



The Taxpayer Assistance Center Committee Report on Improving the Payment Process in the TACs

November 2009





Internal Revenue Service TA: TAP
1111 Constitution Avenue NW, Room 1314
Washington, DC 20224

Citizen volunteers valued for improving IRS services

Ms. Leslye Baronich, Director
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Dear Leslye,

On behalf of the ten members of the Taxpayer Assistance Center (TAC) Issue Committee, it is with great pleasure that I submit to you the following report on improving the payment process in the TACs.

The task assigned to the TAC Issue Committee was as follows:

- (1) Analyze and provide recommendations to improve the payment processing system in the TAC offices.
- (2) Reduce taxpayer wait time when dropping off a payment. (Currently taxpayers may not drop off payment, due to 911 threats, and must take a Q-Matic ticket to be served. This could take up to an hour or more).
- (3) Automate or provide an alternative to issuing official receipts to customers. (Form 809) Employees issue a manual receipt to taxpayers making cash payments.
- (4) Determine alternative methods of utilizing courier service in all TACs, (Small TACs do not accept cash).
- (5) Reduce missed opportunities to accept payments in a TAC.
- (6) Analyze the current Q-Matic ticket system for priority placement of customers making payments.
- (7) Identify alternatives to the 809-receipt process. Employees holding an 809 receipt booklet are restricted from working certain account work. These restrictions do not allow employees to serve all taxpayers.

Your expectation of the TAC Issue Committee was to recommend an improved procedure for processing taxpayers payments and providing them with a receipt.

We have had 100% participation by the panel members. We have concluded our observations and discussions and now submit to you and your staff five recommendations which we believe, if implemented, will improve the payment process in the TACs and consequently improve customer service and satisfaction.

Our report does not address the question of why taxpayers choose to drop off payments at the TACs, rather it looks at the current process and recommends ways to improve service to the taxpayers, as well as reduce taxpayer wait time and IRS staff work time.

The committee commends Field Assistance management for its vision in requesting this operational review that provides a taxpayer's analysis of the current process. All too often, executives wait until a crisis has risen to resolve issue(s), resulting in steps being taken that are costly and time consuming instead of avoiding or minimizing issues by having a second opinion on the process. Your vision to have the TAC Issue Committee look objectively, with fresh eyes, at the payment process in the TACs is commendable!

Please extend our appreciation to the TAC staff in the field offices around the country that assisted us by sharing their thoughts to service America's taxpayers.

The TAC Committee looks forward to working with you and your staff in future projects.

Sincerely,

A handwritten signature in cursive script, appearing to read "Tommy Thompson".

Tommy Thompson
Chair, Taxpayer Assistance Center Issue Committee
Member, Taxpayer Advocacy Panel

ACKNOWLEDGEMENTS

The Taxpayer Assistance Center (TAC) Issue Committee of the Taxpayer Advocacy Panel (TAP) acknowledges the work of the following individuals and groups to make this report possible:

First, the members of the TAC Issue Committee who spent untold hours in interviewing TAC managers from New Hampshire to California, from Illinois to Mississippi. After the initial interviews, observations and questions, many hours were spent in digesting the results and forming specific recommendations to improve the payment process in the TACs. The TAC Issue Committee members are:

Herbert Bohrer, Springfield, ID
Dean Conder, Lakewood, CO
Daniel Fretheim, Decorah, IA
John Leggett, Canterbury, NH
Louise McAulay, Florence, SC
David Monnier, Indianapolis, IN
Patricia O'Neill, San Jose, CA
Ann Spiotto, Lincolnwood, IL
Tommy Thompson, Southaven, MS
Mary Jo Werner, La Crosse, WI

Second, the managers and personnel of TAC offices across the nation, without whose help the interviews, questions and answers, and observations could not have been completed by the Committee.

Third, the IRS management and staff who provided both technical support and encouragement during this project, including: Leslye Baronich, Director, Field Assistance; Beth Braddock, Policy Analyst, whose advice was warmly received on every monthly teleconference; Jane Brough, Field Assistance Supervisory Financial Management Specialist, who met with the committee at the Face to Face meeting in Denver, and whose thoughts and suggestions helped us formulate our recommendations.

Fourth, the excellent and diligent staff of TAC Committee Program Office, located in Milwaukee, WI, and which functions under the leadership of Roy Block, Program Manager. This project could not have been completed without the hard work of the following: Ellen Smiley, Program Analyst, who went the second and third miles in providing technical support and encouragement in order to make this project successful; Patti Robb, Backup Program Analyst, who received a promotion during the process, but was always with us on our monthly teleconferences to give us support; and to Lisa Gabriel, Management Assistant, who provided creative products and administrative support.

Special thanks to Herb Bohrer and Dean Conder, who led us through the difficult evaluation process at our Denver Face-to-Face meeting, which resulted in the development of five major recommendations.

Special thanks to our subcommittees who formulated the final recommendations, working mostly through weekly teleconferences.

Special thanks to Ann Spiotto for her diligent and hard work in “putting it all together” for the committee. Her many, many hours of reading, reviewing, processing, editing, formulating, and reporting was the key to our arriving at a final report.

This was a joint project of many people from many parts of the nation. Everyone participated fully in the entire project and rightfully can take a bow for a job well-done.

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EXECUTIVE SUMMARY

The recommendations presented in this report are based on observations and findings from TAP member visits to local TACs and interviews with TAC managers and employees. Information was also received from IRS Program Owners, several state government tax units that issue Heavy Duty Vehicle licenses, truck drivers, and federally chartered banks.

The purpose of these visits was to gain a better understanding of the TAC payment process, receive insight from employees and managers, and identify ways to improve the payment process, customer service, and satisfaction in the TACs.

RESEARCH: Methodology

In order to assure consistency for TAC Committee visits and observations, the Committee developed a series of twenty questions to present to the managers. These questions focused on payment processing activities. The Committee members visited 16 offices and interviewed 14 managers from New Hampshire to California, from Wisconsin to Mississippi. Payment processing was also discussed with these managers who remotely managed an additional seven TAC offices. All ten of the Committee members were involved in the visits and observations.

Following the visits to the TACs, each member of the Committee prepared a report documenting his/her observations and listing answers to the twenty standardized questions. These reports were discussed during the monthly TAC Committee teleconferences.

At the June 2009 face-to-face meeting in Denver, the observations and written reports were discussed to identify ways to improve the payment process and customer service.

At the Denver meeting recommendations were adopted that fall into five categories:

- Heavy Highway Vehicle Use Tax, Form 2290
- Payment Drop Boxes in TACs (for payment by checks or money orders)
- Payment Using the Form 8109 Process for all taxpayers
- Forms Used in the Payment Process at the TACs
- Q-Matic System and Wait Time

Five subcommittees were appointed to develop the recommendations contained in the following report. These recommendations are designed to improve the payment process in the TACS:

HEAVY HIGHWAY VEHICLE USE TAX, FORM 2290

This recommendation asks Field Assistance to reduce or eliminate the number of taxpayers visiting TAC offices to pay their highway use tax by encouraging the use of alternative payment methods that may be more convenient and faster for taxpayers than traveling to a TAC.

PAYMENT DROP BOXES

This recommendation asks Field Assistance to install payment drop boxes nationwide in all TACs to receive payments made by checks or money orders. This is an accepted business practice in many industries.

PAYMENT USING FORM 8109 FOR ALL TAXPAYERS

This recommendation asks Field Assistance to address the ability of taxpayers to make tax payments by offering a simplified system. Currently, the IRS allows business customers to deposit certain taxes using existing Financial Institutions. The IRS should expand the opportunity to collect a variety of taxes using the Form 8109 process.

- The IRS should adapt the Form 8109 process for all taxpayers.
- The IRS should make deposit coupons more readily available or easily accessible by converting deposit coupons (Forms 8109 and 8109-B) to a form accessible online and allowing the taxpayer to print the forms from *www.irs.gov*.

FORMS USED IN THE PAYMENT PROCESS AT THE TACS

This recommendation asks Field Assistance to conduct an analysis of the posting and processing of payments at the TACs with the objective of reducing the number of forms required. Additionally, the IRS should continue to develop and implement an automated process for payment processing in the TACs. This would include the capability of providing a receipt for every cash payment as well as for payments made by check, if requested.

- For each payment received from a taxpayer, IRS procedures require TAC staff to complete Form 809, Receipt for Payment of Taxes (for cash payments), Form 3244, Payment Posting Voucher, and Form 795, Daily Report of Collection Activity. Much of the information required on each of these forms is similar. The IRS should develop and implement a system whereby these three forms

integrate with each other and once information about a payment is entered into an online form by TAC staff, the common information should auto-populate to each of the three forms.

- Check 21 technology should be researched and expanded for use in all TACs. This established technology is currently used by many private industries and is an accepted way to provide receipts to customers at the time of payment.

Q-MATIC AND WAIT TIME

This recommendation asks Field Assistance to: (1) refine its use of the Q-Matic system, (2) educate customers in Q-Matic use, and (3) develop performance information utilizing Q-Matic data.

The consensus of the TAC Committee is that some payment process functions should be modified to achieve the objectives of reducing repeat traffic, wait time, staff time, and the handling of cash in the TACs. In order to bring about needed changes, the Committee believes that more attractive alternatives need to be created to encourage taxpayers to utilize mechanisms for payment (particularly cash payments) other than in-person delivery to the TACs. Also, an important consideration in reducing in-person delivery of payments to the TACs is the continuing education of taxpayers by IRS staff concerning alternatives available to them.

A major reason for dissatisfaction expressed by taxpayers about their visits to local offices involves the promptness of service. A significant number of taxpayer visits are to make payments. Reducing the number of taxpayer visits for payments and reducing the time required for individual payment interactions should improve the promptness of service for all customers visiting the TACs.

Additionally, during interviews with TAC managers the most commonly mentioned concern was the handling of cash. Managers categorized the handling of cash as among the most serious issue they faced.

The recommendations of the TAC Issue Committee address all of these concerns. We submit them to Field Assistance with the belief they will improve the payment process in the TACs and improve customer service and satisfaction.

I. INTRODUCTION

A. Background of the Taxpayer Assistance Center (TAC) Payment Project

The Taxpayer Assistance Blueprint (TAB)¹

In 2005, Congress requested that the Internal Revenue Service (IRS) develop a 5-year plan for taxpayer service. The IRS, in collaboration with the National Taxpayer Advocate (NTA) and the IRS Oversight Board, undertook the TAB project as a 2-phase effort designed to answer questions about the service needs and preferences of individual taxpayers.

TAB Phase 1 included preliminary research relative to taxpayer needs, preferences and behaviors. The TAB Phase 1 Report, delivered to Congress in April 2006, included a baseline of current taxpayer services and outlined key strategic improvement themes.

TAB Phase 2 built on the themes identified in Phase 1 with extensive additional research, including taxpayer surveys. The TAB Phase 2 Report was delivered to Congress in April 2007 and outlines the Strategic Plan for taxpayer service, including:

- A comprehensive portfolio of service improvement recommendations.
- An implementation strategy to ensure that taxpayer service remains a key consideration in IRS budget and strategic planning processes.
- A recommended set of future research studies to further enhance understanding of taxpayer and partner service needs, preferences and behaviors.
- A governance structure to facilitate and monitor implementation of TAB recommendations.

The TAB report also looks closely at the TACs, how the TACs

¹ The summary of the TAB project appearing in this section is from *www.irs.gov* at <http://www.irs.gov/individuals/article/0,,id=156394,00.html> (last reviewed or updated 7/7/2009).

operate now and how they may look in the future.² The NTA has described the TAB as:

“...an important first step in developing a long-term strategy for taxpayer service. The significance of the TAB is that IRS is viewing service from the taxpayer’s perspective, instead of solely from the viewpoint of cost efficiency in tax administration. As a result, the IRS knows more about taxpayers’ needs, preferences, and willingness to use specific channels of service.”³

The Taxpayer Assistance Centers

The TACs are centrally managed within the IRS Wage and Investment Division (W&I) under W&I’s Field Assistance (FA) organization. The FA mission is to

“....enhance the taxpayer experience by providing quality face-to-face assistance and facilitate self-assisted services that resolve tax issues and educate the taxpaying public.”⁴

FA operates under key objectives to increase access to face-to-face assistance and standardize services across all TACs. TAC services are generally delivered on a one-on-one assisted basis.⁵ Generally, the order in which taxpayers visiting TACs see an IRS representative is prioritized using the Q-Matic system (or at smaller TACs the Q-Lite

² See the IRS Taxpayer Assistance Blueprint: Phase 2 (Apr. 17, 2007) (TAB Phase 2 Report) at section 7.

³ National Taxpayer Advocate 2007 Annual Report to Congress vol. 1, Most Serious Problems #11 – Service at Taxpayer Assistance Centers: Conclusion.

⁴ The FA Mission Statement appeared in a written presentation given to the TAC Committee by FA representatives Beth Braddock and Jane Brough at its June 18 – 20, 2009 face-to-face meeting in Denver, CO (June 2009 Face-to-Face).

⁵ TAB Phase 2 Report at section 7.1.

system) based upon the issue that the taxpayer needs assistance with.⁶

In the last few years FA has attempted to gain efficiencies at the TACs through space renovations and reduction of sub-optimal geographic positioning, while relocating facilities to more convenient locations. TAC staffing is about 2,200 people, with roughly 150 in the headquarters office and the remainder in field positions. There are currently 401 TAC sites with staffing at the individual TAC level ranging from one or two employees to over 20. Some TACs have group managers on site and some do not. Six or seven group managers report to a territorial manager who in turn reports to one of five area directors.⁷

Today telephone and website contacts represent the primary IRS service channels. However, the TAB recognizes that some segments of the population face challenges that create a disadvantage when seeking service through electronic and telephone channels—such as limited reading and writing skills, existence of special needs (such as language, disabilities, age, or income level), or lack of access to a computer. Analysis of demographic information collected from TAC users during 2006 indicates that the likelihood of taxpayers who contacted the IRS in the previous two years using a TAC was higher among taxpayers with the following characteristics:

- Income under \$35,000: these taxpayers are nearly four times as likely to use TACs as those in other income segments.

⁶ The basic process is that each taxpayer takes a number from the Q-Matic or Q-Lite machine. The order in which taxpayers see an Individual Taxpayer Advisory Specialist (ITAS) is based upon the issue that the taxpayer needs assistance with. Taxpayers making payments are generally given priority over certain other taxpayers with interactions that take longer to complete. This information was provided during discussions with FA representatives on December 4, 2008 during the TAC Committee face-to-face (December 2008 Face-to-Face) and with individual TAC managers in interviews with TAC Committee members during the first half of 2009.

⁷ This information was provided during discussions with Leslye Baronich, the Director of FA on December 4, 2008 at the December 2008 Face-to-Face.

- Education less than high school: these taxpayers are nearly 10 times as likely to use TACs as those in other education segments.
- Lack of access to a computer: these taxpayers are nearly 3 times as likely to use TACs as those who have a computer at home.⁸

The IRS has very clearly recognized and articulated the challenges unique to service delivery within the TAC channel. It concluded in the TAB Phase 2 Report that while standardization of services, enhanced decision support tools, and improved training have all contributed to increases in quality over the past several years, ensuring quality service in TACs remains a challenge as it is difficult to apply resources in the most efficient manner, wait times for service fluctuate and are difficult to control, and overall capacity to serve customers is limited.⁹ Despite these recognized barriers, the TAB Phase 2 Report states that the IRS is committed to “...*servicing all*

⁸ See TAB Phase 2 Report at section 7.2 for thorough discussion of TAC related research findings and surveys.

⁹ According to the discussion of the current state of TAC service delivery appearing in the TAB Phase 2 Report at section 7.3:

“TAC staffing has never reached the originally projected levels, and many sites have inadequate space to support additional staffing or taxpayer demand. The TAC infrastructure necessitates offsite management in many locations. Under the demand-driven business model, TAC employees are required to handle any issue presented [by a customer] yet TAC facilities have limited ability to direct customers to subject matter experts. TAC employees must be trained in and proficient at handling a wide array of tax-related issues, including preparing tax returns, interpreting and resolving account issues, and providing answers to tax law questions.

“...Service delivery through brick and mortar facilities limits the IRS’ ability to match demand with supply, as TACs cannot transfer surplus work to sites with available capacity... [Additionally,] in order to maintain service in all existing TACs, the IRS devotes significant resources to avoid temporary TAC closures. Due to the fact that over 40 percent of TACs are staffed with two or fewer employees, a considerable effort is required to plan for coverage during employee absences. Throughout the year, IRS employees are assigned to travel to various alternate TAC locations to avoid temporary closures. These temporary assignments are costly in terms of employee time in travel status, travel expenditures, and management burden. Temporary assignments also decrease service levels in the TACs that employees must temporarily leave. The IRS must pay for rent, utilities, and other overhead expenses throughout the year for all TACs, regardless of whether a TAC is staffed and open.”

taxpayers, and thus providing and improving face-to-face service within the scope of the 5-year TAB Strategic Plan.”¹⁰ [emphasis added]

One of the TAC services is to accept payments from taxpayers. All TAC offices accept non-cash payments such as checks and money orders. Only the larger TAC offices have the resources to accept cash. At present, TACs take a lot of payments and payment related tasks comprise roughly 45% of the TAC employees' workload.¹¹ Customer Satisfaction Surveys (CSS) administered to and collected from every customer at the TACs that were provided to the TAC Committee in June 2009 indicated that over three different periods during 2007 and 2008 between 14% and 24% of the taxpayer visits to TACs were for the purpose of making a payment.¹² Last year the cost of accepting cash payments was about \$1 for every \$10 accepted. The primary out-of-pocket expense was over \$1.1 million annually for pickup service from a private courier. That amount would be saved if cash payment acceptance and processing functions were to be removed from the TAC offices. The payment process is estimated to currently consume over 161,000 TAC work hours per year.¹³ The most frequently mentioned problem raised by TAC managers during their interviews with TAC Committee members about the payment process was handling cash payments.

The NTA in 2007 concluded that TAC payment acceptance policy does not encourage taxpayer compliance and recommended that the IRS further improve service at the TACs by accepting "...all payments presented to the IRS, understanding that cash payments must be

¹⁰ TAB Phase 2 Report at section 7.4.

¹¹ Comments made by Jane Brough at the June 2009 Face-to-Face.

¹² FA presentation on CSS results at the June 2009 Face-to-Face. The CSS results indicated that 24% of taxpayer visits to TACs during the period Oct-Dec 07 were to make a payment; 14% during May-Sep 08; and 15% during Oct-Dec 08.

¹³ Information about the annual cost of courier service and TAC hours spent on payments provided by FA representative Beth Braddock.

converted to money orders.”¹⁴ The NTA reiterated this viewpoint in 2008 in her statement that: “*The IRS...should never turn away any taxpayer who is ready to make a payment, regardless of how he or she wants to make the payment.*”¹⁵

It is within this context that the TAC Committee of the Taxpayer Advocacy Panel (TAP) was tasked with its present assignment in December of 2008. Leslye Baronich, the Director of FA, asked the members to make recommendations for “improving the payment processing system” in the TACs. [See Attachment I] Ms. Baronich reminded the TAC Committee that there are 401 TAC offices with 401 different layouts and that, therefore, the concept that one size fits all doesn’t apply to the TACs.¹⁶

B. Purpose

In general, the objective of the TAC Committee’s review is to make recommendations focused on streamlining the payment process and making it easier for taxpayers and TAC employees. The focus of this year’s study was placed on payment acceptance and processing because many of the issues that the TAP has raised with FA have been received by TAP via the TAP hotline and concern taxpayer frustration when attempting to drop off a payment at one of the TACs. Additionally, CSS results indicated that “Promptness of Service” is the item of least satisfaction among the respondents, with 67% indicating dissatisfaction.¹⁷

¹⁴ National Taxpayer Advocate 2007 Annual Report to Congress vol. 1, Most Serious Problems #11 – Service at Taxpayer Assistance Centers: Analysis of Problem: What Are the Current Problems in the TACs? and Taxpayer Advocate Service Comments.

¹⁵ National Taxpayer Advocate 2008 Annual Report to Congress vol. 1, Most Serious Problems #6 – Taxpayer Service: Bringing Service to the Taxpayer: Analysis of Problem: The IRS Needs to Provide More Face-to-Face Service – *Taxpayers Continue to Face Problems in Submitting Cash Payments to the IRS.*

¹⁶ Leslye Baronich comments on December 4, 2008 at the December 2008 Face-to-Face.

¹⁷ FA presentation on CSS results at the June 2009 Face-to-Face.

C. Scope

Areas of focus for the TAC Committee included:

- Analyzing and providing recommendations to improve the payment process at the TACs.
- Reducing taxpayer wait time when making a payment.
- Automating the issuance of official receipts for non-cash/cash payments.
- Reducing missed opportunities to accept payments.
- Analyzing the current Q-Matic process and recommending improvements.
- Determining alternative methods of utilizing courier service.
- Identifying alternative methods of rotating the official receipt (Form 809) book to allow employees to utilize all of their skills.

D. Research Questions

TAC members identified a list of over twenty questions deemed relevant to review of the TAC payment processing activities. [See Attachment 2]

II. RESEARCH AND ANALYSIS

A. Methodology

TAC Committee members interviewed 14 TAC managers during visits to 16 TACs. Payment acceptance and processing at an additional seven TACs also managed by the same 14 managers were discussed. At least one TAC office was visited in each of the five

TAC areas. Each of the 10 TAC Committee members visited at least one TAC and discussed how payment acceptance and processing worked with at least one TAC manager. [See Attachment 3] The meetings generally lasted between 1 and 2 hours. At each meeting the member discussed the series of pre-determined questions and additional questions that were suggested by the answers to the original questions.

Each TAC member then wrote a report describing the meeting, the characteristics of the TAC visited, how payments are processed in the individual TAC, and issues that were raised by the current approach used for payment processing. These reports were discussed during the monthly TAC Committee teleconferences.

The TAC members' preliminary findings were presented to FA representatives at the TAC Committee's June 2009 face-to-face meeting in Denver, CO. Observations from those visits were discussed in an attempt to identify processes that might be candidates for modification. [See Attachment 4] Proposed modifications or new approaches to taxpayer payment acceptance and processing were then considered.

B. Findings, Conclusions, and Recommendations

The consensus of the TAC Committee is that some of the TAC's functions with respect to payment acceptance and processing should be changed to achieve the objectives of reducing repeat traffic, wait time, staff time, and the need to handle cash. In order to bring about such changes, the Committee agrees that more attractive alternatives need to be created to encourage taxpayers to utilize mechanisms for payment (particularly cash payments) other than in-person delivery to the TACs. Educating taxpayers about more attractive existing alternatives to in-person delivery was also considered by the TAC Committee to be of significant importance in reducing in-person delivery of payments to the TACs.

One primary reason for this consensus is that a major reason for dissatisfaction expressed by taxpayers about their visits to TACs

involves the promptness of service.¹⁸ A significant number of taxpayer visits to TACs involve the making of payments.¹⁹ Reducing the number of taxpayer visits for payments and reducing the time required for individual payment interactions should improve the promptness of service for all taxpayers visiting TACs. The chart below reflects the reasons taxpayers visited the TACs during fiscal year 2008 and the wait time before a taxpayer met with an IRS employee for each type of interaction:

FY 2008 Account Activity (FAMIS) Includes data from all TAC locations		FY 2008 Account Activity (Q-Matic) NOTE: All Wait Time Reports only include data from the 225 Q-Matic Branch Controllers. TACs with Q-Lite or Q-Hybrid are not included in the Wait Time Reports								
Matter	Volume	No Wait Time	1 - 30 min	31 - 45 min	46 - 60 min	61 - 90 min	90+ min	Total		
Transfer	0	3,641	7,964	1,281	759	698	368	14,711	Transfer (Account Referral Only)	
Payment	1,097,753	418,997	302,001	39,614	19,482	15,300	7,312	802,706	Payment	
Account and Entity Verification/Income/W2/1099	678,721	163,024	238,213	52,959	32,262	31,846	20,321	538,625	Account and Entity Verification/Income/W2/1099	
Notices	456,991	81,071	153,168	37,463	24,399	27,448	22,961	346,510	Notices	
Accounts (General)	746,528	159,011	238,197	56,371	36,325	38,963	29,958	558,825	Accounts (General)	
Current Year Account Work/Notices Focus	186,808	31,373	55,054	12,871	8,295	8,559	6,657	122,809	Current Year Account Work/Notices Focus	
Sum:	3,166,801	857,117	994,597	200,559	121,522	122,814	87,577	2,384,186	Sum	

Another important reason behind this conclusion is concerns with the cost of accepting cash payments as discussed earlier.²⁰ Additionally, during interviews with TAC managers the most commonly mentioned problem was handling cash. These managers categorized difficulties with handling cash as among the most significant issues that they

¹⁸ The CSS discussed above indicated a 67% level of dissatisfaction with promptness of service. A report of FY 2008 Account Activity (Q-Matic) at the TACs reported that of 802,706 taxpayer interactions involving "Payment", 418,997 had no wait time, 302,001 had 1-30 minutes wait time, 59,096 had 30-60 minutes and 22,612 waited for over an hour. This report was based upon data from the 225 Q-Matic Branch Controllers and did not include data from TACs with Q-Lite or Q-Hybrid.

¹⁹ CSS filled in by taxpayers indicated that between 14% and 24% of taxpayer visits to TACs were to "Make a Payment". Q-Matic data from all TAC locations indicated that approximately one-third of all taxpayer visits were for payments. A report of FY2008 Account Activity (FAMIS) including data from all TAC locations indicated that 1,097,753 of 3,166,801 taxpayer visits (34.66%) were for payments.

²⁰ See discussion at I. A. The Taxpayer Assistance Centers.

faced. Further, it was hoped by the TAC Committee that increased access and ease for taxpayers in making tax payments might help to decrease the tax gap.

The TAC Committee concluded that taking actions as described in the following five recommendations could have a significant impact on achieving the objectives outlined above.

RECOMMENDATION 1: Form 2290 Heavy Highway Vehicle Use Tax Payments

Recommendation: Reduce or eliminate the number of taxpayers visiting TAC offices to pay their heavy highway vehicle use taxes (Highway Use Taxes) by encouraging the use of the following alternative payment methods that may be more convenient and faster for many taxpayers than traveling to a TAC.

1. Issue new regulations or take other action to get federally chartered banks to accept the Highway Use Tax payments with Form 2290 and to provide a stamped copy of the Form 2290 Schedule 1 as a receipt.
2. Promote the use of existing commercial websites to truckers (especially those coming into the TACs to make Form 2290 payments) where they can file and receive a stamped copy of the Form 2290 Schedule 1 within a short period of time at a minimal cost.²¹
3. Promote the use of the Electronic Federal Tax Payment System (EFTPS) to pay the Form 2290 Highway Use Taxes. Be sure that brochures explaining the program are available and prominently displayed at each TAC where significant numbers of Highway Use Tax payments are currently being made.

²¹ See “2290 Excise Tax e-File and Compliance (ETEC) – Frequently Asked Questions” at <http://www.irs.gov/efile/article/0,,id=172124,00.html>. Using ETEC, Form 2290 can be e-filed through an approved transmitter/software provider. The existing commercial websites participating in this program (nine are listed as of 9/26/2009 at <http://www.irs.gov/efile/lists/0,,id=172865,00.html>) enable truckers to file Form 2290 and quickly receive a stamped copy of the Form 2290 Schedule 1 (usually within one to 24 hours) for a fee starting at \$19.99.

4. Change the applicable regulation²² or take other appropriate action to allow alternative “proof of payment” in lieu of the payment stamp on Form 2290 Schedule 1.
5. Determine whether it would be feasible to amend the relevant federal statutes or regulations *to mandate* that local government agencies must collect the Highway Use Tax at the time a truck driver comes in to register a heavy highway vehicle if the trucker does not present the Form 2290 Schedule 1 indicating prior payment.²³
6. List all methods of payment for the Highway Use Tax on Form 2290.

Rationale: The biggest payment problem in a number of TACs was from truck drivers coming in to pay Highway Use Taxes. All heavy vehicle owners are required to pay these taxes as a prerequisite to getting their state vehicle registrations. Federal regulations require state motor vehicle offices to make sure that such Highway Use Taxes are paid before the state registration is issued and owners are currently required to present a “stamped” copy of a Form 2290 Schedule 1 (to show payment has been made) to register their vehicles in any state. Owners of 25 or more vehicles must file electronically, but smaller owners may pay via several paths.²⁴

Federally chartered banks currently accept tax payments for a long list of business tax forms. Several bank managers were interviewed by TAC Committee members about accepting additional forms such as the Form 2290; those interviewed indicated that they would be agreeable to doing so and remarked that this could bring potential new customers into their banks. The TAC Committee has been advised that work is currently underway to propose the addition of many new forms for individual taxpayers to make deposits for various

²² 26 C.F.R. 41.6001-2(c).

²³ If this alternative is not politically possible or desirable from a broader policy standpoint, FA might consider identifying those TACs where acceptance of Highway Use Taxes is a significant part of the TAC’s work. FA might then attempt to get the appropriate IRS Governmental Liaison in that area to become more aggressive in encouraging the relevant state or local government agencies to enter into a Form 2290 “Alternative Proof of Payment Program Memorandum of Understanding” with the IRS. If that were achieved, the local TAC could more aggressively advertise to truckers bringing in Highway Use Taxes for payment that their local state or county agency will collect payment of the federal Highway Use Taxes at the same time that the state registration is filed.

²⁴ See 26 C.F.R. 41.6001-2 for the circumstances under which a State must require proof of payment of the Highway Use Taxes and defining a receipted Schedule 1 (Form 2290) as the required proof of payment. 23 C.F.R. 669 describes certification requirements that states must follow with respect to having obtained proof of payment for Highway Use Taxes from heavy vehicle owners. See also <http://www.irs.gov/businesses/small/article/0,,id=210979,00.html> (updated as of 7/28/2009).

taxes into this system and is of the view that the IRS should consider including Form 2290 in this initiative.

There are now a number of commercial websites available that will accept payment for the Highway Use Taxes and rapidly return a stamped copy of Form 2290 Schedule 1 to a printer for as little as \$19.99.²⁵ It is suggested that the IRS promote these website aggressively within the TACs where significant numbers of Highway Use Taxes are paid and perhaps attempt to negotiate lower costs in exchange for such promotion efforts. Given the choice of driving to a TAC, parking, and waiting for more than an hour in some cases to pay the taxes, a driver may find it cost effective to pay an approved software provider for instant service. It is believed that most drivers do not know these websites are available.

EFTPS is another IRS payment system that is not widely known. TAC offices receiving large numbers of Form 2290 payments should put more resources into promoting this option. It can be used over the Internet or by phone.

Through separate negotiations, four counties within Nebraska and Texas plus nine additional states have allowed their motor vehicle departments to collect the federal Highway Use Tax money at the same time they issue the state registrations.²⁶ These programs are operated under a Memorandum of Understanding which is essentially an agreement between the IRS and each contracting agency for the agency to collect payment of the Highway Use Taxes. This program is not well known and is rarely used. If this program were standardized across the country, and promoted, truckers would probably find it to be the most convenient way to pay Highway Use Taxes. The suggested modifications to the existing program would require (mandate) collection of the Highway Use Taxes by the local motor vehicle departments where the truckers go to register their vehicles.

It is understood that by routing payments through these other systems the IRS would not get the Highway Use Taxes money for several days and that this

²⁵ See <http://www.irs.gov/efile/lists/0,,id=172865,00.html> for a listing of nine private companies that have satisfied IRS requirements for software developers of electronic business returns to the IRS (updated as of 9/22/2009).

²⁶ Current participants in the Form 2290 Alternate Proof of Payment Program Memorandum of Understanding are the: Arkansas Department of Motor Vehicles, Delaware Division of Motor Vehicles, Idaho Transportation Department, Indiana Motor Carrier Services Division, Nebraska Department of Motor Vehicles, North Carolina Division of Motor Vehicles, South Carolina Department of Motor Vehicles, Vermont Department of Motor Vehicles, Wyoming Department of Transportation, Hamilton County Treasurer – Nebraska, Johnson County Treasurer – Nebraska, Thayer County Treasurer – Nebraska, Tax Assessor-Collector of Somervell County – Texas. See <http://www.irs.gov/businesses/small/article/0,,id=210979,00.html> .

would result in some interest lost. However, we believe that the cost of this lost interest would be a fraction of the current costs. The interest gained by the states or financial institutions would provide an offset to the cost of collecting the money.

RECOMMENDATION 2: Payment Drop Boxes

Recommendation: Install payment drop boxes nationwide in all TACs for receipt of payments made by checks or money orders. The following are proposed parameters for implementation.

1. Signage on the payment drop boxes would state that:
 - No cash may be placed in the drop box - only payments made by check or money order may be placed in the drop box.
 - An envelope must be used for each payment.
 - All information about the payment must be filled out on the face of the envelope or the IRS may not be able to process the payment.
2. Pre-printed payment envelopes would be placed prominently on top of or at the front of the drop box. These envelopes would indicate that NO cash payments are to be placed in the envelope. [See Attachment 5 for suggested format of payment envelope]
3. The TAC payment drop box should function essentially as a post office drop box (USPS mailbox) with respect to the envelopes deposited. All payment envelopes retrieved from the payment drop box should be placed in a larger envelope or box and forwarded without opening or any other processing to the IRS Processing Center.
4. The slot on the drop box through which payment envelopes are to be deposited should be only large enough to allow deposit of the IRS designed payment envelopes.
5. Taxpayers using the payment drop box should be reminded that the payments can be made through the EFTPS system or via U.S. Mail rather than requiring a personal visit to the TAC. This reminder should be reinforced through brochures available immediately adjacent to the payment lock box describing the EFTPS system.
6. The individual TACs should not be required to keep a log of payment envelopes transmitted to the IRS processing center.

7. The taxpayer would not receive a receipt for a payment placed in a drop box - taxpayers desiring a receipt would still need to wait in line with their payments and see an IRS employee in order to receive a receipt.

8. TAC Managers should not have the ability to decline installation of a payment drop box or to direct removal of an installed payment drop box.

Rationale: To the extent that payments can be accepted without human interaction, wait time for many taxpayers making payments or needing other services can be eliminated. To the extent that taxpayers with simple issues can be moved in and out of the TAC quickly, wait time for remaining taxpayers can be significantly improved.

TAC Committee members' discussions with TAC Managers generated various reactions to the idea of reinstalling payment drop boxes into the individual TACs. One TAC Manager at a large urban facility indicated that: her staff would not be concerned from a security standpoint if drop boxes were reintroduced, her staff (especially the seasoned employees) would rather have a drop box than see a customer to take a payment, payment interactions could be better/more efficiently handled by a lock box than by an ITAS, and new employees could easily handle unloading of the lock box. Conversely, a couple of TAC Managers indicated that their staffs would not be receptive to installation of payment drop boxes because of security concerns (related to fears that bombs would be placed in the drop box or dangerous substances such as anthrax would be placed in the envelope). Several additional TAC Managers expressed concerns with posting problems and too much time spent after the taxpayer leaves the premises having to call to get correct information (such as social security number or reason for payment). However, a couple of TAC Managers indicated that drop boxes had been used prior to 9/11 and appeared neutral toward the possibility of reinstallation.

It was the conclusion of the TAC Committee that utilization of payment drop boxes as recommended above has the potential to significantly decrease the number of time-consuming interactions with taxpayers. This would have the effect of freeing up staff and reducing the wait time for taxpayers for whom face-to-face interaction is more essential. While security concerns cannot be entirely discounted, the TAC Committee did not find them compelling as a reason for refusing to install payment drop boxes in the TACs. Currently, most TACs have drop boxes for CSS cards. It appears to the TAC Committee that the risk of a bomb or anthrax being deposited in a payment drop box is not greater than that of a bomb or anthrax being deposited into a drop box for CSS cards or left in a backpack on the waiting area floor. Further, it was our recollection that there has been only one significant anthrax scare in this country and that this occurred a number of years ago. Thus the realistic possibility that an IRS payment drop box

would be the site of such an attack appears to the Committee to be slight at this time.

The Committee was of the view that the benefits of the recommended approach significantly outweighed the perceived risks. Significant in this calculation was the recognition that face-to-face interactions with large numbers of taxpayers who have waited long periods of time are not risk free from the possibility of confrontations or threat.

RECOMMENDATION 3: Form 8109, Federal Tax Deposit Coupon Process for All Payments

Recommendation: The following two-part recommendation addresses the ability of taxpayers to make tax payments by offering a simplified system for all taxpayers to use existing financial institutions while expanding the opportunity for the IRS to collect a variety of taxes using the Form 8109 process.

Part 1 of Recommendation 3: The IRS should work to adapt a Form 8109 process for all taxpayers.

Rationale for Part 1: 26 U.S.C. 6302(c) allows the Secretary of the Treasury to

“...authorize Federal Reserve banks, and incorporated banks, trust companies, domestic building and loan associations, or credit unions which are depositories or financial agents of the United States, to receive any tax imposed under the internal revenue laws . . .” [emphasis added]

Current practice, however, only permits certain types of taxes to be paid under the Form 8109 process. Expansion of the Form 8109 process to all taxpayers will provide improved customer service by reducing wait and travel time, along with associated costs of parking at the TAC. Further, expansion of the Form 8109 process will improve taxpayer access to cash payments by providing more locations and hours of access (including Saturday service) and providing the taxpayer with an instant receipt.

Currently, certain entities can make tax deposits using coupons at federal depositories.²⁷ Federal regulations define which financial institutions are authorized to act as a depository:

²⁷ See generally 26 C.F.R. 1.6302 et seq.

"TT & L depository or depository means a financial institution designated as a depository by Treasury or the FRB of St. Louis acting as Treasury's Fiscal Agent, for the purpose of participating in the investment program and/or PATAX. There are three kinds of TT & L depositories: investor depositories, retainer depositories, and collector depositories."²⁸

The regulations further specify the eligibility requirements for a financial institution to be designated as a TT & L depository.²⁹ Most commercial banks around the country, approximately 10,000 banks, are designated as a federal depository. Thus, taxpayer access to a payment process is expanded well beyond the 401 TAC offices, not all of which accept cash payments.

By adapting the Form 8109 process to include all taxpayers, TAC operations will be improved. Such improvements include improvement of staff use, minimization of administrative efforts associated with cash processing by normalizing workload and overtime use, and eventually elimination of courier expense with improved customer and staff security. Most importantly, management can focus limited resources on aiding customers with tax issues and providing guidance on emerging issues (such as newly enacted laws effecting housing, the American Recovery and Reinvestment Act of 2009).

The initial costs of expanding the Form 8109 process are real but manageable. Such costs include increased work at the receiving campus, form redesign, and process revision, implementation and education.

Part 2 of Recommendation 3: Make deposit coupons more readily available or easily accessible by converting deposit coupons (Forms 8109 and 8109-B) to a form accessible online and allowing the taxpayer to print and use the forms from *irs.gov*.

Rationale for Part 2: Another barrier to expanding the Form 8109 process is the type and availability of forms. Currently, only forms printed with special inks and issued by the IRS can be used. For the greatest effect, downloadable and printable forms should be available.

Many taxpayers for various reasons choose not to use EFTPS and instead use the paper Form 8109 in-person at a financial institution to make their tax deposits and payments. When a taxpayer uses the paper Form 8109 to make its tax

²⁸ 31 C.F.R. 203.2.

²⁹ 31 C.F.R. 203.4.

payments, the IRS requires the taxpayer to use the preprinted machine-readable forms to allow automated processing of the payments. When a preprinted personalized Form 8109 is unavailable, the taxpayer can temporarily use a blank machine-readable Form 8109-B. However, according to the IRS instructions for Form 8109-B, it is to be used "...to make a tax deposit only in the following two situations.

1. You have not yet received your re-supply of preprinted deposit coupons (Form 8109).
2. You are a new entity and have already been assigned an EIN, but you have not received your initial supply of preprinted deposit coupons (Form 8109)."

While Form 8109-B is available on the IRS website, it is available for viewing only and is not available to be printed and actually used to make a tax deposit. The following warning appears with the Form 8109-B:

"This form is provided for informational purposes and should not be reproduced on personal computer printers by individual taxpayers for filing. The printed version of this form is designed as a 'machine readable' form. As such, it must be printed using special paper, special inks, and within precise specifications."³⁰

For various reasons, taxpayers find themselves in situations where they do not possess a machine-readable Form 8109-B. When a taxpayer is not located near a TAC and is at or near the deadline for making their required payment, these alternatives may make it difficult for a taxpayer to meet his tax payment obligation on time.

RECOMMENDATION 4: Forms Used in the Payment Process at the TACs

Recommendation: The IRS should conduct an analysis of the posting and processing of payments at the TACs with the objective of reducing the number of forms required. Additionally, the IRS should continue to develop and implement an automated process for payment processing in the TACs. This would include the capability of providing a receipt for every cash payment as well as payments made by check, if requested

³⁰ See <http://www.irs.gov/pub/irs-pdf/f8109b.pdf>.

Part 1 of Recommendation 4: For each payment received from a taxpayer, IRS procedures require TAC staff to complete Form 809 “Receipt for Payment of Taxes” (for cash payments), Form 3244 “Payment Posting Voucher”, and Form 795 “Daily Report of Collection Activity”. Much of the information required on each of these forms is similar. The IRS should develop and implement a system whereby these three forms are integrated with each other and once information about a payment is entered into an online form by TAC staff, the common information should auto populate to each of the three forms.

Rationale for Part 1: The process of receiving and recording payments from taxpayers requires TAC staff to complete three separate forms. The Form 809 receipt is the authorized receipt for payment of taxes and is provided upon request to a taxpayer making a payment by check or money order in a TAC and in all cases when the taxpayer makes a cash payment. If a taxpayer does not request an official receipt for a non-cash payment, but requests acknowledgement, the TAC staff may currently use a copy of the remittance stamped with a “Proof of Delivery” stamp in lieu of completing and issuing a copy of Form 809 to the taxpayer. The Form 3244 voucher is used to post the payments received to the taxpayer’s specific account. Lastly, all payments received by the TAC must be recorded on the Form 795 daily report, by the close of business the day it was received, or as soon as possible on the next business day. The TAC staff must reconcile all Form 809 receipts with the payment information on Form 795 before submitting for review or forwarding to the Submission Processing Center.

While each of these forms has some unique information requirements, much of the information required on each is common among all three forms. [See Attachment 6 for the information required on each form]

Each of these three forms is required for internal control and security purposes. However, because each of the forms contains much of the same information about each taxpayer payment received, a significant amount of TAC staff time could be saved by integrating these forms to allow the common information to auto-populate among all three of these forms when the information is initially entered online by TAC staff. Internal control and security concerns should not be jeopardized by this recommendation. Each form would continue to be completed by the responsible TAC employee who would ensure that all information remains correct and verifiable. Furthermore, the opportunity for data entry errors, resulting in misapplied payments or delayed posting of payments, is significantly reduced when this common information is required to be entered only once.

Part 2 of Recommendation 4: Check 21 technology should be researched and expanded for use in the TACs. This technology can provide receipts at the time of scanning.

As the largest payment collection agency in our country, the IRS needs to step up its implementation of Check 21 technology for processing payments. It is recognized that TAC management is in the process of implementing this system. However, there are concerns at the IRS with this implementation due to the number of errors in the check scanning process and questions as to how to apply the payments when multiple tax years are involved. As these issues are resolved, the IRS should consider expanding their implementation of the Check 21 technology throughout all TACs. It is essential to have the right tools for the job (that is, the right software and hardware solutions for this process).

Rationale for Part 2: The Check Clearing for the 21st Century Act (Check 21 Act)³¹ is a federal law that is designed to enable banks to handle more checks electronically. This should make check processing faster and more efficient. Before the Check 21 Act, banks often had to physically move original paper checks from the bank where the checks were deposited to the bank that paid them. This transportation could be inefficient and costly.

Instead of physically moving paper checks from one bank to another, Check 21 technology allows banks to process more checks electronically. Banks can capture a picture of the front and back of the check along with the associated payment information and transmit this information electronically. If a receiving bank or its customer requires a paper check, the bank can use the electronic picture and payment information to create a paper “substitute check.” This process enables banks to reduce the cost of physically handling and transporting original paper checks, which can be very expensive

Electronic check processing is not new to the financial industry and is a safe and reliable way of processing payments. It uses technology that has been developed and tested to process check information securely.

Check 21 technology has created new opportunities for financial institutions and their customers. Financial institutions that take advantage of the opportunities offer remote deposit capture to their customers, giving them the convenience of

³¹ 12 U.S.C. 5001 et seq. The Check 21 Act became effective on October 28, 2004 and was “...designed to foster innovation in the payments system and to enhance its efficiency by reducing some of the legal impediments to check truncation. The law ...permits banks to truncate original checks, to process check information electronically, and to deliver substitute checks to banks that want to continue receiving paper checks.” See http://www.federalreserve.gov/paymentsystems/check21_faq.htm (last updated October 1, 2009).

electronically depositing checks. With remote deposit capture, instead of physically transporting checks to a banking facility, customers are able to scan checks on image scanners maintained in their own offices and transmit the images to the financial institution via the Internet or dedicated telephone lines.

Banks have now made it possible for even small businesses to have a check scanner in their offices to make deposits of checks without a trip to the bank. Affordable check scanners are available to scan the check and electronically transfer the money.

Implementation of the Check 21 technology with the proper combination of software and hardware will improve IRS procedures. It will allow for faster collection of payments, faster posting to taxpayer accounts and should result in greater accuracy. It will speed up customer service at the TACs; this will then result in shorter wait times for taxpayer assistance.

The technology exists to do this. The banks are successful in using it to move funds between banks in a secure and safe fashion. Businesses are using it to make deposits of customers' funds from their business locations. The IRS should use Check 21 technology to improve their collection and posting processes of taxpayer dollars.

Part 3 of Recommendation 4: Form 809 should be automated to provide a receipt for cash payments and, upon request, for checks/money orders.

The IRS should automate Form 809 so that TAC employees can fill out the form online for cash and, upon request, for payments made by checks or money orders. A copy of the form could be printed off for the taxpayer's receipt as well as any copies needed for the local TAC office.

Rationale for Part 3: After review of the current use of Form 809 in the TACs, it was determined to investigate whether the form could be automated so that TAC employees could fill out the form online and then print a copy for the taxpayer's receipt as well as any copies needed for the local office.

One of the current problems encountered with Form 809 is that it is generally only used for taxpayers with cash payments. That means that a true receipt is not given to any taxpayer who pays with a check or money order. As an alternative, upon request the TACs give taxpayers a photocopy of the check or money order marked "proof of delivery" but many taxpayers don't feel that this is a true receipt.

Automating the Form 809 process could save time in the various procedures needed for cross checking cash payments. Time saved means better utilization of TAC employees and less wait time for taxpayers. Time would also be saved in filling out the forms as working online is generally faster than filling out forms by hand. One recent CSS of TAC customers indicated 67% of those surveyed thought that “promptness of service” at the TACs was unsatisfactory.³²

Form 809 instructions state that if a taxpayer brings in a combination of payments (cash, check or money order) for the same period, two separate 809 receipts must be issued. Using an online form for this would save time for both employees and the taxpayer.

In her June 18, 2009 presentation, Jane Brough representing FA clarified that the focus is toward the individual in the TACs. With that in mind the Committee feels anything that can be done to make the experience in the TACs a better one for taxpayers is in everyone’s best interest. The initial suggestion for this recommendation came from TAC managers who were interviewed by TAC Committee members. This suggestion was discussed in the TAC Committee’s June 2009 Face-to-Face Meeting and was determined to fit into the general assignment given to the group.

RECOMMENDATION 5: Q-Matic and Wait Time

Recommendation: The IRS should continue to: (i) refine its use of the Q-Matic system, (ii) educate customers in Q-Matic use, and (iii) develop performance information utilizing Q-Matic data.

1. The IRS is encouraged to continue use of the Q-Matic system in the TACs and to expand the receptionist role in assigning tickets to the waiting taxpayers, when practical.
2. The IRS is also encouraged to improve education through the use of signs to improve the Q-Matic process in offices where a receptionist is not available to assign tickets to taxpayers. Large prominent signs should be located immediately adjacent to the Q-Matic machine to explain how to select the service the taxpayer is there for. It should also explain not to select multiple services at one visit.
3. There should be prominent signs in all TACs explaining that taxpayers may not be helped in the order in which they arrived. Better communication to taxpayers will result in smoother operations in all of the TACs.

³² See discussion at section II.B Findings, Conclusions, and Recommendations.

Rationale: The Q-Matic system is an excellent system to prioritize the assistance of taxpayers in the local TACs. It allows taxpayers who the IRS wants to see first (for example, those making payments) to be prioritized for faster service. It provides the IRS with important information regarding the issues that taxpayers are coming to the TACs for, the taxpayers' wait times, and the time required to help the taxpayer. It allows the IRS to determine patterns of visits by taxpayers based upon the time of day that larger or smaller numbers of taxpayers are in the TACs. It is a great tool to plan for staffing at the TACs. It also allows the manager of an individual TAC to understand who is waiting in the lobby and adjust staffing accordingly to streamline taxpayer assistance.

Other organizations (such as the California Department of Motor Vehicles) also use the Q-Matic system efficiently.

In those TACs that are staffed by a receptionist the taxpayer is queried about the purpose of his visit. After determining the primary purpose of the taxpayer's visit, the receptionist then selects the Q-Matic ticket. This allows the taxpayer to be seen by a representative trained in that area and able to assist with the specific problem or issue.

Taxpayers are not necessarily seen in the order they arrive. Some of the problems with taxpayer dissatisfaction arise when taxpayers do not understand they may not be helped in the order they arrive.

Also, in the TACs that are not staffed, a taxpayer may not select the proper ticket describing the primary purpose for his visit. Or, if the taxpayer is "aware" of the prioritization based upon the ticket selected, he may push all of the buttons on the Q-Matic machine in order to be helped sooner.

ATTACHMENT 1: Document Presented by Leslye Baronich to the TAC Committee in December 2008 Outlining the Proposed TAC Payment Project

Taxpayer Advocacy Panel Issue Committee Proposal	
Topic:	Payment Process
Associated Strategic Issue	Wage and Investment Division manages all tax processing and toll-free customer service for all individual and business taxpayers as well as providing compliance and face-to-face assistance services. The mission of Customer Assistance, Relationship and Education (CARE) is to assist customers in satisfying their tax responsibilities by providing services through preferred delivery channels and continuing to provide better tax products. Many of our TAP reported issues relate to taxpayer's frustration when dropping off a payment at our Tax Assistant Centers (TAC). Due to heightened security measures, all TAC drops boxes were removed from the office. This meant taxpayers have to get Q-Matic ticket and wait to have our assistor process their payment. The taxpayers wait time increases if they have cash or request an official receipt.
Program Owner:	Leslye Baronich, Director, Field Assistance
Describe the Topic:	Improve the current payment processing system
Outline the Area(s) of Focus for the Panel	<ul style="list-style-type: none"> • Analyze and provide recommendation to improve the payment processing system in TAC offices. • Reduce taxpayer wait time when dropping off a payment. (Currently taxpayers may not drop off payment, due to 911 threats, and must take a Q-Matic ticket to be serviced. This could take up to an hour or more). • Automate or provide alternative to issuing official receipts to customers. (Form 809) Employees issue a manual receipt to taxpayers making cash payments. • Determine alternative methods of utilizing courier service in all TACs (Small TACs do not accept cash) • Reduce missed opportunities to accept payments in a TAC • Analyze the current Q-Matic ticket system for priority placement of customer making payments • Identify alternatives to the 809-receipt process. Employees holding an 809-receipt booklet are

	restricted from working certain account work. These restrictions do not allow employees to service all taxpayers.
Expectations of the Panel:	Recommend an improved process of processing taxpayer's payments and providing them with a receipt.
Term of Issue Committee:	12 months

ATTACHMENT 2: Questions Developed by TAC Committee Members Deemed Relevant for Review of the TAC Payment Processing Activities

Standardized Questions for TAC

TAC managers and TAC employees:

- 1) Could you walk me through the process that a taxpayer who just wants to make a payment goes through when entering the TAC
- 2) What if the taxpayer has cash?
- 3) What if the taxpayer has a check or money order?
- 4) What other information is required before the TAC employee can receive and receipt the payment?
- 5) What qualifies a TAC employee to receive a payment?
- 6) How many employees in this TAC are certified to receive a payment?
- 7) What kind of receipt does the taxpayer receive? For cash? For check or money order? Is a Form 809 receipt used for both cash and non-cash? Are other receipts ever issued? Is there an alternative to the Form 809 – or can there be?
- 8) Does this TAC have a courier service? How could this service be improved? Do all TAC's now have a courier service? Is it cost effective?
- 9) How would the TAC manager/employee improve the process?
- 10) How long does the “wait” generally take in this TAC?
- 11) How many payments (on average) per day are received in this TAC?
- 12) Why do you think people want to come personally to make a payment?
- 13) What is the average amount of time it takes a TAC employee to address, record, meet and answer questions of someone who wants to make a payment?
- 14) What are some of your ideas to help streamline the payment process / improve the payment process?

- 15) What could the TAC office physically do to better serve taxpayers? Do you think a computer to access own information, automated phone number, or something else could assist?
- 16) Do you think it would be helpful to have the Q-Matic ticket system separate out those who just want to make a payment from those who have questions or want their tax returns prepared? (ie. The Department of Motor Vehicles has separate “lines” for those who want to pay, renew license, take driver’s test, etc. The person comes in and punches in why they are there. The sign indicates which number is to be taken next, and the line that they go into clearly marks why they are there. This helps avoid why some numbers are taken out of sequence).
- 17) Is there a way the screener could by-pass the Q-Matic process?
- 18) Can the entire Q-Matic / Q-Lite process be streamlined?
- 19) Do you think people would be receptive to a “drop box” for payments?
- 20) If a drop box was used, do you think a receipt could be retrieved that shows a time and date so that the taxpayer can confirm something was dropped into the box? A TAC employee could then retrieve the items the next business day and verify that something was dropped into the box, confirming same, and mail it to the taxpayer.
- 21) Are people coming to the TAC to use EFTPS to make payments? Is it easy to use?
- 22) What is the type of person going to TAC centers to make payments?

Taxpayers waiting in line / or after payment is made:

- 1) How long have you been waiting?
- 2) Are you satisfied with your wait time?
- 3) Why not mail your payment? Why do you come to TAC to make a payment?
- 4) Is there anything you can think of to make your visit better?
- 5) Would you be receptive to a different method of making a payment? (mailing, EFTPS, etc.)
- 6) Do you have a computer, bank account, etc. that you could use to make an electronic payment? If yes, would you make your payments on-line (EFTPS) if and IRS employee educated you how to do it?

ATTACHMENT 3: Listing of TACs Visited by TAC Committee Members in Connection With the TAC Payment Project

TAC Area	TAP Member	TAC LOCATION	Manager	# of TAC employees
1	John Leggett	Portsmouth, NH	Jorge Diaz	3 FT/1 PT
2	Louise McAulay	Columbia, SC	Cynthia McIntyre	5
2	Louise McAulay	Florence, SC	Linda Cox	4
2	Dave Monnier	Columbus, IN	Marsha Morgan	2
2	Dave Monnier	Indianapolis, IN	Larry Lannan	11
2	Ann Spiotto	Chicago, IL	Teri Jackson	20
2	Ann Spiotto	Shiller Park, IL	Lelanny Normandi	7
2	Mary Jo Werner	La Crosse, WI (also discussed TAC operations in Eau Claire, Rothschild, and Madison, Wisconsin – 3 employees; and Rockford, Illinois)	Rebecca Facer	1
3	Dan Fretheim	Des Moines, IA	Sheryll Cheers	8 (some seasonal)
3	Tommy Thompson	Memphis, TN (also discussed TAC operations in Jonesboro, Arkansas – 2 employees; Clarksdale, Mississippi – 1 employee; and Jackson, Tennessee – 3 employees)	Ethel Morgan	10
4	Herb Bohrer	Boise, ID	Ryan Kinikin	6
4	Herb Bohrer	Idaho Falls, ID	Ryan Kinikin	
4	Herb Bohrer	Pocatello, ID	Ryan Kinikin	2
4	Dean Condor	Denver, CO	Tom Summers	16
5	Patti O'Neill	Oakland, CA	Essie Mahdee	13
5	Patti O'Neill	San Jose, CA	Jeovanna Solo	10

ATTACHMENT 4: Listing of Various Suggestions/Issues Raised by Individual TAC Managers and TAC Committee Members at TAC Visits in Connection With the TAC Payment Project

A. LIST OF SUGGESTIONS FROM INDIVIDUAL TAC MANAGERS FOR IMPROVING TAC PAYMENT PROCESSING

- 1) While one TAC manager recommended that a drop box for payments be installed at the individual managers discretion – most other TAC managers strongly disagreed with this suggestion
- 2) Implement an “express window” for accepting payments; provide an “express line” for payments
- 3) Use some type of ATM/kiosk to make payment by entering the taxpayer’s name, social security number and then depositing cash or a check
- 4) Eliminate cash payments – accept only checks or money orders
- 5) Reduce the number of payments brought into the TAC by making other more convenient channels of payment available to taxpayers, e.g., make some kind of nationwide arrangement with one major bank to accept miscellaneous individual tax payments for the IRS
- 6) Publicize alternative means of making payments, e.g., increase education efforts with respect to the EFTPS
- 7) Determine why tax professionals come into the TAC with boxes of payments and whether there are alternatives that could be attractive to such people
- 8) Accept credit card or debit card payments
- 9) Install check readers in the TACS to speed up the payment acceptance /processing process
- 10) Utilize electronic check processing
- 11) Change the Form 809 to an electronic form that the TAC representative could fill out online and then print off copies for TAC records and the taxpayers receipt
- 12) Look into what might be changed from “done by hand” to “done by computer”
- 13) Find a different procedure internally for handling payments

- 14) Consider expanding the use of the Form 8109-B to allow its use by individual taxpayers (currently business taxpayers can take this form to a participating bank and make their payments at the bank)
- 15) Make as many of the steps electronic and online as possible
- 16) Remove the fees that are assessed and make it friendlier to do Direct Debit Installment Agreements (DDIA). The fee for a DDIA is \$52. Currently, requests for installment payments costs \$105 to set up unless the taxpayer is in a low income situation where the fee is reduced to \$43
- 17) Provide Q-Matic system to all TAC offices (apparently some do not currently have this access)
- 18) Dedicate two counters to payments on the busiest days of the month for payment processing
- 19) Have the cash person have some space of their own to transact business
- 20) Have a “teller window” with at least two persons who are trained to receive and handle money
- 21) Perhaps bring back the “ring down phones”
- 22) Make sure that there is adequate parking for taxpayers to use when visiting a TAC

B. LIST OF ISSUES RAISED BY TAC MEMBERS WITH RESPECT TO THE CURRENT PAYMENT ACCEPTANCE AND PROCESSING PROCEDURES

- 1) Is taxpayer wait time generally acceptable or do taxpayers frequently wait an excessive amount of time to make a payment; if there appears to be a problem is there a “better way”
- 2) Do the benefits of accepting payments (especially cash payments) at the TACs outweigh the costs – there appear to be significant costs to the IRS in accepting payments (particularly cash payments) at the TACs in terms of
 - i) TAC employee time
 - ii) Cost of courier service
 - iii) Generally small dollar amounts of cash payments vs. cost of processing

- 3) Is the current process used to track payments from receipt until successful delivery to the IRS for processing excessively conservative; do the risks involved justify the time/money spent in assuring that no payments are lost – if this appears to be the case, could the process be simplified (see discussion of question 9 in the report on the Chicago TAC)
- 4) Are the current limitations on which employees can accept cash payments reasonable in light of the potential for taxpayer inconvenience (specifically the fact that only one or two employees at any one time can accept cash; the inability of the TAC to accept cash payments when the 809 employee is out of the office; and the fact that small TACs may not be able to accept cash at all)
- 5) What aspects of the payment acceptance and processing procedures appear most troublesome – how might they be changed
- 6) Does it make sense to use a courier service to pick up cash payments from the TACS; is the cost reasonable in light of the amounts transmitted by courier – if not, is there any other reasonable alternative
- 7) Should the TACs continue to accept payments; should the TACs continue to accept cash payments
- 8) Would it be worthwhile to study electronic payment alternatives and determine whether there is any way of applying electronic fund transfer concepts to eliminate receipt of paper checks at the TACS (e.g., initiate a direct debit for the payment; initiate an electronic check at the TAC)
- 9) Would it be worthwhile to implement a marketing campaign at the TACs to educate taxpayers about the costs of coming in person to make payments and the benefits of using an alternative method of payment – including such activities as, e.g.,
 - i) train taxpayers one-on-one while at the TAC to use alternative means of payment (e.g., U.S. mail, EFTPS);
 - ii) When the taxpayer is signing up for an installment plan, script the interaction to prompt the taxpayer to ask for an EFTPS password and pin before leaving the TAC
 - iii) In the waiting area, periodically play the EFTPS CD-ROM on the TV screen while taxpayers are waiting to be called
 - iv) Use computers placed in the waiting areas at TACs for facilitated self-help to help taxpayers request passwords and pins for EFTPS
 - v) Include information about EFTPS in public service messages that the IRS disseminates to the public
 - vi) Increase educational efforts with respect to EFTPS

- 10) Some TACS have representatives of CPAs, lawyers, etc. coming in with boxes of payments and tax documents – would it make sense to assign an employee or intern to study who is submitting payments in this manner and why; then determine whether some other method of submission might be more efficient/cost effective for both the submitter and the IRS – if so, send a representative to meet with the tax professional and educate him on this finding
- 11) Could the number of payments brought into the TAC be reduced by making other more convenient channels of payment available to taxpayers – e.g., could a nationwide arrangement be set up with a major nationwide bank to accept miscellaneous individual tax payments for the IRS (such as is done in Illinois with respect to property tax payments)
- 12) Could the IRS accept credit/debit cards
- 13) Could a check reader help to speed up the process

ATTACHMENT 5: Draft Envelope for Deposit of Payments Into Payment Drop Boxes

<p>PAYMENT ENVELOPE: DO NOT PUT CASH IN THIS ENVELOPE</p> <p>USE THIS ENVELOPE FOR PAYMENTS MADE BY CHECK OR MONEY ORDER ONLY</p> <p>PLEASE PRINT ALL INFORMATION LEGIBLY</p>		
Social Security #	Tax Year	Date Payment Delivered to IRS
Payment Amount	Taxpayer Name, Address, and Zip Code	
Daytime Telephone #	<p>Remarks:</p> <p>This Payment is for Taxes Owed and Shown on IRS Form # _____</p>	
<p>PLEASE ENSURE THAT YOUR <i>NAME</i> AND <i>SOCIAL SECURITY #</i> APPEAR ON THE FACE OF YOUR PAYMENT CHECK OR MONEY ORDER</p> <p>PLEASE INCLUDE ALL REQUIRED PAYMENT VOUCHERS IN THIS ENVELOPE WITH YOUR PAYMENT</p>		

Directions on how to print payment envelope on plain envelope stock:

OFFICE 2003

- Open Word and click Tools, Letters and Mailings, and select Envelopes and Labels.
- Click the Envelopes tab if it isn't already selected.

- Click the Options button and select the correct size envelope (a standard business envelope is size #10).
- After you have your envelope size selected, click OK to close the Options box.
- Now click Add to Document. It makes a document that's pre-formatted to fit on an envelope.
- You may need to click in the middle of the page to see where your text box area is. Once you see it, you can drag the box as big or small as you need. Then type your text (or copy and paste what you already have).

ATTACHMENT 6: Information Required by the Three Forms Utilized by TAC Offices in Receiving and Recording Payments From Taxpayers

Form 809, Receipt for Payment of Taxes

1. Taxpayer Identification Number (EIN, SSN, ATIN or ITIN)
2. Name Control
3. Category of Tax being paid
4. Tax Form Number
5. Tax Period
6. Master File Code
7. Type of Payment (cash, check or money order)
8. If cash is converted, identification of the money order or cashier's check
9. Complete name and address of the taxpayer
10. IRS employee's signature
11. Date payment is received
12. IRS employee's SEID number
13. Pre-printed receipt number
14. Designated Payment Codes
15. Assessed Amounts
16. Accrued Penalty
17. Accrued Interest
18. Fees
19. Other additional debits to the account
20. Total amount received

Form 3244, Payment Posting Voucher

1. Taxpayer Identification Number (SSN, EIN, ITIN, ATIN)
2. Tax Form Number and Master File Tax Code
3. Tax Period
4. Date payment is received
5. Complete name and address of Taxpayer
6. Payment amount
7. It is mandatory to use a Designated Payment Code
8. Total Payment
9. Remarks
10. IRS employee's SEID number
11. IRS employee's name

Form 795, Daily Report of Collection Activity

1. IRS employee's name
1. IRS employee's SEID number
2. Date payment received
3. Taxpayer's complete name
4. Taxpayer's Identification Number (SSN, EIN, ITIN, ATIN)
5. Number of delinquent returns received from the Taxpayer, if any
6. Total payment received
7. Form 809 Receipt Number, if issued