

National Alliance of Tax Business Owners (NATBO)

IRS Oversight Board 2/8/06 Annual Public Meeting Statement Pertaining to Panel 1: Customer Service Needs of Taxpayers

Presented by Charles E. McCabe, NATBO Founding Chairman

IRS Good Customer Service might be defined as the ability of taxpayers and all other IRS stakeholders to receive needed information and assistance from the IRS as quickly, easily, accurately and professionally as they would from a US Fortune 50 corporation. Essentially, the IRS should meet the same high level of customer service standards as a private for-profit business of comparable size must attain to continue to grow and prosper in our highly competitive American Free Enterprise System.

Providing good customer service, as defined, will result in greater respect of the IRS by taxpayers and stakeholders, less frustration in our tax system, and increased compliance, thereby helping to ensure that our voluntary tax system works properly as intended. NATBO's members--independent tax business owners--would benefit by being able to deliver greater client satisfaction and operate more efficiently and profitably. IRS would realize comparable benefits in efficiency and cost reductions, as well as greater employee satisfaction. Less time, money and frustration is expended to do something right the first time.

IRS services that play the greatest role in increasing voluntary compliance may be communication with taxpayers, taxpayer problem resolution, and speed of processing refunds (most taxpayers receive refunds).

Taxpayer Communication should be greatly improved through IRS e-services when they become fully available. However, taxpayers will need education and assistance to effectively use IRS e-services. Tax businesses will play a major role in this process. Telephone support will continue to be a critical method of communication, but volume of phone support should steadily decline as e-services come online and are more effectively utilized by taxpayers and their agents and representatives. To ensure that e-services are being utilized effectively and telephone support is being provided properly, liaison services must also be provided to ensure taxpayers and tax practitioners can be heard if the system fails.

Taxpayer Problem Resolution has significantly improved in recent years due to greater focus by the IRS on customer service, effective use of technology and assistance through the office of the Taxpayer Advocate. Tax Preparers play a major role in helping taxpayers to effectively use this valuable resource. However, deficiencies exist, as illustrated by the following experiences relayed by NATBO members:

NATBO Member #1: *"I tried calling the IRS today and it is just so hard...I would like to suggest that a tax-professional, if he or she has a CAF number*, should be able to call an agent back if they get disconnected. Some issues are quite complex and technology sometimes doesn't work. My cell phone dropped the call shortly after I had faxed in the client's 2848. Then I had to start over again. It was so frustrating and such a needless waste of time."*

NATBO Member #2: *It is very frustrating not to be able to call back the same person you have been dealing with. Quite often an issue requires more than one conversation to settle and when something happens to the call the practitioner has to hope the agent will return the call rather than start all over with another agent. Since not all agents have access to the same information it is very frustrating to finally find the right person to help with your problem and then lose the person due to a telephone problem. This wastes both the professional's time and the IRS employee's time!*

Another very frustrating issue with telephone service is not being able to reach the person who has signed an IRS notice even though the name and phone number are listed on the taxpayer's notice. I've returned calls in response to letters and been told the person does not answer calls.

One of my office managers recently experienced problems reaching the IRS. He had to resort to threatening to call the Commissioner in order to get someone to respond to his problems. He requested a supervisor after being unable to elicit a response from a revenue agent and was told that the supervisor did not take calls.

*CAF stands for Central Authorization File. This number is assigned to a tax professional by the IRS after they have obtained all of the information (name, address, EA No., if applicable, etc.). This enables the IRS to know who they are speaking to.

Refund Processing has been dramatically accelerated through IRS e-file. With direct-deposit, the taxpayer's refund can be received in as little as 9 days instead of the 6-8 weeks or longer it took prior to e-file. The refund time will become even shorter in the future as IRS e-file technology advances.

Eliminate IRS Sponsored Volunteer Taxpayer Services. Volunteers have good intentions; they want to help people, which, in turn makes them feel good about themselves. Their main motivation is the actual experience of interacting with the people they are trying to help. However, volunteers, such as those who participate in the IRS Volunteer Income Tax Assistors (VITA) program, are often not as enthusiastic and conscientious about spending their time learning all they should know about tax preparation and continuing their annual tax preparation education. Many VITA and Low Income Taxpayer Assistor program volunteer tax preparers are not qualified to handle the variety of tax returns they encounter and they may not be able to prepare required state tax returns. After all, they are volunteers, not tax professionals. The result is often inaccurate tax return preparation, which is a disservice to the taxpayers they try to serve, as well as the IRS.

Tax Businesses are a Viable Alternative to Volunteer Tax Preparers. The IRS should leverage the resources of the private sector to provide better service for less cost. Many tax businesses already help taxpayers who are not able to afford to pay for their services. My firm, Peoples Income Tax, has provided free tax preparation services for residents of homeless shelters for some ten years, as well as for participants in a regional welfare to work initiative and for residents of a local home for battered women with children. Tax firms should be encouraged to help low income and disadvantaged taxpayers. The money spent by IRS on volunteer programs could be used to provide qualified low income taxpayers with vouchers for deeply discounted tax services (approximately at cost) at participating tax businesses. The result would be more professional, competent, complete and accurate tax preparation services for taxpayers who cannot afford to pay for professional help, probably delivered at lower cost.

Independent Tax Businesses Constitute a Valuable IRS Resource. Collectively, independent tax businesses serve more than half of all taxpayers who seek professional tax preparation assistance. They serve more than twice as many taxpayers as the largest national tax firm. Tax returns prepared by tax professionals are more accurate and their clients require less service and support from the IRS. Independent tax businesses and tax professionals are recognized as a key stakeholder by IRS through professional tax and accounting associations such as NATP, NSTP, NSA, NAEA and AICPA.

Independent Tax Businesses are at Risk. Independents are at a disadvantage in competing with the national tax firms that have the resources to develop sophisticated operating systems, employ state-of-the-art technology, use cost-effective national marketing campaigns, enjoy lower costs through economies of scale and negotiate more favorable terms with key vendors. Due to such competitive disadvantages, a

major industry trend toward consolidation has been taking place in recent years in the tax industry. National tax firms are absorbing independent firms that are not able to effectively compete.

IRS and American Taxpayers Need Independent Tax Businesses. Preservation of our Free Enterprise System is dependent upon fair competition. The evolution of tax industry oligopolies, if permitted, would result in fewer choices and poorer service for American taxpayers. Small emerging growth businesses tend to be pioneers in innovation that raises the bar for complacent larger businesses and results in better service and more benefits for consumers. Unfair competition impedes innovation. Well managed small businesses tend to provide excellent customer service.

Independent Tax Businesses Need Business Support. The main focus of the professional associations is learning, interpreting and applying the IRS tax code and not tax business management. They do address, on a limited basis, tax practice management. However, independent tax businesses need support in managing their businesses more effectively so they can compete on a level playing field with national tax firms. Independents need guidance in adopting best practices used by the national firms. These best practices include developing systematic methods of operating a tax business, developing a strategic business plan, employing sound financial management techniques, utilizing state-of-the-art technology, using proven marketing strategies and tactics, operating an income tax school to recruit and train seasonal tax preparers and provide CPE for experienced preparers, and diversifying into complementary services to counter the disadvantages of the extremely seasonal tax business.

The National Alliance of Tax Business Owners (NATBO) Provides Needed Support. NATBO's primary mission is to enable independent tax businesses to operate on a level playing field with national tax firms. Through NATBO, independents can collaborate to identify and adopt best tax business practices, and to develop a new tax business model that will be competitive and viable for the next decade and beyond. NATBO also enables its members to realize the benefits of collective buying power through its Endorsed Provider program. NATBO is also "The Voice of Tax Business Owners" in matters affecting the tax preparation industry and wishes to have "a seat at the table" alongside national tax firms.

Views on Other Questions:

- 1. How should the IRS select which services it offers taxpayers in a resource limited environment?**
 - A. IRS should continue to provide free services for taxpayers who are least able to afford to pay for services. It should not charge others for essential services. Fees for non-essential services should not exceed IRS variable cost to provide those services. The IRS should choose the services that would have the most immediate impact on the taxpayers. Greater use of telephone or email communication rather than regular mail can speed the resolution of taxpayer issues. The IRS needs to significantly expand the issues that can be resolved through e-services. It would be beneficial for the Service to accept letters through the e-services channel. Many professionals have contacted eservices in an attempt to resolve an issue and been told that they must send a letter through the mail.

- 2. What suggestion would you have for the IRS so it can deliver the most effective services at the least cost?**
 - A. Leverage the resources of the private sector in ways that result in a win-win for both the IRS and private tax businesses.

3. How can the IRS achieve a balance in providing services to a wide variety of taxpayers via specific delivery methods designed to meet their needs?

A. IRS should segment taxpayers into subgroups having similar demographic and psychographic characteristics and conduct customer focus groups and surveys to determine the services needed, expected and desired by each taxpayer segment.

4. From your perspective, what is the preferred way for you/your constituents to receive tax information from the IRS?

A. Electronically via the Internet (e-mail, IRS website, webinars, bulletin boards, etc.)

5. Should all customer service methods be free to all taxpayers?

A. No, but IRS services or publications should not be priced above variable cost to IRS.

6. How much are taxpayers willing to “pay” for the service, in terms of time and effort?

A. If taxpayers must have the service, they would be willing to pay more and spend more time to get it. However, many services that are necessary for the income tax system to function effectively should be free or at least subsidized by IRS.

7. What do you see as barriers to the delivery of good customer service?

A. Bureaucracy; Incompetent Employees; Inadequate Training; Poor Management; Lack of Standards and Effective Measures of Performance. Taxpayers' general fear and distrust of the system. The inability of all IRS personnel to see the same taxpayer information is a definite barrier to customer service.

8. What are your thoughts on electronic services for practitioners? Where do you see the most value? Where can the IRS make improvements?

A. **IRS e-services** are extremely valuable for practitioners to operate more efficiently and provide better taxpayer service. Being able to obtain taxpayer ID numbers and other registrations through the IRS website in minutes instead of days or weeks by mail is a great saver of time, money and frustration. Being able to retrieve taxpayer documents and resolve problems electronically for taxpayers will provide even greater benefits. Such capability enables tax practitioners to help themselves and their clients without the support of IRS personnel, which results in savings for IRS.

IRS e-file has provided the greatest value so far. Tax businesses that adopt e-file as the preferred method realize substantial savings in costs and efficiency. Using two methods—paper and e-filing—reduces the benefits of e-file. Using e-file exclusively (except when not enabled by IRS) results in the greatest savings and employee and taxpayer satisfaction. IRS e-file is a major step toward attaining the ideal of a paperless office.

IRS Improvement is needed in the speed at which e-services are rolled out, and the types of issues that can be resolved through eservices.