: *Refund Delays and Unclear and Confusing Disallowance Notices Harm Taxpayers and Jeopardize Their Rights to Administrative and Judicial Review, supra*.

22 An Act to Provide for Reconciliation Pursuant to Title II of H. Con. Res. 14 (commonly referred to as the "One Big Beautiful Bill Act"), Pub L. No. 119-21, 139 Stat. 72 (2025).

23 Data obtained from TAMIS (Oct. 1, 2024; Aug. 1, 2025) and Phoenix (Nov. 17, 2025). Note: Phoenix is a dynamic system; the data could change based on when the query is run.

Most taxpayers seeking TAS assistance with IDT are also facing an economic burden associated with the theft of their identity. In FY 2025, 69% of these victims faced an economic burden due to their IDT issue.[24] Additionally, as reported last year, TAS processing times for IDT issues are longer due to long IRS delays. A recent IRS change designed to reduce delays in processing altered the order of processing IDT returns and provided some relief in processing delays. Due to the long delays, the IRS changed its standard procedures from first-in, first-out and began prioritizing refund claims over tax due or zero balance due returns. As a result, taxpayers began to see some movement with these cases. In FY 2025, TAS successfully resolved 9,078 IDT issues.[25]

Unfortunately, year after year TAS continues to see countless taxpayers who have had their withholding, estimated payments, or credits stolen via a fraudulently filed return, leaving them in an extremely difficult position of not only having their identity and tax refund stolen, but also now having their IRS account reflect a tax due. The amount of time it takes to resolve IDT cases continues at a glacial pace. The IRS needs to get current on the backlog and work these cases diligently to help victims. There have been substantial delays for these victims over the last several years. In 2023, it took an average of 556 days to resolve an IDT issue. In 2024, that number went up to an average of 676 days, but declined to 630 days in FY 2025.[26] TAS has continued to advocate for reprioritization of work in the IRS to help reduce the amount of time it takes to resolve cases involving one of the biggest issues taxpayers face, IDT. Even after prioritizing overage refund return cases, the average cycle time for resolving IDT cases remains high. As of January 9, 2026, the IRS was processing Forms 14039, Identity Theft Affidavit, submitted in June 2024.[27] TAS continues to advocate for the resources and prioritization necessary to reduce these delays for IDT victims.

Returned or Stopped Refunds

In FY 2025, 13,710 taxpayers contacted TAS regarding a returned or stopped tax refund.[28] Although the numbers remain similar to the FY 2024 numbers (13,761), FY 2024 saw an increase of nearly 80% compared to FY 2023.[29] Unfortunately, these numbers continue to remain high. TAS will continue to monitor IRS trends with this issue.

Of the 13,710 taxpayers who came to TAS with this issue in FY 2025, the majority of them (7,129 or 52%) were in or about to be in financial distress due to their returned or stopped refund.[30] Generally, if a tax return has no errors and the taxpayer requests a direct deposit, the IRS deposits the refund within 21 days after receiving the tax return.[31] If the taxpayer requests a paper check, the IRS issues the check within six weeks. However, many taxpayers do not receive the refunds that are owed to them within these timeframes for a variety of reasons, including the IRS's attempt to protect revenue. The IRS may return or stop a refund because a third party returned it to the IRS through the External Lead, Automated Questionable Credit (AQC), or Frivolous Return programs, or because Submission Processing stopped the refund prior to issuance.

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24 Data obtained from TAMIS (Aug. 1, 2025) and Phoenix (Nov. 17, 2025). Note: Phoenix is a dynamic system; the data could change based on when the query is run.
25 *Id.*
26 *See* National Taxpayer Advocate 2024 Annual Report to Congress 34 (Most Serious Problem: *Identity Theft: Processing and Refund Delays Are Harming Victims of Tax-Related Identity Theft*), https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2024/12/ARC24_MSP_03_Identity-Theft.pdf. IRS, Joint Operations Center, Accounts Management Identity Theft Victim Assistance, Research Analysis and Data, Correspondence Imaging System Closed Case Cycle Time for Accounts Management Individual Taxpayer Identity Theft Victims Report, FY 2024 and FY 2025.
27 IRS, Processing Status for Tax Forms (last updated Jan. 9, 2026), https://www.irs.gov/help/processing-status-for-tax-forms.
28 Data obtained from TAMIS (Aug. 1, 2025) and Phoenix (Nov. 17, 2025). Note: Phoenix is a dynamic system; the data could change based on when the query is run.
29 Data obtained from TAMIS (Oct 1, 2023; Oct. 1, 2024; Aug. 1, 2025) and Phoenix (Nov. 17, 2025). Note: Phoenix is a dynamic system; the data could change based on the query run date.
30 Data obtained from TAMIS (Aug. 1, 2025) and Phoenix (Nov. 17, 2025). Note: Phoenix is a dynamic system; the data could change based on when the query is run.
31 IRS, Why It May Take Longer Than 21 Days for Some Taxpayers to Receive Their Federal Refund (Apr. 7, 2022), https://www.irs.gov/newsroom/why-it-may-take-longer-than-21-days-for-some-taxpayers-to-receive-their-federal-refund.

TAS has previously pointed out that the victimization of taxpayers by tax scams, including scams promoted on social media, has become prevalent. Many well-intentioned taxpayers often fall into these traps set by scammers or rely on tax advice promoted by social media influencers, believing that what they read or hear is from a reputable source, when in fact, it is not.

However, the volume of cases involving returned or stopped refunds may decrease in future years as a result of Executive Order (EO) 14247, *Modernizing Payments To and From America's Bank Account*. Beginning September 30, 2025, all federal agencies are required to transition to modern electronic funds transfer methods – including direct deposit, debit and credit card payments, digital wallets, and real-time transfers – to help prevent financial fraud and improper payments, improve efficiency, reduce costs, and enhance the security of federal disbursements. Taxpayers who do not provide direct deposit information continue to have the option to request a paper check. Taxpayers who file tax returns with valid bank account information will continue to receive refunds via direct deposit.

Taxpayers without access to digital payment options may be eligible for Treasury-sponsored alternatives designed to ensure reliable electronic delivery of federal payments. The EO grants the Secretary of the Treasury the authority to approve "limited exceptions where electronic payment and collection methods are not feasible." In 2026, taxpayers who do not provide direct deposit information continue to have the option to request and receive a paper check.[32] It is anticipated that by the publication of this report the IRS will have released guidance on how taxpayers can request or receive a paper check. Additionally, TAS does not anticipate any changes before 2027 as to how taxpayers must pay the IRS, as it will need time to update its forms, instructions, and technology infrastructure to fully implement the EO. TAS will continue to monitor this issue closely to identify emerging trends.

Taxpayer Assistance Orders

When a taxpayer is experiencing a significant hardship and the law supports relief, TAS may issue a Taxpayer Assistance Order (TAO) to direct the IRS to take a specific action, stop an action, or refrain from taking a future action.[33] Although Congress provided TAS the statutory authority to issue a TAO, TAS has also negotiated national agreements with each IRS Business Operating Division (BOD) to expedite the resolution of issues when the actions needed rest outside of TAS's authority or when a determination is required to resolve the taxpayer's issue. Normally, TAS advocates for a resolution to the taxpayer's issue by issuing an administrative OAR to the responsible IRS BOD.

In FY 2025, TAS issued over 223,800 individual OARs to the IRS and advocated on behalf of more than 9,200 taxpayers via a multitude of bulk OARs.[34] However, when time is of the essence, TAS may issue a TAO, potentially bypassing an OAR if necessary.[35] TAS may order the IRS to expedite consideration of a taxpayer's case, reconsider its determination in a case, or review the case at a higher level.[36] It may order the IRS to take expedited action to prevent further harm to the taxpayer if the IRS refuses or otherwise fails to take the action TAS requested to resolve the case.[37] Once TAS issues a TAO, the BOD must either take the actions ordered

32 *See* Erin M. Collins, As the IRS Phases Out Paper Checks, Vulnerable Taxpayers Must Not Be Left Behind, National Taxpayer Advocate Blog (last updated Dec. 4, 2025), https://www.taxpayeradvocate.irs.gov/news/nta-blog/as-the-irs-phases-out-paper-checks-vulnerable-taxpayers-must-not-be-left-behind/2025/10/

33 IRC § 7811; Treas. Reg. § 301.7811-1; IRM 13.1.20.2, Addressing Taxpayer Problems (June 14, 2023), https://www.irs.gov/irm/part13/irm_13-001-020.

34 Data obtained from TAMIS (Aug. 1, 2025) and Phoenix (Oct. 1, 2024 through Sept. 30, 2025). Note: Phoenix is a dynamic system; the data could change based on when the query is run.

35 IRC § 7811(f) states that for purposes of this section, the term "National Taxpayer Advocate" includes any designee of the National Taxpayer Advocate. *See* IRM 13.1.20.2, Addressing Taxpayer Problems (June 14, 2023), https://www.irs.gov/irm/part13/irm_13-001-020.

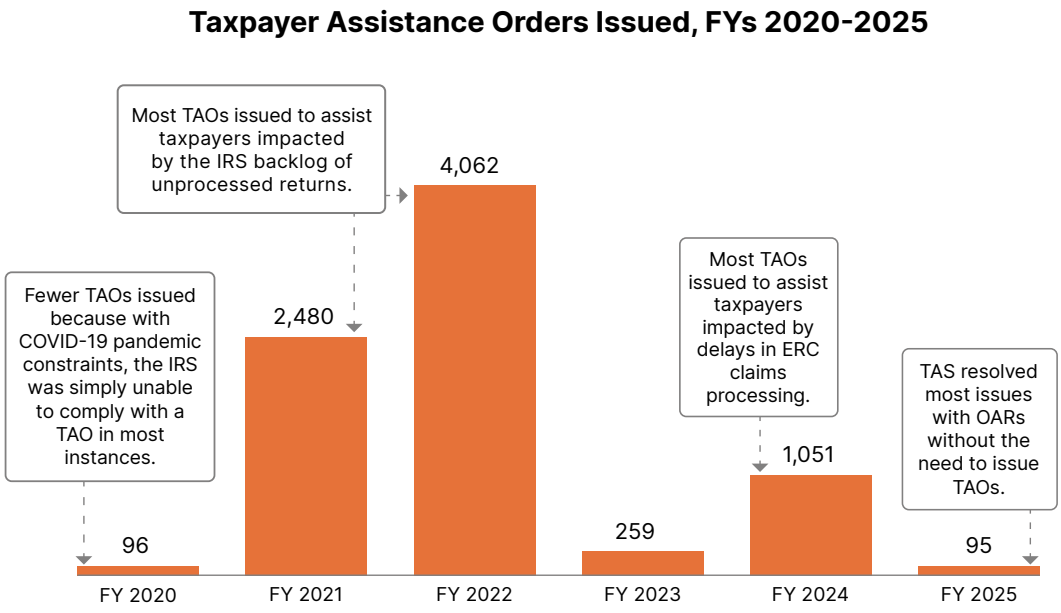
36 Treas. Reg. § 301.7811-1(c)(3); IRM 13.1.20.2, Addressing Taxpayer Problems (June 14, 2023), https://www.irs.gov/irm/part13/irm_13-001-020.

37 IRC § 7811(a)(1)(A); Treas. Reg. § 301.7811-1(a)(1), (c).

or appeal for resolution at higher management levels.[38] The BOD must include a written explanation with its appeal to allow TAS to consider whether to elevate, modify, or rescind the TAO.[39] Only the National Taxpayer Advocate, IRS Commissioner, or Deputy Commissioner may modify or rescind a TAO.[40] TAS may modify a TAO when new information warrants changes, but unless rescinded, the BOD must take the ordered action(s) within the TAO timeframe.[41]

Figure 4.4 summarizes the number of TAOs issued in FYs 2020-2025.

FIGURE 4.4[42]



As shown in Figure 4.5, Local Taxpayer Advocates issued 95 TAOs in FY 2025 on behalf of taxpayers.[43] Most (72%) were issued to the IRS's Taxpayer Services function due to failure to act on a previously issued OAR.[44] The leading cause was failure to process an amended return, resulting in TAS issuing 28 TAOs.[45] The IRS's errors in applying payments made by taxpayers and the processing of decedent account refunds were the

38 IRM 13.1.20.6, TAO Appeal Process (June 14, 2023), https://www.irs.gov/irm/part13/irm_13-001-020.
39 *Id.*
40 IRC § 7811(c).
41 IRC § 7811(c)(1); Treas. Reg. § 301.7811-1(b); IRM 13.1.20.6, TAO Appeal Process (June 14, 2023), https://www.irs.gov/irm/part13/irm_13-001-020.
42 Data obtained from TAMIS (Oct. 1, 2020; Oct. 1, 2021; Oct. 1, 2022; Oct. 1, 2023; Oct. 1, 2024; Aug. 1, 2025) and Phoenix (Nov. 17, 2025). Note: Phoenix is a dynamic system; the data could change based on when the query is run. *See* National Taxpayer Advocate 2020 Annual Report to Congress 233, 244 (TAS Case Advocacy), https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2021/01/ARC20_CA_TASCaseAdvocacy.pdf; National Taxpayer Advocate 2021 Annual Report to Congress 206, 210 (TAS Case Advocacy), https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2022/10/ARC21_CA_TASCaseAdvocacy.pdf; National Taxpayer Advocate 2022 Annual Report to Congress 199, 203 (TAS Case Advocacy), https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2023/02/2022-ARC_TAS-Advocacy_02022023.pdf; National Taxpayer Advocate 2023 Annual Report to Congress 178, 181 (TAS Case Advocacy), https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2024/01/ARC23_CA_TASCaseAdvocacy.pdf; National Taxpayer Advocate 2024 Annual Report to Congress 182, 189 (TAS Case Advocacy), https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2024/12/ARC24_CA_TAScaseAdvocacy.pdf
43 Data obtained from TAMIS (Aug. 1, 2025) and Phoenix (Nov. 17, 2025). Note: Phoenix is a dynamic system; the data could change based on when the query is run.
44 *Id.*
45 *Id.*

secondary and tertiary issues addressed by TAOs in FY 2025. The IRS complied with, or took the actions ordered in, 79% of the overall TAOs issued.[46] TAS utilized negotiated bulk OAR processes to resolve many taxpayer issues, resulting in a decrease in the number of TAOs issued in FY 2025.

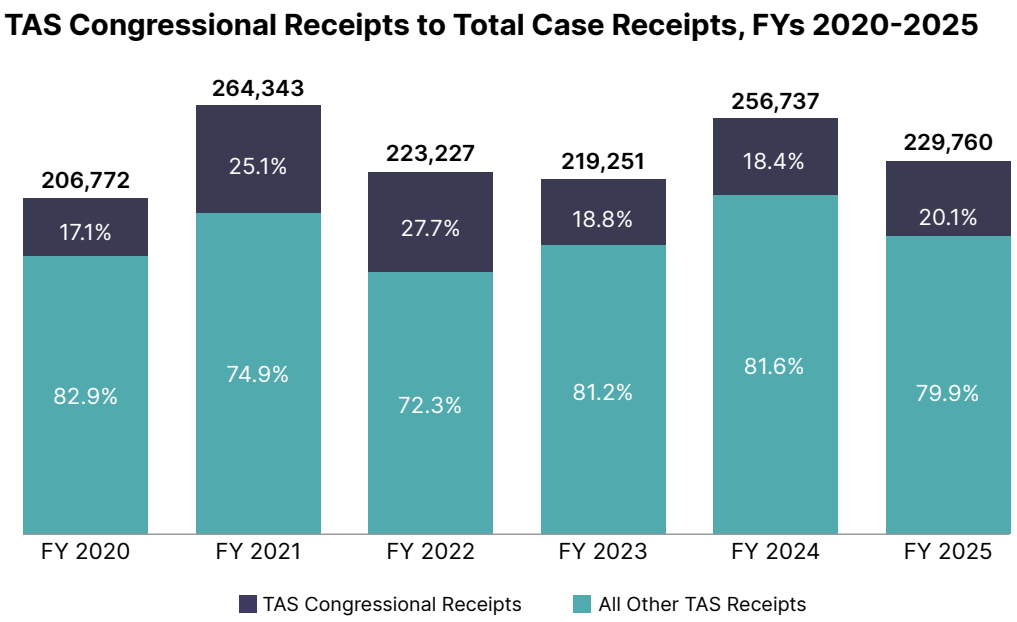
FIGURE 4.5, Actions Taken on TAOs Issued to the IRS, FY 2025[47]

Action	Total
IRS Complied With the TAO	73
IRS Complied After TAS Modified the TAO	2
TAS Rescinded the TAO	9
TAO Pending (in Process)	11
Total	**95**

Congressional Case Trends

TAS reviews all constituent tax account inquiries it receives from members of Congress. In FY 2025, congressional offices referred 46,099 inquiries to TAS, over 20% of TAS's total receipts.[48] As shown in Figure 4.6, TAS has consistently supported congressional offices with constituents' tax issues from FY 2020 to FY 2025.

FIGURE 4.6[49]



46 Data obtained from TAMIS (Aug. 1, 2025) and Phoenix (Nov. 17, 2025). Note: Phoenix is a dynamic system; the data could change based on when the query is run.
47 *Id.*
48 *Id.*
49 Data obtained from TAMIS (Oct. 1, 2020; Oct. 1, 2021; Oct. 1, 2022; Oct. 1, 2023; Oct. 1, 2024; Aug. 1, 2025) and Phoenix (Nov. 17, 2025). Note: Phoenix is a dynamic system; the data could change based on when the query is run.

Consistent with FY 2024 results, the number one reason congressional offices contacted TAS was because their constituents' refunds were on hold due to an income/withholding mismatch, also known as a Pre-Refund Wage Verification Hold. Congressional referrals in FY 2025 for this issue as a percentage of total congressional referrals remained steady at 24%, the same as in FY 2024.[50]

Figure 4.7 lists the top ten reasons congressional offices sought TAS assistance on behalf of their constituents in FY 2025 compared to FY 2024.

FIGURE 4.7, TAS Top Ten Congressional Receipts by Primary Core Issue Codes, FYs 2024-2025[51]

Rank	Issue Description	FY 2024 Congressional Receipts	FY 2025 Congressional Receipts	Percent Change FYs 2024-2025
1	Pre-Refund Wage Verification Holds *(Refund holds due to income/withholding mismatch)*	11,169	11,048	▼ 1.1%
2	Processing Amended Returns	8,560	7,668	▼ 10.4%
3	Returned or Stopped Refunds	1,827	1,928	▲ 5.5%
4	Lost or Stolen Refunds	1,583	1,912	▲ 20.8%
5	Taxpayer Protection Program Issues *(Returns on hold until taxpayer verifies identity)*	2,422	1,864	▼ 23.0%
6	Identity Theft	1,789	1,678	▼ 6.2%
7	Decedent Account Refunds	2,207	1,665	▼ 24.6%
8	Processing Original Returns	1,329	1,503	▲ 13.1%
9	Other Refund Inquiries or Issues	1,315	1,154	▼ 12.2%
10	Missing/Incorrect Payments	1,087	1,123	▲ 3.3%
Total Other Issues		**14,079**	**14,556**	▲ 3.4%
Total Congressional Receipts		**47,367**	**46,099**	▼ 2.7%

Overall, FY 2025 congressional referrals decreased by 2.7% from FY 2024.[52] Out of the ten most common reasons for congressional referrals, the largest decrease was for decedent account refund issues, with a 24.6% decrease. As noted previously, TAS believes this decrease in cases with decedent account refund issues is directly attributable to TAS's collaboration with the IRS to help reduce the number of taxpayers experiencing delays with these types of refunds.

50 FY 2025 – 11,048 Pre-Refund Wage Verification Hold, over 46,099 total congressional referrals; FY 2024 – 11,169 Pre-Refund Wage Verification Hold, over 47,367 total congressional referrals.

51 Data obtained from TAMIS (Oct. 1, 2024; Aug. 1, 2025) and Phoenix (Nov. 17, 2025). Note: Phoenix is a dynamic system; the data could change based on when the query is run. The IRS will initiate a Pre-Refund Wage Verification Hold prior to posting or releasing a refund when it identifies that the income or withholding as reported on a tax return does not match internal records. *See* IRM 25.25.3, Revenue Protection Verification Procedures for Individual Master File Returns (Aug. 21, 2025), https://www.irs.gov/irm/part25/irm_25-025-003r. TPP issues occur when the TPP process detects a return as a potential IDT return, requiring the taxpayer to verify their identity prior to the IRS posting or releasing a refund. *See also* IRM 25.25.6, Taxpayer Protection Program (Aug. 14, 2025), https://www.irs.gov/irm/part25/irm_25-025-006r

52 Although congressional referrals decreased by 1,268, the overall portion of TAS congressional receipts increased by nearly 1.7%.

TAS is partnering with the IRS to develop an online portal for congressional offices. The IRS Congressional Portal will be available to all congressional offices in FY 2026. TAS will be the first IRS division that will have services available through the portal. Other IRS divisions will add services in later releases.

Through the portal, congressional offices will be able to:

- Submit requests for assistance to TAS and receive instant confirmation that the request has been received;
- Communicate within the portal with the employee assigned to the constituent's case;
- View the current status of a constituent's case in real time;
- Send and receive documents through the portal; and
- Escalate cases that require immediate attention.

Use of the portal is optional. Congressional offices can choose which features of the portal they want to utilize in their interactions with TAS. TAS is excited to offer this new feature to its congressional partners.

TAS SYSTEMIC ADVOCACY

A cornerstone of the TAS mission is the identification and resolution of issues impacting taxpayer rights, key taxpayer segments, or large groups of taxpayers throughout the year. To accomplish this mission-critical activity, TAS uses specialized staff to analyze trends, collaborate with IRS business functions, and propose administrative, policy, and procedural solutions. As a complement to TAS Case Advocacy, which helps individual taxpayers resolve specific IRS issues, Systemic Advocacy (SA) focuses on broader problems involving IRS systems, policies, and procedures that impact many taxpayers. This work is central to protecting taxpayer rights, reducing taxpayer burden, and ensuring fair and equitable treatment across the tax system.

The strength of TAS's systemic endeavors lies in securing and analyzing data, investigation and collaboration. The analysis of TAS case receipts, the review of proposed procedural changes, and the assessment of new legislation or systems on taxpayer rights frame the backdrop for TAS systemic activities. By advising on policy clarifications, sharing data and case examples, and pushing for incremental changes, TAS ensures that taxpayer impact and perspectives are considered in IRS decision-making. Through these efforts, TAS advances transparency, accountability, and improved service delivery across the IRS.

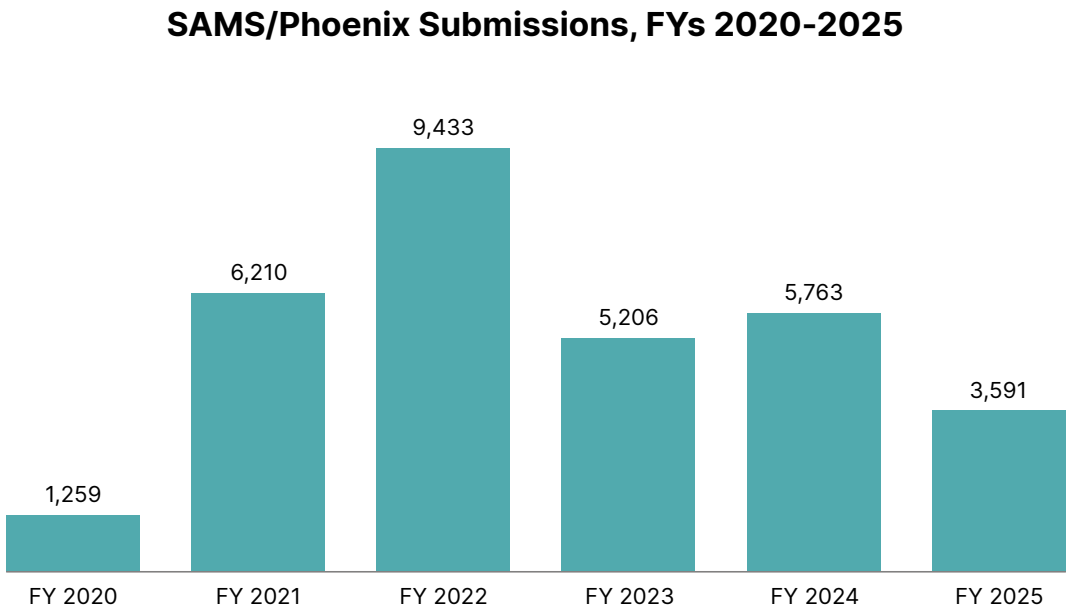
Modernizing Systemic Advocacy

In February 2025, the Systemic Advocacy Management System (SAMS), a perennial staple in managing TAS systemic activities, transitioned to Phoenix, which deployed first for SA in February 2025 and for Case Advocacy in August 2025. Phoenix enhances data accessibility, enables real-time trend analysis, and strengthens TAS's ability to track and respond to systemic concerns efficiently.

Phoenix offers a significant number of features not previously available in SAMS including customizable dashboards and list views of open issues, tasks, and projects. Phoenix allows employees to set tasks with due dates and view those dates in a calendar view. The system automatically sends email notifications to employees when a task or issue has been assigned to them. Functionality will continue to expand through planned enhancements.

Phoenix allows anyone – individuals, businesses, practitioners, stakeholders, industry, and IRS employees – to submit systemic issues for TAS review. Phoenix serves as an important channel for identifying systemic issues affecting many taxpayers or involving IRS processes and taxpayer rights.

FIGURE 4.8[53]



During FY 2025, TAS received 3,591 SAMS/Phoenix submissions and closed 3,589, of which only 827 were determined not to be systemic or could not be validated.[54]

The open and accessible submission process of Phoenix promotes transparency and accountability by allowing the submission of taxpayer issues or concerns about tax administration to be brought directly to TAS. Through this enhanced platform, TAS can effectively advocate for fair treatment, equitable outcomes, and continuous improvement in IRS operations. Of the closed issues, 140 were elevated for systemic review and 155 were promoted to a project.[55]

Systemic Advocacy Projects[56]

Systemic projects originate from a variety of internal or external sources and address diverse topics such as outdated IRS tools, notice clarity, and refund delays caused by data discrepancies. TAS projects often stem from internal and external submissions identifying patterns of taxpayer impact or burden. Each project represents TAS's continuing commitment to data driven process and system improvements in tax administration. TAS capitalizes on its systemic advocacy function to move beyond individual case resolution to tackle policies, procedures, and systemic barriers that affect many taxpayers simultaneously. By developing actionable recommendations and coordinating with stakeholders, TAS continues to drive fairness and efficiency in tax administration. In FY 2025, TAS closed 53 systemic projects covering a wide range of tax-related issues.[57]

53 FY 2020-2024 data obtained from National Taxpayer Advocate 2024 Annual Report to Congress 182, 189 (TAS Case Advocacy), https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2024/12/ARC24_CA_TAScaseAdvocacy.pdf. Data obtained from SAMS (Dec. 18, 2025) and Phoenix (Dec. 19, 2025). Note: Phoenix is a dynamic system; the data could change based on when the query is run.
54 Data obtained from SAMS (Dec. 18, 2025) and Phoenix (Dec. 19, 2025). Note: Phoenix is a dynamic system; the data could change based on when the query is run.
55 *Id.*
56 IRM 13.2.5.3, Working an Advocacy Project (Nov. 4, 2020), https://www.irs.gov/irm/part13/irm_13-002-005.
57 Data obtained from TAS's FY 2025 Consolidated Systemic Trends and Analysis Report (STAR) Master Document (Oct. 8, 2025).

TAS closely monitored numerous court decisions including the Supreme Court decision in *Boechler, P.C. v. Commissioner*[58] and the U.S. Tax Court (Tax Court) decision in *Organic Cannabis Foundation LLC v. Commissioner*.[59] In *Boechler,* the Supreme Court held that the 30-day time limit in IRC § 6330(d)(1) to file a petition with the Tax Court for review of a Collection Due Process (CDP) determination is not a jurisdictional requirement and is subject to equitable tolling. In *Organic Cannabis*, the Tax Court extended this principle by clarifying that the 30-day deadline to request a CDP hearing with the IRS is also subject to equitable tolling. After these decisions, TAS took action to ensure plain-language guidelines were developed with taxpayer rights in mind, making sure taxpayers were made aware of the decisions and providing taxpayers an opportunity to have their CDP cases heard in the IRS Independent Office of Appeals (Appeals) or Tax Court even if their requests or petitions were filed after the statutory deadline.

TAS met with Appeals to discuss the court decisions and confirmed that Appeals Settlement Officers will consider equitable tolling criteria if a taxpayer raises the issue at any time during the hearing process. Taxpayers who ultimately disagree with the Appeals determination can petition the Tax Court even if their CDP hearing request was not timely submitted. The Appeals Internal Revenue Manual (IRM) was recently updated to add equitable tolling information.[60] Additional IRM, publication, notice, and form updates are in the works to be finalized in FY 2026.[61]

Collaborative Advocacy[62]

TAS uses a variety of collaborative efforts to resolve systemic issues. These efforts include SA subject matter experts working on TAS internal teams or as a member of a TAS/IRS collaborative team to research, review, and advocate on systemic issues.[63] These partnerships focus on identifying barriers, analyzing data, and recommending solutions that promote efficient, fair, and consistent tax administration.

At the end of FY 2025, TAS has 36 ongoing collaborative teams.[64] TAS/IRS cross functional teams tackled key operational issues, from penalty miscalculations to transcript errors. These critical teams identify root causes and develop solutions that reduce taxpayer burden and strengthen the integrity of IRS systems.

For example, the National Taxpayer Advocate, with the support of SA's Name, Image, and Likeness (NIL) collaborative team, has been advocating for increased guidance regarding NIL compensation for several years. In FY 2024, the NTA published a blog that provides useful information to assist student-athletes in meeting their filing obligations.[65] In FY 2025, the NIL team made updates to TAS Get Help pages on NIL and NIL Collectives.[66] In addition, NIL language was provided to the IRS and was added to several IRS publications including Instructions to Form 1040 Schedules C and E; Publication 17, Your Federal Income Tax (For Individuals); Publication 334, Tax Guide For Small Business (For Individuals Who Use Schedule C); and Publication 525, Taxable and Nontaxable Income.

58 *Boechler, P.C. v. Comm'r*, 596 U.S. 199 (2022).
59 *Organic Cannabis Found., LLC v. Commissioner*, 161 T.C. No. 4 (2023).
60 IRM 8.22.5.3.2, Equitable Tolling (Dec. 3, 2025), https://www.irs.gov/irm/part8/irm_08-022-005.
61 SAMS project 58430, Challenge to Tax Court-Appeals Jurisdiction (Dec. 19, 2025).
62 Information gathered from TAS's Collaborative Teams site (Power Apps) (Sept. 30, 2025).
63 IRM 13.2.7.3, Types of Collaborative Teams (Oct. 8, 2024), https://www.irs.gov/irm/part13/irm_13-002-007
64 In FY 2025, SA participated on 11 TAS internal teams and 25 TAS/IRS cross functional teams. Data obtained from TAS's FY 2025 Consolidated STAR Master Document (Oct. 8, 2025).
65 Erin M. Collins, Student-Athletes Involved in Name Image Likeness (NIL) Agreements Should Be Aware of Their Tax Obligations, National Taxpayer Advocate Blog (Dec. 7, 2023), https://www.taxpayeradvocate.irs.gov/news/nta-blog/nta-blog-student-athletes-involved-in-nil-agreements-should-be-aware-of-their-tax-obligations/2023/12/
66 *See* TAS, Name, Image, and Likeness: Income Paid to Student-Athletes Is Taxable Income (last updated Sept. 5, 2025), https://www.taxpayeradvocate.irs.gov/get-help/general/nil/; TAS, Name, Image, and Likeness (NIL) Collectives (last updated Sept. 9, 2025), https://www.taxpayeradvocate.irs.gov/get-help/general/nil/nil-collectives/

Internal TAS collaboration allows TAS to detect emerging issues early, coordinate technical guidance, and promote consistent advocacy across the organization. Interagency collaboration fosters confidence and trust in the consistency, transparency, and fairness of the tax system.

Public Outreach and Communication

Another critical component of TAS systemic advocacy is public outreach and communication. TAS amplifies taxpayer voices and engages in active communication with the taxpayer community through multiple channels and communication venues. The most active venues are the National Taxpayer Advocate Blog, TAS Tax Tips, and the TAS Get Help and Roadmap tools.

National Taxpayer Advocate Blogs

Blog posts highlight key advocacy issues, providing clear explanations on emerging issues, tax law changes, data-supported insights and actionable recommendations. Forty National Taxpayer Advocate blogs were published in FY 2025.[67]

- When Taxpayers Struggle to Obtain an EIN, Everyone Loses
- IRS Appeals Moves Toward Greater Transparency by Sharing Appeals Case Memoranda With Taxpayers
- The Road Ahead for Pending Tax Administration Legislation
- Tax Court Collection Due Process Refund Jurisdiction and the TAS Act
- Section 403 of the TAS Act Would Clarify the Taxpayer Advocate Service's Ability to Access Information
- Section 603 of the TAS Act Could Help Taxpayers Get Refunds Faster
- Rain or Shine: The IRS Must Prepare Now for Next Year's Filing Season
- Criminal VDP: TAS Reports a Win for Taxpayers - IRS Agrees to Remove Willfulness Checkbox on VDP Application Form
- Appeals Improves Alternative Dispute Resolution Programs, But Barriers Remain
- Section 903 of the TAS Act Will Simplify Estimated Tax Payments for Individuals
- The ERC Claim Period Has Closed – The IRS Must Now Prioritize Resolution, Communication, and Taxpayer Protections
- Celebrating National Small Business Week
- TAS Act Would Improve Efficiency and Reduce Processing Delays for Taxpayers Requesting an Offer in Compromise
- IRS Chief Counsel Advice on Theft Loss Deductions for Scam Victims and What It Means for Taxpayers
- TAS Act: Court Review of Innocent Spouse Relief
- TAS Act Would Tweak IRS Disaster Relief to Fix Two Recurring Problems
- TAS Act Would Require the IRS to Notify Taxpayers at Risk of Economic Hardship
- Voluntary Withholding in the TAS Act
- TAS Act: Timely Submitted Payments and Electronic Documents
- TAS Act Would Eliminate IA Fees for Low-Income Taxpayers
- The TAS Act Strikes a Balance on Return Preparer Oversight
- The Draft TAS Act Would Unlock Low Income Taxpayer Clinics' Potential
- What Taxpayers Should Do When Their Refund Is Stolen

67 TAS, Most Recent NTA Blogs (last visited Dec. 30, 2025), https://www.taxpayeradvocate.irs.gov/taxnews-information/blogs-nta/

- Proposed TAS Act Provision to Allow Taxpayers to Bring Refund Suits in the Tax Court Will Be a Game-Changer For Taxpayers
- How to Get Assistance During the Filing Season
- What to Know if You've Been Affected by a Federally Declared Disaster
- Is This the Year You Finally Get a Form 1099-K?
- National Taxpayer Advocate Celebrates the 50th Anniversary of the Earned Income Tax Credit
- Senate Finance Committee Chairman Crapo and Ranking Member Wyden Release Discussion Draft of "Taxpayer Assistance and Service Act"
- Identity Theft Awareness and Update on IRS Processing of Identity Theft Victim Assistance Cases
- Happy Holidays from the Taxpayer Advocate Service!
- 25 Years of Making a Difference: Celebrate and Join the LITC Movement!
- Doing the Best You Can for Your Community This Giving Tuesday
- Help Us Fix "Big Picture" Tax Problems and Advocate for Change
- It's That Time of the Year Again: Remember to Renew Your Preparer Tax Identification Number
- IRS Proposed Regulations on Third Party Contacts Unfairly Erode Taxpayer Notice Requirements
- A Grave Error: Don't Allow "Ghost Preparers" to Turn Your Taxes Into a Horror Story
- IRS Hears Concerns From TAS and Practitioners, Makes Favorable Changes to Foreign Gifts and Inheritance Filing Penalties
- Giving Back: Recognizing the 2024 National Celebration of Pro Bono
- What to Know About Superseding Tax Returns and How It Could Benefit You

TAS Tax Tips

TAS Tax Tips provide concise, accessible guidance on common taxpayer issues, from understanding collection timelines to navigating Tax Court procedures.[68] Developed in part from systemic submissions, these resources empower taxpayers by increasing awareness of their rights and responsibilities and promoting taxpayer compliance.

The top five visited TAS Tax Tip pages for FY 2025 were:[69]

1. Where's My Refund?
2. Identity Verification and Your Tax Return
3. Direct Deposit from the IRS, But Not Sure What it is For?
4. Direct Deposit Refund Options and Refund Offsets
5. The Tax Ramifications of Tying the Knot

68 *See* https://www.taxpayeradvocate.irs.gov/taxpayer-resources/tax-tips/

69 Data obtained from TAS Communications, Stakeholder Liaison, and Online Services Program Office (Dec. 16, 2025); TAS, Where's My Refund (last updated Dec. 4, 2025), https://www.taxpayeradvocate.irs.gov/news/tax-tips/wheres-my-refund/2025/03/; TAS, Identity Verification and Your Tax Return (last updated Dec. 4, 2025), https://www.taxpayeradvocate.irs.gov/news/tax-tips/identity-verification-and-your-tax-return/2025/02/; TAS, TAS Tax Tip: Got a Direct Deposit from the IRS, But Not Sure What it is For? (last updated Feb. 8, 2024), https://www.taxpayeradvocate.irs.gov/news/tax-tips/tas-tax-tip-got-a-direct-deposit-from-the-irs-but-not-sure-what-it-is-for/2021/08/; TAS, Direct Deposit Refunds and Refund Offsets (last updated Dec. 4, 2025), https://www.taxpayeradvocate.irs.gov/news/tax-tips/direct-deposit-refunds-and-refund-offsets/2025/01/; and TAS, The Tax Ramifications of Tying the Knot (last updated Dec. 10, 2025), https://www.taxpayeradvocate.irs.gov/news/tax-tips/the-tax-ramifications-of-tying-the-knot/2025/07/

TAS Get Help and Roadmap Tools

TAS systemic efforts also support the design and maintenance of TAS's online Get Help resources and the interactive Taxpayer Roadmap tool.[70] These online tools simplify complex IRS processes, offer step-by-step guidance, and connect taxpayers to relevant assistance. Whether helping someone track a delayed refund or understand payment options, these resources promote transparency and empower taxpayers to navigate the system effectively. By making the IRS more accessible and understandable, TAS advances the *rights to quality service* and *to a fair and just tax system*.

Employee Guidance and Communications

The IRS's Internal Management Documents/Single Point of Contact (IMD/SPOC) review process,[71] in which TAS actively participates by reviewing and commenting on IRS communications, is critical to validating the direction and information being shared is accurate, consistent, and does not infringe on taxpayer rights. Essential documents such as IRMs, policy statements, letters, notices, forms, and publications play an important role in the transparency, equity, and administration of tax laws. TAS subject matter experts track, review, and analyze proposed changes before they are finalized to identify and recommend changes that could reduce taxpayer burden or safeguard taxpayer rights.

In FY 2025, TAS made 476 recommendations to improve IRS communications, of which 387 (81.3%) were adopted, including 189 of 238 recommendations (79.4%) that directly impacted taxpayer rights.[72] This is an increase from FY 2024, when 70% impacting taxpayer rights were adopted.[73]

FIGURE 4.9, TAS IMD/SPOC Recommendations to Improve Communications, FY 2025[74]

Recommendations	Total	Adopted by the IRS	Percent Adopted
Recommendations Impacting Taxpayer Rights or Taxpayer Burden	238	189	79.4%
Other Recommendations	238	198	83.2%
Total Recommendations	**476**	**387**	**81.3%**

TAS also participates in Data Gathering Calls (DGCs) with IRS functions to review draft correspondence products including letters, notices, and forms before they are finalized. During FY 2025, TAS participated in 197 DGCs, reviewing 374 products.[75] These process and document reviews not only help resolve current issues but prevent future problems, reinforcing TAS's role as a champion for fair and effective tax administration.

Taxpayer Advocacy Panel

The TAP is a Federal Advisory Committee established under the authority of the Treasury Department and administratively supported by TAS. This Advisory Committee is comprised of volunteers serving three-year terms and represents a cross-section of the taxpaying public, including the District of Columbia, Puerto Rico,

70 TAS, We're Here to Help (last visited Dec. 30, 2025), https://www.taxpayeradvocate.irs.gov/get-help/; TAS, Roadmap (last visited Dec. 30, 2025), https://www.taxpayeradvocate.irs.gov/get-help/roadmap/
71 IRM 13.2.1.4.1, IMD/SPOC Reviews (Sept. 29, 2020), https://www.irs.gov/irm/part13/irm_13-002-001.
72 IMD/SPOC data obtained from TAS's FY 2025 Consolidated STAR Master Document (Oct. 8, 2025).
73 National Taxpayer Advocate 2024 Annual Report to Congress 182, 189 (TAS Case Advocacy), https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2024/12/ARC24_CA_TAScaseAdvocacy.pdf.
74 IMD/SPOC data obtained from TAS's FY 2025 Consolidated STAR Master Document (Oct. 8, 2025).
75 Data obtained from IMD/SPOC (Oct. 3, 2025).

and U.S. citizens living or working abroad. The TAP provides a grassroots perspective on taxpayer service issues and makes recommendations to improve IRS service and customer satisfaction. In 2024, TAP submitted 37 referrals with 380 recommendations. In 2025, TAP submitted 20 referrals with 188 recommendations.[76]

In FY 2025, TAP partnered with the IRS to address taxpayer-facing language on Form 8821, Tax Information Authorization. This involved three TAP committees collaborating on a unified referral with 15 recommendations that improved taxpayers' *rights to be informed* and *to quality service.* TAP also collaborated with the IRS to add language to installment agreement notices as part of the IRS redesign initiative, clarifying taxpayers' *right to appeal an IRS decision in an independent forum*.

Low Income Taxpayer Clinics

The LITC Program, established under the IRS Restructuring and Reform Act of 1998, continues to ensure equitable access to tax representation, education, and advocacy for low-income and English as a Second Language (ESL) taxpayers. LITCs provide *pro bono* or low-cost representation, educate taxpayers about their rights, and elevate recurring issues affecting vulnerable populations. Clinics must provide dollar-for-dollar matching funds and offer services for free or for no more than a nominal fee.

In the 2024 grant year, the LITC Program awarded over $20 million in grants to 137 organizations, including nine new recipients.[77] LITCs collaborate closely with community organizations, government agencies, and other stakeholders to deliver free or low-cost services, including *pro bono* representation in IRS disputes, taxpayer education, and systemic advocacy. In 2025, clinics provided representation in thousands of tax controversy cases, many involving complex issues such as collections, refunds, and filing status, thereby ensuring vulnerable taxpayers are not left to face the IRS alone.

FIGURE 4.10[78]

Results LITCs Delivered in 2024 for Low-Income Individual Taxpayers and Their Families



21,180
Taxpayers represented

2,774
Taxpayers brought into filing compliance

18,546
Taxpayers provided consultation or advice

3,186
Taxpayers brought into collection compliance

76 TAP FY 2024 is December 1, 2023, through November 30, 2024. TAP FY 2025 is December 1, 2024, through November 30, 2025. Information received from TAP (Dec. 11, 2025).
77 Data obtained from LITC Program Office (Dec. 15, 2025).
78 Pub. 5066-A, Low Income Taxpayer Clinic Program (Nov. 2025), https://www.irs.gov/pub/irs-pdf/p5066a.pdf.

During the 2024 grant year, LITCs represented 21,180 taxpayers and provided consultation or advice to 18,546 taxpayers. Clinics brought 2,774 taxpayers into filing compliance and 3,186 into collection compliance, supported by 1,370 volunteers who contributed 45,019 hours. This exceeded the 2023 results (2,556 brought into filing compliance and 3,043 into collection compliance).[79]

Beyond casework, LITCs are powerful advocates for systemic change. They identify recurring issues affecting low-income and ESL taxpayers and elevate those concerns through TAS advocacy channels. In 2025, clinics conducted thousands of outreach and educational activities, not only reaching taxpayers directly but also training staff and volunteers at partner organizations. These efforts expand the reach of taxpayer education and strengthen the network of support available to underserved communities.

The LITC Program Office also fosters collaboration across IRS service partners. In January 2025, it co-hosted the second annual Collaboration Summit with the IRS Stakeholder Partnerships, Education and Communication function, bringing together LITCs, Volunteer Income Tax Assistance, and Tax Counseling for the Elderly programs. These summits promote best practices, encourage new partnerships, and support a more holistic approach to taxpayer service. The January 2026 summit continues the momentum toward integrated, community-based tax assistance.

TAXPAYER ADVOCATE DIRECTIVES

When administrative processes and internal discussion do not yield action, TAS may use Taxpayer Advocate Directives (TADs) to drive systemic change within the IRS and protect taxpayer rights. A TAD is a formal mechanism for the National Taxpayer Advocate to address systemic issues with IRS officials and request improvements to IRS processes affecting taxpayers.

The National Taxpayer Advocate's authority to issue TADs is granted by IRS Delegation Order 13-3. This authority allows the National Taxpayer Advocate to require administrative or procedural changes aimed at enhancing operational processes or providing relief to groups of taxpayers (or all taxpayers). The implementation of these directives must safeguard taxpayer rights, prevent undue burdens, ensure fair treatment, or provide essential taxpayer services. The National Taxpayer Advocate also summarizes TAD activity in the Annual Report to Congress as mandated by IRC § 7803(c)(2)(B)(ii). The National Taxpayer Advocate issued no TADs or proposed TADs during FY 2025.

79 National Taxpayer Advocate 2024 Annual Report to Congress 182, 198 (TAS Advocacy), https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2024/12/ARC24_CA.pdf.

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Data Compilation and Validation

Section 7803(c)(2)(B)(ii)(XII) of the IRC directs that the National Taxpayer Advocate, "with respect to any statistical information included in [this annual report to Congress], include a statement of whether such statistical information was reviewed or provided by the Secretary under Section 6108(d) and, if so, whether the Secretary determined such information to be statistically valid and based on sound statistical methodology."

The data cited in the National Taxpayer Advocate's annual reports generally comes from one of three sources: (i) publicly available data such as the IRS Data Book, Government Accountability Office reports, and Treasury Inspector General for Tax Administration reports; (ii) IRS databases to which TAS has access; and (iii) IRS data that IRS operating divisions provide pursuant to TAS information requests. After TAS compiles statistical information, TAS's Office of Research and Analysis validates it. Procedures for additional IRS review of statistical information vary by report section as follows:

- **Preface** – The data contained in the Preface was not separately submitted for validation because the Preface is written at the end of the process and generally pulls data from other sections of the report that have already been validated.
- **Taxpayer Rights and Service Assessment** – The data contained in this section was reviewed by the IRS.
- **Most Serious Problems section** – Most of the data contained in this section was reviewed by the IRS; however, due to resource constraints, the IRS elected not to verify a few data points. These items were previously provided by the IRS through responses to TAS information requests, IRS information system reports, or simple queries of IRS data stored on its Compliance Data Warehouse.
- **Most Litigated Issues section** – To identify the top ten Most Litigated Issues, TAS used commercial legal research databases to locate and review published opinions involving a substantive civil tax issue decided on the merits in federal courts during fiscal year (FY) 2025. TAS also reviewed IRS raw data for taxpayers who filed a petition with the U.S. Tax Court (Tax Court) during FY 2025. TAS's Office of Research and Analysis mapped this data to IRS records to determine the audit issues appearing on statutory notices of deficiency where the taxpayer disagreed with the IRS determination and sought Tax Court review. Neither analyses were submitted to the IRS for review, but the narratives were reviewed by the IRS Office of Chief Counsel.
- **TAS Advocacy section** – The data contained in this section was not submitted to the IRS for review because the data pertains almost exclusively to TAS's internal operations.
- **Purple Book** – Legislative recommendations with substantive changes from prior years, as well as all new legislative recommendations, were reviewed for legal accuracy by the IRS Office of Chief Counsel. The Purple Book contains limited statistical information that was provided by TAS's Office of Research and Analysis. It was not submitted to the IRS for review.

On the rare occasion where TAS and the IRS have a disagreement about data or the presentation of the data, we generally discuss it, and if a disagreement persists, we note the incongruity in the report.

Glossary of Acronyms

ACRONYM	DEFINITION
ACM	Appeals Case Memorandum
ACS	Automated Collection System
ADR	Alternative Dispute Resolution
AGI	Adjusted Gross Income
AI	Artificial Intelligence
AM	Accounts Management
AO	Appeals Officer
AQC	Automated Questionable Credit
ARPA	American Rescue Plan Act
ASR	Assistor Service Rate
ATE	Appeals Technical Employee
BMF	Business Master File
BOD	Business Operating Division
BSA	Bank Secrecy Act
C&L	Communication and Liaison
CAF	Centralized Authorization File
CAR	Collection Activity Report
CARES	Coronavirus Aid, Relief, and Economic Security Act
CAS	Customer Account Services
CASST	Coalition Against Scam and Scheme Threats
CDP	Collection Due Process
CDW	Compliance Data Warehouse
CFO	Chief Financial Officer
CI	Criminal Investigation
CIS	Correspondence Imaging System
COGS	Cost of Goods Sold
COO	Chief Operating Officer
COVID-19	Coronavirus Disease of 2019
CPEO	Certified Professional Employer Organizations
CRM	Customer Relationship Management
CRO	Office of Chief Risk Officer
CSP	Credential Service Provider
CSR	Customer Service Representative
CTC	Child Tax Credit
CTCO	Chief Tax Compliance Officer
CY	Calendar Year

ACRONYM	DEFINITION
DAWSON	Docket Access Within a Secure Online Network
DF	Direct File
DGC	Data Gathering Call
DoD	Department of Defense
DOJ	Department of Justice
DRP	Deferred Resignation Program
DUT	Document Upload Tool
ECMO	Enterprise Case Management Office
EFS	Enterprise File Storage
EIN	Employer Identification Number
EITC	Earned Income Tax Credit
EO	Executive Order
ERC	Employee Retention Credit
ESCR	Enterprise Service Completion Rate
ERCS	Exam Returns Control System
ESL	English as a Second Language
ETARAS	Electronic Tax Administration Research and Analysis System
FAQ	Frequently Asked Question
FAR	Federal Acquisition Regulation
FAST	Fixing America's Surface Transportation Act
FATCA	Foreign Account Tax Compliance Act
FBAR	Foreign Bank and Financial Accounts Report
FICA	Federal Insurance Contributions Act
FIFA	Fédération Internationale de Football Association
FIRPTA	Foreign Investment in Real Property Tax Act
FLEC	Financial Literacy and Education Commission
FMSS	Facilities Management and Security Services
FOIA	Freedom of Information Act
FS	Filing Season
FSSR	Filing Season Statistics Report
FTC	Federal Trade Commission
FTM	Fast Track Mediation
FTS	Fast Track Settlement
FUTA	Federal Unemployment Tax Act

Appendix 3: Glossary of Acronyms

ACRONYM	DEFINITION
FX	FOIAXpress
FY	Fiscal Year
GAO	Government Accountability Office
GILTI	Global Intangible Low-Taxed Income
HCO	Human Capital Office
HQ	IRS Headquarters
ICCE	Integrated Customer Communication(s) Environment
IDT	Identity Theft
IDTVA	Identity Theft Victim Assistance
IIR	International Information Returns
IMD	Internal Management Document
IMF	Individual Master File
IMS	Issue Management System
IOLA	Individual Online Account
IP PIN	Identity Protection Personal Identification Number
IRA	Inflation Reduction Act or Individual Retirement Account
IRC	Internal Revenue Code
IRM	Internal Revenue Manual
IRS	Internal Revenue Service
IRTF	Individual Return Transaction File
ISAC	Information Sharing and Analysis Center
IT	Information Technology
ITAP	Internal Technical Advisor Program
ITIN	Individual Taxpayer Identification Number
ITS	International Treasury Service
JCT	Joint Committee on Taxation
JOC	Joint Operations Center
KDA	Knowledge Development and Application
LB&I	Large Business and International Division
LEP	Limited English Proficiency
LITC	Low Income Taxpayer Clinic
LLC	Limited Liability Company
LMSB	Large and Midsize Business
LOS	Level of Service
MAGI	Modified Adjusted Gross Income
MFS	Married-Filing-Separate
NDAA	National Defense Authorization Act
NEFE	National Endowment for Financial Education
NGPF	NextGen Personal Finance

ACRONYM	DEFINITION
NIL	Name, Image, and Likeness
NTUF	National Taxpayers Union Foundation
OAR	Operations Assistance Request
OBBB	One Big Beautiful Bill Act
OCR	Optical Character Recognition
OCRC	Office of Civil Rights and Compliance
OGIS	Office of Government Information Services
OIC	Offer in Compromise
OLS	Online Services
OPI	Over-the-Phone-Interpreter
OPR	Office of Professional Responsibility
PAM	Post Appeals Mediation
PEO	Professional Employer Organizations
PFIC	Passive Foreign Investment Company
PGLD	Privacy, Governmental Liaison and Disclosure
PMO	Program Management Office
POA	Power of Attorney
PPS	Practitioner Priority Service
PTIN	Preparer Tax Identification Number
QBAI	Qualified Business Asset Investment
QBI	Qualified Business Income
RAAS	Research, Applied Analytics and Statistics
RAD	Reports Analysis and Data or Research Analysis and Data
RFO	Revolutionary FAR Overhaul
RPA	Robotic Process Automation
RPO	Return Preparer Office
RSED	Refund Statute Expiration Date
SA	Systemic Advocacy
SADI	Secure Access Digital Identity
SALT	State and Local Taxes
SAMS	Systemic Advocacy Management System
SB/SE	Small Business/Self-Employed Operating Division
SCaaS	Scanning-as-a-Service
SCRIPS	Service Center Recognition/Image Processing System
SEE	Special Enrollment Examination
SOP	Strategic Operating Plan
SPOC	Single Point of Contact
SPS	Secure Payment System

Appendix 3: Glossary of Acronyms

ACRONYM	DEFINITION
SSA	Social Security Administration
SSN	Social Security Number
STAR	Systemic Trends and Analysis Report
STARS	Shared Team of Administrative and Redaction Support
TAC	Taxpayer Assistance Center
TAD	Taxpayer Advocate Directive
TAMIS	Taxpayer Advocate Management Information System
TAO	Taxpayer Assistance Order
TAP	Taxpayer Advocacy Panel
TAS	Taxpayer Advocate Service
TBOR	Taxpayer Bill of Rights
TCE	Tax Counseling for the Elderly
TDC	Taxpayer Digital Communication
TEFRA	Tax Equity and Fiscal Responsibility Act
TE/GE	Tax Exempt/Government Entities Division
TGC	Technical Guidance Coordinator
TIA	Tax Information Authorization or Taxpayer Information Authorization
TIGTA	Treasury Inspector General for Tax Administration
TPP	Taxpayer Protection Program
TS	Taxpayer Services
TSA	Transportation Security Administration
TSO	Transformation and Strategy Office
TXO	Taxpayer Experience Officer
TY	Tax Year
USD	United States Dollars
VDP	Voluntary Disclosure Program
VITA	Volunteer Income Tax Assistance
WMAR	Where's My Amended Return
WMR	Where's My Refund
WO	Whistleblower Office
ZPI	Zero Paper Initiative

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