

## **Goal 5: Create a 21st-century approach to government by improving efficiency, effectiveness and customer interaction**

**STRATEGIC OBJECTIVE 5.4:** Create a culture of service through relentless pursuit of customer value

Treasury is a service organization; we provide services and products to the American people, businesses, federal agencies, partners within Treasury, and other entities, both foreign and domestic. Each of these groups has unique needs, values, and measures of success. Improving customer service at Treasury means creating a culture among our leadership and employees where everyone understands each unique customer and defines their success as customer success.

This effort involves every part of Treasury and reaches beyond the Management Offices into each bureau and policy office. For example, taxpayers expect to interact with the Department of the Treasury in a manner that is fair and straightforward. To meet this expectation, we aspire to provide the best service in the federal government.

### **STRATEGIES:**

- Coordinate customer service efforts to include better responses to requests, improved communication with customers, and improved processes
- Use metrics and measures to understand customer value and customer service priorities
- Provide customer service training, mentoring, and coaching
- Incorporate taxpayer perspectives to improve all service interactions
- Increase digital options to improve service timeliness and accessibility

### **EXECUTIVE SUMMARY**

In Treasury's efforts to lead more efficient practices in government, Treasury expanded its customer base for shared administrative services this year to include the Department of Housing and Urban Development and DHS. While this is an indicator of the high quality of Treasury's products and services, customer feedback indicates that their needs and expectations vary greatly. Consequently, Treasury is working to improve communications and standardize services, products, and processes to sustain the cost efficiencies of the model and improve customer satisfaction.

Few government agencies have greater interaction with the American people than the IRS, and providing top quality service to taxpayers, including helping them understand and meet their tax obligations, remains a central focus for the IRS. That is why Treasury's second FY 2014-2015 APG focused on increasing self-service options for taxpayers, who increasingly expect on-demand web-based interactions. In FY 2015, the IRS continued to invest in and prioritize online services to meet taxpayer demand for anytime, anywhere, any-device access, delivering innovative digital interactions and enhanced support and communication with the tax community and government partners.

Online service options cost comparatively less and have a greater capacity to assist larger numbers of taxpayers than other service channels. At the same time, the IRS recognizes that telephone contact remains a critical and preferred mechanism for many taxpayers and, consequently, committed as many resources as possible in FY 2015 to maintaining telephone service at acceptable levels. As referenced earlier in this report, between FY 2010 and FY 2015, Congress cut the IRS budget by more than \$1.2 billion, which represents a cut of nearly 10 percent in nominal dollars and more than 17 percent with inflation. This impacted the IRS's ability to serve taxpayers, contributing to the level of service falling to 38.1 percent in FY 2015. The IRS also experienced increased call volume in FY 2015 and issued 17.6 million disconnects, which are automatic call terminations by the IRS after a fixed waiting period. These "courtesy" disconnects are designed to limit excessive wait time and direct callers to alternative service channels.

Increasing the use of online services, however, results in additional challenges. In May 2015, the IRS determined that unauthorized third parties used taxpayers' personal information obtained from sources outside of the IRS to access its "Get Transcript" application by using stolen information to clear the application's multi-step user authentication process. The required prior personal knowledge about the taxpayer included social security number, date of birth, filing status, street address, and answers to several identity verification questions typically known only to the taxpayer. The IRS believes some of this information may be used to file fraudulent tax returns during the upcoming 2016 filing season. Immediately after this incident, the IRS suspended the "Get Transcript" application and contacted impacted taxpayers, directing them to identity theft protection tools available through the IRS and credit-monitoring services made available at the IRS's expense. The IRS also flagged impacted accounts in its core processing system to protect taxpayers moving forward. Securing systems and protecting taxpayers' personal information continues to be a top priority for Treasury.

Despite the threat of identity theft, taxpayers' demand for self-service and electronic service options continues to increase. The IRS plans to create a more secure online environment by focusing on developing and maintaining strong authentication and identity management capabilities. In addition, the IRS provides year-round assistance through outreach and education programs, tax forms and publications, and toll-free call centers, taxpayer assistance centers, volunteer income tax assistance sites, and tax counseling for the elderly sites.

## **PERFORMANCE GOAL INFORMATION: TAXPAYER SERVICE**

### **Taxpayer Services**

#### **Appropriation Description**

The Taxpayer Services appropriation provides funding for taxpayer service activities and programs. This includes printing forms and publications, processing tax returns and related documents, offering filing and account services, providing taxpayer assistance, and providing taxpayer advocacy services.

#### **Pre-Filing Taxpayer Assistance and Education**

This budget activity funds services to assist taxpayers with understanding and meeting their tax obligations, including tax law interpretation, publication, production, and advocate services. The program activities include the following:

- *Pre-Filing Services Management* supports headquarters management associated with Customer Assistance Relationship and Education (CARE). CARE provides pre-filing taxpayer assistance and education.
- *Taxpayer Communication and Education* researches customer needs; develops and manages educational programs; establishes partnerships with stakeholder groups; and disseminates tax information to taxpayers and the general public through a variety of media, including publications and mailings, websites, broadcasting, and advertising.
- *Media and Publications* develops and produces notices, forms, and publications for printed and electronic tax materials, and provides media production services to taxpayers.
- *Taxpayer Advocacy* provides advocate services to taxpayers by identifying the underlying causes of taxpayer problems and participating in the development of systematic and/or procedural remedies.
- *Account Management and Assistance – Field Assistance* provides face-to-face assistance, education, and compliance services to taxpayers. It includes return preparation, answering tax questions, resolving account and notice inquiries, and supplying forms and publications to taxpayers.
- *Taxpayer Advocate Case Processing* provides advocate services to taxpayers to resolve taxpayer problems through prompt identification, referral, and settlement.
- *W&I HQ Management and Administration* provides staffing, training, and direct support for Wage and Investment management activities of strategic planning, communications and liaison, finance, human resources, equity, diversity and inclusion, business modernization, and embedded training.
- *National Distribution Center* processes orders for IRS forms and publications received from individual taxpayers, tax practitioners, and IRS tax return preparation partners.

### Description of Performance

In FY 2015, the IRS timely delivered 89 percent (97 out of 109) of the Critical Individual Filing Season Tax Products to the public by the fifth workday of January. The Tax Increase Prevention Act of 2014; the Tax Technical Corrections Act of 2014; and the Achieving a Better Life Experience (ABLE) Act of 2014, were enacted on December 19, 2014, and had major implications and directly impacted reaching the FY 2015 goal of 95 percent. While 89 percent of the tax products were made available to the public by January 8, 2015 date, 93 percent (101 of 109) of them were available to the public by the January 20th filing season start date. While IRS cannot control the timeliness of tax-related legislation, procedures are in place to mitigate the impact of late legislation. For example, in early January 2015, a Joint Committee on Taxation report, identified 52 tax provisions that expired on December 31, 2014 that may be extended by legislation before the start of the 2016 filing season. The IRS plans to implement its “best practice” of reserving lines on tax returns in advance of anticipated extended legislation for the coming year. Reserving lines provides flexibility and expedites the process for implementing

legislative changes due to extenders rather than initiating new development at the end of the tax year. The practice also allows for the most productive and efficient use of resources. IRS will continue to release products not affected by legislation early to devote more time to analyze, develop, and post or print the tax products affected by late changes to legislation. To achieve future targets IRS will continue to employ this strategy. In FY 2016 and FY 2017, the IRS will lower the target to 87 percent due to anticipated legislation passed late in the year that will impact form and product development.

In FY 2015, the IRS Timeliness of Critical Tax Exempt and Government Entities (TE/GE) and Business Filing Season Tax products to the Public was 92.6 percent (151 of 163), falling short of the FY 2015 target of 95 percent. As discussed above, the passage of late legislation negatively impacted reaching the year-end target. To ensure meeting future targets, the IRS will plan, monitor, and coordinate all product development and delivery activities. The IRS will also continue to evaluate its processes so that mitigation strategies can be implemented quickly, as necessary. In FY 2016 and FY 2017, the IRS will lower the target to 87 percent for providing Critical TE/GE and Business Tax Products to the Public due to anticipated legislation passed late in year.

Taxpayer Self-Assistance Rate reached 88.7 percent through FY 2015, exceeding the FY 2014 rate of 84.7 percent and the FY 2015 target of 85 percent. This increase is primarily attributed to a 28 percent increase in web services including significantly more taxpayers using the *Where's My Refund?* application to request the status of their refund. Self-Service channels continue to experience an increase in demand due to shifting customer preferences as more taxpayers choose to use automated applications to resolve issues and questions instead of traditional methods of contacting the IRS including telephone and written correspondence or walk-in visits to Taxpayer Assistance Centers. In FY 2016 and FY 2017, the IRS is devoting substantial resources to bolster traditional methods in order to better meet demand. Through continued use of automation, the IRS expects to achieve the FY 2016 goal of 90 percent and FY 2017 target of 89 percent. The IRS will continue to look for new applications that support the needs of the taxpayer as well as its ability to manage resources efficiently as possible in order to meet all future goals.

## **Budget and Performance Report and Plan**

**Pre-Filing Taxpayer Assistance & Education Budget and Performance Plan**

Dollars in Thousands

Pre-Filing Taxpayer Assistance & Education Resource Level	FY 2010 Enacted	FY 2011 Enacted	FY 2012 Enacted	FY 2013 Enacted	FY 2014 Enacted	FY 2015 Enacted	FY 2016 Enacted	FY 2017 Request
Appropriated Resources <sup>1</sup>	\$679,924	\$678,204	\$625,189	\$605,761	\$610,496	\$621,516	\$629,920	\$643,197
Reimbursable Resources <sup>2</sup>	862	1,135	96		46	51	79	83
User Fees <sup>2</sup>	5,514		22,460	6,400	22,400	4,141	11,039	3,386
<b>Budget Activity Total</b>	<b>\$686,300</b>	<b>\$679,339</b>	<b>\$647,745</b>	<b>\$612,161</b>	<b>\$632,942</b>	<b>\$625,708</b>	<b>\$641,038</b>	<b>\$646,666</b>

<sup>1</sup>The FY 2010 - FY 2015 appropriated resources represents the approved operating plan including any inter-BAC transfers and inter-appropriation transfers.

<sup>2</sup>The FY 2010 - FY 2015 columns represent realized resources for reimbursables and user fees.

Pre-Filing Taxpayer Assistance & Education Measure	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2015 Target	FY 2016 Target	FY 2017 Target
Timeliness of Critical Filing Season Tax Products to the Public (Ot)	95.3%	96.3%	97.2%	58.9%	99.1%	89.0%	95.0%	87.0%	87.0%
Timeliness of Critical TE/GE & Business Tax Products to the Public (Ot)	97.7%	96.4%	94.5%	83.6%	98.7%	92.6%	95.0%	87.0%	87.0%
Taxpayer Self-Assistance Rate (E) (L)	64.4%	70.1%	78.5%	83.3%	84.7%	88.7%	85.0%	90.0%	89.0%

Key: Oe - Outcome Measure, E - Efficiency Measure, Ot - Output/Workload Measure, and L - Long Term Goal

## Filing and Account Services

This budget activity funds programs that provide filing and account services to taxpayers, process paper and electronically-submitted tax returns, issue refunds, and maintain taxpayer accounts. The IRS continues to make progress in decreasing paper returns and increasing the use of electronic filing and payment methods. The program activities include the following:

- *Filing and Account Services Management* administers filing and account services programs.
- *Submission Processing* processes paper and electronically submitted tax returns and supplemental documents, accounts for tax revenue, processes information documents, and issues refunds and tax notices.
- *Account Management and Assistance – Electronic/Correspondence Assistance* provides education and assistance to taxpayers and resolves accounts and notice inquiries through telephone, paper, and internet correspondence.
- *Electronic Products and Services Support* provides centralized operations and support capabilities for the IRS suite of electronic products, including e-help desk, technology support, and operations support.
- *Electronic Tax Administration (ETA)* markets and administers electronic tax administration products and services.
- *Business Performance Lab* recommends and manages systemic solutions for the detection and treatment of improper refunds while ensuring effective treatment for payment of valid refund claims, leads the development of innovative business processes and technology solutions and represents Return Integrity & Compliance Services (RICS) interest in support of the service-wide revenue protection strategy.
- *Pre-Refund* provides coordination support for the pre-refund activities to ensure timely issuance of refunds and credits that are legally due to taxpayers.

- *Joint Operations Center (JOC)* provides service, support, and technology for telephone, correspondence, and electronic media inquiries; real time monitoring and routing of inbound calls; monitoring of Customer Service Representative accuracy; and management of the enterprise telephone database.

### Description of Performance

Millions of individual and business taxpayers file their returns electronically. In FY 2015, the IRS achieved an 85.3 percent individual e-file rate and a 47 percent business e-file rate. Both the individual and business e-file rates exceeded the FY 2015 targets. The overall benefits of e-file (i.e. faster refunds, greater accuracy, secure and confidential submission, quick confirmation, and the ability to file online) continue to drive performance. The IRS is also promoting the benefits of e-filing via social media. The IRS will increase the individual e-filing target to 86 percent for FY 2016 and FY 2017 and the business e-filing target will increase to 48 percent for FY 2016 and FY 2017. IRS will continue to process individual and business returns as efficiently as possible to meet future plans.

In FY 2015, Customer Accuracy – Tax Law was at 95 percent, exceeding the target of 92 percent. IRS will continue to monitor results through data driven analysis of reports obtained from Embedded Quality Review System (EQRS) to ensure achievement of the FY 2016 goal. The IRS will continue to hold weekly conference calls to discuss quality defects/errors and procedures to ensure the target is met. For FY 2016 and FY 2017, the IRS will keep the tax law accuracy targets at 92 percent, as responding to legislative changes in tax laws will continue to be a major challenge moving forward.

In FY 2015, the IRS correctly answered 95.5 percent of account questions via the telephone, exceeding the target of 94 percent. The IRS expects to maintain high performance on the Customer Accuracy – Accounts (Phones) and will achieve the FY 2016 and FY 2017 target of 94 percent through ongoing efforts to focus on promoting coding consistency of product reviews and providing training to managers and employees to ensure quality service.

In FY 2015, the IRS Customer Contacts Resolved per Staff Year reached 26,245, exceeding last year's result and the FY 2015 target of 21,000. This measure includes activities such as automated and assistor calls answered and web services completed. The increase is attributed to a 28 percent increase in web usage including a significant jump in *Where's My Refund?* usage. The FY 2016 target is set at 28,000 with an expected increase in web usage. The FY 2017 target is set at 25,700, as IRS expects more employee assisted calls. To achieve these targets, the IRS will continue to provide efficient responses to customer contacts with the resources available and provide more self-service applications on IRS.gov.

In FY 2015, the Customer Service Representative Level of Service (LOS) was 38.1 percent, exceeding the FY 2015 target of 38.0 percent. Additional funding provided in FY 2016, and supplemented with user fees, will allow the IRS to achieve a projected LOS of 47.0 percent for the full year, including 65.0 percent LOS during filing season. The FY 2017 Budget, supplemented with approximately \$100 million in user fees, provides sufficient funding to achieve a projected 70.0 percent LOS for the full year including filing season. Sustained reductions in funding have led to a long-term decline in LOS. In FY 2015, low LOS, coupled

with limited telephone port capacity, led to a higher demand than could be adequately handled. When demand exceeds available system capacity, callers are disconnected. These Courtesy Disconnects increased 1,162 percent in FY 2015 compared to FY2014 (17.7 million vs. 1.4 million). Weather related closures during the second quarter and several system outages in the third quarter caused a 162 percent increase in emergency closure messages.

Refund timeliness is defined as the percentage of paper refunds issued within 40 days or less. In FY 2015, Refund Timeliness reached 98.8 percent, exceeding the FY 2015 target of 94 percent as the number of paper refunds continued to decline. There was a 7.5 percent decrease in the number of paper refunds compared to the same period in FY 2014. IRS will continue to monitor IMF return cycles and inventories through various reports and production meetings to ensure this target is met. For FY 2016 and FY 2017, the IRS expects to achieve a target of 97 percent.

## Budget and Performance Report and Plan

### Filing and Account Services Budget and Performance Plan

Dollars in Thousands

Filing and Account Services Resource Level	FY 2010 Enacted	FY 2011 Enacted	FY 2012 Enacted	FY 2013 Enacted	FY 2014 Enacted	FY 2015 Enacted	FY 2016 Enacted	FY 2017 Request
Appropriated Resources <sup>1</sup>	\$1,614,418	\$1,630,549	\$1,614,514	\$1,529,792	\$1,546,058	\$1,565,038	\$1,703,456	\$1,763,121
Reimbursable Resources <sup>2</sup>	21,993	27,857	20,759	37,535	28,555	30,147	34,650	36,382
User Fees <sup>2</sup>	115,998	128,966	152,136	184,599	160,342	40,553	92,457	113,455
<b>Budget Activity Total</b>	<b>\$1,752,409</b>	<b>\$1,787,372</b>	<b>\$1,787,409</b>	<b>\$1,751,926</b>	<b>\$1,734,955</b>	<b>\$1,635,738</b>	<b>\$1,830,563</b>	<b>\$1,912,958</b>

<sup>1</sup>The FY 2010 - FY 2015 appropriated resources represents the approved operating plan including any inter-BAC transfers and inter-appropriation transfers.

<sup>2</sup>The FY 2010 - FY 2015 columns represent realized resources for reimbursables and user fees.

Filing and Account Services Measures	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2015 Target	FY 2016 Target	FY 2017 Target
Percent Individual Returns Processed Electronically (Oe) (L)	69.3%	76.9%	80.5%	82.5%	84.1%	85.3%	84.6%	86.0%	86.0%
Percent of Business Returns Processed Electronically (Oe)	25.5%	31.8%	36.7%	40.2%	43.1%	47.0%	46.5%	48.0%	48.0%
Customer Accuracy - Tax Law (Phones) (Ot)	92.7%	93.4%	93.2%	95.7%	95.0%	95.0%	92.0%	92.0%	92.0%
Customer Accuracy - Accounts (Phones) (Ot)	95.7%	96.0%	95.6%	96.0%	96.2%	95.5%	94.0%	94.0%	94.0%
Customer Contacts Resolved per Staff Year (E)	10,744	12,419	16,320	20,767	21,018	26,245	21,000	28,000	25,700
Customer Service Representative Level of Service (Oe) (L)	74.0%	70.1%	67.6%	60.5%	64.4%	38.1%	38.0%	47.0%	70.0%
Refund Timeliness - Individual (Paper) (Ot)	96.1%	99.4%	99.7%	99.0%	98.7%	98.8%	94.0%	97.0%	97.0%
Cost per Taxpayer Served (\$) (HCTC) (E)	\$9.52	\$12.36	\$14.43	\$13.41	N/A	N/A	N/A	N/A	N/A
Sign-up Time (Days) - Customer Engagement (HCTC) (Ot)	124.0	117.0	116.0	125.2	N/A	N/A	N/A	N/A	N/A

Key: Oe - Outcome Measure, E - Efficiency Measure, Ot - Output/Workload Measure, and L - Long Term Goal