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IRS OPERATIONS AND TAXPAYER ASSISTANCE

DEPOSITORY

HEARINGS

BEFORE THE

SUBCOMMITTEE ON OVERSIGHT

OF THE

COMMITTEE ON WAYS AND MEANS

HOUSE OF REPRESENTATIVES

NINETY-FOURTH CONGRESS

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IRS OPERATIONS AND TAXPAYER ASSISTANCE

THURSDAY, FEBRUARY 27, 1975

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON OVERSIGHT,
COMMITTEE ON WAYS AND MEANS,
Washington, D.C.

The subcommittee met at 9:10 a.m., pursuant to notice, in room H-208, the Capitol, Hon. Charles A. Vanik (chairman of the subcommittee) presiding.

Mr. VANIK. The subcommittee will come to order.

As our members get in, we can move on to get preliminary business over with.

I want to say first of all that our committee is saddened by the tragic death of our colleague, Mr. Pettis, of California, due to tragic circumstances. It has been very difficult, and he has been a very hard and conscientious worker, and we are going to deeply miss him.

I also want to point out to the committee that Mr. Duncan has been selected to serve and is willing to serve as a member of this subcommittee, and we will welcome Mr. Duncan later today.

I want to say at the outset that our meeting today will last 1 hour, since we must adjourn by 10 o'clock in order to meet with the caucus of Democratic Members, and I will endeavor to provide that we move expeditiously with our business so we can get as much done within this time frame as possible.

We are pleased to have with us today the Commissioner of Internal Revenue, Mr. Donald Alexander, one of my dear friends and colleagues. There are a number of issues we would like to discuss today, and I regret that we are faced with time limitations. I hope we can concentrate on things that are timely, particularly in the light of our current business, the collection of revenue for the year 1975, based on 1974 income, and I hope we can concentrate on the progress of the taxpayers' assistance program, the possible problems in the area of tax return preparers, and I hope we can hear from the Commissioner on how we can proceed in the Ways and Means Committee to make his task easier and the work of his Service more efficient.

We are here to do a constructive job, as a unit of Congress acting on behalf of our colleagues, to provide for an oversight and review of the ongoing programs of the administration in carrying out legislative mandates.

I will yield at this point to my colleague from Ohio, Don Clancy. I know he wants to say some special things about the Commissioner.

There are two kinds of Buckeyes in Ohio, Cleveland Buckeyes, and then there are Cincinnati Buckeyes. I am going to let Don tell you about the difference.

Mr. CLANCY. First, we share your sentiments with respect to the untimely passing of Mr. Pettis. He was a very valued member of this subcommittee and the committee as a whole, and we regret very much that he would have this tragic ending.

We are, however, very grateful for the fact that Mr. Duncan will join us. He is a very able member of the committee and one who has a great deal of dedication and will be a valued member.

With that, Mr. Chairman, I would also like to say that we are pleased to have with us my friend and a person who is a fellow Cincinnati, one whom we have had a great deal of respect for both in private and public life. He is a person who has an enviable reputation in his profession, the legal profession, and I think that the country as a whole is much better off with a person of this caliber serving in this position. So we will welcome him this morning, and we want to compliment him and his staff on the great job that he has done while he has served in this capacity.

Mr. VANIK. The committee will be very happy to hear from you before we proceed.

STATEMENT OF HON. DONALD C. ALEXANDER, COMMISSIONER OF INTERNAL REVENUE SERVICE, ACCOMPANIED BY WILLIAM E. WILLIAMS, DEPUTY COMMISSIONER; MEADE WHITAKER, CHIEF COUNSEL; BURKE W. WILLSEY, ASSISTANT TO THE COMMISSIONER; ROBERT H. TERRY, ASSISTANT COMMISSIONER (ACCOUNTS, COLLECTION, AND TAXPAYER SERVICE); ANITA F. ALPERN, ACTING ASSISTANT COMMISSIONER (PLANNING AND RESEARCH); JOSEPH T. DAVIS, ASSISTANT COMMISSIONER (ADMINISTRATION); AND SINGLETON B. WOLFE, ASSISTANT COMMISSIONER (COMPLIANCE)

Mr. ALEXANDER. Congressman Vanik and Congressman Clancy, thank you for those kind words. I am a fellow Buckeye who is now trying to help some very fine people in a very difficult job.

I want to tell you how delighted the Internal Revenue Service is about your interest in the Service and the way we try to administer the laws for which you gentlemen are responsible.

We have the job of putting into effect and carrying out the laws that you pass to govern our tax system; who pays what, when, and under what circumstances, what people are entitled to what deductions, and what administrative procedures and judicial rights of appeal are written into title 26 of the United States Code.

Tax administration is too important to be left to the administrators alone. I am delighted with the creation of this Subcommittee on Oversight and its companion in the Senate. I hope that you will have periodic meetings. Call us down to explain to you what we are doing and why we are doing it and what we aren't doing and why we aren't doing it.

In this way we will be benefited, and I think the cause of a sound tax system, both in the legislation that is written here and in the administration of that legislation, will be benefited. I am grateful to you for this oversight hearing. I hope there will be many more.

I have just two points that I would like to touch on, at this time.

For almost 2 years we have been engaged in an effort to help people understand their rights as well as their responsibilities under this very complex Internal Revenue Code. We have done our best to produce some simplified tax return packages, some simplified instructions, some simplified documents telling people what their rights are, and the rights of appeal and the rights of persons in the collection area.

We need to do more than that, but we need help from you. We need help from you in simplifying the law, itself. The law in certain respects, as outlined in former Secretary Schultz's testimony before the Ways and Means Committee on April 30, 1973, is so complex that the people that should be entitled to particular benefits, the retirement income credit being an outstanding example, can't find their way through the maze that Congress intended for them.

We hope there will be basic simplification of the law on this issue.

Now, the economic downturn has created some special problems and some special responsibilities for the Internal Revenue Service. We are the largest collection agency, we think, in the world, and I am sure that all members of this committee are aware of the economic and financial problems facing many of their constituents. All taxpayers are, of course, our constituency.

We have a special responsibility to try to understand the nature of our constituency. We need to understand that the person who is delinquent with respect to his or her taxes for the first time, because of unanticipated problems, layoffs and dismissals, and problems facing small business these days in keeping open, is different from the person who plays games with the tax system and who engages in violation of that person's legal duties with respect to taxes withheld on the wages of employees, and not paid over to the Federal Government. Also, we need to recognize the repeater, the person who is not delinquent for the first time, but who engages in continued delinquencies because we, unlike other creditors, have charged a bargain interest rate of 6 percent.

We are grateful to this committee for meeting the problem of this bargain rate of interest and for changing the rate effective July 1.

We have some other suggestions we would like to bring to the committee in this respect.

So I look forward to the questions of this subcommittee about what we are doing and why we are doing it, and what we are not doing in tax administration.

I would like to introduce Meade Whitaker, the Chief Counsel of the Internal Revenue Service, on my immediate right; and just beyond Mr. Whitaker is Mr. William Williams, Deputy Commissioner of the Internal Revenue Service; and there are a number of other Internal Revenue officials, largely assistant commissioners, in the room.

There are two purposes, not only the purpose of responding specifically to your questions, but for the purpose of hearing your concerns directly rather than through hearsay reported by me.

REFUNDS

Mr. VANIK. Thank you, Mr. Commissioner.

There is one question that I would like to propound, and I know it is in the minds of all of us dealing with the current legislation before us, and that is: How long will it take your Office to engineer out whatever refund plan is devised by the Congress?

We are just talking about days and time to machine out to the mandate we are under.

Mr. ALEXANDER. Members of my staff are working with the Joint Committee staff and Ways and Means Committee staff in assisting in the drafting of a bill that will provide a rebate in the amounts that Congress decides upon for the people, but in a way that we can administer, in a way that permits us to decide the amount of the rebate which each taxpayer will receive and get that information to the Treasury Disbursing Office for issuance of the checks.

We think that, if the legislation is, as we understand it to be, tailored to what we input and maintain on our computers we can, in an additional computer cycle, an additional week after the determination of the refunds to which the particular taxpayers on the cycle would be otherwise entitled, do our job and get the information over to the Treasury Disbursing Office.

Now, the Treasury Disbursing Office can issue about 12 million checks a week, as I understand it.

I would like to call on Mr. Robert Terry, our Assistant Commissioner, Taxpayer Service, who is right back behind Mr. Williams, to supplement this answer.

Mr. TERRY. That is correct.

Mr. VANIK. The total time within approximately what period, what is that?

Mr. ALEXANDER. We are talking about beginning the processing in May, depending on when the legislation is passed.

Mr. VANIK. How many days and weeks does it take?

Mr. ALEXANDER. Assuming the legislation is finalized before April 15, we believe, depending on the Disbursing Office workload, the first checks can be in the mails or to the recipients before the end of May.

Now, those will be the first checks and not all of the checks by any means. We will have checks continuing in June. We also have some late filings, and those people who file after the April 15 date, won't get their rebates in June.

Mr. TERRY. We can begin moving the refund tapes to regional disbursing centers, within about 45 days after the effective date of the legislation. Assuming that it is April 1, we could begin moving those refund tapes within about 45 days.

The reason for that period, of course, is, when we can complete our programing and do our testing. We anticipate doing the rebate job as part of the routines on the programs already existing, so if we can tailor the legislation to match our present system we can move quite expeditiously.

It is possible we can improve on that 45 days, and we are presently doing some work in the programs in anticipation of the provisions as they are now suggested.

Mr. VANIK. What you are saying, it will take about 45 days and 1 week for every 12 million returns.

Mr. ALEXANDER. It takes 45 days, although we are trying to reduce that period. That is for us to develop a test and distribute our computer programs.

We have a 1-week cycle built into the program that we have tentatively developed based upon the recommendations of the administration with respect to the rebate and also the determinations made in H.R. 2116.

We will get this information to the Disbursing Office of the Treasury that actually issues the checks, and we understand that they can issue checks at the rate of about 12 million a week, running full time, 24 hours a day, with maximum staff.

The delays, as we see it, in the rebate checks being in the hands of the individual taxpayers entitled to them may be as a result of this limitation on how many checks can be issued and how soon.

INCREASING STANDARD DEDUCTIONS

Mr. CLANCY. May I ask at that point what do you contemplate in the way of adjustments in regard to title 2, if that were to be adopted by Congress and signed by the President? What would it require on the part of the Internal Revenue Service to comply with those provisions?

Mr. ALEXANDER. Congressman Clancy, I am not sure I understand totally what title 2 means.

Mr. CLANCY. That has to do with the increase in the standard deductions which would result in tax decreases for the calendar year 1975.

Mr. ALEXANDER. For the calendar year 1975, between the increase in the standard deduction and the changes in the withholding tables, which are also in title 2, the changes in the withholding tables would take effect first.

I would like to ask Mr. Terry or Miss Alpern, who is Acting Assistant Commissioner of Planning and Research, to tell this committee how long it might take to have these changes in the withholding tables reflected not only in the distributions that we would make of instructions to taxpayers, but also in our computer program.

Miss ALPERN. We are working on the withholding tables now. I know the time frame will not impact adversely on rebates. It will have no impact on that program whatsoever.

We are working on withholding instructions, and we are also working with the printers in terms of constructing withholding tables, so that hopefully almost within the same 45-day time frame new withholding tables and instructions will be ready for promulgation. Employers could then begin to withhold based upon the new withholding tables. It is the same time frame as rebates, about the end of June, assuming that the legislation goes as it is now being formulated.

Mr. CLANCY. You wouldn't contemplate any difficulty in having these provisions complied with, say by the second half of calendar year 1975?

Miss ALPERN. No.

Mr. ALEXANDER. The final impact will be in next year's filing period. On the next year's filing period, we would anticipate that some people would go off the tax rolls, not many, because people would still need to file returns to get the refunds that they would be entitled to.

Mr. VANIK. Just to wrap this up, the staff has a question here that I would like to offer.

If the Senate does not make major changes in the 1974 refund provision, could that 45-day period start before Congress finishes its work on the bill?

Mr. ALEXANDER. We are developing a program now assuming that the Senate stays with the exact same wording as that in the House bill. We might suggest some modifications in the House bill with respect to

interest on delayed refunds. We would do our best to shorten this 45-day period because the 45-day period is one of developing and testing as well as of implementation. So we would hope that we could shorten it.

We recognize that congressional action may not be completed by April 1. April 1 is not very far away. We will try to shorten it on our end.

I would like to make one further point. I mentioned that some people would be going off the tax rolls. Some people will be coming on. Some people will be coming on if we give refunds to those who have not paid income tax, refunds in excess of the income tax that they had paid. I did not want to leave the impression that the enactment of title 2 would have a necessary effect of decreasing the Internal Revenue Service workload. Instead, it is the opposite I think will be true, but whatever you enact you can be sure that we will do our best to administer.

TAX FORM SIMPLIFICATION

Mr. VANDER VEEN. I would like to ask whether or not the Service has a combination of recommendations with reference to one of our goals, to simplify the returns, and the other aspects of complying with the rules and regulations?

Mr. ALEXANDER. Mr. Vander Veen, the Treasury made a number of recommendations on April 30, 1973, with respect to simplification of some of the items in present law that cause the most administrative difficulty.

I think the Joint Committee staff is fully aware of these items, retirement income credit, miscellaneous deductions, the child care deduction to name three examples, and we will be glad to present our views which are presented through the Assistant Secretary for Tax Policy.

We can do that immediately to the staffs down here at the Hill. They can be aware of the problem areas, that are causing people not to understand what they need to do to reduce their taxes, and nobody need pay more than the amount they are legally required to pay. Everybody is entitled to understand what their responsibilities are.

Mr. VANDER VEEN. In addition to that, Mr. Commissioner, if we could aim toward a goal such that the average wage earner did not need to employ the services of somebody to prepare a tax return for him or her.

Has consideration been given to that also?

Mr. ALEXANDER. Yes, it has. This is the effect of simplification, Mr. Vander Veen, rather than a goal of simplification, as Internal Revenue sees it. We are not attempting to put tax return preparers out of business, but we do believe that there is a vital public need in having a tax law that the public cannot only respect, but can understand.

We think that those two issues, respect and understanding, go hand in hand. The effect of simplifying the law will be to make it possible for more people to comply with their responsibilities and exercise their rights without having to hire someone to do it. We think that is in the public interest.

Mr. VANDER VEEN. I would like to say that I thoroughly agree with that, and I would like to ask one more question. That is whether or not any consideration has been given or any study given to computerized methods of making it possible such that many wage earner taxpayers would not have to file a return at all, that is, by linking withholding on the part of large employers with a computerized system at the IRS, whether or not it wouldn't be possible to eliminate altogether the filing of returns.

Mr. ALEXANDER. It may be possible to eliminate the filing of returns by many people. This is the case in Great Britain and Japan now.

I think that in Japan returns are actually filed by only 3 million of the 30 million people on the tax rolls. The employers in Japan take care of this particular responsibility, with respect to their employees.

In the United States, where we do have a more mobile employment force and we have people that are tied less to their employers than they are in other countries, we go only halfway. We go to withholding, an obligation imposed on the employer with respect to not only the employer's share of employment taxes but the employee's income taxes and employment taxes.

It may well be possible in the future to go further, and we are studying this as well as the concept of annual filing, and a number of other innovations to try to make the tax system better and easier to comply with, and fairer.

At the moment we have no recommendations to present to the Treasury and to Congress with respect to the employer undertaking a duty to file, through a hookup with the employers and the computer, the income tax returns of the employees.

We are constantly encouraging the use of magnetic tape in reporting to us instead of the use of paper documents. But we will study this matter further to find out whether a concept like that employed in other highly industrialized countries might make sense, too.

Mr. VANIK. We will have to move on. We are going to try to limit our individual questions to 4 minutes so we can get around the table.

Mr. BAFALIS. Thank you, Mr. Chairman.

INCREASE IN INTEREST ON DELINQUENT TAXES

Mr. Commissioner, in your opening remarks you spoke of the possibility of a raise in the interest penalty from 6 percent, to somewhere around 9. I have had concern with the economic downtrend in the last several months, the number of business failures that we have had, and we are going to have a great number of delinquencies.

Do you think that increasing the interest rate is going to help solve that problem? And, secondly, how are we going to collect what I believe will probably be one of the largest sums of money due us in many years?

Mr. ALEXANDER. Increasing the interest rate will solve the imbalance that we now have with the 6-percent rate that has been in effect for many years, and the fact that rates charged by lending agencies generally are far in excess of 6 percent.

When one adds the penalty of a half of 1 percent a month, which is the standard late payment penalty, to the 6-percent interest, we still

have, we think, an inadequate tool to make it economic for someone to play games with the system, someone who deliberately avoids responsibilities like that of paying withheld taxes.

Of course, this penalty is not applied where there is a reasonable cause for late payment.

We hope that the committee will consider an acceleration of the penalty from one-half of 1 percent a month to 2 percent a month, or 1 percent a month, to give us the right, in situations where there is no reasonable cause for late payment, to make it unprofitable as well as unsound for people to play games with the system. Some people have in the past played games with the system. More people may today be playing games with the system. We have a difficult task in our collection effort not only by reason of the problems that creditors face generally, the economic downturn creating hardships and making it impossible for people to pay previously incurred liabilities.

But also we have a problem of the taxpayer's need to produce more slices of cake than there are funds available to pay. Frequently the taxpayer puts Uncle Sam at the end of the line of creditors rather than at the beginning.

We have facing us an increase in the number of delinquent taxpayers, an increase in the amount of delinquent taxes. We have a special responsibility here to collect those taxes, but collect them using the least possible force.

We have some strong medicine in the Internal Revenue Code, the right to seize the taxpayer's property, the right to levy, the right to make a jeopardy assessment, and we need to use that strong medicine only where it is clearly required.

Mr. BAFALIS. I think you are in a unique situation that you haven't been in for a long time, and I am just concerned whether the increased penalties are going to compound the problem.

I realize some people have tried to use the 6-percent base to save some money, but with many people this year that just isn't a matter of playing games. They don't have the dollars available to them to file, on the trust fund moneys, particularly.

Do you have any estimates as to how many in numbers, the approximate numbers, will increase in fiscal 1975 over fiscal 1974?

Mr. ALEXANDER. We can supply for the record both the numbers of taxpayers that are delinquent and have been delinquent in fiscal 1973 and fiscal 1974, and our projection for 1975, and the aggregate amounts. The total amount that is just not collected is a bad debt, to use the business term.

Out of the aggregate that we must collect it is very small. As I understand it, Mr. Terry, it is less than \$1 billion out of the \$169 billion that we collected last year.

Now, we have an inventory of more than \$2 billion in taxes that are overdue, but that doesn't mean that the taxes are uncollectible.

Individual taxpayers present a different situation from business taxpayers. As to individual taxpayers, many of them would be entitled to a refund at the end of the year but for the fact that they owe us taxes. And, of course, we will offset that against the rebate that would otherwise be paid to them.

[The following was offered for the record by Mr. Alexander:]

DELINQUENT TAXPAYERS INFORMATION

The following figures represent the total number of first notices issued and their aggregate amount for delinquent taxes during calendar years 1972, 1973 and 1974. The number of taxpayers included in these delinquencies is not available.

Calendar year ¹	First notices issued for delinquent taxes ²	Aggregate amount of first notices ³
1972.....	7,200,000	\$4,148,000,000
1973.....	7,380,000	4,403,000,000
1974.....	8,088,000	4,957,000,000
1975 (projected).....	8,193,000	5,022,000,000

¹ Fiscal year data cannot be given because a processing problem caused a significant number of notices that would have been issued in May or June of fiscal year 1973 to be issued in July of fiscal year 1974. The calendar year statistics were not distorted by this occurrence and therefore provide a more accurate picture of delinquency growth.

² Rounded to thousands.

³ Rounded to millions.

Mr. BAFALIS. I would like to explore this further, but we have some other members.

Mr. VANIK. I was going to point out, Mr. Commissioner, we are also concerned with the interest that we have to pay out on delinquent pay-outs. I noticed that in 1974 it was \$220 million, and in 1975 it was \$239 million, and the estimate for 1976 is \$390 million.

I don't want to take time now to have you analyze that, but I hope you might be able to supplement something in the record to point out the problem that arises, that causes that increase in interest paid out on delinquent refunds.

Mr. ALEXANDER. Part of it is due to increased volume, and part of it is taking into account the increase of 50 percent in the rate. When you look at that figure, and you consider the interest rate on deficiencies, it is double that particular figure, so there is a profit to the Government in interest.

Mr. RANGEL. What answer is given to the taxpayer as to why the Government and/or the employer should not pay interest on the money withheld from his salary?

Mr. ALEXANDER. Mr. Rangel, this problem of overwithholding—

Mr. RANGEL. No, sir. I am talking about the withholding.

Mr. ALEXANDER. I think that aspect of it, the aspect that concerns us—

Mr. RANGEL. I am not talking about overwithholding. When you deal with overwithholding, you are really aggravating the situation. But in New York State there is a tendency for landlords, and certainly telephone companies, to hold moneys for services not rendered. The taxpayer is entitled to the going interest rate or at least a fair return for that money which is actually being used.

Mr. ALEXANDER. Well, our system of pay-as-you-go taxation as installed and developed back in 1943 calls for the taxpayers, through withholding and through estimated taxes, to pay to the Government taxes due on their earnings to the particular time of payments.

Thus, taxes are paid on wages as they are earned, rather than later, at the end of the year, as has been the situation before that. It is rather hard for this agency to envision how it could operate successfully if we did not have this system.

Mr. RANGEL. It may be hard for me, but I didn't think anything would be too difficult for the computer. It seems as though during that year the computer could be programed to figure out the interest which should be returned to the taxpayer for the use of his money.

Mr. ALEXANDER. They have been using your money, Mr. Rangel; if the taxpayer had a right to delay until after the end of the year the meeting of his or her tax obligations. So we could, if Congress chose to enact a law calling for the payment of interest on withheld taxes or taxes paid on estimated returns. We could make that interest payment or make it an offset to the tax obligation of a particular taxpayer. Congress has not called for this.

Mr. RANGEL. But it can be done, though?

Mr. ALEXANDER. It could be done, yes, but we have a special problem in overwithholding. There is a great degree, as Chairman Vanik mentioned at a previous hearing, of overwithholding in the United States at this time. We will pay out, we anticipate, about \$26 billion in refunds to more than 65 million individual taxpayers. If we make those refunds within 45 days of the April 15 deadline for filing individual tax returns, no interest is paid with respect to them.

Chairman Vanik brought up the issue of the large amount of interest that we anticipate paying in any event, almost \$400 million anticipated in the next fiscal year. Any requirement shortening the 45-day period or calling for the payment of interest on withheld taxes or estimated taxes would, of course, add to that cost.

INVASION OF PRIVACY

Mr. RANGEL. May I ask just one more question. This is a sensitive one, but it is seeking information.

Has there been any change in Internal Revenue regulations or Executive orders that would prevent the political intrusion into the privacy of income taxpayers?

Mr. ALEXANDER. Yes, there have been some changes, the Executive order issued by President Ford, and there have been changes in the Internal Revenue's procedures.

Mr. RANGEL. How would IRS handle a request that came from the White House for someone's income tax returns?

Mr. ALEXANDER. President Ford issued an Executive order last September which very narrowly restricts the right of the White House or anyone in it to request or examine income tax returns.

Since I have been Commissioner of Internal Revenue, no such requests have been made by the White House.

Mr. RANGEL. And the FBI?

Mr. ALEXANDER. The FBI does get tax information at a rate of about 1,000 a year on prospective appointees, on prospective employees of the White House, or employees of the White House or employees of the executive branch.

Mr. RANGEL. Must they give information to indicate who has requested from the White House?

Mr. ALEXANDER. Not as to the tax checks, but tax checks are very narrowly limited. We simply say to the FBI, who are in charge of course of checking out the prospective appointees' qualifications, whether the particular person has filed a tax return for the last 3 years,

whether there has been a criminal investigation of that particular person, whether that person has an unpaid liability.

Mr. RANGEL. You mean it is impossible for them to look at the raw information?

Mr. ALEXANDER. They do not look at the raw returns, and I would like to supply for the record, if I may, Congressman Rangel, and Mr. Chairman, the Executive order issued by the President, the instructions which I issued which centralized all of this through my office, and only the Deputy Commissioner and I can act in this particular respect, and other materials which I think will give a complete and comprehensive answer to this very good question.

Mr. RANGEL. You will put that in the record?

Mr. ALEXANDER. Yes.

[The material follows:]

THE PRESIDENT

EXECUTIVE ORDER 11805

Inspection by President and Certain Designated Employees of the White House Office of Tax Returns Made Under the Internal Revenue Code of 1954

By virtue of the authority vested in me as President of the United States, and in the interest of protecting the right of taxpayers to privacy and confidentiality regarding their tax affairs consistent with proper internal management of the Government, and in the further interest of maintaining the integrity of the self-assessment system of Federal taxation, it is hereby ordered that any return, as defined in Section 301.6103(a)-1 of the Treasury Regulations on Procedure and Administration (26 CFR Part 301) as amended from time to time, made by a taxpayer in respect of any tax described in Section 301.6103(a)-1(a)(2) of such regulations shall be delivered to or open to inspection by the President only upon written request signed by the President personally.

Any such request for delivery or inspection shall be addressed to the Secretary of the Treasury or his delegate and shall state: (i) the name and address of the taxpayer whose return is to be inspected, (ii) the kind of return or returns which are to be inspected, and (iii) the taxable period or periods covered by such return or returns.

In any such request for delivery or inspection, the President may designate by name an employee or employees of the White House Office who are authorized on behalf of the President to receive any such return or make such inspection, provided that the President will not so designate an employee unless such employee is the holder of a Presidential commission whose annual rate of basic pay equals or exceeds the annual rate of basic pay prescribed by 5 U.S.C. 5316. No disclosure of such return, or any data contained therein or derived therefrom shall be made by such employee except to the President, without the written direction of the President.

All persons obtaining access to such return, or any data contained therein or derived therefrom shall in all respects be subject to the provisions of 26 U.S.C. 6103, as amended.

GERALD R. FORD.

THE WHITE HOUSE,
September 20, 1974.

[FR Doc. 74-22293 Filed 9-20-74; 4:42 pm]

NEWS RELEASE—DEPARTMENT OF THE TREASURY

INTERNAL REVENUE SERVICE, WASHINGTON, D.C., AUGUST 22, 1974

The Internal Revenue Service has issued formal instructions to all of its employees that place strict limitations on the furnishing of tax returns and tax information to the White House.

The instructions, which had been previously conveyed orally to key IRS officials, provide that requests from the White House must be in writing and may be responded to only by the Commissioner of Internal Revenue. In the Commissioner's absence, only the Deputy Commissioner may act for him in this regard. No other IRS officials will be empowered to act in their absence.

The IRS action is in accordance with testimony given by Commissioner Donald C. Alexander on July 31, 1974 before the Subcommittee on Administrative Practice and Procedure of the Senate Judiciary Committee.

Copies of IRS Information Notice 74-23 containing the formal instructions and a revised portion of the Internal Revenue Manual dealing with Special Tax Check Reports are attached.

U.S. TREASURY DEPARTMENT—IRS

INFORMATION NOTICE NO. 74-23, AUGUST 9, 1974

Disclosure of Tax Returns and Tax Information to Members of the White House Staff

This is to inform Service employees of the procedures which should be followed with respect to requests for tax returns and tax information from members of the White House Office. The White House Office comprises the officers and employees of the staff of the President required in the performance of the detailed activities incident to his immediate office. Any officer or employee of the Internal Revenue Service who receives a request for tax returns or tax information from a member of the White House Office shall promptly communicate the contents of the request to the Commissioner through the head of the office in which he serves. The Commissioner will evaluate the request and will ask the Assistant Commissioner (Compliance) to prepare whatever reports may be necessary in the same manner as provided by sections (18)30(1)(b) and (3) of IRM 1272, Disclosure of Official Information Handbook. Only the Commissioner, or, in the absence of the Commissioner, the Deputy Commissioner, will make the report, the tax returns, or tax information available to the members of the White House Office. These procedures will be made a part of the Disclosure of Official Information Handbook, IRM 1272. The institution of these procedures is intended to include the Special Tax Check Report Program established by Chapter (19)00 of IRM 1272, Disclosure of Official Information Handbook. Pending revision and republication of Chapter (19)00 of IRM 1272, the information submitted pursuant to a report under this Program should be limited to whether an individual has filed income tax returns with respect to the immediately preceding three years, has failed to pay any tax within 10 days after notice and demand, has been under any criminal tax investigation and the result of such investigation, or has been assessed a civil penalty for fraud or negligence.

DONALD C. ALEXANDER,
Commissioner.

MANUAL TRANSMITTAL 1272-6

INTERNAL REVENUE SERVICE, AUGUST 22, 1974

Purpose

This transmits revised material for IRM 1272, Disclosure of Official Information Handbook.

Removal and Insertion of Pages

Remove: Text (19)00—(19)70:(3)(f)

Insert: Text (19)00—(19)70:(3)(f)

Nature of Changes

Chapter (19)00 has been revised to require a written request by a designated official, who is charged by the head of the requesting agency with the responsibility for such requests, before the National Office will request a special tax check report, and to have the special tax check report contain only specified tax information concerning Chapter 1 of the IRC of 1954.

DONALD C. ALEXANDER,
Commissioner.

(19)00 SPECIAL TAX CHECK REPORT

(19)10—General

(1) The National Office will request tax check reports on prospective Presidential appointees, on nominees for Presidential "E" Awards established by Executive Order 10978, and on certain other persons. Generally, these tax records checks are made to supplement investigations concerning the character, loyalty, or suitability of such prospective appointees or nominees. We cannot emphasize too strongly the need for prompt, completed, and discreet processing of these requests.

(2) Requests for tax check reports will be made by the National Office only pursuant to a written request signed by a designated individual who is charged by the head of the requesting agency with the responsibility for such requests.

(3) Tax record checks should be confined to taxes imposed by Chapter 1 of the Internal Revenue Code of 1954.

(4) When field contact with the taxpayer is required, the Director may assign any officer he deems appropriate to perform this task. In this respect, any attempt to substantiate the filing of a return by telephone is not desirable and should be discouraged.

(5) If in the judgment of the Director certain information is of such a nature that it should not be transmitted by teletype, the report should state that additional information is being forwarded by memorandum.

(19)20—Type "X" Reports

(1) Communications from the National Office for reports on prospective appointees will ask for a Type "X" Report.

(2) District offices should submit a teletype report to the National Office, Attention: CP:D, within three workdays after receipt of the request. The report should be in the format described in (19)50. If complete data is not assembled within the time limit, a report should be sent containing any partial information available, and should indicate the approximate period of time needed to complete the report.

(3) In "no record" cases a field contact in accordance with established procedure should be made with the taxpayer to substantiate whether returns were filed and to determine the place of filing.

(a) These inquiries should be conducted as discreetly as possible, giving no indication to the taxpayer that anything other than a routine check is being made.

(b) Upon field contact, if the taxpayer indicates he has filed his returns in another district, immediately teletype identifying information to the District Director and request that a collateral Type "X" Report be submitted directly to the National Office, Attention: CP:D. Also advise the National Office of such action.

(c) If a field contact is not desirable, the National Office teletype or other communication will contain specific instructions that the taxpayer will not be contacted under any circumstances for information because of the request.

(4) In failure to file cases, returns should not be solicited without first consulting the Intelligence Division.

(19)30—"E" Award Reports

(1) Communications from the National Office for reports on nominees for "E" Awards will ask for an "E" Award report.

(2) District offices should submit a report to the National Office within five workdays after receipt of the request. The report should be in the format described in (19)50.

(a) If complete data is not assembled within the time limit, a report should be sent containing any partial information available, and should indicate the approximate period of time needed to complete the report.

(b) Reports should be made by memorandum using the fastest available mail service.

(3) In "no record" cases, the same procedures as prescribed for Type "X" Reports in (19)20:(3) should be followed.

(19)40—Service Center Participation

(1) Because of the transfer to service centers of information on outstanding balances, and because of the increasing importance of service centers in our over-

all operations, district offices in preparing tax check reports should make such arrangements as may be necessary with service centers to obtain the required data so that complete and accurate reports will be furnished to the National Office. This may impose additional work on district offices, but with our decentralized operations, the National Office is unable to assume the responsibility for coordinating all details on individual cases of this nature.

(2) The responsibility for submitting tax check reports to the National Office will, therefore, still lie with the District Director concerned.

(19)50—General Format of Reports

(1) The general format for making Type "X" Reports, "E" Award Reports, or other similar reports follows:

- (a) Name or title of report (Type "X" Report) or ("E" Award Report).
- (b) Name and address of person, firm, or organization.
- (c) Furnish statements indicating:

1. Whether such party has filed returns with respect to taxes imposed under Chapter 1 of the Internal Revenue Code for not more than the immediately preceding 3 years.

2. Whether such party owes any unpaid taxes and, if so, for what years.

3. Whether such party has been or is under investigation of possible criminal offenses under the internal revenue laws and the result of such investigation.

4. Whether such party has been assessed any penalty for fraud or negligence.

(19)60—Tax Checks on Treasury Employees

(1) Requests for tax checks on Treasury employees (other than Internal Revenue Service employees) will be initiated by bureaus or offices of the Treasury by use of Treasury Department Form TD 4002.

(2) District offices should complete items 10 through 15 of Form TD 4002 no later than 10 workdays after receipt of the request.

(3) If a lien was filed (item 11(b)), furnish the name, address, amount, date and place of filing, and date of release in item 15.

(4) The completed form should be returned to the originating office by use of double-sealed mailing, the inner envelope to be marked, "To Be Opened By Addressee Only."

(5) In "no record" cases it will not be necessary to contact the taxpayer unless a specific request is received from the Treasury office concerned. In failure-to-file cases, returns should not be solicited without first consulting the Intelligence Division.

(6) If district offices receive requests for additional information regarding items 10 through 15, the request, together with the proposed reply to the requesting Treasury office, should be transmitted to the National Office, Attention: CP:D.

(19)70—Tax Audits in Connection with Type "X" Reports

(1) Treasury Administrative Circular 189, dated May 12, 1969, (since revised) established requirements for preappointment tax audits on persons not already on Treasury rolls selected for high-level positions, such as Heads of Treasury Bureaus, Assistant Commissioners of Internal Revenue, and Presidential appointments, including persons serving on Presidential Committees.

(2) The responsibility for initiating and coordinating the audits is assigned to the Disclosure Staff, Office of the Assistant Commissioner (Compliance), CP:D.

(3) When the Director, Office of Personnel, Treasury Department, determines that a tax audit on a prospective Treasury appointee is needed, he will ask the Disclosure Staff to initiate the audit.

(a) The Disclosure Staff will telephone the District Director in whose district the taxpayer resides to obtain the returns from the service center or Federal Records Center and to assign an Internal Revenue Agent to make the audit.

(b) If the prospective appointee has already moved from his permanent residence to the Washington, D.C., area, it may be advisable to ask the District Director, Baltimore District, or the District Director, Richmond District, to conduct the audit.

(c) If a return for one of the open years has been examined under established procedures, it will not be necessary to re-examine the return. However, a report of the previous audit should be furnished to the Disclosure Staff.

(d) A regular Type "X" Report should be furnished as soon as possible in accordance with established procedures without waiting for the completion of the audit.

(e) A supplemental report of the audit should be furnished by telephone to the Disclosure Staff as soon as the results are known. It should be confirmed by memorandum to which is attached a copy of the audit report.

(f) Because of the extremely tight deadline in these cases, district offices are requested to make every effort to complete the audit within five workdays after receipt of the request. If this is not possible, a telephone or teletype report should be furnished to the Disclosure Staff indicating the approximate time when the audit will be completed.

TAX CHECKS REQUESTED BY FEDERAL AGENCIES

Agency :	CY 1974
White House-----	1, 045
Department of Justice-----	835
Department of Treasury-----	775
Department of Commerce-----	106
Department of State-----	148
Export-Import Bank-----	15
U.S. Information Agency-----	9
Total -----	2, 933

IGRU

Mr. VANIK. I want to state: What is the status of your research unit and information-gathering unit known as IGRU? There was a great deal of interest about what this unit was doing.

Mr. ALEXANDER. Mr. Chairman, this unit and its work is under examination now in our office. We understand that the Joint Committee staff will be looking into this unit, its past activities and its present activities and prospective future, and we welcome that investigation.

We have suspended intelligence-gathering activities. We have suspended anything other than the normal disposition of files such as ancient forms 1040 which we must dispose of in order to accommodate the new 1040's which we are now receiving. We are designing new and restrictive directives to our field people to assure that only such information as is directly related to tax administration and enforcement will be compiled and to assure proper controls over the compilation, the retention and disposition of this material.

We will be glad to supply further information for the record with respect to this, Mr. Chairman.

We have issued a public statement in detail as to our information gathering.

[The information follows:]

NEWS RELEASE—INTERNAL REVENUE SERVICE, FEBRUARY 7, 1975

The Internal Revenue Service today released the following documents in connection with its information gathering systems:

1. Telegram providing Interim Guidelines for Information Gathering Activities for Audit, Intelligence and Collection Activities.
2. Exchange of Correspondence with Senator Joseph M. Montoya.
3. Exchange of Correspondence with Senators Mike Mansfield and Hugh Scott.
4. Exchange of Correspondence with Senator Vance Hartke.
5. Letter to Senator Frank Church.
6. Exchange of Correspondence with Congressman Charles A. Vanik.
7. IRS Fact Sheet on IRS Information Gathering and Retrieval System.
8. Telegram suspending information gathering activities.
9. Internal Revenue Manual text on Intelligence Gathering and Retrieval System.

Copies of these released documents are attached.

FEBRUARY 7, 1975.

To: All Regional Commissioners, IRS; All District Directors, IRS; All Service Center Directors, IRS; Director, Office of International Operations, IRS.
(Via Mail)

From: W. E. Williams, Deputy Commissioner, IRS.
(MSARD) (MSASC)

Subject: Interim guidelines for information gathering activities for audit, intelligence and collection activities.

(1) This is in further reference to our January 22, 1975 telegram suspending IGRU, JCP and other similar information gathering activities pending clarification of the definition of directly tax-related information.

(2) Until such time as legal questions are resolved concerning application of the Freedom of Information Act amendments and the Privacy Act of 1974, all information gathering activities will remain suspended except to the extent provided in this telegram. No new information gathering projects will be initiated.

(3) With reference to IG&R, returns compliance programs, joint compliance coordinated compliance and intelligence projects:

(A) Previously collected information or information received without solicitation which involves transactions with potential tax consequences may be processed and associated with case files for use in development of the case.

(B) No additional information (except information relating to an open assigned case on a specific taxpayer) will be solicited.

(C) No new projects will be initiated.

(4) The returns preparers program, including shopping activities, may be continued.

(5) Financial information and other data directly related to notices, TDA's and TDI's may be obtained and will continue to be associated with the case files as provided in existing instructions.

(6) Any files or information, gathered or assembled, pertaining to any taxpayer or group of taxpayers and in the possession of an individual employee, which do not relate to a current assignment, will be immediately forwarded to the employee's division chief. Such information which the chief determines does not require immediate action will be placed in suspense pending further instructions.

(7) All employees should continue to submit information reports and information items with potential tax consequences uncovered while working assigned cases. Such information reports and information items will be processed in accordance with existing instructions. Any other information will be forwarded to the employee's division chief to be suspended pending further instructions.

(8) No records concerning intelligence information gathering activities, joint compliance program activities, coordinated compliance projects and returns compliance program activities shall be destroyed, disposed of, or transferred to Federal records centers.

(9) Questions regarding these guidelines that cannot be resolved by assistant regional commissioners should be referred through channels to the appropriate assistant commissioner.

(10) This message will be reissued in the IR Manual in accordance with IRM 1254.

WILLIAM E. WILLIAMS,
Deputy Commissioner.

FEBRUARY 6, 1975.

HON. JOSEPH M. MONTOYA,
U.S. Senate,
Washington, D.C.

DEAR SENATOR MONTOYA: This is in response to your inquiry concerning the information gathering unit of the Internal Revenue Service's Intelligence Division. We welcome the opportunity to respond to your concerns and to clarify the misleading and inaccurate impressions that may have been created by recent press accounts concerning this unit. For example, some press accounts characterized this activity as a "secret" unit. This is completely inaccurate. The Intelligence Division's Intelligence Gathering and Retrieval System (IGRS) was implemented on May 4, 1973, by the issuance of guidelines in Part IX of the Internal Revenue Manual (IRM 9390). This document, as well as a subsequent revision,

dated March 4, 1974, was released to the IRS Public Reading Rooms soon after it was issued. In addition, these instructions have been published by Commerce Clearing House, Inc., in their publication, *Internal Revenue Manual*, which is available for purchase by the general public. The system was also included in a report from the Treasury Department to Senator Ervin, dated May 8, 1973, concerning his inquiries about computerized files.

Although the Intelligence Gathering and Retrieval System, as such, is fairly recent, the practice of gathering and storing information is not new. In fact, the Intelligence Division, as any other law enforcement agency, has always maintained background files, information files, leads, etc., as part of its overall responsibilities for keeping informed about the nature and extent of noncompliance with the tax laws under its jurisdiction. Prior to IGRS, such files were kept as background or as sources for case development. These files were maintained manually, with little or no uniformity. The implementation of IGRS was an attempt to attain greater uniformity in the gathering of tax-related information and to utilize the most effective means available for the storage and retrieval of this information. Under IGRS, each district still maintains its own filing system and the judgment of local officials still determines what goes into the system. However, they now have guidelines to aid them in making these judgments as well as access to data processing capabilities to help reduce the costs of processing and storage.

The IGR system was established based upon the results of a study which was made in 1969. The purpose of the system was to facilitate the ongoing responsibilities of the Intelligence Division—especially in the identification of areas of noncompliance with the tax laws and in uncovering tax evasion schemes. It was designed as an adjunct to our tax administration system and without regard to political affiliation.

With that brief background summary of IGRS, the responses to your specific questions are enclosed. For your information, we have also enclosed copies of recent letters to Senators Mansfield and Scott, Senator Church and Congressman Vanik, in response to their inquiries regarding intelligence gathering by the Internal Revenue Service.

With kind regards,
Sincerely,

(S) DONALD C. ALEXANDER,
Commissioner.

Enclosures.

IRS RESPONSES TO QUESTIONS FROM SENATOR MONTOYA

1. *At whose request was the so-called IRS Intelligence Gathering and Research Unit established, and under whose direction did it operate?*

In May, 1969, the then Director, Intelligence Division, William A. Kolar, convened a study group to determine the feasibility of a formal, uniform Intelligence Gathering and Retrieval System (IGRS). The group designed a system and recommended its implementation. A number of alternative systems were tested in various districts. The systems were monitored and evaluated by Intelligence managers at all levels and in cooperation with the IRS Planning and Research organization at the National Office. Finally, a uniform system was outlined in formal guidelines which were issued on May 4, 1973, by Manual Transmittal 9300-40 (Attachment 1). These guidelines were modified on March 4, 1974, by Manual Transmittal 9300-47 (Attachment 2).

Subsequent to the issuance of the foregoing guidelines the individual field offices implemented IGRS as each District Director saw the need for such a system in his district and as his available resources permitted. Once IGRS was implemented in a district office, it operated under the direction of the Chief, Intelligence Division.

2. *What was its intended purpose?*

IGRS was implemented to provide an effective, uniform means of gathering, evaluating, cross-indexing, retrieving, and coordinating data relating to individuals or entities involved in illegal activities and having potential as tax violations on a district and national basis. In March, 1974 the reference to "illegal activities" was clarified to focus on "potential tax law violations."

3. *What were the inclusive dates of its existence and operation, and in precisely what way did it function?*

IGRS was implemented May 4, 1973 and continued in operation until January 22, 1975 at which time its activities were suspended by order (Attachment 3) of Deputy Commissioner William E. Williams pending clarification of "tax related information".

IGRS consists of a District Background Files Index and a National Register. A Summary of Guidelines for these two segments of IGRS is provided as Attachment 4. Attachments 5 and 6 provide a resume of the procedures for the operation of the District Background Files Index and the National Register respectively. Detailed procedures are set out in Section 9390 of the Internal Revenue Manual (Attachment 2).

4. *If the IGR has been dismantled, have any of its functions been assigned to any other part of the IRS?*

IGRS has not been dismantled. With the suspension of its activities on January 22, 1975 (Attachment 3) the personnel assigned to those activities were reassigned to their regular examination or investigative duties. The functions of IGRS have not been assigned to any other part of IRS.

5. *Upon how many individuals and groups did the IGR maintain information? Please supply the Subcommittee with a complete list of those upon whom files were kept.*

In connection with our review of IGR activities, we recently secured a name count to determine the number of taxpayers included in the computerized District Background Files Indexes maintained by the 45 districts that are using this facility. At January 15, 1975, these indexes included 465,442 individuals, corporations, or other entities. Most of these were entered from each district's existing files of background information and leads relative to potential tax violations. However, this figure is not all inclusive since some district offices do not use the index and other district offices have not completed the process of entering data into the index.

This is an index of names, not files. Although files are maintained on many of the individuals appearing on the index, a separate file is not maintained for each name reflected in the index. Many of the names were entered for cross-reference purposes as a result of their appearance on documents in the system.

Because of the disclosure statute that applies to Internal Revenue Service information, Section 6103 of the Internal Revenue Code, we are not permitted to furnish the names of those upon whom files were kept.

6. *With regard to the data accumulated by the Unit, was information provided to any other agency, department of government, group or individual?*

Yes. Under section 6103 of the Internal Revenue Code, information contained in the IGRS system can be made available upon receipt of written requests from other Federal agencies. Also, under certain circumstances, information can be furnished to states only for tax administration purposes. The information would not, however, be available to any other groups or individuals.

Unsolicited allegations of offenses not related to tax violations may be transmitted to the agency involved.

7. *Specifically, what was the nature of the data gathered?*

The nature of the data gathered is best explained by reference to the criteria for inclusion as shown in Section 9393.1 of the Internal Revenue Manual (Attachment 2). Documents to be entered must relate to specific individuals or entities. Of primary importance was the consideration that any documents included be tax-related. Implementing instructions provide that "they must involve financial transactions with potential tax consequences; illegal activities with tax potential; or other illegal activities which fall within our investigative jurisdiction."

The last clause covers items that may not have direct tax potential but would have a significant tax relationship such as submission of false statements or affidavits of third parties, concealment of property in connection with offers in compromise, or tax related conspiratorial situations.

8. *Was all information in the files of the IGR tax-related?*

The intent of the IGR system, insofar as the type of information to be included, is spelled out in section 9393.1 of the Internal Revenue Manual (Attachment 2). This states that to be included, documents "... must involve financial transactions with potential tax consequences; illegal activities with tax potential; or other illegal activities which fall within our investigative jurisdiction. . . ."

All determinations and judgments for entry in the system are made at the district level. To approve an entry, the person making the decision must believe that the entry has a direct or indirect relationship to tax matters, as set out in the implementing instructions.

9. *Did the Unit collect information at any time which was not tax-related?*

As reflected in the January 22 telegram to our field personnel (Attachment 3), the IRS is attempting to develop a precise definition of the term "tax-related." Prior to the issuance of the telegram, the IGR guidelines in Section 9393.1 of the Internal Revenue Manual (Attachment 2) were intended to define the scope of the material to be included. Since these guidelines were subject to interpretation and exercise of judgment by local Intelligence managers, some of the information placed in the system may not be clearly tax-related. Certain items may contain both tax-related and non-tax-related information. There has been no requirement that the material be edited to delete non-tax-related information.

10. *What was the role of the IGR vis-a-vis the Intelligence Division of the Internal Revenue Service?*

The IGR system has always been an integral part of the ongoing process of the Internal Revenue Service Intelligence Division. The need for this activity is reflected in the statement of the mission of the Intelligence Division which states, in part:

"The Intelligence mission is to further the total Service objective of encouraging and achieving the highest degree of voluntary compliance with the internal revenue laws by: identifying the existence of areas of willful noncompliance by taxpayers and the devious and complex methods employed by them to evade the tax laws . . ."

The IGR system generates leads and identifies noncompliance situations which require investigative activity by the Intelligence Division or action by other functions of the Internal Revenue Service.

11. *In what way was the IGR related to the law-enforcing Strike Forces situated around the country?*

There was, and is, no unique relationship between IGR and Strike Forces. As you are aware, the IRS is a participant in the Strike Forces through its Audit and Intelligence Divisions. In this regard, as indicated in our response to Question 6, information from the IGR system can be made available, under the provisions of section 6103 of the Internal Revenue Code, to other law enforcement agencies who were, and are, participants in Strike Forces.

U.S. SENATE,
COMMITTEE ON APPROPRIATIONS,
Washington, D.C., January 29, 1975.

HON. DONALD C. ALEXANDER,
Commissioner, Internal Revenue Service, Department of the Treasury,
Washington, D.C.

DEAR COMMISSIONER ALEXANDER: My concern about privacy of taxpayer information is well known to you. I was therefore greatly disturbed by recent press accounts disclosing that a secret, information gathering unit has been operating inside the Intelligence Division of the Internal Revenue Service.

To dispel some of my concerns, I sincerely hope you will, at your earliest convenience, respond to the questions which I herein submit to you.

1. At whose request was the so-called IRS Intelligence Gathering and Research Unit established, and under whose direction did it operate?

2. What was its intended purpose?

3. What were the inclusive dates of its existence and operation, and in precisely what way did it function?

4. If the IGR has been dismantled, have any of its functions been assigned to any other part of the IRS?

5. Upon how many individuals and groups did the IGR maintain information? Please supply the Subcommittee with a complete list of those upon whom files were kept.

6. With regard to the data accumulated by the Unit, was information provided to any other agency, department of government, group or individual?

7. Specifically, what was the nature of the data gathered?

8. Was all information in the files of the IGR tax-related?

9. Did the Unit collect information at any time which was not tax-related?

10. What was the role of the IGR vis-a-vis the Intelligence Division of the Internal Revenue Service?

11. In what way was the IGR related to the law-enforcing Strike Forces situated around the country?

If a group such as the Intelligence Gathering and Research Unit did function as a political body within the Intelligence framework of the IRS, it rekindles the worst fears created by abuse of other federal agencies during the Nixon years. Taxpayers will certainly lose essential confidence in our tax system if they feel the IRS has used its tax gathering power to cover an illegal and unethical intelligence gathering operation.

I look forward to hearing from you on this matter.

With best wishes.

Sincerely,

JOSEPH M. MONTOYA,
*Chairman, Subcommittee on Treasury,
Postal Service and General Government.*

JANUARY 31, 1975.

HON. MIKE MANSFIELD,
HON. HUGH SCOTT,
U.S. Senate, Washington, D.C.

DEAR SENATORS MANSFIELD AND SCOTT: In response to your letter of January 27 enclosing a copy of S. Res. 21 and requesting that the Internal Revenue Service should not destroy, remove from possession or otherwise dispose of or permit the disposal of records or documents which might have a bearing upon the subjects under investigation, let me assure you that press reports that we have ordered destruction of Intelligence Gathering and Retrieval System files are completely false. We issued instructions yesterday to each of our operational offices that our intelligence files should be maintained and not destroyed or otherwise disposed of pending the investigation and study described in S. Res. 21. Enclosed is a copy of a telegram implementing these instructions.

We are concerned, however, because the Resolution and your request are worded so broadly that there could be an unintended impact on our normal operations of the Internal Revenue Service, we collect various items of information concerning the financial affairs of individuals and organizations. This information can generate internal documents resulting from our efforts to correlate the information with an individual's or organization's tax liabilities. Although this activity could be regarded as "intelligence gathering" in the broadest sense of that term, the information is intended for use only in the direct administration and enforcement of the civil and criminal provisions of the Internal Revenue laws. Pursuant to our established records disposition procedures, certain of these items which are no longer essential to tax administration are ordinarily disposed of by IRS employees or sent to the Federal Records Center. Also, the Federal Records Centers have normal disposition practices for files which have reached the end of the retention periods specified by the IRS.

To cause as little disruption as possible, clarification of the extent to which your request applies to our routine operations would be helpful. We would appreciate your permission to continue our previously-established records disposition practices.

To limit duplication of effort as much as possible, we are sending a copy of this letter to Chairman Church for the Committee's consideration.

With kind regards,
Sincerely yours,

DONALD C. ALEXANDER.

Enclosure.

To: RUGSGDF/all Regional Commissioners, IRS; RUGSGGN/all Service Center Directors, IRS; RUGSGCF/all District Directors, IRS; RUWLSBT/district director, IRS, Honolulu, Hawaii; RUCHLYU/director, IRS Data Center, Detroit, Mich.; and RUEVEAK/Director, IRS, NCC, Martinsburg, W. Va.
From: JOHN WEDICK, Jr., for W. E. WILLIAMS, Deputy Commissioner, IRS, Washington, D.C.

Subject: Retention of service records.

In connection with the establishment of the Select Committee of the Senate to conduct an investigation and study with respect to intelligence activities carried out by or on behalf of the Federal Government, the Senate has requested the following: That the Service not destroy, remove from its possession or control, or otherwise dispose or permit the disposal of any records or documents which might have a bearing on any matters under investigation by the Senate Select Committee.

These records include any and all data and information gathered or assembled pertaining to any taxpayer or group of taxpayers at any level of the Service and in the possession or under the control of the Service of January 27, 1975, including files maintained by individual employees.

Effective upon receipt of this telegram, no such records will be destroyed, disposed of or transmitted to Federal record centers. However, the intention of this telegram is not to suspend any operations involving the use of such records.

Additionally, no agreements concerning the coordination of service intelligence activities with other Federal law enforcement or intelligence agencies or pertaining thereto shall be destroyed or disposed of.

The national office has arranged with GSA to suspend records destruction at Federal records centers.

This message should receive the broadest possible distribution to all employees and will be reissued in the IR Manual in accordance with IRM 1254.

U.S. SENATE,
OFFICE OF THE MAJORITY LEADER,
Washington, D.C., January 27, 1975.

Mr. DONALD ALEXANDER,
Commissioner, Internal Revenue Service,
Washington, D.C.

DEAR COMMISSIONER ALEXANDER: As you may be aware, the Senate is to conduct an investigation and study of government operations with respect to intelligence activities. The scope of the investigation is set out in S. Res. 21, a copy of which has been enclosed for your information.

We are writing to request that you not destroy, remove from your possession or control, or otherwise dispose or permit the disposal of any records or documents which might have a bearing on the subjects under investigation, including but not limited to all records or documents pertaining in any way to the matters set out in section 2 of S. Res. 21.

Sincerely yours,

MIKE MANSFIELD,
Majority Leader.
HUGH SCOTT,
Republican Leader.

HON. VANCE HARTKE,
Chairman, Subcommittee on Foundations, Committee on Finance,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: This is in response to your letter of January 29, 1975, concerning the recent newspaper articles which purport to describe the Internal Revenue Service's intelligence activities. To the extent that these reports state or imply either that the Service is engaged in arbitrary or selective enforcement of the tax laws, or intentionally accumulating non-tax-related information about the private lives of citizens, or destroying or otherwise disposing of such information, those reports are completely false.

I agree with you that public confidence is essential to the effective functioning of the Internal Revenue Service. I believe that your immediate concern should be satisfied by the enclosed copies of a fact sheet describing the intelligence gathering system and of the manual provisions dealing with the subject. Also enclosed is a copy of a letter which I have sent to Senators Mansfield, Scott and Church on this general subject. In view of this correspondence, I think that it is reasonable to expect the Select Committee to look into this subject in some detail. It is also possible, of course, that if that inquiry does

not develop the complete factual circumstances concerning the Service's intelligence activities, the Joint Committee on Internal Revenue Taxation may also wish to look into the matter.

If there is any further information you would like on this subject, please let me know.

With kind regards,
Sincerely,

DONALD C. ALEXANDER.

U.S. SENATE,
COMMITTEE ON FINANCE,
Washington, D.C., January 29, 1975.

Hon. DONALD C. ALEXANDER,
Commissioner, Internal Revenue Service,
Washington, D.C.

DEAR COMMISSIONER ALEXANDER: I have been deeply concerned about a recent report that the Internal Revenue Service has been conducting intelligence activities which accumulated non-tax-related information about the private lives of citizens.

As you know, the Senate Subcommittee on Foundations has investigated the Special Service Staff within I.R.S. because it appeared that the Service was involved in the arbitrary, selective enforcement of the tax laws. The charge related to this new unit within I.R.S.—the Information Gathering and Retrieval System—is a similar one.

If it is true that the I.G.R.S. was involved in the collection of information which is not directly tax-related, then the Service will have suffered another blow to its credibility. I am sure that you share my belief that the Internal Revenue Service cannot function effectively without public confidence.

I trust that it will not take an investigation by Congress for the full facts about I.G.R.S. to be revealed to the public. Beyond this important step, it is essential that the Congress and the public have unequivocal assurances that the Internal Revenue Service will no longer engage in the arbitrary, selective enforcement of the tax laws, nor will it collect information which bears no reasonable connection with its statutory responsibilities.

With my best wishes, I am
Sincerely,

VANCE HARTKE,
Chairman, Subcommittee on Foundations.

JANUARY 31, 1975.

Hon. FRANK CHURCH,
Select Committee to Study Governmental Operations with Respect to Intelligence Activities, U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: Enclosed is a copy of correspondence which I have had with Senators Mansfield and Scott. In view of the correspondence and the broad charter of the Select Committee, I anticipate that your Committee will be looking into the operations of the Internal Revenue Service in the general area of information gathering.

I want to assure you of the full cooperation and assistance of the Internal Revenue Service in the work of the Committee. I would like to point out, however, certain limitations on our ability to furnish the Committee with information. Section 6103 of the Internal Revenue Code, and Section 1905 of Title 18 of the United States Code contain specific limitations upon our authority to provide information. Section 6103 (d), however, provides that a select committee such as yours may be authorized to receive such information by a special resolution of the Senate.

Accordingly, in order to facilitate the complete and timely furnishing of such information as the Committee and its staff may find necessary or useful, may I suggest that you give consideration to asking the Senate to adopt the appropriate resolution. We are enclosing for your convenience a draft of a resolution which would satisfy the requirements of the disclosure provisions of the Code.

With kind regards,
Sincerely,

DONALD C. ALEXANDER.

Enclosures.

RESOLUTION

To authorize the Senate Select Committee to Study Governmental Operations With Respect to Intelligence Activities to inspect tax returns, applications for tax exemption, and related documents held by the Internal Revenue Service.

Whereas it may be necessary for the Senate Select Committee to Study Governmental Operations With Respect to Intelligence Activities to inspect tax returns, or applications for tax exemption, as well as, related documents and information in connection with the investigation and study authorized by Senate Resolution 21 (94th Congress, 1st Session).

Resolved, That in accordance with the provisions of sections 6103(d) and 6104(a)(2) of the Internal Revenue Code of 1954, the Senate authorizes the Select Committee to Study Governmental Operations With Respect to Intelligence Activities to investigate, receive and inspect any data, documents or other information held by the Internal Revenue Service which relates directly to the investigation being conducted by the Senate Select Committee to Study Governmental Operations With Respect to Intelligence Activities as authorized by Senate Resolution 21 (94th Congress, 1st Session).

COMMISSIONER, IRS,

Washington, D.C., January 31, 1975.

HON. CHARLES A. VANIK,
House of Representatives,
Washington, D.C.

DEAR MR. VANIK: In response to your letter of January 28, 1975, concerning possible destruction of Internal Revenue Service records, enclosed is a copy of correspondence which I have had with Senators Mansfield, Scott and Church, and the attachment to my letter. I believe that the procedures outlined in that correspondence satisfy your concern, but if I am mistaken, please let me know.

Furthermore, I would like to point out that the Internal Revenue Service has not established or maintained any of its files for the use of the Central Intelligence Agency.

With kind regards,
Sincerely,

DONALD C. ALEXANDER.

Enclosure.

HOUSE OF REPRESENTATIVES,
Washington, D.C., January 28, 1975.

HON. DONALD C. ALEXANDER,
Commissioner, Internal Revenue Service,
Washington, D.C.

DEAR MR. COMMISSIONER: In accordance with your conversation today with Dr. Lawrence Woodworth and myself, it is my understanding that the Internal Revenue Service will not permit the destruction of any files or records established or maintained or used in the past by the Central Intelligence Agency.

Sincerely yours,

CHARLES A. VANIK,
Member of Congress.

IRS PUBLIC AFFAIRS DIVISION FACT SHEET—JANUARY 27, 1975

IRS INFORMATION GATHERING AND RETRIEVAL SYSTEM

In response to inquiries about a news story in the Philadelphia Bulletin of January 27, 1975, headlined, "Secret Unit of IRS Disbanded—", the IRS today said the so-called secret unit is neither secret, nor has it been disbanded, nor has any order been issued for destruction of its files.

Over the years, individual IRS offices have gathered information which appeared useful as leads in detecting instances of non-compliance with the tax laws. It became apparent that there was a need to standardize both the type of material gathered and the organization of information-gathering efforts.

Instructions were developed and issued to establish a standardized system for use by all IRS offices. This system was called the Information Gathering and Retrieval System (IGRS) and, in larger IRS district offices where the workload justified it, the District Director was authorized to establish an identifiable unit within the Intelligence Division to handle the workload.

The IGR work was not sheltered from the rest of the Intelligence Division. In fact, its purpose was to serve the IRS Intelligence tax fraud detection responsibilities. The IGRS was formally established by the issuance of IRS Manual Transmittal 9300-40 dated May 4, 1973. It was revised by Manual Transmittal 9300-47, dated March 4, 1974. Neither of these documents were secret. They were released to IRS Public Reading Rooms soon after they were issued, and are currently available.

The IGRS instructions have also been published by a commercial service which reprints and sells public portions of the IRS Manual.

Criteria for inclusion of information in the IGRS is that the material must involve financial transactions with potential tax consequences; illegal activities with tax potential; or other illegal activities which fall within the investigative jurisdiction of the IRS.

In December 1974 the IRS undertook a study to insure that its information systems and programs contained only directly tax-related information. As the study plan developed it was decided that information-gathering activities should be suspended pending completion of the study. The suspense order was issued on January 22, 1975.

The suspension will remain in effect until procedures are developed to insure that investigative files contain only materials which meet a generally accepted definition of "directly tax-related." These procedures will be directed toward giving maximum privacy to taxpayers with regard to their own tax affairs while, at the same time, protecting the general public's right-to-know under the Freedom of Information Act.

Notwithstanding the implications in the Bulletin story, Tom Lopez of IRS has assured his supervisors that he never discussed the IGRS system with, and never furnished information from that system to, John W. Dean, III.

JANUARY 22, 1975.

ALL REGIONAL COMMISSIONERS,
CC: ALL ASSISTANT COMMISSIONERS,
Internal Revenue Service.

Pending clarification of the definition of "tax-related information," as it relates to IGRU, JCP and other similar information gathering activities conducted by any function of the Service, all such activities shall be suspended immediately. Personnel currently assigned to these activities shall be reassigned to the regular examination and investigative duties for which the respective functions are responsible.

WILLIAM E. WILLIAMS,
Deputy Commissioner.

Manual Transmittal

**Internal
Revenue
Service**

9300-47

Date of Issue:

March 4, 1974

Purpose

This transmits revised text and Exhibits, in part, for IRM 9390, Intelligence Gathering and Retrieval System.

Removal and Insertion of Pages

Remove:

- Text 9390 — 9394.5:(2)
- Exhibit 9390-1—Cont.(4)
- Exhibit 9390-5 — 9350-5—Cont. (3)
- Exhibit 9390-7—Cont.

Insert:

- Text 9390 — 9394.5:(2)
- Exhibit 9390-1—Cont. (4)
- Exhibit 9390-5 — 9350-5—Cont. (2)
- Exhibit 9390-7—Cont.

Nature of Changes

IRM 9391 has been revised to change the reference of "illegal activities" to "potential tax law violations" and to define the distinction between the District Background Files Index and the National Register.

IRM 9393.4:(2) changes the reference of the "Chief, Intelligence Division," to "Chief."

IRM 9394.1:(1)(b) has been deleted to discontinue use of Form 1351, Special Enforcement Control Record, as an input form for the National Register.

IRM 9394.1:(1)(c) has been renumbered 9394.1:(1)(b).

New IRM 9394.1:(1)(c) has been added to reflect the use of Form 4860, National Register Input Form, to input "SEP-1" subjects into the National Register.

IRM 9394.2 has been revised to include the input of "SEP-1" subjects on Form 4860.

IRM 9394.3 has been revised to include the quarterly submission of "SEP-1" subjects on Form 4860.

IRM 9394.3:(2) has been added to reflect the reporting periods for sending the input documents to the National Office.

IRM 9394.4:(2) has been revised to reflect the use of Forms 5058, National Register Correction/Deletion Form, for reporting the closing of Forms 1351.

IRM 9394.4:(3) has been revised to reflect the review of background files for "SEP-1" subjects in addition to "potential SEP" subjects and to provide purge procedures for all SEP subjects via use of Form 5058.

IRM 9394.4:(4) has been revised to reflect correction procedures for additions as well as inaccuracies.

IRM 9394.4:(5) has been added to reflect the use of transaction code 10 for deletions and the switching of status between potential SEP and SEP-1 subjects.

IRM 9394.4:(6) has been added to reference IRM 9394.3 regarding the reporting frequency for corrections and deletions.

IRM 9394.5:(1)(c) has been added to reflect when National Register district listings will be received by the field.

IRM 9394.5:(2) has been revised to reflect the addition of a numerical listing by TIN of subjects within the National Register and provides that telephone or letter inquiry may be communicated to CP:1:P.

Exhibit 9390-1—Cont.(4), continuation of illegal activity codes, has been revised to reflect new codes 161 and 345, and changes to the terminology of codes 152 and 506.

Exhibit 9390-5—Cont. (1), National Register Input Form, Instructions for Completion, has been renumbered into two paragraphs, (1) and (2). Paragraph (2) has been added to provide for a handwritten designation at the top of Form 4860 for the category of SEP subjects and requires that separate Forms 4860 be used for each category.

Exhibit 9390-5—Cont. (1), Column Instructions Item 1, has been revised to reference IRM 9570, Case Management and Time Reporting System Handbook, Section 230, for District Office codes.

Exhibit 9390-5—Cont. (2), Item (5), has been revised to clarify the MMDDYY (month month day year) format on the date of birth.

Exhibit 9390-5—Cont. (2), Item (6), has been revised to delete the illegal activity code list and make reference to the list and instructions under Exhibit 9390-1, Item 14.

Exhibit 9390-7—Cont. has been changed to reflect revised instructions in the use of Form 5058, Transaction Code 09 is revised to provide changes to a TIN and TRN 10 is added to allow the deletion of an entire record.

John J. Olszewski

JOHN J. OLSZEWSKI
Director, Intelligence Division

9390
Intelligence Gathering and Retrieval System

9391
General Description of System

(1) The Intelligence Gathering and Retrieval System will provide an effective, uniform means for gathering, evaluating, cross-indexing and retrieving, on a district and national basis, intelligence data relating to individuals or entities involved in potential tax law violations.

(2) The system consists of two separate and distinct parts, the District Background Files Index and the National Register. The District Background Files Indexes will be maintained on a district by district basis, and no national index will be compiled. The National Register will be a compilation of subjects in three categories: all open investigations; all SEP-1 subjects, and potential SEP subjects. The National Register will be maintained in the National Office.

9392
Organization and Staffing

(1) In larger districts, where the workload justifies it, the District Director may elect to establish a separate organizational unit designated as the Intelligence Gathering and Retrieval Unit. The personnel requirements in each district for intelligence gathering and retrieval activities will vary according to the size of the district and the extent of intelligence gathering activities within the district. Sufficient manpower should be allocated to permit this activity to operate effectively and efficiently.

(2) Regardless of the organizational structure of this segment of the Intelligence activity, the records of this unit must become a part of the division's general records system, available to and fed by all special agents.

(3) In districts where major segments of the division's operations are located apart from the headquarters office, the intelligence gathering and retrieval activities may be conducted and the background files maintained at branch office locations. The indexes to the district background files will include all background files and will specify their locations. Each branch office will receive a copy of the district's indexes.

(4) Special agents assigned to the intelligence gathering and retrieval activity, whether on a full-time basis for specific periods in a larger district, or on a part-time basis in a smaller district, should be selected because of their ability to recognize and develop significant intelligence data; their capability to develop good working relationships with others; and their enthusiasm for intelligence gathering and informant contract work.

(5) The special agent assigned to the district's Intelligence Gathering and Retrieval Unit will be responsible for the following day-to-day operations:

- (a) Evaluation of newly received information.
- (b) Preparation and submission of input documents for information entering the background files.

(c) Periodic reviews of information in the background files to determine if any investigative action should be taken, and to ensure that subjects and documents no longer of interest to the Intelligence Division are purged from the files.

(d) Establishment, development and coordination of liaison contacts with other law enforcement agencies and other organizations and information sources as directed by the Chief, Intelligence Division.

9393
District Background Files Index

9393.1
Criteria for Inclusion in District Background Files

(1) Documents entering the district background files must relate to specific subjects or entities. They must involve financial transactions with potential tax consequences; illegal activities with tax potential; or other illegal activities which fall within our investigative jurisdiction. These documents may include, but are not limited to, the following:

- (a) copies of income tax returns.
- (b) special agent's reports.
- (c) revenue agent's reports.
- (d) reports from police and other investigative agencies.
- (e) memoranda of interview, question-and-answer statements, and affidavits.
- (f) collateral requests and replies.
- (g) information items.
- (h) newspaper and magazine articles and other published data.
- (i) financial information from public records, and
- (j) case initiating documents.

9393.2
Preparation of District Input

A Form 4860-A, District Input, which transmits detailed information concerning each document, and significant subjects therein, must be prepared for each document entering the files. Detailed instructions for the preparation of Form 4860-A are set forth in Exhibit 9390-1.

9393.3
Transmittal Procedures

(1) The completed Forms 4860-A will be shipped by certified air mail to arrive at the IRS Data Center on or *before* the 12th working day of each month.

(2) Two copies of Form 5055, District Background File Transmittal, will be enclosed with each shipment of input forms to the Data Center for processing. The Data Center will return one copy of Form 5055 to the district to acknowledge receipt of the shipment. Instructions for preparation of Form 5055 are set forth in Exhibit 9390-2. A negative report, using Form 5055, must be submitted for those months in

Intelligence Gathering and Retrieval System

9393.3

Transmittal Procedures—Cont.

which no Forms 4860-A are shipped to the Data Center.

(3) The Data Center will process no District Background File Indexes until input sheets or negative reports are received from *all* districts. Therefore, it is imperative that all shipments be received timely at the Data Center.

9393.4

Correction and Deletion Procedures

(1) Form 5056, District Input-Correction/Deletion Form, will be used to make corrections to, or deletions from, the District Background File Indexes. Instructions for preparation of the correction/deletion forms are set forth in Exhibit 9390-3. These forms will be prepared and transmitted monthly to the Data Center with Forms 4680-A.

(2) Annually, the Chief, or his delegate, will review all subjects and documents in the background files. Forms 5056 will be used in deleting from the index all subjects and documents no longer of interest to the district Intelligence Division.

(3) Subjects will be automatically purged from the files if no document relating to the subject has entered the files during the past seven years. The district will be provided with a list of all names so purged. If the district wishes a purged name to remain on the index a Form 4680-A should be submitted to re-input the name.

9393.5

Output Formats

(1) The IRS Data Center will provide a master alphabetical subject index for each district in January and July of each year. A cumulative supplemental subject index will be produced for all other months and merged with the master index semiannually. All documents in the district's background files relating to a specific subject will be associated with that subject. Indexes will be furnished by the Data Center to the districts within 10 working days after receipt of the district input forms. Exhibit 9390-4 contains an example of the format of a typical District Background File Subject Index.

(2) The Data Center will simultaneously produce and furnish to the districts a Document Index listing the background file documents in numerical sequence. The names of all significant subjects mentioned in these documents will be listed following the documents. Exhibit 9390-4 contains an example of the format of a typical District Background File Document Index.

(3) Special indexes setting forth information contained in the District Background Files Indexes (for example, a listing of the names of all subjects with a

certain illegal activity code) may be requested by the Chief. Such requests should be sent directly to the Data Center with copies of the request to regional office and National Office.

9394

National Register

9394.1

Criteria for Inclusion on National Register

(1) The National Register is a computer-generated listing of persons and entities in which the Intelligence Division may have an interest. Names included on the National Register come from three sources:

(a) Subjects of all Intelligence Division open investigations will be placed on the National Register automatically when case control records are submitted. They will remain on the National Register until all criminal features of the cases have been completed.

(b) Potential SEP subjects may be placed on the National Register by the district's submission of Form 4860, National Register Input Form. Entities defined as potential SEP subjects are those who have not been placed on the National Register automatically, but who meet one or both of the following criteria:

1 The subject is engaged in illegal activities involving potential unreported or understated income, or other offenses within the jurisdiction of the Intelligence Division.

2 There are indications that the subject is engaged in inter-district activities or there are files in more than one district on the same entity.

(c) All SEP-1 subjects who were previously reported on Forms 1351, Special Enforcement Control Record, and who have not yet been closed, will be included in the initial printing of the National Register. All new SEP-1 subjects will be submitted on Form 4860, National Register Input Form.

9394.2

Preparation of National Register Input Form

Each calendar quarter, the Chief, or his delegate, will review all available data regarding special enforcement subjects within his district. The names of newly identified entities who meet the criteria for inclusion on the National Register as either SEP-1 or potential SEP subjects will be submitted on Form 4860, National Register Input Form. Instructions for preparation of Forms 4860 are set forth in Exhibit 9390-5.

9394.3

Transmittal Procedures

(1) The completed Forms 4860 listing the names of new SEP-1 or potential SEP subjects will be submit-

9394.3

Transmittal Procedures—Cont.

ted quarterly to the National Office. Form 5057, National Register Transmittal, and Form 5058, National Register Correction/Deletion Form, will be prepared to accompany each shipment. Instructions for the preparation of Forms 5057 and 5058 are set forth in Exhibits 9390-6 and 9390-7, respectively. Negative reports, using Form 5057, are to be made for any quarter in which there are no additions of either SEP-1 or potential SEP subjects to the National Register.

(2) Shipments should arrive at the National Office not later than the 20th day of November, February, May and August of each year. They should be marked for the attention of CP:1:P.

9394.4

Correction and Deletion Procedures

(1) Subjects of current investigations, who are automatically placed on the National Register by the submission of case control records, will be automatically purged from the National Register when case control records show that the criminal features of the case have been completed.

(2) SEP-1 subjects previously placed on the National Register by submission of Form 1351 will not automatically be purged when Form 1351 is closed. Instead Form 5058, National Register Correction/Deletion Form, will be used to submit reference to the closing of Forms 1351. Instructions for preparation of Form 5058 are set forth in Exhibit 9390-7.

(3) Each calendar quarter, when the Chief, or his delegate, reviews the background files to identify additional SEP-1 or potential SEP subjects, he will also review the current National Register district listing of SEP subjects to determine those who no longer meet the criteria for inclusion. These subjects will then be purged from the National Register by

tion/Deletion Form.

(4) Inaccuracies in or additions to the information in the National Register may be corrected by completing Forms 5058 in accordance with the instructions in Exhibit 9390-7.

(5) To change from potential SEP to SEP-1 or vice versa, delete the entire initial entry by using transaction code 10 (see Exhibit 9390-7). Resubmit the revised entry on Form 4860.

(6) All forms are sent quarterly in accordance with IRM 9394.3.

9394.5

Output Formats

(1) Each quarter, each district will receive the following from the National Register:

(a) A list of all National Register subjects whose names were generated, or submitted, by the district.

(b) A list of all its National Register subjects whose names also appear on the list of one or more other districts. This listing will show the identity of the other district(s) as well as the category of the subject (active investigation, SEP-1, or potential SEP). This list merely alerts one district to the fact that another district has some type of information regarding a subject in which the two districts have a mutual interest. It is the responsibility of the districts involved to communicate with each other and exchange information.

(c) National Register district listings will be prepared and sent to district offices to arrive no later than the 10th day of September, December, March and June.

(2) Each quarter, the National Office will produce one composite, alphabetical and one numerical listing of all subjects in all three components of the National Register. This listing will not be disseminated to the regions or districts. However, if a district has a name or taxpayer identification number which it has not entered on the National Register, but which it wishes to match against the National Register, it may do so by contacting the National Office (CP:1:P) by either telephone or letter.

Intelligence Gathering and Retrieval System
Exhibit 9390-1

Form 4860-A, District Input

1 Page _____ of _____

DISTRICT INPUT

2 REGISTER BOOKING 3 DATE OF DOC. 4 SOURCE 5 DIST. PD? 6 DATE PREPARED 7 NAMES ON THIS PAGE

8 EQUIPMENT DESCRIPTION

9 NAME 10 DR 11 MANAGER IDENTIFICATION NUMBER 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47 48 49 50 51 52 53 54 55 56 57 58 59 60 61 62 63 64 65 66 67 68 69 70 71 72 73 74 75 76 77 78 79 80 81 82 83 84 85 86 87 88 89 90 91 92 93 94 95 96 97 98 99 100

11 ALLEGED LEGAL OR POTENTIAL SUBJECTS

FOR DISTRICT USE

Form 4860-A (Rev. 1-73)

U.S. GOVERNMENT PRINTING OFFICE: 1973

Department of the Army - Intelligence Information Service

MT 9300-40 (5-4-73) IR Manual
Official Use Only

Intelligence Gathering and Retrieval System

EXHIBIT 9390-1—Cont. (1)

DISTRICT INPUT

(Form 4860-A)

INSTRUCTIONS FOR COMPLETION

You are preparing a worksheet that will be used by a keypunch operator. It is most important that the work be done neatly and accurately. Neatness is important because the person reading this sheet will not be able to ask you if "1" means "one," "I" or "L". Form your letters completely, all CAPS only.

GENERAL INSTRUCTIONS

1. Only one character (number or letter) will be printed in each space.
2. Print all CAPITALS.
3. For items containing both alphabetical and numerical characters, print zeros as 0 and the letter Z as Z, in order to avoid confusion with the letter "o" and number "2," respectively.
4. No punctuation will be used—omit commas, periods, dashes, etc.
5. If you make an error, draw a line through the entire entry and rewrite it on another line.

ITEM INSTRUCTIONS

(Items marked below with an asterisk (*) must be completed in order to process district input sheet.)

1. *Page ____ of ____ (upper left corner). Enter page number of total input forms per document. Example: The third form of a document requiring 5 forms would be Page 3 of 5.
2. *Register and Document Number (6 spaces). These codes will be determined by the district in accordance with their storage system. This number must be unique. Only one number will be given to a document no matter how many pages are in the document.
3. *Date of Document (6 spaces). Month, day, and year. Use two digits for each segment. For example: December 1, 1972, will be entered as 120172.
4. Source (2 spaces). Use the following codes, if applicable. New codes may be created if there is a local need.

Source Codes

- | | |
|----|--------------------------|
| 01 | Service Center |
| 02 | Special Agent |
| 03 | Audit |
| 04 | Collection |
| 05 | Public |
| 06 | Intelligence Gathering |
| 07 | TCR |
| 08 | Other Government Agency |
| 09 | Joint Compliance Program |
| 10 | WAID |
| 11 | TCMP |

- | | |
|----|---|
| 12 | Narcotics |
| 13 | Wagering |
| 14 | Newspaper or Magazine Article |
| 15 | Local, State, or Federal Law Enforcement Agency |
| 16 | Preliminary Control Record |
| 17 | Subject Abstract Record |
| 18 | Case Development |
| 19 | Confidential Informant |
| 20 | Projects and Programs |
| 21 | Investigations Assigned |
| 99 | Other |

5. *District (2 spaces). Use the district codes contained in IRM 9280. *POD* (1 space)—Post of Duty—Each district is responsible for developing its own codes for the posts of duty in that district. This is applicable when records are stored at more than one location.

6. *Date Prepared (6 spaces). Use the same dating method as explained above.

7. *Names on this page (upper right corner) Enter total number of names on the input form.

8. *Document Description* (40 spaces). Enter brief description of document, its contents, or any other information of interest to the district. Leave a blank space between words. Generally known abbreviations and form numbers may be used.

9. *Name (25 spaces allowed). Enter the name exactly as it appears in the document and formatted as shown below.

A. Individuals—last, first, middle names

1. Apostrophes should not be used. For example: the name O'Malley should be written OMALLEY.
2. Use closed spacing for last names. For example: the name De Carlo should be written DECARLO.
3. Capitalize all letters. Thus, the name McHenry will be written MCHENRY.
4. First names will be written in full, if available.
5. Middle names will be written in full, unless there are insufficient spaces. In this case, use an initial for the middle name.

6. Names that have initials only will be written without punctuation, for example: Cox, W. E. will be COX W E.

7. Leave a single space between all names—last, first, middle.

8. If a name contains a "Jr." or "Sr.," it should be written as follows: JONES WILLIAM LEO JR.

9. Enter only one name per line. Do not include the wife's name if it appears. For example: Banko, John I. & Ruth, Jr. will be written BANKO JOHN I. JR.

10. The first letter of the last name will be entered in the first open space in the name field.

B. Business Names

1. Capitalize, single space, and use no punctuation.

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Official Use Only

Intelligence Gathering and Retrieval System

EXHIBIT 9390-1—Cont. (2)

2. The word "and" will always be written as an ampersand, "&." For example: Jones and Sons will be JONES & SONS.

3. Do not use "The" when recording business names. For example: The Big Company will be BIG CO.

4. The following will always be used to shorten business names:

Corporation = CORP
Incorporated = INC
Company = CO
Limited = LTD
Associates = ASSOC

5. When business names have more letters than spaces available, write as much of the name as there are available spaces.

10. *B or I* (one space). If the taxpayer identification number is, for a business, enter "B," if an individual, enter "I." The "B" or "I" must be entered if there is a SSN or EIN.

11. *Taxpayer Identification Number* (SSN or EIN) (9 positions). Enter if available.

12. *Profession or Occupation* (2 spaces). Use the two-digit code provided for the profession or occupation which most nearly describes the subject. If none is applicable, you may use Code 99 or create new codes; between 43-50 for a profession, or 95-98 for an occupation. If the document does not describe the subject's profession or occupation, leave these space blank.

PROFESSIONS

Medical

- 01 Physicians, Surgeons, and Specialists
- 02 Dentist, Dental Surgeons and Specialists
- 03 Osteopathic Physicians
- 04 Chiropractors
- 05 Mental Health Counseling
- 06 Medical or Dental Laboratories
- 07 Hospital Profession
- 08 Nurse Registered or Practical
- 09 Sanatorium, Convalescent, and Rest Homes

Miscellaneous

- 10 Attorney
- 11 Education, Teacher, Tutor, etc.
- 12 Engineer
- 13 Architect
- 14 Certified Public Accountant
- 15 Other Accounting, Auditing, and Bookkeeping
- 16 Tax Preparer
- 20 Private Investigator
- 21 Private Protection Service
- 25 Entertainer
- 26 Musical
- 27 Professional Sports
- 28 Business Managers/Agents/Handlers

- 30 Automotive Racing
- 32 Horse and Dog Racing
- 40 Others not specified
- 41 Advisor/Aide/Counselor
- 42 Pharmacist

OCCUPATIONS

- 51 Skilled Laborer
- 52 Semi-skilled Laborer
- 53 Unskilled Laborer
- 54 Owner
- 55 Manager
- 56 Officer or Director
- 57 Executive
- 58 Purchasing Agent
- 59 Public Official
- 60 Government Employee
- 61 Factor Monies or Commodities
- 62 Jobber
- 63 Manufacturer Representative
- 64 Repairman
- 65 Agent
- 66 Clerk
- 67 Salesman
- 68 Promoter/Lobbyist
- 69 Law Enforcement
- 70 Bondsman
- 71 Union Official
- 72 Consultant
- 73 Student
- 74 Interior Decorator
- 75 Photographer
- 76 Editor/Writer
- 77 Model Fashion and Photo
- 78 Attendant
- 79 Artist/Musician
- 80 Contractor
- 81 Pilot
- 82 Driver
- 83 Hauler
- 84 Gardener
- 85 Diver
- 86 Writer
- 87 Trustee
- 88 Stockholder
- 89 Travel Agent
- 90 Developer-Land
- 91 Casino Executive or Employee
- 92 Land Speculator
- 93 News Reporter
- 94 Grocer
- 99 Other

13. *Industry* (2 spaces). Use the two-digit code shown below to indicate the industry in which the subject is employed. If the industry is not mentioned in document, leave these spaces blank.

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Intelligence Gathering and Retrieval System

EXHIBIT 9390-1—Cont. (3)

INDUSTRY CODES

- 01 Farming
- 02 Agricultural
- 03 Petroleum
- 04 Government
- 08 Forestry
- 09 Fisheries
- 10 Mining
- 15 Contract Construction-Building
- 16 General Contractors—other than building
- 17 Classified Trades
- 18 Other Contractors
- 21 Food and Kindred Products
- 22 Textile Mill Products
- 23 Apparel and other textile products
- 24 Lumber and wood products, except furniture
- 25 Furniture and Fixtures
- 27 Printing, publishing, and allied industries
- 31 Leather and leather products
- 32 Stone, clay, and glass products
- 33 Metal Products
- 35 Machinery, except electric
- 36 Electrical machinery, equipment, and supplies
- 37 Transportation equipment
- 41 Local transportation
- 42 Trucking and warehousing
- 43 Rail transportation
- 44 Water transportation
- 45 Air transportation
- 46 Pipeline transportation
- 47 Transportation Services/Travel Agencies
- 48 Communication
- 49 Utilities
- 52 Building materials, hardware, and farm equipment
- 53 General merchandise
- 54 Retail sales
- 55 Motor Vehicles and supplies
- 58 Restaurant and Bars
- 60 Banking
- 61 Credit or Loan Agencies other than banks
- 62 Security and Commodity brokers
- 64 Insurance
- 65 Real Estate
- 66 Investment
- 70 Lodging
- 72 Personal Services
- 73 Business Services
- 75 Automotive repair and services
- 76 Miscellaneous repair services
- 78 Motion pictures
- 79 Amusement and recreation services, except motion pictures
- 80 Medical and Health Services
- 81 Legal Services
- 82 Educational Services

- 89 Engineering, Accounting, and Architectural Services
- 90 Gambling, Legalized
- 91 Club, Fraternal Organization
- 99 Other

14. *Alleged illegal activity or source of potential unreported income.* (6 spaces). Two alleged illegal activity codes may be entered.

1. If you are unable to determine an applicable code, use general codes, such as 010, 050, etc.

2. If only one code is used, enter it in (a), leave (b) blank.

ILLEGAL ACTIVITY CODES.

- 010 Racketeer
 - 011 Major Racketeer
 - 012 Minor Racketeer
- 050 Narcotics and Dangerous Drugs
 - 051 Supplier
 - 052 Pusher
 - 053 User
 - 054 Financier
 - 055 Transporter
 - 056 Smuggler
- 060 Prostitution
 - 061 Madame
 - 062 Pimp/Panderer
 - 063 Prostitute-Female
 - 064 Prostitute-Male
 - 065 Massage Parlor
- 070 Loan Sharking
 - 071 Lender
 - 072 Borrower
 - 073 Collector
 - 074 Financier
 - 075 Loan Arranger
- 080 Corruption-Public Trust
 - 081 Corruption-Federal
 - 082 Corruption-State
 - 083 Corruption-Local
- 100 Legal Business Fronts/Nominees
- 110 Labor Racketeering
 - 111 Multi-Union Organizer
 - 112 Pension Funds
 - 113 Kickbacks
- 120 Coin-Operated Devices-Gaming
 - 121 Manufacturers
 - 122 Distributors
 - 123 Consignees
- 130 Coin-Operated Devices-Vending
 - 131 Service Equipment
 - 132 Cigarettes
 - 133 Entertainment
 - 134 Food & Beverage

Intelligence Gathering and Retrieval System
Exhibit 9390-1—Cont. (4)

- | | | | |
|-----|---|-----|---|
| 140 | Foreign Illegal Financial Transactions | 333 | Policy Operator |
| 141 | Banking | 334 | Bolita Operator |
| 142 | Insurance | 335 | Writer |
| 143 | Securities | 336 | Runner |
| 144 | Corporations | 337 | Employee |
| 145 | Courier | 338 | Beards |
| 150 | Fraud | 339 | Gambling Equipment Manufacturer |
| 151 | Mail | 340 | Gambling Equipment Distributor |
| 152 | Skimming (General) | 341 | Courier |
| 153 | Confidence Scheme | 342 | Off Track Betting |
| 154 | Securities | 343 | Casino-Operator or Employee |
| 155 | Credit Card | 344 | Bookmaking-General |
| 156 | Welfare and Pension Funds | 345 | Skimming |
| 157 | Insurance Carriers | 400 | Theft, Burglary, Robbery and Larceny,
Fencing and Smuggling |
| 158 | Medical | 401 | Automobiles |
| 159 | Exempt Organizations | 402 | Jewelry |
| 160 | Land Sales | 403 | Furs |
| 161 | Payroll Padding | 404 | Liquor |
| 200 | Tax Violation | 405 | Securities |
| 201 | Tax Evasion-7201 | 406 | Credit Cards |
| 202 | Failure to Collect, Account for and
Pay-7202 | 407 | Money |
| 203 | Failure to File-7203 | 408 | Electronic Equipment |
| 204 | False Statement (W-4)-7204 | 409 | Cigarettes |
| 206 | False Return-Perjury-7206(1) | 410 | Jewels, Watches, Coins, etc. |
| 207 | Aiding and Advising-7206(2) | 414 | Gold/Silver |
| 320 | Gambling | 500 | Miscellaneous |
| 321 | Layoff Bookmaker-National | 501 | Murder, Mayhem, Violence |
| 322 | Layoff Bookmaker-Local | 502 | Pornography |
| 323 | Bookmaker-Horse | 503 | Counterfeiting |
| 324 | Bookmaker-Sports | 504 | Forgery |
| 325 | Handicapper | 505 | Hijacking |
| 326 | Wire Service | 506 | Sabotage |
| 327 | Big Bettors | 507 | Abortion |
| 328 | Dice | 508 | Extortion |
| 329 | Cards | 509 | Bribery |
| 330 | Electronic Expert | 510 | Perjury |
| 331 | Numbers Operator | 511 | Bootlegging |
| 332 | Lottery Operator | 512 | Arson |
| | | 900 | District Use
Districts may use 900 series codes for illegal
activities unique to that district. |

15. For District Use (8 spaces). These spaces may be used by the district for whatever coding it wishes.

Intelligence Gathering and Retrieval System

Exhibit 9390-2

Form 5055, District Background File Transmittal

District Background File Transmittal

Instructions

1. Prepare in triplicate. Enclose two copies with each shipment and retain one copy for district files.
2. Attach the adding machine tape used in totaling the lines of data (*names*) being submitted.
3. Ship Forms 4860-A in sequential order by Register-Document Number.
4. Make shipments via Certified Air Mail in a secure package.

Material shipped:		Shipped to:	
Forms 4860-A			
Forms 5056			
Lines of Data (Total from "Names this page", Form 4860-A)			
Register - Document numbers (Inclusive)	to		
Received by		Date	
Acknowledge receipt by air-mailing a copy of transmittal document to: <i>(District address)</i>		Direct questions on this shipment to: <i>(Name and phone number)</i>	
Special Notes:			

Form 5055 (Rev. 4-73)

Department of the Treasury - Internal Revenue Service

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Intelligence Gathering and Retrieval System

Exhibit 9390-3—Cont.

Form 5056, District Input-Correction/Deletion Form

District Input - Correction/Deletion Form

Instructions

1. Use this form to make corrections/deletions to the District Background File indexes. There are two categories: general and specific.

a. **General:** These are items which relate to all the names on a particular input document, i.e., Date of Document, Source, Post of Duty, Date Prepared, and Document Description. To correct these items you must enter the District Number (DIST), check Digit (CD), Register-Document Number (REGISTER-DOC), and the proper transaction code (TRN) for the item being corrected/deleted. Then enter the correction in the Correction Data area starting in the first space following the transaction code.

b. **Specific:** These are items which pertain to only one entity on a particular form i.e., Name, B/I; Taxpayer Identification Number, Profession or Occupation, Industry, Alleged Illegal Activity, and For District Use. To correct any of these

items you must enter the District Number (DIST), Check Digit (CD), Register-Document Number (REGISTER-DOCUM), Page, Line Number, and the proper transaction code (TRN) for the data being corrected/deleted. Then enter the correction in the Correction Data area starting in the first space following the transaction code. To correct the "District Use" field, enter all codes in the correct sequence. This should be done even if only one code is being corrected. When correcting the Taxpayer Identification Number, the correction must be preceded by a "B" for an EIN, or an "I" for a SSN.

2. Only one correction may be made on a line for each type of correction/deletion.

3. If the Register-Document Page, and/or line number are in error, then the entire record must be deleted by entering the Identification Data (Dist, CD, etc.) and TRN Code 05. The correct data should then be re-submitted on Form 4860-A, District Input Form.

Transaction Codes

00 Document Description Correction	11 B1
01 Date of Document	12 TIN
02 Source	13 Profession/Occupation
03 Post of Duty	14 Industry
04 Date Prepared	15 Illegal Activity
05 Delete Record	16 District Use
10 Name	17 Delete Line (Name)

Exhibit 9390-4—Cont.

Example of Format of Typical District Background
File Document Index

01-05-73	CP:I (863)	DISTRICT 36 DOC INDEX
C011431	07-05 71 02 36 07-07-71	MEMO SA GONZALES RE GAMBLING
	0101 ARNOLD ANTHONY J	346 34 2976 55 320 326 3102
	0103 BIANCA CHARLES	320
	0104 HIDE AWAY LOUNGE	36 1271001 58 320 2
	0102 TAYLOR JOHN	
	0105 320	
	0106 326	
D011436	07-05-71 11 36 07-07-71	RAR JOSEPH REYNARDT 6912 7017
	0101 REYNARDT JOSEPH	724 25 7210 56 054
	0102 REYNARDT SUPPLY CO	36 1476532 36 054
	0103 STEVENS JOHN Z	14 918
	0104 054	
	0105 918	
E011451	06-22-71 06 36 07 08 71	CTRE GAMBLING RAIDS IN CHICAGO HEIGHTS
	0102 HEIGHTS TAVERN	58 333 1115
	0101 JOHNS COIN SHOP	53 333 1115
	0103 LAURAS LOUNGE	58 333 1115
	0105 PELANDOS RESTAURANT	58 333 1115
	0104 ZANZIBAR LOUNGE	58 333 1115
	0106 333	
F322175	10 17 72 09 36 11 13 72	STRIKE FORCE REQ FOR BACKGROUND INFO
	0101 BUCHORI FIORE	722 15 7077 010 070 1
	0104 JOHNSON RICHARD O	
	0102 LITTMANN BURL S	342 02 7169
	0107 LORFNZO GEORGIA	
	0105 HALLFIST BOBBY	
	0106 PHILLIPS FELIX MILWAUKEE	070 1
	0103 REALONDO JACQUILINE	061

Intelligence Gathering and Retrieval System

Exhibit 9390-5—Cont. (1)

National Register Input Form
(Form 4860)

Instructions for Completion

(1) This form will be used by keypunch operators, therefore it is most important that the work be done neatly and accurately. Neatness is important because the person reading this sheet will not be able to ask you if "1" means "one," "i," or "L." Form your letters completely and use all capitals.

(2) Separate forms will be used to reflect SEP-1 or potential SEP categories. Each form will be designated by hand writing at the top of the page above "prepared by" the category ("potential SEP" or "SEP-1") of its contents. Each page will contain from one to twenty-five entries within the same category.

General Instructions

1. Only one character (number or letter) will be printed in each space.
2. Print in capital letters.
3. For items containing both alphabetical and numerical characters, print zeros as 0 and the letter "Z" as Z in order to avoid confusion with the letter "O" and number 2, respectively.
4. No punctuation will be used—omit commas, periods, dashes, etc.
5. If you make an error, draw a line through the entire entry and rewrite it on another line.

Column Instructions

1. District codes are found in 230:(2) of IRM 9570, Case Management and Time Reporting System Handbook.

2. Region codes are shown below:

- 1 Southeast
- 3 Midwest
- 4 Central
- 5 Southwest
- 6 North-Atlantic.
- 7 OIO
- 8 Mid-Atlantic
- 9 Western

3. Enter the calendar year in which the name is submitted to the National Register.

Item Instructions

(1) Names (25 spaces possible).

A. Individuals—last, first, middle.

1. Do not use apostrophes. For example: O'Malley will be written OMALLEY.

2. Use closed spacing for last names. For example: De Carlo will be written DECARLO.

3. Use all capitals. For example: McHenry will be written MCHENRY.

4. First names should be written in full, if available.

5. Middle names will be written in full unless there are more letters than there are spaces. In this case, use an initial for the middle name.

6. Names that have initials only will be written without punctuation. For example: Cox, W. E. will be COX W E.

7. Leave a single space between all names—last, first, middle.

8. If a name contains a "Jr." or "Sr.," it should be written as follows: JONES WILLIAM LEO JR.

9. Enter only one name per line. Do not include the wife's name if it appears. For example: Banko, John I. & Ruth, Jr. should be written BANKO JOHN I JR.

10. The first letter of the last name will be entered in the first space in the name field.

B. Business Names

1. Use all capitals. Single space. Use no punctuation.

2. The word "and" will always be written as an ampersand, "&." For example: Jones and Sons will be JONES & SONS.

3. Do not use "THE" when recording business names. For example The Big Company will be BIG CO.

4. Use the following to shorten business names:

Corporation = CORP
Incorporated = INC
Company = CO
Limited = LTD
Associates = ASSOC

5. When business names have more letters than spaces available, write as much of the name as there are available spaces.

(2) City (12 spaces possible).

1. Use all capitals. Single space. Use no punctuation.

2. If a one-word city name has more letters than there are available spaces, write as much of the name as possible.

3. Cities with two-word names.

a. If the first word is North, South, East or West, use only the first letter N, S, E, W., and the second word. For example: East Detroit will be entered as E DETROIT.

b. For cities with other two-word names, write the entire first word and shorten the second word by leaving out the vowels to fit the 12 spaces available.

Highland Park = HIGHLAND PRK

Harper Woods = HARPER WDS

c. For cities with three or more words in their names, write the entire first word and the shortened form of the remaining names. It may be

Intelligence Gathering and Retrieval System

Exhibit 9390-5-Cont. (2)

Item Instructions-Cont.

necessary to write the entire name without vowels.
For example:

Grosse Point Shore = GRSS PNT SHR
North Bay View Village = N BY VW

VLLG

(3) State Codes (2 spaces).

Use the two-letter special code shown below.

Alabama	AL	Maine	ME
Alaska	AK	Maryland	MD
Arizona	AZ	Massachusetts	MA
Arkansas	AR	Michigan	MI
		Minnesota	MN
California	CA	Mississippi	MS
Colorado	CO	Missouri	MO
Connecticut	CT	Montana	MT
		Nebraska	NB
Delaware	DE	Nevada	NV
District of Columbia	DC	New Hampshire	NH
		New Jersey	NJ
Florida	FL	New Mexico	NM
Foreign Country	FC	New York	NY
		North Carolina	NC
Georgia	GA	North Dakota	ND
Hawaii	HI		
		Ohio	OH
Idaho	ID	Oklahoma	OK
Illinois	IL	Oregon	OR
Indiana	IN		
Iowa	IA	Pennsylvania	PA
		Puerto Rico	PR
Kansas	KS		
Kentucky	KY	Rhode Island	RI
Louisiana	LA		

South Carolina	SC	Vermont	VT
South Dakota	SD	Virginia	VA
		Virgin Islands	VI

Tennessee	TN	Washington	WA
Texas	TX	West Virginia	WV
		Wisconsin	WI
Utah	UT	Wyoming	WY

(4) Taxpayer Identification Number (SSN or EIN) (9 spaces).

1. Every name must have a unique TIN.

2. In those instances where the EIN or SSN is not known, use a unique identification number as described below.

The first space receives an asterisk. The next two digits are the district codes. The fourth digit will designate the year of input, 1971 will be "1," 1972 "2," and so on. The last five digits will be a sequentially assigned number starting with 00001 for the first submission of the calendar year and ascending to 99999, if necessary. The sequential number will begin with 00001 each calendar year. For example, the number for the 115th submission from the Chicago District (for which the SSN and EIN are unknown) in 1971 would be: * 36 1 00115.

Each district will need to keep a log of the numbers assigned in order to avoid duplication.

(5) Date of Birth (6 spaces).

1. Use six (6) numbers—in MMDDYY format—example: Jan. 2, 1937 would be 010237.

2. If the date of birth is not available, draw a line through the spaces.

(6) Alleged illegal activity or source of potential unreported income (3 spaces).

See Exhibit 9390-1, Illegal Activity Codes and instructions (# 14).

(7) B or I (1 space)

If taxpayer identification number is for a business enter "B", if for an individual enter "I."

Intelligence Gathering and Retrieval System
Exhibit 9390-6

Form 5057, National Register Transmittal

National Register Transmittal

Instructions

1. Prepare in triplicate. Enclose two copies with each shipment and retain one copy for district files.
2. Ship Forms 4860 and Forms 5058 in order by page number (*see upper right hand corner*).
3. Make shipment via Certified Air Mail in a secure package.
4. Enclose adding machine tape used in totalling number of names.

Material shipped:		Shipped to:	
Forms 4860			
Lines of data (<i>total number of names</i>)			
Forms 5058			
Total correction lines			
Shipping date	Received by	Date	
Acknowledge receipt by air-mailing a copy of this form to: <i>(District address)</i>		Direct questions on this shipment to: <i>(Name and phone number)</i>	
Special Notes:			

Form 5053, National Register Correction/
Deletion Form

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**NATIONAL REGISTER
CORRECTION/DELETION FORM**

PREPARED BY: INITIALS	DATE	REVIEWED BY: INITIALS	DATE	DIST	REC. YEAR	Page	of
TAXPAYER IDENTIFICATION NUMBER	TRN	CORRECTION DATA					
		[Grid area for correction data]					

Department of the Treasury - Internal Revenue Service

Form 5053 (1-73)

Intelligence Gathering and Retrieval System

Exhibit 9390-7--Cont.

**National Register Correction/Deletion Form
Form 5058**

Instructions

Use this form to make corrections to, additions to, or deletions from, the SEP-1 or potential SEP subject categories of the National Register.

To delete an entire record, enter taxpayer identification number and transaction code (TRN) 10. Make no entry in correction data spaces.

To correct an information field, enter taxpayer

identification number, transaction code (TRN), and the correction data, starting in the first space following the transaction code. To change more than one field in a record, you must use TRN 10 and then resubmit the record showing all required information on Form 4860.

Transaction Codes

- 01 Name
- 02 City
- 03 State Code
- 04 Date of Birth
- 05 Alleged Illegal Activity
- 06 B/I
- 07 Year
- 08 Reg
- 09 Update Taxpayer Id. No.
- 10 Delete Record

NEWS RELEASE DEPARTMENT OF THE TREASURY

IRS, WASHINGTON, D.C., FEBRUARY 19, 1975

The Internal Revenue Service today released the following additional documents in connection with its information gathering systems:

Letter to Senator Frank Church, dated February 12, 1975;

The four attachments to the letter.

Copies of the released documents are attached.

The Internal Revenue Service had previously released, on February 7, nine items involving its information gathering systems, including a letter of January 31 to Senator Church.

FEBRUARY 12, 1975.

HON. FRANK CHURCH,

Select Committee To Study Governmental Operations With Respect to Intelligence, Activities, U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: On January 31 I wrote you concerning the participation of the Internal Revenue Service in the Select Committee's investigation and study. I also included a copy of a letter that I sent to Senators Mansfield and Scott in response to their request that we not destroy and records or documents relevant to the Select Committee's activities. In that letter I expressed concern about the breadth of the request and the possible unintended impact on the Service's normal operations.

Subsequently, on February 5, Burke Willsey, Assistant to the Commissioner, telephoned Mr. William Miller of your staff and informed him that, because of the large volume of returns being received by the Internal Revenue Service, it was necessary for us to resume shipping 1973 returns and related materials to the Federal Records Center to make room, physically, for the storage and processing of the returns currently being filed. Mr. Miller agreed that our resumption of shipping was appropriate, and asked us to send you a copy of our instructions to our field offices on these documents. A copy of that telegram is enclosed as Attachment No. 1.

At the same time, we authorized the Federal Records Centers to resume destruction of tax returns in order to permit them to make space available to receive the records we resumed shipping. A copy of the letter authorizing that resumption is enclosed as Attachment No. 2.

Although these instructions have alleviated part of our problems in this respect, we would appreciate receiving your permission to continue a broader range of our previously-established records disposition practices. Mr. Willsey assured Mr. Miller, and I repeat those assurances, that we are not asking for permission to destroy any materials gathered pursuant to that part of our information-gathering activities coming within the Committee's area of interest. For example, in paragraph (3) of the enclosed telegram dated February 7, 1975 (Attachment No. 3), which provides interim guidelines for information-gathering activities, our personnel are specifically instructed not to destroy or dispose of any records relating to any of our intelligence-gathering activities.

Another facet of this problem for Internal Revenue Service is illustrated by the vast number of documents which we receive containing information about amounts paid to different taxpayers as wages, dividends, interest, etc. In the normal course of our operations, the relevant information from these documents is transcribed into our data processing equipment for evaluation and use with respect to the tax-payers who may be affected. After the information is transcribed, many of the source documents themselves are disposed of. Others of the documents are associated with the taxpayers' returns and are disposed of with the returns themselves. Attachment No. 4 is a telegram to our data processing personnel authorizing them to continue our normal practice of disposing of those documents.

As you can see from this relatively brief outline, the possible breadth of the Select Committee's activities could have a severe, and, we believe, unintended impact on our routine operations. Consequently, I would like to repeat the request we made to Senators Mansfield and Scott for permission to continue our previously-established records disposition practices. If it would be helpful, we are prepared to meet with the Committee or its staff to supply any further information in this regard that you feel would be necessary or helpful.

With kind regards,

Sincerely,

DONALD C. ALEXANDER.

FEBRUARY 5, 1975.

To: Regional Commissioners, IRS; all Regional Counsels, IRS; all Regional Inspectors, IRS; all District Directors, IRS; all Service Center Directors; IRS Data Center, Detroit, Mich.; IRS NCC, Martinsburg, W. Va.

From: W. E. WILLIAMS, Deputy Commissioner, IRS.

Subject: Retention of service records.

This is in further reference to our telegram dated January 30, 1975. Transfer of IRS records to Federal records centers can be resumed except for those records concerning intelligence information gathering activities, joint compliance program activities, coordinated compliance projects and returns compliance program activities. A separate telegram will be issued concerning the above exceptions. However, this instruction does not contemplate the screening of case files before transfer to the Federal records center to remove individual examination reports, etc., that are the product of such information gathering activities.

IRS waste material containing tax data accumulated in formal daily operations can be destroyed.

W. E. WILLIAMS,
Deputy Commissioner.

FEBRUARY 6, 1975.

Mr. WALTER W. STENDER,
Assistant Archivist for Federal Records Centers,
National Archives and Records Service,
Washington, D.C.

DEAR MR. STENDER: The Commissioner, in a letter dated February 3, 1975, to the Administrator, General Services Administration, requested suspension of the destruction of IRS records in the Federal Records Centers until further notification. The letter further stated that we would notify you of records that could be exempted from this freeze as soon as possible.

It has been determined that Forms 1040, U.S. Individual Income Tax Returns, can be destroyed in accordance with disposal authorizations in Record Control Schedule 206, Service Centers.

We appreciate your cooperation in this matter and hope to more narrowly define IRS records subject to the freeze at an early date.

Sincerely,

(Signed) RICHARD E. SIMKO
(For Leo C. Inglesby, Director,
Facilities Management Division).

FEBRUARY 7, 1975.

To: All Regional Commissioners, IRS; All District Directors, IRS; All Service Center Directors, IRS; Director, Office of International Operations, IRS.
(VIA MAIL)

From: W. E. WILLIAMS, Deputy Commissioner, IRS.

(MSARD) (MSASC)

Subject: Interim guidelines for information gathering activities for audit, intelligence and collection activities.

(1) This is in further reference to our January 22, 1975, telegram suspending IGRU, JCP and other similar information gathering activities pending clarification of the definition of directly tax-related information.

(2) Until such time as legal questions are resolved concerning application of the Freedom of Information Act Amendments and the Privacy Act of 1974, all information gathering activities will remain suspended except to the extent provided in this telegram. No new information gathering projects will be initiated.

(3) With reference to IG&R, returns compliance programs, joint compliance, coordinated compliance and intelligence projects:

(A) Previously collected information or information received without solicitation which involves transactions with potential tax consequences may be processed and associated with case files for use in development of the case.

(B) No additional information (except information relating to an open assigned case on a specific taxpayer) will be solicited.

(C) No new projects will be initiated.

(4) The returns preparers program, including shopping activities, may be continued.

(5) Financial information and other data directly related to notices, TDA's and TDI's may be obtained and will continue to be associated with the case files as provided in existing instructions.

(6) Any files or information, gathered or assembled, pertaining to any taxpayer or group or taxpayers and in the possession of an individual employee, which do not relate to a current assignment, will be immediately forwarded to the employee's division chief. Such information which the chief determines does not require immediate action will be placed in suspense pending further instructions.

(7) All employees should continue to submit information reports and information items with potential tax consequences uncovered while working assigned cases. Such information reports and information items will be processed in accordance with existing instructions. Any other information will be forwarded to the employee's division chief to be suspended pending further instructions.

(8) No records concerning intelligence information gathering activities, joint compliance program activities, coordinated compliance projects and returns compliance program activities shall be destroyed, disposed of, or transferred to Federal records centers.

(9) Questions regarding these guidelines that cannot be resolved by assistant regional commissioners should be referred through channels to the appropriate Assistant Commissioner.

(10) This message will be reissued in the IR Manual in accordance with IRM 1254.

FEBRUARY 11, 1975.

To: All Regional Commissioners, IRS and all Service Center Directors, IRS.
 From: RUSSELL E. DYKE, Associate Director (Accounts and Services), Accounts and Data Processing Division, IRS.
 (Priority) (MSAR & MSASC)
 Subject: Retention of service records.

This is in reference to the telegrams of January 30, 1975, and February 5, 1975, from the deputy commissioner, internal revenue service. These telegrams do not affect any instructions in ADP Handbook 334-405, SC mail and work control, information document processing. Continue to dispose of information documents according to the manual reference cited in this handbook.

Mr. VANIK. I think we are going to want to go into that in detail, and I know that other committees of the Congress are considering major investigations of the issue. We know the quality of our work with Dr. Woodworth, and we are going to await the results of your joint efforts.

Now, I think Mr. Pickle is next.

PRIVACY OF TAX RETURNS

Mr. PICKLE. Mr. Secretary, do you agree with the income tax returns privacy bills that have been introduced? Congressman Litton has introduced one, and I know Senator Bentsen on the other side is going to introduce such a bill.

Without going into detail, can you support those bills?

Mr. ALEXANDER. I strongly favor the strengthening of the laws with respect to the privacy of tax returns and tax return information. Congressman Schneebeli last year introduced a bill which, I feel, carried out not only the principle, but the mechanics of, the corrections of existing law that we think are necessary.

So we do not differ as to the purpose with Congressman Litton, Senator Bentsen, and others. We have some concerns. We have concerns as to the particular aspects of the legislation.

Mr. PICKLE. You look more favorably to Mr. Schneebeli's approach than either to Mr. Litton's approach or Senator Bentsen's approach?

Mr. ALEXANDER. That is correct.

TAXPAYER SERVICE

Mr. PICKLE. I have some questions to submit to you later, but I am trying to get the general feel of those questions from your agency.

With respect to audits and tax returns of individuals, no one is happy when he pays taxes, mighty few. I have an office in my district where people have come in, looking for their income tax forms and they have all a bad look on their face, and they are not happy. We have to understand that.

Are you going to be able to add to your staff, and will you be able to put more people on to meet the public to explain the tax laws and talk to them? Is that in your planning?

Mr. ALEXANDER. Yes, since 1972 we have almost doubled the numbers of our taxpayer service representatives. We had about 1,200 then, and we have over 2,300 today, and in our 1976 budget request we are asking for an additional 145 man-years for this purpose. We recognize the greater need to serve the public.

Mr. PICKLE. Do you have funds to conduct a public relations campaign, assuming such a campaign would be a good thing? Can you spend funds to advertise the fact that you have some people to help taxpayers and that people can come in and get tax returns, and so forth?

Mr. ALEXANDER. We obtain, we are happy to say, much free assistance from the media. We do spend funds on putting television spots together, and we have a 30-minute film on taxpayer audit and appeal rights. We produce a large amount of material, particularly in the filing season, which we ask the media to carry and which they do carry pretty well for us without an additional expenditure of Government funds for that purpose.

Mr. PICKLE. I am sure that the media gives you cooperation. I think probably we should be more positive in our approach so that people know that they can come in and talk. Perhaps we could have an analysis of your procedures and forms and discussions in advance so people could feel freer to come.

They are suspect when they come in that IRS office, and they take out their frustrations on you. I think we can do more.

I was hoping in these times when we have so much unemployment and so many people that may be delinquent, that you don't plan to realine and shift these district offices around at this time. That is certainly not being contemplated, is it?

Mr. ALEXANDER. Well, we have a responsibility to serve the public in the most efficient and effective way. We also have a responsibility not to make a move unless the move is clearly warranted. On the other hand, we can't stay static and believe that in these days of shifting populations and shifting needs that we should necessarily maintain the same size office in each city in the country in which we now have one, or fail to open new offices where they are needed.

We have a balancing of needs and you can be sure that we do not move people or curtail services unless and until we have considered very carefully whether any benefit could be gained, whether it is worth the clear cost of the move.

Mr. PICKLE. I can understand that, and I can understand why you might want to enlarge another office, but at least half of the State

might be neglected if you made such a move, by removing one from another city. I would think that that would be unbelievably improper under the present economic conditions.

I would like to talk to you about that because obviously I have a concern of my own State and my own district on that.

CORPORATE TAXPAYER VERSUS INDIVIDUAL TAXPAYER

Mr. JONES. Mr. Commissioner, I just have one question that is raised more than once by constituents and that is the relationship of the IRS to a corporate taxpayer versus an individual taxpayer.

The impression is that when the corporate taxpayer is delinquent or has some problem on a tax return, you automatically go into negotiations and reach a negotiated settlement, and it is all done amicably.

The impression is that when an individual taxpayer has a problem, there is movement against him.

That is the impression of a number of my constituents. What can we do under the present regulations to help change that image—and it is a problem—and to change the practice?

Mr. ALEXANDER. That impression is false, and that situation does not exist. We need to do certain things to make the image fit the actuality.

We need to tell more individuals what their rights are so that they will know what their rights are. And we need to make absolutely certain that our people in this Internal Revenue Service, almost 80,000 of us, feel a special responsibility toward the frightened taxpayers, the hostile taxpayer, and the one who can't communicate very well, if at all, in the English language; and the taxpayer who is so overcome by a letter from the Government that the letter is put in back of the refrigerator and never read.

We need to understand that that taxpayer has special problems and requires special guidance and requires a special attitude.

We are doing our best to do just that.

We have put together some material which I would like to supply for the record, publication 566, which spells out in as simple English as we bureaucrats can write, what people's rights are when they do get one of these letters from us saying that they are under audit.

We need to make the image fit the actuality. We need somehow to get this message over to the public that, indeed, this is the case, and to try to get this message over to the public we have taken actions like that film that I mentioned.

[The publication referred to follows:]

Final p 31

Audit of Returns, Appeal Rights, and Claims for Refund

Department
of the
Treasury
**Internal
Revenue
Service**



Publication 556
(Revised October 1974)

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AUDIT OF RETURNS

WHY RETURNS ARE SELECTED FOR EXAMINATION.

The usual reason for selecting a tax return for examination is to verify the correctness of income, exemptions, or deductions that have been reported on the return. However, some returns are selected as part of a random sample for research studies.

The vast majority of taxpayers are honest and have nothing to fear from an examination of their tax returns. An examination of such a taxpayer's return does not suggest a suspicion of dishonesty or criminal liability. It may not even result in more tax. Many cases are closed without change in reported tax liability and, in many others, the taxpayer receives a refund.

CONFIDENTIALITY OF TAX MATTERS

You have the right to have your tax case kept confidential. The IRS has a duty under the law to protect the confidentiality of your tax information. However, if a lien or a lawsuit is filed certain aspects of your tax case will become public knowledge.

IF YOUR RETURN IS EXAMINED

The examination may be conducted by correspondence, or it may take place in your home or place of business, an Internal Revenue Service office, or the office of your attorney or accountant. We try to select the method of examination which is most appropriate under the circumstances, taking into account the complexity of your return. If the method selected is not convenient for you, we will attempt to work out a more suitable method.

If you operate a business and file a Schedule C with your return, the examination normally will be conducted at your place of business for quick access to your books and records.

Whatever method of examination is used, you may act on your own behalf or you may have someone represent you or accompany you. An attorney, a certified public accountant, an individual enrolled to practice before the Internal Revenue Service, or the person who prepared the return and signed it as the preparer, may represent or accompany you. If you prefer, you do not have to be present at a routine examination, if you have authorized one of these persons to represent you. Authorization may be made on Form

2848-D, *Authorization and Declaration*, which is available at any Internal Revenue Service office, or by means of any other properly written authorization.

If you filed a joint return, either you or your spouse (or both) may meet with us.

TRANSFERS TO ANOTHER DISTRICT

As a general rule, the examination of a tax return is made in the Internal Revenue Service District where the taxpayer files. However, in any case where the examination of your return can be completed more quickly and conveniently in another district, you may request that the case be transferred to that district. Transfers are usually based on circumstances such as:

1. Your place of residence is changed before or during the examination; or
2. Your books and records are kept in another district.

THE EXAMINATION: IN GENERAL

The examination normally begins when we notify you by mail that your return has been selected for examination. You will also be notified of the method of examination and the records you will need to assemble in order to clarify or prove items reported on your return. By assembling your records beforehand, you may be able to clear up questionable items or arrive at the correct tax with the least trouble.

Upon completion of the examination, our examining officer will explain to you (or your authorized representative) any change he may propose to adjust your tax liability. He will also explain the reasons for the change. It is important that you understand any proposed change, so please don't hesitate to ask questions about anything that is not clear to you. Most individual examinations are agreed to and closed at this level, but you don't have to agree and you may appeal any proposed change.

IF YOU AGREE.

If you agree with the findings of the examining officer, you will be asked to sign an agreement form. By signing you will indicate your agreement to the amount shown on the form; and if you owe additional tax, you will stop a six percent interest charge 30 days after filing the form. No further interest (or penalties) will be charged unless you

fail to pay the amount you owe within ten days after you receive a notice of such amount. However, if you pay the tax when you sign the agreement form, interest stops immediately.

If you wish to pay, make your check or money order payable to the Internal Revenue Service. Include interest on the additional tax (but not on

penalties) at six percent a year from the due date of the return to the date of payment. If the examination results in a refund, the Internal Revenue Service can refund your money more promptly if you sign the agreement form. You will receive interest at the rate of six percent per year on the amount of the refund.

APPEAL RIGHTS

IF YOU DON'T AGREE.

If you don't agree with the proposed changes of the examining officer and the examination was made in an Internal Revenue Service office, you may request an immediate meeting with a supervisor to explain your position to him. If agreement is reached, your case will be closed. If agreement is not reached at this meeting, or if the unagreed examination was made outside of an Internal Revenue Service office, we will send you (1) a copy of the examination report explaining the proposed adjustments and (2) a transmittal letter detailing the further appeals available to you and giving you 30 days to respond.

If after receiving the examination report you decide to agree with the examiner's findings, you may pay any additional amount you owe without waiting for a bill. Make your check or money order payable to the Internal Revenue Service. Include interest on the additional tax (but not on penalties) at six percent from the due date of the return to the date of payment. Please do not send cash through the mail.

If after receiving the examination report you decide not to agree with the examiner's findings, we urge you to first appeal your case to higher levels within the Service before you go to court.

Because people sometimes disagree on tax matters, the Service maintains a system of appeals. Most differences can be settled in these appeals without court trials.

If you do not want to appeal your case in the Service, however, you can take it directly to court.

The following general rules tell you how to appeal your case.

APPEAL WITHIN THE SERVICE

We have two levels of appeal: The District Conference Staff and the Appellate Division.

Your first level of appeal from the findings of the examiner is the District Conference Staff. If

you want a District Conference, ask for it in accordance with our transmittal letter to you. We will then arrange a meeting at a convenient time and place and a conferee from the Staff will discuss the disputed issues fully with you or your representative. You or your representative should be prepared to discuss all disputed issues and present your views at this meeting, in order to save the time and expense of additional conferences. Most differences are resolved at this level.

If you and the conferee don't reach agreement at your District Conference, however, you may appeal your case to the second level—the Appellate Division in the Regional Commissioner's office. Or, if you do not want a District Conference, you may appeal directly to the Appellate Division.

If you want an Appellate Division hearing, address your request to your District Director in accordance with our transmittal letter to you. Your District Director will forward your request to the Appellate Division, which will arrange for a hearing at a convenient time and place.

If agreement is not reached at your District Conference or your Appellate Division hearing, you may, at any stage of these procedures, take your case to court. See *Appeals To The Courts*, below.

WRITTEN PROTESTS

So that your case may get prompt and full consideration by the District or Appellate conferee, you need to file a written protest with the District Director. You don't have to file a written protest, however, if you are appealing to the District Conference Staff, and

(1) the proposed increase or decrease in tax, or claimed refund, does not exceed \$2,500 for any of the tax periods involved; or

(2) your examination was conducted by correspondence or by an interview at our office.

A written protest is required for an Appellate

Division hearing in all cases except those (1) where the amount involved does not exceed the \$2,500 limit described above and (2) you appealed to the District Conference Staff first. If you filed a protest for your District Conference, you don't have to file another for the Appellate Division hearing.

If a written protest is required, it should be submitted in duplicate within the 30-day period granted in the letter transmitting the report of examination and should contain:

1. A statement that you want to appeal the findings of the examining officer to the District Conference Staff or to the Appellate Division, as the case may be;
2. Your name and address;
3. The date and symbols from the letter transmitting the proposed adjustments and findings you are protesting;
4. The tax periods or years involved;
5. An itemized schedule of the adjustments with which you do not agree;
6. A statement of facts supporting your position in any contested factual issue; and
7. A statement outlining the law or other authority upon which you rely.

A statement of facts, under 6 above, must be declared true under penalties of perjury. This may be done by adding to the protest the following signed declaration:

"Under the penalties of perjury, I declare that I have examined the statement of facts presented in this protest and in any accompanying schedules and statements and, to the best of my knowledge and belief, they are true, correct, and complete."

If your representative submits the protest for you, he may substitute a declaration stating:

- (1) That he prepared the protest and accompanying documents; and
- (2) Whether he knows personally that the statements of fact contained in the protest and accompanying documents are true and correct.

REPRESENTATION

You may represent yourself at your District Conference or Appellate Division hearing, or you may be represented by an attorney, certified public accountant, or an individual enrolled to practice before the Internal Revenue Service. If he

attends a conference without you, he must file a power of attorney or a tax information authorization before he may receive or inspect confidential information. Form 2848, *Power of Attorney*, or Form 2848-D, *Authorization and Declaration* (or any other properly written power of attorney or authorization) may be used for this purpose. Copies of these forms may be obtained from any Internal Revenue Service office.

You may also bring witnesses to support your position.

APPEALS TO THE COURTS: IN GENERAL

If you and the Service still disagree after your conference or hearing, or if you skipped our appeals system, you may take your case to the United States Tax Court, the United States Court of Claims, or your United States District Court. These courts are independent judicial bodies and have no connection with the Internal Revenue Service.

TAX COURT

If your case involves a disagreement over whether you owe additional income tax, or estate or gift tax, you may go to the United States Tax Court. To do this, ask the Service to issue a formal letter, called a statutory notice of deficiency. You have 90 days from the date this notice is mailed to you to file a petition with the Tax Court (150 days if addressed to you outside the United States).

The Court will schedule your case for trial at a location convenient to you. You may represent yourself before the Tax Court, or you may be represented by anyone admitted to practice before that Court.

If your case involves a dispute of \$1,500 or less for any one taxable year, a simplified alternative procedure is provided by the Tax Court. Upon your request and with the approval of the Tax Court your case may be handled under the Small Tax Case procedures. At little cost to you in time or money, you can present your own case to the Tax Court for a binding decision. If your case is handled under this procedure, the decision of the Tax Court is final and cannot be appealed. You can obtain more information regarding the Small Tax Case procedures and other Tax Court matters from the United States Tax Court, 400 Second Street, N.W., Washington, D.C. 20217.

DISTRICT COURT AND COURT OF CLAIMS

As explained below, you may file a claim for refund if, after having paid your tax you believe the tax is erroneous or excessive. If your claim is rejected, you will receive a statutory notice of disallowance of your claim. If we haven't acted on your claim within six months from the date you filed it, you can then file suit for refund. A suit for refund must be filed not later than two years after

we have disallowed your claim. You may file your refund suit in your United States District Court or in the United States Court of Claims. Generally, your District Court and the Court of Claims hear tax cases only after you have paid the tax and have filed a claim for refund. You can obtain information about procedures for filing suit in either court by contacting the clerk of your District Court or the clerk of the Court of Claims, 717 Madison Place, N.W., Washington, D.C. 20005.

CLAIMS FOR REFUND

HOW TO CLAIM A REFUND.

Once you have paid your tax you have the right to file a claim for refund if you believe the tax is erroneous or excessive. You may claim a refund by filing Form 1040X, *Amended U.S. Individual Income Tax Return*. You can obtain this form and information about filing it at any Internal Revenue Service office. You should file your claim by mailing it to the Internal Revenue Service Center where the original return was filed. Corporations should use Form 1120X or such other form as is appropriate for the type of refund claimed.

A separate form must be filed for each tax year involved. You should attach to such form a statement supporting your claim, including an explanation of each item of income, deduction, or credit on which you are basing your claim.

TIME FOR FILING A CLAIM FOR REFUND: GENERAL RULE

A claim for refund must be filed within three years from the date the return was filed (returns filed before the due date are considered to have been filed on the due date) or within two years from the date the tax was paid, whichever date is later.

LIMIT ON AMOUNT OF REFUND: GENERAL RULE

If you file your claim within three years of the

date your return was filed, the credit or refund may not exceed the portion of the tax paid within a period, immediately preceding the filing of your claim, equal to three years plus any extension of time for filing your return. If you do not file your claim within such three-year period, the credit or refund may not exceed the portion of the tax paid during the two years immediately preceding the filing of your claim. This general rule is subject to the exception described below, however.

EXCEPTION: FOR SPECIAL TYPES OF REFUNDS

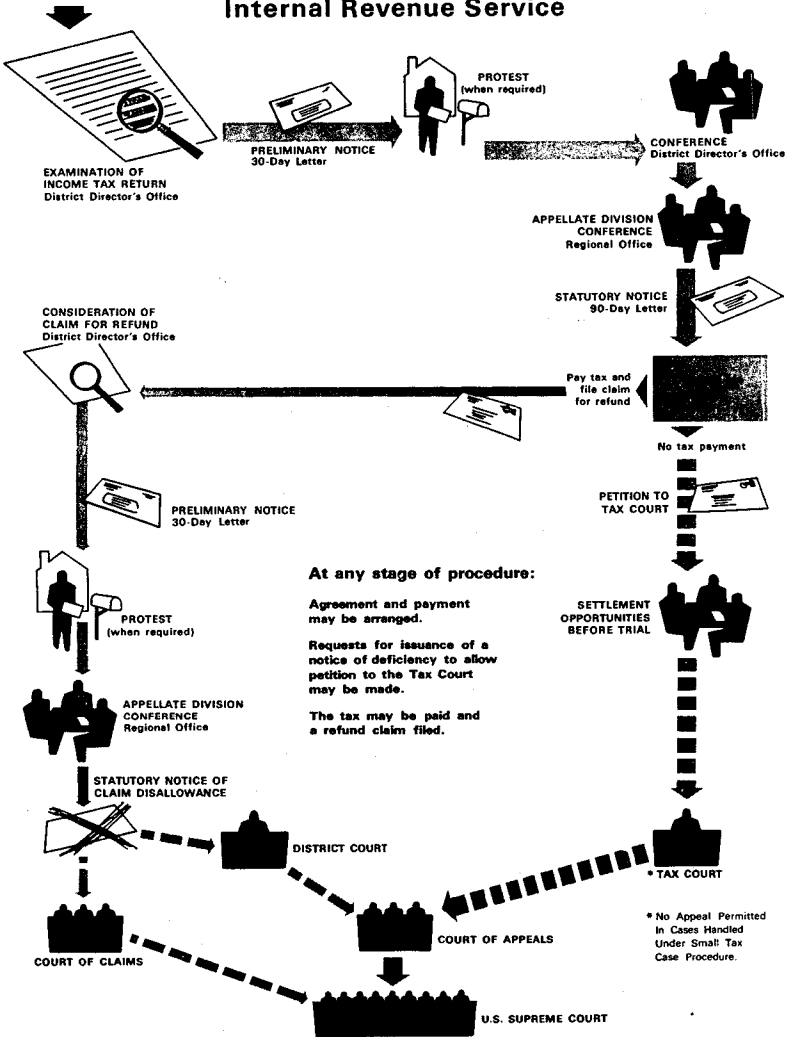
If your claim for credit or refund is based on a bad debt, worthless security, net operating loss carryback, capital loss carryback, foreign tax credit, or an investment credit carryback; or if you have entered into an agreement with the Internal Revenue Service extending the period for assessment of tax, you may be entitled to file your claim at a date later than stated above and the above limit on amount may not apply. In such cases, you should consult your Internal Revenue Service office for further information.

PROCESSING CLAIMS FOR REFUND

Claims are usually processed shortly after they are filed. Your claim may be accepted as filed or may be subject to examination. If a claim is examined, the procedures are the same as in the audit of a tax return.

INCOME TAX APPEAL PROCEDURE

Internal Revenue Service



The Collection Process

(Income Tax Accounts)

Department
of the
Treasury
**Internal
Revenue
Service**

Publication 586
(January 1974)

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I. Introduction

This booklet is designed to explain your rights and duties as a taxpayer owing a bill for taxes. It also explains our obligation, by law, to collect any tax due on your account, and how

we fulfill this obligation. It is not intended to be a precise and technical analysis of the law in this area.

II. Liability for Unpaid Taxes and Notice to Taxpayer

A. Notice and Demand

Each return filed with the Internal Revenue Service is checked for mathematical accuracy and to see whether appropriate payment has been made. If tax is owing, a notice of tax due (bill) will be sent to you.

We are required to issue you this bill which is a demand for payment. You are then required by law to make payment within 10 days. If the tax remains unpaid after the 10 day period has passed, a statutory lien attaches to your property and rights to property.

The only notice which we are required to issue for unpaid tax is this 10 day notice and demand. However, in actual practice, we will send

additional notices, normally three, to give you added opportunity to make payment before enforcement action is taken.

B. Accelerated Notice and Demand

While the routine billing procedure is followed in the great majority of cases involving unpaid taxes, situations arise where the normal 10 day notice and demand period must be shortened. Accelerated billings are made if we have reason to believe that the Government's interest will be jeopardized by delay. These bills become immediately due and payable after delivery of the notice and demand to the taxpayer, and collection action may begin if payment is not made at once.

III. Payment Procedure

By law you are required to pay a tax bill within 10 days after receiving the notice and demand. Most taxpayers respond to this first notice and pay the full amount owed.

If your tax is not paid on time, the law provides for interest and penalty for late payment.

- Interest—is computed at the rate of 6 percent a year on the unpaid tax from the due date of the return.
- Penalty for Late Payment—is $\frac{1}{2}$ of 1 percent of the unpaid tax for each month or part of a month the tax remains unpaid. The penalty cannot exceed 25 percent of the unpaid amount. However, if you can show that your delay in payment is due to reasonable cause this penalty is eliminated.

Therefore, accounts should be paid promptly to keep interest and late payment penalty charges to a minimum. If you believe you can't pay or believe your bill is wrong, you should

immediately visit or contact your local Internal Revenue Service office. This last sentence is so important that we repeat it for emphasis. *If you believe you can't pay or believe your bill is wrong, you should immediately visit or contact your local Internal Revenue Service office.* Ordinarily, the local IRS office address and telephone number are located under the heading of "United States Government" in the white pages of your local telephone directory.

A. If You Believe Your Bill is Wrong

If you believe that your bill contains an error, bring to our office whatever records you believe would help in correcting the mistake (such as cancelled checks, tax returns, etc.). Explain the problem to our representative, and if you are correct the necessary adjustment will be made to your account. You will be asked to pay any tax, interest and penalty still due after the correction is made.

B. If You Believe You Can't Pay

If you believe that you cannot immediately pay your bill in full, bring whatever records you have which would be useful in supporting your financial condition (such as mortgage or rent books, unpaid bills, etc.). Explain the problem to your representative at our office.

1. Financial Statement

We will ask you to complete a Statement of Financial Condition. If you need help, one of our employees will be available to aid you in the preparation of this financial statement. Once you have completed the statement, our employee will carefully review your financial condition to determine whether or not you are in a position to pay the amount due. He or she will check to see whether you might have assets which could readily be sold, mortgaged, or used to secure funds to pay the tax; or whether you might be able to secure a commercial loan for such purposes.

2. Payment Agreements

If the examination of your financial condition shows that immediate payment of the tax in full would cause undue hardship, our employee will help you prepare a form itemizing your monthly income and expenses. After studying this information, we may determine that a monthly payment agreement is in order and, if so, it will be based on your maximum ability to pay. In certain cases we can arrange, through a payroll agreement, for your employer to withhold and regularly pay to us amounts deducted from your wages. If you are given a part-payment

agreement, you must make each payment on time. Collection action will be promptly taken if you miss an installment without immediately notifying us of the unusual circumstances causing the failure to pay. Also, during the time you are making payments you are required to keep the Service advised of improvements in your financial condition which may enable you to increase the amount or frequency of your payments.

3. Undue Hardship Cases

Our policy for collecting tax bills is based upon your ability to pay. If in our judgment you are unable to pay your account at this time because it would cause undue hardship to you and your family, we may decide to delay collection action to a later date. Delaying collection does not mean that your debt is forgiven; it is merely held until your financial condition has improved to the point where you can pay.

C. Summary

The most important step for you in the collection process is your contacting the Internal Revenue Service. If you are unable to come into our office, for example because of sickness or physical handicap, contact us by mail or phone.

When you come to our office, we will assist you in determining the best way to pay your tax. If you do not agree with the recommendations of our employee, you have the right to appeal to his or her supervisor or to higher management. Our employees will tell you the name and location of their immediate supervisor.

IV. Enforced Collection Policy

If you do not follow the recommendations just discussed, the law provides that we may take enforced collection against you. The following is an explanation of our enforcement activity and your rights in relation to it.

A. Levy

A levy is a seizure of property to satisfy a tax liability. The Internal Revenue Code provides that if any person liable to pay neglects or re-

fuses to pay within 10 days after notice and demand, the tax may be collected by levy on any property or rights to property belonging to a taxpayer. This includes, but is not limited to: accounts receivable; bank accounts; evidences of debt; securities; and any salaries, wages, commissions and other compensation due.

We take levy action only after you have had an opportunity to respond (and make satisfactory disposition of the tax) and you have failed to do so. This does not apply, however, in situa-

tions where the Government's interest will be jeopardized by delay.

If more than one levy is necessary to fully satisfy a tax liability, service of later levies is timed to avoid undue hardship. As a general rule, we do not serve consecutive levies on wages.

A levy served to reach your wages attaches your take-home pay. Any deductions which were being made for such items as union dues, hospitalization, court-ordered support payments, etc., are not attached.

If at any point during the levy process you establish reasonable doubt as to the correctness of the tax bill, the levy may be released while we consider your position. Moreover, the levy may be released in full or in part if you pay your tax bill or agree to a payment plan, acceptable to us, to pay it off.

1. Property Exempt From Levy

The following types of property are exempt from levy:

- (a) Wearing apparel and school books—However, expensive items of wearing apparel, such as furs, are luxuries and are not exempt from levy.
- (b) Fuel, provisions and personal effects not to exceed \$500 in value.
- (c) Books and tools used in your trade, business or profession not to exceed \$250 in value.
- (d) Unemployment benefits.
- (e) Undelivered mail.
- (f) Certain annuity and pension payments.
- (g) Workmen's Compensation.
- (h) Salary, wages or other income subject to a prior judgment for court-ordered child support payments.
- (i) Deposits to the Special Treasury Fund made by members of the armed forces and Public Health Services Employees on permanent duty assigned outside the United States or its possessions.

2. Property Generally Not Levied On

The following types of income, as a matter of policy, are only levied on in flagrant and aggravated cases of refusal to pay:

- (a) Social Security Benefits.
- (b) Medicare.

(c) Welfare.

(d) Payments under the Manpower Development and Training Act of 1962 or the Area Redevelopment Act.

(e) Cash loan value of insurance policies.

(f) Death benefits.

B. Seizures and Sales

1. Seizures

In taking levy action, we first consider levying on such property as wages, salaries and bank accounts, since the proceeds can be applied directly to your tax account. However, where this action does not fully satisfy the tax bill and you still neglect or refuse to make payment or an arrangement to pay, property not readily convertible to cash will be considered for levy. Levy on this type of property is referred to as a seizure.

Any type of property (including residential property) may be seized and sold to satisfy your tax bill. However, before seizing property, IRS considers factors such as your equity in property and the sale value of the property, and also considers whether the seizure and sale of the property would cause you or your family any undue hardship. Serious consideration is given to all other alternatives before determining to seize a family home. You also have the right to refuse access to your home to Collection personnel.

2. Sales

After property is seized for nonpayment of taxes, we then take action to sell it. Except in the case of perishable property which must be sold immediately, sales are not made until at least 10 days after notice to you and to the public about the proposed sale.

3. Proceeds of Sale

Sale proceeds are applied first to the expenses of the levy and sale; the remaining amount is then applied against the tax bill. If the sale proceeds are less than the tax bill, the unpaid portion will, of course, be subject to further collection action. If such proceeds are in excess of the tax bill and seizure expenses, the balance may be paid to your creditors if they have a prior claim on the property that was seized and sold, or, if not, to you.

4. Redemption of Property

You have the right to redeem your property prior to the sale. Redemption consists of paying the tax due, together with the expenses of the seizure. Also, real estate may be redeemed at any time within 120 days after the sale by paying the purchaser the amount he paid for the property plus interest of 20 percent per annum.

C. Federal Tax Lien

As we mentioned previously, once notice and demand for payment is made and you neglect or refuse to pay the tax, a statutory lien attaches to your property and rights to property. This lien is not valid against certain of your creditors until a Notice of Lien has been filed. The filing of the Notice of Lien is notice to your creditors that the lien exists against your property. This also includes property acquired after the lien is filed.

Under normal circumstances we don't need to file a Notice of Lien, because the taxpayer pays the tax bill after receiving our notice and demand. But in cases where a taxpayer neglects to pay the tax due, we must determine whether filing the Notice of Lien is necessary in order to

protect the interest of the Government in the taxpayer's property. Once a notice of lien is filed, it becomes a matter of public record and may adversely affect a taxpayer's business transactions or other financial interests. Therefore, it is normally filed after we have tried to contact the taxpayer personally and afford him or her the opportunity to pay.

The Federal Tax Lien also may be filed when an account is either under a payment agreement (to protect the Government's interest until the final payment is made) or where collection action is suspended.

The Notice of Lien is filed in one office, generally prescribed by the State where your property is located. However, if the State prescribes more than one place of filing or no place for filing notices, the Notice of Lien is filed with the Clerk of the U.S. District Court for the District in which your property is located. Once the lien is filed, it becomes effective against your creditors and puts them on notice that the tax is due and owing.

A lien will be released when the tax due (including interest and other additions to the tax) has been satisfied by payment or adjustment.

V. Claim Procedure

A. How to Claim a Refund

Once you have paid your tax bill, you have the right to file a claim for refund if you feel the bill is erroneous or excessive. You may claim a refund by preparing a Form 1040X, "Amended U.S. Individual Income Tax Return"; Form 843, "Claim," or such other form as is appropriate for the type of refund claimed. You should file your claim by mailing it to the Internal Revenue Service Center where the original return was filed. A separate form must be filed for each tax year involved. You should attach to such form a statement supporting your claim, including an explanation of each item of income, deduction or credit on which you are basing your claim.

B. Time for Filing a Claim for Refund

A claim for refund must be filed within 3 years from the date the return was filed (returns filed before the due date are considered to have been filed on the due date) or within 2 years

from the date the tax was paid, whichever date is later.

C. Processing Claims for Refund

Claims are usually processed shortly after they are filed. Your claim may be accepted as filed or may be subject to examination. If your claim is examined, it may require an audit of your tax return. (Publication 556, "Audit of Returns, Appeal Rights and Claims for Refund" is available at your local IRS office to explain our procedures for auditing returns.)

D. Rejected Claims—Filing Suit in District Court and Court of Claims

If your claim is rejected, you will receive a statutory notice of disallowance of your claim. After receiving a notice of disallowance, you may file a suit for refund in a U.S. District Court or in the U.S. Court of Claims. You must file suit within 2 years from the date the notice of dis-

allowance is mailed to you. Also, if we haven't acted on your claim within six months from the date you filed it, you can then file suit for refund. You can obtain information about pro-

cedures for filing suit in either court by contacting the Clerk of your District Court, or the Clerk of the Court of Claims, 717 Madison Place, N.W., Washington, D.C. 20005.

VI. Rights

The following section contains an explanation of taxpayer rights. Read this section carefully to be sure that you are aware of the rights which may pertain to your tax account.

A. Representation

You may represent yourself or you may be represented by an attorney, certified public accountant, or an individual enrolled to practice before the Internal Revenue Service. Your representative must be qualified to practice before the Internal Revenue Service. If he attends a conference without you, he must file a power of attorney or a tax information authorization before he may receive or inspect confidential information.

Form 2848, "Power of Attorney," or 2848D, "Authorization and Declaration" (or any other properly written power of attorney or authorization) may be used for this purpose. Copies of these forms may be obtained from any Internal Revenue Service office.

You may also bring witnesses to support your position.

B. Transfer of Your Tax Case to Another Geographical Area

In any case where your tax problem can be handled more quickly and conveniently in another district, you may request that the case be transferred to that district. Transfers are usually based on circumstances such as:

1. Your place of residence is changed before or during the discussion of your tax case.
2. Your books and records are kept in another district.

C. Interest on Refunds

You will receive interest at the rate of 6 per-

cent per annum on any refund delayed more than 45 days after either the filing of your return or the due date of the return, whichever is later.

D. Receipts

You have the right to receive a receipt for any payment you make on your account. You will be given a receipt for all cash payments, and we will give you, on request, a receipt for any other type of payment you make. You also have the right to receive copies of all contractual arrangements (such as a part-payment agreement) which you make with us.

E. Confidentiality of Tax Matters

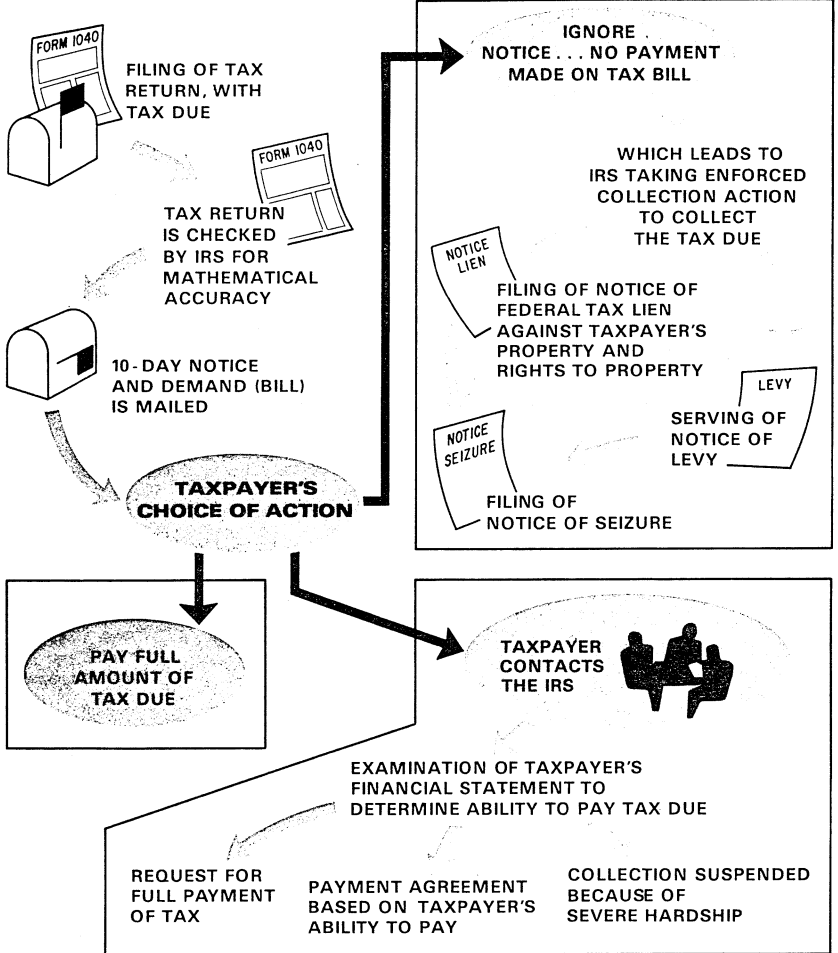
You have the right to have your tax case kept confidential. The IRS has a duty under law to protect the confidentiality of your tax return information. However, if a levy is served or if a Notice of Lien or lawsuit is filed, certain aspects of your tax case will become a matter of public record.

F. Elimination of Penalty—Reasonable Cause

The Internal Revenue Code provides for elimination of penalties when a taxpayer shows reasonable cause for either late filing of a return or late payment of a tax. Reasonable cause, broadly defined, is a cause which arises despite ordinary care and prudence exercised by a taxpayer. If you believe you have reasonable cause for elimination of a penalty, discuss your reason with our representative. If he or she agrees, your penalty will be eliminated upon your supplying us a written statement setting forth the facts establishing reasonable cause.

COLLECTION PROCEDURE FOR COLLECTING DELINQUENT TAXES

Internal Revenue Service



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CONGRESSIONAL INQUIRIES ON BEHALF OF CONSTITUENTS

Mr. RANGEL. Following that question, how far can public servants, especially Members of Congress, go in making an inquiry to the IRS on behalf of one of our constituents? I am concerned with that line of propriety as to whether or not it could be interpreted as political influence.

When we come across that type of person that you describe, that just panicked, and who we believe acted without criminal intent, what course of action is proper for us to take?

We have problems with the post office, and what is the procedure on that?

Mr. ALEXANDER. I think you are perfectly entitled to inquire on behalf of your constituents to see whether or not our procedures are being properly followed, and whether the constituent is getting fair treatment and whether the constituent's letter may have been lost in one of our refrigerators, for example, or why the constituent's refund for 1973 hasn't been paid yet.

Mr. RANGEL. It is such an important point.

Mr. ALEXANDER. I would like to also supply for the record a letter that we sent to each Member of Congress with respect to congressional inquiries, which I think might be helpful.

[The letter follows:]

LETTER SENT TO EVERY CONGRESSMAN IN THE 93D CONGRESS, SECOND SESSION ON
SEPTEMBER 30, 1974.

EVERY NEW MEMBER OF CONGRESS RECEIVED THE LETTER ON JANUARY 29, 1975.

As you know, the Internal Revenue Code contains strict provisions limiting the disclosure of taxpayers' affairs except in certain specified situations. These provisions require the Internal Revenue Service to take particular care that inquiries about a taxpayer are either authorized by the taxpayer or come within the statutory and regulatory exceptions to the disclosure prohibitions.

Frequently, a taxpayer who feels that the IRS has not treated him or her properly will ask either his Congressman or Senator to look into the matter. This is a time-honored custom, and we believe that the elected officials in question perform a valuable function, both to the constituent and to the IRS, in ascertaining what the problem is and ensuring that the causes of the problem are dealt with an appropriate.

This function of elected officials can, however, conflict with the IRS' obligation to maintain the confidentiality of taxpayers' affairs. Thus, it is essential that IRS personnel be assured that a particular inquiry has been authorized by the taxpayer, and that our response is limited to only that information which the taxpayer consents to have disclosed.

In view of these competing considerations, the IRS earlier this year prepared an instruction sheet to all employees involved in responding to Congressional inquiries. A copy of these instructions is enclosed. As you can see from these instructions, it has been necessary to adopt rather rigid requirements of verification. We believe that the law and the taxpayers' basic right of privacy demand that we do no less. You may wish to bring these instructions to the attention of your staff personnel who are involved in this area.

I would, of course, certainly appreciate receiving any comments or suggestions you may have on this problem.

Sincerely,

DONALD C. ALEXANDER,
Commissioner.

(25)00 DISCLOSURE OF TAX INFORMATION IN ANSWERING CONGRESSIONAL INQUIRIES

(25)10 GENERAL

(1) A member of Congress, in his individual capacity, is entitled to only that information which is available to any person inquiring about the tax matters of a third party. The disclosure of tax information in most cases may be made only in accordance with 26 U.S.C. 6103 and 7213, corresponding provisions of the regulations in Part 301 on Procedure and Administration, 18 U.S.C. 1905, and 5 U.S.C. 552, and Manual instructions and Delegation Orders. The manner and extent to which such information may be furnished is contained in IRM 1272, Disclosure of Official Information Handbook; in Part 601, Statement of Procedural Rules; regulations 26 CFR 301.9000-1; and Delegation Orders No. 83 and 86 (revised). The requirements concerning tax information authorizations from taxpayers are in 26 CFR 601.502(c)(2), Conference and Practice Requirements. Generally, all of the aforementioned provide that tax return information submitted by the taxpayer and all information oral or written which the Service obtains in its investigation or examination of such returns are protected from disclosure except as provided by the law and regulations.

(2) These instructions are intended to maintain the highest possible degree of privacy for taxpayers. They should not be construed in any way to inhibit a taxpayers' right to correspond with his elected representatives.

(25)20 BACKGROUND

In some instances when a taxpayer communicates with a member of Congress about some action the Service has taken or failed to take with respect to his tax matters, he does not provide the member of Congress with a tax authorization signed by the taxpayer nor does he execute a formal power of attorney authorizing the member of Congress to obtain information about his tax matters. In such a situation, the Service takes the position that the taxpayer has made a limited waiver of the privilege of confidentiality with respect to his tax affairs, and there is no legal restriction preventing the Service from disclosing specific information required to place in proper context the matter on which the privilege has been waived. A taxpayer's waiver of privilege as to a portion of his tax affairs does not legalize or justify disclosure of all of his tax affairs. Indeed, the Service should limit its response to the factual situation presented by the taxpayer and disclose only that information required to do so.

(25)30 TELEPHONE INQUIRIES

Sometimes a member of Congress, or a member of his staff, will make a telephone inquiry on behalf of a taxpayer. In such a situation, the Service requires the member to send the taxpayer's correspondence, which then furnishes us with a clear understanding of the extent of the waiver of privilege. The Service will not disclose information absent such correspondence or, as an alternative, the Service will request permission of the member of Congress to deal directly with the taxpayer and provide disclosable feedback if requested.

(25)40 CONGRESSIONAL INQUIRY ACCOMPANIED BY TAXPAYER'S CORRESPONDENCE

(1) If the member of Congress encloses with his letter an authorization or a request from his constituent asking him to secure information concerning the constituent's tax matters, it is permissible to furnish the member information about the specific matter disclosed by the taxpayer.

(2) In each case, judgment must be used in deciding how much information should be disclosed. For example:

(a) If a constituent writes to a member complaining about some collection action taken by the Service, it is likely that the constituent does not intend for a full disclosure to be made of all his financial affairs as shown on income tax returns, or other records which he has furnished the Service. Our reply should deal as specifically as possible with the issues raised by the taxpayer and avoid information concerning the taxpayer's financial status or the amount of his unpaid liabilities. For example, if it is the case, the member may be told that there are unpaid taxes, that the taxpayer did not fulfill his agreement, and that after full consideration of the taxpayer's rights, enforced collection action

became necessary. Information to counteract specific allegations about our collection actions may also be disclosed, if required to correct the record.

(b) A similar type of response might be appropriate where the taxpayer complains about certain audit activity or subsequent assessments. In a case of this type, the member could be told, if it is the case:

1. how the taxpayer's legal rights had been observed;
2. of the required statutory notices sent to him;
3. that he either agreed to the assessment or did not avail himself of his appeal rights; and
4. under which section of the law the additional assessment was made.

(25)50 CONGRESSIONAL INQUIRY UNACCOMPANIED BY TAXPAYER'S CORRESPONDENCE

(1) If a member of Congress does not enclose with his letter an authorization or a request from his constituent asking him to secure information concerning the constituent's tax matters, the disclosure restrictions shown in (25)10 generally prohibit our providing such information. In such situations, it will be necessary to communicate with the member of Congress and ask that he provide you with a copy of the taxpayer's request. The member of Congress should be advised that it is necessary for the Service to have such information since the precise circumstances and extent of the taxpayer's waiver determine whether and to what extent the Service can or should disclose related information. An alternative approach should be to request permission of the member of Congress to deal directly with the taxpayer and provide disclosable feedback if requested.

(2) If the member of Congress does not provide a copy of the taxpayer's request, our response must necessarily be limited to avoid an unauthorized disclosure of tax information. We should, at a minimum, advise the member of Congress why a particular disclosure of tax information may not be made and the procedures concerning how the information may be obtained.

(25)60 CONGRESSIONAL INQUIRY INVOLVING COURT CASES

(1) If a member of Congress inquires about a pending court action (other than before the United States Tax Court) involving his constituent, such inquiry should be referred to Chief Counsel for reply or for reference to the Department of Justice for reply, or for coordination purposes.

(2) If a member of Congress inquires about a constituent's Tax Court case jointly under Commissioner and Chief Counsel jurisdiction, information in the "public record" (taxpayers' petition, statutory notice of deficiency, answer, reply, etc.) may be used or enclosed in response to such inquiry after coordination with Counsel.

(3) If a member of Congress inquires about a constituent's Tax Court case under the sole jurisdiction of Chief Counsel, such inquiry should be referred to Chief Counsel for reply.

(25)70 SPECIAL INSTRUCTIONS

In all disclosure decisions involved in responding to members of Congress and other similar requests, the particular fact situation must be carefully studied and the appropriate legal and policy considerations applied to determine how much information, if any, may be disclosed. While the Service desires to be responsive to members of Congress when they are acting on behalf of their constituents, the Service is governed by the law and regulations concerning the disclosure of tax information.

Mr. ALEXANDER. We do have two issues here. One is the issue of taxpayer privacy, and the other more important issue that you raise is the issue of propriety.

Certainly you are entitled to ask us to review our procedures, to remove those cases, but I am sure you don't want to ask us in a way that influences our judgment as to the outcome, as to the exercise of our investigatory rights and the powers that we have, the limited powers, to decide cases.

Mr. VANIK. We have just a few moments, and I wanted to divide it between Mr. Duncan and Mr. Helstoski.

TAXPAYER ASSISTANCE

Mr. DUNCAN. I want to compliment you on your response to the questions, Mr. Alexander, and I wish that you were sitting down in my district talking to people who come in and talk with us, because I think that they would feel at ease with you.

Do you make an effort to get your employees in the local office to treat people in a courteous manner? Most of them do, but occasionally, my office at one time was on the same floor with the Internal Revenue Office in Knoxville, and some people would come in crying about the manner in which they had been treated. And also they are unable to communicate with the person who is talking with them.

I was just wondering what you are doing in that respect?

Mr. ALEXANDER. We are working on this, Mr. Duncan. We deal, as has been mentioned earlier, in an atmosphere where there is hostility, and hostility can breed hostility.

We do our best, and we monitor this constantly, to call on our people to be courteous, to be careful, to not let fright be something that is taken advantage of in any way, and not let hostility on the part of the taxpayer who may be hostile to engender hostility on our part.

People are human, and if each of our 80,000 people made only one mistake a year, that would be 80,000 mistakes.

But we try to avoid them, to prevent them from happening, and we will do our best to do a better job in the future.

Mr. JONES. Could you supply this for the record? A lot of these problems that Mr. Duncan brought up seem to result from temporary people who are not adequately informed. It is a bureaucratic mistake. You should have a stable work force during the year.

Mr. ALEXANDER. We are pinned to that now, and it would create some problems. We are curtailing our hiring of temporaries because we are aware of this problem, and we are hiring more permanent assistants.

Mr. DUNCAN. How many one-man offices do you have?

Mr. ALEXANDER. We can supply that.

[The information follows:]

USE OF TEMPORARY TAXPAYER SERVICE REPRESENTATIVES

Fewer temporary Taxpayer Service Representatives will be used in Taxpayer Service in FY 1975 than in FY 1974. This fiscal year, only 650 temporaries are being used in our field offices, while we had over 1200 last year. On the other hand, we have increased our permanent Taxpayer Service Representative workforce from 1800 in FY 1974 to over 2300 today.

Generally, temporary TSR's are assigned receptionist and clerical duties such as tax forms distribution. In instances where it is necessary to use temporary TSR's in a tax assistance area, however, our field offices have been instructed to assign temporary TSR's only if they have experience and training comparable to a permanent TSR and have demonstrated the ability to perform at a level equal to that of a permanent TSR. Some of our temporary TSR's have worked for a number of previous filing seasons and have gained this experience and training.

[The number of one-man posts of duty in the Internal Revenue Service is 52. This does not include visitation offices which are open on less than a full-time basis.]

ORGANIZATION AUTHORITY AND CONTROLS

1141.6 REGIONAL OFFICE, DISTRICT OFFICE, AND SERVICE CENTER ORGANIZATION

(1) The organization structure of the regional offices, district offices and service centers will be prescribed by the Commissioner or the Deputy Commis-

sioner down to the point at which flexibility can be left to local officials without the loss of essential uniformity. Generally, prescribed organization will go down through the branch level and guidelines will be provided for organizing below that level.

(2) Regional Commissioner's Responsibility and Authority.—The Regional Commissioner is responsible for and authorized to prescribe the organization structure of the regional office, including Appellate branch offices, or suboffices, below the level prescribed by the National Office within any guidelines which may be provided. He is also responsible for establishing any regional guidelines which may be considered necessary for the organization of district offices and service centers below the level of National Office prescribed structure and for acting on any changes in prescribed organization or guidelines proposed by subordinates.

(3) District (and Service Center) Director's Authority.—District Directors and Service Center Directors are responsible for organizing their offices below the level of National Office prescribed structure and within the guidelines provided by the National Office and regional office.

1141.7 ESTABLISHMENT AND DISCONTINUANCE OF BRANCH OFFICES AND OFFICES BELOW THE DISTRICT HEADQUARTERS

(1) Regional Commissioners will develop and submit for review and approval of the National Office proposals which deal with the establishment or discontinuance of Appellate branch offices or suboffices.

(2) The Regional Commissioner is responsible for authorizing the establishment or discontinuance of offices below the district headquarters, as defined in IRM 1118.8, except that the closing of any such office in a redevelopment area designated as such in accordance with Section 401 of the Public Works and Economic Development Act of 1965, Public Law 89-136, shall be submitted to the Deputy Commissioner for prior approval. If in doubt as to whether an office is in a redevelopment area, information should be requested from the local field office of the Commerce Department or, if information is not available there, from the Director, Facilities Management Division.

(3) Decisions on establishing or discontinuing offices below the district headquarters shall be made in accordance with the following guidelines.

(a) From the standpoint of efficient assignment of personnel and rotation of cases, offices below the district headquarters are usually justified in cities where the Internal Revenue workload warrants the stationing of at least six employees (including both technical and clerical employees).

(b) Although workload is the primary criterion for establishing an office, consideration must also be given to the distances that taxpayers must travel for assistance and conferences, and to the cost of travel by Internal Revenue employees. If needed on account of these factors, offices may be established in:

1. each city of 25,000 and over population which is not included in the same metropolitan area (as defined by Census) as a larger city in the same district;

2. the largest city of each county, provided the county has 50,000 or more population; and

3. the largest city in each county, provided the county has 5,000 or more population, which city is located more than 60 miles by year-round surface travel from the nearest office established under guides 1 and 2 above.

(c) Strict application of the guides above is not practicable, or desirable, in all instances. For example, the availability of assistance and conference facilities in a nearby city may make it unnecessary to have an office in a city meeting the criteria in (b) above. Likewise, the Regional Commissioner is authorized to maintain an office in a city meeting neither the criteria in (a) or (b) above if he finds exceptional circumstances which, in his opinion, require such an office in the best interests of the Service. It is the responsibility of each District Director to maintain a continuing watch on conditions in his district which would warrant establishment of new offices or discontinuance of old offices, and to make appropriate recommendations to the Regional Commissioner. If discontinuance of an office is indicated, it should be closed as soon as feasible, taking into account personal hardship on the employees, impact on the community, and the desirability of closing the post from the standpoint of efficient management and effective supervision. This should be done by normal attrition and voluntary transfer and reassignment as far as is reasonable, minimizing hardships on employees resulting from involuntary transfers.

(d) It may be necessary to establish more than one office in a large metropolitan area due to transportation facilities or other local factors. It might be

advisable to substitute another city for the largest city of a county where the substitute city is about the same size as the largest city and is more centrally located or has other advantages over the largest city.

(4) District Directors are the officials primarily responsible for determining the need for offices below the district headquarters. In meeting this responsibility, they should be objectively responsive to public demand and keep current on economic changes, shifts or trends in population and other factors which may have a bearing upon the need for such offices, including the Service's responsibility for providing essential service to taxpayers throughout the year. In considering the closing of an office in a redevelopment area, careful consideration should also be given to the need to alleviate distress in such areas and to exercise forbearance to avoid worsening existing conditions of unemployment or underemployment. Upon determining that an office should be established or discontinued, the District Director will make his recommendations to the Regional Commissioner.

(5) Although closing an office below the district headquarters may lower operating costs and increase efficiency without any undue effect on taxpayer service, an uninformed public may look at it only as a withdrawal of service which will seriously handicap their obtaining knowledge and help in fulfilling tax obligations. Therefore, *except* when the discretion authorized in paragraph (8) of this subsection is exercised in the closing of small posts of duty, public relations action must be taken before such changes are made to inform the public of what is to be done, why it is being done, and how the Service will continue to provide essential taxpayer service, especially during the income tax filing period. To the maximum extent possible, civic leaders and local officials should be informed of proposed changes in person by District Directors or other top officials.

(6) Written notice should be given in advance, *except* when the discretion authorized in paragraph (8) of this subsection is exercised in the closing of small posts of duty, to all members of Congress of action to open or close an office in their constituencies. This should be done by the Regional Commissioner or District Director, whichever in the judgment of the Regional Commissioner is most appropriate, and should, whenever practicable, precede any other action which would alert employees or other interested individuals who would be affected by the proposed change. Letters of notification on proposed closings of offices must reflect the specific considerations that went into the decision to close and show specifically how taxpayers in the area will be serviced under the new arrangements. Notifying the Congressmen in question is effective only when the reasons are stated succinctly and properly. Closings apparently based only on small economies such as rent and travel costs give the appearance of being indefensible and provoke controversy. Exhibits 1140-1, 1140-2 and 1140-3 are sample letters dealing with various situations involved with office closings. The letters are not meant to be prototypes for all notifications. They should, however, be used as guides in formulating congressional notifications. They emphasize taxpayer assistance and employee relations. By stressing the qualitative advantages rather than the quantitative the Service is in a stronger position to resist challenges.

(7) Advance copies of the notification letters, which should contain substantially the same information which will be furnished to local persons and groups, will be sent by the Regional Commissioner to the Deputy Commissioner for his information so as to reach him at least ten days before the date of mailing to the members of Congress. These letters to the Senators and Representatives should be mailed sufficiently in advance of the effective date of the office change to permit receipt and consideration of any replies before action is taken. In the normal course of events, it is anticipated that these matters can be so planned as to permit giving 60 days notice except in extraordinary circumstances.

(8) At the discretion of the Regional Commissioner, the requirements in paragraphs (5), (6) and (7) of this subsection need not apply to closing small posts of duty which have outlived their usefulness because of changes in economic conditions, reduction in population, etc., when the personnel at that office can be relocated, without reduction in grade or salary, to another office where they will be of greater service to Internal Revenue and the public. Generally, normal attrition without the filling of vacancies will materially assist in these situations and result in less possibility of employee dissatisfaction. When the discretion authorized by this paragraph is exercised, the Regional Commissioner will notify the Commissioner and Deputy Commissioner as soon as the decision is

made. The notification should explain the specific considerations that went into the decision to close and the actions to be taken concerning affected employees.

(9) Regional Commissioners will furnish to the National Office advice of offices below the district headquarters established or discontinued under authority granted in this subsection, in order that an up-to-date record as to the number and location of such offices will be available centrally. This will be done under procedures provided in IRM 1(14)50, Space Management Handbook.

CONFIDENTIALITY OF TAX RETURNS

Mr. HELSTOSKI. This goes to the question of privacy.

Is the submission of IRS taxpayer information to Federal agencies automatic on the request of that particular agency?

Mr. ALEXANDER. On the request of some agencies, yes. It is pretty much automatic. We have an arrangement with all but two States, and we submit information on their request. We have tightened up on it somewhat, and we are doing our best to make certain that the people to whom we supply information have the same regard for this vital right of taxpayer privacy that we do.

Mr. HELSTOSKI. You mentioned that the Executive has authority to secure information which would go to the FBI or the U.S. Attorney's Office, and you mentioned this casually, for criminal investigations.

What makes that determination of criminal investigation—does the IRS peruse the return prior to the submission of that return to one of those offices?

Mr. ALEXANDER. If the U.S. Attorney makes a request for a tax return, the particular person would have to justify that request and explain that, and then explain why they need it.

There is a paragraph at the bottom of the letter that contains their undertaking to use this information only for the use required, and to hold the information confidential.

Mr. HELSTOSKI. What does that mean?

Mr. ALEXANDER. Of course, in a court case, you have a problem.

Mr. HELSTOSKI. Is it that in supplying it for court purposes, the confidentiality is violated, as far as the relation of IRS to the particular office in question?

Mr. ALEXANDER. As far as the relationship of the office in question is concerned, to other offices and the public, if I understand correctly the issue is what these offices, the U.S. Attorney and the Department of Justice, do with the information that we give them or that we are directed to give them by present law and present regulations. They undertake to safeguard that information that we give them against improper use and improper disclosure.

Would you care to add to that?

Mr. WHITAKER. Of course anytime the Department of Justice has a criminal matter under investigation and requests income tax information, they must be free to use it in their prosecution. There are occasions where, in the course of a prosecution, the tax information must be used in a court proceeding.

Mr. HELSTOSKI. I am not talking about submission of information to the courts; I am talking about allegations, or if there is an investigation of an individual, there may be some allegations, and the request for tax information, to IRS. Do you automatically submit it because it has been requested? What is the basis or substantiation for the request? That is what I am seeking.

Mr. ALEXANDER. We have regulations on that.

Mr. HELSTOSKI. If your determination is that there is no valid reason why that request should be honored, then what is the basis for judgment there?

Mr. ALEXANDER. We have questioned certain requests that have been made to find out whether the request was, indeed, made for a purpose contemplated by the statute and the regulations, and to find out whether we should honor the particular request.

So, in answer to your initial question, this is not an automatic matter.

I would like to supply the information for the record.
[The following was submitted:]

INSPECTION OF RETURNS BY FEDERAL AGENCIES

Section 6103(a) of the Internal Revenue Code provides that returns shall be open to inspection upon order of the President. Treasury regulations approved by the President, 26 CFR 301.6103(a)-1(e), (f), (g), and (h), provide that the Secretary of the Treasury or the Commissioner of Internal Revenue may permit the head of a Federal agency to designate an employee of his agency to inspect tax returns where necessary in connection with some matter officially before the agency. The request must be signed by the head of the agency (no lesser official may make the request) and state the official purpose, the name and address of the taxpayer whose returns are desired, the type of return and the taxable period, and the name and title of the employees designated to inspect the returns or receive the information. When requests meet all of these criteria, they are honored. If any one requirement is not met, the request is denied. If IRS has any reason to believe that the purpose stated is not a valid one, the requester is contacted for further information before a decision to honor the request is made.

Requests from the Department of Justice may also be signed by the Assistant Attorneys General of the various divisions and by United States Attorneys. We will deny access to tax returns if the reason given is for an investigation of a tax matter, other than a tax case referred by IRS to the Department of Justice, as such investigations are under the jurisdiction of the Internal Revenue Service. Following are copies of correspondence from two United States Attorneys and our replies, with identifying information deleted, showing typical reasons and the emphasis placed upon confidentiality by both Justice and the Service. In addition, Notice 129 is affixed to each return furnished. Also provided in the following charts are the number of requests for returns made by Federal agencies for calendar year 1974 and the number of taxpayers (individuals and corporations) involved, as well as a summary of reasons for the request.

IRS does not peruse the return prior to submission to the agency for the purpose of deciding whether it contains information pertinent to the reason for the request. It is screened, however, to remove documents which, if disclosed, might hinder a tax case and the administration of the tax law or might identify or tend to identify informants. In requests involving a number of taxpayers, IRS may deny the furnishing of copies of returns, but may extract and provide selected information from the returns. Also, we encourage the inspection of returns at an Internal Revenue Service office, when possible, rather than providing copies.

The Federal Bureau of Investigation is a part of the Department of Justice and not an independent agency, and the Director of the FBI does not have authority to make requests for tax returns or tax data, other than tax checks. Therefore, any requests for returns for use of the FBI must be made by the Attorney General, the Deputy Attorney General, or an Assistant Attorney General.

In addition to disclosure to Federal agencies, Section 6103(b) of the Internal Revenue Code and the regulations issued thereunder provide for access to tax return information by States. But only if the use is for State or local tax administration purposes will it be made available and then only to State tax officials who have been designated in writing by the Governor. At the present time we have Federal-State tax agreements for the exchange of tax information with all the States except Nevada and Texas, and with the District of Columbia, American Samoa, Guam, and Puerto Rico. The same degree of safeguards are instituted to prevent unauthorized or unwarranted disclosures of tax information to States as to Federal Agencies.

United States Department of Justice

ALWAYS REPLY TO
"UNITED STATES ATTORNEY"
AND REFER TO
LETTERS AND NUMBERS

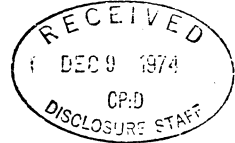
UNITED STATES ATTORNEY
SOUTHERN DISTRICT OF
UNITED STATES COURTHOUSE

FOR INFORMATION OF THE
RECEIVING OFFICE

ND-225p

December 6, 1974

Commissioner of Internal Revenue
1111 Constitution Avenue, N. W.
Washington, D.C. 20224



Attention: CP:D

Dear Sirs:

Pursuant to Title 26, Code of Federal Regulations, Section 301.6103(a)-1(g)(h), it is requested that this office be furnished copies of the income tax returns for the period 1971, 1972 and 1973 together with any and all other information collected by your revenue intelligence agents, of _____ Social Security Number

(Business address: _____, date of birth: _____). We respectfully request that this matter receive expedited treatment and that the income tax returns be furnished to us as soon as possible.

This office is conducting an official investigation involving the violation of Title 18, United States Code, Sections 1708 and 2314 relating to theft or receipt of stolen mail and interstate transportation of stolen securities and these documents are needed in connection with our investigation.

Documents furnished in response to this request will be limited in use to the purpose for which they are requested and will under no circumstances be made public except to the extent that publicity necessarily results if they are used in litigation.

Access to these documents, on a need-to-know basis, will be limited to those attorneys or employees of my office who are actively engaged in the investigation or subsequent litigation, or other Federal employees assisting me in the investigation. Persons having access to

PJC:SAC:slc
d-225p

Commissioner of Internal Revenue -2- December 6, 1974

these documents will be cautioned as to the confidentiality of the information contained therein and of the penalty provisions of Section 7213 of Title 26 and Section 1905 of Title 18, United States Code, regarding the unauthorized disclosure of such information.

Very truly yours.

United States Attorney

cc: Service Center

DEC 24 1974

CP: D

Honorable
 United States Attorney
 Southern District of
 United States Court House

Dear Mr.

In re: Symbols: PJC:SAS:slc
 8-225p

In response to your letter of December 6, 1974,

we have authorized our Service Center
 Director to furnish you copies of the requested documents.

Copies of returns and information available will be furnished only for the purpose specified in your letter, and with the understanding that they will be used strictly in accordance with, and subject to the limitations of, the disclosure provisions of the Internal Revenue Code pertaining to confidentiality and taxpayer rights of privacy.

If other Federal employees are assigned to your office to assist in this investigation or in subsequent litigation, please caution them that the tax information should not be used or disseminated for any other purpose.

If we can be of further assistance, please let us know.

Sincerely,

(Signed) Charles A. Gibb

Charles A. Gibb
 Chief, Disclosure Staff
 Office of Assistant Commissioner
 (Compliance)

cc: Service Center

UNITED STATES ATTORNEY
 MAIL ROOM INITIALS AND NUMBER

United States Department of Justice

UNITED STATES ATTORNEY
 NORTHERN DISTRICT OF

September 17, 1974

Commissioner, Internal Revenue Service
 1111 Constitution Avenue, N.W.
 Washington, D.C. 20224

Re: Civil No. v. United States
 (N.D.)

Gentlemen:

The plaintiff in the referenced action has filed suit against the United States under the Federal Tort Claims Act for damages allegedly incurred as a result of the negligent and careless supervision of employees at the Veterans Administration Hospital in

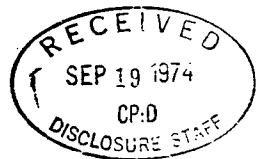
Among other items, the plaintiff claims loss of income due to his total inability to work as a result of the alleged severe personal injuries. We accordingly request, pursuant to the provisions of Title 26, C.F.R. §301.6103(a)-1(h), that you provide us with photostatic copies of the income tax returns of and any related papers, for the years 1968-1973. For your information and assistance in furnishing the returns, please be advised that plaintiff resides at

Security Number is

Mr.

Social

Our use of documents furnished in response hereto will be limited to the purpose for which requested and



Page 2

will under no condition be made public except to the extent that publicity necessarily results if used in litigation. Access to the documents, on a need-to-know basis, will be limited to those attorneys or employees of this office who are actively engaged in the pending litigation, or other Federal employees assisting therein. Persons having access to the documents will be cautioned as to the confidentiality of the information they contain and of the penalty provisions of §7213 of the Internal Revenue Code and Title 18, United States Code, §1905, regarding the unauthorized disclosure of such information.

If you need any further information, you may contact Assistant United States Attorney _____ at _____ to whom the case is assigned.

Very truly yours.

/ United States Attorney

cc:

Disclosure Limitations

Unauthorized disclosure, printing or publishing of any Federal return, copy, or part thereof, or information therefrom, is punishable by fine or imprisonment and dismissal from office or employment. See section 7213, Internal Revenue Code and section 1905, Title 18 U.S.C.

Department of the Treasury
Internal Revenue Service



Notice 129 (1-70)

GPO c43-16-79468-1 369-581

INCOME TAX INFORMATION REQUESTED BY FEDERAL AGENCIES WHICH WAS AUTHORIZED UNDER
26 CFR 301.6103(a)-1—CALENDAR YEAR 1974

Federal agency	Number of requests	Number of taxpayers	Number of returns
Department of Agriculture.....	3	5	12
Bureau of Alcohol, Tobacco, and Firearms.....	1	2	2
Department of Commerce.....	1	5	5
U.S. Customs Service.....	1	3	12
Federal Deposit Insurance Corp.....	1	12	12
Federal Home Loan Bank Board.....	5	50	178
General Accounting Office.....	1	1,342	1,342
Interstate Commerce Commission.....	2	9	45
Department of Justice (other than U.S. attorneys).....	384	3,228	10,446
U.S. attorneys.....	1,594	4,448	18,062
Department of Labor.....	1	2	6
Securities and Exchange Commission.....	17	93	386
Renegotiation Board.....	1	11	21
Totals.....	2,012	8,210	29,529

¹ Returns were not furnished; selected information was extracted from the returns by IRS and furnished to GAO.

Note.—The reasons given by these agencies for requesting returns are summarized in the attached pages.

SUMMARY OF REASONS FOR REQUESTS OF FEDERAL AGENCIES FOR INCOME TAX RETURNS

Department of Agriculture

Investigations under the Packers and Stockyards Act into possible illegal payments to employees.

Bureau of Alcohol, Tobacco and Firearms

Investigation involving the manufacture and sale of ammunition, and the dealing in firearms without a Federal license, in violation of the Gun Control Act of 1968.

Department of Commerce

Because of the sensitivity of the position for which an individual is being considered.

U.S. Customs Service

Official matter involving the collection of customs duties.

Federal Deposit Insurance Corporation

Investigation of allegations concerning the sale of shares of stock which had been pledged to a bank as collateral for a loan, and which were subsequently determined to represent stolen securities.

Federal Home Loan Bank Board

Investigations made pursuant to authority granted under Section 407(m) (2) of the National Housing Act, as amended (12 U.S.C. 1730(m) (2)), into apparent conversions and misappropriation of association funds, wrongdoing by association officers in the area of unaccountable and unjustifiable travel and entertainment expenses, and possibility that employees and officers of the Board may have used resources of the association for their personal enrichment and may have benefited substantially from transactions involving the association.

General Accounting Office

Review of the effectiveness of the Department of Housing and Urban Development procedures for income recertification for the section 236 Rental Housing Assistance Program. (Returns were not furnished. Certain information was extracted by IRS and furnished to GAO.)

Interstate Commerce Commission

Investigations of regulated motor carriers under the jurisdiction of the Interstate Commerce Commission.

Department of Justice

The Attorney General.—Investigations into violations of various Federal statutes; drug enforcement programs; investigations by Watergate Special Prosecution Force.

Antitrust Division.—Possible violations of antitrust laws, Truth in Lending Act, Clayton Act, etc.

Civil Division.—Litigation involving the United States Government; re-determination of excess profits on renegotiable contracts.

Civil Rights Division.—Employment discrimination suits under Title VII of the Civil Rights Act of 1964.

Criminal Division.—Strike Force investigations; Grand Jury investigations; combatting fraud; narcotics targets; possible violations of various Federal statutes; possible violations of securities regulations; bribery cases, and other criminal investigations.

Land and Natural Resources Division.—Condemnation proceedings, court cases.

United States Attorneys

Official investigations involving violations of various Federal statutes, including investigations of bank fraud, mail fraud, bribery, bankruptcy, embezzlement, etc.; collection of judgments; litigation against the United States; Grand Jury investigations; violations of narcotics laws; determination of debtors' whereabouts and ability to pay.

Department of Labor

For use in a lawsuit.

Securities and Exchange Commission

Investigations into violations or possible violations of the federal securities laws.

Renegotiation Board

To enable the Board to perform its duties under the Renegotiation Act of 1951, as amended.

PROCEDURE AND ADMINISTRATION

§ 301.6103 (b) Statutory provisions; publicity of returns and lists of taxpayers; inspection by States.

SEC. 6103. *Publicity of returns and lists of taxpayers.* * * *

(b) *Inspection by States*—(1) *State Officers.* The proper officers of any State may, upon the request of the governor thereof, have access to the returns of any corporation, or to an abstract thereof showing the name and income of any corporation, at such times and in such manner as the Secretary or his delegate may prescribe.

(2) *State bodies or commissions.* All income returns filed with respect to the taxes imposed by chapters 1, 2, 3, and 6 (or copies thereof, if so prescribed by regulations made under this subsection), shall be open to inspection by any official, body, or commission, lawfully charged with the administration of any State tax law, if the inspection is for the purpose of such administration or for the purpose of obtaining information to be furnished to local taxing authorities as provided in this paragraph. The inspection shall be permitted only upon written request of the governor of such State, designating the representative of such official, body, or commission to make the inspection on behalf of such official, body, or commission. The inspection shall be made in such manner, and at such times and places, as shall be prescribed by regulations made by the Secretary or his delegate. Any information thus secured by any official, body, or commission of any State may be used only for the administration of the tax laws of such State, except that upon written request of the governor of such State any such information may be furnished to any official body, or commission of any political subdivision of such State, lawfully charged with the administration of the tax laws of such political subdivision, but may be furnished only for the purpose of, and may be used only for, the administration of such tax laws.

§ 301.6103 (b)–1 Inspection by States.

(a) *Corporation returns of income tax or unemployment tax.* Under the provisions of sections 6103 (b) (1) and 6106, the proper tax officers of a State shall have access, upon application made in accordance with the provisions of this paragraph, to the returns filed by any corporation with respect to the taxes imposed by chapters 1, 3, and 6 of the Code and with respect to the unemployment tax imposed by chapter 23 of the Code, or to abstracts of such returns. Application for access to the return of any corporation, or abstracts thereof,

Commissioner of Internal Revenue, Washington 25, D.C. The application shall set forth the reason why access is desired; the names and official positions of the officers designated to have such access; and, with respect to each return to which access is desired, the name and address of the corporation filing the return, the kind of tax (income tax or unemployment tax) reported on the return, and the taxable year covered by the return.

(b) *Income tax returns*—(1) *In general.* Income tax returns filed with respect to the taxes imposed by chapters 1, 2, 3, and 6 of the Code shall, upon application made in accordance with the provisions of this paragraph, be open to inspection by any official, body, or commission, lawfully charged with the administration of any State tax law, or any properly designated representative of such official, body, or commission, if the inspection is for the purpose of such administration or for the purpose of obtaining information to be furnished to local taxing authorities as provided in section 6103(b) (2). The application shall be made in writing and signed by the governor of the State and shall be addressed to the Commissioner of Internal Revenue, Washington 25, D.C. The application shall state—

(i) The title of the official, body, or commission by whom or which the inspection is to be made;

(ii) By specific reference, the State tax law which such official, body, or commission is charged with administering and the law under which he or it is so charged;

(iii) The purpose for which the inspection is to be made; and

(iv) If the inspection is for the purpose of obtaining information to be furnished to local taxing authorities, (a) the title of the official, body, or commission of each political subdivision of the State, lawfully charged with the administration of the tax laws of such political subdivision, to whom or to which the information secured by the inspection is to be furnished, and (b) the purpose for which the information is to be used by such official, body, or commission.

(2) *Returns filed in internal revenue district within or including State*—(i) *General inspection.* Permission may be granted by the Commissioner to any State for general inspection of returns of the taxes imposed by chapters 1, 2, 3, and 6 of the Code which are filed in an internal revenue district within or including such State. If such general inspection is desired, the application made to the Commissioner in accordance with subparagraph (1) of this paragraph shall include a statement that general inspection is desired of returns filed in the internal revenue district or districts within or including the State with respect to the taxes imposed by chapters 1, 2, 3, and 6 of the Code. Permission granted for the general inspection provided for in this subdivision shall continue in effect until such time as the Commissioner by written notice to the governor of the State provides that such inspection will be permitted only on the basis of periodic applications therefor. The governor shall supply to the district director with whom the returns to be inspected were filed a written list of the names of the individuals designated to make the inspection on behalf of the official, body, or commission named in the application to the Commissioner, and shall keep such list current by appropriate deletions or additions as may be necessary.

(ii) *Inspection of specific returns.* Permission for the general inspection provided in subdivision (i) of this subparagraph includes permission to inspect a specifically identified return when desired. However, a State interested only in examining the returns of particular taxpayers may inspect such returns on written application therefor to the Commissioner. The application in such case shall state, in addition to the information outlined in subparagraph (1) of this paragraph, the name and address of each taxpayer whose return or returns it is desired to inspect, the taxable year covered by each such return, and the names of the individuals designated to make the inspection on behalf of the official, body, or commission named in the application.

(3) *Returns filed in other internal revenue districts.* In the case of returns filed with the Director of International Operations or in an internal revenue district other than one within or including the State requesting the inspection, permission for the inspection provided for in subparagraph (1) of this paragraph will be granted only with respect to specifically identified returns. The application for such inspection shall be made to the Commissioner as provided in subparagraph (1) of this paragraph and, in addition to the information outlined in such subparagraph and in subparagraph (2)(ii) of this paragraph, shall specify the internal revenue district or office in which the returns to be inspected are believed to have been filed.

(c) *Time and place of inspection.* The internal revenue officer (district director or Director of International Operations) with whom the returns were filed is authorized to make such returns available in accordance with permission granted by the Commissioner pursuant to this section. Such officer shall set a convenient time and place for the inspection. The inspection will be permitted only in the presence of an internal revenue officer or employee and only in an office of the Internal Revenue Service during the regular hours of business of such office.

(d) *Definition of return.* For purposes of section 6103(b) and this section, the term "return" includes information returns, schedules, lists, and other written statements filed with the Internal Revenue Service which are designed to be supplemental to or to become a part of the return, and, in the discretion of the Commissioner, other records or reports containing information included or required by statute to be included in the return. An application for exemption from income tax under section 501(a) filed by an organization described in section 501(c) or (d) in order to establish its exemption is not a return for purposes of section 6103(b). For provisions opening to public inspection exemption applications with respect to which a determination has been made that the organization is entitled to exemption from income tax under section 501(a), see section 6104(a) and § 301.6104-1.

(e) *Cross reference.* For additional provisions relating to inspection of returns on behalf of States, see paragraph (d) of § 301.6103(a)-1. For penalties for unauthorized disclosure of information, see section 7213.

Mr. HELSTOSKI. Could I ask two questions which can be responded to later?

That is—the seizures in respect to levies, in which you virtually put people out of business, and jeopardy assessments.

[The following was submitted for the record:]

LEVY AND SEIZURE

Section 6331 of the Internal Revenue Code provides that when the taxpayer neglects or refuses to pay the delinquent tax within ten days after notice and demand for payment, levy action may be initiated.

We realize that the power the Congress gave to levy to collect taxes must be judiciously used. For this reason, our collection procedures are designed to secure voluntary payment whenever possible. After a tax is assessed, the law only requires that one notice be sent. It is our normal practice, however, to send four notices to individual income taxpayers and three notices to business taxpayers. The last notice in each case clearly states that levy action will be taken if the liability is not paid.

Generally, there are only two exceptions to this notice procedure. First, in the case of large employment tax liabilities the only notice issued is the statutory notice and demand. This exception exists primarily to protect the Government's interest in the trust fund area. Tax money withheld from employees' wages and salaries belongs to the employees from whom it is withheld and to the Federal Government, to whom it is payable, not to the employer. The employer holds it in trust and cannot use the money of others to compete with other businesses who do observe the filing requirements of the law. The notice procedure in large employment tax cases also reduces the possibility of further tax delinquencies pyramiding to the point where the taxpayer can no longer satisfy the total liability.

The second exception to the standard notice procedure involves jeopardy assessments. These are used sparingly and care is taken to avoid excessive and unreasonable assessments. Jeopardy Assessments are limited to amounts which reasonably can be expected to protect the Government; and each must receive the personal approval of the District Director.

In the routine case, more than three months will have elapsed from the date of the first notice before levy action is taken. During this period, the taxpayer has an opportunity to contact us to raise a question about the correctness of the liability or to bring to our attention that payment of the tax liability would create hardship. Where reasonable doubt is raised as to the validity of the assessment, levy action is deferred while a determination of the correctness is established. If appropriate, the assessment may be abated, or missing credits may be located and applied. Where the taxpayer establishes, through submission of financial data, that payment of the amount due would create undue hardship on

the taxpayer or his family, efforts are made to arrive at a payment arrangement based upon the taxpayer's ability to pay.

Where the taxpayer has refused or neglected to respond to our notice or where the response was inadequate, levy action is taken. Section 6334 of the Internal Revenue Code exempts from levy:

1. Wearing apparel and school books;
2. Fuel, provisions, furniture and personal effects, which in aggregate do not exceed \$500 in value;
3. Books and tools of a trade, business or profession which do not exceed \$250 in the aggregate;
4. Unemployment benefits;
5. Undelivered mail;
6. Annuity or pension payments under the Railroad Retirement Act, benefits under the Railroad Unemployment Insurance Act, special pension payments received by a person whose name has been entered on the Army, Navy, Air Force and Coast Guard Medal of Honor role, and annuities based on retired or retainer pay under Chapter 73 of title 10 of the United States Code;
7. Workmen's compensation; and
8. So much of salary, wages, or other income if the taxpayer is required by judgment of a court of competent jurisdiction, entered prior to date of levy, to contribute to support of his minor children.

Beyond the levy exemptions provided by statute, the IRS has established, for practical purposes, many administrative exemptions. Currently these exemptions include:

1. Public welfare payments;
2. Allowances for governmental training and skill development programs;
3. Salaries and wages in definite hardship cases;
4. Insurance policies, as a general rule, with a face value of \$1,000 or less;
5. Except in the most flagrant cases, benefit income such as Social Security, VA pensions, GI benefits, etc.

In enforcing collection through levy action, the following service policies are provided:

(1) "The Code authorizes the service of as many successive levies on the same or other income, property, or rights to property, as may be necessary to fully satisfy the tax liability. However, sound judgment should be exercised and the service of successive levies on the same source of income, or type of property, should be so timed as to avoid undue hardship to the taxpayer and/or his family.

(2) "With the exception of certain statutory deductions (social security, income tax withholding, civil service retirement, etc.) a levy legally attaches to the gross amount of the accrued wages or salary. However, in the interest of administrative expediency, a levy will be considered as attaching only to the "take home" pay of the delinquent taxpayer unless it is determined that the taxpayer is voluntarily allotting his pay to an extent that would defeat the purpose of the levy.

(3) "Whenever a taxpayer raises a question or presents information creating reasonable doubt as to the correctness or validity of an assessment, reasonable forbearance will be exercised with respect to collection provided (1) adjustment of the taxpayer's claim is within control of the Service, and (2) the interests of the Government will not be jeopardized thereby.

In effecting levy action, primary consideration is given to levy on such property as wages, salaries and bank accounts, since the proceeds can be applied directly to the taxpayer's delinquent account. Where levy on such property does not fully satisfy the tax liability and the taxpayer still neglects or refuses to make payment or arrangements to pay as appropriate, property not readily convertible to cash will be considered for levy. Levy on this type of property, which is usually in the taxpayer's possession, is referred to as a "seizure."

From time to time, we have been criticized for seizing going businesses to collect employment taxes. It is our procedure to initiate seizure to a going business only when every reasonable effort has been made to collect the delinquent taxes on a voluntary basis and no other reasonable alternative is available. In many cases it is the only action available to prevent the continued pyramiding of employment tax liabilities. However, in cases involving nursing homes or hospitals no seizure action will be taken until we are assured that the patients will be provided for. A seizure of a business can be released at any time prior to

sale if the taxpayer makes satisfactory arrangements to liquidate its liability (even through partial payments) and can show the ability to meet its current tax obligations.

Mr. ALEXANDER. I would be delighted to return.

TAX SIMPLIFICATION AND PENSION ACT OF 1974

Mr. VANIK. I have two questions.

I was wondering what bars there would be, or why we could not get recommendations that you have or the agency has for simplification and why those recommendations shouldn't come directly to the Joint Committee or the Ways and Means Committee or this subcommittee instead of coming around through a circuitous route. Is there something that precludes our getting your recommendations?

We have a common desire to simplify the whole process, and we would like to have those recommendations come directly from the agency.

Mr. ALEXANDER. I am sure that the Treasury shares that desire completely, and our job, of course, is tax administration. Tax policy has been reserved to the Secretary and Assistant Secretary for Tax Policy, and we think that is the appropriate course, and we think those recommendations will get to you because we know that the Secretary is strongly onboard on this issue.

Mr. VANIK. We have a common desire to direct our efforts toward simplification. I think you are in the best position to facilitate the flow of those recommendations, so that we can make statutory changes.

I have one other question.

Last year in the Pension Act, the Congress created a new IRS Office to deal with pension plans and exempt organizations. As I understand it, the formula in that act provides for an authorization of about \$75 million for the operation of that office in fiscal 1976. Is that allocation enough for you to carry on the business that is involved in that new responsibility?

Mr. ALEXANDER. That allocation would be enough, Mr. Chairman. We will be presenting our budget request.

Mr. VANIK. You asked for \$75 million in fiscal year 1976; is that right?

Mr. ALEXANDER. We are not asking for quite that much, Mr. Chairman. We will be presenting our budget request to the House Appropriations Committee on Monday, and I would be glad to supply a copy of the material that we are submitting to that committee for your record.

[The material referred to follows:]

BUDGET DATA FOR EMPLOYEE PLANS AND EXEMPT ORGANIZATIONS—PROPOSED FISCAL YEAR 1976

	Employee plans	Exempt organizations	Total EP and EO
Positions.....	1, 229	919	2, 145
Man-years.....	1, 196	879	2, 078
Amount (in thousands).....	\$26, 963	\$19, 496	\$46, 459

Mr. VANIK. Well, our concern is that that part of the new law is very carefully monitored, and it is going to be helpful to the committee and the Congress if that is carried out.

I want to say on behalf of the committee, and the members present today, that we very much appreciate your very fine spirit of cooperation. We are going to do everything that we can to work with your agency, to help bring about the best kind of administration and the best kind of relationship between the Congress and the Service, which you so ably represent.

Thank you very much.

Mr. CLANCY. Before we adjourn I would like to raise a procedural matter. What is going to be the procedure for members of the subcommittee to receive notice with respect to meetings of the subcommittee? Will that be done by the regular staff of the Ways and Means Committee?

Mr. VANIK. We really haven't worked that out. Until it is resolved, I will see that you are advised by Mr. Vaughan.

Mr. CLANCY. If Mr. Vaughan advises me by phone or personally, then I, in turn, will have to notify the Republican members?

Mr. VANIK. We will notify all of the members of the committee.

The committee is adjourned.

[Whereupon, at 10:10 a.m., the subcommittee was adjourned, subject to call of the Chair.]

[The following questions and answers were submitted for the record:]

EXHIBIT A

QUESTIONS SUBMITTED TO THE INTERNAL REVENUE SERVICE BY THE HOUSE WAYS
AND MEANS OVERSIGHT SUBCOMMITTEE

TAXPAYER ASSISTANCE

Question 1: What are the highlights of this Spring's taxpayer assistance programs?

Reply: The 1975 objectives for the Taxpayer Service Program are (1) to improve the quality of service, (2) to meet the needs of special groups of taxpayers, and (3) to make taxpayer service more convenient and accessible. We plan to accomplish these objectives by continuously improving on program direction, availability of services, and quality of service.

Program Direction

This is the first filing period with the new district taxpayer service organization. We are confident there will be greater involvement and concern leading to quicker identification of problem areas and appropriate resolution. Emphasis is being placed on toll-free telephone service, walk-in service, correspondence, and special programs; e.g., elderly, low-income groups and taxpayer education programs. This year we are using fewer temporary taxpayer service representatives than were used last year. On the other hand, we have increased the number of average permanent TSR positions from 1,822 in FY 1974 to an estimated 2,077 for this fiscal year.

Some of the other significant elements which help to define program direction include referral and call-back service, improved research tools and equipment, and assistance in the preparation of returns, particularly through self help.

Availability of Services

All TSR's are expected to be able to provide the toll-free telephone number, address locations of local taxpayer assistance facilities and the hours of operation of each location in the district upon request.

Extended office hours - we have made a concentrated effort to gear extended hours to local needs.

Off-site locations - as in past years, major efforts have been applied this year by the Service to use off-site locations to reach those taxpayers, in particular the elderly and low-income, who for one reason or another cannot come to an IRS office and do not have access to a telephone. To meet these kinds of situations, our field offices are encouraged to use storefront locations near the people to be served and easily accessible by public transportation. There are approximately 300 temporary locations in use this filing period.

Quality of Service

Our definition of quality taxpayer service includes providing on a year-round basis courteous, responsive, and accurate answers to taxpayer inquiries and timely resolution of tax problems in a manner which the taxpayer can understand. As mentioned earlier, we have minimized the use of temporary TSR's. Conversely, we have increased our permanent TSR staff. This in itself should improve the quality of the service provided. Beyond that however, we are employing several other management tools e.g., monitoring of telephone calls, sample test calls, walk-in shopping with sample tax problems, on-line observations of walk-in service and review of Service prepared/reviewed returns.

The design of the FY 1975 Taxpayer Service Program is set forth in Manual Supplement 62G-1 (~~see Exhibit A~~).

Question 2: Are you monitoring the quality of taxpayer assistance being provided this spring? What percentage of error are you finding? What steps are being taken this spring to reduce that error factor?

Reply: Yes, we are monitoring the quality of taxpayer assistance being provided this spring. We are using two basic approaches:

1. Field Management has installed quality control programs using such techniques as test calls, telephone monitoring, review of returns prepared, observation of walk-in service, and shopping. Feedback from the field indicates the following. The ranges in error rates reflect the fact that the tests were made in a variety of different district offices; other possible explanations are the experience and training of different TSR's, management emphasis on a particular method of quality review.

test calls	15% to 25%
telephone monitoring	4% to 10%
*returns reviewed	4% to 30%

*Many of the errors have no tax consequence, e.g., the inadvertent omission of the foreign bank account checkoff block.

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2. Our Internal Audit function conducts shopping trips to field offices using test packages for returns preparation; they also place test calls to our telephone assistors. In neither instance is it revealed who they are. Internal Audit is now in the field reviewing prepared and assisted returns which have been processed through locally established Quality Review Programs. Findings will be compared to the initial reports to determine the effectiveness of Quality Review Programs.

Reports resulting from these two approaches are furnished all levels of management. The following representative actions have been taken as a result of these two quality monitoring efforts:

1. Regional Commissioners have held conference calls with their District Directors to discuss major problem areas and ways of correcting them. Regional memorandums have stressed specific procedures and controls, especially quality review, monitoring, referral, probing.
2. Districts have increased the sampling of returns prepared. They have also effected immediate feedback, through local publications, supervisor-employee meetings, and recurring training sessions on major problem areas.
3. The National Office sends teletypes to all regions on a continuing basis, calling attention to major problem areas surfaced by Internal Audit.

Question 3: How much training do the Taxpayer Service Representatives receive before they start answering the phones?

Reply: All new permanent TSR's receive at least the Basic Course (5 weeks) before they are permitted to answer the phones. While individual TSR's may be assigned to the phones immediately after completion of the Basic Course, this should not normally occur until after completion of an additional three weeks on-the-job training.

Temporary TSR's receive three weeks of training before the filing period. Ordinarily, they are not used on telephones. However, when it is necessary to use temporary TSR's on telephones, they should be assigned only if they have experience and training comparable to a permanent TSR and have demonstrated the ability to perform at a level comparable with that of a permanent TSR.

Incumbent TSR's, returning temporaries, and Revenue Officers receive one week of Refresher Income Tax Law Training. Revenue Agents and Tax Auditors detailed to the Taxpayer Service Program receive three days of Refresher Training.

Question 4: In previous years, you used a large number of temporary personnel to help with taxpayer assistance. Assistant Commissioner Barron has said that you found that "it is too great a burden on the temporary personnel to have to grasp the kinds of information in the training session and to be immediately or shortly thereafter put in a very rapid fire environment in terms of questions." What is your present policy on temporary help? What do you do with taxpayer assistance representatives after the April rush is over?

Reply: Fewer temporary Taxpayer Service Representatives will be used in Taxpayer Service in FY 1975 than in FY 1974. This fiscal year, approximately 600 temporaries are being used in our field offices, while we had over 1,200 last year. On the other hand, we have increased our permanent TSR workforce from 1,822 average positions in FY 1974 to an estimated 2,077 average positions in FY 1975.

When it is necessary to use temporary TSR's in a tax assistance area, our field offices have been instructed to assign temporary TSR's only if they have experience and training comparable to a permanent TSR and have demonstrated the ability to perform at a level equal to that of a permanent TSR. Some of our temporary TSR's have worked for a number of previous filing seasons and have gained this experience and training. Generally, however, temporary TSR's are assigned to receptionist and clerical duties such as tax forms distribution.

After the "April rush" is over, permanent, full-time TSR's are fully occupied with such activities as responding to taxpayers' inquiries regarding notices received, fiscal year returns, amended returns, refund and adjustment actions. Seasonal WAE's are placed in a non-work status when their employment is not needed, and temporaries are laid off.

Question 5: How many "temporary satellite" taxpayer service offices have been set up for this filing period? How many last spring?

Reply: For this filing period, we have established almost 300 temporary satellite offices, including eight movable (Trailers/Taxmobiles) offices. We used approximately the same number for the last filing period.

Question 6: What bilingual tax assistance is provided?

Reply: Nearly nine hundred bilingual employees are available to Taxpayer Service for the filing period. The principal languages are Spanish, German, French, Italian. However, many other languages are represented by at least one employee assigned or available to Taxpayer Service for filing period. In addition to assistance on the telephone or walk-in areas, our bilingual TSR's conduct VITA classes (voluntary income tax assistance) in the Spanish language. We have also issued the following publications in Spanish:

556-S	Audit of Returns, Appeal Rights, and Claims for Refund
579-S	Guide for Preparing the Individual Federal Income Tax Return
586-S	The Collection Process
806-S	Roadmaps of Forms 1040A and 1040 for 1974
832-S	Coursebook for VITA Instructions

Question 7: We understand that last year you undertook a survey of some 14,000 taxpayers to determine if they were satisfied with the taxpayer assistance they received from IRS. What are the results of this survey?

Reply: That survey was designed to measure reaction to various aspects of our Taxpayer Service Program and to identify possible needed improvements. A copy of the survey results are enclosed (see Exhibit A).

Question 8: What will the new tax act we are considering today, with higher minimum and standard deductions, mean in terms of reducing the number who need IRS or private tax preparer services? Will this result in budget savings to IRS?

Reply: The increases in the minimum standard and percentage standard deductions, contained in the "Tax Reduction Act of 1975," will cause about 5 million returns to be switched from itemizing to the standard deduction. This includes approximately 2.5 million returns with adjusted gross income of under \$10,000.

Information from tax year 1972 returns shows that about 52.7 percent of the returns with income under \$10,000 and with itemized deductions were completed by tax preparers. In contrast, 36.9 percent of the low income returns with a minimum or standard deduction were completed by tax preparers. Applying this information to the 2.5 million low income taxpayers who may switch from itemized to standard deduction results in a reduction in the number using tax preparers of only 400,000. For taxpayers with incomes over \$10,000, 45.6 percent of the returns with itemized deductions and 45.1 percent of the returns with a minimum or standard deduction were completed by preparers. Hence, little change is expected for this group.

On the basis of this information, we feel that there will not be a significant reduction in the number of taxpayers who will utilize the services of return preparers as a result of the increase in the standard deduction provided in the "Tax Reduction Act of 1975." The impact on tax practitioners and the Service is likely to be small and should be largely offset by taxpayer service requirements generated by the estimated 3 million new returns that will be filed under the earned income credit provision in the new law.

Question 9: We understand that many of the telephone calls into taxpayer service offices are monitored by supervisory personnel. Should not this fact be noted in the telephone directories under the number for taxpayer services?

Reply: We believe that we have effectively noted the fact that telephone calls in taxpayer service offices are monitored by highlighting the following statement on the front page of the tax package:

"To help us provide courteous responses and accurate information, IRS supervisors occasionally monitor telephone calls. No record is made of the taxpayer's name, address or social security number except where, at the taxpayer's request, a follow-up telephone call must be made."

Question 10: The Service has put a great deal of money and effort into the taxpayer service program. Why not stand behind it? For example, in October, 1973, the House Government Operations Committee released a report (93-600) which, among other things, recommended that:

The IRS hold itself bound by whatever services the Taxpayer Service Representative is authorized to perform for the taxpayer and clearly indicate to the taxpayer what the boundaries of those authorized services are. The IRS cannot succeed in persuading taxpayers to utilize and rely on the assistance of TSR's if the Service itself refuses to rely on such assistance.

Could you comment on this proposal?

Reply:

TSR's accept the statements made to them by taxpayers without substantiating receipts, records, etc. They do not, nor are they required to, perform an audit or examination of returns which they assist in preparing. The TSR's will, however, bring to the taxpayer's attention any items claimed on the return which are clearly not allowed by law as constituted. Taxpayer Service is not intended to be an audit or enforcement function.

To avoid any possible taxpayer misunderstanding over present policy and the nature of IRS assistance, a disclaimer has been prepared for posting in IRS offices, noting that returns prepared with IRS assistance are subject to mathematical verification and to audit in the same manner as all other returns.

Question 11: Why, despite increasing assistance being offered by IRS, do about 50% of the taxpayers still turn to private preparers? Have you conducted a survey? It may be that the public views the IRS as an enemy, does not believe that you will volunteer information about deductions, etc. It might be wise to conduct a survey of 1,000 taxpayers who use private services and ask them why? It may be that you are throwing money into taxpayer services -- and will never get a higher rate of utilization.

Has any consideration been given to separating Taxpayer Services into a separate agency -- a sort of ombudsmen -- which might be located in Post Offices or Social Security offices -- and which would be identified in the public mind as an agency which will go to bat for the taxpayer with the IRS -- rather than being part of IRS?

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There is no simple answer to the question as to why taxpayers turn to private preparers, but information available to us does not support the idea that the Service is viewed as the enemy.

After the last filing period, some 14,000 randomly selected taxpayers were surveyed about the IRS Taxpayer Service Program. Among those who indicated they knew IRS taxpayer assistance was available but did not use it, only about 7.5 percent gave as their reason that they would "rather get help from someone other than IRS." Surveying taxpayers who used only private services is an interesting concept which will be considered for a future survey.

Rather than separate Taxpayer Service into a separate ombudsman agency, we have concentrated our efforts on improving the effectiveness and efficiency of the taxpayer service provided by IRS. We believe a truly high-quality Taxpayer Service Program can be achieved within IRS, and we are directing our efforts to this goal.

Specifically, we have taken the following actions, among others, to enhance the Taxpayer Service Program:

1. nearly doubled the number of Taxpayer Service employees;
2. extended the length of training and upgraded the content considerably;
3. put into effect the nationwide toll-free telephone system;
4. established the new district organization, giving Taxpayer Service equal status with the other functions and increased visibility to the taxpayer;
5. activated about 300 temporary locations to offer taxpayer assistance; and
6. assigned to Taxpayer Service nearly 900 bilingual employees available for filing period assistance.

We think the Service's efforts are beginning to pay off. About 90 percent of the taxpayers surveyed who used our taxpayer assistance found it helpful and the number of taxpayers who use our assistance increases each year.

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New initiatives are being pursued to further strengthen the Taxpayer Service effort. We are developing procedures to make clear to the taxpayer that the Taxpayer Service district organization is the focal point for receiving and resolving taxpayer problems not resolved through existing procedures.

We are also considering establishing a Problem Resolution Service to provide a focal point for the receipt and resolution of taxpayer problems not resolved through existing procedures. This should afford a greater opportunity to improve our assistance and be more responsive to taxpayers with serious problems. As this consideration becomes more substantive and firm, we will inform the Subcommittee as to its organization, procedures, and operations. •

Question 12: In testimony before the Senate Appropriations Committee last year, Secretary Simon seemed to indicate that in terms of taxpayer services

We (the Treasury) couldn't fill out all of the forms because this would cost a tremendous amount of money. If we attempted to fill out ourselves in the Internal Revenue Service all of the forms . . . would involve upwards of \$200 million.

Can this figure be accurate? If so, since nearly 50% of the taxpayers pay private practitioners approximately \$600 million to fill out tax returns, why not have the IRS fill out all forms? It is estimated half of these forms are filled out wrong -- yet result in the loss of about \$80 million through tax deductions. An aide to the Secretary indicated that there has been no study of charging taxpayers for this service? Would it be possible to provide all taxpayers with assistance in filling out returns perhaps charge a \$5 fee and then have the Federal government guarantee the accuracy of the return?

Reply: Secretary Simon's testimony before the Senate Appropriations Committee last year referred to an IRS projection of \$270 million for filling out all individual tax returns. This figure was based upon actual filings in 1973. An updated estimate based upon returns filed in 1974 would exceed \$300 million. There are studies underway which examine, in greater detail, the costs of preparing returns by IRS personnel and the comparative error rates of IRS versus commercially prepared returns. This effort will also estimate the amount of income lost from the returns sampled.

The question on the possibility of guaranteeing the accuracy of the returns prepared is a complicated one. Those taxpayers filing 1040A's or those filing standard deduction 1040's present no real problems because very few supporting records are required. On the other hand, because IRS personnel must rely on taxpayer statements, even without substantiating receipts or records, it is presently impossible to guarantee the validity of the deductions reported on itemized returns. IRS can, of course, assure the mathematical accuracy and can bring to the attention of the taxpayer those items being claimed on the return which are clearly not allowed by law. Taxpayer Service Representatives do not, however, perform an audit or examination of returns which they assist in preparing. Such an approach would significantly increase the time and costs related to providing this service.

Question 13: It seems that a great deal of the problem of providing taxpayer assistance is caused by the crush of people filing on April 15. As a result, the IRS has to hire extra people who may not be fully trained. There is an extra burden on the Post Office and on all IRS personnel. Why not change the tax filing date so that, say, one sixth of the public files every month during the first half of the year. Or it could be required, that everyone must file within ten days of their birthday.

This type of idea has been proposed before. The Service points to a number of problems. However, have you calculated how much could be saved through reduced personnel, more accurate filings by taxpayers and reduction in the April 15 crush which results in late refunds and interest payments to the public?

Reply:

The Service has considered several proposals aimed at relieving the crush of return filing under the present April 15 deadline. Some of these proposals involve assigning taxpayers specific filing periods on a monthly or quarterly basis in such a way as to spread the flow of returns throughout the year, or at least over a substantial part of the year. Under such proposals, the assignment of filing periods would be on the basis of birthdays, social security numbers, surnames, or some similar method, with a proportional allocation of taxpayers to each filing period. A discussion of the problems associated with such proposals was submitted to the hearings before Senator Montoya in July 1974 (Senate Hearings Before the Committee on Appropriations, Internal Revenue Service, Taxpayer Assistance and Compliance Programs, FY 1975, pp. 799-801).

The proposals that the Service has examined present problems relating to equity among taxpayers and to administrative and compliance complexities; however, in recognition of the potential advantages of a system which would spread the filing of returns over a longer period of time, we are reexamining the matter in an effort to develop a workable proposal. The current study will include a cost-benefit analysis which will attempt to recognize the interests of the Service, taxpayers, tax practitioners, information return preparers, the Postal Service, etc.

Question 14: It has been said that the most important thing we could do to help the taxpayer is simplify the tax code. In 1973, the Administration submitted a number of proposals for the simplification of individual returns. Could you provide a list of five or six areas where we might be able to provide corporate tax simplification?

Reply: Our first and foremost concern in this area of simplification has been with individual, nonbusiness taxpayers. These are the people who are in greatest need of assistance and who account for the overwhelming bulk of the services provided by commercial tax preparers and IRS assistors. Next in priority would be farmers and individual proprietors filing Schedules F and C, respectively. Then partnerships and corporations, which are more likely to have ready access to professional help in the preparation of tax returns and maintenance of the related accounting records, should be considered. We have not yet had an opportunity to focus on the specifics of corporate tax simplification, but some areas which deserve serious consideration are: (1) the complexity of capital gains taxation, (2) the differences in the treatment of income deductions for corporations as compared with that for individuals, and (3) tax treatment of foreign income.

Question 15: Who is in charge of and who are the members of the IRS Tax Forms Coordinating Committee? What are they doing now?

Reply: The Tax Forms Coordinating Committee is chaired by Erwin H. Schuler and is comprised of representatives from each Assistant Commissioner's office and Chief Counsel. These individuals are listed below:

George Bouselaire (Chief Counsel)
David Bunch (Planning and Research)
Leonard Caracciolo (Administration)
James Dillon (Employee Plans and Exempt Organizations)
David Williams (Compliance)
Raymond Lardy (Accounts, Collection and Taxpayer Service)
William Rankin (Intelligence)
Gilbert Slomowitz (Technical)

Liaison is maintained with personnel in the Office of Tax Analysis and the Tax Legislative Counsel in the Treasury Department.

The Tax Forms Coordinating Committee is involved in the ongoing task of reviewing forms, form letters, notices, etc., to make sure they will receive the maximum acceptance by the taxpayer and permit effective control and processing by the Service. The Committee strives to keep the forms prescribed for use by the Service at a minimum, and to see that they are designed for the greatest possible effectiveness. An important task at the present time is to ensure that the provisions of the Tax Reduction Act of 1975 are properly included in the revision of forms, letters, and notices.

Question 16: Where are the most mistakes made on filing an individual and in filing a corporate tax return?

Reply: One of the most frequent mistakes a taxpayer makes in computing a tax return is checking the marital status code. This error, however, is resolved in service centers' editing and perfecting of the return, with a taxpayer contact made when necessary.

Through April 5, 1975, there were a total of 968,910 math errors on 1040 returns detected by computer. Approximately 38.6% (374,253) were Tax Computation errors; (e.g., using the wrong tax table) 177,640 or 18.3% were linked to Total Deductions; 125,292 or 12.9% were Overpayment or Balance Due errors.

Of the Form 1040A returns processed through April 5, 1975, there were 434,833 math errors, of which 239,827 or 55.2% were Tax Computation errors; 109,852 or 25.3% were Overpayment or Balance Due errors; and 59,645 or 13.7% were related to Excess FICA.

This kind of information is not readily available concerning the corporate returns since we do not routinely capture such data.

TAX PREPARERS

Question 1: The members of the Committee recently received a letter from the National Society of Public Accountants which discussed the problem of tax return preparers and said

"The scope of the problem is by no means diminished today, some years later. In fact, the complexities of increasing involvement by individual state and other jurisdiction entities and the emergence of certain commercial tax preparation advertising practices are creating new problems."

Would you agree that the tax return preparer problem is still serious?

Reply: Generally, compliance by return preparers has improved and our program to deter unscrupulous preparers is geared to the needs of each district. We are completing the third year of our program to monitor compliance among tax preparers and we believe that our program has had a significant impact on the voluntary compliance and practices of the return preparer. Public awareness of our compliance efforts has been heightened by the publicity we have received through the news media, the large number of public contacts, and tax returns audited. We recognize that some compliance gaps still exist, and that compliance is a recurring problem among the relatively small number of unscrupulous preparers who purposefully and surreptitiously attempt to circumvent our compliance efforts. We will continue to focus on these noncompliance areas by maintaining the Return Preparers Program according to the seriousness of the problem in each district and preserving the level of compliance achieved during the past three years.

In cooperation with the Federal Trade Commission, the Service has been able to curb false and misleading advertising abuses and other unfair trade practices by commercial return preparation firms. At the local district level, preparers have been contacted to have advertising material deleted or clarified and local news releases have been issued to correct or refute misleading information. Flagrant and purposefully deceptive practices have been referred to the Federal Trade Commission. Cease and desist orders obtained by the Federal Trade Commission have had a positive influence on the preparer industry.

Legislative changes have also helped. One of the unfair trade practices that was prevalent in the preparer industry a few years ago was the preparer's failure to treat tax information received from clients as confidential. Enactment in 1971 of Section 7216 of the IRC making disclosure of a client's tax information a misdemeanor has effectively curbed this abuse.

Question 2: What proportion of the tax return preparers surveyed this year have been submitting inaccurate or fraudulent returns?

Reply: Approximately 700 return preparers were contacted in 1974 through "shopping." This is a method of identifying suspect preparers where an IRS agent poses as a client and with a pre-determined set of income, deductions and a cover story goes to a preparer for preparation of a return.

Of 570 hypothetical returns prepared in this manner during the 1974 program, 157 or 28% contained what appeared to be indications of possible fraud. These hypothetical returns were not actually filed, therefore could not be used as evidence in a criminal action. However, suspect preparers were identified in this manner. Returns prepared by suspect preparers and filed by client taxpayers were subsequently screened for examination. Based on these examinations and preliminary criminal investigations of actual returns prepared by the suspect preparer and filed by the client taxpayer, approximately 50% of the 157 cases were closed for lack of potential as criminal cases. The remainder, about 14% of the "shopping" cases, are currently under investigation or have been recommended to the Justice Department for prosecution.

Question 3: The 1973 Annual Report of the Commissioner stated that "between January, 1972 and June 30, 1973, the Intelligence Division filed complaints, arrested or obtained indictments against 420 tax return preparers. By the time of the 1973 report, 209 preparers had either been convicted or pleaded guilty." What has been the action since the 1973 report?

Reply: Since June 30, 1973 an additional 154 preparers have been either convicted or pleaded guilty. As of December 31, 1974 the inventory of criminal actions pending indicates 38 have been indicted and await trial, 93 cases have been recommended for prosecution and 79 are still under investigation.

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Status of Criminal Actions as
of December 31, 1974

	FY 1972 Program	FY 1973 Program	FY 1974 Program	Total
Convictions or Guilty Pleas	275	88	-	363
Acquittals & Dismissals	37	30	-	67
Pending Trial (Indictments)	<u>22</u>	<u>15</u>	<u>1</u>	<u>38</u>
Total Criminal Actions <u>1/</u>	334	133	1	468
Prosecution Recommended and Pending	9	54	30	93
Open Investigations	1	12	66	79
Investigations Closed for Lack of Potential	<u>342</u>	<u>318</u>	<u>74</u>	<u>734</u>
Total Investigations	686	517	171	1,374

1/ As of December 31, 1974, many 1973 and 1974 cases had not progressed to Indictment and Trial status.

Audit of Returns

	FY 1972	CY 1973 <u>1/</u>	CY 1974 <u>1/</u>	Total
Completed Examinations	195,156	121,832	39,797	356,785
Total Additional Tax and Penalties Recommended	\$38.4 M	\$24.7 M	\$9.0 M	\$72.1 M

1/ As of January 31, 1975

Question 4: Is it true that you are having a more difficult time winning these cases now? Under the Consolidated Program Tax Return Preparers, 1972-1974, there has been a real fall-off in trial successes. For example, in 1972, you obtained 275 convictions and 37 acquittals. In 1973, however, you obtained only 88 convictions and lost 30 cases.

Reply: There is more difficulty in achieving successes in the Return Preparers Project now than in the earlier stages of the project. As of December 31, 1974 the number of successes realized per

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assignments initiated in each of the program years 1972, 1973 and 1974, was 275, 88 and 0 respectively. Actual successes realized in each of these calendar years, respectively, was 115, 191 and 57. The "fall-off" in statistics from 1972 through 1974, however, resulted in large part from the overall success of the project. There was increased awareness by the public to the problem of returns preparation and there was improved compliance by the preparers themselves, many of whom made abrupt changes in the tactics they used in preparing fraudulent returns. This created new problems for us in identifying suspect preparers and new fraud patterns. Consequently, criteria for making these identifications, case assignments and prosecution recommendations were progressively tightened for these years. We are now more selective in all of these areas as evidenced by the following:

	<u>Calendar Year</u>		
	<u>1972</u>	<u>1973</u>	<u>1974</u>
Case assignments made	686	517	171
Cases closed for lack of criminal potential	342	318	74
Open cases	1	12	66

Question 5: Last year, in considering tax reform legislation, the Ways and Means Committee tentatively adopted a proposal to regulate tax return preparers. This provision did not pass. Would it help the Service and protect the public if we tried to pass this provision on an emergency basis? If the Service would indicate a need for this provision, we might be able to obtain its consideration as a separate bill under Suspension of the Rules in time for next year's tax season.

Reply: The Service continues to favor legislation along the lines of the aborted Tax Reform Act of 1974, which contained the Administration's recommendations for regulating tax return preparers, and hopes Congress will see fit to enact these proposals into law.

We are particularly interested in the civil penalty sanctions. These included a \$100 civil penalty for each case involving negligent or intentional disregard of rules and regulations and a \$500 civil

penalty for each case involving willful understatement of liability. The existing penalty structure does not provide an appropriate deterrent for unscrupulous preparers or for taxpayers who utilize their services. The only sanctions available under present law are the criminal provisions -- principally Section 7206(2) of the Code -- which make it a felony to willfully aid or assist in the preparation of a false or fraudulent return, and which impose fines of up to \$5,000 and imprisonment of up to 3 years. Criminal prosecution of preparers is an extremely difficult and costly deterrent. There is a need for civil sanctions that are less severe and easier to administer than criminal penalties. Conceptually, the proposed penalties would resemble the civil negligence and fraud penalties imposed by Section 6653 of the Code for underpayment by the taxpayer.

If the legislation is passed, it would be our intention to apply a penalty only in situations where there is a clear-cut pattern of abuse by the return preparer. A penalty would not be asserted where the understatement is due to bona fide differences in judgment or technical interpretation between the preparer and the Service, or where the understatement is caused by inadvertent errors in computation. Moreover, preparers will not be charged with duties of care as extensive as that imposed upon taxpayers; thus, preparers will not be expected to collect all relevant facts if the taxpayer does not furnish them or to verify those that are furnished.

Question 6: What is the status of the IRS master computer file on tax return preparers?

Reply: The computer file of preparers has been discontinued in view of high maintenance costs in relation to the benefits derived. The prime cost involved the identification and preparation for input to the computer file of preparers' names and identifying numbers from the 40 million returns prepared by someone other than the taxpayer. The data file was designed to permit computer identification and saturated audit coverage of returns prepared by any preparer suspected of noncompliance. We believe that selective screening and "shopping" of preparers identified by our regular examination programs at the local district offices and a random sampling of preparers will maintain compliance at a lower cost.

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Question 7: In November, 1974, the FTC took two actions against tax return preparers for improper advertising. Have you referred any advertising cases to the FTC this year?

Reply: We have made one referral during the current filing period, a potential violation of a cease and desist order previously obtained by the Federal Trade Commission against a commercial tax preparer.

Exhibit A

Department of the Treasury / Internal Revenue Service / Washington, D.C. 20224

Commissioner

June 28, 1974

Dear Taxpayer:

I would like to ask for your help.

The Internal Revenue Service would like to know more about the problems that taxpayers have in filling out their income tax returns and the kinds of assistance they need. We would very much appreciate your taking a few minutes to fill out the enclosed questionnaire and returning it in the postage-paid envelope.

Please understand that your name was chosen completely at random. We do not want you to sign the questionnaire, and we will have no way of knowing which completed questionnaire is yours. What you say will be combined with the views of all the others in the survey to give us a statistical report that will not personally identify you or any other individual.

There is certainly no obligation for you to fill out the questionnaire if you do not wish to do so. Since the questionnaire is being sent to only a small number of taxpayers, however, it would be very helpful if we had your views.

Thank you for your help.

Sincerely,

Donald C. Alexander
Commissioner

Taxpayer Opinion Survey

%	These questions should be answered by the taxpayer or family member who prepared this year's tax return.	%	(E) Why have you not used this telephone tax assistance during the past two years?
2.3	<p>If someone else in your family prepared your return for you, we would like your own answers to these questions, not those of the person who prepared the return. If it was not necessary for you to file a tax return this year, please check this box <input type="checkbox"/> and return the questionnaire in the enclosed envelope.</p> <p style="text-align: center;">* * * * *</p> <p>IRS provides tax help in many different ways. Some of these you may have known about and used, others you may not have used or did not know were available.</p> <p>Please answer as many of the following questions as apply to you</p> <p>(A) At the time you prepared your tax return this year (or had it prepared), did you know IRS offered toll-free tax help by telephone?</p> <p>1 <input type="checkbox"/> Yes</p> <p>2 <input type="checkbox"/> No (Skip to Question F)</p> <p>(B) How did you find out about this free telephone tax service?</p> <p>1 <input type="checkbox"/> Friend, neighbor</p> <p>2 <input type="checkbox"/> Radio</p> <p>3 <input type="checkbox"/> Tax form instructions</p> <p>4 <input type="checkbox"/> Employer, union</p> <p>5 <input type="checkbox"/> Newspaper, magazine</p> <p>6 <input type="checkbox"/> TV</p> <p>7 <input type="checkbox"/> Don't recall</p> <p>8 <input type="checkbox"/> Other (explain) _____</p> <p>(C) Within the past two years, have you telephoned IRS to ask a tax question?</p> <p>1 <input type="checkbox"/> Yes</p> <p>2 <input type="checkbox"/> No (Skip to Question E)</p> <p>(D) How helpful was the answer you received to your question?</p> <p>1 <input type="checkbox"/> Very helpful</p> <p>2 <input type="checkbox"/> Somewhat helpful</p> <p>3 <input type="checkbox"/> Not helpful</p> <p>4 <input type="checkbox"/> I was not able to complete my call.</p> <p>Skip to Question F.</p>	<p>68.1</p> <p>6.2</p> <p>4.8</p> <p>1.6</p> <p>6.7</p> <p>18.0</p>	<p>1 <input type="checkbox"/> There was no need to</p> <p>2 <input type="checkbox"/> My question seemed too complicated to ask by phone</p> <p>3 <input type="checkbox"/> It didn't occur to me to call</p> <p>4 <input type="checkbox"/> I didn't have the telephone number</p> <p>5 <input type="checkbox"/> I would rather get help from someone other than IRS</p> <p>6 <input type="checkbox"/> Other (Please explain; use last page if more space is needed.)</p> <hr/> <hr/> <hr/> <hr/>
61.4			(F) At the time you prepared your tax return this year (or had it prepared), did you know IRS would answer tax questions for taxpayers who visit an IRS office?
38.6			1 <input type="checkbox"/> Yes
5.9			2 <input type="checkbox"/> No (Skip to Question M)
23.6		83.2	(G) How did you find out that IRS provides help with tax questions for taxpayers who visit an IRS office?
23.0		16.8	1 <input type="checkbox"/> Friend, neighbor
1.2			2 <input type="checkbox"/> Radio
23.9			3 <input type="checkbox"/> Tax form instructions
45.3		11.5	4 <input type="checkbox"/> Employer, union
8.8		19.0	5 <input type="checkbox"/> Newspaper, magazine
4.9		23.9	6 <input type="checkbox"/> Television
33.9		1.8	7 <input type="checkbox"/> Don't Recall
66.1		21.4	8 <input type="checkbox"/> Other (Explain) _____
55.0		32.2	(H) Have you visited an IRS office within the past two years to get help with a tax question (not just to pick up a form or publication)?
32.0		14.4	1 <input type="checkbox"/> Yes
9.1		9.5	2 <input type="checkbox"/> No (Skip to Question L)
3.9		87.0	

- (I)** How would you describe the attitude of the IRS employee from whom you sought help?
- 88.1 1 Friendly, courteous
 7.6 2 Unfriendly, discourteous
 4.3 3 Don't recall
- (J)** How helpful was the IRS employee you talked to?
- 60.2 1 Very helpful
 30.1 2 Somewhat helpful
 9.7 3 Not helpful
- (K)** Within the past two years, have you had an IRS employee actually fill out your return for you?
- 8.2 1 Yes, filled out part of it
 6.7 2 Yes, filled out all of it
 85.1 3 No
- Skip to Question M.
- (L)** What is your reason for not having visited an IRS office for tax help within the past two years?
- 67.2 1 There was no need to
 8.0 2 The IRS office location is inconvenient
 4.4 3 I did not know where the office is located
 6.3 4 The IRS office hours are not convenient
 8.1 5 I would rather get help from someone other than IRS
 15.3 6 Other (Please explain; use last page if more space is needed)
-
- (M)** Within the past two years, have you used any tax information publications (other than the instructions that come with your tax form)?
- 20.1 1 Yes, IRS publications
 13.2 2 Yes, commercial (non-government) publications (Skip to Question O)
 70.7 3 No (Skip to Question O)

- (N)** How did you find out that IRS tax information publications are available?
- 9.4 1 Friend, neighbor
 8.9 2 Radio
 44.0 3 Tax form instructions
 4.7 4 Employer, union
 15.8 5 Newspaper, magazine
 14.8 6 Television
 9.7 7 Don't Recall
 16.4 8 Other (Explain) _____
- (O)** What tax form did you file this year?
- 34.9 1 1040A (short form)
 65.1 2 1040
- (P)** Did you itemize your deductions or take the standard deduction?
- 50.3 1 Itemized deductions
 49.7 2 Standard deduction
- (Q)** Who prepared your tax return this year?
- 47.0 1 Myself
 7.9 2 Family Member, Relative
 3.5 3 Neighbor, Friend
 1.3 4 IRS Office
 20.1 5 Lawyer, Accountant
 17.2 6 Commercial Tax Service
 3.0 7 Other (Please explain) _____
-
- (R)** Did you receive your tax forms in the mail this year?
- 89.8 1 Yes
 5.0 2 Yes, but I had to use a different form
 5.2 3 No

2. (S) If you need them, is it convenient for you to get *more* or different tax forms?

- 63.0 1 Yes
- 25.1 2 Don't Know - I have not needed to
- 11.9 3 No

(T) What is your approximate yearly income?

- 16.4 1 Under \$5,000
- 30.7 2 \$5,000 to \$9,999
- 46.4 3 \$10,000 to \$24,999
- 6.5 4 \$25,000 or more

(U) How would you describe the area in which you live?

- 41.1 1 Urban (in a city or large town)
- 42.4 2 Suburban (within normal commuting distance of a city or large town)
- 16.5 3 Rural (not in a city, large town, or their suburbs)

(V) What kinds of improvements in taxpayer service do you think IRS should try to make in order to best help taxpayers like yourself?

(Mark for each item whether you believe it would be "very helpful," "somewhat helpful," or "not very helpful.")

	Very Helpful	Somewhat Helpful	Not Very Helpful
	(1)	(2)	(3)
1. Develop aids to simplify tax-related recordkeeping during the year	64.2	27.5	8.3
2. Work with state officials to provide both Federal and state tax assistance in the same office or location	51.6	32.0	16.4

	Very Helpful	Somewhat Helpful	Not Very Helpful
	(1)	(2)	(3)
3. Increase emphasis on providing toll-free telephone assistance	44.2	38.3	17.5
4. Expand tax education programs in schools	56.1	29.3	14.6
5. Provide additional assistance in IRS offices in the evenings or on weekends	50.9	37.5	11.6
6. Simplify instructions and tax information publications	80.7	15.7	3.6
7. Actually prepare returns for more taxpayers	34.9	35.9	29.2
8. Provide more Question-Answer type columns in magazines and newspapers	38.7	38.8	22.5
9. Set up temporary IRS offices for tax assistance during the filing period in shopping centers or other convenient locations	61.5	28.0	10.5
10. Other (Use the space below and any additional space necessary to offer any suggestions for new or improved services IRS might provide to help taxpayers.)		10.7	

Taxpayer Opinion Survey

RESPONSE BY LOCATION OF RESIDENCE

	Urban (41.2%)	Suburban (42.4%)	Rural (16.4%)
(i) "Not necessary to file this year..."			
	1.3	1.4	1.7
(A)			
1	61.0	62.6	60.9
2	39.0	37.4	39.1
(B)			
1	6.8	5.4	4.4
2	22.1	25.6	21.6
3	23.6	23.6	19.9
4	1.6	0.9	1.4
5	25.1	24.2	20.8
6	44.5	43.6	51.5
7	10.0	8.3	7.2
8	4.9	5.0	3.8
(C)			
1	33.8	36.6	27.9
2	66.2	63.4	72.1
(D)			
1	57.5	53.1	52.9
2	29.6	33.0	36.5
3	8.5	9.8	8.8
4	4.4	4.1	1.8

These questions should be answered by the taxpayer or family member who prepared this year's tax return.

If someone outside your family prepared your return for you, we would like your own answers to these questions, and those of the person who prepared the return. If it was not necessary for you to file a tax return this year, please check this box and return the questionnaire in the enclosed envelope.

* * * * *

IRS provides tax help in many different ways. Some of these you may have known about and used; others you may not have used or did not know were available.

Please answer as many of the following questions as apply to you

(A) At the time you prepared your tax return this year (or had it prepared), did you know IRS offered toll-free tax help by telephone?

- 1 Yes
- 2 No (Skip to Question F)

(B) How did you find out about this free telephone tax service?

- 1 Friend, neighbor
- 2 Radio
- 3 Tax form instructions
- 4 Employer, union
- 5 Newspaper, magazine
- 6 TV
- 7 Don't recall
- 8 Other (explain) _____

(C) Within the past two years, have you telephoned IRS to ask a tax question?

- 1 Yes
- 2 No (Skip to Question E)

(D) How helpful was the answer you received to your question?

- 1 Very helpful
- 2 Somewhat helpful
- 3 Not helpful
- 4 I was not able to complete my call.

Skip to Question F.

	<u>Urban</u>	<u>Suburban</u>	<u>Rural</u>
(E)			
1	70.4	69.0	62.2
2	6.0	5.9	8.0
3	5.1	3.4	7.7
4	1.2	1.6	2.9
5	5.3	8.0	6.1
6	16.8	17.3	20.3

(E) Why have you not used this telephone tax assistance during the past two years?

- 1 There was no need to
- 2 My question seemed too complicated to ask by phone
- 3 It didn't occur to me to call
- 4 I didn't have the telephone number
- 5 I would rather get help from someone other than IRS
- 6 Other (Please explain; use last page if more space is needed.)

(F)			
1	84.0	85.3	76.4
2	16.0	14.7	23.6

(F) At the time you prepared your tax return this year (or had it prepared), did you know IRS would answer tax questions for taxpayers who visited an IRS office?

- 1 Yes
- 2 No (Skip to Question M)

(G)			
1	12.9	10.7	10.1
2	17.3	20.9	17.4
3	24.2	24.5	21.8
4	1.8	1.8	2.1
5	22.9	21.1	19.1
6	31.5	32.0	34.8
7	14.6	14.7	13.5
8	10.1	8.9	9.4

(G) How did you find out that IRS provides help with tax questions for taxpayers who visit an IRS office?

- 1 Friend, neighbor
- 2 Radio
- 3 Tax form instructions
- 4 Employer, union
- 5 Newspaper, magazine
- 6 Television
- 7 Don't Recall
- 8 Other (Explain) _____

(H)			
1	14.1	12.3	12.3
2	85.9	87.7	87.7

(H) Have you visited an IRS office within the past two years to get help with a tax question (not just to pick up a form or publication)?

- 1 Yes
- 2 No (Skip to Question L)

	<u>Urban</u>	<u>Suburban</u>	<u>Rural</u>
(I)			
1	90.1	86.0	89.6
2	5.8	9.0	8.5
3	4.1	5.0	1.9
(J)			
1	66.0	54.0	60.4
2	27.6	33.8	27.4
3	6.4	12.2	12.2
(K)			
1	10.2	7.0	5.5
2	6.7	6.1	6.9
3	83.1	86.9	87.6
(L)			
1	69.7	68.1	59.7
2	5.5	8.3	13.2
3	2.6	3.8	10.2
4	6.2	6.6	6.3
5	7.7	8.5	7.6
6	15.8	14.4	15.5
(M)			
1	18.5	22.8	18.1
2	12.0	15.4	10.9
3	72.8	66.9	74.0

(I) How would you describe the attitude of the IRS employee from whom you sought help?

- 1 | Friendly, courteous
- 2 | Unfriendly, discourteous
- 3 | Don't recall

(J) How helpful was the IRS employee you talked to?

- 1 Very helpful
- 2 Somewhat helpful
- 3 Not helpful

(K) Within the past two years, have you had an IRS employee actually fill out your return for you?

- 1 Yes, filled out part of it
- 2 Yes, filled out all of it
- 3 No

Skip to Question M.

(L) What is your reason for not having visited an IRS office for tax help within the past two years?

- 1 There was no need to
- 2 The IRS office location is inconvenient
- 3 I did not know where the office is located
- 4 The IRS office hours are not convenient
- 5 I would rather get help from someone other than IRS
- 6 Other (Please explain; use last page if more space is needed)

(M) Within the past two years, have you used any tax information publications (other than the instructions that come with your tax form)?

- 1 Yes, IRS publication(s)
- 2 Yes, commercial (non-government) publication(s) (Skip to Question O)
- 3 No (Skip to Question O)

	<u>Urban</u>	<u>Suburban</u>	<u>Rural</u>
(N)			
1	11.2	8.2	8.1
2	8.5	8.7	10.5
3	42.2	47.4	39.9
4	3.9	4.6	6.5
5	16.7	14.4	18.1
6	15.6	13.0	19.4
7	10.4	9.5	8.9
8	15.9	16.2	17.7

(O)			
1	37.5	30.6	39.2
2	62.5	69.4	60.8

(P)			
1	47.2	55.9	44.1
2	52.8	44.1	55.9

(Q)			
1	46.8	49.7	41.5
2	7.6	8.4	7.8
3	3.5	3.2	4.5
4	1.7	0.9	1.5
5	20.4	18.2	23.2
6	17.4	16.7	17.5
7	2.6	2.9	4.0

(R)			
1	89.7	90.2	89.8
2	4.9	5.0	5.5
3	5.4	4.8	4.7

(N) How did you find out that IRS tax information publications are available?

- 1 Friend, neighbor
 2 Radio
 3 Tax form instructions
 4 Employer, union
 5 Newspaper, magazine
 6 Television
 7 Don't Recall
 8 Other (Explain) _____

(O) What tax form did you file this year?

- 1 1040A (short form)
 2 1040

(P) Did you itemize your deductions or take the standard deduction?

- 1 Itemized deductions
 2 Standard deduction

(Q) Who prepared your tax return this year?

- 1 Myself
 2 Family Member, Relative
 3 Neighbor, Friend
 4 IRS Office
 5 Lawyer, Accountant
 6 Commercial Tax Service
 7 Other (Please explain) _____

(R) Did you receive your tax forms in the mail this year?

- 1 Yes
 2 Yes, but I had to use a different form
 3 No

Urban Suburban Rural

(S)

1	65.6	62.7	57.8
2	23.8	24.9	28.5
3	10.6	12.4	13.7

(T)

1	17.3	12.9	22.0
2	33.4	26.6	34.3
3	42.9	52.5	40.5
4	6.4	8.0	3.2

(U)

1	100.0	0.0	0.0
2	0.0	100.0	0.0
3	0.0	0.0	100.0

(V)

VH -- Very Helpful
 SH -- Somewhat Helpful
 NH -- Not Very Helpful

1			
	VH	64.8	64.5
	SH	27.9	26.8
	NH	7.3	8.7
2			
	VH	52.3	50.9
	SH	31.7	32.4
	NH	16.0	16.7

(S) If you need them, is it convenient for you to get more or different tax forms?

- 1 Yes
 2 Don't Know - I have not needed to
 3 No

(T) What is your approximate yearly income?

- 1 Under \$5,000
 2 \$5,000 to \$9,999
 3 \$10,000 to \$24,999
 4 \$25,000 or more

(U) How would you describe the area in which you live?

- 1 Urban (in a city or large town)
 2 Suburban (within normal commuting distance of a city or large town)
 3 Rural (not in a city, large town, or their suburbs)

(V) What kinds of improvements in taxpayer service do you think IRS should try to make in order to best help taxpayers like yourself?

(Mark for each item whether you believe it would be "very helpful," "somewhat helpful," or "not very helpful.")

	Very Helpful	Somewhat Helpful	Not Very Helpful
	(1)	(2)	(3)
1. Develop aids to simplify tax-related recordkeeping during the year	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Work with state officials to provide both Federal and state tax assistance in the same office or location	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

	<u>Urban</u>	<u>Suburban</u>	<u>Rural</u>		<u>Very Helpful</u>	<u>Somewhat Helpful</u>	<u>Not Very Helpful</u>
					(1)	(2)	(3)
3				3. Increase emphasis on providing toll-free telephone assistance	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	VH 44.2	42.6	47.8				
	SH 37.8	39.6	36.6				
	NH 18.0	17.8	15.6				
4				4. Expand tax education programs in schools	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	VH 56.2	56.3	55.1				
	SH 27.7	28.8	29.7				
	NH 14.1	14.9	15.2				
5				5. Provide additional assistance in IRS offices in the evenings or on weekends	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	VH 53.5	49.7	47.5				
	SH 35.7	39.2	37.6				
	NH 10.8	11.1	14.9				
6				6. Simplify instructions and tax information publications	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	VH 81.0	80.4	80.7				
	SH 15.3	16.1	15.6				
	NH 3.7	3.5	3.7				
7				7. Actually prepare returns for more taxpayers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	VH 37.5	32.7	34.5				
	SH 35.8	34.9	38.6				
	NH 26.7	32.4	26.9				
8				8. Provide more Question-Answer type columns in magazines and newspapers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	VH 39.0	39.3	35.9				
	SH 38.7	38.2	40.8				
	NH 22.3	22.5	23.3				
9				9. Set up temporary IRS offices for tax assistance during the filing period in shopping centers or other convenient locations	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	VH 62.3	61.8	58.9				
	SH 26.9	28.3	29.8				
	NH 10.8	9.9	11.3				
10	5.0	5.0	1.9	10. Other (Use the space below and any additional space necessary to offer any suggestions for new or improved services IRS might provide to help taxpayers.)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Taxpayer Opinion Survey

RESPONSE BY INCOME CATEGORY

	Under \$5,000 \$5,000-\$9,999 (16.2%)	\$5,000-\$9,999 \$9,999-\$24,999 (30.6%)	\$10,000-\$24,999 \$24,999-\$46,600 (46.6%)	\$25,000 or above (6.3%)
1) "...not necessary to file this year..."	2.0	1.6	1.2	0.1

These questions should be answered by the taxpayer or family member who prepared this year's tax return. If someone outside your family prepared your return for you, we would like your own answers to these questions, not those of the person who prepared the return. If it was not necessary for you to file a tax return this year, please check this box and return the questionnaire in the enclosed envelope.

* * * * *

IRS provides tax help in many different ways. Some of these you may have known about and used, others you may not have used or did not know were available.

Please answer as many of the following questions as apply to you

(A)

1	50.3	59.5	66.2	69.3
2	49.7	40.5	33.8	30.7

(A) At the time you prepared your tax return this year (or had it prepared), did you know IRS offered toll-free tax help by telephone?

- 1 Yes
2 No (Skip to Question F)

(B)

1	8.2	5.2	5.9	4.8
2	20.4	21.7	25.5	21.9
3	24.5	21.3	23.9	22.7
4	0.6	1.3	1.3	1.2
5	19.8	19.7	26.5	31.9
6	44.1	47.7	45.4	36.7
7	7.3	7.4	9.5	12.7
8	6.5	4.4	4.3	6.8

(B) How did you find out about this free telephone tax service?

- 1 Friend, neighbor
2 Radio
3 Tax form instructions
4 Employer, union
5 Newspaper, magazine
6 TV
7 Don't recall
8 Other (explain) _____

(C)

1	27.9	29.6	37.7	41.7
2	72.1	70.4	62.3	58.3

(C) Within the past two years, have you telephoned IRS to ask a tax question?

- 1 Yes
2 No (Skip to Question E)

(D)

1	64.2	59.9	52.7	42.3
2	25.6	28.7	33.7	40.4
3	5.8	8.0	9.7	13.5
4	4.4	3.4	3.9	3.8

(D) How helpful was the answer you received to your question?

- 1 Very helpful
2 Somewhat helpful
3 Not helpful
4 I was not able to complete my call.

Skip to Question F.

	Under \$5,000	\$5,000- \$9,999	\$10,000- \$24,999	\$25,000 or above
E)				
1	77.2	68.4	67.3	56.6
2	3.6	7.5	6.0	8.6
3	4.1	6.4	4.4	1.3
4	1.5	2.1	1.6	0.0
5	4.4	4.6	7.5	16.4
6	14.2	16.6	18.8	24.3

(E) Why have you not used this telephone tax assistance during the past two years?

- 1 There was no need to
- 2 My question seemed too complicated to ask by phone
- 3 It didn't occur to me to call
- 4 I didn't have the telephone number
- 5 I would rather get help from someone other than IRS
- 6 Other (Please explain; use last page if more space is needed.)
-
-
-

F)				
1	72.8	79.8	88.0	93.9
2	27.2	20.2	12.0	6.1

(F) At the time you prepared your tax return this year (or had it prepared), did you know IRS would answer tax questions for taxpayers who visited an IRS office?

- 1 Yes
- 2 No (Skip to Question M)

G)				
1	15.6	12.5	10.5	6.1
2	15.3	17.4	20.7	20.1
3	23.6	22.3	25.4	23.4
4	1.1	2.3	1.9	0.9
5	17.3	18.4	23.9	25.5
6	31.9	33.6	32.5	24.0
7	10.4	13.1	15.0	22.8
8	12.3	8.5	8.9	12.2

(G) How did you find out that IRS provides help with tax questions for taxpayers who visit an IRS office?

- 1 Friend, neighbor
- 2 Radio
- 3 Tax form instructions
- 4 Employer, union
- 5 Newspaper, magazine
- 6 Television
- 7 Don't Recall
- 8 Other (Explain) _____

H)				
1	14.2	13.2	12.7	13.9
2	85.8	86.8	87.3	86.1

(H) Have you visited an IRS office within the past two years to get help with a tax question (not just to pick up a form or publication)?

- 1 Yes
- 2 No (Skip to Question L)

	<u>Under \$5,000</u>	<u>\$5,000- \$9,999</u>	<u>\$10,000- \$24,999</u>	<u>\$25,000 or above</u>
I)				
1	91.3	86.4	87.6	91.6
2	5.2	7.5	8.7	4.2
3	3.5	6.1	3.7	4.2
J)				
1	69.3	66.8	54.2	44.9
2	22.8	25.0	35.1	40.8
3	7.9	8.2	10.7	14.3
K)				
1	17.1	9.1	5.6	0.0
2	15.8	7.1	3.6	0.0
3	67.1	83.8	90.8	100.0
L)				
1	73.5	69.1	65.8	58.9
2	6.4	7.7	8.9	5.6
3	5.1	5.7	3.5	1.9
4	3.8	6.8	7.3	3.7
5	5.5	6.1	9.0	15.2
6	13.7	14.4	15.2	22.6
M)				
1	11.9	13.7	25.3	36.2
2	6.6	6.4	17.0	35.1
3	83.2	81.0	63.0	43.4

(I) How would you describe the attitude of the IRS employee from whom you sought help?

- 1 Friendly, courteous
 2 Unfriendly, discourteous
 3 Don't recall

(J) How helpful was the IRS employee you talked to?

- 1 Very helpful
 2 Somewhat helpful
 3 Not helpful

(K) Within the past two years, have you had an IRS employee actually fill out your return for you?

- 1 Yes, filled out part of it
 2 Yes, filled out all of it
 3 No

Skip to Question M.

(L) What is your reason for not having visited an IRS office for tax help within the past two years?

- 1 There was no need to
 2 The IRS office location is inconvenient
 3 I did not know where the office is located
 4 The IRS office hours are not convenient
 5 I would rather get help from someone other than IRS
 6 Other (Please explain); use last page if more space is needed

(M) Within the past two years, have you used any tax information publications (other than the instructions that come with your tax form)?

- 1 Yes, IRS publication(s)
 2 Yes, commercial (non-government) publication(s) (Skip to Question O)
 3 No (Skip to Question O)

	Under \$5,000	\$5,000- \$9,999	\$10,000- \$24,999	\$25,000 or above
N)				
1	12.4	11.9	8.0	7.6
2	8.9	11.4	8.2	6.3
3	30.2	39.1	49.0	51.4
4	2.5	3.8	5.5	4.9
5	14.9	16.2	15.6	16.0
6	16.8	20.2	12.9	9.7
7	11.4	8.8	9.5	10.4
8	22.8	14.4	15.2	18.8

O)				
1	67.9	50.7	18.1	1.1
2	32.1	49.3	81.9	98.9

P)				
1	15.8	31.7	67.7	92.9
2	84.2	68.3	32.3	7.1

Q)				
1	42.6	44.2	50.9	48.2
2	20.0	9.3	3.9	0.6
3	5.5	5.2	2.3	0.0
4	3.0	2.0	0.5	0.0
5	12.3	18.1	20.3	43.1
6	13.3	17.7	19.5	6.4
7	3.3	3.5	2.6	1.7

R)				
1	88.3	88.7	90.7	92.5
2	3.8	4.7	5.6	6.4
3	7.9	6.6	3.7	1.1

(N) How did you find out that IRS tax information publications are available?

- 1 Friend, neighbor
 2 Radio
 3 Tax form instructions
 4 Employer, union
 5 Newspaper, magazine
 6 Television
 7 Don't Recall
 8 Other (Explain) _____

(O) What tax form did you file this year?

- 1 1040A (short form)
 2 1040

(P) Did you itemize your deductions or take the standard deduction?

- 1 Itemized deductions
 2 Standard deduction

(Q) Who prepared your tax return this year?

- 1 Myself
 2 Family Member, Relative
 3 Neighbor, Friend
 4 IRS Office
 5 Lawyer, Accountant
 6 Commercial Tax Service
 7 Other (Please explain) _____

(R) Did you receive your tax forms in the mail this year?

- 1 Yes
 2 Yes, but I had to use a different form
 3 No

	<u>Under \$5,000</u>	<u>\$5,000-\$9,999</u>	<u>\$10,000-\$24,999</u>	<u>\$25,000 or above</u>
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(S)

1	56.7	59.3	66.8	70.6
2	32.2	28.9	21.3	15.7
3	11.1	11.8	11.9	13.7

(T)

1	100.0	0.0	0.0	0.0
2	0.0	100.0	0.0	0.0
3	0.0	0.0	100.0	0.0
4	0.0	0.0	0.0	100.0

(U)

1	44.0	44.9	38.0	39.9
2	33.6	36.7	47.7	52.1
3	22.4	18.4	14.3	8.0

(V)

VH -- Very Helpful
 SH -- Somewhat Helpful
 NH -- Not Very Helpful

1

VH	63.2	62.7	64.8	67.9
SH	29.5	29.8	26.8	19.3
NH	7.3	7.5	8.4	12.8

2

VH	58.6	57.3	47.5	36.7
SH	30.1	30.9	33.8	29.7
NH	11.3	11.8	18.7	33.6

(5) If you need them, is it convenient for you to get more or different tax forms?

- 1 Yes
 2 Don't Know - I have not needed to
 3 No

(T) What is your approximate yearly income?

- 1 Under \$5,000
 2 \$5,000 to \$9,999
 3 \$10,000 to \$24,999
 4 \$25,000 or more

(U) How would you describe the area in which you live?

- 1 Urban (in a city or large town)
 2 Suburban (within normal commuting distance of a city or large town)
 3 Rural (not in a city, large town, or their suburbs)

(V) What kinds of improvements in taxpayer service do you think IRS should try to make in order to best help taxpayers like yourself?

(Mark for each item whether you believe it would be "very helpful," "somewhat helpful," or "not very helpful.")

	Very Helpful	Somewhat Helpful	Not Very Helpful
	(1)	(2)	(3)
1. Develop aids to simplify tax-related recordkeeping during the year	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Work with state officials to provide both Federal and state tax assistance in the same office or location	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

	Under \$5,000	\$5,000- \$9,999	\$10,000- \$24,999	\$25,000 or above		Helpfulness		
						Very Helpful	Somewhat Helpful	Not Very Helpful
						(1)	(2)	(3)
3	VH 54.1	50.0	39.0	29.4	3. Increase emphasis on providing toll-free telephone assistance	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	SH 34.8	35.5	41.5	38.8				
	NH 11.1	14.5	19.5	31.8				
4	VH 62.3	59.0	53.4	45.5	4. Expand tax education programs in schools	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	SH 25.8	29.3	30.3	31.6				
	VH 11.9	11.7	16.3	22.9				
5	VH 52.7	56.4	49.0	34.3	5. Provide additional assistance in IRS offices in the evenings or on weekends	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	SH 37.9	34.1	39.0	41.6				
	NH 9.4	9.5	12.0	24.1				
6	VH 80.6	80.7	80.7	78.8	6. Simplify instructions and tax information publications	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	SH 16.5	15.4	15.6	17.4				
	NH 2.9	3.9	3.7	3.8				
7	VH 41.2	40.5	30.7	24.1	7. Actually prepare returns for more taxpayers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	SH 37.0	35.6	36.7	28.5				
	NH 21.8	23.9	32.6	47.4				
8	VH 37.9	40.3	38.9	33.6	8. Provide more Question-Answer type columns in magazines and newspapers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	SH 39.0	37.2	39.6	38.9				
	NH 23.1	22.5	21.5	27.5				
9	VH 65.5	67.4	58.4	46.5	9. Set up temporary IRS offices for tax assistance during the filing period in shopping centers or other convenient locations	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	SH 27.0	24.0	30.3	33.1				
	NH 7.5	8.6	11.3	20.4				
10	2.1	3.1	5.7	1.2	10. Other (Use the space below and any additional space necessary to offer any suggestions for new or improved services IRS might provide to help taxpayers.)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

IRS OPERATIONS AND TAXPAYER ASSISTANCE

MONDAY, APRIL 14, 1975

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON OVERSIGHT,
COMMITTEE ON WAYS AND MEANS,
Washington, D.C.

The subcommittee met at 4:19 p.m., pursuant to notice, in room 2325, Rayburn House Office Building, Hon. Charles A. Vanik (chairman of the subcommittee) presiding.

Mr. VANIK. The committee will now be in order.

We are again pleased to have Commissioner Alexander before the subcommittee. We appreciate the cooperation of the Commissioner and his staff in meeting with the committee on the important matters of the administration of the Nation's tax laws.

I want to point out that we have been delayed, because we were just putting through a very important piece of legislation in the full committee. Our work there had to be completed before we could move to subcommittee business.

STAFF SURVEY OF IRS TAXPAYER ASSISTANCE

We are interested in a number of items related to taxpayer assistance and taxpayer service provided by the IRS and others. We would hope that today we could discuss the level of assistance being provided the American taxpayer and the quality of that aid.

Each year various groups and newspapers test the quality of service provided by the IRS. They submit a series of tax questions to your service representatives and invariably receive a wide variety of answers.

In early February I requested the subcommittee staff to begin calling certain IRS local offices throughout the Nation, and pose certain tax questions provided me by the Library of Congress. The questions were relatively simple, the type that middle-income taxpayers might well ask. We did not ask for a dollar calculation, only a yes or no or whether the item in question was deductible. The staff was able to make about 124 calls to 17 different places in that many States.

I am most concerned about the high level of wrong answers. My staff received 32 wrong answers out of the 124 calls made. This represents an accuracy rate of only 75 percent. In at least 20 of these 32 wrong answers, the IRS agent did not probe for further details to clarify the initial question.

These were not trick questions but simple questions. They contained enough information in the initial question for a correct ruling. On 10

occasions, questions were referred to a technician or scheduled for a callback.

How does that compare with your experience in the Pentagon, Mr. Pike?

Mr. PIKE. Mr. Chairman, I would simply say that statistically if you want a rough guess that is about 33½ percent better accuracy than we used to get from the Pentagon.

I am not sure if Mr. Clancy would agree with me. But that is my view.

Mr. CLANCY. No; I wouldn't agree with you. I received accurate information.

Mr. PIKE. You always got accurate information?

Mr. CLANCY. I wouldn't say all the time. But on a number of occasions I did.

Mr. PIKE. On a number of occasions I did too. About 50 percent of the time.

Mr. VANIK. Our staff was concerned about delays in encountering an agent. In all, 31 calls were placed on hold before being connected with an agent. These delays ranged from 1½ minutes to 8 minutes. Delays of 6 to 8 minutes were not uncommon.

I might say that we have that experience in airline reservations and other things. We sometimes have to wait 8 or 10 minutes.

On one occasion the IRS office closed while keeping the caller on hold for 14½ minutes.

However once the calls were connected with an agent, calls were only delayed three or four times while the agent researched the answer.

Generally, despite the delays and relatively high rate of error, the agents were found to be most courteous and helpful. Only on one or two occasions were the agents rude or hurried. They frequently offered to give extra information and send necessary forms to the caller.

I would also like to say that staff visits to your walk-in taxpayers services in Detroit and here in Washington revealed a very smooth flow and courteous treatment of the taxpayers.

Any mistake in advice, however, which hurts the taxpayer is wrong. We urge that you redouble your efforts to upgrade the quality of the taxpayer assistance program.

I would also like to ask you your views on the taxpayer return preparer's legislation tentatively adopted by our committee last year but which never reached the floor of the House.

We are interested in what type of oversight you are providing of the private taxpayer industry and whether or not you are finding an increase in the level of accuracy of the returns they prepare, and most importantly, whether you feel the tax return preparer's legislation is needed to help protect the public against unscrupulous private tax return preparers.

If you feel that legislation is needed before the next tax season we will certainly try to refine the language and move it through the Ways and Means Committee as soon as possible.

If a tax return preparer's provision is included in the major tax reform bill, it will probably not reach the President's desk until the middle of next year. You may feel that quicker action is needed. I would personally be interested in receiving a cost/benefit study of the possibility of staggering the date on which Americans must file their taxes.

We have the "Ides of March." But for most Americans the 15th of April is the day to beware and it makes April sometimes for so many of us the cruelest month of the year. It is a day which is approached with anxiety and fear. The idea of 200 million Americans having to file their taxes by one day seems sort of reminiscent of the days of the Roman Empire when Caesar Augustus made everybody travel back to the place of their birth to be taxed. There must be a better way.

I would appreciate it if the Service would provide an analysis of all extra costs created by having a single filing date: the extra employees, the untrained advice these temporaries provide, the overtime pay.

Perhaps more importantly, we would like to hear your views on how the new tax act will affect the complexity of next year's tax forms. We would like to hear your views on the need for tax simplification for both individuals and business.

There is an "Alice-in-Wonderland" quality of speaking to a voluntary tax system, when nearly half of the Nation's taxpayers feel that they must get or pay others to help them complete their own returns.

I believe that the tax system and support for it is being smothered by the endless forms, instructions and complexities of present tax law. The American taxpayer is not only overwhelmed by the Federal tax forms, he is overwhelmed by the State and county and other forms. We are wondering what IRS can do to get us toward a one-stop service, something that would take care of everything.

Before we proceed to these questions I would like to raise several issues.

First of all we are honored to have submitted for the hearing a statement on taxpayer assistance and services by Senator Joseph Montoya, chairman of the Senate Treasury Appropriations Subcommittee. Senator Montoya is one of the first Members of the Congress to really raise some of the questions about IRS procedures and services. He is one more than any other who started the concerns which we hope to further explore today.

SUBCOMMITTEE BUSINESS

For those who came in late, I want to be sure and introduce Mr. Eugene Malone, who will serve as minority counsel.

We are happy to have you with us, Mr. Malone, on this committee. We expect to work as a team. Majority and minority staff are expected to work as one group, working toward a common goal. So we hope we will work very well together.

Third, in reviewing the transcripts of our past two hearings with the Commissioner, it is obvious that we are developing a very important series of documents.

We would hope that after several more specific subject hearings with the Commissioner and other outside witnesses, we can print these hearings as the proceedings on the Internal Revenue Service. We are receiving many requests for the transcripts. We can't supply the demand.

Specifically, the reasons for which are unclear to me, the hearings on March 26 with the Commissioner regarding how the IRS is investigating certain recent charges was marked as an "executive session." This means that no one can see these transcripts except a Member of Congress or an aide, accompanied by a Member.

There were no names of individuals mentioned in this hearing. It

does provide valuable information about the national policies of IRS in handling internal investigations.

Therefore I would like to move, under the committee rules, that we vote to include that hearing in our public record.

If this is acceptable, then we can begin to circulate these transcripts for correction of grammatical errors and the addition of material for the record.¹

Is there any objection to having that record opened up?

Do you have any, Mr. Commissioner?

Mr. ALEXANDER. No. I thought that was an open hearing, Mr. Chairman.

Mr. VANIK. Each member has before him a memo from the staff as to possible inquiries which the committee may want to undertake in a new area. I would appreciate it if you would indicate your feelings about this with a yes or no and return them to me later this afternoon.

The fifth item of business is that several television stations have been interested in possibly filming some or all of our oversight hearings with the Commissioner.

This is a matter of course which would have to be approved by the full committee. But I would appreciate your comments on whether the subcommittee itself would be amenable to such request.

Needless to say, we would not support the televising of any hearing involving "Operation Leprechaun." I believe there is just too much opportunity there for sensationalism in that investigation. There is a danger that the names of innocent persons might be mentioned.

But in the hearings such as today, where we deal with taxpayer services, things that are a matter of interest to the general public, I would certainly see no problem with television.

But I leave that to your vote.

Can we have a reaction from the committee now on the televising of just general information hearings?

What is your feeling?

Mr. PIKE. My initial reaction, Mr. Chairman, would be that in general they would be so dull in their content that you wouldn't get a television station in here taking pictures with a crowbar.

Mr. VANIK. That would be a matter for their determination. In other words, we would just leave it to their discretion as to whether or not they would want to.

Yes, Mr. Pickle?

Mr. PICKLE. I would be agreeable to the filming of hearings of the subcommittee but on condition that such action be voted by the rules of the House at least a day in advance of the hearings. In this way, we could be selective about when we are having televised hearings.

Mr. CLANCY. Yes, Mr. Charman, I think we should comply with the rules.

Mr. VANIK. In other words we would have to go to the full committee. But if there is any request, then we can submit it to the committee and see how the parent committee feels about the request that we might have.

I take it there would be no reaction as far as members of the committee are concerned, providing there was some interest by the media in pursuing it.

Mr. VANDER VEEN. I think, Mr. Chairman, there would be no objection. But it should be looked at on a case-by-case basis.

¹ The record of this hearing will be printed at a later date.

Mr. VANIK. I think that is consistent with the concensus of the committee, yes.

Mr. Commissioner, there have been revelations in the past week about wiretapping, particularly in the Miami area, and a new development, which is the "IRS school for drinking."

I don't know if we have a counterpart to this on the Hill here. But if there is we don't officially talk about it.

I would like to say that if you would care to comment on either of these two issues or submit comments for the record before going into the subject of today's hearing, you are welcome to proceed.

STATEMENT OF HON. DONALD C. ALEXANDER, COMMISSIONER, INTERNAL REVENUE SERVICE; ACCOMPANIED BY WILLIAM E. WILLIAMS, DEPUTY COMMISSIONER; ROBERT H. TERRY, ASSISTANT COMMISSIONER FOR ACCOUNTS, COLLECTION, AND TAXPAYER SERVICE; SINGLETON WOLFE, ASSISTANT COMMISSIONER FOR COMPLIANCE; ANITA ALPERN, ACTING ASSISTANT COMMISSIONER FOR PLANNING AND RESEARCH; AND BURKE WILLSEY, ASSISTANT TO THE COMMISSIONER

Mr. ALEXANDER. I would be glad to comment on both those issues very briefly, Mr. Chairman.

First I would like to introduce my companions here.

On my left is Mr. William E. Williams, Deputy Commissioner.

On my right is Mr. Robert Terry, Assistant Commissioner for Accounts, Collection and Taxpayer Service.

Beyond Mr. Williams and behind him is Anita Alpern, Acting Assistant Commissioner for Planning and Research.

To Miss Alpern's left is Mr. Singleton Wolfe, Assistant Commissioner for Compliance.

Behind and to the right of Mr. Terry is Burke Willsey, my assistant.

Mr. VANIK. I want to say, Mr. Commissioner, that we were interested in having this hearing much earlier. But we didn't want to interfere with the normal business that you had of getting this year's receipts in. I hope they are coming in substantially to the degree that we have expected. I hope we meet our expectations of estimated receipts. We are counting on your office to helping achieve that goal.

WIRETAPS

Mr. ALEXANDER. We will do our best, Mr. Chairman, with a little help from the economy and the Congress. But you can be sure that with the friendly and reasonable and effective attitude that I hope all personnel in IRS are dedicated to, we will seek to collect what is due and no more.

We will seek to process tax returns efficiently, promptly, early and correctly and seek to get refunds out to the vast majority of the American individual taxpayers to whom they are due and seek to get rebates out to almost all of the more than 80 million individual taxpayers. We will seek to comply with the rest of the Tax Reduction Act of 1975 including devising new forms; I was working on that yesterday.

You mentioned two items, Mr. Chairman, that have been in the press lately. As usual in April the IRS is not going unnoticed.

One of these relates to wiretaps. We have a flat prohibition against wiretaps. I believe that the IRS is composed of some very fine people who are trying to do a difficult job well. I think the vast majority of our people are abiding by the rules that govern the IRS and its people.

I cannot say that there may not have been some aberration, some inadvertent or perhaps advertent violation in some way, direct or indirect, of our rules. We have not only the rules that govern the other law enforcement agencies in this country but a special rule for IRS: No wiretaps. And we mean to enforce that rule.

Mr. VANIK. How long has that been in effect?

Mr. ALEXANDER. The alleged wiretaps mentioned in this particular allegation, I am not certain, Mr. Chairman.

Do you know, Mr. Willsey?

Mr. WILLSEY. The allegations that have surfaced in the press concerning possible wiretaps are relatively vague. There have been some allegations that they have continued up until recent times. But there has been quite a lack of specificity as to when particular incidents may have occurred.

Mr. CLANCY. What was the date of that? May I ask?

Mr. WILLSEY. Of the prohibition against wiretaps?

Mr. ALEXANDER. The prohibition against wiretaps is almost 10 years old. It was in effect long before I became Commissioner.

Mr. VANIK. Commissioner Cohen, 1965.

Mr. ALEXANDER. Yes. That happens to be an important year in that respect, Mr. Chairman, 1965.

The "school for drinking" which was mentioned in the press this morning in New York and I guess this afternoon in Washington, was training for a selected few undercover agents. The incident that was mentioned in the press occurred in 1965.

Mr. VANIK. Was that press story 1965?

Mr. WOLFE. That was 1965.

Mr. VANIK. It had the appearance of something that occurred yesterday.

Mr. ALEXANDER. That particular incident did not.

Mr. WILLSEY. The incident to which the press stories referred occurred in 1965.

Mr. ALEXANDER. There was a somewhat generalized allegation in the story this morning that some of this particular type of training—which would seem not only inappropriate but also in most cases unnecessary—continued through 1969. We have not found evidence of any such continuation.

Mr. Wolfe?

Mr. WOLFE. That is right. That was the last one that they conducted which involved that type of endeavor.

Mr. ALEXANDER. Mr. Chairman, that is all I have at this point on these two matters.

Mr. PIKE. Mr. Chairman, I would just like to say that if you read this Times article closely—and I did see it coming down in the plane this morning—it does say the classes usually had 12 to 15 agents and "IRS records confirm 4 classes were conducted from 1965 to 1973."

Can you tell us whether that was the total number of classes which were conducted?

Mr. ALEXANDER. I cannot because I do not know of my own knowledge. I know that there were very few. IRS has more than 80,000 employees. In 1965 it had fewer.

Mr. PIKE. Mr. Commissioner, I just want you to know I am wholly on your side. I do hope this committee won't go tramping off investigating every newspaper story that comes along because I just think that you can take a thing of this kind and obviously it is newsworthy and obviously it is titillating and obviously people like it as news.

But I just can't get that excited.

Mr. VANIK. I think, Mr. Commissioner, we clear the air on something by getting your responses and finding out precisely what is involved. I think it is very useful to do that to be sure that this kind—that the impression doesn't go on that this kind of thing goes on today. It is not modern. It is not part of our tax system. I feel much better about this explanation and this knowledge about the time and the circumstances that have occurred since that time.

Mr. PIKE. Mr. Chairman, if I can just wind up, if I had learned to handle liquor and women at an early age properly I probably would have gone into some useful occupation.

IRS TAXPAYER SERVICE

Mr. ALEXANDER. At this point I am a little uncertain how to describe the occupation that I would like to bring up. It is not my occupation. It is our taxpayers' service function, which is a very important part of tax administration.

We are delighted to see the interest of this Oversight Committee in this function. We have done much to strengthen and improve our taxpayer service function in the last 2 years; but we have a long way to go.

We are quite concerned about the central problem of quality. We have made our own studies this year as we have in the past of the quality of the service that we are giving the American public as well as the courtesy and the progress of that service.

We make studies monitoring telephone calls. That is the only effective management tool that you have to handle a bank of telephone calls.

We make studies through our people acting as taxpayers and presenting not only questions but presenting themselves for help with their returns.

We make studies in reviewing returns prepared by our IRS or with IRS assistance or with IRS review.

We are concerned about this problem of quality. We are concerned about the training that we have been able to give TSR's, those who have the responsibility of assisting taxpayers prepare their tax returns. We have done something about it and we are going to do more.

We have done something about it in cutting down the number of temporary employees that we have had from about 1,200 last year to about 600 this year. These temporary employees have received only 3 weeks training. They are instructed to handle only the simplest questions, only the easiest questions that are presented to them and to refer difficult questions to those with more training, to those who are more experienced, those with more ability to handle the tough questions that taxpayers frequently send to us.

These are probably the type of questions that normally our inspection people would ask when they went around to check up on the quality and courtesy of our training and that the committee staff asks. We need to have more permanent taxpayer assisters.

We are implementing career ladders for these people, the journeyman grade 9 that is necessary for attracting and retaining people with the skills and judgment and abilities necessary to perform this very important part of tax administration.

Obviously we do need to have good facilities and we need to have facilities placed where people can get to them. We also need to have them open at times that people can get to them. We need to encourage people to call us up.

Mr. VANIK. Do you have off-hours? What about off-hours? After regular office hours.

Mr. ALEXANDER. We certainly need to have facilities open off-hours when people will take advantage of those facilities. It is costly to the public without material benefit to the public, however, if we keep our facilities open till 10 but nobody shows up after 7 at night.

Our facilities have been open these last two Saturdays and some other Saturdays in various places. This should be greatly helpful to the public that it is our responsibility to serve.

People can call up after hours, sure, or before hours. We are going to have a review of every aspect of our taxpayers' service work of every part of this job, of how we do it and where we perform it and when we perform it. We will analyze it within the next few weeks with a view toward improving our service and getting more and better service to more people next year.

We think that with the new taxpayer service organization, which is separated from collection, in 19 districts is a separate division, with this organization getting off the ground and with additional qualified people on a career ladder that will do a much better job for the American public next year than we have been able to do this year.

Mr. PICKLE. Mr. Chairman?

Mr. VANIK. Mr. Pickle?

Mr. PICKLE. Let me ask Mr. Alexander what level of pay or classification do these people receive—the ones who answer questions by the public? Are they low? Average? Medium? What GS rating do they have?

Mr. ALEXANDER. In putting into effect this new career ladder they will be 5, 7, and 9 in the GS ratings, parallel to our present tax auditors. They are below our revenue agents, of course.

This will mean a step upward in the present scale of our TSR's.

Mr. PICKLE. What are the 5's, 7's, and 9's in terms of dollars so we will have some idea?

Mr. ALEXANDER. Five starts at \$8,500; 7, the first step is \$10,520; 9, \$12,841 at step 1, in the GS scale.

Mr. VANIK. Mr. Clancy?

ERROR FACTOR IN TEST CALLS

Mr. CLANCY. Mr. Chairman, I am delighted to hear the Commissioner say that he intends to expand and improve this type of service. I think it is very necessary that we do that.

When we talk about the margin of error, what has been your experience as far as the taxpayer assistance program is concerned today? What is the margin of error that you have found?

Mr. ALEXANDER. The margin of error in certain tests we have made is not greatly at variance with the 25 percent rate that the chairman mentioned.

Mr. Terry?

Mr. TERRY. It depends on the kind of service that we are testing. If we are testing the returns preparation we have found a rather high error rate on our test questions.

Of course they don't cover the whole range of possible problems. They focus in on some of the more difficult problems, things we are trying to get improvement in.

On the telephone monitoring we do we see lower error rates because here the questions that are more general; they don't focus in on some of the tougher parts of the tax law.

Mr. VANIK. What is the error rate for the private preparers?

Mr. TERRY. For the private preparers?

Mr. VANIK. Yes. What would the error rate be on that?

Miss ALPERN. We are currently setting up, Mr. Chairman, a system for obtaining information on the incidence of errors occurring in our returns preparation and review program. This information will be compared with similar data from a separate study involving taxpayer prepared and commercially prepared returns. We expect to complete our studies by the spring of next year.

Mr. ALEXANDER. Based upon some of the figures that were used in the past with respect to private preparers or a selected sample of private preparers, they are already suspect. They do not meet the quality and integrity that one would and should expect that industry to evidence.

So there are various figures in the records of our appropriations hearings and elsewhere for the 1972 and 1973 filing years, tax years, actually, filing years 1973 and 1974, which show a rather high rate of error, much higher than what we are talking about here.

But that is from a sample selected with the belief that sample would evidence a high rate of error.

Mr. Wolfe, would you care to supplement that?

Mr. WOLFE. For example in 1972 of those returns we examined and audited involving returns prepared by these preparers we had a 77 percent change rate, in 1973 it was a 79 percent change rate, in 1974 it was an 83 percent change rate.

Mr. VANIK. I wonder if your studies would include something on the accuracy rate of individuals to see how he or she compares in a sample study to see what the change rate would be for returns in which the taxpayer is actually doing the work himself as compared to returns completed by private tax return preparers.

Mr. ALEXANDER. Actually, Mr. Chairman, to some extent Mr. Wolfe and I are getting ahead of our topic. We are getting to the topic of is tax preparer legislation necessary? Mr. Wolfe and I are convinced that it is.

But Mr. Terry was discussing the variances that we have in error rates depending on particular circumstances and types of questions.

Mr. TERRY. It is our experience on the test calls that it is about 15 to 25 percent depending on the particular district and the locale that we are making the calls to. So that confirms your findings.

In our telephone monitoring, where the supervisor or designated TSR is listening in on the conversations that come in from the taxpayers at large, our error rates range from 4 to 10 percent. This is the general run of questions that are being received in our district offices.

On the returns we have prepared, the error rate has ranged from 4 percent up to 30 percent. We are very much concerned with this particular area.

Commissioner Alexander indicated that we were going to conduct a study before the end of April that will focus on this problem.

Mr. ALEXANDER. Some of those errors in these returns we reviewed are of the no-tax-consequence variety such as where somebody hasn't checked a box. We think that returns should be perfect. We like to make them this way. But we won't always succeed.

IRS TRAINING PROGRAM

Mr. CLANCY. Mr. Commissioner, do you have any plans to upgrade your training program for these people who are engaged in the assistance program?

Mr. ALEXANDER. Yes, we do. We are going to examine the entire training program, Mr. Clancy. We have materially changed the training program for permanent TSR's, permanent taxpayer assistants, in the last year.

We have added to that program. And we propose to employ, instead of temporaries, so-called WAE's. These people are actually part-time permanents. They have the advantage of permanent status with the Government although they work only part of the year. We have had great success in our service centers in employing these people. We propose to take them on and to give them more and better training than we have been able to give the temporaries that we have employed.

Mr. CLANCY. What do they do the other part of the year?

Mr. ALEXANDER. They are off. They work only part of the year. The housewife that wants to supplement the family income but is unable to work, say, during the summer time when the children are out of school can work during the filing period. We have been lucky in being able to hire some dedicated people that come back to us year after year in our service centers.

We hope we can attract some of the same sort of people to do this important work.

Mr. VANIK. I see, Commissioner, no reason why you shouldn't use some of the retired personnel that want to work for a few months to be able to live on their retirement. I see nothing wrong with that. They can come in under contract. They have the talent. They have the training. I think we could get a valuable person at a short-term cost to the Government.

Mr. Pickle?

Mr. PICKLE. I wanted to ask one question. You have outlined some general plans that you have, hopes and objectives you would like to see achieved.

Do you have a pamphlet, a booklet, or a manual on taxpayer services that would be available to this committee so we might know overall what your plans are? Is that too much detail? The reason I raise the question is I would like to know what are your plans. You have mentioned a few this afternoon and they sound pretty good.

I would like to know what you are trying to sell, what you are trying to convince the public. With that as a background, my next question to you is what do you want from us? What do you need from this committee? What do you need from the Congress?

It is good for us to hold these meetings and for us to bear-pop you questions on why haven't you done this or what do you think about this. It seems to me like we should approach this first on a positive basis. What do you want from us?

I am convinced that there is a great deal more that needs to be done in taxpayer services. But rather than pull it out one at a time, it seems to me that you could be thinking in terms of what you want to ask this committee or the Congress to give you so we can get it done. Do you have plans in written form so that we can know what you are trying to carry out?

Second, what do you want, what do you ask of the Congress?

Mr. ALEXANDER. The answer to your first question is that we do have our plans in written form. We will get them to you. We will be glad to send you our program letter. We will be glad to send you the other parts of our manual in which we describe our new organization and in which we describe what we intend to do and how to go about it.

[The documents follow:]

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Section 3 -- Cont.

a Necessary expertise is available for immediate referral and resolution of questions beyond the tax law knowledge and skill level of the front-line assistant.

b Unanticipated workloads are effectively handled.

2 Details from Audit and Collection during the non-filing period should be kept at a minimum.

3 In subordinate offices, it may be necessary to detail Collection personnel to the Taxpayer Service Program. However, before Collection personnel are detailed to the program, WAE's, itinerant TSR's, RA's, or Tax Auditors should be considered.

4 Bi-lingual TSR's should be provided to serve non-English-speaking taxpayers where needed.

.03 Referrals and Call-Backs. If a full, complete and correct response cannot be given, the taxpayer should be directed to an IRS employee who can answer the inquiry or arrangements made for a call-back. Call-backs on inquiries which must be researched should be made within one workday of the inquiry.

.04 Research Tools and Equipment. All assistants should have readily available research and reference tools, such as IDRS, Publication 17, and a Microfiche reader where provided by the National Office. Adding machines are a necessity in all preparation and review areas.

.05 Toll-Free Telephone Service. District management is responsible for planning and installing a system which provides sufficient manpower on telephone lines to maintain an effective level of telephone taxpayer service. District offices should install evaluation and monitoring systems as a basis for timely identifying and improving telephone service which is consistently ineffective or inadequate.

.06 Walk-in Service. To the extent feasible, walk-in areas should have a receptionist and/or some other person (temporaries or WAE's) to help direct walk-in traffic and perhaps assist in handing out forms, publications or answering very basic tax questions. All employees servicing taxpayers' walk-in inquiries should prominently display a name badge at all times.

1 Taxpayer assistance walk-in contact areas should be arranged considering available space, the volume of anticipated traffic, and other necessary factors, to provide help according to the type of assistance requested as follows:

a Forms and publications requests;

b Taxpayer inquiries with no preparation of returns;

c Preparation of individual income tax returns, Forms 1040A and 1040 without itemized deductions or schedules attached;

d Preparation of Form 1040 with all of the necessary and related schedules and attachments.

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Section 3 -- Cont.

e Self-help area where at least one technical employee will be assigned. This employee will monitor the self-help area and be available to taxpayers who may need some limited assistance in preparing their own returns.

2 The office layout should be designed to afford maximum privacy to taxpayers.

3 Supervisory personnel should be available to provide information or assist in the resolution of complaints if the taxpayer so requests. Supervisors should have their names displayed prominently.

4 Taxpayer Service posters, Publications 840 and 840A, should be displayed in locations visible to all taxpayers receiving assistance.

5 Taxpayer Service office locations should be planned in accordance with instructions set forth in Section 3(10)0 of IRM 1(22)70, Taxpayer Service Toll-Free Telephone Systems and Walk-In Facilities Handbook. In particular, walk-in assistance should be in high population density areas and located on the main floor level, i.e., directly accessible to the exterior public thoroughfare, on the same level.

.07 Assistance in the Preparation of Returns

1 Self-Help

a Self-help is a method of providing tax information and assistance which offers the taxpayer maximum opportunity to learn to prepare his own return. This will be accomplished by a positive approach to the taxpayer's problem and by providing him all the guidance and tools necessary to complete his return. This method will continue to be stressed during all phases of the Taxpayer Service Program.

b Returns prepared under the self-help concept should not normally be signed by the TSR. If the taxpayer requests, the return should be reviewed as in Section 3.073 and stamped "Reviewed, but not audited."

2 Service Preparation of Returns

a The Service will prepare returns in any one of the following circumstances: if the taxpayer appears to be incapable of using self-help methods; if the taxpayer is unwilling and requests that the Service prepare his return; or when working conditions permit such an expenditure of time by Service personnel.

b As a general rule, the preparation of returns by Service personnel will be limited to Forms 1040A and 1040 without business schedules (C and F); however, District Directors may alter this due to local needs or circumstances.

c Generally, tax returns are prepared only if the taxpayer provides the necessary information in an orderly manner, except in those cases where the taxpayer is clearly incapable of doing so. Taxpayers should not bring their receipts and check stubs into the office and expect to have the tax return prepared. Form 5033, Worksheet for Preparation of Form 1040, is being revised for use by taxpayers to ease the preparation of their tax returns.

Manual Supplement

620-1, 030-32, 040-23, 1(12)0-155, 1(17)0-62, 490-27, 5(15)0-47, 670-3

Section 3 -- Cont.

3 Review of Returns Prepared without Service Assistance. Any return submitted by a taxpayer for review should be reviewed, stamped, signed and dated in accordance with the procedures in 4 below. As a general rule, it will not be the Service's practice to perform a review service for commercial preparers.

4 Disclaimer and Signature Stamps

a Service employees should stamp and sign those Forms 1040A and 1040 which they have prepared or reviewed. The signing of tax returns by IRS employees will not affect the Service's right to audit these tax returns. The assistor should make the taxpayer aware that the return may still be subject to audit and that the return will be subject to math verification.

b The original and taxpayer's copy should be stamped, signed and dated regardless of whether the taxpayer takes the original return with him or leaves it at the office for forwarding to the appropriate service center.

c If in the course of returns preparation or pre-filing review taxpayers insist on claiming clearly unallowable deductions or exclusions, they should be advised that the Service does not regard these items as allowable. If they insist on claiming these items, the assistor should not complete further preparation or review their returns. Such returns should not be signed by Service employees as either preparer or reviewer.

d Two types of disclaimer stamps are being provided for employees assisting in the preparation or review of tax returns. The stamp imprint should be placed in the lower right corner over the space allocated for "Preparer's signature (other than taxpayer)", on either, as applicable, page 1 of Form 1040 or page 2 of Form 1040A.

e The stamps being furnished include the appropriate office location codes set out in Attachment 2 to Manual Supplement 67G-1, effective July 1, 1974, and read as follows:

"Reviewed, but not audited and "Prepared, but not audited

IRS	IRS
(Two-digit office location code)"	(Two-digit office location code)"

f Special care should be used in stamping returns to make sure that the type of stamp and office location code are clearly identifiable.

g Red ink stamp pads should be utilized with the disclaimer stamp for easy identification during processing.

5 Count of Returns. An accurate count should be kept and reported by all personnel giving walk-in taxpayer service of individual and other tax returns prepared and reviewed. Appropriate reporting instructions are contained in Attachment 3 to Manual Supplement 68G-3, dated November 21, 1974.

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.08 Correspondence

1 Timely and efficient handling of taxpayer correspondence is an integral part of an effective Taxpayer Service Program. Local management is responsible for making sure that replies are made to all taxpayer correspondence within five days of receipt. Whenever possible, this correspondence should be answered by telephone.

2 Correspondence which cannot be answered by telephone or fully replied to in writing within five days must at least be acknowledged. To the extent possible, taxpayers should be furnished a final written reply within ten days after acknowledgement.

3 If correspondence or a telephone call is received from other than the taxpayer, or a person who has on file a power of attorney to act for the taxpayer, IRM 1272, Disclosure of Official Information Handbook, should be checked before replying. As a general rule, no disclosure of confidential tax information should be furnished other persons unless a written waiver has been obtained from the taxpayer authorizing the disclosure in question.

4 Forms 5260, Quick Notes, should be utilized where possible (see MS 5(15)6-42, CR 68G-2, dated July 26, 1974).

.09 Special Programs. It is essential that a vigorous effort be undertaken to reach and assist those who most need help.

1 Elderly Program

a In recent years, the major thrust of taxpayer assistance efforts for the elderly has been the Volunteer Income Tax Assistance (VITA) program. Even though every effort should be made to assist the elderly through volunteers, districts should also make an effort to reach as many older taxpayers as possible through other means.

b Districts should strive to provide service to those areas of the community in which there is a high concentration of elderly residents. TSR's may be sent out to provide assistance at nursing homes, hospitals, Leisure World locations, and State Welfare offices.

c In dealing with elderly taxpayers, special emphasis should be given to the Form W-4. TSR's should explain the W-4 to these taxpayers and assist them in completing a new form if necessary to adjust their withholding to a more realistic level and lessen the financial impact of filing their returns.

d Retired taxpayers should also be alerted to the fact that by filing a Form W-4P with their pension source, taxes can be withheld from their pension income. This simple step may relieve many elderly taxpayers of their obligation to file estimated tax returns on Form 1040ES.

2 Tax Assistance for Low-Income Taxpayers. Districts should make an expanded effort to reach and assist low-income taxpayers, preferably in their own communities. The difficulties encountered by most taxpayers are frequently compounded in the low-income community by a lack of basic education and/or an inability to communicate in the English language. For these reasons, it is imperative to make an extra effort to reach into these areas to provide assistance. Again the VITA program can be a primary vehicle for providing this service. Districts are encouraged to seek the involvement of community organizations, make use of taxmobiles, and establish additional satellite offices where needed. Emphasis on a correct W-4 should also be considered in all low-income contacts. (See Section 3.091)

Manual Supplement

626-1, 636-32, 644-23, 1(12)6-15, 1(17)6-2; 4.7-27, 5(15)6-47, 676-3

Section 3 -- Cont.

3 Taxpayer Education Programs

a Taxpayer Education Programs are a vital part of the Service's voluntary compliance function in administering the tax law. The various adult education, high school, tax institute and volunteer assistance programs have proven their ability to reach a broad cross section of the tax-paying public and affect the quality of a large number of returns with a minimum investment of Service manpower.

b Added emphasis on and participation in Taxpayer Education Programs is expected this year. Districts should place primary emphasis on establishing and expanding programs for elderly and low-income taxpayers, e.g., VITA. Specific guidelines for all Taxpayer Education Programs, including VITA, are contained in IRM 1(12)82, Taxpayer Education Handbook.

Section 4. Availability of Service

.01 General. All TSR's should be able to provide the toll-free telephone numbers, address locations of local taxpayer assistance facilities and the hours of operation of each location in the district upon request.

.02 Regular Hours

1 Walk-in - Districts should provide full-time walk-in taxpayer assistance at all locations which have a permanent full-time TSR.

2 Telephone Service - The hours of toll-free telephone service should be widely publicized and every effort should be made to encourage taxpayers to use the service.

3 Certain days should be established and publicized for taxpayer service in accordance with local need for those offices which are not staffed with a full-time TSR. However, if employees are in these offices on other than "designated days", doors will remain open and telephones will be answered to help taxpayers who call or make a personal visit. When such offices are closed, Publication 607, Federal Tax Information, is available for posting on doors to inform taxpayers when and where help may be obtained.

.03 Extended Hours of Service

1 A concerted effort should be made to gear extended hours to local area taxpayer needs. The district's historical experience, knowledge of needs and availability of resources should be considered. Districts should utilize change in duty hours and staggered hours or the use of overtime for the work force to accomplish extended hours.

2 Publicity informing taxpayers of the types of service being offered at the nearest site available to them must be coordinated with Public Affairs Officers.

.04 Service Center Taxpayer Service

1 In view of the security problems inherent in providing walk-in assistance in service centers, this service will be discontinued by the end of Fiscal Year 1975. Necessary steps must be taken to redirect walk-in activity from service centers to district offices which are staffed and

Section 4 -- Cont.

equipped to provide walk-in assistance. Some suggested steps which should be considered in accomplishing this goal are: publicity directing taxpayers to district offices; displaying signs directing taxpayers to the nearest offices providing walk-in assistance; and installing a telephone at the center's entrance which a taxpayer may use to call the toll-free number for assistance. In instances where a taxpayer appears at a center demanding assistance, it should be provided; however, the taxpayer should be advised, for future inquiries, of the nearest IRS location which regularly provides walk-in assistance.

2 Although the toll-free telephone network has been implemented nationwide, service center employees continue to receive telephone inquiries. To the extent possible, service center employees should answer these questions or refer them to employees with the appropriate expertise within the service center. In either case, at the conclusion of the call, the caller should be advised of the availability of toll-free telephone service and given the toll-free number(s).

.05 Off-Site Locations. Over the past several years, major efforts have been made by the Service to use off-site locations to reach those taxpayers, in particular the elderly and low-income, who for one reason or another cannot come to an IRS office and do not have access to a telephone. In those instances, storefront locations near the people to be served and easily accessible by public transportation should be used whenever possible. Taxmobiles are another excellent method of providing service. Whichever method is used, it is extremely important to schedule work hours in the evening and on the weekends so that more people will be able to utilize our services. Little "city halls" where joint Federal, State and city tax service may be provided should also be seriously and actively pursued.

Section 5. Quality of Service

.01 Achieving of Quality

1 Quality Taxpayer Service means providing on a year-round basis courteous, responsive, and accurate answers to taxpayer inquiries and timely resolution of tax problems in a manner which the taxpayer can understand. Additionally, quality service is also provided when we admit we do not know the answer and refer the taxpayer to someone more knowledgeable.

2 Districts should develop a year-round plan for maintaining quality taxpayer service. The plan should include monitoring of telephone calls, sample test telephone calls, walk-in shopping, on-line observations of walk-in service and review of Service prepared/reviewed returns.

3 Results from the various methods of quality review should be fed back to employees for on-the-job training purposes. In addition, incorrect answers or new procedures should be discussed with all employees on a daily basis. Early morning (or other appropriate times during the day) for discussion sessions are an excellent method of feeding information to employees. This should be done on a year-round basis. Special emphasis should be placed on the "most frequently asked questions" to attain a high-quality program.

Section 5 -- Cont.

.02 Monitoring Quality1 Telephone Service

a Monitored calls are those in which a Taxpayer Service supervisor or his delegate listens to the conversation between the taxpayer and the assistor.

b Employees providing telephone service assistance should be notified of the possibility that supervisory personnel will be monitoring and/or sampling calls from time to time, for program evaluation purposes. All appropriate telephones are to be clearly identified with a gummed label stating, "This telephone is subject to monitoring for the purpose of spot-checking taxpayer service work." The label should be placed so that the telephone user will have knowledge of the monitoring and sampling possibilities. The tax package will also contain a statement advising the taxpayer that calls for tax information are subject to monitoring.

c Sample calls are those initiated anonymously by the Taxpayer Service supervisor or his delegate who poses test questions to an employee assigned to duty in the telephone contact area.

d A sample form (see Attachment 1) has been designed for purposes of recording all pertinent data and information to check the accuracy, completeness, and uniformity of responses of both monitored and sampled calls. Also, telephone courtesy and responsiveness to new programs should be determined and recorded.

e Districts and regions should conduct telephone monitoring and sampling activities on an on-going basis year-round as part of their overall evaluation program. In this way, feedback and corrective actions (such as training and briefing sessions) can be taken where necessary as well as identifying program problem areas requiring adjustments.

2 Walk-in Service

a Shopping techniques have proved workable for providing program and management information. District management should formulate sample tax problems to test the ability of walk-in service personnel to prepare an accurate, thorough individual income tax return. For this monitoring technique to be effective, the identity of the Service employees who will pose as taxpayers must be unknown to those who will be doing the actual preparation of the return. Taxpayer Service managers should select the shoppers and develop a schedule of offices to be shopped. Taxpayer Service group supervisors should know that their employees will be shopped but should not be informed of the locations and schedules. Shoppers should attempt to put themselves in the place of the taxpayer. They should note the visibility and clarity of directional signs, the availability and display of forms, the length of waiting periods, the helpfulness and courtesy of the assistors, and other pertinent factors, in addition to judging the technical accuracy of the final product.

b On-line observations will be the most frequently used method of monitoring the quality of assistance that employees provide taxpayers in the walk-in area. It will be the on-line supervisor's responsibility to see that it is accomplished in such a way as to cause the least disturbance to the two principals. Supervisors should avoid being drawn

Section 5 -- Cont.

into the conversation between the taxpayer and the TSR. It is difficult to give any hard and fast guidelines for on-line monitoring the walk-ins, but supervisors should attempt to stay in the background. Technical accuracy and completeness of responses should be evaluated as well as general meet-and-deal qualities. The physical layout of each office and the resourcefulness of the supervisor will determine the effectiveness and validity of this monitoring technique. Although no formal reports or tally sheets have been prescribed for on-line monitoring, it is expected that supervisors use the knowledge they gather to provide both positive and negative feedback to employees.

c Review of Returns Prior to Filing. An additional means to evaluate the accuracy and completeness of our service is to utilize the results of the review of returns prepared in the subordinate office. Supervisors should ensure that reviewers notify them if they find patterns or trends developing, regardless of who prepared the return. Supervisors should then provide feedback to front-line personnel. Supervisors should also conduct spot-checks of reviewed returns to ensure that the review procedures themselves are being conducted in a quality fashion.

Section 6. Personnel Evaluation

.01 No special filing period performance evaluation on Form 3861 will be required for permanent Taxpayer Service personnel or for details-in. Appropriate forms will continue to be prepared when necessary to meet other requirements (e.g., competition for merit promotion).

.02 Employees detailed-in for the filing period should be counseled by the supervisor to whom the employee is detailed on their performance in the Taxpayer Service area, and informed that this information will also be communicated to their Supervisor of Record. The information may then be considered by Taxpayer Service in accepting employees for details for the following year.

.03 The Supervisor of Record will decide how to use this information when preparing the official performance evaluation (Form 3861, the appropriate contractual appraisal form, or recordation). The Supervisor of Record must remember that before information received from the supervisor to whom the employee was detailed can be used to support a personnel action or decision, it must be declared as "recordation" and the employee must be given a chance to rebut the information. Otherwise, the information cannot be used.

.04 Temporaries should be evaluated in accordance with IRM 0430.22(3) and 421:(6) of IRM 0431, Supervisor's Guide to Performance Appraisal.

Section 7. Training.01 General

1 As a result of the expanding scope of taxpayer service activity and the high level of competence expected of employees, districts should place a strong emphasis on available training courses. A list of the courses required for FY 1975 is contained in Attachment 2.

a For those test districts equipped with Microfiche, the training materials are scheduled to be available in mid-December 1974.

Manual Supplement

620-1, 030-32, 040-23, 1(12)G-155, 1(17)G-62, 49G-27, 5(15)G-47, 670-3

Section 7 -- Cont.

2 Scheduling of training is at the discretion of regional and district managers. However, training sessions should be held as close as possible to the time the employee will use his training.

.02 On-The-Job Training (OJT)

1 To fully prepare TSR's to provide quality service, managerial personnel should make certain that new employees receive a thorough orientation upon entering on duty, a minimum of three weeks OJT immediately following Phase I of the Basic Training for TSR's, and sufficient OJT throughout their first year to give them a full opportunity to learn and demonstrate their ability to handle the job. The ratio of OJT coaches to new employees should normally not exceed one to five, and each coach's normal work assignments should be reduced by 20 percent for each trainee assigned.

2 General instructions regarding the role of the supervisor, the district training officer, and the OJT instructor are outlined in the Development Guide of the Basic Course for TSR's, Training No. 3025-01, and the OJT Guide for the Post-filing phase of the basic TSR training course, Training No. 2228-25.

Section 8. Public Affairs

.01 General. Public Affairs has provided a tax information program for 1975. Highlights of this campaign are:

- 1 A major emphasis on the availability of taxpayer assistance;
- 2 An information campaign geared to increase taxpayers' awareness of special provisions of the tax law affecting students, part-time workers and the elderly.
- 3 A continuation of the publicity program encouraging taxpayers to file early.
- 4 A continuation of the campaign advising taxpayers of their option to designate a portion of their taxes to the Presidential Election Campaign Fund.

.02 Taxpayer Service managers and Public Affairs Officers should work together to plan the public information effort in support of the program. Extensive local publicity on the availability of toll-free service, the "most frequently asked questions" and extended hours is critical to a successful district program.

.03 Free publications on specialized tax subjects should continue to be widely disseminated and publicized.

Section 9. Tax Forms, Publications and Other Related Materials

.01 Again this year, all individual income tax packages will be mailed directly from the printer. (See MS 1(17)G-61, CR 1(19)G-78 and 5(15)G-46.)

.02 The bulk mail-out to practitioners will be the responsibility of the districts. However, the Kansas City Service Center will handle this bulk mail-out for all districts in the Midwest Region and the Wichita District.

Section 9 -- Cont.

.03 An order blank will be included in all 1974 income tax packages to allow taxpayers to order additional tax forms and publications from the district offices. The quantities of free tax publications have been appropriately increased to meet the demands expected to be generated by the turn-around order blank. Every effort should be made to handle these requests within a 24-hour turn-around.

.04 Document 5044, Listing of Items Available for Taxpayer Assistance, has been distributed to each district office. Each district should determine the quantities of each item needed and order them so that they are in place by January 1, 1975. Signs and Posters highlighting free taxpayer service and information should be prominently displayed in the walk-in and forms distribution areas.

.05 Publication 17, Your Federal Income Tax (1975 Edition), and Publication 334, Tax Guide for Small Business (1975 Edition), will be given away without charge to individual taxpayers this year on a single copy basis. Publicity relating to this matter should be kept "low key." Each individual tax package states that "Single Copies . . . may be obtained without cost from most IRS offices." Instructions for distribution of these documents are contained in MS 1(17)G-60, CR 1(12)G-154, CR 5(15)G-45, dated November 25, 1974.

Section 10. Forms

Form 5066, used in accordance with the instructions contained in superseded MS 5(15)G-29, CR 1(12)G-148, CR 1(17)G-54, CR 49G-24, dated January 15, 1973, (error, should have been 1974), will not be used this year.

Section 11. Effect on Other Documents

.01 The following Manual Supplements are superseded and the corresponding cited annotations to the IR Manual for these Supplements should be removed:

<u>Superseded Supplements</u>	<u>CFOS</u>	<u>Date</u>	<u>Prescribed Annotations in "Effect" to be Removed from IRM</u>
<u>Principal Number</u>	<u>Reference(s)</u>		
5(15)G-24	03G-19 and 49G-21	September 28, 1973	0300.444 4970 5(15)23
5(15)G-25	04G-11	October 5, 1973	0420.7 (Text 110) 5(15)00
5(15)G-26 and Amend. 1	1(12)G-146 and 49G-22, and Amend. 1	October 26, 1973 November 23, 1973	5(15)20; 1(12)32, Chapters 400, 500 600; and 4970
Amend. 2 Amend. 3	Amend. 2 Amend. 3	January 11, 1974 January 17, 1974	
5(15)G-27 and Amend. 1	1(12)G-147, and 49G-23, and Amend. 1	December 11, 1973 January 28, 1974	5(15)26 5(15)30
5(15)G-29	1(12)G-148 1(17)G-54, and 49G-24	January 15, 1973 (in error for 1974)	

Manual Supplement

62G-1, 03G-32, 04G-23, 1(12)G-155, 1(17)G-62, 49G-27, 5(15)G-47, 67G-3

- 12 -

Section 11 -- Cont.

<u>Superseded Supplements</u>		<u>Prescribed Annotations</u>	
<u>Principal Number</u>	<u>Cross Reference(s)</u>	<u>Date</u>	<u>in "Effect" to be Removed from IRM</u>
5(15)G-32	49G-25	February 1, 1974	5(15)14 and 4970
and Amend. 1	and Amend. 1	May 10, 1974	

.02 The following IRM segments are supplemented by the instructions herein and annotations by pen and ink referring to this Supplement should be made as indicated below:

- 1 IRM segments
0300.444,
0300.451;
1(17)50, 4970,
5(15)14, 5(15)20, 5(15)26, 5(15)30
- 2 Handbooks
IRM 0420.7, Taxpayer Service Training Programs Handbook Text 110; and IRM 1(12)82, Taxpayer Education Handbook, Text 400, 500, 600.
- 3 Manual Supplements
5(15)G-41, CR 67G-2, dated July 30, 1974

.03 This supplements IRM 6200 (to be issued).

Stanley Goldberg
Stanley Goldberg
Director,
Taxpayer Service Division

Attachments

Manual Supplement

62G-1, 03G-32, 04G-23, 1(12)G-155, 1(17)G-62, 49G-27, 5(15)G-47, 67G-3

Attachment 1 -- Cont. (1)/to MS 62G-1, CR: O3G-32, O4G-23, 1(12)G-155, 1(17)G-62, 493-27, 5(15)G-47, 67G-3

Procedures and Instructions for
Completing Sample Worksheet

All telephone taxpayer inquiries received will be subject to sampling and telephone review

1. Office Locations.

2. Date. Enter month/day. Example: 02-05 for February 5.

3. Time of Review.

a. From - To. This will be measured from the time of pick-up for the first call reviewed to the time of pick-up of the last consecutive call in the review.

b. Total Time Difference. Actual time (in minutes) measured from beginning to end of review.

4. Employee.

a. Name of employee (do not enter taxpayer's name).

b. Category Code. This will be one of the following:

- 1) Permanent TSR's (Prior filing period experience)
- 2) Permanent TSR's (No prior filing period experience)
- 3) Returnee temporary TSR's (Prior filing period experience)
- 4) WAE's (Prior filing period experience)
- 5) WAE's (No prior filing period experience)
- 6) Interviewers and Revenue Representatives (Prior filing period experience)
- 7) Revenue Agents (Prior filing period experience)
- 8) Tax Technicians or Office Auditors (Prior filing period experience)
- 9) All other types of employees including Interviewers, R/O's, R/A's, T/I's, or O/A's

without prior filing period experience.

In categories four and six through eight above, "prior filing period experience" refers to the performance of Taxpayer Service on a regular, but not necessarily full-time, basis.

c. Grade. All employees, enter their grade in these boxes.

5. Reviewed By. Show name.

6. Monitored or Sample Call. Indicate the number in sequence of the particular call being reviewed.

7. Referral. If the employee being reviewed refers the inquiry to another individual (technical back-up, Audit, etc.) for response, a check (✓) will be placed in this column. The referral may be in the form of an actual call transfer, or it may be a written referral.

8. Call-Back. If the employee being reviewed cannot provide immediate response to an inquiry, but obtains the taxpayer's name and phone number for call-back, a check (✓) will be placed in this column. (If office procedures do not provide for call-back by front-line taxpayer service personnel, then any taxpayer inquiry which cannot be completed immediately will be referred, and a check (✓) will be entered in the Referral column.)

9. Satisfactory Response. Defined as follows:

- a. Employee comprehends caller's question quickly.
- b. Response is given in a clear and concise fashion and is correct.
- c. No unnecessary, unsolicited information is offered.
- d. Employee gives name and is courteous on telephone.

Attachment 1 -- Cont. (2) to MS 62G-1, CR: 03G-32, 04G-23, 1(12)G-155, 1(17)G-62, 49G-27, 5(15)G-47, 67G-3

If the employee being reviewed completes the inquiry in a satisfactory manner, a check (✓) will be placed in this column. Only completed (answered) inquiries will be rated here for quality of response.

10. Unsatisfactory Response. If the response of the employee being reviewed is considered unsatisfactory for any of the above (9a, 9b, 9c, or 9d) reasons, a Check (✓) will be placed in the appropriate "unsatisfactory" column. In the event a response is judged unsatisfactory for more than one reason, the reviewer will check the single reason considered most serious. As in 9 above, only completed (answered) inquiries will be rated here for quality of response. NOTE: Every call will require a check mark (and only one) in columns 7, 8, 9 or 10.

11. Length of Call. The actual length of each call including referrals and call-backs will be measured from pick-up to disconnect. Time will be measured in minutes and quarters of minutes (e.g., 2.5 minutes).

12. Type of Inquiry Code. This will be one of the following:

- a. Prefiling, tax related, question or questions
- b. Returns preparation and/or review
- c. Postfiling, returns related, question or questions. This includes refund inquiries, Service Center bills and notices, etc.
- d. Administrative, i.e., office hours, forms request
- e. Other, such as District Office Audit and Collection cases, etc.

A check (✓) will be placed in the appropriate column for each inquiry handled including referrals and call-backs.

13. Multiple Questions. The purpose of this category is to attempt to identify multiple inquiries related to more than one taxpayer entity, e.g., practitioners or individuals preparing more than one tax return. If the taxpayer's inquiry involves a series of distinct questions rather than one or two related inquiries, a check (✓) will be placed in this column. If a check (✓) is placed in this column, then multiple type of inquiry codes as applicable will be checked in Col. 12. In the case of multiple questions, if it is necessary to refer or call-back on one of more of the questions, that call will be checked as a referral or call-back (Col. 7 and 8). In these cases no entry will be made in columns 9 or 10, even though satisfactory response may have been given to some of the caller questions. Entries will still be required in columns 11 and 12.

14. The total number of check (✓) for each of the following columns will be indicated across line 14: Columns 6, 7, 8, 9, 10 (a, b, c, d), 12 and 13. No total will be indicated for column 11.

Attachment 2 to MS 623-1, CR: 033-32, 046-23, 1(12)G-155, 1(17)G-62, 493-27, 5(15)G-47, 67G-3

Permanent TSR Training Courses

- Course No. 3026 Basic Course for TSR's (Pre-Filing Period) - 5 weeks (including 1 week simulation) followed by 3 weeks of OJT.
(Former No. 2228a) This course consists of 62 lessons and is aimed at preparing new recruits to provide accurate responses to individual income and employment tax questions, including the preparation and review of returns.
- Course No. 3027 Basic Course for TSR's (Post-Filing Period) 3 weeks
(Soon to be issued; Former No. 2228b) This course deals with complex issues such as investment credit, alien clearance, penalties and interest, gift tax, notice stuffer, ADP and IDRS.
- Course No. 3028 Advanced Course for TSR's - 3 weeks
(Former No. 2232) This course is designed to prepare TSR's for more technical aspects of tax law and to enable them to achieve a skill level comparable to Tax Auditors.

Temporary and Refresher Courses

- Course No. 3029 Training for Temporary TSR's - 3 weeks (including 1 week simulation).
(Former No. 2235) This course for new temps is geared toward the newly limited temporary position.
- Course No. 3030 Refresher Income Tax Law Training (Incumbent TSR's, Returning Temporaries and Revenue Officers)- 5 days
(Former No. 2233) This course is designed to cover changes in tax law and new Revenue Rulings, and to focus on tax areas where feedback indicates employees need more training.
- Refresher Training (Revenue Agents/Tax Auditors) 3 days

Management Courses

- Course No. 3031 Functional Practices Training for Taxpayer Service Supervisors and Managers - 3-5 days. This course, new this year, is geared to overall direction of the Taxpayer Service Program. It includes segments on the philosophy of the Program; selection, training and development of employees; staffing needs; and reporting.
All group managers, branch and division chiefs should attend this training before the filing period.

Additional Courses and Aids

- Course No. 9928 Basic Instructor Training - 2 weeks
All TSR's who will be instructing TSR courses this year and who have not previously completed Basic Instructor Training should attend this course.
- Course No. 3025-01 Basic Course for TSR's -- Development Guide
This guide outlines OJT for TSR's and has been updated to give more attention to evaluation and feedback.

manual supplement

Internal Revenue Service

62G-1, Amend. 1

03G-32, Amend. 1	49G-27, Amend. 1
04G-23, Amend. 1	5(15)G-47, Amend. 1
1(12)G-155, Amend. 1	67G-3, Amend. 1
1(17)G-62, Amend. 1	

January 22, 1975

Taxpayer Service Program -- Fiscal Year 1975

Section 1. Purpose

This Amendment modifies Attachment 1 of the basic Supplement regarding completion of the sample worksheet for recording telephone taxpayer service performance.

Section 2. Background

.01 When Toll-free Telephone Service was implemented, one of our objectives was to provide year-round courteous, responsive and accurate answers to taxpayer inquiries. A major objective for Fiscal Year 1975 is to improve this service over past years.

.02 This year districts have been requested to develop a year-round plan for monitoring the quality of telephone service. To assist them, a sample worksheet has been designed for purposes of recording all pertinent data and information to check the accuracy, completeness, and uniformity of responses of both monitored and sampled calls.

.03 The sample worksheet, in addition to recording data regarding the results of the monitoring process, has a block for the name of the reviewer (monitor). We deem it important that districts include with the name, the job title and grade of the reviewer. This data will be used by management to determine the validity of the judgmental decisions made by the reviewer of the accuracy of TSR responses to taxpayers' inquiries, recorded in blocks 9 and 10 of the sample worksheet.

Section 3. Modification of Attachment 1

Amend. Plan 5 of Attachment 1--Cont. (1), "Procedures and Instructions for Completing Sample Worksheet" to read Reviewed By: show name, job title (e.g., S/C, R/A, T/A, TSR, etc.) and grade.

Section 4. Effect on Other Documents

This amends Attachment 1--Cont. (1) of Manual Supplement 62G-1, CR 058-32, 04G-27, 1(12)G-155, 1(17)G-62, 49G-27, 5(15)G-47 and 67G-3, dated December 13, 1974. This "effect" should be annotated by pen and ink on that Supplement with a reference to this Amendment.

Stanley Goldberg

Stanley Goldberg
Director,
Taxpayer Service Division

Distribution:

IRM 0200, 04G-47, 1(12)G-155, 1(17)G-62, 49G-27, 5(15)G-47, 67G-3 and 67G-3

manual supplement

Department of the Treasury Internal Revenue Service

62G-1, Amend. 2

03G-32, Amend. 2

49G-27, Amend. 2

04G-23, Amend. 2

5(15)G-47, Amend. 2

1(12)G-155, Amend. 2

67G-3, Amend. 2

1(17)G-62, Amend. 2

January 27, 1975

Taxpayer Service Program -- Fiscal Year 1975

Section 1. Purpose

This Amendment is to clarify the meaning and intent of Section 3.03, Referrals and Call-Backs, of the basic Manual Supplement dated December 13, 1974.

Section 2. Clarification of Time Element for Call-Backs

.01 Most call-backs on inquiries should be made within one workday of the inquiry. However, there are circumstances that make it impossible to respond to a taxpayer's inquiry within one workday.

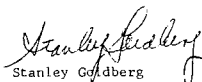
.02 Circumstances that are recognized as preventing a one workday response include the following:

- 1 Additional information is required from the taxpayer as a result of subsequent developments;
- 2 Extensive technical research is required before making a response;
- 3 Original tax return must be secured from the Federal Records Center or service center;
- 4 Inquiry must be referred to the service center or other out-of-division referral points; and
- 5 Peak workload periods prevent the expenditures of manpower for immediate call-backs.

.03 Other situations may occur which would also prevent responding to a taxpayer's inquiry within one workday. If it appears that a call-back can not be made within five workdays, the taxpayer should be notified of the status of his inquiry. Management should monitor pending inquiries to make sure that no backlog occurs unnecessarily.

Section 3. Effect on Other Documents

This supplements Section 3.03 of HS 62G-1, CR 03G-32, CR 04G-23, CR 1(12)G-155, CR 1(17)G-62, CR 49G-27, CR 5(15)G-47, CR 67G-3, dated December 13, 1974, which should be so annotated by pen and ink, with a reference to this Amendment.



Stanley Goldberg
Director,
Taxpayer Service Division

Distribution:

IRM 0300, 0420.7, 1(12)22, 1(17)00, 4900, 5(15)00, 6200, and 6700

Section 2.--Cont.

2 Establishing office hours that afford the taxpayers the maximum opportunity to use Taxpayer Service facilities during the filing period. Extended office hours will be scheduled for the filing period based on actual and experienced local needs. Particular attention should be given to the needs of taxpayers located in geographic areas with specialized problems, i.e., densely populated urban areas.

3 Maintaining a year-round, nationwide toll-free telephone system for taxpayers to call IRS.

4 Providing a pre-filing quality review of all returns for both completeness and accuracy at the taxpayer's request. (These returns will be stamped "reviewed, but not audited.")

5 Providing technically competent and service-motivated personnel to assist taxpayers in preparing their returns through either Self-help or full preparation of the taxpayer's return, as appropriate.

a Taxpayer Self-help will continue to be stressed during all phases of the Taxpayer Service Program.

b Service personnel will fully prepare returns in any one of the following circumstances:

(1) If the taxpayer is incapable of using self-help methods;

(2) If the taxpayer appears capable but is unwilling and insists that the Service prepare his return; and

(3) When working conditions permit such an expenditure of time by Service personnel.

6 Securing and maintaining a high degree of quality in all aspects of the Program, both technically and in the manner in which it is offered. Regions should review and consider Internal Audit reports from prior years and other indicators of quality to meet this goal.

a The 1975 Filing Period Plan of Action for Taxpayer Service is being developed in the National Office to implement a program directed toward improving quality.

b Each region and district will develop a plan of action based on the National Office plan of action geared toward the responsibilities of the regions and districts.

c We continue to encourage and promote the self-analysis currently being carried out in some districts. All districts should regularly evaluate public response to filing period and non-filing period Taxpayer Service programs, including both telephone and face-to-face contacts. Any necessary sampling techniques may be developed locally, but should include distribution of the Taxpayer Service Questionnaire (Form 5066) to walk-in taxpayers during the filing period.

7 Providing adequate managerial and supervisory attention to the function to make sure that Taxpayer Service is of the highest quality.

Section 3. Workload

.01 FY 1975 workload for each region should be based on May 1973 - April 1974 actual workload figures plus an addition for anticipated growth. See Section 6.07.

Section 3.--Cont.

.02 All workload experience should be adjusted to reflect management's reasonable expectations. It is likely that the rate of growth experienced in the 1974 filing period over 1973 will continue.

.03 The expanded workload for the Stuffer Programs for notices and RSC and C letters is anticipated for each region as follows:

	<u>Additional Workload (000's)</u> (Telephone Contacts)		
	Notices	Letters	Total
North-Atlantic	344.4	59.5	403.9
Mid-Atlantic	287.7	49.7	337.4
Southeast	342.3	59.1	401.4
Central	252.0	43.5	295.5
Midwest	266.7	46.1	312.8
Southwest	270.9	46.8	317.7
Western	315.0	54.4	369.4
OIO	21.0	3.6	24.6

Section 4. Manpower

.01 The permanent and temporary man-years reflected in the schedules should be the same as those in your FY 1974 Operating Financial Plan.

.02 The manpower figures shown herein should be used for planning and scheduling purposes only. These guidelines and allocations are subject to change when the FY 1975 Budget and the full impact of the 1974 Filing Period are known.

.03 If the FY 1975 Congressional Budget increases are approved, we plan to allocate 248 part-time man-years to hire permanent part-time employees to staff outlying posts of duty on a pre-scheduled tour of duty. For funding purposes, permanent part-time employees are paid from other than full-time, permanent funds. (Sub Object Class Code 1130) Subordinate offices will be staffed to the maximum extent possible with permanent part-time TSR's.

1 The 140 additional temporary man-years allocated to the regions in FY 1974 will be converted to 108 part-time man-years for hiring of part-time TSR's.

2 140 man-years of the expansion provided in the FY 1975 budget will also be allocated to hire permanent part-time TSR's.

3 The total 248 man-years planned for this purpose will be apportioned to the regions for staffing outlying posts of duty based upon the needs projected in the Part-time Permanent TSR Study which was completed during FY 1973.

.04 The new Taxpayer Service organization was implemented on July 1, 1974.

1 Additional manpower authorized due to the reorganization is one manager and one secretary per district. These additional 116 positions nationwide will be funded from the FY 1975 budget expansion.

2 The combined Collection and Taxpayer Service organization will be split into Collection and Taxpayer Service functions by apportioning the staffing based on prior experienced manpower usage.

Section 4.--Cont.

.05 The use of detailed personnel on the Taxpayer Service Program should be kept to the minimum necessary during the first half of FY 1975. If an unusual trend emerges in the level of the Taxpayer Service workload during the first half, the District Director, with regional concurrence, should take the necessary steps to provide the required skilled manpower resources and the region should advise the National Office accordingly.

.06 Additional personnel needed to perform Taxpayer Service duties will be provided by details of Audit personnel. Details from Audit will be composed of approximately 65 percent Tax Auditors (one-half experienced Tax Auditors and one-half new recruits). The remainder will be Revenue Agent new recruits. Details from Audit should be limited to the number contributed in FY 1974 (515 direct man-years nationally including training); the breakout by region follows:

NA	MA	SE	C	MW	SW	W	OIO
81	86	38	71	67	76	94	2

- 1 Details from Audit during the non-filing period will be kept to the minimum possible.
- 2 In outlying posts of duty staffed only with Revenue Officers, it may be necessary to detail Revenue Officers to the Taxpayer Service Program. However, before Revenue Officers are detailed to the program, consideration should be given to using itinerant TSR's, permanent part-time TSR's, or Tax Auditors.
- 3 Details to the Taxpayer Service Program from Collection will be kept to the minimum possible.
- 4 All personnel assigned to the Taxpayer Service Program should have demonstrated a potential for the high-quality performance of these duties and should have indicated a willingness to serve in this program. In detailing experienced personnel to the program, preference should be given to those with previous successful details to the Taxpayer Service Program.
- .07 Fewer Temporary TSR's will be utilized on the Taxpayer Service Program in FY 1975 compared to FY 1974. Ordinarily Temporary TSR's will not be used on telephones. However, in instances where it is necessary to use Temporary TSR's, they should only be assigned if they have experience and training comparable to a permanent TSR and have demonstrated the ability to perform at a level comparable with that of a permanent TSR.
- .08 Regions and districts should consider the manpower impact in their outlying posts of duty resulting from workload shifts from one location to another caused by program changes such as the implementation of toll-free service which directs phone calls to a centralized location. The region should use all possible means to minimize the impact of these program changes such as careful allocation of attrition hires, redeployment of TSR's on a voluntary basis, and reassignment of TSR's to provide for the efficient use of personnel.
- .09 Taxpayer Service Representative participation in the Volunteer Income Tax Assistance Program and Taxpayer Education Program should be expanded, as necessary. Any expansion of the role of TSR's in these programs should be coordinated through the Local Training Office and identified in the narrative comments supporting the work schedules.

Section 5. Training Schedules

.01 Any incumbent TSR's who did not receive Advanced TSR Training prior to or during FY 1974 should receive this training as soon as possible during the first half of FY 1975. The maximum amount of training possible should be scheduled during the first quarter using

Section 5.--Cont.

FY 1974 training materials.

.02 Assuming that TSR attrition has been hired by July, some Recruit TSR Training courses should be scheduled during the first quarter of FY 1975. The revised version of the Pre-Filing TSR Course will be available on September 1, 1974. Any training scheduled before that date will need to be conducted with FY 1974 training materials. All pre-filing training should be scheduled for completion by the end of the second quarter. Schedules should reflect training of the anticipated expansion hires as noted in Section 5.06.

.03 Basic Instructor Training courses and Instructor Workshops for Recruit TSR Training should be scheduled as early as possible in the first quarter of FY 1975.

.04 Training for Managers of Taxpayer Service should be completed as soon as possible during the first half. Your schedules should reflect this training.

.05 Advanced TSR Training for TSR's newly hired for FY 1975 should not be scheduled in FY 1975.

.06 For the purpose of planning training during FY 1975, the following courses should be scheduled:

1 Recruit TSR Training (Recruit Permanents, full-time and part-time) -- 11 weeks (Simulation Training is incorporated into Phase I -- 5 weeks, OJT -- 3 weeks, Phase II -- 3 weeks);

2 Temporary TSR Training (Recruit Temporaries) -- 3 weeks (Simulation Training is incorporated -- 1 week);

3 Refresher TSR Training (Incumbent TSR's and Returning Temporaries) -- 1 week;

4 Training for Details-in (Collection and Audit) Since many Audit personnel will be new recruits who have just received current tax law training, they will probably need less tax law training for Taxpayer Service duties. However, Audit personnel who have not had current tax law training should be scheduled for the training time necessary to update their tax law knowledges. As required, detailed personnel should be scheduled for training to familiarize them with current tax forms, Taxpayer Service reporting requirements, public relations training, etc.

5 Advanced TSR Training (Incumbent TSR's) -- 3 weeks;

6 Training for Managers of Taxpayer Service (All Taxpayer Service Managers) -- minimum 1 week, maximum 2 weeks;

7 Basic Instructor Training (All incumbent TSR's who will be instructing TSR Courses) -- 2 weeks.

.07 For the purpose of planning training during FY 1975, the following tentative man-year allocations should be considered.

1 The tentative distribution of budget expansion man-years follows:

	NA	MA	SE	C	MM	SW	W	OIO	NO
Man-Years	76	72	54	54	50	53	81	5	5

Manual Supplement

5(15)G-41, 5(14)G-61, 5(17)G-119, 67G-2

Section 5.—Cont.

2 Permanent part-time TSR's should be allocated to those subordinate offices with a need for less than one full-time, year-round TSR.

3 Only 250 temporary man-years for temporary Taxpayer Service Representatives will be scheduled for training in FY 1975.

.08 No employee will be assigned or detailed to the Taxpayer Service Program unless that employee has received the appropriate training outlined above for FY 1975.

.09 For training purposes, the Audit manpower used during FY 1974 should be rolled over. Details of Audit manpower during the non-filing period should be kept to the minimum.

.10 The above Training Guidelines are for planning purposes only. They will be subject to change when the funds available for training next fiscal year are known. Official training guidelines will be issued later by the Assistant Commissioner (Administration).

Section 6. Scheduling Procedures and Timing

.01 Schedules will be prepared utilizing the listing of Taxpayer Service Activity codes in Attachment 4.

.02 The attached Taxpayer Service Work and Manpower Planning System Worksheets (see Attachments 1-3) will be used to estimate Taxpayer Service workload and to plan the manpower necessary to accomplish this workload.

.03 Schedules will include both direct and indirect activities and overhead for the Taxpayer Service Program. They will also show scheduled details both in and out of the Taxpayer Service Program, and scheduled training for all employees assigned or detailed to the Program.

.04 In those districts where Taxpayer Service remains under the direction of the Chief, Collection and Taxpayer Service Division, all overhead time pertaining to the office of the Division Chief will be reported as Collection overhead, in accordance with Collection procedures.

.05 Taxpayer Service function scheduling and reporting periods will coincide with the fiscal month scheduling and reporting period concept, a calendar showing the fiscal months including the number of workdays for FY 1975 is contained in Attachment 5.


.06 Work schedules should be prepared and the originals forwarded through the regions to reach the National Office no later than July 15, 1974.

.07 District narratives are very helpful in validating schedules and should be forwarded together with the work schedules through regions to the National Office. These narratives should explain reasons for variations from past experience together with any operating decisions at variance with these guidelines which may have influenced the scheduling process. Narratives should include identification and explanation of the growth factors and rate of growth projected. They should include a computation of man-years for estimated training for the expansion hires. Districts should also inform the National Office of their allocation of man-years to hire permanent part-time TSR's.

Section 7. Effect on Other Documents

.01 This supplements IRM 5(14)70, 5(14)90 and 5(15)00. This "effect" should be annotated by pen and ink beside the text cited, with a reference to this Supplement. Also, this supplements IRM 5700 (to be issued).

.02 This supersedes Manual Supplements 5(15)G-22, CR 5(14)G-50, dated September 7, 1973, and Amend. 1, thereto, dated December 3, 1973. This also supersedes (14)97.5 of IRM 5(17)00, IDR's Handbook.


Assistant Commissioner
(Accounts, Collection, and Taxpayer Service)

Manual Supplement

5(15)G-41, 5(14)G-61, 5(17)G-119, 67G-2

Attachment 1 to MS 5(15)G-41, CR 5(14)G-61, 5(17)G-119 and 67G-2

Taxpayer Service Work and Manpower Planning System Worksheets

1. Purpose - The Taxpayer Service Work and Manpower Planning System Worksheets (Forms 5145 and 5146) are designed to provide a uniform, logical means for estimating workload and planning the manpower staffing to service this workload. In addition, the Program emphasis continues to be on quality performance of duties as well as providing services needed. The worksheets currently provide for the projection of additional manpower needed to provide this quality service.
2. Forms - Form 5145 (Report Symbol NO-ACTS:T-120) is the Semiannual Worksheet. Form 5146, bearing the same Report Symbol, is the Monthly format, providing identical data. See Attachments 2 and 3.
3. Format - The separation of Taxpayer Service and Collection functions in the field necessitated revision of the Form 5145 and Form 5146 formats used during FY 1974. The revised forms provide for estimates of Direct and Indirect Activities and Taxpayer Service Overhead. Total hours for both details-in and out of the Taxpayer Service Program, along with Training scheduled for all employees assigned or detailed to the Program should be shown.
4. Activities - Formerly, Taxpayer Service Operations and their Codes were listed in the Collection Division Planning System Handbooks. Attachment 4 provides a new list of Taxpayer Service Activity Descriptions and new Code numbers. These Activity Codes should be used in estimating data for developing the Work Schedules for FY 1975. Effective July 1, 1974, (FY 1975) the new Activity Codes will be used for reporting Taxpayer Service work performed.

Careful attention should be paid to the Activities listed. They have been revised to reflect a more accurate picture of actual duties performed. In the past some of the Operations encompassed several duties, all reported under one Operation Code number. Using the new Activity list, these will now be scheduled and reported under individual Activity Codes.

5. Instructions
 - a. Record the actual volumes for the comparable months of the prior year for the Direct Activities provided.
 - b. Estimate your volume for these Direct Activities for the same months this year.
 - c. Estimate your current year processing rate, keeping in mind Program emphasis on quality.
 - d. Divide your estimated volume by your units per man-hour rate. Record this answer for each of the Direct Activities in the Estimated M/H column. Total these columns.
 - e. In the section below, break these figures down by category of employee who will be performing these Direct Activities. Also record estimated hours to be utilized as Details-out of the Program.

Attachment 1—Cont. to MS 5(15)G-41, CR 5(14)G-61, 5(17)G-119 and 67G-2

- f. Record man-hours actually expended last year on Indirect Activities (when possible) and Overhead. If no determination can be made for actual hours spent on the new Indirect Activities (from FY 1974 records), skip these spaces.
- g. Estimate man-hours to be spent this year on Indirect Activities as listed, and Overhead. Total Indirect Activities and Overhead items.
- h. Use remarks section to indicate any unusual circumstances or clarify statistics used.

Note: Revised drafts of Forms 5145 and 5146 will not be printed and distributed. Reasonable facsimiles or copies of Attachments 2 and 3 will be acceptable for submission of your report figures.

Manual Supplement

5(15)G-41, 5(14)G-61, 5(17)G-119, 67G-2

Taxpayer Service Semiannual Work and Manpower Planning System Worksheet					Date	Date
Prepared by: <i>(Name and title)</i>		Months of _____ through _____ 197__		Approved by: <i>(Name and title)</i>		
District		Reports Symbol NO. ACTS: T-120		Months of _____ through _____ 197__		
Direct Activities	Contacts last year	Contacts estimated this year	Usual M-H assumed	Estimated man-hours	Man-hours last year	Estimated man-hours this year
1. Walk-in						
2. Phone-in						
3. Correspondence						
Sum of 1, 2, and 3						
Indirect Activities and Overhead						
4. Research and Resolution (Ref)						
5. Monitoring and Review						
6. Public Information						
7. Other						
Total Indirect Activities						
8. Management/Clerical						
9. Leave						
10. Training						
Total Overhead						
Six-Month Summary						
Contacts Estimated This Year						
Estimated Man-Hours						
Man-Hours by Category of Employee						
Remarks						
(a) Permanent Taxpayer Service Representative (TSR)						
(b) Temporary TSR or Part-time Permanent TSR						
(c) Details-in (Collection)						
(d) Details-in Audit (Technical)						
(e) Details-in Audit (Other)						
(f) Details-out						
Other						

Department of the Treasurer - Internal Revenue Service

Taxpayer Service Monthly Work and Manpower Planning System Worksheet									
Prepared by (Name and title)			Date			Approved by (Name and title)			Date
Direct Activities			Month of 197		Month of		197		
Contacts last year		Contacts estimated this year	Used MH assumed	Estimated man-hours		Man-hours last year		Estimated man-hours this year	
1. Walk-in									
2. Phone-in									
3. Correspondence									
Sum of 1, 2, and 3									
Indirect Activities and Overhead									
4. Research and Resolution (ReL)									
5. Monitoring and Review									
6. Public Information									
7. Other									
Total Indirect Activities									
8. Management/Clerical									
9. Leave									
10. Training									
Total Overhead									
Contacts Estimated This Year					Remarks				
Estimated Man-Hours									
Monthly Summary									
Man-Hour by Category of Employee									
(a) Permanent Taxpayer Service Representative (TSR)									
(b) Temporary TSR or Part-time Permanent TSR									
(c) Detail-in (Collection)									
(d) Detail-in Audit (Technical)									
(e) Detail-in Audit (Other)									
(f) Detail-out									
Other									

Manual Supplement

5(15)G-41, 5(14)G-61, 5(17)G-119, 67G-2

Taxpayer Service ActivitiesDIRECT ACTIVITIES

010 WALK-IN Report both Hours and Units -- All Employees
Unit count represents each Taxpayer contact

1. Interview (each contact is counted).
2. Prepare or assist in preparation of returns, documents, issue Form 809 receipt, if necessary.
3. Prepare and transmit forms or documents for processing or research.
4. Determine what form or document taxpayer needs, and furnish same. (This includes preparation of Form 4190, if necessary.)

020 PHONE-IN Report both Hours and Units -- All Employees
(Unit count may be taken from register)

Note: If register count is available, supervisor will read and record total number of calls received on her form. Each employee will then record only hours.

If no register is available, or register is inoperative, employees are required to keep individual count of calls.

1. Interview and/or call back (each contact is counted).
2. Prepare and transmit forms or documents for processing or research.
3. Determine what form or document taxpayer needs, prepare Form 4190, and transmit to distribution point.

030 CORRESPONDENCE Report both Units and Hours -- Taxpayer Service Personnel only
Incoming and response are counted as one unit

1. Review letters, requests for information, etc.
2. Perform related research (including IDRS).
3. Reply to taxpayer (by phone or letter).
4. Type response, where appropriate.

INDIRECT ACTIVITIES

035 RESEARCH AND RESOLUTION (REFERRED) Report Hours only -- Taxpayer Service Personnel only

Note: Research that can be performed while taxpayer is on the phone or waiting should not be reported under this Activity Code. "On-the-spot" research should be reported under the Direct Activity being performed.

1. Receives unresolved taxpayer problems from those employees providing front-line services, for purpose of additional research.

Attachment 4--Cont.(1) to MS 5(15)G-41, CR 5(14)G-61, 5(17)G-119 and 67G-2

2. Performs detailed research using all possible techniques and materials, including microfilm, IDRS, transcripts, copies of returns, documents, etc.
3. Prepares necessary documents for inputting information to correct account, when needed.
4. When research has been completed, all data will be returned to the original employee contacted for call back of resolution to taxpayer.

040 MONITORING AND REVIEW (By Taxpayer Service Personnel only) Report Hours only

1. Review returns prepared in IRS offices, by or with the assistance of IRS personnel.
2. Monitor incoming taxpayer calls to assess quality of service rendered.
3. Act as technical back-up reference point for employees providing walk-in or telephone service to taxpayers.

Note: TSR review of returns prepared by the taxpayer, or by an agent of the taxpayer, should not be reported under this Activity Code. This should be reported under Code 010, Walk-in.

045 MONITORING AND REVIEW (By Details-in ONLY) Report Hours only

1. Review returns prepared in IRS offices, by or with the assistance of IRS personnel.
2. Monitor incoming taxpayer calls to assess quality of service rendered.
3. Act as technical back-up reference point for employees providing walk-in or telephone service to taxpayers.

Note: TSR review of returns prepared by the taxpayer, or by an agent of the taxpayer, should not be reported under this Activity Code. This should be reported under Code 010, Walk-in.

050 PUBLIC INFORMATION Report Hours only
To be reported by Taxpayer Service employees only
Includes time spent in preparation and coordination
of materials

1. Speeches
2. Interviews
3. Public (group) Instruction Sessions

055 OTHER Report Hours only --- Taxpayer Service Personnel only

1. Travel to posts of duty to perform itinerant duties or delivery of Your Business Tax Kit.

Attachment 4—Cont. (2) to MS 5(15)G-41, CR 5(14)G-61, 5(17)G-119 and 67G-2

2. Update technical information (i.e., Manual issuances, TIR's, TAX NEWS, etc.).
3. Report all other time not reportable under any other Direct, Indirect or Overhead Activity, such as distribution of questionnaires.

OVERHEAD ACTIVITIES

060 REPORTS PREPARATION Report Hours only — Taxpayer Service Personnel only

1. Preparation of Reports, Time Cards, Travel Vouchers (Individual daily time and Activity reports of employees are not included).

070 MANAGEMENT Report Hours only — Taxpayer Service Personnel only

1. Management/Supervisory Duties
2. Related Clerical Duties
3. Study and Filing of reference material
4. Attendance at conferences and meetings
5. Related travel

080 LEAVE Hours only — Taxpayer Service Personnel only
Report all leave except LWOP, Compensatory and Holiday Time

090 TAXPAYER SERVICE TRAINING Hours Only — All employees

1. All formal classroom training time, including instructor time.
2. Trainee time on OJT
3. Travel time related to training

Note: Instructor time on OJT is charged to the direct operation.

095 DETAILS-OUT Hours only — All Employees

Report all time detailed out of Taxpayer Service to another functional activity — This includes work performed on TDA's, TDI's, forms distribution, etc. (The name of the functional activity should be shown in the remarks section of Form 4980, i.e., Collection, Audit, etc.)

List of Employee Reporting Categories

Permanent TSR
Temporary TSR or Part-time Permanent TSR
TPS Management/Supervisory
TPS Clerical
Details-in (Collection)
Details-in Audit (Technical)
Details-in Audit (Other)

Attachment 5 to MS 5(15)G-41, CR 5(14)G-61, 5(17)G-119 and 67G-2

TAXPAYER SERVICE FUNCTION
FY 1975 FISCAL MONTHS FOR BOTH
SCHEDULING AND REPORTING PURPOSES

	<u>Dates</u>			
	<u>Sunday Through</u>	<u>Saturday</u>	<u>(Inclusive)</u>	
Holiday (1)	June	30, 1974	- July	6
19 Days	July	7,	- July	13
152 Man-Hours	July	14,	- July	20
	July	21,	- July	27
20 Days	July	28,	- August	3
160 Man-Hours	August	4,	- August	10
	August	11,	- August	17
	August	18,	- August	24
Holiday (1)	August	25,	- August	31
24 Days	September	1,	- September	7
192 Man-Hours	September	8,	- September	14
	September	15,	- September	21
	September	22,	- September	28
Holiday (1)	September	29,	- October	5
19 Days	October	6,	- October	12
152 Man-Hours	October	13,	- October	19
	October	20,	- October	26
Holiday (1)	October	27,	- November	2
19 Days	November	3,	- November	9
152 Man-Hours	November	10,	- November	16
	November	17,	- November	23
Holiday (2)	November	24,	- November	30
23 Days	December	1,	- December	7
184 Man-Hours	December	8,	- December	14
	December	15,	- December	21
	December	22,	- December	28

 Manual Supplement

5(15)G-41, 5(14)G-61, 5(17)G-119, 67G-2

Attachment 5—Cont. to MS 5(15)G-41, CR 5(14)G-61, 5(17)G-119 and 67G-2

Holiday (1)	December 29, 1974	-	January 4, 1975
19 Days	January 5, 1975	-	January 11
152 Man-Hours	January 17,	-	January 18
	January 19,	-	January 25
Holiday (1)	January 26,	-	February 1
19 Days	February 2,	-	February 8
152 Man-Hours	February 9,	-	February 15
	February 16,	-	February 22
	February 23,	-	March 1
25 Days	March 2,	-	March 8
700 Man-Hours	March 9,	-	March 15
	March 16,	-	March 22
	March 23,	-	March 29
	March 30,	-	April 5
20 Days	April 6,	-	April 12
160 Man-Hours	April 13,	-	April 19
	April 20,	-	April 26
	April 27,	-	May 3
20 Days	May 4,	-	May 10
160 Man-Hours	May 11,	-	May 17
	May 18,	-	May 24
Holiday (1)	May 25,	-	May 31
24 Days	June 1,	-	June 7
192 Man-Hours	June 8,	-	June 14
	June 15,	-	June 21
	June 22,	-	June 28

Section 4--Cont.

.02 Super Districts (GS-17 District Director) -- Taxpayer Service

1 A separate Taxpayer Service Division will be established in those districts with GS-17 District Directors. In these districts, the former Collection and Taxpayer Service Division will then be known as the Collection Division.

2 The Taxpayer Service Division will be substructured into the appropriate number of Taxpayer Service Representative (TSR) groups; the grade level for TSR Group Managers will be GS-10.

.03 Other Districts -- Taxpayer Service

1 The remaining districts will establish a Taxpayer Service Branch within the present Collection and Taxpayer Service Division.

2 The Taxpayer Service Branch will be substructured into the appropriate number of TSR groups; the grade level for TSR Group Managers will be GS-10.

.04 Size of Groups -- Taxpayer Service

1 The size of TSR groups will vary among districts due to factors such as geographic dispersion and size of district. Groups should have an authorized staffing of 12 to 15 permanent positions. This range is designed primarily to provide for smaller groups in situations where geographic dispersion is a factor i.e., where a substantial portion of the group, at least three employees, is located away from the group headquarters office. Under most other conditions, groups generally should have permanent authorized staffing of 15 positions.

2 Districts will not establish a group substructure unless they have enough permanent authorized positions to justify at least two groups. Generally, TSR groups are authorized as follows: less than 24 positions -- no group, 24 to 35 positions -- two groups, 36 to 47 positions -- three groups, etc.

3 In those subordinate offices with two or more TSR's but not a sufficient number to establish a TSR group, districts should designate a Senior TSR who will act as a "working manager" for the Taxpayer Service Program at that location.

4 The Chief, Taxpayer Service Division/Branch, is both line and functional supervisor of TSR's in the headquarters and Area offices and functional supervisor in the Zone and Local offices. Designated Senior TSR's will provide line supervision of TSR's in Zone and Local offices.

.05 Office Branches -- Collection

1 Large districts will generally establish three sections in the Office Branch: an Analysis Section, a Computer Services Section and an Interview Section. Office Groups in some Type II Field Branches may also be substructured if the number of full-time positions warrants it. (See Attachment 2.)

2 Medium-sized districts will usually establish two sections in an Office Branch: an Analysis and Computer Services Section and an Interview Section. In some medium-sized districts, separate Analysis and Computer Services Sections may be warranted at the headquarters office location. Office Groups in some Type II Field Branches may also be substructured if the number of full-time positions warrants it. (See Attachment 2.)

Section 4--Cont.

3 In small districts, the Office Branch will handle all functions. Substructuring is not contemplated unless the number of full-time positions in the branch is sufficient to warrant it. Two sections, an Analysis and Computer Services Section and an Interview Section may then be established. (See Attachment 2.)

4 The Chief, Office Branch/Group, is line supervisor of Interviewers and Revenue Representatives in Area Offices and functional supervisor of these employees in Zone and Local offices. Designated Revenue Officer Group Managers will provide line supervision for Interviewers and Revenue Representatives in Zone and Local offices. However, District Directors may provide for line supervision of these Office Branch employees located in Zone and Local offices by the Chief, Office Branch/Group, where the best interests of the Service require such an arrangement.

Section 5. Classification of Positions

.01 Managerial grades and positions in the Taxpayer Service activity are shown in Attachment 3. Position Descriptions with evaluation statements are being prepared and will be issued by the National Office.

.02 Standard Position Descriptions and Classification Guidelines for the Office Branch under IDRS were issued in MS 13G-58, CR 11G-73, dated July 24, 1972. Classification Guidelines for Revenue Representative positions are included in MS 13G-68.* Text 31(33).1(20) - 31(33).1(23) and 31(33).1(27) - 31(33).1(29) of IRM 1341, Handbook of Position Classification and Qualification Standards and Guidelines, contains Standard Position Descriptions for the Revenue Representative positions. *CR 03G-22 and 51G-100

Section 6. Staffing -- Taxpayer Service

.01 Staffing for the Taxpayer Service activity will consist of permanent TSR's on a full-time or part-time tour of duty, details-in, and filing period temporary TSR's.

.02 Beginning in FY 1976 it has been determined that all Audit manpower detailed to the Taxpayer Service Program will be Tax Auditors. During FY 1975, sixty-five percent will be Tax Auditors (50% experienced, 50% new recruits). The remainder will be Revenue Agent new recruits.

.03 Support positions presently located in the Office Branch are multifunctional with responsibilities for both Taxpayer Service and Collection functions. Any of these positions which are clearly identifiable as Taxpayer Service or Collection positions should be placed in their appropriate organizational component.

Section 7. Fiscal Implications

The National Office will fund two positions per district; the Taxpayer Service Division Chief and one secretary in Super Districts, and the Taxpayer Service Branch Chief and one secretary in all remaining districts. The remainder of the funding required for the District Taxpayer Service organization will be financed within the regional Activity 2400 budget allocation.

Section 8. Reports on Implementation

Each region should submit a plan for the restructure of its district Taxpayer Service organizations to the Director, Taxpayer Service Division, for his information 30 days from the date of this Manual Supplement. The report should include a joint ARC (ACTS) - Regional Personnel Branch estimate of the impact of this reorganization on the Collection

- 4 -

Section 8--Cont.

and Taxpayer Service Division Office Branch grade structure in each district, and on any other personnel implications of the reorganization. If any of the personnel actions require union consultation at the national level, please indicate.

Section 9. Implementation Dates

The suggested target date for implementation of the Taxpayer Service organizational changes is July 1, 1971. With respect to the impact on the Collection activities, the only required action at this time is the submission of the report requested in Section 8. We realize that due to personnel considerations or other local conditions this implementation date may not be feasible. Therefore, regions should establish target dates which reflect their local situations; this target date should be reflected in the regional plans submitted to the Director, Taxpayer Service Division.

Section 10. Effect on Other Documents

This supersedes IRM 1118.5, 1118.51, 1118.52, and 1118.53, and Exhibit 1118-2 - Exhibit 1118-2--Cont. (2); and amends and supplements Exhibit 1118-1 and Text 430 of IRM 1341, Handbook of Position Classification and Qualification Standards and Guidelines. It also amends and supplements Manual Supplement 120-58, CR 110-73. This "effect" should be noted by pen and ink beside the text and on the Exhibits and Supplements cited, with a reference to this Supplement. This Supplement supersedes MS 110-69, and the printed annotations to that Supplement at IRM 1118.52 and 1118.53 and on the first page of Exhibit 1118-2 should be removed, with a pen-and-ink reference to this Supplement.

Donald C. Alexander
Commissioner

Attachments

Attachment 1 to MS 11G-76, CR 13G-70

Grades for Taxpayer Service Managerial PositionsGS-17 District Directors

Manhattan
 Los Angeles
 Chicago
 Newark
 San Francisco
 Detroit
 Brooklyn GS-14
 Philadelphia Division
 Jacksonville Chief
 Boston
 Cleveland
 Baltimore
 Dallas
 Austin
 St. Louis
 Buffalo

GS-16 District Directors

New Orleans
 Springfield
 Louisville
 Oklahoma City
 Des Moines
 Denver
 Portland E/ GS-12
 Wichita Branch
 Birmingham Chief
 Phoenix
 Albany
 Columbia
 Omaha
 Jackson
 Little Rock
 Parkersburg

GS-16 District Directors

Indianapolis
 Atlanta
 Cincinnati
 Richmond
 Pittsburgh A/ GS-13
 Greensboro Branch
 St. Paul Chief
 Milwaukee
 Seattle
 Hartford
 Nashville

GS-15 District Directors

Providence
 Salt Lake City C/ GS-12
 Augusta Branch
 Albuquerque Chief
 Honolulu

A/ GS-16 District Director, at least 400,000 taxpayer service inquiries, at least 25 permanent taxpayer service employees and at least 1.25 million individual returns filed

B/ GS-16 District Director, less than 400,000 taxpayer service inquiries or less than 25 permanent taxpayer service employees*, but at least .5 million individual returns filed

C/ GS-15 District Director, at least 300,000 individual returns filed

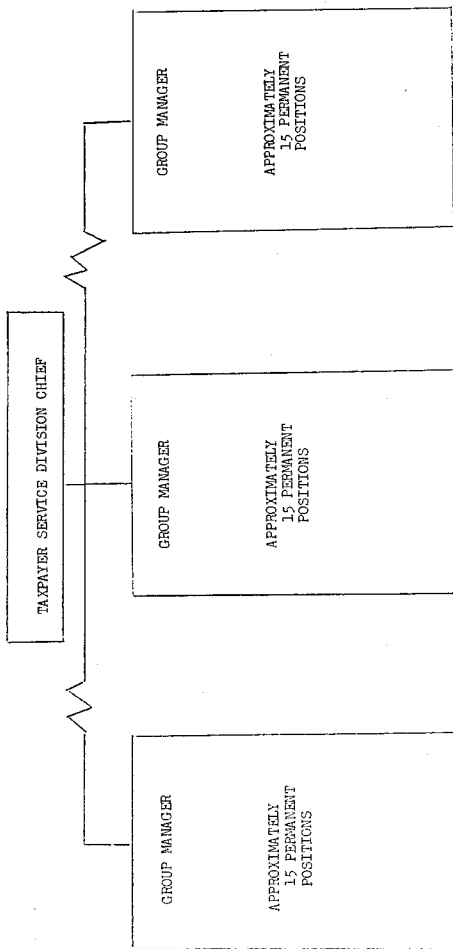
D/ GS-15 District Director, less than 300,000 individual returns filed

E/ Due to the size of its Audit function, Reno has a GS-16 District Director; however, for taxpayer service purposes it falls within the criteria for a small district

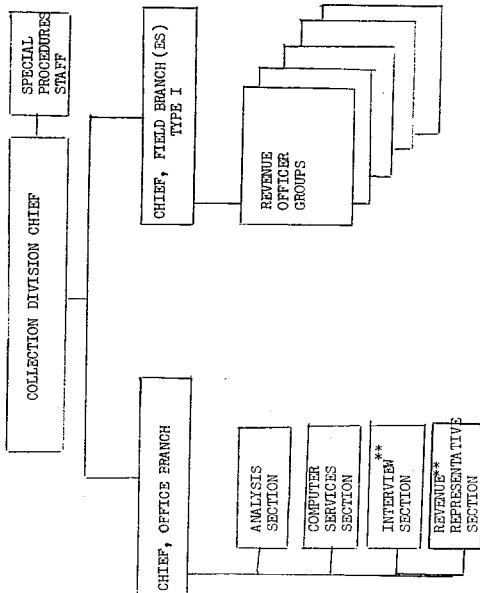
Reno E/
 Wilmington
 Helena
 Portsmouth
 Aberdeen D/ GS-11
 Boise Branch
 Fargo Chief
 Burlington
 Cheyenne
 Anchorage

* Projected FY 1975 man-years

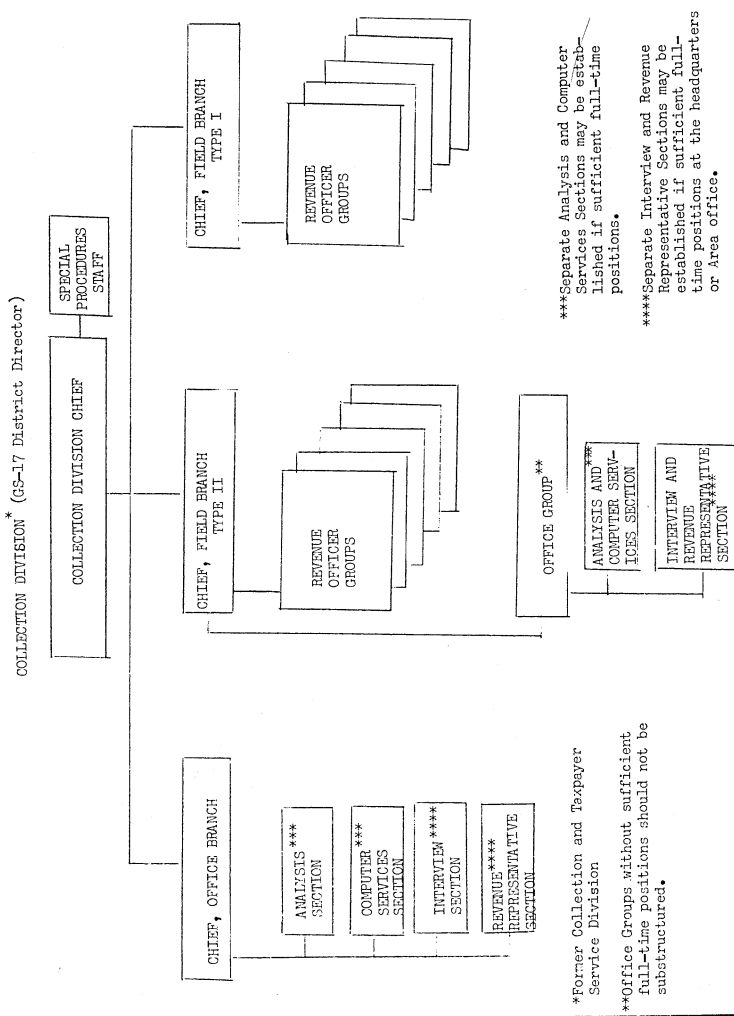
TAXPAYER SERVICE DIVISION (GS-17 District Director)



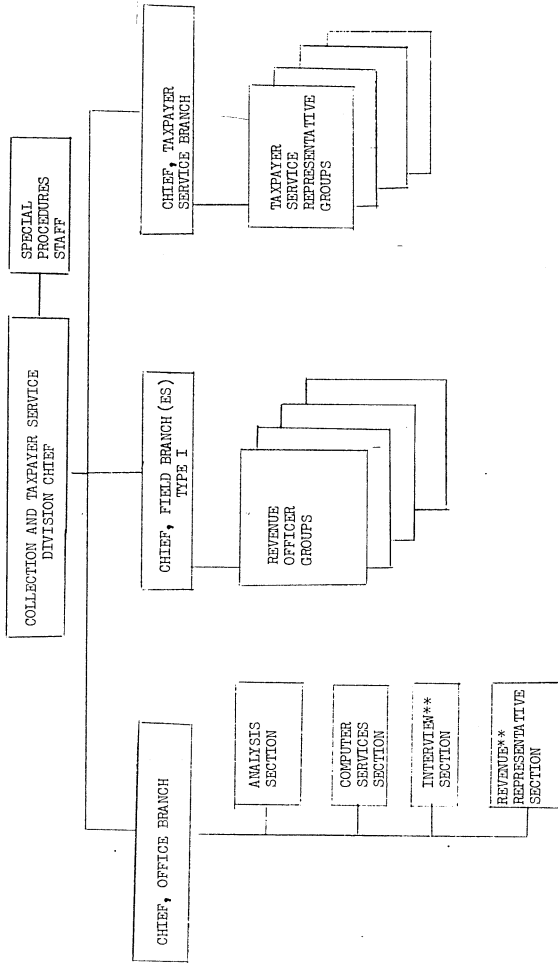
COLLECTION DIVISION * (GS-17 District Director)



* Former Collection and Taxpayer Service Division
** Separate Interview and Revenue Representative Sections may be established if sufficient full-time positions at the headquarters office.

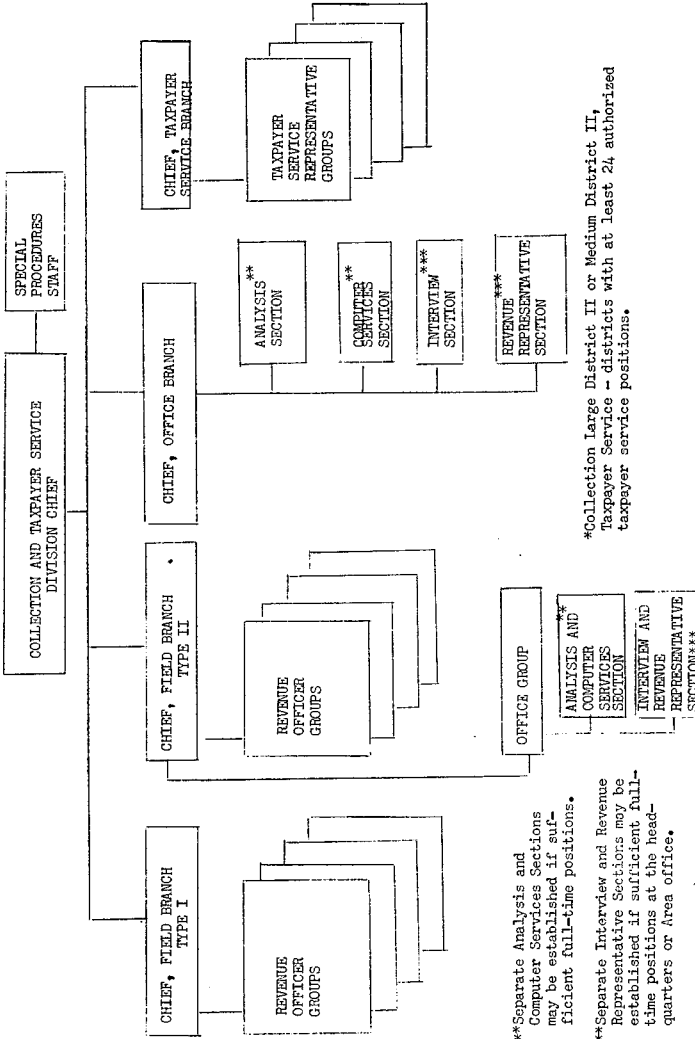


COLLECTION AND TAXPAYER SERVICE DIVISION*



* Collection Large District I, Taxpayer Service districts with at least 24 authorized taxpayer service positions.
 ** Separate Interview and Revenue Representative Sections may be established if sufficient full-time positions at the headquarters office.

COLLECTION AND TAXPAYER SERVICE DIVISION*

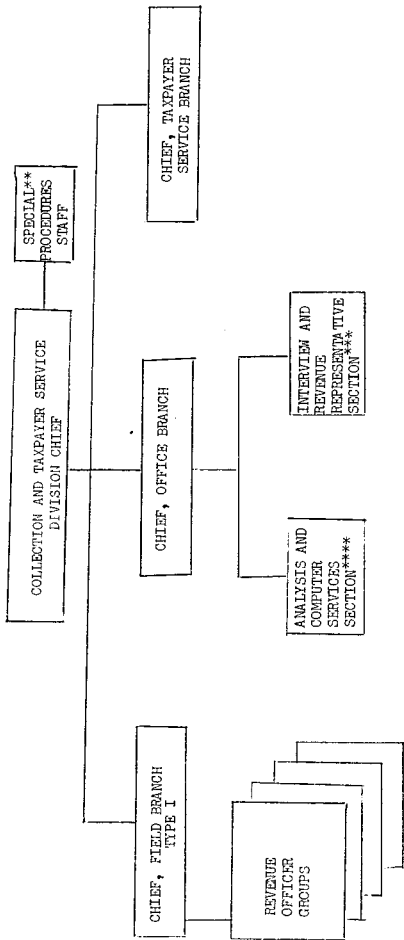


** Separate Analysis and Computer Services Sections may be established if sufficient full-time positions.

*** Separate Interview and Revenue Representative Sections may be established if sufficient full-time positions at the headquarters or Area office.

**** Collection Large District II or Medium District II, Taxpayer Service - districts with at least 24 authorized taxpayer service positions.

COLLECTION AND TAXPAYER SERVICE DIVISION*



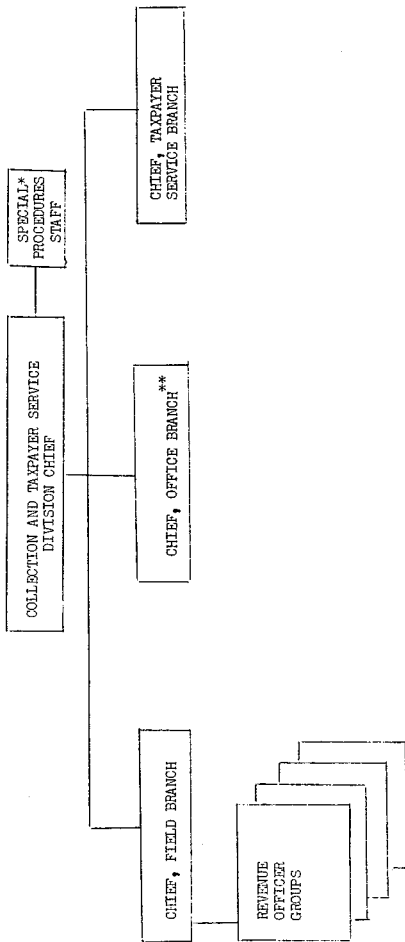
* Collection Medium District I, Taxpayer Service - districts with less than 24 authorized taxpayer service positions

** Special Procedures Staff

*** Separate Interview and Revenue Representative Sections may be established if sufficient full-time positions at the headquarters or Area office.

**** Separate Analysis and Computer Services Sections may be established if sufficient full-time positions.

COLLECTION AND TAXPAYER SERVICE DIVISION (GS-15 District Director)



* Special Procedures Staff

** An Analysis and Computer Services Section and an Interview and Revenue Representative Section may be established if sufficient full-time positions at the headquarters office.

Attachment 3 to MS 11G-76, CR 13G-70

REVISED COLLECTION AND TAXPAYER
SERVICE FUNCTIONAL STATEMENTS

1118.5 Collection and Taxpayer Service Functions

The organizational structure of the Taxpayer Service and Collection functions will vary depending upon the size of the district. Specifically, a separate Taxpayer Service Division and Collection Division will be established in the districts with GS-17 District Directors. The Taxpayer Service function within the remaining districts will be organized as a Taxpayer Service Branch within the Collection and Taxpayer Service Division. Attachment 2 depicts the various organizational structures permissible for the Taxpayer Service and Collection functions.

1118.51 Collection Division

The Collection Division is responsible for the receipt and transmittal of tax returns and documents received in the district; the deposit to the credit of the Service Center Director of tax remittances received in the district; the collection of delinquent accounts through distraint, seizure, levy and other means; the securing of delinquent returns; examination of offers in compromise based on doubt as to collectibility of taxes (except alcohol, tobacco and firearms taxes), offers in compromise of statutory additions based on doubt as to liability (except alcohol, tobacco, firearms, employment and withholding taxes and specific penalties), and all offers in compromise of 100% penalties. The Division receives, acts on, and processes information pertinent to bankruptcies, receiverships, assignments, reorganizations, probate proceedings, foreclosures and redemptions after civil foreclosure, bulk sales, gifts and prizes, and dissolutions and initiates investigations for securing delinquent returns where necessary. The Division maintains files or control records of payments received in insolvency, bankruptcy, and decedent cases and of surety bonds and other collateral posted as security for tax liability. It also maintains files and control records of property seized under distraint authority and takes appropriate action with respect to seized property to ensure that proper legal action may be timely taken.

1118.511 Special Procedures Staff

(1) The Special Procedures Staff is responsible for furnishing advisory assistance on technical delinquent collection and returns matters to the Chief, Collection Division, Chief, Field Branch, Chief, Office Branch, and Group Supervisors; providing liaison for the District Director with the Department of Justice, including the U.S. Attorneys, the Chief Counsel and Regional Counsel on all collection matters; ascertaining tax liability and filing of proof of claims in insolvency and decedent's estate proceedings; recommending civil suits to enforce collection or to protect the Government's interests; processing civil suits against the United States or the District Director; examining, reviewing and processing seizure and sale reports; processing applications for discharge of property from the effect of Federal tax liens and for certificates of non-attachment of Federal tax liens and certificates of subordination of the Federal tax lien; processing filed notices of Federal tax liens and certificates of release; processing and maintaining executed collection waivers; analyzing and determining the sufficiency of various forms of collateral offered as security for release of lien or postponement of collection action; furnishing technical advice and assistance and recommendations for or against entry into suitable escrow agreements for the collection of delinquent accounts; reviewing recommendations for and holding conferences on 100% penalty and transfer assessments; post reviewing of accounts reported as uncollectible; reviewing recommendations and holding conferences on offers in compromise cases based on inability to pay; reviewing applications for and holding conferences on extensions of time to pay estate tax; and maintaining files and control records on all the above types of cases to ensure that proper legal and other collection actions are taken timely.

Attachment 3--Cont. (1) to MS 11G-76, CR 13G-70

(2) In the majority of District Offices this function is organized as a separate Special Procedures Staff. In small offices where the Special Procedures function is a one-position job, it is placed organizationally within the Office of the Division Chief.

1118.512 Office Branch

The Office Branch effects the collection of delinquent accounts and secures delinquent returns through demands made by correspondence, telephone or office interviews. It safeguards the Government's interest, in appropriate cases, by causing the filing of notices of tax liens and serving or causing the service of notices of levies. It transfers to Revenue Officer groups those assignments which require field investigations or can be more efficiently completed by field Revenue Officers. The Branch screens and assigns cases and maintains assignment files. It prepares periodic reports of collection activities. It receives and deposits to the credit of the Service Center Director remittances received in the District Office. It also receives and transmits returns and documents received in the District Office.

1118.513 Field Branch

The Field Branch is responsible for the management and control of five or more Revenue Officer groups (Type I Field Branch), or three or more Revenue Officer groups and an Office Group (Type II Field Branch). Within the assigned area, the Branch makes collections of delinquent accounts and conducts a continuing program for the securing of delinquent returns. It safeguards the Government's interest, in appropriate cases, through the filing of notices of tax liens, and enforces collection by the serving of levies, and seizure and sale of real and personal property. It recommends jeopardy assessments when deemed necessary to protect revenue, civil actions to secure payment, suits to enforce penalty for failure to honor levies, and penalty assessments as a means of collection or as a method of obtaining compliance with existing laws and regulations. The Branch recommends the issuance of certificates of discharge of property from the effects of tax liens, recommends issuances of certificates of subordination of Federal tax liens, and conducts the investigations necessary to support such recommendations. The Branch examines offers in compromise based on doubt as to collectibility of taxes (except alcohol, tobacco and firearms taxes), offers in compromise of statutory additions based on doubt as to liability (except alcohol, tobacco, firearms, employment and withholding taxes and specific penalties), and all offers in compromise of 100% penalties.

1118.52 Taxpayer Service Division

The Taxpayer Service Division is responsible for planning, managing, directing and executing a comprehensive, districtwide, year-round taxpayer service program which will provide full and responsive assistance to taxpayers with respect to all types of Federal tax returns and tax questions. The Division provides authoritative, prompt, courteous, and responsive services on taxpayer requests received via telephone, walk-ins and correspondence regarding: (a) pre-filing questions; (b) assistance in preparing returns, including self-help and actual preparation where the need exists; (c) assistance on questions relating to notices, form letters, and other communications received by taxpayers from the Service; (d) assistance in the preparation of adjustment requests; and (e) assistance in specialized areas, such as alien tax clearance. The Division performs detailed research and initiates contacts with other offices (including service centers) to resolve issues raised by taxpayers. The Division operates the district's toll-free telephone system and ensures a proper balance of staffing between this activity and all other taxpayer service activities, and is responsible for preparing periodic reports of taxpayer service activities.

1118.53 Collection and Taxpayer Service Division

The Collection and Taxpayer Service Division is responsible for the receipt and transmittal of tax returns and documents received in the district; the deposit to the credit of the Service Center Director of tax remittances received in the district; the collection of delinquent accounts through distraint, seizure, levy and other means; the securing of delinquent returns; examination of offers in compromise based on doubt as to collectibility of taxes (except alcohol, tobacco and firearms taxes), offers in compromise of statutory additions based on doubt as to liability (except alcohol, tobacco, firearms, employment and withholding taxes and specific penalties), and all offers in compromise of 100% penalties. The Division receives, acts on, and processes information pertinent to bankruptcies, receiverships, assignments, reorganizations, probate proceedings, foreclosures and redemptions after civil foreclosure, bulk sales, gifts and prizes, and dissolutions and initiates investigations for securing delinquent returns where necessary. The Division maintains files or control records of payments received in insolvency, bankruptcy, and decedent cases and of surety bonds and other collateral posted as security for tax liability. It also maintains files and control records of property seized under distraint authority and takes appropriate action with respect to seized property to ensure that proper legal action may be timely taken. Through the Taxpayer Service Branch Chief, the Division plans and manages a comprehensive year-round taxpayer service program which will provide full and responsive assistance to taxpayers. Such assistance is provided by answering technical and procedural questions relating to both pre-filing and post-filing conditions, assistance in the preparation of tax returns, assistance in and preparation of requests for adjustments, and issuance of certificates of compliance to departing aliens.

1118.531 Special Procedures Staff

(1) The Special Procedures Staff is responsible for furnishing advisory assistance on technical delinquent collection and returns matters to the Chief, Collection and Taxpayer Service Division, Chief, Field Branch, Chief, Office Branch, and Group Supervisors; providing liaison for the District Director with the Department of Justice, including the U.S. Attorneys, the Chief Counsel and Regional Counsel on all collection matters; ascertaining tax liability and filing of proof of claims in insolvency and decedent's estate proceedings; recommending civil suits to enforce collection or to protect the Government's interests; processing civil suits against the United States or the District Director; examining, reviewing and processing seizure and sale reports; processing applications for discharge of property from the effect of Federal tax liens and for certificates of non-attachment of Federal tax liens and certificates of subordination of the Federal tax lien; processing filed notices of Federal tax liens and certificates of release; processing and maintaining executed collection waivers; analyzing and determining the sufficiency of various forms of collateral offered as security for release of lien or postponement of collection action; furnishing technical advice and assistance and recommendations for or against entry into suitable escrow agreements for the collection of delinquent accounts; reviewing recommendations for and holding conferences on 100% penalty and transferee assessments; post reviewing of accounts reported as uncollectible; reviewing recommendations and holding conferences on offers in compromise cases based on inability to pay; reviewing applications for and holding conferences on extension of time to pay estate tax; and maintaining files and control records on all the above types of cases to ensure that proper legal and other collection actions are taken timely.

(2) In the majority of District Offices this function is organized as a separate Special Procedures Staff. In small offices where the Special Procedures function is a one-position job, it is placed organizationally within the Office of the Division Chief.

Attachment 3--Cont. (3) to MS 11G-76, CR 13G-70

1118.532 Office Branch

(See 1118.512)

1118.533 Field Branch

(See 1118.513)

1118.534 Taxpayer Service Branch

For the Chief, Collection and Taxpayer Service Division, the Taxpayer Service Branch is responsible for planning, managing, directing and executing a comprehensive, districtwide, year-round taxpayer service program which will provide full and responsive assistance to taxpayers with respect to all types of Federal tax returns. The Branch provides authoritative, prompt, courteous, and responsive services on taxpayer requests received via telephone, walk-ins and correspondence regarding: (a) pre-filing questions; (b) assistance in preparing returns, including self-help and actual preparation where the need exists; (c) assistance on questions relating to notices, form letters, and other communications received by taxpayers from the Service; (d) assistance in the preparation of adjustment requests; and (e) assistance in specialized areas, such as alien tax clearance. The Branch performs detailed research and initiates contacts with other offices (including service centers) to resolve issues raised by taxpayers. The Branch operates the district's toll-free telephone system and ensures a proper balance of staffing between this activity and all other taxpayer service activities, and is responsible for preparing periodic reports of taxpayer service activities.

manual supplement

Department
of the
Treasury

Internal
Revenue
Service

5(15)G-51
13G-76
68G-6

April 30, 1975

Taxpayer Service Blue Ribbon Program

Section 1. Purpose

This Supplement provides instructions, guidelines and procedures for implementation of the Taxpayer Service Blue Ribbon Program in district offices.

Section 2. Background

.01 Effective July 1, 1971, functional and program responsibility for the year-round Taxpayer Service Program was assigned to the newly established Taxpayer Service Division in the National Office.

.02 For Fiscal Years 1974 and 1975, there were significant man-year increase allocated to Taxpayer Service in district offices. For the FY 1974 filing period, each district office appointed a Taxpayer Service Manager with sole responsibility for planning, directing and executing the Taxpayer Service Program.

.03 Effective July 1, 1974, the District Collection and Taxpayer Service Division was restructured to give Taxpayer Service separate organizational status.

.04 Within the past few years significant operational improvements have been achieved within Taxpayer Service, including the installation of IDRS, completion of the toll-free telephone network and use of extended office hours.

.05 In recognition of the additional responsibilities assigned to Taxpayer Service and in view of the increasing demands from taxpayers and Congress, a study group was formed early in Calendar Year 1974 to develop and implement a Taxpayer Service Blue Ribbon Program.

Section 3. Taxpayer Service Blue Ribbon Study

.01 The study included provision for:

- 1 the establishment of a new occupation for Taxpayer Service, with new and expanded duties and responsibilities, higher-level qualifications requirements, and an improved grade structure. This new occupation is in addition to, not a replacement for, the existing GS-962 Taxpayer Service Representative (TSR) occupation in Taxpayer Service.
- 2 an equitable and uniform method for the initial, one-time selection of incumbent Taxpayer Service personnel to be reassigned to the new, higher-level occupation;
- 3 a career ladder which will permit the advancement of qualified Taxpayer Service personnel from the entrance grade level to supervisory and management levels in Taxpayer Service and to other occupational areas; and,
- 4 the development of training programs consistent with work expectations.

Section 4. The New Occupation

.01 Through consultation with the Civil Service Commission, it has been determined that the new Taxpayer Service occupation most closely resembles the present GS-526 Tax Auditor occupation in terms of qualifications required. Therefore, as an interim measure, positions in the new occupation will be classified in the GS-526 series (see also Section 5.06).

Distribution:

TSR 1341, 1 1500 and 600.

Section 4--Cont.

- 2 -

.02 Series

1 The CSC has revised the GS-526 Tax Technician Series definition to include Taxpayer Service work. It now reads:

"This series includes positions that involve technical work concerning tax liability requiring discretion and independent judgement in the application of (a) knowledge of pertinent tax laws, regulations, and procedures; (b) analytical methods; (c) skill in personal contacts with taxpayers and their representatives; and (d) at the full working level, knowledge of elementary accounting. The work includes examination or audit of tax returns to reach decisions on correct tax liability, or technical assistance and advice to the public on tax liability issues."

.03 It is anticipated that the work of the new GS-9 Taxpayer Service position will be fully equivalent in level of difficulty and responsibility to that of the Tax Auditor, GS-9 (Tax Technician GS-526-9), and will require fully equivalent qualifications. The new GS-9 Taxpayer Service job will require, among other knowledge and abilities, these more significant ones:

- 1 an extensive knowledge of the tax code and regulations (including tax laws and regulations as they apply to business);
- 2 a familiarity with common business practices in the local area;
- 3 a knowledge of accounting, equivalent, to at least that taught in college elementary accounting courses;
- 4 an ability to advise business people on how to maintain books and simple accounting systems and how to use them to develop information for tax purposes;
- 5 an ability to identify, extract, and evaluate information from a variety of records and documents such as financial balance sheets, taxpayer account records, sales and other contracts, documents of title and property sale, and others;
- 6 a knowledge of the Service Center data processing system in order to follow a taxpayer's account through the system and to institute proper corrective action (e.g., request for adjustment, payment tracers, filing amended returns, release of freeze codes, resolution of invalid account identification).
- 7 an ability to inform groups about tax laws and available tax services;
- 8 an ability to assist taxpayers in any IRS related matter (i.e., acting as a focal point for taxpayers who want to register complaints, suggestions, or problems about any aspect of the IRS) in addition to providing technical tax assistance

.04 Positions remaining in the GS-962 Contact Representative Series will be utilized to:

- 1 augment GS-526 employees and thereby allow them to perform duties commensurate with their grade level a greater percentage of the time;
- 2 provide a "bridge" into the new GS-526 occupation -- i.e., a means by which GS-962 employees can become qualified for the higher-graded positions in the GS-526 series;
- 3 provide an additional source of recruitment for the GS-526 Taxpayer Service occupation.

Section 4--Cont.

- 3 -

.03 Title

1 The organizational title for positions in the new GS-526 occupation will be "Taxpayer Service Specialist" (TSS). The classification title will be "Tax Technician."

2 The organizational title for positions remaining in the GS-962 series will be "Taxpayer Service Representative" (TSR). The classification title will be "Contact Representative."

.03 Grades. The CSC has determined that the new TSS job is classifiable, at the full working level, at GS-9, with GS-7 and GS-5 developmental and trainee levels, respectively.

Section 5. Position Management

.01 No goal or limitation has been established for the reallocation of TSR positions to the GS-526 series; the number and location of GS-526 positions should be dictated by known GS-526 workload. Management should carefully determine the availability of GS-526 workload before proposing the establishment of positions in the GS-526 series.

.02 Local needs, and the skills and abilities of incumbent TSR's, will have an impact on the number and location of positions initially filled in the new GS-526 TSS occupation. Line managers have the primary responsibility for these determinations, with Personnel responsible for advising and assisting them in carrying out their position management responsibilities. Specific position management criteria that should be applied to the establishment of TSS positions in the GS-526 series include: the need to concentrate higher-graded (i.e., GS-526) work in as few positions as possible consistent with management needs in terms of mission accomplishment; and the need to evaluate the total organization (i.e., Taxpayer Service Branch or Division) in terms of effective utilization of personnel resources, including the mix of GS-962 and GS-526 positions.

.03 Regions should provide position management assistance to districts and are responsible for carefully reviewing plans to implement the Taxpayer Service Blue Ribbon Program. Regions should note that individual differences among their districts (e.g., geographic factors, population dispersion, etc.) may well result in valid differences among them in the proportion of positions proposed for reallocation to GS-526.

.04 While it is expected that the bulk of the higher-level work previously performed by GS-962-7 and 8 TSR's will now be performed by positions in the GS-526 series, there may be a continuing need in some offices for GS-962 positions at GS-7. Specific situations could include: small posts of duty, where substantial amounts of GS-962-7 work exist, but where there is insufficient GS-526 work to warrant the establishment of a GS-526-9 TSS position; and larger offices, where the number of GS-526 positions established is insufficient to accomplish all of the work above the GS-962-6 level of difficulty. No SPD has been established for such situations; continuing GS-962 positions above GS-6 should be described and classified locally.

.05 By August 15, 1975, each region should notify the National Office, Personnel Division, Attention A:P:P, of:

1 the number of permanent TSR's reassigned without promotion from GS-962 to GS-526, by grade level and by full-time or part-time tour of duty;

Section 5--Cont.

- 4 -

2 the number of permanent TSR's promoted from GS-962 to GS-526 by grade level and by full-time or part-time tour of duty;

3 the number of permanent TSR positions remaining in GS-962, by grade level and by full-time or part-time tour of duty.

.06 Approximately one year after full implementation of the new GS-526 TSR occupation, a study will be conducted to determine whether these positions are functioning as described in the SPD's and to determine whether GS-526 is the most appropriate classification series for these positions.

Section 6. Position Classification

.01 Non-Supervisory, Position Descriptions

1 SPD's 595, 596, and 601 reflect the GS-5, 7 and 9 levels, respectively, of the new GS-526 TSS occupation. These SPD's are being published in IRM 1341, Handbook of Position Classification and Qualification Standards and Guidelines. After TSR's have been selected for positions in the new occupation, they should be placed on an SPD at the appropriate grade level.

2 SPD's 592, 593 and 594 describe the newly designed GS-962 TSR positions at the GS-4, GS-5 and GS-6 levels, representing trainee, developmental and journeyman levels, respectively. These SPD's are also being published in IRM 1341.

3 SPD's 555, 560, 561 and 562 will continue to be used only for incumbent GS-962 TSR's not selected for the new TSS GS-526 occupation and remaining in the GS-962 series. These SPD's will continue to be used until incumbents leave the positions. Thereafter, these SPD's will be abolished.

4 SPD 628 and 599 are special, limited-duration SPD's for employees at GS-962-6 and 8, selected for the new TSS GS-526 occupation, but not yet eligible for promotion to GS-526-7 or 9. These SPD's are also being published in IRM 1341.

5 Incumbents classified to GS-962-8, and not selected for the GS-526 occupation, will be kept on those locally developed position descriptions at GS-962-8. However, GS-962-8 positions should not be filled after present incumbents vacate them, and no new GS-962-8 TSR positions should be classified.

.02 WAE and Temporary TSR Positions

1 Generally, filing-season-only positions should be established to do less complex, high-volume Taxpayer Service work which does not equate to the duties and responsibilities of the GS-526 TSS occupation. Classification of filing-season-only positions will, therefore, probably be appropriate in the GS-962 series.

2 Positions established on a year-round basis but on other than a full-time tour of duty may be classified to the GS-526 series where they meet the position management and position classification requirements of this Manual Supplement.

3 Substantive qualifying experience gained by employees on other than year-round full-time tours of duty (e.g., WAE's) may be considered, on a prorated basis, in determining eligibility for positions in the GS-526 TSS occupation.

.03 Supervisory Positions

1 SPD 602 has been developed for the first full supervisory level over work with a base level of GS-526-9. The position is classified at the GS-526-11 level using SGEG, Part II. Since this is a new position, eligible employees will have the opportunity to compete for these Group Manager positions. If necessary, the position may be announced at

Section 6--Cont.

5

grade levels lower than GS-11, with the understanding that employees selected will progress to the GS-11 level as they are eligible.

2 SPD 570, Supervisory Taxpayer Service Representative, GS-962-10, will continue to be used for the position of first-line supervisor over GS-962 work with a base level of GS-7.

3 Taxpayer Service managerial positions above the first full supervisory level will continue to be classified at their present series and grade, using existing SPD's or locally developed position descriptions for these positions.

Section 7. Qualification Guidelines

.01 The basic qualification requirements for GS-526 TSR positions are the same as those for GS-526 Tax Technician (Tax Auditor) positions and are found in 21(11).11 of IRM 1341, Handbook of Position Classification and Qualification Standards and Guidelines.

.02 By agreement with the Central Office of the Civil Service Commission, and to make the transition from the GS-962 series without unduly penalizing incumbent TSR's Specialized Experience Requirement Number 1 is amended to include:

"experience in tax assistance work, including the actual preparation of returns and the computation of tax liability, which required the application of pertinent parts of the Internal Revenue Code and related regulations and procedures (but which did not require a full professional knowledge of accounting) when the experience has demonstrated ability to (1) conduct analytical examinations, (2) make imaginative use of in-office factfinding techniques, and, (3) develop effective public contact skills."

.03 For GS-525 positions at GS-9 or above, accounting knowledge at least equivalent to that taught in college elementary accounting courses is required. This requirement may be met by successful completion of six semester hours (or the equivalent) of college accounting courses, or business or commercial school courses, or by the successful completion of the IRS correspondence courses in Fundamental and Constructive Accounting. A fuller explanation of the accounting requirement is found in 21(11).11 of IRM 1341.

Section 8. Screening Incumbent GS-952 TSR's for promotion or Reassignment to the GS-526 Series

.01 The screening and selection process will be conducted in accordance with IRM 1861 (Servicewide Promotion Plan) and this Manual Supplement. In addition, districts will extend the following provisions of Article 7 of the Multi-District Agreement (MDA) to this process: Section 3A, Section 3E, Section 4A, Section 4C, Section 4E, Section 6B, Section 6C, Section 6D, Section 9, Section 10, Section 11 and Section 14. The remaining provisions of Article 7 of MDA are not applicable.

.02 Initial competition for entry into new GS-526 series will be limited to incumbent GS-952's because of ceiling restrictions within Taxpayer Service. (For filling vacancies, see Section 10).

.03 All GS-952 TSR's, GS-5 and above, GS-4 TSR's eligible for promotion to GS-5, who wish to be considered for positions in the GS-525 series should complete Form 4536, Application for Promotion/Reassignment Consideration, and submit it to their servicing Personnel Offices.

.04 All supervisors are required to prepare new performance evaluations (e.g., Forms 3851) prior to the screening process, which reflect performance with the past 12 months. (Follow provisions of MS 04G-5).

.05 All applicants will be evaluated by the Screening Panel by considering current supervisory evaluations; pertinent awards; pertinent training and/or education; and the results of a panel interview. Specific instructions for the Screening Panel are contained in Attachment 1 to this Manual Supplement.

Section 8--Cont.

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.06 The Screening Panel will have the responsibility of screening all GS-962 candidates for positions in the new GS-526 TSS occupation.

.07 All GS-962 applicants who are selected for positions in the GS-526 series and are fully eligible for promotion to Grades GS-526-7 or 9 should be promoted to those positions. (At the GS-9 level full eligibility includes 6 hours of Accounting as well as the required experience.)

.08 All GS-962 applicants at Grades GS-5 and GS-7 who are selected for positions in the GS-526 series and are not fully eligible for promotion should be reassigned to positions in the GS-526 series at their present grades.

.09 GS-962 applicants at Grade GS-962-6 or 8 who are selected for positions in the GS-526 series and are not eligible for promotion should be reassigned to the special, limited-duration SPD developed for Grades GS-526-6 and 8.

.10 All employees selected for the new GS-526 TSS occupation will be expected to have demonstrated the potential to advance to the GS-9 full-performance level.

1 Progressive promotion to the full-performance level will occur as employees meet the qualifications requirements for the next higher grade, have the required time in grade, and are certified by their supervisors as being able to perform the work at the higher grade.

2 Generally, employees will remain in trainee or developmental positions for approximately one year, or until fully eligible for promotion.

3 If for any reason an employee below the full-performance level is determined to be not promotable after one year, he/she should be counselled in line with IRM 0431, Supervisor's Guide to Performance Appraisal. This counselling should include the establishment of a new individual training and development plan lasting no longer than one additional year.

4 If the employee is not promoted by the end of this additional year, action should be initiated to remove him/her from the GS-526 occupation by reassignment, demotion, or separation, in line with Internal Revenue Service and Civil Service Commission requirements.

.11 Interview guidelines and sample questions will be transmitted separately to each Regional Personnel Officer who will, in turn, furnish a supply to each District Personnel Officer.

Section 9. Applicants Not Selected for Positions in the New GS-526 TSS Occupation

.01 The status of non-supervisory incumbents remaining in the GS-962 series will not be adversely affected by the establishment of the new GS-526 TSS occupation.

.02 Employees assigned to GS-962 positions on or before May 1, 1975 and not reassigned to a GS-526 position may be given career promotions to GS-962-7.

.03 Incumbents of GS-962 positions not selected for positions in the new GS-526 occupation should be counselled on the reasons for their non-selection.

Section 10. Filling Future Vacancies

After the initial consideration of incumbent GS-962 TSR applicants, existing and future vacancies in the new occupation will be filled by concurrent consideration of qualified applicants from all activities of IRS and applicants on PACE registers.

Section 11. Procedures

Detailed procedures covering the expanded work to be performed by TSS's will be issued separately in IRM 5(15)50, Taxpayer Service Representative Handbook.

Section 12. Additional TSS Training

.01 The new duties to be performed by GS-526 TSS's will require additional training beyond the Basic and Advanced TSR courses. It is estimated that at least an additional week's training will be needed to prepare these employees to undertake such duties as: providing tax planning information on the timing of sales of capital assets and ordinary assets; recommending recordkeeping methods and accounting methods; advising taxpayers on the selection of the most advantageous method of depreciation; recommending use of the Income Averaging provisions; etc.

.02 The training material will be distributed to the field by May 15, 1975. The program will be developed as a separate module for those employees who are screened into the new positions; the module could also be added to the Advanced course.

.03 Additional information on this course will be provided as the course content is developed.

Section 13. Implementing Actions and Completion Dates

.01 The target date for full implementation of the Taxpayer Service Blue Ribbon Program is the beginning of Fiscal Year 1976.

.02 To meet the above date, the following actions must be taken:

<u>Action Item</u>	<u>Responsible Office</u>	<u>Completion Date</u>
Select Screening Panel	RC/DO	4/15/75
Issue Additional Training Material for TSS's	NO	5/15/75
Complete Current Performance Evaluations by First-Line Supervisors	DO	5/1/75
Screen Incumbent TSR's	RO/DO	6/1/75
Complete Additional TSS Training, As Required	RO/DO	6/22/75

.03 Full implementation includes the preparation of the necessary Personnel actions to complete the reassignment and promotion, as warranted, of Taxpayer Service employees who are selected for positions in the new occupation.

Section 14. Supply of Form M-0021

Initial distribution of Form M-0021, Taxpayer Service Representative Screening Procedure, will be made without requisition.

Section 15. Effect on Other Documents

This amends 21(11).11 of IRM 1341, Handbook of Position Classification and Qualification Standards and Guidelines and supplements IRM 5(15)50, Taxpayer Service Representative Handbook. This "effect" should be annotated by pen and ink on the Handbooks, with a reference to this Supplement. Also, this supplements IRM 6800 (to be issued).



Commissioner

Attachment 1 to MS 5(15)G-51, CR 13G-76 and 68G-6

Screening and Selection Process for
Taxpayer Service Representatives

The screening and selection process for the new GS-526 occupation in Taxpayer Service will consist of two distinct elements: the Promotion Appraisal completed by the supervisor worth a maximum of 60 points and the Screening Panel's evaluation worth a maximum of 40 points. The total points in each element will be combined and will constitute the final score for each candidate. Cutoff score for highly qualified will be 71. No candidate with a score of less than 71 will be converted. Best qualified will be determined based on assigned scores, in rank order. Best qualified candidates will be referred to the selecting official in alphabetical order. The number of candidates selected for conversion will be based on real and projected workload requirements.

I. Performance Evaluation 60 Points

Evaluation Form (3861) has 12 factors, each rated 5, 4, 3, 2, or 1; a perfect total score is 60. Add the ratings given on each factor, and the total of all ratings then becomes the final score of the evaluation.

II. Panel Judgment 40 Points

Composition of Panel

The panel must consist of three voting members: two top or mid-level managers, one first line manager and, if possible, should include a non-voting member from Personnel. The top or mid-level managers may include a Division or Branch Chief from any activity in the District, or the Taxpayer Service Program Manager, or above, in the Regional Office.

Methods to be Used

The following methods or sources of information will be utilized in evaluating applicants against the Promotion Criteria: current supervisory performance evaluation, pertinent awards, pertinent training and/or education and the interview. Panel members must insure that all sources of information are considered in determining the final rating of each candidate.

Promotion Criteria

Promotion criteria are as follows:

1. Interpersonal Skill
 - A. Ability to meet and deal with and explain technical tax laws and regulations to a wide variety of people, including some who may not readily accept the advice given.
 - B. Ability to express thoughts in an effectual and diplomatic manner both in oral and written communications.
 - C. Ability to inform groups about tax laws and about the services available to taxpayers at IRS.
2. Technical Expertise
 - A. Demonstrates a sound knowledge of basic accounting principles.

Attachment 1--Cont. (1) to MS 5(15)G-51, CR 13G-70 and 69G-6

- B. Possesses an extensive knowledge of tax code and regulations and is able to advise taxpayers in terms of how tax laws and procedures relate to their present or future circumstances.
 - C. Keeps informed of changing laws and procedures.
 - D. Knowledgeable of pertinent information sources and how to utilize them.
 - E. Possesses a thorough knowledge of IRS organization and functions.
3. Decision Making Skills
- A. Ability to evaluate data and to identify and extract pertinent information from a variety of documents.
 - B. Ability to determine what action would result in the best solution to a taxpayer's problem.
 - C. Ability to discover and isolate potential tax issues.
 - D. Ability to analyze issues pertaining to tax laws and procedural matters, weigh alternatives, and to arrive at a correct and logical answer.
4. Dependability
- A. Ability to handle contacts with individual taxpayers and make presentations to groups whether on IRS premises or at off-site locations in an independent manner, but keeps supervisor apprised of significant matters.
 - B. Ability to effectively organize, plan and complete assignments to maximize the utilization of time.
 - C. Completes work assignments in such a manner and with the degree of accuracy as to present an exemplary image of the Service.
5. Adaptability
- A. Readily assimilates changes in regulations and procedures.
 - B. Accepts special assignments and responds readily to changes in plans and priorities.
 - C. Is resourceful in finding solutions to unusual problems and is able to develop new approaches and techniques when situations warrant.

Each criterion has a maximum point value of five and a minimum of one. The panel members will individually assign point values for each criterion. The totals of these assigned point values will then be averaged. (See conversion table for details).

Ratings will be assigned on the following bases:

Outstanding Potential - 5 points, the candidate meets the full definition of this factor for the grade level indicated.

Attachment 1--Cont. (2) to MS 5(15)G-51, CR 13G-76 and 68G-6

Very Good Potential - 4 points, the candidate nearly meets the full definition for this factor at the indicated grade level. The candidate could meet expectations with a minimum of guidance and experience.

Good Potential - 3 points, the candidate does not fully meet the expectations of this factor for the indicated grade level. Additional experience and guidance is required for the candidate to fully meet the definition of this factor.

Fair Potential - 2 points, the candidate does not meet the expectations of this factor for the indicated grade level. The candidate possibly may meet the definition of this factor with considerable training, experience, and guidance.

Minimal Potential - 1 point, the candidate presently does not possess the ability to meet the definition of this factor for the indicated grade level even with considerable training, experience and guidance.

Panel Score

Add the ratings given on each criterion to arrive at a raw score. Then, using the table provided on the worksheet, determine the converted score.

III. The panel should then fully complete Form M-0021 for each applicant, per the instructions contained on the form. (A copy of the form is included as part of Attachment 1.)

Attachment 1--Cont. (3) to MS 5(15)G-51, CR 13G-76 and 68G-6

Taxpayer Service Specialist Screening Procedure		Date
Candidate's Name	Grade	Post of Duty

Instructions:

1. This form will be fully completed on each candidate for entry into the new occupation. It will become a permanent part of the promotion folder for documentation purposes.
2. Part A reflects the final score assigned to the candidate by his/her supervisor on the Promotion Appraisal. This is worth a maximum of 60 points.
3. The table in Part B reflects across the top all the possible combinations of combined points assigned by individual panel members. The values below are the fully computed scores for each evaluation criterion including the averaging of points assigned by panel members. The panel should total individually assigned scores and locate that total on the top line of the table. The converted score should then be placed on the line next to the appropriate criterion.
4. The narrative statement reflecting consensus of the panel's final rating on each candidate will be completed in Part C.
5. Panel members will sign under the statement in Part C.

Part A - Supervisory Appraisal

Each of 12 factors on Form 3861 is assigned a rating. Add assigned ratings for total.	Total
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Part B - Screening Panel

Raw Score	15	14	13	12	11	10	9	8	7	6	5	4	3
Converted Score	8.0	7.5	6.9	6.4	5.9	5.3	4.8	4.3	3.7	3.2	2.7	2.1	1.6
Criteria											Converted Score	Total Converted Score	Final Combined Score (Total of Parts A and B)
a. Interpersonal Skills													
b. Technical Expertise													
c. Decision Making													
d. Dependability													
e. Adaptability													

Part C - Narrative Statement

Signature	Signature	Signature
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Manual Transmittal

**Internal
Revenue
Service**

1218-40

Date of Issue:

December 16, 1974

Purpose

This transmits a revised statement of Service policy for IRM 1218, Policies of the Internal Revenue Service Handbook, approved by the Commissioner November 16, 1974.

Removal and Insertion of Pages

Remove:

P-5-133 (Cont.) — P-5-154

Insert:

P-5-133 (Cont.) — P-5-154

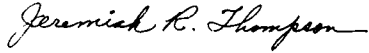
Nature of Changes

P-5-154 has been revised to provide that Taxpayer Service personnel will not be assigned inventories of TDAs, TDIs, or Audit examinations, or perform enforcement duties, such as serving summonses or levies, and

participating in conducting seizures. When TSRs have time available from their primary function they are expected to perform duties in support of other District Office activities, such as telephone contacts on RCP leads, following up on TDIs, and office processing work. Also, clarifying changes have been made concerning Service preparation of returns for taxpayers.

Effect on Other Documents

Manual Transmittal 1218-24, dated November 6, 1973, is obsolete.



JEREMIAH R. THOMPSON
Director, Internal Management Documents Division