

Project Outcomes

Electronically filed tax returns increased by 13 percent in tax year 2000. Although the tax return numbers represent a significant increase over past years, they continue to fall short of the IRS' projections. The IRS initially had set its 2000 annual goal at 42 million people filing electronically; however, earlier in the tax year, they had to revise the goal to 40 million.

According to their most recent annual report:

The IRS receives and processes electronic and paper tax returns and payments to collect approximately \$2 trillion dollars annually. In FY 2000, Submission Processing conducted another successful filing season processing 212 million primary returns and issuing 92 million individual refunds.(9)

Also noted in their annual report as an emerging trend was completing and filing personal tax returns on home computers through a third-party provider. There was a 104 percent increase in this practice. The use of the electronic payment options also continued to grow in use. Through September, 2000, there were a total of 237,000 direct debit payments made; a 212 percent increase over the prior tax year. Credit card payment of taxes due also increased, with 209,000 filers using this method of payment.

Other program benefits noted are the improved quality of the data on tax returns. Error checking on paper is a time-consuming and fault-intensive process and was traditionally done by the IRS staff. Through *e-file*, the errors are checked electronically early in the life cycle. It was found that the error rate for electronically filed tax returns was one percent, compared to a 20 percent error rate for paper returns. Faster cycle time for the entire process is also a benefit to the IRS, the tax payer, and the tax preparer community.

The Tax Advocate Service of the IRS monitors the pulse of IRS customers. It gets feedback on the income tax return process from citizen advocacy panels. Opinions on the process are solicited from the external stakeholder community, as well as from the internal IRS staff who are actively engaged in this process. The complexity of the tax law remains the number one complaint of the users of the system. This includes the complexity of both individual tax law and business tax law. The inability to access the IRS toll-free information number was also on the top twenty list of complaints.

The ETA is attempting to fix this last complaint by moving the help function to the web. They have increased the implementation and use of customer service technologies such as enabling tax payers to submit questions to Customer Service Representatives using email, receiving responses by email. The IRS found that the questions that are submitted electronically are very similar to those asked over the phone line help function. The ETA is also constantly enhancing the Digital Daily to provide more relevant and useful information before the tax payer even has a question. The web site has also been recently revamped so that the customers are no more than 3 clicks away from answers.

A final note here, again from the IRS annual report. The IRS participates in the University of Michigan Business School's National Quality Research Center's Index of satisfaction with U.S. government. The most recent Index shows that the score for the IRS has improved 11 percent from last year and 22 percent since 1999. The IRS believes that these high scores reflect the satisfaction among individuals preparing and filing tax returns electronically.

(9) Internal Revenue Service Annual Report Fiscal Year 2000. Available on the World Wide Web at <http://www.irs.gov/pub/irs-pdf/p3385.pdf>.