

# GAO Highlights

Highlights of [GAO-23-105552](#), a report to the Chairman, Subcommittee on Tax, Committee on Ways and Means, House of Representatives

## Why GAO Did This Study

IRS's ADR programs are intended to resolve disputes over taxes owed and to be paid between IRS enforcement staff and taxpayers more quickly and at lower cost than using the IRS appeals process or litigation. The National Taxpayer Advocate has reported that the use of ADR programs has steadily declined, while resolving disputes through the IRS appeals process is taking longer.

GAO was asked to review how IRS manages its ADR programs. This report describes IRS's ADR programs and evaluates ADR data as well as IRS's management of its ADR programs. GAO reviewed IRS ADR procedures, guidance and data; interviewed IRS and other government agency officials; and held focus groups with taxpayer representatives.

## What GAO Recommends

GAO is making eight recommendations to improve how IRS manages its ADR programs, including that IRS should improve its ADR data collection, establish clear program objectives, analyze data to better achieve ADR's benefits, monitor taxpayers' experience to assess ways to improve it, and establish responsibilities and tasks for managing ADR programs. IRS generally agreed with the recommendations.

Revised June 7, 2023 to correct page 10. The corrected section should read: 'From fiscal years 2013 through 2022, data from the Appeals Centralized Database System (ACDS) show that use of ADR programs fell by 65 percent.'

View [GAO-23-105552](#). For more information, contact Jessica Lucas-Judy at (202) 512-6806 or [lucasjudj@gao.gov](mailto:lucasjudj@gao.gov).

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## TAX ENFORCEMENT

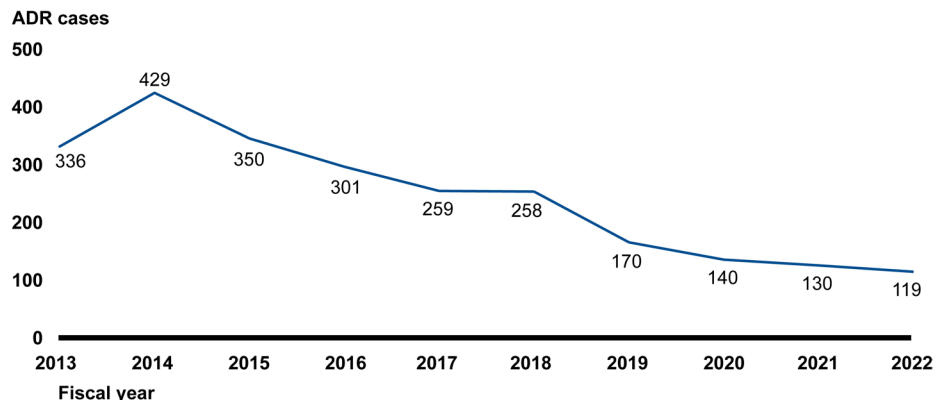
### IRS Could Better Manage Alternative Dispute Resolution Programs to Maximize Benefits

#### What GAO Found

The Internal Revenue Service (IRS) offers six alternative dispute resolution (ADR) programs providing mediation to expedite resolution and avoid lengthy traditional appeals and litigation processes. ADR can potentially benefit both IRS and taxpayers by reducing the time and costs to resolve disputes while increasing certainty for taxpayers in meeting their tax obligations.

From fiscal year 2013 to 2022, IRS used ADR programs to resolve disputes in less than half of one percent of all cases reviewed by its Independent Office of Appeals, which is responsible for tracking and implementing all IRS ADR programs. During that period, use of ADR fell by 65 percent. Beyond these data on ADR usage, IRS does not have the data necessary to manage the ADR programs, such as data on taxpayer requests to use ADR; IRS' acceptance or rejection of those requests; and the results from using ADR, including rate of resolution, time, and costs. Although IRS does not know definitively why ADR usage has declined, potential reasons include that taxpayers do not perceive the benefits of using ADR, according to IRS officials.

Alternative Dispute Resolution (ADR) Cases Closed Annually, Fiscal Years 2013 to 2022



Source: GAO analysis of the Internal Revenue Service data. | GAO - 23-105552

IRS is missing opportunities to use several management practices for its ADR programs to help increase taxpayers' willingness to use ADR as well as maximize the programs' benefits. IRS does not have clear and measurable objectives for its ADR programs that contribute to achieving IRS's strategic goals and objectives, such as its ability to resolve disputes over specific tax issues and reduce the investment of time and money to do so. IRS does not analyze data to assess whether ADR is achieving benefits such as resolving disputes over specific tax issues and reducing the investment of time and money to do so. IRS has not regularly monitored the taxpayer experience with ADR to address problems in real-time. Absent this information, IRS cannot assess how to improve taxpayers' willingness to use ADR as well as their experience in resolving tax disputes. In addition, IRS cannot take action on these missed opportunities to maximize ADR benefits because IRS has not established specific responsibilities and related tasks for consistently managing all elements of the ADR programs.